



Market Guide

November 2020

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Overview



Equities



fixed
Income



Derivatives



Overview

HISTORY

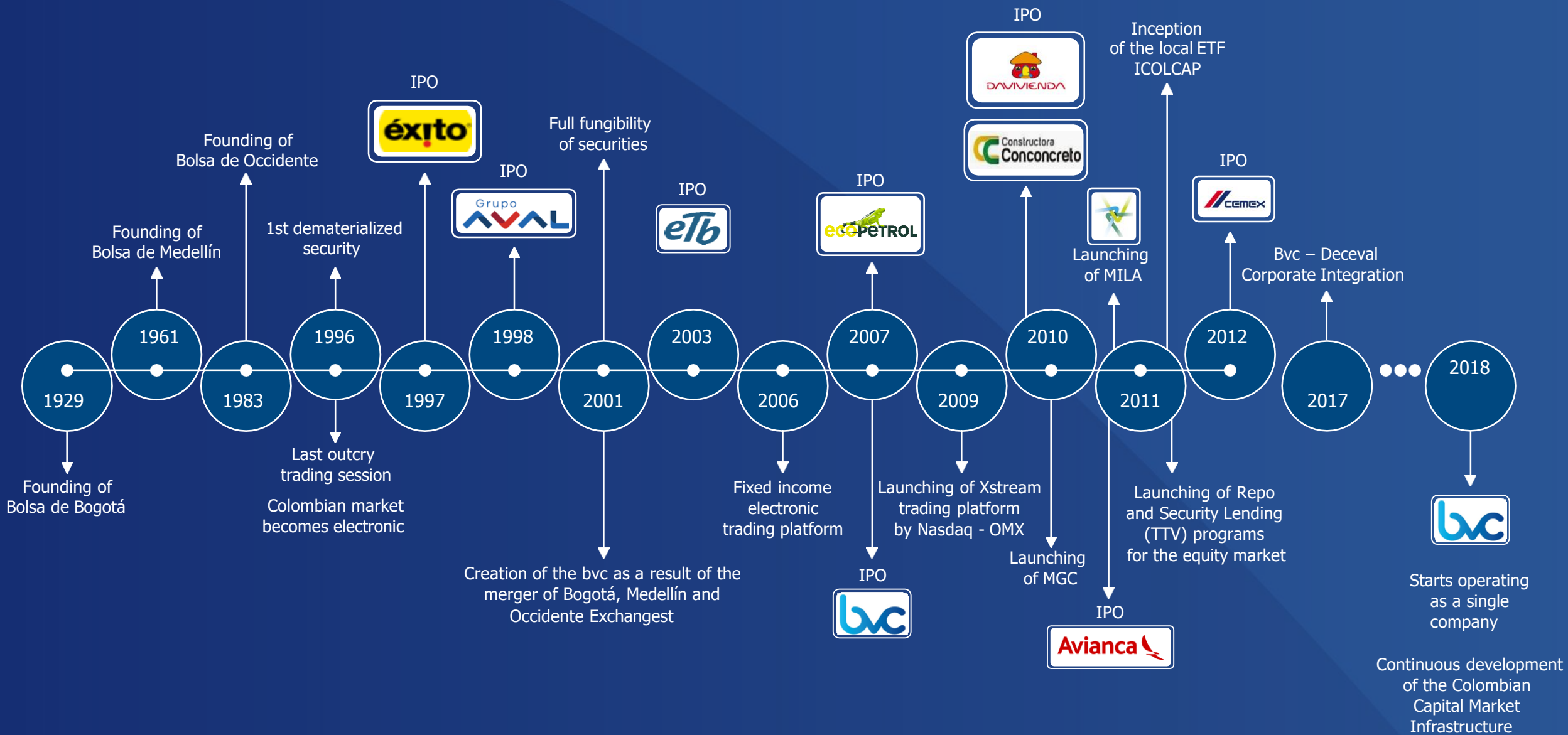
The Colombian stock market has now been around for 90 years having come into existence with the Bogota exchange in 1929, the same year as the Wall Street Crash. Further exchanges were added in Medellin (1961) and Cali (1983) with an open out-cry system that lasted until 1996 when the exchanges became fully electronic.

In 2001 the three exchanges were merged into the bvc which proved to be the catalyst for a rapid expansion in products and volume. There are currently 19 brokers operating in Colombia. The bvc has overseen a number of privatizations including Ecopetrol, ISA and Isagen with 2012 representing the peak of equity issuances with several private sector IPOs and secondary issuances.

Colombia is home to one of the largest on-Exchange domestic fixed income markets in the world, trading well in excess of one billion dollars per day. The most recent corporate event at the bvc itself was its merger with Deceval, the depositary, which has brought a number of synergies. Colombia is a market that has a fast growing reputation for innovative young companies and is attracting ever more private and venture funds looking to investment.

2019 was been another watershed year for the market as the Capital Markets Commission revealed its findings however as 2020 has progressed, priorities have had to change. The bvc finds itself successfully adapting to new paradigms as the COVID-19 crisis washes over the world's capital markets.





ESG

Aligned with global markets we at the bvc are keeping a firm eye on all aspects of sustainable investment which plays an ever greater role in decision making around the world and because our leading role in the Colombian financial system, we are committed in strengthening the sustainable and inclusive economic development of Colombia driving the following sustainability initiatives:

ESG DISCLOSURE:



On an annual basis we survey the local issuers across more than 150 aspects of Corporate Governance and Sustainability

32 Companies were recognized in 2019 for attaining the necessary Committed IR standards

→ **27** Report sustainability on



→ **25** Disclose SDG goals



→ **11** Locally listed companies were included in the most recent



SUSTAINABLE BUSINESS LINE:



Promotes financing and investment alternatives for companies and investors that support Colombia's transition to a low-carbon-emissions economy through sustainable financial products

Green Bonds

Social Bonds

Sustainable Bonds

COP\$ **2,86** ^{TN}

Has been issued to date in this key growth area.

Principles:



The following link will take you to the bvc sustainability website
<https://bvcsostenible.bvc.com.co/home?lang=en>



Equity Market

EQUITY MARKET

- Trading is handled exclusively through brokers.
- The Colombia Stock exchange (bvc) provides electronic access services for trading.
- 17 brokers are members of the Colombian Stock Exchange.
- The orders enter through market screens and FIX 4.4.
- In the bvc there are 68 listed companies with 81 securities (common stock and preferred stocks), 2 exchange traded funds (ETF) and 9 issuers of foreign securities (MGC).
- There are 9 Market makers programs for selected stocks.
- The 30 most liquid stocks traded in the open market with price limit controls depending on stock's volatility: 6,5%, 7,5% or 10%.
- On the other hand, 51 illiquid stocks traded via 13 auctions (each auction lasts 30 minutes), no price controls on this group.

Value Chain

Process

**Trading:
X-Stream**

Clearing:

Settlement

Custody

Entity

bvc

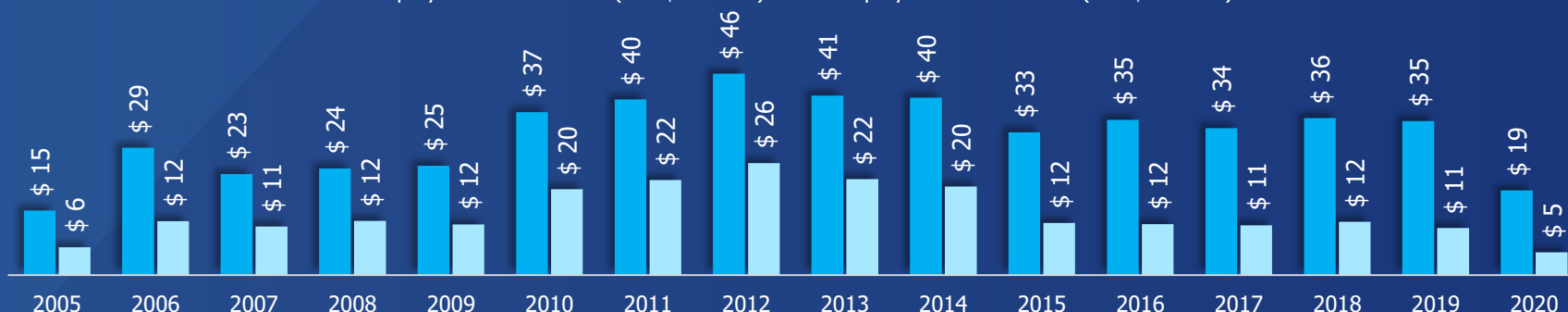
bvc CAMARA DE COMERCIO DE BOGOTÁ

bvc deceval CAMARA DE COMERCIO DE BOGOTÁ CAMARA DE COMERCIO DE BOGOTÁ

deceval

Equity Market Turnover

■ Equity Market Turnover (COP\$ Billones) ■ Equity Market Turnover (USD\$ Billones)



* YTD: Jan - Jul 2020

Whilst equity volumes have dropped in dollar terms since their peak the majority of the impact is due to currency weakness.

