



Superintendencia Financiera de Colombia

Superfinanciera, Primera en Transparencia





ACSDA's General Assembly

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Superintendent of Financial Institutions of Colombia

Cartagena de Indias, March 30th, 2012

- 1. Financial Market Infrastructures (FMIs) in Colombia - Overview**
- 2. Role of the Supervisor**

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2. Role of the Supervisor

Securities and Commodities



Act 964 of 2005

Market Activities:

- Depositary of Securities;
- Management of securities trading, settlement and payment systems. Also, the register of securities and derivatives;
- To provide securities information

Decree 1511 of 2006
Agricultural Stock Exchanges and their settlement systems

Decree 1456 of 2007
Settlement Systems of Securities

Decree 2893 of 2007
Central Counterparty

Decree 1120 of 2008
Trading Systems and Registration of Operations

Decree 4808 of 2008
Stock Trading Systems

Decree 3690 of 2010
Securities Depositories

Decree 3886 of 2009 & 4087 of 2010
Quotation Systems of Foreign Securities
(SIC and MILA)

* The mentioned decrees were incorporated in the Decree 2555 of 2010.

FX (Central Bank Regulation)

Trading and Registering of Systems

External Resolution 4 of 2009

External Resolution 10 of 2009

External Resolution 12 of 2009

*External Circular
DODM 317 of 2011*

Settlements Systems

External Resolution 4 of 2006

External Resolution 5 of 2007

External Resolution 1 of 2011

*External Circular
DODM 295 of 2008*

Central Counterparties

External Resolution 12 of 2008

External Resolution 6 of 2009

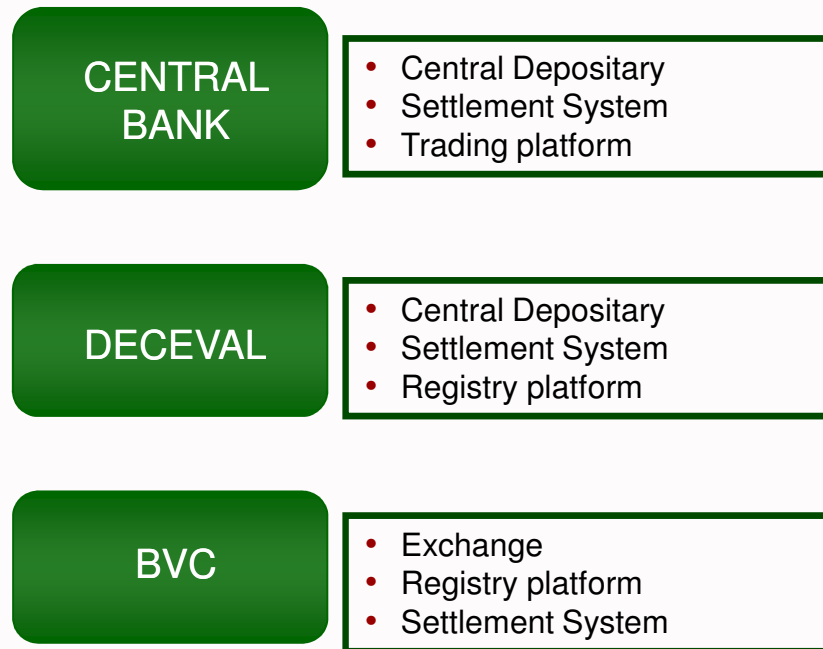
*External Circular
DODM 316 of 2009*

In Colombia, FMIs are not only the settlement and central counterparty institutions, also the trading and registry platforms are part of these segment. All of them are supervised by the SFC.

INSTRUMENTS		TRADING AND REGISTRY PLATFORMS		CENTRAL DEPOSITARIES	SETTLEMENT SYSTEMS	CENTRAL COUNTERPARTY
Fix income	wholesale market	SEN (Central Bank)	Electronic	DCV (Central Bank)	DCV (Central Bank)	
	retail market	MEC ICAP GFI Tradition Deceval (registry)	Electronic Hybrid Hybrid Hybrid Electronic	DCV Deceval	DCV Deceval	
Stocks		BVC	Electronic	Deceval	Deceval	
Derivatives	Underlying Asset	BVC	Electronic	NA	CRCC	CRCC
	Energy	Derivex	Hybrid	NA	CRCC	CRCC
FX	Spot	SET-FX ICAP Tradition	Electronic Hybrid Hybrid Hybrid	NA	CCD - FX	
	Derivatives	GFI				

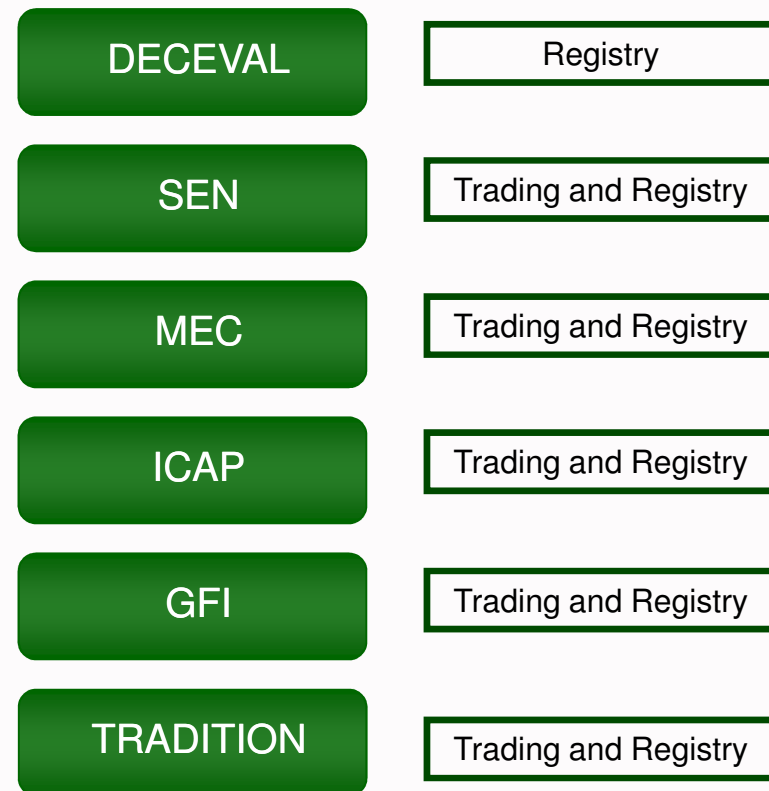
Activities:

