



## Due to the Covid-19 pandemic

# CMF publishes a regulation modifying the treatment of guarantees granted by the State in the calculation of risk-weighted assets

- *The new treatment, which applies to the amounts guaranteed by the Chilean State, CORFO and FOGAPE, aims to facilitate the conditions for banks to transfer liquidity to markets.*

**August 24, 2020** – After concluding a public consultation process, the Financial Market Commission (CMF) issued a regulation that modifies the treatment of guarantees granted by the State for computing the risk-weighted assets (APRs, for their Spanish acronym) of banks. Adjustments to [Chapter 12-1](#) of the Updated Compilation of Rules for Banks (RAN, for its Spanish acronym) provide that such guarantees will be assigned to Class 2, recognizing a lower risk due to the effect of the state guarantee.

As part of the measures adopted by economic authorities to deal with the impact of Covid-19, this modification is expected to increase banks' core capital indicators, thereby improving the conditions for institutions to transfer liquidity to markets. This also considers the strengthening of the State's role through FOGAPE and other support mechanisms.

The new treatment is in line with international standards and is especially important for those banks that would not have enough room to use the additional provisions as effective equity, considering the limit of 1.25 percent set in the General Banking Act.

On April 20, 2020 the CMF issued [Circular Letter No. 2,250 for Banks](#). Said regulation allowed to consider a proportion (15 percent) of the amounts guaranteed by the Chilean State, CORFO and FOGAPE to cover loans granted by banks as part of voluntary provisions which make up the effective equity. The current regulation voids such treatment, so these guarantees can be considered without any limits in the calculation of APRs.

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**Area of Communications, Education, and Image – Financial Market Commission (CMF)**

Contact: [prensa@cmfchile.cl](mailto:prensa@cmfchile.cl) | [Press Room](#)

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