



CMF Chairman Joaquín Cortez presented the 2021 Institutional Public Account

March 9, 2022 — Joaquín Cortez, Chairman of the Financial Market Commission (CMF), presented today the [2021 Institutional Public Account](#), his last as the Commission's Head of Service. In his presentation, Chairman Cortez stressed the importance of the Commission's institutional mandate to ensure proper functioning, development, and stability of the financial market, facilitating the participation of market players and promoting the protection of public trust.

According to the legal framework, the CMF's senior management is performed by a Board composed of five commissioners, and the institution has four main functions allowing it to fulfill its mandate: supervisory, regulatory, sanctioning, and statistical. As of December 2021, the Commission supervised over 75 percent of financial market assets and over 7,000 financial entities worth USD 613 billion (2.1 times Chile's GDP).

The Chairman stated that the Commission consolidated its integration process last year, which involved developing a new entity based on the knowledge and experience of its preceding Superintendencies to face the growing complexity of the financial market. "The consolidation of a broad perimeter of supervision under a single integrated supervisor imposed the need to establish institutional priorities — derived from its legal mandate — in its organization and structure. These are summarized in three equally important pillars: prudential, market conduct, and market development," Cortez said.

He also mentioned the progress of the 2020-2022 Strategic Plan, which constitutes the Institution's road map and establishes a new mission, vision, values, and strategic objectives. Said Plan consists of 32 initiatives associated with five areas of action: regulation, supervision of market conduct, prudential supervision, institutional supervision, and sanctions.

The Chairman added that financial market activity developed in an economically complex international and local context during 2021, marked by the impacts of the Covid-19 pandemic. Some examples of this include higher costs of both short- and long-term financing; devaluation of the Chilean peso; and an underperforming local stock market versus other countries.

Supervision and Regulation

Despite this, Joaquín Cortez said that the Commission's workplan showed substantial progress. For example, plans regarding prudential supervision and business conduct were fully completed. Among them was the beginning of the implementation of Basel III standards. In March 2021 the Commission carried out its first rating of systemically important banks, and in April these entities submitted their first Equity Self-Assessment Report.

In the regulatory area, Chairman Cortez stated that the Commission developed a broad agenda of regulatory improvements, including public consultations and impact reports to promote transparency and encourage participation from the public in these processes. This agenda focused on three lines of work: support measures derived from the sanitary crisis; improvements in the prudential area, such as updating the Compendium of Accounting Standards for Banks; and improvements to the market conduct framework, including an update on the registration of debt instruments and the regulations associated with the Law on Market Agents.

Support Measures Derived from the Pandemic

Regarding the measures to tackle the sanitary crisis, the Chairman noted an easing of minimum risk classifications for fixed-income investments; financing for companies with government guarantees; treatment of provisions for commercial loans; and instructions to the industry on how to deal with pension fund withdrawals, among others. Internally, he emphasized that efforts were focused on ensuring the Commission's operational continuity and keeping its personnel safe, which earned the CMF the Covid-19 Seal granted by the Chilean Safety Association.

To face the pandemic, the CMF increased its offer of remote channels to service the needs of the public, and there was a significant increase in 2021 regarding the number of services provided, especially in relation to the Commission's Debt Report and management of claims against supervised entities.

The Investigation Unit

As for the CMF's sanctioning function, Joaquín Cortez explained that the Investigation Unit is responsible for conducting investigations and filing charges for facts that could constitute administrative infractions. The power to resolve such proceedings and determine sanctions to be applied is vested on the Board.

During 2021 the Investigation Unit received 208 complaints and carried out 78 sanctioning procedures. The Board itself issued 77 sanctions, 86 percent of which were fines. "Important institutional progress has been made in sanctioning matters, such as separating the functions of investigation and resolution; strengthening the capacity to detect illegal acts; strengthening the independence of the Investigation Unit and its coordination with the Board; focusing resources on the most serious violations; adapting sanctioning policies; and strengthening

transparency and accountability of market agents," Cortez explained. He also highlighted the implementation of the regulation on anonymous whistleblowers, which strengthens the institutional capacity for detection, verification and/or accreditation of infractions.

Challenges for 2022

The Chairman also valued the positive evaluation that the International Monetary Fund and the World Bank made of the Chilean financial system during 2021. It concluded that the financial system in Chile functions well and within a solid regulatory framework, although improvements are required in areas like macroprudential framework and tools; financial inclusion and development; and crisis management and bank resolution.

On challenges for the current year, Joaquín Cortez pointed out some are transversal, such as the economic scenario and the political cycle; higher household indebtedness added to more restrictive credit policies; compliance with regulations on operational continuity and customer service by financial institutions; and cybersecurity risks.

In prudential matters, Cortez stressed the importance of continuing the implementation of Basel III; advancing in a bank resolution framework; implementing legislation on interchange fees and the amendments derived from the Law on Market Agents; and advancing in risk management and solvency standards in insurance companies. The market conduct pillar will include the implementation of new sustainability standards; closing gaps in the adoption of technology and technological innovations; oversight of the Pension Financial Advisory industry (alongside the Superintendence of Pensions) and Investment Advisors; and monitoring and regulating the interconnection of stock exchanges.

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

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