Latin America

SECURITIES FINANCE USER GUIDE 2025

EQUILEND

ISLA AMERICAS

LATIN AMERICA

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EXECUTIVE SUMMARY

The Latin America Securities Finance User Guide 2025, jointly produced by EquiLend and ISLA Americas, provides a comprehensive overview of securities finance activity across the region's key markets. This edition highlights both the progress made since the last guide and the new opportunities and challenges shaping the years ahead.

Brazil remains the most developed and liquid market in the region, with B3 continuing to serve as the sole venue for trading, clearing, and post-trade services. Significant growth has been observed in both equities and fixed income, with regulatory authorities maintaining a mandatory CCP structure for securities lending. While this model enhances stability and risk management, it also presents challenges for foreign participation. Recent collaboration between B3, regulators, and ISLA aims to enable non-resident participation and foster deeper liquidity.

Mexico has seen increased market activity across its dual stock exchanges (BMV and BIVA) and in the fixed-income repo market. Securities lending primarily occurs on regulated platforms ValPre and MEI PresVal, with Banxico actively supporting fixed-income lending through its market-maker program. Regulatory reforms are expected to expand participation by mutual funds, pension funds, and insurance companies, while demand for both equity and fixed-income lending continues to grow.

Chile continues to benefit from a stable fiscal environment and strong institutional investor base, particularly pension funds (AFPs). Equity lending volumes remain steady, with OTC platforms facilitated by the Santiago Exchange providing market access. Collateral management remains an area of development, with future improvements expected as part of Chile's role in the nuam market integration initiative with Colombia and Peru.

Colombia has recorded strong growth in securities lending transactions, driven in part by pension fund activity and recent regulatory reforms supporting short-selling. The market operates through both exchange and OTC models, with the Cámara de Riesgo Central de Contraparte (CRCC) serving as the CCP for exchange-based trades. Continued modernization of repo and lending practices is helping Colombia maintain its standing within global indices and attract international investors.

Peru has a smaller but strategically important market, with equities trading concentrated in a limited number of liquid stocks and fixed-income activity largely driven by government bonds. Securities lending volumes remain modest, though regulatory and infrastructure reforms are underway to establish a CCP and expand opportunities for international participation.

Nuam, the regional integration project across Chile, Colombia, and Peru, represents one of the most ambitious capital markets initiatives in Latin America. The development of a single trading, clearing, and settlement framework is expected to create a harmonized securities lending model based on international best practices, significantly increasing cross-border opportunities for both local and international investors.

Together, these developments highlight a region of diverse but interconnected markets. While Brazil and Mexico lead in terms of market size and infrastructure, the growth of nuam and ongoing regulatory reforms across multiple jurisdictions point to a more integrated and dynamic future for securities finance in Latin America.

EquiLend and ISLA Americas remain committed to working closely with regional participants, regulators, and market operators to foster transparency, efficiency, and growth as the securities finance markets in Latin America continue to develop.

MEXICO

1 MXN=0.05437 USD as of October 7, 2025
1 USD=18.3935 MXN as of October 7, 2025

GENERAL MARKET OVERVIEW

The Mexican economy grew 3.2% in 2023, slowed to 1.5% in 2024, and according to Banxico's latest report, is estimated to grow 0.6% in 2025 and 1.1% in 2026. The country faces significant uncertainty with the start of a new government that secured almost full control in both chambers in the most recent election and has already begun implementing controversial constitutional reforms, the most impactful being the recently passed Judicial Reform. Another challenge will be reducing the fiscal deficit, which is estimated at 3.9% of GDP in 2025, especially considering that social programs already represent a large share of expenditures. Both issues will be highly relevant for the evolution of the country's credit rating

Banxico closed 2024 with a policy rate of 10.00% and continued its easing cycle throughout 2025, reaching 7.50% as of October 2025. Annual headline inflation ended 2024 at 4.66% and continued to decline, reaching 3.74% in September 2025. Core inflation also decreased, registering 4.26% in September 2025. The Board has indicated that the current inflation environment could allow for further reductions in the reference rate, and market expectations point to a possible rate of 6.75% in 2026

Exchange Highlights

The Mexican market has two stock exchanges: the Bolsa Mexicana de Valores (BMV) and the Bolsa Institucional de Valores (BIVA), one derivatives exchange (MexDer), and two securities lending platforms (ValPre and MEI PresVal). Local securities lending market transactions occur primarily through these two platforms

The Mexican Stock Exchange (BMV) is the largest stock exchange in Mexico and the second largest in Latin America. The second exchange, Bolsa Institucional de Valores (BIVA), was launched in 2018 and in 2025 holds a market share of approximately 21% of traded value. The average daily trading volume on the BMV is MXN 17,904 million, with 57% corresponding to domestic equities and 43% to global market securities.

145 | NUMBER OF COMPANIES LISTED (EQUITY)
515 | NUMBER OF COMPANIES LISTED (DEBT)
3,800 | NUMBER OF COMPANIES LISTED (GLOBAL – INTERNATIONAL QUOTATION SYSTEM)

MexDer, the Mexican Derivatives Exchange, along with its clearing house (ASIGNA), was founded in 1998 and in 2025 reports an average daily open interest of approximately 138,455 contracts in futures and swaps.

Equities

The most important regulator of the equity market is the National Banking and Securities Commission (CNBV). Additionally, the BMV has issued its own regulations. The legislative framework is composed of various laws and provisions issued by the authorities:

Laws
- Securities Exchange Act
- Investment Funds Act

General Provisions
- Provisions applicable to issuers
- Provisions applicable to brokerage houses
- Provisions applicable to investment funds
- Provisions of external auditors
- Provisions applicable to the international quote systems

Other Provisions

- Best Corporate Practices Code

The S&P/BMV IPC is the main indicator of the Mexican market, expressing stock market returns based on the price variations of a balanced, weighted constituent list that includes the 35 listed equities with the highest market capitalization.

Fixed Income

Another notable market in Mexico is the fixed income market, where, as of April 2025, sovereign debt held by foreign investors was valued at US$97.9 billion. Of this, US$78.0 billion corresponded specifically to fixed-rate bonds.

Within the fixed income market, the repo market is primarily used by treasuries and financial institutions to allocate excess cash. According to the Central Bank, this market is valued at approximately US$80.0 billion in daily operations

Securities Borrowing and Lending (SBL) Market Size

Equities

Although MEI PresVal can be used for equity lending, ValPre is used by market participants as the primary platform for equity lending.

Fixed Income

In 2000, the Ministry of Finance established the role of market maker, which led to the creation of a specific submarket. Among the rights granted to market makers is a securities lending program with the Central Bank (Banxico) as the lender. These operations have a one-day maturity and account for approximately 69% of the securities lending market related to fixed income securities (sovereign and public sector debt). This represents, on average, about US$5.9 billion per day in 2025

General Securities Lending Market Structure

Securities Lending Model

As previously mentioned, almost all securities lending operations are executed on one of the platforms (ValPre or MEI PresVal), in accordance with local regulations. These are the only regulated and approved platforms by the Central Bank (Banxico) and CNBV. However, some participants, such as banks and broker-dealers, may have a bilateral contract equivalent to the GMSLA.

Market Participants and Their Roles and Responsibilities

• Brokers: Brokers facilitate securities lending transactions by acting as intermediaries with individuals and/or institutional investors.

• Agents: Most broker-dealers act as agents of their financial groups.

• Local Suppliers: Mandatory pension funds are the biggest lenders. Mutual funds, insurance companies and individuals also participate as securities lenders.

• Platforms: MEI Presval and ValPre-FV are the two authorized trading platforms where deals are confirmed.

• Regulators: The Central Bank (Banco de México) and the National Banking and Securities Commission (CNBV) are the main regulatory authorities.

