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#52374

**Date:** May 05, 2023

**Subject:** Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México – ADR Termination/Anticipated Cash Settlement  
Option Symbol: BSMX  
Date: ???  
\* \* \* Update \* \* \*

On April 10, 2023, Banco Santander S.A. announced the expiration of concurrent cash tender offers in Mexico (the “Mexican Offer”) and the United States (the “U.S. Offer”) to acquire all of the issued and outstanding Series B Shares (“Shares”) and American Depositary Shares (“ADSs”) of Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México (“BSMX”).

As a result, on April 13, 2023, Citibank, N.A. (the “Depository”) announced it will terminate the Amended and Restated Deposit Agreement among BSMX, the Depository, and holders of the ADSs. The termination will become effective on May 15, 2023 (“Termination Date”). The last day of trading on the NYSE was May 4, 2023.

Banco Santander and BSMX intend to deregister the Series B Shares, which underly the BSMX ADSs, and delist such Shares from the Mexican Stock Exchange. Banco Santander and BSMX will incorporate a repurchase trust (a “Repurchase Trust”) on the date of the deregistration of the Series B Shares. Holders of Series B Shares that remain outstanding will have the right to sell their Shares to the Repurchase Trust at any time during a period of six (6) months from the date the Repurchase Trust is incorporated for the same cash consideration that they would have received during the Mexican Offer (the “Statutory Sell-out”).

The Depository intends to sell the applicable Series B Shares and any other deposited property underlying ADSs, not previously tendered in the tender offer or cancelled at the instruction of the holders thereof, to the Repurchase Trust in Mexico during the term of the Statutory Sell-out, and distribute such sales proceeds to registered holders of ADSs, net of applicable fees, taxes and expenses.

**The sale by the Depository to the Repurchase Trust during the Statutory Sell-out period of the Shares underlying ADSs is expected to result in the application of the 25% tax rate to the proceeds of such sale. Holders of ADSs who wish to avail themselves of the applicable tax benefits of the tax treaty between Mexico and the United States, will need to cancel their ADSs to receive the corresponding number of Shares in Mexico prior to the Deposit Agreement Termination Date and work with their broker and other financial institution in Mexico to arrange for the sale of the Shares to the Repurchase Trust during the Statutory Sell-out period and provide any applicable documentation. Any such cancellation of ADSs will be subject to the applicable ADS cancellation fee of US\$0.05 per ADS cancelled.**

**Exercise Consideration** - At the time of the contract adjustment, the deliverable for adjusted BSMX options will be 100 x the cash proceeds received per BSMX ADS, less applicable fees and withholdings, if any.

BSMX call option holders who wish to receive the ADSs and who do not wish to receive the cash proceeds from the sale of ADSs should exercise their options in sufficient time. In all cases, it is the sole responsibility of persons holding call options seeking to receive the underlying securities to determine when to exercise their options.

**The option symbol BSMX will not change.**

**Date:** ???

**New Deliverable**

**Per Contract:** 100 x the cash proceeds received per BSMX ADS, less applicable fees and withholdings, if any

**Settlement:** **BSMX options will be subject to delayed settlement beginning May 5, 2023, pending the determination of the cash proceeds paid per BSMX ADS, less fees and withholdings, if any.**

Settlement in BSMX options will take place through OCC's cash settlement system. Settlement will be accomplished by payment of the difference between the extended strike amount and the cash deliverable.

**Acceleration of Expirations**

Pursuant to OCC Rule 807, equity stock option contracts whose deliverables are adjusted to call for cash-only delivery will be subject to an acceleration of the expiration dates for outstanding option series (See OCC Information Memo 23988).

**Expiration Processing**

If an OTC trading market does not develop for BSMX ADRs following the delisting of the shares from NYSE, OCC may elect to remove automatic exercise thresholds for BSMX options in OCC's expiration processing. If this occurs, holders of expiring BSMX options will be required to independently ascertain the value of the BSMX securities and issue positive instructions to exercise any expiring options.

**Special Risks**

If an OTC trading market does not develop or is not sustained, it is uncertain if the National Securities Clearing Corporation (NSCC) will continue to accept for settlement BSMX options exercise and assignment activity. If these circumstances cause impairments in the ability of OCC to settle BSMX options exercise and assignment activity, OCC may take the following actions: 1) if BSMX ADRs are only transferrable to the Depositary, OCC **may** delay settlement of BSMX options exercise and assignment activity until the final net cash liquidation amount is available, or 2) if BSMX ADRs remain transferrable, OCC may direct that the BSMX options exercise and assignment activity be settled on a broker to broker basis through OCC's system; however, OCC **may** delay the settlement obligations of both the delivering and receiving parties if the delivering party is not able to effect broker to broker settlement on the original exercise settlement date. **Such a delay in settlement may extend until the final BSMX cash proceeds amount is determined, after which time the unsettled obligations would settle for cash.**

The possible absence of an OTC trading market for the BSMX ADRs and the possibility that BSMX options exercise and assignment activity may be delayed until the final cash proceeds amount is determined poses possible risks for BSMX options exercisers and assignees: If subject to delayed settlement, an exerciser or assignee may be impaired in ability to protect themselves from a decrease or increase in the value of the BSMX deliverable which occurs from the original exercise date to the date the final cash proceeds amount is determined. Under normal circumstances, an offsetting sale or purchase could be effected in the marketplace to protect against the increase or decrease in value of the deliverable security. But if a market for the BSMX ADRs does not exist, price protection may require a purchase or sale of Banco Santander Mexico, S.A shares on the home market.

## **Disclaimer**

This Information Memo provides an unofficial summary of the terms of corporate events affecting listed options or futures prepared for the convenience of market participants. OCC accepts no responsibility for the accuracy or completeness of the summary, particularly for information which may be relevant to investment decisions. Option or futures investors should independently ascertain and evaluate all information concerning this corporate event(s).

The determination to adjust options and the nature of any adjustment is made by OCC pursuant to OCC By-Laws, Article VI, Sections 11 and 11A. The determination to adjust futures and the nature of any adjustment is made by OCC pursuant to OCC By-Laws, Article XII, Sections 3, 4, or 4A, as applicable. For both options and futures, each adjustment decision is made on a case by case basis. Adjustment decisions are based on information available at the time and are subject to change as additional information becomes available or if there are material changes to the terms of the corporate event(s) occasioning the adjustment.

**ALL CLEARING MEMBERS ARE REQUESTED TO IMMEDIATELY ADVISE ALL BRANCH OFFICES AND CORRESPONDENTS ON THE ABOVE.**

For questions regarding this memo, please email the Investor Education team at [options@theocc.com](mailto:options@theocc.com). Clearing Member Firms of OCC may contact Member Services at 1-800-544-6091 or, within Canada, at 1-800-424-7320, or email [memberservices@theocc.com](mailto:memberservices@theocc.com).