

# Financial Services Cluster Report



The Chamber of  
Commerce of Bogotá  
in collaboration with  
the WAIFC



In collaboration with



## **OVERVIEW OF FINANCIAL SERVICES IN COLOMBIA: THE FINANCIAL SERVICES CLUSTER OF BOGOTÁ**

**The Chamber of Commerce of Bogota in  
collaboration with the WAIFC**  
October 2022

WAIFC is pleased to introduce the Chamber of Commerce of Bogota (CCB), a new observer and candidate to membership, to members and readers. To judge the state of play, and to support the WAIFC Financial Inclusion workstream, the Alliance's secretariat has worked with colleagues in Colombia to prepare this overview.

The questions raised and the answers provided might serve to be something of a template for the other members and observers of WAIFC as they, too, work to build financial services in their jurisdictions. The team in Bogota looks forward to collaborating with WAIFC members and begins with sharing this report. It welcomes comments and suggestions from experts around the world.

### **Abstract**

*The Chamber of Commerce has produced this document with the goal of making the financial services industry in Bogotá and its surrounding region better and more widely known. Readers in the WAIFC community and beyond can quickly learn about the business and economic dynamics at play in the sector, as well as see the opportunities provided by growing foreign direct investment and constantly enhanced financial inclusion.*

*This document provides a comprehensive overview of the scope and achievements of the financial services sector. Bogotá is the city that provides the greatest investment attraction, as well as being the main engine of economic growth and employment in Colombia.*

*For this reason, in 2016, the Chamber of Commerce of Bogotá, with more than 100 different players active in the local and national financial ecosystem, created the Financial Services Cluster Initiative. This Initiative, together with 15 other sector-specific clusters, works to promote the overall development and competitiveness of Bogotá and the Region. Financial services do not*

*advance on their own; they do so as part of a broader strategic development program, and that is provided for.*

*Through careful planning and execution, the Financial Services Cluster Initiative will come to see Bogota at the top of the most important financial centers in Latin America and the Caribbean, and its recognition as the best hub for financial inclusion and innovation.*

### **1. The financial services cluster in figures**

The Financial Services industry is a sector focused on all companies that offer financial services, such as loans, deposit products (raising money), insurance, investment, stock market, among others. The financial services sector remained in constant growth during 2021, particularly, the month in which it grew the most was in September with 12.8%. In the first trimester of this year, the sector had a remarkable growth compared to the previous year, since it reached 49.5% in February, which showed that this sector has great dynamism in the economy. (DANE, 2022<sup>1</sup>)

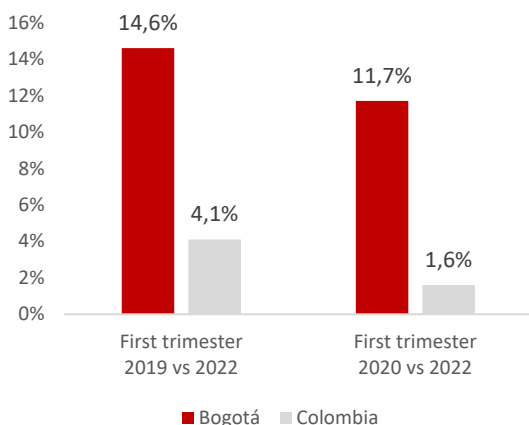
- *Economic view of the financial sector:*

The annual growth rate in the first trimester of the financial services activities sector in 2022 was 6.5% for Bogotá and a decrease of 3.2% for Colombia, this shows that the city grew 9.7 percentage points more than the country. This sector represents 4.5% of the country's total economy and 10.4% of the capital's economy.

The sector was one of the main axes of development of the economy during 2020, since it managed to grow by 3.2% in Bogotá and Colombia. It should be noted that this sector was key in assuring ongoing economic growth during the pandemic, being one of the few sectors that presented a positive performance in 2020.

**Graph 1.** Total value of the Gross Domestic Product of financial services activities, in trillions of pesos, between 2019 and 2022 in Colombia.

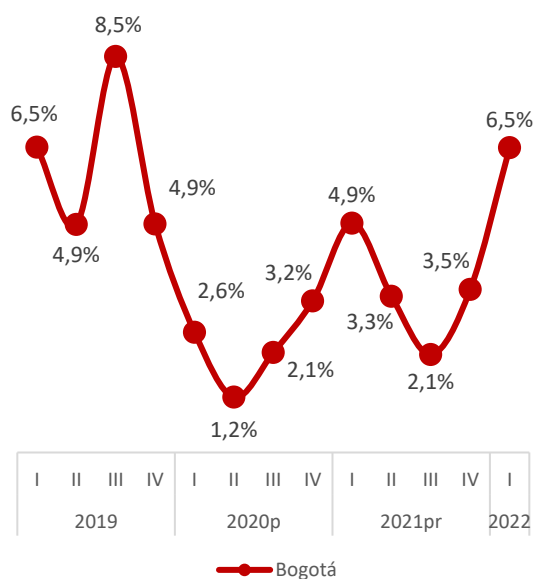
<sup>1</sup> DANE. (2022). DSCN – Cuentas Nacionales. Recuperado de: <https://www.dane.gov.co/index.php/estadisticas-por-tema/cuentas-nacionales>



Source: DANE – Directorate of Synthesis and National Accounts – Satellite Account.

