



# CHILE

## CENTRAL BANK TRANSPARENCY CODE REVIEW

May 2021

# DETAILED REVIEW REPORT

Prepared By  
**Monetary and Capital  
Markets Department**

This Report was prepared by an IMF mission in Chile in March 2021, led by Ghiath Shabsigh and comprising Ashraf Khan (deputy mission chief), Grace Jackson, Elias Kazarian, Arkadiusz Majewski, Marcela Matamoros, and Akihiro Yoshinaga;<sup>1</sup> and overseen by the Monetary and Capital Markets Department, IMF. Production assistance was provided by Javier Chang and Danica Owczar.

The team extends its warm thanks to the Governor, Board, senior management and staff of the Central Bank of Chile, who provided excellent cooperation, and to outside stakeholders and interested public for their valuable views and insights.

---

<sup>1</sup> The mission was backstopped by the following IMF HQ staff: Asad Qureshi, Svetlana Popova, Mowele Mohlala, Elie Chamoun, Matevz Zbasnik, Chady El Khoury, and Emmanuel Mathias.

## CONTENTS

<b>EXECUTIVE SUMMARY</b>	<b>4</b>
Central Bank of Chile—Central Bank Transparency Overview	5
Key Recommendations	7
<b>SCOPE AND OBJECTIVE</b>	<b>8</b>
<b>APPROACH AND METHODOLOGY</b>	<b>8</b>
<b>BACKGROUND</b>	<b>9</b>
<b>MAIN FINDINGS</b>	<b>11</b>
B. Pillar I. Transparency in Governance	11
C. Pillars II, III, and IV. Transparency in Policies, Operations, and Outcome	13
D. Pillars V. Transparency in Official Relations	16
<b>DETAILED REVIEW</b>	<b>16</b>
Pillar I—Central Bank Governance	17
Pillar II—Central Bank Policies	43
Pillar III—Central Bank Operations	61
Pillar IV—Central Bank Outcome	76
Pillar V—Central Bank Official Relations	88
<b>AUTHORITIES RESPONSE TO DETAILED REVIEW REPORT</b>	<b>99</b>
<b>TABLE</b>	
1. Central Bank of Chile Proposed Actions to the Key Recommendations of the CBT Review	101

## Glossary

ACC	Audit and Compliance Committee (Comite de Auditoria y Cumplimiento, CAC)
AIV	IMF Article IV
AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
BCP	Peso-denominated bonds
BIS	Bank for International Settlements
CBC	Central Bank of Chile
CBT	IMF Central Bank Transparency Code
CEF	Financial Stability Board
CFR	Compendium of Financial Regulations
CMFR	Compendium of Monetary and Financial Regulation (Compendio de Normas Monetarias y Financieras, CNMF)
CPI	Consumer Price Index
ELA	Emergency Liquidity Assistance
FCIC	Conditional Financing Facility to the Increase in Loans
FCM	Futures Commission Merchant
FEM	Formal Exchange Market (Mercado Cambiario Formal, MCF)
FMC	Financial Markets Commission (Comisión para el Mercado Financiero, CMF)
FPCBC	Financial Policy of the Central Bank of Chile
FSAP	IMF Financial Sector Assessment Program
FSB	Financial Stability Board (Consejo de Estabilidad Financiera, CEF)
FSR	Financial Stability Report (Informe de Estabilidad Financiera, IEF)
FX	Foreign Exchange
GBL	General Banking Law
GRC	Governance, Risk, and Compliance
HCM	Human Capital Management
IFRS	International Financial Reporting Standards
IT	Inflation Targeting or Information Technology (depending on the context)
LOLR	Lender of Last Resort
MOF	Ministry of Finance (Ministro de Hacienda, MdH)
MoU	Memorandum of Understandings
MPM	Monetary Policy Meeting
MPR	Monetary Policy Report
OMO	Open Market Operations
Q&A	Questions and Answers
RTGS	Real-Time Gross Settlement
SDDS	IMF Special Data Dissemination Standard
SP	Superintendence of Pensions
UAF	Financial Intelligence Unit (UAF)
USD	US Dollar
VaR	Value-at-Risk

## EXECUTIVE SUMMARY

**The Central Bank of Chile (CBC) has implemented broadly advanced transparency practices.**

This reflects the CBC's strong public commitment to transparency, which is anchored in the law and has been designated by the CBC as a strategic objective to fulfill its mandate. This policy has earned the CBC the broad trust of its stakeholders and has paid significant dividends for the CBC in terms of safeguarding its autonomy and ensuring its policy effectiveness.

**The CBC has put in place a comprehensive transparency framework for its core monetary policy mandate.**

The adoption of inflation targeting and a free-floating exchange rate regime in the late 1990s have solidified the CBC's transparency progress. The CBC transparency framework for its monetary policy is well established covering its policy decisions, supporting analysis, operations, and reporting. Transparency quality is high in terms of timeliness, periodicity, and disclosure.

**The CBC is updating its transparency framework for financial stability in accordance with the macroprudential tools it acquired by law.**

The CBC has a legal mandate for financial stability that is focused on normal functioning of internal and external payments and as provider of emergency liquidity. However, in recent years, the CBC has acquired new tools by law, assuming responsibilities on macroprudential policy, while enhancing the already close collaboration with other agencies with which it shares financial stability responsibilities. The CBC has made determined efforts to strengthen the transparency of its (shared) involvement on financial stability issues, although more transparency is still warranted on its mandate and on delineating its role in this policy area vis-à-vis other institutions involved.

**The CBC has put in place a robust internal governance transparency framework; going forward, more emphasis could be placed on risk management.**

The CBC provides, inter alia, detailed information on its organizational structure, the Board and senior management, decision-making process, and access to information policy. The CBC is in the process of enhancing transparency over its risk management framework and its operational risk management function, as well as disclosure of its oversight arrangements.

**Improving disclosure of the CBC's official relations would enhance its transparency framework.**

The CBC seems restricted, in part by law, from disclosing cooperation arrangements, agreements, and other relations with government bodies, domestic public financial agencies and foreign entities, even when in some instances such information is released by the CBC counterparts. Improvement in this area will enhance the credibility of the CBC transparency framework.

**There appears to be broad appetite on the part of the general public for deeper engagement with the CBC.**

This is important for the CBC to maintain the public trust and support for its mandate and institutional status, and to ensure effectiveness of its policies. Consideration could be given to providing simplified versions of the key disclosures made by the CBC on its website and other platforms, deepening the ongoing educational and outreach programs, and broadening the set of communication tools used by the CBC to disclose information, including social media.

## Central Bank of Chile—Central Bank Transparency Overview

Pillar	Principle		Sub-principle		Practices		
					Core	Exp.	Comp.
<b>I. Governance</b>	1.1.	Legal Structure					
	1.2.	Mandate					
	1.3.	Autonomy	1.3.1.	Institutional/Operational			
			1.3.2.	Functional			
			1.3.3.	Personal			
			1.3.4.	Financial			
	1.4.	Decision-Making					
	1.5.	Risk Management	1.5.	Risk Management			
			1.5.1.	Risk Exposure			
			1.5.2.	Risk Framework			
	1.6.	Accountability Framework	1.6.	Accountability Framework			
			1.6.1.	Arrangements			
			1.6.2.	Tools			
			1.6.3.	Anti-Corruption/COC			
	1.6.4.	Human Capital Manag.					
1.7.	Communication	1.7.1.	Arrangements				
		1.7.2.	Strategy/Tools				
1.8.	Confidentiality						
<b>II. Policies</b>	2.1.	Monetary Policy	2.1.1.	Objectives/Framework			
			2.1.2.	Policy Decisions			
			2.1.3.	Supporting Analysis			
	2.2.	FX Administration	2.2.1.	Objectives/Framework			
			2.2.2.	Policy Decisions			
			2.2.3.	Supporting Analysis			
	2.3.	FX Management	2.3.1.	Objectives/Framework			
			2.3.2.	Policy Decisions			
			2.3.3.	Supporting Analysis			
	2.4.	FX Reserve Management	2.4.1.	Objectives/Framework			
			2.4.2.	Policy Decisions			
			2.4.3.	Supporting Analysis			
	2.5.	Macroprudential	2.5.1.	Objectives/Framework			
			2.5.2.	Policy Decisions			
			2.5.3.	Supporting Analysis			
2.6.	Microprudential Supervision						
2.7.	ELA						
2.8.	Resolution						
2.9.	FMI						
2.10.	Financial Integrity (Internal AML/CFT Control)						
2.11.	Consumer Protection						
<b>III. Operations</b>	3.1.	Monetary Policy	3.1.1.	Instruments			
			3.1.2.	Coverage			
			3.1.3.	Access			
	3.2.	FX Administration	3.2.1.	Instruments			
			3.2.2.	Coverage			

	3.3.	FX Management	3.3.1.	Instruments			
			3.3.2.	Coverage			
	3.4.	FX Reserve Management	3.4.1.	Instruments			
			3.4.2.	Coverage			
			3.4.3.	Assessment			
	3.5.	Stress Testing	3.5.1.	FS Assessments			
			3.5.2.	ST Methods			
			3.5.3.	ST Coverage			
			3.5.4.	Use of ST Results			
	3.6.	Macroprudential	3.6.1.	Instruments			
			3.6.2.	Enforcement			
	3.7.	Microprudential Supervision					
3.8.	ELA						
3.9.	Resolution						
3.10.	FMI						
3.11.	Financial Integrity (Internal AML/CFT Control)						
3.12.	Consumer Protection						
<b>IV. Outcome</b>	4.1.	Monetary Policy	4.1.1.	Governance Actions			
			4.1.2.	Policies			
			4.1.3.	Operations			
	4.2.	FX Administration	4.2.1.	Governance Actions			
			4.2.2.	Policies			
			4.2.3.	Implementation			
	4.3.	FX Management	4.3.1.	Governance Actions			
			4.3.2.	Policies			
			4.3.3.	Operations			
	4.4.	FX Reserve Management	4.4.1.	Governance Actions			
			4.4.2.	Reporting on Imp.			
4.4.3.			Financial Results				
4.5.	Macroprudential	4.5.1.	Governance Actions				
		4.5.2.	Policies				
4.6.	Microprudential Supervision						
4.7.	ELA						
4.8.	Resolution						
4.9.	FMI						
4.10.	Financial Integrity (Internal AML/CFT Control)						
4.11.	Consumer Protection						
<b>V. Official Relations</b>	5.1.	Government	5.1.1.	Institutional			
			5.1.2.	Financial			
			5.1.3.	Instruments			
			5.1.4.	Outcome			
	5.2.	Domestic Agencies	5.2.1.	Institutional			
			5.2.2.	Instruments			
			5.2.3.	Macroprudential			
			5.2.4.	Financial Stability			
5.3.	Foreign Agencies	5.3.					
5.4.	Other Relations	5.4.1.					
		Denotes "Not Applicable"					
				Denotes "Not Implemented"			

## Key Recommendations

1. **Enhance the disclosure of information regarding the legal structure** by assembling relevant information in the webpage and by explaining the rationale behind the legal framework, including, in particular, the role of the Minister of Finance on the CBC Board, the legal foundation of its financial stability mandate and macroprudential policy, and the rules on monetary financing.
2. **Disclose more comprehensive information relating to the applicability of domestic anti-corruption legislation** along with clarifying that these measures are applicable to all members of the CBC, including decision-makers, staff, and agents of the CBC.
3. **Disclose a description of the CBC internal control framework** relating to the activities or services that may give rise to Anti-Money Laundering/Countering the Financing of Terrorism risk.
4. **Strengthen the transparency of the risk management function** by publishing a risk statement that define what constitutes acceptable risk taking, providing high-level overview of key risks clearly mapped to its mandate and disclosing the process of continuous identification, evaluation, and mitigation of risks.
5. **Publish the charters/by-laws of the Audit and Compliance Committee, the Risk Committee, and the Ethics Committee** to transparently inform the public stakeholders about the committees' roles, responsibilities, reporting lines, and composition.
6. **Disclose the methods, techniques, and data underlying dedicated monetary policy evaluations.**
7. **Enhance the disclosure of macroprudential supporting analysis** by publishing ex post evaluations of policy actions that examine whether tools had the intended effects.
8. **Consider disclosing whether the CBC has provided bilateral liquidity support to specific financial entities.** This could be done at the aggregate level without disclosing the names of the receiving entities and without violating confidentiality requirements.
9. **Examine how to (ex-ante) disclose its intended objective(s) of FX interventions more clearly,** and ex post disclose evaluations of its FX management policy.
10. **Significantly strengthen the transparency framework with respect to the CBC's official relations** with the Ministry of Finance and other government bodies, domestic financial agencies, and foreign agencies.

## SCOPE AND OBJECTIVE

**1. At its request, the mission conducted a Central Bank Transparency Code (CBT) review for the Central Bank of Chile (CBC).** This review is the first to be conducted under the CBT pilot program. The scope of the review covers the CBT's five-pillar framework, excluding those principles related to functions that are not performed by the CBC. In addition, the review excludes transparency-related issues pertaining to areas for which separate international standards exist (e.g., financial sector supervision and regulation, oversight of financial market infrastructures, bank resolution). These principles will be denoted as "Not-Applicable" in the review.

**2. The review is intended to allow the CBC to evaluate its transparency practices, by highlighting strengths and areas for improvement.** The review does not assess or pass judgement on the quality or adequacy of CBC's governance and actions. Instead, it focuses on the CBC's transparency practices regarding its governance and actions. The review maps the CBC's transparency choices compared to a range of best practices as detailed in the CBT, covering transparency in (i) governance; (ii) policies; (iii) operations; (iv) outcomes; and (v) official relations. The CBT's range of practices are not intended to be a tool for transparency ranking of central banks, as noted in the CBT IMF Board paper [Central Bank Transparency Code](#). The review should also strengthen the CBC's dialogue with stakeholders on transparency choices and contribute to improved accountability and policy effectiveness.

## APPROACH AND METHODOLOGY

**3. The mission's review approach consisted of a team desk review, CBC self-review, and in-depth discussions with the CBC staff and the CBC's key stakeholders.** The desk review was based on information disclosed by the CBC on its website and other media, in English or in Spanish.<sup>2</sup> Additionally, the CBC provided the mission with a comprehensive self-review. Both reviews formed the basis for discussions with the CBC (members of the Board, management, and staff), as well as arranged meetings with key CBC stakeholders to collect their views on the CBC's transparency practices. The meetings with stakeholders were planned in coordination with the CBC, though CBC staff were not present during most of those meetings.

**4. The review was conducted principle-by-principle taking into consideration the relevant dimensions of transparency.** In addition to reviewing the CBC's transparency practices according to the CBT principles, the review also considered important dimensions of transparency, including (a) timeliness, (b) periodicity, and (c) quality of disclosure. The latter is considered in terms of accessibility and ease of understanding, especially by the general public. The review also took into account views expressed by the CBC stakeholders.

---

<sup>2</sup> In case of Spanish documents or webpages, the mission had these translated. It should be noted that the mission did not make a distinction between disclosure of information in English or in Spanish for the purposes of reviewing the CBC's transparency practices.

**5. The review recognizes the role of the legal framework in shaping the transparency choices of the CBC and its impact on this review.** In particular, the Transparency Law (Law no. 20285, Transparency of the Public Service and Access to Information on State Administration On Access to Public Information, 2008) and the restrictions or exemptions provided within it or in other laws will underpin the CBC confidentiality policy. This policy should clearly disclose the relevant laws and regulations and where it may have significant impact on the CBC transparency practices.

## BACKGROUND

**6. The Chilean economy has recovered from a prolonged slowdown following the decline of copper prices in 2011 but took a hit during the COVID-19 pandemic crisis.** The robust growth in recent years has been largely due to a rebound in both mining and non-mining, as well as robust confidence in the Chilean economy. The economy declined sharply by mid-2020 like most economies in the world, but economic activity started to recover since then in the wake of ample policy stimulus (Box 1), although indicators for some sectors and the labor market remain considerably worse than pre-pandemic levels.

### Box 1. Central Bank of Chile and Transparency over COVID-19 Measures

- **In response to the global COVID-19 pandemic, the CBC has put into place extraordinary policy measures** similar to those seen in other countries, including advanced economies. These measures include a program for purchasing commercial bank and central bank bonds, as well as credit and liquidity lines designed to strengthen bank lending. Additionally, the CBC introduced special measures to support market stability, including a facility that temporarily took a significant amount of bank bonds onto the CBC's balance sheet, during the large pension fund withdrawals that were allowed in 2020. These measures were coordinated with the financial supervisor and the Ministry of Finance (MOF).
- **In terms of central bank transparency, the CBC acted proactively and timely** by engaging with the general public, the government, and intergovernmental counterparts by creating a platform to articulate exceptional financial measures. The CBC's rapid response, and its effective communication strategy (which included reaching out to the various regions in Chile, through presentations of the Governor and other Board members, as well as using general communication tools such as press releases and social media messaging, strengthened public trust in the CBC in times of crisis.
- **Concrete examples of the CBC's transparency actions related to COVID-19 include:** (i) a special website [section](#) with recent market operations conducted in the context of COVID-19; and (ii) a [study](#) that was carried out in March 2021, reviewing the monetary and financial policy response to COVID-19, detailing specific policy measures implemented in Chile. It also shows the pandemic's impact on the balance sheet of the CBC, as well as other macroprudential metrics.

**7. Chile's financial sector is one of the deepest in the region and is highly integrated in the global financial system.** The banking sector is highly concentrated, with the top six banks making up almost 88 percent of the market and prior to the pandemic the banking sector was viewed as healthy overall although capital buffers were low. Since the 2011 Financial Sector Assessment Program (FSAP), commercial bank funding has become increasingly reliant on bond

issuance that is intermediated by the mutual fund and pension sectors.<sup>3</sup> The banking system appears resilient during the COVID-19 crisis, despite lower profitability resulting, in part from increased provisioning.

**8. The CBC has a long history as an autonomous public institution.** Its mandate focuses on ensuring price and financial stability. The CBC's functions and powers include currency issuance, regulation of the stock of money in circulation and credit, fiscal agent, international reserve management, foreign exchange transactions, and other functions. The CBC adopted an inflation-targeting regime in 1999. In the area of financial stability, the CBC's powers include safeguarding the stability of the payments system, providing Emergency Liquidity Assistance (ELA), risk identification and monitoring, design and implementation of prudential and exchange regulations.

**9. The CBC has strong public commitment to transparency, which is included in its strategic plan, and its transparency practices are anchored in the law.** The CBC maintains a continued commitment to strengthen its transparency practices and has set up a comprehensive institutional system of communications that includes publications, reporting mechanisms, and a central bank website with disclosure of information on its functions (see Box 2 on the evolution of the CBC's transparency over the past decades). Moreover, the CBC has designated transparency as one of its strategic pillars to fulfill its institutional objectives. The Political Constitution of Chile establishes the principle of transparency in the exercise of public administration, and the Organic Constitutional Law of the Central Bank of Chile (Law No.18840; hereinafter: the central bank law or CBC law) determines the specific transparency framework that governs the CBC.

#### Box 2. The Evolution of the Central Bank of Chile Transparency Practices

- **The CBC, over time, has developed a robust system of institutional transparency.** The foundations of a new system were laid down in the CBC's Constitutional Organic Law of 1989, which also granted the CBC an autonomous institution status.
- The adoption, in the late 1990s, of an inflation targeting monetary framework with a free float exchange rate system, was an important step that required enhanced transparency for its successful implementation. This included strengthening the disclosure of statistics, monetary policy decision-making, and governance arrangements. By the end of 1999, the CBC Board had established a preliminary system of monetary policy transparency with press releases, a disclosed schedule of meetings, and prior disclosure of economic analysis needed for decision-making. Minutes of (monetary policy) meetings were disclosed after a period of 11 days including publication of the debate, along with the voting record of Board members.
- **The move towards enhanced transparency was not without risks.** In the mid-2000s, a leak of confidential monetary policy information led to developing a policy for the handling of sensitive information and the CBC risk management, balancing confidentiality and transparency. In 2007, the Audit and Compliance Committee (ACC) was created to enhance governance, accountability, and transparency within the CBC.

<sup>3</sup> A new FSAP mission has started its review at the time of the preparation of this report.

- A general Transparency Law,<sup>1/</sup> which regulates procedures for access to information and exceptions, was enacted covering for all state organs. However, the Transparency Law created a partial “non-binding status” for the CBC due to its institutional nature and sensitive tasks. Nonetheless, the CBC created its own transparency system in accordance with the principles of the Transparency Law. The CBC Law was modified by explicitly establishing a framework for access to public information and the creation of the active transparency policy of the CBC. This was balanced by a similarly explicit provision on confidential information. The CBC has now positioned transparency as a key principle in its “Strategic Planning for 2018–2022,” that permeates and shapes its core institutional values.

1/ Law no. 20285, Transparency of the Public Service and Access to Information on State Administration on Access to Public Information, 2008.

#### **10. The CBC’s main public stakeholders are combined in the Financial Stability Board (FSB).**

The FSB was created in 2011 “to ensure the integrity and soundness of the financial system, providing the necessary coordination and information exchange mechanisms to carry out a preventive management of systemic risks and for the resolution of critical functions that involve the exercise of the functions and powers of the Superintendencies of the Economic Area.”<sup>4</sup> The FSB consists of the Minister of Finance (president), the President of the Financial Markets Commission (FMC), and the Superintendent of Pensions. Though the CBC is not a formal member, it provides permanent advice to the FSB “in all matters related to its functions.” As such, the CBC Governor (or any designated replacement) attends the FSB sessions. Minutes of FSB meetings are published on the Ministry of Finance’s website.

## **MAIN FINDINGS**

### **B. Pillar I. Transparency in Governance**

#### **11. The legal structure of the CBC, including its legal nature, mandate and autonomy, is well disclosed.**

The Constitution and the CBC Law clarify the legal structure of the CBC, and these laws are accessible from the CBC website. Key elements of the legal structure are also disclosed on the website and in the CBC’s Annual Report. Disclosure of information regarding the legal structure can be enhanced by assembling relevant information together for easier access, and by explaining the rationale behind the legal framework, including, in particular, issues related to (i) the role of the Minister of Finance at Board meetings; (ii) the legal foundation of financial stability mandate and macroprudential policy; and (iii) the rules on monetary financing.

#### **12. The CBC discloses a broad overview of the organizational structure and functioning of its Board.**

Detailed information is provided on aspects relating to the composition and functioning of the Board, and the allocation of responsibilities across different decision-making bodies. The CBC discloses biographies of Board members and senior and middle management. The CBC’s website

<sup>4</sup> <https://translate.google.com/translate?sl=auto&tl=en&u=https://www.hacienda.cl/areas-de-trabajo/mercado-de-capitales/consejo-de-estabilidad-financiera>

provides information about the roles and responsibilities of each department, though this information could be updated at least annually.

**13. The risk management disclosures could be enhanced.** The CBC is in the process of strengthening its risk management framework and further developing its operational risk management function. It would be important to transparently disclose these developments, as well as the principal risks that the CBC needs to take to meet its objectives. This includes an explicit risk statement, a high-level overview of key risks clearly mapped to its mandate, the process of continuous identification, evaluation, and mitigation of risks, as well as information on the operational risk strategy. CBC policies on publication of sensitive materials may preclude publication of certain information in this area.

**14. The disclosure of the CBC's oversight arrangements could be improved.** The legal framework does not refer to an independent oversight body, and entrusts some typical oversight tasks (e.g., approval of the accounting framework and financial statements) to the Board, which meets weekly. The ACC was established to oversee the audit, financial reporting, and internal control environment, but the detailed responsibilities of the ACC are not disclosed. Consideration could be given to publishing the ACC charter and disclosing its roles, responsibilities, reporting lines, and composition, and activities.

**15. The CBC has an opportunity to differentiate itself by better articulating its Human Capital Management (HCM) strategy and oversight practices.** Transparency around how the CBC manages its human capital is of particular interest to stakeholders, as they expect more disclosures and engagement on HCM. In response, the CBC aims to be an employer of excellence and included HCM as one of its five strategic priorities for 2018–2022. The CBC discloses information on staff development, leadership, as well as diversity and inclusion. While the CBC has programs in place that focus on elements of attracting, promoting, and retaining talent; the disclosures in these areas could be improved. Furthermore, the CBC could provide more information on oversight practices of HCM matters, and proactively communicate quantitative measures that link to its HCM strategy.

**16. The CBC discloses certain information relating to anti-corruption measures that are in place.** The disclosure of more explicit information relating to whether domestic anti-corruption legislation and related measures apply to all the decision-makers, staff, and agents of the CBC would enhance transparency in this area. The CBC also discloses details relating to whistle-blowing mechanisms, and rules for accessing confidential information held by the CBC.

**17. The CBC discloses detailed information on its Code of Conduct practices.** This includes the rules that apply to staff in relation to conflicts of interest, professional conduct, purchasing processes, objectivity in recruitment, guidance on external activities, financial and personal investments, outside income, corruption, and the acceptance of gifts. These disclosures could be enhanced by clarifying whether restrictions are imposed on CBC staff post-public employment ("cooling off" periods), and by the inclusion of additional information regarding the implementation of the Code of Conduct. For example, aggregated information on the number of conflicts of interest that were raised, along with more specific details on the number internal cases of grievances,

dismissal, or sanctions for violations of the code of conduct and/or anti-corruption laws. Furthermore, the CBC discloses details of the members and responsibilities of its Ethics Committee. This could be enhanced through the inclusion of more detailed information regarding its activities and functioning.

### C. Pillars II, III, and IV. Transparency in Policies, Operations, and Outcome

#### Monetary Policy

**18. The CBC provides a high level of transparency of its monetary policy framework.** It discloses its monetary policy function and strategy for achieving its objectives using several tools, including publicly available reports on monetary policy, the quarterly published Monetary Policy Report, press releases on monetary policy decisions, meeting records of the monetary policy committee, and dedicated speeches by senior management. Furthermore, it has an articulated strategy for the practical implementation of its policy framework that is regularly communicated to the public. The CBC provides regular venues (e.g., press conferences) for the media and general public to discuss its monetary policy decisions and the rationale for the decisions. The central bank discloses technical details covering scenarios analysis, relevant models and assumptions underlying its monetary policy decision.

