



## PRESS RELEASE

### **CMF Chairwoman Solange Berstein: "Our task is to ensure the proper functioning of the financial system and thus contribute to the welfare of society"**

- *Solange Berstein inaugurated the academic year of University of Talca's Santiago Campus today.*

**May 5, 2022** — Solange Berstein, Chairwoman of the Financial Market Commission (CMF) inaugurated the academic year of University of Talca's Santiago Campus today with a keynote speech titled "Financial market challenges and the role of the CMF." The event was attended by UoT Rector Carlos Torres; the UoT Santiago Campus director, Patricia Rodríguez; the dean of the Faculty of Economics and Business, Rodrigo Herrera; the dean of the Faculty of Law and Social Sciences, Rodrigo Palomo; and university academics, officials and students.

During her presentation, Mrs. Berstein emphasized the technical nature of the CMF, whose mission is to ensure the correct functioning, development, and stability of the financial market, facilitating the participation of market agents and promoting the protection of public trust. She stressed that this is a demanding task because of its magnitude, since the Commission has over 7,000 entities within its regulatory perimeter, which represent close to 75 percent of total financial system assets amounting to USD 613 billion — over twice the country's GDP. Moreover, this isn't an easy mandate to fulfill because the institutions it supervises are diverse, and so is their relevance in people's lives

"Institutions of different sizes, complexity and functions are part of the system, thus fulfilling a fundamental role in providing access to housing, consumer goods or services, financing projects and enterprises, or protecting companies and individuals against unforeseen events. All these services contribute to improving the quality of life", said the Chairwoman. "When that task is well done, i.e., the financial market is functioning properly, it tends to go unnoticed," she added.

However, Mrs. Berstein pointed out that "we are facing a challenging environment. As economic history has shown us time and again in Chile and also globally, when financial crises occur, they are very costly for countries and hit the most vulnerable sectors of the population especially hard since they are the most affected by the consequences such crises have on employment, wages and inflation". She

explained that "this makes it difficult to transmit warning messages when their success relies on nothing happening. Sometimes the need for caution and prudential preventive measures that seem costly is difficult to perceive, but what they try to do is avoiding a much higher cost which doesn't materialize."

Based on its three main pillars (prudential, market conduct, and market development), over the last few years the CMF has made progress in supervisory and regulatory convergence between institutions providing similar services. It has also presented proposals to advance in draft legislation to close legal loopholes and introduce improvements in supervisory perimeters. Among these, stated the Chairwoman, was the recent law that sets new requirements of responsibility and transparency for various market agents, which incorporates a series of improvements to the financial system; raising the penalties for non-compliance in the financial market; and providing new tools for the CMF's sanctioning procedure, such as the introduction of anonymous whistleblowers.

Mrs. Berstein detailed that the Commission has enacted a series of regulations aimed at ensuring a stable and progressively more developed and inclusive financial system. Among them are the issuance of all Basel III regulations and implementation of its standards in Chilean banks; and regulations that incorporate sustainability and corporate governance information requirements in annual reports of supervised institutions.

## **Main Challenges**

Regarding the main challenges for the financial market, the Chairwoman said that beyond a more encouraging health context, uncertainty about the effects of Covid-19 on the global economic recovery will still be present in 2022. "Uncertainties about new Covid strains, geopolitical risks heightened by the war in Ukraine, and global cybersecurity threats are paired with a slower global recovery plus inflation, both local and abroad, that looks set to remain high for longer periods. Added to this is the risk of potential catastrophic weather events, continued aging of the population, and a prevalence of economic and digital divides."

Solange Berstein pointed out that one of the main conclusions of the Financial System Assessment Program carried out by the IMF and the World Bank during 2021 is that Chile has a well-functioning financial system within a sound regulatory framework. There are still pending challenges, however. "It is particularly important to move decisively towards a bank resolution mechanism, to strengthen the legal framework for greater resilience of the financial system, and to move towards a risk-based capital framework for the insurance industry," she stated.

Berstein also affirmed the need to move forward towards a consolidated debt registry, which contributes to having more positive information on debtors, providing better access, greater mobility, and competition, as well as a Fintech Act "so the

CMF can safeguard and address the risks of these activities in terms of information management, conflicts of interest, and operational and solvency risks."

To wrap up her speech, the Chairwoman concluded that "it is critical to have a robust financial regulator and supervisor with a technical profile, and equipped with the necessary people, technological resources and capabilities to carry out its task, which is none other than to ensure the proper functioning of the financial system and thus contribute to the welfare of society."

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**Area of Communications, Education & Image — Financial Market Commission (CMF)**

**Contact:** [prensa@cmfchile.cl](mailto:prensa@cmfchile.cl) | [Press Room](#) | **Twitter:** [@CMFChile](#) [@CMF\\_Educa](#)  
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