The three localities in Bogotá with the highest concentration of companies in the financial sector are: Chapinero, 1,407 companies (37.8%); Usaquén, 666 companies (17.9%); and Santa Fe, 303 companies (8.1%).

**Graph 2.** Annual GDP growth rate of financial services activities between 2019 and 2022 Colombia and Bogotá.



Source: DANE – Directorate of Synthesis and National Accounts – Satellite Account.

The financial services sector contains 23 different economic activities that contribute to the business strengthening and economic development of

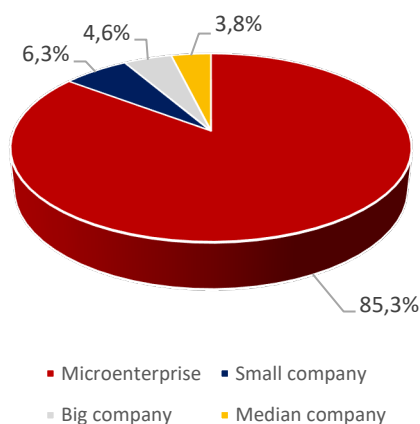
Bogotá and the Region. The dynamics of the financial services sector in Bogotá and the Region have shown pronounced growth in recent months and have not had a negative behavior in recent years.

- *Business dynamics of the financial services cluster:*

In 2021, the cluster represented 0.7% of the companies created in Bogotá and in the region. Between 2012 and 2021, 418 companies were created annually, on average. In the whole period the growth was 33.5%. In 2021, 570 companies were created, while in 2020, 407 were created. Last year, 163 additional companies were created compared to 2020.

The three subsectors with the highest growth in companies created during that period were: banks and savings and credit entities (192.3%); tests and trials (95.6%), and investment and stock market (13.3%). In 2021, the three subsectors with the highest participation in companies created were: tests and trials, 354 companies (62.4%); investment and stock market, 145 companies (25.6%); and banks and savings and credit institutions, 38 companies (6.7%)<sup>2</sup>.

**Graph 3.** Active companies by size financial services sector (January - June 2022)



Source: Bogota Chamber of Commerce. Foreign Direct Investment - Observatory of the Bogotá and Cundinamarca Region.

<sup>2</sup> Bogota Chamber of Commerce. (2022). Business Dynamics Cluster Initiatives – 10 years. Retrieved from:

[https://bibliotecadigital.ccb.org.co/bitstream/handle/11520/27841/CCB\\_10%20An%cc%83os%20de%20Clusteres%20web.pdf?sequence=1&isAllowed=y](https://bibliotecadigital.ccb.org.co/bitstream/handle/11520/27841/CCB_10%20An%cc%83os%20de%20Clusteres%20web.pdf?sequence=1&isAllowed=y)

Likewise, the business size is classified as micro-enterprises (85.3%), small (6.3%), medium-sized (3.8%) and large companies (4.6%).

- Active companies:

In 2021, the cluster represented 0.8% of the active companies in Bogotá and the 59 municipalities of the jurisdiction. Between 2020 and 2021, the total number of active companies in the CCB jurisdiction increased by 9.8% (2020: 3,513 companies, 2021: 3,856 companies).

Additionally, the sector contributed 3.2% to the total number of employed persons in Bogotá, approximately 120,800 people. In the last 10 years, the number of people employed in the sector increased by 1.6% (118,900 people at the beginning of the period and 120,800 at the end). In relation to the above, the main activities that employ the largest number of people are: monetary intermediation (55,800 people); capitalization insurance (24,500 people); and other financial services activities (18,100 people).

## 2. Foreign Direct Investment in Bogotá:

Foreign direct investment (FDI) has acquired increasing importance for countries and their regions in recent years due to the positive impact it has on economic growth and the promotion of the territory. Similarly, its measurement becomes relevant to monitor the attraction of cities and regions to encourage the location of foreign companies, technology transfer and business experiences that can help improve local business activity. Bogotá and Region is the territory that has had a higher level of FDI, which makes it more attractive for international investors.

**Table 1.** Comparison of new and expanding annual FDI (2016-2021)

Year	Number of Projects		Capital Investment		Direct jobs created	
	Projects	Annual growth rate	Capex	Annual growth rate	Jobs	Annual growth rate
2016	89	-	1.725	-	11.806	-
2017	161	81%	2.131	24%	17.383	47%
2018	203	26%	2.674	25%	17.450	0%
2019	180	-11%	3.229	21%	21.254	22%
2020	97	-46%	870	-73%	9.905	-53%
2021	115	-19%	1.551	78%	20.195	104%
Total	845	-	12.179	-	97.993	-

Source: Bogotá Chamber of Commerce. Foreign Direct Investment - Observatory of the Bogotá and Cundinamarca Region.

In recent years, it is estimated that Bogotá-Region received a total of 12,179 million US dollars of new foreign direct investment. In addition, it expanded by an average of 2,030 million US dollars per year. Likewise, the economic recovery after the pandemic had a positive impact on Bogotá-Region in 2021, presenting significant increases in new and expansion FDI flows since there was an increase of 78% compared to what was presented in 2020.

Regarding labor indicators, in this same year there was evidence of a growth of 29% in the number of jobs created with respect to the average of the last 5 years. In addition, when comparing the dynamics of this indicator between 2020 and 2021, the growth in the number of jobs created is 104%.