**19. The CBC discloses its monetary operational framework with a well-defined operational target, objectives, and tools.** This framework is outlined in several documents, such as the Compendium of Monetary and Financial Regulation (CMFR), which is available on its website. Furthermore, the features and the use of various monetary policy instruments are described in the document "Chile's Monetary Policy: Within an Inflation-Targeting Framework." The categories of monetary policy counterparties and respective access criteria are clearly defined and disclosed. The CBC may consider updating its documentation on monetary policy operational framework by including recently issued unconventional monetary policy instruments. The CBC could further enhance its disclosure of ex post evaluations of its monetary policy actions that examine whether they had the intended objectives.

#### Foreign Exchange and Reserve Management

**20. The CBC clearly discloses issues relating to cross-border financial flows and foreign exchange (FX) administration, with minor suggestions for improved disclosures.** This includes information objectives, framework, and decisions. The CBC website has a separate section with information on foreign exchange regulations, including the relevant procedures and information forms. Reporting on implementation is listed on the CBC's website as well. Nonetheless, the CBC could consider disclosing whether there is a timeframe for decisions to be made and communicated to persons affected by a rejection of a request for a license/approval. Additionally, the CBC could consider disclosing the individual feedback comments (as opposed to its own summary of the comments or aggregated questions) it receives in the consultation process of draft policy decisions.

**21. The CBC seldom conducts FX interventions; however, this places a stronger need on transparency when FX interventions do take place.** The free float of the Chilean peso does not create a de facto need for frequent FX interventions,<sup>5</sup> as is also clearly outlined in various documents on the CBC website. However, when the CBC felt the need to announce an FX intervention program after social unrest events in October 2019, the key objectives, which were stated publicly, did not seem fully clear to market participants. The CBC could consider ex ante disclosing its intended objectives of FX interventions more clearly, and ex post disclose evaluations of its FX management policy.

**22. The CBC's transparency practices for FX reserve management are reasonably well defined but could benefit from further improvement.** The CBC provides clear and easily accessible information on managing FX reserves. This includes helpful charts, a breakdown of the portfolio, and descriptions of the objectives and the framework. Areas for improvement include publishing the CBC's investment committee's discussions (with a certain lag), and disclosing rules and procedures related to markets, counterparties, custodians, and service providers, and exposure (in an aggregated and properly timed manner). Lastly, disclosing evaluations of investments impacts and risk assessments could similarly add to the CBC's transparency.

### Financial Stability and Macprudential Policies

**23. The CBC discloses its macroprudential policy framework, including its objectives, instruments, and strategy.** It discloses the conceptual framework underpinning its macroprudential policy function and publishes a semiannual Financial Stability Report (FSR). The FSR discusses the underlying analysis and assessment, which help to formulate the CBC's macroprudential policy strategy, linking its macroprudential policy tools to its macroprudential policy objectives. Furthermore, the CBC discloses the tools, such as early warning indicators and stress test results, it uses to arrive to macroprudential decision, and explains how they are expected to mitigate specific risk.

**24. The CBC periodically and timely discloses its comprehensive assessment of risk to financial stability.** It publishes on a regular basis information on its comprehensive assessments of financial vulnerabilities and is transparent on the methods and the underlying data underpinning such assessments. It also discloses the design and scope of application of macroprudential tools, including the types of financial institutions and financial instruments subject to macroprudential constraints. The CBC consults with relevant authorities and the general public before enacting major changes to the design of macroprudential tools.

**25. The CBC transparency of macroprudential policy could be enhanced.** In particular, the CBC could consider providing more information on the ongoing cooperation and coordination of macroprudential policy issues with other governmental agencies, including the CMF and the FSB. Moreover, the CBC could further enhance its disclosure of macroprudential supporting analysis by

---

<sup>5</sup> According to the CBC's website, in the past 20 years only 5 interventions have taken place.

publishing ex post evaluations of policy actions that examine whether tools had the intended effects.

### Emergency Liquidity Assistance

**26. The CBC discloses its emergency liquidity assistance (ELA) framework, while some enhancement is warranted.** It discloses the scope, objectives, the rules, and procedures of market-wide liquidity support and provides timely information in support of the financial stability objective and the efficiency and effectiveness of the liquidity support. In particular, the CBC explains how this liquidity support deviates from standard monetary operations, including information on amounts, maturity, and financial parameters. It also explains the intention of the liquidity support to contribute to maintaining financial stability or market functioning. While there is a trade-off between transparency and risks to the financial stability and the need to carefully evaluate this trade-off, the CBC may disclose, at the aggregate level, information on ELA provided bilaterally to financial institutions that are facing temporary liquidity problems, without violating confidentiality requirements and causing any additional financial risk. Furthermore, the CBC may disclose the general principal, and terms and conditions, procedures, collateral framework, and risk control measures to provide liquidity support to individual financial institutions.

### Financial Integrity

**27. The CBC is not engaged in AML/CFT supervision.** However, the CBC does not disclose details related to the *internal* AML/CFT controls that are implemented in order to address any ML/TF risks that may arise in the operation of the CBC's own activities. The disclosure of information regarding any such ML/TF risks and the corresponding AML/CFT internal controls would enhance CBC transparency in this area.

### Communications and Confidentiality

**28. The CBC implements a comprehensive structured policy on communications but conveying the CBC message to the general public may still presents some challenges.** The CBC has a strategic program to enhance its engagement with targeted stakeholders and the general public. Among various official tools, the CBC website (in Spanish and English) is the more commonly used and accessible to the public. The quality and quantity of information available is very satisfactory, though the search methods could be enhanced to locate information by specific topics. The CBC should continue expanding its educational outreach programs for Chilean citizens and make efforts to simplify the technical language used to make the CBC's information more accessible and understandable for the general public. The CBC could actively promote its messages more broadly through mass and social media, and other tools to engage deeper with the general public.

**29. The CBC Act provides the CBC with a solid confidentiality mechanism.** The confidentiality policy is established by the CBC Act. It specifies the CBC functions that are considered as "reserved." It also establishes the circumstances under which the CBC is allowed by law to share such information and enlist the official counterparts to whom the CBC is compelled to disclose

reserved information. This system gives legal certainty and solidifies the transparency policy of the CBC. Nevertheless, there is a case for waiving the confidentiality in reference to information that is already in the public domain, for example, decrees, press releases and any other information compiled by CBC counterparts that has been made public or where there is an interest to make it public.

#### D. Pillars V. Transparency in Official Relations

**30. There is significant room for improvement in the CBC’s disclosure practices of its official relations with the government and domestic public financial agencies.** Important information regarding the CBC’s interaction with the MOF (including services provided to the MOF) and other domestic agencies, and the role and actions of the CBC in shared responsibilities, are classified as “reserve” and not disclosed by the CBC, even when parts or all of this information may have been released by the CBC counterparts.

**31. Similarly, the CBC does not disclose the texts of cooperation agreements, Memorandums of Understanding (MoUs), or other arrangements between the CBC and foreign agencies as they all fall under legal “reserve.”** A general policy of disclosure of the interaction with international organizations, other central banks, or any other international agent that allows it or even wants to publish its interaction with the CBC, as well as a list of organizations that the CBC is a member of, could be considered. The disclosure of such information would explain to the public the importance and benefits of these relations.

### DETAILED REVIEW

**32. This review is based on the current state of CBC’s transparency practices.** The mission took place during March 3–18, 2021, and initiatives implemented after the review date have not been considered.

**33. In accordance with the CBT, this review does not assign ratings to the CBC’s adherence to the CBT principles.** The review maps the CBC’s transparency practices across a range of best practices. Furthermore, the CBC transparency practices were reviewed in the context of the CBC’s legal mandate and policy context, the sophistication and complexity of the financial system of Chile, and prevailing general legal framework (including, but not limited to, the existence of rules on freedom of information, confidentiality, and active transparency).

**34. The review team examined the CBC’s transparency practices and tools, relevant laws and policies, and held extensive meetings with the CBC Board, management and staff, and key stakeholders.** The meetings with stakeholders were intended to ascertain the adequacy of and identify gaps in CBC transparency practices from their perspective. The team met with members of Congress, staff from the MoF, CMF, and local and foreign financial institutions, as well as representatives from the banking association, and various other stakeholders (such as academics,

and consumer organizations). The CBC provided a comprehensive self-review of the CBT, detailed responses to additional questionnaires, and access to relevant public documents.

**35. Reaching conclusions based on the CBT review of the CBC, required judgments by the review team.** Central banks, the environment in which they operate, and domestic circumstances differ from one country to another. Nevertheless, by adhering to a common, agreed methodology, this review, which is voluntary, should provide the CBC with a benchmark for its transparency practices, whilst taking domestic considerations into account.

**36. The team appreciated the very high quality of cooperation received from the CBC.** The team extends its warm thanks to the staff of the CBC, who provided excellent cooperation, including provision of self-review, documentation, technical support, as well as facilitating the mission meetings schedule.

<b>Central Bank Transparency Code—Detailed Review</b>	
<b>Central Bank of Chile</b>	
<b>Pillar I—Central Bank Governance</b>	
<b>Principle 1.1.</b>	<b>Legal Structure:</b> The central bank discloses its legal framework to the public in a manner that is clear and easily accessible.
Description	<p><b>Legal Framework:</b></p> <p>The CBC discloses that it is governed by the Constitution and the <a href="#">Constitutional Organic Law</a> (the CBC Law). The CBC Law provides objective, functions, and powers of the CBC. Furthermore, the Constitution and the CBC Law clarifies that the CBC Law prevails over other laws if the provisions of the CBC Law conflicts with those of other laws. The CBC Law clarifies transitional arrangements which are limited in time. The CBC has been actively communicating with the public on its legal frameworks through the recent Constitutional reform discussion. The <a href="#">"Regulation" section</a> of the CBC webpage has links to the regulations which the CBC adopts with respect to the financial institutions. Regarding regulatory amendment, the CBC has published the <a href="#">procedures</a> for receiving comments from the public before their implementation. However, the information might not be easy to find for people who are interested in this issue.</p> <p><b>Legal nature:</b></p> <p>The CBC Law establishes its legal nature, its ownership, its general legal capacity to act and instruments. The CBC discloses the rules of its decision-making bodies on its webpage (<a href="#">Corporate Governance section</a>), in the <a href="#">Annual Report</a> (Functioning of the Board section), in the CBC Law and in the Regulation (<a href="#">Regulations for the Functioning of the Board</a>).</p>

	<p>The CBC discloses specific information on its legal nature, its ownership, its general capacity to act and its legal instruments through the CBC Act, the Regulations, the Annual Report and the website.</p> <p><b>Legal protection:</b></p> <p>The CBC Law clarifies the extent of judicial review over the CBC's activities. The CBC Law clarifies whether the CBC is protected from pre-judgment attachments. Information regarding the legal protection is not disclosed explicitly other than in the CBC Law, although the information is not difficult to access for people who are interested in this topic.</p>
Review	<p><i>Expanded</i></p> <p><b>Legal framework:</b></p> <p>The legal framework governing the central bank (including its review process) is well disclosed. Technical issues regarding the legal framework are not explained in the webpage, but it is reasonably accessible.</p> <p><b>Legal nature:</b></p> <p>The legal nature of the CBC is clarified in the CBC law and also disclosed in the Annual Report and in the website. However, the information is placed in different materials that may not be accessed easily.</p> <p><b>Legal protection:</b></p> <p>The legal protection is mainly clarified in the CBC Law, and related provisions are relatively easy to access for people who are interested in the issue. However, the information is not explained clearly on the CBC website, nor in other publications.</p>
Comments	<p>Disclosure could be enhanced if the information of the legal framework, legal nature and legal protection were assembled under one section of the webpage and clearly communicated by explaining the rationale behind the legal framework. This will be especially beneficial to the general public.</p>
<b>Principle 1.2.</b>	<p><b>Mandate:</b> The central bank discloses its mandate—including its objectives, functions, and legally defined powers—in a manner that is clear and easily accessible to the public.</p>
Description	<p><b>Objectives</b></p> <p>The objectives of the CBC are clarified in the CBC Law and also disclosed in the website and Annual Report. The legal foundation of price stability objective is clear from the CBC Law and well communicated. However, the legal foundation of</p>

	<p>financial stability objective may not be clear from the CBC Law itself as it is based on the term “the normal functioning of external and internal payment systems”. This legal foundation is not clearly emphasized in the webpage. According to the CBC, objectives of the CBC does not conflict each other, therefore, the mechanism to determine prevailing objective is not disclosed.</p> <p>According to the CBC, degree of autonomy does not vary with respect to its different objectives. Therefore, it is not disclosed. The CBC clearly define quantified price stability objective with inflation target.</p> <p><b>Functions</b></p> <p>The CBC webpage and the Annual Report disclose a list of CBC’s activities and explains how these are consistent with its objectives. The legal foundation of CBC’s functions is clearly depicted in the CBC Law, and the CBC website and the Annual Report disclose comprehensive information on its functions. The CBC issues a press release when it adopts a new regulation or policy measures regarding its functions.</p> <p><b>Powers</b></p> <p>The list of CBC’s public and private law powers to achieve its objectives are clarified in the CBC law. For the <a href="#">powers related to monetary policy</a>, the CBC webpage discloses clear and detailed information. For <a href="#">the powers related to financial policy</a>, disclosure on information related to macro-prudential tools and coordination with the government was not sufficiently emphasized in the website and in the Annual Report.</p> <p>The CBC Law provides prohibited activities of the CBC. Important information on prohibited activities stated in the Constitution, such as prohibition of providing credit to the government and its rationale were not sufficiently emphasized in the website.</p>
Review	<p><i>Expanded</i></p> <p><b>Objectives:</b></p> <p>The legal foundation of price stability objective is clear. However, the legal foundation of financial stability objective could be emphasized more in the webpage and other publications.</p> <p><b>Functions:</b></p>

	<p>A list of functions is clarified in the CBC Law and disclosed in the webpage and in the Annual Report.</p> <p><b>Powers:</b></p> <p>The list of powers and prohibited activities are clarified in the CBC Law. Disclosure on powers regarding financial policy and prohibition on credit to the government are not sufficiently emphasized.</p>
Comments	<p>Disclosure can be enhanced by clarifying the CBC's mandate in financial stability, especially its powers regarding macro-prudential policy. Information on prohibition of providing credit to the government and its rationale can be emphasized in the webpage. The information can be assembled under one section of the webpage along with other information on the legal structure.</p>
<b>Principle 1.3.</b>	<p><b>Autonomy:</b> The central bank discloses its autonomy—as defined in relevant legislation or regulations, allowing it to reveal the extent to which it is autonomous or not, in what forms, and under which conditions—in a manner that is clear and easily accessible for the public.</p>
<b>Principle 1.3.1.</b>	<p><b>Institutional/Operational Autonomy:</b> There is clarity on whether the central bank is prohibited from seeking or taking instructions from any private or public body. The extent to which the central bank's autonomy varies for the various elements of its mandate is clearly disclosed. Where appropriate, the central bank's governing law clarifies whether it has goal or instrument autonomy concerning its various objectives.</p>
Description	<p>Institutional autonomy of the CBC is clarified in the Constitution and in the CBC Law. The Annual Report discloses the role of the Minister of Finance at Board Meetings. However, in the webpage, the role of the Minister is not clearly disclosed in the context of Corporate Governance or Monetary Policy.</p> <p>There are multiple publications, papers, and presentation on autonomy of the CBC. However, they are placed in different sections of the webpage.</p>
Review	<p><i>Core</i></p> <p>The Constitution and the CBC Law clarify institutional autonomy of the CBC. However, the role of the Minister of Finance is not clearly disclosed on the CBC website.</p>
Comments	<p>Disclosure can be enhanced if information on the legal framework, including the institutional autonomy of the CBC (which covers issues related to the role of Minister of Finance) would be assembled in one section of the website, and clearly communicated by explaining the rationale behind the legal framework. This will be especially beneficial to the general public.</p>

<b>Principle 1.3.2.</b>	<b>Functional Autonomy:</b> There is clarity on whether the central bank can perform its duties without prior approval from the government.
Description	<p>The Annual Report discloses the role of Finance Minister at the Board Meetings. However, in the webpage, role of the Minister is not clearly disclosed in the context of corporate governance or monetary policy.</p> <p>The CBC discloses how its monetary policy goal is determined and whether it is autonomous in exercising such goal. However, the institutional arrangement with the government in the area of financial policy is not sufficiently disclosed.</p> <p>There are multiple publications, papers and presentation on autonomy of the CBC. However, they are placed in different sections of the webpage.</p>
Review	<p><i>Core</i></p> <p>The information on the role of the Minister of Finance and the institutional arrangement with the government in the area of financial policy are not sufficiently disclosed.</p>
Comments	<p>Disclosure can be enhanced if information on the legal framework, including the functional autonomy of the CBC (which covers the issue of the role of the Minister of Finance and the institutional arrangement with the government in the area of financial policy) would be assembled in one section of the website and clearly communicated by explaining the rationale behind the legal framework. This will be especially beneficial to the general public.</p>
<b>Principle 1.3.3.</b>	<b>Personal Autonomy:</b> Whether there is security of tenure for the members of the central bank's decision-making bodies is clear, as is the nature of such security. In this respect, security of tenure encompasses the eligibility and disqualification criteria for the appointment of the members of a central bank's decision-making bodies, the appointment procedure, the dismissal criteria and procedure, their remuneration, and the duration of their tenure.

Description	<p>The CBC Law clarifies the Board members' term of office, appointment procedures and dismissal procedures. Key elements are also disclosed in the Corporate Governance section of the website.</p> <p>The CBC Law clarifies which authorities are involved in the appointment and dismissal of Board members, eligibility and incompatibility requirements, and grounds for dismissal. Key elements are also disclosed in the Corporate Governance section of the website.</p> <p>The CBC Law clarifies the rules governing the remuneration of Board members, as well as detailed arrangements for its determination. It also clarifies the extent to which Board members are liable for damages caused by their acts or omissions. The information is reasonably easy to access. Specific information related to personal autonomy can be implied from the CBC Law, however, its rationale is not disclosed explicitly.</p>
Review	<p><i>Expanded</i></p> <p>Personal autonomy of Board members is clarified in the CBC Law. Key elements are disclosed on the website. However, its rationale is not communicated explicitly.</p>
Comments	<p>Disclosure can be enhanced if information on legal framework, including on personal autonomy of the CBC, would be assembled in one section of the website, and clearly communicated by explaining the rationale behind the legal framework. This will be especially beneficial to the general public.</p>
<b>Principle 1.3.4.</b>	<p><b>Financial Autonomy:</b> The central bank's financial resources available to fulfill its mandate, and the nature of those resources, are clearly disclosed. In this respect, there is clarity regarding the central bank's capital, the rules governing any recapitalization of the central bank, its budget, reserves, provisions, profit distribution mechanism, monetary financing, and applicable accounting standards.</p>
Description	<p>The CBC law and the Annual Report clarify the general arrangements regarding the CBC's capital, budget, reserves, provisions, profit distribution mechanisms, monetary financing, and applicable accounting standards. These include clarification of regulations and decision-making procedures. Specific information related to financial autonomy can be implied from the CBC Law, however, it is not disclosed explicitly. Rules on monetary financing are not clearly communicated in the monetary policy section of the website.</p>
Review	<p><i>Expanded</i></p> <p>Financial autonomy of the CBC is generally disclosed in the CBC Law and in the Annual Report. However, its rationale is not communicated explicitly. Rules on</p>

	monetary financing are not clearly communicated in the monetary policy section of the website.
Comments	Disclosure can be enhanced if information on legal framework, including on financial autonomy of the CBC (which covers rules on monetary financing) would be assembled in one section of the website, and clearly communicated by explaining the rationale behind the legal framework. This will be especially beneficial to the general public.
<b>Principle 1.4.</b>	<b>Decision-Making Arrangement:</b> The central bank discloses a clear overview of the organizational structure or allocation of responsibilities to its decision-making bodies: policy making, day-to-day management, and internal oversight of the central bank.
Description	<p><b>Organizational structure</b></p> <p>The 2019 Annual Report (subchapters 3.1 “Our Board” and 6.4 “Organizational Chart”) describes the rules governing the functioning of the Board and the CBC’s organizational structure, respectively. Furthermore, the CBC’s <a href="#">Regulation</a> website provides information about the roles and responsibilities of each department (see—Norma de Organización y Funciones).</p> <p><b>Decision-making bodies</b></p> <p>The CBC Law establishes two decision-making bodies of the CBC:</p> <ul style="list-style-type: none"> <li>• The <b>Governor</b> is responsible for conducting the relations of the Bank with public authorities and with domestic, foreign, or international, banking and financial institutions (Section 22)</li> <li>• The <b>Board</b>—composed of the Governor, the Deputy-Governor and three directors (Sections 7, 8, and 9). The CBC website “<a href="#">The Bank and its internal governance</a>” describes the role of the Board and include links to relevant documents on the Board’s functioning: <ul style="list-style-type: none"> <li>- <a href="#">Board's Operating Regulations</a> (covers the procedures for the functioning of the Board with regard to its ordinary, extraordinary and special meetings, as well as its monetary policy meetings)</li> <li>- <a href="#">Board's salary</a></li> <li>- <a href="#">Constitutional Organic Law, Charter I and II</a></li> <li>-</li> </ul> </li> </ul> <p><b>Senior Management:</b></p> <p><b>General Manager, General Counsel, and General Auditor</b>—Section 22 of the CBC Law grants the Board the authority to appoint the General Manager, General Counsel, and General Auditor and to specify their associated responsibilities and duties highlighted in Sections 24–26.</p>

	<p>The CBC website "<a href="#">The Bank and its internal governance</a>" states that the Bank also has a <a href="#">Senior Management</a>, composed of the General Manager, the General Counsel and the General Auditor, in addition to seven division directors, who oversee 22 area managers. The website provides a short description of roles and responsibilities of the General Counsel and the General Auditor (as part of the internal control structure).</p> <p>The 2019 Annual Report (Subchapter 3.1.1—Senior Management) states that:</p> <ul style="list-style-type: none"> <li>• The General Manager is in charge of the immediate oversight and management of the Bank, in accordance with the authority and instructions given by the Board.</li> <li>• The General Counsel is fundamentally responsible for overseeing the legality of all agreements, resolutions, and contracts, thereby controlling legal risk in the Bank's actions.</li> <li>• The General Auditor is responsible for the internal audit and inspection of the Bank's accounts, operations, and management standards.</li> </ul> <p><b>Advisory Committees:</b></p> <p>The CBC website "<a href="#">The Bank and its internal governance</a>" refers to the Audit and Compliance Committee (ACC), as well as the Information Technology Committee and includes high-level information on the roles of these bodies and their membership.</p> <p>That said, the 2019 Annual Report (3.1—Our Board) refers to the following four committees that meet weekly:</p> <ul style="list-style-type: none"> <li>• The Economic, Financial, and Statistics Committee (the Committee's objective is to optimize the distribution of work between the Board and the monetary policy, financial policy, and statistics areas of the Bank)</li> <li>• The Audit and Compliance Committee (the Committee's objective is to report on the effectiveness of the Bank's internal control systems and procedures; analyze their equity and reputational effects; evaluate the reliability, integrity, and timely delivery of information on the financial statements; review the Annual Audit Plan and its execution; and make proposals on independent auditors)</li> <li>• The Risk Committee (the Risk Committee's objective is to coordinate risk monitoring and communication activities, giving feedback to the divisions in charge of the Bank's risk management with regard to their performance, when deemed necessary.</li> <li>• The Information Technology Committee (the Committee's objective is to advise the Central Bank Board and the General Manager on issues related to the corporate governance of information technology (IT), such as the definition of guidelines for IT</li> </ul>
--	--

strategic planning, monitoring of strategic initiatives, identification of risk mitigators, and cost-benefit analysis of IT-related issues.

The CBC discloses on its website ([Our People](#)) detailed biographies of Board members, senior management, division directors, and area managers.

#### Functioning of the Board

(Extract from the 2019 Annual Report—3.1 “Our Board”)

Our Board holds ordinary meetings at least once a week and extraordinary meetings when summoned by the Governor, either of his own volition or in response to a written request by two or more Board Members.

Board resolutions must be adopted by a quorum of three Members and must have the favorable vote of the majority of those present, except in cases in which the law requires a special quorum for specific resolutions, by reason of their importance or relevance. The presiding Board Member casts the deciding vote in the event of a tie.

The Board generally holds its meetings at its offices at the Central Bank in Santiago, but it is empowered to meet and vote on legal resolutions, regulations, or other rulings anywhere within the territory of Chile. There are also internal operating mechanisms to ensure compliance with quorum requirements, in the event that a Board Member cannot be physically present at the meeting.

#### Financial statements disclosures:

The CBC 2019 Financial statements in Note 5, include the following information on the role of the Audit and Compliance Committee, the risk management function, and the General Auditor:

- The ACC, which acts as an external advisor to the Board, reports on the efficacy of the internal control systems and procedures that are used in the financial asset and liability portfolio management process and evaluates the reliability, integrity, and timeliness of the information in the financial statements.
- The Corporate Risk Area, which reports to the General Manager, is responsible for monitoring the medium—and long—term risks of the investment portfolio and verifying compliance with the limits established in the investment policy, which are reported to the Financial Markets Division and the General Manager.

The Office of the General Auditor, which reports directly to the Board, assesses the efficacy and efficiency of the internal control, risk management, and governance of the financial asset and liability portfolio management process. It also reviews regulatory compliance, the existence of an appropriate internal control environment, and the security of the information technology applications and infrastructure, as well as several issues related to governance, risks management, information, and communication.

