GUIDE TO LATIN AMERICA PENSIONS INVESTMENT CONTEXT AND REGULATIONS – THE MAJOR MARKETS

A source to the region's Pensions Investment Practices and Regulators

May 2012

The Guide complements the work done by Campollo Consulting LLC and Wall's Street Advisors Services LLC on Pensions Funds across 11 countries in Latin America, their asset allocation, returns and authorized investment products

Guide to Latin America Pensions Investment Context and Regulations – The Major Markets

Contents

The information and materials presented in this document have been prepared solely for informational purposes based upon information generally available to the public from sources believed to be reliable. The authors of this document disclaim any and all liability relating to these materials and make no express or implied representations or warranties concerning the accuracy or completeness of the document, the content of which may change without notice. Nothing in this document is intended to be or should be construed to be legal advice or investment advice.

Executive Summary

Latin America's private pension funds and the sovereign wealth funds which backstop national social security systems are increasingly being recognized as important sources of capital for the domestic and international capital markets, in addition to being important pillars of fiscal prudence and social cohesion. By the end of 2011, for instance, the authors estimate that the 400+ pension funds they identified in 11 Latin American economies will have aggregate assets of over $700 billion.

These funds' importance will continue to grow, as they accumulate assets at double-digit growth rates through current participants' ongoing contributions, through appreciation in the value of the investments, and perhaps most importantly, through the surge of contributions from young people entering an increasingly urbanized and formal workforce, which the World Bank currently forecasts to peak only in mid-century.

While the authors have looked across 11 Latin American countries which sponsor private, capital – accumulating pension funds, this report focuses on the investment regulations of the five major systems, by assets. These five systems, in order of asset size - Brazil, Chile, Mexico, Colombia, and Peru – represent over 95% of the assets in the region's funds.

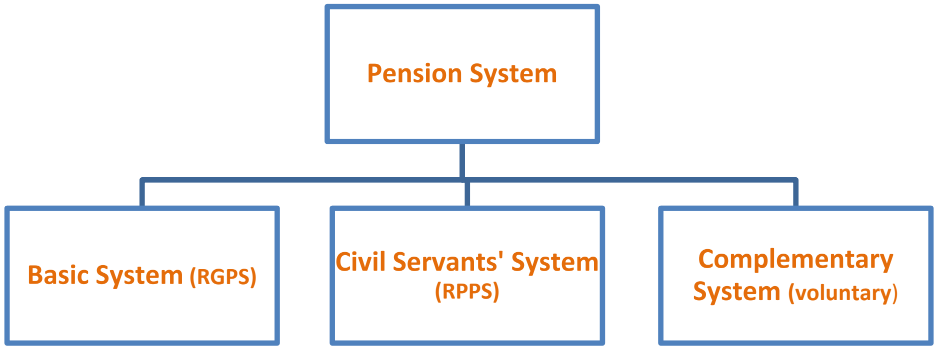
Given the predominant size of the assets involved, it is only natural to present a focus on the investment contexts and regulations of the major markets, both for their practical implications to asset allocation and business potential for money managers, as well as for the fact that their experiences make them important 'thought leaders' for national policymakers around the globe.

The investment context and regulations of the six smaller markets in the region – Uruguay, El Salvador, Bolivia, Costa Rica, & Panama, in order of assets' size – will be released in a separate report to follow shortly. While perhaps small in asset size, private pension funds represent considerable accumulations of capital for investment in their economies. The 'Pension Fund assets to Gross Domestic Product' ratios for Uruguay and El Salvador exceed those of all the five majors except for Chile, for example.

About Campollo Consulting LLC – Campollo Consulting LLC, a minority owned firm, was established by Carmen Campollo. Over the past 20 years Carmen has worked for firms such as the World Bank, International Finance Corporation, Standard & Poor's, FTSE and Russell Investments. In addition to the Guide for Pension Funds Investment Context and Regulations, Campollo Consulting has developed a data base for 11 Latin American countries, including a 5 year history of asset allocation across 23 categories for over 400 pension funds. In addition Campollo Consulting created a methodology for manager searches for Emerging Markets, an Index Multistrategy Fund of Funds, and developed financial products. You can learn more about Campollo Consulting at www.campolloconsulting.com

About Wall's Street Advisor Services, LLC – WSAS specializes in innovations in financial information services for investors and researchers interested in emerging markets and socially responsible investing. Founder and CEO Peter Wall has over 30 years' experience in developing and marketing financial information services. You can find out more about WSAS at www.wallsstreetadvisorservices.com

Brazil – Pension Funds’ Investment Context and Regulations



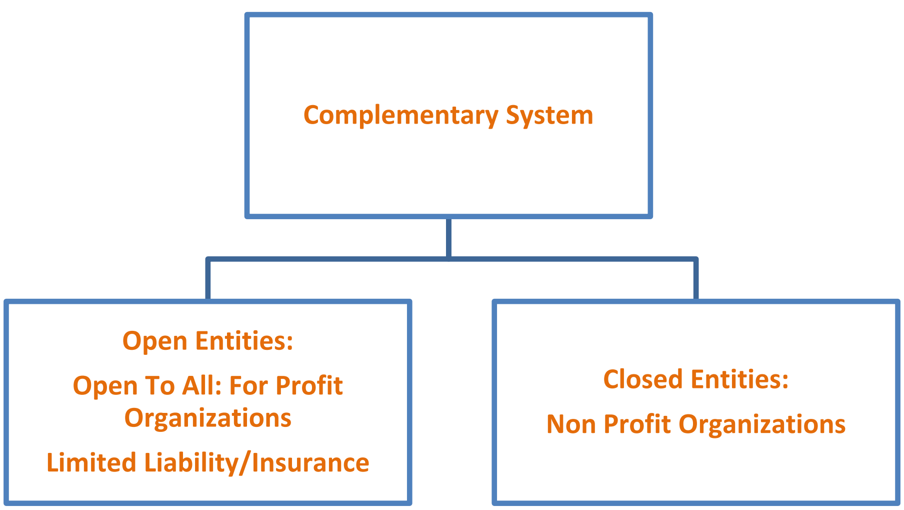
Brazil’s pension system is divided into three schemes:

The first is the Basic Social Security System, the Regime Geral de Previdencia Social (RGPS), pay-as-you-go- financed single pillar system, managed by the National Institute of Social Security and is mandatory. This is the general regime of social security, covers the private sector workforce. It is financed through payroll taxes (shared by the employer and employee), revenues from sales taxes, and federal transfers that cover shortfalls of the system.

The second scheme, the Civil Servant’s System, Regime Propio de Previdencia Social (RPPS), covers the public-sector employees, coordinated by the Ministry of Pensions and Social Assistance.

