PRESS RELEASE

CMF applies regulation on additional equity requirements pursuant to Basel III's Pillar 2

- *As a result of the supervisory process which includes an assessment of banks' business models, the Board of the CMF decided to impose such requirements on nine financial entities.*

January 17, 2024 — The Board of the Financial Market Commission (CMF) reports that it has agreed to impose additional equity requirements pursuant to Pillar 2 of the Basel III standards due to the supervisory process which includes an assessment of banks' business models. The decision was reached based on Article 66 Quinquies of the General Banking Act and Chapter 21-13 of the Updated Compilation of Rules for Banks (RAN), per **Exempt Resolution No. 779** dated January 17, 2024.

The Commission thus moves forward with the implementation of Basel III standards pursuant to Law No. 21,130. As well as Chapter 1-13 of the RAN, which covers solvency and management assessments, Chapter 21-13 includes an Internal Liquidity Adequacy Assessment Process (ILAAP). This report is compiled by each bank and determines their internal effective equity targets to cover material risks during a timeframe of at least three years.

Per the transitory dispositions of Chapter 21-13, the ILAAP for 2023 must include Pillar 1 risks (credit, market, and operational) and those risks for which a measuring standard is not yet available, e.g. banking book credit and credit concentration.

Equity Requirements

Given the facts, the Board of the CMF decided to apply equity requirements to the following banks: Banco Bice; Banco BTG Pactual Chile; Banco Consorcio; Banco de Chile; Banco del Estado de Chile; Banco Internacional; Banco Security; HSBC Bank (Chile); and Scotiabank Chile. Said decision is based on the consistency between each entity's business model and their capital requirements.

Furthermore, and considering banks allow some leeway regarding minimum regulatory requirements, no new capital contributions would be necessary to fulfill this requirement. Only a reassignment of effective equity components should suffice.

Implementation

Banks must constitute 25 percent of additional equity requirements as part of minimum regulatory requirements no later than June 30, 2024. The remaining percentages shall be built up annually as determined by the Commission in accordance with each year's Capital Adequacy Assessment.

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