



**Due to the Covid-19 pandemic:**

## **CMF eases treatment of provisions required by banks in rescheduling of corporate loan installments**

- *Given the persistence of the pandemic's effects, these transitory measures aim to facilitate both the flow of credit and implementation of payment alternatives for the commercial portfolio of banks and cooperatives.*

**April 23, 2021** – The Financial Market Commission (CMF) reports on transitory measures for the treatment of provisions required from banks and cooperatives. Said measures aim to facilitate the flow of credit to companies and mitigate shocks due to the persistence of the Covid-19 pandemic's effects on the economy.

The exceptional treatment provided by the Commission for the commercial portfolio avoids computing higher provisions due to postponing payments of installments corresponding to flexibilizations granted by financial institutions. This will facilitate the rescheduling conditions offered by banks and savings and credit cooperatives to their commercial portfolio customers. However, the alternatives granted by the Commission for the treatment of provisions are not a limit to more flexible payment options financial institutions may offer to their customers.

Financial institutions are not exempt from their responsibility to maintain an adequate evaluation of their credit and liquidity risk management, so as not to compromise their financial strength.

During 2020, the CMF had already established a transitional treatment for provisions required by banks and savings and credit cooperatives to reschedule their commercial, consumer, and mortgage portfolios. The new exceptional treatment will be in effect until July 31, 2021, and considers the freezing of provisions when meeting the following conditions:

- Commercial portfolio debtors must be either up to date in their payments or have an arrears of 30 days or less at the time of rescheduling.
- Grace periods or postponement loans may not last over six consecutive months, regardless of measure.
- Banks shall give special consideration to debtors who have benefited from previous postponement measures. In turn, these debtors must show an

appropriate payment behavior during the period between postponements.

Banking institutions must periodically report to the Commission on the scope and impact of any granted rescheduling.

The Commission stresses the importance of banks and cooperatives providing clear and accurate information on their offers to customers, including credit conditions; differences with other FOGAPE-guaranteed financing alternatives; insurance status; and any other information relevant to the assessment of different financing options.

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