



CMF publishes amendment to regulations on bank factoring

- *The amendment will allow banks and their factoring subsidiaries to discount invoices from assignees other than the originator of the invoice pursuant to the provisions of Law No. 19,983.*

July 6, 2020 – The Financial Market Commission (CMF) has published for consultation a regulatory proposal allowing banks and their factoring subsidiaries to deduct invoices assigned by third parties other than the originator of the invoice. The consultation process will be open until July 24, 2020 for comments from the market and general public, pursuant to the provisions of Law No. 19,983.

For such purposes, Chapter 8-38 of the Updated Compilation of Rules for Banks (RAN, for its Spanish acronym) and Circular Letter No. 36 addressed to factoring bank subsidiaries are amended. The aim of this measure is to increase liquidity in the factoring industry by allowing greater interaction between banks and other intermediaries linked to said industry, thus strengthening this financing alternative.

Factoring Operations in the Banking Sector

Bank factoring operations fall within the scope of discounting documents that represent payment obligations in accordance with the provisions of Articles 40 and 69 No. 4 of the General Banking Act. Currently, bank factoring is limited to:

- The action for collection on behalf of or as an assignee of such claims and the advance of funds on said claims, which may include the assumption of the debtors' risk insolvency.
- Loans originated from the sale of goods or the provision of non-financial services, carried out by natural or legal persons with whom the factoring transaction is agreed upon, or on behalf of whose buyers a payment commitment is made.

These operations are like commercial loans, so both banks and their subsidiaries must evaluate the debtor obliged to pay, determine their credit risk, and set up the corresponding provisions.

To access the details of the regulatory proposal, interested parties can visit the [Draft Rules and Norms](#) section of the CMF website. In addition, the Commission makes available a Regulatory Report evaluating the impact of the proposal.

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