

**THE 14<sup>th</sup> GENERAL MEETING OF  
PACIFIC ECONOMIC COOPERATION COUNCIL  
(PECC XIV)**

**MANAGING GLOBALIZATION IN 21<sup>st</sup> CENTURY  
HONG KONG, NOVEMBER 28<sup>th</sup>, 2001**

**STRATEGIES TO INCREASE COMPETITIVITY  
OF COLOMBIAN SECURITIES MARKET**

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It is a great honour to have the opportunity to speak on the 14<sup>th</sup> General Meeting of the Pacific Economic Cooperation Council, held in Hong Kong.

Today, the benefits of Corporate Governance in achieving sustainable and healthy financial markets are self-evident.

Both developed and developing countries share a common priority, which is to improve the corporate governance standards of our corporations. The Colombian Government recognizes the fact, that without adequate corporate governance, we won't be able to attract investors.

Investors worldwide recognize that good corporate governance plays an important role in their investment decisions. The recognition of investor's rights, as well as the quality and availability of information regarding companies' performance and management, became relevant when selecting an international portfolio.

Today:

- Many Colombian corporations are both family owned and family managed.
- It is common in our country for corporations to solve their financial needs by obtaining financial resources from banking institutions, paying high credit costs.
- Colombia lacks a well-formed base of investors. People invest mainly in short term bank deposits.
- Savers hardly buy stocks.
- When foreign investors buy stock in a public company, they tend to do all necessary efforts to de-list from the Colombian exchange.

Governance has always being an issue in Colombia as in most other countries. (It was known with other names in the old times, but it was an issue).

But the approach to Governance was different in the past.

The Colombian Company Law tackled governance establishing rigid restrictions on how directors are elected, on how profits are paid to stockholders. Those rigid regulations impeded better ways of organizing business in Colombia.

Moreover, it is widely perceived that minority shareholders are not fairly treated. In fact, all kind of expropriation mechanisms are widely used by controllers and managers.

- 3) In order to improve standard of investors' protection, we changed our criminal code to include new offence such as manipulation of securities and insider trading.
- 4) Another priority during the last years was to advance in lengthy investigations, leading to the foreclosure of brokers and several small agents that participated in illegal conducts, resulting in a large damages.
- 5) We also reformed our collective investment schemes (CIS), in order to make them more transparent and to protect consumers. As a result, CIS managers will be more accountable, since they must act as prudent experts, and must disclose their investment policies to their shareholders.

After this, we have witnessed rapid and healthy growth of the local funds: "*Fondos de Valores*".

- 6) Improving corporate governance as such is also on the Colombian government's agenda; to that end restrictions were imposed on pension funds (our largest and most powerful investors) making it impossible for them to buy securities whose issuers do not comply with high governance standards, included codes of best practices.

This sole decision has produced great changes in the governance of Colombian corporations (including state owned) and has ensured better information for the market.

- 7) Finally, the Colombian government presented to Congress -last September- a new securities market law which, if approved, will require the complete demutualization of Colombia's stock exchange. Other features including a radically new approach to public companies and investors, providing a much higher level of

At the same time, we need to use the entire supervisory tools legally available to develop more efficient enforcement procedures.

The Colombian Government does not wish to establish rigid requirements regarding the way our companies are managed. We want our markets to direct companies in the corporate governance way, to their own benefit and to the benefit of the whole country.

Nevertheless we will use market regulation, if needed, to make sure that investors will be able to chose fairly and reasonably, and that their rights will be respected.

Thank you very much.