• Indeval: Custody, clearing and settlement agent.

• Vendors: Valmer and PIP are the two market information providers.

Securities Eligible for Shorting/Borrowing

Regarding equity lending, all securities subject to securities lending operations must be registered in the National Securities Register (RNV) and deposited in the central securities depository, Indeval.

BMV classifies the listed shares as high, medium, low, minimum and no liquidity. Participants in the securities lending market can engage in operations of equities classified as high, medium, or low. To engage in operations involving stocks with minimal or no liquidity, participants must be previously authorized by the CNBV.

Collateral Requirements

With respect to collateral requirements, stocks classified as having high or medium liquidity can be used as collateral, as can cash, fixed income securities and mutual funds. Each platform has its own valuation model for collateral. ValPre-FV applies a margin to the price of the securities on loan and a haircut to the price of the collateral. These margins depend on the correlation between the securities and the collateral and have a specific methodology to determine the margin and haircut of each security. MEI PresVal only applies a haircut to the price of the collateral, depending on the maturity of the securities, the correlation between the securities and collateral, and the counterparty profile, which can be defined by the lender as aggressive, moderate or conservative.

In both platforms, securities and collateral are valued on a daily basis, and margin calls may be requested from the borrower if the collateral value falls below the minimum maintenance margin level.

An important characteristic of the Mexican securities lending market is eligibility. On both platforms, the lender has the option to parameterize accepted counterparties and collateral.

Securities Lending Legal Structure

The regulatory framework for securities lending is defined by the Central Bank in the document, “Rules for credit institutions, brokerage houses, mutual funds, pension funds and the rural financial institution when engaging in securities lending operations.” Other laws and provisions that regulate securities lending operations for specific participants are the Insurance Companies Act, the Retirement Savings System Act, the Provisions Applicable to Brokerage Houses and the Provisions Applicable to Investment Funds.

Operational and Post-Trade Structure

General

Indeval acts as the central depository for all securities traded on the BMV, and it also provides clearing and settlement services for governmental and banking securities. Securities lending transactions can be settled on T+0, T+1 and T+2.

Position and Settlement Control

Securities lending transactions effected through Indeval are settled using a delivery versus payment model (DVP). Once instructions have been uploaded and accepted in the system, securities and cash accounts are verified for sufficient availability prior to settlement.

Each platform has its own system for orders, registration and collateral management. Both support functionalities such as renewal, cancellation (which requires approval from both counterparties), margin calls, collateral substitution and early settlement.

Challenges With the Current Securities Lending Model

Mexico’s securities lending market has growth potential due to the considerable size of its largest participants in terms of assets under management (AUM). There are currently 36 broker-dealers authorized by the CNBV for 2025.

Mutual funds, mandatory pension funds, and insurance companies have a combined AUM of approximately US$634 billion, which represents almost 33% of national GDP. At the same time, some of these potential suppliers have regulatory constraints regarding securities lending. Pension funds may serve only as lenders and are restricted to fixed-income securities.

There are currently 10 mandatory pension funds (Afores) in Mexico, four of which manage more than 70% of the market.

AFORE	AUM $US BILL	SHARE
XXI-BANORTE	65	19%
PROFUTURO	62	18%
CITIBANAMEX	53	16%
SURA	52	16%
COPPEL	25	8%
PENSIONISSST	22	7%
PRINCIPAL	18	5%
AZTECA	15	5%
INVERCAP	14	4%
INBURSA	9	3%
TOTAL	**335**	**100%**

Further information regarding mandatory pension funds, their AUM and their allocations can be found on CONSAR’s website.

It is expected that regulation changes will allow mutual funds, mandatory pension funds and insurance companies to engage in equity lending transactions.

Other regulatory changes expected include the elimination of the requirement for requesting CNBV authorization to engage in securities lending transactions related to low- or no-liquidity stocks. Changes in the fiscal law regarding a tax rate reduction are also expected.

Although high-liquidity stocks and government debt are the most commonly borrowed securities, there is also high demand for medium- and low-liquidity stocks, as well as for corporate bonds, international equities listed in the International Quotes System, bank securities and ETFs.

Fostering foreign investors’ participation in the Mexican securities lending market is a challenge, but it would certainly increase the supply of these types of securities.

LATIN AMERICA - BRAZIL

BRAZIL

1 BRL=0.1615 USD as of December 31, 2024

Exchange Highlights

NUMBER OF COMPANIES LISTED | 428
BRAZILIAN COMPANIES WITH LISTED ADRS | N/A
MARKET CAP | R$4,435 billion BRL / $732billion USD
November 2024

Equities

B3 is currently the only venue providing trading and clearing services for Brazil's equities market, offering a wide array of products, including cash, options, futures, forward contracts and securities lending services. B3 utilizes a vertically integrated infrastructure, performing all trade and post-trade activities. The table below shows the evolution of the various markets over the years. The average daily trading volume was BRL 26.43 billion as of November 2024, representing a significant increase from prior years.

Equities Market

CASH MARKET | 25,370 million BRL
FORWARD MARKET | 341 million BRL
OPTIONS MARKET | 724 million BRL
TOTAL | 26,435 million BRL
AS OF NOVEMBER 2024

Fixed Income

Brazil's fixed income market includes cash instruments such as government bonds, corporate securities as well as bank CDs, in addition to various products traded through B3's derivatives markets.

Fixed Income, Currency and Commodities Derivatives (# contracts)

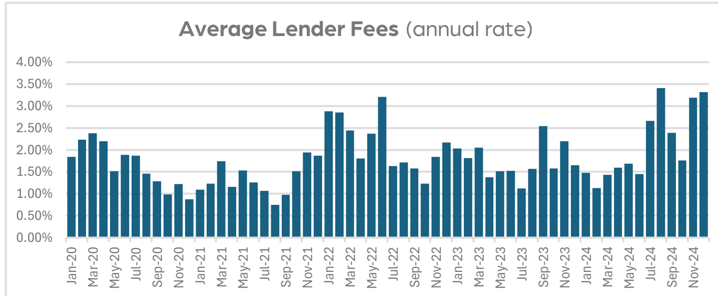
INTEREST RATES IN BRL | 4,027,192
FX RATES | 1,067,664
INTEREST RATES IN USD | 318,406
COMMODITIES | 34,207
FUTURE OS CRYPTOASSETS | 242,485
ADTV TOTAL/ TOTAL DERIVATIVES VOLUMES | 5,689,954
AS OF NOVEMBER 2024 - MINI CONTRACTS WERE WEIGHTED IN THEIR RESPECTIVE STANDARD CONTRACTS.

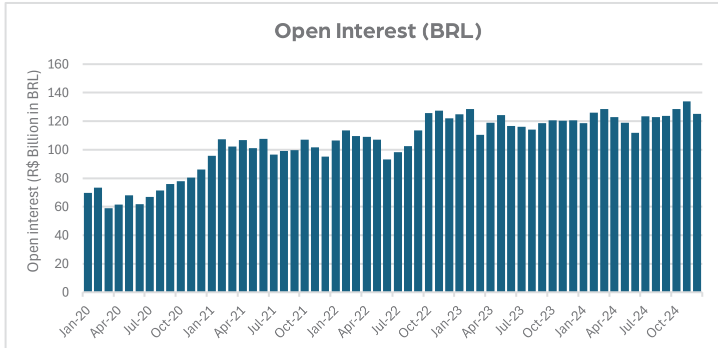
Exchange Growth Expectations

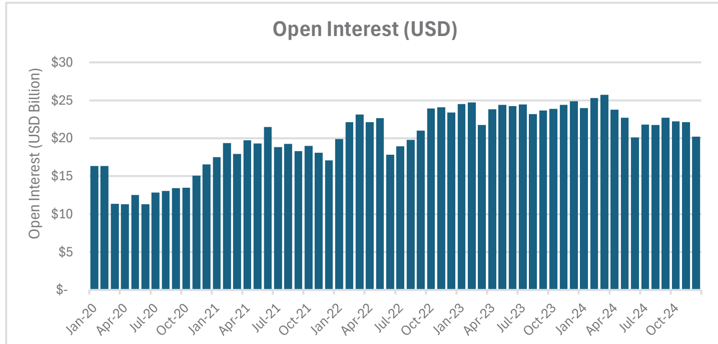
One of the primary objectives of B3 in the securities lending market is to attract new local and international investors, primarily on the lending side.

