



CMF publishes amendment to regulations on bank factoring operations

- *Starting today, banks and their factoring subsidiaries will be allowed to discount invoices from assignees other than the originator of the invoice in accordance to the provisions of Law No. 19,983.*
- *The aim of this measure is to increase liquidity in the factoring industry by allowing greater interaction between banks and other intermediaries linked to said industry.*

September 1, 2020 – After the conclusion of a public consultation process, the Financial Market Commission (CMF) has published a regulation allowing banks and their factoring subsidiaries to deduct invoices assigned by third parties other than the originator of the invoice. This is in accordance to the provisions stated in Law No. 19,983 for invoice assigning. The new regulation amends [Chapter 8-38](#) of the Updated Compilation of Rules for Banks (RAN, for its Spanish acronym) and Circular Letter No. 36.

The aim of this measure is to increase liquidity in the factoring industry by allowing greater interaction between banks and other intermediaries linked to said industry. Some of these intermediaries include the Commodity Exchange, non-bank factoring companies, and other individual assignors.

Factoring Operations in the Banking Sector

Bank factoring operations fall within the scope of discounting documents that represent payment obligations in accordance with the provisions of the General Banking Act. Prior to this regulatory amendment, bank factoring was limited to:

- The action for collection on behalf of or as an assignee of such claims and the advance of funds on said claims, which may include the assumption of the debtors' risk insolvency.
- Loans originated from the sale of goods or the provision of non-financial services, carried out by natural or legal persons with whom the factoring transaction is agreed upon, or on behalf of whose buyers a payment commitment is made.

The amendment, which eases the restriction that prevented the discounting of invoices from an assignor other than the originator, preserves the wording of the text submitted for public consultation. It also incorporates editorial adjustments for clarification purposes:

- The conditions for discounting invoices to an assignor other than the originator are applicable to those issued both physically and electronically.
- Banks must ensure the irrevocability of the invoice for the purpose of its assignment.
- The distinction between invoices assigned with and without responsibility is maintained for all purposes.

Furthermore, the CMF stresses that banks and their factoring subsidiaries must maintain the treatment of a loan for invoice discounting, and their duty is to permanently evaluate the credit risk of their loan portfolio. This is pursuant to the provisions of the Compendium for Accounting Standards, which are not affected by this amendment.

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