Review	<p><i>Expanded</i></p> <p>The CBC clearly discloses its organizational structure and the rules governing the Board. The CBC also discloses aspects relating to the composition of its decision-making bodies, and the allocation of responsibilities across different decision-making bodies.</p> <p>While the CBC's <a href="#">Regulation</a> website provides information about the roles and responsibilities of each department (see—Norma de Organización y Funciones), the information was prepared in 2017 and requires updating.</p> <p>Information on how the Board operates (e.g., voting arrangements, frequency of meetings, including monetary policy meetings) is clearly disclosed.</p> <p>That said, there is a need to disclose the CBC oversight arrangements more clearly. The legal framework entrusts some typical oversight tasks, e.g., approval of the accounting framework and financial statements, to the Board.</p> <p>It appears that the ACC (which is not mentioned in the CBC legal framework) was established to oversee the audit, financial reporting, and internal control environment. While the Bank discloses high-level information about the responsibilities of the ACC, no link is provided to a relevant charter/by-law. Moreover, the disclosure in the 2019 Annual Report lists eight ACC members. This is not correct, as the committee is composed of four members.</p> <p>The CBC discloses biographies of Board members, senior and middle management. However, biographies of ACC members are not disclosed.</p>
Comments	<p>Description of the roles and responsibilities of each department (see - Norma de Organización y Funciones) should be updated annually.</p> <p>The transparency of the CBC oversight arrangements should be enhanced by publishing the ACC charter/by-law.</p> <p>While the CBC discloses biographies of Board members, senior and middle management, it should also disclose such information about outside members of the ACC. Such information would usefully inform the general public of the committee's collective expertise in audit and accounting, as well as the level of independence of its external members.</p>
<b>Principle 1.5.</b>	<b>Risk Management:</b> The central bank discloses the principal risks that it needs to take to meet its objectives (such as financial, operational, and legal risks), and the framework to manage these risks. This includes information on the risk governance structure and risk strategy.
Description	See 1.5.1 and 1.5.2.
Review	<p><i>Core</i></p> <p>See 1.5.1 and 1.5.2.</p>
Comments	

<b>Principle 1.5.1.</b>	<b>Risk Exposure:</b> The central bank discloses the principal risks that it needs to take to meet its objectives.
Description	<p>The CBC 2019 Annual Report (subchapter 3.2—Risk Management) provides information on key institutional risks, listing them in three categories, i.e., (i) economic; (ii) social; and (iii) environmental. Further, it states that implementation was completed on the governance, risk, and compliance (GRC) tool, which integrates and improves administration of the risk management, business continuity, and incident management processes. A survey was conducted, including an assessment of the most important strategic risks that could affect the Bank in the event of materialization, which are subject to continuous analysis and monitoring.</p> <p>The 2019 Annual Report (subchapter 4.3—International Reserves and Sovereign Wealth Funds) discloses the objectives of the investment policy. In particular: (i) To hold the reserves in highly liquid instruments, which can be called in the briefest period possible without incurring significant transaction costs; (ii) To invest in instruments that present limited financial risks, in order to limit the risk of incurring capital losses; (iii) To minimize the volatility of the value of the Bank’s equity as a result of changes in the exchange rates of the investment currencies vis-à-vis the peso, so as to reduce the negative effects on the Bank’s balance sheet; and (iv) To reduce the cost of holding the reserves at the margin, which is achieved through the inclusion of a portfolio oriented toward obtaining higher absolute returns in the long run.</p> <p>Also, the 2019 Annual Report (6.1 Appendix 1: International Reserves) includes information on benchmark structure of the cash and investment portfolios, portfolio performance, composition of international reserves, eligible banks and permissible limits, securities lending program.</p> <p>The bank discloses developments in financial risks—mostly in relation to international reserves—in both the 2019 Annual Report and the 2019 financial statements (Note 5—Financial instrument risks and risk management). The financial statements also include disclosures on operational risk associated with managing financial instruments.</p>
Review	<p><i>Core</i></p> <p>While the 2019 Annual Report provides an overview of key institutional risks in economic, social, and environmental areas, these risks are barely discussed in other parts of the report. These risks are not mapped to the CBC’s mandate.</p>

	<p>The Bank clearly discloses the level of, and developments in the CBC's financial risk exposure to international reserves and open market operations. However, information about the level of risk exposure to other risks is absent.</p> <p>The objectives of the CBC Investment Policy are transparently disclosed.</p> <p>The 2019 Annual Report does not contain a risk statement outlining its stance on operational and other risks from its policy operations and other activities. Such a risk statement should specify a constraint or a desired outcome.</p> <p>Further, quantified demands on the CBC's financial resources/buffers (associated with risk exposure) are not disclosed.</p>
Comments	<p>Given that the CBC is taking efforts to further develop its risk management function, the disclosures underpinning the risk management function should be strengthened. In particular:</p> <ul style="list-style-type: none"> <li>- The CBC should include a high-level overview of key risks clearly mapped to its mandate, and the role of risk management in pursuit of its objectives.</li> <li>- The CBC should disclose a risk statement to outline its stance on operational and other risks. The CBC could consider disclosing quantified demands on its financial resources/buffers (associated with risk exposure), including a brief description of the methodology used for quantification.</li> </ul>
<b>Principle 1.5.2.</b>	<p><b>Risk Framework:</b> The central bank discloses the process for identifying financial and nonfinancial risks, the overall risk strategy, and the accompanying risk governance structure designed to monitor and evaluate risks effectively.</p>
Description	<p>Section 18 of the CBC Law states that the Board is responsible to establish the general policies of the Bank, issuing the regulations of general applicability to which it shall conform its transactions, and exercising the supervision and control of the same. The 2019 Annual Report states that the CBC established the Bank's Comprehensive Risk Management Policy and Comprehensive Risk Management Methodology.</p> <p>Further, the 2019 Annual Report (subchapter 3.1) includes a description of the objective and composition of the Risk Committee, and states that the committee was established in 2019 to coordinate risk monitoring and communication activities, giving feedback to the divisions in charge of the Bank's risk management.</p> <p>The 2019 Annual Report (subchapter 3.2 Risk Management) provides an overview of the risk management function, including: (i) corporate governance structure (the Board, Senior Management, the Audit and Compliance Committee, and the</p>

	<p>Risk Committee); (ii) a list of risk management-related certifications; progress in establishing a risk appetite statement; and (iii) the risk event related to the social disruption in October 2019.</p> <p>The 2019 financial statements (Note 5) include comprehensive disclosures on financial risks, including market, credit, liquidity risks. Market risk is monitored by measuring portfolio duration and currency allocation daily and tracking the Value-at-Risk (VaR) and the risk relative to the benchmark (tracking error).</p> <p>Risk strategies for financial risks, such as collateralization of lending operations and limits in investment operations, are described in the 2019 Annual Report (6.1 Appendix 1: International Reserves).</p> <p>The responsibilities of departments involved in risk management are disclosed on the CBC website under <a href="#">Regulation</a> —see link for the “<i>Norm of organization and functions</i>” for all departments/units operating in the CBC.</p>
Review	<p><i>Core</i></p> <p>The 2019 Annual Report provides an overview of risk governance arrangements (e.g., committees, dedicated departments) and of the risk management process.</p> <p>The CBC’s legal framework indirectly allocates responsibility for risk oversight and risk management among the central bank’s decision-making bodies. In 2019, the internal Risk Committee was established with the objective of coordinating risk monitoring and communication activities, giving feedback to the divisions in charge of the Bank’s risk management.</p> <p>The 2019 Annual Report describes financial risk strategies, including collateralization of lending activities and limits in investment operations.</p> <p>Limited disclosures are provided in the 2019 Annual Report: (i) describing the process of continuous identification, evaluation, and mitigation of risks; and (ii) highlighting any developments in CBC’s risk framework.</p> <p>The CBC’s Comprehensive Risk Management Policy and Methodology is not published. Also, the currently published internal regulations do not disclose responsibilities and roles of the Risk Committee.</p> <p>The Bank does not disclose a high-level overview of the central bank’s policies and arrangements for times of crisis.</p>

Comments	<p>Considering that the CBC is in the process of enhancing its risk management framework with a focus on operational risk, to the CBC could inform the stakeholders about these developments. In particular:</p> <ul style="list-style-type: none"> <li>- The CBC should publish the Risk Committee charter/by-law that defines the role and responsibilities of this committee.</li> <li>- Further, the CBC should disclose the CBC's Comprehensive Risk Management Policy and Methodology (or the part of this document, given that some information may be classified as confidential). In particular, the CBC could provide more information on high-level objectives and scope of risk management, as well as description of methodologies for quantifying financial and non-financial risks.</li> <li>- There is a need to provide more comprehensive disclosures describing the process of continuous identification, evaluation, and mitigation of risks, as well as highlighting any developments in CBC's risk framework.</li> </ul> <p>The Bank could also disclose a high-level overview of its policies and arrangements for times of crisis.</p>
<b>Principle 1.6.</b>	<b>Accountability Framework:</b> The central bank discloses its accountability framework that provides transparency and reporting mechanisms to internal decision-making bodies, political institutions, and the general public.
Description	See below 1.6.1., 1.6.2., 1.6.3., & 1.6.4.
Review	<i>Expanded</i> See below 1.6.1., 1.6.2., 1.6.3., & 1.6.4.
Comments	
<b>Principle 1.6.1.</b>	<b>Arrangements:</b> Accountability arrangements are clearly identified, including: (i) internal and external audit arrangements and compliance; (ii) reporting to an audit committee or Board having an oversight responsibility; and (iii) the external publication of audited financial statements and annual reports.
Description	<p><b>Independently Audited Financial Statements</b></p> <p>The 2019 financial statements disclose in Note 2 that the CBC prepares its financial statements following policies approved by the Board, as stipulated in Section 75 of the CBC Law. Per the financial statements these policies are in line with <i>International Financial Reporting Standards (IFRS)</i>, issued by the <i>International Accounting Standards Board (IASB)</i>.</p> <p>Section 75 of the CBC Law states that the financial statements, together with the notes and the opinion, shall be published in the Official Gazette and in a newspaper of nationwide circulation before April 30 of each year. The Bank shall also publish a monthly financial statement.</p> <p>Section 76 of the "CBC Law states that prior to January 31 of each year, the General Manager shall submit to the Board, for its decision, the financial</p>

statements for the last fiscal year, audited by external auditors appointed by the Board from among those auditors registered with the FMC.

Sections 78 of the CBC Law refers to the financial statements and to the Annual Report. They are published separately, and the former is included in the latter.

Section 79 of the CBC Law states that the Annual Report shall be available to the public at the offices of the Bank and shall also be submitted to the Minister of Finance and to the Senate, prior to April 30 of each year.

### **Internal Audit**

Section 18(4) of the CBC Law states that the Board is responsible to appoint, accept resignations and terminate the working contracts of the General Auditor of the Bank, with the majority vote of all Board Members.

Section 26 of the CBC Law describes roles and duties of the General Auditor. Specifically, the control and internal supervision of the Bank's accounts, operations and administrative regulations shall be the responsibility of the General Auditor. The General Auditor shall report in writing to the Governor, with a copy to the Board, the comments and objections he may deem appropriate regarding the accounts and operations of the Bank.

Section 81 of the CBC Law states that the incompatibilities set forth in Section 14 of this Law shall also be applicable to those persons acting in the capacities of General Auditor.

Further, the CBC's [Regulation](#) website provide information about the roles and responsibilities of the internal audit department in the document "*Norm of organization and functions*"(Chapter 2).

### **Audit Committee**

Section 18(2) of the CBC Law states that the Board is responsible to establish the general policies of the Bank, issuing the regulations of general applicability to which it shall conform its transactions, and exercising the supervision and control of the same.

The 2019 Annual Report discloses that:

- The ACC acts as an external advisor to the Board.
- The ACC's objective is to report on the effectiveness of the Bank's internal control systems and procedures; analyze their equity and reputational effects; evaluate the reliability, integrity, and timely delivery of information on the financial statements;

	<p>review the Annual Audit Plan and its execution; and make proposals on independent auditors.</p> <ul style="list-style-type: none"> <li>• The results of internal audits are reported to the CBC Governor, Members of the Board, and the ACC.</li> </ul>
Review	<p><i>Expanded</i></p> <p><b>Independently Audited Financial Statements</b></p> <p>The CBC legal framework contains provisions for an external audit of the annual financial statements. It states that the CBC external auditors should be registered with the FMC. It also contains provisions on the publication of the audited annual financial statements, monthly financial statements, and annual report, including deadline and that the annual financial statements are published separately.</p> <p>The CBC legal framework lacks provision for an external audit by an independent audit firm in accordance with international standards, multi-year appointments, audit firm rotation period, and oversight by an audit committee. Most of these aspects are covered by the CBC's external auditor rotation policy. However, the policy is yet to be published.</p> <p>It also does not refer to the applicable accounting standards to be applied by the bank. That said, the 2019 audited financial statements (published as part of the Annual Report) provide information that the CBC prepares its financial statements following policies approved by the Board, as stipulated in Section 75 of the CBC Law. These policies refer to IFRS, as the accounting framework applied by the CBC.</p> <p><b>Internal Audit</b></p> <p>The CBC clearly establishes the roles and duties of an internal audit function. Also, reporting lines to the Governor and the ACC are established.</p> <p>While Section 18(4) of the CBC Law is explicit on the appointment and dismissal of the head of the internal audit function, i.e., General Auditor, there is no information provided on term of appointment and eligibility criteria. That said, the appointment of CBC staff and officials is subject to the Labor Law and internal staff regulations.</p> <p><b>Audit Committee</b></p> <p>The CBC's legal framework contains the provision, which assigns responsibility to the Board to oversee matters on internal and external audit and compliance.</p>

	<p>The Bank discloses in the Annual Report that the ACC acts as an external advisor to the Board, and oversees matters on final reporting, as well as internal and external audit.</p> <p>However, the rules governing the annual reporting by the ACC, including publication in the Annual Report are not disclosed.</p>
Comments	<p><b>Independently Audited Financial Statements</b></p> <p>The CBC could disclose its external audit rotation policy that includes information on the multi-year appointments of external auditors, and audit firm rotation period.</p> <p><b>Audit Committee</b></p> <p>The CBC should publish the ACC Charter to transparently disclose the committee's roles, responsibilities, reporting lines, and composition. Furthermore, it is advisable to publish the ACC report on its activities.</p>
<b>Principle 1.6.2.</b>	<p><b>Tools:</b></p> <p><b>Independently Audited Financial Statements:</b> The central bank discloses its auditing and accounting standards and compliance frameworks and gives the public sufficient information to assess and understand the central bank's financial performance, use of resources, and transactions with the government and other stakeholders.</p> <p><b>Internal Audit:</b> The central bank provides the public with information regarding its internal audit function, discloses its framework and compliance with the framework, and the scope of its responsibilities.</p> <p><b>Audit Committee:</b> It is clear whether an internal oversight body that reports to the Board exists, and which of the activities are published.</p>
Description	<p><b>Independently Audited Financial Statements</b></p> <p>The <a href="#">2019 Annual Report</a> includes a complete set of independently audited financial statements.</p> <p>The CBC annual financial statements are prepared in accordance with IFRS. An external audit opinion accompanies the published financial statements. Publication of the annual financial statements is within the statutory deadline.</p> <p><b>Internal Audit</b></p>

	<p>The <a href="#">2019 Annual Report</a> (subchapter 3.4) describes the rules governing the internal audit function.</p> <p><b>Audit Committee</b></p> <p>The ACC's composition is disclosed in the 2019 Annual Report on page 35, and on the Bank's website <a href="#">Corporate Governance</a>. The CBC provides high-level description of the committee's responsibilities—see page 35 of the 2019 Annual Report, and information in subchapters 3.2 (Risk Management) and 3.4 (Office of the General Auditor).</p>
Review	<p><i>Expanded</i></p> <p><b>Independently Audited Financial Statements</b></p> <p>The annual report includes a complete set of audited financial statements and a comprehensive discussion on the CBC's activities. This includes information on significant transactions and highlights for the period. This information is clear and enables a user to assess performance, understand key transactions and operations, and identify emerging risks.</p> <p><b>Internal Audit</b></p> <p>The 2019 Annual Report (subchapter 3.4—Office of the General Auditor) describes the rules governing the internal audit function and reporting structure and includes statements of conformance with international standards and basis for the function's audit methodology, which is risk-based. A high-level description of the function's activities during the period is also provided. The overall opinion of periodic external quality assessments is disclosed confirming that the bank's auditing activities "comply with international standards for the professional practice of internal auditing".</p> <p><b>Audit Committee</b></p> <p>The 2019 Annual Report (page 34) discloses that the Bank's committees, including the ACC meet weekly to undertake an exhaustive analysis of the issues to be covered in the Board Meetings and any resolutions scheduled to be submitted for approval. This information is not correct, as the ACC meets 6–8 times a year. The ACC's key activities vis-à-vis the financial statements and internal/ external audits are described. A report of the ACC is not published.</p> <p>There is a discrepancy in the description of the ACC's composition. Per the 2019 Annual Report (page 35) the committee is composed of eight members, but the ACC's description available on the website <a href="#">Corporate Governance</a> refers only to</p>

	<p>three external members. Furthermore, no information is provided on existing vacancy of one external member of the committee. Names of the members of the ACC are disclosed.</p>
Comments	<p><b>Independently Audited Financial Statements</b></p> <p>The external audit opinion accompanies the CBC published financial statements should include signature of the external auditor. The CBC could consider providing more detail information on its administrative expenses.</p> <p><b>Internal Audit</b></p> <p>The CBC should consider publishing its Internal Audit policy to clarify the rules governing the internal audit function and reporting structure. The Bank should also be explicit in stating that its internal audit function “generally complies with international standards for the professional practice of internal auditing” based on the recent external quality review.</p> <p><b>Audit Committee</b></p> <p>The CBC could also disclose short biographies of independent/outside members of the ACC. Currently only their names are disclosed on the Bank’s website.</p>
<b>Principle 1.6.3.</b>	<p><b>Anti-corruption Measures and Internal Code of Conduct:</b> It is clear whether domestic anti-corruption legislation and measures apply to the decision-makers, staff, and agents of the central bank. The central bank discloses its internal Code of Conduct with additional requirements specific to central bank management and staff.</p>
Description	<p>Section 14 of the CBC Law describes incompatibilities of Board members in terms of positions or service rendered in the private sector. Section 15 contains procedures and sanctions when Board members infringe dispositions in Section 13 related to proprietary interest of Board members or their relatives up to the third degree of consanguinity or second degree of affinity.</p> <p>The code of conduct is fully disclosed in on the CBC website and there is a link to the “Personnel Code of Conduct”. The Code of Conduct includes specific details relating to conflicts of interest, professional conduct, purchasing processes, objectivity in recruitment, guidance on external activities, financial and personal investments, outside income, corruption, and the acceptance of gifts.</p>

	<p>Subchapter 3.5.4 (Ethics: Questions, Concerns, and Committee) of the 2019 Annual Report contains a description of the members and responsibilities of the Ethics Committee. Per the information in the Annual Report, the Ethics Committee is made up of the General Manager, the General Counsel, the General Auditor, and the Human Resources Manager. The Annual Report also refers to a channel through which employees can report any concerns they may have (in a confidential manner), which is available through the CBC “intranet”. The Annual Report also includes brief details on the responsibilities of the Ethics Committee.</p> <p>The CBC website has a section regarding “access to information,” which includes links to forms that must be filled to access confidential information, and also to documents that contain the associated procedures. There are also disclosures relating to internal whistle-blowing mechanisms.</p> <p>Section 26 of the CBC Law states that “The control and internal supervision of the Bank’s accounts, operations and administrative regulations shall be the responsibility of the General Auditor. The General Auditor shall report in writing to the Governor, with a copy to the Board, the comments and objections he may deem appropriate regarding the accounts and operations of the Bank.” In addition, the CBC also has a channel through which employees can report confidentially and with no repercussions any concerns they may have regarding situations related to personnel, which is available through the intranet.</p>
Review	<p><i>Expanded</i></p> <p>While the CBC discloses certain anti-corruption measures that Board members are subject to and includes a brief reference to “corruption” in “the Standard of Conduct, Probity and Values”, there is a lack of transparency regarding the applicability of domestic anti-corruption legislation and whether these measures to all members of the CBC.</p> <p>The CBC discloses full details regarding the Code of Conduct. The Code of Conduct includes comprehensive provisions including details relating to conflicts of interest, professional conduct, purchasing processes, objectivity in recruitment, guidance on external activities, financial and personal investments, outside income, corruption, and the acceptance of gifts.</p> <p>There is a lack of clarity regarding the details of the restrictions that are imposed on CBC staff post-public employment (“cooling off” periods). For example, based on the disclosures on the CBC website, it is not clear whether there are restrictions on the activities that the members of the Board can engage in, following their departure from the Board.</p>

	<p>There is a lack of disclosure on whether internal controls (such as measures to safeguard the Independence, ensure accountability and enhance the capacity of Ethics Officer(s) or Advisors) are established to ensure the proper implementation of the Code of Conduct. In addition, while there is information relating to the Ethics Committee membership in the 2019 Annual Report, there is a lack of transparency regarding the varying “levels of membership” of the Ethics Committee, for example, in practice, the Human Resources Manager is an “invitee” opposed to a “standing member” of the Ethics Committee.</p>
Comments	<p>The CBC should consider disclosing more detailed information relating to the applicability of domestic anti-corruption legislation along with clarifying that these measures are applicable to all members of the CBC, including decision-makers, staff, and agents of the CBC.</p> <p>As per the details included in the “description” section, the CBC Law is a helpful source of information for details relating to anti-corruption measures and the code of conduct. However, the accessibility of information could be improved through greater use of other channels. For example, the Annual Report is a document that is easily accessible to the public and is a source of information that the CBC has the control to amend on a regular basis. As such, there is an opportunity to provide further narrative detail on the functioning and implementation of anti-corruption measures and the code of conduct, for example, aggregated information on the number of conflicts of interest that were raised, along with anonymized details of the sanctions (if any) imposed.</p> <p>The CBC should consider enhancing the disclosure of information relating to the Code of Conduct by publishing details relating to the implementation of Code of Conduct and the internal controls that are utilized to monitor compliance and/ or detect breaches.</p> <p>The CBC should consider disclosing further information regarding the functioning and activities of the Ethics Committee, along with details to clarify the status of the members (i.e., invitee versus standing member).</p>
<b>Principle 1.6.4.</b>	<b>Human Capital Management:</b> The central bank discloses its policies and practices concerning the governance and management of human capital.
Description	<p>Section 2 of the CBC Law states that the authorities granted to the CBC by law shall not be exercised in a manner which, directly or indirectly, may result in the establishment of regulations or requirements that are different or discriminatory to any person, institution or entity conducting business of similar nature.</p> <p>The Bank’s website (“<a href="#">Strategic Planning</a> for 2018–2022”) discusses five strategic priorities, including one relating to HCM: “<i>To be an employer of excellence, offering</i></p>

*a value proposition that inspires people and teams to discover and develop their full potential, in a work environment that promotes collaboration, continuous learning, and professional and personal challenges; and thus to attract and retain talent, in line with the Bank's strategic objectives and corporate values."*

Letter from of the General Manager that is included in the 2019 Annual Report provides that: *"We want to continue to be an employer of excellence. To this end, we have developed leadership and mentoring programs, with a focus on detecting and developing internal leadership skills. We are proud to have a highly committed and professional team. One of our priorities is to maintain a positive work climate, and we are pleased to report that the results of our last climate survey were very good—even better than in previous years."*

Under Chapter 4.6 (*Our people*) of the 2019 Annual Report, the following statements are included:

- The Central Bank of Chile is committed not only to serving our society, but also to empowering those who are the driving force behind the Bank's work: namely, our employees. As an institution, we are committed to offering an employee value proposition that inspires our people and teams to grow and develop their full potential, in a collaborative environment of continuous learning and professional and personal challenges, so as to attract and retain the best talent, aligned with the Bank's strategic objectives and organizational values.
- To support the achievement of our mission, in 2019 we continued to implement actions aimed at meeting the strategic objective of attracting and hiring people of excellence and keeping them motivated and committed to achieving our institutional objectives, in a balanced work climate.

In addition:

- Subchapter 4.6.1 (Gender equality and diversity) discloses the number of Bank employees by position and gender; further, it states that the CBC promotes a culture of diversity and respect, with a focus on the participation of women, considering that the share of women is relatively low in some areas, roles, and leadership positions;
- Subchapter 4.6.2 (Leadership and culture management) discloses that the CBC moved forward on the leadership and culture management project that aims to create and install the culture and leadership style that the bank needs in order to achieve its strategic objectives.
- Subchapter 4.6.4 (Training to be better) provides information on training hours and scholarships granted.
- Subchapter 4.6.6 (Work-life balance) states that the CBC has strengthened its work-life balance policies, facilitating options for telecommuting and flexible schedules.

