



## CMF publishes regulatory files for Basel III standards supervision

- *Solvency and effective equity limits; regulatory capital instruments; credit risk-weighted assets; market risk-weighted assets; and operational risk-weighted assets will be reported in these files.*
- *A public consultation is also included to improve some aspects of the regulations issued by the Commission.*

**April 27, 2021** – The Financial Market Commission (CMF) has published the regulatory files to supervise the implementation of Basel III standards in Chile.

On December 1, 2020, the CMF finalized the process of issuing all necessary regulations to apply the Basel capital framework standards in Chile. Therefore, the regulatory files concerning the Commission's supervision of said standards [were also published for consultation in December](#) in accordance with the provisions of Chapters 21-1 to 21-30 of the Updated Compilation of Rules for Banks (RAN).

Due to a greater degree of progress in the implementation of the developed regulations, several areas of improvement were identified as well. These are expressed in amendments published for comments from interested parties.

### MSI Regulatory Files

To implement Basel III standards in Chile, the final versions of the regulatory files included in the Information Systems Manual for Banks (MSI) were published. These are part of the Manual's new Risk System section and include:

- Solvency limits and effective equity (R01).
- Regulatory capital instruments (R02).
- Credit risk-weighted assets (R06).
- Market risk-weighted assets (R07).
- Operational risk-weighted assets (R08).

New tables are added to the MSI, referring to the identification of exposures subject to credit risk; market risk; sub-factors of the Systemic Importance Index; and definition of time bands, among others.

The requirements of these regulatory files will apply to all banks incorporated in Chile, as well as branches of foreign banks operating in the local market, providing information at local consolidated, global consolidated, and individual levels for each institution.

The regulatory files were in public consultation between December 21, 2020 and March 1, 2021. Following a review of feedback from the sector, the descriptions associated with each field were adjusted to provide greater detail. Fields pertaining to required information were also modified.

Unless the Commission dictates otherwise, the regulatory files of other systems containing information of a similar nature or which currently measure the risks described in the Basel III regulations must continue to be submitted simultaneously to the new files, without change.

## **Validity**

The first files must be submitted between July and December, depending on the type in question, in accordance with the timeframes and frequencies set forth in Circular Letter No. 2,288. As for files R13 and R14, the Commission has delayed their final publication to the second half of 2022. They present greater reporting challenges due to material banking book and concentration market risk are critical for the Pillar 2 effective equity self-assessment process as of April 2023. The new dates established for publication and submission of files R13 and R14 will be informed in due course.

To access the details of the new regulation, interested parties can visit the [Information Systems Manual section](#) on the CMF website. Additionally, the Commission makes available a [Presentation](#) and a [Frequently Asked Questions document](#) containing its core elements.

## **Regulation on Public Consultation**

A review after the issuance of regulations allowing the implementation of Basel III standards in Chile identified several aspects needing improvement. Accordingly, a new regulatory proposal has been published for consultation, which considers:

- Correcting references between different regulations and improving their wording for better understanding.
- Clarifying operating conditions for determining group exposures and debt indicators.
- Adjusting treatments that deviate from the latest Basel standards on operational risk.
- Correcting treatment of exposures to land acquisition, development, and construction.
- Clarifying treatments to compute regulatory capital.

Some of these changes to Chapters 21-2, 21-6 and 21-8 of the RAN require prior agreement of the Central Bank of Chile in accordance with the provisions of the General Banking Act.

Interested parties can visit the [Draft Rules and Norms section](#) of the CMF website to review the proposal and submit their feedback between April 27 and May 10, 2021. However, the treatment of exposures to land acquisition, development, and construction will have a longer timeframe, extending its consultation process until June 26, 2021.

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