

CSDs: CAVALI (Peru)

Date: 05 Jul 2011

SMI Markets: Peru

CMIRR Markets: Peru

New Law on Capital Market

The Peruvian authorities have recently published Law N° 29720, which amends the Peruvian capital market legal framework (legislative decree 861). The main points of the amendments are as follows:

- Return of short-term gains. This article establishes that managers, directors or individuals involved in the investment decision process of an issuer must disclose any gains received from the sale or purchase of securities of the issuer within three months after issuance. The gains must be returned to the issuer (see Art. 44);
- Breach. According to the bill, sanctions and penalties would be imposed to those who significantly increase their ownership of a company without following due process defined by the Comisión Nacional Supervisor de Empresas y Valores (CONASEV). The article also sets the course of action to be followed with capital gains derived from selling those securities (see Art. 72);
- Bondholders. The bill sets that CONASEV is responsible for defining the rules governing the appointment of bondholders' representatives (see Art. 87);
- Definition and Purpose of the exchange. The bill adds a paragraph to the original article in Decree 861. The new paragraph sets the legal grounds for the exchange to facilitate trading of derivatives (see Art 130 and 132);
- Guarantee Fund. The law provides further clarification and detail concerning the guarantee fund. In particular, the law establishes that the fund will be governed by rules set by CONASEV and the fund will only compensate in cash in case of a claim. Also, the bill defines the fund's membership, governance arrangements, resources, replenishment and investment policy (see Art. 158 to 160 and 162 to 164);
- Instructions. The law institutes that while instructions can be taken over the phone, those brokers – dealers that receive such instructions must record every phone call and keep them in the records for up to five years (see Art. 175).
- Complementary measures. The law establishes, as part of its complementary measures, that the existing guarantee fund will be liquidated and a new fund shall be created. Members of the old fund will have automatic membership of the new fund. The shut down of the old fund is to be undertaken in order to facilitate the implementation of the criteria and conditions set in the new bill as described in articles 158 to 160.

CSD Risk Impact

CAVALI (Peru)

CSD Rating: A

CSD Flash Impact: Positive

Impacted Risk Type: Counterparty Risk

Current Rating = A

Flash Impact = Positive

The new law aims to improve the regulation of several aspects of the Peruvian capital markets. The main impact is on the guarantee fund, for which a new set of rules have been introduced. As a result, it is expected that a new fund is to be created and additional resources and controlling mechanisms (e.g for investments) are to be put in place.

Market Information Impact

Peru

This information affects the data contained in the Settlement sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Peru

Market Rating: A-

Market Flash Impact: Positive

Impacted Risk Type: Counterparty Risk

Current Rating = BBB

Flash Impact = Positive

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