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LEGAL ALERT

Constitutional reform empowers Chilean Central Bank to buy and sell debt instruments issued by the Chilean Treasury

On the August 20 issue of the Official Gazzette, Law 21,253 was published, amending the Political Constitution of the Republic of Chile to allow the Central Bank to buy and sell debt securities issued by the Fisco, by adding a new paragraph to its Article 109 according to which under exceptional and transitory circumstances and as a way to protect the normal operation of the payments systems both domestic and foreign, the Central Bank may acquire such debt securities.

Further to the former provisions of Article 109, before the amendment, the Central Bank “In no manner shall ….acquire debt securities issued by the State, its organisms or enterprises”.

The amendment shall be effective upon the effectiveness of a bill of law that will amend the Central Bank’s Organic Constitutional Law to regulate the manner in which the Central Bank shall exercise this power.

The bill was approved by Congress and received no comments form the President of the Republic, and is subject to the constitutional control by the Constitutional Court. If approved, it shall require that the new power of the Central Bank be exercised by a grounded resolution adopted by its Board with the vote of at least four members in a session where the Minister of Finance will be invited. In the session the Minister will be empowered to the right of voice and to propose and to suspend decisions for up to 15 days.

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