	<ul style="list-style-type: none"> <li>Subchapter 4.6.7 (Labor relations) describes the CBC Labor Union responsibilities, which include legal advice, well-being, collective bargaining, and scholarships for employees' children.</li> </ul> <p>Additionally, subchapter 3.5.4 (<i>Ethics: Questions, concerns, and committee</i>) discloses that the Ethics Committee (composed of the General Manager, the General Counsel, the General Auditor, and the Human Resources Manager) is responsible for addressing situations related to Bank personnel.</p> <p>The Bank's website ("<a href="#">Active transparency</a>") includes a section that contains the detail of all employees, their names, functions and the date they were hired by the CBC.</p>
Review	<p><i>Expanded</i></p> <p>The CBC discloses information on staff development, leadership, and diversity and inclusion. However, no information on staff succession and turnover is provided. Furthermore, the CBC provides only very general statements on how it attracts, promotes, and retains staff.</p> <p>The CBC discloses information on the responsibilities of the Labor Union, and the Ethic Committee in relation to HCM However, no information is provided on reporting and review of the staffing related matters between middle/senior management. and the body charged with oversight of these measures.</p> <p>The CBC does not disclose explicitly whether its staff are recruited and promoted on non-political grounds (e.g., by including references to relevant national laws that prohibit patronage and discrimination).</p>
Comments	<p>The CBC could publish the Ethics Committee Charter to transparently inform the stakeholders about the committee's roles and responsibilities and its composition (e.g., it is not clear if the Human Resources Manager is required to attend all meetings and has the same rights like other members).</p> <p>While the CBC discloses in its Strategic Planning for 2018-2022 how the human resources function is expected to support the Bank's mandate, the CBC could more transparently communicate quantitative measures that tie back to the Bank's HCM strategy.</p>
<b>Principle 1.7.</b>	<b>Communication:</b> The central bank discloses means and methods of communication and the forms of disclosure of information to its stakeholders.
<b>Principle 1.7.1.</b>	<b>Arrangement:</b> The central bank discloses the organizational structure, responsibilities, and processes relevant for communication.
Description	<b>CBC responsibility to disclose information</b>

	<p>The CBC's general obligation to communicate is anchored in primary legislation; Article 8 of the Political Constitution, Articles, 53, 65 bis (1) and 67 of the CBC Law; and Law No. 20.285 "Access to public information" that establishes the "Active Transparency" system for public institutions.</p> <p><b>Organizational Structure</b></p> <p>The CBC's Institutional Affairs Division was created in 2018, with the objective to design the Bank's communication and relationship strategy. The CBC's "Organizational Chart" describes the Institutional Affairs Division and its area departments.</p> <p>Communication policies and strategies are jointly determined by the Bank's Board and senior management, along with the role of the Institutional Affairs Division (design, implementation, and evaluation of the respective deployments). Therefore, the Institutional Affairs Division is in charge of leading the deployment of the CBC communications strategy, in coordination with the Bank's Board and Senior Management (General Manager, Divisional Managers, HR Manager, Comptroller's Office and Prosecutor's Office).</p> <p>There is also an <a href="#">internal communication policy</a>, published and known throughout the organization.</p> <p><b>Processes Relevant for Communication</b></p> <p>The CBC has a Transparency Strategy published on its website; it is divided in passive transparency and active transparency. Active transparency is the mandate or responsibility of the CBC to maintain current information from the central bank to the public. Passive transparency is the obligation of the CBC to respond to information request under the legal framework of access to information in Chile. In reference how records and data are accessible to the public as a mean for communication and transparency, the CBC website has been defined as the main communication platform of the CBC. It provides easy access to all the information generated by the entity (daily indicators, publications, reports, statistical databases, etc.)</p> <p>On the CBC website, a Transparency and Probity section is available, where all the information and documents related to the legal requirements that apply to the Central Bank are published, such as the Transparency Law, the Lobby Law, and the Probity Law.</p> <p>The CBC has a <a href="#">public digital repository</a> through which the general public can access historical documents and other publications of an economic and financial nature.</p>
--	---

Review	<p><i>Comprehensive</i></p> <p>The CBC has specific means and methods to communicate to the general public. It implements a structured policy on communications. It also has a strategic program to enhance its engagement with targeted stakeholders.</p> <p>The CBC has a structured institutional arrangement to handle communications. The decision-making process for communication policies is also disclosed. The most important tool that CBC uses to disclose information, is its website. Information can be found on the website in Spanish and English. The information is presented periodically and in a timely fashion.</p>
Comments	
<b>Principle 1.7.2.</b>	<b>Strategy/Tools:</b> The central bank discloses the objectives, target audiences, channels, and tools of communication policy.
Description	<p>In its <a href="#">Strategic Plan for 2018-2022</a>, the CBC states that communication is a priority of the central bank. It also discloses the vision and objectives on communication.</p> <p><b>Target Audiences</b></p> <p>To improve communication with target audiences, and to reach out to the public, the CBC has developed a series of initiatives in financial education from 2004 onwards.</p> <p>The general public can request access to Bank documents through the citizen consultation platform, or through the mechanism defined by the Transparency Law (2008). Another strategy to reach the general public is the website <a href="#">“Central en tu vida”</a>.</p> <p>The central bank communicates its policy decisions and main associated messages through a series of dissemination platforms and tools, among others:</p> <ul style="list-style-type: none"> <li>• Publications on the CBC website, through press releases, presentations in partnership with union counterparts, universities, higher education institutions and local development corporations, interviews of Board members/Division Managers in the media, opinion columns, participation of Board members in seminars, conferences and round tables.</li> </ul> <p>In this context, the Bank organizes its publications based on a predefined calendar, which basically considers:</p> <ul style="list-style-type: none"> <li>• 4 Monetary Policy Reports: March, June, September (in this case the annual account is added to the full Senate) and December.</li> <li>• 2 Financial Stability Reports: May and November.</li> <li>• 8 monetary policy meetings: January, March, May, June, July, September, October, and December.</li> </ul> <p>- Decisions are communicated through a statement that is published at the end of the day on the website.</p> <p>- 11 days later, the respective minute is published on the website.</p>

	<p>- The minutes are published with a lag of 10 years according to a previously established calendar.</p> <p>In reference to CBC’s rulemaking obligation, the CBC has a platform to interact with the public in order to establish a “public consultation procedure” for normative acts of the CBC on the <a href="#">central bank website</a>. (Article 35 of the CBC Law).</p> <p>There is also <a href="#">a platform</a> to interact with the public and order to implement the procedure to handle information requests from citizens in accordance with the Law on Access to Public Information”. (<i>Procedimiento aprobado por el Banco Central para la gestion de solicitudes de acceso a la informacion publica</i>).</p> <p>Requests for access to information are submitted through an electronic form. Although the Bank has 20 business days to respond, in practice it does not exceed 10 business days.</p> <p>The CBC evaluates its communication strategy and objectives. In this respect, the CBC has a follow-up and monitoring tool for publications in traditional media and social networks. Likewise, with an indicator of institutional reputation, prepared from the monitoring of coverage in traditional media (about 300 platforms in the country).</p>
Review	<p><i>Comprehensive</i></p> <p>The CBC strategy on communications is clearly disclosed, the objectives are explained and its disseminated using different communication tools. Targeted audiences are also mentioned in its strategy.</p> <p>The CBC has a broad menu of tools on how to communicate.</p> <p>The platform and the institutional unit to respond to access to information requests are well structured, the process to respond is clear and disclosure of information is done in a timely manner. All information requests are responded.</p>
Comments	
<b>Principle 1.8.</b>	<b>Confidentiality:</b> The central bank discloses its policy on confidentiality or secrecy of central bank information, including the reasons underlying the choices it has made on disclosure or non-disclosure of sensitive information.
Description	<p>The CBC is governed by the principle of transparency in the public function enshrined in section 8 of the Political Constitution of the Republic.</p> <p>The confidentiality policy of the CBC is enshrined in section 66 of the CBC Law, establishing specific areas that are considered as “reserved” information, such as; money credit transactions with the banking sector (section 34 of the CBC Law), measures taken to preserve financial stability (section 36 of the CBC Law), the function as “state representative, fiscal agent role (section 37 CBC Law), international transactions of the CBC (section 38 of the CBC Law), the authority of the CBC in foreign exchange transactions and information related to this function (sections 40, 42, and 49 of the CBC Law), and banking services to financial institutions (sections 54, 55, and 56 of the CBC Law).</p>

	<p>In accordance with the legal framework, and the established procedure, the Bank is obliged to provide the information requested, except in the case of matters or operations subject to legal reserve by virtue of section 66 of the CBC Law, or by any of the reasons for secrecy or reservation contemplated in the Transparency Law itself.</p> <p>In a complementary manner, the CBC Board approved the rules and instructions to comply with the Transparency Law in relation to its policy of “Active Transparency” and the right of access to information, which are published on the website. In this context, the Bank has established specific mechanisms to manage the requests it receives from any citizen. When the public requests access to confidential information or documents, the reasons and legal causes that prevent the Bank from delivering said information are based on the respective response. All the responses that the Bank denies are reviewed by the Public Prosecutor's Office to ensure that they are well-founded. The response denial rate is approximately 2 percent per year.</p> <p>It should be noted that, in terms of good practices of voluntary transparency, the Bank makes all the responses submitted within the framework of the Transparency Law available to the public on the CBC website, including those that have been denied.</p>
Review	<p><i>Comprehensive</i></p> <p>The confidentiality policy is established by the CBC Law. This policy is detailed and specifies the CBC functions that are considered as reserved. It also establishes the circumstances under which is allowed by law to share “reserved” information and name the official counterparts to whom is compelled to disclose confidential information.</p> <p>In terms of the disclosure to the public through the “access to information mechanism,” when the CBC is asked for information that is classified as “reserved,” the CBC properly responds and clarifies that the information requested is reserved as previously determined by law. There is also the possibility of judicial review of the administrative decision to not disclose the information.</p>
Comments	
<b>Pillar II—Central Bank Policies</b>	
<b>Principle 2.1.</b>	<b>Monetary Policy:</b> The central bank publicly and clearly discloses the objectives, policy framework, and instruments of monetary policy.
<b>Principle 2.1.1.</b>	<b>Objectives and Framework:</b> The central bank discloses its monetary policy framework and strategy for achieving its objectives.
Description	The functions and objectives of the CBC are set forth in <a href="#">CBC Law</a> , which establishes the CBC mandate of safeguarding the stability of the currency and the

normal functioning of internal and external payments. The objective of safeguarding the stability of the currency implies maintaining low and stable price inflation. To meet this objective, the CBC carries out its statutory duties using actions and strategies that are part of its monetary policy framework.

After the adoption of inflation targeting in 2007, the CBC adopted new monetary policy objectives and a new framework described in; "*Central Bank of Chile: Monetary Policy in an Inflation Targeting Framework*", which superseded the 2000. This report is available on the [CBC website](#).

This document discusses the CBC's understandings of how monetary policy works and should be conducted. It presents the relevant institutional and the legal setting. The law empowers the CBC to use monetary and foreign exchange policy instruments and with some aspects of financial and capital market regulations to meet its objectives. With full autonomy in its management and policy decisions, the CBC reports to the President of Chile and the Senate. Furthermore, the report, describes in detail the monetary policy conduct, explaining the rationale behind changes in the monetary policy interest rate. In particular, the CBC's monetary policy is based on inflation targeting and a floating exchange rate regime. It is committed to using the necessary instruments to keep annual Consumer Price Index (CPI) inflation around 3 percent most of the time, within a tolerance range of plus or minus one percentage point. The CBC carries out its monetary policy by influencing the daily interbank interest rate. The CBC conducts its monetary policy by controlling the supply of liquidity or monetary base, so that the resulting interest rate is close to the Monetary Policy Report (MPR). Thus, the MPR reflects the target interbank rate sought by the central bank. This monetary policy framework has been disseminated through various articles and statements and press release published on the CBC website.

Furthermore, the CBC quarterly publishes the MPR. It analyzes the main factors influencing inflation, which include the international environment, financial conditions, output, and aggregate demand, and recent price and cost developments. The last chapter presents the considerations underlying the monetary policy strategy for the coming quarters and describes how the monetary policy reaction could change in the face of particular changes in the baseline scenario. The MPRs are available on the [CBC website](#).

The CBC published, in September 2019, an [evaluation](#) by an Independent Evaluation Panel of the conduct of monetary and financial policy during the last decade. The Panel made 40 recommendations, of which eight refer to the communication of monetary policy. The CBC initiated the implementation of Recommendations 18–22 and 24; and expected to be completed during 2021.

Review	<p><i>Comprehensive</i></p> <p>The CBC discloses its monetary policy framework and strategy for achieving its objectives using several tools, including publicly available reports on monetary policy, press release on monetary policy decision, meeting records of the monetary policy committee, and dedicated speeches by senior management. Furthermore, it has an articulated strategy for the practical implementation of its policy framework that is regularly communicated to the public, including in the context of policy decisions.</p>
Comments	<p>The CBC is planning to communicate its monetary policy framework to the general public by having a short description in plain language and animation to be posted on its website soon. It is important to ensure consistency when communicating inflation targeting of monetary policy.</p>
<b>Principle 2.1.2.</b>	<p><b>Policy Decisions:</b> The central bank discloses its monetary policy decisions in a timely manner and indicates how the decisions foster the achievement of its monetary policy objective(s). The central bank discloses the process by which policy decisions are taken, including with respect to the meeting calendar of its monetary policy decision-making bodies and their voting procedures.</p>
Description	<p>The CBC's policy decisions are disclosed to the public immediately after the respective Monetary Policy Meeting (MPM), in an official news release. The Board's rationale for its policy decisions is published in the MPR, the minutes of the MPM, and through a wide dissemination of CBC research, and of analytical and projection models. These communication mechanisms are complemented by regular presentations made by the Governor and other Board Members, and senior managers.</p> <p>In each MPM, the communiqué with the main background that justified the decision is published on the website at 6:00 PM. the same day, together with the vote of each member of the Board. In addition, in September of each year, the MPR contains projections of the CBC's balance sheet, and a report on the management of international reserves. Furthermore, in September of each year, the CBC <a href="#">announces</a> the schedule of MPM for the entire following year.</p> <p>On the same day a monetary policy decision is made, the CBC issues a press release on its <a href="#">website</a> on the MPM decision, the "MPM Communiqué". The communiqué announces the monetary policy interest rate and other adapted measure such as the Conditional Financing Facility to the Increase in Loans (FCIC). In brief, the CBC maintained the policy rate at its minimum of 0.5 percent for policy horizon of two years, offered credit line with short term maturity and expanded the eligible collaterals including commercial papers with state guarantee.</p>

	<p>The MPM Communiqué also discusses the economic background that was considered, and how it fits into the monetary policy strategy described in the latest MPR. The <a href="#">Communiqué</a> also discloses how the decisions were taken by the unanimity or majority of its members.</p> <p>Furthermore, the CBC <a href="#">publishes</a> the minutes of its MPM with 10 business days lag.</p> <p>The CBC explains the rationale behind the Board's votes (not individualized, although the result of the vote does reveal the names). The MPM that coincides with the publication of the MPR, involves the presentation of the <i>Report</i> in the Senate the day after the MPM in the morning, and during the afternoon an open press conference is always contemplated, and streamed and posted on the CBC's <a href="#">YouTube channel</a>.</p> <p>The material used by the Governor is also uploaded to the <a href="#">website</a>.</p> <p>In MPMs that do not coincide with the MPR, the CBC opens a special communication channel to the press for questions and clarifications of the monetary policy decision. All these procedures are detailed in the minute "<i>Adjustments to the Monetary Policy Decision-Making Process and Communication: Some Questions and Answers</i>".</p>
Review	<p><i>Comprehensive</i></p> <p>The CBC discloses its monetary policy decisions in detail in the context of its monetary policy objective and framework and a comprehensive account of policy deliberations and voting behavior of decision-makers within a reasonable amount of time. The CBC provides regular venues (e.g., press conferences) for the media to ask questions and further clarify the rationale for the decisions.</p>
Comments	
<b>Principle 2.1.3.</b>	<b>Supporting Analysis:</b> The central bank discloses relevant economic information and supporting analysis that informs its monetary policy decisions.
Description	<p>The CBC publishes a <a href="#">regular report</a> analyzing recent economic trends and events in Chile as well as the global economy. Furthermore, these analyses aim at guiding the readers to understand the performance of the economy and the underlying factors that have bearing on the monetary policy decisions. The report also covers specific topics that are relevant to monetary policy. The report is published on the CBC website. In particular, the MPR provides a comprehensive projection scenario for headline inflation, core inflation, and GDP on the demand and activity side, Current Account, and Monetary Policy Rate for horizons one and two years ahead, plus the current year. It also provides a risk analysis for the GDP</p>

	<p>and inflation projections, which are communicated in the Board's presentations on the Report.</p> <p>The <a href="#">MPM Communiqué</a>, together with the decision and vote on the monetary policy adopted, explains the main reasons that led the Board to make such a decision. The communiqué is explicit about the economic background that was considered, and how it fits into the monetary policy strategy described in the current MPR and the policy framework.</p> <p>In addition, the CBC published in March 2020 the book "<a href="#">Use of Macroeconomic Models in the Central Bank of Chile 2020</a>" that details the economic models used in the forecasting of the main macroeconomic variables (GDP, inflation, demand, activity) as well as satellite models for other variables of interest. The CBC also makes available the codes of the main models used, which reflects higher transparency level.</p> <p>The CBC also publishes analysis on specific topics, such as the effects of the coronavirus on the income flow of firms, the flow of credit to households, etc. These analyses are published as a "Monetary Policy Report Box" on the same day as "<a href="#">Minutes Cited in the MPR.</a>"</p> <p><a href="https://www.bcentral.cl/documents/33528/2688278/rec_I1_vacunas.pdf">https://www.bcentral.cl/documents/33528/2688278/rec_I1_vacunas.pdf</a></p> <p>CBC staff prepare several analytical work and analyses on various aspects of monetary policy in Chile. These working papers are published on the CBC website. The analytical works are mainly disseminated through CBC Working Papers.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBC discloses scenario analysis to help explain how its policy decisions foster attainment of its policy objectives as well as highlight risks to the outlook. The CBC also discloses the relevant models used for forecasts and scenario analysis that inform its policy decisions.</p>
Comments	<p>The CBC may further enhance its transparency by providing a short description in simplified language posted on its website of the relevant economic information and supporting analysis of its monetary policy decisions.</p>
<b>Principle 2.2.</b>	<p><b>Cross-Border Financial Flows and Foreign Exchange Administration:</b> The central bank is clear about its role in determining and implementing the policy on cross-border financial flows and foreign exchange administration. It discloses the objective(s), the legal and institutional frameworks it is acting under, its policy decisions, as well as the process by which policy decisions are taken.</p>

<b>Principle 2.2.1.</b>	<b>Objectives and Framework:</b> The central bank discloses the policy's objective(s), legal and institutional frameworks, and the strategy to achieve the policy objectives. There is clarity whether the central bank can delegate some of its functions to implement policy decisions to other entities and on the modalities of such delegation.
Description	The CBC website contains links to the <a href="#">CBC law</a> , which outlines the central bank's responsibilities regarding FX administration (Subtitle 8, sections 39 to 52).
Review	<i>Comprehensive</i>  The CBC law, which is listed on the CBC website, provides information on objectives, elements, attributions, responsibilities, and powers of the central bank, which are clearly distinguished. The website also includes the Manual of Procedures and Information Forms.
Comments	
<b>Principle 2.2.2.</b>	<b>Policy Decisions:</b> Policy decisions, whether on new actions or changes to standing policy or other changes in the regulatory framework, are publicly announced, explained, and disclosed in a timely manner. The central bank is clear about the process by which policy decisions are taken.
Description	The CBC website contains links to the <a href="#">CBC law</a> , and provides an updated compendium of FX regulations. Latest publications are explicitly highlighted on the website. A public consultation on the modernization of the CBC's FX regulations is listed on the <a href="#">website and in a press release</a> . Similarly, a summary of comments received in a public consultation regarding a proposal to allow settlement in USD in the Real-Time Gross Settlement System (RTGS) System, was also published on the <a href="#">CBC website</a> . The CBC discloses <a href="#">information on the decision-making process</a> , and on the <a href="#">roles and responsibilities of the decision-making bodies</a> involved. This includes information on the shared responsibility in financial market regulation, in which the FMC and the MoF participate as well.
Review	<i>Expanded</i>  The CBC clearly discloses information on the decision-making process, and it stages, as well as the role and responsibilities of the Board, and frequency of Board meetings—as noted in the compendium of FX regulations. Policy decisions are disclosed with sufficient lead time for those affected by the decisions. The press releases and Questions and Answers (Q&As) are clear, released in a timely manner, and easily accessible. Public consultations regarding draft proposals allow the CBC to take note of comments, which are summarized on the CBC website. The CBC, however, does not publish the individually received comments.

	The CBC clearly discloses information on the decision-making process, and its stages, as well as the role and responsibilities of the Board, and frequency of Board meetings—as noted in the compendium of FX regulations. Policy decisions are disclosed with sufficient lead time for those affected by the decisions. The press releases and Questions and Answers (Q&As) are clear, released in a timely manner, and easily accessible. Public consultations regarding draft proposals allow the CBC to take note of comments, which are summarized on the CBC website.
Comments	Though the summary of comments received in a public consultation are published, the CBC could also consider publishing the full comments.
<b>Principle 2.2.3.</b>	<b>Supporting Analysis:</b> The central bank discloses in a timely manner the supporting analysis, including the intended outcome that informs its policy decisions.
Description	<p>Each decision of the CBC on FX policy is communicated to the public in a timely manner and with all the technical details in the understanding that it is sensitive information for the markets: objective, procedure, duration (expiration date or condition), and exit strategy (<a href="#">example</a>).</p> <p>Alternative policy decisions are not published due to their strategic content, in which markets can react in such a way as to reduce the scope of the final policy decision. However, when disclosed, the economic rationale of each decision and how it fits to the monetary policy framework is always disclosed.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBC discloses in a timely manner the general considerations for a policy decision, including the expected outcomes, and the underlying detailed considerations. Alternative policy options, underlying considerations, and the rationale for the choice of the option are not disclosed by the CBC, as the central bank does not have this practice—the absence of which is clear from the information disclosed by the CBC.</p>
Comments	
<b>Principle 2.3.</b>	<b>Foreign Exchange Management:</b> The central bank clearly and publicly discloses its foreign exchange policy objectives, including the hierarchy of objectives and the operational framework and instruments of foreign exchange interventions.
<b>Principle 2.3.1</b>	<b>Objectives and Framework:</b> The central bank discloses its policy objectives and legal, operational, and institutional frameworks, consistent with the chosen foreign exchange regime.
Description	The CBC website discloses information on the exchange rate regime (floating exchange rate), the relevant policy objectives, and the advantages. It also notes in

	<p>a CBC monetary policy <a href="#">brochure</a> on its website, that it “reserves the right to intervene in the exchange rate market in exceptional circumstances, via forex operations and/or supplying derivative instruments.”</p> <p>Within the inflation targeting scheme, the CBC sees FX interventions as a policy tool, mainly as a corrective action for inflationary expectations and uncertainty and, to a lesser extent and in specific cases, as a tool for capital control and financial stability—given this variety of possible options, ex ante transparency on objective(s) of specific FX interventions would be helpful.</p> <p>The CBC’s FX strategy is described in the document "<a href="#">Chile's Monetary Policy within an Inflation-Targeting Framework</a>", Chapter 3 "<a href="#">Monetary Policy Framework</a>".</p> <p>Regarding the November 2019 announced FX intervention program, there was a lack of clarity among market participants on whether the CBC was aiming for a targeted level of the Chilean peso, and, therefore, what the key objective of the intervention program was—even though the <a href="#">press release</a> clarified the objective of the program.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBC discloses the broad objective of foreign exchange intervention policy, and its interaction with monetary policy through its Monetary Policy document listed on the CBC website, with references to the CBC legal and institutional framework.</p> <p>The CBC discloses the general rules of foreign exchange management policy instruments, and is clear on the intended objectives, key assumptions, and framework of reaching a decision to intervene. It should be noted, however, that this was not clearly understandable for all market participants.</p>
Comments	<p>The CBC could examine how to disclose its intended objectives of FX interventions more clearly.</p>
<b>Principle 2.3.2.</b>	<p><b>Policy Decisions:</b> The central bank discloses its decision-making process, including the rationale for foreign exchange management instruments, and the means and methods of reaching a decision. The potential impact of its policy decisions is explained in a timely manner.</p>
Description	<p>The CBC decision-making process is communicated together with the objectives, scope, operation and exit strategies of each policy decision. The shape and timing of each press release is tailored to each specific case, depending on the type of institutions affected, and the intensity of the coordination required with other regulators. For example, in the case of an intervention that requires modifying the</p>

	<p>banking regulation on foreign exchange exposure, coordination with the FMC would take place, and this is noted in the press release.</p> <p>The policy framework is explained in the document on the CBC website titled "<a href="#">Chile's Monetary Policy within an Inflation-Targeting Framework</a>", Chapter 3 "<a href="#">Monetary Policy Framework</a>."</p> <p>In as far as an FX intervention would interact with the CBC's monetary policy stance, these are discussed at the CBC's monetary policy meetings. Published minutes of the meetings (two weeks after the meeting itself) disclose thinking of the CBC Board on the announced or ongoing intervention. See an <a href="#">example</a>.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBC discloses its decision-making structure, process, and authority in a clear and easily accessible manner on its website, in particular in its Monetary Policy Framework document. The Framework also outlines the (general) objectives, policy framework, rationale for policy decisions, and how these interact with monetary policy objectives. The rationale and operational rules of FX management, the instruments, and the interaction of these with monetary policy are clearly disclosed, and easily accessible. The same holds for monetary policy minutes of the CBC Board, with a defined lag (of two weeks).</p>
Comments	<p>The CBC could examine how to disclose its intended objectives of FX policy decisions more clearly.</p>
<b>Principle 2.3.3.</b>	<p><b>Supporting Analysis:</b> The central bank discloses its assumptions, transmission channels, and analysis backing the intervention policy decisions, as well as ex-post evaluation of economic impact.</p>
Description	<p>Each decision of the CBC on its FX management policy is communicated to the public in a timely manner and with all the technical details, taking market sensitivity into account: objectives, procedure, duration (expiration date or condition), and exit strategy (<a href="#">example</a>). All decisions are made by the CBC Board.</p> <p>Regarding the November 2019 announced FX intervention program, the results of its evaluation were communicated in presentations by CBC Board members and managers (<a href="#">example</a>). The CBC also disclosed the rationale and further details of interventions in "Informative Minutes," which are published on the CBC website. See an example <a href="#">here</a>.</p> <p>Lastly, the CBC website (Statistics / Foreign Exchange Statistics) contains a link to the <a href="#">CBC Statistics Database</a>. The database (Exchange Rate) provides detailed data on observed dollar, foreign exchange parties, nominal exchange rate, real exchange rate Chile, multilateral exchange rate Chile, and historical information.</p>

Review	<p><i>Expanded</i></p> <p>The CBC's Board minutes include the rationale and economic analysis backing its decisions. These are published in a timely, easily accessible, and understandable manner. The CBC also provides insights into relevant data and statistics. Disclosure of changes to operational mechanisms and transmission of FX intervention policy are not applicable at this point. An ex post evaluation of the impact of the policy is not disclosed.</p>
Comments	The CBC could disclose any ex post evaluations of its FX management policy, at a defined frequency.
<b>Principle 2.4.</b>	<b>Foreign Exchange Reserve Management:</b> The central bank discloses its policy objectives for foreign exchange reserve management, along with key considerations behind the policy, details on how oversight responsibility is allocated, and the potential impact of the policy.
<b>Principle 2.4.1.</b>	<b>Objectives and Framework:</b> The central bank discloses broad investment objectives, operative models, how it allocates oversight responsibility, and the institutional framework of its policy decisions.
Description	<p>The CBC law notes the policy objectives for management of FX reserves. The <a href="#">CBC website</a> similarly highlights the broad investment objectives, operative models, the strategic framework, links to the legal framework, references to reserve management changes over the years, and the currency composition and structure of the CBC Investment Portfolio—including its approval by the CBC Board. The CBC also discloses the level and composition of FX reserves in the September MPR (Annex B)—see <a href="#">example</a>, following an investment protocol based on different benchmarks.</p> <p>The CBC's <a href="#">FSR</a> analyzes financial risks of the local banking market, and the reserve capacity of the CBC is included when it is possible and necessary to use them (<a href="#">example</a>: FSR, First Half 2020, Box I.1 "<a href="#">Capital Flows and External Resilience</a>", pp. 25–27).</p>
Review	<p><i>Comprehensive</i></p> <p>The CBC discloses its broad objectives, risk exposure (credit and market), governance with oversight responsibility, and investment structure and constraints. It discloses how policy decisions interact with key objectives and other policies (in particular, FX management and FX administration). Regarding specific policy decisions, the CBC does the same. The FX reserves accumulation announced in January 2021 (<a href="#">press release</a>) is a good example. The CBC also discloses details on investment benchmarks and constraints.</p>

