

**LAPSE OF
TIME**

SM/21/198
Correction 1

December 8, 2021

To: Members of the Executive Board
From: The Secretary
Subject: **Chile—Financial System Stability Assessment**

Board Action: The attached corrections to SM/21/198 (11/17/21) have been provided by the staff:

Factual Errors Not Affecting the Presentation of Staff's Analysis or Views

Pages 6, 9, 77 (para. 30, line 5)

Typographical Errors

Pages 5, 7, 16, 17, 20, 21, 76, 77 (para. 30, line 4), 81, 82, 106

Questions:

Mr. Cohen, MCM (ext. 34062)

Glossary

AC	Additional Criteria
AML/CFT	Anti-Money Laundering and Combatting the Financing of Terrorism
Bank	World Bank
BCBS	Basel Committee for Banking Supervision
BCCh	<i>Banco Central De-de Chile</i> (Central Bank of Chile)
BCP	Basel Core Principles
CAR	Capital Adequacy Ratio
CCB	Capital Conservation Buffer
CCCH	Colegio De-de Contadores De-de Chile
CCyB	Counter-cyclical capital buffer
	<i>Programa de Compra al Contado con Venta a Plazo</i> (Spot Purchase with Term Sale Facility)
CC-VP	
CEF	<i>Consejo de Estabilidad Financiero-Financiera</i> (Financial Stability Council)
CLP	Chilean Peso
	Comision <i>Comisión</i> para el Mercado Financiero (Financial Market Commission)
CMF	
CNC	Compendium of Accounting Standards
DNFBP	Designated Non-Financial Businesses and Professions
DPS	Deposit protection scheme
EAD	Exposure at default
ELA	Emergency Liquidity Assistance
EC	Essential Criteria
FCIC	Financing Facility Conditional on Increased Lending
FIU	Financial Intelligence Unit
	<i>Fondo de Garantía para Pequeños Empresarios</i> (Small Business Guarantee Fund)
FOGAPE	
FSB	Financial Stability Board
FSR	Financial stability <i>Stability report</i> Report
FX	Foreign Exchange
GAFILAT	Financial Action Task Force of Latin America
GBA	General Banking Act
GDP	Gross Domestic Product
HQLA	High Quality Liquid Assets
IAS	International Auditing Standards
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IRB	Internal Ratings Based
LAC	Loss-absorbing capacity
LCL	Liquidity Credit Line
LCR	Liquidity Coverage Ratio

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LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LLS	Loan loss provisioning
LMF	Liquidity management framework
LMT	Liquidity management tool
MER	Mutual Evaluation Report
MF	Mutual fund
ML	Money laundering
MoF	Ministry of Finance
MOU	Memorandum of Understanding
NAGA	Chilean Generally Accepted Auditing Standards
NBFI	Non-bank Financial Institutions
NBL	Non-bank consumer lenders
NFSR	Net Funding Stability Ratio
NPL	Non-performing loan
PD	Probability of default
PF	Pension Fund
RAN	Updated Compilation of Regulations
RBC	Risk-based capital
RBS	Risk-based supervision
ROA	Return on assets
ROE	Return on equity
RWA	Risk Weighted Asset
SBIF	Superintendency of Banks and Financial Institutions
SMEs	Small- and Medium-sized Enterprises <u>Entities</u>
SP	Superintendence of Pensions
SREP	Supervisory Review and Evaluation Process
TF	Terrorism financing
UBO	Ultimate Beneficiary Owners

EXECUTIVE SUMMARY

Macro-Financial Context

Chilean financial markets were tested by the twin shocks of social unrest in Q4 2019 and the 2020 COVID-19 crisis. The authorities responded with massive and well-coordinated monetary, fiscal, and supervisory policy responses. While the baseline growth outlook is now strong, high uncertainty remains.

Wholesale bank funding, which grew significantly over the last ten years, was tested by these events. Fixed income mutual funds and pension funds, the two largest institutional buyers of bank bonds, saw heavy redemptions and reallocations. BCCh countered market dislocations by, among other measures, expanding its collateral framework to include bank bonds.

Pandemic policy responses have been highly effective but decreased the role of market-based intermediation. As wholesale funding fell banks turned to collateralized central bank funding. In parallel, government-guaranteed SME-loans offset the severe drop in demand for market-rate loans. Extensive short-term mortgage and commercial loan rescheduling was conducted prudently.

