Colombian market profile and foreign investor’s guide
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INTRODUCTION

Amid one of the most severe crisis in international markets, the Colombian securities market has been growing as the Country reaches macroeconomic stability and its prospects for growth become evident. As a result, an ever-greater number of international investors are being attracted by the opportunities that the Colombian market offers.

At the same time, there have been deep and meaningful changes in the Colombian regulatory system in order to integrate international best practices. Additionally, the Country has enhanced the local market infrastructure. Therefore, it is now able to offer local and international investors’ agility and safety in the course of trading.

Being aware of the need to support the creation of new channels to promote international investment the Colombian Stock Exchange - BVC has developed the "Colombian Market Profile and Foreign Investor’s Guide". This document is addressed to investors and market participants of international securities, and describes the Colombian securities market and the processes that investors must follow to trade in the market.

The document is divided into five parts. The first section contains an overview of the regulatory framework for the securities markets and the regulations pertaining to the processes that foreign investors must follow to operate in Colombia. It also describes the structure of regulation and market surveillance.

The second section presents the infrastructure of the securities market. In particular, it describes the various entities involved in the value chain and the products and services that each one offers in the different markets.

The third section contains an in-depth depiction of the characteristics of each of the markets that make up the Colombian securities market: Equity, Fixed Income, Derivatives - Financial and Energy – and Latin American Integrated Market - MILA.

For each of the aforementioned markets, it explains the products traded, the operations available, auction mechanisms in the primary markets and the main characteristics of the secondary markets (transactional and / or registration). That is to say, it refers to scenarios, rules and schedules negotiation, benchmarking, participating entities, schemas of liquidity, etc. In it the investor will find a description of the processes of clearing and settlement operations and risk management models that are applied throughout the entire process (counterparty risk, liquidity risk and market risks, mainly).

This section also describes the two main investment vehicles existing in the Colombian market, i.e. collective portfolios, nowadays called Collective Investment Funds, and stock funds COLCAP iShares ® - the latter benchmarks the Colombian stock market -COLCAP.
The fourth section explains the legal rights of shareholders in listed companies under Colombian law; the mechanisms to call general assemblies and the procedures for exercising the right to vote. Additionally, it outlines the types of corporate events, the mechanisms for disclosure to the market and policies for the payment of dividends and interest to investors through the intermediaries who hold custody of their titles. In the end, it explains what relevant information and the facts companies are required to report.

The fifth section of this document specifies the process to be carried out by international investors to begin operations in the Colombian market and enumerates the institutions, both local and foreign, involved in this process.

Finally, the document presents the mechanisms Direct Market Access – DMA- that are available to facilitate direct entry by international investors to the markets administered by BVC, and the means by which investors can access online information in the Colombian market.

At the end of this document, a list of the brokerage firms and local custodians is provided with contact information.

This document intends to offer readers a deeply description about the Colombian capital markets and the operational process to invest in Colombia. However, if the reader is interested in a broad description we recommend a quick review of sections 3 and 4, and go directly to section 5 of this document.

The Colombian Stock Exchange hopes that this booklet will be of use as a tool for both foreign investors and their local counterparties, and that this initiative will add to the plans being developed by both the public and private sectors to bring about a liquid securities market, integrated into international financial markets and that will help the development of Colombia.

For any questions or comments about this booklet please contact our Office of Research and Analysis of e-BVC investigacion@bvc.com.co

Sincerely,

The Colombian Stock Exchange
## 1. REGULATORY FRAMEWORK

### 1.1. OUTLINE OF COLOMBIAN SECURITIES MARKET REGULATIONS

#### 1.1.1. SUMMARY – COLOMBIAN SECURITIES MARKET AND REGULATIONS FOR FOREIGN INVESTMENT

<p>| 1. | Colombian Constitution of 1991 | Article 189 of the Constitution provides the framework of the attributions with which the President of the Republic exercises the right to inspect, supervise and control persons engaged in financial, securities, insurance, and any other activity related to management, capitalization or investment of resources collected from the public. Article 371 states that the Colombian Central Bank shall act as Central Bank and contains the basic attributions of the Central Bank. These include regulating currency, foreign exchange and credit. Article 372 states that the Board of Directors of the Central Bank shall act as the monetary, exchange and credit authority. More Information: <a href="http://wsp.presidencia.gov.co/Normativa/Documents/ConstitucionPoliticaColombia_20100810.pdf">http://wsp.presidencia.gov.co/Normativa/Documents/ConstitucionPoliticaColombia_20100810.pdf</a> |
| 4. | Organic Law of Central Bank - Law 31 of 1992 | This law establishes the norms that the Central Bank must comply with in order to execute its functions and it empowers the government to set the international exchange rate regime. More Information: <a href="http://www.banrep.gov.co/reglamentacion/">http://www.banrep.gov.co/reglamentacion/</a> |</p>
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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>6.</td>
<td>Decree 2555 of 2010 - Decree for the entire financial system.</td>
<td>This decree contains and re-issue of the rules concerning the financial, insurance and securities market sectors and establishes provisions. This rule is object of frequently modifications in order to adjust it to the proper dynamics of the securities market. <em>More Information: <a href="http://www.minhacienda.gov.co/">http://www.minhacienda.gov.co/</a></em></td>
</tr>
<tr>
<td>12.</td>
<td>Legal Bulletin - External Bulletin 029 of 2014 - SFC</td>
<td>Through this bulletin is reissued the Basic Legal bulletin (External Circular 007 of 1996), in order to update its content with the regulations and the current judicial precedents in the following aspects: financial, insurance and stock market. Part III refers to disintermediated Market and contains instructions applicable to issuers of securities, entities and market activities, as well as aspects related to the Integrated Information System Stock Exchange (SIMEV) and Collective Investment Funds (FIC’s). This Circular was recently modified by External Bulletin 14 of 2015. <em>More Information: <a href="http://www.superfinanciera.gov.co/">http://www.superfinanciera.gov.co/</a></em></td>
</tr>
</tbody>
</table>
13. Tax Rules

The Tax Rules compiles substantive rules governing different matters about Colombian taxes (i.e. income, capital gains and complementary taxes, dividends, withholding tax, etc.) and the administrative procedures related to such taxes and withholdings. Foreign portfolio investment is mainly ruled by the article 18-1.


14. Regulations for trading, clearing and settlement systems.

<table>
<thead>
<tr>
<th>Regulation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EQUITY MARKET: General Rules of the Colombian Stock Exchange</strong></td>
<td>This regulation establishes the general rules for the registration of securities that can be traded in the BVC, the registration of stock brokerage firms and individuals connected with them, likewise the general rules about securities trading, clearing and settlement, and how the BVC will make effective the collateral guaranteeing operations. Additionally, this regulation establishes the operating rules for the system of trading foreign securities.</td>
</tr>
<tr>
<td><strong>DERIVATIVES MARKET: Derivatives Market Regulation</strong></td>
<td>This regulation establishes the general rules about trading standardized derivative contracts or derivative financial instruments (IFD) with the condition of being standardized, and the rules for registration of transactions outside the system as well as the rules of admission for market members previously approved by the Central Counterparty Clearing House (herein after CCP).</td>
</tr>
<tr>
<td><strong>FIXED INCOME MARKET: Regulation of the Electronic Market in Colombia – MEC</strong></td>
<td>This regulation contains the general rules for other securities excluding shares and convertible bonds (hereafter Boceas), listed on the Colombian Stock Exchange, within the centralized trading and registration system MEC. It establishes the procedure for recording OTC market trading, the admission of members into the system, and the registration of their employees.</td>
</tr>
</tbody>
</table>

More Information:
• CLEARANCE AND SETTLEMENT OF OPERATIONS, ADMINISTRATION AND SECURITIES
CUSTODY:
Regulation of Operations DECEVAL

This regulation governs the relationship between the DECEVAL depository and its direct or indirect depositors and other CSDs (local or international) with the trading or registration systems and other clearing and settlement systems, as a result of contracts established regarding custodial services, administration, clearing, settlement and certification functions for book-entry securities.


• Regulation of the Central Securities Depository DCV – COLOMBIAN CENTRAL BANK

This regulation establishes the general rules for the activities related to the deposit, custody and administration of securities by book-entry made as electronic records, as well as the clearing and settlement of securities transactions carried out by the CSD.


• CENTRAL COUNTERPARTY CLEARING HOUSE CCP

This regulation governs the operation of the Central Counterparty Clearing House, and the clearing and settlement system operations, which the CCP manages. It provides guidelines on the responsibilities and obligations of the CCP, clearing and settlement operations, and relations with members, agents, custodians, paying agents and third parties of the CCP. It also presents the principles of the risk management system managed by the CCP, collateral, operating limits for members and the procedure for handling any breach.

More Information:
1.1.2. RULES ON FOREIGN INVESTMENT IN COLOMBIA

1.1.2.1. Decree 1068 of 2015 - FOREIGN INVESTMENT REGIME

REACH

This decree is the international investment regime and regulates the area of foreign capital investments in the country and the area of Colombian investments abroad as a whole. All provisions regarding international investment must comply with the requirements contained in this decree, except as agreed in treaties or international agreements. International investments subject to this decree are:

a. Foreign capital investments in Colombia, including free trade zones, by non-residents in Colombia.

b. Investments made by Colombian residents in a foreign country or in a free zone in Colombia.

Article 2.17.1.2 of Decree 1068 of 2015 defines residents as individuals who live in Colombia, entities of public law, legal persons including non-profit-organizations that are domiciled in Colombia and the branches of foreign companies in the country. Non-residents are natural persons who do not live within the national territory and legal persons, including non-profit entities not domiciled in the country. Foreigners whose stay in the national territory does not exceed six months in a continuous or discontinuous period of twelve months are also considered non-residents.

REGULATORY HIERARCHY

Decree issued by the Ministry of Finance and Public Credit and the Ministry of Commerce.

THEMES

• General system of foreign capital investments in the country
  - Principle of equality of treatment
  - Definitions of foreign capital investment
  - Foreign capital investors

• Modes of the foreign capital investment

• Destination, approval and registration form of foreign capital investments

• Exchange rights and other guarantees of foreign capital investments

• Qualification of investors and companies
- Dispute resolution, sanctions and controls

- Special regimes of foreign capital investments
  - Financial Sector
  - Oil and mining industry

- General system for foreign capital investment
  - Definition and entities authorized to perform the role of local administration.
  - Duties of local administrators.

- General rules for Colombian investments abroad.
This bulletin outlines the procedures for the compulsory registration of foreign investments with the Central Bank of Colombia and Colombian investment abroad, as stated in Decree 1735 of 1993.

Regulatory bulletin issued by the Central Bank of Colombia

- Presentation, handling and responsibilities arising from foreign exchange declarations
- Foreign exchange operations conducted with the Central Bank that are exempted from the obligation of filing of return
- Procedure for the channeling of foreign exchange and registration of exchange declarations for each of the following:
  - Process-related operations of import and export of goods
  - Operations arising from foreign debt
  - Loans granted by non-residents to residents - loan liabilities
  - Credits granted by residents to nonresidents - credit assets
  - Purchases or sales of securities and guarantees in foreign currency
  - International capital investments, financial investments and investments in assets abroad:
    - Definition of foreign investments, registration requirements and a channeling of foreign exchange
    - Foreign capital investment in Colombia:
      - Direct investment
        - Portfolio investment
          - Direct Colombian investment abroad
          - Colombian investment in financial assets abroad
      - Clearing and settlement accounts abroad for residents: reporting obligations procedure information
      - Requirements for foreign exchange operations related to user-generated free zones
      - Overview of the foreign exchange market operations
      - Forms, instructions and annexes.
## 1.2. COLOMBIAN MARKET SUPERVISION AND REGULATIONS

### 1.2.1. MINISTRY OF FINANCE AND PUBLIC CREDIT

<table>
<thead>
<tr>
<th>Address</th>
<th>Carrera 8 No. 6 – 64 Bogotá D.C</th>
</tr>
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<tbody>
<tr>
<td>Telephone</td>
<td>(+57 1) 381 1700</td>
</tr>
</tbody>
</table>

### General Responsibility

The Ministry coordinates macroeconomic policy and defines, designs and implements the fiscal policy of the country. It oversees economic, governmental and political sectors, and manages the public resources of the nation from the perspective of budget and financial activities, through transparent, competent personnel and efficient processes. It fosters the conditions for sustainable economic growth, stability and soundness of the economy and the financial system, to strengthen the institutions, support decentralization and the social welfare of its citizens.

### Regulatory Authority

Defines, develops and implements the country's economic policy, general plans, programs and projects related to it, as well as the preparation of laws and decrees, regulations on fiscal matters, taxation, customs, public credit, budget, treasury, cooperative, financial, foreign exchange, monetary and credit policy, without prejudice to the powers conferred on the Board of the Central Bank of Colombia, and those that it may exercise through entities assigned to the exercise of activities that correspond to the intervention of the state in the financial, securities and insurance sectors, as well as any other activity related to the management, exploitation and investment of the resources from public savings and the national treasury in accordance with the constitution and the law.
### 1.2.2. BANCO DE LA REPÚBLICA DE COLOMBIA – BRC – COLOMBIAN CENTRAL BANK

<table>
<thead>
<tr>
<th><strong>Address</strong></th>
<th>Carrera 7 No. 14-78, Bogotá D.C</th>
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<tbody>
<tr>
<td><strong>Telephone</strong></td>
<td>(+571) 343 1111</td>
</tr>
<tr>
<td><strong>Web Page</strong></td>
<td><a href="http://www.banrep.gov.co">http://www.banrep.gov.co</a></td>
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#### General Responsibility
- Issue of legal tender
- Credit functions of the Central Bank
- Banker of banks
- Foreign exchange functions
- Management of international reserves
- Banker, fiscal agent and trustee of the government
- Promoter of scientific, cultural and social development
- Board of Directors reports to Congress

#### Regulatory Authority
Law 31 of 1992 attributes to the Central Bank the responsibility to design and determine the management of exchange rate policy, in accord with the Ministry of Finance and Public Credit.
### 1.2.3. FINANCIAL SUPERINTENDENCE OF COLOMBIA – SFC

<table>
<thead>
<tr>
<th><strong>Address</strong></th>
<th>Calle 7ª No. 4-49, Bogotá D.C</th>
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<tr>
<td><strong>Telephone</strong></td>
<td>(+571) 594 0200 – 594 0201</td>
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**General Responsibility**

The Financial Superintendence of Colombia is a technical body under the Ministry of Finance and Public Credit, with legal, administrative and financial autonomy having its own resources.

The SFC's mission is to preserve public confidence in and stability of the financial system to maintain the integrity, efficiency and transparency of the securities market and other financial assets, and to ensure respect for the rights of the financial service consumers and proper service.

The SFC shall perform the duties prescribed in Decree 2739 of 1991, Decree 663 of 1993, Decree 2555 of 2010, and Act 964 of 2005 and other regulations that modify or amend them, as well as those duties established by existing norms, or those which the President of the Republic may delegate.

**Regulatory Authority**

The President of the Republic, in accordance with the law, inspects, monitors and controls through the Financial Superintendence of Colombia the persons engaged in finance, securities, insurance, and any other activity related to the management, utilization or investment of public resources.
1.2.4. SECURITIES MARKET SELF-REGULATOR – AMV

**Address**
Calle 72 # 10 - 07 Oficina 1202, Bogotá D.C

**Telephone**
(+57 1) 607 1010

**Web Page**
http://www.amvcolombia.org.co/index.php

**General Responsibility**
The securities market self-regulator - AMV is a national private non-profit corporation, governed by the Constitution, civil rules, Law 964 of 2005 and articles therein, by its statutes and regulations and the principles that apply to SROs. It is authorized by the SFC to act as SRO.

Self-regulation involves the exercise of the following functions:
1) regulatory functions: to adopt standards which will ensure the proper functioning of the intermediation activity;
2) monitoring function: to verify compliance with securities market self-regulation rules and regulations;
3) disciplinary function: to sanction any breach of securities market self-regulation rules and regulations.

AMV protects the rights of investors and strengthen the reputational capital of participating members.

The self-regulator should be linked to different persons or entities related to the securities market as:

**Members:** Legal persons who are registered in the National Register of Securities Market Agents and brokers - RNVE, or individuals who are properly registered brokers and accepted as members by the self-regulating once meet requirements established for this purpose.

