

CMF publishes Policy Paper on Financial Market Development Mandate

The document defines the scope of the institutional mandate for financial market development and the tools of the Commission to achieve its goals. It also presents some metrics to assess the degree of development of the Chilean market and identifies gaps and areas for improvement, so the financial sector responds to the needs of the people and contributes to the growth and resilience of the economy.

September 3, 2024 – The Financial Market Commission (CMF) published today “Financial Market Development Mandate of the CMF,” a paper that intends to define the scope of the Commission’s institutional mandate for financial market development and the tools to achieve its goals; present some metrics to evaluate the degree of development of the Chilean market; and identify gaps and areas for improvement.

According to the work carried out by the CMF, financial market development is a comprehensive process seeking to improve efficiency, accessibility, depth and resilience of the financial system to promote inclusive and sustainable economic growth. It points out that the market development mandate is reflected transversally in the Commission’s functions: through a robust analysis of regulatory impacts on market development; efficient licensing, supervision and sanctioning processes; and effective information disclosure channels with the public and supervised parties.

The paper highlights that Chile shows sustained progress in recent decades according to the International Monetary Fund’s (IMF) financial development index, placing it mid-tier between advanced and emerging markets, albeit with a greater lag in sub-measurements related to the depth of the financial market.

Development Challenges

Taking the Financial Sector Assessment Program (FSAP) carried out by the IMF and the World Bank in 2021 as reference, and through a series of meetings held with the private sector, academics and civil society during 2023 and early 2024, visions and proposals on how to advance towards a deeper, more inclusive financial market were identified. Accordingly, the paper

details a series of challenges to advance towards greater market development in three areas: depth, efficiency, and competition.

Access

- Financial Inclusion and Education: Enhance and strengthen coordination of initiatives between public and private sectors.
- Digital Finance: Seize opportunities for expansion in digital financial services, particularly in online payments.
- Promoting Savings: Foster innovation opportunities in the provision of savings products to reverse the decline in the national savings rate.
- Credit Market: There is room for greater coverage and financing conditions for relevant population segments.
- Parametric and Inclusive Insurance: Move towards greater development of these products, which are a key financial tool to build resilience in the face of climate risk and natural disasters.
- Small Business Financing: Advance in new initiatives promoting accessible financing options for small businesses.

Legal initiatives currently being implemented address several of these challenges: the Fintech Act, the Consolidated Debt Registry, and the Resilience Act provide important tools to advance financial inclusion.

Depth

- Financial Conglomerates: Assess whether the current regulatory framework fully responds to the way in which business is structured in Chile from a market development perspective.
- Financial Market Infrastructure: Facilitate issuance of bonds and stock and evaluate ways to enhance benefits of regional integration.
- Green Finance: Strengthen climate information architecture.

Efficiency and Competition

- Financial Service Providers: Reduce credit market informality and promote competition through entry of new actors.
- Ease Financing Conditions for Financial Institutions: Promote development of Repos, securitizations or other mechanisms to improve market liquidity.

Access the [“Financial Market Development Mandate of the CMF”](#) document.

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