The pension system has come under strain. Excessive pension fund switching was driven by a (now defunct) social media-based financial advisor—this lowered returns and increased market volatility. In addition, in 2021 Congress approved three pension withdrawals and a partial liquidation of life annuities that transcended crisis needs.

Policy Advice

Solvency stress tests show that the banking sector is sufficiently capitalized overall, but pockets of weakness need addressing. To ensure resilience under stress, banks should transition to Basel III-compliant capital structures and complete announced capital raising plans. Improving timely collateral valuation would lower downside risks. Climate stress tests do not show current vulnerabilities but suggest transition risks merit further monitoring.

While bank liquidity appears ample, it has been boosted by policy measures. Liquidity stress tests show limited risks as banks enjoy high deposits (due in part to pension withdrawals) and BCCh funding. This reversal of these conditions will require clear official communication and careful liquidity management by banks.

The banking supervisory framework is robust but needs further improvements. The Basel Core Principles (BCP) assessment found the Financial Market Commission (CMF) to be capably staffed with expertise in monitoring of individual risks. However, reforms are needed in several areas, including credit risk, asset classification, risk management, corporate governance, licensing, and corrective actions. More work is needed for strong consolidated supervision within the CMF. of Basel III implementation starting December 2021 should largely address capital framework shortcomings.

Actions are needed to stabilize the pension system. Additional extraordinary pension withdrawals would further weaken domestic capital markets and should be avoided. The unprecedented scale of