The third one, the Complementary Retirement System (Regime Previdencia Complementar –RPC), offered by the private sector, is voluntary and the oldest system in Latin America. Its name derives from its goal to complement the benefits of the Previdencia Social; under this regime, both occupational and personal pensions are provided on a voluntary basis.

Previdencia Complementar is divided into Closed Pension Funds and Open Pension Funds.



Open Pension Funds

Open Pension Funds (entidades abertas de previdencia privada) can be banks or insurance companies that offer retirement benefits to the public in general, and their establishment is subject to approval of the National Secretariat for Pension Funds, Secretaria de Previdencia Complementar (SPC). They can be either a profit or non-profit organization. They are ruled by the agency that supervises the insurance industry, Superintendencia de Seguros Privados (SUSEP). They are saving plans, defined contribution plans available to any person that opens an account in an organization.

Closed Pension Funds

Closed Pension Funds (entidades fechadas), also known as pension funds (fundos de pensao) are non-profit organizations that can be established by a single-employer or multi-employers and by labor unions to offer collective benefits and retirement to workers of companies. Closed Pension funds are ruled by the Secretaria da Previdencia Complementar (SPC) under the Ministry of Social Security.

Closed pension funds offer defined benefit plans, defined contribution plans, or variable contribution (mixed).

The Pension System – Key Institutions and Regulations

The regulatory environment for open and closed private pension entities differs. The State Secretariat for Pension Funds supervises closed funds in regards to, amongst other areas, governance, disclosure, investment and fees. The National Board of Complementary Pensions, which is linked to the Ministry of Social Security, makes the main regulatory decisions. The supervision of open private pension entities is carried out by the Superintendence of Private Insurance, which is linked to the Ministry of Finance. The National Board of Private Insurance is in charge of setting the relevant regulations.

There are two Associations of Pension Funds at national level: Abrapp and APEP. The first one Abrapp - Associação Brasileira de Entidades Fechadas de Previdência Privada, was created in 1978 and has as members pension funds sponsored by the Government--state owned companies and by the private enterprise. The second one APEP - Associação dos Fundos de Pensão de Empresas Privadas, was created in 1989 and comprises only the pension funds sponsored by the private sector.

The first comprehensive occupation pension legislation was issued in 1977 (Law n° 6.435), although less detailed precedents can be traced back to the beginning of the century. Pursuant to this law, Presidential Decree 81.240 of 1978 created the SPC as a supervisory body. The new federal Constitution came into effect in 1988, and article 202 thereof addressed private pension systems. The next major development came in 1998 when Constitution Amendment EC 20/98 reintroduced the concept of establishing pension plans complementary to social security and provided for a Complementary Law on pensions to be enacted. A complementary law project (PLC n° 9/99) was drafted in the following year, but it was never enacted.

The real breakthrough did not come until May 2001, when Complementary Laws n°108 and n°109 were enacted. Complementary Law nº 108 applies specifically to (i) closed pension funds sponsored by state controlled enterprises and organisations and (ii) those complementary pension plans that are now being created for civil servants (employees of the federal, state and local governments). Complementary Law n° 109 revokes all earlier pension laws and, together with Law n°108, forms the base of today's legislative framework. For extra clarity, it should be understood that public sector plans are covered by both Law n°108 and Law n°109, and private sector plans are covered by Law n°109.

The bodies involved in the various aspects of the regulation of closed pension funds [1]

- The Conselho Monetario Nacional "CMN" Resolution 3,792 of September 24, 2009 provides the regulation for Closed Pension Funds, or Entidades Fechadas de Previdencia Complementar "EFPC".

- Federal government. It enacts high level "complementary pension laws", including the critically important Law n°108 and Law n°109 of 2001.

- National Board of Complementary Pensions - CGPC (Conselho de Gestao da Previdencia Complementar). It is chaired by the Minister of Social Security and is comprised of five members representing the government (including the head of the SPC) and three individuals representing pension fund entities, pension plan sponsors, and plan members and beneficiaries. It is the dominant source of regulations covering a wide range of aspects of the operation of closed pension plans and funds. The SPC develops policies and prepares draft resolutions for consideration by the CGPC, but it is the CGPC (with it wider representation) that brings such regulations into effect.

- National Secretariat for Pension Funds - SPC (Secretaria da Previdência Complementar, known as PREVI). It issues lower level "instructions" to clarify various laws and regulations and generally to assist plan sponsors and pension fund entities. The SPC legislative department also initiates regulations for implementation by the CGPC and the CMN.

- National Monetary Council - CMN (Conselho Monetário Nacional). The National Monetary Council periodically issues "resolutions" concerning closed pension fund investments. The most important is CMN Resolution n°3.456 of June 2007. It is a comprehensive document that establishes quantitative investment limits for the assets of closed pension funds.

- Securities Exchange Commision - CVM (Comissão de Valores Mobiliários). Roughly equivalent to the U.S. Securities and Exchange Commission, it issued Deliberation n°600 in October 2009 concerning pension plan accounting and expensing by publicly listed companies.

- CVM-SPC. Acting together, they periodically issue "joint decisions" covering matters of mutual interest or overlapping responsibility.

The Supervisory Body

The SPC is the supervisor of closed pension funds. It was created in 1978, pursuant to Law n° 6.435/1977 and Presidential Decree 81.240/1978. In the watershed year of 2001, Article 74 of Law 109 continued the regulatory and supervisory roles of the SPC and the CGPC - under the auspices of the Ministry of Social Security - until a law is passed that creates new regulatory and supervisory agencies.

The SPC is currently funded, at a very low level, by the Ministry of Social Security (of which it is a department). A major restructuring of the SPC was undertaken in 2003 - subsequent to the election of President Lula who had included private pension issues as a priority during his election campaign. Technical departments were established to replace the general coordination approach. A technical analysis department was created, and there was a reallocation of actuaries and other specialists into the areas responsible for handling different authorization requests. Auditors were hired into the SPC. Later, more auditors were hired, and routine supervisory activities were decentralized into regional offices – with the supervisory professionals in Brasilia retaining responsibilities for the coordination and unification of procedures. The CGPC (the primary source of regulations) was formally restructured by a 2003 presidential decree. However, further comprehensive restructuring of the SPC at that time was conditioned on the creation of PREVIC.

Creation of Previc

The first steps to create Previc were taken in 2004. The Executive Branch forwarded the proposals to the President of the Republic who in turn signed MP (medida provisória) n°233. This temporary law entered into force on its date of publication, but it needed to be approved by the Congress within 120 days; otherwise, it would simply expire. The House of Representatives voted for the law, but the Senate refused, so the Previc envisaged by MP233 was not created.

