



CMF highlights legal changes to ensure proper functioning of the financial market

Law No. 21,276, which entered into force yesterday after being published in the Official Gazette, perfects the mechanisms for safeguarding the solvency of insurance companies and expedites the procedures for the issuance of debt and shares.

October 20, 2020 – The Financial Market Commission (CMF) highlights the publication in the Official Gazette of [Law No. 21,276](#), which introduces amendments to a series of legal texts aimed at safeguarding the proper functioning of the financial market. These amendments include improvements to Law No 18.045 on the Securities Market; Law No. 18,046 on Corporations; Decree Law No. 251 on Insurance Companies; and Decree Law No. 3,500 on Pension Funds.

In the area of insurance, it incorporates a prudential measure that **subjects capital decreases and distribution of dividends by insurance companies** to compliance with capital and solvency requirements currently established by the Insurance Law. Additionally, companies that present a capital strength ratio – defined as equity over required risk equity – below 1.2 will be unable to make capital decreases. The following rules have been added regarding the distribution of dividends:

- If the equity strength ratio is greater than or equal to 1.1 and less than 1.2, the company may distribute a maximum of 50 percent of its profits.
- If the equity strength ratio is less than 1.1, the company cannot distribute dividends. For capital decreases, the capital strength ratio must be at least 1.2.

Additionally, the CMF is empowered to regulate debt limits, risk classification, and investment excesses. These attributions are effective as of yesterday for a 36-month period.

Securities Market and Corporations

In the stock market, the amendments establish an automatic enrollment system for debt securities in the Securities Registry maintained by the Commission. It is available to all issuers that are already enrolled in this Registry and submit an application for

enrollment in compliance with all legal requirements and those established by the CMF for said purpose.

Other amendments to the Securities Market Law and the Law on Corporations are introduced to reduce the time period for announcing shareholders' meetings and assemblies, as well as facilitating the process of issuing shares and securities convertible into shares.

Finally, the legal amendments also include changes to the regulation on Pension Fund investments, increasing the limit for Pension Fund Administrators (AFPs) to invest in alternative instruments from 15 to 20 percent of each fund's value.

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