Table 1. Chile: FSAP Key Recommendations

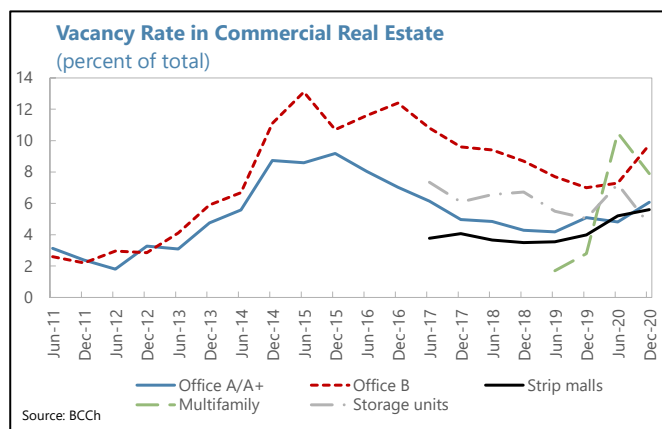
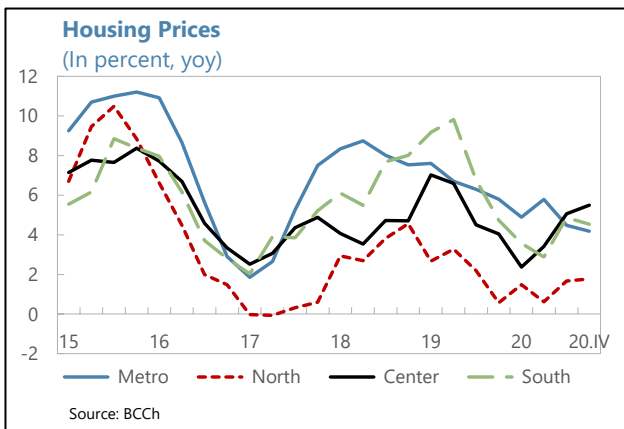
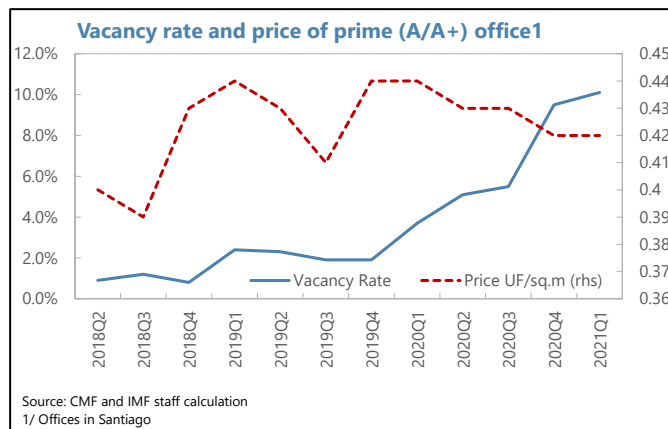
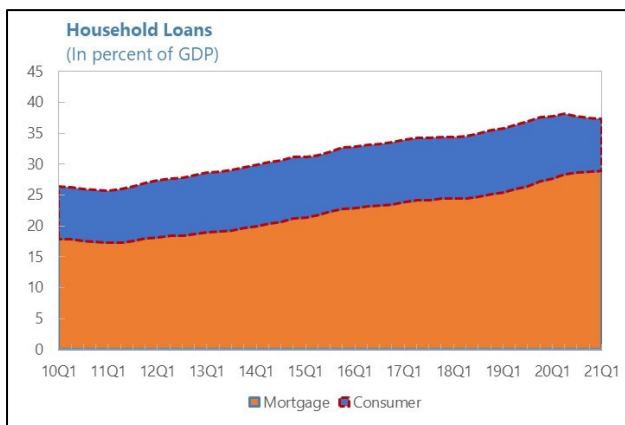
	Recommendations	Time ¹	Paragraph reference
Bank Solvency and Liquidity	Ensure banks transition to Basel III-compliant capital structures and complete announced plans for capital raises in a timely manner.	NT	23
	Improve the collateral valuation and reporting framework.	NT	15, 40
	Define and communicate clear criteria regarding conditions for the future unwinding of extraordinary liquidity support measures (FCIC and LCL).	I	25
	Introduce liquidity stress tests for prudential and stability monitoring.	NT	25
Banking Supervision	Ensure sufficient budget resources to attract and retain specialized talent.	I	37
	Strengthen credit risk management and asset classification, including provisioning and treatment of restructured loans.	I, NT	40
	Establish an integrated risk management framework and enhance corporate governance standards and supervision.	NT	40
	Strengthen the legal framework for licensing to ensure banks' shareholders are fit, proper and financially strong.	NT	40
	Improve the corrective actions framework.	NT	40
	Improve consolidated supervision by enhancing the legal framework, supervision practices and organizational arrangements.	NT	40
Pension Funds	Avoid further pension withdrawals and ensure that the pension system continues to support deep and liquid long-term capital markets.	I	14
	Improve pension fund regulation and investment options to promote long-term investment and minimize excessive switching.	NT	43
Insurance	Halt any further liquidations of life annuities.	I	14
	Implement a modern risk-based capital framework in insurance with due regard to the impact of introducing IFRS 17 and IFRS 9.	NT	46
Mutual Funds	Strengthen the mutual fund liquidity management framework.	NT	42
Crisis Management and Bank Resolution	Establish a statutory bank resolution authority with a comprehensive range of crisis management and resolution tools.	I	55
	Establish and implement recovery and resolution planning and set a loss-absorbing capacity requirement for systemically important banks.	I	55
	Establish a new industry funded deposit protection scheme.	NT	55
Systemic Liquidity	Facilitate the development of the interbank repo market.	NT	56
	Enhance the risk management function of the BCCh through higher haircuts and a stricter approach to unsecured bank bonds.	I	57
	Finalize the Emergency Liquidity Assistance (ELA) framework.	NT	58
Macro-prudential Framework and Tools	Increasing-Increase CEF secretariat resources and consider an through annual publication of official CEF views on macroprudential risks.	NT	51
	Enhance interagency coordination on the use of the macroprudential toolkit.	NT	51
	Establish a consolidated and comprehensive public credit registry.	NT	11
AML/CFT	Ensure a swift implementation of the 2021 AML/CFT MER recommendations.	NT	53

¹"I=Immediate" is within one year; "NT=Near Term" is 1–3 years.

loans is only 29.7 percent as of end 2020 (Figure 2). Risks are likely to be heightened due to the large share of loans currently covered by COVID-related special provisioning rules. The chance of losses may also be raised by stale collateral valuations; stress tests (see below) show that under the adverse housing shock scenario loan losses would be significantly larger than are currently provisioned for.⁹

