PRESS RELEASE

CMF publishes for consultation regulatory files to supervise Basel III implementation in Chile

The proposal establishes the creation of a new "Risk System" to consolidate information for the control of compliance with Basel III standards, whose regulations were finalized by the CMF on December 1, 2020.

December 21, 2020 – The Financial Market Commission (CMF) has published for consultation new regulatory files to supervise the implementation of Basel III standards in Chile. The proposal introduces a new system to the Information Systems Manual for banks (MSI, for its Spanish acronym), called "Risk System", with the aim of facilitating an adequate supervision of the Basel III implementation regulations.

It is worth noting that the Commission completed the process of issuing the necessary regulations to implement the Basel capital framework in Chile on December 1, 2020.

The proposed system sets out new reporting requirements for the monitoring and evaluation of the requirements contained in Chapters 21-1 through 21-30 of the Updated Compilation of Rules for Banks (RAN, for its Spanish acronym).

Risk System

Due to the need to adequately gather all information required to monitor the capital adequacy of banks and the main risks they are exposed to, the Commission developed a new "Risk System" that provides the necessary information to observe compliance with the new limits. Said "Risk System" is formed by eight new normative files with 29 registries. These files contain specific instructions on how to report the requested information, establishing its type and criteria, periodicity, and submission dates for each of the registries. Furthermore, the reporting guidelines are limited only to each bank's applicable combinations.

The list of the new files is as follows:

- Solvency limits and effective equity (R01).
- Regulatory capital instruments (R02).
- Credit risk-weighted assets (R06).

- Market risk-weighted assets (R07).
- Operational risk-weighted assets (R08).
- Rating of systemically important banks (R11).
- Banking book market risk (R13).
- Concentration risk (R14).

New tables will be introduced to the MSI, which will refer to the identification of exposures subject to credit risk, market risk, systemically important index sub-factors, and definition of time bands, among others. The requirements established in these normative files will apply to all banks incorporated in Chile, as well as branches of foreign banks operating in the local market. The requested information will be provided at local consolidated, global consolidated, and individual levels for each institution.

Unless the Commission dictates otherwise, the regulatory files of other systems containing information of a similar nature or which currently measure the risks described in the Basel III regulations must continue to be submitted simultaneously to the new files, without change.

Impact Estimation

The information requests will facilitate the monitoring of implementation and compliance with Basel III standards, supporting the CMF's supervisory work. Since submitting information to the regulator is a common practice and much of the requested data is reported in other formats, the costs to both banks and the CMF should not be high.

Validity

The regulatory files will be in public consultation between December 21, 2020 and March 1, 2021.

The reports will begin in the second half of 2021. Banks must submit information for files R06 through R08 in July; for files R01 and R02 in September; and for files R13 and R14 in December of each year. File R11, related to the systemic rating of banks, shall be submitted to the Commission as of February 2021.

To access the details of the proposal, interested parties can visit the Draft Rules and Norms section on the CMF website. Additionally, the Commission makes available a Regulatory Report evaluating the impact of the proposal.

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