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Article

The integration of stock exchanges: The case of the Latin American Integrated Market (MILA) and its impact on ownership and internationalization status in Colombian brokerage firms



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ABSTRACT

This paper describes the changes in ownership and internationalization of the brokerage firms in Colombia as a result of the regional integration process of its stock exchange market through the Latin American Integrated Market (MILA). It proposes that the integration of stock exchanges generated transformations within the brokerage sector, and affected companies in response pursue different strategies to remain competitive in the current state of affairs. In the case of Colombia, stock exchange integration through MILA has resulted into mergers between local brokerage firms, acquisitions from both national and international companies and changes in ownership.

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Integración de las bolsas de valores: el caso del Mercado Integrado Latinoamericano y su impacto sobre el estatus de titularidad e internacionalización de las compañías de corretaje colombianas

RESUMEN

Este artículo describe los cambios de titularidad y la internacionalización de las compañías de corretaje colombianas, como resultado del proceso de integración regional de su mercado bursátil, a través del Mercado Integrado Latinoamericano (MILA). El documento propone que la integración de las bolsas ha generado transformaciones dentro del sector de los corretajes y que, en respuesta, las empresas afectadas persiguen diferentes estrategias para seguir siendo competitivas dentro de la situación actual de los negocios. En el caso de Colombia, la integración de la bolsa a través del MILA ha originado fusiones entre los corretajes locales, adquisiciones por parte de empresas nacionales e internacionales y cambios de titularidad.

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1. Introduction

The recent intensification of movement of goods and services, financial capital, and knowledge around the world has increased economic interdependence between countries (Hitt, Ireland & Hoskisson, 2012). This is proven by the fact that currently there are 258 regional trade agreements in place (World Trade Organization, 2014) accounting for more than half of international trade (OECD, 2014).

As an answer to this interdependence, countries, sectors and even companies around the world have recognized the need to leave behind their traditional schemes of operation and immersing themselves on the global market by integrating its operations, by reaching out to its neighbors to create alliances that allow them to be more competitive in the international environment. As a result, agreements have been signed between developed countries—as is the case of the European Union and the Canada-United States Free Trade Agreement—developed and developing countries, such as the Euro-Maghreb Agreement and the NAFTA; and developing countries—APEC, Andean Community, CARICOM, SADC, and SACU—(Schiff, 2003), and more recently the Pacific Alliance (Gutiérrez-Viana et al., 2013). This is also a reality for the financial sector where stock exchanges and its various stakeholders have followed the trend of integrating to participate more competitively in foreign markets (Cornelius, 1994; De Smidt & van Rietbergen, 2002; Robinson, 2006; Stoltenberg, George, Lacey & Cuthbert, 2011).

In this context, it is important to understand (1) how the integration of stock exchanges through MILA has affected firm level variables, such as ownership structure and internationalization, within the brokerage firms of the countries involved; (2) what have been the motivations for changing those structures; and (3) what have been the benefits for the parties involved and the barriers they need to overcome, in order to make the Latin American Integrated Market—hereinafter MILA—a reality. This initiative aims to create the first cross border integration of equities markets in Latin America through the harmonization of regulations regarding capital markets trades, the custody of securities of the parties involved (Chile, Peru, Colombia) and the use of technological tools (MILA, 2010). Furthermore, taking into consideration that the worldwide trend of the sector is to react to integration through mergers and acquisitions as a way to internationalize, it is relevant to provide information on how this process has influenced the current situation of brokerage firms, regarding ownership and the internationalization strategies that these organizations may need to pursue in response to this integration. The research was conducted in Colombia; a country that has become one of the leading examples in Latin America for dynamic and growing economies, with a GDP growth rate of 3.6% in 2012 (Global Insight Colombia, 2013) and of 5.1% in 2013 (Revista Semana, 2013). Colombia, has also been a promoter of regional integration, enhancing initiatives such as the Pacific Alliance and MILA itself, and it offers the proper scenario for the study since the number of brokerage firms participating in MILA are 12, the same number present in Chile and overcoming Peru. Furthermore, this country is selected as the center of the analysis taking into consideration the access to qualitative information derived from contacts with personnel working within the sector, that may provide a vision relevant to answer the described problematic.

Consequently, this paper aims to answer the following question: what changes have occurred in Colombian brokerage firms in terms of ownership and internationalization status as a result of the integration process of the stock exchange markets of Colombia, Peru and Chile, through MILA?

In order to do so, this paper provides a theoretical and conceptual framework that supports the integration of stock exchange markets. This will be developed first by addressing and explaining

the concepts of economic integration and regional agreements that may take the form of integration of stock exchanges. Then, information will be provided about MILA and Colombia's stock exchange as a member of this agreement. Finally, it describes the situation of brokerage firms in Colombia in terms of ownership and internationalization status as a result of MILA.