Securities Borrowing and Lending (SBL) Market Size

SBL - Equities

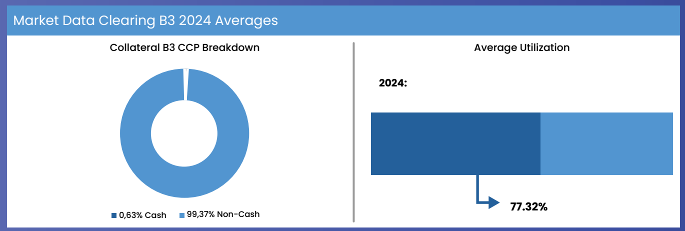






SBL - Fixed Income

The Central Bank of Brazil (BCB) and the country's securities and exchange commission (CVM) require a CCP for the clearing of both equities and fixed income securities loans.



Repo Market Size

Fixed Income

Open market operations conducted by the Central Bank of Brazil (BCB) involve borrowing overnight funds to manage short-term liquidity. In 2024, the average financial volume of these operations reached R$1.3 trillion.

The secondary repo market is predominantly utilized by treasuries and financial institutions to allocate cash surpluses. According to BCB, this market is valued at more than BRL 2.1 trillion on a daily basis, primarily through overnight transactions.

The secondary market is largely concentrated in over-the-counter (OTC) operations. In 2023, B3 introduced the option to activate a central counterparty (CCP) for these operations. Under this framework, borrowers and sellers are required to meet margin requirements set by the exchange, which are based on the traded government bond (GB).

General Securities Lending Market Structure

Securities Lending Model

As the only venue providing securities lending services, B3 requires borrowers to post collateral in favor of the CCP prior to borrowing any positions to mitigate risk. Brazilian regulations mandate that all securities lending transactions be cleared by a CCP, meaning that B3 receives its registration from local brokers and is responsible for making the lender whole in case of a default. To guarantee the settlement of these transactions, the CCP collects collateral on a pre-margin basis and relies on a safeguard structure that has proven effective in the event of default. Additionally, the collateral is collected at the final investor level and calculated based on the open positions across different markets. Therefore, the total amount of collateral deposited in favor of the CCP represents the aggregate positions in the B3-listed market.

Securities Eligible for Collateral:

· Federal public security traded in Brazil (Government Bonds)
· Shares of a publicly traded company listed on B3
· Share deposit certificate (unit) of a publicly traded company listed on B3
· ADR (American Depositary Receipt) of a share eligible for acceptance as collateral
· BDR (Brazilian Depositary Receipts) of a share or ETF (Exchange Traded Fund) with a benchmark index composed of shares traded abroad
· Fixed income securities issued by guarantee-issuing banks: (a) Certificate of deposit (CDB); (b) Real estate credit bill (LCI); and (c) Agribusiness credit bill (LCA)
· Dollar
· Euro
· U.S. Treasury securities
· German Treasury securities
· Bank guarantee letter
· Shares of exchange-traded funds (ETFs) in Brazil
· Shares of the B3 Margin Guarantee Fixed Income Referenced DI Investment Fund in Fund Shares (FIC)
· Shares of the B3 Clearinghouse Liquidity Investment Fund (FILCB)
· Debentures (Corporate Bonds)

Market Participants and Their Roles and Responsibilities

Number of Local Players – Agent – Not applicable

Number of qualified Local Players in the CCP – Brokers – 40

Largest Players (as of November 2024) – Based on securities lending trading volume: XP, Itaú, BTG Pactual, Bradesco, UBS, Morgan Stanley, Merrill Lynch

• Brokers: Intermediate lender and borrower transactions and register them with the CCP
• Agent(s): Manage inventories of lenders and borrowers and are typically brokers or custodian banks
• Local suppliers: i.e., pension funds, investment funds in general, individuals
• Exchange: B3 acts as both service provider and central counterparty for securities lending transactions
• Central Bank: Conducts oversight of the CCP activities
• Regulators: Provide laws and rules that comprise the Brazilian regulatory framework for securities lending services
• Hedge funds: Execute long and short strategies, representing an important group of borrowers in the local market
• Vendors: Distribute market data and provide infrastructure for agreements to be registered with the exchange

Securities Eligible for Shorting/Borrowing

• Government Bonds (GB)
• All listed stocks (admitted for trading in the stock market)
• Units (assets composed of more than one type or class of securities)
• Exchange-traded index funds (ETFs)
• Sponsored Brazilian Depositary Receipts (BDRs)
• Unsponsored Brazilian Depositary Receipts
• ETF BDRs (Brazilian Depositary Receipts)
• Real Estate Investment Funds
• Equity Investment Funds
• Investment Funds in Agroindustrial Productive Chains (Fiagro)
• Fixed Income ETFs

Collateral Requirements

Before the inception of any new loan, the borrower is required to post 100% of the principal loan amount as collateral (the value of the loaned securities), plus additional margin to cover:

• Potential future exposure to fluctuations in the market price of the securities (market risk)
• Liquidity issues, involving both securities and derivatives, faced during the closeout process (liquidity risk)
• Credit and debit cash flow mismatches (debits before credits) during the closeout process (cash flow risk)

From a risk management perspective, the risk of each investor is calculated on a portfolio basis (which includes securities lending positions).

Clearing members and brokerage houses bear co-responsibility with borrowers for all loan settlements. At their discretion, clearing members may require additional collateral from the brokerage house, and in turn from the borrower.

Before entering into a loan agreement, lenders must place their securities in specific accounts within B3's central depository. During the loan lifecycle, on the borrower side, daily margin calls might occur as a result of mark-to-market adjustments to the value of the loaned securities or changes to the market risk scenarios and liquidity parameters of B3's risk model. The list of eligible collateral encompasses federal government bonds traded in Brazil, shares of stock listed on the exchange, bank CDs and international instruments such as U.S. dollars, ADRs and U.S. and German Treasury bonds.

Short Seller Market Access

• Investors must maintain a relationship with a local broker
• Brokers act as intermediaries between the lender and the borrower
• Brokers register the agreement with B3
• B3 transfers the lender's assets to the borrower, and the latter must pay the lender, on the maturity date, the remuneration previously defined in their agreement
• To collateralize a securities lending transaction, borrowers must post securities and assets accepted as collateral by the clearinghouse on a pre-margin basis, at a value sufficient to ensure the settlement of the transaction

Intermediation account feature

An intermediation account is a feature that enables brokerage firms to facilitate individual investors' participation in the securities lending market, particularly benefiting those with smaller asset holdings. Through this account, the brokerage firm borrows securities from eligible clients who are willing to lend, pooling these securities into a single contract. On the other side of the transaction, the brokerage firm lends these pooled securities to market borrowers under the same terms, including quantity, rate and maturity, through another contract.

Eligible participants for this feature include individual investors, investment clubs and non-financial corporations. It can be used by full trading participants (PNPs) and settlement participants (PLs) and is exclusively intended for facilitating securities lending transactions.
The benefits of an intermediation account include greater efficiency and scalability for brokerage firms, enabling individual investors to participate as lenders in the securities lending market even with small quantities. Additionally,

there is an exemption from fees on the borrowing side for the brokerage firm, and the stability of the contract is maintained, as the intermediation account allows for the replacement of retail lenders without the need to liquidate the operation. This system provides a structured and efficient way for individual investors to participate in securities lending, enhancing market liquidity and offering additional advantages for brokerage firms and their clients.