As it is showed, in Colombia some FMIs develop different activities under the same regulatory framework, but with differences on operational appliances and technologies:



Market Fragmentation:

Fix income operations are performed on different platforms which means that there is a high fragmentation of information and liquidity:

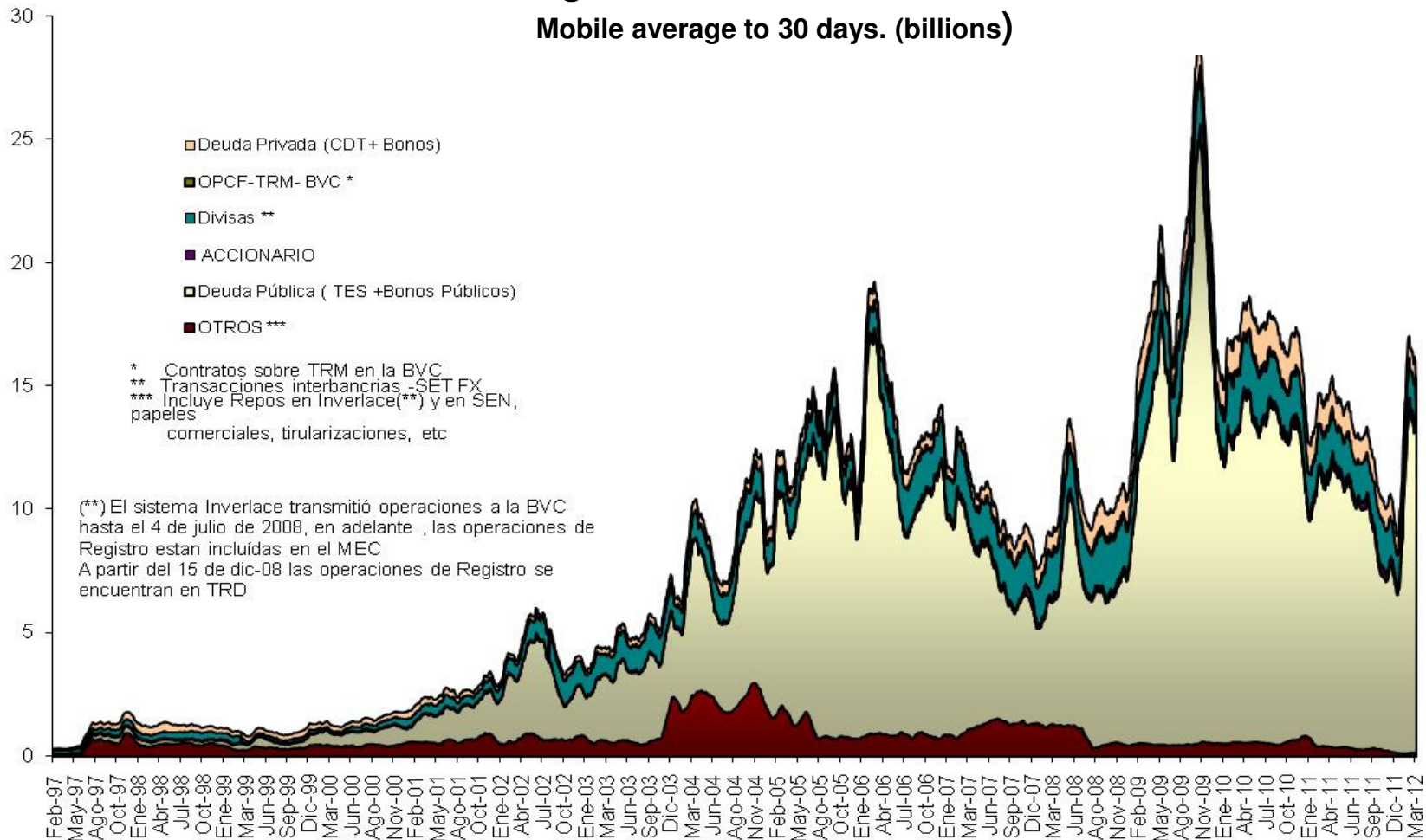


Governance and Access

The FMIs tend to be monopolistic structures. Therefore, the efforts of supervisors and regulators is to ensure that standards of transparency and corporate governance are implemented to mitigate the associated risks to these operators.