1.1. Literature review

Since its origins, both international divisions and international integration have marked world history; however, it was only after the Second World War that economic, social and environmental aspects were included in the international scenario (Buzan & Little, 2002). From that point on, and considering the increased importance of economic issues, states started to develop alliances and agreements that contributed to the attainment of its objectives in terms of social and economic welfare (Whalley, 1998), through the creation of trade blocks, the elimination of trade barriers and the liberalization of the economy (Mirus & Rylska, 2001).

Economic integration is analyzed in this review, from a theoretical perspective, using an evolutionary framework, in which several stages are stated taking into consideration the degree of the economic process (Balassa, 1974). These stages described several steps that start from the elimination of barriers to trade, called 'trade integration', passing through 'factor integration' understood as the liberalization in the movement of economic factors; 'policy integration' defined as the harmonization of economic policies and finally, a total unification of these economic policies, known as 'total integration' (Balassa, 1974).

Frequently, countries located in the same region or geographically concentrated engage in this type of integration with the objective of fostering regional trade and improving economic conditions of a particular region (Baldwin & Venables, 1995). These agreements are called Regional Integration Agreements (RIAs) or Preferential Trading Arrangements, and look for the establishment of a "geographically discriminatory trade policy, which denotes a region with reduced tariffs" (Baldwin & Venables, 1995).

RIAs bring some benefits for the signatory countries, which make these agreements attractive tools for states that want to enhance its international competitiveness (Mukhopadhyay, Thomassin & Chakraborty, 2012). For instance, when pursuing commerce activities within a regional agreement, the signatory parties get internal advantages that exclude external parties, i.e. tariff reduction, free movement of capital, labor, and common investment policies, among others (Birdsall & Lawrence, 1999; Baldwin & Venables, 1995). The above, contributes to strengthen the region and allow countries to negotiate strategically as a block (Whalley, 1998). Additionally, RIAs are used by smaller nations to strengthen its negotiation power when conducting block discussions in order to get benefits in the final arrangements that otherwise would not have been achieved (Whalley, 1998).

Furthermore, this type of agreements creates a scenario to enhance further multilateral trade agreements, since the gains obtained from the treaty can highly influence the establishment of new multilateral agreements looking for economic and social improvements (Levy, 1997).

Another general benefit of these treaties is the promotion of trade around the world (Birdsall & Lawrence, 1999). This can be evidenced, as previously stated, in the current existence of more than 200 Regional Agreements in force, (WTO, 2014) that account for more than half of international trade (OECD, 2014). As mentioned, RIAs promote international trade; however they can also create trade diversion by fostering international activities between signatory countries, which can sacrifice better trade opportunities with external parties (Newfarmer, 2006; Robertson & Estevadeordal, 2009).

Regional Agreements included different sectors of national economies. In the case of the financial sector this type of agreements are signed under a framework of financial integration which is understood as the process that a country's financial market undergoes in order to become closely linked with markets from other countries (Brouwer, 2005; Ho, 2009).

Through financial integration, financial institutions aim to eliminate barriers in order to operate and provide services by pursuing formal or de facto efforts, as has been the cases of the Investment of Nymex in Montreal stock exchange, the merger of NYSE and Euronext, acquisition of Nomura by Instinet, the merger of AMX with Sidney Futures exchange, among others (MILA, 2010). In the case of formal efforts, agreements are signed to eliminate the restrictions that the countries may have to conduct cross border financial operations and to foster the harmonization of regulations, rules and taxes. When the explicit agreement is not present, the facto integration occurs through the execution of activities that link the domestic and foreign markets, such as the international trading of securities, the presence of internal banks in the domestic market and the participation of foreign institutions in the insurance and pension markets, among others (Ho, 2009; Interamerican Development Bank, 2002).

This type of integration is particularly seen within the financial sector in Stock Exchange Markets that currently, as other institutions in the economy, are facing the challenges of globalization (Di Noia, 1998) and need to respond to the needs of the various stakeholders. The latter were identified by Dorodnykh (2014) as the market operators, member and regulators, issuers, investors, technology providers and the infrastructure itself in terms of trading: clearing and settlement.

In accordance, stock exchanges that are controlled, self-regulated and governed by different types of members such as governments, are being replaced by integrated markets that in the broad sense, according to Dorodnykh (2014), it means that when fully integrated, all potential market participants equally characterized, face the same set of rules when dealing with financial instruments and/or services, have equal access those financial instruments and/or services, and are treated equally when they are active in the market. To make this possible, mergers and acquisitions, as attempts of cooperation, have become a valuable strategy to increase the value of stock exchanges and ensure competitiveness, efficiency and growth, which is the ultimate objective of these institutions (Cybo-Ottone and Murgia, 2000; Domowitz, 1995; Domowitz & Steil, 1999; Hasan & Schmiedel, 2004; Kokkoris & Olivares-Caminal, 2008 as quoted in Dorodnykh, 2014).

