

Custody links in Central America: Innovations, Opportunities and Challenges



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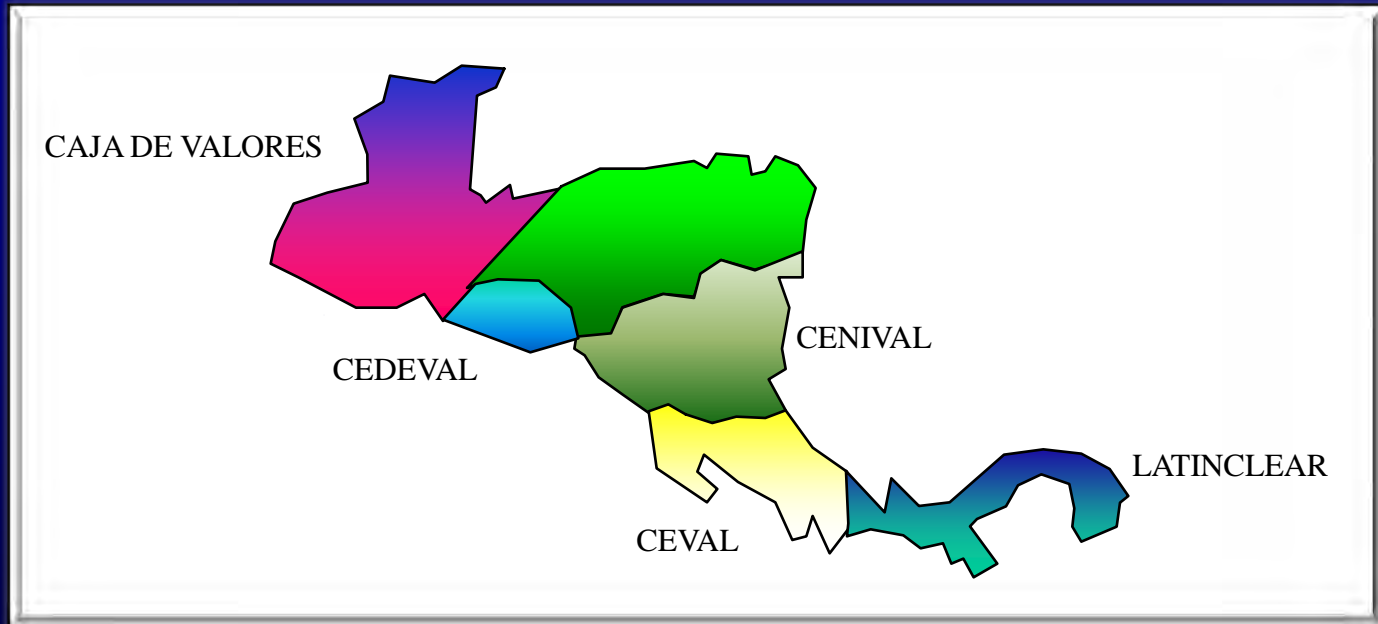
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CSDs in Central America and the Key Services



Detalle/País	Guatemala	El Salvador	Nicaragua	Costa Rica	Panamá
Nombre CCV's	BNV	Cedeval	Cenival	Ceval	Latin Clear
Volumen de Custodia Cifras a Dic 09	1.7 bn	6 bn	671 mm	7.5 bn	4.6 bn
% de Inmov/Desmat	48%	83%	51%	77%	99.8%
Custodia, Administración y Servicios a Emisores	✓	✓	✓	✓	✓
Servicios de Acciones Corporativas	✓	✓	---	✓	✓
Compensación & Liquidación	Bolsa	Bolsa	Liquidación Bilateral Puestos	Bolsa (Compens./BC Liquidación)	Latin Clear
Préstamo de Valores	---	En proyecto	----	Préstamo Automático	✓

CSDs in the region :



Guatemala
BVN



El Salvador
Cedeval



Nicaragua
Cenival



Costa Rica
Ceval



Panamá
Latin Clear



Development of Cross-border Custody Links in Central America



Developments: Signing of Cross-border Custody Agreements in Central America

- Year 2002: Latin Clear and Ceval from Costa Rica sign a Bilateral Custody Agreement.
- Year 2003: Latin Clear and Cedeval (El Salvador) sign a Bilateral Custody Agreement.
- Year 2007: Latin Clear and Cenival (Nicaragua)
- Year 2008: Banco Nacional de Costa Rica (BNCR) and Latin Clear sign custody agreements.

