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# Colombia: Central de Inversiones SA (CISA)<sup>1</sup>

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## Abstract

Colombia began 1999 amidst a deep recession, caused in part by financial and trade sector liberalization and exacerbated by an unexpectedly sudden appreciation of the peso. Nonperforming loans (NPLs) amounted to more than 14% of total loans, up from 8% in 1998. Colombian authorities thus decided to implement a three-year economic recovery program in late 1999. As part of the government's strategy, banks slated for recapitalization were compelled to transfer or write off their NPL portfolios to Central de Inversiones SA (CISA), a public special purpose vehicle acquired by the deposit guarantee fund Fogafín in September 2000 for the management and disposal of bad assets. From October to December 2001, Fogafín capitalized CISA with a total of COP 520 billion (\$296.1 million) in public funds. Between 2001 and 2007, CISA purchased COP 5.6 trillion in bad assets from seven public banks, Fogafín, and the Ministry of Finance and Public Credit, raising in cash more than COP 3.2 trillion through the disposition of assets. Upon the conclusion of its crisis-era operations, the Ministry of Finance acquired CISA from Fogafín in December 2007.

**Keywords:** Asset management companies, asset purchase programs, CISA, Colombia, Colombian financial crisis, Fogafín

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## Colombia: Central de Inversiones SA (CISA)

### At a Glance

The 1990s marked a decade of political and economic volatility for Colombia, beginning with government efforts to liberalize the country's trade and financial sectors. Although authorities expected the opening of the trade system to produce real depreciation of the Colombian peso (COP), sharp increases in public expenditures and an accompanying oil boom led to a sudden real appreciation. These events, combined with rapid growth of monetary aggregates and credit, a real estate bubble, and weak supervisory practices and regulatory forbearance, had by 1998 landed Colombia in a severe recession (IMF 2001). Economic indicators demonstrated as much: while production had contracted by 3.1% in the last quarter of 1998, unemployment levels exceeded 15%, and inflation rates soared past 35% (Fogafin 2000). Nonperforming loans (NPLs) amounted to more than 14% of total loans, up from 8% in 1998. The majority of these NPLs were in state-owned institutions, whose NPL ratios reached an average of 25% in 1999 (Uribe 2000).

To combat further economic fallout, the Colombian government decided to implement a three-year economic recovery program in late 1999. Aided by the International Monetary Fund (IMF), World Bank, Inter-American Development Bank, and Development Bank of Latin America, Colombian authorities undertook a series of interventions that included capitalization lines for public banks, resolution and restructuring measures for unviable banks and other financial institutions, and a bevy of other rescue measures related to debtor law and housing reform (IMF 2001; Morrison 2000; Fogafin 2001). According to Heenan et

Summary of Key Terms	
Purpose:	To "recover the largest possible proportion of the value of the nonperforming assets withdrawn from public entities" (Fogafin 2009)
Launch dates	Announcement: September 2000 (CISA acquired by Fogafin)  First transfer: October 2000
Wind-down date	December 2007
Size and type of NPL problem	14% by the end of 1999 (Fogafin 2009)  Consumer loans, commercial portfolios, and mortgage obligations (Gonzalez 2000)
Program size	Not specified at outset
Eligible institutions	Public financial institutions and select government entities including Fogafin, Fogacoop, and the Ministry of Finance and Public Credit (CONPES 2007; Fogafin 2000)  Open and closed bank
Usage	Acquired about COP 5.6 trillion in NPLs from nine public financial institutions between 2000 and 2007 (Fogafin 2009)
Outcomes	COP 3.2 trillion recovered as of 2007 (CONPES 2007)
Ownership structure	Government owned
Notable features	Created as an SPV of Fogafin

al. (2007), the government allocated a total of COP 6.1 billion (\$3.5 million)<sup>4</sup> for its rescue program.

As a prerequisite for recapitalization, both private and state-owned banks were required by the government to transfer their NPL portfolios to Central de Inversiones SA (CISA), a public special purpose vehicle (SPV) acquired by the deposit guarantee fund Fogafín in September 2000 for the management and disposal of bad assets (Resolution 006 1999; Heenan et al. 2007; Fogafín 2001).<sup>5</sup> Banks could either write off their portfolios of NPLs in accordance with Resolution 006 or transfer them to CISA. Contracted international auditing firms were responsible for drawing up the final settlement terms (Fogafín 2009). CISA was designated as a public company that would operate under a private law regime, facilitating the sales of foreclosed assets acquired from the public banks in accordance with Resolution 006 of June 1999 and Article 91 of Law 795 of 2003 (Resolution 006 1999; Heenan et al. 2007). According to CISA's former Vice President of Portfolio, Wilson Sánchez Hernández, this designation was necessary because it allowed CISA to sell its assets at a discount using a predetermined cost-benefit analysis. Its ultimate mandate was to monetize the NPL portfolios and transfer the proceeds to the National Treasury (Villegas 2014).