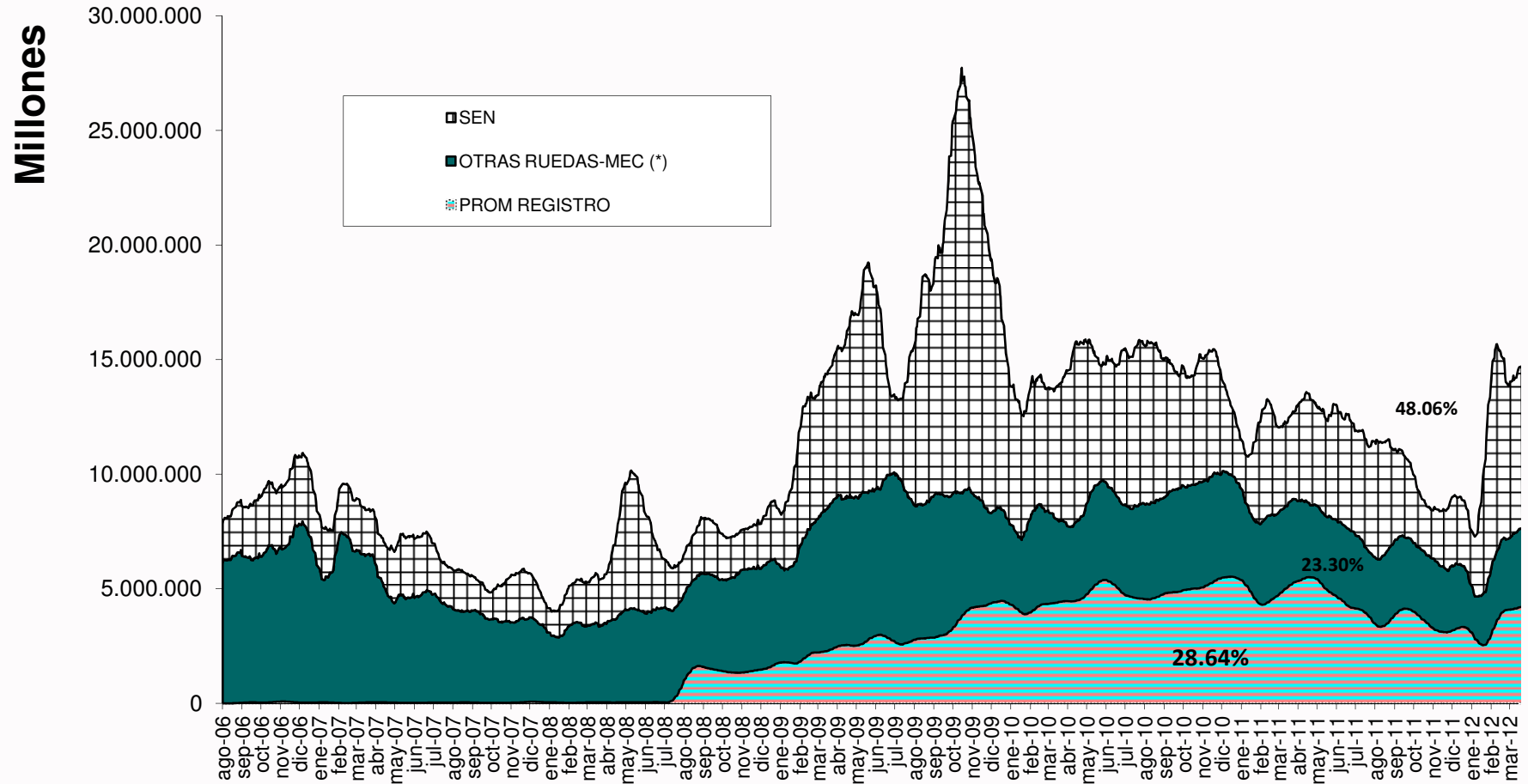
ENTITY	PROPERTY STRUCTURE ISSUES
SEN	Central Bank property. Only public debt trading. Access to trading platform only for market makers (1 ST scale) and for all intermediaries (2 nd scale)
BVC	Public company. Board of Directors with a majority of independent members. All authorized market intermediaries have access to trading platforms (derivatives and fix income) Stock platform access is still mutualized.
DECEVAL	Private company. All authorized market intermediaries have access to trading platforms.
DERIVEX	Private company. All authorized market intermediaries have access to trading platforms.
SET FX	Private company. All authorized market intermediaries have access to trading platforms.
ICAP	
GFI	
Tradition	
CCD FX	
CRCC	

Trading evolution of financial assets. Mobile average to 30 days. (billions)