Securities Lending Legal Structure

Specific laws and rules governing the provision of securities lending services are as follows:

Laws

Law No. 4595/1964 sets forth the structure and organization of the Brazilian financial system and the roles of its agents, including the Central Bank of Brazil (BCB).
Law No. 6385/1976 ("Brazilian Securities Law") – sets forth the structure and organization of the Brazilian securities markets and the role of its agents, including the Brazilian Securities and Exchange Commission (CVM).
Law No. 10214/2001 provides for the activities of the clearinghouses and netting and settlement service providers within the scope of the Brazilian payment system, among other provisions.
Law No. 13043/2014 sets forth the taxation applicable to securities lending, among other provisions.

Rules

CVM Resolution No. 34/2021 provides for securities lending by clearinghouses and securities trade settlement service providers.
CMN Resolution No. 4952/2021 provides for the operations of clearinghouses and settlement service providers within the scope of the Brazilian Payment System.
CVM Resolution No. 135/2022 provides for the functioning of regulated securities markets.
CVM Resolution No. 160/2022 provides rules for short selling within the scope of public offerings of share distribution.
BCB Resolution No. 304/2023 regulates the systems operated by the clearinghouses and netting and settlement service providers that integrate the payment system.
Brazilian Revenue Service (RFB) Normative Instruction No. 1585/2015 – sets forth the income tax applicable to income and net gains generated in the financial and capital markets.

All transactions must be conducted by a CVM/BCB-licensed institution, duly authorized to operate both a central counterparty clearinghouse (CCP) and a central securities depository (CSD) for the custody of the securities. Currently, B3 is the only institution permitted to operate a securities lending facility in Brazil.

Operational and Post-Trade Structure

General

B3 has established connections with various local and international vendors that distribute securities lending data to different market participants. An increase in international investor participation would likely attract more global service providers to the region.

Traditionally, recall and cash-equities sale settlement cycles have not matched. However, within recent years, B3 has implemented changes to its post-trade environment, allowing those cycles to be fully matched in certain instances, specifically when a recall is made prior to 9:30 a.m. (local time).

Position and Settlement Control

Securities lending orders must be registered by either the broker, when derived from orders placed by borrowing or lending customers, or by settlement participants, when derived from orders placed by lenders.
The administration of the securities lending trade and post-trade processes is performed using two distinct systems within B3's clearinghouse environment: the Securities Lending Contracting System (BTB) for order entry and selection, and the Position & Settlement Control System (RTC) for position maintenance.

In total, the securities lending control system offers the following functionalities: agreement modification, renewal and cancellation (for handling exceptional cases involving operational errors), coverage and position transfers, corporate action processing, early settlement, and multilateral net settlement. After a pre-agreement is received through the RTC system, it undergoes assessment and position-limit approval before the system identifies it as a contract. This stage of the process also includes an assessment to verify whether the transaction poses a market risk to the borrower.

Settlement Process

The settlement of transactions is performed on a real-time gross settlement basis. For lenders, early settlement requests submitted by the lender before 9:30 a.m. (local time) will be scheduled for T+2; those submitted after the market opens will be scheduled for T+3. Borrowers' early settlement requests are scheduled for the T+1 settlement window.

Challenges With the Current Securities Lending Model

External Rules and Regulations

As previously described, all securities lending transactions must be cleared by an authorized CCP in Brazil. Despite the many benefits, the CCP model differs from bilateral models adopted by lending markets around the world. For instance, certain features of B3's model (e.g., collateral management performed by the CCP) prevent asset owners such as 1940 Act funds, UCITS and ERISA pension plans from participating in lending due to current regulatory requirements that apply to these types of entities. As such, unless some relief is granted by the relevant regulators, the growth of the securities lending market in Brazil could be hindered.

Collateral Challenges

Brazil's CCP model has specific rules pertaining to acceptable forms of collateral, collateral management, as well as transparency/reporting of collateral, which have impacted foreign investor participation.

Miscellaneous Challenges

• There is a penalty charge applied to failure to deliver, according to the table below:

Date of failure	Minimum fine	Additional fine
T+2	0.5% limited to BRL50,000.00	0,50%
T+3	0.5% limited to BRL50,000.00	4,50%

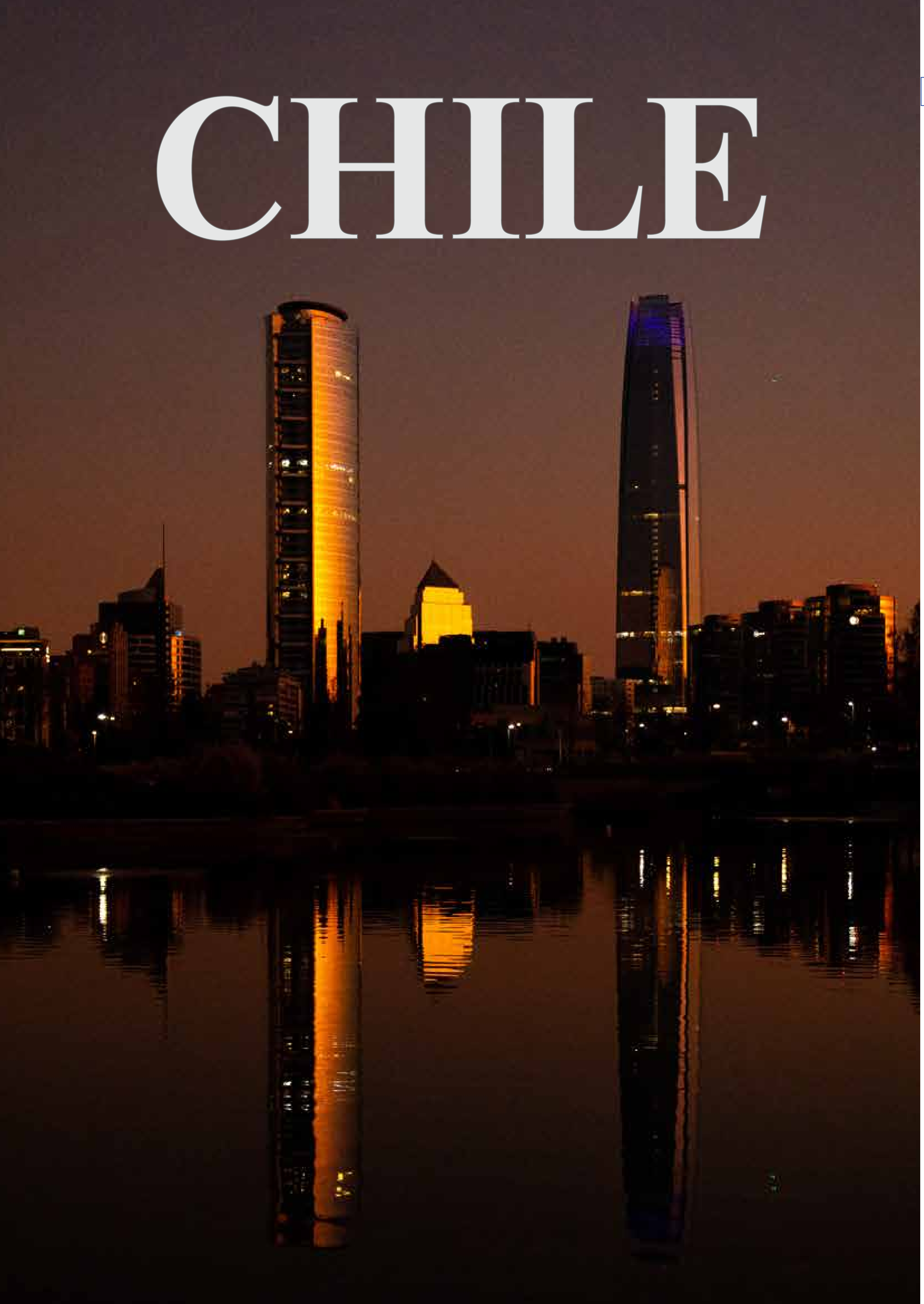
• Failing sales might be covered by a compulsory securities lending process for which B3 charges the failing counterparty.