Because CISA was funded exclusively by resources from the Public Banking Reserve Fund and Deposit Insurance Reserve Fund (administered by Fogafín), it was not authorized to handle NPLs of private institutions or nonfinancial public-sector entities. Participation was therefore limited to public credit institutions, the deposit guarantee fund Fogafín, the Ministry of Finance and Public Credit, and the cooperative entities guarantee fund Fogacoop. In addition to the removal of NPLs from distressed public banks, Colombian authorities empowered CISA to act as the sole asset management company for all public entities; for instance, it was empowered to remove and manage government-owned NPLs, such as real estate assets owned by the Ministry of Trade (CONPES 2007; Villegas 2014).

The Board of Directors of Fogafín was responsible for selecting eligible assets. The determination was based on the assets of the most recent balance sheet submitted to the Banking Superintendency (Resolution 006 1999). A separate management commission was responsible for dealing with NPLs that were more difficult to transfer and manage due to "their characteristics or the nature of the entity" (CONPES 2007). For example, Fogafín was unable to transfer nonproductive assets in the form of convertible bonds during the complicated liquidation of Banco del Estado (World Bank 2002).

In October and November 2000, Fogafín capitalized CISA with COP 267 billion (Fogafín 2001). Half of this funding was dedicated to the purchase of NPLs associated with the restructuring of Bancafé<sup>6</sup>, while the other half was used for a more complex acquisition of

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<sup>4</sup> In 1999, \$1.00 = COP 1756.23 (World Bank).

<sup>5</sup> CISA was founded in 1975 as a subsidiary of Banco Central Hipotecario (BCH), a major state bank that monopolized the Colombian mortgage sector (CONPES 2009). To carry out its NPL operations, the Colombian government paid BCH and Compañía Central de Seguros SA a total of COP 6.0 billion to acquire 99.99% of shares in CISA (Fogafín 2009). Because Colombia lacked an adequate market for the absorption of NPLs from failing public banks, CISA's acquisition was considered to be a necessary step in the cleanup process (Heenan et al. 2007).

<sup>6</sup> This funding corresponded to 50% of the total COP 600 billion in NPLs on Bancafé's balance sheet; the remaining 50% was later paid to the bank using proceeds from asset recovery (Fogafín 2001).

6,400 real estate portfolios from Granahorrar, Banco Central Hipotecario (BCH), and Banco del Estado (Fogafín 2001; Gonzalez 2000). A second capitalization of COP 253 billion followed in December, this time in connection with the cleanup of BCH. Using these additional funds, CISA was able to acquire NPLs from BCH in two rounds, the first totaling COP 1 trillion and the second COP 186 billion (Fogafín 2001). Between 2000 and 2007, CISA purchased COP 5.6 trillion in bad assets from seven public banks, Fogafín, and the Ministry of Finance and Public Credit (Table 1) (Fogafín 2009).<sup>7</sup>

**Table 1: Nonperforming Asset Purchases Made by CISA between 2000–2007**

Entity	Acquired Assets	Gross Value
Bancafé	Loans, trusts, and real estate	1.82
BCH	Loans and real estate	1.33
IFI	Loans and real estate	0.56
Granahorrar	Loans and real estate	0.66
Fogafín	Loans and real estate	0.33
Ministry of Finance and Public Credit	Loans and real estate	0.07
Banco Agrario	Loans	0.01
Caja Agraria	Loans, trusts, and real estate	0.45
Banestado	Loans and real estate	0.39
<b>Total</b>		<b>5.61</b>

*Note: Figures in billions of pesos*

*Source: Fogafín 2009.*

The passage of Law 795 on January 3, 2003 allowed CISA to streamline the contracting process for the disposition of NPLs acquired (Heenan et al. 2007). This management strategy was outlined in the document CONPES 3493 of October 2007 and formalized in Decree 4819 of December 2007; the latter named CISA the Technical Secretariat of the Public Assets Management Commission (Decree 4819 2007).

