



CMF publishes for consultation regulation governing stock exchange interconnection systems

- *Stock exchanges must implement a real-time interconnection protocol between the **Telepregón** automatic matching system of the Santiago Stock Exchange and the **Pregón** system of the Chilean Electronic Stock Exchange.*
- *The aim is to make offers of domestic equity instruments binding to each other.*

January 17, 2022 — The Financial Market Commission (CMF) has published for consultation a regulation governing stock exchange interconnection systems between the Santiago Stock Exchange and the Chilean Electronic Stock Exchange. Said regulation sets the form, conditions, technical, communication and security requirements to be met by the interconnection mechanisms, stock exchanges, and their participants. This is pursuant to Law. No. 21,314, which made stock exchange interconnection mandatory and empowered the CMF to regulate such procedures.

The Commission consulted the National Economic Prosecutor's Office for its opinion on a set of matters related to industrial organization of stock exchanges, which it deemed appropriate to know to develop this regulatory proposal.

Interconnection Systems

The regulatory proposal states that stock exchanges must implement a real-time interconnection protocol between the *Telepregón* automatic matching system of the Santiago Stock Exchange and the *Pregón* system of the Chilean Electronic Stock Exchange. The aim is to make offers of domestic equity instruments entered into these systems binding to each other. Simultaneous and time-deferred transactions are exempt from this obligation.

According to the proposed text, the interconnection protocol must use an internationally accepted real-time messaging standard that the exchanges themselves define by mutual agreement or, in its absence, the Financial Information eXchange protocol (FIX). Regarding the collection of fees, the proposal states that rates to be paid by brokers may only be those established by the exchange in which the broker decides to enter the client's order. This is independent of the exchange where the matching finally takes place.

Requirements

The regulation under consultation provides that transactions carried out through interconnected systems must be settled in a Central Counterparty, that brokers must be direct participants of these entities, and that exchanges must comply with technical, communication and security requirements. These requirements refer to minimum standards to be met by infrastructure, systems, and operations; the establishment of continuity and disaster recovery plans; and minimum requirements for processing centers, among others.

The proposal also states that stock exchanges must have dedicated units:

- To audit their member brokers (at least 30 percent a year).
- To perform internal audits.
- To control the risk management function of the stock exchange itself.

Validity

The proposal stipulates that, once the regulation is issued, stock exchanges must adapt their regulations and trading systems to interconnect their systems within a maximum period of 3 months.

Interested parties can access the [Draft Rules and Norms section](#) of the CMF website until February 11, 2022 to check the details of the regulatory proposal and submit their feedback. In addition, the CMF makes available a [Presentation](#), an [Informative Brochure](#), and a [Frequently Asked Questions document](#) with its core elements.

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