**Voluntary Self-regulated Associates:** Those who are not brokers but have activities related to brokering and are members of the transactional or registration systems. They are required to self-regulate.
Regulatory Authority

AMV regulates, monitors and takes disciplinary actions related to securities intermediaries, both in trading systems or OTC, as well as in relation to other activities pertaining to intermediation, including the relationships between the intermediary and their customers, as long as the intermediary is a member of AMV.

The Regulations Office of AMV is also responsible for studies on which policy proposals that cover brokers are based. This is intended to ensure the integrity and quality of the market, compliance with the general obligations of securities intermediaries, the proper management of conflicts of interest between intermediaries and investment regimes, compliance with obligations to third parties and / or customers, as well as to protect the market against schemes to defraud, such as the use of privileged information, market manipulation and implementation of other fraudulent schemes.
2. SECURITIES MARKET INFRASTRUCTURE IN COLOMBIA

2.1. SECURITIES MARKET INFRASTRUCTURE IN COLOMBIA SUMMARY

The value chain of the Colombian market consists of institutions, markets and processes that allow offer to local investors and nonresident aliens, efficiency and flexibility in conducting negotiations, assurance and traceability in performing operations, and security for the custody of securities listed on each of their accounts.

<table>
<thead>
<tr>
<th>EQUITY</th>
<th>FIXED INCOME</th>
<th>FX</th>
<th>FINANCIAL DERIVATIVES</th>
<th>ENERGY DERIVATIVES</th>
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<td>TRADING:</td>
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<td>Transactional</td>
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<td>OTC</td>
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<td>SETTLEMENT</td>
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<td>CUSTODY</td>
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18
2.2. MARKET INFRASTRUCTURE ENTITIES

2.2.1. COLOMBIAN STOCK EXCHANGE - BVC

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<thead>
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<th>Incorporation</th>
<th>July 3, 2001</th>
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<tbody>
<tr>
<td>Address</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Main Office Bogotá: Carrera 7 No. 71-21 Torre B Piso 12. Edificio BVC.</td>
</tr>
<tr>
<td></td>
<td>• Regional Office Medellín: Carrera. 43A No. 1-50 Local 301, Torre BVC - San Fernando Plaza</td>
</tr>
<tr>
<td></td>
<td>• Regional Office Cali: Calle 22 No. 6AN – 24 Edificio Santa Mónica Central, Piso 2, Oficina 203</td>
</tr>
<tr>
<td>Telephone</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Main Office Bogotá: (+571) 313 9800</td>
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<tr>
<td></td>
<td>• Regional Office Medellín: (+574) 311 2244</td>
</tr>
<tr>
<td></td>
<td>• Regional Office Cali: (+572) 667 2727</td>
</tr>
<tr>
<td>Web Page</td>
<td><a href="http://www.bvc.com.co">www.bvc.com.co</a></td>
</tr>
</tbody>
</table>

Products in the Securities Market

The Colombian Stock Exchange - BVC is a stock corporation listed on the stock market managed by BVC. Its main function is to promote the growth of the Colombian capital market through the consolidation of infrastructure for market development, generation of new products, expansion of the investor base and linking new issuers to the market.

PRODUCTS

EQUITY MARKET

- Description: Market trades local stocks, exchange traded funds, foreign stocks listed on the Colombian Stock Exchange through the Global Colombian Market (hereafter MGC); or those foreign stocks authorized under the agreements of the Latin American Integrated Market (hereafter MILA), subscription rights and other securities whose characteristics are similar to those mentioned above. It also trades in stock liquidity operations such as repos and temporary securities lending (TTV)

- Platform: X-Stream. Supplier is NASDAQ OMX.

For more information about the equity market see section 3.1, below.

---

1 Information on entities other than the BVC and its controlled companies - Set-Icap FX and Derivex - presented in this document corresponds to publicly available information on the website of each institution.
FIXED INCOME MARKET: COLOMBIAN ELECTRONIC MARKET - MEC

Description: MEC allows the performance of operations on public debt or corporate debt. It provides mechanisms for the registration of transactions outside the trading system (OTC Market) between the affiliates to the system and / or entities affiliated with third parties who are not direct users of the system. MEC also offers a mechanism for the placement of fixed income securities within the primary market, through methods such as Dutch auction, book building and firm bids. MEC includes clearing services for operations carried out and /or registered, and sends the settlement instructions on behalf of the parties to the centralized securities depositories. Additionally, the management of guarantees established by the affiliates for the operations that require them, according to the regulations in force.

- Platform: SIOPEL. Supplier: Mercado Abierto Electrónico - MAE.

*For more information on the fixed income market see section 3.2, below.*

DERIVATIVES MARKET

- Description: BVC manages the market of listed Derivative Financial Instruments and Standardized Structured Products that are securities through which the negotiation and registration of those assets are carried out. The operations on derivative contracts are cleared and settled through the CCP.

  Intermediaries must be affiliated to the CCP to begin operations in this market.

- Platform: X-Stream. Supplier: NASDAQ OMX.

*For more information on the market for standardized derivatives see paragraph 3.3.1 below.*

ELECTRONIC ACCESS SERVICES – SAE

- Description: SAE is a set of specialized web services. These allow information to deliver orders, operations, indexes and summary statistics administered by the BVC markets.

  Additionally SAE provides order routing services to markets and services for process automation clearing and settlement operations, delivery deposits for compliance.
The integration of these services allows entities related to offer its clients routing mechanisms orders E-trading under a wiring diagram DMA1 or brokered scheme, where the affiliate is responsible for establishing the connection between your third and managed systems by BVC.

- **Authorized Clients:** information services about the markets managed by the BVC are offered to international and national agencies, information agencies and news and any other entity interested in using the information of the BVC.

The order routing services and process automation are offered to entities related to the different markets managed by the BVC.

- **System:** SAE bases its operation on a Service Oriented Architecture (SOA), under a protocol of international standards called FIXML 5.0 for services of Fixed Income market and under the FIX 4.4 protocol for equities and derivatives markets.

- **Hours of operation:**

  Information services and routing commands are available at the same times in which are open each of the managed markets.

  Services automation of clearing, settlement and compliance operations are available between 7:00 a.m. and 10:00 p.m.
2.2.2. PRICE VENDORS INFOVALMER

<table>
<thead>
<tr>
<th>Incorporated</th>
<th>December 23, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
<td>Main Office Bogotá: Carrera 7 # 71-21 Torre B, Office 403</td>
</tr>
<tr>
<td>Telephone</td>
<td>Main Office Bogotá: (571) 6070071</td>
</tr>
<tr>
<td>Webpage</td>
<td><a href="http://www.infovalmer.com.co">www.infovalmer.com.co</a></td>
</tr>
</tbody>
</table>

INFOVALMER provides daily valuation information for more than 45,000 financial assets including stocks, fixed income instruments Local and International, derivatives and structured products. Prices are calculated by applying valuation methodologies own and not objected to by the Financial Superintendence of Colombia.

**PRODUCTS**

**LOCAL FIXED INCOME**
- **Description**: Prices for valuation of all fixed income instruments traded in Colombia. Includes information for TES, Bonds, time deposits, Securitizations, among others.

**INTERNATIONAL FIXED INCOME**
- **Description**: Prices for valuation of debt instruments traded outside Colombia.

**LOCAL EQUITY**
- **Description**: Prices for valuation of the Colombian stock market.

**INTERNATIONAL EQUITY**
- **Description**: Prices for stock market valuation negotiated outside Colombia.

**OTC DERIVATIVES**
- **Description**: Information for valuing swaps, options, forward contracts and other OTC derivatives.
STRUCTURED PRODUCTS

- **Description:** Prices for valuation of structured notes.

PRIVATE EQUITY FUND VALUATION

- **Description:** Prices for valuation of each asset of the fund.

PORTFOLIO MANAGEMENT

- **Description:** Tool for valuations, portfolio management including reporting and compliance.
2.2.3. SET-ICAP FX S.A

<table>
<thead>
<tr>
<th>Incorporated</th>
<th>January 17, 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
<td>Main Office Bogotá: Carrera 11 # 93-46 Of. 403</td>
</tr>
<tr>
<td>Telephone</td>
<td>Main Office Bogotá: (571) 7427777</td>
</tr>
<tr>
<td>Webpage</td>
<td><a href="http://www.set-fx.com">www.set-fx.com</a></td>
</tr>
</tbody>
</table>

**Products in the Securities Market**

Set-Icap FX S.A is the company in charge of managing the Electronic Transaction and Register System of the foreign exchange and the Hybrid System of Negotiation and Registration of foreign exchange ICAPCO-Divisas. It is responsible for the promotion of the currency market in Colombia and the development of added value tools for participating agents.

**PRODUCTS**

**DOLLAR SPOT MARKET – NEXT DAY**

- **Description**: A tool for electronic negotiation and registration of operations in cash of the exchange Peso-Dollar, with settlement for the same day or next days (Next Day t+1, t+2 or t+3).

**FORWARD MARKETS**

- **Description**: A tool for dealing and registry of derivatives OTC trades of foreign exchange Peso-Dollar.

**FOREIGN EXCHANGE OPERATIONS REGISTRATION MODULE**

- **Description**: A tool to registration of any operation on any foreign currency either in cash or derivatives, between two Intermediaries of the Foreign Exchange Market [IMC] or between one IMC and its clients.

**SYSTEMS:**

- **SET-FX**: Electronic System for Negotiation, registration and information about the exchange market SET-FX. Supplier: Datatec.
- **ICAPCO-Divisas**: Hybrid System for trading and registration for transactions of the foreign exchange.

*For more information on the foreign exchange market see paragraph 3.4 below.*
2.2.4. DERIVEX

### Incorporation
June 2, 2010

### Address
- Main Office Bogotá: Carrera 7 No 71-21 Torre B, oficina 403

### Telephone
- Main Office Bogotá: (571) 607 4848

### Web Page
www.derivex.com.co

### Products in the Securities Market
Derivex is the company in charge of the management of the standardized derivatives of energy commodities negotiation System, which is in position of offering hedging and investment products on monthly electricity futures.

#### PRODUCTS OFFERED

**ELECTRICITY FUTURES MARKET**

- **Description**: Monthly electricity futures (ELM), Mini Monthly electricity futures (ELS)
- **Platform**: X-stream. Supplier: NASDAQ OMX

*For more information on the market for derivatives of energy commodities see paragraph 3.3.2 below.*
### 2.2.5. DECEVAL

<table>
<thead>
<tr>
<th>Incorporation</th>
<th>November 17, 1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
<td>Main Office Bogotá: Calle 24A # 59 42 Torre 3 Oficina 501</td>
</tr>
<tr>
<td>Telephone</td>
<td>Main Office Bogotá: (+571) 3765460</td>
</tr>
<tr>
<td>Web Page</td>
<td><a href="http://www.deceval.com">www.deceval.com</a></td>
</tr>
</tbody>
</table>

**Products in the Securities Market**

Deceval is a company which manages a centralized securities depository; its main objective is to receive deposits of securities for custody, management, clearing and settlement. In the Colombian securities depository system each investor has an account in the depository, managed directly or through an intermediary.

**PRODUCTS:**

**CUSTODY OF SECURITIES REGISTERED IN THE NATIONAL SECURITIES REGISTRY**

- **Description:** Keeping physical securities in a high security vault, issuing a deposit receipt, which enables the negotiation of these within the securities market.
- **Authorized Clients:** Direct depositors are those companies supervised by the SFC, public entities, issuing companies registered in RNVE that have made a deposit contract with Deceval.

**SECURITIES MANAGEMENT**

- **Description:** By request of direct depositors, Deceval manages for the issuers the payment of coupons, capital or dividends and deposits in the corresponding accounts. Additionally, Deceval anticipates the subscription of preferential rights in new issues.
- **Authorized Clients:** Direct Depositors in Deceval.
REGISTRATION OF TRANSFERS OF SECURITIES IN CUSTODY IN THE ACCOUNT.

- **Description:** Based on the information for operations transmitted by the negotiation and registration systems, Deceval executes the settlement in the accounts, applying the principle of registration in the account and anticipates financial clearing (delivery-versus-payment - DVP or free delivery) as required.
- **Authorized Clients:** Direct Depositors in Deceval.

DEMATERIALIZED ISSUANCE

- **Description:** Deceval maintains custody of global securities, and registers them in depository accounts and registers the individual account placements or primary subscriptions in the name of ultimate beneficiaries.
- **Authorized Clients:** Authorized Clients as issuers before RNVE.

REGISTRATION SYSTEM FOR OTC OPERATIONS

- **Description:** This system allows for the registration of operations carried out among authorized counterparties in the OTC market.
- **Authorized Clients:** Companies supervised by the Financial Superintendence of Colombia (SFC), which according to their legal regime, are authorized or required to carry out operations through trading and securities registration systems and who carry out the processes to represent others in the system.

NATIONAL NUMBERING AGENCY – ANNA

- **Description:** The SFC authorized Deceval to act as the National Numbering Agency through resolution 01832 of October 17, 2006. Based on this resolution, Deceval is the company with responsibility for controlling and assigning, in Colombia, the ISIN code and CFI to securities issuances according to the methodology of ANNA, which is standardized through ICONTEC with standards 4064, 3271 and 5538.
- **Authorized Clients:** Clients authorized as issuers before RNVE.
### 2.2.6. COLOMBIAN CENTRAL BANK (BANCO DE LA REPÚBLICA) – BRC

<table>
<thead>
<tr>
<th>Founded</th>
<th>Established under Law 25 of 1923 the Colombian Central Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
<td>• Main Office Bogota: Carrera 7 No. 14-78</td>
</tr>
<tr>
<td>Telephone</td>
<td>• Main Office Bogotá: (571) 343 1111</td>
</tr>
<tr>
<td>Products in the Securities Market</td>
<td>The Colombian Central Bank offers to the Colombian financial system, the management of payment systems and banking services through the Division of Banking Operations.</td>
</tr>
</tbody>
</table>

**PRODUCTS**

**ELECTRONIC SERVICES OF COLOMBIAN CENTRAL BANK – SEBRA**

The Services offered through the SEBRA System are classified in three categories, as follows:

- **Operational**
- **Information**
- **Others**

#### Operacional Services

Through the SEBRA system the financial intermediaries have access to the following services:

- Electronic transfer of funds
- Operations with securities of Central Bank or National Government through DCV
- “Repo” operations among financial intermediaries
- “Repo” operations of the Central Bank
- Deposit account services (CUD)
- Electronic trading system (SEN)
- Electronic clearing of checks (CEDEC)
- Interbank national electronic clearing (CENIT).
Information Services

The SEBRA system has information services with access to different publications where the Bank’s departments publish information of interest to the financial sector, such as: regulatory fliers, Board of Directors’ resolutions, monetary information and instruction manuals, and others.

Other Services

This system also offers the service of file transfers through the Internet to exchange statistical information. At present this service is used to receive information of exchange declarations presented by the exchange market intermediaries to Colombian Central Bank, through which foreign exchange sales and the behavior of purchases and sales of currencies of many descriptions is monitored. It is also used for the reception of statistical information for economic studies and reserves.

ELECTRONIC TRADING SYSTEM – SEN

Description: The Electronic Trading System –SEN - is the Negotiation and Operations Registration System for Securities of public debt managed by the Colombian Central Bank. Among the products offered are the negotiation and registration of purchase and sale operations in cash or at term, repo operations and Securities Temporary Lending operations (TTV) with internal or external public debt securities.

For more information see section 3.2 SEN system - Secondary Market below.

AUCTION OPERATIONS IN THE PRIMARY MARKET OF TREASURY BONDS – TES

• Description: It is the auction process developed among authorized companies to participate in the primary subscription of the government Class B TES securities and the Colombian Central Bank as the manager of the issuance of the same.

For more information on debt placement mechanisms see section 3.2 - Primary Market

• System: Underwriting agents’ offers are received via the SEBRA system
**DEPOSIT ACCOUNTS SYSTEM – CUD**

- **Description:** The CUD System - Deposit Accounts, is the high value payment system of the country managed and operated by the Colombian Central Bank, which provides authorized participating companies with the transfer services and registration of fund operations among deposit accounts on their own behalf or on that of their clients, in order to settle obligations derived from transactions such as the purchase and sale of securities, foreign exchange, interbank loans, tax transfer and check clearing, among others.

