



CMF publishes for consultation modifications on use of excess mortgage guarantees

The changes allow for the use of excess mortgage guarantees from the portfolio's standard provisioning model as a mitigating factor in the standard business group model.

April 13, 2020.- The Financial Market Commission (CMF) has published for consultation supplementary instructions in Chapter B-1 of the Compendium of Accounting Standards. Said instructions allow for the use of excess mortgage guarantees from the portfolio's standard provisioning model as a mitigating factor in the standard business group model. The consultation process will be open until April 24, 2020 for comments from the market and general public.

The standard model for calculating provisions of the commercial group portfolio came into force in June 2019. It constitutes a prudential floor for internal methods that have not been expressly approved by the Commission, as had been previously done with the standard model for the mortgage portfolio. Its design was driven by a balance between risk sensitivity and simplicity, so it did not consider the cross use of mortgage guarantees. The impact of such exclusion versus the recalibration costs for the different portfolios was then estimated to be low, especially in view of the imminent approval of amendments to the General Banking Act (LGB, for its Spanish acronym) which would change the methodology for classifying credit portfolios under the Basel III framework.

Credit Flow

On March 23, 2020, the Commission announced a package of measures to facilitate the flow of credit to businesses and households, including the use of excess mortgage guarantees to safeguard commercial loans to SMEs. This measure aims to facilitate the flow of credit to businesses and mitigate the effects of the Covid-19 pandemic on the financial system.

The instructions in consultation satisfies the commitment made and it is expected to be accompanied by similar efforts from the banking industry, i.e. the released funds are indeed used to support the local economy and its customers while maintaining adequate risk management policies.

To access the details of the regulatory proposal, you can visit the [Draft Rules and Norms](#) section of the CMF website. A [Regulatory Report](#) evaluating the impact of this proposal is also available.

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