Cámara de Compensación de Divisas de Colombia

Camilo Arenas Rodriguez
Manager

www.camaradivisas.com
FX trading in Colombia

Central Bank sets minimum criteria for authorized FX dealers

FX dealers can be banks, broker-dealers, and other FI (Under SF surveillance)

FX trading is concentrated in COP/USD pair

Most FX trading occurs in SETFX (FX trading system)

Most trades are for same-day settlement
## What **Risks** does CCD mitigate?

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal</td>
<td>“Payment vs. Payment”</td>
</tr>
<tr>
<td>Liquidity</td>
<td>Multilateral Netting</td>
</tr>
<tr>
<td></td>
<td>Short Position Limits by currency</td>
</tr>
<tr>
<td></td>
<td>Liquidity Providers</td>
</tr>
<tr>
<td>Market</td>
<td>Collateral in pesos and/or dollars</td>
</tr>
<tr>
<td>Operational</td>
<td>Less messages and payments</td>
</tr>
<tr>
<td></td>
<td>Standardized procedures</td>
</tr>
<tr>
<td>Legal</td>
<td>Central Bank External Resolutions Securities Market Law CCD Rulebook</td>
</tr>
</tbody>
</table>
CCD service

Help clear and settle FX transactions:

- between authorized FX dealers
- for T+0, T+1 and T+2 value trades
- for the COP / USD pair
- agreed or registered in SETFX
Liquidity Providers

Scheme requires CCD to have LPs

LPs must provide quotes to CCD

CCD trades with LPs must cover more than the largest member’s default:

- One-day swaps for delays
- Outright purchases or sales for defaults

LPs can be internal or external, and can be Participants as well.
Successes and Challenges

- Risk mitigation covers 99% of trades and is fully compliant with Core Principles
- Liquidity savings are close to 85%
- CCD’s high KYC standards have required members to go beyond legal minimums
- Obtaining greater amounts with LPs has been more difficult than initially estimated
PFMIs Implementation
Challenges in CCD

- Implementing **Multilateral** compensation and settlement schemes facilitates PFMIs implementation.

- Regulatory framework helps out to establish fair and transparent rules for Participants, and other Parties involved in each scheme.
Principle 4 Credit Risk: CCD establish two limits to the participants:

- **Short Position Limit (SPL)** in function of their Equity. (Patrimonio Tecnico)
- **Dinamic Short Position Limit (DSPL)** in function of the collateral.

Both limits can not exceed the available with LPs.
Principle 5 Collateral: CCD accepts cash collateral only (COP/USD). USD Collateral implies mitigations related with the cross-border risk.

The scheme must provide to the Participant the ability of collateral substitution.
Principle 7 Liquidity Risk: Due to the scheme is based on the available amount with LPs, maintaining adequate committed amounts between CCD – LPs is relevant.

- LPs diversification is required to avoid concentration risks.
○ Principle 9 Money Settlement: Due to the settlement in USD requires to handle accounts in US Commercial Banks, CCD had to implement a very strong scheme which includes maintain accounts in different Banks and continuously test operational availability.