The system operates under a gross settlement model in real-time, in which money transfer instructions and settlement of operations are processed in a continuous way throughout the day, one by one (in a gross way) at the moment when reported to the Colombian Central Bank and are settled immediately (real-time), subject to balance availability in the ordering agent’s deposit accounts.

- **Schedule:** Fund transfers may be completed between 7:30 a.m. and 8 p.m.

**CENTRAL SECURITIES DEPOSITORY - DCV**

- **Description:** The Central Securities Depository of the Colombian Central Bank – DCV, is a system designed for electronic deposit, custody and administration of securities (dematerialized). Colombian Central Bank’s depository may administer the securities that it issues, guarantees and administer itself and the securities that constitute mandatory or replacement investments, other than stocks, in the name of companies subject to inspection and oversight by the Financial Superintendence of Colombia.

The direct depositor is the legal person accepted as the account holder for securities in proprietary trading or through a brokerage and the indirect depositor is the natural or legal person accepted as beneficiary of a sub-account through one of the direct depositors.

- **Schedule:** Monday to Friday 7:00 a.m. to 7:00 p.m.
### 2.2.7. COLOMBIAN CENTRAL CONTERPARTY CLEARING HOUSE S.A. – CCP

<table>
<thead>
<tr>
<th>Incorporation</th>
<th>June 12, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
<td>Main Office Bogotá: Carrera 11 No. 71-73 Of. 1201</td>
</tr>
<tr>
<td>Telephone</td>
<td>Main Office Bogotá: (+571) 595 3434</td>
</tr>
</tbody>
</table>

#### Products in the Securities Market

The CCP is a private company supervised by SFC. Its main objective is to provide clearing services as the central counterparty to operations in order to reduce or eliminate risks associated with unsettled obligations.

**PRODUCTS**

- **Description**: Clearing and settlement as central counterparty for the following products:
  - Derivatives contracts negotiated or registered through the Listed Derivatives Market that are administered by the BVC and Derivex.

- **Clients**: The participating companies may participate in the CCP under any of the following categories: Settlement Member (General or Individual), Non-Settlement Member or Third Party.

*For more information on how to link to the CCP see clause 3.3.1 – C&S Operations*
2.2.8. FOREIGN EXCHANGE CLEARING HOUSE – CCD

<table>
<thead>
<tr>
<th>Incorporation</th>
<th>October 13, 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
<td>Main Office Bogota: Carrera 7 No. 80-49 Of. 503</td>
</tr>
<tr>
<td>Telephone</td>
<td>Main Office Bogota: (+571) 742 1111</td>
</tr>
<tr>
<td>Web Page</td>
<td><a href="http://www.camaradivas.com">www.camaradivas.com</a></td>
</tr>
<tr>
<td>Products in the Securities Market</td>
<td>The Colombian Foreign Exchange Clearing House manages a system of clearing and settlement of operations in COP and USD.</td>
</tr>
</tbody>
</table>

PRODUCTS

CLEARING AND SETTLEMENT OF OPERATIONS IN COP/USD

Description: CCD supports clearing and settlement without a central counterparty of foreign exchange operations in cash between Intermediaries of the Exchange Market – IMC, that is, with settlement in T+0, T+1, T+2 and T+3 carried out or registered in the system SET-FX. CCD receives the guarantees established by IMCs, carries out the receipt and acceptance of exchange market operations and the multilateral clearing of the net positions of each one of the IMCs. It also manages the default risk with liquidity providers and other levels of security.

For more information on the process of clearing and settlement developed by the CCD in the FX market see paragraph 3.4 – C&S Operations.
3. **SECURITIES MARKET IN COLOMBIA AND INVESTMENT VEHICLES**

3.1. **EQUITY MARKET**

3.1.1. **LOCAL EQUITY MARKET**

<table>
<thead>
<tr>
<th>Products</th>
<th></th>
</tr>
</thead>
</table>
| **List of Products:** | - Ordinary, preferred and privileged shares having temporary additional benefits  
- Subscription Rights for primary issuances  
- Exchange Traded Funds (ETF). |
| **Authorized Operations:** | - Definitive purchase and sale operations  
- Repos (only for high authorized instruments)  
- Securities lending. |
| **Identification System** | - ISIN: Generic code which identifies the instrument and its financial characteristics  
- Mnemonic: Identification of the instrument within the electronic system. |

| Primary Market | **Placing Mechanisms** | - Public Offering at a fixed price.  
- Public Offering with BookBuilding  
- Price stabilization mechanism (Decree 2510 of 2014). |

<table>
<thead>
<tr>
<th>Secondary Market</th>
<th><strong>Trading Place:</strong> Colombian Stock Exchange - BVC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transactional Market</td>
<td><strong>Authorized Users:</strong> Brokerage Firms registered with the BVC (hereafter SCB)</td>
</tr>
<tr>
<td></td>
<td><strong>Trading Methodology:</strong></td>
</tr>
<tr>
<td></td>
<td>- <strong>Trading Sessions:</strong> The shares negotiation system is divided according to the Trading Mode</td>
</tr>
</tbody>
</table>
- **Purchases and Sales in Cash:**

  **Open Market:**
  - From the second Sunday in March to the first Sunday in November
    - Pre-Opening (8:15 a.m. – 8:30 a.m.) Local Time
    - Open Market with price control (8:30 a.m. - 2:55 p.m.) Local Time
    - Closing Auction (2:55 p.m. – 3:00 p.m.) Local Time
  - From the first Sunday in November to the second Sunday in March
    - Pre-Opening (9:15 a.m. – 9:30 a.m.) Local Time
    - Open Market with price control (9:30 a.m. - 3:55 p.m.) Local Time
    - Closing Auction (3:55 p.m. – 4:00 p.m.) Local Time

  **Market by Auctions:**
  - From the second Sunday in March to the first Sunday in November
    - Opening Auction by equilibrium price (8:30 a.m. - 9:00 a.m.) Local Time
    - 11 auctions will be trigger by equilibrium price (9:00 am a 2:30 pm) Local Time
    - Closing Auction by equilibrium price (2:30 p.m. - 3:00 p.m.) Local Time
  - From the first Sunday in November to the second Sunday in March
    - Opening Auction by equilibrium price (9:30 a.m. - 10:00 a.m.) Local Time
    - 11 auctions will be trigger by equilibrium price (10:00 am a 3:30 pm) Local Time
    - Closing Auction by equilibrium price (3:30 p.m. - 4:00 p.m.) Local Time

**Exchange Traded Funds:**

- From the second Sunday in March to the first Sunday in November
  - Pre-Opening (8:15 a.m. – 8:30 a.m.) Local Time
  - Open Market with no price control (8:30 a.m. - 2:55 p.m.) Local Time
  - Closing Auction (2:55 p.m. – 3:00 p.m.) Local Time
- From the first Sunday in November to the second Sunday in March
  - Pre-Opening (9:15 a.m. – 9:30 a.m.) Local time
  - Open Market with no price control (9:30 a.m. - 3:55 p.m.) Local time
  - Closing Auction (3:55 p.m. – 4:00 p.m.) Local time
- **Repos**
  
  From the second Sunday in March to the first Sunday in November
  Opening Preparation (8:15 a.m. – 8:30 a.m.) Local Time
  Open Market with no price control (8:30 a.m. - 3:00 p.m.) Local Time

  From the first Sunday in November to the second Sunday in March
  Opening Preparation (9:15 a.m. – 9:30 a.m.) Local Time
  Open Market with no price control (9:30 a.m. - 4:00 p.m.) Local Time

- **Securities Lending – TTV’S:**
  
  From the second Sunday in March to the first Sunday in November
  Opening Preparation (8:15 a.m. - 8:30 a.m.) Local Time
  Open Market with no price control (8:30 a.m. - 6:00 p.m.) Local Time

  From the first Sunday in November to the second Sunday in March
  Opening Preparation (9:15 a.m. - 9:30 a.m.) Local Time
  Open Market with no price control (9:30 a.m. - 6:00 p.m.) Local Time

- **Matching Criteria (Automatic Matching–Auction) and Depth Order:**

  **For Continuous Market:** It is applied under the methodology of automatic matching criteria over best bid/ask orders in the public order book starting with the oldest order.

  **For Auctions:** It is applied under methodologies of matching by equilibrium price over the orders set at the moment of auction closing. The equilibrium price is established according to the level maximizing the sum allotted.

- **Price Control System – Volatility Auctions:** This system allows BVC to set guidelines automatically for minimum and maximum limits to the orders entrance calculated using as reference the closing price of the previous day or last price resulting from a volatility auction during a continuous market session.
If during continuous market a possible match over a maximum/minimum limit takes place, the system will temporarily suspend trading of the asset and a volatility auction will be triggered.

During the volatility auction, which lasts two and a half minutes with a random close during the last 30 seconds, buy and sell orders are allowed on behalf of the participants without generating any trade. The system determines the equilibrium price at the volatility auction end, which becomes the new reference price for the rest of the trading session or until a new volatility auction is triggered.

There is no mechanism to suspend a stock trading due to its price variation. BVC shall suspend a stock trading only if it is requested by the Financial Superintendence of Colombia – SFC.

**SUSPENSION OF EQUITIES SESSION – CIRCUIT BREAKER**

BVC shall suspend trading sessions for 30 minutes when the index price COLCAP represents a reduction greater than 10% related to its closing level of the previous day. Once this suspension period ends, trading sessions are renewed. If after renewal there is another decrease of 5% in this index, trading will be suspended until the next day.

- **Ex-dividend Period:**

  The ex-dividend period lasts four market days (4) prior to paying of dividends (payment date).

- **Price Variation Units:** The minimum variation per share is defined by BVC depending on the price of the instrument according to the following ranges:

<table>
<thead>
<tr>
<th>PRICE RANGE</th>
<th>TICK</th>
</tr>
</thead>
<tbody>
<tr>
<td>0,00</td>
<td>0,01</td>
</tr>
<tr>
<td>10,10</td>
<td>0,1</td>
</tr>
<tr>
<td>50,50</td>
<td>0,5</td>
</tr>
<tr>
<td>101,00</td>
<td>1</td>
</tr>
<tr>
<td>1.005,00</td>
<td>5</td>
</tr>
<tr>
<td>5.010,00</td>
<td>10</td>
</tr>
<tr>
<td>10.020,00</td>
<td>20</td>
</tr>
</tbody>
</table>
Register of OTC Trades:

Stock Indexes in the Equities Market

- **Criteria for Revealing of the Counterparty:** Counterparty disclosure is not allowed in trading, clearing or settlement operations.

- **Trainers Liquidity Schemes:** Implemented from January 22, 2014, with the aim to increase liquidity and contribute to equity market depth. Through this mechanism, brokerage firms can play as trainer’s liquidity of listed securities at: (i) The Exchange and the National Registry of Securities and Issuers or (ii) in securities trading systems abroad.

- The BVC has designed a model to develop the program of Trainers Liquidity through the mechanisms established in Decree 2555 of 2010, namely: (i) Equity Trainer Liquidity no contract with the issuer, (ii) Equity Trainer Liquidity contract with the issuer under the incentive scheme and, (iii) the Issuer funds through a commercial trust contract.

Not authorized for equity secondary shares market.

The COLEQTY indices family provides a series of references for the local equity market. The family is made up of indices established according to the stock liquidity, issuer size among other characteristics. The indices in this family are:

- **COLCAP** is a general index which reflects price variations of the twenty (20) most liquid issuers registered in the Exchange, where stock market capitalization adjusted for each company determines its weight. Those issues found among the twenty (20) most liquid will be part of the index group of issues. The index basket COLCAP shall consist of at least 20 shares from 20 different issuers. An issuer may have more than one stock in the basket, as long as they meet the terms with the liquidity conditions. The selection of the basket, which are part of the index, is carried out annually. The maximum weight per issuer is 20%. Rebalancing of index components is done quarterly. COLCAP is the official reference indicator for the Colombian stock market.

- **COLEQTY** is a general index composed of the top 40 largest and performing shares on the Colombian Stock Exchange (BVC). The weight of each share is determined by the floating weight (adjusted cap) of each of the constituents.

- **COLSC** is an index composed of the 15 shares of the companies with the smallest market cap in the COLEQTY. The weight of each share in the index is determined by the adjusted market capitalization (company’s floating weight multiplied by the last price).
Colombia COLIR index includes the shares of the companies with the IR Recognition, granted according to BVC Regulations and are constituents of the Colombia COLEQTY index. The weight of each share is determined by the free float adjusted by market cap of each of the constituents.

<table>
<thead>
<tr>
<th>Clearing and Settlement Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Clearing and Settlement Process:</strong> The clearing and settlement process is carried out through the computerized systems administered by BVC and by the Central Securities Depository - Deceval.</td>
</tr>
<tr>
<td><strong>Participating Companies:</strong></td>
</tr>
<tr>
<td>✓ BVC: Carries out clearing operations through electronic systems and provides the infrastructure through which information on settlement is delivered.</td>
</tr>
<tr>
<td>✓ Deceval (DVL): Carries out the shares account registration.</td>
</tr>
<tr>
<td>✓ Brokerage Firms: Are responsible for assigning a final client to each operation and authorizing the delivery to the deposit for operation settlement.</td>
</tr>
<tr>
<td>✓ Colombian Central Bank (BRC): Manages and operates the country’s high value payment system – CUD – system through which the funds transfer is made in the settlement operation.</td>
</tr>
</tbody>
</table>

**Description of the Process:**

**T+0:**
- ✓ Once the operation is carried out in the trading system, it is reflected in BVC’s Back-Office System.
- ✓ The affiliate or SCB assigns the final client to the operation in order to authorize securities or funds transfer.
- ✓ The affiliate or SCB can select before 6:00 pm from T+0 to T+2 the operations that he does not want to be included in the first sending settlement information to DVL.

**T+3:**
- ✓ BVC will settle the operations through clearing and settlement cycles in such a way the securities and money transference will be settle opportunely.
- ✓ BVC sends settlement information to DVL, except those operations that are pending for Custodians approval or those that were previously select to not be sent in the first sending settlement information to DVL.
- ✓ DVL accepts or rejects the operation.
- ✓ BVC will include those operation accepted by DVL in the first clearing and settlement cycle.
- ✓ BVC will calculate partial balance and partial settlement status with the operations accepted by DVL.
Counterparty Risk Management

- BVC will collect and transfer the money automatically to those SCB who resulted buyers or sellers in the clearing and settlement cycle.
- In parallel with the money transfer BVC will transfer the securities.
- Settlement Schedule: Purchase and sale operations until 4:30 p.m.
  - Repo operations until 7:00 p.m.
- Settlement schedule may be extended if directly requested by SCB subject to additional charges.

For repo operations in shares, BVC has a guarantee management system which allows each SCB to know the sum and status of guarantees of trades pending for settlement. The system includes the calculation of required collateral, corresponding adjustments, assignment of the guarantees to operations, as well as procedures for their substitution or return.

The process of establishing guarantees must be dynamic so as to cover changes in market conditions for three (3) days. Guarantees should cover 99% of price variation in case of market stress.

The process to establish guarantees and execute them is as follows:

**Day 1**: Price variation producing a margin call.
**Day 2**: The affiliated party has until the end of the day to establish the guarantees and settle the margin call. If, at the end of the day, guarantees have not been established, the client and affiliated party will be declared in default.
**Day 3**: BVC may access the market to settle guarantees in order to respond to the counterparty in relation to an operation that has been declared in default.

### TAXES

#### TAXES ON REVENUE

- **Withholding Tax**
  - **Dividends**:
    - 0% for dividends arising from profits taxed on the distributing company.
    - 33% on dividends declared on a non-reporting person, when the profits of the distributing company where not subject to tax.
    - 20% on dividends imposed upon a reporting person, when the profits of the distributing company where not subject to tax.
The issuing company will apply withholding tax and it will be considered a final tax for non-reporting persons. In all other cases it is considered as an advance for income tax purposes.

**Capital Gains**
- 0% on profits resulting from transferred shares listed in the Colombian stock exchange.

**Income Tax**

- **Dividends:**
  
  Income on dividends originated on profits that have already paid income tax is not a taxable income for income tax purposes.

- **Capital Gains:**
  0% if total sales do not exceed 10% of the shares outstanding of the issuing company in a same fiscal period; if it exceeds this percentage the investor must pay full on sales profit exceeding this percentage on their income tax return.

