

CHAPTER XIV¹
REGULATIONS APPLICABLE TO CREDITS, DEPOSITS, INVESTMENTS AND
CAPITAL CONTRIBUTIONS FROM ABROAD

1. This Chapter sets forth the applicable regulations to foreign exchange transactions relating to credits, deposits, investments and capital contributions, coming from abroad, along with those regarding other liabilities with foreign entities.

These rules shall not be applicable to credits, deposits, investments or capital contributions under USD 10,000 or the equivalent thereof in another foreign currency, nor to operations of this nature applicable to banking entities established in the country regulated under Chapter XIII of this Compendium and other relevant provisions.

2. For the purposes of the provisions set forth in this Chapter, the following definitions shall apply:

2.1 Credits:

The concept of credit as referred to in this Chapter, notwithstanding the provisions of number 5 below, is limited to the one that follows:

Any act, agreement or contract by reason of which one of the parties thereto delivers or undertakes to deliver foreign currency from abroad to another party, with domicile or residence in Chile, which assumes the obligation of returning the same amount of currency at a different moment, with or without interest or adjustment, such as: loans; credit lines; discounts or re-discounts of securities, whether or not they implicitly involve the responsibility of the endorser; and credits and overdrafts on bank or mercantile current accounts.

The concept of credit expressly includes those provided through the placement abroad of bonds, convertible or not, issued by persons domiciled or resident in Chile, payable in foreign currency, whether expressed in Chilean pesos or “*Unidades de Fomento*”; credits expressed or denominated in Chilean pesos or in “*Unidades de Fomento*”, payable in foreign currency; the “associated credits” referred to in letter d), article 2 of Decree Law 600 of 1974; those foreseen within the assumptions of No. 3 of Article 11 bis of the aforementioned Decree Law; credits or “purchaser advances” used to finance exports; and those operations for which foreign currency is used fully or partially abroad, to pay for other obligations contracted by the borrower, including operations indicated in this Compendium.

¹ The English translation of Chapter XIV it is not a binding version of the said Chapter, and is included for information purposes only. In case of any discrepancy or difference in interpretation, the Spanish original prevails.

² An inflation-indexed accounting unit.

The credits referred to in this number can be convened in the different foreign currencies and also, in any of the following “units”: SDR (Special Drawing Rights, International Monetary Fund); UA (Unit of Account, Inter-American Development Bank); “Oz (Au)” (Troy ounce of gold, international gold market); and “Oz (Ag)” (Troy ounce of silver, international silver market).

2.2 Deposits:

Acts, agreement or contracts by reason of which one of the parties delivers foreign currency from abroad or the proceeds of its sale in Chile to another, domiciled or resident in Chile, who acquires the ownership of them in the form of a deposit and undertakes to return these funds at a time other than the moment of delivery.

The deposits mentioned above shall be subject to the regulations set forth in this Chapter for investments, unless otherwise stated.

2.3 Investments:

Any act, agreement or contract by reason of which a party acquires, using foreign currency from abroad or the proceeds of its sale in Chile, the ownership or the right to use, enjoy, possess or merely bear securities, commercial papers, shares, corporate rights or any other kind of securities, real estate or chattel property.

For the purposes of this Chapter, it is authorized that investments shall be carried out through the cession of shares or social rights in legal entities established abroad, providing the Central Bank of Chile with the information indicated in Chapter XIV of the Procedures and Information Forms Manual. In this case, the remittance of the capital, dividends or profits shall always be made in foreign currency.

Likewise, for the purposes of this Chapter, the acquisition of shares in open corporations or quotas in Investment Funds, domiciled in Chile, whose purpose is the conversion of these shares or quotas into securities representatives of the same, traded in foreign markets, shall be considered as investments. The form of those securities, as well as the manner in which they shall be traded or quoted, shall be governed by the regulations of the country in which those actions are carried out; and the corresponding conversion of securities into shares or quotas or vice versa, by the provisions established under Chilean law.

2.4 Capital Contributions:

Any act, agreement or contract by reason of which a party delivers foreign currency from abroad or the proceeds of its sale in Chile to constitute or increase the capital of a legal entity, domiciled in Chile, as well as the capitalization therein of foreign currency obligations contracted abroad.

For the purposes of this Chapter, it is authorized for the capital contributions to be paid by transfer of shares or social rights in legal entities established abroad, providing the Central

Bank of Chile with the information indicated in Chapter XIV of the Procedures and Information Forms Manual. In this case, the remittance of the Capital, dividend or profits shall always be made in foreign currency.

Likewise, for purposes of this Chapter, the Capital contributed by a foreign investor to legal entities established according to article 41 D of the Income Tax Act, shall be considered as a capital contribution, whether the capital contribution is paid in shares or by social rights in legal entities domiciled abroad owned by persons without domicile or residence in Chile at a stock-market price or book value, as appropriate, or at the purchase value in the absence of the first one.

It will be also considered as a capital contribution, the reinvestment of profits carried out by a foreign investor covered by the Foreign Investment Statute instituted in the Decree Law 600 of 1974, including all its amendments, and provided that said investor previously and irrevocably waives the right to remit the corresponding profits according to the special regime aforementioned, in the terms and conditions established by the Foreign Investments Committee. The fulfillment of these requirements shall be certified by means of the corresponding communication sent to the Bank by said Committee.

2.5 Foreign Currency Coming From Abroad:

It will be understood that foreign currency corresponding to credits, investments and capital contributions comes from abroad whenever the obligation from which they originate or from which they cause, arise or proceed under any act, agreement or contract, named or unnamed, gives or may give origin to an obligation to pay or to remit foreign currency abroad on behalf of an individual domiciled or resident in Chile, or gives or may give origin to the right to transfer abroad capital invested or contributed and its respective benefits thereof.

