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EXTERNAL REGULATORY CIRCULAR - DFV - 135

SUBJECT: 97:   ELECTRONIC TRADING SYSTEM - SEN

The Electronic Trading System's (SEN) Operating Regulations were approved by the Securities Superintendency, now the Financial Superintendency of Colombia (SFC) by means of Resolution 0528 dated August 21, 1998, which has been subject to several amendments, the most recent having been authorized through SFC Resolution 0541, 0648, and 1166 dated April 30, May 15, and August 26, 2015 respectively so as to update the normative references to reflect what is applicable from Decree 2555/2010 and to include first of all, the provisions dealt with in Decree 2878/2013 with respect to the handling of collateral in repo, buy/sell back, and securities lending (temporary transfer of securities) transactions and secondly, those aspects related to the requirements for membership in the central counterparty clearinghouses as SEN agents.

The present Circular reproduces the full text of the Operating Regulations, updated by the authorized amendments.

OPERATING REGULATIONS
ELECTRONIC TRADING SYSTEM – SEN

1. **Definition:** The Electronic Trading System (hereinafter SEN - standing for *Sistema Electrónico* de *Negociación* -or the System) is the securities trading and transaction registration system managed by *Banco de la República*. The System allows Agents to use remote work stations to make spot or term trade transactions, Repo transactions, buy/sell back transactions and securities lending transactions with domestic or foreign public-debt securities or with securities issued by Banco de la República that are registered electronically or deposited in a centralized securities depository. The SEN System also allows legally authorized financial institutions to make and register money loan transactions in the interbank market. A further purpose of the System is to receive and register over-the-counter securities transactions carried out by Agents.

2. **Technical and operational terms:** For purposes of the present Regulations and the Operation Manual, the following terms shall have the meanings assigned here below, whether used in the singular or plural:

   Acceptance: The taking of an Quote previously posted on the System, by the introduction of an Quote in the opposite direction by an Agent intending to close a transaction.

   Acceptor: An Agent who takes or accepts an Quote introduced by another Agent.

System Manager: The Electronic Trading System is managed by *Banco de la República*, without prejudice to the Bank's acting as an Agent in the System or carrying out the activities and functions it is responsible for under its own legal mandate, in particular those involving the System, such as administration of the Central Securities Depository and management of the Central Bank Accounts.

Local manager: The person responsible within each entity of creating users of the System and assigning or modifying permits or access to the different options provided by the System.

Transferee: In Repo and buy/sell back transactions, the Agent who initially receives from the Transferor or, through a transfer, ownership of a number of securities in exchange for payment of a given sum of money, undertaking at the same time to transfer to the Transferor securities of the same type and characteristics in exchange for payment of a sum of money on the same date or at a later date agreed on beforehand.

Agent: An entity that is a member of the System, with direct access to active participation in one, several or all Tiers and types of SEN Transaction, on the terms and conditions laid down in Articles 6, 7, 9, 11 and 12 of the present Regulations.

Ticket: A voucher or supporting document that is generated every time a Transaction is made or registered in the System, recording, inter alia, such financial conditions as term, amount, rate or price, date and nominal and transfer values of funds.

Automatic Matching: A Closing Transaction Mechanism when any of the following situations exists for the same securities:

- When the bid and ask price conditions, the nominal value and the settlement term are equal.
- When the price of a previous bid quote is better than the price of a new ask quote, closing is done at the price of the bid quote.
- When the price of a new ask quote is better than that of a new bid quote, closing is done at the price of the ask quote.
- When, in the case of a bid or ask quote, the conditions of price and settlement term are equal but the nominal value is different, closing is at the lower nominal value, provided the quote allows partial closing and respects the minimum amounts, divisibility factor and round lot defined for the security.

Automatic Matching with Bidding: A Closing Transaction Mechanism when the following situations exist for the same securities:

- Before effecting the Closing, the System reports the intention of closing to the Agents having access to the Session, and allows Bidding to take place for the period of time specified in the Session's conditions.
- When the bid and ask price conditions, the nominal value and the term are equal, the System effects closing after termination of the specified Bidding period.

- When an on-going Biding is interrupted by a bid quote being entered or modified that is better than the best ask quote conditions, closing occurs at the bid quote price, once the specified Bidding period is over.
- When an on-going Biding is interrupted by a ask quote being entered or modified that is better than the bid quote conditions, closing occurs at the ask quote price, once the specified Auction period is over.
- When in a bid quote and a ask quote the price and term conditions are equal, but the nominal value is different, closing occurs at the lower value, once the specified Bidding period is over.

The specified Bidding period begins to run from the time the System reports the intention of Closing to the Agents having access to the Session, with the first bid and ask quotes entered for a given security and term.

Central Counterparty Clearinghouses: Agencies whose exclusive purpose is to serve as the central clearinghouse for clearing transactions in order to reduce or eliminate the risks of non-compliance with the financial obligations derived from such transactions.

Early Cancellation: Early termination of a Forward Transaction. This option applies specifically to Repo, Simultaneous and Securities Lending transactions. In the event of an early cancellation, it shall be effected by Agents in the Central Securities Depository, the system responsible for carrying out the clearing, on the basis of the initial amount of the transaction, plus accrued returns up to the time of early termination.

Closing: Automatic conclusion of a securities transaction or an operation carried out in the SEN System, through acceptance of a quote posted on the System, by any means envisaged in the present Regulations or the Operation Manual that is today, by the mechanism of Automatic Matching or Automatic Matching with Bidding.

Clearing: Determination of the obligations of delivering securities and/or transferring money between Agents who have participated in a transaction, either by the original date of settlement or, where applicable, devolution.

Supplementation: Additional information required by the System Manager from Agents after pre-entry of information on transactions that are the subject of registration.

Confirmation: A transfer order sent to the clearing and settlement system shall be considered confirmed when the parties involved in the transaction that gave rise to the transfer order have transmitted the data on the transaction to the securities clearing and settlement system and the system has received and matched up said communications.

Registration Confirmation: Registration by which a Counterparty verifies the information concerning execution of a transaction pre-entered by the other Counterparty and confirms it directly.

Counterparties: The Agents that directly close a transaction.

Quotation: Mechanism by which an Agent requests from other Agents information on the price or rate at which said Agents are willing to sell or buy a certain quantity of a particular security. To this end, the invited Agents may send their quotes, on the terms requested and within the period previously specified in the SEN Operation Manual, whereupon the System shall make Sweeping Operations by Automatic Matching. The minimum number of invited Agents and the Quotation mechanism's conditions shall be specified in the Operation Manual.

Market Makers and Aspiring Market Makers: Agents selected and qualified as such by the Ministry of the Treasury and Public Credit for purposes of the regulations the Ministry issues in respect of trading of public-debt securities. Such Agents shall operate subject to the requirements and conditions set by the Ministry in said regulations and the provisions of the present Regulations, the SEN Operation Manual and laws and regulations governing the public securities market.

Central Bank Account: A money account in legal Colombian tender that every Agent must hold at *Banco de la República* for Settlement of transactions closed in the SEN System.

Securities Account: The accounts that Agents must hold in a centralized securities depository for the custody and, if they so agree, management of dematerialized securities. Said accounts are used for Settlement of transactions closed in the SEN System.

Custodian: Trust company(ies) authorized by the Office of the Financial Superintendent of Colombia to provide safekeeping for securities as provided for in Part 2, Book 37, Title 1, Articles 2.37.1.1.1 and 2.37.1.1.2 of Decree 2555/2010.

Trustee: an individual or legal entity who has signed a contract with an authorized trust company for securities safekeeping to the end that the latter exercises care and supervision of the securities belonging to the trustee or the property of the investment vehicle(s) managed by the trustee in accordance with the legal system.

Working Day: Any day on which financial institutions generally provide their services to the public in Bogotá D.C., excluding Saturdays, Sundays and holidays.

Transaction Execution: Execution of a transaction occurs at the time the parties involved quote and close, by verifiable means, sufficient trade conditions for calculating the peso value of the respective transaction. The execution time of a transaction is the moment immediately after the Closing.

Transferor: In Repo and buy/sell back transactions, the Transferor is the Agent who originally transfers ownership of a number of securities to the Transferee in exchange for payment of a sum of money.

Tier: A set of trading sessions, segments or mechanisms to which a particular group of Agents have access.

Settlement Date: The date that Agents making a transaction have agreed on for settlement of the transaction on the agreed terms.

Base or Initial Collateral or Guarantee: This is the one agreed upon by both or one of the parties in the transaction based on the risk exposure that is assumed in the transaction either prior to or on at least the same day the transaction is made. In the case of buy/sell back and securities lending (temporary securities transfer) transactions, this collateral is an element added to the securities that are the subject of the initial exchange in the transaction. In the case of repo transactions, this guarantee will be the discount applied to the security that is the subject of the initial transaction exchange.

Variation or Adjustment Collateral or Guarantee: This is the one agreed upon by both or one of the parties in the transaction based on the risk exposure assumed in the transaction when required by the Stock Market, the Securities Trading Systems, the Securities Transactions Registration Systems, or Clearing and Settlement Systems for securities transactions in which such collateral is in effect.

Interbank Transaction: A loan transaction by which an Agent (a legally authorized financial institution) lends to another Agent (a similarly authorized financial institution) a certain sum of money, and the latter undertakes to return the sum to the former within the agreed period, together with the value of agreed interest.

Lines of Credit (Limits): Limits or credit lines reciprocally allocated by Agents to Close deals in the market during the trading Sessions for which this option is applicable.

Settlement: The process by which the obligations arising from securities transactions closed or registered in the SEN are definitely fulfilled, where one party delivers the securities through an entry in the respective Securities Account and the other party transfers the funds through an entry in the Deposit Account.

Over-the-Counter (OTC) Market: The market that operates outside the Securities Trading Systems.

Offeror: The Agent participating in a closing whose quote is taken or accepted by another Agent.

Quote: A proposal posted on the System by an Agent, indicating the conditions on which he is willing to close a transaction in the SEN system.

Bid/ask quote: A situation in which an Agent simultaneously registers buy and sell conditions for the same securities, to help provide greater liquidity in the market, in accordance with the regulations set by the Ministry of Finance and Public Credit for the Market Makers' Program of public debt securities.

Transaction: For purposes of the present Regulations, transaction shall mean the carrying out in the System of the conditions of an operation between two Agents by means of closing a deal or Transaction Registration.

Sweeping Operation: The set of Closings automatically triggered in the System in connection with the Offeror's securities, price or rate, and terms, when one or more Quotes exist that are equal to or better than the conditions entered by the Acceptor.

Spot Transaction: A transaction registered or closed with a clearing and settlement term ending on the transaction's date of registration or closing (same day) or up to three (3) working days starting from the day after the transaction's date of registration or closing.

Forward transactions: Transactions with a longer settlement period than that laid down for Spot Transactions.

Operator: The individual designated by an Agent for operating in the System.

