



CMF publishes new Regulatory File for data on recoveries, expenses, and renegotiations of non-performing loans

- *Gathered data will allow for proper characterization of the loss value derived from non-payment of loans to better calibrate regulations and prevent situations of financial stress that could affect the resilience of the banking system.*

January 5, 2024 — The Financial Market Commission (CMF) added today a new accounting file to the Information Systems Manual for Banks. Regulatory File C64 will gather data on recoveries, expenses, and renegotiations of non-performing loans in Chilean banks.

Said information will be used to properly characterize the value of loss-given default (LGD) derived from such loans; supervise estimates made by banks for effectively; and evaluate regulatory improvements based on collected data. In turn, this will strengthen the Commission's regulatory and supervisory capacities to prevent situations of financial stress that could affect the resilience of the banking system.

In its last Financial Stability Assessment Program of the Chilean market, the International Monetary Fund identified that one of the weaknesses in the estimation of provisions was a lack of data on the recovery and expenses of non-performing loans to perform back-testing of economic losses.

Considering provisions are calculated as the product of the probability of default and the loss-given default, data on loan recoveries directly impacts the LGD estimation and, therefore, the provisions set aside to cover expected losses. To date, the CMF only has data on recovery of non-performing, already impaired loans in the consumer portfolio.

The Regulatory File was open for consultation between August 29 and October 3, 2023. Its final version was amended after reviewing and analyzing the received feedback.

New data requirements established by File C64 could mean costs for institutions facing greater challenges to collect and structure data related to recoveries, expenses, and renegotiations of non-performing loans. Therefore, File C64 will become effective as of 2025 with data as of the end of December 2024.

Interested parties can access the [Rules and Norms section](#) of the CMF website to check the new regulation in detail. The Commission also makes available the corresponding Regulatory Report and feedback gathered during the consultation process that assesses its impact.

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