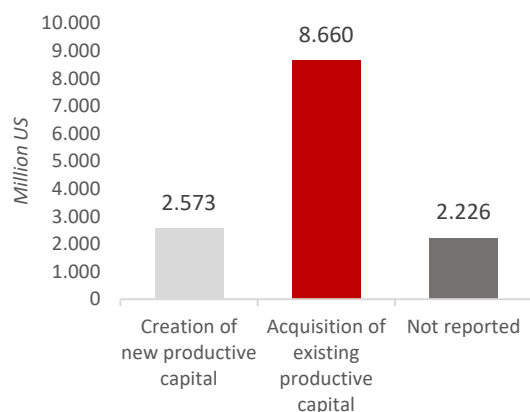
**Table 2.** New and expanding FDI in Bogotá-Region by country of origin (2016-2021)

Country	Number of Projects		Capital Investment*	
	Projects	Proportion of total	Capex	Proportion of total
United States	211	25,1%	3.219	26,4%
Spain	129	15,3%	1.639	13,5%
France	58	6,9%	764	6,3%
Mexico	41	4,9%	687	5,6%
Germany	38	4,5%	439	3,6%
Argentina	38	4,5%	210	1,7%
United Kingdom	34	4,0%	187	1,5%
Chile	30	3,6%	810	6,6%
Canada	27	3,2%	544	4,5%
China	27	3,2%	528	4,3%

Source: Bogotá Chamber of Commerce. Foreign Direct Investment - Observatory of the Bogotá and Cundinamarca Region.

Regarding the economic activity destination of foreign investment in Colombia, 64.3% was for the acquisition of existing productive capital (brownfield investment), while 19.1% was destined for the creation of new productive capital (greenfield investment) as shown in the graph below.

**Graph 4.** Use of the investment made by non-residents 2019

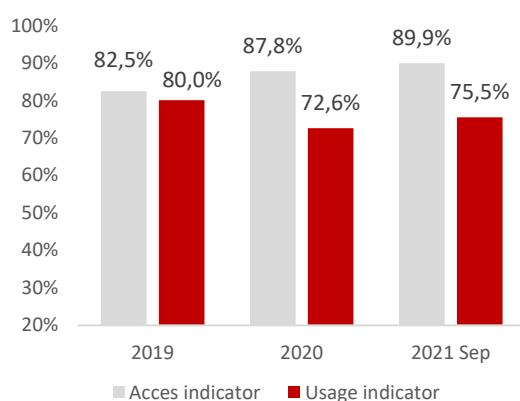


Source: Bogotá Chamber of Commerce. Foreign Direct Investment - Observatory of the Bogotá and Cundinamarca Region.

### 3. Financial inclusion in Colombia:

According to Bank of Opportunities<sup>3</sup> (2021), 33.2 million adults, or 89.9% of the adult population, own at least one formal financial product. Also, compared to the use of these financial products, the percentage of adults with an active or current financial product was 75.5% between June and September 2021, in other words nearly 27.8 million adults already have active at least one of their financial products.

**Graph 5.** Indicator of access vs indicator of use (2019, 2020, 2021 Sep)

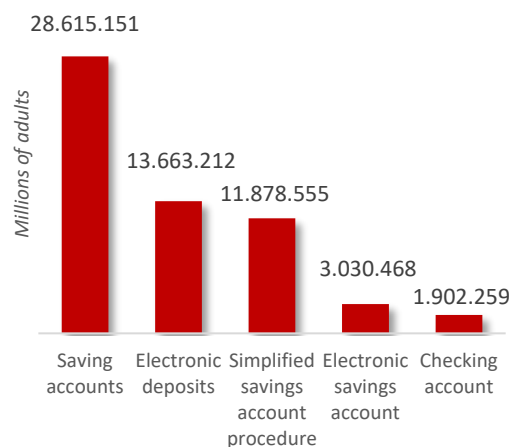


Source: Bank of Opportunities. Statistics 2019, 2020 and third trimester report 2021 – September.

**Savings account:** a financial product that allows you to save money safely. The money that is deposited in the account will generate interest

according to the policies and interest rates set by the financial institution; additionally, it allows the money to be accessed quickly, and is tied to a debit card that allows cash withdrawals at ATMs.

**Graph 6.** Number of adults with financial products - Disaggregated by type of product (2021 Sep)



Source: Bank of Opportunities. Statistics third trimester report 2021 – September.

**Checking account:** a demand deposit; that is, the holder can withdraw their money, in part or in full, at any time, through different channels such as the Internet, dataphones, or ATMs. What sets this product apart is that in addition to funds being accessed via a debit card, another means of payment is provided in the form of paper documents, such as transfer orders and checks.

**Electronic deposit:** is defined as a demand deposit similar to savings accounts. It has the characteristic of being 100% digital, it is not normally associated with a debit card, and interest is not earned on savings. With this form of deposit, the account holder can make transfers, ATM withdrawals, and other banking operations at low or no cost.