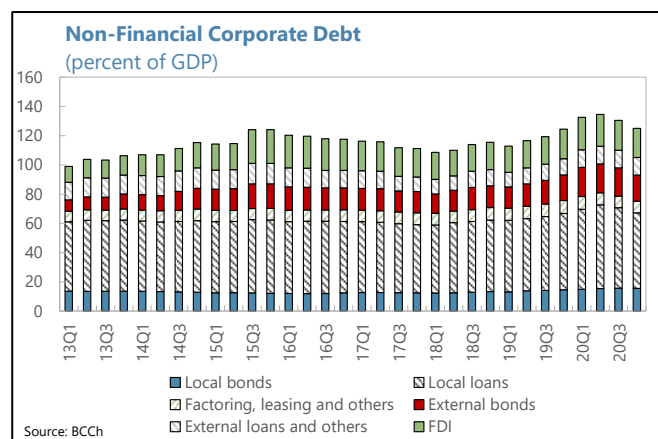
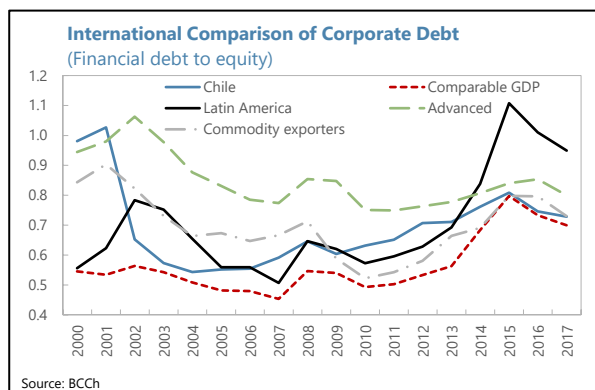
Emerging Risks

16. Easy financial conditions and financial deepening have increased household and corporate leverage. Although risks appear limited, pockets of vulnerabilities have built up among low-income households, where consumer loans had increased until the pandemic hit and present a sizeable debt burden. The housing market appears stable, and rising housing prices drove increases in mortgage debt. Increasing vacancy rates in the commercial real estate space could lead to medium term risks (text charts).



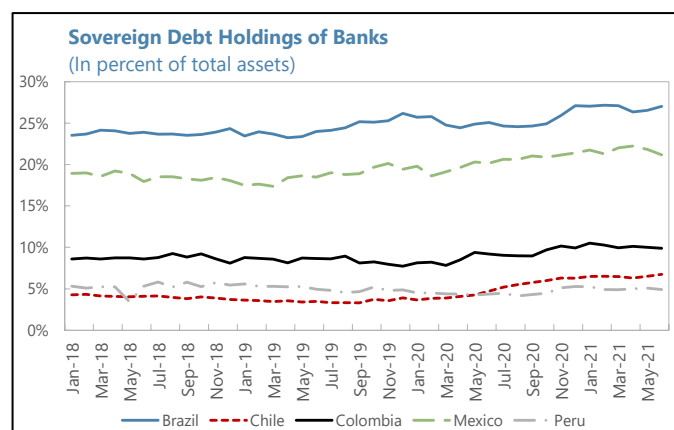
⁹ For example, the loss-given-default (LGD) for mortgages under the adverse scenario jumps to 22 percent for **year 3** versus a current 8.9 percent prudential provision rate.

17. Corporate leverage risks appear limited. Financial debt to equity is relatively low (text charts), and a large share of corporate FX debt is hedged and related to FDI/obligations to parent companies. Large corporates have recently engaged in precautionary borrowing but could face challenges under a protracted recovery.



18. Bank exposure to sovereign debt has increased. Although much lower than in many peers, banks' sovereign debt holding to total asset ratio doubled from 3.5 percent in 2019Q2 to 6.7 percent in 2021Q2 (text chart). If trends continue, the risk of an intensified sovereign-bank nexus capable of transmitting sovereign stress to bank balance sheets could arise.

19. The gradual expansion of fintech requires a balanced approach to innovation and regulation. Fintech entrants might improve efficiency and customer choice, but new risks could arise, such as increased interconnectedness or pressure on incumbent banks. A new fintech bill intends to establish a legal framework for fintech companies and a regulatory framework for open banking.



