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CMF LAUNCHES PUBLIC CONSULTATION ON NEW FRAMEWORK FOR INTERNAL METHODOLOGIES APPLICABLE TO CREDIT RISK PROVISIONS AND CAPITAL REQUIREMENTS

On August 3, 2026, the Chilean Financial Market Commission ("CMF") launched a public consultation on a regulatory proposal that would introduce a new Chapter 21-9 of the Consolidated Regulatory Compendium for Banks ("RAN") and amend Chapters 21-1 and 21-6 of the RAN and Chapter B-1 of the Compendium of Accounting Standards ("CNC").

The proposal seeks to establish a comprehensive regulatory framework for banks to develop and use internal methodologies ("IMs") to calculate provisions and risk-weighted assets for credit risk capital requirements, as part of the ongoing enhancement of Chilean regulation in line with Basel III standards and international best practices.

Key highlights:

New framework for internal methodologies:

The proposed new Chapter 21-9 would consolidate the requirements for the development, assessment, approval and supervision of IMs applicable to both provisioning and credit risk capital requirements. It distinguishes between "basic" methodologies, under which banks estimate probability of default (PD), and "advanced" methodologies, which also consider loss given default (LGD).

Greater certainty regarding their use:

The proposal seeks to reduce regulatory uncertainty regarding the criteria applicable to the approval of IMs by establishing a clearer process for their authorization, implementation, monitoring and potential extension to additional exposures.

Update to the provisioning model:

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The proposal would amend Chapter B-1 of the CNC by recalibrating the probability of default scale applicable to individually assessed commercial portfolios and replacing the current treatment of collateral with a system based on standardized LGD discounts, in line with the treatment applicable to credit risk capital requirements.

Regulatory harmonization:

Amendments to Chapters 21-1 and 21-6 of the RAN are proposed to transfer provisions on IMs that are currently dispersed across the regulatory framework to the new Chapter 21-9, harmonize their regulation, update references to Chapter 21-10 on collateral as a credit risk mitigant, and introduce other consistency adjustments.

Gradual implementation:

The new Chapter 21-9 and the amendments to Chapters 21-1 and 21-6 would become effective upon publication of the final regulation. Banks would be able to submit IMs for provisions applicable to individually assessed exposures beginning in January 2028, while the substantive amendments to the provisioning model under Chapter B-1 would become effective in January 2031.

The public consultation will remain open until October 26, 2026. During this period, the CMF will hold working sessions with the industry to review the proposed adjustments and identify any remaining potential implementation frictions.

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