Comments	The CBC could expand its transparency by including details on investment benchmarks and investment constraints.
<b>Principle 2.4.2.</b>	<b>Policy Decisions:</b> The central bank discloses key elements of policy formulation, related risk exposures, instruments, decision-making hierarchy, and the oversight allocation process.
Description	<p>The CBC website notes that the roles and responsibilities of the CBC Board to establish the strategic framework and the Investment Policy, as well as the periodic review of the Policy. It also includes a referential overview of the currencies included in the investment portfolio.</p> <p>FX reserves decisions and aspects of the risk involved, are described in the document "<a href="#">Chile's Monetary Policy within an Inflation-Targeting Framework</a>," Chapter 3 "Monetary Policy Framework," as well as in the document "<a href="#">Financial Policy of the Central Bank of Chile</a>," Chapter 3 "Institutional Framework for Financial Policy in Chile." The level and composition of the FX reserves; portfolio are disclosed in the MPR for each September (<a href="#">example</a>: Annex B).</p> <p>Note that FX reserves' investment committee discussions are not published due to their strategic content, and the possible risk of markets reacting in such a manner that it would undermine or seriously deter the scope of the final CBC policy decision.</p>
Review	<p><i>Expanded</i></p> <p>The CBC discloses its decision-making structure, key assumptions, authority and methods to reach its investment and risk decisions, and allocation of oversight responsibility in its Monetary Policy Framework, Financial Policy Framework, and MPR, all of which clear and easily accessible on the CBC's website. However, the CBC does <u>not</u> disclose ex post investment committee deliberations.</p>
Comments	With due consideration for market sensitivities, the CBC could consider publishing investment committee discussions with a certain lag (as opposed to not publishing them at all). This would likely take its transparency practices to "comprehensive."
<b>Principle 2.4.3.</b>	<b>Supporting Analysis:</b> The central bank discloses the key assumptions and assessment process related to its policy decisions.
Description	<p>The central bank website (Statistics/Foreign Exchange Statistics) contains a link to the <a href="#">CBC Statistics Database</a>. The database (Exchange Rate) provides detailed data on observed dollar, foreign exchange parties, nominal exchange rate, real exchange rate Chile, multilateral exchange rate Chile, and historical information. The <a href="#">central bank website</a> links to the IMF's Guidelines Foreign Exchange Reserve Management, including the annex with country case studies that serve as</p>

	background information for the policy choices of the CBC. The CBC also discloses the rationale and economic analysis of CBC strategic FX investments in the September MPR (Annex B)—see <a href="#">example</a> .
Review	<i>Expanded</i>  The CBC discloses the rational and economic analysis backing its strategic investment and risk decisions/risk policy, and any changes to operational mechanisms. It does so in the September MPR and provides relevant statistics and data on its website. The analysis and relevant data are easily accessible, and published in clear and time manner. However, the CBC does not publish ex-post evaluations of impact of investment and risk assessment at a defined frequency.
Comments	The CBC could consider setting up a systemic, ex post evaluation of investment impact and risk assessments. This would take the CBC from “expanded” to “comprehensive.”
<b>Principle 2.5.</b>	<b>Macprudential:</b> The objectives, decision-making process, and instruments of macroprudential policy are clearly communicated to the public. Indicators and supporting analysis to assess the need for macroprudential measures are disclosed alongside policy decisions.
<b>Principle 2.5.1.</b>	<b>Objectives and Framework:</b> The central bank discloses its macroprudential policy framework, including its objectives, instruments, and strategy for achieving its objectives.
Description	<p>The CBC discloses that its macroprudential policy framework is derived from its financial policy, based on its mandate to ensuring the normal functioning of internal and external payments. To fulfill this objective, the CBC assumed the role to safeguard the stability of the financial system, within the perimeter of its statutory powers, implemented from a macro financial perspective. In particular, this policy aims at preventing substantial disruptions in credit and other vital financial services necessary for economic growth. Furthermore, the CBC discloses that its macroprudential framework focuses on reducing the financial system’s sensitivity to shocks by limiting the buildup of financial vulnerabilities. It is a continuous, forward-looking analytical framework, which supports a comprehensive diagnosis of potential financial stability risks, vulnerabilities, and mitigators. The CBC financial stability policy is defined in the document <a href="#">“Financial Policy of the Central Bank of Chile”</a> (FPCBC).</p> <p>The formulation and implementation of macroprudential policy in Chile is a shared responsibility among the CBC and several governmental agencies, including the MoF, the FMC, the Superintendent of Pensions, and the Financial Stability Board (FSB). This policy is coordinated and decided within the FSB, which is chaired by the Minister of Finance and made up of the President of the FMC,</p>

	<p>the Superintendent of Pensions, and the Governor of the CBC in his/her capacity as a permanent advisor to the FSB. See <a href="#">here</a> for more info.</p> <p>On its <a href="#">website</a>, the FSB discloses three main objectives: (1) to facilitate the oversight of systemic risks; (2) to discuss and propose supervisory, regulatory, or legal changes to address any accumulation of risk; and (3) to organize the response to episodes of financial stress.</p> <p>The FMC discloses that it has a broad macroprudential mandate, which is to safeguard the proper functioning, development, and stability of the financial market, thereby, facilitating the participation of market agents and promoting the conservation of the public trust.</p> <p>The CBC communicates that the introduction of a specific macroprudential measure is a coordinated action between the CBC and the FMC. For example, when the countercyclical capital buffers were introduced, the CBC was responsible for activating the timing of the countercyclical buffer and the calculation of the level of additional capital, following an approval by the CMF. The FMC issues the regulation defining the operational procedures for calculation, implementation, and supervision of banks' compliance. This measure is carried out in accordance with section 66 of the General Banking Act. Under the same procedure, the CBC determines the deactivation of the counter-cyclical buffer and the timeframe to carry out this procedure. This procedure is publicly disclosed on the CBC <a href="#">website</a>.</p> <p>The CBC communicates its macroprudential policy (i.e., financial policy) to various market agents, including the supervisory authorities, financial sector participants, and the general public through various channels. The main tool of transparency disclosure used by the CBC, in the context of financial policy, is the <a href="#">FSR</a>, published semi-annually. This report is disseminated through various channels, including presentations to the Senate Finance Committee, government authorities, other specialist groups, and the general public, as well as publication on the CBC website and diffusion in print media and social networks.</p> <p>Furthermore, the CBC employs several additional tools to communicate its financial policy through explanatory notes and research papers, the publication and issuance of regulations, regulatory manuals and compendiums, and external presentations by the CBC Board members and senior management to various stakeholder groups. The documents are available on the CBC <a href="#">website</a>.</p>
Review	<i>Comprehensive</i>

	<p>The CBC discloses its macroprudential policy framework, including its objectives, instruments, and strategy for achieving its objectives. It discloses the conceptual framework underpinning its macroprudential policy function. In the FSR, the CBC publishes on a regular basis the underlying analysis and assessment that help to formulate its macroprudential policy strategy, linking its macroprudential policy tools to its macroprudential policy objectives. In particular, the CBC discloses the tools such as early warning indicators and stress test results to arrive to macroprudential decision.</p>
Comments	<p>The CBC may consider further enhancement of its transparency on macroprudential policy framework, by providing more information on its objectives, strategy and instruments in a plain language directly posted on its website.</p> <p>Furthermore, the CBC may consider, within the co-responsibility scheme, clarify its roles and responsibilities in relation to those of other governmental authorities, including its roles and responsibilities in the FSB. This information should be easily accessible on the CBC website.</p>
<b>Principle 2.5.2.</b>	<p><b>Policy Decisions:</b> The central bank publicly announces its macroprudential policy decisions in a timely manner, and discloses the decision-making process leading up to macroprudential action.</p>
Description	<p>Macroprudential policy decisions that are within the remit of the CBC are communicated in a timely manner to the public through reports, press releases and statements. The disclosure of the decision-making process of macroprudential policy that is co-shared with other authorities is mainly absent on the CBC.</p> <p>The legal framework establishes formal mechanisms for ensuring the necessary level of coordination or joint action among the relevant authorities. Under these mechanisms, which are called prior assessment reports, an agency that is empowered to issue regulations is first required to solicit the prior opinion or assessment of another agency, in specific legally defined cases. This requirement underlies a tradition of collaboration and articulation between the CBC and the supervisors, where one of the guiding criteria is the adaptation of international best practices to the local reality</p> <p>The coordination between the CBC and other authorities that are members of the FSB takes place during the regular meetings of the FSB. However, at the operational level, coordination takes place between the CBC and FMC staff. The decisions of the FSB are communicated in public communiqués or press releases</p>

	<p>the same day each decision is made. Also, the minutes of each meeting are published the same day of the meeting on the <a href="#">website</a> of the MoF.</p> <p><a href="https://www.hacienda.cl/areas-de-trabajo/mercado-de-capitales/consejo-de-estabilidad-financiera/comunicados-del-consejo">https://www.hacienda.cl/areas-de-trabajo/mercado-de-capitales/consejo-de-estabilidad-financiera/comunicados-del-consejo</a></p>
Review	<p><i>Expanded</i></p> <p>Introduction of new and amendment to existing macroprudential tools that are within the remit of the CBC are publicly announced in a timely manner with due consideration given to frontloading issues.</p> <p>For areas that are subject to a co-responsibility, frameworks with the respective other authorities are, to a large extent, not disclosed on the website of the CBC.</p> <p>The decisions to introduce some specific instruments do not ALWAYS seem clear to stakeholders whether they aim at achieving monetary policy or macroprudential policy objectives.</p>
Comments	<p>The CBC may consider disclosing more information on macroprudential policy decision-making process and how it leads up to macroprudential action. Furthermore, the CBC should disclose more information on the decision-making process that are taken in cooperation with other governmental agents such as the FMC and FSB. This information should be timely and easily accessible on the CBC website.</p>
<b>Principle 2.5.3.</b>	<p><b>Supporting Analysis:</b> The central bank discloses the key indicators and analyses used to assess the need for macroprudential measures. It explains the rationale and the expected transmission channels of policy instruments in achieving their objectives.</p>
Description	<p>The CBC discloses that the development of financial policy requires a continuous, forward-looking analytical framework, which supports a comprehensive diagnosis of potential financial stability risks, vulnerabilities, and mitigators. The goal of this diagnosis is to contribute to the decision-making of both financial sector participants and regulatory and supervisory authorities.</p> <p>Furthermore, the CBC states that as part of its macro financial competences, the CBC is responsible for preparing the analysis that are needed to formulate a macroprudential policy relying on accessible data, research, analytical tools, a continuous review of international experience and best practices.</p> <p>In general terms, the CBC monitors and assesses the financial situation and decisions of financial sector agents (households, firms, and government) and</p>

	<p>components (intermediaries, markets, and infrastructures), as well as the interconnections between the two.</p> <p>The monitoring of the key indicators of the local financial system is reported in the <a href="#">FSR</a>, which is published twice a year (June and December).</p> <p>Several aspects of the assessment are disclosed to the general public. For instance, the CBC communicates the results of the stress tests in an aggregate manner in the FSR. The early warning exercises are also communicated, although safeguarding the identifiability of affected institutions. The CBC publishes ex post evaluations of policy actions that examine whether tools had the intended effects. However, there are no systematic evaluations of the different possible outcomes of alternative policy decisions.</p> <p>Based on supporting analysis, the CBC formulated its <a href="#">policy</a> for different segments of the financial markets. For instance, based on detailed assessment, the CBC implemented measures to mitigate increases in volatility in the markets, which could be generated as a result of relevant changes in the portfolios of investment funds pensions.</p> <p>The CBC has occasionally carried out qualitative and quantitative evaluation of the impact of the regulatory changes on different segments of the economy such as the impact on the loan-to-value ratio as a result of FSR's warnings on real-estate sector developments.</p> <p>The CBC has published a working paper working assessing the impact of the FSR message on loan to value ration. <a href="https://www.bcentral.cl/contenido/-/detalle/documento-de-trabajo-n-798">https://www.bcentral.cl/contenido/-/detalle/documento-de-trabajo-n-798</a></p>
Review	<p><i>Expanded</i></p> <p>The CBC periodically publishes indicators (such as early warning indicators and stress test results) and explains how they relate to the need for macroprudential policy action. The CBC publishes statements analyzing financial stability issues and discloses how macroprudential tools are expected to mitigate specific risk.</p>
Comments	<p>The CBC may further enhance its disclosure of macroprudential supporting analysis by <i>regularly</i> publishing ex post evaluations of various policy actions that examine whether tools had the intended effects, more easily in the website.</p>
<b>Principle 2.6.</b>	<b>Microprudential Supervision:</b> Selected principles from BCP, ICP, and IOSCO.
Description	Not Applicable

Review	Not Applicable
Comments	Not Applicable
<b>Principle 2.7.</b>	<b>Emergency Liquidity Assistance:</b> The central bank discloses the scope and objectives of emergency liquidity assistance, while maintaining the necessary confidentiality, to preserve financial stability and in support of monetary policy and its implementation.
Description	<p>The CBC discloses its role as provider of ELA through rigorous processes and measures within its areas of competence. The CBC acts as lender of last resort (LOLR) for commercial banks and implements other liquidity management tools, in both normal and crisis situations.</p> <p>The CBC discloses information on its unconventional measures to provide market-wide liquidity support in the context of the pandemic aimed at keeping the credit flow to the economy through the channel of the whole banking system. This information covers the level of interest rate, the duration and level of credit amount. The CBC also provides <a href="#">information</a> on the medium to long-term asset purchases. For instance, the CBC introduced an FCIC. This is a special financial line for banking companies, with resources and incentives for them to continue financing and refinancing loans to homes and companies. However, these measures could also be considered as unconventional monetary policy tools.</p> <p>In the FPCBC, the CBC also <a href="#">discloses</a> its role to provide liquidity facilities to banks aimed at preserving the well-functioning of payments and containing the development of systemic risks. This support is provided to solvent banks while experiencing a temporary liquidity shortage, provided that the action is justified by the bank's financial situation, and to avoid significant losses for the general population. This type of credit can be extended for up to 90 days, at which point a further extension requires a prior assessment by the FMC and a unanimous decision by the CBC Board.</p>
Review	<p><i>Expanded</i></p> <p>The CBC discloses the basic features of its systemic liquidity provision market-wide emergency liquidity support to the financial system. However, the CBC does not disclose any information on the scope and objectives, the rules and procedures of ELA that could be provided bilaterally to solvent financial institutions that are facing temporary liquidity problems. Of course, the very nature of ELA implies that central banks provide limited public information for fear that news of liquidity problems could rapidly transfigure into solvency issues. However, some procedural requirement and principles could be disclosed.</p>

Comments	<p>The CBC may consider increasing its transparency on ELA by further clarifying whether the market-wide introduced measures are taken from a monetary policy or financial stability perspective.</p> <p>Without diminishing the CBC discretion to provide ELA on a case-by-case basis, the CBC should provide information on ELA that covers the precondition and the eligibility of the institution to receive liquidity support such as ELA solvency criterion for credit institutions, conditionality such as monitoring and collecting information, the level of the penalty interest rate charged by the CBC, the type of collateral, maturity, currency, risk management procedures such as haircut, etc.</p>
<b>Principle 2.8.</b>	<b>Resolution:</b> Selected principles from KA
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
<b>Principle 2.9.</b>	<b>Financial Market Infrastructures:</b> Selected principles from PFMI
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
<b>Principle 2.10.</b>	<b>Financial Integrity:</b> The central bank discloses its policies and powers for Anti-Money Laundering/Countering the Financing of Terrorism supervision, and a description of its internal control framework relating to the activities or services that may give rise to Money Laundering/Terrorist Financing risk.
Description	<p>(a) The CBC is not engaged in AML/CFT supervision; as such, the first section of this principle is not applicable.</p> <p>(b) The CBC does not disclose a description of its internal control framework relating to the activities or services that may give rise to ML/TF risk.</p>
Review	<p>(a) Not Applicable</p> <p>(b) Not Implemented</p>
Comments	The CBC should disclose a description of its internal control framework relating to the activities or services that may give rise to ML/TF risk.
<b>Principle 2.11.</b>	<b>Consumer Protection:</b> The central bank discloses its policies relating to consumer protection, conducted solely or jointly with other agencies.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable

<b>Pillar III—Central Bank Operations</b>	
<b>Principle 3.1.</b>	<b>Monetary Policy:</b> The central bank discloses its operational framework with a well-defined operational target, objectives, instruments, collateral, and access criteria.
<b>Principle 3.1.1.</b>	<b>Instruments:</b> The central bank discloses its monetary policy instruments.
Description	<p>The CBC discloses its monetary policy operational framework in the Compendium of Monetary and Financial Regulation (CMFR), which compiles the regulations issued by the CBC. This framework is implemented by using various instruments to ensure that the two-year inflation forecast is 3 percent, independently of the current inflation level. The CBC identifies various scenarios of macroeconomic development and the monetary policy trajectory. Based on the recent economic environment in Chile and the world since the previous monetary policy decision, the CBC analyzes the impact on inflation projections, and evaluate policy alternatives, then, decides the course of policy action and the instruments to be used. See more information <a href="#">here</a>.</p> <p>The features and the use of various monetary policy instruments are described in the document "<a href="#">Chile's Monetary Policy: Within an Inflation-Targeting Framework</a>".</p> <p>The CBC carries out its monetary policy by influencing the daily interbank interest rate, which is determined by the equilibrium between the supply and demand for funds or liquidity. The CBC conducts monetary policy by controlling the supply of liquidity and monetary base, so that the resulting interest rate is close to the monetary policy rate. As another tool, the CBC can use the reserve requirement that banks must deposit in the CBC. Moreover, the supply of liquidity is affected by maturing CBC issued bonds and discount promissory notes, and by issuing new debt instruments.</p> <p>The CBC has access to a range of instruments to swiftly accommodate liquidity, to keep the observed interbank interest rate near target. The main tools or "facilities" are the liquidity credit line and the liquidity deposit. Both allow market players to perform a stabilizing role, keeping the interest rate around the Central Bank's target. See more information <a href="#">here</a>.</p> <p>The CBC uses auctioned procedure for discount promissory notes and peso-denominated bonds (BCP) with various maturities. An annual calendar establishes the issues falling due in more than one year.</p>

	<p>The link between the monetary policy framework, objectives and various instruments are discussed in the document on "<a href="#">An Overview of Inflation-Targeting Frameworks: Institutional Arrangements, Decision-making, and the Communication of Monetary Policy</a>". It aims at contributing to the public understanding of the inflation targeting (IT) framework.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBC discloses its operational framework and the set of monetary policy instruments using various instruments. Furthermore, the operational target is clearly defined in various documentation, including the policy rate. Moreover, the link between the operational framework and monetary policy objectives is disclosed. The role of reserve requirements is disclosed.</p>
Comments	<p>The CBC may consider updating the document "Chile's Monetary Policy: Within an Inflation-Targeting Framework" to cover the recently introduced unconventional monetary policy instruments.</p>
<b>Principle 3.1.2.</b>	<p><b>Coverage:</b> The central bank discloses: (i) the type of instrument (open market operations, standing facilities, other facilities, reserve requirements, and direct instruments of monetary control); (ii) the characteristics of each instrument; and (iii) the collateral framework.</p>
Description	<p>The central bank <a href="#">discloses</a> in the CMFR the type of monetary policy instruments, including open market operations, standing facilities, other facilities, reserve requirements, liquidity credit lines with collateral guarantee and currency swap contracts.</p> <p>The CBC <a href="#">publishes</a> the rules, procedure, terms and conditions of the reserve requirement, where it specifies the type of institutions, the calculation of the obligations in national and foreign currency, remuneration, etc.</p> <p>Any changes to the regulation of the reserve requirements are immediately communicated via circulars and press release published on the website detailing the modification and the reasons for the change. See more info <a href="#">here</a> and <a href="#">here</a>..</p> <p>The CBC also <a href="#">publishes</a> the financial conditions and the features of the operations (maturity, interest rate, auction method, guarantees and haircuts, etc.), as well as the results of operations regularly on its website.</p> <p>The CBC announces the outcomes of the auctions daily, including the financial conditions of each operation: amounts, rates, allowed collateral, cost of operations and other characteristics. The result of these operations is also <a href="#">disclosed</a> in the previous.</p>

	<p>The CBC also publishes an <a href="#">MPR</a> four times a year, which includes an explanation of the expected movement of several macroeconomic variables and also of what the Board expects to be the trajectory of the monetary policy rate.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBC discloses detailed regulations on monetary operation tools. These are published on the central bank website and regularly and timely updated. The regulations clarify how open market operations are calibrated. The detailed characteristics (maturity, interest rate, auctioning method, collateral, and haircuts, etc.) of each instrument are published and regularly updated. The role of the reserve requirements and details on the framework and parameters of reserve requirements are disclosed. The use of forward guidance is also disclosed.</p>
Comments	
<b>Principle 3.1.3.</b>	<b>Access:</b> The central bank discloses the monetary policy counterparties' framework.
Description	<p>The criteria and general conditions applicable to authorize financial institutions and other agents to operate as monetary policy counterparties are published in the document on rules applicable to transactions in CBC debt instruments, which is published on the CBC <a href="#">website</a>.</p> <p>These institutions are banking companies, financial institutions, and agents authorized to operate in the primary market that comply with the financial and operational conditions. Furthermore, they have to satisfy the minimum technical requirements specifications defined by the CBC.</p> <p>Annex 1 of the CMFR also contains the list of institutions and agents that can operate in this primary market, and thereby monetary policy counterparts. These are banking companies, pension fund administrators, Unemployment Fund Administrator, insurance companies, mutual funds, securities brokers/dealers.</p>
Review	<p><i>Comprehensive</i></p> <p>The categories of monetary policy counterparties and of primary market participants are disclosed in a single list, as well as their respective access rights are clearly defined and disclosed. The CBC discloses the eligibility criteria of monetary policy counterparties, as well as the terms and conditions for participating. Moreover, the list of eligible institutions, counterparties of monetary operations, and their respective access rights is published and regularly updated.</p>
Comments	The CBC may wish to disclose information on monetary policy counterparties segregated from the list of primary market participants.

<b>Principle 3.2.</b>	<b>Cross-Border Financial Flows and Foreign Exchange Administration:</b> The central bank discloses how it implements this policy in terms of the instruments and the scope of its operations and actions.
<b>Principle 3.2.1.</b>	<b>Instruments:</b> The central bank's instruments for implementing the policy and the circumstances in which they can be used are clearly defined and disclosed.
Description	The CBC law (Subtitle 8, sections 39 to 52), which is referred to on the CBC website, outlines the CBC's responsibilities regarding FX operations. The website clarifies how the CBC may establish exchange limitations and restrictions, even though Chile has a free-floating exchange rate regime. The CBC's regulations on this matter are contained in the "Compendium of Foreign Exchange Regulations and its Manual of Procedures and Information Forms," which determine the requirements, general provisions, and instructions to operate in the Chilean exchange market. The Compendium comprises the general rules applicable to foreign exchange that must be observed by entities that are part of the formal exchange market (FEM) including the requirements applicable to those that are not banking companies, together with the establishment of exchange limitations applicable to the main international exchange operations that make up Chile's balance of payments and capital account, consisting in the requirement that the performance of certain operations be reported in writing to the CBC and/or carried out exclusively in the FEM (section 3 and Eighth Paragraph of Title III of the CBC Law). The Compendium also includes brief descriptions of each regulatory instrument. The Annual Report 2019 (English version, p. 66) notes that the regulations were modernized and simplified in 2019, as part of the CBC's Strategic Plan 2018-22, and after a public consultation process.
Review	<i>Comprehensive</i>  The CBC discloses the clearly defined set of instruments, as well as the regulatory framework and explanations on types and hierarchy of regulatory instruments in a clear and easily accessible manner on its website (in particular, in the separate section on FX regulations, and the published Compendium, Manual of Procedures, and relevant Information Forms). This includes details on types of licenses/approvals, type of reports to be submitted to the CBC, types of monitoring and enforcement instruments, types of FX operations, and the circumstances in which the instruments can be used. Each instrument is outlined in a brief description, and the CBC discloses in a time manner the most recent consolidated version of each regulatory instrument.
Comments	
<b>Principle 3.2.2.</b>	<b>Coverage:</b> The central bank discloses information about the persons (entities and individuals), transactions, and other aspects of the foreign exchange system that it can and does regulate; persons, transactions, and activities that it can license,

	approve, monitor, and sanction; and foreign exchange transactions that it can perform.
Description	The document <a href="#">Compendium of Foreign Exchange Regulations and its Manual</a> contain the regulatory framework. The CBC website has a separate <a href="#">section</a> on FX operations, which also contains an <a href="#">FAQ</a> —the purpose of which is described as “to provide general guidance to the public on the various matters that are regulated by exchange regulations issued by the CBC.”
Review	<i>Expanded</i>  The CBC discloses in its Compendium, the Manual, and the relevant forms, the regulatory framework, including the types of activities, persons, and transactions; the rules and conditions for carrying out transactions; detailed licensing/approval requirements; considerations underlying the CBC’s decisions; the procedure for granting licenses/approvals, as well as the role and responsibilities of the Board; reporting requirements; relevant forms; types of entities, individuals and transactions that are subject to monitoring; types, scope, extent of, and procedure for non-compliance sanctions; types of entities/individuals having access to FX operations. The CBC also publishes on its website an easily accessible FAQ on aspects relating to the granting of licenses/approvals and use of/access to other policy instruments. However, the CBC does not disclose whether there is a timeframe within which a decision must be made and communicated to the persons affected by a rejection of a request for a license/approval.
Comments	The CBC could disclose whether it has a (legally or otherwise defined) timeframe for communication the rejection of a request for a license/approval to the affected persons.
<b>Principle 3.3.</b>	<b>Foreign Exchange Management:</b> The central bank discloses how it implements its foreign exchange policies framework in terms of instruments, markets, size, and mode of access.
<b>Principle 3.3.1.</b>	<b>Instruments:</b> The central bank discloses the set of instruments used for foreign exchange management policy, key considerations under which these instruments are chosen, and eligibility criteria of counterparties and mode of access.
Description	Even though Chile has a free-floating exchange rate regime, the CBC has the legal power to intervene in the exchange rate market in exceptional circumstances via foreign exchange operations and/or supplying derivative instruments. The <a href="#">CBC’s website</a> (Financial Policy) contains an overview of the types of interventions. Chapter 2.4 of the <a href="#">Compendium of Monetary and Financial Regulation</a> discloses the choice of instruments, modalities, characteristics, and so on. Operating Regulations for Bids and Counter Operations for the purchase or sale of FX swaps are also disclosed on the CBC’s website <a href="#">here</a> .