The issue remained dormant until 2008, when Projeto de Lei n°3962/08 ("Cria a Superintendência Complementar – PREVIC") was sent to Congress. The Executive Branch believed that a law project (projeto de lei) would be received more favourably than a provisional law (medida provisória). The objective is to create a supervisory agency that is adequate to the size and complexity of the Brazilian private pension system and is independent of political interference. Among the features of the new agency are the Tafic (a fee or levy to be paid by the pension funds to finance the work of Previc), a chamber to solve any disputes, the CRPC - Appeal Chamber for Complementary Pension Plans (Câmara Recursal), and the replacement of the CGPC - National Board of Complementary Pensions by the CNPC - National Regulatory Board for Complementary Pension Plans.

Variable Contribution Plans

In common with many other countries, many Brazilian plan sponsors were reluctant to continue their traditional defined benefit pension plans and were looking for better alternatives than full conversion to pure defined contribution plans. However, the commonality ends there. Brazil subsequently developed its own unique brand of hybrid plans, known as "variable contribution" plans (sometimes called "mixed" plans).

Article 7 of Law 109 identifies the three basic types of plan (DB, DC and variable contribution) and opens up the possibility of other benefit plan designs that may evolve.

GPC Resolution nº 16, de 22 de novembro de 2005 then defines the three types of plans in slightly more detail. Article 2 and Article 3 include the traditional definitions of DB and DC plans. Article 4 then describes variable contribution plans as "the combination of the characteristics of defined contribution and defined benefit."

The majority of Brazilian variable contribution plans are pure defined contribution as regards the retirement benefit accumulation, but they then typically include one or both of two features that clearly distinguish the whole plan from being classified as DC. It is these features that make Brazilian plans very interesting and quite different from general international practices. They are:

Risk benefits – those benefits payable on death or disability before retirement. Most plans in other countries that are pure DC for the retirement benefit accumulation simply refund the accumulated employee and vested employer contributions in the event of pre-retirement death or disability. Alternatively, or in addition, there are separate group life insurance and group long term disability (LTD) insurance contracts that provide defined benefit lump sums, survivor pensions and LTD payments. Under this scenario, the pension plan (in isolation) stays as pure DC, and there are no actuarial issues. In contrast, in Brazil, these risks can be retained in the pension plan and thus can involve actuarial risks for the pension fund.

1 Ricardo Penha Pinheiro and Colin Pugh. Article prepared for Global Forum of IOPS Oct 2010 in Rio de Janeiro, Brazil. Ricardo Pena Pinheiro is a PhD is an auditor of the Brazilian Revenue agency of the Ministry of Finance and he works at the National Secretariat for Pension Funds (SPC) of the Ministry of Social Security

Brazil – Pension Funds' Investment Regulation

Fixed Income

Federal Bonds		100%
Other bonds	80%	
Multilateral Institutions	20%	
Other fixed income securities (mortgage)	20%	
International fixed income	10%	
Municipal bonds	20%	
Bank and promissory notes (CCB) (CCCB)	20%	
Export credits (NCE, CCE)	20%	
Credit investment funds (FIDC) (FICFIDC)	20%	
Real estate receivables (CRI)	20%	
Real estate credits (CCI)	20%	
Agribusiness Warrants (WA) Certificates (CRA)	20%	

Equities – Variable Income

Novo Mercado		70%
Level II (BM&FBOVESPA)	70%	
Bovespa Mais (BM&F BOVESPA)	50%	
Level I (BM&F BOVESPA)	45%	
Traditional – Index Fund – Equity Fund	35%	
SPE (Special purpose entity)	20%	
Other	3%	
Debentures (profit participating)		
Certificates (CEPAC)		
RCE (carbon credits certificates)		

Structured Investments

FIP, FIC-FIP		20%
FIEE (investment fund for emerging companies)		
Real estate fund	10%	
Multimarket Fund (Legislation CVM)	10%	

Investments Abroad

Investment fund assets (regulated CVM)	10%
FIDE (investment funds in external debt)	
Index Fund	
Brazilian BDR (regulated CVM)	
MERCOSUR equities	

Real Estate Investments

Real estate investments (Bacen and CVM regulated)	8%

Operation with Pension Fund's Affiliate

Loans	15%
Funding	

Investment Limits by Issuer

National Treasury	100%
Treasury State or Municipal	10%
Financial institution (authorized by Bacen)	20%
Listed company (registered CVM)	10%
Multilaterals	10%
Insurance and Leading company	10%
Sponsor	10%
Other (firms, individuals)	10%
SPE	10%
FIP, FDIC, other Funds, Index Fund	10%
Investment Fund classified as Structured Fund	10%
Not included above	5%

Concentration Limits – by issuer

Listed company	25%
SPE	25%
Financial institution's capital (authorized by Bacen)	25%
Index Fund	25%
FIP, FIC-FIP, FIEE, FII, Multimarket Fund	25%
Funds invested abroad	25%
Index Fund abroad (cross listed in domestic market)	25%

Concentration Limits – by investment

TVM series (titulos valores mobiliarios)	25%
FIDC series (credit investment funds)	25%
Real estate enterprise	25%

Derivatives

Risk Assessment
Internal Control
Margin 15% public debt instruments or financial securities or IBOVESPA Index Fund
Options Premia in public debt

Source: Ministerio da Previdencia Social, Secretaria de Politicas de Previdencia Complementar
Conselho Monetario Nacional (CMN) enacted Resolution CMN No 3792 September 24, 2009, Modified by Resolution BACEN (Bank of Brazil) No. 3846, March 25, 2010. Provides new regulatory framework to govern EFPC investments.

Central Bank of Brazil (Banco Central do Brasil BACEN) Article 9 of Law 4595 of Dec. 31, 1964, announced that the National Monetary Council (Conselho Monetario Nacional CMN) on Sep 24, 2009, in accordance with article 9, paragraph 1 of Complementary Law 109 of May 29, 2001. The Pension Funds (Closed Funds EFPC) must comply with this Resolution. This does not apply to Health Pension Funds.

Chile – Pension Funds' Investment Context and Regulations

Chile has three types of approaches to pension fund asset management, each with its own set of investment regulations and policies:

- Management companies called Administradores de Fondos de Pensiones (AFPs), where individuals direct their mandatory contributions into one of a series of funds (called *multifondos*) they select, which allocate assets on risk-based criteria. Each AFP (there were 6 operating as of end-Dec. 2011) offers 5 funds, called respectively A, B, C, D, and E Fund, with A Funds offering the most aggressive asset allocation and E Funds the most conservative mix. The AFPs' *multifondos* represent by far the largest amount of Chilean pension assets.