EQUITY MARKET

SECURITIES LENDING (TTV)

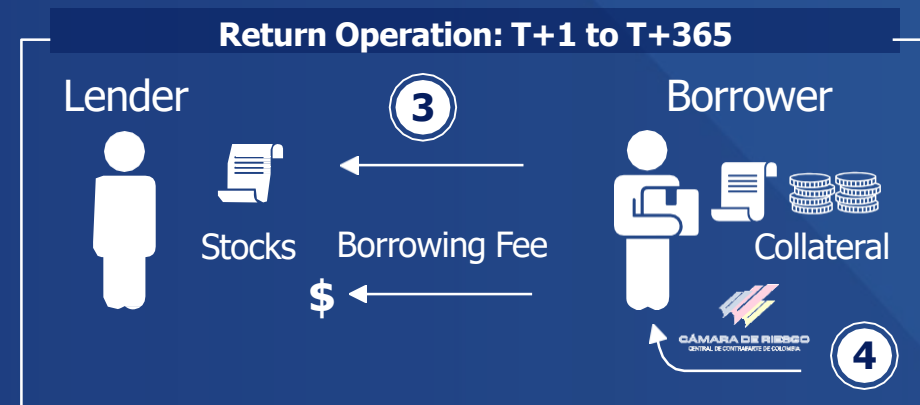
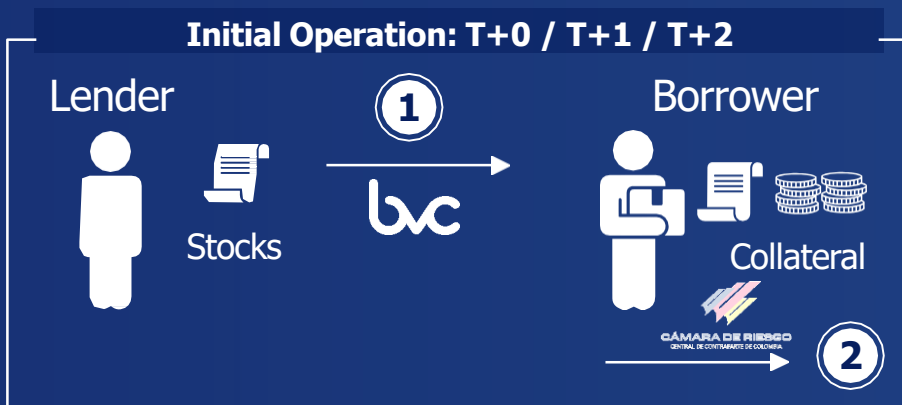
- Lender transfers stocks to the borrower on the settlement day.
- Borrower provides collateral (cash or stocks) that will be managed by the Central Clearing Counterparty (CCP).
- The borrower gives back stocks to the lender and pays the borrowing fee.
- CCP informs bvc about the settlement

Update

Colombian security lending through the transactional system has been in place since 2011.

However, since May 18 2020 security lending was allowed through the OTC market.

Current Transactional Model



EQUITY MARKET

TRADING SESSIONS

*(EST): Eastern Standard Time: Between the second Sunday of March and the first Sunday of November.

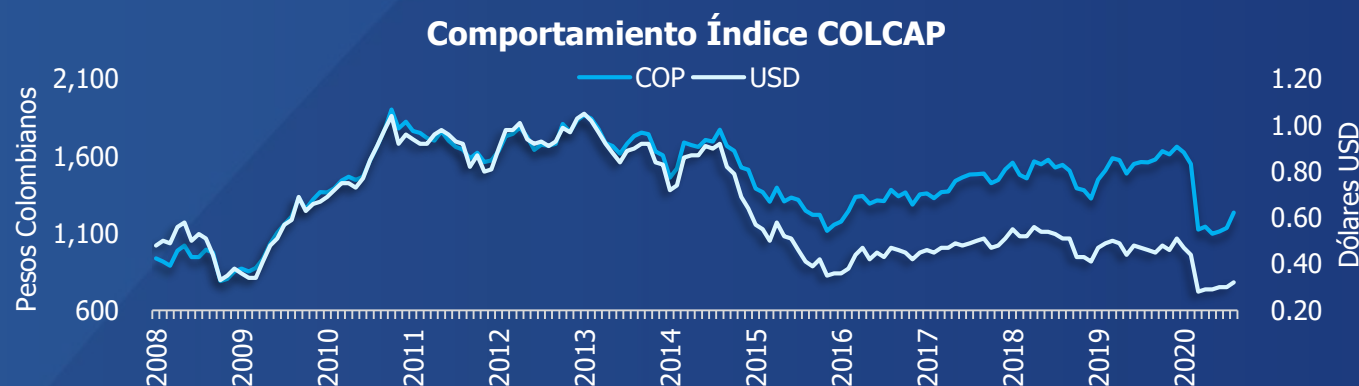
*(EDT): Eastern Daylight time: Between the first Sunday of November and the second Sunday of March.

Pre Market	Open Market	Closing Auction
<ul style="list-style-type: none">• No order matching• Brokers may enter new orders on their private order books and will not appear on the depth window• Traders may modify or eliminate open orders	<ul style="list-style-type: none">• Automatic order matching.• Price limit control : Orders outside the lower and upper limits are not allowed.• Volatility auctions activate when price limits are brached.• The reference price at the beginning of the day corresponds to the closing price of the previous day. The reference price is updated with volatility auctions during the session.	<ul style="list-style-type: none">• Closing Price of stocks is determined• Traders may enter, modify or eliminate orders• Order matching occurs when the auction ends.
	Equity Instruments and MGC	
(EST)* → 8:15	8:30	14:55 15:00
(EDT)* → 9:15	9:30	15:55 16:00
	Repo and Security lending	
(EST) →	8:30	15:00
(EDT) →	9:30	16:00
	Auction Trading Instruments	
(EST) →	8:30	15:00
(EDT) →	9:30	16:00

EQUITY MARKET

COLCAP INDEX

- The COLCAP Index is the reference index of the Colombian stock market.
- Market capitalization weighted index currently composed of the 25 most liquid stocks listed in the bvc.
- The Index basket will be made up of a minimum of 20 stocks
- The maximum stock weight is 20% (surpluses will be distributed proportionally among the remaining stocks).
- The reconstitution of the basket (adding or removing stocks from the index) is done on a yearly basis on the last business day of October.
- The index is Re-balanced (weight adjustment of the stocks that make up the index) on a quarterly basis on the last business day of January, April and July.
- Trading is halted on the COLCAP if there is a movement of +/- 10% intraday.
- It is suspended for 30 minutes, if after re-opening there is a further 5% movement then trading is halted for the day.



