

PROGRAM TO SUPPORT THE DEVELOPMENT OF A SECURITIES REGISTRY

(TC-97-04-299)

EXECUTIVE SUMMARY

EXECUTING AGENCY: The Ministry of Economy

FINANCING: Modality: Grant-Facility I

Local Counterpart:	US\$ 570,000
MIF:	US\$ 930,000
Total:	US\$1,500,000

IMPLEMENTATION	Period of execution:	24 months
SCHEDULE:	Period of disbursement:	30 months

OBJECTIVES: The overall objective of this project is to strengthen the emerging capital markets of Guatemala by increasing their transparency and efficiency and educating the investing public. The program will assist in the development of the Registry, created by the *Ley de Mercados de Valores* approved in 1996, so that it can effectively accomplish its functions. Most important, the Registry represents the first step to bring oversight and greater transparency to the presently unregulated over-the-counter-market (OTC). The Registry's regulations for the OTC market should gradually become the benchmark for the operation of Guatemala's capital markets. These markets have largely gone unregulated or in the case of the stock exchanges have functioned under a self-regulatory regime. The program will assist the Government in the strengthening of the legal framework for securities markets which will provide the basis for the future expansion of the Registry's functions.

DESCRIPTION: The program will assist the Registry in the development of the following activities: (a) the establishment of investor information standards for issuers, registration requirements for intermediaries, and regulations regarding norms of business conduct; (b) creation of a system for monitoring compliance with regulations; (c) development of a centralized information system to record OTC trading and a monitoring system to detect irregular trading practices; and (d) establishment of an investor information center. To disseminate the benefits of the Registry and facilitate its

acceptance by market participants, the project will support the development of an educational program for issuers, intermediaries and investors. A training program will also be implemented, primarily for the Registry's staff but will also include policy makers. The program will support the review of the current legal framework and the development of a medium-term plan to identify further needs to build the securities markets infrastructure.

**ENVIRONMENTAL
CLASSIFICATION:**

As established by the Committee on Environmental and Social Impact (CESI), on its meeting of October 6, 1997, the project does not have a direct impact on the environment and does not require a special assessment.

BENEFITS:

This project will assist the Government of Guatemala in its support of the country's capital markets. The Guatemalan OTC markets have been unregulated with respect to the quantity and quality of information provided to investors. This program will play an important role in imparting greater transparency and efficiency to the OTC markets, with positive spill over effects to the on-exchange markets. Finally, the program will provide an opportunity to continue working closely with Guatemalan policy makers to further strengthen the legal and regulatory framework.

RISKS:

To ensure the success of the project, securities issuers and intermediaries operating in the OTC market must be convinced of the benefit of registering with the Registry. If they feel it imposes unnecessary costs and no benefits, they might disregard registration in the Registry. The public information campaign envisioned as part of the Program will play an important role in educating stakeholders in the process and convincing them of its benefits. In addition, a risk exists that the Registry will register issuing companies, issues and intermediaries, but not move to the next step, which is monitoring disclosure trading and improper market practices. The training program will be an essential tool to ensure that the Registry staff acquire the necessary skills to implement its responsibilities. Shortcomings in the Registry's enforcement powers could partially hampered its effectiveness. But, as stated earlier, the Program will work on the strengthening of the legal framework to eliminate these shortcomings.

I. COUNTRY ELIGIBILITY

- 1.1 Guatemala was declared eligible for all modalities of MIF financing by the Donors Committee at its meeting of March 30, 1995.