- Voluntary contribution accounts, which may be added to the contributor's AFP Fund account or which may be invested in a self-directed form with other asset managers such as banks, mutual funds, and insurance companies. These are reported so far to not represent a significant amount of assets, and unless contributed to one of the AFP funds, are not subject to any specific investment regulation. (The management companies however are subject to fiduciary laws and regulations).

- A sovereign wealth fund, called the Fondo de Reserva de Pensiones (FRP), which 'back-stops' the national social security system. The FRP receives an allocation between 0.2% and 0.5% of GDP from the national government depending on the size of Chile's overall budget surplus each year, is administered by the Central Bank on behalf of the Ministry of Economy (Hacienda), and is managed on a day-to-day basis by a committee of experts appointed by the Central Bank. Established in 2006, the FRP by law cannot begin to disburse funds for ten years from its establishment.

The AFP System – Key Institutions and Regulations

The AFP system was established by Decree Law 3500 (1980), which continues in effect as subsequently amended. The system was modified under *Ley de Reforma el Sistema Previsional* (Ley 20255) of March 2008, to introduce the *multifondos* concept. The *Regimen de Inversion de los Fondos de Pensiones* (last modified with effect from January 31, 2012), issued by the Superintendencia de Pensiones, delineates the responsibilities of the parties of the AFP investment process and the most recent investment parameters for AFP *multifondos*.

The major institutions involved in the asset-management side of the AFP system are the AFPs themselves; their immediate regulator the Superintendencia de Pensiones (Supen); the Consejo Tecnico de Inversiones (CTI, Technical Council on Investments); the Central Bank; the Superintendencia de Valores y Seguros (SVS, Superintendency of Securities & Insurance); and the Comision Clasificadora de Riesgo (CCR, Commission for Risk Classification).

The AFPs are specialized companies formed to administer pension accounts on behalf of their clients. They are shareholder-owned companies whose shares must be listed on the Chilean stock exchange. As such, they are subject to all the exchange's listing requirements and to the laws and regulations governing public companies, as enforced by the SVS.

The Supen has direct responsibility for overseeing all the activities of the AFPs and the funds in their care, and as far as their asset management practices go, for issuing and revising the Regimen de Inversion and enforcing compliance.

The CTI is a high-powered committee responsible for making broad recommendations to Supen about what constitutes eligible investment categories for AFP multifondos. Its 5 members are appointed by the President of the Republic (1 member), the Central Bank (1), the AFPs collectively (1), and the deans of accredited universities with economic and/or economic and administration programs (2 members).

The Central Bank (BC) is also involved in determining the structural limits of investment categories across the aggregate AFP system and for determining eligible secondary markets, foreign and domestic credit ratings services, foreign custodians, risk factors of domestic financial institutions, and other aspects of investment management that may affect the AFP system.

The CCR determines the risk qualities of foreign mutual funds and foreign investment funds, and of other foreign securities. It may also solicit classifications on its behalf.

The Fondo de Reserva de Pensiones (FRP)

The FRP was established under Ley 20128 (Sept. 2006). Its investment regulations technically are the same as those applied to the AFP funds under DL 3500, but its policies are governed by its own investment committee and the fund is administered by the Central Bank.

From inception until early 2012, the resources of the FRP have been invested in low-risk asset classes, similar to the investment portfolio of the country's international reserves. The strategic asset allocation included sovereign bonds (66.5%), money market instruments (30%), and government bonds indexed to inflation (3.5%). The reference currency composition was 50% in U.S. dollars, 40% in Euros, and 10% in Japanese yen.

In late 2010, the investment committee decided to expand the eligible asset categories and currencies to include global equities and corporate bonds. In December 2011, the Central Bank completed the selection of external managers who will be responsible for managing global equity portfolios (up to 15% of assets) and corporate bond portfolios (up to 20% of assets). From over 40 firms initially contacted, the Central Bank chose BlackRock Institutional Trust Company, NA and Mellon Capital Management Corporation for the portfolio of stocks, and BlackRock Institutional Trust Company, NA and Rogge Global Partners Plc for the portfolio of corporate bonds.

Chile - AFP Table A: Structural Investment Limits (in terms of AFP fund value) *

* Summarized from Regimen de Inversion's article III.1

Instrument	Fondo A Limit Ranges		Fondo B Limit Ranges		Fondo C Limit Ranges		Fondo D Limit Ranges		Fondo E Limit Ranges	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Issued by the Treasury, Central Bank MINVU, Bonos de Reconocimiento, & other national securities	30%	40%	30%	40%	35%	50%	40%	70%	50%	80%
Foreign Investment Aggregated Limits: Foreign instruments + indirect investment abroad through mutual funds	Minimum 30% funds' value (A+B+C+D+E); Maximum 80% funds' value (A+B+C+D+E)									
Limit by Fund:	**45%**	**100%**	**40%**	**90%**	**30%**	**75%**	**20%**	**45%**	**15%**	**35%**
Investment in foreign currencies without exchange cover	30%	50%	25%	40%	20%	35%	15%	25%	10%	15%
	Limit of Fund B> Fund C > Fund D > Fund E									
Restricted Securities: illiquid shares + securities not approved by the CCR + private sector securities w/maturities under 3 years & rated below BBB & N-3 or have less than 2 ratings	10%	20%	10%	20%	10%	20%	10%	20%	0%	0%
Equities (domestic & foreign) & other instruments that represent capital & which have been publicy offered and fall under the SVS or SBIF	40%	80%	25%	60%	15%	40%	5%	20%	0%	5%
	Fund A > Fund B > Fund C > Fund D > Fund E									

Source: Superintendencia de Pensiones; Regimen de Inversion de los Fondos de Pensiones, January 2012; www.safp.cl/573/articles-7749_reg_inv_FP.pdf

Chile - AFP Table B: Limits by Instrument & Groups of Instruments (in terms of AFP fund value) *