Throughout its crisis-era operations, CISA disposed of its assets through public sales to international investors, local banks, and national collection agents (CONPES 2007). CISA contacted the debtors of the largest public banks—Bancafé, Granahorrar, BCH, and Banco del Estado—to reach payment agreements through debt restructuring (Gonzalez 2000). Debtors that did not comply were subject to legal proceedings and, if applicable, lost their properties (Gonzalez 2000).

<sup>7</sup> The nine public banks were Bancafé, Banco Central Hipotecario, Instituto de Fomento Industrial (IFI), Granahorrar, Fogafín, the Ministry of Finance and Public Credit, Banco Agrario, Caja Agraria, and Banco del Estado (FOGAFIN 2009). According to CISA's former Vice President of Portfolio, Wilson Sánchez Hernández, neither Fogafín nor the Ministry of Finance and Public Credit held assets on its balance sheet; Table 1 reflects small volumes of bad assets that passed through the institutions as part of the transfer process.

CISA auctioned off the last of its bad assets on June 15, 2007, selling five loan portfolios and the remainder of its real estate properties for a nominal value of COP 2.6 trillion (\$1.4 billion) (BNA 2007). The portfolios comprised 186,000 unrecoverable loans with COP 2.4 trillion in outstanding value (Dow Jones 2007). Investors were required to pay COP 60 million to participate in the one-offer, winner-take-all event (BNA 2007). The base price for CISA's auction was determined by the relative probabilities of loan recovery (Dow Jones 2007). This final sale reduced CISA's assets under management by more than 90% (CONPES 2007).

Between its first operation in October 2001 and the final auction in June 2007, CISA raised in cash more than COP 3.2 trillion through the sale of 10,227 properties and the management of more than 133,000 portfolio obligations (CONPES 2007; Dow Jones 2007). The National Council for Economic and Social Policy (CONPES) wrote in 2007 that the favorable results that the entity had been presenting in recent years—the culmination of the process of reorganization and strengthening of the public banking system—made it possible to foresee the completion of the work assigned to CISA.

The Ministry of Finance and Public Credit acquired CISA from Fogafín in December 2007, marking the conclusion of the SPV's crisis-era operations (CONPES 2007).

### **Summary Evaluation**

The main indicators of economic health, such as solvency, profitability, portfolio quality, and portfolio coverage, presented positive trends in Colombia's banking sector beginning in 2001 (Heenan et al. 2007). Although slow in the beginning, CISA made progress in the gradual sale and reduction of assets acquired from public banks (World Bank 2003; Banco de la República 2001). A 2003 World Bank assessment concluded that CISA had "paralleled the efforts of private banks in active debt recovery and loss mitigation." Additionally, a Banco de la República Board of Directors Report reported in 2001 that "through the wind up of the BCH [restructuring] and the transfer of impaired assets to a Fogafín affiliate, CISA, [the public financial sector] was able to reduce its impaired assets by nearly 50%." CISA's former Vice President of Portfolio, Wilson Sánchez Hernández, contends that CISA's work has been underappreciated and that it contributed immensely to crisis recovery efforts. Additionally, he notes that its asset disposition activities created a ready industry for NPLs and encouraged foreign interest in the Colombian market. Still, Heenan et al. concluded in 2007 that despite interest from investors, there were "obstacles that [prevented] a deepening of the nonperforming portfolio market . . . in Colombia."

<b>Central de Inversiones S.A.: Colombia Context</b>	
<b>GDP (SAAR, Nominal GDP in LCU converted to USD)</b>	\$98.4 billion in 1998 \$86.2 billion in 1999
<b>GDP per capita (SAAR, Nominal GDP in LCU converted to USD)</b>	\$2,566 in 1998 \$2,210 in 1999
<b>Sovereign credit rating (5-year senior debt)</b>	Data for 1998:  Fitch: N/A Moody's: Baa2 S&P: N/A  Data for 1999:  Fitch: N/A Moody's: Baa2 S&P: BBB+
<b>Size of banking system</b>	Data not available for 1998 Data not available for 1999
<b>Size of banking system as a percentage of GDP</b>	34.2% in 1998 32.6% in 1999
<b>Size of banking system as a percentage of financial system</b>	96.3% in 1998 93.7% in 1999
<b>5-bank concentration of banking system</b>	76.9% in 1998 83.8% in 1999
<b>Foreign involvement in banking system</b>	6% in 1998 22% in 1999
<b>Government ownership of banking system</b>	37% in 1998 18% in 1999
<b>Existence of deposit insurance</b>	Yes in 1998 Yes in 1999
<i>Sources: Bloomberg; World Bank Global Financial Development Database; World Bank Deposit Insurance Dataset; Cull, Martinez Peria, and Verrier 2018.</i>	

## Key Design Decisions

### 1. Part of a package: Colombian authorities acquired CISA in 2000 to remove NPLs from distressed financial institutions slated for recapitalization or nationalization.