Synthetics

Synthetic short access is generally available to offshore participants due to the onshore-to-offshore securities lending framework. The predominant borrower access is for non-MSCI listings. Synthetic access is possible for single stocks and indices, and can be overnight or longer-term dated.

Future Developments

As part of its ongoing effort to develop the SBL market, B3 is actively collaborating with ISLA, local institutions, and Brazilian regulators to design a regulatory framework that accommodates non-resident participation. This framework ensures that principal risk can be managed bilaterally outside the CCP while maintaining market risk control within the CCP. This new model aims to increase market liquidity, enhance quality and decentralize supply, create market-making opportunities, reduce fees and ensure contract stability. B3 is also collaborating with ISLA to build a model that meets all regulatory, legal and operational requirements.



CHILE

General Market Overview

Exchange Highlights
188 | NUMBER OF COMPANIES LISTED
6 | CHILEAN COMPANIES WITH LISTED ADRS / GDRS
166 | MARKET CAP (US$ BILLION)

December 2024
Source: BCS

As of December 2024, Chile's market capitalization stood at US$166 billion. This value reflects the stability of the Chilean market, characterized by a sound fiscal environment and a flexible exchange rate, as well as its position as a world leader in copper production.

Equities

The Santiago Exchange (BCS) remains the primary venue for stock market transactions in Chile, with a predominance of the materials, energy and financial sectors. There are 188 companies listed on the stock exchange, with 95% of them traded regularly. The S&P/CLX IPSA index has shown an annualized return of 7.5% over the past five years, with 18.5% volatility primarily driven by the mining and financial sectors.

Fixed Income

The fixed income market in Chile consists mainly of debt and represents a substantial portion of the local securities market. The primary players include pension funds, known as AFPs, mutual funds, and foreign investment funds. The main currencies used in this market are the Chilean peso (CLP), the Chilean Unidad de Fomento (UF), and to some degree, the U.S. dollar (USD).

Securities Borrowing and Lending (SBL) Market Size

Equities

In Chile, equity lending is permitted for short selling and other investment purposes. Trading value in equity lending reached US$2.1 billion in 2024, with a monthly average of US$0.173 billion from January to December of that year.

Fixed Income

The lending of fixed-income securities is available for trading on OTC (over-the-counter) markets and is facilitated by technology from the Santiago Exchange. This technology enables the assignment of beneficial owners and integrates with risk management and collateral systems.

Repo Market Size

Equities

This market is primarily used by institutional investors, such as pension funds and mutual fund managers, to leverage investment strategies or raise capital without losing exposure to strategic stocks. Repos also provide a way to capitalize on quick investment opportunities or hedge short-term positions, especially during times of market uncertainty.

Fixed Income

Fixed-income repos provide pension funds (AFPs), mutual funds, and banks with a quick source of funding, helping to improve risk management in their portfolios. This market is strategic for portfolio management, as it provides investors with an option to meet their short-term obligations or take advantage of investment opportunities without losing exposure in their debt positions.

General Securities Lending Market Structure

Securities Lending Model

In Chile, securities lending operates in OTC markets, using technological solutions provided by BCS. These solutions range from quoting and assigning beneficiaries to risk and collateral management.

Market Participants and Their Roles and Responsibilities

The securities lending market in Chile operates under a bilateral model, in which lending agents are brokerage firms. Through securities lending programs, brokers let their customers offer or request loans to develop investment strategies. The main lending customers are the AFPs, while the main borrowers are investment funds and the trading desks of the brokers themselves.

Securities Eligible for Shorting/Borrowing

Securities eligible for shorting/borrowing include both equities and fixed-income instruments, depending on the criteria established by theBCS.

Supply Constraints

Although AFPs have a wide variety of securities in their portfolios, they are not always available for lending in the market. This may be due to internal policies or regulatory and operational constraints.

Collateral Requirements

The collateral model used in Chile transfers collateral in favor of BCS and blocks the collateral in the Central Securities Depository (DCV).

Collateral Issues

Since collateral is blocked in the DCV, the beneficiary cannot reinvest it in other assets.

Short Seller Market Access

Short sellers access the market through brokers. Brokers register investors by signing a simple electronic contract using blockchain technology to ensure the security and transparency of the process.

Operational and Post-Trade Structure

BCS offers complete collateral management and custody services. This includes the entry of asset and cash collateral, risk management through daily analysis of the lent asset and its respective collateral, as well as the associated margins.

Settlement Process

Chile operates on a T+2, T+1 and T0 settlement cycle for securities lending.

Challenges With the Current Securities Lending Model

Collateral

Improve the current system for setting up and managing collaterals by automating the process.

Include more flexible collateral management alternatives.

Synthetics

Synthetics represent derivative financial instruments designed to replicate the behavior of other assets without requiring ownership of the underlying assets. In the Chilean market, the use of synthetics could represent a future growth opportunity, offering investment alternatives for portfolio diversification without incurring the direct purchase of assets.

Future Improvements

As part of the current stock exchange integration process (nuam), an OTC securities lending model is being developed in line with international best practices. The new model will include collateral management services, lending pools, and automated processes.

COLOMBIA

General Market Overview

Exchange Highlights
59 | NUMBER OF COMPANIES LISTED
8 | COLOMBIAN COMPANIES WITH LISTED ADRS
$73 | MARKET CAP (US$ BILLION)

December 2024
Source: BVC

Equities

Colombia's market capitalization in 2024 was US$73 billion. In 2023, the value traded in the equity market totaled US$3.3 billion, while it reached US$5.1 billion in 2024, representing a 53% increase compared to 2023.

Fixed Income

The fixed-income market in Colombia saw total growth of 16% in 2024, reaching US$3.77 billion per day in the stock exchange trading sessions. Specifically, public debt and corporate debt saw respective increases of 20% and -19% in their segments. Within this dynamic, the best-performing segment was the sovereign debt funding segment through buy/sell-back transactions, which grew at an annual rate of 24%, recording an average daily trading volume of US$2.41 billion. Of this value, 86% is concentrated on fixed income via the clearing house segment.

Exchange Growth Expectations

Securities Borrowing and Lending (SBL) Market Size

Equities

In terms of securities lending transactions (TTV – Transferencia Temporal de Valores), in 2024, US$90 million were traded, representing a 207% increase compared to the previous year, demonstrating resilience in a challenging environment.

To boost the liquidity of securities and maintain Colombia's position in the MSCI Emerging Markets Index in collaboration with representatives of the public sector, the Colombian Financial Superintendency, the Financial Regulation Unit, trade associations, issuers and intermediaries, various strategies have been implemented, such as more active participation of pension funds (AFPs) in the securities lending market (TTVs). In 2024, AFPs accounted for 79.3% of the value in TTVs from the lender side.

Repo Market Size

In an effort to generate greater efficiencies, as of 2023, the central counterparty clearinghouse (Cámara de Riesgo Central de Contraparte, CRCC) established a methodology to determine the securities eligible for repo transactions. For fixed-income instruments, the stock exchange indicates which securities are available for repo based on liquidity.

