

STATEMENT OF WORK

Under this support program, USAID will provide technical/training assistance designed to facilitate the adoption and effective implementation of core trade/investment policy and regulatory and institutional strengthening reforms designed to promote the effective conclusion and implementation of an FTA. In so doing, the program will support the GOC in accelerating Colombia's effective integration into international trading and financial networks. The implementation of this program will require considerable flexibility; as detailed policy/regulatory and institutional strengthening requirements may arise during the course of the FTA negotiations which must be addressed in a timely fashion. This will facilitate the effective operation of the Trade Capacity Building Table of the negotiations and contribute dexterously to the successful completion and expeditious implementation of an FTA. The high degree of fluidity and dexterity that will thus be required for efficient program implementation cannot be over-emphasized. In this regard, the trade capacity building areas discussed above should be regarded essentially as illustrative in nature; though it is likely that there will be some concentration of focus in these sectors. In order to ensure appropriate focus and coherence in the definition and execution of policy/institutional reform support efforts under these extremely fluid project implementation circumstances; a rolling 90 day workplan instrumentality will be utilized. This will facilitate well-organized joint determination and articulation by USAID, the contractor, and the GOC of emerging FTA-related trade and investment reform priorities on an ongoing basis. It will also serve as a focal point for discussion with other major donors involved in the FTA process to ensure the most effective possible coordination and collaboration in support of critical trade/investment policy and institutional reforms.

General Trade/Investment Reform Support Activities: The contractor will be expected to design and effectively implemented technical/training support activities in a range of trade capacity building areas; which again should not be regarded as being strictly limited to the areas enumerated above. The specific areas of focus will be agree upon with and carried out in coordination with the Ministry of Trade and Commerce and other relevant GOC agencies; consistent with priorities defined through the ongoing trade capacity building discussions which adjoin and run parallel to the FTA negotiation process.

These activities could include policy/regulatory adjustment and institutional strengthening activities in areas which include but are not limited to the following:

- SPS policy/institutional reforms
- IPR policy/institutional reforms
- Customs policy/institutional reforms
- Service sector policy/institutional reforms
- Procurement regime-related policy/institutional reforms
- Commercial law regime policy/institutional reforms
- Labor and Environmental Policy-related policy/institutional reforms
- Trade remedy-related policy/institutional reforms
- Other priority trade capacity building-related policy/institutional reform areas identified by USAID and the GOC

It would be expected that over the two year implementation period of the task order; a minimum of ten significant trade capacity building-related policy/regulatory reform actions would be completed through the efforts of the contractor; and a minimum of four significant trade capacity building-related institutional reform activities would be effectively and comprehensively carried out. Policy/regulatory reform actions are defined to include significant changes in legal/regulatory and related policy guidelines, which facilitate the transparent and competitive flow of trade/investment resources in a manner consistent with the spirit and intent of the FTA process. Institutional reform activities are defined to include transformational changes in the scope of regulatory and enforcement responsibilities and capacity of key public (and where relevant) private sector institutions; which contributes to the transparent and competitive flow of trade/investment resources in a manner consistent with the spirit and intent of the FTA process.

All of these reform actions and institutional strengthening activities should clearly and tangibly contribute to the completion and/or effective implementation of an FTA.

Securities Market Regulatory Reform Support: In the securities market regulatory reform area, priority needs have been clearly established with key GOC counterparts. The proposed technical cooperation program will focus on policy reform and institutional strengthening activities designed to build the SV's capacity to implement core strategic elements of its capital market development strategy. The program will focus principally on supporting organizational/institutional reforms designed to strengthen the monitoring and surveillance capacity and enforcement capabilities of the SV. It will also focus on strengthening of the auto-surveillance and reporting capacity and systems and risk management procedures of major market intermediaries; most prominently including the Bolsa de Valores and the network of Broker/Dealer member firms, as well as the two commodities exchanges currently in operation. In addition, the program will focus on strengthening the accounting/audit enforcement capacities of the SV. It will also provide be targeted towards supporting the adoption and further elucidation (through the development of implementing procedures and manuals) of key financial reporting and performance norms to be established in upcoming securities and accounting/audit reform legislation.

Specific prioritized technical cooperation and training activities in the aforementioned areas will include (but not be limited to) the following:

1. Enforcement

- a. Support for the development of procedures and systems that would provide the SV with a coherent enforcement scheme:
 - Support for the review and full and effective elaboration of an updated set of job descriptions for the intermediaries/markets and enforcement units under the revamped SV organizational structure.

