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## LEGAL ALERT

# Central Bank of Chile opens consultation on regulatory amendment to allow close-out netting in Repo contracts

On July 18, 2025, the Central Bank of Chile published a regulatory proposal for consultation, which introduces significant amendments to Chapter III.D.2 of its Compendium of Financial Regulations, with the aim of allowing netting in repurchase agreement transactions and reverse repurchase agreement transactions (hereinafter indistinctly referred to as “Repos”) under master agreements recognized by the BC for the purposes of Article 140 of Law 20,720.

### **\*\*Main axes of the Regulatory Proposal:\*\***

- **Recognition of master agreements:** The Regulatory Proposal contemplates, so that a netting agreement of related obligations arising from the same master Repo agreement in the event of voluntary or forced liquidation of one of its parties (close-out netting):
  - The recognition of master Repo agreements where the **\*\*counterparties are entities other than banks\*\*** established in Chile, and
  - The recognition of master Repo agreements **\*\*where at least one of the counterparties is a bank\*\*** established in Chile.

The main difference between these two is that in the case of the master Repo agreements referred to in item (ii) above, the recognition is understood to be granted subject to compliance with the general terms and conditions referred to in point 2 below, a requirement that is not demanded in case of the former.

**\*\*The Regulatory Proposal does not yet establish which master Repo agreements will be recognized\*\*.** We estimate that the public will be able to propose the recognition of one or more such agreements by the time the final regulation is issued.

- **Determination of general terms and conditions:** The Regulatory Proposal

sets forth the minimum general terms and conditions that master Repo agreements must provide for when one of the parties is a bank or institutional investor. This includes termination causes, netting procedures, and early enforceability, among others.

In particular, the Regulatory Proposal (in terms similar to those established for derivatives) conditions the exercise of early enforceability clauses due to financial instability events, poor management, or other events prior to forced liquidation, with respect to a bank established in Chile or another institutional investor, to the fact that at least 2 banking business days have elapsed from the date of occurrence of the respective event (stay period). Such enforceability causes are detailed in Annex 2 of the Regulatory Proposal.

The public consultation will extend until August 17, 2025, and comments should be sent to the email [consultarepo@bcentral.cl](mailto:consultarepo@bcentral.cl).

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