Equities

By the end of 2023, a total of US$0.427 billion had been traded. In 2024, US$0.588 billion had been traded.

Fixed Income

For the fixed-income market, the most used funding transactions are buy/sell-back transactions, with a value of US$156.5 billion in 2024.

General Securities Lending Market Structure

Securities Lending Model

Securities lending in Colombia operates under two main models. The first, the central counterparty exchange model, can only be accessed directly by brokers. These brokers must have contracts or authorization agreements with their customers to lend or borrow securities. Lending occurs in the trading system provided by the exchange, through a trading desk (temporary transfer of securities, or TTV in Spanish), where traders enter orders into the order book entry indicating the assets to be lent, the initial and the final transaction days, and recall condition, whether by mutual agreement or unilateral decision.

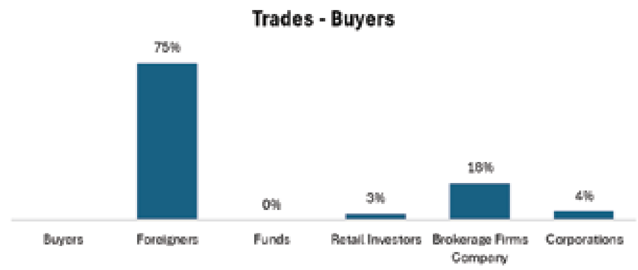
In the second model, the over-the-counter (OTC) model, brokers and custodian agents must comply with all the requirements stipulated in the exchange regulations. Additionally, custodian agents must enter into a broker engagement agreement in order to participate in this market.

Beneficial owners may sign authorization agreements with custodial agents or brokerage firms to manage securities lending. These agreements outline the primary terms of the loan, including types of securities, duration, collateral, counterparties, recall, and rollover provisions, among others.

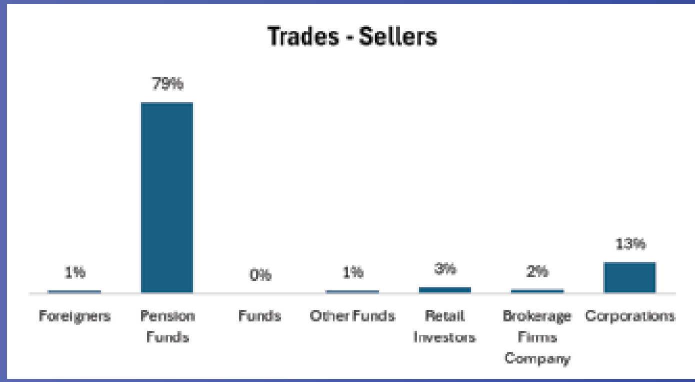
The registration process begins with the lender, who performs the pre-registration. The borrower must confirm or reject this registration. Once the loan instruction is confirmed, securities are automatically transferred from lender to borrower.

Market Participants and Their Roles and Responsibilities

Trading value by type of investor



Participation by type of investor - buying and selling



Roles and Responsibilities of Market Participants

- Superintendencia Financiera de Colombia (SFC): This entity is responsible for supervising and regulating the securities market in Colombia. The SFC grants authorizations to Broker houses to trade in the public securities market and to local and foreign companies to become issuers of securities.

- Bolsa de Valores de Colombia (BVC): This entity is responsible for providing the necessary infrastructure for trading on the X-Stream trading system. SCBs enter the buy/sell orders of each customer.

- Depósito Centralizado de Valores (Deceval): This entity is the Colombian CSD, is responsible for transferring securities from sellers to buyers.

- Cámara de Riesgo Central de Contraparte (CRCC): This entity acts as counterparty in cash transactions entered into and supplemented in bvc, to mitigate the risks associated with the counterparty and provide efficient risk management.

- Autorregulador del Mercado de Valores (AMV): This is the entity that oversees compliance with all market regulations, disciplining those who violate them and certifying the technical suitability of market professionals, in addition to handling complaints related to the activity of securities market intermediaries.

- Sociedades Comisionistas de Bolsa (SCB) – Brokers: Investors turn to these entities to gain access to the market. Brokers advise customers on how to maximize their returns on investments.

Securities Eligible for Shorting/Borrowing

All stocks listed on the stock exchange–including ETFs and securities of the Colombian Global Market–are available for lending.

In 2023, the short-selling section of Decree 2555 of 2010 was clarified by the government, stating that securities in the Colombian Global Market may be available for short sales, subject to the methodology established by the exchange.

Collateral Requirements

Collateral on Transactional Loans

In the Colombian market, securities lending transactions must be collateralized. Cash or securities can be posted as collateral, depending on the risk model required by the Colombian central counterparty (CRCC) for equities. For fixed income, the collateral is defined by the stock exchange.

Collateral on OTC Loans

Collateral is administered and managed by the parties involved in the loan through established bilateral framework agreements and/or contracts. This collateral can be registered through the depository system and can be blocked in the borrower's or lender's account. Collateral can also be transferred from borrower to lender. However, the system does not control the collateral assignment process or administration.

Short Seller Market Access

To generate direct effects on liquidity, stock market depth, and better price formation, Decree 1239 of 2024 incorporates operational improvements for short sales. These improvements facilitate short sales and promote market development. This eliminates the uptick rule, which required the price entered into the system to be at least equal to the last price that was marked in the exchange trading system. Now, the short transaction trading price will be subject to the trading methodologies defined by the stock exchanges and the securities trading and registration systems.

These methodologies may include price limits, depending on the specific conditions of each security.

On the other hand, short sellers will have until the settlement day as the deadline to complete all transactions necessary to cover the short sale. The short sale can be offset by any transaction authorized under the stock exchange regulations. For example, short sellers may use securities lending, purchase securities involved in the short sale, or carry out any transaction on securities in an ADR program, securities listed simultaneously in the local market, or securities in trading systems recognized by the Colombian Financial Superintendence (SFC), which is the entity responsible for supervising and regulating the securities market in Colombia.

Finally, the short position is still marked in the system but will not be exposed to the market. Information on short sales made in the trading system will be published by the exchange through stock exchange reports.

Securities Lending Legal Structure

Decree 1239 of 2024 also introduced regulatory amendments that created recurring securities lending programs managed by brokerage firms. These programs only apply to securities registered in the National Registry of Securities and Issuers (RNVE) and to foreign securities listed in a system pursuant to Title 6, Book 15, Part 2, Decree 2555 of 2010.

Operational and Post-Trade Structure

General

On August 18, 2020, the clearing and settlement of transactions through the Cámara de Riesgo Central de Contraparte (CRCC) was implemented in the stock market. This change eliminated counterparty quota controls, enabling a more dynamic market within a secure and reliable environment for participants. Through the CRCC, these transactions are collateralized and settled in accordance with the established risk model.

This settlement process facilitates the transfer of the asset subject to the transaction and the collateral, while also improving control over the positions and reducing costs for the parties involved. OTC securities lending transactions are settled bilaterally in the market and are recorded through the registration system designated by the stock exchange for this purpose.

Position and Settlement Control

The Colombian CCP (CRCC) implements various controls for position management and settlement of securities lending. These controls mitigate risks and generate efficiencies in the settlement process.

The CRCC acts as an intermediary between the parties, ensuring that transactions are cleared and settled safely and efficiently. This includes the transfer of securities and collateral between lenders and borrowers. Furthermore, by managing the collateral, the CRCC ensures that the parties' obligations are fulfilled. It continually monitors positions and collateral, ensuring that they remain within established limits and that any variation in collateral is properly managed.

For OTC securities lending, the parties control positions and collateral bilaterally. Therefore, these scenarios should be contemplated in bilateral framework contracts.

Settlement Process

Colombia operates on a T+2 settlement cycle for transactional securities lending, while for OTC securities lending, the settlement cycle is T+0.

