Press Release

Application of Basel III standards in Chile

CMF publishes for consultation regulation facilitates the adoption of internal models for calculating provisions, capital requirements for credit risk

Among other things, the proposal introduces a new Chapter 21-9 to the Updated Compilation of Banking Regulations that consolidates and refines requirements for the use of these methodologies. Workshops with industry representatives will also be held during the consultation process to provide further details on adjustments and identify any remaining issues.

August 3, 2026 — The Financial Market Commission (CMF) published for consultation today, and for the next 12 weeks, a regulatory proposal that introduces new Chapter 21-9 to the Updated Compilation of Banking Regulations (RAN), which consolidates and refines the requirements for the adoption of Internal Methodologies (IMs) in the calculation of provisions and Credit Risk-Weighted Assets (CRWA). In addition, the proposal also amends Chapters 21-1 and 21-6 of the same Compilation, as well as Chapter B-1 of the Compendium of Accounting Standards for Banks (CASB).

The proposal draws on findings from workshop discussions held with the industry throughout 2024 and international principles in this area, with the aim of creating better conditions for the banking industry to develop and implement IMs.

Key Aspects of the Regulatory Proposal

1. Creates a new regulatory chapter that consolidates the requirements to use internal methodologies: Chapter 21-9 combines the requirements currently in effect under Chapter 21-6 of the RAN and Chapter B-1 of the CASB into a single text. This harmonizes requirements both for calculating provisions and for capital requirements related to credit risk. In addition,

it details the procedure for requesting an assessment from the CMF and the subsequent IM monitoring.

2. Considers fundamental and advanced methodologies. Banks may develop fundamental methodologies — in which they may estimate the probability of default — or advanced methodologies — in which they may also estimate the loss given default. In addition, IMs may be developed for loans and contingent credits, whether as part of group or individual portfolios.
3. Establishes a minimum percentage to be modeled. The initial application must cover at least 20 percent of the exposure universe defined by the institution as modellable, along with a plan to achieve full coverage within five years.
4. Adjusts the provisioning model for the individually assessed commercial portfolio. Default probabilities for the rating scale of individual exposures — which had not been updated since 2011 — are recalibrated, and the treatment of collateral is modified. Regarding this last point, they will no longer be deducted from the exposure but instead affect the loss-given default parameter, aligning their calculation with that of capital requirements.
5. Harmonizes collateral requirements and other improvements. Eligibility and valuation criteria for collateral are aligned with the recently published Chapter 21-10 of the RAN. Additionally, it incorporates other adjustments identified during the implementation of current regulations.

Regulatory Impact

Expected benefits of the proposed regulation are structural and permanent. The implementation of IMs will enable institutions to manage credit risk more accurately, transitioning from a standardized measurement approach to one tailored to each institution while establishing the necessary prudential safeguards.

Meanwhile, identified costs are limited and mitigable. The main factor to consider is the application of the new provisioning model for the individual portfolio, an effect that is mitigated if institutions obtain the CMF’s approval of their internal models prior to the regulation’s entry into force. Additionally, there are costs associated with adjustments to governance, investment in information and management systems, and the recruitment of specialized talent.

The CMF will incur costs associated with the increased capacity required to supervise and monitor IMs.

Given these considerations, the proposed regulation includes phased implementation. Thus, internal models for group portfolios may be submitted for evaluation immediately upon issuance of the regulation — an area in which the industry already has experience — based on the models required for provisioning purposes. Meanwhile, models for individually assessed exposures may be submitted starting in January 2028, while adjustments to the provisioning model for that portfolio will take effect in January 2031.

During the 12-week public consultation process, workshops will be held to provide details on the main aspects covered by the regulation and serve as a forum for early identification of any remaining issues in the regulation.

Details of the proposal are available in the **Regulations Under Consultation section** of the CMF website. The CMF also makes available the corresponding **Regulatory Report** with its core elements and impact assessment.

Communications Area — Financial Market Commission (CMF)

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