



Innovation, opportunities and challenges in regional integration

March 10th, 2010

What leads to market integration?





- Search of higher depth for local markets.
- Complements the economic sectors which are destination of the investments.
- Growth of the local institutional / professional investment demand.
- Mitigate investors risks with a higher diversification of local and foreign portfolios.
- Higher offer of issuances and investment tools.
- Better financing opportunities.
- Lower financing costs.

Integrated market Peru, Colombia and Chile



Creation of an integrated equities market to promote the development of capital markets

INVESTORS

Access to a bigger offer of securities

- **→** Diversification
- More attractive to foreign investors

Quality/Soundness of savings

ISSUING COMPANIES

Enlarged market

→ Financing source

Reduction in financing costs



What do we find in the three markets?



	Peru	Colombia	Chile
Stock Exchanges	1	1	3
Central Securities Depositories	1	1	1
Brokers - equities	22	35	61
Pension Funds Administrators	4	6	6
Mutual Funds Administrators	6	42	20
Unemployment Funds Administrators	0	6	1
Investment Funds Administrators	4	6	23
Issuing institutions	241	87	236
Risk Rating entities	4	3	4

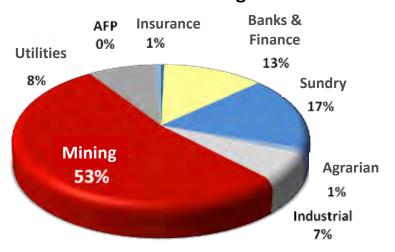
Sources: Superintendence of Banks, Insurance and AFPs, Conasev (Peru), Superintendence of Securities and Insurance, Association of Mutual Funds Administrators of Chile, Pensions Superintendence (Chile), Financial Superintendence of Colombia, Colombia Stock Exchange (Colombia)

According to WFE

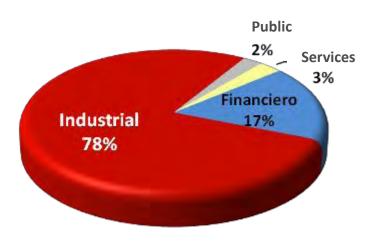
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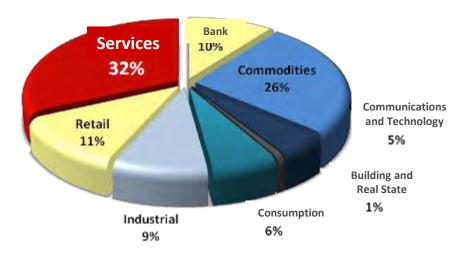
Lima Stock Exchange



Colombia Stock Exchange



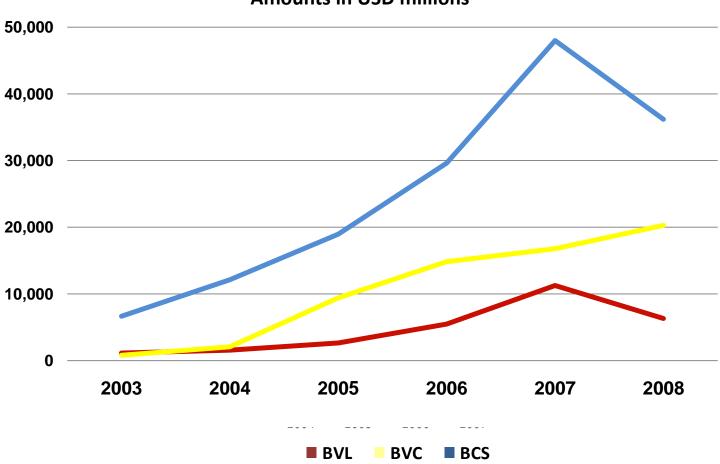
Santiago Stock Exchange



What are the volumes in our markets?