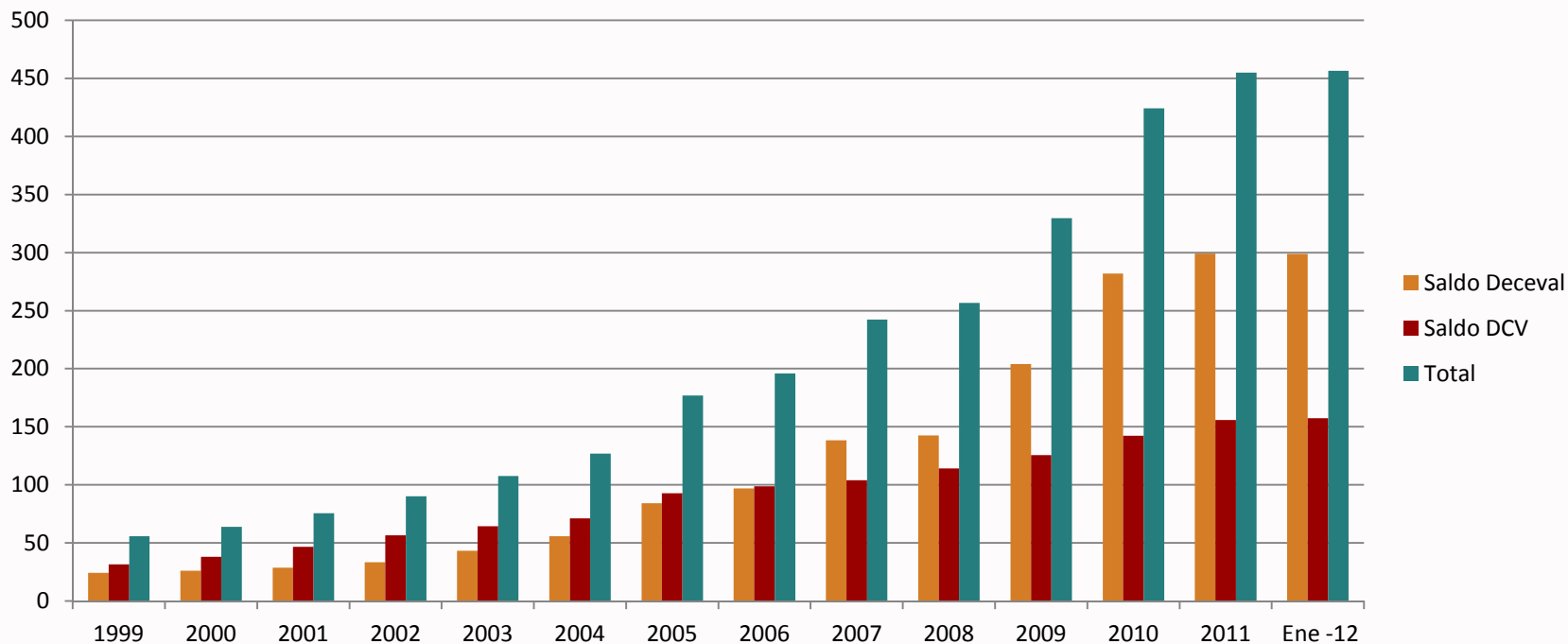
Source: SFC

Trading Systems in MEC



Source: SFC

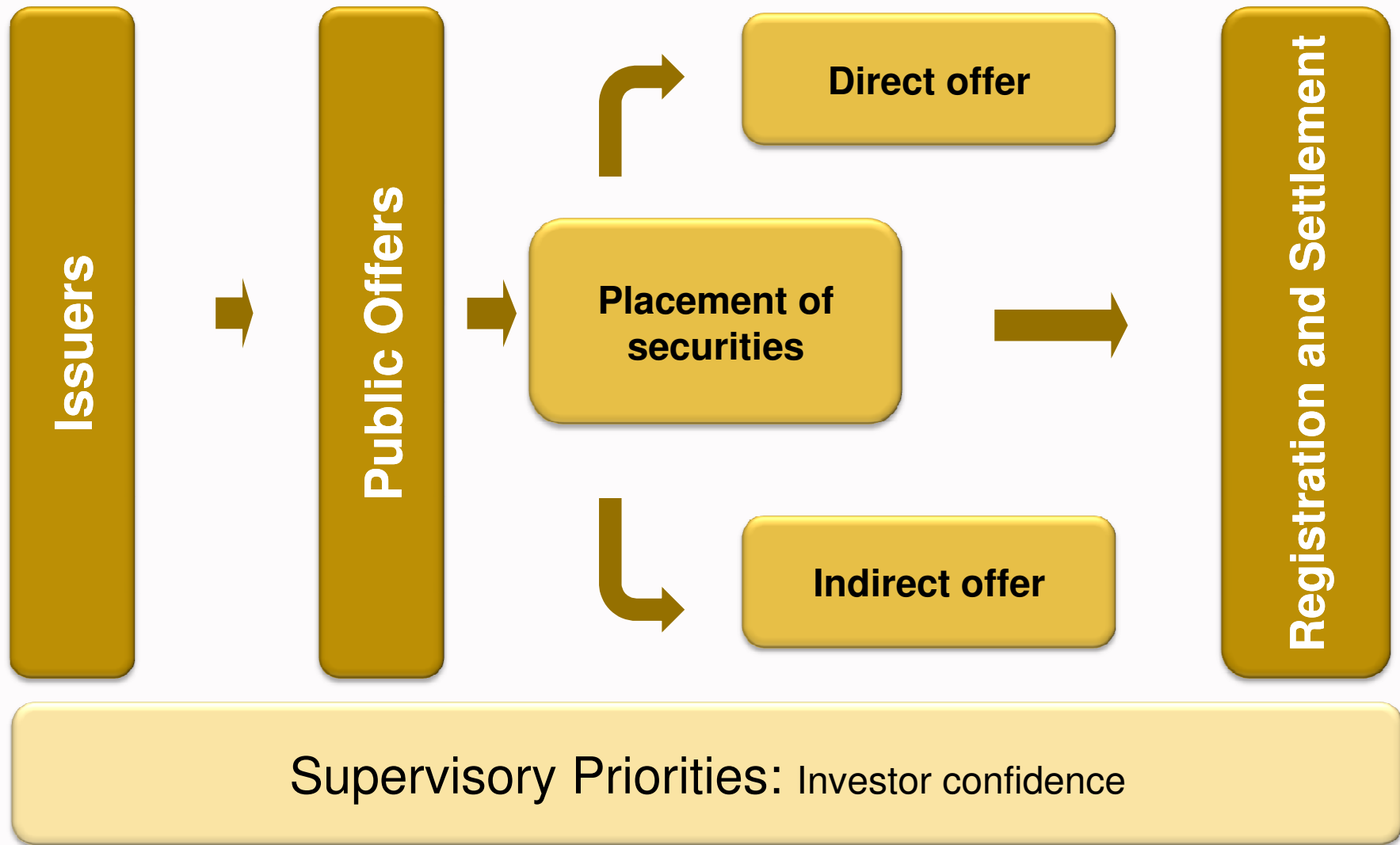
Deposits in DECEVAL y DCV
(Billion Pesos)