The Colombian government and Fogafín adopted separate strategies to assist the public and private financial sectors. Public credit institutions and banks were compelled by the government to transfer their NPLs to CISA as a prerequisite for recapitalization (Fogafín 2000). The public banks that transferred NPLs to CISA were recapitalized by Fogafín (Fogafín 2009).

Private-sector financial institutions were required to write off nonperforming assets that would lead to negative equity. The shareholders were required to recapitalize the bank, but because of the economic conditions at the time, this was considered to be infeasible in the short term. Fogafín thus provided credit lines and recapitalized the private financial institutions (Fogafín 2000). According to CISA's former Vice President of Portfolio, Wilson Sánchez Hernández, Fogafín liquidated private banks that had not recovered and proceeded to transfer their remaining assets to CISA.

The Colombian government also passed the Economic Emergency Decree and Housing Law, a resolution and restructuring program to deal with “unviable entities” and other assistance programs for mortgage debtors and financial institutions (Fogafín 2009).

### 2. Legal authority: CISA derived its authority from the legal regimes set forth in Resolution 006 of June 1999, Article 91 of Law 795 on Financial Reform of 2003, and Decree 4819 of 2007.

CISA was given immediate legal authority to acquire and manage NPLs when the Colombian legislature modified the banking law with Resolution 006 in June 1999. Apart from adopting closed-bank resolution measures to strengthen the stability of the financial sector, the amendment allowed CISA to facilitate the sales of foreclosed assets acquired from public banks (Resolution 006 1999). According to former CISA Vice President of Portfolio Sánchez Hernández, this legal designation was necessary because it allowed CISA to sell its assets at a discount using a predetermined cost-benefit analysis.

Resolution 006 also provided authority for recapitalization and reorganization of private and public financial institutions (Fogafín 2000). The Colombian authorities also allowed CISA to streamline the contracting process for the management and disposition of assets with the issuance of Article 91 of Law 795 of 2003 on financial reform (Heenan et al. 2007). These changes were formalized in 2007 with the implementation of Decree 4819 (Decree 4819 2007).

### 3. Special powers: It appears that the Colombian authorities modified an existing law to allow CISA to manage and dispose of its assets more efficiently.



The issuance of Article 91 of Law 795 of 2003 on financial reform again changed the legal framework under which CISA operated, allowing it to utilize a more efficient process for the management and disposition of assets. CISA thus began to operate under a private law regime, despite its status as a publicly owned entity (Heenan et al. 2007). The new law permitted it to use securitization to improve and accelerate disposal options. CISA was authorized to take on trustee functions in addition to the traditional asset management functions (World Bank 2002). These changes were formalized only with the implementation of Decree 4819 in 2007, under which the government assigned CISA the responsibility of acting as the Technical Secretariat of the Intersectoral Commission for the Management of Public Fixed Assets (Decree 4819 2007). This new title allowed CISA to implement commercial structures that would streamline the reallocation of assets between public entities and private investors (CONPES 2007).

**4. Mandate: The Colombian government acquired CISA in 2000 to act as a special purpose vehicle (SPV) for the acquisition, management, and maximal recovery of NPLs and real estate from public financial institutions.**

In addition to managing and disposing of bad assets from distressed public banks, Colombian authorities empowered CISA to remove and manage government-owned NPLs, such as real estate owned by the Ministry of Trade. The ultimate purpose of the SPV, at least at the time of the 1990s financial crisis, was to monetize the assets and transfer them to the National Treasury (Villegas 2014).

**5. Ownership structure: CISA was established in 1975 as a mixed-economy commercial company associated with the Ministry of Finance and Public Credit. It was later acquired by the deposit insurance guarantee fund of Colombia, Fogafín, through Resolution 006 of 1999.**

CISA was created in 1975 as a subsidiary of Banco Central Hipotecario (BCH), a major state bank that had a monopoly in the mortgage sector (Fogafín 2001). BCH had been founded in 1932 with the purpose of purchasing bad loans from mortgage and commercial banks (Uribe 2000). Prior to the Fogafín acquisition, CISA had been carrying out similar resolution and recovery operations, but at a much smaller scale (Fogafín 2001).