Originator: In securities lending transactions, the Agent who originally transfers to another (Receiver) ownership of the securities that are the main subject of the transaction with an agreement to transfer them back on the same date or a subsequent one while receiving in exchange ownership of other securities or a certain sum of money equal to or of greater value than the securities that are the subject of the transaction.

End of Session Price: The price of a security at the end of each trading session. It is published in terms of a clean price.

Clean Price: The Quote price for the purchase or sale of a security through the SEN System, which does not include the value of interest accrued on the security since the date of issue or since the last payment.

Pre-entry Information: Consists of all the information that the manager of the securities transaction registration system, which operates by registration confirmation, requests from the Agent initiating the registration process, where such information has not yet been verified by the Counterparty.

Information Security Principles: i) Confidentiality: Information shall be accessible only to those who have been authorized to access it. ii) Integrity: Information shall be accurate and complete and guaranteed not to have been altered since it was created. iii) Non-repudiation: Where information relating to a particular transaction or event is about a party there to, said party shall not disclaim his participation in the transaction or event.

Market Depth: The SEN window displaying all existing quotes made in a specific Session for a given security or reference.

Bidding: A trading mechanism whereby two quotes ready for closing are exposed to the market for a pre-determined time before the closing is effected. During the exposure time,

any Agent participating in the session may intervene by improving on any of the initial quotes. Closing shall be effected with the best quotes existing after the fixed intervention time is over.

Receiver: In Securities Lending transactions, the Agent who initially receives from another Agent (Originator), by transfer, ownership of a number of securities constituting the subject of the transaction, undertaking to retransfer them on the same date or at a later date. Concomitantly, the Receiver transfers to the Originator ownership of other securities or a certain sum of money of a value equal to or greater than the value of the securities that are the subject of the transaction.

Transaction Registration: Mechanism by which a registered institution may pre-enter and verify in the System the conditions (security, rate/price, amount, settlement date, etc.) of a transaction previously made on the OTC Market. Transaction Registration shall be carried out in accordance with the provisions in Part III, Title II, Chapter II of the Basic Legal Circular of the Office of the Financial Superintendent of Colombia (C.E. 029/14) or as amended, supplemented, or substituted for by regulations.

Repos: Transfers in which one party (the "Transferor") transfers ownership of securities to another (the "Transferee") in exchange for the payment of a sum of money (the "Initial Amount") and in which, at the same time, the Transferee makes the commitment to transfer securities to the Transferor of the same kind and characteristics in exchange for the payment of a sum of money ("Final Amount") on the same date or on a date previously agreed upon.

Session: The trading segment in which Agents post their quotes for the purpose of closing transactions in the SEN System.

Buy/Sell back Transactions: Those in which one party (the Transferor) transfers ownership of securities to another (the "Transferee") in exchange for the payment of a sum of money (the "Initial Amount") and in which, at the same time, the Transferee makes the commitment to transfer securities to the Transferor of the same kind and characteristics in exchange for the payment of a sum of money ("Final Amount") on the same date or on a date previously agreed upon.

Trading System: A multilateral transaction system in which institutions members of the system take part, in accordance with the rules and conditions established in and regulated by Decree 2555/2010 Part 2, Book 15, Title 2, Chapter 1, Article 2.15.2.1.1 or such provisions that might amend, supplement, or replace it, and the present Regulation, for making firm Quotes for securities to be closed in the system and for disseminating information to the market on the transactions.

Registration System: A system for receiving and registering information on securities transactions made on the OTC Market by system members, or by such members with non-member individuals or institutions, in accordance with the rules and conditions established in Decree 2555/2010 Part 2, Book 15, Title 3, Chapter 1, Article 2.15.3.1.1 or such provisions that might amend, supplement, or replace it, and the present regulations.

Auction: A mechanism whereby an Agent invites other Agents to buy or sell a certain quantity of a particular securities through a Dutch Auction. The invited Agents must respond within a specific lapse of time; at the end of this time quotes shall be awarded at the rate or price established as the Auction cut-off rate or price. The minimum number of invited Agents and the Auction conditions shall be specified in the Operation Manual.

Dutch Auction: An awarding mechanism in which the inviting Agent defines a cut-off rate, which shall be assigned to all invited Agents whose Quote has been approved.

Compensatory Amount: The sum of money determined by the System Manager under these Regulations that an Agent undertakes to pay to his Counterparty for failing to allow Settlement of a transaction on the settlement date.

Types of Quote:

- **FOK (Fill or Kill):** Where an Quote is partially taken, and the remainder disappears regardless of the minimum amount.
- **GTC (Good till Cancel):** The Quote is active until the end of the Session or until it is eliminated or taken. The remainder remains active if it is greater than the minimum amount.
- **GTS (Good till Specified):** A temporal Quote in which the dealer must indicate to the System how long he wants it to be active. When it is taken by an Quote of higher value, the remainder remains active if it is greater than the minimum amount.
- **COT (Quotation):** An Quote exclusively associated with the Quotation mechanism. The Quote remains active to the end of the expiration period or until it is eliminated or taken. It may only be modified to improve its current conditions.

Types of Transaction: The transactions that Agents may make or register in the System are: spot or term trade transactions, Repos, buy/sell back transactions, securities lending and Interbank Transactions, in the manner regulated in the Operation Manual.

Securities Lending: These are the transactions in which one party (the Originator) transfers the ownership of a number of securities (the subject of the transaction) to the other party (Receiver) with an agreement to transfer them back on the same date or a subsequent one. Concurrently, the Receiver shall transfer to the Originator the ownership of other securities or a sum of money that is equal to or greater in value than the securities that are the subject of the transaction.

3. **General operating parameters for the SEN System:** The SEN System shall be operated under the following general parameters, which shall apply both for the Trading System and for the Securities Transaction Registration System:

   a. The making and registration of transactions in the secondary securities market and money market, including: purchase-and-sale, repo, buy/sell back transactions, securities lending

and interbank transactions, and all other securities-market and money-market transactions approved by the competent authority and contemplated in these Regulations.

b. Concurrent access by Agents to trading sessions and mechanisms on the days and at the times defined by the System Manager.

c. The possibility of operating with or without prior or subsequent identification of the counterparty, according to the modalities provided for in Article 5 hereof.

d. Lines of credit that each Agent may assign to his potential counterparties.

e. Automatic closing of transactions, where the bid quote and the ask quote for the same security are compatible as to amount, term and price or rate, and the reporting of every closing and the respective clearing and settlement conditions to Agents.

f. Automatic forward leg, on the date agreed on, for the transactions where this is applicable.

g. Electronic conservation and automatic numbering of all transactions made in each trading session.

h. Interconnection to *Banco de la República*'s Central Securities Depository, which in turn is connected to the Bank's system of Central Bank Accounts for Settlement of transactions made or registered in the SEN System. Transactions are sent through that connection to the Depository for Settlement on the day they are settled, even if the Settlement Date is T>0. For clearing and settlement of transactions, there may also be interconnection to other securities-transaction clearing and settlement systems, payment clearing and settlement systems, centralized securities depositories, and central counterparty clearinghouses. In addition, it is possible to interconnect with price providers authorized by the Financial Superintendency of Colombia and institutions professionally providing information to the securities market, in these cases, on the terms and conditions previously agreed on with such providers.

i. Reporting of transactions closed in the SEN System to inspection, oversight or control authorities and Autoregulatory organizations, in accordance with regulations provisions in force.

j. Presumption of Agents' and Operators' knowledge and acceptance of the regulations and of such other provisions as the System Manager may issue and communicate, as provided by Decree 2555/2010, Part 2, Book 15, Title 1, Chapter 3, Article 2.15.1.3.2 as provisions that might amend, replace or add to it.

k. The possibility of registering Interbank Transactions and previously agreed transactions in the OTC Market, such as trade transactions, Repos, buy/sell back transactions and securities lending.

l. The possibility of cancelling transactions through the procedure established for the respective Tier in the SEN Operation Manual.

m. Minimum amounts and multiples of trading according to the quantities established for each Tier in the SEN Operating Manual.

n. The initial conditions of an effected closing shall not be modified, except in the case of early cancellation of Repos, buy/sell back transactions and securities lending where the counterparty is known.

3.1 Specific Parameters for the Trading System:

a. Automatic closing of transactions, where the bid quote and the ask quote for the same security are compatible as to amount, term and price or rate; and immediate notification of the clearing and settlement conditions to Agents participating in each closing.

b. The initial conditions of an effected closed deal shall not be modified, except in the case of early cancellation of Repos, buy/sell back transactions and securities lending where the Counterparty is known.

3.2 Specific Parameters for the Securities Transaction Registration System:

The possibility of registration with confirmation of transactions previously made in the OTC Market, such as trade transactions, Repos, buy/ sell back transactions, securities lending and Interbank Transactions. Registration of Repos, buy/sell back transactions and securities lending shall be effected subject to the particular rules laid down in Basic Legal Circular, Part III, Title II, Chapter II, of the Office of the Financial Superintendency of Colombia or the regulations that amend, supplement, or substitute for it.

4. **Tier Types:** Trading Sessions and mechanisms shall be grouped into Tiers, according to whether the system involved is the Trading System or the Securities Transaction Registration System, and whether or not participation is exclusive to Agents designated as Market Makers or Aspiring Market Makers.

4.1 Trading System Sessions:

Participation in **First-Tier** sessions is exclusive to institutions designated by the Ministry of the Treasury and Public Credit as Market Makers or Aspiring Market Makers. Other Agents may take part in First-Tier sessions by express authorization of the System Manager or the Ministry of the Treasury and Public Credit.

First-Tier trading Sessions shall operate under the following general parameters:

Purchase-and-sale Session with same-day settlement (CONH):
Types of transaction: Purchase and sale.
Settlement term: (T+0).
Types of trading: Purchase and sale of complete (total) securities offered at a clean price, and purchase and sale of short-term securities, principal or coupon, offered at a rate.
Credit lines: Not affected.
Agent identification: Blind Transaction.
Closing mechanism: Automatic Matching.
Settlement mechanism: Model 1 Delivery upon Payment..
Types of Quote: FOK, GTS and GTC.
Negotiable securities: Colombian domestic or foreign public debt securities, and those authorized by the Ministry of the Treasury and Public Credit, as the regulator of the Public Debt Securities Market Makers Program.

Spot purchase-and-sale Session, settlement after trading date, (CTMO)
Types of transaction: Purchase and sale.
Settlement term: Longer than T+0.
Types of trading: Purchase and sale of complete (total) securities offered at a Clean Price, and purchase and sale of short-term securities, principal or coupon, offered at a rate.
Credit lines: Not affected.
Agent identification: Blind Transaction.
Closing mechanism: Automatic Matching.
Settlement mechanism: Model 1 Delivery upon Payment.
Types of Quote: FOK, GTS and GTC.
Negotiable securities: Colombian domestic or foreign public debt securities, and those authorized by the Ministry of the Treasury and Public Credit, as the regulator of the Public Debt Securities Market Makers Program.