	<p>The CBC's Financial Markets division also discloses general information on instruments as "lessons from the latest foreign exchange intervention" on the CBC's website <a href="#">here</a>.</p> <p>The Annual Report 2019 (p. 45, English version) notes the rationale for the intervention (up to 20 billion USD) announced in November 2019, as the events of October 2019 "associated with diverse social demands and public order disturbances" and "to mitigate the problems in the markets, ensuring liquidity and reducing volatility" (p. 62). This intervention was approved by the Board on November 28, 2019, and ran from December 2, 2019, till May 29, 2020 (p. 209).</p> <p>However, when the CBC felt the need to announce an intervention after social unrest in Chile in October 2019, its disclosure of the rationale for the measures was not fully clear, and the decision was somewhat unexpected. It is noted that the CBC did, after announcing the intervention, provide additional information to the general public, including in the form of a <a href="#">press release</a>, press conferences, presentations by Board members (<a href="#">example</a>), and interviews in the newspapers. In due time, the CBC published additional analytical explanations on its website.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBC discloses the main FX management instruments, modalities, as well as the counterparties, eligibility criteria, and access to the CBC's operations. It also publishes a regulation governing the conduct of counterparties, sanction rules, and mode of access—which are clearly stated in regulation (the CMFR) and published in an easily accessible manner on the CBC website. The rationale for the instruments, including the link to the CBC's policy objectives, is provided in Informative Minutes, other forms of outreach, and in the Annual Report. However, this is not done in an unequivocally clear and understandable manner.</p>
Comments	<p>The CBC could examine how to disclose its intended objectives of specific FX interventions more clearly.</p>
<b>Principle 3.3.2.</b>	<p><b>Coverage:</b> The central bank discloses the markets and agents who are targeted by the FX management policy.</p>
Description	<p>Chapter 2.4 of the document <a href="#">CMFR</a>, on the CBC website, discloses the choice of instruments, the modalities and characteristic. Operating Regulations for Bids and Counter Operations for the purchase or sale of FX swaps are listed on the <a href="#">CBC website</a> as well.</p> <p>The CBC, on its <a href="#">website</a>, publishes the operations that the central bank is bidding on daily. Financial conditions of each operation, including amounts, rates, allowed collateral, cost of operations and other characteristics, are disclosed.</p>

Review	<p><i>Comprehensive</i></p> <p>The CBC discloses the framework of its FX management operations and the governing modes of these operations, the markets in which it operates, the framework for choosing institutions, the eligibility criteria for counterparties, including a regulation governing their conduct, sanction rules, and mode of access. These are clearly defined in the CMFR, which is easily accessible on the CBC website.</p>
Comments	
<b>Principle 3.4.</b>	<b>Foreign Exchange Reserve Management:</b> The central bank discloses the general principles governing its foreign exchange reserve management operations, including relationships with counterparties and service providers.
<b>Principle 3.4.1.</b>	<b>Instruments:</b> The central bank discloses the broad selection criteria for eligible asset classes, composition of instruments, investment horizon and constraints.
Description	<p>The CBC Law establishes the legal requirements to be met by the CBC in terms of its organization, functions and duties, and generically regulates its powers with regard to the management of foreign reserves. The CBC Board establishes the strategic framework employed in the reserve management process through the approval of an Investment Policy, which is periodically reviewed. The <a href="#">CBC website</a> discloses a Summary of the International Liquidity Spreadsheet of June 2020. The spreadsheet specifies the details of official reserve assets and other foreign currency assets. The website also notes that the management of the international reserves is conducted by external administrators and the approximate size of the portfolio. The document "<a href="#">Management of International Reserves of the Central Bank of Chile 2019</a>" includes information on the institutional framework, the management objectives, details on investment policies, composition of managed portfolios, eligible assets and instruments, external portfolio management (in addition to the general reference to external administrators noted above), and asset loans. The same document also provides information on risk management (including risk disclosures by asset class) and profitability. This information is disclosed at a defined frequency and with a time lag.</p> <p>The FX reserves purchases announced in January 2021 (<a href="#">press release</a>) are a good example of CBC transparency, with the CBC noting the specific objectives, the operation window, timelines, and so on, and linking this to its overall policy on FX reserve management.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBC, in its document "Management of International Reserves of the Central Bank of Chile 2019," which is published on the CBC website, discloses broad</p>

	criteria on selection and composition of eligible reserve assets and instruments, and risk disclosures by asset class, group, and instruments, at a defined frequency and time lag.
Comments	
<b>Principle 3.4.2.</b>	<b>Coverage:</b> The central bank discloses the criteria to select eligible market counterparties and service providers and eligible markets to conduct its operations.
Description	The CBC's website contains the document " <a href="#">Management of International Reserves of the Central Bank of Chile 2019.</a> " Section 5 contains the criteria for contracting third-party services, for the correct operation and management of international reserves, where it is noted that it is necessary to have services provided by third parties. The general requirements and criteria established by the Investment Policy are presented for contracting the main services that are required by the CBC (custody of securities, securities lending, Futures Commission Merchant (FCM), and external administrators). The <a href="#">2019 Annual Report</a> contains the portfolio performance. In its Risk Management section, the composition of international reserves is listed by credit risk, eligible banks, and permissible limits, as well as the list of intermediaries used. However, the CBC does not disclose the rules and procedures related to counterparties, custodians, and service providers, nor does it disclose aggregated exposures at a defined frequency and time lag.
Review	<p><i>Core</i></p> <p>The CBC discloses broad criteria to select eligible counterparties and service providers in its document Management of International Reserves of the Central Bank of Chile 2019, which is published on the CBC website and easily accessible.</p> <p>The CBC does <u>not</u> disclose rules and procedures for the selection counterparties, custodians, and service providers, nor does it disclose aggregated exposures at a defined frequency and time lag.</p>
Comments	The CBC could disclose the rules and procedures related to selection of markets, counterparties, custodians, and service providers. It could also disclose aggregated exposures, and at a defined frequency and time lag. This would likely bring its transparency practices to "expanded" or "comprehensive."
<b>Principle 3.4.3.</b>	<b>Assessment:</b> The central bank discloses criteria to assess adequacy and liquidity parameters and discloses such analysis regularly, at predetermined times.
Description	The CBC's <a href="#">2019 Annual Report</a> (Appendix), as published on the CBC website, contains information on reserve management, with details on the investment portfolio policy, the benchmark structure, portfolio performance, risk management, returns, external portfolio management, and the security lending

	<p>program. The Annual Report also contains an assessment of reserve adequacy, liquidity, and risk exposure and statement. A peer review on foreign reserve management was conducted by the Bank for International Settlements (BIS), with more information published <a href="#">here</a> (pages 36 and 37) and <a href="#">here</a> (page 135, second paragraph). The CBC performs annual liquidity stress tests and publishes reserve adequacy assessments.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBC's Annual Report contains a general discussion and assessment of reserve adequacy, liquidity, and risk exposure arising from its investment activities. The CBC conducts annual liquidity stress tests, and publishes information on reserve adequacy assessments in its document "<a href="#">Management of International Reserves of the Central Bank of Chile 2019</a>," which is published on the CBC website. Additional information can be found <a href="#">here</a>, <a href="#">here</a>, and <a href="#">here</a>.</p>
Comments	<p>The CBC could consider disclosing information on (whether it performs) annual liquidity stress tests.</p>
<b>Principle 3.5.</b>	<p><b>Financial Stability Assessments and Stress Testing:</b> The central bank periodically discloses its assessment of domestic financial stability to the public and is transparent about the methods used for such assessments, including its framework for stress testing.</p>
<b>Principle 3.5.1.</b>	<p><b>Financial Stability Assessments:</b> The central bank periodically provides to the public its assessment of risk to financial stability, including new and emerging sources of vulnerability.</p>
Description	<p>The CBC conducts its financial policy so as to contribute to the stability of the financial system, within its area of competence. In this context, it carries out an assessment of the financial system aimed at identifying risks and vulnerabilities. This assessment is disclosed periodically to the public through various reports and other documentation on its <a href="#">website</a>.</p> <p>In particular, the CBC monitors and addresses risks, which are regularly communicated to the public on a semiannual basis, via the publicly available FSR. Furthermore, it issues and discloses prudential and exchange regulations, which are consulted with the relevant stakeholders such as financial entities and relevant governmental agencies. Moreover, the President of the CBC, as an advisor in the FSB meeting, shares the CBC assessment of the financial system.</p> <p>The purpose of the FSR is to provide information concerning recent macroeconomic and financial events that may affect the stability of the financial system, such as the evolution of indebtedness of the main credit users, the performance of the capital market, and the capacity of the financial system and of</p>

	<p>the international financial position to adapt adequately to adverse economic situations. In addition, the FSR presents the policies and measures that contribute to the normal functioning of the financial system, in order to promote public knowledge and debate concerning these issues. See more info <a href="#">here</a>.</p> <p>The CBC also <a href="#">discloses</a> the methods and scenarios used in the assessment of the financial sector, including the data at an aggregate level can be found in the section statistical databases. The CBC does not disclose disaggregated data of individual institutions due to data protection regulations.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBC publishes, on a regular basis, information on its assessments of the vulnerabilities of the financial system and is transparent on the methods underpinning such assessments. Furthermore, the CBC regularly publishes a comprehensive assessment of the main risks to financial stability, including new and emerging vulnerabilities. Moreover, the CBC discloses the methods and underlying data used for such assessments, to the extent such disclosure is compatible with data protection rules.</p>
Comments	
<b>Principle 3.5.2.</b>	<b>Macroprudential Stress Testing Methods:</b> The central bank discloses the methods and key assumptions of the stress testing framework.
Description	<p>The CBC discloses the parameters of stress testing in the FPCBC. For the banking sector, the stress tests examine the effects that adverse changes in economic activity, interest rates, and the exchange rate can have on the banks' profitability and capital strength and, therefore, on the system's resilience. These tests examine the potential risks to which the local banking system is exposed.</p> <p>The CBC discloses the analysis framework that allows identifying potential shocks, vulnerabilities that could amplify them and mitigators that would limit their scope thus, evaluating the potential impact. This process allows to elaborate a diagnosis on the state of the financial system. The CBC discloses the design of the macroeconomic stress scenario and the risks covered, along with underlying assumptions. The results of the stress tests are published semi-annually in the <a href="#">FSR</a>.</p> <p>The stress testing methodology is disclosed in various <a href="#">FSR</a>. Based on various stress scenarios combining large shocks and key macroeconomic variables, it assesses the impact on the banks' balance sheet of several risks, including credit and liquidity risks, foreign exchange risk.</p>

	<p>Furthermore, the stress testing methodology for banks are described in more details in the <a href="#">Working Paper number 610</a> on “Stress Test for Banking Sector: A Technical Note, February 2011.</p> <p>The CBC also carries out on ad-hoc basis stress testing targeting specific sectors of the economy such as households and firms, aimed at analyzing the impact of different shocks on the vulnerability of corporations, taking into account liquidity position in the face of a drop in revenue, reduction in profitability under a scenario that replicates crisis periods, etc. As another example, the CBC uses stress tests to analyze the financial situation of the households. The CBC applied several macroeconomic scenarios. The methodologies and results are <a href="#">published</a> in the FSR.</p> <p>The CBC provide relatively granular information on the parameters of stress test, including the models used, bottom up, top-down, full set of assumptions, details on its estimation, plausibility, etc. This information is presented in the FSR of 2013.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBC discloses the methods and assumptions of stress testing analysis on an aggregated basis in various academic and technical publication such working papers. In particular, the CBC discloses (i) information on the type of exercise (bottom-up, top-down, or a combination of both); (ii) the design of the macroeconomic stress scenario, including details on its estimation, plausibility, and time horizon; (iii) the risks covered and detail information on the models used; (iv) evolution of financial statements over the stress test horizon; (v) the full set of assumptions; and (vi) the regulatory framework considered.</p>
Comments	The CBC may enhance the transparency of the stress testing methods by providing more detailed technical information in a box or a table in each FSR.
<b>Principle 3.5.3.</b>	<b>Stress Testing Coverage:</b> The central bank discloses the coverage of the stress testing exercise.
Description	In the FSR, the CBC discloses the type of agents covered in the stress testing, including banks, pension funds, insurance companies, households, firms, etc. Furthermore, the CBC publishes information on the stress tests carried out on firms, and households.
Review	<p><i>Comprehensive</i></p> <p>The CBC discloses the type of institutions covered in the stress testing, but it does not disclose the names of the participating institutions due to confidentiality.</p>
Comments	The CBC may wish to disclose more information on the name of the institutions that are covered, without disclosing the outcomes at the individual level.

<b>Principle 3.5.4.</b>	<b>Central Bank Use of Stress Test Results:</b> There is clarity about the ways the central bank uses the stress test results.
Description	The CBC discloses in the FSR some possible policy decisions (e.g. actions, measures, recommendations) as a consequence of the outcomes of the aggregate stress testing. In particular, Box 2 in FSR describes the general use of the stress test results for the banking system but also for other agents in the economy such as firms, households, insurance companies. For instance, it alerts any potential risks and impact on banks profitability and capital. See more information <a href="#">here</a> and <a href="#">here</a> .
Review	<i>Comprehensive</i>  The CBC discloses how aggregate stress testing results may affect policy decisions, including the impact on financial institutions. However, the discussions are carried out at a very high level without any concrete follow-up actions.
Comments	The CBC may consider disclosing more concrete and detailed information on how the stress testing results will be used to formulate new financial policy measures.
<b>Principle 3.6.</b>	<b>Macroprudential Policy Implementation:</b> The central bank discloses how it implements macroprudential policies, including the design of policy instruments and enforcement arrangements.
<b>Principle 3.6.1.</b>	<b>Instruments:</b> The central bank discloses the precise design and objectives of its macroprudential instruments, including the scope of entities and financial instruments subject to macroprudential constraints.
Description	The CBC discloses macroprudential instruments in the <a href="#">FPCBC</a> , defines the macroprudential framework, as well as the tools used by the CBC to implement its policy.  The CBC responsibility for macroprudential policy is co-shared with other governmental agencies, such as the FMC and the FSB. In addition to macroprudential policy, the General Banking Law (GBL) grants additional powers to the CBC, including the regulations of bank reserves, derivative operations, countercyclical capital buffers, banks' overseas investment. However, the CBC has to seek the CMF's approval before finalizing the regulation. These regulations are <a href="#">published</a> on the CBC website.  When issuing macroprudential instrument and tools under its remit, the CBC has established procedures for public consultation to receive comments and suggestions from citizens, market agents, academics, experts, and others interested parties regarding regulation matters. This process allows the CBC to strengthen and improve the analysis and design prior to the adoption of regulations, as well as to disseminate their content and increase the levels of

	<p>transparency and participation. The received comments are summarized in a note attached to the final text of the regulation. Public consultation has a procedure that is established in the <a href="#">introduction</a> to the Compendium of Financial Regulations (CFR), an area in which these processes may be used on a more recurrent basis.</p> <p>The CBC discloses the design and rationale to introduce new macroprudential instrument. For instance, the CBC communicates the constitutional and legal reform, introduced by the government, that empowered the CBC to inject liquidity through buying and selling debt instruments issued by the Treasury in the open secondary market, aimed at preserving of the well-functioning of internal and external payments.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBC discloses the design and scope of application of macroprudential tools, including the types of financial institutions (e.g., banks and non-bank lenders) and financial instruments (e.g., mortgage loans, other) subject to macroprudential constraints.</p> <p>In addition to official documents, the CBC discloses the key design features of its tools and how they may affect various market participants. The CBC consults the public before enacting major changes to the design of macroprudential tools.</p>
Comments	
<b>Principle 3.6.2.</b>	<b>Enforcement:</b> The central bank discloses enforcement mechanisms and responsibilities for all entities and financial instruments subject to macroprudential constraints.
Description	<p>Macroprudential enforcement mechanism is the responsibilities of the CBC and several governmental agencies, in accordance with their respective roles, functions, and legal powers. Effective coordination among these authorities is achieved through various channels, including the FSB. As for the CBC, the CFR details the regulations and its enforcement for financial entities, market operations and relevant financial market agents.</p> <p>Within its legal authority, the CBC can implement new regulation or amending existing ones. In general terms, the regulatory formulation and modification undertaken by the CBC addresses issues like reserves, lending and deposit constraints, conditions for derivative operations in national currency, and requirements for the large-value and retail payment systems. See more information <a href="#">here</a>.</p>

	<p>According to CBC Law, the regulations adopted by the CBC will be mandatory for the public sector organizations that have the necessary regulatory powers to implement them, which must issue the pertinent instructions in the terms established for that purpose by the Bank's Board. The supervision of compliance with the policies and regulations issued by the CBC will be exercised through the corresponding oversight bodies, without prejudice to the fact that the latter may exercise it directly in exchange matters. All of these regulations are contained in the CFR, which is published on the CBC <a href="#">website</a>.</p> <p>The <a href="#">CBC Law</a>, in sections 58 to 65, details the penalties for infractions that may be incurred by banking companies or other entities authorized to operate in the FEM.</p>
Review	<p><i>Comprehensive:</i></p> <p>According to its law, the CBC discloses the enforcement mechanisms and responsibilities for all entities and financial instruments subject to macroprudential constraints. Furthermore, it discloses which agencies enforce macroprudential regulations and discloses both incentive mechanisms and penalties.</p>
Comments	<p>The CBC may consider further enhancing its disclosure framework by informing about its limited power to enforce macroprudential tools that are considered to be enforced by the CMF and other governmental agencies.</p>
<b>Principle 3.7.</b>	<b>Microprudential Supervision:</b> Selected principles from BCP, ICP, and IOSCO.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
<b>Principle 3.8.</b>	<b>Emergency Liquidity Assistance:</b> The central bank may disclose any ongoing provision of emergency liquidity assistance (including bilateral and market-wide support) and its conditions and parameters once the need for confidentiality has ceased.
Description	<p>The CBC <a href="#">discloses</a> market-wide adopted exceptional measures in response to the events that occurred in the country due to the health emergency declared in March 2020. These measures aim to address the impact of the internal and external shocks on the Chilean economy.</p> <p>The CBC summarized the adopted exceptional measures in easily accessible table. it covers the types of instruments, terms and condition, eligibility, duration, etc. The <a href="#">FCIC</a>, which is a medium-term liquidity measure at low cost provided to</p>

	banks, constitutes the quantitatively largest component of the unconventional instruments.
Review	<p><i>Expanded</i></p> <p>The CBC discloses the forms of market-wide liquidity support and provides timely information in support of the financial stability objective and the efficiency and effectiveness of the liquidity support. In particular, the CBC explains how this liquidity support deviates from standard operations, including information on amounts, maturity, and financial parameters. It also explains the intention of the liquidity support to contribute to maintaining financial stability or market functioning.</p> <p>However, there is no information on bilateral liquidity support on case-by-case basis for individual institutions.</p>
Comments	The CBC may consider disclosing whether it has provided bilateral liquidity support to specific financial entities. This could be done at the aggregate level without disclosing the name of the receiving entities without violates confidentiality requirements.
<b>Principle 3.9.</b>	<b>Resolution:</b> Selected principles from KA
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
<b>Principle 3.10.</b>	<b>Financial Market Infrastructures:</b> Selected principles from PFMI
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
<b>Principle 3.11.</b>	<b>Financial Integrity:</b> The central bank discloses its AML/CFT supervisory processes as well as details about resources allocated to its internal AML/CFT controls.
Description	<p>(a) The CBC is not engaged in AML/CFT supervision, as such, the first section of this principle is not applicable.</p> <p>(b) The CBC does not disclose details about resources allocated to its internal AML/CFT controls.</p>
Review	<p>(a) Not Applicable</p> <p>(b) Not Implemented</p>
Comments	The CBC should disclose details about resources allocated to its internal AMI/CFT controls.

<b>Principle 3.12.</b>	<b>Consumer Protection:</b> The central bank discloses its operations relating to consumer protection conducted solely or jointly with other agencies.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
<b>Pillar IV—Central Bank Outcome</b>	
<b>Principle 4.1.</b>	<b>Monetary Policy:</b> The central bank is transparent about the outcome of its monetary policy conduct.
<b>Principle 4.1.1.</b>	<b>Governance Actions:</b> The accountability of the central bank on monetary policy is clear as to whom accountability is owed and how it is discharged.
Description	<p>In September of each year, the CBC's Board submits the MPR to the MoF and to the Senate of the Republic. This report has the following main purposes: (i) to inform and explain to the Senate, the Government and the general public the vision of the CBC on recent and expected evolution of inflation and its consequences for the conduct of monetary policy; (ii) publicly expose the medium-term analysis framework used by the CBC Board in formulating monetary policy; and (iii) provide useful information for the formulation of the expectations of the economic agents about the future trajectory of inflation.</p> <p>In addition, the CBC delivers three other MPRs -in March, June, and December- to the MoF and the Senate Finance Committee, disseminated in <a href="#">conferences</a> organized in the main CBC building and different regions of the country.</p> <p>Moreover, the CBC publishes a document that presents the institutional framework in which the monetary policy measures, the policy framework, including its objectives, conduct and operation, and the role played by transparency and communications: "<a href="#">Monetary Policy of the Central Bank of Chile: Objectives and Transmission</a>".</p> <p>The CBC has an <a href="#">active transparency and communication policy</a> to disseminate its role, responsibilities, and accountability. Several channels are used to provide information on the rationale behind policy decisions, including an evaluation of the current state of the economy and possible future trends.</p>

	<p>The table below summarizes the CBC communication tools and its frequency.</p> <table border="1"> <thead> <tr> <th>Frequency</th> <th>Bank policies</th> <th>Studies</th> <th>Statistics</th> </tr> </thead> <tbody> <tr> <td>Daily</td> <td></td> <td></td> <td>Daily report</td> </tr> <tr> <td>Monthly</td> <td>Official Board communiqué Minutes of the monetary policy meeting Background minutes</td> <td></td> <td>Statistical preview <i>Monthly Bulletin</i></td> </tr> <tr> <td>Quarterly</td> <td></td> <td></td> <td><i>Foreign trade indicators</i></td> </tr> <tr> <td>Every four months</td> <td><i>Monetary Policy Report (IPOM)</i></td> <td></td> <td><i>Journal Economía Chilena</i></td> </tr> <tr> <td>Every six months</td> <td><i>Financial Stability Report (IEF)</i></td> <td></td> <td></td> </tr> <tr> <td>Annually</td> <td><i>Annual Report of the Central Bank of Chile</i></td> <td>Book series on Central Banking, Analysis, and Economic Policies</td> <td>National Accounts Balance of Payments External Debt Monetary and Financial Synthesis</td> </tr> <tr> <td>Occasionally</td> <td><i>Macroeconomic and projection models Central Bank of Chile Monetary Policy Document</i></td> <td><i>Economic Policy Papers</i> Working Papers Studies in Economic Statistics</td> <td>Various. See: <a href="http://www.bcentral.cl/esp/publ/">www.bcentral.cl/esp/publ/</a></td> </tr> </tbody> </table> <p>Source: Central Bank of Chile</p>	Frequency	Bank policies	Studies	Statistics	Daily			Daily report	Monthly	Official Board communiqué Minutes of the monetary policy meeting Background minutes		Statistical preview <i>Monthly Bulletin</i>	Quarterly			<i>Foreign trade indicators</i>	Every four months	<i>Monetary Policy Report (IPOM)</i>		<i>Journal Economía Chilena</i>	Every six months	<i>Financial Stability Report (IEF)</i>			Annually	<i>Annual Report of the Central Bank of Chile</i>	Book series on Central Banking, Analysis, and Economic Policies	National Accounts Balance of Payments External Debt Monetary and Financial Synthesis	Occasionally	<i>Macroeconomic and projection models Central Bank of Chile Monetary Policy Document</i>	<i>Economic Policy Papers</i> Working Papers Studies in Economic Statistics	Various. See: <a href="http://www.bcentral.cl/esp/publ/">www.bcentral.cl/esp/publ/</a>
Frequency	Bank policies	Studies	Statistics																														
Daily			Daily report																														
Monthly	Official Board communiqué Minutes of the monetary policy meeting Background minutes		Statistical preview <i>Monthly Bulletin</i>																														
Quarterly			<i>Foreign trade indicators</i>																														
Every four months	<i>Monetary Policy Report (IPOM)</i>		<i>Journal Economía Chilena</i>																														
Every six months	<i>Financial Stability Report (IEF)</i>																																
Annually	<i>Annual Report of the Central Bank of Chile</i>	Book series on Central Banking, Analysis, and Economic Policies	National Accounts Balance of Payments External Debt Monetary and Financial Synthesis																														
Occasionally	<i>Macroeconomic and projection models Central Bank of Chile Monetary Policy Document</i>	<i>Economic Policy Papers</i> Working Papers Studies in Economic Statistics	Various. See: <a href="http://www.bcentral.cl/esp/publ/">www.bcentral.cl/esp/publ/</a>																														
Review	<p><i>Comprehensive</i></p> <p>The CBC discloses the responsibilities of its governing bodies to (i) report on the conduct of monetary policy to designated public authorities; (ii) describe their performance in achieving their objective(s), and, where appropriate; and (iii) exchange views on the state of the economy with designated public authorities. Furthermore, the CBC periodically communicates to the designated public authority and general public the actions taken in order to achieve its monetary policy objectives. The central bank is transparent about its interactions with designated public authority on monetary policy.</p>																																
Comments																																	
<b>Principle 4.1.2.</b>	<b>Policies:</b> The central bank discloses progress toward achieving its monetary policy objective(s) as well as prospects for achieving them.																																