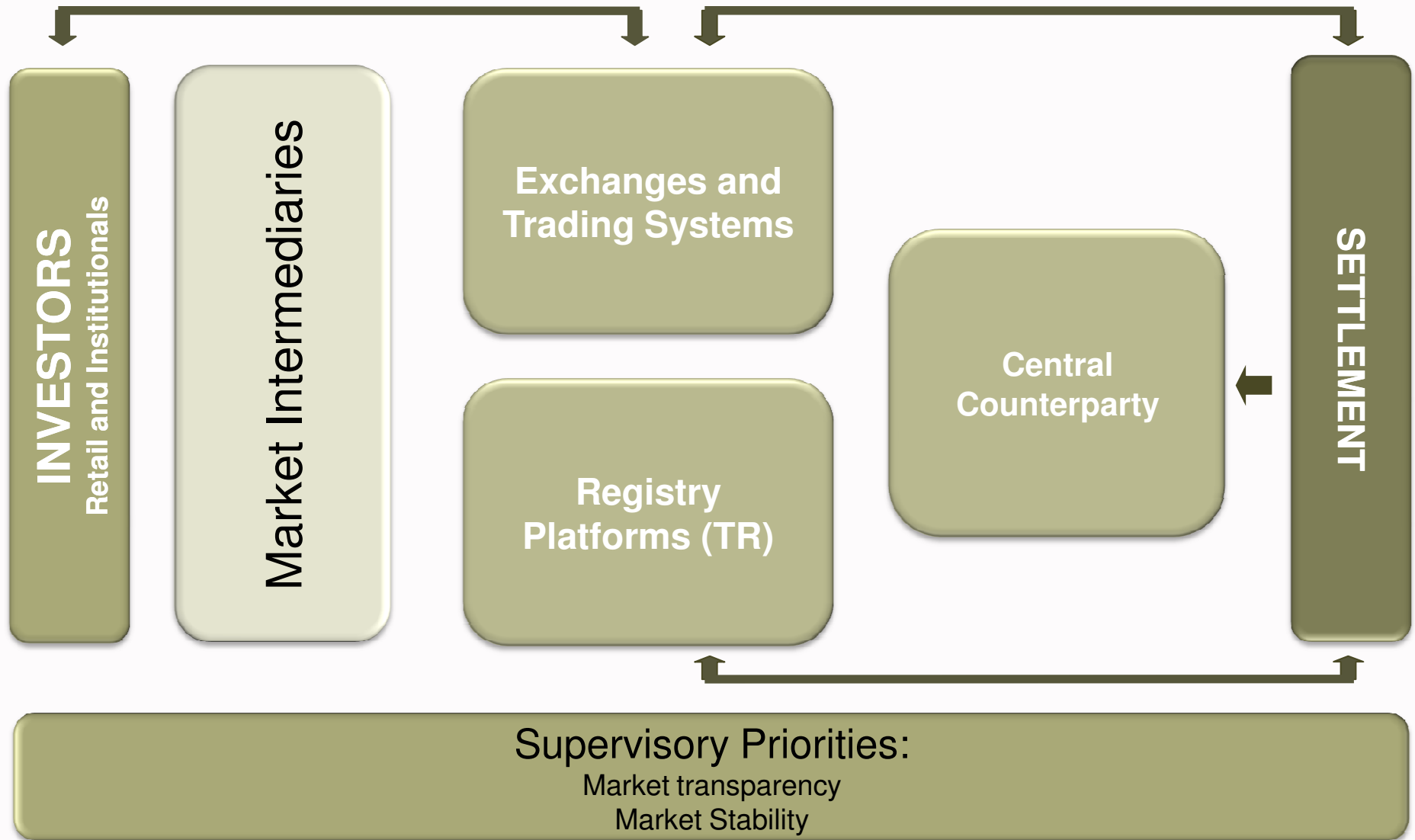


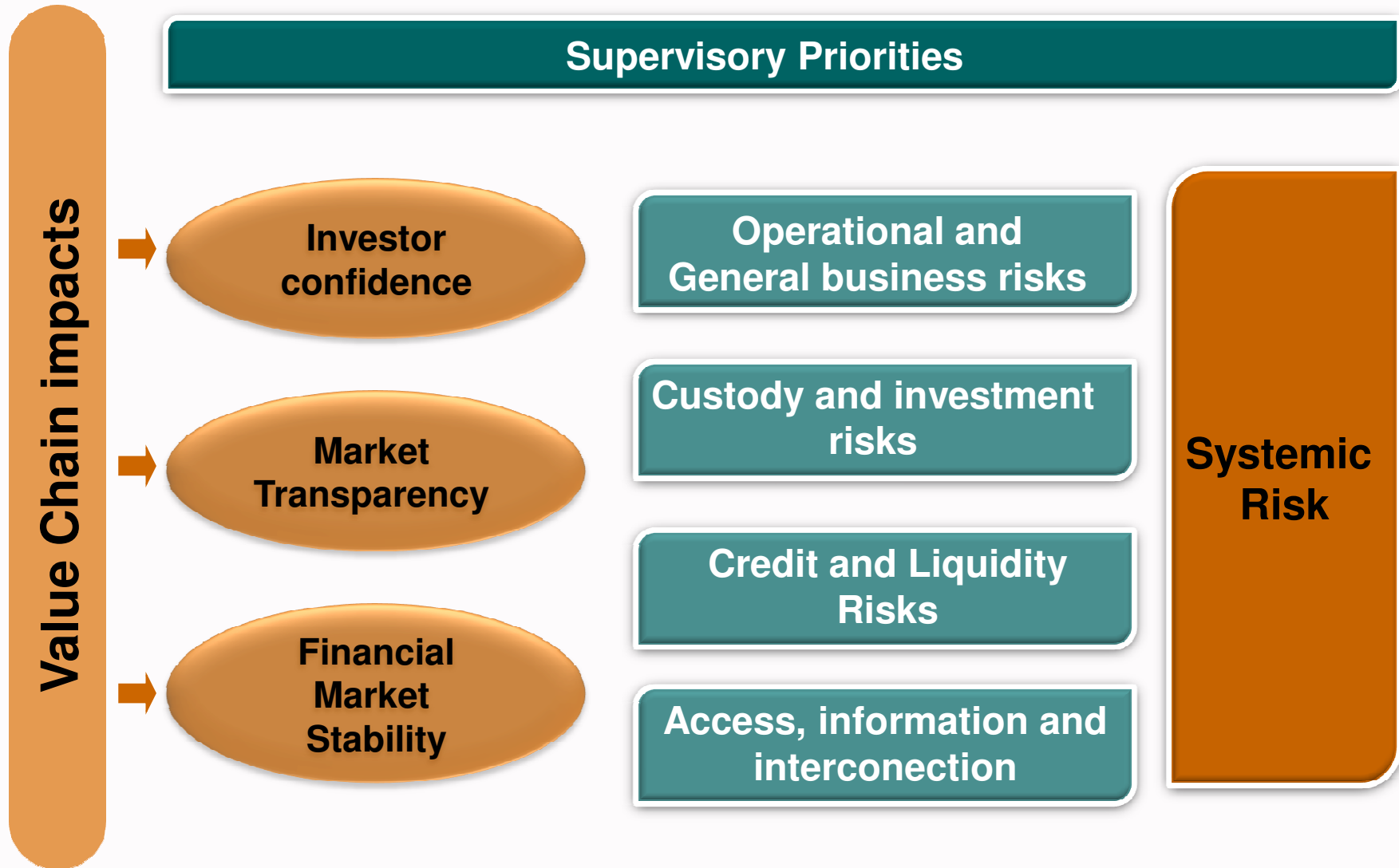
DEPOSITO/AÑO	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Ene -12
Saldo Deceval	24.2	26	28.8	33.5	43.2	55.8	84.2	97	138.4	142.6	204	281.8	299	298.87