Buy/sell back transaction and Securities Lending Session (SIMIL)
Types of transaction: buy/sell back transactions and securities lending.
Settlement term: T>=0.
Types of trading: buy/sell back transactions and securities lending where the underlying is offered at a rate or a price.
Underlying: Complete (total) securities offered at a Clean Price or short-term securities, principal or coupon, offered at a rate.
Credit lines: Not affected.
Agent identification: Blind Transaction.
Closing mechanism: Automatic Matching.
Settlement mechanism: Model 1 Delivery upon Payment.
Types of Quote: FOK, GTS and GTC
Negotiable securities: Colombian domestic or foreign public debt securities, or with securities issued by Banco de la República.

First-Tier Quotation Session (1COT)
Types of transaction: Purchase and sale, Repo, Simultaneous and Interbank Transactions.
Settlement term: T>=0.

Types of trading: Purchase and sale of complete (total) securities offered at a Clean Price, and purchase and sale of short-term securities, principal or coupon, offered at a rate, Interbank Transactions, Repos, buy/sell back transactions and securities lending where the underlying is offered at a rate or a price.

Underlying in buy/sell back transactions and securities lending: Complete (total) securities offered at a Clean Price, and short-term securities, principal or coupon, offered at a rate.

Credit lines: Not affected.

Agent identification: Blind Transaction.

Closing mechanism: Automatic Matching.

Settlement mechanism: Model 1 Delivery upon Payment.

Types of Quote: COT.

Negotiable securities: Colombian domestic or foreign public debt securities, or with securities issued by Banco de la República.

First-Tier Auction Session (LICI)

Types of transaction: Purchase and sale.

Settlement term: T>=0.

Types of trading: Purchase and sale of complete (total) securities offered at a clean price, and purchase and sale of short-term securities, principal or coupon, offered at a rate, Interbank Transactions, Repo, buy/sell back transactions and securities lending where the underlying is offered at a rate or a price.

Underlying in buy/sell back transactions and securities lending: Complete (total) securities offered at a clean price, and short-term securities, principal or coupon, offered at a rate.

Credit lines: Not affected.

Agent identification: Blind Transaction.

Closing mechanism: Automatic Matching.

Settlement mechanism: Model1 Delivery upon Payment.

Negotiable securities: Colombian domestic or foreign public debt securities, or with securities issued by Banco de la República.

Participation in **Second Tier** Sessions is open to the First-Tier Agents mentioned above and also to all other Agents members of the SEN System. The general parameters for operation of the **Second Tier** trading Sessions and mechanisms are the following:

Purchase-and-sale Session (CVSE)

Types of transaction: Purchase and sale.

Settlement term: T>=0.

Types of trading: Standardized purchase and sale, with a fixed term for settlement on every Wednesday, of complete (total) securities offered at a Clean Price, and purchase and sale of short-term securities, principal or coupon, offered at a rate. Purchase and sale, with a settlement term of 0-5 days, of complete (total) securities offered at a Clean Price, and purchase and sale of short-term securities, principal or coupon, offered at a rate.

Credit lines: Affected.

Agent identification: Semi-Blind Transaction.

Closing mechanism: Automatic Matching.
Settlement mechanism: Model1 Delivery upon Payment.
Types of Quote: FOK, GTS and GTC.
Negotiable securities: Colombian domestic or foreign public debt securities, or with securities issued by Banco de la República.

Purchase-and-sale Session with Bidding T+0 (PUSP)
Types of transaction: Purchase and sale.
Settlement term: T=0.
Types of trading: Purchase and sale of complete (total) securities offered at a clean price, and purchase and sale of short-term securities, principal or coupons, offered at a rate.
Credit lines: Affected.
Agent identification: Semi-Blind Transaction.
Closing mechanism:
  -Automatic Matching with Bidding, after 10 seconds of exposure for First-Tier mandatory quotation issues as defined by the Ministry of the Treasury and Public Credit in the Public Debt Securities Market Makers Program.
  -Automatic Matching with Bidding, after 20 seconds of exposure for First-Tier non-mandatory quotation issues, as defined by the Ministry of the Treasury and Public Credit in the Public Debt Securities Market Makers Program.
Settlement mechanism: Model 1 Delivery upon Payment..
Types of Offer: GTC.
Negotiable securities: Colombian domestic or foreign public debt securities, or with securities issued by Banco de la República.

Purchase-and-sale Session with Bidding T>0 (PULP)
Type of transaction: Purchase and sale.
Settlement term: T>0, T<=365
Types of trading: Purchase and sale of complete (total) securities offered at a Clean Price, and purchase and sale of short-term securities, principal or coupons, offered at a rate.
Credit lines: Affected.
Agent identification: Semi-Blind Transaction.
Closing mechanism:
  -Automatic Matching with Bidding, after 10 seconds of exposure for First-Tier mandatory quotation issues, as defined by the Ministry of the Treasury and Public Credit in the Public Debt Securities Market Makers Program.
  -Automatic Matching with Bidding, after 20 seconds of exposure for First-Tier non-mandatory quotation issues, as defined by the Ministry of the Treasury and Public Credit in the Public Debt Securities Market Makers Program.
Settlement mechanism: Model 1 Delivery upon Payment.
Types of Offer: GTC.
Negotiable securities: Colombian domestic or foreign public debt securities, or with securities issued by Banco de la República.

Money Session (DINE)

Types of transaction: buy/sell back transactions, Repos, Interbank Transactions and securities lending.

Settlement term: T>=0.

Types of trading: Repos, Interbank Transactions, buy/sell back transactions and securities lending, where the underlying is offered at a rate or a price.

Underlying of buy/sell back transactions and securities lending: Complete (total) securities offered at a Clean Price, and short-term securities, principal or coupons, offered at a rate.

Quotas: Affected.

Agent identification: Semi-Blind Transaction.

Closing mechanism: Automatic Matching.

Settlement mechanism: Model1 Delivery upon Payment.

Types of Quote: FOK, GTS and GTC.

Negotiable securities: Colombian domestic or foreign public debt securities, or with securities issued by Banco de la República.

Money Session with Bidding (DIPU)

Types of transaction: Repos, buy/sell back transactions and securities lending.

Settlement term: T>=0, T<=365.

Types of trading: Repos, buy/sell back transactions and securities lending, where the underlying is offered at a rate or a price.

Underlying of buy/sell back transactions and securities lending: Complete (total) securities offered at the clean price, and short-term securities, principal or coupons, offered at a rate.

Credit lines: Affected.

Agent identification: Semi-Blind Transaction.

Closing mechanism:

-Automatic Matching with Bidding, after 10 seconds of exposure for First-Tier mandatory quotation issues, as defined by the Ministry of the Treasury and Public Credit in the Public Debt Securities Market Makers Program.

-Automatic Matching with Bidding, after 20 seconds of exposure for First-Tier non-mandatory quotation issues, as defined by the Ministry of the Treasury and Public Credit in the Public Debt Securities Market Makers Program.

Settlement mechanism: Model 1 Delivery upon Payment.

Types of Offer: GTC.

Negotiable securities: Colombian domestic or foreign public debt securities, or with securities issued by Banco de la República.

Second-Tier Quotation Session (2COT)

Types of transaction: Purchase and sale, Repos, buy/sell back transactions and Interbank Transactions

Settlement term: T>=0.

Types of trading: Purchase and sale of complete (total) securities offered at a clean price, and purchase and sale of short-term securities, principal or coupons, offered at a rate,

Interbank Transactions, Repos, buy/sell back transactions and securities lending where the underlying is offered at a rate or a price.

Underlying in buy/sell back transactions and securities lending: Complete (total) securities offered at a Clean Price, and short-term securities, principal or coupons, offered at a rate.

Credit lines: Affected

Agent identification: Semi-Blind Transaction.

Closing mechanism: Automatic Matching.

Settlement mechanism: Model1 Delivery upon Payment.

Types of Quote: COT.

Negotiable securities: Colombian domestic or foreign public debt securities, or with securities issued by Banco de la República.

4.2 Sessions of the Transaction Registration System

Registration Confirmation Session (TRD)

Participants authorized to effect securities Transaction Registration are required to report the following minimum information at pre-entry or by subsequent supplementation:

Identification of the traded security by a mnemonic.

The currency or unit in which it the respective security's nominal value is expressed.

The nominal value of the transaction expressed in the currency or unit in which the security is issued.

The value of the transaction in pesos.

Date and time at which the transaction was executed.

Name and identification of the transaction beneficiary.

The fee in percentage terms in the case of a third-party transaction.

Types of transaction: Purchase and sale, Repos, Interbank Transactions, buy/sell back transactions and securities lending.

Settlement term: T>=0.

Price or rate according to the type of trading: Purchase and sale of complete (total) securities offered at a Clean Price, and purchase and sale of short-term securities or coupons offered at a rate, Repos, Interbank Transactions, buy/sell back transactions and securities lending where the underlying is offered at a rate or a price.

Underlying in buy/sell back transactions and securities lending: Complete (total) securities offered at a Clean Price, and short-term securities, principal or coupons, offered at a rate.

Credit lines: Affected.

Agent identification: Semi-Blind Transaction.

Registration mechanism: Registration with verification.

Settlement mechanism: Model1 Delivery upon Payment.

Negotiable securities: Colombian domestic or foreign public debt securities, or with securities issued by Banco de la República.

The foregoing notwithstanding, the System Manager may create new mechanisms, Tiers or Sessions, provided that the general parameters thereof are such as are defined in the present Regulations and shall be specified in the Operation Manual.

5. **Agent identification:** The SEN System can be run with or without prior or subsequent Agent identification, according to the following modalities:

   a. **Blind Transaction:** The processes of making Quotes, Closing the deal, Clearing and subsequent Settlement are carried out without identification of the counterparty acting in the Transaction.

   b. **Semi-Blind Transaction:** Agents acting as a party to a Transaction are identified in their respective SEN workstations once the Transaction is closed, but the rest of the market will not know the parties involved in the Closing.

   c. **Open Transaction:** Agents acting as parties to a transaction are identified at all stages of the process, from the time the first Agent enters his quote, or, in the case of registration, the conditions of the transaction previously made with another Agent in the OTC Market, until conclusion of the transaction or registration. However, once the closing or registration, as the case may be, is effected, the rest of the market will not know the counterparties involved in the operation.

6. **Agents:** The System Manager may offer membership of the SEN System to the following entities as Agents entitled to use the services provided by System: credit institutions, trust companies, stock-exchange brokerage firms, independent securities brokerage firms, pension and severance-pay fund management firms, insurance companies, capitalization societies, Ministry of the Treasury and Public Credit, Financial Institutions Guarantee Fund (FOGAFIN), the Agricultural Sector Financing Fund (FINGRO), and the central counterparty clearinghouses provided they meet the requirements laid down in these regulations. *Banco de la República*, too, may act as Agent to execute transactions of its own.

   Agents may use their status as such to act in any or all of the Tiers in which the System operates.

   Paragraph One: Under Decree 2555/2010, Part 7, Book 1, Article 7.1.1.1.2, as provisions that might amend, replace or add to it, only Agents subject to oversight by the Office of the Financial Superintendent may become members of a securities transaction registration system. Consequently, and in accordance with Decree 1525 of 2008, neither the Ministry of the Treasury and Public Credit nor state entities at the national or sub-national level may participate in the Securities Transaction Registration System.

