



CMF publishes for second consultation regulation governing stock exchange interconnection systems

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May 30, 2022 — The Financial Market Commission (CMF) has published for a second consultation process the regulation governing stock exchange interconnection systems between the Santiago Stock Exchange and the Chilean Electronic Stock Exchange. The 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.

Between January 17 and February 11, 2022, the Commission put [a first version of the regulatory proposal under consultation](#), which received feedback from both stock exchanges and different brokerage firms operating in the market. Considering these comments, the Board of the Commission decided to hire the advice of an international expert to provide technical background information that contributed to the issuance of said regulation.

As a result, the new version of this proposal considers both the elements provided by stock exchanges during the consultation process, and recommendations of the consultancy hired by the Commission.

New Regulatory Proposal

The main amendments in the new version compared to the original is how it specifies the way to interconnect the two stock exchanges. The system implemented for such a purpose must minimize response times (latency), allowing investors to achieve the best execution of their orders and generating ideal conditions to strengthen competition among exchanges. Based on that perspective, the proposed model seeks to balance:

- Better execution for retail clients, ensuring their orders are processed at the best prevailing market price.
- The best execution for wholesale clients, ensuring their orders are processed at the best prevailing market price without said price being altered due to negotiations for high amounts; latencies of a specific exchange or of the interchange system; or other equivalent circumstances.
- Intermediaries can access the best order in force, regardless of the exchange they belong to.
- Each exchange can collect income from the orders received from its brokers, independent of the exchange on which these orders are executed.
- Execution times for operations must be kept within standards required by local and international investors.

The proposal stipulates that, once the regulation is issued, stock exchanges must adapt their regulations and trading systems to proceed with the interconnection in a maximum of six months.

Interested parties can access the [Draft Rules and Norms section](#) of the CMF website until June 17, 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 key elements.

Area of Communications, Education & Image — Financial Market Commission (CMF)

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