II. BACKGROUND

A. Securities Markets in Guatemala

- 2.1 Organized securities trading in Guatemala is just over a decade old and is still in its developmental stage. Guatemala's capital market is comprised of an over-the-counter (OTC) market and two organized stock exchanges. Initial offerings of short-term government securities are done through the stock exchanges but secondary trading can occur on or off-exchange. The OTC market is by far the largest and accounts for 80% of all secondary trading. The remaining 20% of secondary trading occurs in two stock exchanges. The Bolsa Nacional de Valores is the oldest and largest stock exchange and accounts for 90% of all exchange trading; the Corporación Bursátil has the remainder. The volume of trading on the exchanges is, however, artificially inflated as exchange members sometimes use the exchange clearing houses to settle their off-exchange trades which are then reported as exchange trades.
- 2.2 The stock exchanges have operated as self-regulatory organizations (SROs) in the more than ten years since the Bolsa Nacional de Valores began operations in 1986. The exchanges regulate trading, clearing and settlement, registration of issues listed for trading and investor information through rules adopted by the membership. The OTC markets, where commercial banks and broker/dealers operate, are not currently regulated by industry trade groups nor by a public authority. Although there have been no systemic or generalized financial problems associated with the Guatemalan securities markets, there are occasional stories of financial fraud perpetrated upon the investing public.
- 2.3 The market for securities is comprised principally of short-term government debt ranging in maturities between 3 months and 3 years, with most maturities less than six months. Small amounts of private debt and equity securities are also traded. The most popular trading instrument is the repurchase agreement, called "repo" in English and "reporto" in Spanish. The typical "reporto" trade in Guatemala is an agreement to sell a short-term Treasury bill or Central Bank bill and to repurchase it one to two weeks later at a higher price. The difference between the sale price and the higher repurchase price is the "repo" interest rate. Since 1992, The Central Bank of Guatemala has increasingly implemented its monetary policy through "reporto" operations conducted in the stock exchanges. The Central Bank lowers liquidity through selling securities (repurchase agreements) and increases liquidity through buying securities (reverse repurchase agreements). Commercial

banks use "reportos" mostly to raise cash to meet their legal reserve requirement, but reportos are also used to fund longer-term loan or portfolio assets, giving some banks a maturity mismatch.

- 2.4 Non-financial operating companies issue a type of promissory note that is similar to commercial paper. These are continually refinanced (rolled over) so that they in effect become a revolving credit facility. Equity financing has not yet become established in the stock exchanges as an important source of financing. The Bolsa Nacional de Valores has just 10 securities listed with a market capitalization of \$124 million. Secondary trading in these shares is infrequent.

B. Regulatory Framework

- 2.5 In June 1996, ten years after the first bolsa de valores was created under a pure self-regulatory framework, the *Ley de Mercado de Valores* was passed which, for the first time, established public oversight of the OTC markets. Such public oversight will be conducted through a Registry whose main function would be to centralize information on the issuers, securities issues, agents and investment institutions as well as to regulate and supervise all OTC-stock exchange activity. The Registry will be an institution attached to the Ministry of Economy but will enjoy budgetary and functional independence. The Law also introduced for the first time some rules of conduct for market participants on or off-exchanges, such as insider trading.
- 2.6 Under the new law, securities issuers in OTC markets must now provide investors with information regarding the issuers' organization and ownership, financial statements for the last three years and risk classifications if they exist. The Central Bank and other governmental issuers are exempt from this registration requirement as are commercial banks, which are under the jurisdiction of the Superintendent of Banks. Participants operating in the exchanges and in OTC markets, such as broker/dealers, investment companies and investment funds and risk rating agencies must also provide information about their organization and ownership.
- 2.7 The *Ley de Mercado de Valores* is a good first step, primarily for establishing a Registry for all traded securities and intermediaries, and oversight of the OTC markets. But, the law is weak in other areas. It is weak with respect to many of the functions normally associated with a securities regulatory authority such as oversight of stock exchange activity, capital standards, prudential norms and acceptable accounting practices for brokers and for investment companies. The law also lacks strong enforcement powers. Nonetheless, the law represents an important opportunity. This program will work to strengthen and build upon this opening by supporting the development of the nascent Registry and the oversight functions it is called upon. The program will

finance activities to strengthen the legal and regulatory shortcoming described above.

- 2.8 The project described here is complementary to other MIF projects in the Central American region to strengthen the legal/regulatory framework and the financial infrastructure of these markets. The MIF in its "Harmonization of Capital Markets in Central America" project (MIF/AT-11) financed the strengthening of Central Securities Depositories (CSDs) for stock exchange transactions in the six Central American republics. The present project complements this effort by trying to establish an information system on OTC trading in Guatemala and proper disclosure standards for the OTC market, which should later become the benchmark for all of Guatemala's markets. This project is also complementary to an upcoming MIF Regional Technical Cooperation to support training of financial sector regulators on a regional basis. This project will supplement the regional project activities by focusing on specific training in the establishment and operation of a securities registry.