7. **Agent membership requirements:** The entities referred to in the previous Article that wish to join the SEN System as Agents must meet the following requirements:

   a. Submit a membership application to the Deputy Governor's Office for Payment System and Banking Operation Division or the Fiduciary and Securities Department,

of *Banco de la República*. The application must be signed by a duly authorized legal representative and be accompanied by a certificate of existence and legal representation, issued by a competent authority no more than three (3) months earlier. Said certificate shall not be required from the Ministry of the Treasury and Public Credit.

b. Be a member of SEBRA, the Bank's electronic services system, or any future successor system, and of the Central Securities Depository, and be a holder of, or request and become a holder of, a Central Bank Account.

c. Possess at all times the management, operational, technical, technological and communications capacity necessary for operating in the system, including an adequate structure for risk management and control, in accordance with the requirements established by the System Manager.

d. If accepted, sign the respective SEN membership contract authorizing the Bank to debit automatically from their Central Bank Accounts and Securities Accounts the resulting value of the Settlement effected by SEN for each transaction closed in the System, plus the fees set by the Bank's Administration Council, amounts payable for Extemporaneous Settlement, Compensatory Amounts and any applicable pecuniary consequences, as provided by these regulations and the Operating Manual.

e. Figure as registered securities intermediaries in the National Registry of Securities Market Agents. The Ministry of the Treasury and Public Credit, *Banco de la República*, and the central counterparty clearinghouses are exempt from meeting this requirement.

f. Be registered in an auto regulatory organization as provided by the laws and regulations in force. The Ministry of the Treasury and Public Credit, *Banco de la República*, and the central counterparty clearinghouses are exempt from meeting this requirement.

g. In the case of the central counterparty clearinghouses, they must be registered in the National Registry of Securities Market Agents as infrastructure providers.

Paragraph: Agents shall remain in compliance with the requirements laid down in this Article as long as they remain a member of the System.

8. **Voluntary withdrawal:** Any Agent may withdraw from the SEN System by sending a request in writing to this effect to the Deputy Governor's Office for Payment System and Banking Operation Division or the Fiduciary and Securities Department, of *Banco de la República*.

The withdrawal shall become effective from the date the Bank informs the requesting Agent that the withdrawal request has been accepted, or from the date specified by the Agent, if this is later. The withdrawing Agent shall remain obliged to fulfill the duties, obligations and

responsibilities laid down in these regulations and in the respective membership contract, in connection with transactions he is a party to that are under way or pending settlement. Accordingly, he must deposit in a timely fashion in his Central Bank Account or Securities Account the money or securities, as the case may be, needed for due settlement of such transactions.

Upon withdrawal of an Agent, the Bank shall deactivate him in the System and disable the access codes of the Agent's operators, and take all other action necessary in SEBRA, the Bank's electronic services system, or any future successor system, to prevent the Agent's access to the SEN System.

Without prejudice to the above and in compliance with the provisions in the Basic Legal Circular of the Financial Superintendency of Colombia, Banco de la República shall keep the data or information on the respective Agent, which had been supplied or produced during the period of their membership in SEN, in their archives for a period of five (5) years starting from the termination date of the contractual relationship.

9. **Agents' obligations:** Agents shall comply with the obligations laid down in the laws in force, in government regulations or rulings, in the Operation Manual, in membership contracts of the SEN System and of all other Banco de la República services connected with the System, and in particular the following obligations:

    a. To verify the information introduced into the System, so that no Closing shall be effected that is incomplete or inconsistent or does not correspond to the transaction that is to be or has been made or registered.

    b. To complete closed transactions, by placing in a timely fashion securities or money into the Securities or Central Bank Account, as the case may be, on the basis of clearing by SEN, in order for the System Manager to effect the Settlement.

    c. To comply with the laws and regulations governing transactions made or registered through the SEN System, and also with any regulations that the Ministry of the Treasury and Public Credit and *Banco de la República* issue regarding the trading of securities.

    d. To meet the technical standards established in the document entitled "SEN Technical and Operating Requirements", which shall be made available to Agents and other interested parties by the System Manager, using such means of dissemination as the Manager specifies.

    e. To comply with the security and confidentiality standards, for access to and management of codes and profiles, that are established in the Handbook of the Bank's electronic services system, SEBRA, or any system replacing it.

f. To implement a scheme of segregation of functions within each entity, so that the person performing the function of Local Manager can neither make nor register transactions in the System.

g. To carry out their actions through the SEN System on the basis of loyal and ethical commercial principles and, in particular, to abstain from acts of unfair competition, fictitious transactions, or transactions involving improper use of privileged information, or intended to destabilize the market artificially or to move artificially the prices of traded securities, and all such actions as may harm or alter the market's integrity or transparency, and in general to abstain from the forms of behavior described in Act 964/2005, Title 6, Chapter 1, Article 50(b), as amended, supplemented or substituted.

h. To review, on the basis of System reports, each one of the transactions effected to establish that they have been correctly executed and advise the SEN manager immediately of any inconsistency in them. In the event that an inconsistency has generated excessive movements of securities or funds, keep the amounts of money or securities thus credited in the Deposit or Securities Account, depending on the case, so that the pertinent corrections can be made.

i. To accept the tickets that the SEN System generates and all other records of the System as adequate and sufficient proof of the transactions made or registered through the System, of the conditions in which they were carried out, and also of the Agent and Operator responsible for each one of them.

j. To inform the SEN Manager immediately of any failure in the system upon learning of it.

k. To inform the System Manager of any irregularity, possible infraction or in general any act that the Agent is aware in the use of the SEN System by another Agent or Operator that may be liable to investigation, through the means established in the System's Operation Manual

l. To designate their Operators, updating the information should the occasion arise, and send them on the instruction and training courses that the System Manger organizes. Persons operating the System must be registered on the National Register of Securities Market Professionals in accordance with the provisions in force.

m. To take appropriate and sufficient measures, on the conditions established by the Office of the Financial Superintendent of Colombia and other competent authorities, as the case may be, to prevent transactions made or registered through the SEN System from being used for asset laundering or any other unlawful purposes.

n. To attend instruction courses given or organized by the System Manager and meetings of participants arranged by said Manager.

o. To have in place the computing and communications equipment necessary for operating in contingencies, possess a business continuity plan, and take part in contingency tests carried out by the System Manager.

p. To participate in connectivity, functional and load tests arranged by the System Administers, and in general in tests other than those referred to in point (o) above.

q. To comply with the physical and logistic measures necessary to ensure the safety of elements used in the System's terminals, stations or equipment and the integrity, confidentiality and availability of the information handled in them.

r. To provide such additional information as may be required when operating on behalf of third parties, in the form and on the conditions set in the Operating Manual. When the third party corresponds to a mutual investment fund, the completion of said transactions in the name of the trustee shall be done through the corresponding Custodian.

s. To display to the market, through a Session of Automatic Matching with Bidding, the transactions whose conditions have been agreed on previously, indicating that a prior agreement is involved and entering the Agent's bid or ask quote, as the case may be

t. To report within the terms and on the conditions set in the Basic Legal Circular, Part III, Title II, Chapter II of the Office of the Financial Superintendent of Colombia (C.E. 029/14) or the regulations that amend, supplement, or substitute for it, the conditions of the transactions to be registered in the System.

u. To verify that operators acting in the System are duly registered on the National Register of Securities Market Professionals and ensure that they act in accordance with the applicable provisions.

v. To abstain from taking any action that may affect the System's order, security, competition, appropriate price formation, transparency and proper functioning.

w. Comply with the creation or delivery of the collateral referred to in article 27 of the present regulation under the conditions established therein.

x. Comply with the rules for protecting personal data and maintain proper confidentiality regarding their clients' data and information.

y. In compliance with the provisions in Resolution No. 4782/Dec 30, 2014 issued by the Ministry of Finance and Public Debt or those that amend, supplement, or substitute for it with respect to the clearing and settlement of buy/sell back transactions through a central counterparty clearinghouse, the Agents participating in the Public Debt Securities Market Makers Program shall authorize the manager of the system to deliver to the clearinghouse through which the transactions that the Resolution cited deals with are cleared and settled, the historical information on the closings done so

that said entity shall be able to carry out the corresponding calculations and risk analysis.

10. System Manager's obligations. The obligations of the SEN System Manager shall be:

a. To verify that the System effects the Closing of transactions in the cases and in the modalities laid down in the present Regulations and in the Operation Manual.

b. To verify that overall the System functions properly and ensures that it does so according to the principles of integrity, transparency, fairness and efficiency.

c. To inform Agents, through the System, about the closing conditions of every one of the transactions carried out.

d. To keep, for the period of time specified by the provisions in force, the historical records of transactions made or registered in the SEN System, protect such information and prevent it from being altered, damaged or lost.

e. Provide Agents with statistics on transactions closed in the SEN System.

f. Provide advice and training to Operators.

g. Provide technical assistance to Agents, in order to ensure proper operation of the software.

h. To have at its disposal the computing infrastructure necessary for the SEN System to function and operate as stipulated in these regulations and in the Operation Manual.

i. To report the transactions made or registered in the SEN System to the inspection, oversight and control entities, in accordance with prevailing regulations, and, in particular, to report to the Office of the Financial Superintendent of Colombia and the Autoregulatory organizations if it learns or has evidence that any transactions or acts referred to in Article 9(g) herein have been carried out.

j. To maintain privacy and confidentiality with respect to information on transactions made by Agents in SEN, except for such information as must be provided, under to legal provisions, to the competent legal or administrative authorities or Autoregulatory organizations, and such information as is needed by *Banco de la República* and its Board of Directors for the proper performance of its constitutional, legal and statutory functions and, in particular, for regulating the money, foreign-exchange and credit market.

k. To attend in a timely fashion to Agents' enquiries, complaints or claims.

l. To identify, control and manage properly the risks to which the Manager and the System are exposed. To this end, the Manager shall have a duly documented

contingency and business-continuity plan, characterized at a minimum by: having been approved by the competent body, providing for the resources needed for its timely execution, and having passed the necessary tests for confirming its effectiveness. The Plan shall cover such items as: a contingency team and the teams functions, identification of events that can affect the systems' operation, measures taken to minimize risk, action to be taken when failures occur, alternative operations, and return to normal operation.

m. To set the technical standards required for operating in the System and make them known by the mechanisms the Bank decides on for the purpose, including, inter alia, information bulletins or electronic websites.

n. To make and keep an updated list of the securities that can be traded or registered in the System, together with their identification.

o. To put in place, for securities transactions made or registered in the SEN System, efficient mechanisms for facilitating their clearing and settlement by delivery upon payment in authorized clearing and settlement systems.

p. To provide information on prices or rates, and amounts, of transactions made or registered in the System to price providers authorized by the Financial Superintendent, pursuant to the Superintendent's general instructions in this regard and on such terms and conditions as the Manager agrees on with said providers.