**Electronic savings account:** a type of account created with the purpose of dispersing aid or subsidies from the state, so they have the particularity of having specific beneficiaries, registered in Social Programs - The System for the Identification of Potential Beneficiaries of Social Programs (Sisbén) -, displaced persons of

<sup>3</sup> Bank of Opportunities. (2021). *Trimester report on financial inclusion - Third trimester of 2021*. Retrieved from:

<https://www.bancadelasoportunidades.gov.co/sites/default/files/2022-h03/RIF%20Trimestral%20Septiembre%202021.pdf>

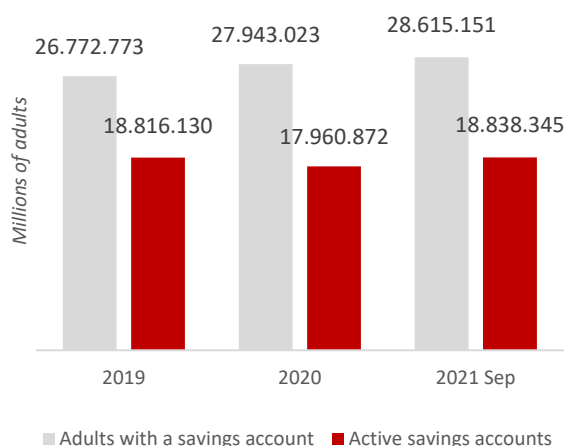
the Single Registry of Displaced Population, and other aid programs. These population groups may only have one electronic savings account in the formal financial system.

*Simplified procedure savings account:* similar to traditional savings accounts and electronic deposits, the difference is that it must comply with the simplified procedure opening requirement. This means that the connection is 100% digital from a mobile device; the required information for account opening is the full name, identity card and how that document was issued, the cell phone number, and data to assure the authentication steps.

The savings account has been the product with the highest penetration for adults: 28 million had at least one formal savings account open as of September 2021. Although it has a high indicator of access, the use is lower than the number of accounts opened. For example, only 18 million adults had an active checking account used in the last three months.

For legal persons, as for natural persons, the savings account is the product with the highest level of access, 645,000 companies had at least one savings account, of which only 289,000 were active (Bank of Opportunities, 2021).

**Graph 7.** Adults with at least one savings account vs active savings accounts (2019, 2020, 2021 Sep)

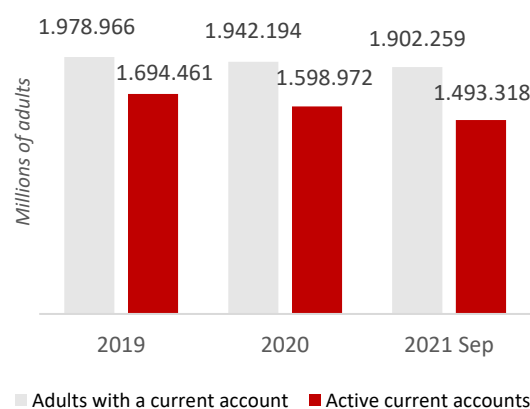


Source: Bank of Opportunities. Statistics 2019, 2020 and third trimester report 2021 – September.

<sup>4</sup> The term checking account is commonly also known in many countries as a current account, and the reader should understand the terms to be interchangeable.

The number of adults with at least one checking account<sup>4</sup> stood at 1.9 million, of which 1.4 million were active. Checking accounts are also used by legal entities: 489,000 entities had at least one checking account, of which 449,000 were active in the sense of being used recently. Although this product has a low access indicator compared to the savings account, it is necessarily the product most used by legal entities (Bank of Opportunities, 2021).

**Graph 8.** Adults with at least one checking account vs active checking accounts (2019, 2020, 2021 Sep)



Source: Bank of Opportunities. Statistics 2019, 2020 and third trimester report 2021 – September.

#### 4. Initiatives and projects of the Financial Services Cluster of Bogotá

The cluster initiative works with banks, trust companies, the stock market, fintech startups, funds, among others. Thus, through the cluster initiative that was born in 2017, promote efforts focused on the entire sector, ensuring coordinated and collaborative work, establishing a dialogue between entrepreneurs, the academia and government. With the main purpose of increasing the productivity and competitiveness of companies offering financial products and services.

The main entities that lead this cluster are all those companies in the sector already mentioned, as well as allied institutions that promote initiatives focused on the business

development, these being entities such as Asobancaria, the Colombian Stock Exchange, the Colombian Mercantile Exchange, Colombia Fintech, Invest in Bogotá, District Secretariat for Economic Development, SENA and universities in Bogotá and Cundinamarca, which add to this objective.

The cluster initiative objective is to increase and improve the levels of inclusion and financial education in Bogotá and the Region; strengthen the skills and competencies of human talent to close the gaps related with software developers, data scientists, digital marketing, and user experience specialists. Also, the cluster aims to sophisticate and innovate in financial solutions, taking advantage of digital opportunities; and to promote Bogotá and the sector internationally.

Currently, and in line with the value proposition of the Cluster, Bogotá and the region rank 81st out of 120 cities considered International Financial Centers, climbing 22 positions compared to the previous edition of the Global Index of Financial Centers. The goal for 2026 is to improve this position through work focused on the specialization and diversification of financial products and services in Bogotá and the region. (The Global Financial Centres Index 31, 2022<sup>5</sup>).

*Main achievements of the financial services cluster initiative:*

2017:

- Study of statistical and econometric estimation of the location of Bogotá in the GFCI index.
- Measurement of levels of financial education.
- First Symposium on Foresight and Trends in the Financial Sector.
- Launch of the cluster with more than a hundred public and private actors from the local financial sector.
- Training program for innovation in microfinance entities.

2018

- FinTalent Project. Exploratory mission in Singapore in conjunction with IDB Lab.
- Portfolio of business strengthening services for the Fintech industry.

- Training program in strategic management of creativity and innovation in the financial market.
- Transfer of knowledge to the financial cluster in Quito, Ecuador.