2.6 Disposition of Funds:

Any act, agreement, or contract, by reason of which the party domiciled and resident in Chile uses funds in foreign currency located abroad at their disposal, for any purpose to carry out operations covered by this Chapter.

2.7 Applicable Regulations:

The operations referred to in this Chapter shall be governed by the provisions hereof in effect on the date: a) of entry of foreign currency, being these liquidated or not; or b) where applicable, of their use abroad. Payments or remittances of foreign currency that must be effected by reason of operations referred to in this Chapter, including interests, adjustments, profits and other benefits that these operations may generate, shall be governed by the provisions in effect on the date on which the corresponding payment or remittance is made.

3. Foreign currency entering the country generated by operations set forth in this Chapter shall be conducted through the Formal Exchange Market, hereafter indistinctly F.E.M.

For this purpose, whenever foreign currency from credits or the realization of investments or capital contributions is placed at the disposal of the beneficiary in the country, the intervening F.E.M. entity shall complete the Form in accordance with provisions in Chapter I of the Procedural Rules and request the information, set forth in Chapter XIV of the Procedures and Information Forms Manual from the borrower, investor or the company receiver of the capital contribution, as applicable.

In the event that the foreign currency is used directly abroad, or where it is maintained abroad under regulations applicable to operations covered by No. 3, Article 11 bis, Decree Law 600 of 1974, as amended, the borrower, the investor, or the company receiver of the capital contribution shall report this circumstance to the Central Bank as set forth in Chapter XIV of the Procedural Rules.

4. Foreign currency payments or remittances to parties abroad or made while abroad, that correspond to the capital, interests, adjustments, profits and other benefits arising out of operations covered by this Chapter shall be reported to the Central Bank as follows:

a) If the foreign currency represents a remittance made from Chile, which shall be conducted through the F.E.M., it shall be reported using the Form that the F.E.M. entity issues in accordance with provisions in Chapter I of the Procedures and Information Forms Manual.

b) If the foreign currency used for payment arises from operations in which foreign currency has been used directly abroad or a payment obligation is met abroad with other resources, the borrower, the investor, or the company receiver of the capital contribution, as appropriate, must report this circumstance to the Central Bank, as set forth in Chapter XIV of the Procedures and Information Forms Manual.

5. Individuals domiciled or resident in the country who contract credits that are not covered by number 2.1 above, whether or not these form part of a money credit operation and involve acts, agreements or contracts that give or may give origin to a direct obligation to pay or to remit foreign currency abroad, whose individual amounts exceed USD 100,000 or the equivalent thereof in other foreign currencies, and which are not governed by other provisions in this Compendium or the Compendium of Financial Regulations, shall report those credits as well as its payments to the Central Bank. This report shall be submitted in writing to the Central Bank within ten calendar days following the date on which this situation arises.

The credits indicated above shall not be governed by the provisions in this Chapter, except as provided in the previous paragraph.

6. Individuals carrying out operations covered by this Chapter, with the exception of those indicated in the previous number, shall report in writing to the Central Bank's Foreign Exchange Department, within ten calendar days following their formalization, the following amendments to the corresponding acts, agreements or contracts: substitution of the creditor, borrower, depositor, deposit holder, investor, contributor or receiver of the

capital contribution; total or partial cession of credits or social rights to investment or capital contributions; amendment to the company's legal name; merger or division of firms; payment plan or schedule; financial conditions and/or amendments to special credit clauses as reported; total or partial capitalization of a credit or other payment obligations; and changing from investment to capital contribution or viceversa, including foreign investment reported under the above cited Decree Law 600, which has not been formalized as such.

In the case of external credits obtained by issuing convertible bonds, the issuer shall report, at the time and form previously indicated, any increases or decreases that the registered amount undergoes, due to the conversion of such bonds expressed and payable in Chilean pesos into those expressed and payable in foreign currency or into shares, respectively, effected in favor of foreign investors who obtained them with the proceeds of capital entered to the country under the provisions of this Chapter.

6 *bis*. Foreign Investments entered into Chile according to Decree Law 600 of 1974, including all its amendments, may be subjected to the provisions of this Chapter provided that the corresponding foreign investors: i) Enter into an agreement granted by a public deed with the Republic of Chile, represented by the President, or the Executive Vice-president of the Foreign Investments Committee, as it corresponds, the termination of the respective Foreign Investment Contract; and, ii) state in writing to the Bank their willingness to maintain in the country and under the provisions of the present Chapter, the investment carried out in accordance to Decree Law 600 of 1974, as amended, and to waive explicitly and irrevocably their right to access to the Formal Exchange Market in order to remit abroad the capital entered under this special regime, as well as the corresponding profits. This last obligation shall be complied within the term of 10 continuous days elapsed from the notarized date of the said public deed, enclosing authorized copies of the same.

7. Foreign exchange operations carried out under Chapter XIV of Title I of the Compendium of Foreign Exchange Regulations prior to April 19, 2001 shall continue to be governed by the applicable provisions.

Notwithstanding the provisions of the previous paragraph, those holders of the operations referred to and in effect at that time may opt at any time to be covered by the rules in this Chapter, in this case, expressly renouncing to the previously applicable provisions. To exercise this right, they must submit a written request to the Central Bank, providing the information necessary to identify the operation involved.

Notwithstanding the stipulations in previous paragraphs, foreign exchange operations referred to in this Chapter, which have been conducted according to the provisions applicable to them, in compliance with the regulations set forth by the Central Bank, prior to 1 March 2002, may be reported, where appropriate, according to the rules outlined in this Chapter.