

Financial Markets Commission

Chilean securities and insurance landscape
and regulatory roadmap



COMISIÓN
PARA EL MERCADO
FINANCIERO

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September 7th, 2018

Chilean Financial Market



Chilean Financial Market

Participants and Regulatory Framework

Financial System

Regulators

Central Bank

Banks and Financial
Inst. Superintendence

Financial Market
Commission

Pension Funds
Superintendence

CEF

Credit Suppliers

- Banks
- Cooperatives
- Credit Card Issuers
- Leasing and Factoring

Other credit suppliers
not supervised by the
SBIF

Securities and Commodities Intermediaries

- Banks
- Securities Brokers
- Securities Agents

Securities Issuers

- Chilean or Foreign entities
- Corporations
- Mutual and Investment Funds
- Insurance Companies

Institutional Investors

- General Fund Managers
- Portfolio Managers
- Insurance Companies
- Pension Funds Managers
- AFC

Portfolio Managers not
supervised by the CMF

Financial infrastructure

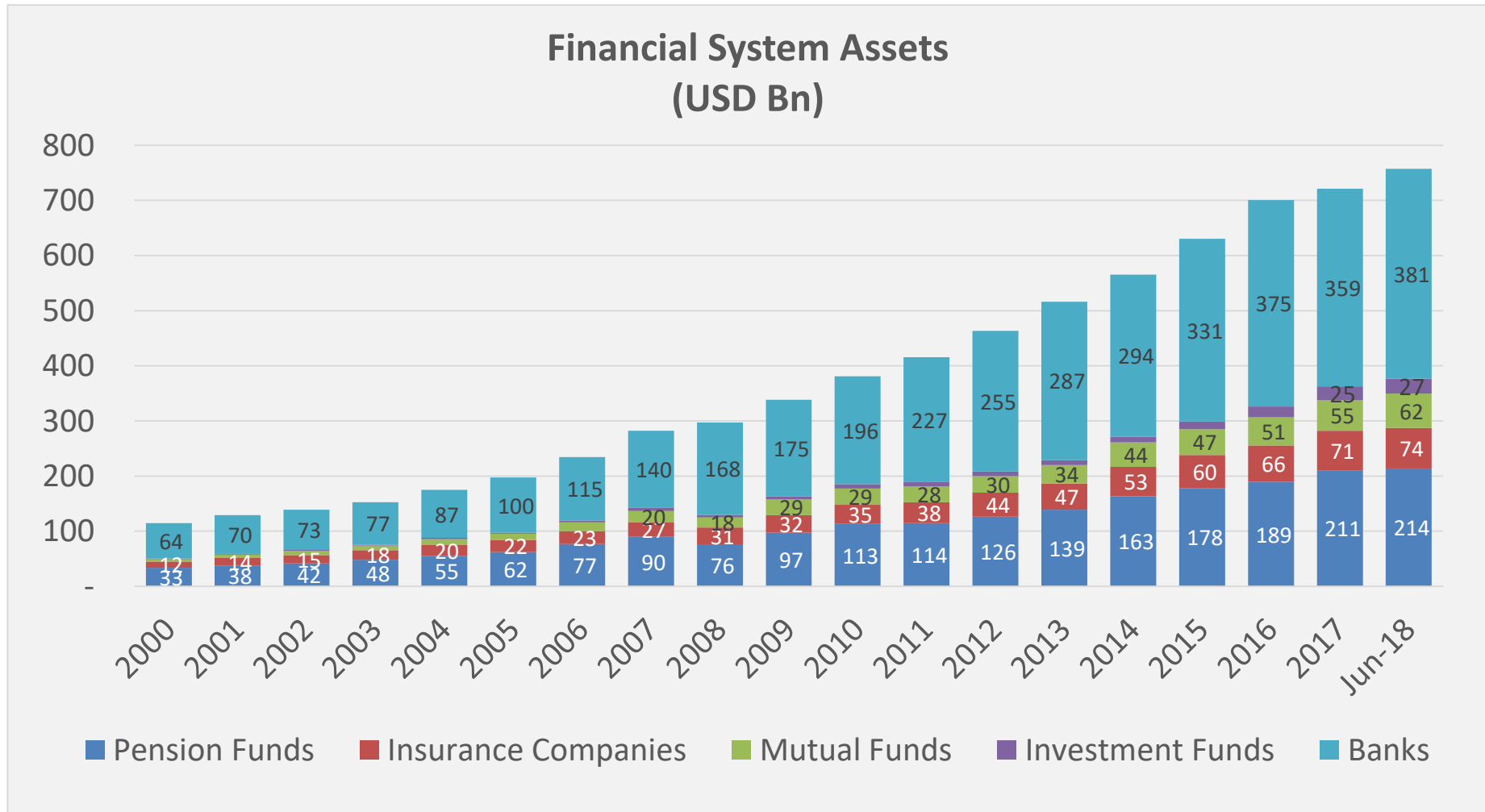
Stock and Commodities Exchanges DCV
CCLV Combanc SAG Comder LBTR

