



# **Cámara de Compensación de Divisas de Colombia**

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# FX trading in Colombia

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Central Bank sets **minimum criteria** for authorized FX dealers

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

FX trading is concentrated in **COP/USD** pair

Most FX trading occurs in **SETFX** (FX trading system)

Most trades are for **same-day** settlement



## What **Risks** does CCD mitigate?

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



## CCD service

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Help clear and settle FX transactions:

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



## Liquidity Providers

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Scheme **requires** CCD to have LPs

LPs must provide **quotes** to CCD

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

- One-day swaps for delays

- Outright purchases or sales for defaults

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



## Successes and Challenges

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



## PFMIs Implementation Challenges in CCD

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- Implementing **Multilateral** compensation and settlement schemes facilitates PFMIs implementation.
- Regulatory framework helps out to establish fair and transparent rules for Participants, and other Parties involved in each scheme.



## PFMIs Implementation Challenges in CCD

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- Principle 4 Credit Risk: CCD establish two limits to the participants:
  - Short Position Limit (SPL) in function of their Equity. (Patrimonio Tecnico)
  - Dinamic Short Position Limit (DSPL) in function of the collateral.
  - Both limits can not exceed the available with LPs.





## PFMIs Implementation Challenges in CCD

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- **Principle 5 Collateral:** CCD accepts cash collateral only (COP/USD). USD Collateral implies mitigations related with the cross-border risk.
- The scheme must provide to the Participant the ability of collateral substitution.



## PFMIs Implementation Challenges in CCD

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- **Principle 7 Liquidity Risk:** Due to the scheme is based on the available amount with LPs, maintaining adequate committed amounts between CCD – LPs is relevant.
- LPs diversification is required to avoid concentration risks.



## PFMIs Implementation Challenges in CCD

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