B. Stress Testing and Interconnectedness

20. The FSAP conducted quantitative stress tests and contagion analyses. Quantitative approaches include: (i) bank solvency tests to assess resilience to credit, interest rate, and market risks; (ii) bank liquidity stress tests; (iii) an exploratory analysis on the impact of climate transition and physical risks; (iv) mutual and pension funds liquidity stress tests; and (v) interconnectedness and contagion risk analysis.

corporate portfolios, and that transition risks could be an important contributor to future stress test results. The increase in the segment exposure-weighted corporate portfolio PDs ranges from 0.3 to 0.5 percent under a 3-year scenario, with the transportation, electricity and gas, forestry and mining industries as the largest contributors.¹⁴

Mutual and Pension Funds Liquidity Stress Tests

31. Fixed income mutual funds stress tests suggest the need for enhancing liquidity management practices. Results show most funds hold liquidity buffers larger than 15 percent of AUM, but a significant share hold less. 15 percent corresponds to the first percentile (severe stress) of the typical distribution of weekly redemptions (Figure 11, Appendix IV). Recognizing the tradeoff between higher liquidity buffers and lower returns, the authorities should consider a more robust liquidity management framework for mutual funds to improve resilience and limit potential systemic risks.

32. Stress testing type “E” pension funds confirms sound liquidity management while highlighting the detrimental impact of excessive fund switching. Results show liquidity buffers are larger than 30 percent for all AFPs (Figure 13, Appendix IV). This suggests AFPs are cautiously managing liquidity given the excessive switching environment¹⁵. More restrictive switching rules and/or appropriate market mechanisms would help eliminate this negative dynamic.

Interconnectedness Analysis

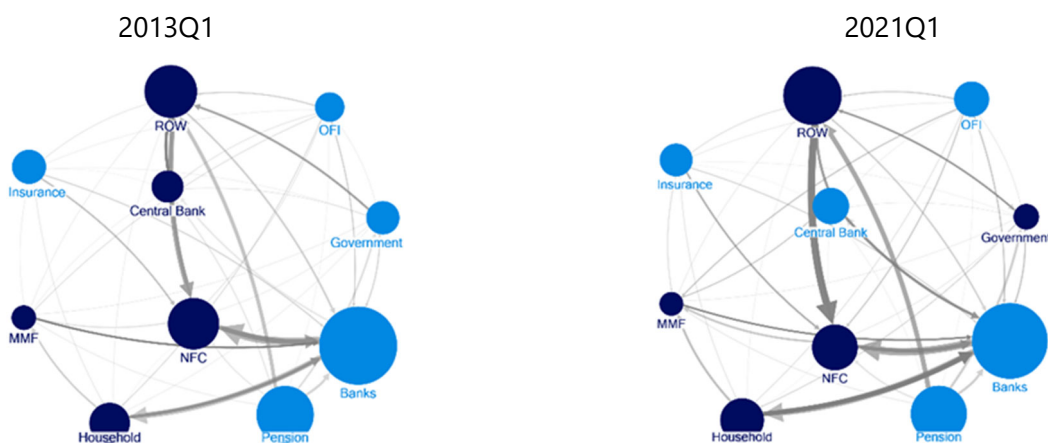
33. Network analysis suggests contained domestic contagion risks, while cross-border exposures of Chilean banks are significant for the transmission of credit shocks. As banks’ total capital is six times larger than aggregate interbank exposures, chances of cascading bank failures due to contagion are limited. A highly interconnected financial network between conglomerates and banks suggests vulnerabilities to contagion effects. In terms of inward spillover, the U.S. has the largest impact on Chilean banks (text charts)¹⁶.

¹⁴ For illustration purposes, and bearing in mind all relevant caveats, if transition risk were taken into account under the adverse scenario this would have resulted in an additional depletion of capital ranging between 26 and 53 bps.

¹⁵ Switching behavior in Chile has been linked to lower observed profitability compared to default options (SP, 2021). Switching in general is not associated with improved performance (Morales et al, 2017), and default behavior in US 401(k) plans tend to be associated with much lower switching activity (Choi et al, 2001).

¹⁶ Analysis assumes creditors can only recover half of defaulted cross-border claims, and funding withdrawn from failed creditors cannot be replaced.

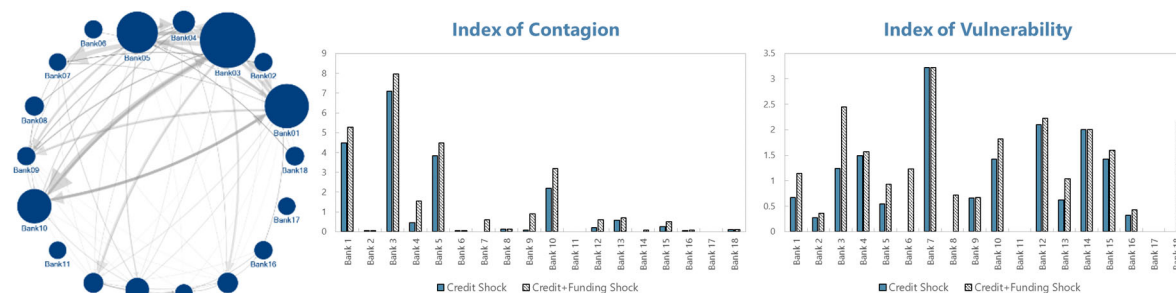
Chile: Balance Sheet Exposures¹



Source: BCCh and IMF staff calculations.

