

CSDs: DECEVAL (Colombia)

Date: 08 May 2013

SMI Markets: Colombia

CMIRR Markets: Colombia

Draft Regulation on Repos, Buy-Backs and TTVs

The Ministry of Finance has issued for comments a draft which introduces changes to repos, securities lending (TTV) and buy-backs transactions' regulation.

The draft establishes:

- The collateral scheme for these operations that stock exchanges, organised trading systems and settlement and clearing systems must adopt. The assets allowed as collateral will be :
 - Treasury Bonds (TES) of compulsory pricing
 - High liquidity equities which are part of a liquidity index accepted by the regulator
 - Cash
 - The assets involved in the transaction will not be admitted as collateral.
 - Repos, TTVs and buy-backs transactions will be subject to minimum collateral limits established by the CCP if they exist. Otherwise, the clearing and settlement system must set in its internal regulation the criteria to fix them.
- Caps to intermediaries
 - **Introduction of a limit by trading total:** The total of operations after adding repos, TTVs, buy-backs and sells in behalf of a third cannot be greater than 14 times the last firm's technical capital.
 - **Introduction of a limit by type of instrument:** Notwithstanding the limit set by the trading total, the resources of a brokerage house involved in repos, buy-backs and TTVs in the same type of instrument cannot exceed:
 - For fixed income securities: 14 times the last firm's technical capital.
 - For equities: 7 times the last firm's technical capital.
 - **Introduction of a limit by investor:** An investor could not have at any time transactions on equities over:
 - 60% of its last technical capital if the investor is an institution under Superintendence of Finance's surveillance.
 - 30% of its (his/her) last technical capital if the investor is an individual or an entity not regulated by the Superintendence of Finance. The total calculated includes transactions made by members of the same investor's holding company.
 - **Introduction of a limit by security:** The resources of a brokerage house involved in repos, buy-backs, sells and TTVs in the same security cannot exceed 100% of the last firm's technical capital.
 - **Introduction of a limit on securities issued by entities linked with brokerage firm:** The resources of a brokerage house involved in repos, buy-backs, sells and TTVs in behalf of a third on securities issued by entities linked with it cannot exceed the 200% of the last firm's technical capital. Additionally, the maximum invested in a single security will be 50% of the last firm's technical capital.
 - **Introduction of a limit by number of shares:** Only up to 25% of the floated shares should be involved in repo, buy-backs and TTVs transactions.
 - **Introduction limit by counterparty:** The resources of a brokerage house involved in repos, buy-backs, sells and TTVs with the same counterparty in a stock exchange or an organised securities trading system cannot exceed the 100% of the last counterparty's technical capital.

Additionally, the draft sets additional obligations for the stock exchanges and organised securities trading systems to determine which securities will be subject of repos, TTVs and buy-back transactions. The document is open for comments until 17 May 2013. A copy of the document is available here (in Spanish only): [Min. Finance Draft on repos, TTVs and buy-backs](#).

CSD Risk Impact

DECEVAL (Colombia)

CSD Rating: A+

CSD Flash Impact: Positive

Impacted Risk Type: Liquidity Risk

Current Rating = A-

Flash Impact = Negative

Impacted Risk Type: Counterparty Risk

Current Rating = A-

Flash Impact = Positive

The measures could reduce the availability of securities for repo transactions but at the same time could reduce substantially the investors' counterparty risk exposure and help to guarantee the financial stability of market participants.

Market Information Impact

Colombia

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

Infrastructure Risk Ratings Impact

Colombia

Market Rating: A

Market Flash Impact: Positive

Impacted Risk Type: Liquidity Risk

Current Rating = A-

Flash Impact = Negative

Impacted Risk Type: Counterparty Risk

Current Rating = BBB

Flash Impact = Positive

The measures could reduce the availability of securities for repo transactions but at the same time could reduce substantially the investors' counterparty risk exposure and help to guarantee the financial stability of market participants.

Related Flash: [BVC's Amendments on Limits for Repos and TTV Transactions - Update, 01/05/2013 \(click to view\)](#)

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