



## Regulatory framework and approach

- The BCCh regulates the FX market ([www.bcentral.cl](http://www.bcentral.cl)).
- The regulator of banking activities is the Superintendency of Banks and Financial Institutions ([www.sbif.cl](http://www.sbif.cl)).
- Local banks can only trade interest and FX options that are previously approved by Superintendency of Banks and Financial Institutions. Any uncovered leveraged position entails some capital cost to the bank.
- The regulatory framework in Chile keeps the local financial system relatively resilient to international jitters and also protects the corporate sector from FX fluctuations. In particular, i) Securitization of credit risk is restricted—credit risk is kept within the balance sheet; ii) Banks can hold positions only on some derivatives products—credit derivatives are not allowed and any FX and/or interest rate derivative contract is required to pass an exhaustive process of authorization by the Superintendence of Banks and Financial Institutions; iii) the capital cost of an unhedged FX position is high.
- Foreign investors no longer need to open a custodial account to invest in local Central Bank and Government bonds as these are now Euroclearable.

## Onshore CLP products

### FX spot

Regulatory:	None besides notification for transactions over USD 10,000 (see above).
Liquidity:	Good
Avg. Ticket size:	USD 5mn
Bid/ask spread:	CLP 0.3
Avg. daily volume:	USD 1.4bn (USD1.2bn in the electronic system and USD 0.2bn in the OTC)
Ref. source:	Reuters page <CHILJ> and Bloomberg <DBLM1>
Daily Hours:	7:30am - 13:30pm local time; aftermarket liquidity low, 13:30pm - 16:00pm

### FX forward

Regulatory:	Same as for onshore spot market.  Only local counterparties can participate, so offshore participants need local legal status. The forwards settle T+2 and fix at the <i>dolar observado</i> – the average of the previous day (BCCHILG on Reuters, at noon).
Liquidity:	Good up to tenors of 1Y. Longer-dated forwards are significantly less liquid.
Avg. Ticket size:	USD 10-20mn
Tenor:	Up to 1Y
Bid/ask spread:	Varies with the tenor: 1M CLP0.1, 3M CLP 0.20 and 1Y CLP 0.50
Avg. daily volume:	USD 1,000mn normally
Fixing:	Bloomberg ticker: PCRCDOOB Index, Reuters ticker: CLPOB=

### FX options

Regulatory:	No active local market yet, but the central bank has already granted approval to operations with derivatives.
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