



BANCO DE MÉXICO

## Frequently asked questions

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### **How is the peso/US dollar exchange rate determined?**

The exchange rate is determined freely in the market without the authority's intervention; that is, under a floating exchange rate regime. The Foreign Exchange Commission, composed of officials from the Ministry of Finance and Banco de México, and which is responsible for Mexico's foreign exchange policy, may entitle Banco de México to carry out operations in the foreign exchange market if the Commission regards it as necessary.

### **What type of exchange rate is used to buy or sell US dollars in foreign exchange offices and banks?**

The exchange rate used by foreign exchange offices and banks depends on the exchange rate in the interbank market, the amount to be exchanged, and the intermediaries' transaction costs. The greater the competition in the market where US dollars are sold or bought, the lower the transaction costs.

### **What type of exchange rate is used to obtain the equivalence for non-US dollar currencies (for example, the euro) in pesos, and how is it calculated?**

The US dollar parity against other currencies, for example, the euro, is the amount of US dollars paid for one euro. The peso/euro parity is determined by multiplying the peso/dollar exchange rate by the dollar/euro exchange rate. The exchange rates used for these calculations are published by the different central banks on their web sites, considering that these exchange rates are usually used for wholesale (48-hour) operations. Nevertheless, they can also be obtained from any other well-known source such as the links to [currency rate calculators](#) provided at Banco de México's web site.

### **Where can the exchange rate be consulted?**

There are several sources where the peso/dollar exchange rate can be consulted. The U.S. reference peso/dollar exchange rate is published all banking days from 12:00 p.m. onwards, on Banco de México's web site ([www.banxico.org.mx](http://www.banxico.org.mx)). This same exchange rate is published a day later in the Official Federal Gazette. Historical data on this exchange rate can also be consulted on Banco de México's web site and in its library. Most commercial banks and commercial information systems also publish exchange rates on their web sites.



BANCO DE MÉXICO

### **Why are there different peso/US dollar exchange rates?**

Different types of exchange rates are published because in Mexico the exchange rate is determined freely in the market and it fluctuates every day (and during the day) depending on supply and demand. Another reason is that since there are different types of operations in terms of market, amounts, and maturity, depending on transaction costs, different exchange rates are used.

For example, the Fix exchange rate is a reference used to settle operations the second working day following the settlement date, and is published every day on Banco de México's web site. The Fix exchange rate is an average of wholesale market quotes obtained from electronic trade platforms and other electronic sources that are representative of the foreign exchange market. These quotes are collected three times a day, between 9:00 am and 12:00 pm, and the resulting average is the exchange rate known as the Fix.

In contrast, the 48-hour exchange rate (also published by Banco de México on its web site) is a sample of the prevailing values or wholesale transactions (and also used to settle operations the second banking working day following the settlement date) among banks, brokerage houses, foreign exchange offices, and individuals.

Finally, the exchange rates offered by foreign exchange offices can differ significantly from the 48-hour and the Fix exchange rates because foreign exchange offices carry out retail operations and their prices depend on both their transaction costs and the level of competition among them.

### **What is the definition of the Fix, 24-hour interbank exchange rate, 48-hour interbank exchange rate, and the spot, and what are the differences among them?**

The Fix is a peso/dollar reference exchange rate. This exchange rate is calculated by Banco de México's Domestic Exchange Office and published every day from 12:00 p.m. onwards on Banco de México's web page. The same information is published one working day later in the Official Federal Gazette.

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BANCO DE MÉXICO

It is possible to agree to dollar obligations in Mexico at any reference exchange rate. However the Fix is used by many participants to set a reference for their transactions.

The interbank exchange rate is that which corresponds to operations among financial intermediaries, generally commercial banks, as opposed to what an individual (for example) can obtain at a retail bank's window. The difference in the levels of these rates is explained by the difference in transaction costs.

The terms "24-hour," "48-hour," and "spot" refer to settlement periods. The interbank dollar market operates mostly on a 48-hour settlement schedule. For example, if an operation is agreed upon today, the charges and credits to the accounts of the buyer and seller are effective in 48 hours. The same is true for the 24-hour and same-day transactions. These three maturities: same day, 24-hour (overnight), and 48-hour, are known collectively as the cash market. The term "spot" is used to refer to the most common settlement period, which in the case of the peso/dollar is 48 hours.