Stock	Sector	Current Weight	Turn Over \$USD Million YTD (Oct 2020)	Δ YTD
PF Bancolombia	Financial	13,25%	\$ 1.398	4,2%
ISA	Financial	12,64%	\$ 414	-23,6%
Ecopetrol	Energy	10,99%	\$ 1.198	-24,8%
GEB	Energy Services	8,88%	\$ 263	-7,3%
Nutresa	Food	7,01%	\$ 177	-30,7%
Bancolombia	Financial	7,00%	\$ 372	-35,2%
Grupo Sura	Financial Holding	6,13%	\$ 302	-51,2%
PF Grupo Aval	Financial Holding	4,48%	\$ 556	67,7%
Grupo Argos	Industrial Holding	4,21%	\$ 279	-23,1%
Bogotá	Financial	3,57%	\$ 49	-6,1%
PF Davivienda	Financial	3,01%	\$ 217	-24,9%
Corficolombiana	Financial	3,00%	\$ 108	-30,1%
Celsia	Energy Services	2,74%	\$ 54	-28,1%
Cementos Argos	Materials	2,70%	\$ 149	-72,2%
PF Grupo Argos	Industrial Holding	2,46%	\$ 30	-63,4%
PF Grupo Sura	Financial Holding	2,27%	\$ 95	-46,5%
Promigas	Energy Services	1,48%	\$ 21	-58,0%
Canacol	Energy	1,36%	\$ 132	87,3%
PF Cementos Argos	Materials	1,02%	\$ 14	-55,6%
Mineros	Materials	0,56%	\$ 20	-19,4%
Terpel	Materials	0,43%	\$ 18	18,8%
PF Corficolombiana	Financial	0,31%	\$ 30	488,4%
BVC	Financial	0,28%	\$ 19	-24,6%
Éxito	Retail	0,14%	\$ 20	-96,0%
ETB	Public Services	0,08%	\$ 12	28,7%

EQUITY MARKET



Mercado Global Colombiano (MGC)

- This is a local market, similar in function to the SIC in Mexico or CEDEARs in Argentina that allows local investors to have access to overseas stocks denominated in local Pesos.
- Trading and settlement works as per any other locally listed stock and is tradeable by all local brokers.
- Same dividend rights as foreign holders.
- As per local shares not subject to capital gains.
- The listed named have a 10% limit whereby volatility auctions take place, as per the highest volatility band for local stocks.
- International investors may access MGC via a local broker.
- MGC allows listing of foreign securities traded in international stocks exchanges authorized by the Colombian regulator. Such international markets include: NYSE, Nasdaq, Bolsa de Madrid, Deutsche Boerse, Hong Kong SE, London SE, Bovespa, etc.

US Listed Stocks

- | | |
|----------------------------|---------------------|
| • Amazon | • Facebook |
| • Apple | • Johnson & Johnson |
| • Bank of America | • JP Morgan |
| • Citigroup | • Pfizer |
| • General Electric Company | |

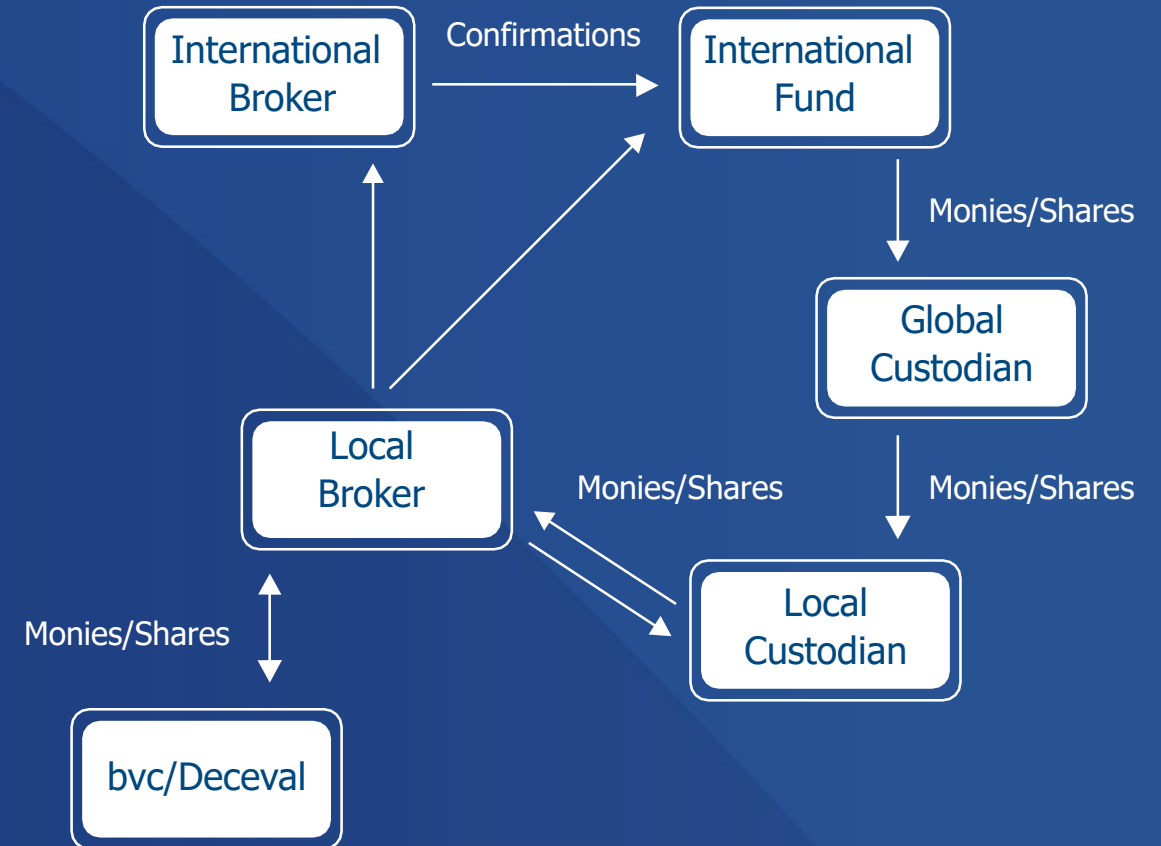


As of October 19 2020 it has become possible for Chilean stocks on the IPSA to be listed on the MGC under the same conditions as the US stocks. This has reciprocity in Chile with Colombian stocks able to list on the BCS via the MVE market. First listings anticipated by Year End 2020.

EQUITIES

SETTLEMENT CYCLE

- The current standard settlement cycle is T+2 using a system of local and global custodians.
- T+0 Confirmation Sent to relevant local custodian and international broker/fund
- T+0 to T+1 Pre Match and Monies/Shares Prepared – Global Custodians will confirm their fund information matches with the local custodian.
- T+2 Settlement monies/shares are exchanged between local broker and bvc/Deceval.
- Up until T+4 there can be late settlement with the applicable fees levied by the CCP. On T+5 a buy-in procedure will commence which settles on T+7.



EQUITIES

LATEST DEVELOPMENTS



1. Colombia has recently implemented the CCP (Central Counterparty Clearing House) for equities which had two implications.
 - The market settlement cycle moved from T+3 to T+2 – there are no other adjustments, it is simply a day less.
 - On sales, the CCP will implement stock borrowing up until T+4 (with applicable fees) and also buy-ins on T+5.
2. The recently implemented move to OTC stock-lending that had been requested by the market is expected to add considerable volume to the equity market.
3. The full implementation of the INET-MasterTrader system will greatly enhance the stock market's matching capabilities. This increased capacity is expected to attract high-frequency traders (HFTs) to the market in the longer term.

Colombia has three local custodians serving international investors – these contacts are valid for all products.

BNP Paribas : Claudia Calderon Claudia.calderón@bnpparibas.com +571 651 4364

Cititrust : Felipe Motta : Felipe.motta@citi.com +571 484 3684

ITAU : Susana Montero : Susana.montero@itau.com +571 592 0221



Fixed Income

FIXED INCOME

GENERALITIES: MAIN FEATURES, VALUE CHAIN AND TURNOVER

Fixed Income Products

Sovereign Debt

Corporate Debt

Cash

Sell-Buy-Backs

Buy-Sell-Backs

Repo

Cash

Sell-Buy-Backs

Main Features








Overall, the bvc Fixed Income Market has 93 members:

- 25 Banks and Credit Entities.
- 24 Trust Companies
- 18 Brokers.
- 16 Insurance Companies
- 6 State Agencies
- 4 Pension Funds

