

COMMISSION FOR THE FINANCIAL MARKET ANNOUNCES NEW MEASURES DUE TO THE CONTINGENCY CAUSED BY COVID-19.

CMF publishes package of measures in order to mitigate adverse economic effects caused by COVID-19 in the financial system.

Given the magnitude of the economic and human effects produced by the expansion of COVID-19 in our country, the council of the Commission for the Financial Market (Comisión para el Mercado Financiero ("CMF")), has announced measures to mitigate the impact of the economic shock caused in our financial system.

We refer below to each of the most relevant measures.

1. Flexibility for the implementation of Basel III deadlines.

The CMF resolved to postpone the implementation of the requirements in terms of Risk-Weighted Assets by one year, which will take effect from 2022. Likewise, it agreed to postpone in one year the additional capital charges for banks of systemic importance, the requirements associated with the conservation buffer and discounts to the effective patrimony. Notwithstanding the foregoing, the CMF resolved to continue with the process of issuing the Basel III standards, so that they are fully issued in December of this year, contemplating extending the deadlines for the consultation processes.

2. Extension of deadlines for presentation of annual financial statements.

The CMF extended in 15 additional calendar days the term to present audited annual financial information corresponding to the year 2019 that the supervised entities must disclose and send to the CMF in March of this year. The board or administrator of each entity will be responsible for evaluating the particular circumstances that affect its auditing staff or company and provide and forward the

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aforementioned information to the CMF as soon as possible. If from said evaluation it is concluded that the entity will be unable to comply within the new term, it must promptly communicate this fact to the CMF, informing the circumstances that lead to that conclusion.

3. Measures to facilitate the flow of credit to companies and homes.

The new measures approved by the CMF seek to facilitate the flow of credit from the financial system to companies, people and homes that may be affected by the disruptions of the coronavirus. These measures are: a) Regulations that allows the deferral of up to 3 installments in the payment of mortgage loans; b) Grant facilities for banks to make loan terms more flexible to SMEs (Small and Medium-sized enterprises) debtors for up to 6 months, without this being considered a renegotiation; c) Allow the use of surplus mortgage guarantees to guarantee loans to SMEs; d) Exceptionally authorize an extension of 18 months in the term that banks have for the disposal of real estate received in payment; and e) Modify the treatment of the cash amount that banks must provide as collateral for the variation margin of derivative operations cleared bilaterally. This last modification allows offsetting the value of the derivative with the amount constituted as guarantee in favor of the counterparty, achieving a significant reduction in the capital charge associated with derivative contracts, thereby stimulating its use in periods of greater volatility of the type exchange.

4. Measures for the use of remote mechanisms in meetings of shareholders, bondholders and contributor assemblies.

On March 18, 2008, the CMF issued NCG No. 435, which regulates remote participation and voting mechanisms for shareholders' meetings, bondholders' meetings and fund contributors' meetings. Likewise, by means of *Oficio Circular* No. 1,141 of the same date, it provides instructions on the use of technological means and the possibility of invoking before the CMF reasons of force majeure that prevent the holding of the respective meetings or assemblies. This was discussed in greater detail in our previous Newsletter, dated March 19, 2020.

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5. Permanent monitoring measures of the financial market.

The CMF has required its supervised entities to apply contingency plans in a timely manner to cope with the emergency and to report their business continuity plans. Likewise, it has asked them to evaluate possible financial impacts and has instructed them on the necessary measures to serve customers and users.

In the same sense, it informed that it has adopted a plan to guarantee its own operational continuity and the attention to the supervised entities and the general public, including teleworking measures.

In this context, the CMF informed that it is in permanent coordination with the country's economic authorities, through the Financial Stability Council, that is, the Ministry of Finance, the Central Bank and the Superintendence of Pensions, in order to monitor events that may affect the market.

The communication issued by the CMF with the detailed description of each of the measures analyzed above can be found at <http://www.cmfchile.cl/portal/principal/605/w3-propertyvalue-29424.html>

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