



Due to the Covid-19 pandemic

CMF publishes for consultation a regulation modifying the treatment of guarantees granted by the State in the calculation of risk-weighted assets

- *The new treatment, which applies to the amounts guaranteed by the Chilean State, CORFO and FOGAPE, aims to facilitate the conditions for banks to transfer liquidity to markets.*

July 21, 2020 – The Financial Market Commission (CMF) has published for consultation a regulation modifying the treatment of the guarantees granted by the State for the computation of risk-weighted assets (APRs, for their Spanish acronym) of the banking system. The consultation process will be open until July 31, 2020 for comments from the market and general public.

The modification refers to Chapter 12-1 of the Updated Compilation of Rules for Banks (RAN, for its Spanish acronym). Said amendment changes the treatment of the amounts guaranteed by the Chilean State, CORFO and FOGAPE, assigning them to Class 2 for the purposes of calculating APRs. As part of the measures adopted by economic authorities to deal with the impact of Covid-19, this modification is expected to increase the bank's core capital indicators, thereby improving the conditions for institutions to transfer liquidity to markets. This also considers the strengthening of the State's role through FOGAPE and other support mechanisms.

The new treatment is in line with international standards and is especially important for those banks that would not have enough room to use the additional provisions as effective equity, considering the limit of 1.25 percent set in the General Banking Act.

On April 20, 2020 the CMF issued [Circular Letter No. 2,250 for Banks](#). Said regulation allowed to consider a proportion (15 percent) of the amounts guaranteed by the Chilean State, CORFO and FOGAPE to cover loans granted by banks as part of voluntary provisions which make up the effective equity. The current regulatory proposal voids such treatment, so these guarantees can be considered without any limits in the calculation of APRs.

To access the details of the regulatory proposal, interested parties can visit the [Draft Rules and Norms section](#) of the CMF website.

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