



CMF issues regulation governing investment advisory services

- *The regulation covers enrollment, suspension, and cancellation in the Commission's Registry of Investment Advisors; the obligations to which such advisors are subject; and requirements regarding disclosure of information related to investment recommendations.*
- *This is pursuant to Law No. 21,314, which set new transparency requirements and reinforced responsibilities for market agents.*

April 13, 2022 — After a public consultation process from March 4 to March 25, 2022, the Financial Market Commission (CMF) issued today 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. It also defines requirements to be met by the information referred to in the third paragraph of Article 65 of Law No. 18,045 on the Securities Market.

According to Law No. 20,314, enacted on April 13, 2021, any natural or legal person 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.

Said Law also amended Article 65 of the Law No. 18,045 so that the CMF regulates requirements to be met by information provided to investors or the public, such as recommendations to acquire, maintain or dispose of publicly offered securities, or which imply the definition of target prices.

Registry of Investment Advisors

Among the background information that applications for enrollment in the Registry must include, anyone making investment recommendations must have a professional/academic degree of a program at least six semesters long and related to the financial market or the legal framework regulating it. Applicants are to attach

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

Investment advisors enrolled in the Registry 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 under the same terms that apply to persons requiring accreditation in accordance with General Rule No. 412.

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.

Knowledge Accreditation

The regulation also includes an obligation of knowledge accreditation that applies to natural persons enrolled in the Register or who make investment recommendations for a legal person enrolled in the Register. Such persons must have the accreditation referred to in Functional Category No. 6, Section II of General Rule No. 412. Persons who are enrolled or appointed as advisors to an enrolled legal entity and obtain their accreditation within 12 months following such registration or appointment, shall be deemed accredited.

Information Disclosure

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

- Their advisors' names, 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.
- In the case of recommendations addressed to unspecified persons or advertised broadly, any conflicts of interest affecting advisors offering such recommendations.

Validity

In accordance with Transitory Article 2 of Law No. 21,314, these instructions will become effective on June 12, 2022.

Interested parties can access the [Rules and Norms section](#) of the CMF website to check the new regulation. In addition, the Commission makes available a [Presentation](#), an [Informative Brochure](#), and a [Frequently Asked Questions document](#) with its core elements.

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