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LEGAL ALERT

Derivatives Transactions: Central Bank of Chile recognizes a new Derivatives Framework Agreement for local market

On September 7, 2020, it was published in the Official Gazzette a resolution of the Central Bank's council, which recognizes a new Derivatives Framework Agreement for the local market, for purposes of Article 140 of Law No. 20.720 (the "Central Bank's New Resolution").

Pursuant to the abovementioned legal provision, the issuance of a Liquidation Ruling under an insolvency procedure prevents any settlement that would had not occurred before by the sole minister of law, except in case of related obligations (obligaciones conexas).

This provision also states, in this context, that "related obligations" are those that come from derivatives agreements entered into the same parties under a same framework agreement, recognized by the Central Bank, and which includes a settlement agreement in case of Voluntary or Mandatory Liquidation.

The same law empowers the Central Bank of Chile to set the terms and conditions applicable to the framework agreements in which either a bank or an institutional investor are a party.

The Central Bank's New Resolution recognizes for these purposes, (i) the General Conditions on Local Market Derivatives Agreements (Condiciones Generales para Contratos de Derivados en el Mercado Local), approved by the Association of Banks and Financial Institutions ("ABFI") and registered (protocolizadas) on July 6, 2020 in the Notary Public of Santiago of Mr. Luis Manquehual, under notarial record number 9170/2020, and (ii) the Supplementary Annex of Adaptation and Amendments to the General Conditions on Local Market Derivatives Agreements (Anexo Complementario de Adecuación y Modificaciones a las Condiciones Generales de Contratos de Derivados en el Mercado Local), approved by the ABFI and registered on July 6, 2020, in the Notary Public of Santiago of Mr. Luis Manquehual, under notarial record number 9172/2020, which were incorporated to Annex 1 of the Chapter III.D.2 of the Financial Regulations Compendium issued by

the Central Bank of Chile.

The acknowledgement of the abovementioned documents, in which a bank organized in Chile intervenes, is deemed granted subject to the general terms and conditions set forth in Section II of Chapter III.D.2 of the Financial Regulations Compendium, referring exclusively to the settlement agreements that they may consider in an event of Mandatory Banking Liquidation, regarding derivatives transactions referred to in article 140 of Law No. 20,720 and article 136 of the General Banking Act.

Due to the abovementioned, the derivative agreements executed under the recognized General Conditions for local market, will authorize the netting regarding different related obligations arising thereto. Likewise, the agreements executed under former general conditions remain being valid for these same purposes. Those can be adapted to the new conditions, pursuant to the terms of the abovementioned Supplementary Annex.

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