



PRESS RELEASE

December 30, 2020

The Central Bank of Chile authorizes the use of the Chilean Peso in cross-border transactions

In order to broaden the cross-border transactions that can be executed with Chilean Pesos (CLP), in July the Central Bank of Chile (CBC) published for public consultation changes to its Compendium of Foreign Exchange Transactions (CFET). This regulatory change is the second step of the process of modernization of Foreign Exchange (FX) regulations, which in turn is part of the 2018-2022 Strategic Planning of the CBC.

Following the public consultation process, and after an analysis of the comments received by interested parties, on the 24th of December the Board of the CBC approved modifications to the Annex 1 of the 1st Chapter of the CFET in order to authorize the use of CLP in several cross-border transactions. According to these modifications, these newly authorized transactions must be channelled through entities that are part of the Formal Exchange Market, whenever it is applicable; and must be reported to the CBC using the reporting systems contained in the CFET Manual. Accordingly, within the following weeks the CBC will publish a Circular containing new adjustments to the CFET Manual, in order to adapt the existing reporting systems to these newly authorized transactions.

There are only two differences between the final version of the regulatory change and the version published for public consultation: i) the authorized transactions of the Chapter XIV of the CFET were specified, and ii) the entry into force of the regulatory change was postponed two months, in order to allow for all parties involved in this process to make the adjustments that may be necessary.

Therefore, as of March 1st, 2021, the use of CLP is authorized for the following cross-border transactions:

- The subscription of derivatives that can be settled through the delivery of CLP.
- The opening and holding of bank accounts in CLP by non-residents or persons without a domicile in Chile.
- The granting of credit by Chilean residents or persons with a domicile in Chile, to non-residents or persons without a domicile in Chile. For these transactions, the definition of Chapter XII of the CFET of credit applies.

Also, as of September 1st, 2021, the use of CLP is authorized for the following transactions:

- Deposits or investment abroad by Chilean residents or persons domiciled in Chile. For these transactions, the definitions of Chapter XII of the CFET of deposit and investment apply.
- Granting or constituting credits, deposits, investment and capital contributions in Chile by non-residents or persons without a domicile in Chile. For these transactions, the definitions of Chapter XIV of the CFET apply.

It is worth noting that this regulatory change refers only to the CBC FX regulation. Therefore, it does not modify regulations issued by other entities such as the banking and securities supervisor (CMF), the AML/CFT authority (UAF) nor the tax authority (SII).

Since the final version of the regulatory change has no significant changes compared to the version published for public consultation, the document published in July explaining the details and the rationale of the regulatory change is still applicable ([link](#), in Spanish only). In addition, the Financial Stability Report of the 2nd half of 2020 described possible effects of the regulatory change ([link](#), in Spanish only). Furthermore, with this press release, the CBC published a report with reactions to the main comments received in the public consultation process ([link](#), in Spanish only).

The internationalization of the CLP will contribute to price stability and the normal functioning of payment systems. In this regard, this regulatory change can be an important contribution to that objective by fostering the competition and efficiency of local financial markets, and by removing obstacles that prevent a bigger interaction between non-residents and the local market.

Specifically, increasing the counterparties available for local agents to transact CLP will contribute to improve the price formation process associated to those transactions, to increase liquidity and to adopt international practices in the local FX market. The regulatory change will also allow for debt issuers - both residents and non-residents- to access funding in CLP in international market. This is important because it will allow local companies to access cross-border funding without FX risk, therefore improving the conditions of foreign financing.

Lastly, non-residents will be able to access new products payable in CLP that can facilitate cross-border transactions, such as credit lines and bank accounts. Those products will allow, for instance, investment portfolios of non-residents in Chile to be settled in CLP in Chile or abroad, contrasting to the current situation where the investment flows have to be exchanged to foreign currency in order to be transferred to their countries of origin.