The most important factors that have motivated these changes in the structure of the stock exchanges and even in the framework in which they operate, are the advances in information and communication technologies, market deregulation or liberalization, the removal of statutory controls and increased competition (Di Noia, 1998; Dorodnykh, 2014; Mobarek, 2013; Raj & Dhal, 2008). As well as the related benefits of the integration process, directly associated with increased competitiveness, transparency, a better flow of information, cost efficiency and accountability (Dorodnykh, 2014).

Stock exchange integration brings alongside its benefits some risks that must be taken into account, among them it is possible to highlight contagion, spillover effects and regional shocks. As well as the difficulties associated with the lack of adequate risk diversification that result from the financial linkages created throughout the process (Allen & Gale, 2000; Claessens & Forbes, 2004; Halac, Schmukler and Zoido-Lobaton, 2006; Lagunoff & Schreft, 2001).

No matter what the associated risks are, stock exchange markets have experienced integration processes, mainly through mergers and acquisitions, during the last 15 years (Dorodnykh, 2013; Nielsson, 2009). Some of the most important ones are the following: in Europe, the creation of Euronext in 2000, where the

exchanges of Amsterdam, Brussels and Paris merged (Nielsson, 2009); the London Stock Exchange and the Borsa Italiana merger in 2007 (London Stock Exchange, 2007); also, the creation of the CEE Group with the cooperation between Central and Eastern European stock exchanges (Schröder, 2001). In the case of North America, CME Group and the international acquisition of Euronext by the NYSE and NASDAQ integration with Nordic stock exchange operator OMX AB. (Dorodnykh, 2013). In Latin America stock exchanges integration processes are very recent and currently there is only one initiative, the MILA.

Under this scenario, it is important to define the main pillars of this agreement and to analyze how brokerage firms in Colombia have dealt with the challenges proposed by MILA.

As it has been developed in this section, there is a growing tendency of creating integration agreements worldwide that take into consideration not only trade of goods and services, but also financial issues. According to previous studies, these integration agreements redounds in the promotion of internationalization processes since they create the proper scenario (duty and other regulations, governmental promotion activities, lowering of taxes and improvement of investors conditions) for companies to internationalize (Cornelius, 1994; Tambi, 2005). At the same time, internationalization creates several effects at the firm level, such as the improvement in the productivity, development of new skills, acquirement of new technologies and new knowledge, and changes in infrastructure and organizational structure (Wakasugi et al., 2008). These changes are related to the necessity to adapt to new markets, different conditions, and to respond successfully to the challenges posted by internationalization. Due to that, it is possible to expect that brokerage firms in Colombia suffered some firm level changes in response to the creation of MILA.

Although, there are several cases of financial integration in the different continents, in Latin America the tendency has begun with the integration of Peru's, Chile's and Colombia's stock exchange markets, through an initiative called Latin American Integrated Market. This paper will contribute to create a source of information about MILA and how this integration agreement has generated changes at the firm level, in terms of ownership and internationalization status, in Colombian brokerage firms. Since the topic is new, it aims to set a precedent on this integration agreement and on the possible consequences it has brought to brokerage firms in Colombia.

1.2. Methodology

In order to analyze the implications of the integration of stock exchange markets, more specifically the MILA, and its consequences on Colombian brokerage sector, particularly for Colombian firms, this paper uses a descriptive-research approach. A descriptive research approach attempts to develop a conceptual structure, based on previous studies, to form ideas about the examined phenomena and therefore provide answers to the formulated question (Kumar, 1999). To do so, a research based on publicly available secondary sources—databases, books, magazines and journals—has been conducted.

Although, documentary research is not experimental and therefore, can be considered to be subjective when providing effective results, it has proved to be an important and useful methodology in social studies because it allows the enhancement of knowledge of situations that need a historical and sociocultural contextualization by increasing the comprehension of social phenomena (Sa-Silva, De Almeida & Guindani, 2009). This type of study will contribute to theory by creating knowledge based on previous literature and by enriching the theoretical background needed to explain situations related to the analyzed topic (Higson-Smith et al., 2000).