2019

- Movable Guarantees for Growth Project: Innovating in SME Financing.
- Financial Inclusion Contest, in partnership with "Development Bank of Latin America – CAF".
- Bogota Project at the Vanguard of Emerging Technologies.
- Open contest in Artificial Intelligence applied to the financial sector.
- Bogotá in the Global Fintech Index of Findexable.
- Bogotá Financial Innovation Tour.

2020

- Fintech companies linked to "CREAR" (CCB's special line of credit).
- Definition and development of the "Consumer Finance" segment.
- Demo Day Fint
- Book "Fintech Companies in Colombia".

2021

- Social Factoring initiative.
- My Sector Reactivates Program.
- Bogotá included in the GFCI index.
- The CCB became an observer of WAIFC.

Finally, it is important to continue working towards strengthening the companies that make up the financial services sector. The cluster initiative is working on the different axes such as the training of human talent, the internationalization of companies, the sustainability of the sector from inclusion and financial education, and finally, innovation and new businesses from alternative mechanisms to promote the use and access of SME's to financial services.

## **5. Some characteristics of the financial services in Colombia:<sup>6</sup>**

### **a) A life insurance policy for the purpose of savings:**

There is a particular form of insurance policy that has aspects of a savings plan incorporated; it can

<sup>5</sup> The Global Financial Centres Index . (2022). *Financial Centre Futures – March 2022*. Retrieved from: [https://www.longfinance.net/documents/2902/GFCI\\_31\\_Report\\_2022.03.24\\_v1.0.pdf](https://www.longfinance.net/documents/2902/GFCI_31_Report_2022.03.24_v1.0.pdf)

<sup>6</sup> Due to new Government, since passed August, most of initiatives of this type are in special observation.

be adapted to meet the economic circumstances of the policy owner and provides liquidity when needed for unexpected situations.

According to the report prepared by *ProyectoT*, between January and September 2021, only 2% of Colombians have life insurance, which is equivalent to approximately one million people. Far more commonly in Colombia, people ensure assets such as vehicles and homes, generally as they are forced due to a contractual obligation of some sort, instead of buying life insurance.

To put some figures into the scale of the insurance market in Colombia, between January and September 2021, premiums for \$25.57 billion (5.55 million US dollars) were paid. \$11.56 billion (2.51 million US dollars) corresponded to damage insurance; \$7.44 billion (1.61 million US dollars) to personal insurance, and \$6.57 billion (1.42 million US dollars) to social security. Finally, according to the Financial Superintendence of Colombia, the penetration of insurance in the country was equal to 2.8% of GDP in 2021. (Semana, 2021<sup>7</sup>)

#### **b) An investment account for public funds or securities holdings:**

In Colombia, there are collective investment public funds (FIC). These are different mechanisms for saving and investing money or other assets, managed by collective investment fund management companies, which combine the contributions of people in a portfolio of assets. The returns on these investments are shared proportionally and daily among all investors, according to the level of their participation in the fund (Banrep, 2022<sup>8</sup>). These resources are administered by trust companies supervised by the National Financial Supervisory Authority (Superintendencia Financiera de Colombia - SFC) and by the Securities Market Self-Regulator (AMV).

<sup>7</sup> Revista Semana. (2021). *Only 2% of Colombians have life insurance*. Retrieved from: <https://www.semana.com/economia/macroeconomia/articulo/so-lo-el-2-de-los-colombianos-tiene-un-seguro-de-vida/202136/>

<sup>8</sup> Bank of the Republic. (2022). *Collective investment funds*. Retrieved from: <https://www.banrep.gov.co/es/funds-inversion-collective>

<sup>9</sup> Mincit. (2019). *Fund of Funds, smart investment to grow*. Retrieved from:

Also, in 2019 the Government created the "Fund of Funds" that groups resources for 38 million US dollars, initially, from Bancóldex, iNNpulsa Colombia, Colciencias, Softbank and the Development Bank of Latin America (CAF), to invest in Colombian and regional venture capital funds that invest in scalable and innovative ventures from different sectors, with special emphasis on the creative and cultural industries. Basically, the Fund of Funds is a vehicle that mobilizes resources from third parties towards the equity fund industry in Colombia and Latin America, with the purpose of promoting the development of alternative financing mechanisms for entrepreneurs and businessmen (Mincit, 2019<sup>9</sup>).

#### **c) Smart phone penetration in society:**

98.1% of the population has a cellular device of some type, and 97.5% of the population has a smartphone of some kind. Similarly, 76.6% of people have a laptop or a larger computer (We are Social, 2021<sup>10</sup>).

#### **d) Internet access across Colombia:**

According to the trimester newsletter of the Information and Communication Technologies<sup>11</sup> (ICT), the total number of fixed internet accesses in Colombia reached 8.25 million in the first trimester of 2022. This represented an increase of 560,000 new access points compared to those registered in the same trimester of the previous year (7.69 million). Also, the number of fixed internet accesses per 100 inhabitants was 16.17, up from 15.27 in the same period one year earlier.

#### **e) Tax rate on savings interest, capital gains and dividends:**

Broadly speaking, the taxes on financial services are set at the national level, and concern dividends paid and the Levy on Financial Movements (GMF).

