



# **1<sup>st</sup> Regional Workshop on Developing Government Bond Markets in Latin America**

Rio de Janeiro, Brasil June 11-13, 2001

**The Colombian experience in  
securities settlement**

## AGENDA

- Situation of public debt market before 1996
- Role of the Central Bank
- Results

# Introduction

- The most important securities issued by the Central Government at the domestic market are called *Títulos de Tesorería -TES*.
- As the government's fiscal agent, the Central Bank (Banco de la República - BR) administers most of the securities issued by Central Government and carries out the primary auctions of TES.
- BR also administers the Central Security Depository DCV, created for the custody and administration of dematerialised government securities, and operates an electronic trading system for public securities called SEN (Sistema Electrónico de Negociación).
- At the beginning of the 90's, BR took the lead role in formulating and implementing the strategy for the modernization of the Colombian payment system and since then have done relevant efforts to increase its efficiency and security according to the best international practices.

## Situation of public debt market before 1996

- Broad use of physical securities.
- Issues were irregular and not fungible.
- Incipient secondary market, segmented in three stock exchanges.
- Low liquidity and lack of transparency in the market.
- No yield curve available.
- Checks were the main payment instrument.
- Slow clearance and settlement process (up to four days).
- High risks inherent to the settlement procedures.

1993

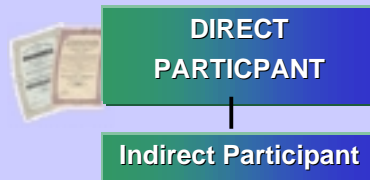
SEBRA



CENTRAL BANK

### DEMATERIALIZATION

CENTRAL SECURITIES DEPOSITORY



- Facilitates trading and settlement of securities
- Expedite payments of principal and coupons
- Avoid risk of forgery , robbery and adulteration of securities.

1992

### CENTRAL BANK MONEY



ELECTRONIC CASH ACCOUNTS

- Facilitate payments of the financial system.
- Avoid risk of securities settlement (DVP).

1993

- Netting in cash accounts was used until July 1998 .
- As of July 1998, a RTGS system was established. The use of checks was eliminated.
- DVP model one (Gross settlement with simultaneous movement of funds and securities) . Intraday repos

1998

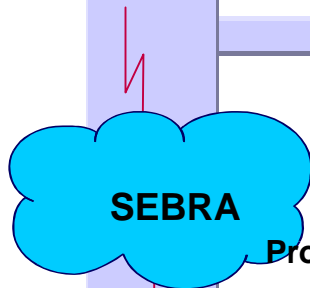
### ELECTRONIC TRADING SYSTEM

- Creates reference prices; More transparent market
- Creates a deep, liquid and efficient domestic debt market
- Automatic Settlement in DCV

