



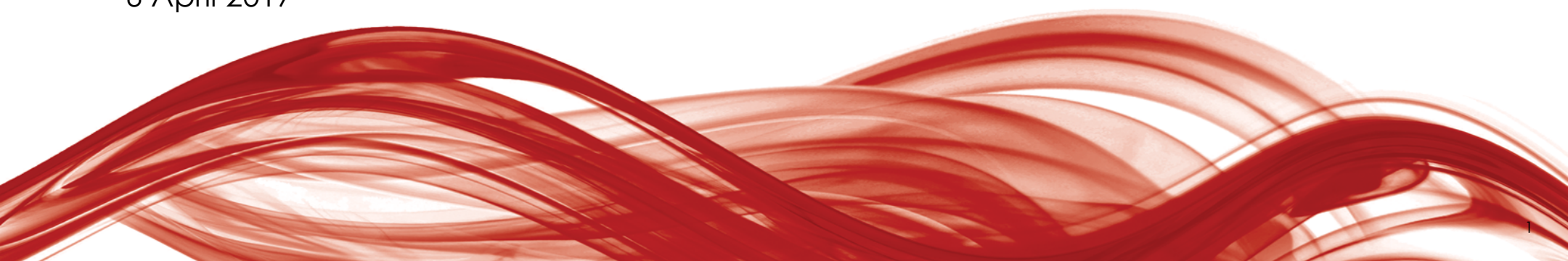
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# To Euroclearability and beyond...

**Theme 2: Initiatives of Euroclear in the region with CSDs expanding their value proposition**

La Paz

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# What is 'Euroclearability'?



## Euroclearability

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*(definition being added)* From Wikipedia, the free encyclopedia

**Euroclearability** describes the ingredients needed for a local capital market to provide

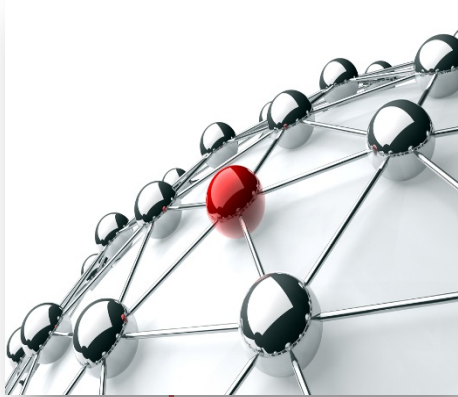
- local issuers and investors with an easy and efficient access to international liquidity, and
- international investors with an easy and efficient access to the local capital market

This term was originally coined by international investors



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# Access to the Euroclear ecosystem of international liquidity and investors



- ❑ International Financial Market Infrastructure (FMI)
  - AA+ rating
  - Access to 46 markets and 51 currencies
  - €675 trillion annual turnover
  - €28 trillion under custody
  - €1 trillion used as collateral
  
- ❑ Large and diverse client base
  - Over 2,000 financial market participants from over 90 countries
  - Over 100 central banks and supranationals
  - 90% of the world's top 50 banks



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# Benefits of Euroclearability



- ❑ Access to a broad and international investor base & liquidity pool
- ❑ Lower cost of borrowing for domestic issuers
- ❑ Increased domestic market liquidity
- ❑ Inclusion / higher weight in local market bond indices
- ❑ Ability to use local currency bonds as collateral



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# Ingredients for Euroclearability



- Recognition of FMI concept
- Recognition of foreign nominee concept
- Omnibus account structure (securities & cash)
- Clear settlement finality framework
- Recognition of offshore settlement
- Efficient withholding tax procedures
- Freely convertible and transferable currency
- No market barriers for foreign investment



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# Euroclearability in the Americas





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# Bringing Euroclearability to Chile

## BEFORE

Low participation of foreign investors in local bond market (<5%)

Very low weight in local market bond index (<1%)

Pro-rata based tax on transactions

Central Bank regulations forcing segregated account setup

## Added ingredients

Changes to tax law to implement record date based taxation

Changes to Central bank regulations to recognize ICSD omnibus account setup

## AFTER

Record >20% participation of foreign investors in the first Euroclearable bond (government bond issued in Jan 2017)

Legacy government bonds became Euroclearable as of Feb 2017

Bond indexes considering to increase weight for Chilean government bonds in 2017



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# Bringing Euroclearability to Perú

## BEFORE

Foreign investments mainly via international Bonos Soberanos issued under US global, Eurobond and GDN structures

Low direct participation by foreign investors in local Bonos Soberanos (<15%)

Low liquidity of local bonds and low weighting in major EM bond indices

Nominee concept not recognized

No off-shore settlement of domestic local bonds

## Added ingredients

Amendment of the securities law to recognize the nominee concept

Changes to regulations (Bonos Soberanos & Securities Clearing and Settlement Institutions) to recognize foreign FMIs and allow off-shore distribution / settlement of the local currency bonds

## AFTER

(expected)

Reduced reliance on GDNs and external debt structures by increasing domestic issuances (rebalance existing GDNs and international structures into domestic local currency bonds)

Enhanced liquidity of the local bonds as can also be used as collateral in Euroclear

Potential increased weighting in EM bond indices





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## ...and beyond



CAVALI

- ❑ How easy (or difficult) has it been to put Euroclearability in place ?
- ❑ Which benefits have already materialized in your respective countries ?
- ❑ Relevance of Euroclearability for governments to manage their public debt : just an alternative financing channel or more ?
- ❑ Other services or products which can be developed / integrated onto Euroclearability ?
- ❑ Overview of the changes and used approach to implement Euroclearability
- ❑ Other cooperation initiatives Euroclear could / should provide in Latin America ?
- ❑ Other initiatives in Euroclear's current pipeline for the region and beyond ?