Gatekeepers:

- External Audit Providers
- Credit risk rating providers

Chilean Financial Market

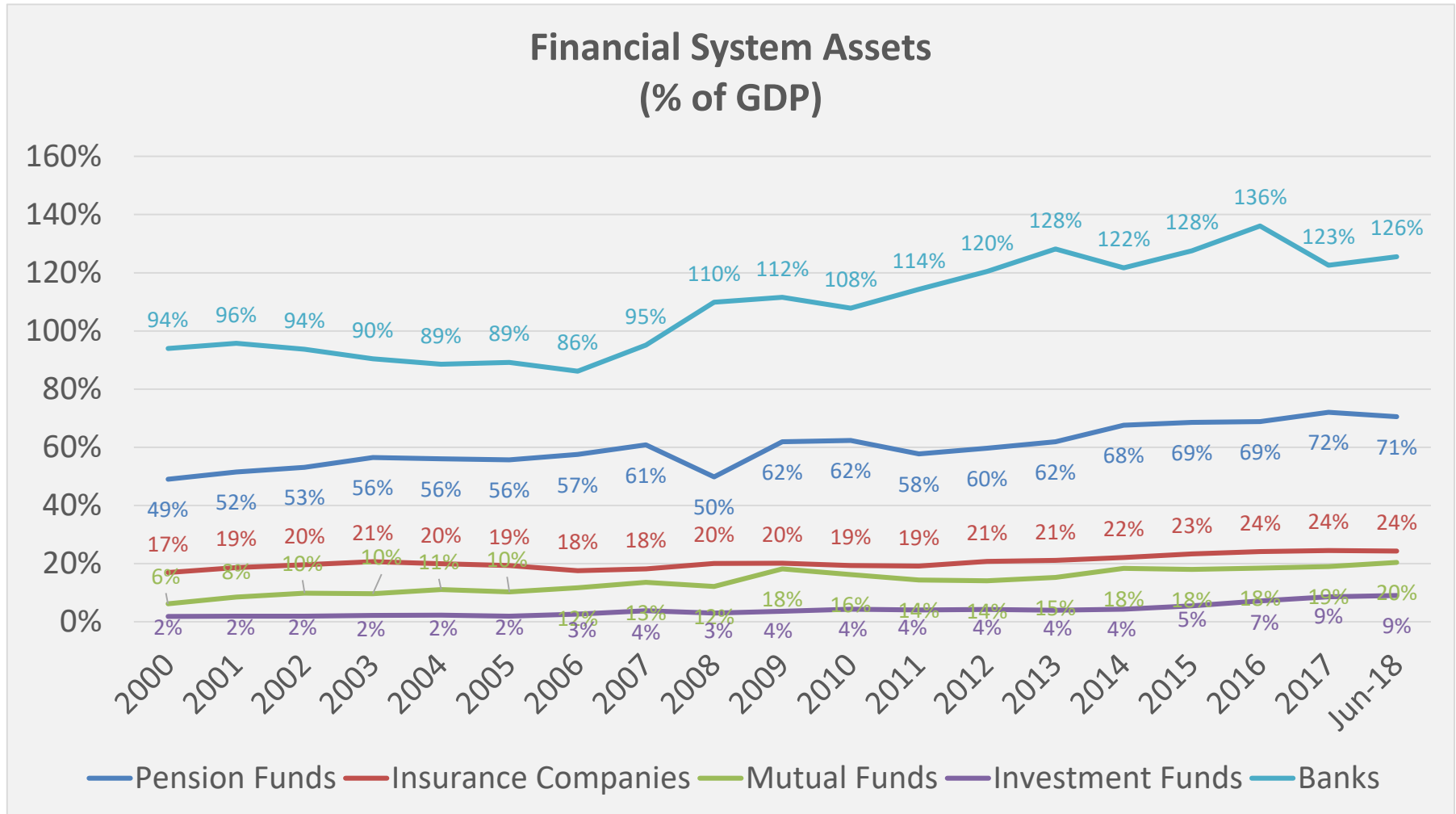
Assets under management



Source: Financial Markets Commission (CMF), SBIF, Central Bank of Chile

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Assets under management



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¿What is the Financial Markets Commission?