1998

### MONETARY POLICY:

By law, since 1999 OMOs must be conducted only with public debt securities



Proprietary communication network. Host to host

FINANCIAL AND SECURITIES MARKET AGENTS



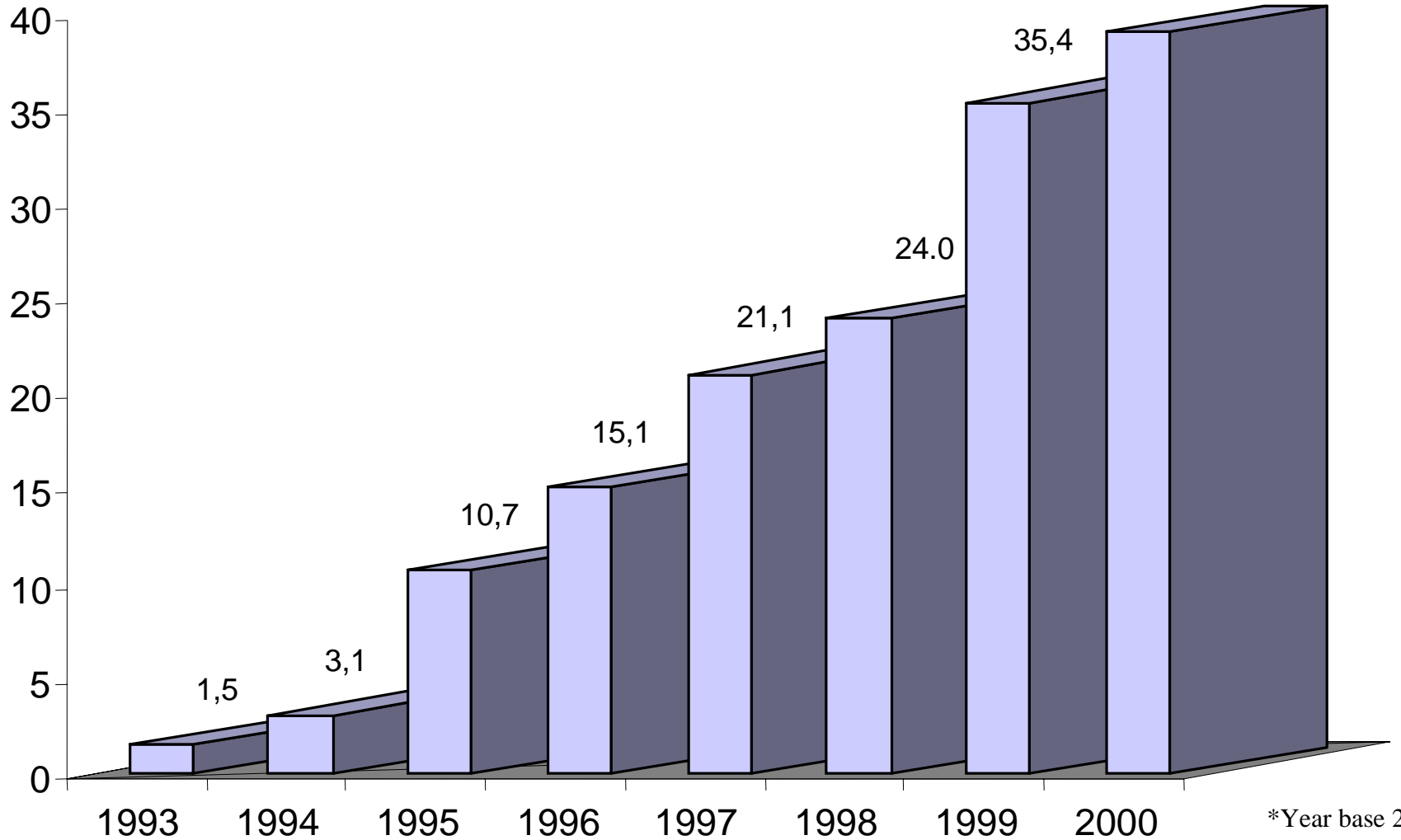
## Results

- Elimination of the risk of handling securities administered by the CSD
- Substantial reduction of settlement risk (DVP-RTGS).
- Settlement in  $t+0$  with same day funds
- Liquidity and depth of the secondary government debt market .
- Transparency in trading, creation of reference prices and development of the yield curve
- Increase in the volume of trades involving public debt
- Development of the primary and secondary markets for public debt.