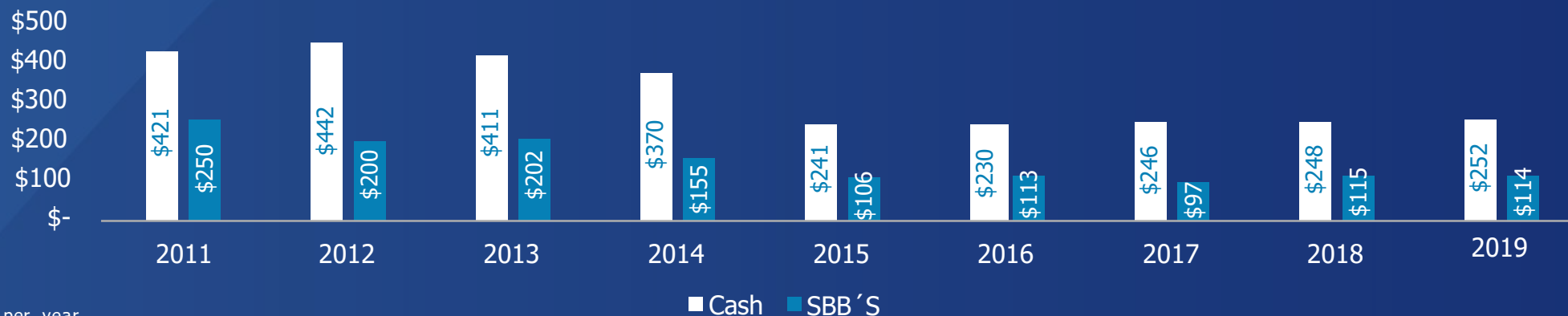
2 Market Segments: D2D and A2A

2 Market sessions: Continuous trading and Negotiation.

Value Chain

Process	Entity
Trading : MEC and SEN	 
Clearing	 
Settlement	  
Custodian	CitiTrust, BPN Asset Management, Itaú Asset Management

bvc fixed income Market - Market Size



Billions USD:
Forecast for 2019
USD/COP: average rate per year

FIXED INCOME

PRIMARY AND SECONDARY MARKETS

Primary Market



Primary Market (SEBRA)

The Ministry of Finance of Colombia issues new debt to Market Makers through weekly auctions through the system SEBRA supported by the Central Bank. The key securities (On-The-Run) are Nov 2025, Apr 2028, Oct 2034, Feb UVR 2023, Mar UVR 2027 and Feb UVR 2037 as of September 2019.

Corporate Debt (MEC)

Investors can access to Corporate Debt auctions through, (Dutch) auctions and Firm Bid Mechanism, supported by bvc. Also, bvc offers a primary market board to negotiate Term Deposit Certificates.

Secondary Market



Treasuries

Although Public Debt can be traded in both systems SEN and MEC. The SEN is an electronic trading platform used by primary dealers and market makers. The MEC (provided by the bvc) also offers an Over The Counter (OTC) platform to trade Public Debt. The Neg-Deals can be registered through MEC and authorized brokers.

Corporate Debt (bvc)

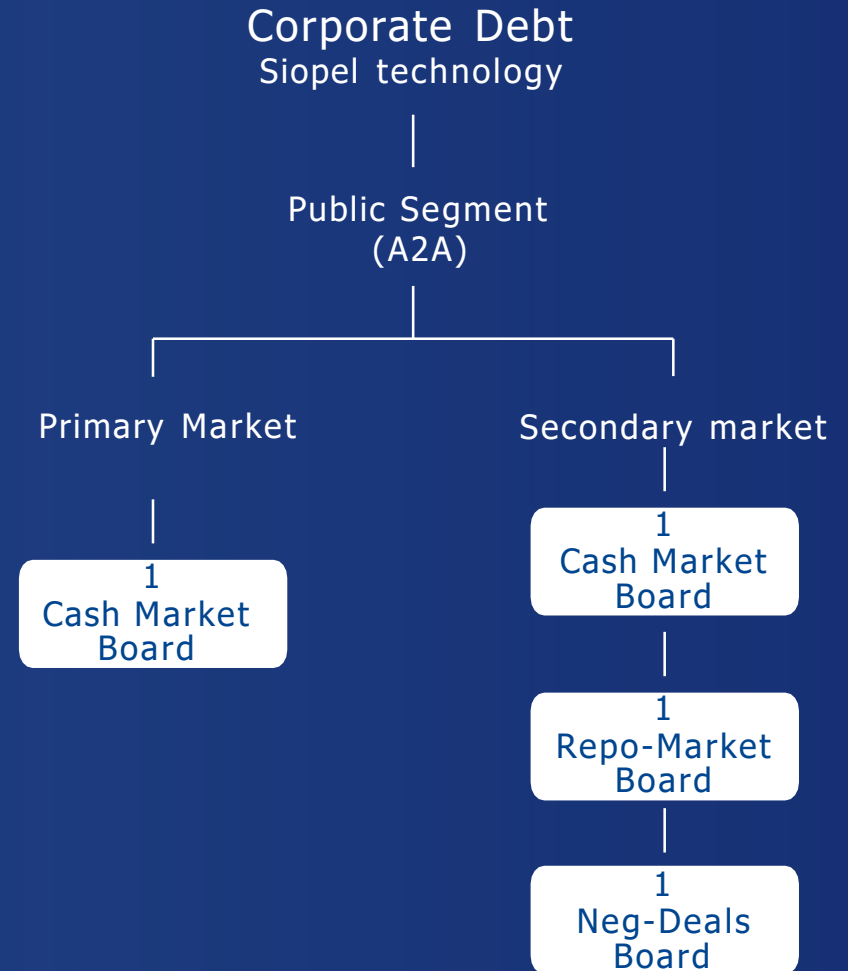
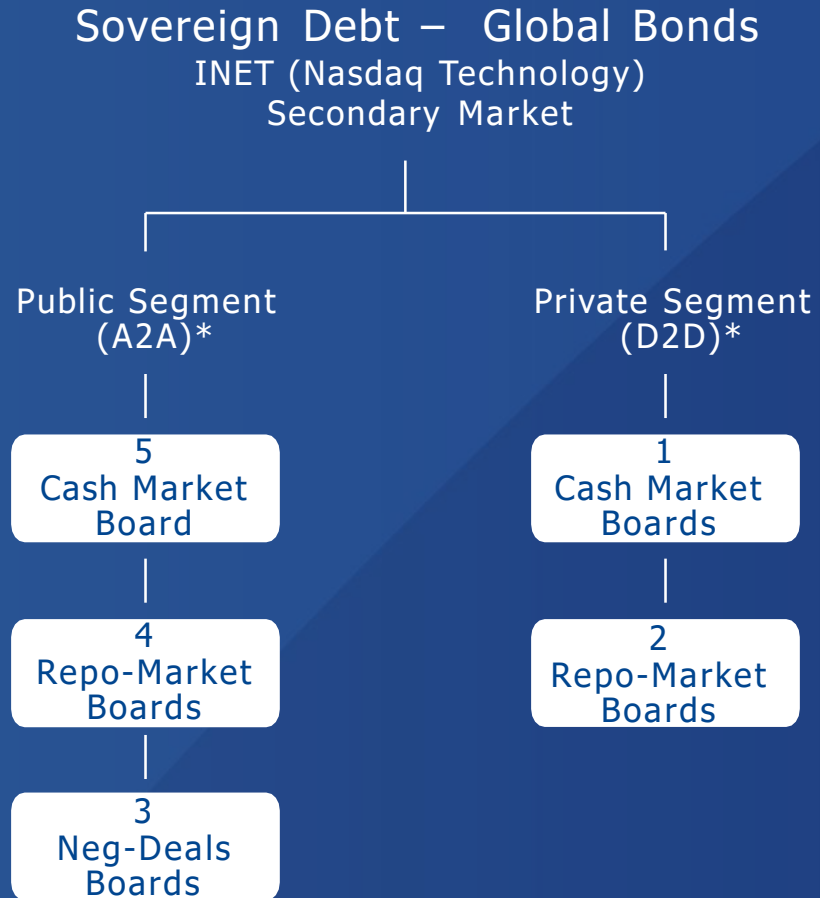
The only exchange-traded market that can trade corporate debt is the one given by MEC. To register and negotiate deal investors can use the OTC MEC platform, or can contact an authorized broker.

