



CMF publishes for consultation a regulation that exempts certain public offerings of securities from registration

- *The proposal aims to generate an alternative financing space to the banking and regulated securities market so that companies, especially smaller ones, can raise resources from the public by issuing and offering securities.*
- *The regulation in consultation also simplifies the process of presentation of private offers regulated by General Rule No. 336.*

October 5, 2020 – The Financial Market Commission (CMF) has published for consultation a regulatory proposal that exempts certain public offerings of securities from mandatory registration, as well as amending General Rule No. 336. The consultation process will be open until October 30, 2020 for comments from the market and general public.

The aim of this regulatory proposal is to exempt new types of public offerings, in addition to those already covered by the current General Rule No. 345, from mandatory registration. This is to facilitate access to financing for companies through securities. Furthermore, the proposal presents an alternative solution to the verification of the condition of qualified investors by bidders to simplify the private offers referred to in General Rule No. 336.

Said proposal aims to generate an alternative financing space to the banking and regulated securities market so that companies, especially smaller ones, can raise resources from the public by issuing and offering securities. It is part of a series of initiatives that the Commission has been carrying out to reduce financing costs, provide companies with better tools to raise resources, and strengthen market development.

Content of the Regulatory Proposal

The regulatory proposal exempts the following public offerings from mandatory registration:

- Those in which the securities may only be acquired by qualified investors.
- Small-sized projects (up to UF 10,000).
- Those that require the investor to acquire at least 2 percent of the securities issuer's capital to perform each operation.
- Those whose purpose is to compensate workers.
- Those dealing with securities that will entitle their purchasers to membership, use or enjoyment of the facilities or infrastructure of educational, sports or recreational establishments.

In addition, the proposal states that parties making such offers must disclose that they are dealing with securities that are not registered in the rolls kept by the CMF, and that their issuer is not supervised by the Commission. At the same time, to simplify private offers regulated by General Rule No. 336, the proposal replaces the obligation to verify the qualified status by a declaration from investors. This is to clarify what type of investors are involved in the offers, and that they know the securities they intend to acquire are not registered in said rolls. This means that they cannot be offered to the public in Chile and are not subject to the control and information requirements established by the CMF.

Public Consultation

All financial market participants are invited to participate in the public consultation process to be held until October 30, 2020. Notwithstanding any other elements, suggestions, or observations that different actors or users of the financial market may express in the consultation for this regulatory proposal, it is expected that securities issuers; firms and legal advisors of those issuers; underwriters and intermediaries of securities; pension fund administrators; insurance companies; and other investors will inform the following:

- Which risks, costs, and benefits arise from the Commission amending the regulatory provisions to allow a greater number of securities offerings to be exempted from registration, as well as replacing the role of the offeror/intermediary in verifying the qualification of the investor to whom the offer is addressed through an investor statement.
- Whether the limits and conditions established in the proposal are reasonable and proportional to the objective pursued, i.e. to facilitate the financing of the companies without compromising the public trust, proper functioning, and financial stability of the market.
- Whether there are other types of offers that, considering their background information, would be reasonable to include in future regulations. Specifically, whether it is appropriate to replace the requirement contained in the last paragraph of Section I of General Rule No. 336 stating that the unit value of the offered instrument must be higher than the equivalent of UF 5,000.
- Whether the regulatory proposal still includes provisions that could be excessively burdensome for the outcome sought by the regulation.

Alongside the details of the regulatory proposal, the CMF also makes available to interested parties on the [Draft Rules and Norms](#) section of its website an Informative Brochure, a Frequently Asked Questions document, and a Presentation. These documents summarize the core elements of this public consultation.

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