**VAT – IVA**

The commissions paid to SCB for shares market operations are taxed with IVA of 16%

---

**Securities lending in Colombia**

The Securities Lending - Transferencia Temporal de Valores (TTV) - is a transactional trade that is available for all types of equity products (Stocks and ETF). Colombia does not have an OTC market for equities and only the Brokers have direct access to this market. Lender and borrower should sign a standard contract with the Brokers. This contract has minimum conditions defined by the BVC (Anexo 43 – Circular BVC).

The initial trade can be settled in T+0, T+1, T+2 and T+3 and the return trade can be settled until T+365. The recall is available and must be define in the trade conditions.

The allowed collaterals are: Cash, equities and Colombian treasury bonds or a combination of these. BVC has a centralized collateral management system called SAG (Sistema de Administración de Garantías) and applies a collateral immobilization. Cash collateral does not generate any interests or benefits.

Lender and borrower can define the collateral that will guarantee the TTV through the transactional platform. If the borrower wants to change the collateral during the duration of the TTV, this change must be authorized by the lender. BVC has a counterparty risk module that allows brokers limit the counterparties and/or the securities with whom they don’t want to trade.
Operational Flow

Initial Trade

- Lender and Borrower define the conditions of the operation through X-stream: time, rate, quantity and collateral. After the trade, the system validates if the broker and the security are authorized by the counterparty risk module, if not the trade is automatically canceled.
- During the settlement day (T+0, T+1, T+2 or T+3) Deceval receives the initial trade from BVC and the securities from the Lender account.
- Borrower must constitute the collateral in the CDS and then assign it in SAG to the specific trade.
- Borrower must pay the rebate/premium defined by the parties in a BVC account in the CUD (Central Bank).
- BVC transfers to Lender the rebate/premium. The collateral remains immobilized by the BVC until the settlement of the return trade. BVC can apply margin calls during the operation.
- Deceval transfers the securities to the Lender by instruction of the BVC (DVP Settlement).

Return Trade:

- If there is a dividend payment during the term of TTV, the borrower must confirm through the Back Office system the delivery of all economic rights (dividends) that have been paid by the issuer. Similarly, the lender must confirm that he/she has received an amount equal to all of the economic rights.
- BVC gives the order to start the settlement in Deceval
- Borrower delivers equivalent securities in Deceval. Deceval retransfers the principal securities to the Lender.
- BVC set free the collateral to Borrower
### 3.1.2. GLOBAL COLOMBIAN MARKET – MGC

**Products**

Global Colombian Market is a transactional system to provide quotes for foreign securities sponsored by a SCB. It permits trades on foreign securities listed on the Stock Exchange,

- **Product List:**
  - Foreign Shares
  - Foreign ETFs

- **Authorized Operations**
  - Purchase and Sale

- **Identification Systems:**
  - ISIN: Generic Code to identify the instrument and its financial characteristics.
  - Mnemonics: Identification in the market of origin.

<table>
<thead>
<tr>
<th>Primary Market</th>
<th>• Does not apply</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Secondary Market</th>
<th>------------------</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transactional Market</td>
<td>------------------</td>
</tr>
</tbody>
</table>

- **Trade Scenario:** Colombian Stock Exchange - BVC

- **Participating Companies**
  - **Brokerage Firms:** Market intermediaries for the investor.
  - **Brokerage Firm Sponsor:** Sponsoring agent in charge of the listing of shares before BVC and of generating the mechanisms to provide the Colombian market with all relevant information produced by the issuer in the market of origin.
  - **BVC:** Provider of market infrastructure and administrator of foreign securities registration.
  - **Deceval:** Responsible for account registration and foreign shares custody.
  - **Foreign custody banks:** In charge of delivering shares at the end of the clearing and settlement operation in Colombia.
• **Trading Methodologies:**
  - **Trading Sessions**
    - From the second Sunday in March to the first Sunday in November
      - Opening Preparation (8:15 a.m. - 8:30 a.m.). Local Time
      - Open market with price control (8:00 a.m. – 2:55 p.m.). Local Time
      - Closing Auction (2:55 p.m. - 3:00 p.m.) Local Time
    - From the first Sunday in November to the second Sunday in March
      - Opening Preparation (9:15 a.m. - 9:30 a.m.). Local Time
      - Open market with price control (9:30 a.m. – 3:55 p.m.). Local Time
      - Closing Auction (3:55 p.m. - 4:00 p.m.) Local Time

  - **Matching Criteria (Automatic matching - auction) and depth order**
    - The same automatic matching criteria are applied as to continuous market and matching for equilibrium price for closing auction and volatility auctions described for local markets. Operations are settled in COP.

  - **Price Control System:** This market establishes the guidelines for order entry with 10% maximum and minimum limits, automatically calculated by BVC’s system starting with the reference price.

    If during continuous market a possible match over a maximum/minimum limit takes place, the system will temporarily suspend the negotiation of the asset and a volatility auction will be trigger which proceeds in the same way as described previously for the local equity market.

• **Price Variations Units:** The same local market criteria are applied.

• **Counterparty Revealing Criteria:** Counterparty disclosure is not allowed in trading, clearing or settlement.

• **Trainers Liquidity Schemes:** Implemented from January 22, 2014, with the aim to increase liquidity and contribute to equity market depth. Through this mechanism, brokerage firms can play as trainer's liquidity of listed securities at: (i) The Exchange and the National Registry of Securities and Issuers or (ii) in securities trading systems abroad.
Registration of OTC Trades

----------------------------------------------------------------------------------------------------------------------------

Not available.

----------------------------------------------------------------------------------------------------------------------------

Clearing and Settlement Operations

• **Clearing and Settlement Process:** All operations in cash in MGC shall be settled T+3 and until 3:00 p.m. Colombian time.
  
  o **Process Description:** The clearing and settlement process in the Global Colombian Market is carried out under the same procedure described for shares in the local market.

----------------------------------------------------------------------------------------------------------------------------

Counterparty Risk Management

Does not apply.
3.2. FIXED INCOME MARKET

**Product Description:**

The following instruments can be traded in the fixed income market:

- **Public Debt**

  TES: Securities issued by the Colombian government in Pesos or in real value units (UVR) indexed at fixed rates. These securities are structured as bullet securities with annual coupons. The interest may be negotiated independently of the principal (Stripping).

  TIDIS: Securities issued by the Colombian government as an instrument to reimburse taxes.

  CERT: Securities issued as an incentive to exporters through which a partial or total tax reimbursement is given on taxes that exporters have paid to export.

- **Corporate Debt**

  1. Bank Acceptances.
  2. Corporate Bonds
  3. Term Deposit Certificates - CDTs
  4. Commercial Paper
  5. Asset-backed Securities
  6. Convertible Bonds BOCEAS

**Authorized Operations:**

- Cash market operations (until T+3) and at a term (greater to T+3). Settlement cycle convention for these operations is T+0.
- Funding-trade operations: Repos (only using public debt as collateral) and sell/buy-back operations with clearing and settlement in the BVC or in the Colombian clearing house (CRCC).
- Securities lending

**Identification Systems**

Fixed income trading has a codification system in order to identify securities through mnemonics; however, for settlement the ISIN is used.
• COLTES Indices Family

The COLTES indices family was created in 2012 to provide a series of references for the government debt market. The family is made up of indices established according to the currency in which the securities are issued and their maturity.

The indices in this family are:

- COLTES
- COLTES Long-Term
  - Includes all fixed-income COLTES index references with maturities longer than 5 years.

- COLTES UVR
  - Establishes all bonds eligible for other fixed income indices in real value units (UVR - Unidad de Valor Real) in which they are referenced. Includes all references for type B TES securities in UVR with maturities longer than 1 year.

• Placing Mechanisms

  Corporate Debt:

Placement Mechanisms are the following:
1. Direct placement
2. Underwriting through firm placing mechanisms, guaranteed placing or best effort placing.

Prior to the offering of corporate debt securities in the market, the credit rating of the securities issue should be evaluated by a risk-rating agency located in the country and approved by the Financial Superintendence of Colombia. There are three credit rating agencies in Colombia: BRC Investor Services SA, Fitch Ratings Colombia S.A and Value and Risk Rating S.A.

  Public Debt:

The public debt securities issued by the government are placed through the auction supervised by the Colombian Central Bank and only entities authorized by the Ministry of Finance and Public Credit as market makers or candidates to be market makers can participate.
The maximum number of participants in the program of market makers for government bonds is twenty (20) entities, grouped into two categories: Market Makers and Candidates to be Market Makers. This status is granted by the Ministry of Finance and Public Credit for one calendar year.

Minimum participation in the primary market: Market makers must participate in at least 4.5% of the placements in the primary market for Class B TES, the minimum is set by the Ministry of Finance and Public Credit in each period.

- Allocation Mechanisms

  Corporate Debt:

  1. Dutch auction.
  2. Limit orders.

  Public Debt:

  The Dutch auction process is the most important mechanism to place TES in the primary market.

Primary Auction Schedule TES

Fixed Rate TES in pesos: 5, 10 and 15 years: Wednesday of the second and fourth monetary week of the month.
Fixed Rate TES in UVR 4 and 8 years: Wednesday of the first and third monetary week of each month.

The first monetary week of the month is the week which includes at least three working days within the month (Working Day: day in which the Ministry of Finance and the Colombian Central Bank provide their services).

<table>
<thead>
<tr>
<th>Secondary Market</th>
<th>Trading Scenarios:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Colombian Electronic Market (MEC) - BVC: Allows the trading of public debt and private debt.</td>
</tr>
<tr>
<td></td>
<td>Electronic Trading System (SEN) - BRC: Allows the trading of government bonds only.</td>
</tr>
</tbody>
</table>
**Transactional System**

**Colombian Electronic System**

**MEC - BVC**

**Electronic Transactional System**

**SEN – BRC**

---

**Trading Methodology:**

- **Trading Sessions:** Continuous throughout trading schedules.

- **Trading Schedules:**
  - Cash market for settlement at T+0 from 8:00 a.m. to 3:40 p.m.
  - Cash market for settlement over T+0 from 8:00 a.m. to 5:00 p.m.
  - Sell/buy-back operations and repos from 8:00 a.m. to 5:00 p.m.
  - Securities Lending from 8:00 a.m. to 6:00 p.m.

- **Price Control Systems:** there is no control over trading prices and registration.

- **Price Variation Units:** the minimum variation of prices is 0.001 for all securities.

- **Matching Criteria:**
  - Cash market: Automatic matching at best price or rate. If there are multiple bids with the same price or rate the oldest has priority.
  - **Sell/buy-back operations, repos and TTvs:** Volunteer matching; users can select which of the offers to match. All conditions equal (Security, Amount and term) but different price or rate, the system matches the best offer. Furthermore, if the price or rate is also equal, the system matches the oldest offer.

- **Types of orders:** Limit, GTC (Good Till Cancelled), IOC (Immediate or Cancel), and GTD (Good Till Date), Spread

- **Criteria for Disclosure of Counterparties:** counterparty visible in clearing and settlement.

- **Market Generating Schemes:** there is no market-generating scheme.

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**Participants:**

- Colombian Central Bank: SEN administrator
- First Tier: Only those participating in the Market Maker program.
- Second Tier: All entities defined as Agents of Operation Regulations ascribed to SEN may participate.

**Trading Sessions:** Continuous throughout the trading schedules.
**Trading Schedules:**

- **First Tier:**
  - Purchases or sales for settlement at T+0: from 8:00 a.m. to 1:00 p.m.
  - Purchases or sales for settlement over T+1 to T+3: from 9:00 a.m. to 3:40 p.m.
  - Repo Operations: from 8:00 a.m. to 3:40 p.m.

- **Second Tier:**
  - All Operations: from 8:00 a.m. to 3:00 p.m.

**Price Control Systems:** there is no control over trading prices and registration.

**Price Variation Units:** the price negotiation is done with a minimum variation of 0.001 for all titles.

**Matching Criteria and the order of offers:** Automatic matching at best price or rate. If there are multiple bids with the same price or rate the oldest has priority.

- **Types of orders:** Limit, GTC (Good Till Cancelled), IOC (Immediate or Cancel), and GTD (Good Till Date), COT (Quotation).

**Criteria for Disclosure of Counterparties:**

First Tier: Counterparty is not visible during trading, clearing and settlement
Second Tier: Counterparty is not visible during trading and visible during clearing and settlement.

**Market Maker Schemes:**

The objective of the Market Makers program for Public debt is to secure adequate conditions for the Nation financing, through the development of the public debt market in Colombia.

The Program has the Ministry of Finance and Public Debt as the issuer, the Colombian Central Bank as managing entity, and the Financial Superintendence of Colombia in execution of its duties. Market Makers must have offers to buy and sell in the trading system at least seventy percent (70%) of the time the public debt market is open during the week to ensure secondary market liquidity.
## Registration of OTC Trades

### Registration Operations Scenarios

- **Colombian Electronic Market - BVC**: Registration of securities’ trades in public or corporate debt.
- **Electronic Trading System - BRC**: Registration of securities’ trades on public debt.
- **Deceval - Registration System**: Registration of securities’ trades in public or corporate debt.

### Methodologies for Registration of Trades

Trades made through the OTC market must be registered within 15 minutes after completion, in any of the registration systems authorized by the Financial Superintendence of Colombia.

### Registration Schedules

- **MEC – BVC**: All type of transactions from 8:00 a.m. to 6:00 p.m., except for the sell/buy-back operations with clearing and settlement in the CRCC, which can be registered until 5:45 p.m.
- **SEN – BRC**: All type of transactions from 8:00 a.m. to 4:30 p.m.
- **Registration System – Deceval**: All type of transactions from 8:00 a.m. to 6:00 p.m.

## Clearing and Settlement Process – C&S

### C&S Operations MEC-BVC

### Participants:

- **BVC**: Clearing agent for operations traded or registered in the MEC system. BVC is in charge of sending operations to the central securities depositories for settlement.
- **Deceval (DVL)**: Central securities depository and settlement agent for public and corporate debt operations.
- **DCV**: Central securities depository of the Colombian Central Bank and settlement agent only for public debt securities.
- **CUD**: Colombian Central Bank System through which the funds transfer is made in the settlement process.
**CRCC:** Colombian Clearing House: It is the entity in charge of the clearing and settlement of the sell/buy-back operations negotiated in the MEC system that were accepted by it.

Other trading and registration systems: Entities authorized by the Financial Superintendence of Colombia to negotiate and register operations. The clearing and settlement of the operations concerted in these systems is made under the BVC clearing and settlement system.

- **Description of the Process:**

  Operations with clearing and settlement in the BVC system:

  ✓ Clearing process for operations traded or registered in MEC is made by the counterparties through BVC system in the same day, except for the sell/buy-back operations with clearing and settlement in the CRCC.

  ✓ On settlement day, BVC sends the operations to the appropriate deposit (DCV, DVL).

  ✓ Operations are settled by simultaneous transfer of funds and securities between the buyer and seller for each transaction (gross DVP).

  Operations with clearing and settlement in the CRCC:

  ✓ The BVC is going to clear and settle the sell/buy-back operations accepted by the Colombian clearing house (CRCC) on behalf of it. Therefore, the clearing and settlement process for sell/buy-back operations traded or registered in MEC is the same as for operations with clearing and settlement in the BVC system.

  ✓ Operations are settled by simultaneous transfer of funds and securities between the buyer and seller for each transaction (gross DVP).

  Clearing and settlement for operations concerted in other systems:

  The BVC clearing and settlement system is available to make the clearing and settlement of operations concerted in other trading and registration systems. The scheme used in this process is the same used for the operations concerted in the BVC system.
**Participants:**

SEN: Trading and registration system.

DCV: Central securities depository of the Colombian Central Bank and settlement agent for public debt securities.

CUD: Colombian Central Bank System through which the funds transfer is made in the settlement process.

CRCC: Colombian Clearing House: is the entity in charge of the clearing and settlement of sell/buy-back operations negotiated in the First Tier of SEN.

**Description of the Process:**

Clearing and settlement of transactions generated in SEN is made at the end of the day and will be settled in a clearing and settlement system authorized by the Financial Superintendence of Colombia as of the date of settlement through a delivery versus payment mechanism.

Once DCV receives information from the operations of SEN, it checks the balance in the escrow account of the counterparties and affects the transfer and deposit accounts and / or titles, if there is a balance. Agents must have a deposit account in the CUD for the settlement of transactions generated in SEN.