# SECURITIES DEPOSITED IN DCV

COP trillions (real terms)\*

COP trillions

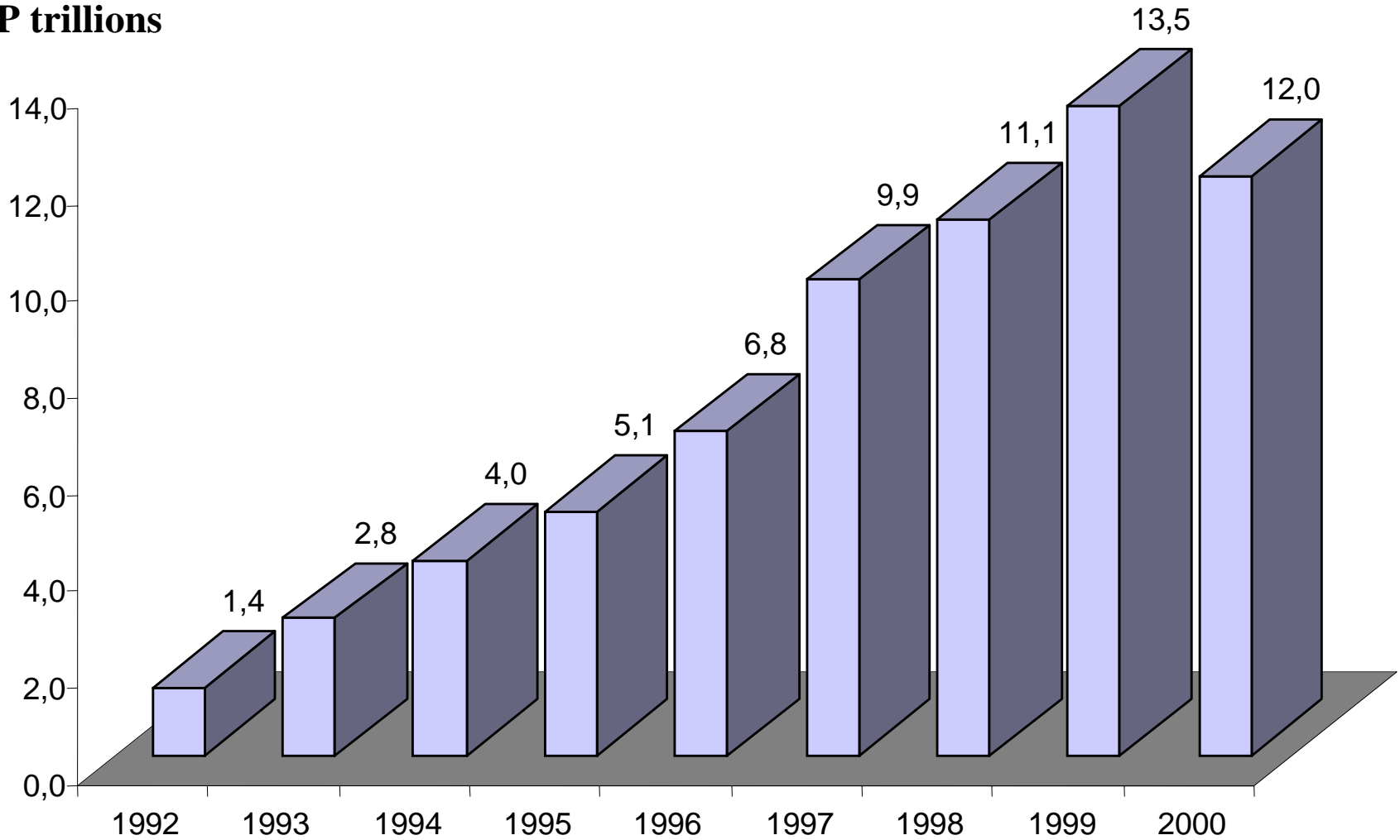


\*Year base 2000

