



# Latest and Future Developments in Chilean Capital Markets

**Fernando Coloma Correa**

Superintendent

Superintendence of Securities and Insurance, Chile

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# Agenda

1. Last Developments.
2. SVS's Future Work.
3. Next Steps: MKB (Bicentenary Capital Markets Reform).



# Last Developments



Improvements on:

- 1.- Clearing and Settlement – Custody.
- 2.- Corporate Governance.
- 3.- General Accounting Principles (IFRS).
- 4.- Capital Markets III (MKIII).



# Last Developments

## 1.- Clearing and Settlement - Custody

- Law N° 20.345 (June 6th, 2009)
  - Strengthen of Legal and Institutional Framework and Risk Reduction on C&S:
    - Creation of Central Counterparty
    - Legal base for netting transactions
    - Final and irrevocable transactions
    - Financial Safeguards: through guaranties
- SVS's different implementation rules:
  - Credit and Liquidity Risk Management, Operational risk management on Securities Depository Entities, Assets Segregation and Financial Statements for C&S Managers, among others.
- Private Initiative of Central Counterparty:
  - Deadline: September 5th



## ■ Custody:

- Reinforcement of Regulation. Main points:
  - a) Assets Segregation on Central Securities Depository (DCV) for Broker Dealers:
    - Own assets;
    - related parties assets
    - Unrelated clients assets
  - b) Improvements on Custody Risk Management Standards for Broker Dealers: Problems detection in audits of process and controls implies DCV Individual accounts.



## 2.- Corporate Governance, Law N° 20.382 (January 1st, 2010) Changes in:

### a) **Independency on the Board of Directors**

- At least one independent director in corporations with more than MM US\$60 in market cap and with at minimum 12,5% on hands of minority shareholders.

### b) **Regulation on Related Party Transactions**

### c) **Improvements on information disclosure**

- Information Handling and Black out periods Policies for publicly listed companies.
- Managers' portfolio disclosure for publicly listed companies.
- Majority shareholders and managers transactions disclosure rules.

### d) **Shareholders Voting Process**

- Proxy voting
- Custodians Voting: Regulation for Assets under Custody

### e) **External Audit Services:** Conflicts of interest



# Last Developments

3.- IFRS Implementation:	Entities	Presentation period
Listed Companies: a) That their stocks have a presence or stock market transaction. or b) With more than MM US\$60 in market cap and with at minimum 12,5% on hands of minority shareholders.		Year 2009
Other issuers that issue publicly offered securities that do not meet conditions a) and b)		Year 2010
Companies registered in the SVS's Register that are not issuers of public offered securities ( for example: State owned firms)		Year 2011
Mutual, housing, FICE and Investment funds		December 2010
Market Intermediaries		Year 2011
Insurance Companies		Year 2011
		Year 2012





## 4.- MK III:

- **ETF**

- **Capital Risk Promotion:**

- a) **FICER:** Allowing the acquisition of funds managed by the same managing company.

- i. Debt: issuing bonds or taking national or international credits.

- ii. Reduction of Capital permanence: 5 to 3 years.

- b) **Risk Capital investment fund:** Flexibility of some Tax incentives in order to increase their use.

- **Mutual Funds:**

- **Flexibility: More investment options**

- **Changing the marketing scheme:**

- pre approved.

- Deposit and ex post review.



# **SVS's Future Work**



# SVS's Future Work

## **Main Focus:**

- 1.- Ensure transparency and informed markets.**
- 2.- Efficient Supervision and Regulation.**



# SVS's Future Work

## Main Focus:

### 1.- Ensure transparency and informed markets

- Key role in generating confidence and financial consumer protection.
- Promotes more competition.
- Master key for savings' attraction and increase capital market's liquidity and deepness.
- In the task:
  - New SVS's rules and Law amendments
  - Investors' education programs
  - Fit and proper requirements for financial services providers
  - Self regulation



# SVS's Future Work

## Main Focus:

### 2.- Efficient Supervision and Regulation.

- The regulation objectives should be achieved at minimum cost.
- Implications:
  - a) Special focus on minimize transaction costs imposed to different regulated agents.
  - b) Efficient use of resources by the Regulator.



# SVS's Future Work

## Main Focus:

### 2.- Efficient Supervision and Regulation.

In the task:

- The SVS will review all the rules that could be imposing unnecessary transaction costs to the regulated entities: for the purpose it will receive, among others, information and suggestions from the own supervised entities.
- The SVS will review its internal processes in order to optimize its own regulatory and supervisory process.