* Summarized from Regimen de Inversion's article III.2

Instrument	Fondo A Limit Ranges Maximum	Fondo B Limit Ranges Maximum	Fondo C Limit Ranges Maximum	Fondo D Limit Ranges Maximum	Fondo E Limit Ranges Maximum
Bonds of public & private enterpses convertible to shares (domestic & foreign)	30%	30%	10%	10%	3%
Operations or contracts of loans or participations in financial instruments in letter m) - domestic	15% of domestic investments	15% of domestic investments	15% of domestic investments	15% of domestic investments	15% of domestic investments
Operations or contracts of loans or participations in financial instruments in letter m) - domestic	1/3 of foreign assets	1/3 of foreign assets	1/3 of foreign assets	1/3 of foreign assets	1/3 of foreign assets
Restricted Securities: illiquid shares + securities not approved by the CCR + private sector securities w/maturities under 3 years & rated below BBB & N-3 or have less than 2 ratings	20%	20%	20%	20%	0%
Outstanding subscription payments and payment into investment fund shares	2%	2%	2%	2%	2%
Every type of instrument in letter K	1%	1%	1%	1%	1%
Total sums used as margins for derivatives in letter I in article II.1, distinct from clearing houses	2% domestic 2% foreign markets	2% domestic 2% foreign markets	2% domestic 2% foreign markets	2% domestic 2% foreign markets	2% domestic 2% foreign markets
Operations involving derivatives outlined in letter I.2 in article II.1	3% Measurement of exposure: total exposure in the asset subject to all relevant limits,minus the 'funding' for debt instruments	3%	3%	3%	3%
Overnight & Time Deposits with foreign banks	2%	2%	2%	2%	2%
Currency Hedging using currency denomination in the case of mutual funds and investment securities, certificates based on financial indices, and other instruments defined by the SP	50% of the value of the investment in foreign currency	50% of the value of the investment in foreign currency	50% of the value of the investment in foreign currency	50% of the value of the investment in foreign currency	50% of the value of the investment in foreign currency

Source: Superintendencia de Pensiones; Regimen de Inversion de los Fondos de Pensiones, January 2012; www.safp.cl/573/articles-7749_reg_inv_FP.pdf

Chile - AFP Table C: Limits by Issuers (in terms of AFP fund value) *

* Summarized from Regimen de Inversion's article III.3

Instruments	Individual Funds %	Combined Funds	
	% Fund	% Enterprise	% Series
I. Financial Sector			
Time Deposits & Current accounts & other debt instruments issued or guaranteed by banks, financial institutions or their affilaites	n.a.	MU1 x Net Worth	n.a.
Shares + current accounts + time deposits + debt instruments issued or guaranteed by + derivatives	11%	n.a.	n.a.
Shares of banks or non-bank financial institutions	5% x FC	2.5% of subscribed shares	n.a.
II. Non-Financial Sector			
A) Bonds & Bills			
Leasing company rated BBB or better	5% x FR	70% x net worth	35% of series
Leasing company rated below BBB	0.50%	70% x net worth	35% of series
Individual Companies rated BBB or better	5% x FR	12% of issuer's assets	35% of series
Individual Companies rated below BBB	0.50%	12% of issuer's assets	35% of series
Groups & affiliates rated BBB or better	5% x FR	12% of issuer's net consolidated assets	35% of series
Groups & affiliates rated below BBB	0.50%	12% of issuer's net consolidated assets	35% of series
Factoring companies rated BBB or better	5% x FR	n.a.	35% of series
Factoring companies rated below BBB	0.50%	n.a.	35% of series
B) Equities			
Shares in open companies	5% x FC	7% of subscribed shares	20% of a new issue
Shares that don't meet eligibility as described in The Regimen's article II.2.2	0.50%	7% of subscribed shares	20% of a new issue

Chile - AFP Table C: Limits by Issuers (in terms of AFP fund value) *

* Summarized from Regimen de Inversion's article III.3

Instruments	Individual Funds %	Combined Funds	
	% Fund	% Enterprise	% Series
C) Equities + Bonds + Bills			
Individual Company	7%	n.a.	n.a.
D) Business Groups			
Equities + Bonds + Bills	15%	n.a.	n.a.
III. Quotas of Mutual Founds & Investment Funds			
Investment Funds approved by the CCR	5% x FD	35% x Quotas	35% new issue
Contributions committed but not paid	0.50%	n.a.	n.a.
Mutual Funds approved by the CCR	5% x FD	35% x Quotas	n.a.
Investment Funds in foreign currency approved by the CCR (& FICE)	1%	n.a.	n.a.
Investment Funds in foreign currency not approved by the CCR	0.50%	35% x Quotas	35% new issue
Mutual Funds not approved by the CCR	0.50%	35% x Quotas	n.a.
Investment Funds in foreign currency not approved by the CCR	0.50%	35% x Quotas	n.a.
IV. Foreign Assets			
Equities & negotiable certificates approved by the CCR	1%	n.a.	n.a.
Mutual Funds, investment funds, and instruments linked to financial indexes approved by the CCR	5%	n.a.	n.a.
Debt securities rated superior to BBB, except for those in The Regimen's article j.1 (foreign sovereign, multilaterals, banks)	5% x FR	n.a.	n.a.
Structured Notes issued by foreign entities & approved by CCR	1% x FR	n.a.	n.a.
Article J-type instrument by an issuer not approved by the CCR or rated below BBB	0.50%	n.a.	n.a.
Short-term deposits (overnight and Time)	0.50%	n.a.	n.a.
Equities not approved by the CCR that are in the domestic market	0.50%	7%	n.a.
Quotas in mutual funds & investment funds of article J-type instruments by an issuer not aproved by the CCR which are in the domestic market	0.50%	35% x Quotas	n.a.
V. Derivatives Sector			
Domestic derivative instruments traded OTC	4%	n.a.	n.a.
Foreign derivative instruments traded OTC	4%	n.a.	**n.a.**

Notes:

FR = Weighted average Risk Factor, whose value depends on the risk classification of the instrument and the investment in it.

FC = Factor of concentration, varying between 0.3 & 1.0

FD = Factor of Diversification, varying between 0.0 & 1.0

MU1 = Unique multiplier for each financial institution, whose range is between 0.5 and 1.5, as set by the Central Bank

Source: Superintendencia de Pensiones; Regimen de Inversion de los Fondos de Pensiones, January 2012; www.safp.cl/573/articles-7749_reg_inv_FP.pdf

FRP – Reference Asset & Currency Allocations 2010-11 (percent total fund assets)

Reference Benchmarks	US Dollars	Euro	JPY	Others	Total	Target 2012
Money Markets	15.0%	12.0%	3.0%	-	**30.0%**	**5.0%**
-Merrill Lynch LIBID 6 mo. Average	7.5%	6.0%	1.5%	-	15.0%	
-Merrill Lynch Treasury Bills Index	7.5%	6.0%	1.5%	-	15.0%	
Sovereign Bonds (nominal)	31.5%	28.0%	7.0%	-	**66.5%**	**45.0%**
-Barclays Capital Global Treasury Index (US)	31.5%	-	-	-	31.5%	
-Barclays Capital Global Treasury Index (Germany)	-	28.0%	-	--	28.0%	
-Barclays Capital Global Treasury Index (Japan)	-	-	7.0%	-	7.0%	
Sovereign Bonds (inflation-linked)	3.5%	-	-	-	**3.5%**	**15.0%**
Barclays Capital US Treasuries US TIPS 1-10 years	3.5%	-	-	-	3.5%	
Totals:	**50.0%**	**40.0%**	**10.0%**	- **-**	**100.0%**	**65.0%**
Corporate Bonds						**20.0%**
Equities						**15.0%**
Totals:						**100.0%**