In September 2000, Fogafín paid COP 6 billion to acquire 99.99% of shares in CISA from Compañía Central de Seguros SA and BCH (Fogafín 2009).

**6. Governance/administration: Although the government allowed CISA to function under the private law regime, the State retained full supervisory powers over its operations.**

According to former CISA Vice President of Portfolio Sánchez Hernández, the SPV was administered by the Ministry of Finance and Public Credit but also reported to Fogafín, the latter of which was responsible for oversight (Fogafín 2001). Heenan et al. (2007) write that CISA was subject to a “permanent and necessary dependence” on the executive branch, ensuring that its objectives were in “constant alignment” with public banking system policy. For example, the president of Colombia was charged with the task of appointing the

president of CISA (Heenan et al. 2007). CISA's operational structure was set up such that it had a "Ministry" that would outsource work in order to respond immediately to changes in asset inventories. The Board of Directors was responsible for confirming and approving valuation models to price assets (CONPES 2007). According to Sánchez Hernández, the Minister of Finance and Public Credit, or a representative from the department, acted as the President of CISA; the rest of the Board comprised two Fogafín employees and two private sector members.

Prior to asset transfer, the Ministry of Finance and Public Credit required participating institutions to sign a management agreement that incorporated a standing evaluation system for ensuring the efficient and maximal recovery of assets (CONPES 2007).

**7. Size: The Colombian government did not preannounce a limit to CISA's operational capacity.**

Between 2001 and 2007, CISA purchased a total of COP 5.6 trillion in nonperforming assets from nine public banks and credit institutions (Fogafín 2009).

**8. Funding sources: CISA's crisis operations were entirely funded by the government.**

In October and November 2000, Fogafín capitalized CISA with COP 267 billion, which corresponded to 50% of the purchase value of the NPLs associated with the restructuring of Bancafé. A second capitalization of COP 253 billion followed in December, this time in connection with the cleanup of BCH (Fogafín 2001).

It appears that CISA was funded by a combination of public bank bonds issued by Fogafín, tax revenues, and resources from the Public Banking Reserve Fund and the Deposit Insurance Reserve Fund (Fogafín 2000; CONPES 2007).

Fogafín initially issued bonds worth COP 3 trillion in 1999. The bonds bore an interest rate equivalent to the 90-day DTF (benchmark) rate of 20% and carried maturities of two, four, six, eight, and 10 years (Fogafín 2000; Rowland 2006). They were used to fund the public financial sector restructuring program, which included recapitalization and the purchase of NPLs by CISA (Fogafín 2000).

To resolve ongoing liquidity issues in connection with these bonds, Fogafín's Board of Directors also approved repurchase operations for the public banks, with an initial quota of COP 250 billion and a final quota of COP 350 billion (Fogafín 2001).

Additional funding for the public-sector restructuring came with the passage of Decree 2514 in December 1999, as the government was able to allocate to Fogafín COP 600 billion in funds collected under the Financial Transaction Tax (Fogafín 2000).

**9. Eligible institutions: All public financial institutions were eligible for participation.**

Because CISA was funded in part by resources from the Public Banking Reserve Fund and the Deposit Insurance Reserve Fund (administered by Fogafín), it was not authorized to handle the NPLs of private institutions or nonfinancial public-sector entities. Participation was therefore limited to public credit institutions, the deposit guarantee fund Fogafín, the Ministry of Finance and Public Credit, and the cooperative entities guarantee fund Fogacoop (CONPES 2007). According to former CISA Vice President of Portfolio Sánchez Hernández, private banks that needed assistance with their NPLs or nonperforming real estate assets (such as Bancafé and Granahorrar) were nationalized by the government prior to transfer.

Additionally, public financial institutions were required to certify that they were carrying out the “necessary steps for recovery,” including the initiation of “administrative actions against the officials who caused such deterioration” (CONPES 2007).

**10. Eligible assets: Consumer loans, commercial portfolios, and mortgage obligations of distressed public financial institutions were eligible for transfer to, or write-off by, CISA.**

The Board of Directors of Fogafín was responsible for selecting eligible assets. The determination was based on the assets of the most recent balance sheet submitted to the Banking Superintendency. CISA was not restricted to specific loan types, as it acquired consumer, commercial, and mortgage loans (Gonzalez 2000). These loans had ratings of C, D, or E, all of which indicated that the debtors were delinquent and that the loans were of the lowest quality (Resolution 006 1999; Gonzalez 2000). According to former CISA Vice President of Portfolio Sánchez Hernández, these ratings were based on the Basel Accords.