Note: It should be mentioned that the other countries in the region have entered into bilateral agreements amongst themselves; besides the ones signed by Latin Clear,.

Other developments in the regional Securities markets (2):

- ✓ Cross-border custody increases:
 - Based on the establishment of the CCVs and on the signed custody agreements, there is an increase in cross-border custody activities, mainly with respect of Government securities.
- ✓ In 2003 the regulators of Panama and El Salvador signed an Agreement of Accepted Jurisdiction (*Acuerdo de Jurisdicción Reconocida*) providing for a more dynamic listing.
- ✓ In 2005 Panama recognizes Costa Rica as an Accepted Jurisdiction.
- ✓ In 2009 the National Securities Commission (*Comisión Nacional de Valores*) of Panama recognizes the Republic of Colombia as an Accepted Jurisdiction.



Innovations in the Market: the Concept of an Accepted Jurisdiction

- Concept (Accepted Jurisdiction): Every jurisdiction which the National Securities Commission (CNV) of Panama recognizes as having the laws and regulations, (even though they are not exactly the same as those in Panama), and which provides, in accordance with the CNV's criteria, protection for the investor, equal to or better than the Panamanian one, and which also has regulators that fulfill the CNV's expectations, as well as adequately supervise the compliance of said laws and regulations.

Source: Laws and Agreements of the National Securities Commission of the Republic of Panama

✓ óp



Innovations in the Market: How the Accepted Jurisdiction works

- It is not a mutual recognition, nor is it necessarily reciprocal.
- It creates responsibilities for the issuers (periodic information and public communiqués –pertinent facts)
- It is an initial phase which revolves around the security and the issuer
- The following phases will have to deal with brokers and the services to be provided.



Main challenges for the CCV's

1344.83 -6.89
SECTOR -0.7%



Operational Challenges :

- Notwithstanding the fact that the markets are already operationally linked, we are striving for an improvement in the following areas:
- Improve the system for regional monetary settlement (stronger, multicurrency, efficient). Currently, the following alternatives are under consideration :
 - BCIE?
 - SWIFT system
 - Through technological platforms for global custodians
- Small markets, not large enough for covering the cost of the transactions.
- Solve certain pending issues: the securities market
 - On the issuers side, to improve/standardize information flows on the disclosure of pertinent facts, as well as the deadlines for the same.



AMERCA Project:

AMERCA (Market Alliance in Central America):

- In 2008, the Stock Markets of El Salvador, Costa Rica and Panama signed a Letter of Intent in order to agree on the conditions, scope and basis for an alliance known as “Amerca”.
- **The fundamental objective** of this alliance is to develop a unique model for a securities market based on a platform of transactions of common trading; thereby stimulating the creation of a large regional market for securities.
- **General Scope of the Project :**
 - Trading of all the securities which are listed in the markets of the Alliance, starting with debentures and shares.
 - Remote Member Concept: Any Position in the Stock Market that is duly authorized by the local regulator to operate in any of the Stock Markets which are members of the Alliance.
 - The participants of the member countries will have access to the platform of shared trading.
 - Distribution of the information produced about the respective operations in each market, through the platform of shared trading.
 - Custody, clearing and settlement services will be carried out by the individual CCVs of each country which is a member of the Alliance.

Pertinent amounts: AMERCA Project

Detalle/Bolsa	BVES	BVP	BNV	AMERCA
No. Emisores	134	79	73	286
No. Puestos Bolsa	14	17	20	51
Volumen Negociado 2009 (En MM de US\$)	2,696	1,655	6,583	10,934
CCV's	Cedeval	Latin Clear	Ceval	*

* Servicios de Custodia, Administración, Compensación y Liquidación del Proyecto





Thank you very much!!

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