<https://www.mincit.gov.co/prensa/noticias/industria/fondo-de-fondos-inversion-inteligente-para-crecer>

<sup>10</sup> We are Social. (2021). *Digital 2021 Global Overview Report*. Retrieved from: <https://wearesocial-cn.s3.cn-north-1.amazonaws.com.cn/common/digital2021/digital-2021-global.pdf>

<sup>11</sup> MinTIC. (2021). *Trimester ICT bulletin – Figures third trimester of 2021*. Retrieved from: [https://colombiatic.mintic.gov.co/679/articles-198842\\_archivo\\_pdf.pdf](https://colombiatic.mintic.gov.co/679/articles-198842_archivo_pdf.pdf)

*Tax rates on dividends:* The distribution of dividends from Colombian companies to non-resident foreign shareholders (legal or natural persons) is subject to income tax on dividends at a rate of 5%. This tax only applies to the extent that the profits based on which the distribution of dividends is made have been generated as of January 1, 2017. When the dividends are distributed to another Colombian company, the question of income tax is not applicable. If dividends are paid to a natural person resident in Colombia, the dividend tax rate varies between 0% and 10%.

If a distribution of dividends abroad is made based on profits that had not been taxed for income at the level of the Colombian company - for example, in application of a tax benefit - a 35% tax will apply at the time of distribution abroad.

The limited exception is in the case of certain profits that would qualify for transfer to shareholders. When the distribution of dividends abroad is also subject to the 5% dividend tax, this tax will be applied to the amount of the dividend distribution net of the 35% income tax (Invest in Bogota, 2022<sup>12</sup>).

*GMF:* The GMF is a tax levied on financial transactions by virtue of which resources are deposited in checking or savings accounts, in any financial entity established in Colombia, as well as in any deposit account of the Banco de la República and cashier's check drafts. Transfers between checking accounts of the same holder and that are in the same credit establishment, as well as some other financial transactions and certain operations in the stock market, are exempt from this tax.

The tax rate on financial movements is four per thousand -  $4 \times 1,000 = 0,00087$  US ; that is, for every \$1,000 COP transacted, \$4 will be charged. There is an exemption to this tax: the consumer

can select and name one savings account, electronic deposit or prepaid card, and have those payments be exempt from the GMF. This choice must be indicated to the respective establishment or financial institution (DIAN, 2022<sup>13</sup>).

#### **f) Savings for employee pensions, tax incentives:**

In Colombia, pension savings is compulsory throughout an individual's working life, whether as an independent worker or as an employee. Once the pension rights are liquidated at retirement, these savings allow the pensioner to receive a monthly payment and health coverage for the rest of her or his life.

- Independent worker: Article 244 of Law 1955 promulgated in 2019 establishes the contribution base income for independent workers. Any independent worker who earns monthly net income equal to or greater than – 1 Current Legal Monthly Minimum Wage<sup>14</sup> – which is equivalent to 222 US dollars, must contribute at a rate of 16% on 40% of that monthly income. This applies to any type of earned income, including fees, leases, sale of products, and services provided.
- Employee: The employer pays charges at a rate of 12% of taxable salaries, and the employees add 4% of their salary to these costs, thus completing 16% of total payment.

#### **g) Licensed profession advisers to the individual financial authority - capital markets:**

Decree 2555 of 2010<sup>15</sup> in Book 40, Title 1 called "Advisory Activity" mentions that advisory is an activity of the stock market that can only be

<sup>12</sup> Invest in Bogota. (2022). TAX REGIME: Generalities, Types of National Taxes, departmental and municipal, incentives taxes and BEPS. Retrieved from: [https://es.investinbogota.org/sites/default/files/2017-11/regimen\\_impositivo\\_en\\_bogota.pdf](https://es.investinbogota.org/sites/default/files/2017-11/regimen_impositivo_en_bogota.pdf)

<sup>13</sup> DIAN. (2022). *Tax on financial. Recovered from: MOVEMENTS.* Retrieved from: [https://www.dian.gov.co/impuestos/personas/Paginas/gravamen\\_movimientos\\_financieros.aspx#:~:text=%E2%80%8BGravamen%20a%20los%20Movimientos,por%20los%20usuarios%20del%20sis tema.](https://www.dian.gov.co/impuestos/personas/Paginas/gravamen_movimientos_financieros.aspx#:~:text=%E2%80%8BGravamen%20a%20los%20Movimientos,por%20los%20usuarios%20del%20sis tema.)

<sup>14</sup> The minimum wage has been defined by law as the minimum amount of remuneration that an employer is obliged to pay its employees for the work they have done during a given period, an amount that cannot be reduced even by virtue of a collective agreement, or an individual agreement.

<sup>15</sup> Decree 2555 of 2010 - By which the regulations on the financial, insurance and stock market sectors are collected and reissued and other provisions are issued. Retrieved from: <https://www.funcionpublica.gov.co/eva/gestornormativo/norma.php?i=40032>

offered by financial institutions supervised by the SFC.

The entities supervised by the SFC will prepare the investor's profile and understanding of risk/reward trade-offs, establish the product's profile, analyze the suitability of the product for the investor, provide professional recommendations, deliver information, and distribute the products, if they comply with the rules established with respect to matching the product to the objectives and sensitivities of the investor.

Additionally, the entities that carry out the advisory activity must do so through the authorized natural persons and must be registered in the National Registry of Securities Market Professionals (RNPMV) and have the certification in the modality that allows them to carry out this activity.

The interested person can be certified as a financial advisor if, within a self-regulated entity, he advises on issues of products or services related to securities brokerage and the execution of financial derivative operations, including the persons who provide the advice in Collective Investment Funds and Voluntary Pension Funds.