A case study methodology was used as well to develop the current research, since the particular study of the situation of brokerage firms in Colombia will provide deep information of the analyzed companies (Eisenhardt, 1989). Case study research is used to investigate a “contemporary phenomena within its real life context, especially when the boundaries between phenomenon and context are not clear evident” (Yin, 1994); therefore, this methodology is appropriate for the present inquiry. The case of brokerage firms in Colombia, within the MILA framework was built and analyzed, using theoretical information from journals, magazines and texts books, aiming to get the required information to determine the impact that stock market integration (through the MILA) has had in ownership and internationalization status of these companies, this information was contrasted with data acquired through interviews with personnel from the active brokerage firms as well as the legal documentation of each company, publicly available in the *Superintendencia Financiera de Colombia* and in the web pages of the companies under study.

This particular study focuses on 24 active brokerage firms in Colombia and the changes they have faced in ownership and internationalization status since 2009 to the first quarter of 2014. This time framework was chosen in this paper because although the MILA agreement was implemented in 2010, the first intention for integration has its origins in September 2008, which could have started to generate transformations in brokerage firms starting in 2009.

The trend of economic integration is generating, worldwide, the establishment of agreements and alliances that according to some studies enhances internationalization and creates welfare to the society (Frankel & Romer, 1999; Keller & Yeaple, 2003; Whalley, 1998; Young, 1991). In this context, countries have pursued liberalization of policies opening their economies and eliminating barriers to trade (Dollar & Kraay, 2001).

Colombia has not been an exception to this tendency. It opened its economy in the 1990s embracing since then globalization with its associated risks and benefits and creating new environmental conditions that allowed Colombian companies to relate with international organizations (Edwards & Steiner, 2000; Sebastian, 2001).

As a consequence, this country substituted its closed markets with an active participation in internationalization processes which can be evidenced in the number of trade agreements that the country has signed and the important role it acquired in multilateral forums. Currently, Colombia has different commercial and investment agreements with Mexico, El Salvador, Guatemala, Honduras, Chile, EFTA, Canada, USA, Venezuela, Nicaragua and the European Union. And it also participates in multilateral organizations such as the Andean Community, CARICOM, MERCOSUR and the Pacific Alliance. This country is also creating new trade initiatives with countries as South Korea, Costa Rica, and Israel (MinCIT, 2014).

In the financial sector the trend can also be identified, particularly in the case of the capital markets whose evolution was interlinked with the economic development of the country and the industrialization process derived from the “Coffee Boom” —*Bonanza Cafetera*— at the beginning of the twentieth century. These processes generated the mobilization of capitals and created between entrepreneurs the need to accumulate capital mainly to create new companies or to invest in order to further promote the country's development (Ministerio de Hacienda y Crédito Público de Colombia¹, 2008). As a result, local companies began to operate in the national capital market by offering citizens the opportunity to trade Colombian stocks and bonds, making investment a very

important economic activity. As the business evolved the need to create an institution that controlled and promoted the fair and well function of the market led to the creation of the Bolsa de Bogotá² in 1928, the Bolsa de Medellín³ in 1961 and the Bolsa de Occidente⁴ in Cali, in 1983 (Ministerio de Hacienda y Crédito Público de Colombia, 2008). This was the first stepping-stone for the creation of an organized system in Colombia and gradually, these initiatives led to the creation of the “Bolsa de Valores de Colombia (BVC)” in 2001. This institution facilitated the exchange of information, improved transactions and consolidated the capital markets locally.

2. Findings

With the transformation of the world and of the Colombian economy, the challenge for the stock exchange market in this country grew in response to international competition. This requires changes in order to comply with the needs of the different stakeholders of capital markets that in the case of financial institutions and investors are economies of scale and scope (Carretta & Nicolini, 2006; McAndrews & Stefanadis, 2002). For the intermediaries and issuers, the change is higher transparency and efficiency and cost cutting by avoiding the duplicated cost related to the market infrastructure (Pagano & Padilla, 2005; Varadi & Boppana, 2009). And for investors is the availability of a more diversified portfolio and higher market liquidity (Floreani & Polato, 2010).

In consequence, integration became an important tool to achieve this development due to the lack of the needed level of specialization, tradability and transparency of information among other characteristics that would allow the Colombian market to comply with these requirements. In this context, Colombia, Peru and Chile, started to work on an alliance between the *Bolsa de Valores de Colombia*, the *Bolsa de Valores de Lima* and the *Bolsa de Comercio de Santiago* for the unification and expansion of the existent markets and the diversification of associated risk. This initiative called Mercado Integrado Latinoamericano (MILA), seeks to create a regional actor able to compete with Mexico's and Brazil's stock exchanges without organizational or operational integration, but instead through the use of technological tools and the harmonization of the legislation and regulation regarding negotiation in capital markets and assets custody, that allows the free trade of equities by order routing between brokerage firms in each country, towards the origin markets, without losing their independence and regulatory autonomy; promoting the possibility to grow as integrated markets. This began to operate on May 30th, 2011, (MILA, 2014) and has given the opportunity for each country to further strengthen their position in the continent.

