



Regulador y Supervisor Financiero de Chile

Building a Supervision Model for Open Finance: the Case of Chile

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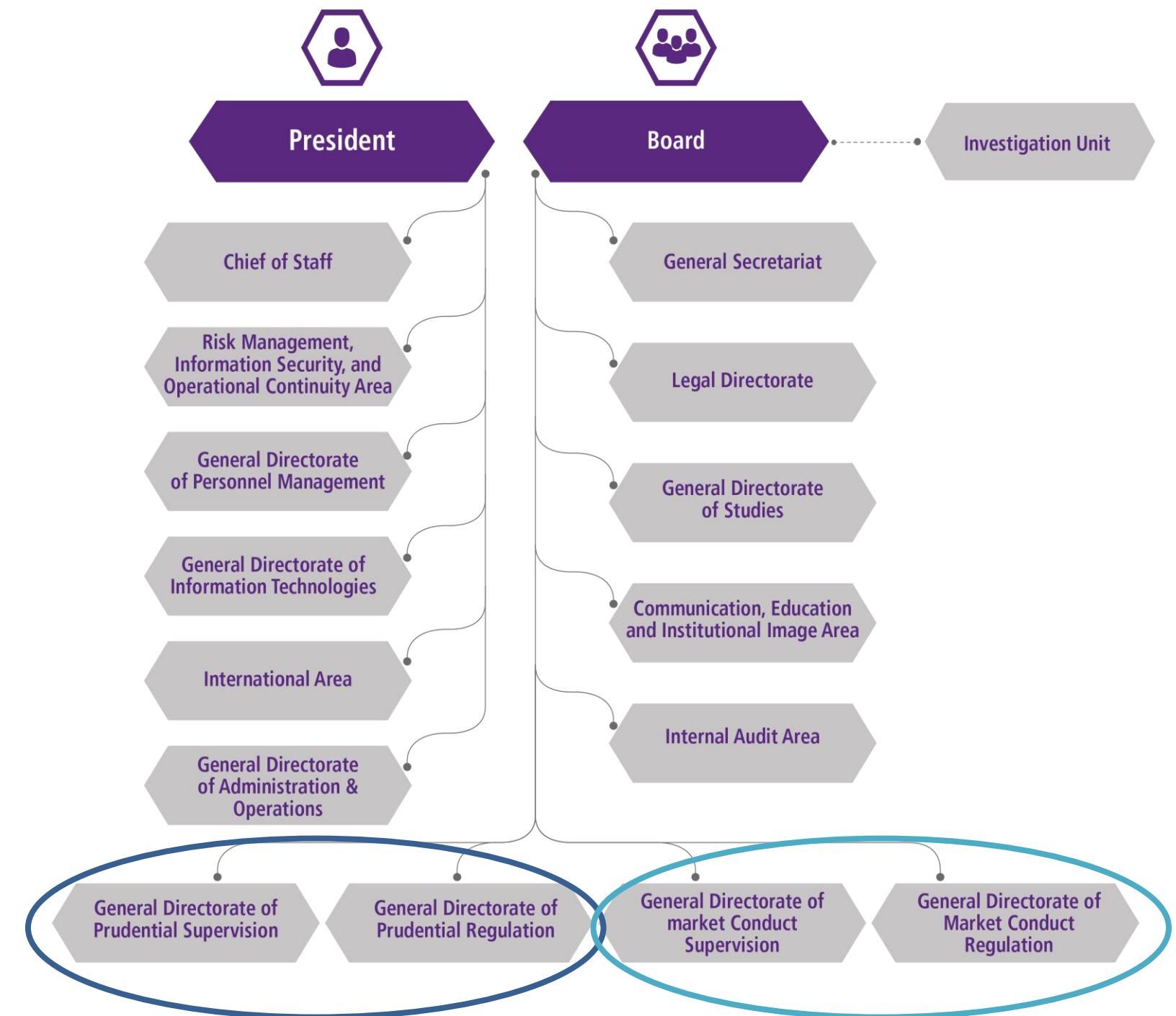
23rd October 2024, Gates Foundation Open Finance Implementation Workshop

The CMF is the financial regulator and supervisor of Chile

Mandate



Internal Structure: twin peaks



The CMF supervises more than 7 thousand entities (banks, insurance companies, investment funds, security issuers, FMI, fintechs) which represent 77% of the assets of the country's financial market, equivalent to USD 642 billion (more than twice the GDP)

Fintech Law establishes an Open Finance System, under the surveillance of the CMF

In Chile, the Open Finance System (OFS) has to be implemented by the private sector following the definitions of the Fintec Law and rules of the CMF. Some part of the architecture will be provided by the CMF, others will be provided by the participants or third party providers.

