PRESS RELEASE

CMF issues regulation authorizing investments in perpetual bonds within assets representing technical reserves and risk equity of insurance companies

- *This is in accordance with the provisions of Law No. 21,130, enacted in January 2019, which modernizes banking legislation.*

January 5, 2022 — After concluding a public consultation process, the Financial Market Commission (CMF) issued today General Rule No. 463. Said General Rule authorizes investments in bonds without mixed maturity or perpetual bonds within investments representing technical reserves and risk equity of insurance companies. This amendment is part of the provisions of Law No. 21,130 of January 2019, which aims to modernize banking legislation and modifies Articles 21, 23 and 24 of Decree with Force of Law No. 251 (Insurance Law).

The Law authorizes banks to issue this new type of instruments that are recognized as part of their capital and, in turn, allows insurance companies to acquire such instruments.

The current regulation sets a maximum investment limit for insurance companies equivalent to 7 percent of technical reserves and risk equity per instrument, as well as a maximum diversification limit per issue of 30 percent for the total of such bonds. As a result, insurance companies join AFPs as potential purchasers of these instruments that could be issued by banks to comply, in part, with new capital requirements imposed by Basel III standards.

Interested parties can access the Rules and Norms section of the CMF website to check the details of General Rule No. 463 and its Regulatory Report.

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Communication, Education & Institutional Image Area — Financial Market Commission (CMF)

Contact: prensa@cmfchile.cl | Press Room | **Twitter:** @CMFChile_ @CMF_Educa @CMF_HEsenciales | **LinkedIn:** CMF