The origins of MILA are found in the “intention agreement” that took place in September 2008. In this agreement, Peru, Colombia and Chile stated the objective of developing a feasibility study for the project and define a unique equity integration model that was going to be managed by each participant. Initially, the model was divided into two stages: the first stage, implemented in 2010, included points such as the authorization for the local negotiation of foreign securities and the possibility of operating in the secondary market, the second phase took place between 2011 and 2012, and allowed intermediaries to operate directly in the markets and extended the scope of negotiations to fixed income securities and derivatives.

To achieve the above and consolidate this integration, MILA has experienced throughout time several difficulties and challenges, which were mainly related to the regulatory framework of each

¹ In English Ministry of Treasury and Public Credit.

² In English Bogota's Stock Exchange.

³ In English Medellin's Stock Exchange.

⁴ In English West Stock Exchange.

Table 1
Issuers by sector and country within MILA.

Sector	Chile		Colombia		Peru		Total	
	No. of companies	%Sector	No. of companies	%Sector	No. of companies	%Sector	Total	Total %
Agricultural	8	4%	0	0%	21	8%	29	5%
Food and beverages	17	8%	0	0%	0	0%	17	3%
Commercial	14	7%	1	1%	0	0%	15	3%
Diverse	28	14%	0	0%	67	24%	95	17%
Finance	63	31%	14	17%	42	15%	119	21%
Industrial	11	5%	60	73%	55	20%	126	23%
Mining	6	3%	0	0%	45	16%	51	9%
Services	18	9%	6	7%	14	5%	38	7%
Public services	36	18%	1	1%	30	11%	67	12%
Total	201		82		274		557	

Own construction from MILA web page, 2014.

country. First, the involved parties had accounting registration models that differ greatly. Second, there were multiple restrictions for the operation of institutional investors. Third, the tax framework across countries did not favor the integration process. Lastly, the coordination to pursue the necessary changes within the states was very slow. However, the countries have actively participated in the creation of the adequate conditions to foster the integration, giving training to the involved institutions and changing the required structures to move forward with the stock market integration (MILA, 2010).

MILA works under general premises that need to be taken into consideration by the interested parties within the market. It is important to understand that the agreements are developed by the stock exchanges and the central repository of values from each country, not by companies themselves. However, organizations will have access to foreign markets locally using an automatized order routing model called DMA, registering the conducted businesses through a local intermediary. The negotiation must be done under the rules of the origin country of the securities but they are settled in the local currency of the country where the operation is executed.

In order to ensure the transparency of the information, all relevant facts must be available and clear for all the participants of the market simultaneously, which will avoid a possible distortion in the businesses. Local authorities will be responsible for supervision in each country and the tax treatment for the operations will remain as it is for the involved parties.

Nowadays, MILA has achieved its main objectives and it occupies the first position in Latin America, regarding the number of issuers (557, followed by Mexico 421 and Brazil 375). MILA also has the second largest stock market capitalization value and ranks third with respect to the negotiated volume in the region. Additionally, it has brought benefits to investors, issuers and intermediaries, who now have more alternatives to invest, more possibilities of diversifying the risk, a best risk-return balance and the possibility of creating new portfolios to distribute them to local clients (MILA, 2014).

In this scenario, it is important to highlight that Peru accounts with the largest number of issuers: two hundred and seventy four (274) listed companies, followed by Chile with two hundred and one (201) and Colombia with eighty two (82) organizations. These issuers are concentrated mainly in the financial and industrial sector (Table 1 will provide more information). In Chile, the most representative issuers participating in MILA are Ripley, LAN, Endesa, Falabella, Cencosalud and Concha y Toro. In Peru, important companies such as BCP, Intergroup, Socotibank and Cerro Verde belong to MILA and in Colombia, Ecopetrol, Bancolombia, Argos, Isagen and BVC are the most recognized organizations involved in the process.

Regarding intermediaries, that for this specific case area the brokerage firms, Chile has the broader selection with thirty (30) companies providing these services, while Colombia has

twenty-four (24) and Peru twenty-three (23). For a total of seventy-eight (78) brokerage firms participating in this integrated market.

For these companies in the Colombian brokerage sector, MILA has broadened the international perspective to a stronger interchange and unification of market and businesses. This has not only attracted international firms like Larrain Vial from Chile, which started operations in the Colombian brokerage sector in 2013 (Larrain, 2014) but has also redefined the ownership and international status of some of them, mainly through mergers and acquisitions, as can be observed in Table 2, located at the end of this section.