**For more information, please consult the following link (available only in Spanish):** [Disposiciones publicadas en el Diario Oficial de la Federación el 22 de marzo de 1996.](#)

### **What does it mean to settle obligations in foreign currency in Mexico?**

It means that holders of obligations denominated in dollars that must be paid in Mexico, are required to accept pesos when the debtor chooses not to deliver the payment in foreign currency.

### **Is there any place where I can obtain information on the expected exchange rate?**

Banco de México does not make exchange rate projections. However, on a monthly basis, on its web page ([www.banxico.org.mx](http://www.banxico.org.mx)), it publishes private analysts' expectations for different variables (available only in Spanish) ([Resultados mensuales de la encuesta sobre las expectativas de los especialistas en economía del sector privado sobre las principales variables económicas](#)).

### **Where can I obtain information on exchange rates for other currencies relative to the peso?**

Banco de México's website provides links to [currency rate calculators](#) that allow users to look up the peso exchange rate against other currencies.



BANCO DE MÉXICO

On the other hand, [every month](#) Banco de México publishes different exchange rates for the peso on its web page using the last working day's quotes in the wholesale market.

### **How does Banco de México implement dollar sales in the exchange market?**

Except for extraordinary situations, Banco de México carries out dollar sales via auctions in which only domestic banks may participate. The specific characteristics of these auctions (time, amounts, type of auction, allotments, etc.) have changed depending on the type of mechanism used. The different kinds of mechanisms are described in the following link: [Banco de Mexico's Foreign Exchange Market operations](#). Banco de México publishes the exchange rates at which the auctions are carried out on its web page. The Foreign Exchange Commission can also give Banco de México the authority to carry out direct dollar sales if it considers this necessary. The characteristics of these direct interventions are found at: [Direct Operations](#). Banco de México's activity in the foreign exchange market is always carried out on terms that are congruent with wholesale market conditions.

### **Who makes the decision to implement Foreign Exchange Market Operations?**

In foreign exchange rate matters, Banco de México acts in accordance with the guidelines established by the [Foreign Exchange Commission](#), which is made up of the Secretary and Undersecretary of Finance and Public Credit, another Undersecretary of the aforementioned Ministry appointed by the corresponding Secretary, the Governor of Banco de México and two more members of the Board of Governors designated by the Governor. The members of the Foreign Exchange Commission do not have alternates.

### **Is it possible for an individual or a company to participate in Banco de México's US Dollar auctions?**

Only banks can participate in [Banco de México's auctions](#). Individuals and companies are not entitled to operate with Banco de México. In case an individual or a company needs to buy dollars it should conduct its operations with banks or currency exchange offices.

### **Which Banks have been sold US dollars at Banco de México's auctions?**

The names of banks that have bought US dollars at Banco de México's auctions are part of the information that is protected by bank secrecy (article 117 of the



BANCO DE MÉXICO

Credit Institutions' law). For this reason, Banco de México classifies such information as reserved and is not entitled to publish it.

**What does Banco de México do with the pesos obtained from the US dollar auctions?**

The pesos obtained from the sales of US dollars into the market are sterilized through open market operations. It is worth noting that sterilization refers to the series of measures aimed at compensating liquidity excesses and shortfalls (deficits) which have short and long-term impacts on commercial banks' current accounts at the central bank.

**How was the Swap between Banco de México and the FED carried out?**

Under this mechanism, the Federal Reserve deposited US dollars to Banco de México in exchange for an equivalent deposit in pesos by Banco de México to the Federal Reserve. When the agreement expired, both currency flows were reversed. The US dollar resources obtained by Banco de México were used to carry out credit auctions among domestic banks and were used only once on an auction that took place on April 21, 2009 ([more information](#)).

**What have been the main sources of international reserves accumulations?**

The main sources for international reserves have been US dollars sales by Pemex and the Federal Government to Banco de México.