# TES ISSUED

COP trillions (real terms)\*

COP trillions

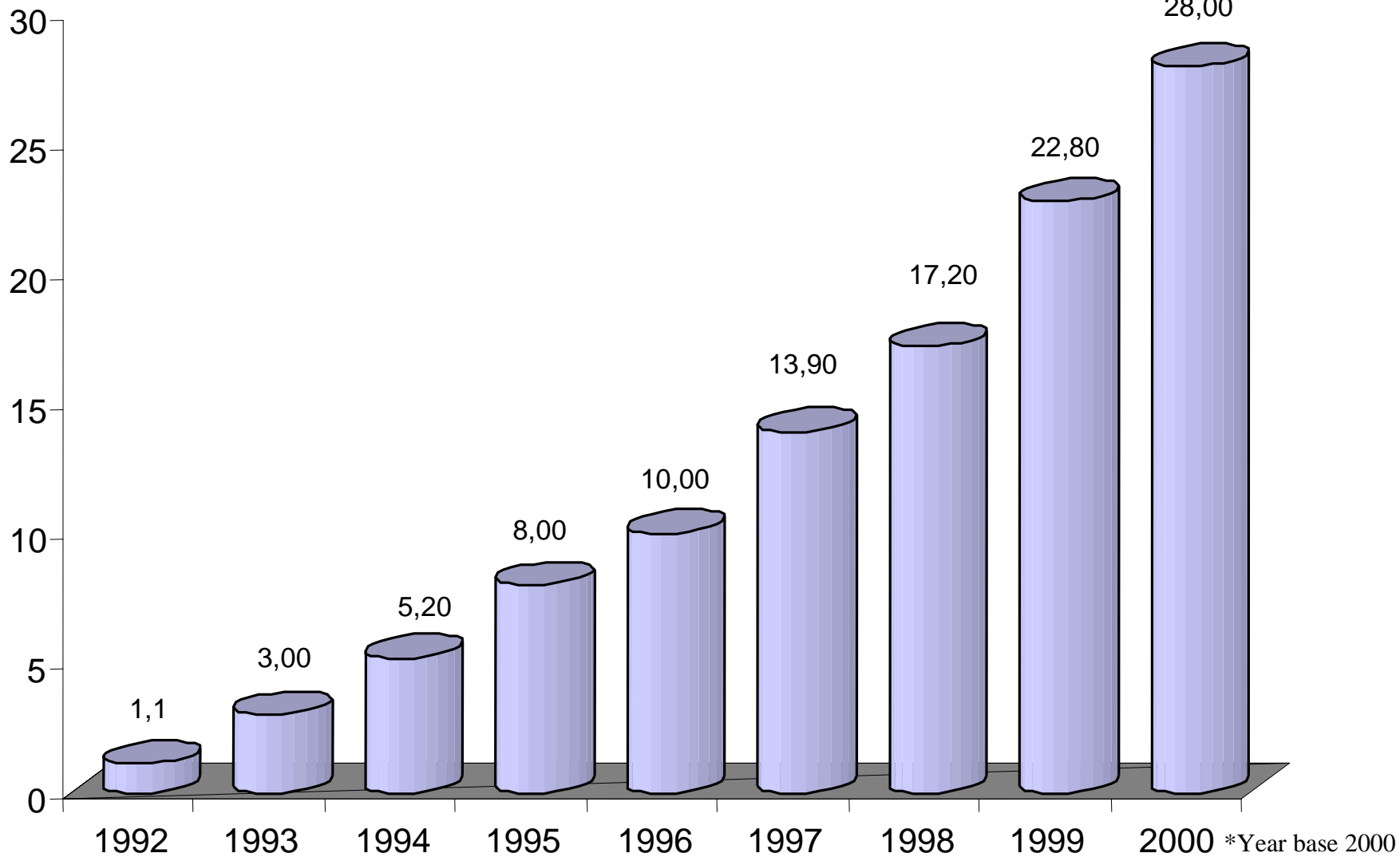


\*Year base 2000

# OUTSTANDING STOCK OF TES B

COP trillions (real terms)\*