#### **h) Regulatory provisions for individual investor:**

The regulations in Colombia seek to promote financial investment and protect the foreign investor. There is an "Investor's Guide"<sup>16</sup> that contains topics on how the investor should invest in the stock market world and, in addition, that she/he knows her/his rights and obligations. However, there are specific regulations that foreign investors must comply with, for example, Decree 2080 of 2000<sup>17</sup> mentions the duties of the investor with the Central Bank, since the foreign capital investor must register the initial or additional investments in the Central Bank in accordance with the procedure established by it. Additionally, the sums that the investor pays to

the receiving company for share placement premium must be recorded. If the company decides to distribute these sums received as share placement premium, it must inform the Central Bank.

Regarding the promotion of foreign investment, in Colombia there is a Directorate of Foreign Investment and Services which oversees the adoption of regulations on foreign investment, participate in international negotiations, follows up disputes arising between foreign investors and government entities, prepare with State entities documents on foreign investment policy, among others, according to the provision of Decree 210 of 2003<sup>18</sup>.

#### **i) Investor education programs:**

Investor education programs are provided by entities such as the Colombian Securities Market Self-Regulator (AMV) and the Colombian Stock Exchange (BVC). The AMV is a private non-profit organization that regulates, monitors, disciplines and professionalizes the Colombian stock market environment. The BVC is a private entity that oversees the issuance of securities, administers the stock market, as well as the markets for fixed-income instruments and standardized derivatives contracts listed and traded on its separate segments.

- AMV<sup>19</sup>: It has a voluntary financial education program, in which 65 of its member entities participate; with the aim of educating current and future investors through talks, educational material and academic visits.
- BVC<sup>20</sup>: Offers courses focused on investment portfolio management, fundamental analysis for investment in stocks, investment valuation and a program called "Investor Pack" that includes stock market topics for beginners, investing in stocks, investment portfolio management, Stock

<sup>16</sup> ISA & BVC. *Investor Guide*. Retrieved from: [http://www.bvc.com.co/recursos/Files/Inversionistas/Principiantes/Guia\\_para\\_el\\_Inversionista\\_ISA.pdf](http://www.bvc.com.co/recursos/Files/Inversionistas/Principiantes/Guia_para_el_Inversionista_ISA.pdf)

<sup>17</sup> Decree 2080 of 2000 - Modified by Decree 4474 of 2005. Retrieved from: <https://www.supersociedades.gov.co/imagenes/DECRETO%204474.htm>

<sup>18</sup> Decree 210 of 2003 "By which the objectives and organic structure of the Ministry of Commerce, Industry and Tourism are

determined, and other provisions are issued" Retrieved from: <https://www.suin-juriscol.gov.co/viewDocument.asp?id=1845734>

<sup>19</sup> Self-regulator of the Colombian Stock Market. (2022). *Financial education for Investors*. Retrieved from: <https://www.amvcolombia.org.co/inversionistas/educacion-financiera/>

<sup>20</sup> Colombian stock exchange. (2022). *Courses and certifications*. Retrieved from: <https://www.tiendabvc.com/buscar?query=inversi#page3>

market diploma, professional trading, stock trading and ETF's.

Many of the universities have at least one subject focused on capital markets and investments in their academic curriculum, however, only offer basic notions and are not certified by the AMV or the BVC, except in the case in which the University carries out an agreement with one of these two organizations, to take a specialized course or diploma.

**j) What has been the effect of the SFC (the national capital market's authority) participation in the work of IOSCO, the global association of capital markets authorities?**

The (SFC) adopted the Provisions and Principles of the International Organization of Securities Commissions (IOSCO) in Law 964 of 2005. This Law established a regulatory framework that seeks to provide a single regulatory structure, providing legal stability and translating into regulation the laws promulgated by the Government to supervise the participants in the capital markets. Colombia has also adopted the Provisions and Principles issued by IOSCO on how to oversee the operations of the securities markets themselves, to achieve better protection of the rights of investors, a better developed and more efficient marketplace for capital raising and secondary market pricing. These measures reinforce the confidence of the public in the institutions that participate in the public financial markets (Rodríguez, 2014<sup>21</sup>). Additionally, Colombia has adopted as appropriate large parts of the recommendations issued by the OECD in terms of corporate governance in companies, including institutions that provide infrastructure for the market.

Currently, there are also other international agreements, especially for investments. Colombia officially became the 37th member of the Organization on April 28, 2020, successfully concluding an accession process that began in 2013.

OECD member countries officially invited Colombia to join the Organization in May 2018, following a five-year accession process during which it underwent in-depth reviews by 23 OECD committees and introduced important reforms to bring its legislation, policies and practices in line with OECD standards, in particular with regard to labor issues, reform of its judicial system, corporate governance of state-owned enterprises, anti-bribery, trade, as well as the establishment of a national policy on industrial chemicals and waste management (OECD, 2020<sup>22</sup>).

*OECD establishes roadmap for Colombia's membership:*

The OECD established a clear path for Colombia's accession to the Organization, reinforcing its commitment to further expand its global membership to include more emerging economies. In particular, the "Investment Committee" left a guide<sup>23</sup> with main ideas that Colombia should adhere to:

- Full compliance with the principles of non-discrimination, transparency and 'standstill', in accordance with the OECD Codes of Liberalization and the National Treatment Instrument of the OECD. Declaration on International Investment and Multinational Enterprises (reservations under the Codes must be limited to existing restrictions).
- An open and transparent regime for FDI, restrictions must be limited and concern sectors where restrictions are not uncommon in OECD countries.
- Liberalization of other long-term capital movements, including equity investment and debt instruments of a maturity of one year or more; commercial credit and other capital operations relating to international trade are also to be liberalized; a time table for the abolition of remaining controls on short-term capital movements is required.