Challenges With the Current Securities Lending Model

Collateral

The lack of a platform for risk control and collateral management in OTC securities lending limits the use and adoption of this mechanism by local brokers.

Miscellaneous Challenges

The technological infrastructure for managing and registering OTC securities lending may not be fully developed and automated, which discourages participants from using it.

Future Developments

As part of the current stock exchange integration process (nuam), an OTC securities lending model is being developed in line with international best practices. The new model will include collateral management services, lending pools, and automated processes.

PERU

General Market Overview

Exchange Highlights
192 | NUMBER OF COMPANIES LISTED
3 | COMPANIES WITH ADRS
US$185 | MARKET CAP (US$ BILLION)

December 2024
Source: BVL

Peru is an emerging market that ranks among the fastest-growing countries in Latin America, boasting a long record of low inflation, a stable exchange rate, and manageable public debt. Peru is a commodity producer with some 63% of its exports derived from mining. It has a growing middle class and is one of the strongest demographics in the region. Commerce is open and there is free movement in both the U.S. dollar (USD) and the local currency, the Peruvian Sol (PEN). Strong external demand for both traditional and nontraditional exports has provided a stimulus to growth prospects in Peru.

Equities

In 2024, trading on the Lima Stock Exchange (BVL) totaled US$6.144 billion, when the number of transactions on the BVL reached 232 billion. At the end of 2024 Peru's market capitalization had reached a total of US$184.6 billion.

Most BVL trading occurs in the equities spot market, with the materials and financial sectors accounting for the largest share. Most of the 192 listed companies have a small free float, as only about 40 stocks are traded regularly on the exchange, according to the S&P/BVL Peru General Index. Over the past five years, the country's key index, the S&P/BVL Peru Select, has delivered a total annualized return of 7.40% with an annual volatility rating of 20.31%

Investors can trade in PEN or USD, and most regularly traded BVL stocks were exempt from capital gains tax until 2023; however, in 2024, this exemption was lifted. While Peru uses a T+2, delivery versus payment (DVP) settlement system, transaction costs may be higher relative to other markets due to a smaller float size. However, new features, such as market making, have helped to reduce differentials.

It is also expected that in 2025, the Securities Market Superintendence (SMV)–the Peruvian market regulator–will publish regulations enabling the creation of a central counterparty clearinghouse (CCP), which would put Peru on equal footing with its peers in other countries.

As of May 2024, the settlement cycle for securities with a dual listing, or RV3, which comprises foreign securities, began to change to T+1. This means that everything traded with such securities, both on the BVL and in the foreign market, must be settled the day after the trade.

Fixed Income

In December 2024, Peruvian fixed income totaled US$0.441 billions, representing significant growth (+10%) compared to the amount traded as of December 2023 (US$0. 401 billion) in the stock exchange.

The main platform for OTC and FX transactions is Datatec, of which Grupo BVL is a shareholder. At the end of December 2024, FX and fixed-income trading averaged US$0.350 billion and US$0.310 million per day, respectively, covering approximately 82% and 60% of local market liquidity. Peru's Central Bank has been prohibited from participating in government debt following the economic crisis of the 1980s.

Exchange Growth Expectations

From 2020 to December 2024, annual trading values on the exchange have declined slightly and are expected to grow at a rate of 8.91% annually in the coming years. The number of shares traded is expected to increase slightly in the near term as more local companies hire market makers; retail participation increases due to the expansion of direct market access (DMA) platforms, and short selling is adopted. At the same time, the Millennium trading platform has played a crucial role in helping local brokers adopt new solutions.

Securities Borrowing and Lending (SBL) Market Size

Equities

Since the launch of Peru's SBL mechanism in 2016, securities lending transactions have registered very small volumes, with US$0.18 million and US$0.10 million in 2018 and 2019, respectively. In recent years, there have been no securities lending operations on the stock exchange.

To address the paucity of SBL activity, BVL and CAVALI have developed improvements in recent years aimed at providing better information to international custodians and making the SBL model more accessible to foreign short sellers. Additionally, efforts have been made to promote a Peruvian Appendix within the GMSLA framework and to attract new participants to the market as a key future goal.

Fixed Income

Corporate debt lending is permitted; however, it is not traded through the BVL. It has also experienced limited development in the market, and as a result, the Peruvian government has been actively developing the public debt market in recent years.

Likewise, work has been done on the infrastructure for developing public debt securities lending, which is expected to be available to the market in the near future.

Repo Market Size

Equities

At the end of 2023, there were 3,025 equity repo transactions, totaling US$0.160 billion. Through December 2024, the figure reached US$0.224 billion and 3134 equity repo transactions.

Fixed Income

At the end of 2023, there were 298 fixed-income repo transactions, totaling US$0.015 billion. As of December 2024, the figure reached US$0.1 billion with 309 transactions.

General Securities Lending Market Structure

Securities Lending Model

BVL currently provides the securities lending model (stock market lending), where the transaction is carried out. Additionally, BVL establishes the list of stocks available for these transactions, and CAVALI participates as the administrator of this transaction. These transactions facilitate access to short-term financing and promote new investment strategies. There is an ample supply of institutional investors, such as pension funds, and an effort is underway to attract foreign investors, who represent potential demand for loaned securities to cover their short-selling strategies.

Market Participants and Their Roles and Responsibilities

The Peruvian securities market could benefit from the growth of securities finance. Currently, approximately 70% of the stock market's free float is held by low-turnover players, such as Peruvian pension funds. Lending these stocks could lead to higher turnover in the near future, while also providing pension fund participants with incremental revenue.

Although the local market is small with relatively low liquidity and high volatility, opportunities nonetheless exist for new entrants. Supply is ample, with proprietary trading, short selling, and securities lending, as well as several tax efficiencies. Moving forward, the lending market could lead to better price formation, reduced volatility, and higher liquidity for the overall market.

There are 19 local agents/brokers in the market.

Roles and Responsibilities of Market Participants

- Broker(s): Peruvian broker agents (SABs) are the counterparties of the transaction, acting on behalf of their end clients (lenders and borrowers) or for their own portfolios. They are responsible for keeping clients informed about daily stock loan and collateral positions and may request additional funds or securities as needed. In the event of a broker default, they are required to continue with all pending transactions but are forbidden from engaging in new transactions.

- Agent(s): In the Peruvian market, the only agents allowed as counterparties are local brokers, as previously described.

- Local suppliers, i.e., beneficial owners: A supplier can be any legal entity or individual with lendable Peruvian stocks in a CAVALI portfolio. Pension funds and insurance companies are among the largest suppliers and must work with a Peruvian broker to establish transactions.

- Exchange: The Lima Stock Exchange (BVL) facilitates the trading of registered securities and provides services, systems, and mechanisms suitable for the fair, competitive, continuous, and transparent intermediation of market securities.

- Regulators: The Securities Market Superintendence (SMV) is responsible for ensuring the protection of investors, the efficiency and transparency of the markets under its supervision, the correct formation of prices and the dissemination of all the information necessary for such purposes. The Superintendence of Banking, Insurance and Pension Funds oversees the regulation and supervision of financial systems, insurance companies and private pension plans, and is also responsible for the prevention and detection of money laundering and financing of terrorism. Its primary objective is to preserve the interests of depositors, insured parties, and members of the private pension system.

- CAVALI: This entity acts as an administrative third party in charge of the registration, transfer and custody of securities, as well as the clearing and settlement of transactions. In the securities lending model, CAVALI is responsible for the daily valuation of securities loans and collateral, as well as margin call requests as needed.

- Investment funds: As key players, they can be part of the mechanism on both sides, creating value for assets that are not liquid at the moment.