q. Have mechanisms and procedures to monitor the offers, quotes, and transactions closed or recorded in the tiers of the System, as well as mechanisms to detect follow-up on the electronic records of transactions so as to verify compliance on the part of the Agents involved in such transactions and fulfillment of their obligations in that capacity, as well as to implement processes for audit trails to facilitate efficient and timely compliance with the aforementioned duty to monitor, according to Part 2, Book 15, Title 1, Chapter 5, Article 2.15.1.5.1 of Decree 2555/2010, or whatever provisions might amend, replace or add to it.

r. To keep an updated record of Agents and Operators registered in the System.

s. To give the names of the infrastructure providers and price providers the System is interconnected to.

t. To do its best to maintain the System's order, security, competition, appropriate price formation, transparency and proper functioning.

u. To order that guarantees be provided, supplemented or substituted, and to manage, call and enforce them on the terms laid down in the provisions in force and in these regulations. To this end, the SEN shall be supported by the functions of the DCV's collateral or guarantee management facility as well as by the functions that the central counterparty clearinghouse offers.

v. To enforce the default consequences referred to in these Regulations.

w. Keep a registry of the information on transactions made by Agents. Said registries shall be preserved for a period of five (5) years pursuant to the provisions in Article 96 of the Financial System Internal Regulations.

x. Maintain the data or information on the respective Agent, which has been supplied or produced during the period of their membership in SEN, in the archives of *Banco de la República* for a period of five (5) years starting from the termination date of the contractual relationship.

y. Use the information the Agents supply exclusively for SEN's own operations and for the proper provision of the services it offers in compliance with its constitutional and legal functions. The general policies and guidelines with respect to protection of personal data as well as the treatment said data will be subject to, the purpose of said treatment, the rights of the owner, and procedures to exercise them are listed below:

The personal data given to the manager shall be used (gathered, stored, used, circulated, or suppressed) for the specific purpose for which they were furnished.

The manager shall ensure that the personal data is used properly and in dealing with it shall respect the best interest of the owners of the data, ensure the protection of their basic rights, and as far as possible, keeping their opinion in mind as the owners of their personal data.

The Agents may exercise their basic right of habeas data by means of an e-mail directed to servicioalclienteDFV@banrep.gov.co with the security provided by the PKI tool or one that could take its place in the future or through a written letter sent to the Management of the Department of Fiduciary and Securities with verification of the legal representation.

Thus each Agent as the owner of his personal data will be able to get access to, learn about, update, and rectify said data, be informed about the use given to it, and the authorization under which it is used, file enquires and complaints, revoke the authorization or request that his data be suppressed in cases where this is appropriate.

11. **Agents' Faculties:** Agents shall have the following powers:

a. To make or register in the SEN System the transactions available in the System, to the extent permitted by Agents' corporate purpose and the legal provisions governing them.

b. To set Lines of Credit for their counterparties, and to debit and release them through the System.

c. To request the System Manager to cancel a transaction closed in the System, subject to prior fulfillment of the requirements specified in the Operation Manual.

d. To have access to information connected with the financial conditions of transactions run in the System and to the historical bases.

e. To use the electronic mail service through the System for communications connected with their transactions.

f. To have access to the financial and data export or import tools offered by the SEN System.

12. **Responsability of Agents and System Manager:** To all intents and purposes, Agents shall be solely accountable for all risks pertaining to the making, registration, existence, validity, effectiveness and settlement of transactions carried out through the SEN system.

Agents are understood to be under the obligation to comply with the rules, restrictions, conditions and prohibitions regarding each type of transaction and each kind of entity that have been established by the provisions in force, the government, the inspection, control and oversight authorities and Agents' own by-laws.

Therefore, the System Administrator shall in no way be liable for any of the transactions entered into or recorded through the System. Nor shall the System Administrator be liable for irregularities or fraudulent acts committed by officials of the Agents or persons authorized by them to access and operate the System through their terminals, or for incompetence or carelessness in the use of the same.

The System Administrator shall be responsible for compliance with the obligations set forth in Point 10 of these regulations.

The System Manager, notwithstanding the obligation to have at his disposal the necessary computing infrastructure for the SEN System's functioning, shall not be accountable for any service interruptions or failures that affect the closing or registration of transactions because of system technicalities, changes or alterations occurring during the transmission of information being received or sent by the Manager, or because of events of force majeure and/or acts of God or any other causes beyond the Manager's control.

Where there is interconnection to other trading or registration systems or to other infrastructure providers or price providers as contemplated in Decree 2555/2010, Part 2, Book 15, Title 1, Chapter 1, Article 2.15.1.1.6, as provisions that might amend, replace or add to it, the System Manager shall in no way be accountable for any information provided by said systems or for the means by which the interconnection is made. The extent of the System Manager's accountability for the provision of such information shall be such as is stipulated in any agreements or pacts that come to signed with each one of such entities. At all events, the System Manager shall not be accountable for use of the information it provides to other systems by virtue of said interconnection.

13. **Consequences:** In the event of extemporaneous settlement, or default by Agents of the provisions of these Regulations, the Operation Manual or the membership contract or of any other provisions relating to the SEN System, the following consequences will be generated, without prejudice to any other actions arising from Agents' conduct and undertaken by the competent authorities or the affected Agent, among others:

   a. **Cautionary warning:** This consequence shall apply in the event of failure to meet the obligation specified in Article 9 n), p), or w) hereof, except where, in the case of training meetings given or organized by the System Manager, which are referred to in item n), the respective Agent shall have cancelled his participation at least two (2) hours before the start of the meeting. Failing to do so shall result in a cautionary warning which shall be in the form of a written letter sent to a legal representative of the Agent.

   b. **Suspension:** This consequence shall apply, with due regard to the circumstances and gravity of the failure, in any of the following eventualities:

      1. Failure to meet the obligations established in Article 9 hereof, except for those specified in literals g) and m).

      2. Failure to pay in full to the Agent affected, within the term stipulated in Article 21 hereof, the Compensatory Amount payable for failure to complete a transaction, or the amount payable for extemporaneous settlement.

      3. Making extemporaneous settlements of transactions closed in the System, three (3) times within the year to date, counted from the first time. In this event, suspension shall apply in addition to the respective amount payable for extemporaneous settlement; and extemporaneous settlements occurring on one and the same day shall be counted as just one extemporaneous settlement.

      4. Failure to repay the funds received through an Interbank Transaction. Suspension shall apply until the transaction is settled and shall be in addition to the Compensatory Amount payable by the defaulting Agent, as determined according to the provisions of Article 21.

      5. At the express request of a competent judicial or administrative authority. In this event, the suspension may be extended for the period specified by the respective authority.

      6. Failure to comply with what is stipulated in item b) number 9 of the present regulations on two (2) occasions within the year to date, counted from the first occasion, where such failures have resulted in Compensatory Amounts being set by the System Manager. In this event, suspension shall apply in addition to the respective Compensatory Amount; and failures occurring on one and the same day shall be counted as just one failure.

7. If the Agent's registration on the National Register of Securities Market Agents or in any Autoregulatory organization has been suspended.

8. If three (3) cautionary warnings have been issued within one year to date.

9. At the express request of the Ministry of Finance and Public Debt to act during the sessions of the Public Debt Securities Market Makers Program as a consequence of the Agent's default on obligations to the central counterparty clearinghouse through which transactions that come under Resolution No. 4782 of Dec 30, 2014 of the Ministry of Finance and Public Credit or those that amend, supplement, or substitute for it are cleared and settled. The Ministry of Finance and Public Credit may send this request directly to the system manager or through the central counterparty clearinghouse where the cited transactions are cleared and settled.

If the Manager has to apply several suspensions to the same Agent within the same year to date for the reasons stated in numerals 1, 2, 3, 6 and 8 of this Article, the first suspension shall be for one (1) working day, the second for three (3) working days, the third for five (5) working days, and in every case the suspension shall come into effect from the last working day of the week following the date of the originating event.

The occurrence of any of the events stated in numerals 5 and 7 shall cause the suspension to be applied at such time and for such period as the competent authority or Autoregulatory organization may determine. All events of suspension shall be reported to the competent authority and Autoregulatory organization.

c. **Exclusion:** The System Manager shall exclude an Agent from the SEN System in any of the following cases:

1. If the Agent has been suspended more than three (3) times within the same year to date, counted from the first suspension.

2. If the Agent uses the System to carry out acts of unfair competition, fictitious transactions or, by taking undue advantage of privileged information, any transactions intended to destabilize the market artificially or alter artificially the prices of traded securities, or in general engages in any of the forms of behavior described in Act 964/2005, Title six, Chapter one, Article 50(b), as amended, supplemented or substituted; and this is demonstrated by the competent authority's investigation.

3. If the Agent violates legal provisions on asset laundering in connection with transactions processed through the System; and such violation has been determined by a competent authority

4. If the competent authority has ordered suspension of payments or liquidation of the Agent, in accordance with the relevant legal provisions.

5. By express order of a competent judicial or administrative authority.

6. If the Agent's registration in the National Register of Securities Market Agents or in a Autoregulatory organization has been cancelled.

The System Manager shall make the Agent's exclusion effective from the working day following that on which the event described in c.1 above occurs. Exclusion for any of the reasons set forth in c.2, c.3, c.4, c.5 and c.6 above shall be applied at such time as the competent authority may determine.

The Agent who has been excluded may apply to the Manager for readmission to the System three (3) months after his exclusion. The Manager shall review every application and decide whether it should be allowed or not. At all events, the Agent applying for readmission shall have fulfilled all obligations pending at the time of exclusion, and the reasons for the exclusion shall have ceased to exist. Furthermore, the Agent must meet all requirements set forth in these Regulations for obtaining and maintaining the status of Agent.

Paragraph: Prior to determining the consequence, the System Manager shall ask the Agent for a written report on the causes of his default, in order to evaluate the circumstances of the situation. The Agent shall have an immutable period of three (3) working days to make the respective reply. If the Agent does not reply or if the System Manager does not find the explanation satisfactory, the manager shall so inform the Agent through a written letter in which he shall also inform the Agent of the application of the respective consequences as the case may be. Likewise, he may ask the Agent to make the necessary adjustments to his internal controls or procedures involved in the situation, to ensure the Agent's operational execution in accordance with the provisions in force.

14. **Effects of suspension and exclusion:** Suspension shall signify interruption of the Agent s Faculties to operate in the SEN System. Without prejudice to the foregoing, all the Agent's obligations, duties and responsibilities under these Regulations and the respective membership contract shall remain in force. Accordingly, the suspended Agent shall remain under the obligation to deposit, in a timely fashion, the necessary money and/or securities into his Central Bank Account and/or Securities Account, as the case may be, if at the time the suspension becomes effective there are transactions pending settlement to which he is a party.

Exclusion of an Agent shall signify immediate termination of the membership contract by *Banco de la República*, without prejudice to the guarantees the Agent must provide for completing the transactions pending settlement.

Paragraph: Upon exclusion of an Agent, the Bank shall deactivate him from the SEN System and shall take the necessary action in the Bank's electronic services system, SEBRA, or any system replacing it in future, to prevent the Agent from having access to SEN.

