

Banking and Finance News

The Superintendency of Securities modifies provisions of the General Securities Market Regulations

Through Resolution SV. SG. No. 022 dated June 7, 2024 (the "Resolution"), the Superintendency of Securities ("SIV") amended Titles 3, 4, 6, 18, 30 and 34 of the General Securities Market Regulations (the "Regulations").

The Resolution modifies the requirements that Brokerage Firms must meet to apply for registration in the corresponding registry before the SIV, as well as the general conditions for carrying out over-the-counter ("OTC") transactions.

In addition to the requirements requested by the SIV in the Regulations, the Resolution requires brokerage firms to include a plan so that their clients can make use of Direct Market Access once it has been enabled, as well as an instrument that accredits the constitution of the guarantee to ensure compliance with the obligations arising from intermediation operations, at the time of submitting the documents to request their registration.

In relation to OTC transactions, the Resolution provides that Stock Exchange Operators already registered who wish to carry out OTC transactions must register as OTC Operators before the SIV. In this way, Brokerage Firms must execute OTC orders through an OTC Operator.

In addition, the Resolution modifies the chapter referring to the annual and quarterly periodic information and documentation that the Issuing Corporations ("SAE"), the Public Stock Issuing Companies ("SAECA") and the other issuing legal entities must submit to the SIV.

Regarding the annual periodic documentation, the Resolution establishes that, within a period of 30 calendar days from the approval of the Assembly, the issuers must submit the Board of Directors' Report and the Auditor's Report. It also provides that within a period of 90 calendar days from the approval of the Assembly, issuers must submit: (i) Basic Financial Statements; (ii) Report of the External Auditor on the Basic Financial Statements; (iii) Specific disclosures that were applicable to the accounts of Financial Statements and integral notes; (iv) Report on Related Persons; (v) Annex B of Title 31 of the Regulation "Basic Financial Statement Models"; (vi) Statement of debts of the company, in the event that an issue of debt securities is not fully paid. Additionally, in the event that a company controls another, holding control of more than 50% of the capital, it must submit: (i) Consolidated Financial Statements; (ii) Report of the external auditor on the consolidated Financial Statements; and (iii) Specific disclosures that were applicable to the accounts of the consolidated Financial Statements and accompanying notes.

With regard to quarterly periodic documentation, issuers must submit, within 45 calendar days at the end of each quarter: (i) Basic Financial Statements; (ii) Specific disclosures that were applicable to the accounts of the Financial Statements and the accompanying notes; (iii) Annex B of Title 31 of the Regulation "Basic Financial Statement Models"; (iv) Statement of debts of the company, in the event that an issue of debt securities is not fully paid. In the same way as the annual periodic documentation, if the company is the controlling company of another, holding control of more than 50% of the capital, the following must also be presented: (i) Consolidated Financial Statements; (ii) Specific disclosures that were applicable to the accounts of the consolidated Financial Statements and the accompanying notes.



The Resolution exempts issuing companies that are inactive from submitting the quarterly documentation mentioned above. However, they maintain the obligation to submit the annual periodic information. In addition, it provides that issuing companies that are in the process of voluntarily withdrawing from the securities market regime are exempt from the submission of periodic quarterly and annual information.

The provisions related to the exemption from the obligation to submit information to the SIV do not apply to SAE or SAECA registered with less than 3 years in the Securities Market Registry.

Issuing companies that wish to access the exemption regime must apply to join it, which will be maintained if they do not have current debt securities or request registration in an issue.

Regarding Global Issuance Programs (PEG) registered before the SIV, the Resolution establishes that the issuer may request, at maturity and with a current risk rating, an extension of 365 days, provided that the request is made at least 5 business days before maturity. In cases where the risk rating is equal to or higher than the "A" rating, the placement of series may continue without requesting an extension.

On the other hand, the Resolution modifies the section related to the registration of book-entry shares. In this regard, it is established that the company may convert the physical securities into book-entry shares by sending the Share Registry Book to the entity that will keep the register of book-entry shares and notifying the SIV of the conversion. The public offering of shares whose physical securities are in the process of conversion will be momentarily suspended.

The SIV will register the book-entry shares issued and integrated for public offering, provided that the physical securities have been effectively cancelled. The issuing company must be responsible for collecting the shares to cancel them.

The Resolution also modifies the conditions for imposing the collection of fees for administrative procedures, especially some of those related to the application for registration in the securities market registry. The Resolution determines that the Operators of Brokerage Houses, Operators of Broker-dealers of Products, the Ministry of Economy and Finance or the National Treasury, the Central Bank of Paraguay, the Development Finance Agency, the National Development Bank, the multilateral organizations to which Paraguay is a party, and stock market or securities advisors are exempt from payment.

Likewise, the Resolution modifies the provisions that regulate the registration of those natural and legal persons that provide stock market advisory services and/or advice on securities matters. In this regard, natural persons who have been convicted of punishable acts against property and legal relationships, or legal persons whose legal representatives have been convicted of punishable acts against property and legal relations, may not be registered in the Register of Advisors. Registered legal entities must have an internal procedure that ensures that the advisory service is provided by natural persons registered before the SIV.

Although the Regulation already established the requirements that natural persons had to submit to apply for registration with the SIV as advisors, the Resolution establishes the requirements for legal entities that are interested in applying for registration in the Register of Advisors maintained by the SIV.

The SIV must accept or reject the application for registration within 20 working days from the date of submission of the application. If the registration proceeds, the SIV will issue a certificate accrediting the registration.

As a methodology for maintaining the registry, the SIV will establish suitability exams and those who do not pass the exam will have their registration suspended, until its next approval.



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