

Internal Rules of Procedure of the Board of the Central Bank of Chile



CONTENTS

INTRODUCTION	3
SCOPE	3
OBJECTIVE	3
DESCRIPTION	4
I. GENERAL RULES	4
A. Meetings	4
B. Participants	5
C. Agenda and Debate	6
D. Minutes	7
E. Information on the Issues Addressed	8
F. Monthly Reports	8
G. Right of Suspension and Veto	9
II. SPECIAL RULES ON MONETARY POLICY MEETINGS	10
A. Meetings	10
B. Summons	11
C. Participants	11
D. Agenda and Order of Meetings	12
E. Information on the Issues Addressed	12
F. Supplementary Rules	13
III. MISCELLANEOUS RULES	13
APPROVAL	13
UPDATES	13

RULES OF PROCEDURE

INTRODUCTION

Section 6 of the Basic Constitutional Act governing the Central Bank of Chile establishes that the supervision and administration of the Bank shall be vested in the Board, which shall exercise the powers and carry out the duties entrusted to the Bank by law.

Section 11 of the Basic Constitutional Act provides that the Board shall meet with at least three of its Members attending and its resolutions shall be deemed adopted with a favorable vote of the majority of the attending Members. The section further establishes that the Board shall hold ordinary meetings at least once a week, and extraordinary meetings whenever specifically convened by the Governor, either at his own initiative or at the written request of at least two Board Members. All resolutions adopted by the Board shall be recorded in the minutes of the respective meeting.

Section 18 of the Basic Constitutional Act establishes the powers and duties of the Board.

SCOPE

These Internal Rules of Procedure establish the general and specific rules governing the functioning of the Board.

OBJECTIVE

The purpose of these Internal Rules of the Board is to establish the procedures for the functioning of the Board with regard to its ordinary, extraordinary and special meetings, as well as its monetary policy meetings.



DESCRIPTION

I. GENERAL RULES

A. Meetings

1. The Board shall hold ordinary meetings once a week, preferably on Thursdays.
2. The summons to a given meeting, including the agenda of items to be addressed, draft resolutions and the associated background information, shall be sent to the Board Members and the Minister of Finance through the General Secretary, 48 hours prior to the meeting.
3. The meetings must be held at the domicile of the Central Bank. In exceptional cases, the Board is authorized to hold meetings and adopt valid resolutions, regulations, and directives in places other than the domicile of the Bank, provided they are situated within the national territory. In such event, the attendance of all Board Members shall be required. If such meeting is not attended by all Board Members, it must be noted in the respective minutes that the absent Members were duly summoned.
4. The Board will hold extraordinary meetings when summoned by the Governor, whether on his own initiative or at the written request of at least two Board Members. Upon such request, the Governor shall not refuse to issue the summons, in which case the respective meeting shall take place within three banking business days following the request. The Governor must send the summons to an extraordinary meeting, including the agenda of items to be addressed, draft resolutions and the associated background information, to the Board Members and the Minister of Finance at least 24 hours prior to the meeting.
5. If, under exceptional circumstances, such as an urgent need to address issues that require immediate resolution, it is not possible to issue a summons with the minimum 24 hours prior notice, the Governor, whether on his own initiative or at the written request of at least two Board Members, shall be allowed to summon the Board and the Minister of Finance to a special meeting with three hours prior notice. The relevant summons must include the agenda of items to be addressed, draft resolutions, and the associated background information.
6. At least three Members must attend for the Board to operate, and resolutions will be deemed adopted with the favorable vote of the majority of the Members attending, unless the law requires a qualified majority. In the event of a tie, the presiding Member shall have the casting vote.

Notwithstanding the above, Board resolutions that affect the determination of the annual budget of the Bank, or any amendment or supplement thereof,

shall require a favorable vote of at least three Members. The General Manager must report to the Board on any draft resolution that involves the management expense and investment budget of the Bank for the respective year that affects the current budget restrictions, and may not dispose of the corresponding funds until without the approval of the Board as outlined above.

7. Board Members may participate in Board meetings through technological means that provide a simultaneous and uninterrupted connection, in the event that they cannot attend the meeting in person due to force majeure or other exceptional circumstances authorized in advance by the Board. In urgent cases, the aforementioned authorization may be granted by the Governor or his substitute, without prejudice of subsequent ratification by the Board.

The provisions of this clause shall apply provided that the meeting in question is held at the domicile of the Bank and with the attendance in person of at least two Members. For these purposes, videoconferencing and teleconferencing systems shall be deemed for as long as they meet the technical requirements for allowing the unmistakable identification of the Member participating remotely and supporting secure communications in accordance with the Bank's security standards.