15. **Security and access codes:** The SEN System shall have security mechanisms for access to the different modules it is composed of, as provided by the SEN Operation Manual and the regulations of SEBRA or any system replacing it. The SEN System's access codes are personal, non-transferable and confidential, inasmuch as they may be used only by the Operator to whom they are assigned, who shall be responsible for their proper management and conservation.

Use of the codes and any other security mechanisms the System Manager establishes shall be exclusively the responsibility of the Agent and his respective Operator; consequently, the actions they carry out in the System by using said security mechanisms shall be understood to have been carried out by the Agent and the respective Operator.

It shall further be understood that the assignment of profiles that each Agent's Local Manager makes in the System shall correspond to the due segregation of functions established in their organization.

16. **Fees for SEN services:** The fees that the System Manager charges Agents for use of the SEN System shall be set in a general fashion by the Bank's Administration Council, in accordance with the provisions of Decree 2520 of 1993, Article 41, as amended, supplemented, or substituted. Said fees shall be published in External Regulatory Circulars and publicized by such mechanisms as the Bank decides on, including information bulletins and electronic websites, without prejudice to employing other, additional means for publicizing them.

The Administration Council, in setting such fees, shall apply the policy of uniform fees per product, that is to say, fees shall not be determined by Agents' legal status or individual characteristics. The Council shall bear in mind that fees must be published before being charged and shall not be retroactive.

Paragraph: The Administration Council may, in accordance with their legal and statutory powers, modify the fees set, should new circumstances justify doing so by reason, inter alia, of the volume of transactions or cost growth, and shall so inform Agents by the means indicated.

17. **Risk management:** In First-Tier transaction trading, credit risk is controlled by delivery–versus payment or delivery-versus- delivery Settlement, as the case may be. In Second-Tier transactions, in addition to such risk control, Agents have available to them the mechanism of setting, debiting and releasing Lines of Credit or transaction credit lines per counterparty, to limit their operating and counterparty risks (credit and liquidity). To this end, each Agent may set a maximum risk quota or Limit per counterparty, which shall be automatically debited with each Closing or Registration, in accordance with the parameters each Agent sets in the System. Such parameters may range from an overall control to specific controls, and Agents may also establish for each counter party credit lines associated with market and credit risks.

The market risk from transactions closed or registered in the SEN System is mitigated by application of the Compensatory Amount defined in Article 21 hereof, which is payable by

an Agent to his counterparty where the Agent is responsible for the fact that a transaction cannot be settled on the scheduled date.

As regards legal risk, the System's operation and management, Agents' actions in the system, and the obligations, powers and responsibilities of the parties are contemplated and protected by laws and regulations: in Act 964 of 2005, by Part 2, Book 15, Title 1, Chapter 1, Article 2.15.1.1.3; by Part 2, Book 15, Title 1, Chapter 2, Article 2.15.1.2.3; by Part 2, Book 15, Title 1, Chapter 3, Article 2.15.1.3.2; and by Part 7, Book 3, Article 7.3.1.1.2 of Decree 2555 of 2010 or those provisions that might amend, supplement, or substitute for it, the present Regulations, the SEN Operation Manual and membership contracts, and other concordant rules.

18. **Closing:** The automatic conclusion of a securities transaction or operation effected in the SEN System, through acceptance of an quote posted on the System, by any means stipulated in the present Regulations and the Operation Manual, that is today, by the mechanism of automatic matching, and automatic matching with bidding.

    The SEN System closes transactions by automatic matching if all the conditions(quantity, price or rate, and Settlement date) of two quotes in opposite directions for the same security or reference coincide, verifying beforehand the Lines of Credit or transaction credit lines referred to in Article 17, where applicable.

    Where closing conditions for the same security or reference coincide, quotes shall be considered in chronological order of entry.

    Quantity coincidence maybe disregarded if the higher-value quote accepts partial closing, in which case the transaction will be closed at the value of the lower-value quote. The remainder of the partially closed quote shall remain on screen with the initial registration time, provided it is not an FOK Quote and meets the minimum and maximum value requirements, the maximum being set in accordance with the provisions of *Banco de la República*'s global banking insurance policy.

    In Sweeping Operations, closing will be effected automatically and the closing price or rate shall be that of the Offeror. In the event of coincidence of closing conditions, quotes shall be considered in chronological order of entry.

    Once the System has effected a closing by automatic matching, in accordance with the operating conditions of each Tier and Session, Agents may not cancel or modify the transactions of said closing, unless authorized to do so by the System Manager in the cases provided for in the Operation Manual.

    A closing by automatic matching shall be reported through the System by means of a closing ticket. Moreover, the quotes shall disappear from the respective session, and the transaction shall be recorded on the closings screen.

End of session prices shall be established by the System Manager, on the criterion of traded price. The System shall fix each day a final end of session price for each security or reference, such price being the last valid one in each Session.

19. **Transaction registration with confirmation:** Registration of transactions made in the over-the-counter or OTC Market may be confirmed in the Sessions or mechanisms provided for the purpose in the System.

Registration of transactions in the System is an essential condition for the transactions to be cleared and settled in a clearing and settlement system authorized by the Financial Superintendent.

The characteristics of transaction registration shall be as defined for Registration Mechanism in Article 4 hereof. Under the provisions of Part III, Title II, Chapter II of the Basic Legal Circular of the Office of the Financial Superintendent of Colombia (C.E. 029/14) as amended, supplemented or substituted, setting forth necessary instructions for performing intermediation operations in the securities market, Agents shall report the execution of transactions made in the OTC Market within fifteen (15') minutes following execution of the respective transaction.

Furthermore, under the provisions of the above regulations on registration of securities transactions in the OTC Market, when such transactions are executed after the System's closing time and before the opening of the following working day, they shall be registered as though executed at the first instance of the following opening, that is to say, registration shall be effected in the first fifteen (15') minutes of the System's opening.

The respective intervals of time for registering securities operations shall be a maximum of ten (10') minutes for the person having to pre-enter information, and a maximum of five (5') minutes counted from the time of pre-entry of information for the person having to confirm the respective transaction, according to the instructions the Manager may issue for this purpose.

Once the System has issued confirmation of the Registration, according to the operating conditions of each Tier and Session, Agents may not cancel or modify the transactions of said Registration, unless authorized to do so by the System Manager in the cases provided for in the Operation Manual.

Confirmation of Registration shall be reported through the System by means of a Ticket, and the transaction shall be recorded on the Closings screen.

End-of-session prices shall be established by the System Manager, on the criterion of traded price The System shall fix each day a final end of session price for each security or reference, such price being the last valid one for the Registration session or mechanism.

Repo, buy/sell back, and securities lending transactions made on the OTC market carried out on one's own behalf or the behalf of a third party and that are required to be registered in

SEN shall be subject to the collateral or guarantee management that is dealt with in article 27 of the present regulation.

20. **Clearing and Settlement.** Transactions made or registered in the SEN System shall be cleared once the Closing or Registration, as the case may be, has been effected. And they shall be settled in a Clearing and Settlement System authorized by the Financial Superintendent, on the Settlement Date, by the mechanism of delivery upon payment.

    In compliance with the provisions of the Ministry of Finance and Public Debt within the regulations that govern the Public Debt Securities Market Makers Program, buy/sell back transactions that are made on the First Tier of SEN shall be cleared and settled through a central counterparty clearinghouse under the terms and conditions said Ministry shall issue.

    Paragraph: The Settlement Date shall be on a working day, which fact shall be verified by the System. In the event of changes being made to working days after a transaction has been effected, the Settlement Date shall be moved to the immediately following working day, without involving recalculation of the transaction.

21. **Settlement of transactions:** All transactions closed or registered through the SEN System must be completed by the Agents involved in them. To this end, Agents shall deposit, in a timely fashion, the securities or money in their Securities or Central Bank Accounts, as the case may be, on the basis of the clearing effected by SEN or, in such cases that apply, by the central counterparty clearinghouse.

    Transfer orders sent by the SEN System that are cleared and/or settled in the Central Securities Depository and/or in Banco de la República's system of Central Bank Accounts (securities and funds) shall be considered final, enforceable, irrevocable and effective against third parties, from the time such orders are accepted by the Central Securities Depository and/or the system of Central Bank Accounts, on the conditions set forth in the regulations of said systems.

    Banco de la República shall in no case be accountable for the non-settlement of transactions closed or registered in the SEN System because of the inexistence or insufficiency of available balances on Agents' Securities Account and/or Central Bank Account. In these cases the procedure regarding the transaction may be the following:

    a. <u>Extemporaneous settlement</u>: Spot purchase-and-sale transactions with a settlement term of up to T+2, may exceptionally be completed extemporaneously where Agents experience operational problems that make it impossible for settlement to occur on the initially agreed date. Extemporaneous settlement must be effected no later than the working day following the initially set date (T+1), on the agreed conditions, and may be requested only one (1) time.

       In the case of semi-blind or open transactions, extemporaneous settlement shall require approval of the counterparty in the initial and final operation. No counterparty approval shall be required for blind transactions.

An Agent requesting postponement of a transaction shall be under the obligation to pay to his counterparty a sum of money in respect of extemporaneous settlement, such sum to be determined in every case by the System Manager by applying the following formula for purchase-and-sale transactions:

Amount payable for extemporaneous settlement = VM + FV

Where:

VM: Value of money at the referenced time, at the usury rate. The System Manager shall specify in the SEN Operation Manual the formula and elements needed to find VM.

FV: Fixed compensatory value, expressed in terms of the prevailing legal minimum monthly wage. The System Manager shall specify in the SEN Operation Manual the formula and elements needed to find FV.

Every extemporaneous settlement shall be reported to the non-defaulting Agent and to the competent supervision authority and the Autoregulatory organizations Should there occur a chain of extemporaneous settlements of SEN transactions, the report to the oversight authorities and Autoregulatory organizations shall be made in respect of each of the Agents who were the subject of extemporaneous settlement, identifying specifically the Agent who triggered the chain. The event of extemporaneous settlement shall be counted only for the Agent who set off the chain. Should any further criterion be needed to identify the first in the chain, it shall be the Agent who effected the earliest trading in the SEN System. All Agents in the chain shall pay money consequences.

If the transaction is not settled on the new date set for settlement, it shall be declared to be in default, with the consequences set forth in these Regulations.

b. Default: Where a transaction is not settled on the initially agreed conditions and extemporaneous settlement is not possible, or where it is not settled on the new date agreed on for extemporaneous settlement, the transaction shall be declared to be in default.

The defaulting Agent shall pay a Compensatory Amount to his counterparty, such Amount to be determined in each case by the System Manager by applying the following formulae:

Purchase-and-sale transactions

$$\text{Compensatory Amount} = (VF * NV) + FV$$

Where:

VF: Volatility factor of price or rate in percentage terms. The System Manager shall specify in the SEN Operation Manual the formula and elements needed to find the volatility factor (VF).

