



CMF issues sanctions for insider trading and breach of duty to refrain

- *The Board sanctioned Invercap S.A. director Felipe Navarrete with a fine of UF 10,000 for making stock purchases using inside information and communicating said information to his sisters.*
- *Ruth and Anamaría Navarrete were each fined UF 2,000 for not refraining from trading while in possession of inside information.*

July 18, 2022 — The Board of the Financial Market Commission (CMF) issued sanctions for insider trading and breach of the duty to refrain after the conclusion of a sanctioning procedure carried out by the CMF's Investigation Unit. Invercap S.A. director Felipe Navarrete was fined UF 10,000 for making stock purchases using inside information, as well as communicating said information to his sisters. In turn, Ruth and Anamaría Navarrete were fined UF 2,000 each for not refraining from trading while in possession of this inside information.

These conducts infringe upon the provisions of Article 165 of Law No. 18,045 on the Securities Market, which explicitly forbids making use of inside information, operating with the securities to which such information refers, or communicating such information to third parties. Said Article states that anyone holding a position, activity, or relationship with an issuer of securities or with the persons indicated in the Law, and who holds inside information must keep it confidential. They may not use it for their own benefit or the benefit of others, nor may they acquire or sell for themselves or third parties, directly or through other persons, the securities about which they hold such information. It also bans the use of inside information to obtain profits or avoid losses through any type of transaction with the securities to which it refers.

Sanctioning Resolution

According to the [Sanctioning Resolution](#), the Board determined Felipe Navarrete breached both the prohibition of insider trading and his duty of keeping information confidential by passing it to his sisters Ruth and Anamaría. Mr. Navarrete acquired Compañía de Acero del Pacífico (CAP) stock on December 7, 2020 while possessing inside information regarding the agreement of Invercap S.A.'s Board of Directors on December 4, 2020. This agreement involved purchasing 6.77 percent of CAP's shares

owned by M.C. Inversiones Limitada and hiring Banco BCI to provide preliminary advice on said transaction. This acquisition would give CAP a higher value because of greater stability in its management and consolidation of Invercap's control over the company due to having the possibility to elect four of its seven Directors, thereby influencing CAP's stock price. Accordingly, being in possession of inside information and proving he carried out a transaction regarding the securities to which such information referred, it was possible to determine Felipe Navarrete's stock purchases breached the prohibition of insider trading referred to in Article 165 of the Securities Market Law.

The Resolution details that on January 4, 2021, Mr. Navarrete's sisters, Ruth and Anamaría Navarrete Pérez, met for lunch at a restaurant in the El Golf neighborhood in Santiago and issued an order to buy CAP stock through BCI Corredores de Bolsa. The Resolution also concludes that both Ruth and Anamaría Navarrete requested these stock purchases while in possession of inside information they had gotten on the same day, which should have prevented them from giving a purchase order to acquire such securities.

Relevance of the Sanctioned Conduct

The Resolution considers that rules and regulations in force ban people from operating while possessing inside information or using it for their own benefit or the benefit of others, to safeguard the correct operation, development, and stability of the securities market, as well as its transparency, trust, integrity, and fairness. This is to protect investors and guarantee equal opportunities and access to information among all agents operating in the market.

As a result, banning the use of inside information prevents anyone from taking undue advantage of their relationship or position with the respective securities issuers or certain individuals (insiders) to use such information illegally. It also declares that the duty of reserve governing all directors of securities issuers is especially relevant considering that they are insiders par excellence of their entities. Therefore, they are to keep strict reserve about all inside information they have access to in such capacity to avoid its improper use and prevent harmful effects on the securities market.

The Securities Market Law protects the legal asset of confidence in the market, especially considering it represents a potential financing source for Chilean companies who access it. This financing is provided by those who acquire securities available in the market, in turn allowing the growth of such companies.

The Financial Market Commission also states that it has reported Mr. Navarrete to the Public Prosecutor's Office since the conducts for which he was sanctioned and fined could be considered crimes under Letters E, G and H of Article 60 of the Securities Market Law.

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