- Support for the development and effective operationalization of systematic and manualized operating procedures for the intermediaries/markets and enforcement units of the SV.
 - Support for the development and effective implementation of an improved set of enforcement procedures and systems by the SV/BVC; with particular focus on the appropriate definition and escalation of sanctions associated with different categories of infractions
- b. Support for the establishment of effective coordination and information sharing mechanisms/systems between the surveillance and enforcement areas within the SV.
- c. Support for the development and effective implementation of a cooperative information sharing and consultative relationship between the SV and the Fiscalía General de la Nación; designed to substantially enhance SV enforcement capabilities in relation to major securities market infractions through improved coordination on criminal investigation and prosecution procedures/actions.

2. Surveillance

a. Intermediaries and Markets

- Support for development and implementation of a plan for incorporating real-time reporting of OTC transactions (including price and volume information) for all listed fixed income securities on the BV's electronic trading system.
- Support for the strengthening of model SRO's in their regulatory monitoring and oversight functions; including but not limited to strengthening of the BVC's capacity to fully carry out its enhanced responsibilities as an SRO.
- Support for development and implementation with the SV and BVC of a joint/coordinated comprehensive electronic tracking and audit system for all BVC trades, with appropriate data mining and signaling tools/mechanisms designed to facilitate time-effective monitoring and detection of trading improprieties.
- Support for the elaboration and effective implementation of systematic and efficient supervisory and compliance procedures and systems by the BVC and by the network of broker-dealer firms.
- Support for the elaboration and effective implementation of systematic and efficient disciplinary procedures and systems by the BVC and the network of broker-dealer firms.
- Support for the effective implementation of enhanced reporting requirements related to trading system transactions activity and customer complaints by market intermediaries to the SV.
- Support for development and effective implementation by the BVC of a systematic profiling database on the licensing, examination, disciplinary, and complaints-related background and history of broker-dealer firms and their employees.
- Support for the development and effective implementation of an improved and coordinated broker-dealer routine and for-cause examination system by the BVC/SV; with a particular focus on procedures for detecting/detailing non-

- compliance with customer protection rules and capital adequacy/asset valuation norms, asset misappropriation, market manipulation, inadequate risk management procedures/norms, and unauthorized activities.
- Support for the development and effective implementation of an improved and coordinated securities stock exchange and commodities exchange routine and for-cause examination system by the SV; with a particular focus on procedures for detecting/detailing non-compliance with customer protection rules and capital adequacy/asset valuation norms, asset misappropriation, market manipulation, inadequate risk management procedures/norms, and unauthorized activities.
 - Other technical cooperation activities related to the establishment and implementation of an international best practices-consistent securities market legal and regulatory oversight system.

b. Issuers and Collective Investment Schemes

- Support for the development of operating procedures, monitoring systems and automatic signaling tools/mechanisms that enhance effective surveillance/oversight of issuers and collective investment schemes.
- Support for the development and effective implementation of an information sharing system which can effectively cross portfolio information received from portfolio managers with the central depository data.
- Support for the development and effective implementation of a system for validating reported financial and trading information by collective investment schemes. (CIS).
- Support for the effective implementation of a module to effectively analyze and monitor key financial performance and broader governance parameters, including the following: share value (net asset value); fund value; number of subscribers; profitability/risk profile; fund manager and industry; verification of daily portfolio composition (and consistency with approved investment policy); percentage breakdown of fund share ownership structure; structure of liquidity operations.
- Support for the development and effective implementation of a simulation module for risk analysis.
- Support for the development and effective operationalization of systematic manualized operating procedures within the issuer and collective investment scheme (CIS) units of the reorganized SV for monitoring and surveillance (including inspection) activities related to issuer compliance with information disclosure, financial reporting and asset valuation requirements.

3. Accounting

- Support for IAS implementation in Colombia through targeted information dissemination activities related to the structure and conduct of accounting/audit-related governance systems in the U.S. and Europe.

- Support for development and effective operationalization of an Office of the Chief Accountant within the SV; and the associated application of sound and systematic compliance procedures designed to promote the consistency of accounting and audit practices of issuers and market intermediaries with legally mandated requirements.
- Support for the finalization of revamped securities market and accounting reform legislation designed to promote improved corporate governance and financial reporting and disclosure standards and practices among securities market participants; and the development and implementation of systematic implementing rules and procedures designed to promote the effective implementation of that legislation.

4. Market Access

- Support for a systematic review of the current regulatory framework for the private issuance of securities.
- Support for the drafting and effective implementation of a new regulatory framework that would facilitate the transparent issuance and trading of private securities offerings.
- Support for the design and effective implementation of improved surveillance/enforcement systems for private securities issuances; and their effective integration with those implemented for public issuances.
- Support for the development of systematic procedures (including internet tools permitting prospectus filing) for the private and public offering of securities.