Colombia Pension Funds' Investment Context and Regulations

The Obligatory Pension Funds

Under the retirement system introduced in 1994 by Ley 100 (as subsequently amended), workers can choose between contributing to the public pay-as-you-go system, or establishing an obligatory individual investment account with funds managed by a pension fund management company (Administradores de Pensiones, "AFP"). Workers may switch from one system to the other every 5 years, up to the last 10 years before retirement. They may also transfer accounts from one AFP to another every 6 months.

On July 1st 2010, under Decree 2555, a new regulation governing the obligatory pension funds entered into force. Under the new decree, as of February 2011 each AFP was required to offer three types of funds, each with a different degree of risk - conservative, moderate, and high - instead of the one type of fund that AFPs offered until then. Another Decree (# 2955 of August 2010) established the eligible investments and investment limits of the obligatory funds.

A fourth type of fund (Fondo de Retiro), restricted to affiliates who are close to retirement age or in retirement, was also set up.

AFP affiliates who did not specifically select one of the risk-classified funds had their accounts assigned to the moderate-risk fund; most accounts defaulted to this category.

The Voluntary Pension Funds

Colombia also permits workers, self-employed individuals and companies to establish voluntary savings accounts (fondos de pensiones voluntarios), which are marketed and managed by approved fiduciaries, including the AFPs.

Voluntary Pension Funds' origins date back to Decree 2513 of 1987. Their list of eligible investments are contained in Article 170 of the Organic Statute of the Financial System, in Decree 668 (2007), and in Resolutions 0430 (2007) and 107 (1997) of the Superintendencia de Financiera de Colombia. It is common for the fiduciaries to offer a list of mutual funds, foreign and domestic, as eligible investment options.

General Information

The AFPs and other asset management companies and fiduciaries, and the funds under their management, are supervised by the Superintendencia Financiera de Colombia (SuperFinanciera).

Debt instruments generally require investment grade ratings in order to be eligible for investment; domestic debt issues by an accredited domestic ratings agency and multilateral and foreign instruments by a recognized international ratings agency. Foreign mutual funds also may require a risk-rating.

Colombia - AFP Fondos Obligatorios Table A: Structural Investment Limits (in terms of AFP fund value)

* Summarized from Decree 2955 Regimen de Inversion's article 2.6.12.1.

Instrument	Conservador Limit Maximum	Moderado Limit Maximum	Mayor Limit Maximum
Domestic Public debt issues	20%	20%	20%
Debt issues by domestic entities supervised by SuperFin	30%	30%	30%
Equities (domestic + foreign) *	20%	45%	70%
	* Minimums are set by each AFP, but must be higher than the maximum of the less-riskier fund		
Domestic Mortgage bonds & mortgage-linked derivatives	15%	15%	15%
Domestic Credit derivatives apart from mortgage-linked derivatives	5%	10%	15%
Debt issues by domestic entities not supervised by SuperFin	60%	60%	60%
Domestic open-ended collective investment vehicles	5%	5%	5%
Domestic closed-end collective investment vehicles	0%	5%	5%
Domestic Shares and participating securities	15%	35%	45%
of which: illiquid domestic shares		5%	5%
Domestic Private Investment Funds		5%	7%
All deposits in foreign banks & Foreign Securities, incl. sovereign debt, central bank issues, multilaterals issues, corporate debt, mutal funds, exchange-traded funds, private investment funds	40%	60%	70%
of which: foreign private investment funds		5%	7%
Deposits with the Central Bank	10%	10%	10%
Sight Deposits, domestic & foreign	5%	5%	5%
Repurchase agreements	5%	5%	5%
Repurchase agreements using Certificados de Deposito de Mercancias	3%	3%	3%
Unhedged foreign currency denominated instruments	2%	2%	3%
Financial derivatives		5%	5%
Securities lending & other temporary transfers	10%	10%	10%
Unhedged foreign currency denominated instruments	10%	35%	50%
National Public Debt Instruments	Set by each AFP for each fund, total not to exceed 50% of combined funds' assets		
Exposure Limits by Issuer & Afilliates	10% of a Fund's assets		
Exposure limits by Securities Issue	30% of issue value		
Exposure Limits to a company's equity	Not more than 10% of a company's equity among all funds managed by an AFP		
Exposure Limits to AFP-related Companies' securities issues	5% of a Fund's assets		

Source: Superintendencia Financiera de Colombia; (Decreto 2955 Regimen de Inversion de los Fondos de

Mexico – Pension Funds’ Investment Context and Regulations

AFORES (Administradoras de Fondos para el Retiro) are private financial institutions in charge of the administration and investment of retirement savings. Mandatory contributions are deducted from employees’ wages. Each of the AFORES manages five pension funds (SIEFORES) that offer different risk-return levels according to age groups.

The Siefores were launched in 1997 and more options were launched in 2008 with various levels of risk. The categories of risk range from 1 to 5 with 1 offering the least investment risk. Each employee can chose a SIEFORE with restrictions depending on age. Employees younger than 26 years old are allowed to choose one of the five funds; an employee older than 56 can only pick SIEFORE Basica 1, which is invested in fixed instruments. As the employee ages, he is transitioned into SIEFORES with lower risk.

Characteristics	Equity Investment Limit	Age Group
SIEFORE Basica 1	Fully invested in Fixed Income	60 or older
SIEFORE Basica 2	15%	46-59
SIEFORE Basica 3	20%	37-45
SIEFORE Basica 4	25%	27-36
SIEFORE Basica 5	30%	Up to 26

The system of individual accounts also offers a voluntary savings option, called “Adicional”.

The AFP System – Key Institutions and Regulations

The National Commission for the Pension System (CONSAR) is the regulator and supervisor of Mexico’s pension system and its main objective is to regulate AFORES.