III. THE PROGRAM

A. Overall Objectives

- 3.1 The overall objective of this project is to strengthen the emerging capital markets of Guatemala by increasing their transparency and efficiency and educating the investing public. The program will assist in the development of the Registry, created by the *Ley de Mercados de Valores* approved in 1996, so that it can effectively accomplish its functions. Most important, the Registry represents the first step to bring oversight and greater transparency to the presently unregulated over-the-counter-market (OTC). Practices within the OTC market should gradually become the benchmark for the on-exchange securities markets in Guatemala. The establishment of the Public Information Center within the Registry will seek to educate Guatemala's investing public. The program will also assist the Government in the strengthening of the legal framework for securities markets which will provide the basis for the future expansion of the Registry's functions and the development of securities markets infrastructure.

B. Description of the program

1. Component I: Legal and Regulatory Framework

- 3.2 The *Ley del Mercado de Valores* approved in 1996 creates a securities Registry to register publicly-offered securities in OTC and stock exchanges, the intermediaries operating in these markets and to act as a public depository of investor information about companies and intermediaries. The Law also entrusted the Registry with the oversight of the OTC market.

- 3.3 The Law opened the way for the Registry to start playing a significant role in the control of the quality of the information provided by private issuers, which constitutes the cornerstone of a properly functioning securities market. The Registry is only charged with establishing requirements or standards for information provided by OTC issuers since the exchanges are responsible for establishing this norm for listed companies. Nevertheless, it is important that the Registry establishes a rigorous standard for the issuances which fall in its jurisdiction with the goal of fixing minimum official standards. The Registry should initiate its activities with a degree of technical rigor that will serve as a model for Guatemala's on-exchange markets.
- 3.4 The Program will assist the Registry in the establishment of rigorous regulations for matters under its purview, including norms on prospectuses, norms on continuing obligations of issuers, norms on accounting and financial statements, as explained below:
- a. *Norms on Prospectuses* refer to the minimum information requirements to be included in the prospectuses distributed by issuers to potential investors. The regulations would list the documents which must be filed with the Registry at the time of application for approval. They would detail the contents of the prospectus, and the accounting and auditing standards used. The regulations also indicate the sanction for a false or misleading prospectus.
 - b. *Norms on Continuing Obligations of Issuers* detail the ongoing requirements for issuers of securities which are publicly issued or publicly held. They include timely and material corporate disclosure, the need to publish announcements of closure of books, notice of general meetings, the need to distribute the directors' report and its annual accounts, and other notifications that must be made to the Registry.
 - c. *The Norms on Accounting and Financial Statements* will apply to licensed intermediaries in respect to all securities business which they have been licensed to conduct. A licensed intermediary shall, in respect of his securities business, keep accounting records which are sufficient to show and explain his transactions (whether effected on his own behalf or on behalf of others). The norms list requirements for keeping these records. The norms also detail the way in which financial statements shall be prepared, the treatment of customer money, and auditors reports.
- 3.5 In addition, the *Ley de Mercados de Valores* addresses for the first time issues related to proper *Conduct of Business* by market participants to ensure fair trading. The law establishes principles on priorities to execute orders by brokers and penalizes insider trading. To bring transparency to OTC trading, the Registro should publish regulations requiring the reporting to the Registro, of

prices and volumes transacted in the OTC market. The program will assist in the development of norms to regulate these practices.