<sup>21</sup> Rodríguez, M. (2014). *Concept, scope and structure of self-regulation in the Colombian Stock Market*. Retrieved from: <https://revistas.uexternado.edu.co/index.php/emerca/article/view/4047/4847>

<sup>22</sup> OECD. (2020). *The OECD and Colombia: A mutually beneficial relationship*. Retrieved from: <https://www.oecd.org/latin-america/paises/colombia/>

<sup>23</sup> OECD. (2013). *Roadmap for the accession of Colombia to the OECD convention*. Retrieved from: [https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=c\(2013\)110/final&doclanguage=en](https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=c(2013)110/final&doclanguage=en)

- No restrictions on payments or transfers in connection with international current account transactions; the candidate countries must comply with all IMF Article VIII requirements.
- Relaxation of restrictions on cross-border trade in services, particularly banking, insurance and other financial services.
- Fair and transparent implementing practices and proportionality of the measures relative to the stated objective pursued.
- Effective enforcement of intellectual property rights.
- Key commitments under investment protection and other international agreements.
- Capacity to present a credible plan for the establishment of a visible, accessible, transparent and accountable National Contact Point for the OECD Guidelines for Multinational Enterprises; evidence of the candidate's commitment to the various international instruments cited in the Guidelines.
- Completion of the OECD Survey of Implementation of Methodological Standards for Direct Investment (based on the Benchmark Definition of Foreign Direct Investment, 4th edition – BMD4 2008) and agreement to report data for the compilation of the OECD International Direct Investment Yearbook, in accordance with the timetable and template agreed by Members.

**k) Are bank deposits guaranteed by the central bank at a level sufficient to encourage consumer confidence?**

The central bank of Colombia is the Banco de la República (BANREP), a unique body with administrative, ownership, and technical autonomy granted by the state for the purposes of exercising the functions of central banking. Concerning bank deposits, its activities focus on being a centralized axis for financial entities. Based on the foregoing, the activities carried out by BANREP in relation to deposit accounts with the financial system are two, the Deposit Accounts (CUD) and the Bank Reserve (EB).

Any entity that is authorized to open Deposit Accounts in the Central Bank, will automatically acquire the status of authorized entity in the CUD, and must be affiliated with the Electronic Services of BANREP – SEBRA. The characteristics of CUD accounts are:

- Operations can be carried out in national or foreign currency.
- Taxes such as VAT and GMF are collected in line with the execution of each operation in the CUD, in such a way that the ordering entity must have sufficient resources to cover all the respective amounts.
- The CUD provides entities with online queries and reports of their account movements and balances in different currencies, as well as daily flat files so that they can carry out automatic reconciliations.
- The CUD allows individual transfers to be made through the stations that each entity has in its offices or in batch by sending files through a secure medium protected with digital signatures.

Also, the EB is a proportion (%) that credit institutions must maintain as reserves in their cashiers or in their accounts at the Central Bank, for each deposit they receive from the public. This requirement guarantees that entities have the necessary liquidity to guarantee their depositors the availability of their money.

**l) Goals of CCB concerning a collaborative growth of financial services:**

The Financial Services Cluster Initiative – supported and led by the CCB – is a neutral scenario where business leaders, the Government, supporting entities, and academia work collaboratively to increase the productivity and competitiveness of the sector. The Cluster includes entities that offer financial products and services related to savings, credit and investment, represented by traditional banks, trust companies, stock market participants and the Exchange (BVC) itself, and Fintech companies which are of central importance to these services in Bogotá. Additionally, the Cluster benefits from the involvement of the central bank and regulators, also payment networks and franchises (VISA and Mastercard).

Value proposal: The Bogotá Financial Services Cluster will be recognized internationally in 2026 as the main International Financial Center (IFC) in LATAM. The Cluster Initiative will function as a collaboration model for the local financial sector and will boost the economic development of the city and the country.

The Cluster will stand out for its dynamics of attracting foreign investment and specialized human talent capable of responding to industry trends. It will be characterized by having highly innovative companies, processes, products, and services with an emphasis on new technologies; and it will be a platform for identifying and meeting the needs of local, national, and international clients.

The Cluster's Strategic Pillars are:

- Inclusion and financial education, with the objective of improving the conditions and indicators for these questions across the large Bogota region.
- Human talent, with the objective of developing specialized training actions to respond to trends in financial services.
- Sector positioning, with the objective of making the Cluster visible at the national and international level and position it as an engine of economic development and attraction of FDI.
- Innovation, with the objective of promoting highly innovative companies, processes, products, and services, all with an emphasis on new technologies.
- Regulatory development, with the objective of leading regulatory projects and strategies with a view to assuring the position of Bogota as a first-rate international financial center.

The Cluster brings together company representatives to work on the main challenges highlighted above. Once every two weeks, the CCB organizes the meetings of the Financial Services Executive Committee, which addresses issues and takes note of progress made. Its observations, comments, and new ideas are then written into the evolving work program of the Cluster.



**Financial Services Cluster Report  
The Chamber of Commerce of Bogotá  
in collaboration with the WAIFC**

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