For the purposes of quorum specified in the previous clause, the remote attendance of any Members and their corresponding votes must be certified by the Certifying Officer of the Bank and recorded in the respective minutes, which must subsequently be signed by all Members who attended the meeting, whether in person or remotely.

B. Participants

1. The Minister of Finance may attend Board meetings, with the right to be heard.

2. In the absence of the Minister, the Undersecretary of the Ministry of Finance may attend Board meetings in order to inform the Minister on the issues addressed.

3. The General Manager and General Counsel of the Central Bank shall attend Board meetings, with the right to be heard. They will be summoned in the same form as indicated for Board Members. The Certifying Officer of the Bank shall also attend.

In the event of absence, the Board can designate a substitute to sit in for the General Manager; In the case of absence of the General Counsel the alternate shall be the Chief Counsel (or acting Chief Counsel), and the alternate of the Certifying Officer shall be the person designated by the Board.

4. Division Directors shall attend Board meetings when specifically summoned and will stay until the end of the meeting, unless requested by the Board to leave the boardroom earlier.



5. The Board may also summon managers or any other Bank staff member to attend Board meetings, in which case they will be present only during the discussion of the issue for which they were summoned.

C. Agenda and Debate

1. The General Manager shall submit a proposed agenda to the Governor, through the General Secretary, at least 72 hours in advance of ordinary meetings. The General Manager will develop the agenda based on information and data provided by the different Divisions of the Bank.

The Governor must include in the agenda any issues requested in writing by at least two Board Members.

Once the agenda is set, the Governor may exclude any items he deems appropriate for exclusion, unless they were included on the request of two or more Members or the Minister of Finance, in which case the issue in question can only be withdrawn on the request of the initiator(s).

2. During any meeting attended, the Minister of Finance may suggest to the Board, either verbally or in writing, the adoption of specific resolutions, matters that the Board shall discuss at the following meeting. To this end, such matters shall be included in the respective agenda.

3. Once the agenda is approved by the Governor, the General Manager must deliver it to the General Secretary on the same day it is approved, to be included in the corresponding summons.

In the case of extraordinary and special meetings described in clauses 4 and 5 of section A above, the agenda must be prepared sufficiently in advance to be included in the corresponding summons.

4. Any agenda items that were subject to debate but were not settled at the meeting will be rescheduled for discussion at a future meeting, the date of which will be determined by the Board. If, at the subsequent meeting, the debate continues unresolved and no resolution has been adopted, the Governor will declare the debate closed and will bring the issue to a vote in order to adopt a resolution, unless a majority of the Board Members attending vote to continue the debate at a third meeting, in which case a resolution must be adopted at that session. Once the debate has been closed and a vote called, the Board Members must cast their votes, providing a brief justification if desired.

5. At the meetings, resolutions can only be adopted on items scheduled on the agenda for that meeting.

6. A majority of the Board Members attending or the Minister of Finance may always request, at a given meeting, that a vote be called on the resolution of any point included on the agenda.

7. Any Board Member that request so at the meeting, as well as the Minister of Finance, may ask to have their position or arguments in relation to any matter discussed at the meeting or any other issue related to the general policy, conduction or management of the Bank recorded in the minutes of such meeting, whether or not included on the agenda.

8. The General Manager and General Counsel, or their substitutes, may have their opinion on the issues debated at the meeting recorded in the minutes.

D. Minutes

1. Resolutions adopted by the Board must be recorded in the minutes of the respective meeting.

2. The Certifying Officer must take the minutes of each Board meeting. The minutes must record the following:

(a) Date, starting and ending time of the meeting;

(b) Individuals attending the meeting;

(c) Issues analyzed at the meeting, with a brief summary of the background information and the debate or discussion of the issue;

(d) Opinions of the Board Members and the Minister of Finance, issued in accordance with clause 7 of section C above;

(e) The opinion of the General Manager or General Counsel (or their substitutes), issued in accordance with clause 8 of section C above; and

(f) Resolutions adopted by the Board, with indication of who voted in favor, who voted against, and who abstained and a brief summary of the opinions on which the votes were founded.

3. The minutes will be presented to the Board at the next meeting, so that the Members and the Minister of Finance may emend the text where deemed appropriate. The minutes must be signed by the Members who attended the respective meeting and by the Minister of Finance, if attended, within 30 days following the meeting at which the respective minutes were presented to the Board and authorized by the Certifying Officer.

4. Nevertheless, the resolutions adopted by the Board will be implemented without waiting for the approval of the corresponding minutes, unless the Board specifies otherwise.



