Discurso Inaguración "*Workshop on Credit Reporting Systems in the Age of the Digital Economy and New Technologies, and its impact on Financial Inclusion*".

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Good morning.

It is a great pleasure to welcome you all to this Workshop on Credit Reporting Systems and to Santiago.

This is a particularly timely discussion for Chile.

Timely, because administrative data show that we are in a process of gradual but sustained expansion of household credit.

A large part of this expansion is a welcome development – an indicator of financial deepening and financial inclusion. Indeed total household debt over GDP is broadly in line with our per capita GDP[1].

That being said, survey data collected by the Central Bank in the Household Financial Survey[2] and data in Financial Market Commission´s Debt Report[3] both show that there are some households in which the level of debt relative to their capacity to pay may be a source of concern. More importantly, the data we have show that households with debt obligations from several sources tend to have higher debt levels and worse payment behavior.

Hence it is increasingly important for supervisors and financial intermediaries to have access to timely and comprehensive data of the consolidated debt positions of these households, as well as their recent history.

Unfortunately, the current credit reporting systems in Chile is not delivering on these requirements.

The most complex issue, as you will discuss in more detail later today, is in the coverage of positive information. The current Public Credit Registry has historically included debt from Banks and Credit Cooperatives under CMF supervision. Debt from other supervised entities (such a *Mutuarias* and Insurance Companies) is not included… and neither is debt from non-regulated entities such as auto loans.

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[1] Source: Central Bank of Chile.
[2] Central Bank of Chile, Encuesta Financiera de Hogares 2017.
[3] SBIF, Informe de Endeudamiento 2018.

On average these excluded items make up 17% of aggregate household debt, and 35% of non- mortgage household debt[4]. The concern, is of course that they may make up a much larger shares of the debt of specific households

The recently approved banking law took a step in the right direction – closing part of the gap. On the one hand, it explicitly included non-bank credit card issuers in the Public Credit Registry. On the other, by consolidating the supervision of banks and insurance companies, the Commission now has access to a broader set of micro level debt data for supervisory purposes.

Indeed, the Commission is currently working on regulation to adapt the Public Registry for non-bank issuers, while incorporating a broader coverage of data in our supervisory and regulatory work, -- and is exploring ways to make broader credit reports available to debtors including data from other non-bank entities in the Commission's perimeter.

That being said, important coverage gaps persist with respect to other OECD countries and respect to best practices, as suggested by institutions like the World Bank /IFC.

This is also a timely discussion from the perspective of recent developments in financial markets in Chile and elsewhere in APEC. In addition to traditional suppliers of credit we are seeing the raid development in Chile of a FINTECH sector – with high levels of growth in credit related activities. Indeed, over the last years credit intermediated by platforms has growth by over 50% per year. In addition, a recent law was passed with the objective of further encouraging the development of invoice discounting and other forms of market based financings is expected to also based market based credit financing for smaller firms.

It is important that the design of Credit Reporting Systems take these developments into consideration –firstly so they can access existing credit information and by doing so improve access to credit and promote competition, secondly so that they can inform their investors adequately of the risks of specific loans. How this is best achieved, and how traditional Credit Reporting Systems interact with the growth of alternative data sources, and with open banking mechanisms is a key question moving forwards, and an area in which we look forward to a useful and interesting discussion today.

On closing, let me congratulate the organizing team and APEC for putting together this workshop and thank you all for your participation.

[4] C. Larrain, presentación ante Congreso Nacional de Crédito y Cobranza Agosto 2018