Consar updated legislation was circulated in July 2011 and was revised in March 2012

Investment Regulations	Equities Limits After July 2011	Equities Limits Before July 2011
SIEFORE Basica 1	<5%	
SIEFORE Basica 2	<25%	<15%
SIEFORE Basica 3	<30%	<20%
SIEFORE Basica 4	<40%	<25%
SIEFORE Basica 5	<40%	<30%

Historic Siefores Launch Data	
Siefores 1 and 2	Data available prior to March 2008
Siefores 3 thru 5	Data available after March 2008, when they were created and launched

AFOREs - MERGERS AND ACQUISITIONS	
Santander	Merged with ING Dec 2007
Actinver	Merged with Metlife Feb 2008
Ahorra Ahora	Banorte Generali acquired Aug 2009
Argos	Banorte Generali acquired Dec 2009
De la Gente	Disolved Feb 2008
Ixe	Banorte Generali acquired Jun 2009
Scotia	Profuturo GNP acquired Jan 2010
Principal	Merged with HSBC Aug 2011
XXI	To be merged with Banorte Generali 2012
HSBC	Acquired by Principal Sep 2011

Mexico – Pension Funds' Investment Regulations

			Limits by type of Basic SIEFORE (fund)[1]				
			SB1	SB2	SB3	SB4	SB5
Market Risk		Value at Risk[/2] ($VaR_{historical}$, 1 dia)	0.7%	1.1%	1.4%	2.1%	2.1%
Market Risk		Equity[/3,/4]	5%	25%	30%	40%	40%
Market Risk		Foreign Currency *(approved by CAR)* [/3]	30%	30%	30%	30%	30%
Risk by issuer and/or counterparty[/3]	Local[/5]	Ordinary debt from mxBBB to mxAAA or int'l currencies BB to AAA	5%	5%	5%	5%	5%
Risk by issuer and/or counterparty[/3]	Local[/5]	Subordinated Debt mxBB+ to mxBBB- or int'l currencies B+ to BB-	1%	1%	1%	1%	1%
Risk by issuer and/or counterparty[/3]	Int'l	Foreign securities rated A- from one issuer or counterparty	5%	5%	5%	5%	5%
Risk by issuer and/or counterparty[/3]		Holdings of a single issuance[/6]	----------M a x i m u m {35%, $300 million MXN}----------				
Other Limits[/3]		Foreign securities	20%	20%	20%	20%	20%
Other Limits[/3]		Securitizations[/7]	10%	15%	20%	30%	40%
Other Limits[/3]		Structured securities[/8]	0%	15%	20%	20%	20%
Other Limits[/3]		Infrastructure or Housing	0%	10%	13%	13%	13%
Other Limits[/3]		Others	0%	5%	7%	7%	7%
Other Limits[/3]		Inflation protected securities (TIPS) [/9]	Yes *(51% Min.)*	*No*	*No*	*No*	*No*
Other Limits[/3]		Commodities	0%	5%	10%	10%	10%
Conflicts of interest[/3]		Securities by related entities	15%	15%	15%	15%	15%
Conflicts of interest[/3]		Securities by entities with patrimonial affiliation with the AFORE[10]	5%	5%	5%	5%	5%
Vehicles and Derivatives		Investment Mandates	Yes	Yes	Yes	Yes	Yes
Vehicles and Derivatives		Mutual Funds	Yes	Yes	Yes	Yes	Yes
Vehicles and Derivatives		Derivatives	Yes	Yes	Yes	Yes	Yes

* : This table is a summary of the current regulation and it is for explanation purposes only. The limits apply to the Basic SIEFORES. Additional SIEFORES (e.g., voluntary savings) can determine different parameters according to their prospectus and in compliance with the SAR Law.

1- All the limits are maximum percentages, except the inflation protection limit, which is a minimum percentage of assets (see note 9).

2- As a percentage of the Assets Under Management (AUM) directly managed by the SIEFORES.

3- As a percentage of the Total AUM of the SIEFORES, including the assets managed by the Specialized Investment Manager (SIM or "Mandatario").

4- Includes individual stocks; IPOs; authorized equity indexes (domestic and international) and mandatory convertible debt from Mexican issuers.

5- Rating of the medium- and long-term issue, as well as the issuer and/or endorser, in the corresponding proportion. Repo and derivatives operations are computed within these limits.

6- Apply to the asset holdings of all the pension funds (SIEFORES) operated by the same fund manager (AFORE), and for domestic or foreign debt and structured securities. This limit may be exceeded by the CKD if they meet the conditions stipulated by the Investment Regime Provisions.

7- Securitizations that fulfill Annex O of the Investment Regime Provisions are computed in this limit, which are considered as issued by an independent.

8- Includes CKDs and Mexican REITs (FIBRAS). The Structured Securities in turn are divided into two: a) Infrastructure or Housing, on one side, and b) Others (Private Equity).

9- Minimum investment limit in securities that ensure a return equal or higher than the inflation in Mexico.

10.-Limit is established in the SAR Law, Art. 48, Paragraph X. In exceptional cases it could be increased up to 10%. The limit is 0% for financial entities with patrimonial affiliations.

Peru – Pension Funds' Investment Context and Regulations

Peru has four pension funds, known as AFPs (Administradoras de Fondo de Pensiones). Each AFP has 3 Multifunds. They are Fund Type 1, preservation of capital, Fund Type 2, balanced, and Fund Type 3, growth. Each fund has a maximum limit on investments that can be made for each asset category, but there is no minimum. Workers can select one fund for their mandatory contribution and a second one with another AFP for voluntary contributions

a) A fund is assigned according to age, for those employees that do not make a choice. Workers up to age 60 may choose any fund they wish, but those who do not make a choice are assigned a fund according to their age: up to age 60, Fund 2; and older, Fund 1.

b) A worker has the flexibility to pick one fund for the mandatory contribution and a second account with another AFP for any voluntary contributions. The guaranteed minimum rate of return was replaced with a new system based on benchmarks set up by the AFPs for each type of fund. If an AFP's rate of return falls below the benchmark for any of its funds, it must make up the difference with its own resources.

In Peru, the multi-funds began to operate in 2005. If no fund was chosen, new members were assigned to Fund 2, except for members over 60 years of age, who were assigned to Fund 1. There is no requirement for transferring contributions between funds. The pension companies can administer up to three types of obligatory savings funds, and they may also offer more funds for the management of voluntary saving. The funds have the following characteristics. Fund 1, also called the capital preservation fund, aims for stable growth with low volatility. It is obligatory for all members over the age of 60 and for those with a programmed retirement pension, unless the member expressly indicates his intension of joining Fund 2. The minimum age for acquiring the right to a retirement pension is 65. Fund 2, or the mixed fund, aims to provide a moderate performance with average volatility. Finally, Fund 3, or capital appreciation fund, aims to maximize growth and can be subject to high volatility. The investment limits were defined in accordance with the financial nature of the instruments (degree of exposure to fixed-income or equity), risk and liquidity factors.