Description	<p>The CBC communicates its monetary regime, which aims for 3 percent annual inflation in a horizon of two years and that should fluctuate within a 2 percent to 4 percentage. In the minutes of the MPM. The CBC <a href="#">discloses</a> the discussion on whether it achieve its monetary objective. At the end of each MPM, the CBC issues a press statement on its website its view on the current situation and the decision adopted and the main aspects that motivated it, both in the external and internal scenario, also including possible future courses of action. As of 2018, the vote of each Board member in the MPM is also communicated.</p> <p>In the MPRs, the CBC discloses progress toward achieving its monetary policy objective. In particular, the CBC announces if there is a need recalibrate its monetary policy when the economic outcome deviates from what was expected. For instance, in the <a href="#">MPR of September 2019</a>, the CBC Board indicated that it may be necessary to increase the monetary stimulus further, which will be evaluated at future meetings in light of the evolution of the macroeconomic scenario.</p> <p>The CBC recently carried out a <a href="#">study</a> reviewing the monetary and financial policy response to the COVID-19 crisis in Chile. It detailed some of the specific policy measures implemented in Chile. It also demonstrates the pandemic’s impact on the balance sheet of the CBC, as well as other macroprudential metrics.</p>
Review	<p><i>Expanded</i></p> <p>The CBC discloses progress toward achieving its monetary policy objective. It also publishes the indicators relating to its monetary policy objective.</p>
Comments	<p>The CBC may consider publishing the methods, techniques, and data underlying dedicated monetary policy evaluations. It is important to ensure consistency when communicating inflation targeting of monetary policy.</p>
<b>Principle 4.1.3.</b>	<p><b>Operations:</b> The central bank discloses the volumes and interest rates of the operations, as well as the level of the operational target achieved.</p>
Description	<p>The CBC implements its monetary policy through the definition of a target for the daily interbank interest rate, which is the interest rate at which banks grant credit to each other on a business day and without collateral. Open Market Operations (OMO) are the monetary policy implementation tools to inject to or extract liquidity from the banking system in the short and medium terms. This information is available on the CBC <a href="#">website</a>.</p> <p>The CBC also <a href="#">discloses</a> the results of its operations and informs about discretionary operations and those that are not announced in the Bank's bidding calendar in the market. The CBC also disclose the Exceptional Measures Adopted.</p>

	<p>The Annual Report contains reports on the management of international reserves and currency liabilities at the end of the previous year. Financial statements are published monthly in a national newspaper. See more information <a href="#">here</a>.</p> <p>The CBC <a href="#">announces</a> the level of the operational target daily to the public.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBC discloses in a timely manner the volumes and interest rates of monetary policy instruments, as well as the level of the operational target achieved. In particular, it publishes the level of the operational target; the outstanding volumes and interest rates of each instrument; the aggregated banks reserves; and the auction results.</p>
Comments	
<b>Principle 4.2.</b>	<b>Cross-Border Financial Flows and Foreign Exchange Administration:</b> The central bank discloses the outcome of its policy implementation.
<b>Principle 4.2.1.</b>	<b>Governance Actions:</b> The central bank discloses information about to whom its accountability on the policy is owed and how it is discharged.
Description	<p>The CBC's <a href="#">Exchange Regulations</a>, as published on the CBC website, establish that certain transactions must be channeled through the FEM and need to be reported to the CBC. The <a href="#">Compendium of International Exchange Regulations</a>, published on the CBC website, is the compilation of regulations enacted by the CBC. The Compendium includes general rules applicable in exchange matters that must be followed by entities that are part of the FEM, including the requirements applicable to those that do not correspond with banks, together with the exchange limitations applicable to the main foreign exchange operations that make up Chile's balance of payments and capital account.</p> <p>The CBC Law (Subtitle 8—Powers of the Bank regarding foreign exchange transactions), which is referred to on the <a href="#">CBC website</a>, establishes the legal requirements regarding the CBC's organization, functions, and obligations, and regulates the CBC's powers related to FX management. The CBC Board establishes a strategic framework for the management of FX reserves in the document "General Guidelines for the Management of International Reserves of the Central Bank of Chile" (see <a href="#">this report</a>). This includes general guidelines on corporate governance, level of reserves, investment policy, investment process and accountability, investment policy, investment process and accountability. The CBC Board establishes the strategic framework used in the reserve management process through the approval of the Investment Policy, which is reviewed periodically. General information on foreign reserve management is published in</p>

	<p>the document <a href="#">Management of International Reserves</a>, published on the CBC website.</p> <p>The <a href="#">FSR</a> serves to communicate different diagnostics about the state of the financial system. The framework of analysis of the FSR consists on monitoring and studying the agents of the financial system households, companies, credit providers, its components, intermediaries, markets, infrastructures, and the interconnections among them.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBC discloses, through the reference to the CBC Law, the general accountability of the CBC to the public, the Minister of Finance, and the Senate (through the publication of its Annual Report) for its policy, as well as the frequency and the manner of reporting. The CBC discloses information on the Board and its role and responsibilities on policy implementation. It does not explicitly specify if implementing policy decisions is delegated to other entities.</p>
Comments	
<b>Principle 4.2.2.</b>	<b>Policies:</b> The central bank discloses on a regular basis information about the results in achieving the policy objectives.
Description	<p>The CBC Board established, as part of its institutional policies, the disclosure of information on the FX administration to the Chilean President, Senate, and general public, through the publication of the <a href="#">FSR</a> and the <a href="#">Annual Report</a>, as well as on the CBC website. The CBC oversees the normal functioning of payments by acting as regulator of <a href="#">Payment systems</a> and as operator of the RTGS. The CBC discloses the <a href="#">Exchange Regulations</a> and this information is easily accessible through a <a href="#">Q&amp;A</a>, published on the CBC website. An additional Q&amp;A, dealing with the foreign reserves' accumulation announced in January 2021, is listed <a href="#">here</a>.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBC discloses in its FSR and Annual Report, which are easily accessible on its website, whether the policy objectives have been achieved, detailed information on the actions taken (and their results), possible reasons for not achieving the objectives, and developments that influenced the policy implementation. In specific, the FSR provides information on the modernization of FX regulations (see <a href="#">FSR</a>, Box V.1, and the new regulatory proposal). Additionally, the CBC publishes an easily accessible and understandable Q&amp;A addressing these issues. The CBC also discloses a description of the FX regime, and existing FX restrictions (i.e., those that need to be carried out exclusively in the FEM and/or that are reported to the CBC through the systems and forms provide for in the regulations listed on the</p>

	CBC website and based on the CBC Law (which is referenced in the Q&A on the CBC website).
Comments	
<b>Principle 4.2.3.</b>	<b>Implementation:</b> The central bank discloses on a regular basis information about the results of the policy implementation.
Description	<p>The CBC's <a href="#">Exchange Regulations</a>, as listed on the CBC website, establish that certain transactions must be channeled through the FEM and reported to the CBC. The <a href="#">Compendium of International Exchange Regulations</a> contains regulations enacted by the CBC, with rules for exchange matters that must be complied with by entities that are part of the FEM. This includes requirements applicable to those that do not correspond with banks, together with the exchange limitations applicable to the main foreign exchange operations that make up the Chile's balance of payments and capital account. The results of the policy implementations can be viewed at:</p> <ul style="list-style-type: none"> <li>• <a href="#">Statistics exchange market.</a></li> <li>• <a href="#">Some foreign exchange market studies and methodologies</a></li> <li>• <a href="#">Daily report of domestic financial transactions</a></li> <li>• <a href="#">Results of operations</a></li> </ul>
Review	<p><i>Comprehensive</i></p> <p>The CBC discloses through its Exchange Regulations and the Compendium, which are easily and clearly accessible on its website, on a regular basis information about the regulatory framework and possible changes, the types and number of granted licenses/approvals, the types and number of conducted inspections, the types and number of sanctions, the types of FX operations performed, the types and volume of cross border financial flows and FX transactions within the country. The CBC publishes a detailed list of entities/individuals licensed to perform various FX activities, and discloses on a regular basis the aggregated results of relevant operations.</p>
Comments	
<b>Principle 4.3.</b>	<b>Foreign Exchange Management:</b> The central bank discloses how its governing committee is accountable for undertaking and reporting on foreign exchange interventions.
<b>Principle 4.3.1.</b>	<b>Governance Actions:</b> The central bank discloses its decision-making structure and how it is accountable for Foreign Exchange Management.
Description	In the CBC's <a href="#">Exchange Regulations</a> , published on the CBC website, the CBC establishes that certain transactions must be channeled through the FEM and reported to the CBC. The <a href="#">Compendium of International Exchange Regulations</a>

	<p>contains regulations enacted by the CBC, with rules for exchange matters that must be complied with by entities that are part of the FEM. This includes requirements applicable to those that do not correspond with banks, together with the exchange limitations applicable to the main foreign exchange operations that make up the Chile's balance of payments and capital account.</p> <p>The CBC Law, as referred to on the CBC website, establishes the legal requirements regarding the CBC's organization, functions, and obligations. It also regulates the CBC's powers relating to the <a href="#">Management of International Reserves</a>. The CBC Board establishes a strategic framework for the management of foreign reserves through the document called "<a href="#">General Guidelines for the Management of International Reserves of the Central Bank of Chile</a>." The Guidelines contain the relevant standards for corporate governance, the level of reserves, the investment policy, the investment process, and accountability. The CBC Board established the strategic framework used in the FX reserve management process through the approval of the Investment Policy, which is reviewed periodically by the Board.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBC discloses its governance structure and the responsibilities of the Board regarding FX management, by referring to the CBC Law, which is easily accessible through the CBC website. The CBC also discloses the taxonomy of the FX management framework in the General Guidelines for the Management of International Reserves of the Central Bank of Chile, which is easily accessible on the CBC website. Lastly, the CBC periodically evaluates its policy actions through the MPR, FSR, and Annual Report, which are easily accessible on the CBC website.</p>
Comments	
<b>Principle 4.3.2.</b>	<p><b>Policies:</b> The central bank discloses the role of Foreign Exchange Management toward achieving its policy objective(s) as well as its interaction with broader monetary policy objectives.</p>
Description	<p>The CBC reports the analysis and reasons for intervening in the market, which are disclosed via <a href="#">press</a> releases, which include the underlying rationale are explained (see this <a href="#">Q&amp;A</a>).</p> <p>The CBC's <a href="#">Annual Report</a>, as well as other reports that are periodically published (<a href="#">MPR</a> and <a href="#">FSR</a>), provide outcomes and impacts on both monetary policy and financial stability. All changes in operational mechanisms are documented in the <a href="#">Compendium of International Exchange Regulations</a> and the <a href="#">Compendium of Monetary and Financial Standards</a>. Additional background information is included in:</p> <ul style="list-style-type: none"> <li>• <a href="#">Exchange Market Statistics</a></li> <li>• <a href="#">Frequently Asked Questions</a></li> </ul>

	<ul style="list-style-type: none"> <li>• <a href="#">Lessons from the last foreign exchange intervention (November 2019)</a></li> </ul>
Review	<p><i>Comprehensive</i></p> <p>The CBC discloses policy decisions, modes, instruments, outcomes, supporting analysis, and changes to operational mechanisms through its MPR, FSR, and Annual Report, which are easily accessible on the CBC website. Changes to operational mechanisms are also noted in the relevant Compendiums, which are similarly easily accessible on the CBC website.</p>
Comments	
<b>Principle 4.3.3.</b>	<b>Operations:</b> The central bank discloses the results of its market operations, the volume of activity, and the direction of interventions on its website at a predefined time lag.
Description	<p>The CBC discloses the results of operations on a daily basis (see <a href="#">Announcements and Results of Operations</a>). The CBC discloses the main results in the <a href="#">MPR</a>, <a href="#">FSR</a>, and its <a href="#">Annual Report</a>. It also communicates the results of its interventions through various presentations, seminars and lectures.</p> <p>Additional background information can be found here:</p> <ul style="list-style-type: none"> <li>• <a href="#">Exchange Market Statistics</a></li> <li>• <a href="#">Frequently asked questions</a></li> <li>• <a href="#">Lessons from the last foreign exchange intervention</a></li> </ul>
Review	<p><i>Comprehensive</i></p> <p>The CBC publishes (daily) information on its FX management operations and volume of activity on its website and in its Annual Report, as well as aggregated data on a monthly basis, in line with the IMF Special Data Dissemination Standard (SDDS) prescription.</p>
Comments	
<b>Principle 4.4.</b>	<b>Foreign Exchange Reserve Management:</b> The central bank discloses any changes to the general principles of internal governance and provides clarity on the outcomes of its policy decisions about foreign exchange reserve management.
<b>Principle 4.4.1.</b>	<b>Governance Actions:</b> The central bank publicly discloses the general principles of internal governance to ensure the integrity of its policy formulation and operations.
Description	<p>The CBC Board establishes the strategic framework used in the <a href="#">Management of International Reserves</a> process by approving the Investment Policy, which is reviewed periodically. The <a href="#">Reserve Management Report (2019)</a> explains the</p>

	institutional and organizational framework, the Investment Policy, results and the evolution of reserves, among other topics.
Review	<p><i>Comprehensive</i></p> <p>The CBC discloses its institutional obligations, objectives, responsibilities of the Board, the general principles of its policy framework and operations, and evaluations of its policy actions. It does so in the section “Management of International Reserves” on its website, and in the Reserve Management Report (2019)—which is also easily accessible on the CBC website.</p>
Comments	
<b>Principle 4.4.2.</b>	<b>Reporting on Implementation:</b> The central bank discloses data relating to the level and composition of reserve assets, short-term liabilities, and drains that can lead to demand on reserves at a predefined frequency.
Description	The CBC reports all results of operations that are not announced in the weekly bidding calendar of the CBC. The CBC discloses information on <a href="#">announcements, results and associated documentation</a> and a <a href="#">daily report of domestic financial transactions</a> on its website. Additionally, the CBC publishes, on its website, monthly financial statements containing <a href="#">assets and liabilities</a> . The CBC also has a special <a href="#">webpage section</a> with recent market operations conducted in the context of COVID-19, as well as the social unrest events of October 2019.
Review	<p><i>Comprehensive</i></p> <p>The CBC publishes information about the level of FX reserve assets, liabilities, short-term drains, commitments by the monetary authorities, on a monthly basis. Outcomes are published as per the SDDS (noted on a special page on the CBC website <a href="#">here</a>), which includes the official reserves and other foreign currency assets, predetermined short-term drains on reserve assets, and continent short-term net drains on reserve assets, on a monthly basis. This information is disclosed, and easily accessible on the CBC website.</p>
Comments	
<b>Principle 4.4.3.</b>	<b>Financial Results:</b> There is clarity in audited financial statements on the amount, composition, profit/loss, and risks arising from foreign exchange reserves.
Description	<p>The 2019 audited financial statements (mostly Note 5—<i>Financial instrument risks and risk management</i>) provide information on the amount, composition, profit/loss, and risks arising from foreign exchange reserves.</p> <p>In addition, the 2019 Annual Report (6.1 Appendix 1: International Reserves) includes information on benchmark structure of the cash and investment</p>

	portfolios, portfolio performance, composition of international reserves, eligible banks and permissible limits, securities lending program.
Review	<p><i>Comprehensive</i></p> <p>The CBC clearly discloses information on the amount, composition, profit/loss, and risks arising from its international reserves. In particular, the 2019 financial statements (Note 5—<i>Financial instrument risks and risk management</i>) include comprehensive disclosures on financial risks, including market, credit, liquidity risks.</p>
Comments	
<b>Principle 4.5.</b>	<b>Macroprudential Policy:</b> The central bank discloses outcomes and evaluations of its macroprudential policy actions and its accountability for such actions.
<b>Principle 4.5.1.</b>	<b>Governance Actions:</b> The accountability of the central bank on macroprudential policies is clear as to whom accountability is owed and how it is discharged.
Description	<p>The macroprudential policy objectives are joint responsibilities and coordinated action between the CBC, MoF, CMF, the Superintendence of Pensions (SP), and other financial sector authorities. This coordination takes place within the FSB. The Chilean legislation establishes the responsibilities and accountability of each cross-agency including that of the CBC.</p> <p>Within its competence area, the CBC discloses its accountability on macroprudential policies and how it is discharged via its regulatory framework. It also prepares assessment reports that are required by other regulators prior to finalizing certain decisions. Furthermore, it issues opinions on the impact of potential legal or regulatory changes.</p> <p>In addition to the above, the CBC, as LOLR for commercial banks, is responsible and accountable to develop and implement liquidity management tools, in both normal and crisis situations.</p>
Review	<p><i>Expanded</i></p> <p>The accountability of the CBC on macroprudential policies is disclosed for areas that fall within its remit including to whom accountability is owed and how it is discharged. The financial regulation specifies the CBC's macroprudential policy responsibilities.</p> <p>However, the disclosure of the allocation of roles and responsibilities with other governmental agencies is not entirely clear. For instance, there is no publicly</p>

	available information on the CBC website on any agreements or Memorandums of Understanding specifying its macroprudential policy role and responsibilities in relation to other authorities such as the FMC and FSB.
Comments	The CBC may consider disclosing the key interaction areas between the CBC and designated public authorities on issues of financial stability, including with the CMF and FSB. In particular, information on the CBC roles within the FSB would clarify the accountability of the CBC on macroprudential issues.
<b>Principle 4.5.2.</b>	<b>Policies:</b> The central bank discloses ex post evaluations of its macroprudential policies.
Description	<p>The <a href="#">diagnostic reports</a>, prepared by the CBC, are forward-looking, providing the basis for communicating potential vulnerabilities and risks to the supervisory authorities, financial sector participants, and the general public.</p> <p>Likewise, the CBC provides ample of statistical information forward and backward-looking on the health of the financial sector, available on its <a href="#">website</a>.</p> <p>The CBC carried out a <a href="#">study</a> in March 2021, reviewing the monetary and financial policy response to the COVID-19 crisis in Chile. It detailed some of the specific policy measures implemented in Chile. It also shows the pandemic's impact on the balance sheet of the CBC as well as other macroprudential metrics.</p> <p>Furthermore, an ex post evaluation of policies based on quantitative assessment of the warnings of the FSR was conducted in a <a href="#">working paper</a>, authorized by the CBC's Director of Monetary Policy. It has also been discussed by the CBC Board.</p>
Review	<p><i>Comprehensive</i></p> <p>The CBC discloses on an ad-hoc basis, through working papers and other documents, ex post evaluations of its macroprudential policies, including dedicated evaluations methods, techniques, etc.</p>
Comments	The CBC may consider publishing on a regular basis a dedicated policy evaluation of its specific macroprudential tools, including methods, techniques, and underlying data.
<b>Principle 4.6.</b>	<b>Microprudential Supervision:</b> Selected principles from BCP, ICP, and IOSCO.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable

<b>Principle 4.7.</b>	<b>Emergency Liquidity Assistance:</b> The ELA framework allows for appropriate disclosure of the provision of liquidity support, terms and conditions, and amounts provided, while maintaining confidentiality as long as required.
Description	<p>For market-wide exceptional liquidity support measures, the CBC <a href="#">discloses</a> the terms and conditions, amount and types of entities that received liquidity support. They are reported on an aggregate basis.</p> <p>In a <a href="#">study</a> prepared in March 2021, the CBC analyzed the impacts of its unexceptional liquidity support. It shows that the shocks, facing Chilean businesses, were very large and heterogeneous across sectors, with significant decrease of economic activities. The preliminary assessment shows that the unexceptional liquidity supports, such as credit provision, guarantees, and other measures by the government, had positive impact in reviving the economy. For instance, during the second quarter of 2020, the commercial portfolio recorded strong growth despite the economic contraction, favored by the support measures implemented by the CBC and governmental authorities.</p>
Review	<p><i>Core</i></p> <p>The CBC discloses the announcement and results of market-wide liquidity support at the aggregate level. The CBC discloses on ad hoc basis the results of its assessment of the impact of its market-wide liquidity support on maintaining market functioning and restoring economic growth.</p> <p>The CBC does not regularly provide information on how and to what extent the liquidity support measure contributed to restoring/maintaining financial stability or market functioning. In addition, it does not provide information on the central bank's risk taking in connection with the support.</p>
Comments	<p>The CBC may consider putting in place a framework that provides information on how and to what extent the exceptional liquidity support measures contributed to restoring maintaining financial stability or market functioning. The framework discloses how the liquidity support measures impact other parts of the financial system and the economy more broadly.</p> <p>Furthermore, the CBC may disclose information on the rationale, principles, and conditions to provide bilateral support, and the magnitude of the support after the financial stability risk has passed, and no longer violates confidentiality requirements agreed on prior to entering the support agreement with the requesting institution.</p>
<b>Principle 4.8.</b>	<b>Resolution:</b> Selected principles from KA.
Description	Not Applicable

Review	Not Applicable
Comments	Not Applicable
<b>Principle 4.9.</b>	<b>Financial Market Infrastructures:</b> Selected principles from PFMI.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
<b>Principle 4.10.</b>	<b>Financial Integrity:</b> The central bank discloses the outcome of its Anti-Money Laundering/Countering the Financing of Terrorism supervisory actions as well as details about the oversight of its internal Anti-Money Laundering/Countering the Financing of Terrorism controls.
Description	(a) The CBC is not engaged in AML/CFT supervision, as such, the first section of this principle is not applicable. (b) The CBC does not disclose details relating to the oversight of its internal AML/CFT controls.
Review	(a) Not Applicable (b) Not implemented
Comments	The CBC should disclose details relating to the oversight of its internal AML/CFT controls
<b>Principle 4.11.</b>	<b>Consumer Protection:</b> There is clarity about the results and implications of consumer protection policies and operations conducted solely or jointly with other agencies.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable
<b>Pillar V—Central Bank Official Relations</b>	
<b>Principle 5.1.</b>	<b>Government:</b> The central bank discloses its relationship with the government. This includes the exchange of information, the coordination of policies, and financial aspects such as rules on profit distribution, clearly distinguishing the different roles and modalities this can take.
<b>Principle 5.1.1.</b>	The institutional relationship between the central bank and the government/its agencies is clearly defined and publicly disclosed.

Description	<p><b>Institutional relationship between the CBC and the government</b></p> <p>The CBC relation with the government is disclosed in the CBC Law, which is accessible in the CBC website. There are two major roles described in the law: (i) as advisor; and (ii) the need to coordinate policies. In terms of advisor, section 4 of the CBC Law states the function of the CBC as advisor to the President of the Republic. Section 19 of the CBC Law gives the right to the Minister of Finance to attend CBC Board meetings. Section 6 states that the CBC should have consideration for the general orientation of the Government's economic policies, while passing Board's resolutions.</p> <p>The role of the CBC as advisor is also established in Law 20.789, which establishes the (FSC) in section 1, gives the role of permanent advisor to the CBC while interacting with the FSC, and arranges for the CBC to attend FSC meetings as non-voting member/observer. The FSC is headed by the Minister of Finance; the other members are the Chair of the FMC and the Chair of the SP. Information on the participation of the Governor in FSC meetings is available on the MOF website.</p> <p>Besides legal provisions disclosed on the CBC website (i.e., sections 19, 27, and 50 of the CBC Law), the Regulation on the Functioning of the CBC Board describes in detail the role of the Minister of Finance at the MPMs. References are also made in CBC Annual Reports. See more information <a href="#">here</a></p> <p>After each MPM, a summary of the minutes is made <a href="#">available</a> to the media and the public.</p> <p><b>Exchange of Information</b></p> <p>Regarding the exchange of information between the CBC and the governmental agencies and other relevant authorities the CBC Act establishes the responsibility of the Governor to inform the President of the Republic and the Senate on policies and regulations of general applicability issued by the CBC. The law also describes the responsibility of the CBC to compile and publish macroeconomic statistics in a timely manner and the power of the Bank to request information from governmental entities. These obligations are disclosed by the CBC mainly through the MPR and the FSR</p> <p>There are several MOUs between the CBC and other public institutions (Internal Revenue Service, Treasury, Financial Intelligence Unit (FIU), SP, etc.). Furthermore, there is a comprehensive MOU now under preparation with the FMC, to further strengthen the coordination between the CBC and the CMF. The full texts of these MOUs are not published, nonetheless, in some cases the signatory institutions issue a press release on the MOU.</p>
Review	Core

	<p>The CBC functions with respect to the government and its cooperation, and interactions with the MOF are disclosed in the law and regulations, which are easily accessible on the CBC website. Disclosure of the Minister of Finance's interaction with the CBC Board are disclosed in the minutes of the MPC, which are easily accessible on the CBC website as well.</p> <p>However, the advisory role of the CBC within the FSC is not disclosed by the CBC, but by the MOF, and recorded in minutes of the FSC meetings.</p> <p>The MOU's or other arrangements that establish coordination of policies and exchange of information, and possible shared responsibilities in the financial sector with the government or other governmental agencies are not fully disclosed on the CBC website. Nonetheless the CBC has a regular practice to inform the public of such interactions through press releases.</p>
Comments	<p>The CBC could publish (or reference through a weblink) all public information disclosed by the MOF or the FSC on the nature of their relationships with the CBC. This could at the very basic level, include the mirroring of information shared by the MOF on its website (details on the FSC and the CBC's role and FSC minutes).</p> <p>Furthermore, the CBC advisory role in the FSC must be disclosed by the CBC and explained in understandable language and in an easily accessible manner for the general public.</p> <p>The CBC could disclose the MOUs or other agreements that the CBC has signed with other public institutions, or include clear links with websites of other respective agencies unless direct publication is not possible (for instance, if the information would be considered "reserved" under section 66 of the CBC Law).</p>
<b>Principle 5.1.2.</b>	<p>The central bank publicly discloses its policies and terms and conditions governing financial transactions with the government, including its fiscal agent role, the management of the current account, deposit taking, advances, guarantees, loans and credit arrangements to the public sector, as well as agency services performed on behalf of the government.</p>
Description	<p><b>Financial Transactions with the Government</b></p> <p>The CBC Law in section 37, describes the role of the CBC as "state representative" in reference to foreign transactions. This specific function requires executive decrees for its implementation. For the conversion and renegotiation of foreign debt the approval of the President of the Republic is required; granted also by an executive decree. Section 38 of the CBC Law expands this "state representative function" to international transactions as well.</p> <p>This function as state representative and performing banking transactions with the government falls into the category of "reserved" information under section 66 of the CBC Law. "The bank shall reserve all information regarding any of its money</p>