The Financial Market Commission (CMF) is the public organism in charge of regulating and supervising the entities participating and the activities developed in the securities and insurance markets in Chile

Mandate

Ensure the sound functioning of the financial system

Financial stability and systemic risk supervision

Capital market development

Strategic Goals

Reduce the information asymmetry for the decision making process

Raise the market conduct standards

Promote the effective risk management by supervised entities

Develop conditions to enhance financial inclusion

Strengthen the institutional management

¿What is the Financial Markets Commission?

The board of the CMF is an independent and collegiate body



Supervision

- Supervision of compliance with laws, regulation and administrative rulings.

Regulation

- Issue regulatory norms or rulings
- Regulatory modeling
- Regulatory impact analysis
- Public consultation

Enforcement

- Independent prosecutor office
- The prosecutor has additional enforcement tools
- Informant and leniency program
- After a due process, the board can impose sanctions

Capital Markets Development

- Promote initiatives for markets development
- Support initiatives for product development, instruments and their promotion

Supervisory Perimeter

Financial Market Commission (CMF)

Securities

Insurance

Market
Infrastructure

Intermediaries

Securities Issuers

Funds & Asset
Managers

Rating agencies &
auditors

Life insurance

General insurance

Brokerage and
Adjuster

Our focus so far...

Transition from
the SVS to the
CMF

Simplified sanction
process &
informant leniency
programs

Formalize IOSCO
principles for
financial market
infrastructure

Widening of
investment limits
for insurance
companies

Regional
integration and
“funds passport”

Increase asset
eligibility for
voluntary pension
savings

Roadmap



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**Risk Based
Supervision
for Insurance
Companies**

**Fintech Law
and
Regulation**

**Capital
Markets
Development
and
Modernization**



Risk-Based Supervision for Insurance Companies

Strengthening Insurance Companies' Risk Management Processes

Capital requirements

based on insurer's risks under total balance approach (CBR)

Implementation and regulation is handed to the Supervisory Authority (CMF)

Enhance regulator's supervisory attributions

Additional tools to adopt preventive supervision and early corrective measures

Supervision based on an enhanced system of solvency assessments (capital adequacy & net risk)

Greater flexibility for insurance companies to determine their own business model

More flexible investment regime, removing most limits on investment assets due to CBR

Increase competitiveness of local industry by the convergence to international standards (IAIS, OCDE, FSB)

Fintech

What are we thinking?

How to Foster Growth and Innovation in the Financial Sector

Technological Neutrality

Equivalent regulation to traditional services that are technology intensive

Increase competition by imposing similar standards to similar services and products

Modernization of current regulatory requirements

Proportionality

Requirements proportional to risks involved

Regulatory sandbox for newly developed business models

Regulations by function not by entity

Platforms

Securities
Exchanges

Alternative
trading
systems

Crowdfunding
platforms

Custody

Crypto-
currencies

Tokens

Securities

Others

Robo-advisors

Scoring

Capital Markets Development and Modernization



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Modernizing Regulation and Supervision

Corporate Governance

Improve the “Best Practices Code” (NCG 385) to include international standards and ESG considerations

Enhance information on companies’ sustainability practices (NCG 386)

Market Depth and Liquidity

Modernization of Market Maker requirements (NCG 327) for a security to be determined as “liquid”

Reviewing standards of minimum offer, contract duration, amount traded and number of days with trades

Regional Integration

Making the “Funds Passport Initiative” work to facilitate the commercialization of funds in Latam

Joint work with Colombia, Mexico and Peru

Conversations with Argentina regarding securities

Strengthening Supervision

Enhance risk-based supervision methodologies for insurance, intermediaries and market infrastructure

Reinforce supervision teams with an emphasis on operational risk

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