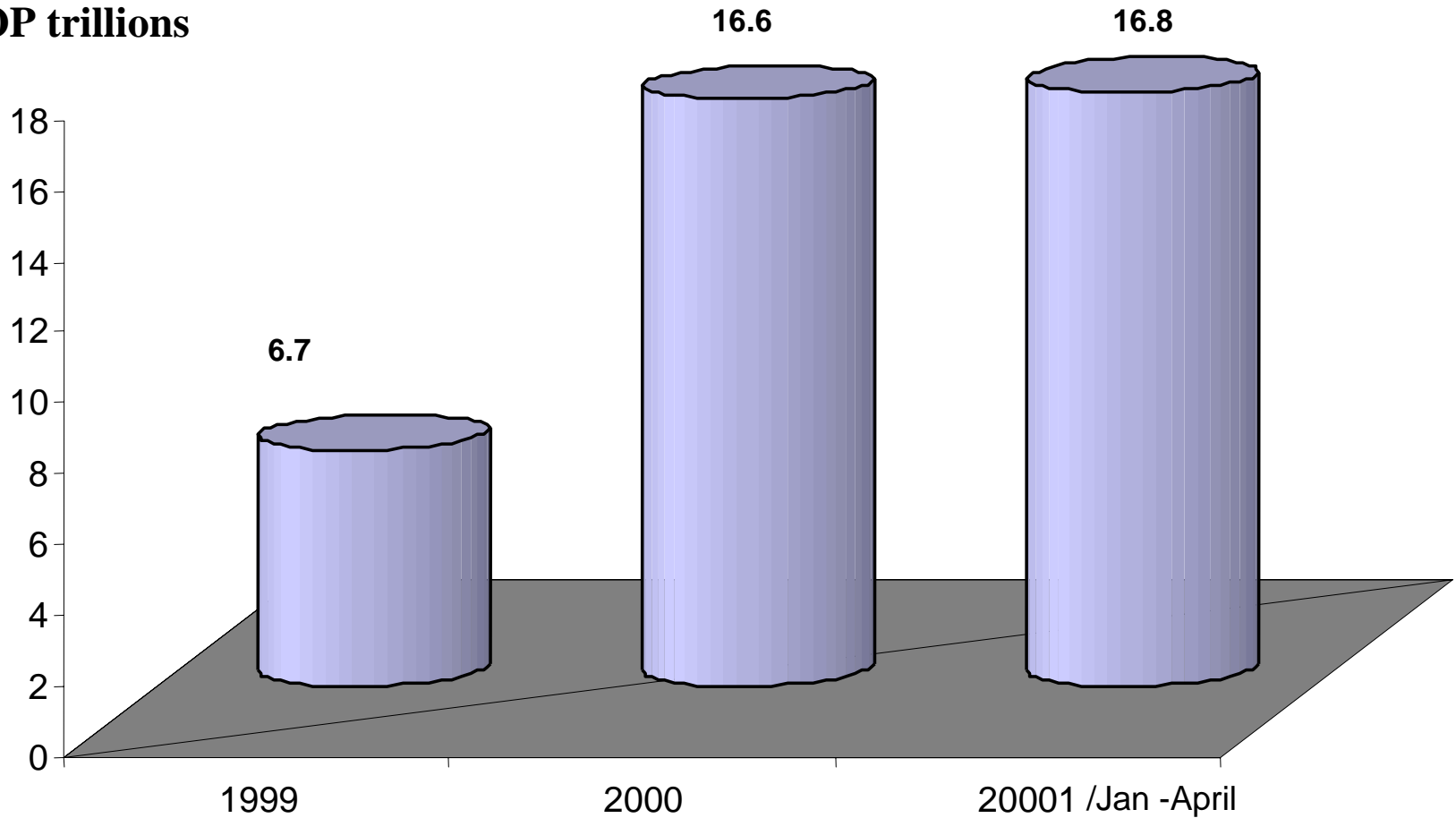
COP trillions



# SEN - VALUE OF TRANSACTIONS

COP trillions (real terms)\*

COP trillions

