



CMF publishes for consultation regulation governing investment advisory services

- *The regulatory proposal covers the process of registration, suspension, and cancellation in the Commission's Registry of Investment Advisors, as well as the reporting obligations of those providing such services.*

March 4, 2022 — The Financial Market Commission (CMF) published for consultation a regulation governing the process of registration, suspension, and cancellation in the Commission's Registry of Investment Advisors, as well as the obligation to which registered parties shall be subject and information disclosure requirements related to investment recommendations. This is pursuant to Law No. 21,314, which establishes new transparency requirements and strengthens responsibilities for market agents, and states that the provision of investment advisory services shall be regulated and supervised by the Commission.

According to the Law, anyone who habitually provides investment advisory services — other than banks, insurance and reinsurance companies, securities intermediaries, fund managers and portfolio managers supervised by the Commission — must be previously enrolled in the registry maintained by the CMF and may only provide such services while enrolled.

Registry of Investment Advisors

The regulation sets the procedure and background information that applications for enrollment in the Register must include, regardless of whether applicants are natural or legal persons. Applicants are to attach documentation showing their professional title; their curriculum vitae demonstrating at least one year of experience in the financial market; their code of conduct; and a sworn statement that they do not meet any of the following conditions:

- Having their enrollment revoked in any of the Registries maintained by the Commission within the last 24 months prior to the application.
- Convicted of or under indictment for crimes against patrimony or public trust, or sentenced to an afflictive penalty.
- Having worked as an administrator, director, or legal representative of an investment advisor whose enrollment in the Registry was revoked by the Commission.

Obligations

Regarding the obligations of investment advisors, the regulatory proposal states they must have a code of conduct and must implement policies, procedures, and controls to safeguard, among others:

- To not disclose recommendations deemed misleading or that may deceive the public.
- That the interests and needs of their clients are always given top priority.
- Advisors making recommendations should have the necessary judgment, knowledge, and competence to do so.

To comply with the latter, investment advisors must implement an annual training program.

In the case of advisory services powered by computer processes without human intervention, such policies, procedures, and controls shall ensure that the algorithms are designed and implemented to ensure results are always consistent and related to the client's needs and expectations. Said results cannot be altered by human intervention, and the client needs to be fully aware that they come from an algorithm with such features.

Information Disclosure

The regulatory proposal states that investment advisors must disclose the following information free of charge through their website or any other means:

- Their code of conduct.
- Their advisors' academic and professional profiles, and the technical rationale behind their advice.
- Whether their services are algorithm-based, indicating who developed said algorithm and describing in general terms how it works.
- Information on the annual training program completed by advisors making recommendations.

Furthermore, in the case of recommendations addressed to unspecified persons or advertised broadly, investment advisors must disclose information on:

- Any conflicts of interest affecting advisors offering such recommendations.
- Acquisitions, disposals, or holdings of financial instruments covered by the recommendation by the person issuing it within a 30-day period before and after the advice is given.

Validity

In accordance with Transitory Article 2 of Law No. 21,314, these instructions will become effective 90 days after the regulation is issued.

Interested parties can access the [Draft Rules and Norms section](#) of the CMF website until March 25, 2022 to check the details of the regulatory proposal and submit their feedback. In addition, the CMF makes available a [Presentation](#), a [Regulatory Brochure](#), and a [Frequently Asked Questions document](#) with its core elements.

Communication, Education & Institutional Image Area — Financial Market Commission (CMF)

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