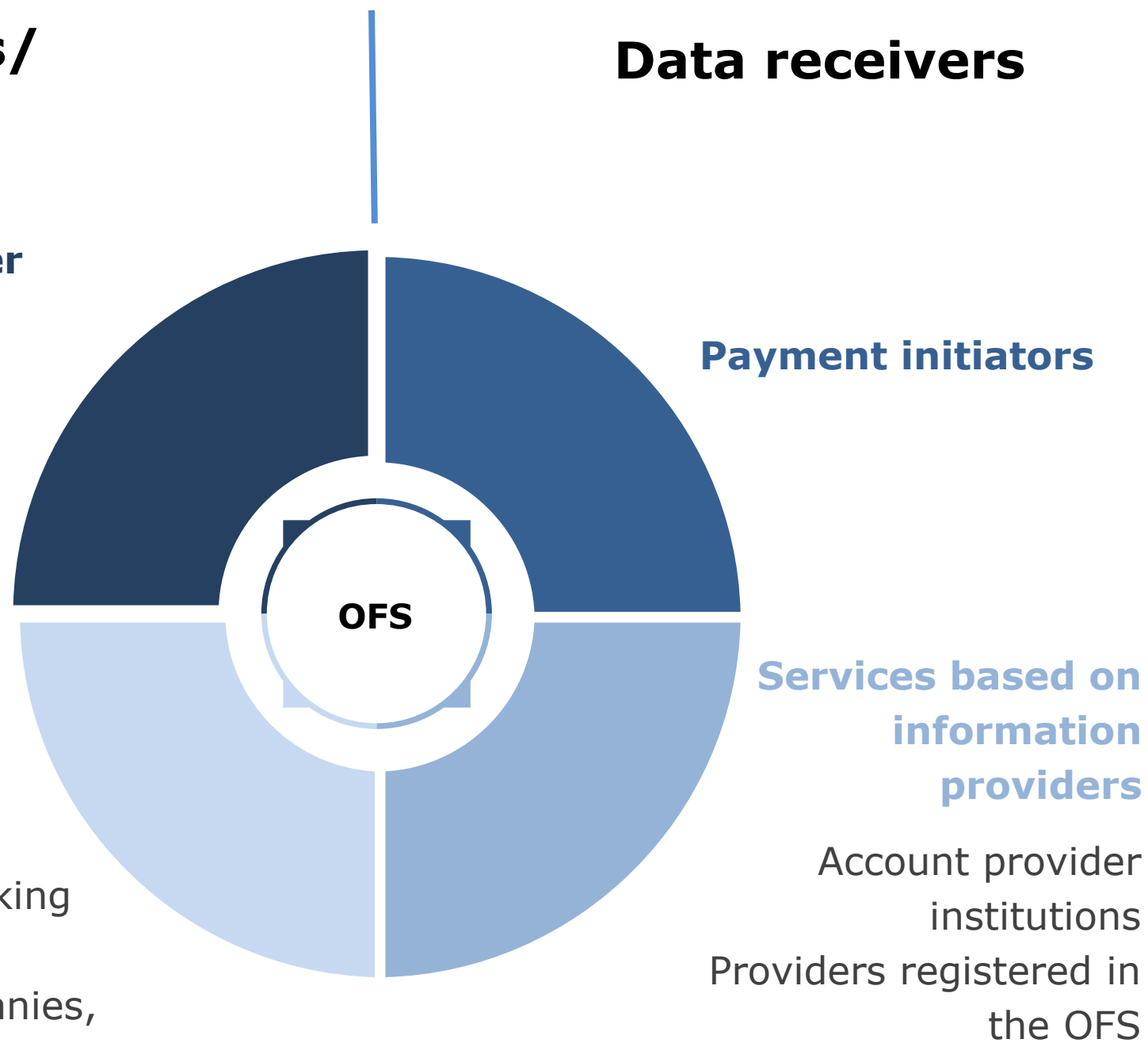
Data holders/ providers

Account provider institutions

Banks, credit unions, non banking card issuers

Information provider institutions

Banks, credits unions, non banking card issuers, insurance companies, financial retail, etc...