¹ Dark blue nodes represent net borrowers, while light blue nodes represent net lenders. The diameter of nodes reflects the share of an entity's total claims in percent of the system-side total claims. The thickness of arrows reflects the share of claims in percent of the system-wide total claims, while the opacity reflects the share of claims in percent of the creditor's total claims. The arrows point to the liability issuer.

Chile: Interconnectedness in the Banking System¹



Source: CMF and IMF staff calculations

¹ The diameter of nodes reflects the share of a bank's total claims in percent of the system-side total claims. The thickness of arrows reflects the share of claims in percent of the system-wide total claims, while the opacity reflects the share of claims in percent of the creditor's total claims. The arrows point to the liability issuer. The index of contagion is the average of the percentage of loss of other banks due to the failure of this bank. The index of vulnerability is the percentage of loss due to the default of all other banks.

with regulatory authority regarding the financial system and with other specific powers aimed to maintain the stability of the banking system.

24. In practice, both the BCCh and the CMF share the responsibility of preserving financial stability. The CMF's mandate is to safeguard the proper functioning, development and stability of the financial market. On financial stability policy, the mandate of the BCCh is limited to ensuring the normal functioning of internal and external payments systems, including the role of lender of last resort to the banking system. However, in practice, this gives the BCCh a broad interest in the stability of the financial system overall. Through its semi-annual Financial Stability Report, BCCh identifies, monitors and reports on risks and vulnerabilities within the financial system, from a macroprudential perspective.

25. Cooperation, coordination, and the exchange of information of supervisory activities in Chile are facilitated through the Financial Sector Supervisory Committee. This forum enables financial sector supervisors (SP and CMF; and BCCh with observer status) to cooperate and exchange information on micro-prudential regulatory and supervisory developments. However, with the integration of SBIF with the CMF and formation of Consejo de Estabilidad Financiera (CEF) it lost its importance.

26. Technical cooperation and coordination of financial stability and macroprudential policies in Chile is facilitated via the Financial Stability Board (Consejo de Estabilidad Financiera or "CEF"). The CEF is chaired by the MoF, and consists of the CMF, and SP. The BCCh is not a formal member,⁴ but is a permanent advisor to the CEF. While the CEF has powers to request and share information from and among its members, including the BCCh, which is necessary for the identification, assessment and prevention of financial stability risks, its policy or regulatory recommendations issued to competent authorities in order to contribute to financial stability are nonbinding - considering that responsibilities and legal supervisory and regulatory powers remain within the respective individual authority.

27. There is room for further improving the role of the CEF. While the CEF provides an effective forum for general crisis communication and technical coordination between the Chilean designated authorities, it does not have any decision-making authority beyond the ability to commission analysis or information from its participants, providing its members and the BCCh with information in order to exercise their individual powers and fulfill their own responsibilities. In recognition of this, the CMF and BCCh are working on an MoU⁵ that will include information sharing arrangements, agreement on stress testing practices and more detail on crisis management

⁴ According with the legal framework applicable to the CEF, provided by Law 20,789, which considers said organism as a consultive entity that depends directly from the MoF, the BCCh is not a member of the CEF, considering also that the BCCh does not have supervisory powers regarding banking, insurance, securities or pensions activity, as the CMF and SP does. Instead, and in accordance with its constitutional autonomy and technical character, the BCCh is appointed as a permanent advisor to the CEF, empowered to have access to and share confidential information, to develop studies or analysis aimed to monitor the stability of the financial system and to be part of the different CEF's working groups.

