PRESS RELEASE

CMF concludes 6th Annual Conference on Financial Stability and Development

- *The event addressed the new risks emerging at international and local levels for banking risk management; the financial effects of the Covid-19 pandemic; and the challenges that the implementation of Basel III standards brought to local markets.*
- *CMF Chairman Joaquín Cortez expressed his concern about parliamentary initiatives "that undermine national savings, the welfare of pensioners, and the stability of critical functions and services that the financial industry provides to the population."*
- *Tobias Adrian, Financial Counsellor and Director of the Money and Capital Markets Department of the International Monetary Fund, highlighted the improvement in growth expectations in the developed and emerging worlds. "Our assessment is that there have been good policy choices, and this rebound has a lot to do with that."*

November 5, 2021 — The 6th Annual Conference on Financial Development and Stability organized by the Financial Market Commission ended today. The event brought together academics, professionals, and authorities to analyze the main challenges facing the financial system in terms of stability, development, and financial integrity. This year's conference addressed the new risks emerging at international and local levels for banking risk management; the financial effects of the Covid-19 pandemic; and the supervisory and regulatory challenges brought to local markets by the implementation of Basel III standards.

The Conference was held on November 4 and 5 and featured two invited keynote speakers: **Charles Calomiris,** Henry Kaufman Professor of Financial Institutions at Columbia Business School; and **Tobias Adrian,** Financial Counsellor and Director of the Money and Capital Markets Department of the International Monetary Fund. All conference-related activities were held remotely due to the sanitary restrictions caused by the Covid-19 pandemic.

Day two of the Conference began with a speech by CMF Chairman Joaquín Cortez — his last participation as the Commission's head of service. Cortez spoke about the actions implemented by the Commision to deal with the effects of the sanitary emergency in the financial market.

"These last few years have been complex in many ways," stated the Chairman. "Given the magnitude of the economic and human shock resulting from the spread of the coronavirus, the Board of the CMF has been permanently monitoring its effects on the financial market and the entities under supervision, working in close coordination with the Ministry of Finance and the Central Bank as well as other international regulators."

Some of the measures highlighted by Cortez include allowing the use of remote means in meetings involving shareholders, bondholders, and contributors; extending the timeframes to present annual financial statements; and easing the requirements and documentation to register publicly offered securities. Other relevant changes include authorizing pension procedures to be carried out remotely through the SCOMP platform and grant online access to debt reports by using the Individual Password provided by the Civil Registry.

From a prudential standpoint, the Chairman mentioned a special, temporary treatment to constitute provisions for deferred loans in banks and insurance companies; the use of mortgage guarantees to protect SME loans; adjusting the treatment of goods and services received as payment and margins in derivative transactions; and postponing the implementation of Basel III standards by a year to avoid worsening the already-negative effects of the economic cycle.

Role of the Financial Market Commission

"Financial supervision requires a high degree of independence, a high level of accountability, a clear mandate, adequate skills and resources, and the regulatory capacity to respond in a timely and effective manner to emerging risks," stated Chairman Cortez. “All these things are under pressure in the current budgetary and political scenario.”

Cortez said that the CMF strives to "be recognized as a technical and trustworthy institution, with credibility earned — not simply claimed — and gained from its history of accurate, timely and sound supervisory judgments; from its trained staff with a solid understanding of the industry and market conditions; and a willingness to act in the right way, even though it might not always be popular. There are some proposals under current discussion that undermine national savings, the welfare of pensioners, and the stability of critical functions and services that the financial industry provides to the population. It is our duty as a supervisor to warn the community about them,” he concluded.

After Chairman Cortez’s speech, a panel was held about the **Basel III Implementation in Chile** featuring CMF Deputy Chairman Kevin Cowan and representatives from the Association of Supervisors of Banks of the Americas and the Basel Consulting Group. Next on the schedule were the plenary sessions with the participation of Tobias Adrian, addressing the main challenges facing the world economy and the global financial system; political challenges surrounding the pandemic; the role of crypto-assets; and green funds.

Adrian noted that while the developed world will only regain pre-crisis growth levels during 2023, emerging and developing markets are seeing a faster rebound this year, although still not enough to reach pre-crisis growth trends. "The crisis hit the poorest countries relatively more adversely, so the recovery is much faster, he said."

Highlighting the improvement in current projections for global and emerging economy growth over expectations in 2020, Adrian stated that "our assessment is a lot of good policy choices have been made, and this rebound is very much related to that."

"One of the main risks, and one of the big surprises of this crisis, is the magnitude and persistence of inflation," warned the IMF official. In addition to the rise observed in prices in the developed world, he also observed that "inflation is reaching such a point in emerging markets that the monetary policy rate has risen dramatically. Perhaps the most striking case is Brazil, but it is a phenomenon that can also be seen in other Latin American countries".

"What we are concerned about is that local interest rates or local sovereign debt rates are going to rise dramatically, and that may put the sustainability of the recovery at risk," he said.

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