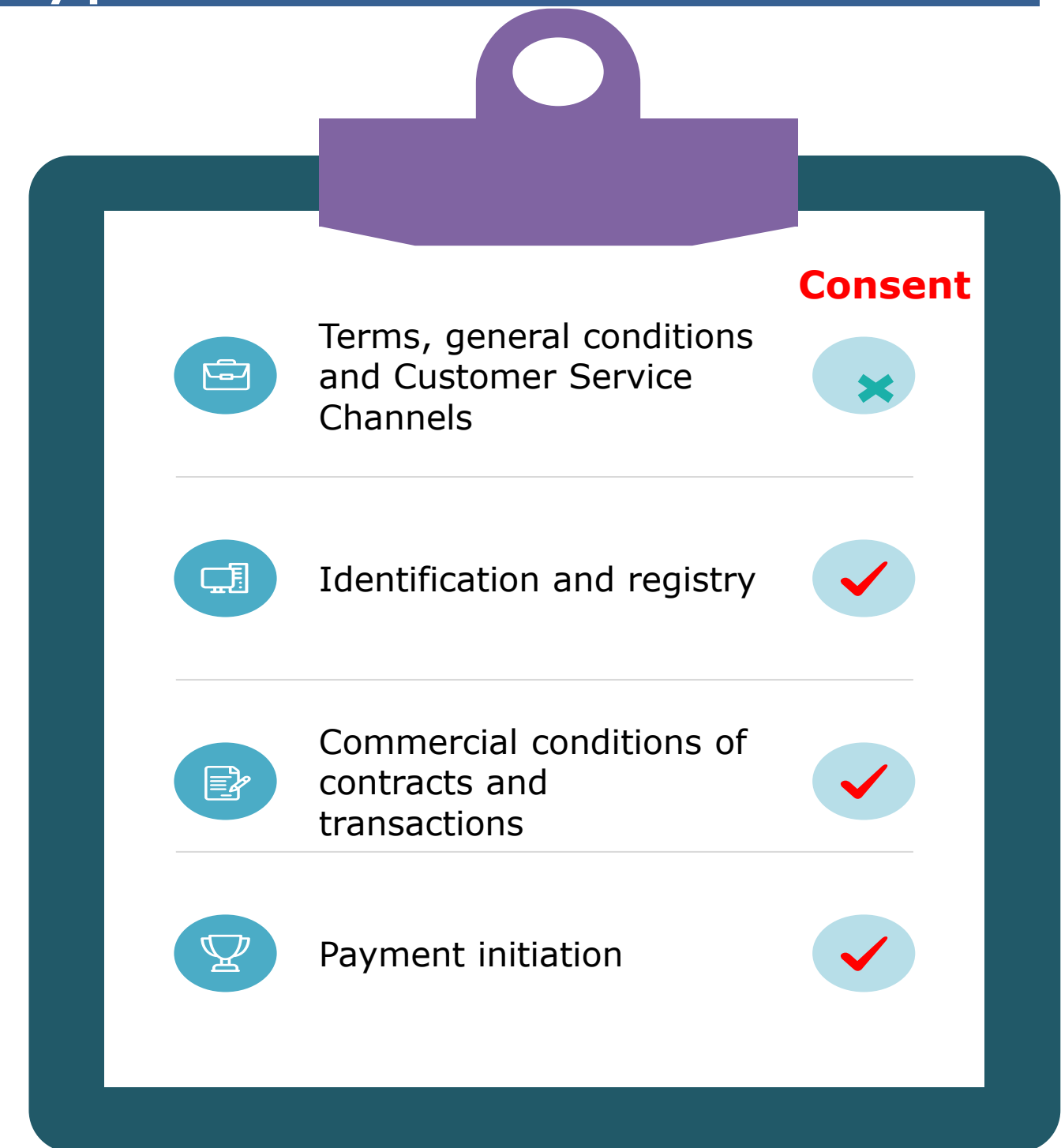


Data receivers

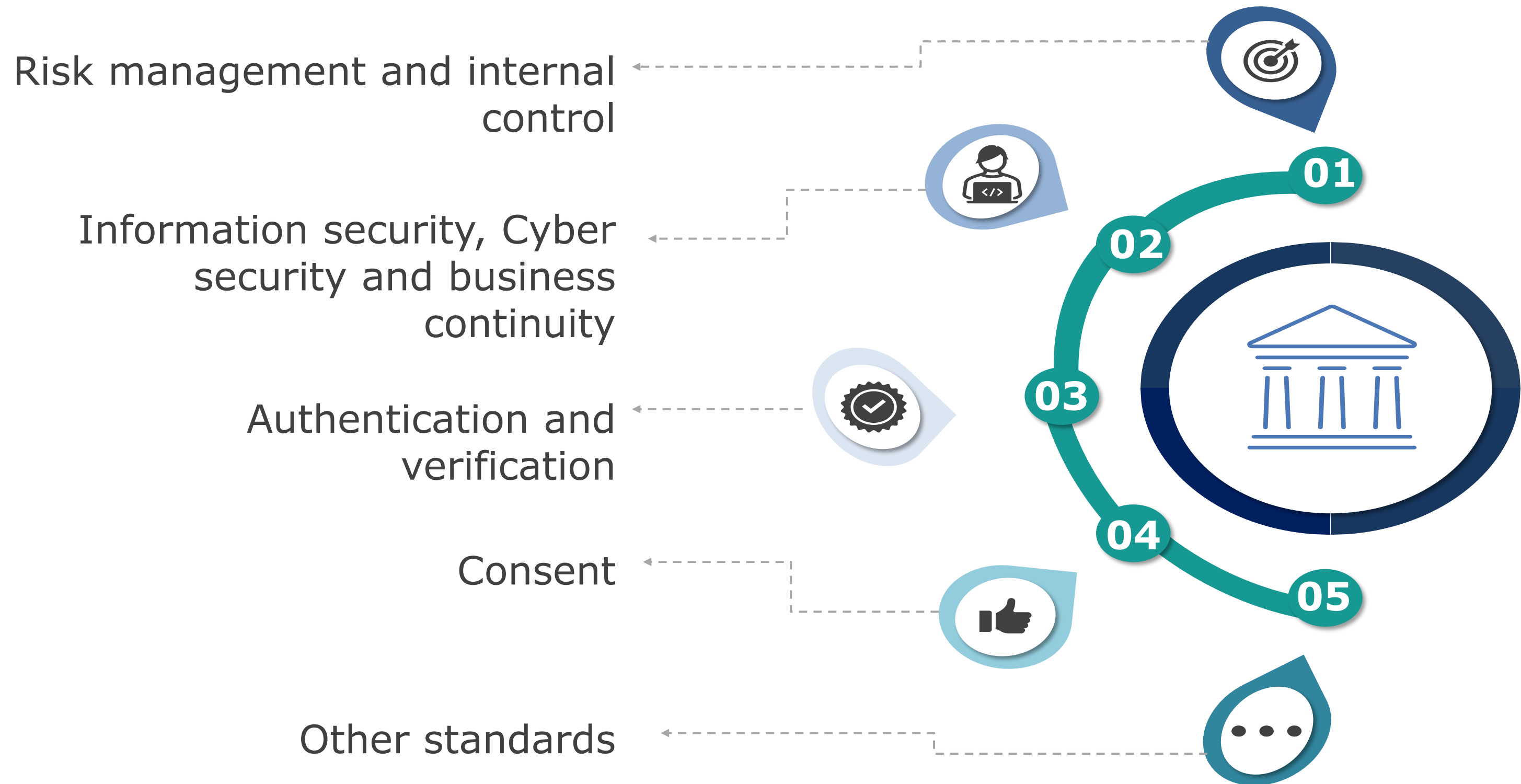
Payment initiators

Services based on information providers

Account provider institutions
Providers registered in the OFS



The rule is very comprehensive



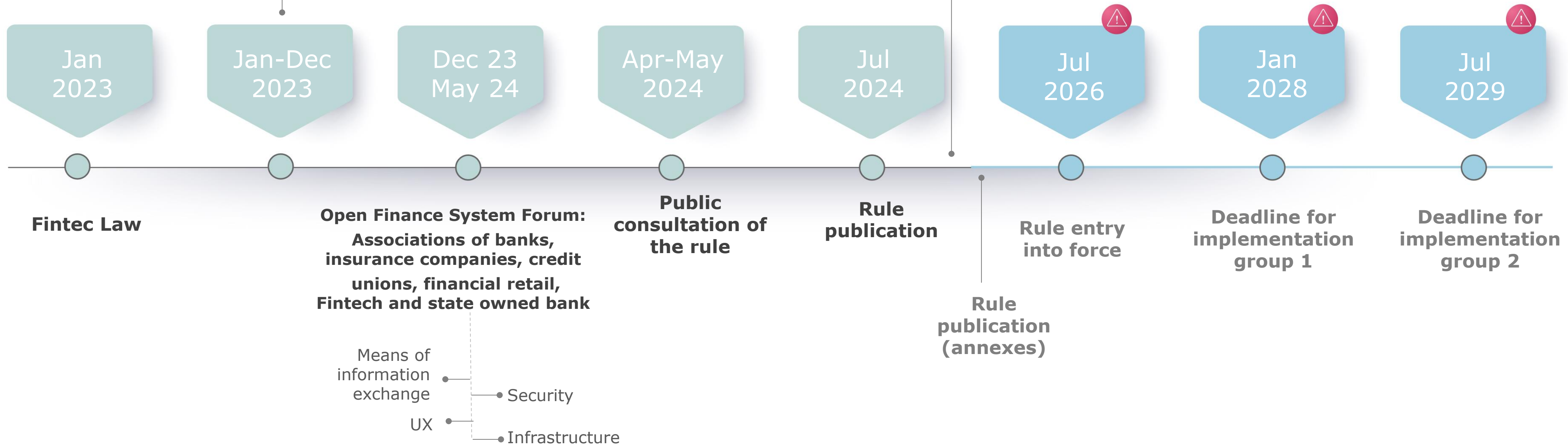
CMF has been working intensively since 2023, and have a clear roadmap for the future

Preparation of the CMF:

- Innovation Hub
- Strategic Planning 2023-2026
- International cooperation
- Round tables with the market

Preparation of CMF:

- Directory of participants
- Technological sandbox
- Monitoring and supervision



The challenge for the CMF is huge, so it started its adaptation immediately

Internal Structure: How to adapt internal Twin Peaks model to the supervision of cross-cutting activities

- Allocation of the macro-monitoring vs micro-supervision.
- Data requirements from the participants.
