

# Press Release



SUPERINTENDENCIA  
VALORES Y SEGUROS

## **SVS PUBLISHES INITIATIVE TO PROMOTE THE DEVELOPMENT OF THE BONDS MARKET, OPEN FOR PUBLIC COMMENT**

- *The proposal will facilitate and make the process of issuing bonds and other tradable items faster, making this financing alternative more efficient for Chilean companies in the capital market.*
- *Regulatory changes are expected to go into effect during the first two weeks of December 2008.*
- *During the next few weeks, two additional measures will be added to this initiative: the publication of a Centralized Online Registry of current bonds, and authorization for securities market institutions to become bond holder representatives.*

During the last few years the corporate bonds market has experienced significant development that has allowed many companies to finance investment projects. At the same time, these bonds have given institutional investors the opportunity to access fixed-rate instruments with high return and long maturity.

The international financial crisis has given companies little access to external financing and, at specific times, some markets have been closed. Looking at the experience of the Asian crisis of 1997, the impact generated by companies that no longer had access to international markets was that access to local bank financing was quickly used up.

Within this context, the Superintendencia de Valores y Seguros (SVS) decided to promote four new initiatives to develop the bonds market, in order to allow companies to obtain financing in the local capital market, in this way freeing up resources that could finance the business sector, which is currently having difficulty accessing the capital market:

1. **Projects to create standardized contracts for the issuance of bonds, tradable items, bond lines and tradable item lines.** These contracts, for those companies that opt to use them, will make it easier to prepare the required information and will expedite the review process for registration. The initiative is aimed at making access to this type of financing more efficient for Chilean companies. These standardized contracts generated in collaboration with the private sector (see appendix on work methods) are now available for market agents and the general public, as drafts open for public comment – on the SVS website – until November 26<sup>th</sup>. After this date, the observations will be

studied and the final draft of the documents will be written. It is expected that these will go into effect during the first two weeks of December.

2. Today the SVS published on its website sections IV and V of the General Rule No. 30. These changes give greater **flexibility to the wording of the minimum content required for the bond issuance prospectus**. In this way, the content of the instruments may be written so that they are easier to understand for investors or for commercial purposes. At the same time, this rule contains the standardized contract explained in the first point.
3. The SVS will also make available to the public, via its website, the “**Centralized Registry**” of current bonds issuances. This will make it easier for investors to update information provided at the moment of their registration, as well as to follow up on continuous related information and further modifications made to these issuances. This registry is currently available only in hard copy at the SVS offices. This will optimize the way in which this information is published, making it easier to under the status of each of these titles, not only during the primary placement process but also during their further negotiation in the secondary market.
4. Next week the SVS will publish a new regulatory proposal that **will authorize other securities market agents to act as representatives for bond holders**, in this way expanding the number of actors able to participate in this area. Every time a company issues a bond, a bond holder representative must be designated before the issuer, who is responsible for verifying compliance with the contract contents, and among others fulfillment of the covenants. The covenants are a series of indicators in the issuance agreements that are used by the bond holder representatives in order to ensure that the issuers operate in a financially prudent manner that allows them to meet their obligations. Currently, this responsibility may only be assumed by banks, and for this reason the new regulations are aimed at extending authorization to other entities that are qualified to take on a more active role in this area. The SVS adopted this measure by virtue of Article 115 of Law 18,045 for the Securities Market, which gives this entity the authority to authorize other people “by way of a general rule”.

Appendix:

#### **Work Methods and Acknowledgement**

The proposals published today came about as a result of the work teams made up of market representatives, summoned by the SVS at the beginning of last October, and which was directed towards making the issuance of bonds and tradable items more efficient, through the improvement of the registration and review process.

The SVS asked the representatives of the legal research teams and financial advisors that participated in this team to generate standardized contracts and covenants to allow the issuers that opt to use them to have a quicker review process for registration.

The SVS would especially like to recognize the members of this team, given the high level of participation and dedication they had with this initiative: Diego Peralta and Francisco Ugarte, of Carey y Cía; Cristián Fabres, of Guerrero Olivos Novoa Errázuriz; Pedro García and José Miguel Carvajal, of Morales & Besa; Juan Francisco Gutiérrez and Andrés Sanfuentes, of Philippi, Yrarrázabal, Pulido & Brunner Abogados; as well

as Guillermo Tagle, Francisco Benedetto, Hugo Horta and Carlos Valdivieso, of IM Trust; José Miguel Barros, Sebastián Cereceda, Andrés Trivelli and Eric Vucina, of Larrain Vial; Alejandro Bertrand and Michael Clark, of BBVA, and Joaquín Quirante and Rafael Carvalho, of Santander.

***Santiago, November 17, 2008.***