For all operations generated in MEC with clearing and settlement in the BVC system, members have a counterparty quota system. The system is centralized and allows the settlement of the maximum operation quotas with each of the other entities included in the system. Quotas are checked prior to each operation and are automatically updated each time a shutdown is performed. Insufficient quota granted by an entity to its counterparty will stop the transaction.

For operations over a period greater than T +3, BVC requires additional collateral security. The collateral management (creation, replacement and release) is made by the SAG system, administered by BVC.

For the sell/buy-back operations generated in the MEC system with clearing and settlement in the clearing house (CRCC) there will not be counterparty quota, whether it is in the transactional system or in the registration system.

**First Tier:** It is not possible to establish counterparty quotas between affiliated entities in this market.

**Second Tier:** It is the same quota system as described for MEC.
INCOME TAX

- Withholding Tax

  **Interest or Coupons:**
  The withholding rate is 4%. During the first financial return, the withholding rate applies to the difference between the sum of the nominal value, the total value of the interests of the current period and the purchase price of the paper, this difference divided by the number of days from acquisition to the next interest payment and this result multiplied by the number days of holding the paper during the month.

  During other periods of financial returns, withholding tax applies to the total value of the interest period, the face value, divided by the number of days in that period multiplied by the number of days of tenure title during the month.

  The depository or the administrator of capital exterior portfolio investment calculates the withholding tax taking into account the tax category of each holder of the coupon on the date of payment.

  **Capital Gains:**

  The withholding rate is the same as that applied to the coupons, 4%. This percentage is applied during the first financial return to the difference between the price recorded at the time of sale and the sum of the price recorded at the time of purchase and the yield caused form the time of the purchase to the time of sale.

  During other periods of financial returns, the withholding tax applies to the difference between the price of sale and the sum of the price recorded at the time of purchase and the yield caused from the last payment of interests to the time of sale.

  For securities that pay interest in advance or securities at a discount, withholding is made at the time of issuance in the primary market on the total discount of the instrument. When these bonds are sold in the secondary market, the tax is transferred to the buyer through the selling price on a pro rata basis.
<table>
<thead>
<tr>
<th><strong>Income Tax</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Income on interest or capital gains is taxable and must be reported on the income tax return. It is calculated on the total value of revenues or profits and applied accordingly, after which the money paid as withholding tax may be deducted.</td>
</tr>
</tbody>
</table>

**ADDED VALUE TAX – IVA**

IVA (VAT) of 16% will be charged on commissions paid to SCB for performing operations on the stock market.
### 3.3. DERIVATIVES MARKET

#### 3.3.1. FINANCIAL DERIVATIVES MARKET

- **Product List**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Size and Units of Negotiation</strong></td>
<td>COP 250.000.000</td>
<td>COP 250.000.000</td>
<td>TRM USD 50.000 TRS USD 5.000</td>
<td>1000 stocks</td>
<td>COP 25.000 per index point</td>
<td>COP 250.000.000</td>
<td>COP 500.000.000</td>
</tr>
<tr>
<td>Monthly Cycle</td>
<td>Quarterly Cycle</td>
<td>Monthly Cycle</td>
<td>Quarterly Cycle</td>
<td>Monthly Cycle</td>
<td>6 contracts of 1-3-6-9-12-18 months</td>
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<td></td>
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<tr>
<td>---------------</td>
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<td>(2 maturities)</td>
<td>(2 maturities)</td>
<td>(4 maturities) H, M, U, Z</td>
<td>(3 maturities)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total: 4 maturities</td>
<td>Total: 4 maturities</td>
<td>Total: 6 maturities</td>
<td>Total: 4 maturities</td>
<td>Total: 3 maturities</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Price Tick | 0.005 | 0.005 | 0.1 | 1-5 | 0,5 | 0,001 | 0,0010 |

|--------------------|-------------------|----------------------|----------------------|-----------------------------------------------------------------|----------------------|----------------------|----------------------|

<p>| Last day of trading | One business day before the first Friday of each maturity month | One business day before the first Friday of each maturity month | 2&lt;sup&gt;nd&lt;/sup&gt; Wednesday of each maturity month | Physical Delivery: Three days before the fourth Wednesday of each maturity month | Third Friday of each maturity month | Fifth day of each maturity month |</p>
<table>
<thead>
<tr>
<th>Expiration date of contract</th>
<th>First Friday of each maturity month</th>
<th>First Friday of each maturity month</th>
<th>2\textsuperscript{nd} Wednesday of each maturity month</th>
<th>Physical Delivery: Fourth Wednesday of each maturity month</th>
<th>Financial Settlement: Third Friday of each maturity month</th>
<th>The same day of the last trading day</th>
<th>One business day after of the last trading day</th>
<th>To 1-3-6-9-12-18 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantee</td>
<td>S=2%; M=3.5%; L=5%</td>
<td>1% - 8%</td>
<td>7%</td>
<td>11%-25%</td>
<td>12%</td>
<td>0.5%</td>
<td>0.1%-0.7%</td>
<td></td>
</tr>
<tr>
<td>TEL: TELA Comdty</td>
<td>TELA Comdty</td>
<td>TRM: TRSA CURNCY</td>
<td>TRS: TRWA CURNCY</td>
<td>CAPA Index</td>
<td>CPAA Index</td>
<td>IBRA Comdty</td>
<td></td>
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<tr>
<td>TEM: TESA Comdty</td>
<td>TESA Comdty</td>
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<td>TES: TECA Comdty</td>
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<tr>
<td>TFIT: ECOPETL= (H/M/U/Z)5 CB Equity</td>
<td>TFIT: PFBCO= (H/M/U/Z)5 CB Equity</td>
<td>TFIT: PREC= (H/M/U/Z)5 CB Equity</td>
<td>TFIT: TRC= (H/M/U/Z)5 CB Equity</td>
<td>TFIT: EIX= (H/M/U/Z)5 CB Equity</td>
<td>TFIT: NUT= (H/M/U/Z)5 CB Equity</td>
<td>TFIT: ISA= (H/M/U/Z)5 CB Equity</td>
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<td>TRM: TRSA CURNCY</td>
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<td>TRM: TRS: TRSA CURNCY</td>
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<td>TFIT: ISA= (H/M/U/Z)5 CB Equity</td>
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<td>TRM: TRSA CURNCY</td>
<td>TRS: TRWA CURNCY</td>
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<tr>
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<td>TFIT: PFBCO= (H/M/U/Z)5 CB Equity</td>
<td>TFIT: PREC= (H/M/U/Z)5 CB Equity</td>
<td>TFIT: TRC= (H/M/U/Z)5 CB Equity</td>
<td>TFIT: EIX= (H/M/U/Z)5 CB Equity</td>
<td>TFIT: NUT= (H/M/U/Z)5 CB Equity</td>
<td>TFIT: ISA= (H/M/U/Z)5 CB Equity</td>
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</tr>
</tbody>
</table>
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**Transaction Market**

- **Negotiation Scenario:** Colombian Securities Exchange

- **Participants:**

  **Members:** Legal entities that have been accepted by the Exchange as a participant in the derivatives market and therefore directly access the system for execution or registration of operations, whether conducted on its own, on behalf of others, or on behalf of a collective portfolio, portfolios or funds it manages, according to what its legal status allows.

  Members, who are authorized to negotiate the underlying asset in the spot markets of TES Government Bonds, FX, Stocks, Equity Index, and OIS, may trade and register operations on derivatives contracts. Inflation and interest rate derivatives contracts are part of the interest rate family.

  **CLEARING MEMBERS:**
  - Direct access to markets.
  - Direct counterparty to the CCP.
  - Responsible for managing its own risk and of non-clearing members and third parties to whom they offer clearing and settlement services.
**NON-CLEARING MEMBERS:**
- Direct access to markets.
- Indirect counterparty to the CCP.
- Responsible for managing their own risk and that of third parties who clear and settle transactions with its clearing member.

**THIRD PARTIES:**
- Persons or companies entering the market and accessing services through BVC members.
- Responsible for compliance with clearing and settlement obligations to the member through which they access the market and the CCP.

**Negotiation Methodologies:**

- **Negotiating Sessions:** Opening, Continuous Market, Close.

<table>
<thead>
<tr>
<th>Instrument Session</th>
<th>Government Bonds Futures / Colombian Government Bonds</th>
<th>USD FX Futures</th>
<th>Stock Futures / COLCAP Index Futures</th>
<th>Inflation Futures</th>
<th>Overnight Indexed Swap</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opening Auction</strong></td>
<td>8:00 a.m. to 8:05 a.m. Random closing: +/-60 seconds</td>
<td>8:00 a.m. to 8:05 a.m. Random closing: +/-60 seconds</td>
<td>8:00 a.m. to 8:05 a.m. Random closing: +/-60 seconds</td>
<td>8:00 a.m. to 8:05 a.m. Random closing: +/-60 seconds</td>
<td>8:00 a.m. to 8:05 a.m. Random closing: +/-60 seconds</td>
</tr>
<tr>
<td><strong>Continuous Market</strong></td>
<td>End of opening auction until 12:59 p.m.</td>
<td>End of opening auction until 3:59 p.m.</td>
<td>End of opening auction until 3:59 p.m. EST</td>
<td>End of opening auction until 12:59 p.m.</td>
<td>End of opening auction until 12:59 p.m.</td>
</tr>
<tr>
<td>Contract</td>
<td>Sweep Parameter</td>
<td>Sweep limit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-----------------</td>
<td>-------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TESS/ Short Term Basket Government Bonds</td>
<td>300</td>
<td>1.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TESM / Mid Term Basket Government Bonds</td>
<td>600</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TESL / Long Term Basket Government Bonds</td>
<td>720</td>
<td>3.6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TRM</td>
<td>500</td>
<td>50</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T15</td>
<td>300</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T16</td>
<td>600</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T18</td>
<td>600</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T19</td>
<td>600</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T20</td>
<td>720</td>
<td>7.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T22</td>
<td>720</td>
<td>7.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T24</td>
<td>720</td>
<td>7.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T26</td>
<td>720</td>
<td>7.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T28</td>
<td>720</td>
<td>7.2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Sweep Parameter (PB)** = Maximum number of ticks away of best bid/offer that can be entered as price of a contrary compatible order to control the price of the entry and the price length of a market sweep.
- **Sweep limit** = Parameter Sweep * Tick value
### Price Control Reference:
1. Best price of counter offer (Bid or Offer)
2. Price of last trade
3. Reference price (settlement price of the day before)

### Matching Criteria (Automatic Matching - Auction) and Depth Order

**Continuous Market:** Applies under the methodology of automatic matching criteria on the best bid and ask orders in the public order book, giving priority to the better price, oldest order.

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Price Bid</th>
<th>Price Ask</th>
</tr>
</thead>
<tbody>
<tr>
<td>T30</td>
<td>720</td>
<td>7.2</td>
</tr>
<tr>
<td>ECO</td>
<td>158</td>
<td>158</td>
</tr>
<tr>
<td>PFB</td>
<td>205</td>
<td>1025</td>
</tr>
<tr>
<td>PRE</td>
<td>382</td>
<td>1910</td>
</tr>
<tr>
<td>PFG</td>
<td>153</td>
<td>765</td>
</tr>
<tr>
<td>EXI</td>
<td>155</td>
<td>775</td>
</tr>
<tr>
<td>NUT</td>
<td>140</td>
<td>700</td>
</tr>
<tr>
<td>GRA</td>
<td>134</td>
<td>670</td>
</tr>
<tr>
<td>ISA</td>
<td>45</td>
<td>225</td>
</tr>
<tr>
<td>PFA</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>CEM</td>
<td>278</td>
<td>278</td>
</tr>
<tr>
<td>GRU</td>
<td>153</td>
<td>765</td>
</tr>
<tr>
<td>PCE</td>
<td>278</td>
<td>278</td>
</tr>
<tr>
<td>COL</td>
<td>120</td>
<td>60</td>
</tr>
<tr>
<td>I01</td>
<td>500</td>
<td>5</td>
</tr>
<tr>
<td>I03</td>
<td>500</td>
<td>5</td>
</tr>
<tr>
<td>I06</td>
<td>500</td>
<td>5</td>
</tr>
<tr>
<td>I09</td>
<td>500</td>
<td>5</td>
</tr>
<tr>
<td>I12</td>
<td>500</td>
<td>5</td>
</tr>
<tr>
<td>I18</td>
<td>500</td>
<td>5</td>
</tr>
</tbody>
</table>
**Closing and Opening Auctions:** Applied with match methodologies using the equilibrium price on the trades carried out at the end of the auction during established schedules. The equilibrium price is determined based upon the price that maximizes the allotted amount.

- **Types of Orders:**
  - Limit
  - Market
  - Market At Best
  - *Fill or Kill*
  - *Fill and Kill*
  - Minimum Amount

**Additional Criteria:**

- **Visible:** Enters the board showing only a percentage of its total amount, minimum 20%.
- **Stop:** The stop order is triggered at the indicated price only when there are orders on the board equal to or greater than the price marked "Stop price".
- **Follow up:** The price of the order will change according to the price variations of a selected security.

**Order Durations:**

- Day
- Until Cancellation
- Until Date
- Until Time
- Immediate
- Session

- **Criteria for Disclosure of Counterparties:** Counterparty disclosure is not allowed in trading, clearing or settlement. Blind market.

- **Market Maker Schemes:** Enabled for TES and COLCAP Index futures.
  
  In the market maker scheme, entities commit to contributing to the liquidity of the instruments, quoting constantly buying and selling orders, under the following conditions:
1. Quote minimum stay on screen.
2. Simultaneous quotes of different maturity contracts.
3. Maximum Spread Bid - Offer levels – quoting taking into account a defined maximum within the program.
4. Minimum number of contracts traded defined within the program.

BVC assesses compliance of participating entities with the obligations and calculates a periodic ranking taken from a defined scoring which is reported to the general public on a monthly basis.

- **Registration Scenario:** Colombian Securities Exchange
- **Participating Entities:** The same entities for the transactional system are authorized to register operations on derivatives contracts.
- **Register Sessions:**

<table>
<thead>
<tr>
<th>Instrument Session</th>
<th>Government Bonds Futures</th>
<th>USD FX Futures</th>
<th>Stock Futures /COLCAP Index Futures</th>
<th>Inflation Rate Futures</th>
<th>Overnight Indexed Swap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration</td>
<td>8:00 a.m. until 4:00 p.m.</td>
<td>8:00 a.m. until 4:40 p.m.</td>
<td>N.A</td>
<td>8:00 a.m. until 4:00 p.m.</td>
<td>8:00 a.m. until 4:00 p.m.</td>
</tr>
</tbody>
</table>

- **Clearing and Settlement Process**
  - **Participating Entities:**
    - Clearing: CCP
    - Settlement: CCP, Deceval and DCV-CUD
Process Description:

The CCP performs daily settlement of mark to market for participants who have traded during the day or had open positions. Subsequently, the CCP reports the result of the clearing to participants and proceeds to debit or pay the losses or gains through the accounts of clearing members’ CUD through the Central Bank.

COUNTERPARTY RISK MANAGEMENT: CCP

Risk management structure in the CCP consists of four mechanisms: procedures for ensuring the quality of its clearing members, risk control procedures in the daily operating cycle, financial resources and procedures in case of default.

PROCEDURES TO ENSURE THE QUALITY OF A CLEARING MEMBER

The CCP has two mechanisms to ensure the quality of their clearing members. They include mechanisms to establish eligibility criteria that determine the solvency and operational capacity of the clearing members and monitoring processes for ongoing compliance with these requirements in order to predict a deterioration of their financial situation or operational capacity.
### DAILY CYCLE OF RISK CONTROL

Clearing and settlement of transactions through the CCP has zero counterparty risk, thanks to the daily execution of a risk control cycle during each session to monitor the behavior of the positions of its clearing members, negotiating non-clearing members and clients. This management combines the application of different types of guarantees within a scheme known as model limits MEFFCOM II inspired by SPAN methodology. This cycle allows the CCP to limit or eliminate the possibility of losses in case of the default of a clearing member and to have sufficient resources to cover those losses.

The guarantees and limits scheme which ensures the protection of the CCP to counterparty risk and liquidity of each session is defined as follows:

**Common Guarantees**

These are intended to cover the CCP in case of default of clearing members, trading members or clients, resulting from price movements of financial instruments that are cleared and settled through it. The CCP’s requirement distinguishes between initial guarantees and ordinary daily guarantees.