Even when most of the twenty four (24), active brokerage firms registered in the *Sistema Integral de Información del Mercado de Valores*⁵ –SIMEV, are local independent players, where the equity and the ownership of the majority of the available resources managed, belong to individual investors (owners) (Superintendencia Financiera de Colombia, 2014); some firms, have underwent merger and acquisitions within MILA framework with national and international companies.

Currently and in MILA context –since 2009, with the intention agreement– there have been four (4) acquisitions from international players, as follows: Banco Santander Colombia and its brokerage firm Santander Investment Valores, which was acquired by Corpbanca from Chile; Correal, a company that currently has 49% of Colombian ownership and 51% ownership from Credicorp, a Peruvian company; Bolsa y Renta, acquired by the Brazilian investment bank, BTG Pactual; and RBS Securities Colombia S.A, which was bought by and United States bank, ScotiaBank (Superintendencia Financiera de Colombia, 2012; Díaz, 2013). Two (2) acquisitions and one (1) merger with national companies: the merger between Casa de Bolsa Corficolombiana SA, Valores del Popular SA and Valores Bogotá SA that was acquired by Valores de Occidente Sociedad Comisionista de Bolsa SA in 2009 (Superintendencia Financiera de Colombia, 2012); Corredores Asociados acquired by Davivienda a Colombian commercial bank (El Espectador, 2013a,b), both in 2013; and SumaValores that merged with Nacional de Valores SA in 2010. This means that 29.2% of brokerage firms in Colombia have faced ownership transformations within the MILA context; 57.1% of these transformations took place with international organizations and 42.9% with national companies. It is important to highlight that 85.7% of the ownership transformation was done through acquisitions and 14.3% by a merger.

In this context, mergers and acquisitions, as a current phenomenon within the financial sector have appear as a result of the consolidation occurring in the sector since the 1980, explained mainly by the financial and technological innovation,

⁵ In English, Information System of the stock exchange market.

Table 2
Changes in Colombian brokerage firms within MILA context.

Brokerage firm	Type of change	Partner	Type of partner	Origin of partner	Year of the change	Previous name	New name	Part of a Bank	Year as part of a Bank
ACCIONES Y VALORES SA COMISIONISTAS DE BOLSA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	No	N/A
AFIN SA COMISIONISTA DE BOLSA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	No	N/A
ALIANZA VALORES COMISIONISTA DE BOLSA SA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	No	N/A
ASESORES EN VALORES SA COMISIONISTAS DE BOLSA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	No	N/A
ASESORÍAS E INVERSIONES SA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	No	N/A
BBVA VALORES COLOMBIA SA COMISIONISTA DE BOLSA - BBVA VALORES	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	1990
BTG PACTUAL SA COMISIONISTA DE BOLSA	Acquisition	BTG Pactual	Investment Bank	Brazil	2012	1968: Luis Carlos Vargas Molina y Cía 1992: Bolsa y Renta SA Comisionista de Bolsa Valores de Occidente Sociedad Comisionista de Bolsa SA	BTG Pactual SA Comisionista de Bolsa	Yes	2012
CASA DE BOLSA SA SOCIEDAD COMISIONISTA DE BOLSA named before Valores de Occidente Sociedad Comisionista de Bolsa SA	Merger by Acquisition	Merger between Casa de Bolsa Corficolombiana SA, Valores del Popular SA and Valores Bogotá SA and acquired by Valores de Occidente Sociedad Comisionista de Bolsa S.A	Brokerage firm	Colombia	2009		Casa de Bolsa SA Sociedad Comisionista de Bolsa	Yes	2009
CITIVALORES SA COMISIONISTA DE BOLSA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	1993
COMPASS GROUP SA COMISIONISTA DE BOLSA named before Promotora Bursátil de Colombia	Acquisition	Compass Group Holding Ltda.-Compass Group LLC	Investment Advisor	United States	2008	Promotora Bursátil de Colombia	Compass Group SA Comisionista de Bolsa	No	N/A
COMPAÑÍA DE PROFESIONALES DE BOLSA SA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	No	N/A
CORPBANCA INVESTMENT VALORES COLOMBIA SA COMISIONISTA DE BOLSA	Acquisition	Acquisition linked with the acquisition of the bank explains in observations by Corpbanca	Bank	Chile	2012	Santander Investment Valores Colombia S.A Comisionista de Bolsa N/A	Corpbanca Investment Valores Colombia S.A Comisionista de Bolsa N/A	Yes	1997
CORREDORES ASOCIADOS SA COMISIONISTA DE BOLSA	Acquisition	Banco Davivienda	Commercial Bank	Colombia	2013	N/A	N/A	Yes	2013
CREDICORP CAPITAL COLOMBIA SA	Acquisition	Credicorp Capital - Banco de Crédito del Perú (BCP)	Commercial Bank	Peru	2011	Correval	Credicorp Capital Colombia S.A	Yes	2011