- Definition of supervisory processes, particularly of those features that are quite new to financial regulators (e.g., API uptime & performance, authentication & consent, data protection, etc.)



Internal Processes: How to develop an internal governance to provide key services of the OFS infrastructure

- Register of new entities.
- Functioning of participants' directory.
- Functioning of technological sandbox.

The challenge for the CMF is huge, so it started its adaptation immediately.

Capacity building: How to deal with many participants, cybersecurity and data protection issues

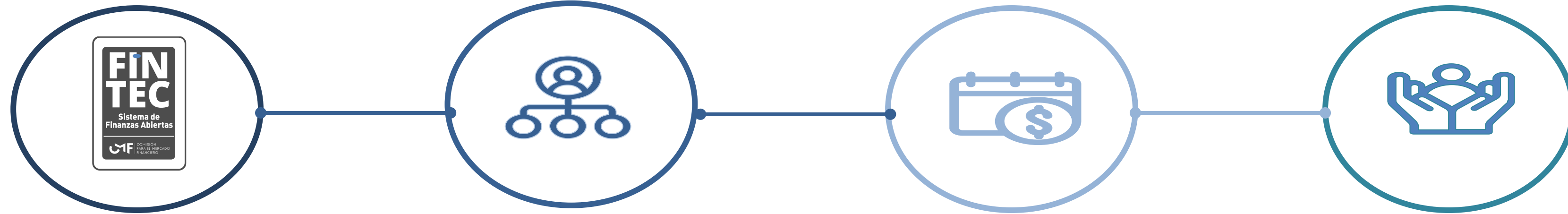
- Knowledge of the functioning OFS.
- Implementation of Reg&Suptech.
 - Use of AI and LLM to supervise.
- IT capacities.
- To deal with first time supervised entities.



Continuous learning: How to adapt the Institution to the new financial products and business models

- Innovation Hub.
- Market development area.
- Regulatory capacities.

Final Remarks



Since 2023 we have been working hard on the implementation of the Fintech Law, specially, on the OFS.

To deal with the new responsibilities, the CMF introduced changes in its internal governance and processes.

There are still many challenges to continue addressing:

- Promote work with the OFS Forum
- Publish technical Annexes
- Interaction with the market for the implementation of financial education
- Implementation by the CMF of the directory, technological sandbox and supervision
- Capacity development for the CMF and the market participants

It is relevant to keep a permanent public-private dialogue to implement and maintain an OFS which works adequately and comply with the proposed objectives.

The success of this system depends on all actors.



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