



Press release:

marketxm and the Colombian Stock Exchange sign an agreement to facilitate the exchange of collateral in the OTC derivatives market

The companies announced the signing of a business partnership to offer among the clients of the Stock Exchange, the solution developed by marketxm to facilitate the exchange of collateral in OTC derivative transactions using blockchain technology

Bogotá D.C., December 14, 2022. Deceval SA (a subsidiary of the Colombian Stock Exchange) and the fintech CML Analytics SAS (a subsidiary of MarketXM LLC), have signed a business partnership agreement for the offering in Colombia of a collateral exchange solution for the over-the-counter (OTC) derivatives market using blockchain technology (“Colibrí” system).

The entities agreed to commercialize the Colibrí system, developed by marketxm, which offers a fully integrated operating model to make a simple and more efficient collateral management in OTC derivative transactions. This collateral is now in greater demand due to the implementation of the Circular 031 of 2019 by the Financial Superintendence of Colombia for the calculation of credit risk in OTC derivative transactions, which follows the Basel III guidelines in this regard. According to the most [recent](#) Derivatives Market Report of the Banco de la República de Colombia, the derivatives market reached a size of usd\$69 billion in October 2022, and an accumulated in the year of usd\$654 billion.

The commercialization will be carried out exclusively by Deceval, allowing derivatives market participants to post collateral in the securities depository and, given the existing connectivity with the Colibrí system, to use that collateral to leverage OTC derivatives transactions. The entities expressed their intention to continue developing the Colibrí system in the independent post-trade processing of the deposit to interoperate with other market participants as custodians and valuation agents.

To the extent that the existence of collateral mitigates the credit risk and funding gap to which banks otherwise will be exposed in derivative transactions, collateral agreements could reduce the price of hedging. The Colibrí system will make it easier for OTC derivatives market participants to execute collateral exchange agreements on securities held by Deceval, and will improve interoperability with custodians that receive cash collateral and that may be in multiple systems and locations. In this way, market participants will result in optimal financial management of their OTC derivative instruments. The partnership agreement between the fintech and Deceval is expected to promote collateral exchange agreements in the OTC derivatives market, deepen the use of hedging by the corporate sector, and allowing the development of operations with longer terms and better structures for institutional clients.

Derivative contracts are essential for businesses and financial institutions to hedge their risks of interest or exchange rate volatility or the variability of basic products prices. Nowadays, the exchange of collateral results in a costly operational process that becomes a bottleneck that increases costs, risks, impedes the flow of collateral, hinders market access, and causes that negotiations with shorter terms to 36 days represent more than 70% of the total agreed amount, as highlighted in the Banco de la República’s Report. The



development of the derivatives market is one of the [targets](#) of the United Nations Sustainable Development Goals (SDG).

The Colibrí system was presented by a group of entities that make up the Colibri Consortium to the sandbox of the Financial Superintendence of Colombia (laArenera), being the first use case [approved](#) by the regulator for the application of blockchain technology in the local capitals market. Likewise, the World Economic Forum [highlighted](#) the innovation between the Colombian Stock Exchange and marketxm as a leading application use case of blockchain technology in the capital markets in the world.

About the Colombian Stock Market:

The Colombian Stock Exchange (bvc) is the leading operator of the Colombian capital market infrastructure with a presence throughout the value chain. bvc offers solutions and services for Listing (services to the issuer and issues), Negotiation (access, transaction and registration), Post-trade (risk management, clearing, settlement, custody and administration of securities), Information (market information and supply of prices) and Technology (implementation of Core banking systems, capital markets and digital solutions) in the stock markets and OTC of variable income, fixed income, derivatives and currencies.

About MarketXM LLC:

MarketXM LLC is a company that develops financial infrastructure based on blockchain technology for capital markets. Currently, its Colibrí system makes simpler the process of exchanging collateral in OTC transactions. Its subsidiary in Colombia, CML Analytics, operates under the brand "Contrato Marco". More information: <https://www.marketxm.io>

About the Colibrí Consortium:

The Colibrí Consortium is a private initiative for the application of blockchain technology to facilitate the exchange of collateral in the OTC derivatives market. The members of the Colibrí Consortium are: Deceval, Precia Price Provider, Banco Bancolombia, Banco BBVA, Banco Itau, Banco Scotiabank, the pensions funds administrators AFPs Porvenir Pension and Severance Fund, Skandia Pensions and Severance, Colfondos Pension and Severance Fund, Protection of Pensions and Severance, the trust companies Fiduciaria Bancolombia, Santander Caceis Colombia, the Gomez Pinzon law firm, and the technology companies 2TransFair, Sophos Solutions, and CML Analytics. For more information about the Colibrí Consortium, please contact Juan Manuel Lopez at juan@contratomarco.co