*MEC: Negotitation system provided by bvc

*SEN: Negotitation system provided by Central Bank of Colombia

FIXED INCOME

TRADING AND NEG-DEAL SESSIONS

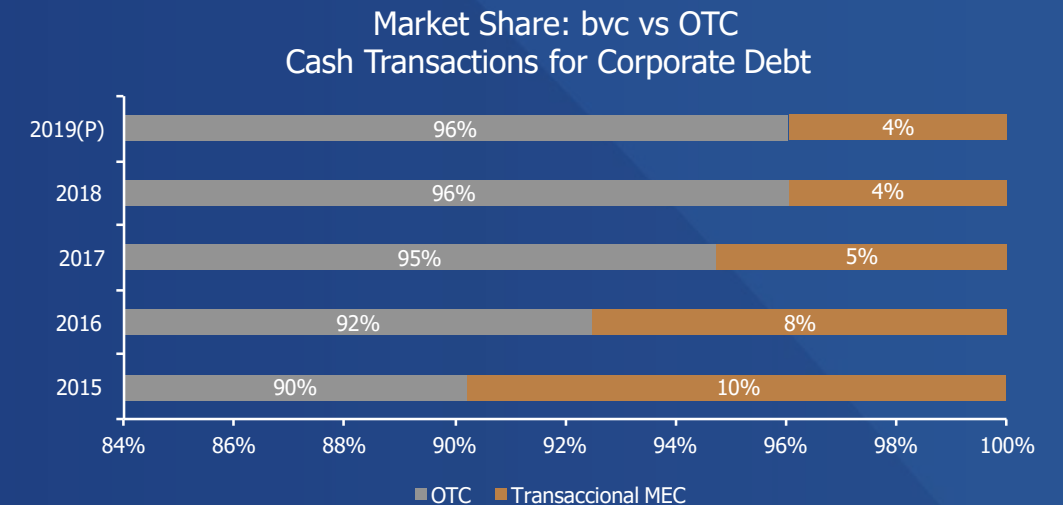
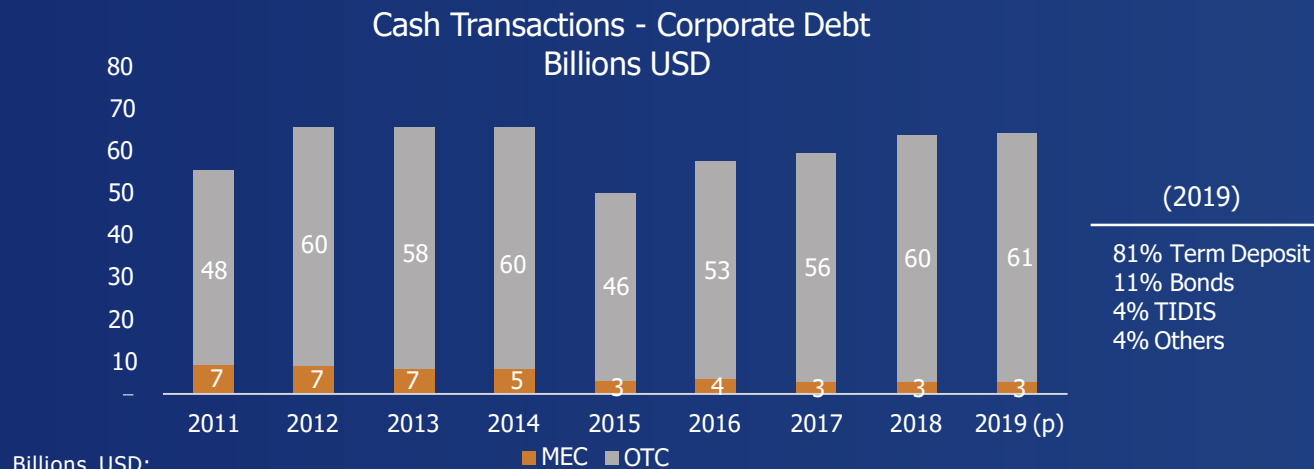
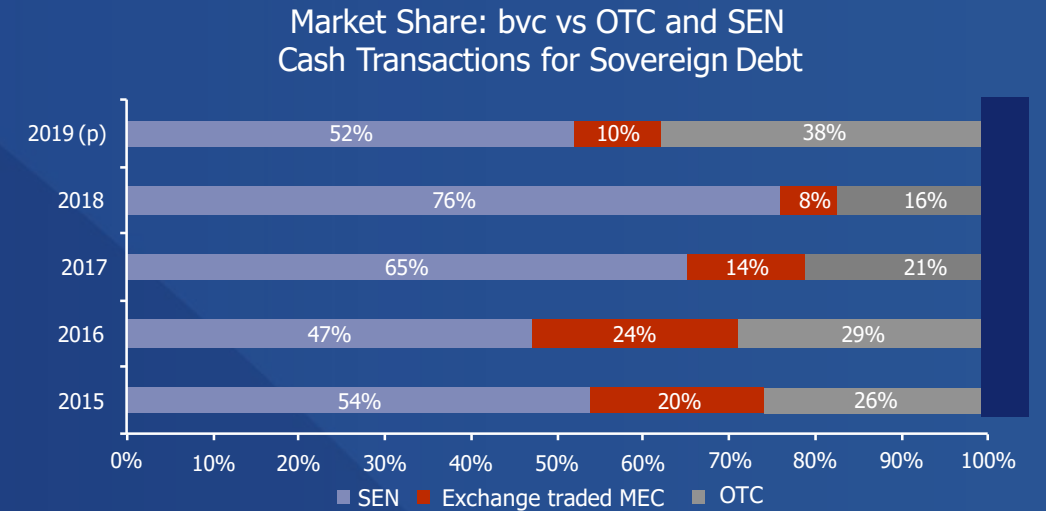
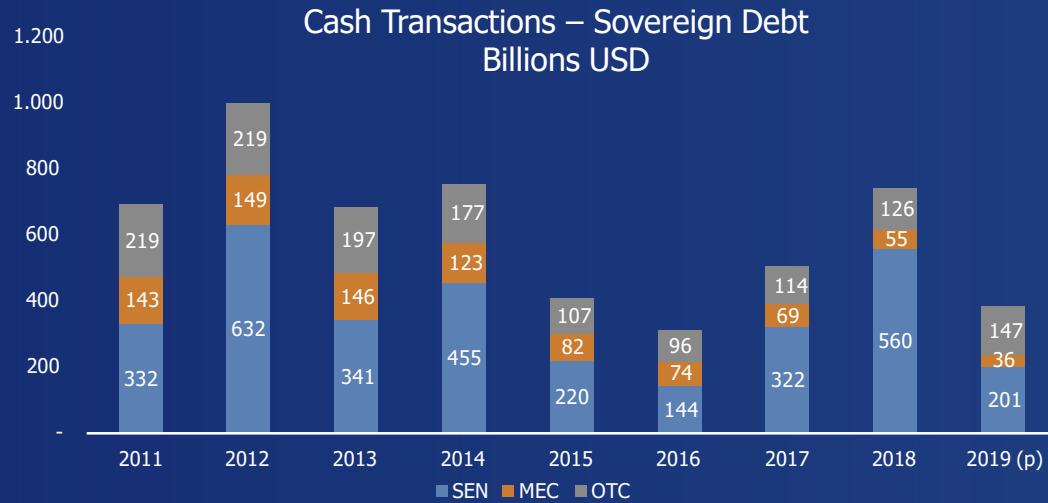


*D2D: Dealer to Dealer

*A2A: All to All

FIXED INCOME

CASH STATISTICS

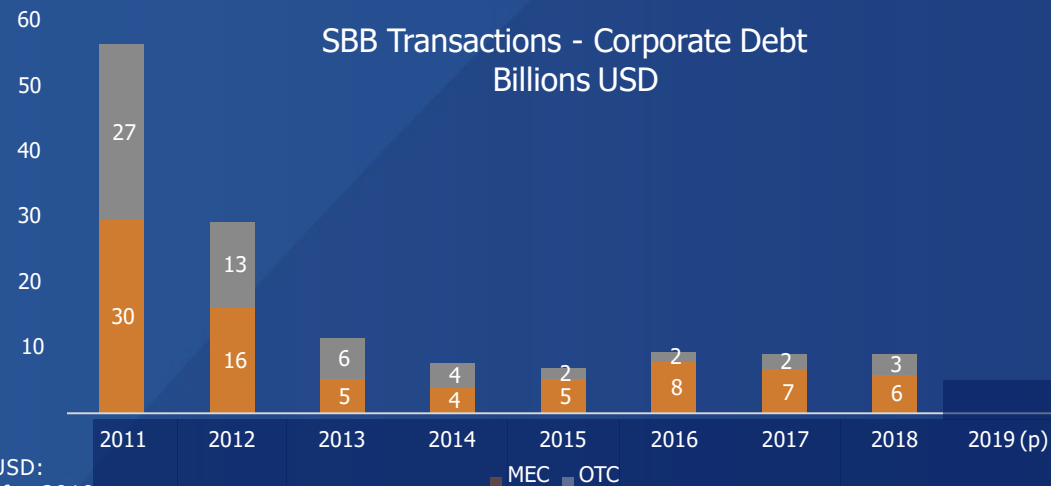
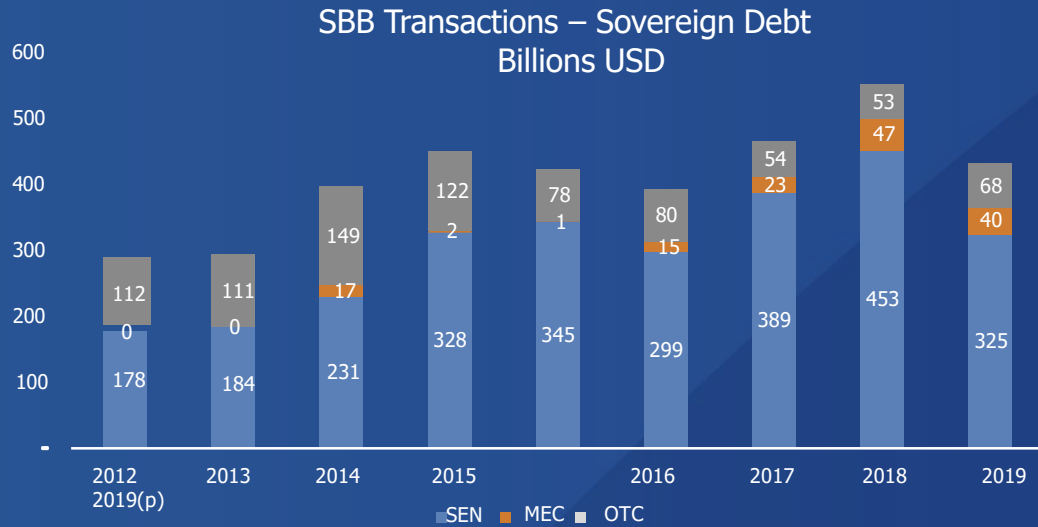