E. Information on the Issues Addressed

1. The Board meeting minutes shall be subject to the general reserve requirement established in Section 66 of the Basic Constitutional Act, with the exceptions stipulated therein.

Notwithstanding the above, the Bank shall publish in the *Official Gazette*: the resolutions and decisions adopted in virtue of number 2 of Section 34, in the exercise of the powers granted under Sections 35, 40, 42, and 49 of the Central Bank Basic Constitutional Act; all resolutions of general applicability, as well as those resolutions that, in the opinion of the Board or any of its Members, are deemed relevant for public knowledge.

2. The minutes shall be kept on file in the General Secretariat and will be available for review by the Board Members, the Minister of Finance, the General Manager, the General Counsel, the Certifying Officer, and the Auditor General.

Board Members and other individuals mentioned in the preceding paragraph who have left office may request specific information related to meetings they attended, subject to authorization by the Governor and a report by the General Counsel. In granting authorization, the Governor will take into account, particularly, whether the petitioner has a legitimate interest.

3. Without prejudice of the reserved status of the minutes, with regard to monetary, financial, or foreign exchange issues, upon express approval of the Board, a statement will be prepared to inform the public on the issues addressed, the opinions expressed, the resolutions adopted, and the vote of each Board Member, all in accordance with the proceedings of the respective meeting. The Bank may also choose to issue a press release, either alternatively or in conjunction with the public statement, for the same informative purposes.

The public statement must be approved by the Board and subsequently published on the Bank's website on the first bank business day of the month following its approval.

The General Secretariat shall keep a file of public statements approved by the Board.

4. With a majority vote of the Members attending the meeting, the Board may establish that specific resolutions be subject to non-disclosure, provided that they are not legally required to be published. The Certifying Officer will draw up special records on the undisclosed resolutions, which will be held in a separate file from the general resolution records, under his sole custody.

F. Monthly Reports

1. The Governor shall report to the Board, at least monthly and also upon requested by any Member, on the implementation of policies and general regulations issued by the Board, as well as on the operation and development of the Bank.

2. Additionally, once a month, the Governor shall send the Board Members a list of all resolutions completed or pending. The list will also be sent to the Minister of Finance.

G. Right of Suspension and Veto

1. At any meeting attended, the Minister of Finance shall have the right to suspend the application of any decision or resolution passed by the Board for a period not to exceed 15 days, starting on the day of the meeting in question, provided that, if all Board Members insist upon the application thereof, such suspension shall have no effect.

2. In the event that the application of any Board decision or resolution is suspended pursuant to the above provisions, the Minister may request the Governor of the Bank, with sufficient anticipation and while the suspension period is still in effect, to call an extraordinary meeting of the Board in order to address the issue in question. The Governor may not refuse to issue the summons, and the meeting shall be held within three business days following the request.

3. In the event that the Minister of Finance exercises the right of suspension described above with regard to resolutions or decisions that imply the extension or renewal of regulations in force for a specified period, which will end during the suspension period, the regulation in question will remain in force until the end of such suspension.

4. The above situation must be endorsed by the Certifying Officer, who shall publish in the *Official Gazette* an extension of the regulation to remain in force through the end of the suspension period.

5. The Minister of Finance shall also have the right to veto the resolutions of the Board adopted in accordance with Section 49, Subtitle VIII, Title III of the Basic Constitutional Act. In the event of a veto, the resolution in question may only be adopted pursuant to an unanimous favorable vote by the Board Members.



II. SPECIAL RULES ON MONETARY POLICY MEETINGS

A. Meetings

1. The Board will hold ordinary monetary policy meetings once a month.

2. The Governor of the Bank shall set the date of each ordinary monetary policy meeting six months in advance. As soon as the dates of the monetary policy meetings have been set, the Governor must inform them to the Board Members, the Minister of Finance, the General Manager, the General Counsel, and any others who are to participate in the meetings, through the Certifying Officer.

This communication does not replace or otherwise affect the summons described in section B below.

3. The Governor shall inform the public, with the anticipation previously indicated, the dates on which ordinary monetary policy meetings will be held, through the Bank's website.

4. When justified, the Board shall be allowed to bring forward or postpone the date of an ordinary monetary policy meeting. Despite the change, the meeting will still be considered an ordinary meeting for all purposes.

Notwithstanding the above, the Governor must summon the Board Members, the Minister of Finance, the General Manager, the General Counsel, and other participants, as stipulated in section B below.

The Governor shall also inform the public of the Board resolution changing the date of the ordinary meeting.

5. The Governor, whether on his own initiative or upon the request of at least two Board Members, may bring forward the start time of an ordinary meeting by 24 hours, with the sole purpose of addressing monetary policy issues that will provide the basis for the resolution, which will be adopted at the continuation of the meeting, to be held at the original time and date.