- 3.6 The program will also work with the Government in reviewing the shortcomings of the current legal framework. Capital standards and prudential norms, including capital requirements for intermediaries operating in the stock exchanges and off-exchange will need to be introduced. In addition to the risks it entails to investors, the lack of prudential regulations for brokerages firms results in distortionary regulatory arbitrage practices among financial institutions. Conduct of business regulations have only been partially addressed by the current legal framework. Stronger enforcement provisions should be developed and implemented.
- 3.7 The review of the legal framework should be part of a broader medium-term action plan to develop over time stronger supervision for Guatemala's securities markets so that investor protection and confidence are enhanced. The plan will require the examination of related laws and supervisory institutions in Guatemala and the Registry's role in these. In addition to supervisory and legal framework related issues, this medium-term plan will identify further actions to be implemented in order to continue building the overall financial infrastructure for Guatemala's securities markets.
- 3.8 The Guatemalan securities markets and supervisory regime should develop in consort with other markets in Central America and outside of the region. The Council of Securities Regulators of the Americas (COSRA), an association of securities and exchange commissions in the Western Hemisphere, has developed regulatory principles in agreement with best international practices with the objective of integrating securities supervision in this region. In the course of this project, representatives from COSRA will meet with Guatemala's registry officials so that COSRA principles are incorporated into the project.

2. Component II: Establishment of the Registry

- 3.9 To ensure the effective accomplishment of its mission, the Registry will require considerable assistance in its initial stages of operation. As a first step the program will support the definition of the Registry's organizational structure, identification of staffing needs, and development of basic procedures and manuals. The Registry's organizational structure should take into consideration future expansions of responsibilities as the legal and regulatory framework of securities markets is further strengthened.
- 3.10 Based on the regulations developed under Component I, an information monitoring system will be established to ensure that issuers provide the required information on securities issues and that financial intermediaries and issuers comply with the registration requirements. The program will also assist in the

development of the centralized information system for recording OTC trading, bringing valuable information to Guatemalan securities markets and investors as most transactions occur in the OTC market. This information system will include a monitoring system with "alarms" to detect unusual activity in OTC trading. Special attention will be placed to the establishment and effective functioning of monitoring systems as these will represent the first steps in bringing oversight to a presently unregulated market.

- 3.11 A Public Information Center will also be established within the Registry. This information center will have a computerized database with all documents recorded. Financial statements, prospectuses, rules and regulations will all be filed in the library and recorded in the database, thereby allowing easy access by Registry personnel and the public. In addition to information received from issuers and intermediaries, the Registry's information center should compile statistical information on the market and macroeconomic information which influences the securities market. This statistical information should be made available via the Internet. A proactive and well-functioning Public Information Center could become an important component of the financial infrastructure needed by securities markets.
- 3.12 In summary, the development of the Registry will include the following components: (a) support in the establishment of its organizational structure and definition of staffing needs, (b) establishment of investor information standards for issuers and registration requirements for intermediaries; 1/ (c) creation of a system for monitoring compliance with investor information standards and registration of securities and intermediaries; (d) development of a centralized information system to record OTC trading; and (e) establishment of an investor information center where documents of corporate issues and intermediaries are available in electronic format and hardcopy for public use, and reporting of OTC trades. To assist in the development of the Registry and the implementation of the aforementioned components, the Program will include the financing of a highly-experienced consultant in the area of securities regulation and institutional building of supervisory institutions. Among other tasks, this consultant will help prepare terms of reference for other consultants or consultant firms to be contracted, will assist in their selection and will help supervise their technical work. The General Consultant Coordinator will visit Guatemala for three or four weeks at the start up of the project. Subsequent visits will take place every four months for about two weeks.
- 3.13 The Program will also support the financing of a feasibility study for moving the Registry from a securities registration system into a comprehensive national registration system recording ownership and transfers of government and private securities. Eventual

1/Activity (b) will be developed in the context of Component I.

movement toward a book-entry system should be contemplated so that immobilization of securities is introduced followed by dematerialization, as the underlying legislation is established and the public is educated. ^{2/} The establishment of the book-entry system will reduce transaction costs and risks entailed by the current system in which checks and other instruments have to be physically transported from place to place. The study will review the present legal framework to identify necessary amendments so that book-entry can become the legal record of securities ownership and transfer of ownership. The study will also devise the structure of the National Registry and its relation to the stock exchanges, their clearing and settlement systems, the Central Bank and the commercial banks payments system, and private custodial operations. The study will seek to devise a structure that maximizes use of the existing financial infrastructure.