Billions USD:
Forecast for 2019
USD/COP: average rate per year

(2019)
81% Term Deposit
11% Bonds
4% TIDIS
4% Others

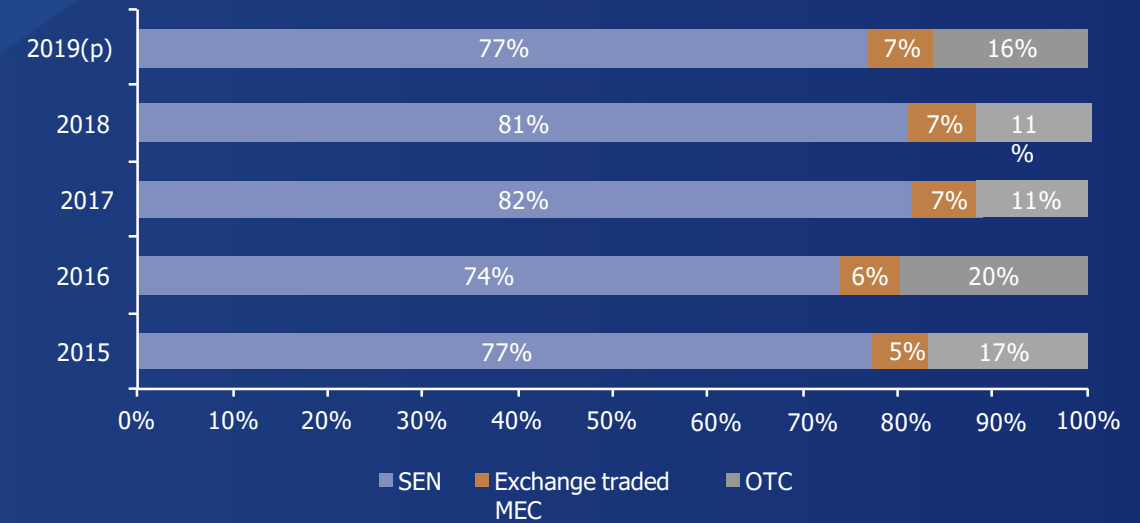
FIXED INCOME

SELL & BUY BACK STATISTICS

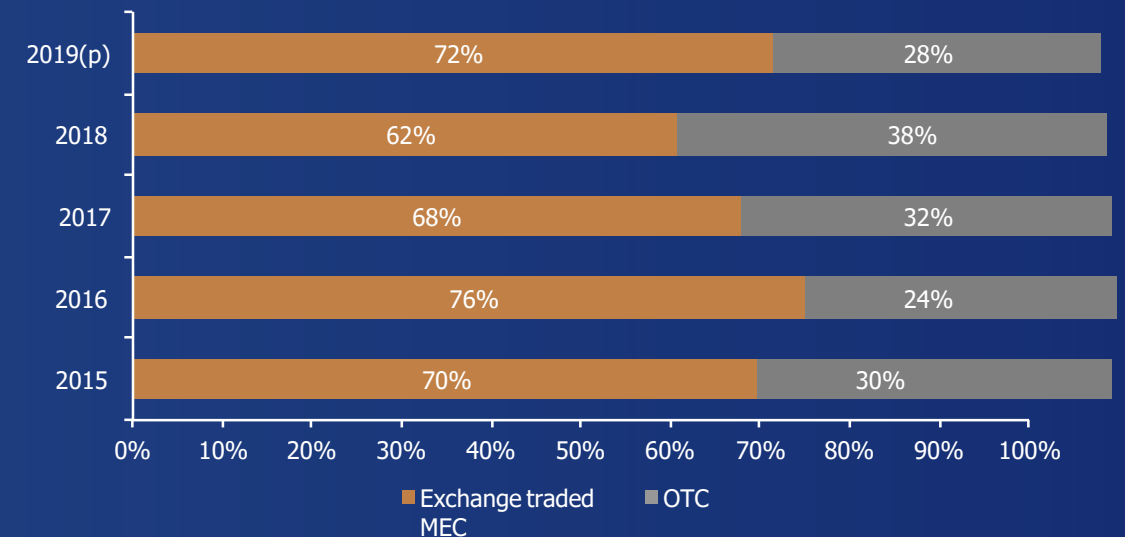


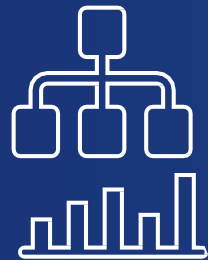
Billions USD:
Forecast for 2019
USD/COP: average rate per year