To further strengthen the balance sheets of public entities, NPLs could also be written off in accordance with the criteria defined in Resolution 006 of 1999 (Fogafín 2001).

A separate management commission was responsible for dealing with assets that were more difficult to transfer and manage due to “their characteristics or the nature of the entity” (CONPES 2007). For example, Fogafín was unable to transfer nonproductive assets in the form of convertible bonds during the complicated liquidation of Banestado (World Bank 2002).

**11. Acquisition mechanics: Eligible public financial institutions transferred NPLs to CISA in exchange for a combination of public banking capitalization bonds issued by Fogafín and proceeds from the recovery operations.**

In exchange for the NPLs, CISA immediately paid 50% of the balance in public banking capitalization bonds issued by Fogafín; the remaining 50% was paid at a later date using proceeds from the recovery of those same assets (Fogafín 2001).

Unproductive assets were either written off in accordance with Resolution 006 of 1999 or transferred to CISA for management and disposal (Fogafín 2001). Fogafín also retained a number of international auditing firms to determine the parameters of NPL transfer (Fogafín 2000).

**12. Acquisition pricing: The Board of Governors of CISA was responsible for applying the valuation models to determine the pricing of assets.**

The Board of Directors of CISA was required to ensure that the pricing methodology aligned with the general guidelines issued by the Ministry of Finance and Public Credit (CONPES 2007).

It is not clear if CISA applied a uniform valuation and pricing method to the acquisition of assets from each public financial institution. For example, CISA purchased assets from Bancafé at 66% of book value, or COP 600 billion, as the book value of Bancafé's nonperforming assets was COP 900 billion. Bancafé was required to provide for the remaining 33% of the transferred portfolio. After the transfer, Fogaffn recapitalized Bancafé, provided a capital guarantee, and allowed it to access the repurchase agreement operation (Fogaffn 2001).

**13. Recovery and disposal: Apart from selling the assets at auction, it appears that the Colombian government authorized CISA to accelerate NPL disposition through a variety of methods, including the use of trust instruments for asset transfer and private contracts.**

Law 795 on Financial Reform, passed by the legislature in 2003, empowered CISA to engage in "enhanced" asset management procedures and exercise trustee functions when administering contracts (World Bank 2003).

Prior to disposal, CISA required financial institutions to certify that they carried out all necessary steps for recovery and, if necessary, that they had initiated appropriate administrative actions against all parties responsible for the deterioration in asset quality (CONPES 2007).

CISA reached agreements with the debtors of Bancafé, Granahorrar, BCH, and Banco del Estado in order to resolve their credit situations. For some debtors, CISA attempted to arrange a debt restructuring based on the debtor's ability to pay. The restructuring arrangements varied across debtors, as CISA could offer a debtor the opportunity to deliver a property with a lower value than that of the outstanding loan. However, CISA did not have a one-size-fits-all formula for debt restructuring, and debtors that did not comply with debt restructuring or repayment faced more severe legal proceedings or saw their properties repossessed. Once those loans were managed through debt restructuring plans that corresponded to the debtors' payment ability, CISA offered them for private sale or to investors who specialized in distressed debt (Gonzalez 2000).

CISA auctioned the last of the NPL portfolios on June 15, 2007, for a nominal amount of COP 2.6 trillion. The auction was conducted as a one-offer, winner-take-all event at which the minimum base price for the NPLs was determined by the possibility of recovery (BNA 2007; Dow Jones 2007). The government would decline to sell if the offers did not reach this reference price (Dow Jones 2007). A number of global investment banks, including Lehman Brothers, Morgan Stanley, Deutsche Bank, and a consortium made up of Citigroup and Merrill Lynch, presented offers (Reuters 2007).

#### **14. Timeframe: Colombian authorities did not initially specify a timeframe for CISA's crisis-related operations.**

CISA continues to operate as of the writing of this case, though its mandate and objectives are no longer focused on resolving bad debt from the 1998–1999 financial crisis. In a report published in 2007, the National Council for Economic and Social Policy (CONPES) recommended that CISA transfer its profits to Fogaffin by October 2007 and restructure under the Ministry of Finance and Public Credit by December of that same year. CONPES also requested that the Ministry of Finance and Public Credit establish an “adequate” corporate governance structure under which CISA could continue to operate after its crisis operations wound down, beginning in the first quarter of 2008 (CONPES 2007).

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