**Initial Guarantees**

Clearing members must post minimum initial collateral prior to acceptance of the first operation in the CCP. These amounts may differ if the clearing member acts on their own behalf or exclusively on behalf of other participants.

**Daily Guarantees**

These collaterals cover the risk of each new transaction to be held during the day. They will be calculated by the CCP for each member’s accounts and those of its clients and will be assigned during the day to the positions derived from accepted and registered operations following established procedures. The CCP will require these guarantees through a settlement member, which is responsible for constituting it in a timely manner, in accordance to established guidelines.

**Extraordinary Guarantees**

Consist of an amount outstanding of collateral additional to the daily guarantees required under exceptional circumstances that may affect the behavior of the market due to disruption of prices of instruments cleared in the CCP during the trading session. The purpose of these guarantees is to establish the appropriate level of guarantees to hedge against possible default to which the CCP would be exposed in any new scenario of price volatility.

**Limits**

In addition to the guarantee scheme, the CCP also controls risk exposure during the trading session using two types of limits, which allow the exercise of control over the pace of accumulation of positions of clearing members.
Daily Trading Limit
The objective of establishing a daily operating limit is to limit the exposure of the CCP from the moment positions are taken until the time the daily deposit of guarantees is executed. This limit restricts each clearing member’s range of operation and protects participants during the trading session. The limit is released as the clearing member voluntarily increases the level of guarantees.

Open Interest Limit
The CCP assigns a maximum limit to the risk of the open interest to prevent the accumulation of counterparty and liquidity risk as a consequence of clearing members taking permanent positions. Therefore, a clearing member cannot have a full open position that generates, under extreme conditions of price variation, a number of extra guarantees that surpass a given percentage of their technical net worth.

Clearing House Resources
The criteria for participation, position limits and scheme of guarantees defined in the previous sections provide a high degree of protection against counterparty and liquidity risk that the CCP faces. However, establishing security funds and a permanent provision of an adequate level of its own resources, the CCP will seek to ensure additional resources are in place to protect itself, and to guarantee operational continuity.

SECURITY FUND
The CCP is organizing this type of fund, in which the total amount contributed by participants is used jointly to address the residual risk generated by a default of a participant when all other security measures taken by the CCP are not sufficient to offset losses. The fund is not available yet.

ASSETS AND CAPITAL OF THE CCP
Ultimately, the equity and resources of the CCP should bear the residual loss caused by the breach of any of its clearing members.

In compliance with international recommendations, equity and assets must be sufficient to cover the single greatest exposure among settlement members of the CCP, because the increased exposure is the exposure of settlement member who, after the appropriate stress tests, presents the greatest losses in case it becomes necessary to close their position.
**Procedures in Case of Default**
There are set, detailed procedures to be followed in case of default by a market participant. These procedures are part of the risk management model of the CCP.

<table>
<thead>
<tr>
<th>Taxes</th>
</tr>
</thead>
</table>
| • **Withholding taxes**: There are not withholding taxes for non-resident investors.  
  • **Taxes on capital gains**: Non-residents don’t have to pay capital gains on equity related derivatives. For other instruments, non-residents pay capital gains at a 14% rate following these conditions:  
  o The tax base is established at the end of every month by netting the daily mark to market of all the contracts with open position during the corresponding month.  
  o The tax base of a corresponding month can be net against the negative monthly base of any preceding month.  
  o In case of derivative positions with settlement by delivery of the underlying asset, having taken delivery, the taxable base can be offset by the tax base resulting from the delivery of the underlying asset.  
  o Each member of the CCP or the Custodian of the non-resident investor is responsible for the collect of investors’ tax.  
  o The non-resident investor can deduct from his tax base the administrative and custodian fees paid for their investments in any market. Other expenses from the investor point of view, like the effect of the COP/USD rate on the capital tax base expressed in USD, are not deductible. Non-resident investors are encouraged to implement FX hedging locally for optimizing the capital tax base through the use of TRM Futures. |
### 3.3.2. ENERGY COMMODITIES DERIVATIVES MARKET

<table>
<thead>
<tr>
<th>Primary Market</th>
<th>• NA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary Market</td>
<td>Transactional Market</td>
</tr>
<tr>
<td>Negotiation Scenario: DERIVEX. Platform: X-stream. Supplier: NASDAQ OMX. Market administered by DERIVEX.</td>
<td>Participating Entities:</td>
</tr>
<tr>
<td></td>
<td><strong>Member:</strong> Legal entity that has been accepted by the Derivex as a participant in the standardized energy commodities derivatives market and therefore has directly access to the system for execution or registration of operations, whether conducted its own, on behalf of others, or on behalf of the collective portfolio, portfolios or funds it manages, according to what its legal status allows.</td>
</tr>
<tr>
<td></td>
<td>The conditions and responsibilities that apply to clearing members, non-clearing members and third parties are the same as apply to the derivatives market of BVC.</td>
</tr>
<tr>
<td></td>
<td>Negotiation Methodologies: Trading Log session, Electronic Trading session and Mixed Trading session.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Energy Futures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Electronic Trading Session</strong></td>
<td><strong>Monthly</strong></td>
</tr>
<tr>
<td>- Opening Auction</td>
<td>8:45 a.m. to 9:00 a.m.</td>
</tr>
<tr>
<td></td>
<td>Random Closing:</td>
</tr>
<tr>
<td></td>
<td>+/-1 minute</td>
</tr>
<tr>
<td>- Open Market</td>
<td>End of opening auction until</td>
</tr>
<tr>
<td></td>
<td>11:00 a.m.</td>
</tr>
</tbody>
</table>
### Trading Log session

<table>
<thead>
<tr>
<th>Activity</th>
<th>Time</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Closing Auction</td>
<td>11:00 a.m. to 11:15 a.m.</td>
<td>Random Closing: +/-1 minute</td>
</tr>
<tr>
<td><strong>Trading Log session</strong></td>
<td>8:45 a.m. to 11:15 a.m.</td>
<td>Random Closing: +/-1 minute</td>
</tr>
<tr>
<td>- During Trading session</td>
<td>8:45 a.m. to 11:15 a.m.</td>
<td>Random Closing: +/-1 minute</td>
</tr>
<tr>
<td>- After Trading session</td>
<td>11:15 a.m. to 11:45 a.m.</td>
<td>Random Closing: +/-1 minute</td>
</tr>
</tbody>
</table>

### Mixed Trading session

<table>
<thead>
<tr>
<th>Time</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>9:00 a.m. to 11:00 a.m.</td>
<td></td>
</tr>
</tbody>
</table>

- **Matching Criteria (Auto Matching - Auction) and the Depth Order**

  **Continuous Market:** Applies using a methodology of automatic matching criteria on the best bid and offer orders in the public order book, giving priority to the oldest order that entered the system.
Closing and Opening Auction: Applies matching methodologies using equilibrium price on operations carried out at the end of the day at set times. The equilibrium price is determined based upon the price that maximizes the amount awarded.

Mixed Trading session: Derivex transmits to all members, telephonically and orally, on equal terms, postures, matches, acceptances, modifications or withdrawals. The allocation of the operations is made by confirmation of the information stated by each member. Derivex sends the information to each one of the parties so they are the ones who confirm the information of the operation in the system.

- Types of Orders:
  - Limit
  - Market
  - Market at Best
  - Fill or Kill
  - Fill and Kill
  - Minimum Amount

- Additional Criteria:
  - Visible: Enters the board showing only a percentage of its total amount, minimum 20%.
  - Stop: The stop order is triggered at the indicated price only when there are orders on the board are equal to or greater than the price marked "Stop price".
  - Follow up: The price of the order will change according to the price variations of the selected species.

Order Durations:

- Day
- Until Cancellation
- Until Date
- Until Time.
- Immediate.
- Session

- Criteria for Disclosure of Counterparties: Counterparty disclosure is not allowed in trading, clearing or settlement operations.
<table>
<thead>
<tr>
<th>Clearing and Settlement Operations</th>
<th>Clearing and Settlement Process: The clearing and settlement process for this market replicates the structure of the derivatives market operated by BVC, which involves clearing members and the CCP.</th>
</tr>
</thead>
</table>
| Taxes | - **Withholding Tax**: profits on transactions are subject to 3.5% withholding tax to resident investors.  
- **Non-resident investors pay 14% net against the proceeds of any other investment.** |

3.4. FX MARKET

<table>
<thead>
<tr>
<th>Spot Market Operations</th>
<th>Next-Day Operations (T+1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Next-Day Operations (T+2)</td>
<td>Next-Day Operations (T+3)</td>
</tr>
<tr>
<td>Forwards</td>
<td>Swaps</td>
</tr>
<tr>
<td>Options</td>
<td></td>
</tr>
</tbody>
</table>

| Primary Market | N/A |

<table>
<thead>
<tr>
<th>Secondary Market</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Transactional Market</th>
<th>Negotiation Scenario: Electronic Transaction and Register System of FX trading SET-FX and the Hybrid System of Negotiation and Registration of foreign exchange ICAPCO-Divisas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participating Entities: Exchange Market Intermediaries (IMC), defined as such by the Colombian Central Bank.</td>
<td></td>
</tr>
<tr>
<td>- Banks</td>
<td></td>
</tr>
<tr>
<td>- Finance Companies</td>
<td></td>
</tr>
<tr>
<td>- Brokerage Houses</td>
<td></td>
</tr>
<tr>
<td>- Financial Corporations</td>
<td></td>
</tr>
</tbody>
</table>
| - Special Entities  
  - Ministry of Finance and Public Credit  
  - Financiera Energética Nacional  
  - Colombian Central Bank |
• Trading Methodology
  o Trading Session: Continuous market
  o Price Control Systems: N / A
  o Unit Price Variation: U.S. cents
  o Matching Criteria: voluntary matching
  o Orders in Depth: Best price and order of arrival
  o Counterparty Disclosure: Counterparty disclosure is not allowed in trading, but is allowed in clearing and settlement processes.
  o Market Maker Schemes: N / A

---

Registration of OTC Trades

• Register of OTC Trades:
  o Schedule: 8:00 a.m. – 6:00 p.m.
  o Registration Scenarios: Registration and settlement system of the FX market SET-FX. External Act 4 of 2009, Colombian Central Bank, and Bulletin DODM317, states all foreign exchange operations conducted by the IMC for any type of change (cash or derivatives) must be registered in a system authorized by the Financial Superintendence of Colombia.

Spot and Next Day (T+1), (T+2) and (T+3) Market Operations

  o Participating Entities: Clearing House for Foreign Exchange Spot Transactions - CCD
  o Process Description: DVP, multilateral netting

  1. Provision of Guarantees to the CCD. (7:00 a.m. to 8:00 a.m.)
  2. Receipt and acceptance of operations by the CCD, provides additional guarantees to the CCD. (8:00 a.m. - 1:00 p.m.)
  3. Final acceptance of operations window. (1:00 p.m. - 1:25 p.m.)
  4. Settlement payment starts time (1:25 p.m. - 1.30 p.m.)
  5. Payment of multilateral settlement obligations. (1:30 p.m. - 2:30 p.m.)
  6. Payment of multilateral rights. (2:30 p.m. - 4:00 p.m.)

Forward Operations

  • Participating Entities: Colombian Counterparty Risk Clearing House S.A. – CCP
  • Process Description: The CCP follows the same process for clearing and settlement of standardized financial derivatives explained in section 3.3.1
• VAT (IVA).  
  Exchange transactions of purchase and sale of foreign currency, and exchange transactions upon financial derivative instruments are not subject to VAT.

• Withholding Tax: Profits on forward (non-delivery) transactions are subject to 3.5% withholding tax.

3.5. LATIN AMERICAN INTEGRATED MARKET – MILA

<table>
<thead>
<tr>
<th>Primary Market</th>
<th>Secondary Market Trading</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Primary share placement is authorized under MILA.</td>
</tr>
<tr>
<td></td>
<td>• Transactional Market:</td>
</tr>
<tr>
<td></td>
<td>• Negotiation Scenario: Intermediary members of stock exchanges linked to MILA can buy and sell shares in the other stock exchanges through the intermediary routing mechanism; a foreign broker obtains direct access to the participating foreign market once an agreement has been signed with a local broker.</td>
</tr>
</tbody>
</table>

Local intermediaries may generate several agreements to gain access to foreign participating markets. However, before routing orders to other markets, the intermediary must report the agreement to the external system through which routing to the market will be executed.

The local intermediary through which the routing order takes place shall be held accountable for all obligations arising from transactions that foreign intermediaries generate in the local market.

• Trading Methodology: Each exchange manages its own market, so negotiation is done under the rules of the market where securities are listed. (Schedules, market sessions, matching criteria, tick prices, etc.).

• Registration of OTC Trades: No registration or operating mechanism is enabled under MILA.
Clearing and Settlement Operations

- **Clearing and Settlement Process**

  - **Participating Entities:** Central securities depositories of each of the countries participating in MILA.

    (DCV - Chile, CAVALI - Peru and Deceval - Colombia), local and foreign intermediaries.

  - **Description of the Process:** Operations of the foreign intermediary are settled by the local intermediary through whom the order was routed. The movement of funds and orders to transfer securities to the local depository is performed by the local broker as agreed to with the foreign intermediary.

  - Clearing and settlement of funds and securities is made by the entities in charge of these tasks in accordance with the laws of the country of origin. Principles of unconditional irrevocability and finality are applicable to each market participant according to international best practices for the implementation and development of these principles and in accordance with the laws of each country.

    Should the settlement of the operation require the foreign intermediary to send foreign currency, all processes associated with the channeling of resources through the foreign exchange markets in each country should be coordinated by local and foreign intermediaries for operations that require the local broker to have the necessary funds to settle the transaction, outside of the mechanisms defined for MILA.

  - **Custody of the securities issue:** Managed by the central securities depository of the country where the issue is registered. The local CSD maintains an omnibus account in the name of foreign depository which reflects the values that foreign intermediaries have acquired within the framework of the MILA market. This arrangement is reciprocal among the participating depositories. From the balances reported by the local depository, the foreign depository is responsible for separating at the intermediary or final investor level in each of the countries, according to applicable regulations.

    Local and foreign depositories share information pertaining to the movements made by the end customers, in order that the local depository may collect all applicable taxes on capital gains.

  - **Counterparty Risk Management:** Local intermediaries may limit the exposure to foreign intermediaries in the local market through a daily quota counterparty system provided by the local exchange.
### Taxes

**Taxes:** Taxes on dividends and capital gains that are applied within the framework of the MILA agreement are the same as those existing for foreign investors in each of the three countries.

For more information on taxes payable by foreign investors in Colombia investing in the stock market, see the description of the stock market in paragraph 3.1.1 and the investment process for foreign investment in Colombia in paragraph 5 of the aforementioned section.

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### 3.6. INVESTMENT VEHICLES IN THE COLOMBIAN MARKET

#### 3.6.1. COLLECTIVE INVESTMENT SCHEMES

**Description**

Any mechanism or collective vehicle or administration of cash or other assets, in which multiple individuals contribute by providing resources (usually money) to a managing entity so that acting as a professional agent, resources to be managed collectively also for collective economic results.

Each portfolio's characteristics are defined by its own regulations. Subjected to these regulations will be, among other aspects, the policies that govern the operation, the type of investments to be made with the resources provided by participants, as well as other important information corresponding to its operation.

Each manager of a collective investment schemes has the obligation to record all the actions taken in the administration of a portfolio prospectus. This document contains general, financial and operational information pertaining to collective portfolio and must be given to the investor prior to signing any agreement.

**Management Companies**

- Collective Investment Schemes can be managed by:
  - Brokerage firms
  - Trusts
  - Investment management companies

**Mutual Fund Classification**

The Collective Investment Schemes are classified according to the term or period of the investment:

- **Open:** Are those funds in which the administrators are obligated to redeem at any time the participations of the investors. However, it is feasible that the regulation of collective fund incorporates a minimum duration and charging penalties for early withdrawal.
- **Closed:** Are those funds in which all investors can only withdraw their resources at the end of the term or period provided for in the portfolio prospect. However, it is feasible that a closed fund establish in its regulations certain term for withdrawal.
Exchange Traded Funds (ETF) are collective investment funds whose participating units are traded on the stock exchange in the same way as any stock. The objective of an ETF is to provide an investment vehicle that tracks an index.