NV: Nominal value in pesos of the transaction generating the Compensatory Amount (multiplied by the Real Value Unit -UVR- or the exchange rate -TRM- for the initially agreed day of settlement , in the case of securities in Real Value Units or dollars, respectively).

FV: Fixed compensatory value, expressed in terms of the prevailing legal minimum monthly wage. The System Manager shall specify in the SEN Operation Manual the formula and elements needed to find FV.

When dealing with forward purchase and sale transactions for which the collateral or guarantee established in number 27 of the present regulation has been created or delivered, the amount of compensation shall be equivalent only to the FV.

Repos, buy/sell back transactions, securities lending and Interbank Transactions

$$\text{Compensatory Amount} = VM + FV$$

Where:

VM: Value of money at the referenced time, at the usury rate. The System Manager shall specify in the SEN Operation Manual the formula and elements needed to calculate VM.

FV: Fixed compensatory value, expressed in terms of the prevailing legal minimum monthly wage. The System Manager shall specify in the SEN Operation Manual the formula and elements needed to find FV.

When a transaction, which is subject to the collateral or guarantee management of number 27 of the present regulation, is declared in default, the payment of the compensation amount shall be independent of the amounts or securities corresponding to the collateral transferred in case of a default as calculated by the DCV.

When a transaction falls into default, the System Manager shall declare it rescinded and exclude it from the settlement process and shall report each event of default to the non-defaulting Agent, the competent supervision authority and the Autoregulatory organizations.

The final part of an interbank transaction shall not be rescinded, since interbank transactions must always be settled. In such cases, compensation shall be charged in an amount equivalent to VM for each additional day it takes for the transaction to be settled.

The amount calculated in respect of extemporaneous settlement or default shall be paid by the liable Agent, no later than the Working Day following the request for postponement or the declaration of default, as the case may be.

To this end, the System Manager is authorized to debit, before the time specified in the SEN Operation Manual, the value of the respective Extemporaneous settlement Amount or Compensatory Amount from the Central Bank Account of the Agent who caused the event and credit said Amount to the other Agent's Deposit Account.

However, if the funds available in the defaulting Agent's Central Bank Account are not sufficient to debit, within the period referred to in the previous paragraph, the full value of the Extemporaneous settlement Amount or Compensatory Amount imposed on him, the System Manager shall report this to the two Agents involved in the transaction. The Manager shall, moreover, indicate to each of the two the name of his counterparty, even in the case of a blind transaction, so that the liable Agent may proceed to pay the imposed Amount directly to the other Agent within the same Working Day.

In this event, the Agent affected shall inform the System Manager whether the defaulting Agent has paid him or not the said Amount within the period specified in this Article, in order that, where appropriate, the defaulting Agent may be suspended according to the provisions of Article 13 hereof.

The only time that the defaulting Agent shall not be obliged to pay the extemporaneous settlement amount or compensatory amount to his Counterparty is when the Bank deems that the lack of timely settlement has been caused by an act of God or by force majeure, including, inter alia, situations of public unrest (provided they could not be foreseen and controlled). The event in question shall have been reported to the System Manager in writing by a competent legal representative before 10:00 a.m. on the working day following that of the default. If Banco de la República finds it to be duly demonstrated that the default or late settlement was caused by an event of the kind described above, it shall abstain from imposing the extemporaneous settlement Amount or compensatory amount and shall report its decision to the two Agents involved, no later than on the second working day following the date of default.

Payment of the extemporaneous settlement or compensatory amount or the fact that, as provided by the previous paragraph, the defaulting Agent is not obliged to pay it shall not preclude the Agent affected by the lack of timely settlement to have recourse to the mechanisms he regards as appropriate for obtaining full compensation for the damages he considers to have been caused to him by the liable Agent. Such recourse is contemplated in Article 31 hereof, and in that event the Agent affected may request information from the System Manger about the liable Agent, even where the transaction in question was a blind one.

In blind market transactions, Banco de la República shall act as the go-between for effecting transaction settlement, maintaining the anonymity of the Agents participating in the closing or registration, except in the event contemplated in the previous paragraph. In these cases, the

event shall be reported to the respective oversight entity, together with the data of the operation by which settlement has been effected.

Likewise, should any Agent fail to carry out a transaction closed or registered in the SEN System, on the initially agreed conditions (price, rate, quantity or security), a report shall be made to the parties, the competent oversight entity and the autoregulatory organizations, declaring the transaction to be definitely in default.

The provisions of the present article shall be understood to be without prejudice to those of Act 964/2005, Title 3, Chapter 2, Article 14, and Decree 2555/2010, Part 2, Book 36, Title 3, Chapter 1, Article 2.36.3.1.8, as provisions that might amend, replace or add to it, in respect of defaulted Repos, buy/sell back transactions and securities lending. Where default of the final operation is reported, the System Manager shall terminate the blind market, shall notify the parties of the fact, informing the Agent found to be the debtor of his obligation to pay the difference between the final amount agreed on in the transaction and the market price of the securities on the date of default, in accordance with the provisions of Decree 2555/2010 in Part 2, Book 36, Title 3, Chapter 1, Article 2.36.3.1.8 as provisions that might amend, replace or add to it. The System Manager may also verify whether the parties have fulfilled their respective obligations.

22. **Specific requirements for transaction trading and registration:** Agents may make or register transactions in the SEN System in respect of securities qualified in the System.

    Quotes for such securities shall be made with due regard to technical operating conditions, as determined by the System Manager, particularly the following aspects:

    a. The type of Quote, depending on the kind of security, specifying whether it should be effected at a rate (nominal or effective) or at a Clean Price, and the fractioning and settlement conditions in each case.

    b. The way in which the best buy or ask quotes, as the case may be, shall be displayed on the trading screens, and on what classification criteria they shall be shown.

    c. The events in which a Bid/ask quote shall be required, according to Ministry of the Treasury and Public Credit regulations, for trading of public-debt securities and, especially, for First-Tier participants.

    d. The use and confirmation of mnemonic codes.

23. **Specific requirements for Repos and buy/sell back transactions:** Agents making or registering Repos and buy/sell back transactions shall meet the following requirements, without prejudice to the general requirements regulating the System's operation:

    a. Enter the Quote or Registration into the System, specifying the amount of the transaction, together with the rate of interest, the number of days to settlement and the term of the transaction.

b. Accept the Clearing and Settlement that Banco de la República effects, according to the conditions set forth in the SEN Operation Manual.

c. Comply with the relevant legal provisions on maximum conditions of volume, term and rate for Repos and buy/sell back transactions.

d. The System Manger may establish control mechanisms to ensure that the transfer price or rate for the underlying asset in a buy/sell back transactions is at market prices. This mechanism, together with its methodology and operating procedure, shall be detailed in the System's Operation Manual.

e. The securities delivered in a Repo or buy/sell back transaction shall figure in the name of the Transferee in the Central Securities Depository.

f. The initially agreed term of the transactions shall not be longer than one (1) year from the time the respective transaction is made.

g. Repo Transactions can be of two kinds: a closed Repo, in which the parties agree to leave the security immobilized over the life of the transaction; and an open Repo, in which mobility is allowed immediately and over the life of the transaction. The kind of Repo must be specified at the time of entering Quotes or Registration into the System.

h. In closed Repo Transactions the securities originally delivered are allowed to be substituted by others. The procedure for securities substitution shall be as established by the Central Securities Depository in its Operating Manual.

i. In buy/sell back transactions, the initial amount may not be calculated at a discount from the market price of the securities subject of the transaction. Nor may there be restriction of the mobility of the securities, or substitution of the initially delivered securities.

j. Agents who make Repo and buy/sell back transactions in the SEN system shall not make commitments that surpass the limits established in Part 2, Book 36, Title 3, Chapter 3, Article 2.36.3.3.2 of Decree 2555/2010 or as amended, supplemented, or substituted by future regulations.

k. The methodology and procedure for determining which securities will be susceptible to becoming the object of Repo and buy/sell back transactions shall be based on the credit, market, and liquidity criteria:

    a. That they are domestic public debt securities managed by Banco de la República or issued by the same bank.

b. That they are electronically registered or deposited at the Depósito Central de Valores (DCV).

c. That, on the date of the transaction, the issue is valid and the balance in circulation is (COP 100.000.000.000) one hundred billion pesos at minimum.

d. That the securities do not show maturity of principal during the period of the transaction.

24. **Specific requirements for Interbank Transactions:** Interbank Transactions made or registered by Agents in the SEN System shall have the following characteristics:

    a. The making or registration of such transactions shall be effected by specifying in the System the amount, the number of days to settlement, the term of the transaction and the rate of interest (nominal, in arrears).

    b. Once the transaction has been made or registered, *Banco de la República* shall proceed to make the Settlement, by applying the agreed value in the Central Bank Accounts of the Agents involved in the transaction.

    c. On the agreed Settlement Date for repayment, repayment shall be effected automatically by debiting from the borrowing Agent's Central Bank Account the principal and the value of interest settled by the SEN System, and crediting them to the lending Agent's Central Bank Account.

    d. Agents shall comply with all legal provisions in force relating to the volume, term and interest-rate conditions of the transactions they make or register.

25. **Specific requirements for securities lending transactions:** Agents making or registering securities lending transactions must meet the following requirements, without prejudice to the general requirements regulating the System's operation:

    a. Enter the amount (nominal value requested) of the transaction to be made or registered into the System, the price or rate of the security subject of the transaction, the rate for transfer of the security, and the rate of return on the funds where the transaction is backed by money, the number of days to settlement, the term of the transaction, and the security to be delivered as collateral where the transaction is not backed by money.

    b. Accept the Clearing and Settlement that *Banco de la República* effects, according to the conditions set forth in the SEN Operation Manual.

    c. The securities delivered in a securities lending transaction shall figure in the name of the Receiver in the Central Securities Depository. Where the securities lending is made in exchange for securities, the Central Securities Depository shall leave the

securities backing the transaction in the Originator's account, and the Originator may not make use of them except in the event of default.

d. Comply with the pertinent legal provisions regarding maximum volumes, terms and interest rates for securities lending.

e. The initially agreed term of the transactions shall not be longer than one (1) year from the time the respective transaction is made or registered.

f. Where the securities lending is made in exchange for money, the net return payable by the Originator to the Receiver or the amount payable by the Receiver, under Decree 2555/2010 in Part 2, Book 36, Title 3, Chapter 1, Article 2.36.3.1.3, as provisions that might amend, replace or add to it, shall the be the difference between the agreed rate of return for the funds during the life of the transaction and the rate for the securities transfer. If this difference is negative, the Receiver shall make payment to the Originator.

g. Where the securities lending is made in exchange for securities, the System shall calculate only the return generated by the rate for the securities transfer or the amount payable by the Receiver in compliance with the provisions of Decree 2555/2010 in Part 2, Book 36, Title 3, Chapter 1, Article 2.36.3.1.3, as provisions that might amend, replace or add to it, debiting the Receiver's Central Bank Account and crediting the Originator's, upon termination of the transaction.

h. Agents who make securities lending transactions in the SEN system shall not make commitments that surpass the limits established in Part 2, Book 36, Title 3, Chapter 3, Article 2.36.3.3.2 of Decree 2555/2010 or in the regulations that amend, supplement, or substitute it in the future.

i. The methodology and procedure for determining which securities will be susceptible to becoming the object of securities lending transactions shall be based on the credit, market, and liquidity criteria:

    a. That they are domestic public debt securities managed by *Banco de la República* or issued by the same Bank.

    b. That they are electronically registered or deposited at the Central Securities Depository (DCV).

    c. That, on the date of the transaction, the issue is valid and the balance in circulation is (COP 100.000.000.000) one hundred billion pesos at minimum.

    d. That the securities do not show maturity of principal during the period of the transaction.