3. Component III: Training Program

- 3.14 As a nascent organization, the Registry's staff will require considerable training. It will be important for the Guatemalan Registry staff to be trained in the "best practices" as determined by international standards. Training will also be aimed at government officials involved in policy making for securities markets. The latter will greatly assist in the strengthening of the legal and regulatory framework and the further development of the financial infrastructure of securities markets. These training activities will be complementary to the training efforts to be undertaken at the regional level by other MIF supported programs (par. 2.8).
- 3.15 Staff training will include long-term training done in country by consultants and foreign supervisory officials, as well as some in country short-term training for government officials involved in policy-making for securities markets. Finally, the project will have short-term training offshore at supervisory workshops which will be financed by local authorities, and longer-term offshore training for selected individuals.
- 3.16 Training in-country will focus on the laws and regulations governing issues and issuers, norms of conduct, the operation of the information systems installed within the Registry, and monitoring market activity (including detection of unusual market activity). Training out-of-country will include visits to other MIF members countries that have a strong supervisory and enforcement system in place for securities markets.

^{2/}Immobilization of securities occurs when physical documents (share certificates, bearer certificates) are stored or lodged at the Central Securities Depository or Registry. Dematerialization of Securities occurs when no physical securities are issued, but rather the depository or registry is charged with keeping records of ownership.

4. Component IV: Educational Campaign

- 3.17 A national securities registry is a new institution in Guatemala and its purpose and benefits to the development of securities markets will have to be explained to the investing public, the professional investment community and governmental and private agencies. The program will support the development of an educational program to reach the retail and institutional public investor and governmental authorities.
- 3.18 Components of the educational campaign might include: a) the development of informative brochures to be distributed through the exchanges and financial intermediaries; b) seminars focused on the functions of the Registry for professionals from the financial community and government agents involved in supervising financial markets; c) seminars focused on the law of 1996 and additional developments which are needed in the securities regulatory framework; and d) articles in financial and business publications targeted at investors and the public at large.

C. Cost and financing of the program

- 3.19 As is detailed in the following table, the cost of the project is US\$1,500,000, including financing by the MIF of US\$930,000, and counterpart contributions of US\$570,000.

PROGRAM TO SUPPORT THE DEVELOPMENT OF A SECURITIES REGISTRY PROGRAM TO STRENGTHEN CAPITAL MARKETS (TC-97-04-299) COSTS AND SOURCES OF FINANCING FOR THE PROGRAM (IN US\$)			
Activities	MIF Financing	Local Counterpart	Total
Component I: Legal and Regulatory Framework	\$150,000	\$100,000	\$250,000
1. Regulations on prospectuses, issuer obligations, accounting and financial statements, and conduct of business.	\$75,000	\$40,000	\$115,000
2. Design of medium-term plan for development of securities markets	\$30,000	\$30,000	\$60,000
3. Review of the legal framework and preparation of reforms	\$45,000	\$30,000	\$75,000
Component II: Establishment of the Registry	\$520,000	\$260,000	\$780,000
1. Design of organizational structure and basic operational rules.	\$70,000	\$35,000	\$105,000
2. Development and implementation of centralized OTC information system and monitoring systems	\$100,000	\$50,000	\$150,000
3. Development of Public Information Center and online service	\$100,000	\$55,000	\$155,000
4. Purchase of registry software and hardware system requirements	\$200,000	\$90,000	\$290,000
5. Feasibility study for development of National Securities Registry and book-entry system	\$50,000	\$30,000	\$80,000
Component III: Training Program	\$160,000	\$100,000	\$260,000
1. Long-term in-country training	\$80,000	\$40,000	\$120,000
2. Short-term out-of-country training	\$40,000	\$30,000	\$70,000
3. Long-term out-of-country training	\$40,000	\$30,000	\$70,000
Component IV: Educational campaign	\$50,000	\$90,000	\$140,000
1. Information brochures		\$40,000	\$40,000
2. Seminars	\$50,000	\$10,000	\$60,000
3. Others		\$40,000	\$40,000
Contingencies	\$50,000	\$20,000	\$70,000
Total	\$930,000	\$570,000	\$1,500,000