The Securities Fund iShares COLCAP seeks investment results that correspond to the price of the index return COLCAP.

<table>
<thead>
<tr>
<th><strong>Mnemonic</strong></th>
<th><strong>ICOLCAP</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Legal Structure</strong></td>
<td>Exchange Traded Fund – ETF</td>
</tr>
<tr>
<td><strong>Launched</strong></td>
<td>July 6th, 2011</td>
</tr>
<tr>
<td><strong>Number of Components</strong></td>
<td>21 = 20 Stocks + Cash</td>
</tr>
<tr>
<td><strong>Benchmark</strong></td>
<td>COLCAP</td>
</tr>
<tr>
<td><strong>Settlement Currency</strong></td>
<td>Colombian Pesos</td>
</tr>
<tr>
<td><strong>Portfolio Strategy</strong></td>
<td>Full Replication</td>
</tr>
<tr>
<td><strong>Dividend Reinvestment</strong></td>
<td>No</td>
</tr>
<tr>
<td><strong>Dividend Distribution</strong></td>
<td>Portfolio Manager’s decision</td>
</tr>
</tbody>
</table>

1 As assets under management increase, optimization of the follow up of funds may be allowed.

Participating entities to create and negotiate ETF’s COLCAP:

- Black Rock - Professional Fund Manager
- Cititrust S.A. – Custody Agent
- BVC - COLCAP Index Supplier.
- Authorized Participants - Entities authorized to create and redeem units in the primary market.
- Brokerage Firms - Entities authorized to negotiate units in the secondary market.
4. CORPORATE EVENTS AND POLICIES REGARDING RELEVANT INFORMATION

4.1. SECURITIES MARKET INVESTOR RIGHTS AND MECHANISMS TO EXERCISE THEM

The subjects described below have been taken from the investor’s guide for issuers published by the Financial Superintendence of Colombia on its website.

<table>
<thead>
<tr>
<th>General Rights of Securities Market Investor</th>
<th>a. To receive fair and equitable treatment by the administrators and other issuer officials.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>b. To have equal and timely access to all information that is relevant to making investment decisions such as to purchase, sell or maintain the respective securities.</td>
</tr>
<tr>
<td></td>
<td>c. The right to which a plural number of shareholders, at least five per cent (5%) of the subscribed shares, may present proposals to the Board of Directors of the companies of which they hold stocks. These proposals must be considered and a written response sent to those that set them forth, clearly indicating the reasons for the Board's decision. In any case, said proposals cannot be related to industrial secrets or strategic information for the development of the company. (article 40 Law 964 of 2005)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Legal Rights of Shareholders</th>
<th>a. To participate and vote in company deliberations.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>b. To inspect company books and papers in line with the provisions established by law or in the company bylaws (Right of Inspection: in accordance with Section 4 of Article 379 of the Commercial Code, each share confers upon its owner, among other rights, that of freely inspecting company books and papers fifteen (15) business days prior to the general shareholders meeting in which the fiscal year financial statements are presented).</td>
</tr>
<tr>
<td>------------------------------</td>
<td>------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>c. To be called to the meetings of the highest corporate body.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Economic Rights of Shareholders</th>
<th>a. To receive a proportional share of the company profits released in the year-end balance sheet, subject to provisions established by law or by the corporate bylaws.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>b. To receive a proportional share of corporate assets at the time of the liquidation, and after the company's external liabilities have been paid.</td>
</tr>
</tbody>
</table>
c. To a preemptive right in each stock issue, unless the corporate by-laws or shareholders meeting establishes otherwise.

d. To withdraw from the company and receive early payment for his or her shares, in cases established by law (Right to Withdraw: In virtue of this right, absent or dissident shareholders or partners, as established by law, are within their rights to an early termination of their ownership in the company, and in that case, their contributions will be repaid. This applies when a merger, spin-off or other change in corporate structure is considered which would impose a greater responsibility on the shareholders or cause a loss in equity rights. It also applies if the company voluntarily cancels its registration in the National Securities and Issuer Register and/or BVC). The shareholder who exercises the right to withdraw and is repaid a sum for his or her stock is responsible for obligations incurred in light of the shareholder's ownership in the company over the period of ownership. Said responsibility is contingent on and limited to the value that is repaid. It will cease one year from date of withdrawal.

e. To freely transfer stock, unless there is a preemptive subscription right.

- When a securities market investor feels that his or her rights have been violated, he or she may turn to the Financial Superintendence of Colombia, specifically the Superintendent of Issuers, Investment Portfolio and Other Agents, by presenting the respective request, either through a consultation or complaint, or by any other means considered pertinent in the exercise of petition rights (Sections 12, 15, and 25 of Paragraph A of Article 11.2.1.4.51 of Decree 2555 of 2010). Written complaints to the Financial Superintendence of Colombia must be presented in line with the requirements established for exercising petition rights.

- The cancellation of stock in the Securities Exchange and the National Securities and Issuer Register (RNVE for the Spanish original) implies that the shareholders meeting approves said cancellation and, in the event that the respective decision be made by the majority of votes present in the meeting, shareholders that voted in favor of the same must promote an offer to acquire shares held by dissident shareholders or those absent from said meeting. (Article 5.2.6.1.2. of Decree 2555 of 2010). This procedure allows absent or dissident shareholders to sell their share of the company through an exchange mechanism specific to the shares listed on the Securities Exchange. This procedure must conform to the terms and conditions provided in Law 222 of 1995, defining how absent or dissident shareholders can exercise their right to withdraw. Shareholders attending the shareholders meeting, who vote in favor of cancelling the shares registered in the BVC or the RNVE will not have the right to exercise said protective measures.
- As a protective measure for minority shareholders, when the issuer’s majority ownership changes, the new majority shareholder in a company with listed stock, must carry out a tender offer, thus allowing the minority shareholders to sell their share at that time, under the same conditions of majority shareholders (Article 6.15.2.1.1. of Decree 2555 of 2010).

- Any person or group of persons who constitute the same beneficial owner, directly or indirectly, may only become a beneficial owner of a shareholding equal to or greater than twenty-five percent (25%) of capital with voting rights of a company whose shares are listed on the stock exchange, acquiring the securities with which that percentage is reached through a public tender offer. Likewise, any person or group of persons who are the beneficial owner of a shareholding equal to or greater than twenty-five percent (25%) of capital with voting rights of the company may only increase that holding by more than five percent (5%), through a public tender offer (Article 6.15.2.1.1 of Decree 2555 of 2010).

- The Financial Superintendence of Colombia's legal proceeding for the protection of minority shareholders begins with an investor request, when he or she believes that his or her rights have been denied by the general shareholders meeting, board of directors or company legal representatives. (Articles 141 and 142 of Law 446 of 1998 with an investor request, when he or she believes that his or her rights have been denied by the general shareholders meeting, board of directors or company legal representatives. (Articles 141 and 142 of Law 446 of 1998). To appeal to the Financial Superintendence of Colombia, first, the accused must be a securities issuer. Second, the petitioner must be one or more shareholders holding ten per cent (10%) or less of the outstanding shares and, third, the plaintiff shareholders cannot have any representation within the accused issuer's management. Before the assessment of the facts on which the minority shareholders' petition is based and the establishment of the circumstances, the Financial Superintendence of Colombia may adopt measures to avoid the violations of rights and re-establish balance and principles to ensure fair and equitable treatment of shareholders.

In the Colombian market all securities listed at BVC are dematerialized. There is no physical delivery. Shares are registered in the name of the final beneficiary.
## 4.2. GENERAL SHAREHOLDERS’ MEETINGS

### General Shareholders’ Meetings

Regular meetings of the shareholders will be held at least once per year on the dates indicated in the bylaws and in the absence of other conditions, within three months following the closing of each fiscal year (December 31). Extraordinary meetings of the shareholders may be convened as required by unforeseen or urgent needs of the company, in accordance to the provisions of the statutes. The Assembly will deliberate with a number of shareholders representing at least half plus one of the outstanding shares. Notwithstanding, the bylaws may provide for agreement as to a different composition of the quorum.

Shareholders meetings are held at the principal domicile of the issuer, usually in one of the main cities in Colombia.

The General Assembly of Shareholders must be convened with at least 15 days (Art 424 Commercial Code) notice published in a newspaper of national circulation. In the notice the issuer must provide information related to the agenda, date, place and time of the meeting, and shall also inform the Financial Superintendence of Colombia and the BVC. The preceding is without prejudice to the recommendations contained in the Code of the country relating to the information which must be made available to shareholders in connection with meetings of the highest corporate body.

In the case of Extraordinary Shareholders meetings, the notice must be published five (5) workdays in advance. Notwithstanding, the bylaws provide allowances for an extension of the period for notification.

### The Right to Vote

Of the rights given to the holder of common shares is that of the right to vote in the Assembly.

Preferential shares will have the right to vote in the cases described in Article 63 of Law 222/1995, which are: i) decisions that can affect conditions and rights, ii) conversion of shares, iii) any other situation described in the rules for subscription of shares Public corporations can issue shares with preferential dividends and no voting rights. These have the same nominal value as ordinary shares and cannot represent more than 50% of subscribed capital. (Article 61 Law 222/95).

Shareholders who are registered in the book of shareholders of the company are entitled to exercise the voting rights. The voting weight of each shareholder corresponds to the percentage of his or her participation in shares of capital stock and each share corresponds to one vote.

There are no voting restrictions for domestic or foreign investors.
<table>
<thead>
<tr>
<th>Voting Procedure</th>
<th>To exercise their voting rights the Shareholder must be present at the Assembly. In Colombia, only the actual holder of the shares, their legal representatives (in the case of legal persons or legally incapables persons) or their proxies may deliberate and vote at the Shareholders Assembly.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power-of-Attorney for Assemblies</td>
<td>A power-of-attorney must be in writing and state the name of the representative, and if necessary, the name of the person who may eventually substitute for them. The power-of-attorney must indicate the date or dates of the meeting or meetings for which it is valid and other requirements stated in the bylaws of the company. (Article 184 Commercial Code). The power-of-attorney must be signed by the actual shareholder and does not require notarization or other type of attestation.</td>
</tr>
</tbody>
</table>
## 4.3. CORPORATE EVENTS PRACTICES

<table>
<thead>
<tr>
<th>Types of Corporate Events</th>
<th>Cash and/or stock dividends, mergers and acquisitions, splits, subscription rights, public offerings, issuance of shares or bonds, interest payments, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Event Information Sources</td>
<td>General information regarding corporate events can be viewed by investors on the following links:</td>
</tr>
<tr>
<td>- Financial Superintendence of Colombia - SFC: <a href="http://www.superfinanciera.gov.co">www.superfinanciera.gov.co</a></td>
<td></td>
</tr>
<tr>
<td>Payment Dates</td>
<td>The General Shareholders Assembly is at liberty to set the dates of payment of dividends. However, earnings are payable within one year from the date in which they have been declared. (Article 156 Commercial Code). The payments of dividends vary by issuer and can be made with a unique payment or several through the year.</td>
</tr>
<tr>
<td>Ex-dividend Periods</td>
<td>Stock transactions will be considered to be “ex-dividend” when they have taken place between the first business day on which dividends are paid out and the previous four (4) business days. Dividends from operations carried out during the “ex-dividend” period belong to the seller. The stock exchanges can determine on its rules that term, which could never be less than two (2) trading days (Article 2.23.1.1.5 of Decree 2555 of 2010)</td>
</tr>
<tr>
<td>Procedures for Payment of Dividends and Interest</td>
<td>Deceval Procedure</td>
</tr>
<tr>
<td>- Issuers shall transfer payment of dividends electronically to the account held by Deceval in the Colombian Central Bank’s CUD, either directly or through a settlement bank. Payments include yields, dividends or capital.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>These funds shall be available to Deceval during banking hours, no later than on the maturity date.</td>
</tr>
</tbody>
</table>
DCV Procedure

Deceval pays by crediting holders of securities issued by the respective issuer through the direct depositor. In the event that the funds cannot be transferred by Deceval on the day of delivery due to acts attributable to the issuer, the latter will assume the cost incurred.

Payments to indirect depositors are channeled through the direct depositors, who shall transfer the funds on the same day on which they are received.

In the case of securities in international custody, Deceval shall exercise rights through the custodian, and dividend payments shall be channeled directly to the direct depositors through foreign accounts in compliance with the existing foreign exchange legislation. Direct depositors are responsible for recording the foreign accounts opened for this purpose.

DCV Procedure

DCV makes principal and interest payments on securities at maturity. DCV settlement will be made on the due date or on the next business day if the date falls on a weekend or holiday.

For direct depositors (investors) there are three payment methods defined:

1. Credit to deposit account, for those who have accounts at the Colombian Central Bank.
2. Electronic payment for those who register a savings or checking account with Colombian Central Bank in one of the country’s banks, or;
3. Payment by check for those who do not have any of the preceding. Payment to an indirect depositor is made through the direct depositor who represents them in DCV. DCV debits the required withholding tax from each of the payments in accordance with existing norms and updates its records on withholding tax or disbursement reports.

Payment is made once the issuer has provided the funds corresponding to maturities on capital or interest on securities. Should the allocated funds not cover the amount to be paid, DCV will disburse payments in the order they appear on its database according to availability and will continue to pay as new funds are allocated by the issuer.

- **Interest Payment**: The payment of interest at maturity occurs daily at the end of each period. DCV settles yields according to the how the issuer has defined securities. If the title is a repo or in guarantee, yield is paid to the depositor who acted as the seller. However, if it is the last period of yield and the title is a guarantee, yield is paid to the beneficiary of the guarantee.

- **Amortization of Capital**: For titles whose capital is repayable by installments, DCV settles capital quotas and yields at maturity according to how the issuer has defined the securities. If the title generated by the
payment is a repo or guarantee, capital and yields are paid to the depositor who acted as the buyer. When paying each installment on principal, outstanding balance circulating decreases and the variation is reflected in the statements. Therefore, to make the last payment, the title will be removed from circulation and the depositor may not order any transaction on the title, even in the event that the issuer has not allocated resources.

- **Capitalization**: In the event that the issuer of the security has established that at maturity payment goes to increasing capital, the same conditions as those for payment of normal interest apply. The issuer does not have to make an allotment of those funds. Title balance increases, and the movement are reflected in the statement of securities of the depositor. If the title to be capitalized is a repo or a guarantee, the yields are capitalized to the name of the depositor who acted as the seller.

- **Payment at Maturity**: When the title arrives at final maturity, DVC pays the capital and interest in accordance with the conditions set by the issuer. If for any reason the issuer does not allocate resources, DCV holds payment and the title is out of circulation because it has reached the end of its term. This means that once a title reaches maturity, the depositor cannot order or perform operations on it, even in cases where the issuer has not paid. If there is a guarantee on the title, DCV shall pay the person who holds the guarantee (who acted as buyer). When the depositor or the payee has a pending seizure, DCV proceeds to settle the title and make the resources available to the authority that ordered the embargo or the person whom the authority designates.
### 4.4. APPLICABLE POLICIES FOR INFORMATION AND FINANCIAL STATEMENTS - ISSUERS

| Reporting Obligations | All issuers of securities shall disclose to the market in a truthful, clear, sufficient and timely manner through the Financial Superintendence of Colombia, as provided for in Section 5.2.4.1.5 of Decree 2555, any situation involving the issuer or issue a reasonable investor would have considered in buying, selling or holding securities of the issuer or at the time of exercising political rights inherent to the securities. All issuers registered in the Registry of Securities and Issuers - RNVE must submit to the Financial Superintendence of Colombia financial statements for interim periods as well as other information required by the Superintendence, within the established time and terms and conditions. The financial statements for interim periods should be made at least every three (3) months. (Article 5.2.4.1.3 of Decree 2555). The deadline established by Financial Superintendence for disclosing the quarterly financial statements (March 31, June 30, September 30 and December 31) is 45 calendar days from the last day of the period, starting from March of 2017 (External Circular 017 of 2016) |
| Facts which should be disclosed | Decree 2555 of 2010 in Article 5.2.4.1.5 includes a list of examples of facts that must be disclosed as relevant, although some isolated cases are listed as follows: |
| - Financial Situation: |  |
| 1. Any operation or action made by the company causing variations greater than or equal to five percent (5%) of the total value of the assets, liabilities, revenues, operating income, pretax income, increases or decreases in capital investments, acquisitions, securities, guarantees or pledges given or received, payment in kind, donations and contributions. |  |
| 2. Variation in the number of shares outstanding, dividends approved by the General Assembly of Shareholders, changes in financial statements previously reported to the National Registry of Securities and Issuers - RNVE, changes in accounting policies and reclassification of investments. |  |
| - Legal Situation: |  |
| 1. Corporate events such as announcing assemblies, relevant decisions of the shareholders, statutory amendments, appointments and removals, changes governance, changes in the composition of shares of not less than 5%, repurchase shares and shareholder agreements. |  |
| 2. Sanctions such as cancellation of registration of securities in RNVE or the stock exchange, judicial and administrative sanctions directed to the issuer or its administrators. |  |
3. Granting or cancellation of concessions or licenses, and signing, modification or termination of contracts that establish relevant restrictions on the issuer.

