



CMF publishes for consultation three regulations on information requirements for banks

- *The proposals seek to harmonize and unify criteria for reporting Regulatory Files, as well as incorporating new requirements aimed at reducing gaps detected based on recommendations made by international organizations.*

August 29, 2023 — The Financial Market Commission (CMF) published for consultation today three regulations that amend the Information Systems Manual for Banks (ISMB) and the Updated Compilation of Rules for Banks (RAN) with the following purposes:

1. Information Requirements on Subsidiaries, Branches Abroad and Support Companies of Banking Activities

The proposal seeks to harmonize and unify the information that banking entities provide to the Commission regarding their subsidiaries, branches abroad and support companies, which is done through Regulatory Files. To date, the SMBI does not have specific instructions regarding Files to be submitted in relation to statements of affairs and operations carried out by the entities mentioned earlier. This ñed the CMF to issue ad-hoc instructions to each entity on the Files to be prepared.

This proposal is based on information submitted today by subsidiaries to the CMF and has been requested through supplementary instructions. In addition, minor corrections are made to that section of the ISMB, including a modification of Table 58 and the repeal of ISMB requirements for leasing subsidiaries.

Considering that the regulations entail additional information requirements in some cases, it is proposed that the first submission of Files that are not currently required will be from the second quarter of 2024 or June 2024, as appropriate.

2. Recovery File

The regulatory proposal incorporates a new File in the ISMB to compile information on recoveries and collection costs of non-performing loans.

In its last Financial Sector Assessment Program, the International Monetary Fund identified that one of the weaknesses in the estimation of provisions is the lack of information on recoveries and collection expenses of non-performing loans to perform back-testing of economic losses. Considering provisions are calculated as the product of default probability and PDI, information on loan recoveries has a direct impact on the calibration of the latter parameter and, therefore, on the provisions set up to safeguard expected losses.

To date, the CMF only has information on the recovery of non-performing loans already written off in the consumer portfolio. The proposed regulation for this File may involve costs for institutions facing greater challenges in the collection and structuring of data related to recovery, expenses, and renegotiations of non-performing loans. Accordingly, the File would have a six-month delay for its first implementation once the final regulation is issued.

3. Complementary Instructions for Regularization Situations

The project intends to provide complementary instructions to banks in the event they face regularization situations, pursuant to Titles XIV and XV of the General Banking Act (LGB). The Act establishes a framework for early regularization if banking institutions or savings and credit cooperatives supervised by the Commission show signs of financial or operational deterioration, preventing them from entering a state of compulsory liquidation.

Article 112 of the LGB states that banking institutions must notify the CMF when one or more of the events mentioned therein occur to initiate the presentation of a regularization plan. In addition, Articles 117 and 130 state that the suitability and technical capacity requirements for the functions of the delegated inspector, provisional administrator, and liquidator must be defined by a General Rule issued by the Commission.

Therefore, the proposal considers adding a new Chapter (1-19) to the RAN, which is also applicable to savings and credit cooperatives supervised by the CMF. This new Chapter will fulfill two objectives:

- Define the means of communication that institutions will use to notify the Commission of the occurrence of any event mentioned in Article 112 of the LGB, as well as the timeframe to do so.
- Set the suitability and technical capacity requirements that persons appointed as delegated inspectors, temporary administrators, and liquidators must fulfill.

On the timeframe issue, the proposal grants one business day for entities to confidentially notify the Commission. This allows for quick communication of events, which is key in the occurrence of an event that could affect the financial or operational situation of the bank or cooperative. On the qualifications of appointed persons, the proposed criteria are consistent with similar regulations used by other

local regulators, as well as legal norms that establish suitability and technical capacity requirements in other contexts. Nevertheless, the Commission may evaluate additional requirements should the circumstances demand it.

Interested parties can access the [Draft Rules and Norms section](#) of the CMF website until September 21, 2023 to review the three regulatory proposals and submit their feedback.

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