D. Administration and execution

- 3.20 Given the recent stage of the Registry and the experience of the Ministry of Economy executing other Bank and MIF projects, the Ministry of Economy will be the Executing Agency for the project. An agreement will be signed between the Ministry of Economy and the Registry, the latter agreeing to cooperate with the former in the implementation of the program components in accordance with the terms outlined in Section B of this chapter. Up to 20% of resources from Component III could be retained by the Ministry of Economy to support training activities for policy makers in the area of securities regulation.

E. Disbursements

- 3.21 Prior to the first disbursement, it will be necessary: (i) to have signed the agreement between the Ministry of Economy and the Registry in accordance with the text previously agreed with the Bank; (ii) to have established the executing unit at the Ministry of Economy, and (iii) to have submitted an overall action plan for the program and a detailed action plan for the first six months.
- 3.22 Implementation will take approximately 24 months, for which a disbursement period of 30 months is proposed. In selected instances, funds could be reallocated within components. Any reallocation of this kind is subject to prior approval by the Bank, in consultation with the MIF office.

F. Supervision

- 3.23 Basic responsibility for supervising the program will rest with the project team, comprised of personal from the Bank's country office in Guatemala, Headquarters and the MIF. The supervision process will make it necessary to carry out technical missions, at least one annually.
- 3.24 Given that the action plans are to include semiannual performance goals (linked to the goals set forth in Annex I), the Executing Agency, in assistance with the Registry will submit semiannual progress reports to the Bank on attainment of the goals established in the action plans and explanations in the event of delays or noncompliance. Should it prove necessary to make any changes in the action plans, such changes must be submitted to the Bank for approval. During the technical missions, particularly close attention should be paid to the fulfillment of performance goals.

G. Evaluation

- 3.25 A project completion report will be prepared within six months after program completion to evaluate the attainment of program objectives.

IV. BENEFITS AND RISKS

- 4.1 This project will permit the Government of Guatemala to support the development of the country's capital markets. Guatemalan OTC markets have been fully unregulated with respect to the quantity and quality of information provided to investors and the registration of broker/dealers operating in those markets. The program will play an important role in imparting greater transparency and efficiency to the OTC markets, with positive spill over effects to the on-exchange markets. The Registry has only been charged with oversight powers over the OTC markets, but its rigorous norms should become over time the model for companies listed in the exchanges and other on-exchange trading practices. The Public Information Center to be established within the Registry will greatly assist in the education of the investing public. Finally, the program will provide an opportunity to continue working closely with Guatemalan policy makers to further strengthen the legal and regulatory framework and to define a medium-term plan to continue building Guatemala's infrastructure for securities markets.
- 4.2 To ensure the success of the project, intermediaries performing OTC trades must be convinced of the benefit of registering with the Registry. If they feel it causes unnecessary costs and do not understand the gains, they might attempt to establish an informal OTC market off the Registry, which, although illegal, might be difficult to control. The public information campaign envisioned as part of the Program will play an important role in educating stakeholders in the process and convincing them of its benefits.
- 4.3 In addition, a risk exists that the Registry will register issuing companies, issues and intermediaries but will not move to the next step, which is monitoring disclosure trading, monitoring trading and improper market practices. The training program will be an essential tool to ensure that the Registry staff acquire the necessary skills to implement its responsibilities. Shortcomings in the Registry's enforcement powers could partially hampered its effectiveness. But, as stated earlier, the program will work on the strengthening of the legal framework's shortcomings.

V. CONSISTENCY WITH THE BANK'S COUNTRY STRATEGY

- 5.1 The proposed operation conforms to the Bank's strategy presented in the Country Paper which includes private sector development as one of its focal points. The program will bring greater efficiency and transparency to securities markets, strengthening the financial infrastructure needed to channel productive resources. The Program will also complement other Bank efforts to deepen and increase the efficiency of financial markets in Guatemala, particularly the Financial Sector Program II, currently being processed.