The AFP System – Key Institutions and Regulations

The Superintendency of Banking, Insurance and Pension Fund Administrators (SBS), is the regulatory body for banks, insurance companies and AFPs. The Private Pension System (SPP), which was launched in December 1992 through Law 25897, operates through the Pension Fund Administrators (AFPs), which are companies set up by private capital with the exclusive goal of administration of funds that individually, their affiliates contribute. The purpose of the SPP is to offer their affiliates a retirement pension. The legislation that is relevant to maximum limits of asset categories by the Pension Funds are: TUO de la ley Article 25-B and 25-D; Article 61-B and 62 to 72A; Maximum limits Titulo VI Articles 75 to 77K, additional information Articles 20-31; Investments Abroad Article 11-13-A.

Peru – Pension Funds' Investment Regime

Peru - AFP Table A: Structural Investment Limits (in terms of AFP fund value) *

* Summarized from Regimen de Inversion's article 25 B and D

Instrument	Fondo Tipo 1 Maximum	Fondo Tipo 2 Maximum	Fondo Tipo 3 Maximum
I. Financial Sector			
Issued by the Treasury, Central Bank MINVU, Bonos de Reconocimiento, & other national debt securities	100%	75%	70%
Aggregated Limits: Issued by the Treasury, Central Bank MINVU, Bonos de Reconocimiento, & other national debt securities	40%	40%	40%
Cash or Debt	40%	30%	30%
II. Non-Financial Sector			
Equities			
Equities (domestic) & other instruments that represent capital	10%	45%	80%
III. Mutual Founds, Investment Funds, Other			
SPE, Asset Backed, Securitizatized instruments	10%	10%	10%
Alternatives	3%	3%	3%
IV. Foreign Assets			
Foreign Investment Aggregated Limits: Foreign instruments + indirect investment abroad through mutual funds	30%	30%	30%
V. Derivatives Sector			
Derivatives - Instruments to hedge risk	10%	10%	20%

Source: Superintendencia Article No 4 Law 27988 published March 6, 2003 - Article 25B

Source: Superintendencia Private Pension System - Law 29497 published Jan 15, 2010

Peru - AFP Table B: Limits by Instrument & Groups of Instruments (in terms of AFP fund value) *

* SPP Law (Private Pension System) and Legislation Articulo 13, 25 B and D; 64

Instrument	Fondo Tipo 1 Maximum	Fondo Tipo 2 Maximum	Fondo Tipo 3 Maximum
I. Financial Sector			
Issued by the Government, Central Bank, & other national securities and financial system	100%	75%	70%
Bonds of public & private enterprises	100%	75%	70%
Short-term securities (overnight)	40%	30%	30%
Securities with short term maturities	40%	30%	30%
II. Non-Financial Sector			
Equities			
Indexed Funds	75% of the maximum percentage limit corresponding to each asset category		
Equities and preferred stocks registered at the exchange	10%	45%	80%
III. Mutual Founds, Investment Funds, Other			
Mutual funds,REITS, Hedge Funds, Commodities, Private Equity and Venture Capital	10%	10%	10%
Alternative Investment Funds	3%	3%	3%
IV. Foreign Assets			
Foreign instruments + investment abroad guaranteed by financial institutions, foreign mutual funds, foreign debt, foreign derivatives to hedge risk	30%	30%	30%
V. Derivatives Sector			
Derivatives trading at the Mecanismo Centralizado de Negociacion and OTC	10%	10%	20%
Instruments to hedge financial risk	10%	10%	20%

Source: Superintendencia Article No 4 Law 27988 published March 6, 2003 - Article 25B
Source: Superintendencia Private Pension System - Law 29497 published Jan 15, 2010

Peru – Pension Funds' Investment Regime

Peru - Table C: Limits by Issuers (in terms of AFP fund value) *

* SPP Law (Private Pension System) and Legislation Articulo 13, 25 B and D; 62a,b,c, d; 63b; 64, 65 67

Instruments	Individual Funds % % Fund	Combined Funds % Enterprise	% Series
I. Financial Sector			
Time Deposits & Current accounts & other debt instruments issued or guaranteed by banks, financial institutions or their affilaites	10%xFR (T1)		n.a.
Time Deposits & Current accounts & other debt instruments issued or guaranteed by banks, financial institutions or their affilaites	7%xFR (T2)		
Time Deposits & Current accounts & other debt instruments issued or guaranteed by banks, financial institutions or their affilaites	5%xFR (T2)		
Time Deposits & Current accounts & other debt instruments issued or guaranteed by banks, financial institutions or their affilaites	10%	15% of issuer's assets	50%xFR
Issued by Government Central Bank, with AAA Rating		3%	4%
Shares + current accounts + time deposits + debt instruments issued or guaranteed by + derivatives	10%	n.a.	n.a.
Shares of banks or non-bank financial institutions	10%		n.a.
Short Term Securities			100%xFR
II. Non-Financial Sector			
A) Fixed Income			
Individual Companies	10% (T1)	15% of issuer's assets x FR	
Individual Companies	7% (T2)	15% of issuer's assets x FR	
Individual Companies	5% (T3)	15% of issuer's assets x FR	
B) Equities			
Shares in open companies	2% (T1)x FR	12% x FR	
Shares in open companies	6% (T1)x FR	12% x FR	
Shares in open companies	7.5% (T1)x FR	12% x FR	
C) Equities + Bonds + Bills			
Individual Company	10%	n.a.	n.a.
D) Business Groups			
Equities + Bonds + Bills	10%	n.a.	n.a.
III. Mutual Founds, Investment Funds, Other			
Investment Funds	5%	50%	n.a.
Mutual Funds of Alternatives	3%	5%	
IV. Foreign Assets			
Equities & negotiable certificates	10%	n.a.	n.a.
Indexed Fund		50%	
Mutual Funds, investment funds	3%	50% x FR	n.a.
Debt securities	10%	50% x FR	n.a.
Asset Backed Securities		50%	
SPE (projects)	10%	15% x FR	7.5% x FR
Equities not approved that are in the domestic market	10%	7%	n.a.
V. Derivatives Sector			
Domestic derivative instruments traded OTC	n.a.	n.a.	n.a.
Foreign derivative instruments traded OTC	n.a.	n.a.	n.a.

Notes:

FR = Weighted average Risk Factor, whose value depends on the risk classification of the instrument and the investment in it.

Source: Superintendencia Article No 4 Law 27988 published March 6, 2003 - Article 25B

Source: Superintendencia Private Pension System - Law 29497 published Jan 15, 2010