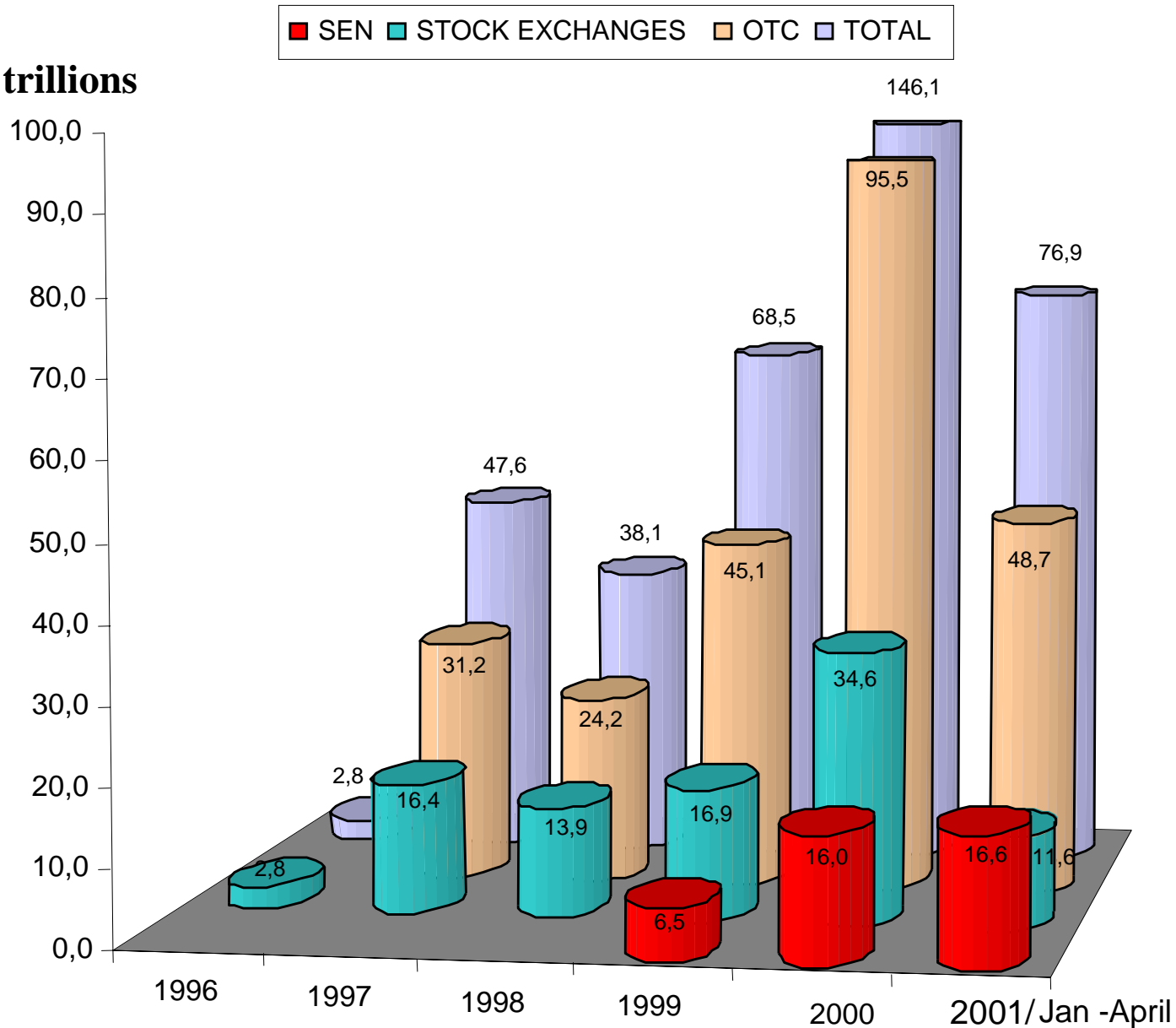


\*Year base 2001

# EVOLUTION OF TES MARKET

COP trillions (real terms)\*

COP trillions



\*Year base 2001



Thank you