



CMF Chairwoman Solange Berstein inaugurated 7th Annual Conference on Financial Development and Stability

- *The event brings together academics, specialists, and regulators to discuss issues related to an inclusive, sustainable, and stable development of the financial system.*
- *This year's Conference is split in three thematic sessions featuring representatives from the World Bank to address the main findings of the Financial Sector Assessment Program.*

August 26, 2022 — Solange Berstein, Chairwoman of the Financial Market Commission (CMF), inaugurated today the 7th Annual Conference on Financial Development and Stability organized by the CMF. The event aims to encourage discussion among the public, the academia, supervised entities, and regulators themselves on topics about an inclusive, sustainable, and stable development of the financial system.

This year's Conference is split in three thematic sessions scheduled for August 26, September 2 and September 9, 2022. The first covers household indebtedness and consumer protection, while the others delve into financial inclusion and the promotion of savings, respectively. Said topics follow the findings of the World Bank's Financial Sector Assessment Program (FSAP), whose results for Chile were published last July. The Conference will feature a trio of Senior Specialists from the World Bank as keynote speakers: Gian Boeddu, Jennifer Chien, and Ivor Istuk.

The first session featured an opening speech by Mrs. Berstein, who highlighted the growth of the local financial system in recent decades. For example, loans went from representing less than 30 percent of Gross Domestic Product towards the end of the 1970s to nearly 90 percent in 2021. The Chairwoman also stressed the importance of a solid financial system: "The financial sector plays a fundamental role in the economy and in people's lives. Among other functions it mobilizes savings, channeling them to more efficient uses; provides liquidity; intermediates, manages and hedges risks; facilitates the functioning of payment systems; and produces and transfers information."

"Chile has a well-functioning financial system within a sound regulatory framework. That is one of the main conclusions of the Financial System Assessment Program conducted by the International Monetary Fund and the World Bank," Mrs. Berstein stated. "This has allowed financial institutions to perform their functions even in times of stress. Programs implemented by the Chilean authorities during the pandemic were effective in maintaining the dynamism of commercial lending and prevented viable firms from experiencing liquidity problems that would cause them to fail".

Savings and Financial Education

Despite this, the Chairwoman pointed out there are sources of concern like high levels of indebtedness of some population groups. According to data from the CMF, as of June 2022 over 20 percent of debtors in the financial system had a financial burden exceeding 50 percent of their income, compared to 15.5 percent 12 months ago. In this regard, Berstein emphasized the importance of promoting savings and financial education programs. "There are gaps in access to and understanding of financial services which lead to inadequate use of these services," she said.

For this reason, she announced that the Commission plans to carry out next year, alongside the Development Bank of Latin America (CAF), a new version of the National Survey to Measure Financial Capabilities, as well as the first such survey for SMEs, to obtain a diagnosis of knowledge, behavior, and attitudes of Chileans on financial matters. Both studies are promoted by the Organization for Economic Cooperation and Development (OECD).

Household Indebtedness and Consumer Protection

After Mrs. Berstein's speech, World Bank Senior Specialist Gian Boeddu gave a presentation covering the FSAP results about household indebtedness and consumer protection. Boeddu stated over-indebtedness and other credit-related practices in Chile appear to negatively affect the most vulnerable and lower-income consumers. "The country can make improvements to its current regulatory and supervisory framework for financial consumer protection to help address these issues," he said.

The [FSAP](#) provides recommendations in several areas to address household indebtedness and consumer protection. Among them:

- Require all credit providers to conduct assessments of credit adequacy and repayment capacity prior to loan approval (Does the client really need this loan? Can they pay it?)
- Introduce requirements on the design and distribution of credit products to adequately serve the population (What type of products do different segments of the population need?).
- Require credit providers to mitigate the risks of conflicting sales incentives that focus more on placement than client needs, like unsolicited product

offers or the joint sale of loans and insurance, beyond what is contemplated by law.

- Prioritize the supervision of collection procedures so they do not violate consumer rights and develop an exhaustive review of local supervision and regulation of indebtedness and financial client protection.
- Level the regulatory playing field for the various providers of consumer loans.

A panel discussion was held after Boeddu's presentation. It was moderated by CMF Commissioner Bernardita Piedrabuena and featured the Chairman of the Association of Banks and Financial Institutions (ABIF), Luis Opazo; National Consumer Service (SERNAC) Deputy Director Jean Pierre Couchot; and lawyer Felipe Harboe, former Senator, and former member of the Constitutional Convention.

Couchot highlighted the SERNAC's lines of action and emphasized the need for coordinated supervision of consumer regulations by all involved authorities to generate healthy levels of indebtedness among the population. Opazo expressed his appreciation for the generation of these analyses, which are necessary for the industry, and called for further progress in both the development of standards for the industry and the importance of implementing nationwide financial education programs. Meanwhile, Harboe stressed his concern about the end of social benefits packages, high inflation, and an increase in the financial burden of households in Chile, which could generate an increase in non-payments and impact the whole payment chain.

Details on the next sessions of the 7th Conference on Financial Development and Stability are available on [a special section of the CMF website](#).

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