



Latin American Private Equity & Venture Capital Association

Jorge Castaño Gutiérrez
Development and Investigation Director
Superintendencia Financiera de Colombia

March 3rd 2015

Dear Mr. Castaño,

I am writing on behalf of LAVCA and our member firms in response to the Circular Externa 006 issued on March 2012, the Circular Externa 050 of 2012 and the Circular Externa 2 of 2013 regarding the treatment of third party valuations for the private equity industry.

As you know from our many years of direct interaction on matters governed by the Colombian Finance Superintendent and the Ministry of Finance and its Unit of Financial Regulation, including our most recent meeting in Bogotá in collaboration with ColCapital on November 20th 2014, LAVCA takes a keen interest in the evolution of the regulation that will affect the development of the private equity industry in Colombia.

LAVCA's overarching goal in these interactions is to promote the adoption of practices and regulation already in place in mature private equity markets. We also aim to ensure that regulation reflects the distinct, long-term nature of private equity as an asset class, as differentiated from liquid strategies pursued by mutual funds or hedge funds.

Upon careful review of the current Circular 006 issued on March 2012, in collaboration with LAVCA member firms, industry experts, and members of the association's Public Policy and Global Standards Council, we have concluded that proposed regulation mandating third party valuations by Infovalmer and PIP are not consistent with rules and best practices in place in other markets.

This mandatory requirement represents a potential impediment to future commitments by Colombian institutional investors to private equity funds, and to international private equity funds setting up local fund structures in Colombia.

For this reason, LAVCA has prepared a review of international best practices on valuation of private equity portfolios, which we submit along with this letter. These materials support the practice of voluntary third party valuation and third party valuation committees, which was the established practice among private fund managers and institutional investors in Colombia prior to Circular 006.



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LAVCA encourages the Superintendent to review this material carefully and to consider reversing the mandatory requirement, consistent with international best practices. The new requirements in Circular 006 generate complexity and potential conflicts of interest, without adding any real protections for institutional investors.

Colombian institutional investors are protected without the mandatory requirement, because through their participation on the *Asamblea de Inversionistas* they can require a third party valuation at any time. This issue was clearly addressed by both private equity fund managers and institutional investors in the LAVCA-ColCapital meeting on November 20.

Finally, LAVCA will also address this issue in the preparation of the 2015 LAVCA Scorecard, particularly within the indicator specific to "*Laws on PE/VC fund formation and operation*" in Colombia.

Thank you for your kind attention on this important matter and we welcome the opportunity to address any concerns or questions regarding the issue of third party valuation.

Kind regards,

A handwritten signature in black ink, appearing to read 'C. Ambrose', with a long horizontal flourish extending to the right.

Cate Ambrose
President and Executive Director
Latin American Private Equity & Venture Capital Association

c.c. Patricio D'Apice, Chairman Colombian Association of Private Equity Funds - ColCapital
Isabella Muñoz, Executive Director Colombian Association of Private Equity Funds - ColCapital
David Salamanca Rojas, Director General de Regulación Financiera, Ministerio de Hacienda y Crédito
Ana María Bernal, Subdirectora de Coordinación Normativa, Superintendencia Financiera
Juliana Lagos, Subdirectora de Metodologías de Supervisión y Análisis de Riesgos Superintendencia Financiera