Table 2 (Continued)

Brokerage firm	Type of change	Partner	Type of partner	Origin of partner	Year of the change	Previous name	New name	Part of a Bank	Year as part of a Bank
DAVIVALORES SACOMISIONISTA DE BOLSA	Merger	Grupo Bolivar	Investment Society	Colombia	1992	1974: Corredor y Cárdenas SC 1985 Corredor y Alban SC 1986: Corredor y Alvan S.A 1989: Corredor y Alvna S.S Comisionistas de Bolsa	Davivalores S.A Comisionista de Bolsa	Yes	1992
GLOBAL SECURITIES SA COMISIONISTA DE BOLSA	Acquisition	The Global Securities Group	Financial Group	United States	2006	1993: Compañía Integral de Valores S.A 1988: Pichincha Valores S A Comisionista de Bolsa	Global Securities SA Comisionista de Bolsa	No	N/A
HELM COMISIONISTA DE BOLSA SA LARRAIN VIAL COLOMBIA SA COMISIONISTA DE BOLSA	N/A Greenfield Investment from a Chilean Company in Colombia	N/A N/A	N/A N/A	N/A N/A	N/A 2012	N/A N/A	N/A N/A	Yes No	1981 N/A
OLD MUTUAL SKANDIA VALORES SA SOCIEDAD COMISIONISTA DE BOLSA	Acquisition	Old Mutual Group	International Financial Services Group	South Africa	2006	Skandia Valores S.A Sociedad Comisionista de Bolsa	Old Mutual Skandia Valores SA Sociedad Comisionista de Bolsa	No	N/A
SCOTIA SECURITIES (COLOMBIA) SA SOCIEDAD COMISIONISTA DE BOLSA	Acquisition	ScotiaBank	Bank	United States	2010	2004: RBS Securities Colombia SA Sociedad Comisionista de Bolsa	Scotia Securities (Colombia) SA Sociedad Comisionista de Bolsa	Yes	2010
SERFINCO SA COMISIONISTA DE BOLSA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	No	N/A
SERVIVALORES GNB SUDAMERIS SA COMISIONISTA DE BOLSA (antes SumaValores)	1. Acquisition 2. Merger	1. Banco GNB Sudameris 2. Nacional de Valores S.A	1. Bank 2. Brokerage Firm	1.Colombia 2. Colombia	1. 2008 2. 2010	SumaValores SA	Servivalores GNB Sudameris S.A Comisionista de Bolsa	Yes	2008
ULTRABURSATILES SA COMISIONISTA DE BOLSA VALORES BANCOLOMBIA SA COMISIONISTA DE BOLSA (antes Suvalor SA)	N/A Merger	N/A Between Suramericana de Valores SA (SUVALOR) and Comisionista de Colombia S.A. COMICOL	N/A Suramericana de Valores SA (SUVALOR) acquires the totality of Comicol	N/A Colombia	N/A 2005	N/A Suramericana de Valores S.A (SUVALOR)	N/A Valores Bancolombia SA Comisionista de Bolsa	No Yes	N/A 2006

Own construction based on Colombian Financial Superintendence, corporate web pages of each brokerage firm and articles from magazines and newspaper [Banco CorpBanca Colombia SA (2012), BBVA (2011), Bolsa and Renta (2012), Casa de Bolsa SA Sociedad Comisionista de Bolsa (2009), Citivalores SA (2014), Compass Group (2011, 2014), DATAiFX (2013), El Colombiano (2013), El Espectador (2012, 2013a,b), El Tiempo (2006), La República (2012, 2013a,b), Portafolio (2012, 2013a,b,c, 2014), Revista Dinero (2009, 2012), Santander Investment Valores Colombia SA Comisionista de Bolsa (2011), Servivalores (2011), Skandia (2014), Ultrabursátiles (2013), Valores Bancolombia (2011)].

that redounded, recently, in the decline of the number of financial firms, and with changes in the surviving firm, that from that point and on are characterized by a larger size, diversification and operating in more places than never before (De Young, Evanoff, & Molyneux, 2009).

According to literature, both mergers and acquisitions are sought by firms due to factors such as the improvement in efficiency that it generates and the enhancement in stockholder value as well as being considered a proper way to tackle the challenges and opportunities derived from the internationalization processes (De Young et al., 2009). However, according to De Young et al. (2009) currently there is no consistent evidence of whether these processes benefit the participant financial firms, its customers or if whether societal risks has increased or decreased as a consequence of the activity.

