



Presentation
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Markets Traditionally Centralized



Multiple Markets

- Regulation NMS in the United States
- MiFid in Europe
- Comisión Nacional Bancaria y de Valores
- Order Routing Strategy Required

Mexico Rules appear Principles Based

1/ Price



2/ Available Quantity



3/ Likelihood of Execution

Strategy must be based on accurate Information

As a preliminary matter, in order to make an informed routing decision, a broker will need access to accurate market data, so as to be able to compare available bid and offers on both exchanges.

There is no consolidated tape or quote system in Mexico.

A Suggested Strategy

**Preferred exchange in
the case of a tie**

BMV | BIVA

**Peso benefit to forgo to
improve likelihood of full
execution of an order**

Fixed Peso Amount

Hypothetical Market

Consolidated Quote for Symbol XYZ					
Bids:			Offers:		
Consolidated	3000	27.61	Consolidated	2000	27.63
BMV	2000	27.61	BMV	2000	27.63
BIVA	1000	27.61	BIVA	--	--
Consolidated	4000	27.6	Consolidated	5000	27.64
BMV	2000	27.6	BMV	2000	27.64
BIVA	2000	27.6	BIVA	3000	27.64

Possible Scenarios

1. Broker receives an order to buy 1000 shares of XYZ at the market:

- Route the order to BMV, because BMV is showing the best offer and there is sufficient quantity to satisfy the order in full. (Decision made solely using the "Price" principle)

2. Broker receives an order to buy 3000 shares at the market:

- Route 2000 to BMV ("Price" principle) and 1000 shares to BIVA. BIVA is chosen because it is offering more quantity than BMV at 27.60 (3000 versus 2000), and BIVA is thus chosen based on the Available Quantity principle.

3. Broker receives an order to sell 4000 shares at the market:

- Route 2000 shares to BMV and 1000 shares to BIVA (Price and Available Quantity principles). Then route 1000 shares to BIVA because the broker has specified BIVA as its preferred exchange as a tiebreaker because price and quantity bid for at 27.60 is the same on both exchanges.

Hypothetical Market II

Consolidated Quote for Symbol XYZ						
Bids:			Offers:			
Consolidated	3000	27.61	Consolidated	2000	27.63	
BMV	2000	27.61	BMV	2000	27.63	
BIVA	1000	27.61	BIVA	--	--	
Consolidated	4000	27.6	Consolidated	10000	27.64	
BMV	2000	27.6	BMV	--	--	
BIVA	2000	27.6	BIVA	10000	27.64	

Possible Scenarios

4. Broker receives an order to buy 9000 shares at the market:

- This decision is a bit more complicated and the “Likelihood of Execution” principle is relevant in this scenario. If the broker routes 2000 share at 27.63 to BMV and 7000 share to BIVA at 27.64, he will have acted in accordance with the “Price” and “Available Quantity” principles, but there is a possibility that someone with a very fast quote feed might anticipate the buying interest and take the 10000 shares at 27.64 ahead of our customer and drive up the market price. Thus it might be better for the customer, in accordance with the “Likelihood of Execution” principle to route the entire offer to BIVA. If the broker did this, he would forgo a benefit of $2000 * (27.64 - 27.63) = 20$ Pesos. In this example, the broker has configured the system to forgo a 1000 Peso price improvement in favor of likelihood of execution. Because the price improvement is only 20 Pesos, the entire 9000 share order will be sent to BIVA, because the price improvement of 20 Pesos is not considered significant in light of the risk that the order might not be executed if the first 2000 is sent to BMV.

Possible Scenarios

5. Broker receives an order to buy 3000 share with a limit price of 27.62.

- The order will be routed to BMV as that exchange is showing the best, i.e. the lowest offer. ("Price" principle)