- **Commercial and Employment Situation:**

  1. Changes in the main activity; corporate reorganizations such as mergers, conversions, acquisitions, divestitures, spin-off liabilities and contracts, or segregation.
  2. Introduction of new products and services or the recall, execution, cancellation or opposition to industrial property rights such as trademarks, patents, licenses or operating permits and other developments.
  3. Temporary or permanent closure of production facilities, any relevant work situation such as strikes, collective agreements, conventions, among others.

- **Corporate Crisis Situations:**

  Any event that may lead to the alteration of the continuity of the corporation or cause its dissolution and liquidation, takeover, breach of duty, provided that such obligations constitute not less than five percent (5%) of the current liability of the corporation.

- **Security Issuance:**

  Security issues in Colombia and abroad, and the facts related to the shares outstanding, including, but not limited to: the authorization of a competent authority, changes in the value of the shares, stock splits, prepayments or anticipated redemptions, changes in the rights of holders, changes in credit ratings of an issue; changes in the terms or conditions of any security; cancellation of the registration of securities on stock exchanges or the RNVE and other relevant events involving the respective issue.

| Disclosure Mechanisms | All relevant information must be published on the website of the Financial Superintendence of Colombia, at the time of occurrence or when the issuer becomes aware of it, or when generated by a third party. In any case, the information must contain a detailed description of the situation.

No issuer may disseminate information through mass media about relevant situations before or concurrent with having disclosed it to the market through the mechanism defined above.

Likewise, should the information be released by the mass media, the issuer must inform the market about its veracity through the media established for the purpose of reporting relevant information. |
5. PROCESS FOR FOREIGN INVESTMENT IN COLOMBIA

5.1. MARKET ACCESS – OPERATIONAL PROCEDURE

This section describes the process to be undertaken by foreign investors, (hereafter end customers) to make investments in Colombian markets. The information provided is sufficient to enable the end customers to create a checklist of tasks required to invest in Colombia. It also outlines the steps agents must follow in order to comply with Colombian regulations.

There are two different models which can be used by end customers to make investments in Colombia. In the one model, global custodians and international brokers offer end customers access to local markets through the same mechanism that is used to make investments in different countries simultaneously. In other model, the end customer makes direct contact with a local broker, who is also permitted to act as local manager, to represent end customers in the local markets, and to undertake all the transactions. Even though only those two models are described broadly in the two following subsections, there could be model combinations regarding the number of participants that have a roll in the access process.

<table>
<thead>
<tr>
<th>Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Global Custodian</strong></td>
</tr>
<tr>
<td>To invest in the Colombian market, end customers must have a global custodian, which is the entity designated by the end customer to manage operations, to receive and to retain securities under custody; to make delivery and ensure compliance with obligations resulting from the clearing and settlement operations. The custodian represents the end customer and assumes responsibility for the efficient fulfillment of orders given to the custodian in the clearing and settlement process of the trade. Both parties sign a contract for services to be performed where the administrative and operational functions and fees are set. The global custodian could be any custodian the customer uses to access markets globally.</td>
</tr>
<tr>
<td><strong>Local Manager</strong></td>
</tr>
<tr>
<td>The global custodian requires a local manager to represent them while transacting business in the local market. Both of them should subscribe a service agreement describing the whole process of the operation. Once this agreement has been signed, the local manager will create a tax number (called NIT), which will identify the end customer in all cases within the Colombian capital markets. Then the local custodian will open a clearing and settlement bank account, and other accounts for CVS (DECEVAL and DCV), and finally one with the CCP.</td>
</tr>
<tr>
<td>It is important to note that if applicable, the local manager collects the taxes generated by the operation and reports monthly to the DIAN, which is the Colombian tax authority. The local manager and the end customer are jointly accountable. Similarly, the local manager is responsible for reporting FX transactions to the Colombian Central Bank and is responsible for representing the end customer’s political rights acquired as a consequence of having purchased securities.</td>
</tr>
</tbody>
</table>
• **International & Local Brokers**
  The end customer must have an international broker who will channel purchases and sales of local assets through a local broker. Both brokers must have a service agreement in place, which defines the conditions by which they carry out purchase and sale of assets. To be able to trade, the end customer must have a local manager who will be responsible for conducting the clearing and settlement of the entire operation. The local broker and the local manager must establish the terms of communication between the entities to complete operations. Once the process of association between the global custodian and international broker is completed, the end customer will be able to trade within the local market.

• **Operational Flow**

**Steps in the Process**: These steps depict the process end to end. A customer doesn’t have to fulfill the process since the beginning because there are global and local brokers and custodians that already have implemented the model for their customers. In this case, customers are needed just from the step number 6 onwards.
1. The global custodian contacts the local custodian expressing interest in operating in the Colombian market. The local custodian delivers documents containing at least the following topics:
   - Management Contract
   - SLA: Service Level Agreement.
   - Fees Document.
2. The end customer and the global custodian sign a contract for the operation. Generally, the end customer does not know or have a relationship with the local custodian.
3. The global and the local custodians close the deal.
4. The local custodian proceeds to create a NIT (Tax ID) for the new foreign investor before the DIAN.
5. Opening of DCV and DVL deposit accounts, bank accounts and CCP account.
6. The local custodian notifies the global custodian that the end customer is ready to trade.
7. The end customer provides purchase and/or sale orders to the international broker for securities traded in the Colombian market.
8. The international broker transmits the order that the end customer has generated to the local broker for execution.
9. The local broker and local custodian establish business contact.
10. Once the order is placed and has traded, the local broker notifies the international broker.
11. The international broker informs the end customer of the successful execution of the order in the local market.
12. The end customer notifies their global custodian that trade has been successfully concluded in the Colombian market.
13. **A**: (Buy): The global custodian notifies the local custodian that the purchase for the end customer has been made.
   **B**: (Sell): The global custodian notifies the local custodian that the sale for the end customer has been made.
14. The local broker notifies the local custodian that there is and a sell/buy-back operation pending. The local custodian validates the trading conditions reported by the global custodian through an internal system called SWIFT, which allows for the matching of information.

15. **A:** The global custodian carries out the FX operation with a foreign exchange intermediary - IMC. There are several ways to do this, for example:
   - Local Broker negotiates with IMC
   - Local custodian negotiates with IMC
   - Global custodian negotiates with IMC
   **B:** Not applicable.

16. **A:** The IMC delivers COP to the local custodian.  
   **B:** Not applicable.

17. **A:** The local broker delivers the asset and the local custodian delivers COP for the operation, "settlement DVP."  
   **B:** The local broker delivers payment in COP and the local custodian delivers the asset of the operation and "settlement DVP."
   The end customer can decide to reinvest or repatriate the proceeds. Resources, however, can only remain as COP for purposes of clearing, settlement or for provision of guarantees in the standardized derivatives market.

18. **A:** Not applicable  
   **B:** If it is decided to repatriate resources, the local custodian negotiates the exchange rate with the IMC.

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**Tax Framework**

For non-resident investors, the withholding tax rate acts as a final income tax as a general rule. The recent tax reform (Law 1607 of 2012) stated the following on this regard:

For the determination of income tax over profits obtained from foreign capital portfolio investments, regardless the modality or vehicle used by the investor to perform the investment, the following rules must be applied:

1. Foreign capital portfolio investors are taxpayers of income tax for the profits obtained in developing their activities.

2. The income tax generated will be fully paid by means of the withholding tax levied by the end of each month by the administrator of this kind of investments, or the entity who acts as administrator/custodian.
3. Any other entity, different than the administrator/custodian of the investment, that performs payments, directly or indirectly, to foreign capital portfolio investors will abstain of levying the withholding tax that would be applicable according to the Colombian Tax Code.

When income corresponds to taxable dividends, the withholding tax will be levied by the paying company of the dividends, at the moment of payment or accrual; in this case the rate of the withholding tax will be of 25%.

4. The basis of the withholding tax will be the profit obtained by the investor during the respective month. The profit will be equal to the difference between the result, defined according to the following bullets, and net costs of administration in Colombia. The result will be determined according to the following procedure:

- In case of derivate financial instruments, the result will be determined as the net value of payments or accruals executed in favour and against, directly or indirectly, to the investor, as a consequence of clearing and fulfillment of all derivate financial instruments, which have been expired or cleared in the respective taxable period.

- In case of swaps, the result obtained before the expiration, which corresponds to the clearing of each flow of the respective instrument, forms part of the taxable basis of the period in which they are paid or accrued.

- In case of securities with yields or discounts (fixed income market), the result for positions in portfolio and for sales of such securities will be equal to the yields, determined according to the procedure established for residents for calculating the withholding tax over financial earnings originated in fixed income securities (see point 1.1 of this document).

- In case of report operations or repo, simultaneous operations and securities lending, the withholding will be levied exclusively at the moment of final clearing of the respective operation and the result will be determined as the net value of payments or accruals made directly or indirectly, in favor and against the investor.

- For other cases, not expressly regulated above, the result will be equal to the net value of payments or accruals made directly or indirectly, in favor and against the investor, as a consequence of the respective operation.

- The application of withholding tax is excluded for all income that does not constitutes income or occasional gain or exempt income (for example, the sale of shares listed in the Colombian stock exchange or the trading of listed equity related derivative instruments, which are earned by the foreign investor.)
• The general withholding tax rate will be of 14 %, as long as the foreign capital portfolio investor is domiciled in a jurisdiction not classified by the National Government as tax haven. In the case that the investor has residence in a country qualified as tax haven, the general rate will be of 25%.

5. The withholding tax levied, according to the previous rules, will constitute the final income tax of the investors mentioned above. In this case, investors will not be obligated to submit an income tax return.

If dealing with profits arising from the sale of shares listed in the Colombian stock exchange, and the negotiation exceeds 10% of the shares in circulation, the investor will be obligated to submit income tax return only for the taxable profits, on the date established by the National Government. For that purpose, the administrator/custodian of the investment will submit the respective income tax return in name and on behalf of the investor.

The losses incurred by the investor in a month, which deductibility is not limited to residents according to general provisions, may be amortized with the profits of the following months. The withholding tax which results in excess in a month may be deducted from the withholding tax of the following months, within the following twelve months.

The losses incurred by the investor at December 31, 2012, may be amortized with the profits of the taxable year 2013. The losses that are not amortized during such year will not be amortized in the following periods.

The provisions established in the above-mentioned rules will be fully applied to foreign capital investment funds which had been authorized and had been in operation before the expedition of Decree 4800 of 2010.

The declaration form of income tax shall be submitted by foreign capital portfolio investors by the profits earned on the sale of more than 10% of the outstanding shares of a company registered in a Colombian stock exchange and which holds the same beneficial owner is subject to a fee of 33%. The administrator or entity, who acts as administrator of foreign capital portfolio investments, will be responsible for providing information to the Tax Authority, which would be necessary for studies and for information crossing proceedings, in name and on behalf of the investor.

* Treatment regulated by Article 18-1 of the Tax Code

The non-resident investor can deduct from his tax base the administrative and custodian fees paid for their investments in any market. Other expenses from the investor point of view, like the effect of the COP/USD rate on the capital tax base expressed in USD, are not deductible. No resident investors are encouraged to implement FX hedging locally for optimizing the capital tax base through the use of the TRM Future.
5.1.2. ACCESS MODEL WITH THE LOCAL BROKER ACTING AS CUSTODIAN

**Participants**

- **Customers**

  To invest in the Colombian market, end customers contact a local broker which is the entity designated by the end customer to manage operations, to receive and to retain securities under custody; to make delivery and ensure compliance with obligations resulting from the clearing and settlement operations. The local broker, acting as local manager, represents the end customer and assumes responsibility for the operation. Both parties sign a contract for services to be performed where the administrative and operational functions and fees are set.

- **Local Broker**

  The local broker represents end customers while transacting business in the local market. Both of them should subscribe a service agreement describing the whole process of the operation. Once this agreement has been signed, the local broker will act as local manager for the investments made by the end customer in Colombia. The local broker creates a tax number (called NIT) which will identify the end customer in all cases within the Colombian capital markets. Then the local broker will open a clearing and settlement bank account, another for deposits (DECEVAL and DCV) and finally one with CCP.

  The local broker collects the taxes generated by the operation and it reports monthly to the DIAN. The local broker and the end customer are jointly accountable. Local broker carries out the purchases and sales of assets in the Colombian markets. Similarly, if local broker is responsible for undertaken FX transactions for the end customer, these transactions must be reported by local broker to Colombian Central Bank. The local broker is also responsible for representing the end customer’s political rights acquired as a consequence of having purchased securities.
Description of The Process

• Operational Flow

Steps in the Process:

The operational process is basically the same of the Global Custodian Model. The main difference is that the local broker is the entity charged to carry out all of the activities handled by the local custodian and IMC Bank in the Global Custodian Model.

In any of the cases, the client may however choose to contact another intermediary to carry out the Fx operations. This intermediary would be responsible for delivering the funds to the local broker to settle the operations, and reporting these Fx operations to Colombian Central Bank being accountable for that process.

Local Broker acting as Local Custodian must:
• To Report FX Transactions to Central Bank
• To Comply with Fiscal Responsibilities
• To Represent the End Customer’s political rights
<table>
<thead>
<tr>
<th>Tax Framework</th>
<th>The tax framework for non-residents investors is the same regardless the access mechanism.</th>
</tr>
</thead>
</table>

### 5.2. ACCESS MECHANISMS TO THE COLOMBIAN MARKET

#### 5.2.1. ACCESS SCHEME TO BVC - DMA

**Description**

Today in the Colombian market, intermediaries are the only entities authorized to directly access BVC systems. Therefore, in cases where an investor wants to access the markets administered by BVC, either by telephone or electronically, they must contact one of these intermediaries. Some brokers already have systems of electronic order management (OMS - Order Management Systems). More Information: [http://www.bvc.com.co/pps/tibco/portalbvc/Home/ComisionistasyAfiliados/Afiliados/Acerca_Comisionistas?action=dummy](http://www.bvc.com.co/pps/tibco/portalbvc/Home/ComisionistasyAfiliados/Afiliados/Acerca_Comisionistas?action=dummy)

**Connection Process**

These procedures are set by each of the intermediaries in the Colombian market. A general diagram of the process of connecting to intermediaries’ OMS is as follows:

DMA 1 (automated order routing)
DMA 2 (automated order routing through a third party infrastructure)

Available Products

Order routing products for markets including equities, fixed income or derivatives will depend on the Colombian market intermediary through which BVC is accessed.
### 5.2.2. MARKET DATA

<table>
<thead>
<tr>
<th>Description</th>
<th>To guide the investor in making decisions, BVC offers to all players in the Colombian market online information on the markets administered by BVC in real-time or, if delayed, not more than 15 minutes later.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connection Process</td>
<td>To receive market information, interested parties may connect through an information vendor or directly through BVC.</td>
</tr>
<tr>
<td></td>
<td>Vendors currently connected to BVC are: Bloomberg, Finmarkets, SIX Telekurs, Thomson Reuters, Sungard, Interactive Data and Valor Futuro.</td>
</tr>
<tr>
<td></td>
<td>For information about a direct connection to BVC, please contact the commercial team at BVC: <a href="mailto:comercial@bvc.com.co">comercial@bvc.com.co</a></td>
</tr>
<tr>
<td>Available Products</td>
<td>Information provided by BVC includes full details on offers and market transactions in equities, fixed income and derivatives as well as information on the instruments listed in each market.</td>
</tr>
</tbody>
</table>

**LOCAL BROKERAGE FIRMS - CONTACT INFORMATION**