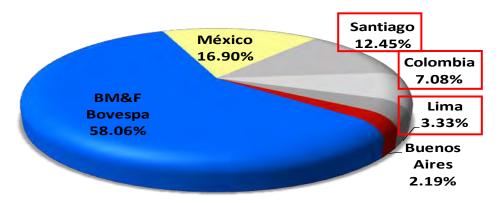
Source: FIAB Annual Report 2009

Which is the potential for the integrated market?



	Peru BVL	Integrated Market
Equities Brokers	21	117
Market Capitalization	US\$ 95 b	US\$ 380 b.
Number of companies	250	560
Daily Traded Amount	US\$ 13.9 m	US\$ 225 m.

STOCK CAPITALIZATION JUNE 2009



Total: USD 1.569 billions

Source: WFE

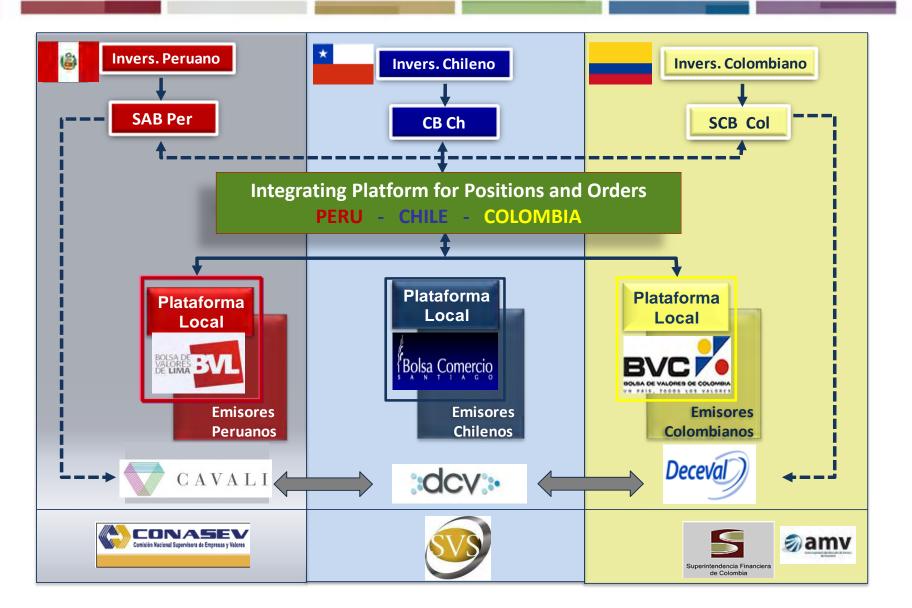




One trading screen **Stock Exchanges CSD Crossborder settlement Brokers Recognition in the 3 markets Recognition in the 3 markets** Issuers Regulators **Memorandum of Understanding**



How would the market operate?



We know that all integration efforts are complex...



Phase I

Intermediated routing and local match. Trade screen with securities from the three markets – Cash Equities

Clearance and Settlement

Trading

Responsibility of the local broker

Brokers

<mark>Servi</mark>ce Agreemen<mark>ts</mark>

Securities and Issuers

Recognition of Securities for Public Offering

Institutional Investors

Habilitated to perform national investments

Regulators

MOU (information, securities and issuers)

Phase II

Direct access and local match I Uniform negotiation rules All operations Equities

Cross-border C&S (direct)
Uniform C&S Rules

Recognition to operate

Full recognition as local issuer (negotiation)

National treatment
Tax treatment as local
investment

MOU (supervision and brokers surveillance.)



Factors for success

- Consensus between regulators, Exchanges and Deposits for regulation according with the actors' reality and needs.
- Achieve standardization of the main market practices (trading, settlement and custody).
- Have the adequate infrastructure and facilities, that allow operative efficiency.
- Have competitive transactional costs for the three markets.

CHALLENGE

Achieve active participation
of the brokers:
achieve that opportunities
are seen,
impulse demand
for securities and internalize
the benefits of the project
in each market

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