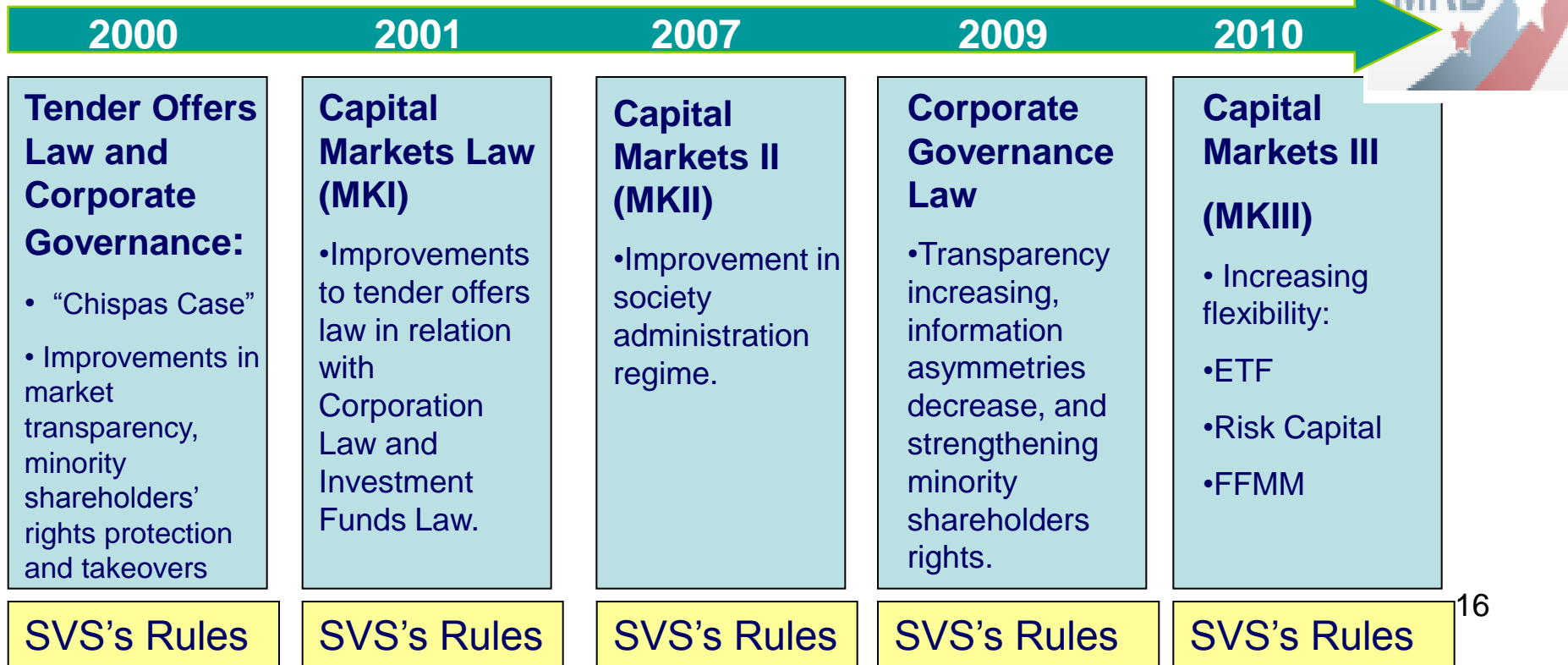


# **Next Steps: MKB (Bicentenary Capital Markets Reform)**



# What about MKB?

- Looking ahead.....MKB
- Consistency, country's commitment
- Create a depth and stronger stock market.







# What about MKB?

- 1.- Systematization of fund administration's legal framework.
- 2.- Simplify the Corporations legal framework.
- 3.- Modernization of Stock Markets legal framework.
- 4.- Strengthen SVS's autonomy.
- 5.- Other topics.



# What about MKB?

## 1.- **Systematization of fund administration's legal framework.**

For example:

- Change the current regulatory scheme for a general framework that combines liquidity, corporate governance and investor's profile.
- Simplification of the requirements for exercising the activity and reduction of administration costs.
- Assess giving more flexibility for funds to allow them to invest in funds managed by the same managing company
- To include regulation for individual portfolio management, in order to establish a minimum framework of information, conflicts of interest, etc.
- To promote some accreditation requirements for exercising functions of management and selling funds.



# What about MKB?

## 1.- Systematization of fund administration's legal framework.

- Inclusion of some pending initiatives: MKIII
  - a) Simplify procedures of selling shares: deposit of fund regulations.
  - b) Give more investment alternatives: more freedom for funds created for qualify investors.
  - c) Evaluation of the inclusion of fund series
  - d) Give more liquidity to the funds simplifying the procedure for capital increases and decreases.



# What about MKB?

## **2.- Simplify the Corporations legal framework.**

For example:

- Evaluate the convenience of generating a legal framework for capital cost reduction, which take into account the particular characteristics of diverse types of legal vehicles.( Mining Corporations, SME)
- Solving some problems created as a result of different law reforms and improving some of those laws: i.e. Corporate Governance Law.



# What about MKB?

## 3.- Modernization of Stock Markets legal framework.

- Review some rules in order to reinforce Risk Based Supervision specially for market intermediaries.
- Assess idea of generating the conditions for the introduction of new market segments (High yield bonds)
- Legal framework for derivatives (OTC): entry, operation and information requirements for those who usually operate with them. Safeguards in respect of recognition of the compensation of these instruments.



# What about MKB?

## 3.- Modernization of Stock Markets legal framework.

- Assess the idea of regulate some minimum requirements for investment advisors and wealth management providers, in cases where the public interest could be affected (Impact / relation with regulated).
- Evaluate idea of improving the Stock Exchange corporate governance and strengthening Self regulation.



# What about MKB?

## 4.- Strengthen SVS's autonomy.

- Changing from a Superintendence to a Commission.
- Autonomy in the designation and removal of the commissioners.
- Budget autonomy

### Advantages:

- Independence and public policies continuation
- Allow legal framework more flexible for speeding up the regulatory responses
- Better enforcement
- Improvements in punitive administrative procedure.



# What about MKB?

## 5.- Other topics

- Analyze the convenience of generating a legal framework for conglomerate supervision.
- Analyze the necessity of reinforcing the current securitization and Credit Rating rules in light of the discussion arisen because of the last financial crisis.
- Internationalization:
  - a) Services
  - b) Market Integration
- Implementation of RBS in insurance companies and changes in insurance Law, among others.





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