⁵ Authorities reported that the MoU was signed July 5th, 2021.

protocols, particularly as it applies to CMF decisions to place a firm into a forced liquidation or BCCh decision to provide emergency liquidity assistance to a bank experiencing liquidity stress

F. Well Developed Public Infrastructure

28. Chile is governed by a State of Law, which is configured by the Constitution and the laws. The right to private property is preserved by the constitution. Rule of law is strong in Chile, ranking at the top among Latin American and Caribbean countries.⁶

29. Chile started a process leading towards a New Constitution. In an October-2020 Referendum—agreed in November 2019 in response to the social protest—Chileans voted overwhelmingly in favor of drafting a New Constitution, starting a process that is expected to finish in mid-2022. It is anticipated that the constitutional process will include consideration of social rights and the role of the State in the provision of basic goods and services but would preserve the main pillars of the current system.

30. The financial reporting framework in Chile is established under the Companies Law No. 18.046 of 1981. The Companies Law contains basic requirements for financial reporting for all companies in Chile, including requirements for the preparation of financial statements. The Colegio De-de Contadores De-de Chile (CCCH) has the responsibility for setting accounting standards for non-regulated companies. The CCCH has adopted IFRS and for IFRS for Small- and Medium-sized Enterprises Entities (SMEs) since 2013.

31. The CMF (which absorbed the former SBIF) has adopted IFRS since 2009.⁷ The financial sector regulators are empowered to set accounting and financial reporting requirements for companies under their supervision. CCCH is responsible for setting auditing standards for non-regulated companies. The Auditing Standards Committee of the CCCH adopts the Chilean Generally Accepted Auditing Standards (NAGA) which, as reported by the CCCH, are the translation of the standards issued by the Audit Standards Board of the American Institute of Certified Public Accountants, which, in turn, are based on the IAS. The Financial Market Commission (CMF) has the authority to set the auditing standards for entities under their regulation and require application of standards issued by the CCCH.

32. Audit firms are regulated and supervised by the CMF. The CMF is empowered to: (i) maintain a registry of audit firms authorized to audit companies under their control; (ii) set ethical requirements; (iii) develop an investigative and disciplinary system; and (iv) require audit firms to establish quality control mechanisms. Audit reviews are only carried out when a suspicion or risk is identified.

⁶ World Justice Project Rule of Law Index 2020, can be reached from <https://worldjusticeproject.org/our-work/research-and-data/wjp-rule-law-index-2020>

⁷ IFRS 9 is not adopted. Financial sector is following provisioning requirements, both for accounting and prudential purposes, that are prescribed by the CMF

to risk appetite. A bank's risk appetite is evaluated only in relation to certain risks that are reviewed by the supervisors, without taking a holistic view⁹.

47. Policies and procedures for evaluating internal control, compliance and internal audit functions are adequate. However, lack of regulations to guide banks on prudent practices and the inclusion of good practices in supervision manuals that are not publicly available increase the burden on supervisors. It is also important to state clear eligibility requirements for the members of an audit committee and the head of internal audit. Additionally, banks should be required to have an adequately staffed, permanent and independent compliance function that assists senior management in effectively managing the compliance risks faced by the bank¹⁰.

Capital (CP 16)

48. The current capital framework follows Basel I in Chile which is not compatible with size and the complexity of the banking industry. Capital is required for credit risk only. Chile's capital definition and credit risk weights have some discrepancies from Basel I. Pillar 2 capital requirements were introduced in the regulatory framework on September 11, 2020 but include phase-in period until December 2023 for full implementation. Implementation of Basel III starting from December 2021 will largely address the shortcomings of the current framework.

Credit Risk and Problems Assets, Provisions and Reserves (CP 17–18)

49. The banking sector's NPL ratio is at 4.9 percent as of December 2020 year-end. The CMF has a specific division with qualified staff knowledgeable in credit risk modelling techniques. However, there are several issues that need to be strengthened regarding banks' credit risk management and asset classification and provisioning requirements. Loan provisioning levels are computed using expected credit loss techniques by banks. For large commercial loans credit individual customer-level analysis and for retail loans (including small corporates) group-level analysis is conducted. While for consumer loans banks use their own expected loss models, for other retail and small commercial loans, the CMF formed standardized methods where it provided PD and LGD parameters. CMF supervisors showed that banks consumer loans are under-provisioned which will be addressed by the CMF in the near future by providing standardized method for banks.

50. The regulatory framework does not provide guidance on definition, identification and treatment of loans that are subject to restructuring/refinancing. During the supervision process inspectors verify the existence of specific guidelines for renegotiated, refinanced loans, extended, restructured, and agreed loans. However, there are not any provisions to guide banks and inspectors on good practices. According to the current framework, if banks refinance group loans before interest or principal is 60 days past due, they will not have to classify the loans in the non-performing portfolio.