Regarding international status, 4 companies acquired international links, through mergers and acquisitions that allow them to operate in international markets as single companies and offer Colombian consumers access to international products and markets (16.6%): Bolsa y Renta, Banco Santander Colombia, Correal and RBS securities; these organizations were acquired by external parties and now operate as international players in Colombia. Consequently, 100% of international status changes in the status were done using acquisitions.

Another important fact observed in the sector, is that before the agreement 33% of the companies were owned by Banks, and the others remained family business; however within the MILA framework another 25% were acquired by banks, meaning that currently more than half of the firms no longer belong to families.

These transformations could be the beginning of a trend in the brokerage sector in the country, where firms will either merge in order to create bigger companies in terms of equity and financial solidity, or look for international investors which will become strategic partners, allowing them to leverage the costs, the technological infrastructure and to finance its activities (Díaz, 2013).

3. Discussion

The reviewed literature regarding economic integration, suggests that this type of financial integration generates changes in countries, industries and companies. The presence of signed or de facto regional agreements within the financial sector, particularly in stock exchanges brings benefits such as risk sharing, the promotion of economic growth and the improvement of capital allocation (Bodolus, 1974; Chinn & Dooley, 1997; Cornelius, 1994; Darrat, Elkhail & Hakim, 2000; Tambi, 2005), that have promoted the creation of integrated stock exchange markets around the world. This is a trend that the industry has experienced over the last 15 years (Dorodnykh, 2013). In this context, regional agreements that contribute to the unification of stock markets have influenced, as well, the behaviors and strategies of the various stakeholders of the financial market, where brokerage firms, as service and product providers, play a major role.

In Latin America this tendency, appears with the creation of MILA, the market integration project that attempts to merge the stock exchange markets of Chile, Peru and Colombia, providing the benefits of lowering transaction costs, improving cross border trade efficiencies and allowing investors to diversify their portfolios (Dorodnykh, 2014). This integration is said to have some impact on stakeholders of the sector, such as brokerage firms.

According to Cornelius (1994), one of these impacts is that international agreements that are developed in financial sectors promote financial integration and foster the internationalization of financial entities. For Colombia this is not a conclusive fact, since out of twenty-four listed (24) companies in the Colombian Financial Superintendence, four have pursued internationalization

processes, this represents 16.66% of the total all of them through acquisitions with international partners within the 2008 MILA framework.

Another possible outcome of the integration of stock exchange markets is the transformation of the company's ownership (Dorodnykh, 2013) through strategic partnership within the country. This may allow the organization to increase its existing equity or leverage the requirements and costs needed to become a more competitive player, as shown by the case of the three companies acquired by national players, in Colombia, that represent a 12.5% of the total industry, and the processes where family or individual businesses have become part of a bank, such as the 6 companies seen in Table 2: Changes in Colombian brokerage firms within MILA context.

In general terms, literature showed that integration of stock exchange markets creates transformations for the companies of the sector. This seems to be the case in Colombia, where 29.16% of brokerage firms, have been immersed in changes in ownership and internationalization status, as a consequence of the integration of Colombia, Peru and Chile exchanges, either by mergers and acquisitions processes. However it is too early to conclude that this is the direct result of MILA.

It is important to conduct further research, to determine if the brokerage sector in Colombia has undertaken internationalization processes due to the presence of integration of stock exchanges such as MILA or if this agreement just constitutes a framework that facilitates the whole process. Furthermore, it would be ideal to conduct comparative studies with companies in the same sector in the other MILA country members.

4. Conclusion

This paper presents a theoretical approach to economic, financial and stock market integration. Within this context it analyzes how economic integration has led to the development of regional agreements that promote and even facilitate the integration of financial markets and specifically of stock exchanges, and how these processes have developed in Latin America with consequences for brokerage firms. Through this inquiry, it is possible to assess the current situation of the brokerage firms in Colombia regarding ownership and internationalization status, as a result of the integration process of its stock exchange market through MILA. The research was conducted through the use of secondary information in order to construct a theoretical background.

It is possible to conclude that as literature suggests, stock exchange integration and in general economic integration, creates changes within the sectors involved as shown by MILA and its impact on the Colombian brokerage sector where some firms have been acquired by international partners as was the case of Santander Investment Valores, Correal, Bolsa y Renta, and RBS Securities Colombia SA; others by national partners, such as Casa de Bolsa and Corredores Asociados; and Servivalores and a merger that resulted in the creation of Servivalores GND Sudameris in 2010. This trend in the brokerage sector in Colombia will most likely continue since companies tend to pursue strategic alliances in order to remain competitive both in the domestic and the regional scenario.

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