



European Commission awards major recognition to the Chilean regulatory framework applicable to derivatives industry

- *The EC approved the equivalence of regulations for clearing and settlement of derivatives in central counterparties in Chile.*

June 9, 2022 — The Financial Market Commission (CMF) reports that the European Commission (EC) awarded Chile a major recognition regarding the regulatory framework applicable to the financial derivatives industry. Accordingly, the EC approved the equivalence of regulations for clearing and settlement of derivatives in central counterparties in Chile.

This is a recognition of the maturity of local financial regulations and infrastructures developed since 2009 with the publication of Law 20.345 on clearing and settlement systems for financial instruments.

Central counterparties are financial market infrastructures that allow multilateral clearing, i.e. between all the exposures of their participants, thereby reducing systemic risk and the liquidity needs of their members. They were a key element after the 2008 global financial crisis by providing robust infrastructures in the face of financial shocks.

Since then, international standards have encouraged derivative contracts to be traded through central counterparties to improve the resilience of the financial market.

With this approval, banks or subsidiaries of European Union banks in Chile will be able to trade through Chilean central counterparties approved to operate by the CMF and recognized as equivalents by the European Securities and Market Authority (ESMA), applying a preferential credit risk weighting to their exposures.

The central counterparty equivalence process is to continue with the application of each Chilean clearing entity before the ESMA, which will verify, among other things, the approval of the entity to operate in Chile by the Financial Market Commission.

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