⁹ This weakness could largely be improved with full implementation of Pillar 2.

¹⁰ The term "compliance function" does not necessarily denote an organizational unit. Compliance staff may reside in operating business units or local subsidiaries and report up to operating business line management or local management, provided such staff also have a reporting line through to the head of compliance who should be independent from business lines.

portfolio. Although the regulation states that individually assessed borrowers which are need of a compulsory debt restructuring which reduces or postpones the obligation to make principal or interest payments will be included in nonperforming portfolio, the regulation does not provide any explanation or conditions for compulsory loan restructuring. All this could result in problematic loans being categorized as performing using restructuring/refinancing.

51. The value of collateral is an important determinant for provisioning levels of both individually assessed and group loans. Regulations miss explicit guidance or norms on eligible collateral revaluation thereof for determining provisioning for problem exposures. The regulations or guidelines do not require collateral to be valued at least in certain frequencies. In practice, supervisors expect banks to have the collateral be revalued every two years. If the revaluation date is more than two years old, supervisors take the face value of the collateral for the provisioning calculation. The supervision of banks' collateral valuation and monitoring processes need to be improved. Supervision guidelines for banks' collateral evaluation process should be updated/prepared. The CMF supervisors conducted two banks' collateral processes reviews in 2019 and 2020. Considering the importance of the value of collaterals, the supervision of the process should be conducted on a regular basis (depending on risk profile of the bank). Additionally, absence of recovery information for commercial loans prevents the CMF from doing back-testing of bank provisions.

Risk Management (CP 19–25)

52. The CMF's supervision structure includes specialized risk divisions with highly qualified staff in credit risk, financial risk, operational risk and cyber risk. The level of personnel in the cyber risk division is not sufficient to conduct effective supervision on this topic in banks.

53. Although the regulatory and supervisory frameworks for individual risks are strong, absence of integrated risk management function and review is perceived as an issue. Banks organize their risk management function generally by risk units (credit risk, financial risk, operational risk) which could be separate from each other. There is no regulatory requirement for establishment of an integrated risk management function to oversee the identified risks that the bank is exposed to, although in some banks in practice there is one unit responsible for overseeing all risks. In some banks the financial risk function reports to the CFO which raises serious doubt about the independence of the function. Risk functions in banks are ultimately reporting to the CEO of the bank. They don't have direct reporting lines to the board of directors. Banks are not specifically required to have qualified CROs with sufficient stature, position and authority within the organization to oversee risk management activities. The level of senior manager may not provide the stature necessary to challenge high level risk decisions and processes.

guidelines for the banking industry, including a handbook of good practices, and that certain areas should be a priority, given increased vulnerabilities due to the pandemic, including strengthening standards for collateral valuation and developing liquidity stress test for banks. However, we disagree that there is not a holistic assessment of risks at the Supervisor, because RAN 21-13, issued in September 2021 is already in force. Even when a phase out has been considered for the progressive inclusion of new risks, there is an agenda known to the market. Said regulation also explicitly gives the board responsibility to understand the risks of new products and to define risk appetite and strategies, and this is evaluated by the supervisor.

66. We also strongly disagree that the regulatory framework does not provide guidance on definition, identification and treatment of loans that are subject to restructuring/refinancing.

Indeed, there are public guidance and definitions. What the team found^{ed} were gaps, which is a different thing. The same is true for collateral valuation. Moreover, as of January 2022, the new Compendium of Accounting standards will enter in force to correct, among other things, issues on accrued interest.

67. Since the end of the mission, CMF has published several regulations that explicitly address gaps identified in this assessment. These include thresholds on identifying loans that will be evaluated individually, and the definition of a business group.

68. In addition, we would like to emphasize that as of December 2021 all capital requirement regulation for credit, market, and operational risks to implement the Basel Capital Framework is fully enforced. This regulation was not included in the assessment.

69. Authorities would like to clarify that all possible reasons for dismissal of commissioners are explicitly provided in the Organic Law of the CMF, other than a voluntary resignation. If any such situation should happen, it is also, by law, a public process.

70. All in all, the authorities welcome the exhaustive analysis carried out by the evaluators as well as the following recommendations. We are looking forward to implementing the recommendations that are not already addressed by the regulatory changes made in the last months.