/Carey

Marzo de 2018

SELF-REGULATION AND THE FINANCIAL SELF-REGULATION COMMITTEE

As the Commission for the Financial Market (the "**Commission**") came into full force this January (read previous news alert here), the regulation of the Chilean financial market took a step forward in terms of institutionalism and modernization. In this context, one of the changes introduced by Law No. 21,000 (the "**Law**"), that created the Commission, is the self-regulation of entities in the financial market.

The Law provides that public offer intermediaries, stock exchanges, products exchanges, general fund administrators and single portfolio administrators supervised by the Commission must mandatorily self-regulate in order to ensure the implementation of good practices in terms of corporate governance, business ethics, transparency and fair competition. In this respect, the entities forced to self-regulate have two options: (i) issue their own regulations and conduct codes, which must be filed before the Commission by June 14, 2018; or (ii) take part in the Committee of Financial Self-Regulation (the " **Committee**"). Entities that choose to participate in the Committee must report their decision to the Commission by March 16, 2018, through the Online Information Remittance System (SEIL).

The Law provides that the Committee's objectives will be: (i) to issue the regulations necessary to reach the aforementioned goals and ensure compliance; (ii) to establish and certify the compliance of standards of technical and ethical adequacy of the securities market players; (iii) to resolve the differences or claims that are presented between its members or between members and their clients; and (iv) to promote the protection of investors. The Committee shall be managed by a board comprised of five independent directors chosen by the members of the Committee through a designated sub-committee and shall be financially independent. As to its members, the Committee shall be composed of not only the entities that are required to self-regulate and choose to be part of it, but also, by any entity of the financial market that voluntarily chooses to participate in the Committee. Voluntary participants will also have

Carey y Cía. Ltda.
Isidora Goyenechea 2800, Piso 43.
Las Condes, Santiago, Chile.
www.carey.cl

until March 16, 2018, to file a request before the Commission to join. Finally, entities such as trade associations, securities deposit and custody companies and administrators of compensation and liquidation systems of financial instruments and others, may also join, in compliance with the terms and conditions provided by the Committee.

The regulation of the Committee shall be established through an internal rule (the "**Internal Regulation**"), which, along with other matters, shall regulate the form, amount and proportion of the contributions that the members of the Committee must make annually. The Committee shall issue the regulations deemed necessary to achieve the objective of self-regulation, and once approved by the board of the Committee, these regulations will be mandatory for all of its members. The Committee will have the authority to supervise and review the transactions made through the exchanges, undertake periodical audits of its members, impose sanctions through fines or other measures, and report breaches that comprise a felony to the Commission. All of these functions will be monitored by the Internal Regulation. The Committee may also grant certifications of adequacy and sufficiency of knowledge to participants of the securities market that by legal or regulatory provisions are required to obtain them, and also to those that voluntarily chose to obtain the certifications.

Alternatively, the entities forced to self-regulate may issue their own regulations and codes of conduct, which ought to be approved by the Commission. In this respect, the Commission has issued an invitation for public comment on a project that regulates the minimum content and structure of codes of conduct, making them easier to compare. According to the regulatory project, the codes must be structured around the following areas: (i) relationships with clients, including norms of treatment, commercialization, publicity, confidentiality, the delivery of information and client service; (ii) relationships with third parties, including norms that promote fair competition, the sustainability of the institution and the integrity of the securities market (preventing frauds, market abuses and other breaches); and (iii) relationships within the entity, including corporate governance regulations, prevention and management of conflicts of interest, prevention of internal frauds, observance of the code of conduct and sanctions for violations.

Autores: Pablo Iacobelli; Cristián Figueroa; Patricia Silberman