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LEGAL ALERT

Central Bank publishes for public consultation new regulations on sale portfolios to securitization companies

The Central Bank of Chile ("**CBC**"), on August 3, 2023, agreed to publish for public consultation the proposed amendment to Chapter III.B.4 of the Compendium of Financial Regulations ("**CFR**") regarding the securitization of assets, contemplating the possibility of acquiring "self-securitized" or "retained securitization" instruments by banks.

The proposed regulation creates the possibility for banks to sell or assign documents from its loan portfolio to a securitization company so that the latter, through a separate patrimony, may issue asset-backed securities that may be acquired by the same banking company that initially assigned them.

The self-securitization is subject to compliance with certain requirements by the banks, which are set forth in the regulation. The proposal also allows these self-securitized asset-backed securities to be used as collateral in transactions with the CBC (if such instrument has risk rating equal to or higher than AA granted by two risk rating agencies, among other requirements) or other financial institutions.

The objective of the new regulation is to incentivize the private market for asset-backed securities, improve banks' risk management by having an adequate stock of instruments that meet the CBC requirements for accessing liquidity or credit facilities and, eventually, strengthen the private REPO market by using these self-securitized debt instruments as collateral in such transactions.

The consultation period for the regulations will be extended until October 3, 2023.

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