Saldo DCV	31.6	38	46.7	56.7	64.4	71.2	92.7	98.9	103.9	114.1	125.7	142.32	155.8	157.5
Total	55.8	64	75.5	90.2	107.6	127	176.9	195.9	242.3	256.7	329.7	424.12	454.8	456.37

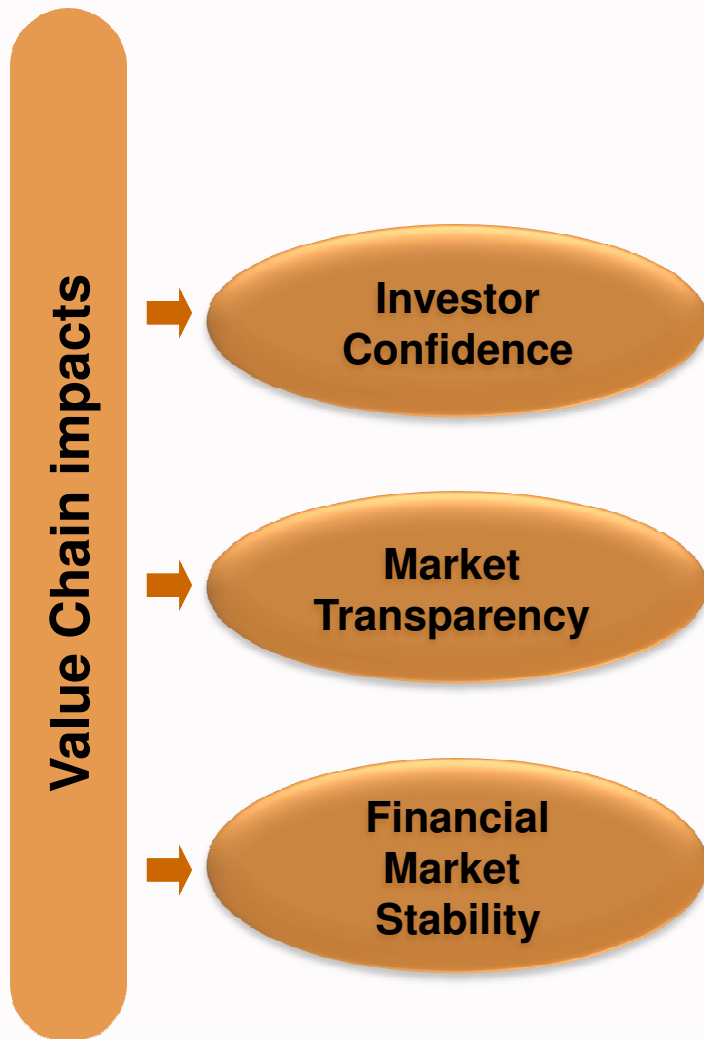
Source: DCV y Deceval , nominal value does not include coupons