The Certifying Officer must notify the Board Members, the Minister of Finance, and other participants that the start time of the monetary policy meeting has been moved forward, at least three days in advance of the new start time.

6. The Board may also hold extraordinary or special monetary policy meetings, in accordance with the procedures stipulated in clauses 4 and 5 of section A in Part I of these Internal Rules.

B. Summons

1. In addition to the notification specified in clause 2 of section A above, for each meeting the Governor must specifically summon the Board Members, the Minister of Finance, the General Manager, the General Counsel, and any others entitled to participate in the meetings. The summons to the meetings must be issued at least 7 days in advance, indicating the place, day, and time that the meeting will be held.

2. To ensure a well-informed participation, the background report on the issues to be analyzed in the relevant meeting shall be sent to the Board Members, the Minister of Finance, and other participants at least 48 hours in advance of the meeting. In the case of extraordinary meetings, the background reports must be sent three hours in advance.

C. Participants

1. In addition to the Board Members and the Minister of Finance, the following officers of the Central Bank will participate in monetary policy meetings:

- a. The General Manager, or a substitute designated by the Board;
- b. The General Counsel and the Certifying Officer, or their substitutes;
- c. The Director of the Research Division, or his substitute;
- d. The Director of the Financial Markets Division, or his substitute;
- e. The Director of the Financial Policy Division, or his substitute;
- f. The Director of the Statistics Division, or his substitute;
- g. The Macroeconomic Analysis Manager;
- h. The Economic Research Manager;
- i. The International Analysis Manager;
- j. The Communications Manager;
- k. The Domestic Markets Manager;
- l. The Monetary Policy Strategy and Communication Manager;
- m. The Financial Stability Manager; and
- n. The General Secretary.



2. The Research Division Director, the Financial Markets Division Director, the Financial Policy Division Director, and the Statistics Division Director, or their substitutes; and the Macroeconomic Analysis Manager, the Economic Research Manager, the International Analysis Manager, the Communications Manager, the Domestic Markets Manager, the Monetary Policy Strategy and Communication Manager, and the Financial Stability Manager; will be entitled to express their opinion at the monetary policy meetings.

3. In addition to the participants listed in clause 1 above, with the approval of the Governor, an advisor from the Ministry of Finance and two economists from the Bank determined by the Governor may also attend monetary policy meetings.

D. Agenda and Order of Meetings

1. It is not necessary to develop a special agenda for each meeting, as it is understood that the objective is to analyze the contents of the background reports issued to participants in accordance with clause 2 of section B above, in this Part II.

2. The order of the meeting will be as follows:

a. Approval of the minutes from the previous meeting, as appropriate;

b. Approval of the public announcement described in section E below, as appropriate;

c. Analysis of recent economic and financial developments, review of the short- and medium-term outlook, and assessment of Central Bank policies; and

d. Analysis of options, adoption of resolutions, and approval of the text of the press release.

E. Information on the Issues Addressed

1. On the banking business day prior to an ordinary monetary policy meeting, the background report on recent economic and financial developments described in clause 2 (paragraph c) above, shall be released to the public, with the exception of specific information to be included in the *Monetary Policy Report* that is regularly presented by the Board to the Senate.

2. At the end of each monetary policy meeting, a public announcement shall be made of the decision (s) adopted at the respective meeting. The Board must approve the text of the announcement prior to its public release.

3. On the banking business day following a given ordinary monetary policy meeting, public information contained in the Research Division's presentation to the Board will also be released to the public.

4. In the case of ordinary meetings, the press release on the monetary policy meeting may be approved at any Board meeting, and it shall be released to the public on the eleventh bank business day following the respective monetary policy meeting. The same applies to press releases on extraordinary or special meetings. In such case, the corresponding announcement will be made public at the next ordinary monetary policy meeting, unless the aforementioned time period passes first, in which case the announcement will be released at that time. The public announcement will state the vote of each of the Board Members.

5. The release of public information described in clauses 1 and 3 shall not apply to extraordinary or special monetary policy meeting.

F. Supplementary Rules

With regard to any issues that are not specifically addressed in this Part II, the monetary policy meetings will be subject to the general rules outlined in these Internal Rules.

III. MISCELLANEOUS RULES

An updated version of these Internal Rules shall be available to the public on the website of the Central Bank of Chile.

APPROVAL

Any changes or updates to the Internal Rules of the Board must be approved by the Board.

UPDATES

The Internal Rules of the Board must be updated when the Board adopts a decision that affects its functioning.