VI. COMPLIANCE WITH ELIGIBILITY CRITERIA

- 6.1 The financing of the proposed operation is consistent with the overall objective of the MIF which is to encourage private investment and to expand private sector participation in the economy, with the aim of expediting economic and social development. The program will enhance the Bank's support for strengthening the infrastructure necessary to develop capital markets. Moreover, the proposal is consistent with MIF guidelines for the Technical Cooperation Facility under Article III, Section 2(d) of the Agreement establishing the MIF, which specifies that financing may be provided to governments among other purposes for the development of financial systems and securities markets.

GUATEMALA: PROGRAM TO SUPPORT THE DEVELOPMENT OF A SECURITIES REGISTRY
SUMMARY TABLE OF THE PROGRAM

MIF - Technical Cooperation Facility		
<p>General Objective: The overall objective of this project is to strengthen the emerging capital markets of Guatemala by increasing their transparency and efficiency and educating the investing public.</p>		
<p>Specific Objectives: The program will assist in the development of the Registry, created by the <u>Ley de Mercados de Valores</u> approved in 1996, so that it can effectively accomplish its functions. Most important, the Registry represents the first step to bring oversight and greater transparency to the completely unregulated Over-the-counter-market (OTC). The Registry's regulations for the OTC market should gradually become the benchmark for the operation of the two stock exchanges, functioning under a complete self-regulatory scheme since their inception. The program will also assist the Government in the strengthening of the legal framework for securities markets which will provide the basis for the future expansion of the Registry's functions.</p>		
Sub-Programs	Activities	Expected Results
Component I: Legal and Regulatory Framework	Develop regulations for the registration of publicly-offered securities and market intermediaries, and regulations concerning the oversight of the OTC market; design of a medium-term plan for development of securities markets; and conduct a review of the legal framework to strengthen the oversight capacity of the Registry.	Regulations, study and draft law completed within the first 15 months.
Component II: Establishment of the Securities' Registry	1) Assist in the establishment of an adequate organizational structure, identification of staff needs and basic operational procedures; 2) creation of a system for monitoring compliance with investor information standards and registration of securities and intermediaries; 3) develop a centralized information system to record OTC trading and a monitoring system to detect irregular trading activity; 4) create a Public Investor Information Center; and 5) develop a feasibility study for the establishment of a National Securities Registry based on an electronic bookkeeping-entry system.	Basic operational procedures in place within the first 9 months; design of centralized information system for OTC trading, monitoring systems and Public Information Center within the first 9 months; well-functioning OTC trading information system and Public Information Center within the first 18 months; and feasibility study for National Securities Registry completed within the first 12 months.
Component III: Training Program	Develop in-country and out-of-the country training programs to learn international best practices.	1) Visits to Guatemala by foreign securities regulators and international experts to organize seminars, one-week and two-week training courses; and 2) short-visits as well as internships by Registry staff to other supervisory institutions, and clearance and settlement entities, national registries and custodial institutions in well-developed securities markets. Policy-makers will also participate in key activities.

MIF - Technical Cooperation Facility (continuation)		
Sub-Programs	Activities	Expected Results
Component IV: Educational Campaign	Design and implement an educational campaign directed at the investing public and the professional investment community, including brochures and seminars.	Design of the campaign completed within the first 6 months. Implementation taking place within the next 16 months.

Original Signed
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Original: Spanish

PROPOSED RESOLUTION

GUATEMALA. NON-REIMBURSABLE TECHNICAL COOPERATION FOR A PROJECT TO SUPPORT THE DEVELOPMENT OF A SECURITIES REGISTRY FOR GUATEMALA'S CAPITAL MARKETS

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Ministerio de Finanzas Públicas and to take such additional measures as may be pertinent for the execution of the project memorandum referred to in Document MIF/AT-_____ with respect to a technical cooperation project to support the development of a securities registry for Guatemala's capital markets .

2. That up to the amount of US\$930,000, or its equivalent in other convertible currencies, is authorized for the purpose of this resolution, chargeable to the resources of the Technical Cooperation Facility of the Multilateral Investment Fund.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.