Securities Eligible for Shorting/Borrowing

The BVL maintains four special lists of approved equities, two for shorting and two for borrowing, which are revised quarterly based on market liquidity indicators. The lists are available at: https://www.bvl.com.pe/mercado/movimientos-diarios/tabla-de-valores-referenciales.

Collateral Requirements

Under CAVALI, 100% of the collateral is registered with the lender, with an additional 20% of the collateral held in the borrower's name. If the terms of the transaction are interrupted for any reason, the lender may (i) abandon the operation or (ii) request foreclosure.

CAVALI requires margin calls to the borrower agent when a) there is a mismatch of 2% or more between the updated amount of coverage and the assets given as collateral, or b) the updated valuation of the additional collateral falls below the maximum coverage amount.

Short Seller Market Access

Short sales and stock loans are executed through the Centralized Trading Mechanism of the Lima Stock Exchange at the times specified in Article 3 of the BVL Trading Regulations.

- Short sale strategy: The investor who is betting on a decrease in the price of a certain stock can instruct a short sale, which settles on T+2. Since the investor (short seller) does not own the shares that have been short sold, the seller requests to borrow these shares through a broker agent.

- Stock loan (first transaction): In order to borrow stocks from the Peruvian securities market, the short seller (borrower in the stock loan) must deposit sufficient and acceptable collateral, as set forth in the Peruvian GMSLA Appendix, at CAVALI through the Peruvian borrower. The collateral remains blocked at CAVALI, under its administration. Then, the borrower can settle the short sale transaction using the loaned securities, and only the stock loan will remain as a pending transaction.

- Stock loan (second transaction): On the settlement date of the stock loan, the borrower client must return the loaned securities plus the loan interest to the lender through the Peruvian borrower. If the borrower fails to do so, a default procedure may be initiated for the aforementioned transaction.

Securities Lending Legal Structure

Operating standards and supplementary provisions, approved by Resolution CONASEV No. 021-1999-EF/94.10 (last amendment with Resolution SMV No. 025-2015-SMV/01):

- Article 27: Selection of securities allowed in the operations
- Article 28: Collateral or margin
- Article 42: Securities lending operations
- Article 43: Benefits of a securities lending operation
- Article 46: Early settlement of the securities lending operation
- Article 47: Extraordinary situations
- Article 49: Defaults
- Article 50: Defaults in the repo or securities lending operation
- Article 51: Application of margin and collateral

Operational and Post-Trade Structure

General

CAVALI verifies the availability of the securities to be loaned in the lender's account, as well as collateral in the borrower's account, prior to transferring ownership of the securities between the counterparties to settle the first transaction. To settle the second transaction, CAVALI first verifies that the borrowed securities, as well as any interest and economic rights, are available in the borrower's account prior to being returned. During the life of the transaction, CAVALI is responsible for performing the daily mark-to-market of the stock loan and collateral, as well as collecting additional margin, if applicable.

Position and Settlement Control

There is a risk of default if the borrower fails to return the securities to the lender, which is mitigated by the borrower's collateral. To offset the risk due to collateral devaluation or loan value appreciation, borrower broker agents must comply with CAVALI's margin call requirement, which serves as additional collateral under Peruvian Trading Standards.

Settlement Process

Both the main collateral (100%) and the additional collateral (20%) given as cash are managed by CAVALI in a bank account, which generates a minimum interest rate on behalf of the borrower. CAVALI recognizes that the main collateral is in the name of the lender, while the additional collateral is in the name of the borrower.

Challenges with the Current Securities Lending Model

Supply Constraints

There are no supply constraints. The only requirement for short transactions is compliance with the uptick (or at-tick) rule, which requires that a short sale be executed at a price no lower than the current market price.

Miscellaneous Challenges

- Lack of demand for borrowing (both local and foreign): With the addition of foreign investors to the model, BVL expects to have the means to boost short-sale activity, which is key to a healthy lending environment.

- Lack of supply from pension funds: Despite having portfolios that are attractive from a lending standpoint, pension funds require better operational controls and understanding of the market in order to increase participation.

- Lack of knowledge: Because the Peruvian market is less familiar with sophisticated strategies such as securities finance, further education will be required in the near term.

Synthetics

Synthetic short access for overseas participants is generally limited to MSCI constituents. A framework to enable onshore-to-offshore borrowing liquidity could lead to an increase in securities lending turnover.

Future Developments

As part of the current stock exchange integration process (nuam), an OTC securities lending model is being developed in line with international best practices. The new model will include collateral management services, lending pools, and automated processes.

NUAM

Exchange Highlights

439| NUMBER OF COMPANIES LISTED
17 | COMPANIES WITH ADRS
US$424 | MARKET CAP (US$ BILLION)

December 2024
Source: BCS, BVC, BVL

In the third quarter of 2024, the final version of the equities market operating model was released. This will initiate the technological, operational, and regulatory implementations necessary to establish a single market by 2027.

Equities and Derivatives
nuam has been working with Nasdaq since 2024 on the development of the new single market trading platform. Additionally, in the fourth quarter of 2024, the necessary regulatory modifications were submitted to the relevant regulators in Colombia, Chile, and Peru.

The first technical documents were provided to market participants in early 2024, allowing them to begin adapting their processes.

Fixed Income
A roadmap was made for the fixed-income market in 2024, separate from equities and derivatives. Initially, the trading rules of the Chilean, Colombian, and Peruvian markets will remain unchanged. This will enable each country to maintain its own supply of instruments and trading rules, providing participants with the opportunity to gradually adapt.

International Securities Market
In the equities market, nuam will seek to encourage the trading of foreign instruments (issued outside the jurisdictions that make up the single market). Several initiatives have been proposed to be carried out in collaboration with the most relevant market participants, aiming to increase liquidity and depth. This process will begin by designing a foreign securities segment for the single market, giving all investors access to the same group of instruments for trading. Similarly, nuam will sponsor the listing of the instruments to encourage their listing, thus allowing a faster and more flexible process for the market.

Regional Securities Lending
nuam seek is developing an OTC lending model that reflects international practices, with standardized rules across the three countries. The model is supported by an interconnected system that integrates the entire infrastructure, enabling greater efficiency through an end-to-end process.
nuam´s technological solution enables the Lending Agents to include or register the transactions that is going to be settled through CSDs in the three countries.

Also provide a lending pool where the Lending Agents can include anonymously their Lending offers or demands, for this, Credit and Limits can be assigned by Agents in order to allow transactions only with amounts or participants authorized by them. This tool allows access to sponsored participants like Institutional investors.

An optional service for Collateral Management will be provided.

Visibility into the collateral held in the lender favor can be visualized by custodians.

Market Participants and Their Roles and Responsibilities
The securities lending market in nuam countries will operate under a bilateral model, in which Lending Agents are brokerage firms. The lending customers can go to the lending market through brokers to offer or request loans.

The main lending customers will be the Pension Funds, while the main borrowers are expected to be investment funds and the trading desks of the brokers themselves.

Collateral Management Services
nuam will provide Collateral Managment Services to the Lending Agents, this service is optional, Lending Agents are allowed to handle it independently outside of nuam's infrastructure. This means that the collateral for the transactions may be provided outside of nuam's system, as agreed upon by the parties.

When the collateral is managed by nuam, it remains blocked in the Borrower Agent account in the respective CSD; neither the lender nor borrower can sell or reinvest it in other assets. Also, the Borrower Agent will receive directly all the collateral payments such as capital rights.

nuam's Collateral Management System allows for Specific Collateral to be assigned per transaction. Agents may also contribute to General Collateral that is allocated to support multiple transactions.

The Collateral Management System is based on the Historical Value at Risk (HVaR) methodology and performs rigorous monitoring of loans, issuing margin calls whenever necessary.

LATIN AMERICA

SECURITIES FINANCE USER GUIDE 2025