Market Share: bvc vs OTC and SEN SBB Transactions for Sovereign Debt



Participación bvc VS OTC – SBB Transactions for Corporate Debt

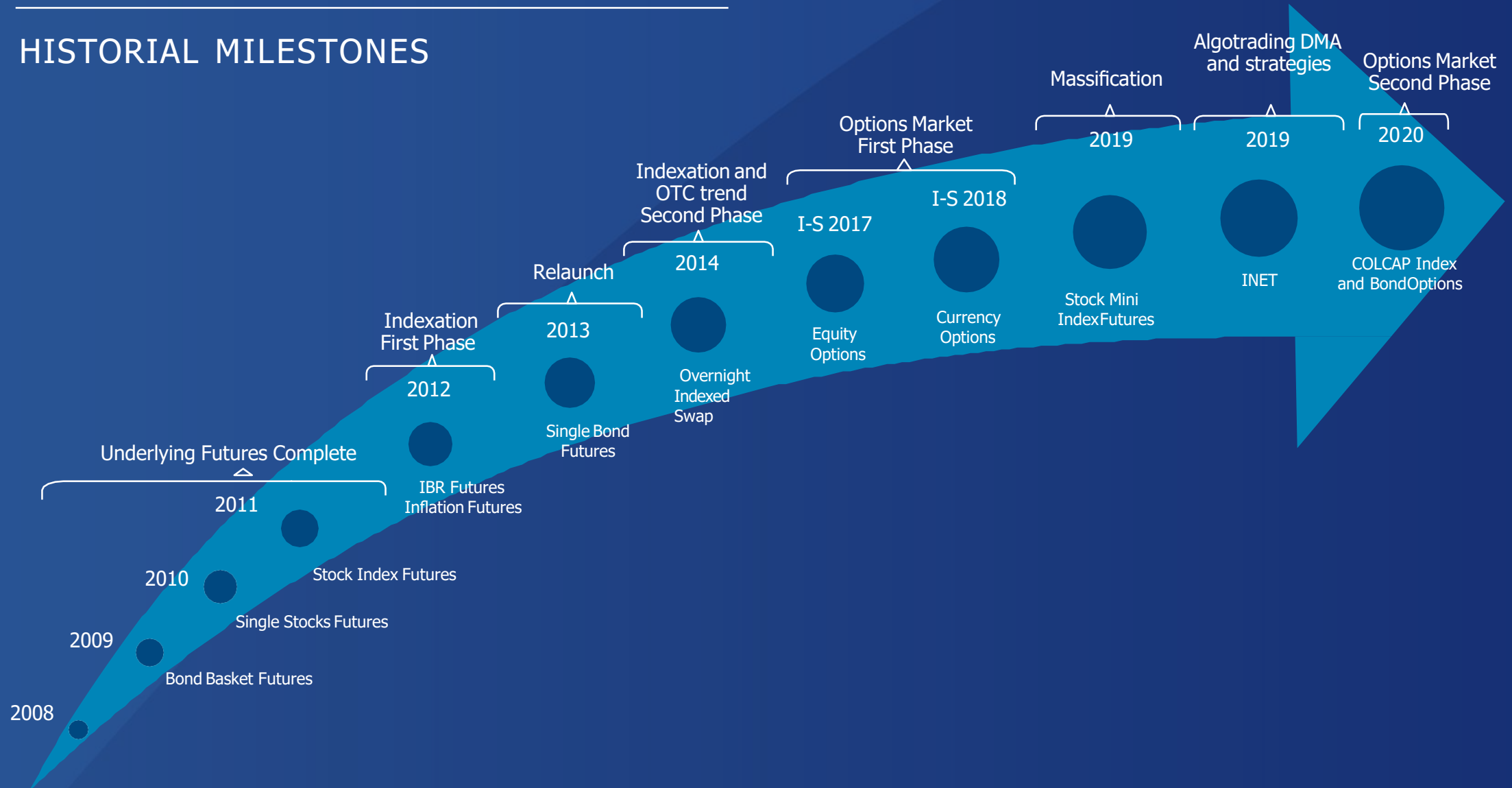




Derivatives

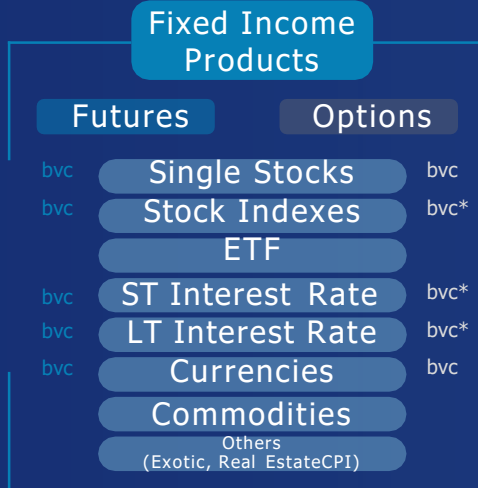
DERIVATIVES

HISTORIAL MILESTONES



DERIVATIVES

GENERALITIES: MAIN FEATURES, VALUE CHAIN AND TURNOVER



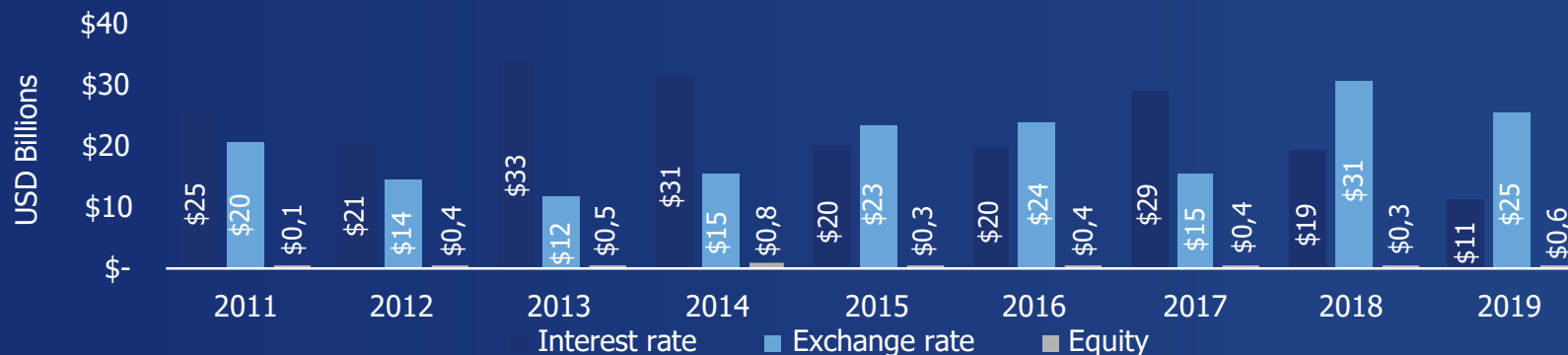
Source: WFE
*Launch in 2020



Value Chain

Process	Entity
Trading : MEC and SEN	
Clearing	
Settlement	
Custodian	

Derivatives Market Turnover



Overall the bvc Derivatives Market has 30 members:

- 12 brokers.
- 13 Banks and Credit Entities.
- 5 Pension Funds and Trusts.

3 Market Makers programs for selected Futures.
Registration and Screen Trading.

DERIVATIVES

TRADING SESSIONS - MARKET SESSIONS

Opening Auction

This session establishes the opening price in the market for the respective product.

The entry and withdrawal of orders in the Public Order Book is allowed, as long as they comply with the conditions established in the matching algorithm at the equilibrium price of the System.

Orders are matched at the close of the Session.

Open Market

In this session the orders are entered, withdrawn and modified based on the Continuous Negotiation Methodology.

Thus, buy and sale orders entered to the System are continuously matched via an automatic matching algorithm.

Closing Auction

This session establishes the closing price in the market for the respective product.

The entry and withdrawal of orders in the Public Order Book is allowed, as long as they comply with the conditions established in the matching algorithm at the equilibrium price of the System.

Orders are matched at the close of the Session.

Session		TES and OIS Futures			Exchange Rate Futures / Exchange Rate Options			Variable Income Futures / Variable Income Options		
		Opening Auction	Open Market	Closing Auction	Opening Auction	Open Market	Closing Auction	Opening Auction	Open Market	Closing Auction
Trading	Start	8:00 a.m.	8:05 a.m. +/-60 random seconds	12:59 p.m.	8:00 a.m.	8:05 a.m. +/-60 random seconds	4:45 p.m.	8:00 a.m.	8:05 a.m. +/-60 random seconds	4:25 p.m. +/-60 random seconds
	End	8:05 a.m. +/-60 random seconds	12:59 p.m.	1:00 p.m. +/- 30 random seconds	8:05 a.m. +/-60 random seconds	4:39 p.m.	4:40 p.m. +/-30 random seconds	8:05 a.m. +/-60 random seconds	4:25 p.m. +/-60 random seconds	4:30 p.m. +/- 60 random seconds
Registration and RFQ		8:00 a.m. - 4:00 p.m.			8:00 a.m. - 4:40 p.m.			N/A		
Orders Acceptation Session - CRCC		8:00 a.m. - 4:30 p.m.			8:00 a.m. - 5:00 p.m.			8:00 a.m. - 4:30 p.m.		

New York Time

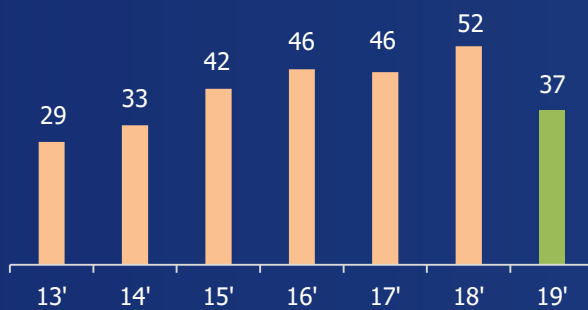
DERIVATIVES

IN NUMBERS

Total Volume

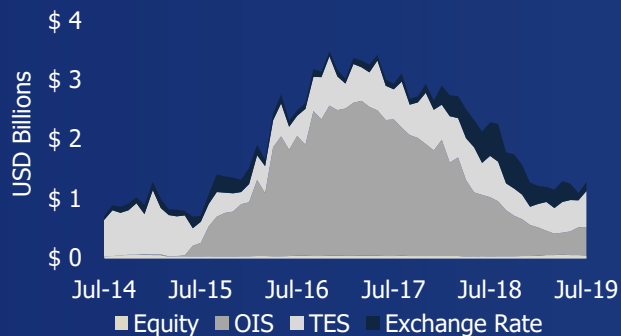
4% of the OTC Market
4% of the Spot Market

Turnover by year (USD Billions)



*19' forecasted at the end of year

NOA* by underlying type

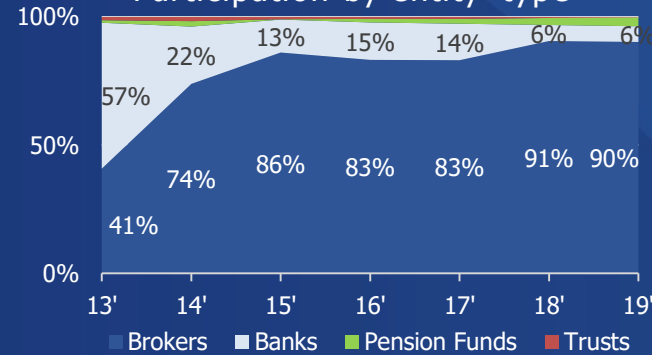


*Notional Outstanding Amount.