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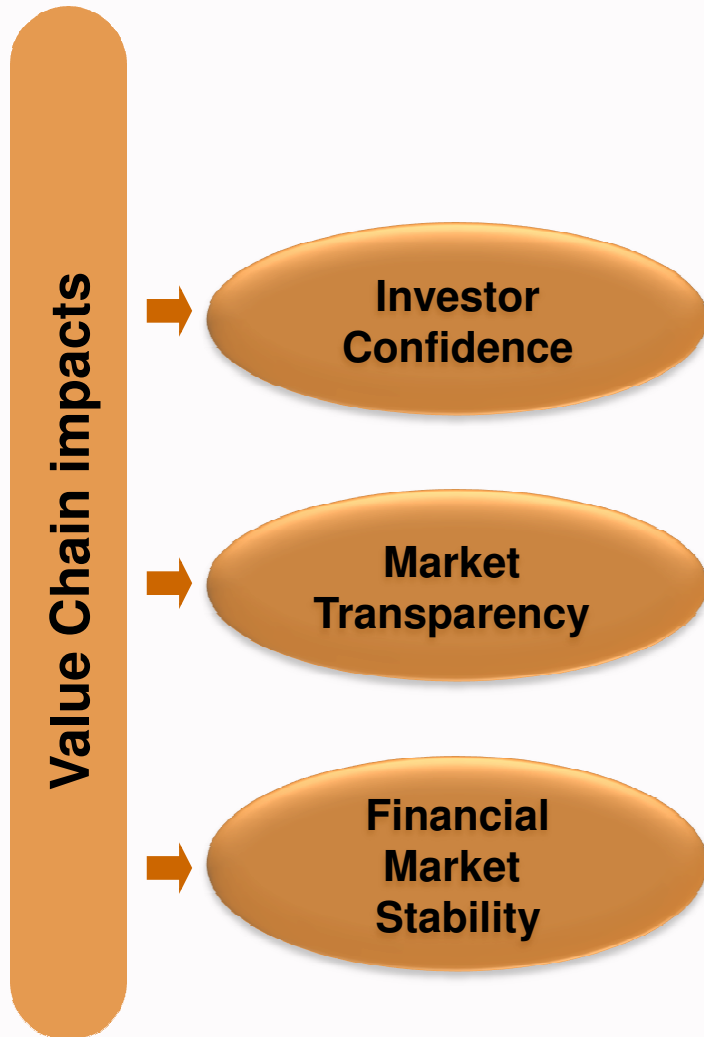
Operational risk, general business, custody and investment risks

Supervisory objectives

- Safety and efficient perform of pre-trade process (primary market and secondary markets).
- Accuracy of settlement on the primary and secondary markets (finality principle).
- Timely OTC registration.
- Availability of post-trade information.
- General management business risk.

Challenges

- High technological standards and controls that offer interconnection to all systems and easier supervising processes.
- Business Continuity key focus on payments and settlement platforms.
- Considering an analysis to establish capital requirements to FMI in order to support potential losses due to operational risk and to CPP due to credit risk.



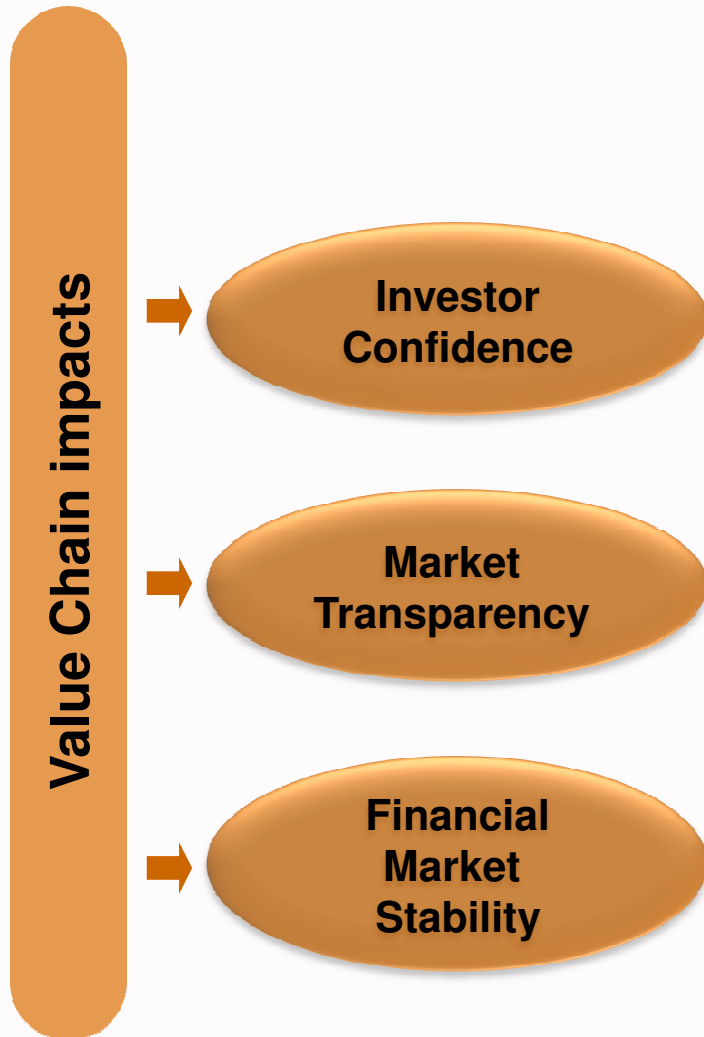
Credit and liquidity risks

Supervisory objectives

- Sufficient financial resources to cover credit exposure and adequate measures on the guaranties to mitigate liquidity risk.
- Definition of stress testing under a wide range of scenarios and permanent oversight.
- Monitoring CCP exposures and guaranties limits.
- Wider coverage of the OTC derivatives registration and settlement through a CCP.