26. **Specific requirements for securities trading by bidding:** In addition to the characteristics specified in Article 22 for securities transactions, Agents shall take into account the following requirements when making transactions by using the SEN System's Bidding mechanism:

   a. Sessions operating by bidding are intended to give market exposure to transactions arising from pre-agreements, or exposure to Quotes having the same conditions of pre-agreed transactions.

   b. Agents entering initial quotes from a pre-agreement must specify this fact in the System by using the identifier established for the purpose in the Operation Manual.

   c. In the bidding, Agents entering initial quotes from a pre-agreement must do so for the same nominal values, prices or rates, and terms as those of the initially agreed transaction.

   d. Quotes made in the bidding must use the identifier established for the purpose in the Operation Manual.

   e. Within the time allowed for bidding, Agents other than those who initiated the Bidding may intervene in the closing by introducing purchase or ask quotes that are an improvement on the conditions of the initial quotes.

   f. Agents who introduced the quotes that set off the bidding may only improve on the conditions of the initial quotes; they may not withdraw or weaken them.

   g. Agents who intervene in the bidding may only improve on the conditions of the quotes introduced; they may not withdraw or weaken them.

27. **Guarantee Rules:** Pursuant to the provisions of Decree 2555/2010 in Part 2, Book 36, Title 3, Chapter 2 or provisions that might amend, supplement or replace it, regarding the collateral or guarantee management mechanisms for mitigating market risk caused by variations in the market prices of the securities transferred or acquired in Repos, buy/sell back transactions, securities lending, and forward purchase and sale transactions that are carried out or registered in SEN, the Agents who are participating in the abovementioned transactions shall create and deliver collateral in making or registering each transaction whether it be for the agent's own account or on behalf of a third party.

   To this end, SEN will use the following mechanisms:

   i. The Collateral or Guarantee management in buy/sell back transactions that are carried out on the First Tier of SEN and in compliance with the provisions in the regulations for the Public Debt Securities Market Makers Program at the Ministry of Finance and Public Debt and which are cleared and settled through a central counterparty clearinghouse shall be subject to the rules of the respective central counterparty clearinghouse. The Ministry of Finance and Public Debt may establish consequences

for defaulting on obligations to the respective clearinghouse in the sessions of the Public Debt Securities Market Makers Program.

   ii. The collateral or guarantee management for Second Tier buy/sell back transactions as well as the collateral or guarantee management for Repo, securities lending, and forward purchase and sale transactions that are made through SEN shall be subjected to the provisions in the regulations of the Collateral or Guarantee Management Function at the Central Securities Depository (DCV) and in the regulations and Operating Manual of said Depository as well as in other norms that amend, supplement, or substitute for them.

In such cases where the DCV notifies the SEN Manager of the failure on the part of the Agent to deliver the required collateral for a specific transaction, the SEN Manager shall notify the non-defaulting Agent so that he may determine which of the two following actions shall be applied:

   a. Declare early settlement of the transaction

   b. Declare the transaction in default

In a case where the DCV notifies the SEN Manager of the failure on the part of both Agents to deliver the required collateral for a specific transaction, the SEN Manager shall declare early settlement of the transaction.

The conditions or rules for dealing with or replacing collateral when the securities have been subject to the suspension or cancellation of trading shall be those defined in the Regulations of the Clearing and Settlement System managed by Banco de la República.

28. **Mechanisms for communicating information:** The System Manager shall put out daily statistical information on the behavior of transactions made or registered in the System at the end of each Session or mechanism, through bulletins, circulars, press releases, notice boards or other appropriate means to ensure that the public has at least daily access to information on every security traded, as regards average, minimum and maximum opening and end-of-session prices or rates for transactions closed or registered, total volumes and the number of transactions involved.

The SEN Manager shall endeavor to make the System's information clear, transparent and objective, so as to allow Agents to identify the risks they incur by using the System. To this end, the Manager shall disseminate the present Regulations, the Operation Manual, the "SEN Technical and Operating Requirements", operating instructions, new operating and technical features of the System, the fees, the format for the SEN membership contract, the amount of securities issued that can be traded, the total exposure in Repo, buy/sell back, and securities lending transactions, by using, inter alia, the following mechanisms: External Regulatory Circulars, the Banco de República's website, information bulletins, e-mails, certified mail, participants' meetings, or training meetings requested by users or called by the System Manager.

Likewise, the System Manager shall make SEN's software available to the Financial Superintendent, the Autoregulatory organizations, the Ministry of the Treasury and Public Credit, and the competent inspection, oversight and control authorities requiring it for the proper performance of their functions, enabling them to access the System as observers when these authorities so request, in order to have information on the transactions carried out by Agents in the System. Said entities shall cover all costs connected with entry and connection to the SEN System, except for the fees charged for the Bank's electronic services system, SEBRA, and for SEN.

The System Manager may provide information to the securities market's autoregulatory organizations that require it for exercising their functions, subject to prior written authorization from the respective Agents and to prior signing of agreements or conventions with the Autoregulating organizations The foregoing shall be understood without prejudice to delivering information to such organizations when the managers of securities trading systems and securities transactions registration systems are legally required to do so.

29. **Contingency mechanisms:** The System Manager has a duly documented contingency and business continuity plan, as an action guide for events in which there is interruption of the trading system and it becomes essential to make it operational again. The plan covers such matters as: knowledge of the business, identification of events liable to affect the system's operation, measures adopted to minimize risk, action to be taken when failures occur, alternative operations, and return to normal operation. Furthermore, the plan is subjected to a series of tests to check the established procedures, test the defined controls, test the resumption of operations in alternate sites or with reduced elements, check people's knowledge in their roles, establish recovery times and, in general, detect failures to take corrective actions.

30. **Insolvency proceedings and other measures:** In accordance with the provisions of Decree 2555/2010 in Part 2, Book 12, Article 2.12.1.1.9 or the provisions that might amend, supplement, or replace it, the Manager on receiving against an Agent any judicial or administrative measure intended to prohibit, suspend or in any way limit payments to be made by said Agent, shall send the transactions made or registered by said Agent in the SEN System before the measure was received to the Central Securities Depository for Settlement, without this action signifying for *Banco de la República* the guaranteeing of the respective transactions' effective settlement.

Where the above transactions cannot be settled on the stipulated date because of the lack of sufficient available money or securities in any of the Settlement accounts of the Agent who has been the subject of the measure, or for any other reason, said transactions shall be considered in default and reported as such to the parties, the competent oversight entity, and the body or authority that has decreed the judicial or administrative measure. The transactions in default shall be excluded from clearing and settlement in the Central Securities Depository and in *Banco de la República*´s system of Central Bank Accounts, the responsibility falling on Agents to undertake judicial or extra-judicial collection, or to make claims in the liquidation or insolvency proceedings involved, for their respective credits to be

recognized and paid, in accordance with the procedures and provisions in force. To this end, the System Manager shall, at the request of the Agent concerned, certify the transactions in default.

The SEN Manager shall proceed in accordance with Article 13 hereof, if notified of a suspension-of-payments order against an Agent of the System, arising from the seizure of property, assets and earnings, the initiation of forced or voluntary liquidation, or the admission or filing of any other insolvency proceedings or universal debt restructuring procedure having similar effects. Accordingly, the System Manager shall proceed, in such a case, to close access to the System for the Agent affected by the order and to reject all Quotes initiated by or in the name of said Agent that have not been closed or registered in the System, as the case may be.

31. **Resolution of conflicts:** Agents shall endeavor to reach direct and amicable resolution of any disagreement or controversy arising between them in connection with one or more transactions that have been or should have been processed through the SEN System. To this end, the Agents involved may request information from the System Manager on data recorded in the System.

    This notwithstanding, Agents reserve the right to have recourse to any other legal mechanism for settling the controversy, preferably by using alternate forms of conflict resolution, such as arbitration, conciliation and amiable composition

    At all events, the System Manager shall not mediate, arbitrate or settle any controversies that may arise between Agents or between the latter and their respective clients in connection with transactions made or registered in the System, the Manager's action in this regard being limited to providing the information referred in this Article.

32. **Conflict of interest:** Pursuant to the exception stated in Part 2, Book 15, Title 1, Chapter 2, Article 2.15.1.2.4 of Decree 2555/2010, or the provisions that might amend, supplement or substitute for it in the future, Banco de la República may act as a counterparty in the Electronic Trading System (SEN) in fulfillment of its constitutional and legal functions.

    For such purposes and to avoid any conflict of interest, the actions of Banco de la República shall be subject to the following rules:

    − Segregation of duties: The functions of System Administrator shall be independent and separate from those associated with acting as counterparty in transactions closed through the System.
    − Segregation of users: The users, passwords and profiles to perform the functions of System Administrator shall be assigned separately of those required to act as a counterparty in transactions closed through the System.
    − Hierarchical Segregation: The function of System Administrator shall be part of a different chain of command than the one applicable to engaging in transactions through the System as counterparty.

33. **Auditing of the System:** The SEN System is under the control of the Auditor of *Banco de la República*, pursuant to Act 31/1992, Article 48, and Decree 2520/1993, Articles 71 to 74, as amended, supplemented or substituted.

34. **Operation Manual:** *Banco de la República*, acting through the Deputy Governor's Office for Payment System and Banking Operation Division, shall develop the provisions hereof in an Operation Manual to facilitate their dissemination to, and understanding by, System participants, and also to specify the technical and operating features required for the System's safe and efficient functioning. The Operation Manual shall bring together and describe in detail, inter alia, the specific rules for operation of the trading Tiers, the requirements for Quotes, the Limits or Lines of Credit, operating hours and, in general, all other aspects that may be necessary for ensuring the SEN System's proper and secure functioning.

35. **Scope, approval and amendment of the Regulations:** The Manager shall set forth in the Regulations the general provisions adopted in connection with securities trading, registration of transactions and admission of members.

    The concepts laid down in the present Regulations, including amendments or additions thereto, shall be submitted for prior approval by the Financial Superintendent.

    Any amendments or additions hereto that may become necessary shall be made by the Manager, who shall obtain approval from the Deputy Governor for Payment System and Banking Operation Division before submitting them to the competent authority.

36. **Effective date:** The present integral amendment to the Regulations shall enter into effect on the working day following that on which the Financial Superintendent formally communicates to *Banco de la República* the resolution whereby it gives its approval.