Participants

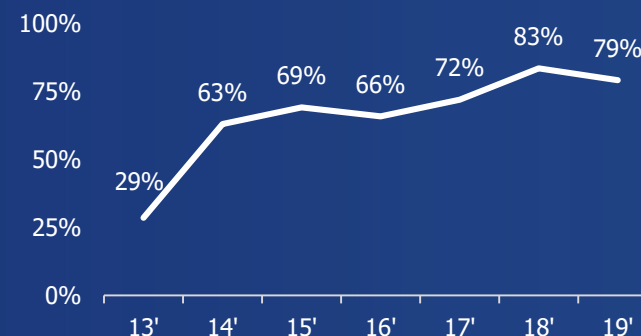
3 underlying markets
8 product lines

Participation by entity type



*19' forecasted at the end of year

Percentage of volume made by the 4 most important Members

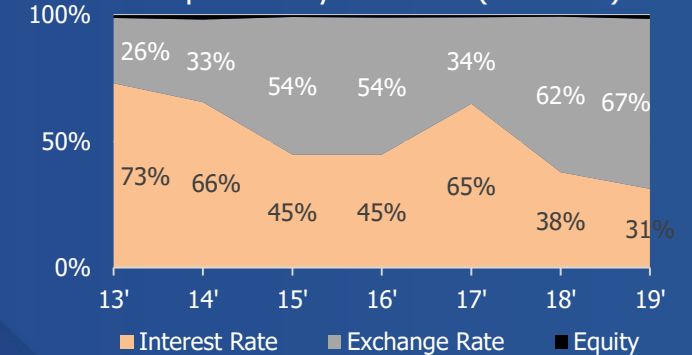


19' at July

Markets

30 Entities direct access

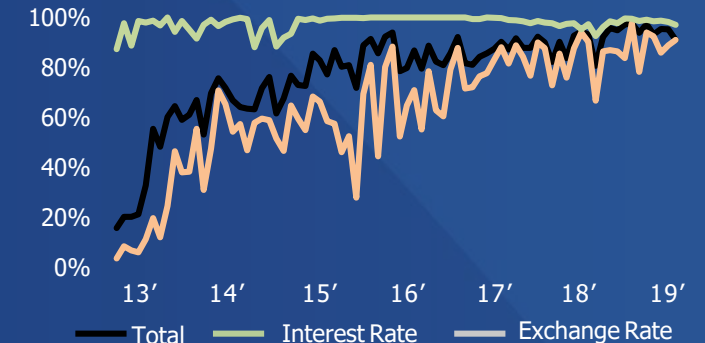
Participation by market (Volume)



19' at July

Evolution of Volume by Registration

Screen Trading 7% - 93% Registration for 2019

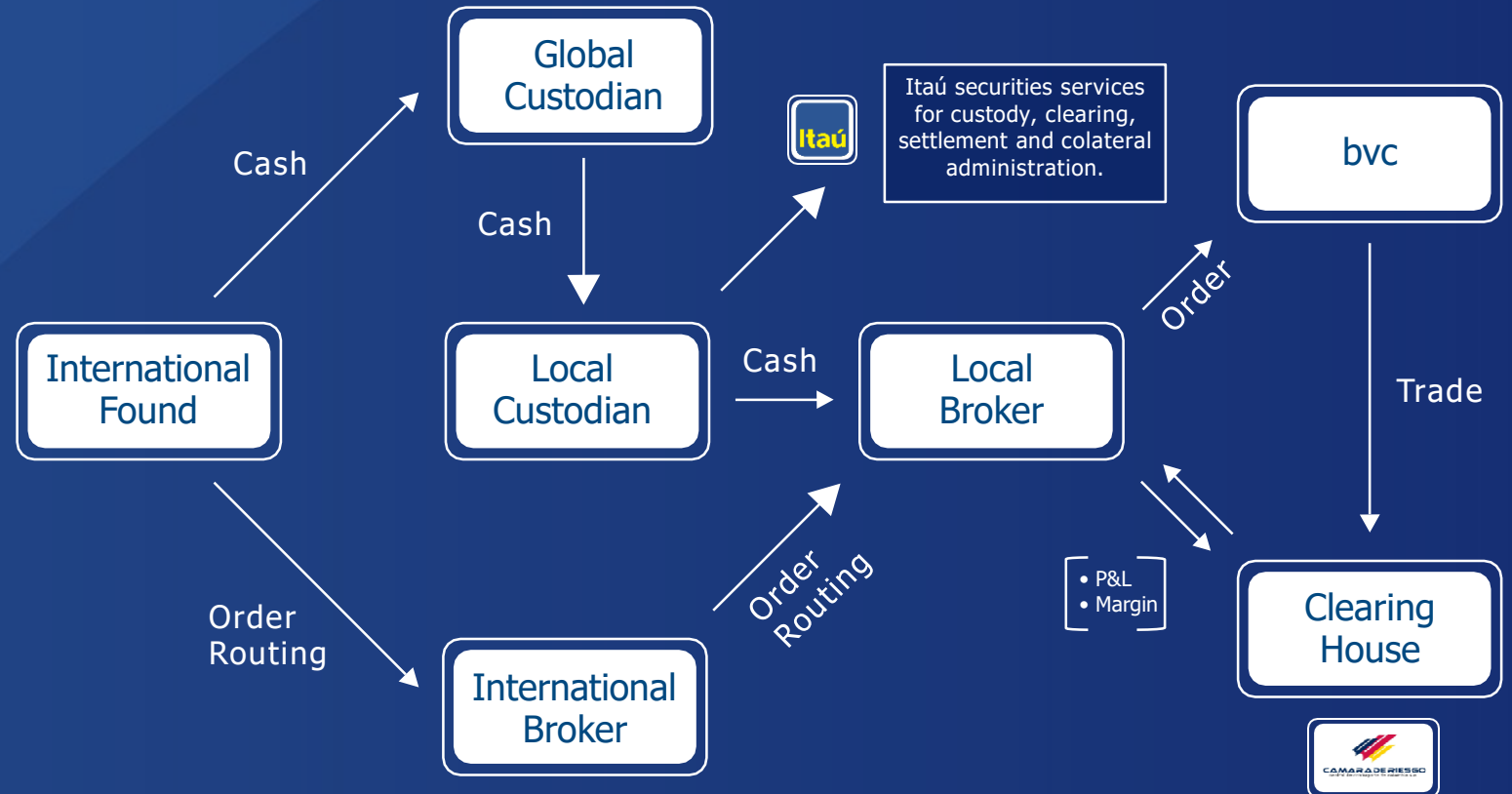


*19' forecasted at the end of year

DERIVATIVES

SETTLEMENT CYCLE

- Confirmation sent in T+0 to relevant local custodian and international broker/fund
- T+0 for Clearing and Settlement.
- At expiration, Stock Futures that are settled with delivery have a T+3 delivery of the shares.



Colombia has one local custodian serving international investors:

ITAU : Susana Montero : Susana.montero@itau.com +571 592 0221

DERIVATIVES

ROLES OF bvc AND CCP



Creation and listings of standardized futures.

Controls and manages counter party risk.

Nasdaq's INET platform administration.

Ensure clearing and settlement processes.

Ensure correct price formation, transparency and behaviour of the market.

Collateral daily management and Profit and Loss controls.

Provide training and assistance about the different products to the market participants

THE TEAM

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Thank you