Challenges

- To determine an adequate regime of capital requirements to absorb potential losses to CCP as a guarantor of the underlying transactions.
- To coordinate with the Central Bank and related entities to create the most appropriate stress testing scenarios (not only the ability to cover the default of the largest participant).
- Centralised information related to the transaction of OTC derivatives ie: vanilla, bespoke derivatives and the creation of tools to analyze and monitor structured products or sophisticate products.



Access, information and interconnection

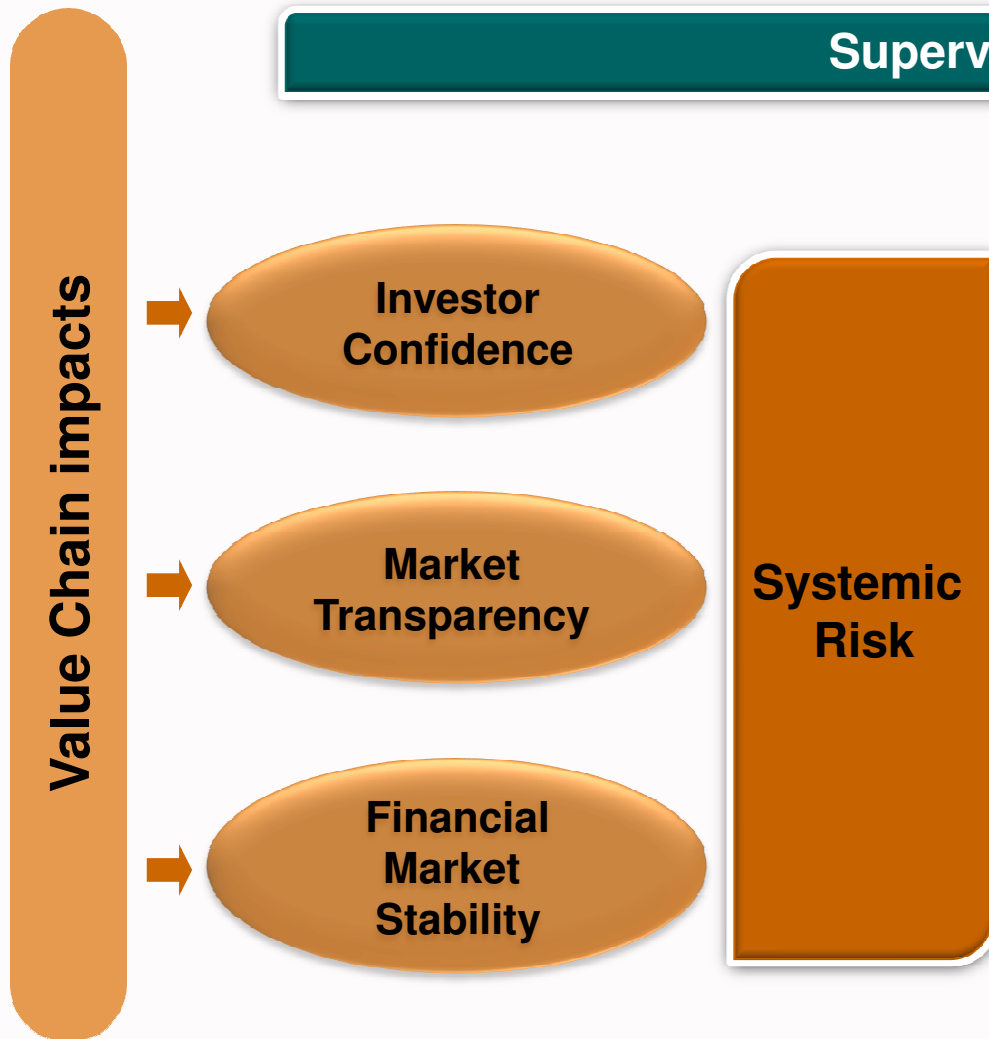
Supervisory objectives

- FMI's services should be offered under open and transparent criteria.
- Adequate measures to determine the interconnection and risks due to the interconnected others FMIs.
- Supervisor should have proper and quality information from the FMIs, not only to monitor the FMI but also to get consolidated information for the monitoring of other agents, with a systemic risk approach.

Challenges

- Access requirements should take into account a risk assessment of the participants.
- Standardization and consolidation of the information held by the FMIs.

Supervisory Priorities



Challenges

- Revaluating the analysis of systemic risk from “too-big-to-fail” to “too-interconnected-to-Fail” “too-concentrated-to-fail” and these will have effects on the regulatory framework and oversight models.
- To improve stress testing models applied to FMIs and the whole system. The SFC has an action plan to work closely with the Central Bank to determine a synchronized methodology to monitor the FMI system and improve oversight activities.
- Availability of accurate and organized information held centrally to facilitate supervising activities.



Thank you

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de Colombia

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ISO 9001: 2008
NTC GP 1000: 2009
BUREAU VERITAS
Certification
N° CO234339 / N° GP0151