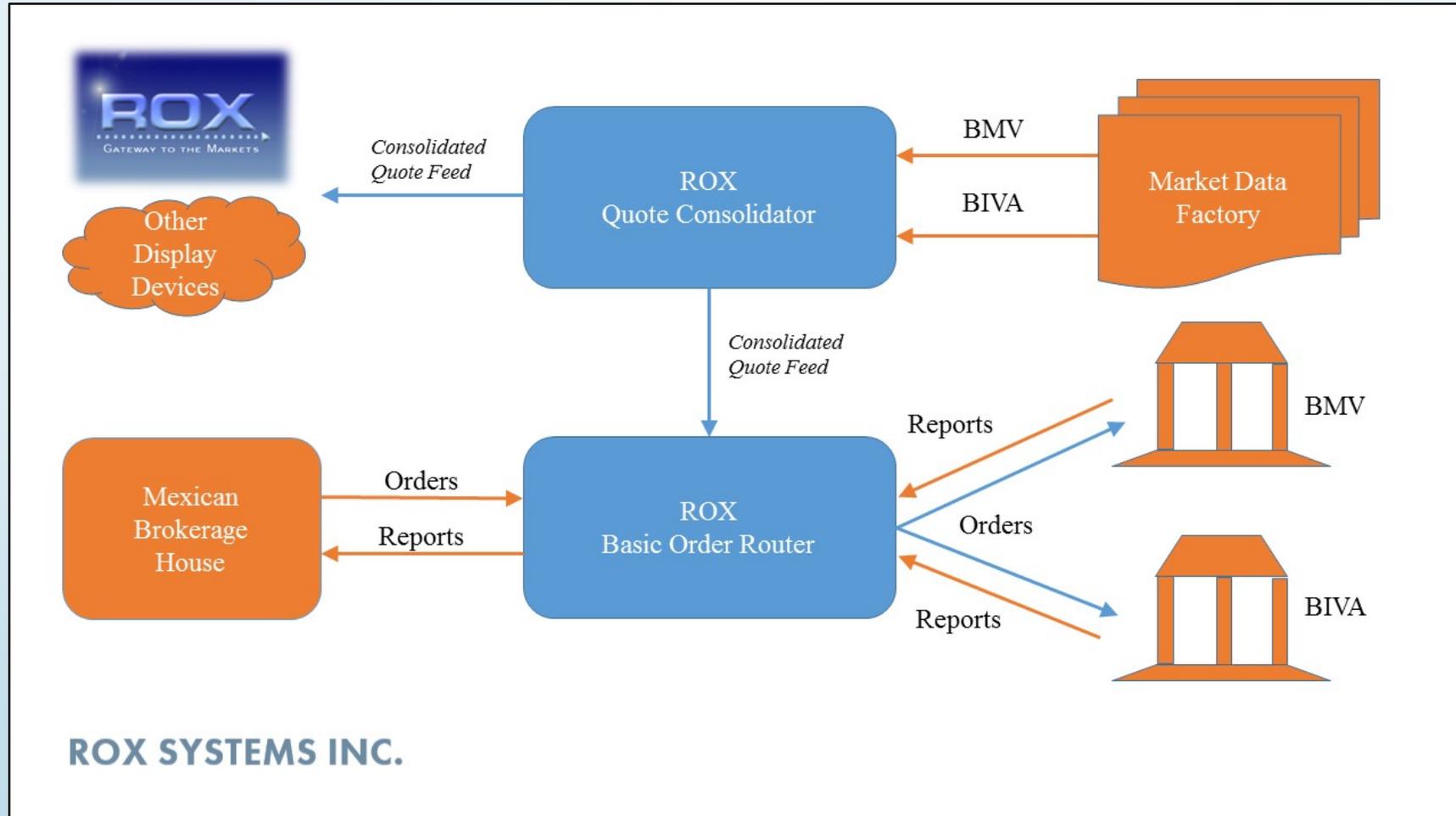
6. Broker receives an order to sell 12000 share with a limit price of 27.62

- Send 8000 share to BMV and 4000 shares to BIVA, because BMV is bidding for twice as many shares as BIVA (Quantity Available principle). Note that if many Mexican brokers follow the practice of sending their orders to the exchange showing the large bids and offers there will be an incentive for market makers to show larger size which in turn will increase the overall liquidity of the market and make the Mexican exchanges more attractive for investors.

Recordkeeping

For audit purposes all orders need to be recorded and take a snapshot should be taken of the market. There is a need to record where the order was sent and describe the logic leading to the decision. This will allow any broker to explain his rationale to the customer or regulator upon audit of the broker's best execution obligation.

ROX SYSTEMS Solution





THANK YOU