	<p>credit transactions or investments made according to sections...37, 38, 55, and 56... Notwithstanding the foregoing the Bank shall provide general information as to transactions on a non-personalized basis but only for statistical and public information purposes.”</p> <p><b>Fiscal Agency Role</b></p> <p>In reference to the fiscal agency role, there is published information on the CBC <a href="#">website</a>, such as the “agency decree” containing relevant information. These are also published in the Official Gazette, when issued.</p> <p>Regarding the CBC’s role as Fiscal Agent, general information is included in the CBC’s Annual Reports. See more information <a href="#">here</a> and <a href="#">here</a>.</p> <p>The CBC also <a href="#">discloses</a> general information regarding financial operations as Fiscal Agency in the domestic market:</p> <p>There is public disclosure of the CBC fiscal agency role on the MOF’s website. For example, terms and conditions, for each of the Government’s funds the CBC manages, are described in the “Agency Decrees” issued by the MOF in each case. These are available on the MOF’s <a href="#">website</a>:</p> <p><b>Other financial transactions with the Government</b></p> <p>The CBC Law in section 55 allows the CBC to open checking accounts to the Treasury and other state entities or enterprises, whenever is necessary for the performance of their transactions. Section 56 notes that “the Bank has the authority to request guaranties in the transactions it performs, and to receive securities or goods in custody...”.</p> <p><b>Loans and credit arrangements with the Government</b></p> <p>These are governed by section 27 of CBC Law, which establishes that in exceptional circumstances, and transitory situations, the CBC can purchase debt instruments issued by the Treasury, for a specific period, in the secondary market, and for purposes of liquidity provisions. The Minister of Finance will be specially summoned to the respective session that deals with this issue. Those special circumstances are regulated by section 19 of the CBC Law: “in the event of foreign war or threat of it, the CBC, by means of secret resolution, may obtain, confer, or finance credit to the state and its public or private entities”.</p>
Review	<p><i>Core</i></p> <p>The CBC functions and cooperation with respect to the government are disclosed through the CBC legal framework. The role of the CBC and its interaction with the government is clearly disclosed in the CBC Law.</p>

	<p>However, the CBC does not disclose to the public, on a regular basis policies, terms and conditions governing financial transactions with the government. Terms and conditions developed in secondary legislation, like government decrees or MOU should be publicly disclosed by the CBC.</p> <p>The fiscal agency role is disclosed in the Annual Report, but the MOF discloses this information in a more regular basis. Here too, the CBC could consider mirroring this information on its own website.</p>
Comments	The CBC could consider disclosing Information on financial transactions with the government, as made public by the Minister of Finance. This would include the disclosure of agreements or any other information published in the official gazette regarding terms and conditions of financial transactions with the government and arrangements made public by the MOF on its website or disclosed by any other means.
<b>Principle 5.1.3.</b>	The instruments used in interaction (including the financial transactions) between the central bank and the government/its agencies are clearly defined and publicly disclosed.
Description	<p>Instruments used in the interaction, including financial transactions between the CBC and government or its agencies are of reserved nature, under section 66 of the CBC Law. This includes information sharing and cooperation with the National Customs Service, Income Revenue Service or the General Treasury (MOF,) and the Financial Analysis Unit of the Public Prosecution.</p> <p>Disclosure of the administration of the funds is done through “agency decrees” which clearly define the types and characteristics of instruments and its characteristics in which the CBC can invest the funds. These are published by the MOF. More information is available <a href="#">here</a>.</p> <p>The CBC does not disclose this information.</p>
Review	<p><i>Core</i></p> <p>The instruments used for financial transactions with the government are disclosed in decrees that are published on a regular basis by the Ministry of Finance. MOU’s with government agencies are usually disclosed to the public by press releases. The entire MoU are not disclosed, because it could relate to sensitive issues and covered under “reserved” information matters.</p> <p>The CBC should disclose, on a regular basis and in an easily accessible manner, policies and instruments used in interactions (including financial transactions) between the CBC and the government, and the outcomes of such interactions. This holds in particular regarding information already disclosed by the MoF.</p>

Comments	The central bank should disclose to the public, on a regular basis, policies, instruments used in interactions (including financial transactions) between the central bank and the government, and the outcomes of such interactions. Most of this information is already published and disclosed by the MOF.
<b>Principle 5.1.4.</b>	The central bank discloses publicly on a regular basis the outcome of its interaction (including operations) with the government/its agencies.
Description	<p>According to section 66 of the CBC Law, the outcome of the operations with government funds is reserved information. The CBC is allowed by the CBC Law only to publish some aggregated information in its Annual Report.</p> <p>The CBC discloses results of financial transactions with the government, in general terms and in the area of statistics and via various data bases and other platforms. The CBC Annual Report also gives information on the outcome of financial transactions done by the CBC in its role of fiscal agent.</p> <p>The CBC does not disclose the outcome of its interactions (including operations) with government agencies on a regular basis.</p>
Review	<p><i>Core</i></p> <p>The CBC discloses on a regular basis the outcome of its interactions with the government in reference to its role as fiscal agent and other financial transactions. Relevant statistical data is disclosed via various platforms.</p> <p>The MOF discloses more information to the public regarding to the management of sovereign funds and financial transactions in general as conducted by the CBC on the government behalf.</p> <p>The outcome of the interaction with other governmental agencies is disclosed through press releases published in the CBC website.</p>
Comments	Where legal allowed, the CBC should disclose on a regular basis information about its interactions, cooperation and information-sharing frameworks with governmental agencies (e.g., with customs authorities in the context of information sharing) and the outcomes of such interactions.
<b>Principle 5.2.</b>	<b>Domestic Financial Agencies:</b> The central bank discloses its relationships with domestic financial agencies as relevant to the pursuit of its mandate and the execution of its functions.
<b>Principle 5.2.1.</b>	The relationship between the central bank and relevant domestic financial agencies is clearly defined and publicly disclosed, including cooperation and (co-) decision-making modalities and arrangements for the formal/informal sharing of information.
Description	<b>Relationship between the CBC and domestic financial agencies</b>

	<p>According to the CBC Law, the GBL, the Insurance Law, and the law on issuance and operation of payments systems by non-banking entities, there are a number of interactions between the CBC and the FMC under the terms and procedures established in each case. Information-sharing and general cooperation take place regularly. An MOU between the CBC and CMF is presently under discussion (as the FMC is a relatively new institution), with the purpose of further regulating these interactions.</p> <p>Relations between the CBC and other public institutions and authorities fall within the scope of the CBC regular functions and are not public information, according to Transparency Law. However, the CBC and other authorities usually issue press releases of important meetings between authorities. An example of this are the interactions of the CBC within the FSC, whose meetings' minutes are disclosed <a href="#">here</a>.</p> <p><b>CBC Cooperation with other financial agencies</b></p> <p>The CBC Law defines the relation between the CBC and FMC in the conduct of financial supervision and compliance with financial policies, which should be done through the appropriate supervisory authorities, while keeping the CBC informed of any violation made to the regulations issued by the CBC.</p> <p>Similarly, the Pensions Law establishes interactions between the CBC and the SP requiring the decision or the favorable prior opinion of the CBC for the adoption of certain regulations. See <a href="#">Decree Law No 3,500</a>, section 45.</p> <p>Notwithstanding the legal provisions, the CBC's MOUs with other public financial institutions are not disclosed to the public, as they contain information on procedures between the institutions that can be critical in crisis scenarios or relate to internal procedures outside of the scope of the Public Information Act, Law 20.285. However, in some cases the signatory institutions issue a relevant press release. See, for instance, <a href="#">here</a>.</p>
Review	<p><i>Core</i></p> <p>The relationship with other public financial agencies is determined under section 82 of the CBC Law. This provision allows and prescribe the right of the CBC to be informed, allowing information sharing with relevant public financial agencies vis-a-vis the CBC, but MOUs that regulate the interaction with other financial agents are not disclosed. On relevant occasions, a press release is published in reference to the cooperation or information sharing agreement. However, this is not a policy, and such a decision is made on a case-by-case basis.</p>

Comments	<p>The relationship between the CBC and relevant domestic financial agencies is clearly defined and publicly disclosed in the legal framework. Improvement is necessary to disclose bilateral process of cooperation and information sharing.</p> <p>The FMC is a relevant counterpart for the CBC for its functions in the area of financial stability and monetary policy. The relationship between the two institutions (including possible overlaps in mandates) should be transparent in terms of procedures for information-sharing, cooperation, and rulemaking beyond the publication of relevant press releases.</p>
<b>Principle 5.2.2.</b>	The policies and instruments used in the interaction of the central bank with domestic financial agencies, and the outcome of the interaction are transparent.
Description	<p>According to the CBC Law, the GBL, the Insurance Law, and the law on issuance and operation of payments systems by non-banking entities, there are a number of interactions between the CBC and the FMC under the terms and procedures established in each case. Therefore, those interactions are regulated in financial legislation; including some policies like for example the rulemaking process. Policies and Instruments used in the interaction of the CBC with domestic financial agencies are established in MOUs, which are not disclosed to the public. Press releases disclosed in general terms policies and instruments that could be implemented between the CBC and domestic financial agencies. (See above references to press releases done by or in conjunction with public financial agencies).</p>
Review	<p><i>Core</i></p> <p>The legal framework contains provisions establishing cooperation between the CBC and domestic financial regulatory and supervisory authorities, as well as basic terms and conditions in terms of coordination of activities.</p> <p>The FSC, of which the CBC attends as a permanent advisor, discloses the outcome of its meetings, but the CBC does not disclose information on such interaction and its outcome.</p> <p>The CBC should explain and disclose further the regulatory process that is made in conjunction (check and balances mechanism) with the FMC. As it is established in legislation, the GBL. The explanation of this process should be accessible to the general public in the CBC website, that is how this task established by the GBL is implemented in practice.</p>
Comments	Policies and rulemaking used in the interaction of the CBC with domestic financial agencies should be part of a periodic and systematic system of disclosure. The mechanism for information sharing and cooperation arrangements should be

	disclosed further and not only in press releases. This will facilitate the understanding of the allocation of responsibilities between entities,
<b>Principle 5.2.3</b>	With respect to macroprudential policy, the central bank discloses its role, responsibly, and actions—and those of any other authority it collaborates with. The central bank also discloses any advice it receives.
Description	<p>The CBC has in its website a “Compendium of Macroprudential regulations and policies”. The Financial Stability Report (issued every 6 months), and Chile’s Monetary Policy within an Inflation Targeting Framework also discloses CBC role and responsibilities in this area.</p> <p>On the other hand, Section 66 ter of the General Banking Law authorizes the CBC for the activation of the Counter-Cyclical Capital Buffer (CCyB). Notwithstanding this activation is a sole decision of the CBC, for fixing the rate of the CCyB, the same legal provision requires the favorable prior opinion of the CMF.</p> <p>The CBC Legal Department has explained in reference to macroprudential issues that “In general, the CBC does not share responsibility regarding its mandate, its powers are exclusive. However, in those exceptional situations where the law requires the conformity of another authority to adopt a certain decision (i.e., the FMC providing a positive opinion for the adoption of certain regulations or for fixing the rate of the CCyB) responsibilities and roles are clearly allocated by the law.</p> <p>“When the CBC receives information from another agency, it must maintain that information under reserve, in most of the cases, so it is not disclosed to the public.”</p>
Review	<p><i>Core</i></p> <p>There is a legal framework, CBC Act and GBL, for CBC with respect to macroprudential policy that clearly allocate responsibilities to the CBC. This legislation also establishes measures on macroprudential policy making that might be taken in coordination with the FMC.</p> <p>The Central discloses information in reference to macroprudential measures taken by the CBC and in conjunction (or with the participation) of the FMC. The disclosure is done in the FSR and the Compendium on Macroprudential Regulation.</p>
Comments	
<b>Principle 5.2.4.</b>	With respect to financial stability, all arrangements to restore or maintain financial stability are clearly disclosed, including arrangements on data sharing, liquidity

	support, and who is responsible for which type of decision or action at what stage.
Description	<p>Financial stability arrangements where the decision making is coordinated among relevant authorities including the CBC, falls within the FSC. Furthermore, the CBC has shared responsibility for developing and implementing rules and regulations for financial stability. The introduction of new rules and amending existing ones are discussed and, in some cases, approved by the CMF before implementing them. Furthermore, some regulation introduced by the CBC are to be enforced exclusively by the CMF such as prudential rules on banks. This information is disclosed by the CBC.</p> <p><a href="https://www.bcentral.cl/documents/33528/133277/PoliticaFinacieraBCCh2020.pdf/38565a87-f41f-660f-1757-b86ab757f9bd?t=1582645822180">https://www.bcentral.cl/documents/33528/133277/PoliticaFinacieraBCCh2020.pdf/38565a87-f41f-660f-1757-b86ab757f9bd?t=1582645822180</a></p> <p>There is less published information by the CBC on the ongoing cooperation and coordination of macroprudential policy issues with other governmental agencies particularly the FSC. For instance, the CBC provides very rarely information about ongoing cooperation between the CBC and CMF. As an example, the introduction of the capital buffer was disclosed by a press release by the CMF, published on its website</p>
Review	<p><i>Core</i></p> <p>In reference to financial stability there is a legal framework, CBC Act and GBL, that clearly allocate responsibilities to the CBC, but also in relation to measures that could be taken in coordination with the CMF. The framework established in the FSC law also establishes a forum to coordinate and articulate arrangements to restore or maintain financial stability.</p> <p>Disclosure of those arrangements are made through press releases, sometimes made in conjunction between the FSC and CBC. On a regular basis the disclosure of information is made by the FSC, as illustrates the description.</p>
Comments	We encourage publication, dissemination and disclosure of financial stability arrangements and outcomes in the CBC website, also those that has been made public by other financial entities in coordinated settings.
<b>Principle 5.3.</b>	<b>Foreign Agencies:</b> The central bank discloses its dealings with international organizations foreign governments, other central banks, and other relevant foreign agencies, including the nature of the involvement or interactions, and any obligations and commitments that may arise from these relationships.
Description	<b>CBC interaction with international organizations.</b>

	<p>Section 22 of the CBC Law determines the task of the CBC with international organizations and other foreign financial institutions. Section 38 (which is of “reserved nature” according to section 66) determines the CBC tasks in international transactions in general. In reference to international agreements, those are disclosed if they become legislation, (as legislation is public in nature). The CBC does not disclose the texts of Cooperation agreements, MOUs, or other arrangements between the CBC and foreign agencies, and some of them may fall under legal reserve, according to section 66 of the CBC Law (for instance, those related with security measures for avoiding banknotes counterfeiting). However, in some cases, with the authorization of the other signatory institution, the CBC issues a press release informing its subscription. See information <a href="#">here</a> and <a href="#">here</a>. In the case of assessments by an independent panel of experts or recommendations made by international organizations that—under their explicit authorization—are publicly disclosed (for instance, IMF reports), those can be found on the CBC’s <a href="#">website</a> or referred therein by means of a press release or other announcement.</p> <p>The CBC publishes on its website general guidelines that regulate the interaction between the CBC and foreign institutions: ‘Normas aplicables a Instituciones Extranjeras’.</p> <p>Some other international agreements that have been ratified by Congress are published as legislation; for example, Law No. 8403 of 29 Dec 1945 ratifies the Agreement with the IMF. This Treaty is implemented by the CBC. The agreement with the BIS is implemented under Board Resolution No. 1073-04-030710.</p> <p>In reference to the outcome of financial transactions with international entities the CBC has a policy to publish such outcome. As it is reflected in the description financial transactions are published on the website, annual reports, other major reports and disclosed to the Senate, apart from press releases.</p> <p>An example of that was the <a href="#">press release</a> published by the CBC disclosing the arrangements with the IMF for CBC access to the Flexible Credit Line, FCL.</p>
Review	<p><i>Core</i></p> <p>Frameworks of cooperation, co-decision making modality or arrangement for the formal sharing of information with foreign agencies are disclosed as international agreements. Those international agreements become legislation if approved by Congress becoming then public information. The CBC Act also clearly establish the tasks of the CBC in reference to international agents and the basic terms and conditions of such interaction.</p>

	<p>The CBC website provides disclosure of policies, cooperation and information sharing with international organizations mostly through press releases of such activities, or interactions.</p> <p>Disclosure of information sharing with foreign agencies could be enhanced. For instance, the CBC is a member of the International Operational Risk Working Group (IORWG), and its membership is disclosed on the IORWG'S website. However, the CBC does not disclose, in a clear and easily accessible manner, on its website.</p> <p>The CBC discloses regular reports on the interaction between the central bank and foreign agencies.</p> <p>In reference to the outcome of financial transactions with international entities the CBC has a policy to publish such outcome. As it is reflected in the description financial transactions are published on the website, annual reports, other major reports and disclosed to the Senate, apart from press releases.</p>
Comments	<p>Even though this is of "reserved" nature, under section 66 of the CBC Law, the CBC has a discretionary system of disclosing relevant information; that includes the nature of the involvement or interactions.</p> <p>The CBC could consider the disclosure of exchange of information and coordination of actions with international agents: institutions, organizations, other central banks, or any other international agent; when the counterpart allows it or even wants to publish such interaction. The CBC could also disclose a list of organizations of which it is a member, explaining to the public the importance of that international relation/ agreement.</p>
<b>Principle 5.4.</b>	<b>Other Relations:</b> The central bank discloses its involvement with private or semi-public institutions.
Description	Not Applicable
Review	Not Applicable
Comments	Not Applicable

## AUTHORITIES RESPONSE TO DETAILED REVIEW REPORT

The Board of the Central Bank of Chile (CBC) thanks the International Monetary Fund (IMF) for the opportunity to implement the pilot review of the new *Central Bank Transparency Code* (CBTC). Similarly, the Board thanks the Mission that between March 3–18 met virtually with the Board, managers, and staff of the CBC as well as with key external stakeholders, whom we thank for their

willingness to collaborate. Much of the benefit of this exercise is based on the background diversity, experience, judgment, and professionalism of the Mission. This review takes as a reference other central banks in the world, especially those that are a source of good practices. The CBTC review adds value to the transparency agenda that it has been developed at the CBC, encompassing new dimensions and alternatives, with a constructive, comprehensive, and realistic perspective.

The CBTC was approved in July 2020 by the IMF's Executive Board and corresponds to an update of the 1999 *Monetary and Financial Policies Transparency Code* and it is aligned with the recommendations made in 2017 by the *Joint Review of the Standards and Codes Initiative*. The CBTC consists of five pillars, focused on transparency in governance, policies, operations, outcome, and official relations. The CBC requested a review of all these pillars, in order to externally and independently evaluate the multiple advances made in the transparency agenda and outreach to society during the last decade, especially after the 2008-09 *Global Financial Crisis*.

Along with assessing the achievements of the CBC in terms of transparency, the Mission noted that *"the CBC has implemented broadly advanced transparency practices."* Regarding governance, it pointed out that *"the legal structure of the CBC, including its legal nature, mandate and autonomy, is well disclosed."* On transparency in policies, operations and outcome, the Mission pointed out that *"the CBC provides a high level of transparency of its monetary policy framework", "clearly discloses issues regarding to cross-border financial flows and foreign exchange administration, with minor suggestions for improved disclosures", "discloses its macroprudential policy framework, including its objectives, instruments, and strategy", and "the CBC Act provides CBC with a solid confidentiality mechanism."*

However, the Mission also identified areas for improvement that are aligned with and/or added to the strategic agenda on transparency of the CBC. In particular, the report noted that *"the CBC discloses its emergency liquidity assistance (ELA) framework, while some enhancement is warranted."* Also, that *"the CBC implements a comprehensive structured policy on communications but conveying the CBC message to the general public may still present some challenges."* Finally, regarding the official relations of the CBC, it stated that *"there is a room for improvement in the CBC's disclosure practices of its official relations with the government and domestic public financial agencies."*

The Mission's report also provided ten *Key Recommendations* on the five pillars of the CBTC. Most of these recommendations refer to the diffusion of information to be disseminated within the legal framework applicable to the CBC, although they are within the reach of our resources, professional capacity, and aligned with our strategic objectives. Thus, parts of the recommendations are included in an ongoing agenda at the CBC.

A roadmap proposed by the CBC for each of the offered recommendations is found in Annex A. These actions are classified under (i) *"Immediate implementation"*; and (ii) *"Implementation subject to further analysis"*. In the first category, it corresponds to gathering and properly ordering existing information and including official documents and other publications of the CBC, to be published and disseminated through the website in the corresponding menu. In the second category, the recommendations will be analyzed in light of the strategic guidelines and judgment of each Division within the CBC, the legal framework applicable to each one, and when appropriate, with the approval of related external

entities. In any case, the Board estimates that it will have a period equivalent to the course of this year for the implementation of all the recommendations.

**Table 1. Central Bank of Chile Proposed Actions to the CBT Review “Key Recommendations”**

<b>Recommendation</b>	<b>Immediate implementation</b>	<b>Implementation subject to further analysis</b>
<p><b>1.</b> Enhance the disclosure of information regarding the legal structure by assembling relevant information in the webpage and by explaining the rationale behind the legal framework, including, in particular, the role of the Minister of Finance on the CBC Board, the legal foundation of its financial stability mandate and macroprudential policy and the rules on monetary financing.</p>	<p>As the recommendation indicates, the work for the CBC consists of gathering information that already exists on the legal structure and rationale behind the legal framework, the role of the Minister of Finance, and the legal foundations of the financial stability mandate. This information is available in the <i>Constitutional Organic Law</i> of the CBC, the document <i>“Financial Policy of the Central Bank of Chile”</i>, and in documents related to public consultations for the issuance of banking regulations. The information contained in these technical documents will be summarized in a non-technical language. The resulting output will be published in the webpage under the menu items <i>“The Bank”</i>, <i>“Corporate Governance”</i> (<i>“Functions of the Bank”</i>), and <i>“Areas”</i>, <i>“Financial Policy”</i>.</p>	<p>–</p>
<p><b>2.</b> Disclose more comprehensive information relating to the applicability of domestic anticorruption legislation along with clarifying that these measures are applicable to all member of the</p>	<p>Given that the CBC does not have direct authority over AML/CFT activities, although it does have authority over domestic regulations that govern all its personnel, the latter can be published on the</p>	<p>–</p>

<p>CBC, including decision-makers, staff, and agents of the CBC.</p>	<p>CBC's website, in the menu item "<i>The Bank</i>", "<i>People</i>", since it corresponds to the regulations that fall on people. On the other hand, the clarification of the role of the CBC within the current legislation can be summarized in the "<i>Central Contact</i>" menu along with hyperlinks to the institutions in charge of AML/CFT in the country.</p>	
<p><b>3.</b> Disclose a description of the CBC internal control framework relating to the activities or services that may give rise to Anti-Money Laundering/Countering the Financing of Terrorism risk.</p>	<p>In line with the response to the previous recommendation, the Central Bank can publish on its website, under the menu item "<i>The Bank</i>", "<i>People</i>", the internal control framework on AML / CFT that governs people. For this, the CBC will also make public what type of actions classify as AML/CFT offenses.</p>	<p>–</p>
<p><b>4.</b> Strengthen the transparency of the risk management function by publishing a risk statement that define what constitutes acceptable risk taking, providing high-level overview of key risks clearly mapped to its mandate and disclosing the process of continuous identification, evaluation, and mitigation of risks.</p>	<p>Given that this is a relatively new area within the CBC, it can be incorporated into the website under the "<i>Areas</i>" menu, in the same level as other areas such as monetary policy, financial policy, financial markets, statistics, regulations, payment system, economic surveys, research, <i>Technological Observatory</i>, and Banknotes and Coins. This page would detail the new functions and objectives of the Risk Management Area, in line with the risk lines that each of the critical businesses of the CBC has (e.g. monetary policy, financial markets). This section will include also disclosing a summary of the risk</p>	<p>–</p>

	methodology that has been used in the CBC.	
<p><b>5.</b> Publish the charters/by-laws of the Audit and Compliance Committee, the Risk Committee, and the Ethics Committee to transparently inform the public stakeholders about the committees' roles, responsibilities, reporting lines, and composition.</p>	-	<p>Each of the committees mentioned in the recommendation, together with others that function internally in the CBC (e.g., Investment Committee) have their own by-laws and operating standards, including confidentiality statements on some matters. The CBC can review each of these standards to determine what can be made public, in which case it would be reported through the website in the corresponding areas. Information related to external committees will be made public before the one that is related to internal committees. The latter will be made public after its confidentiality is analyzed. However, as committees that advise the Board and senior management of the CBC have a strategic nature, only their operations (and not their outcomes) are reported in the CBC's Annual Report.</p>
<p><b>6.</b> Disclose the methods, techniques, and data underlying dedicated monetary policy evaluations.</p>	<p>In line with what is indicated in the report, the monetary policy communication strategy within the inflation targeting framework has been a distinctive strength of the CBC. Part of the success of this strategy has been based on outsider observers' opinions and on independent external evaluations voluntarily contracted by the Board, which are publicly available in the</p>	-

	<p>website in the menu item “<i>The Bank</i>”, “<i>External Evaluations</i>”. As was done with the 2019 Independent Evaluation Panel, each milestone of progress is and will be communicated in a timely manner to the public, as well as the final reports and action plans made by the CBC.</p>	
<p><b>7.</b> Enhance the disclosure of macroprudential supporting analysis by publishing ex post evaluations of policy actions that examine whether tools had the intended effects.</p>	<p>There are several evaluations of macroprudential policy actions carried out by the CBC as well as by external authors and institutions. Typically, these evaluations take the form of academic exercises, and therefore, they are published in the corresponding CBC research series, or also as a special topic within the <i>Financial Stability Report</i> (e.g., <a href="#">FSR 2020.I, Ch. 4</a>). Thus, the work of the CBC with this recommendation would consist of gathering and ordering this information in the webpage menu item “<i>Areas</i>”, “<i>Financial Policy</i>”. The appropriateness of citing academic studies published by external authors will be also considered.</p>	–
<p><b>8.</b> Consider disclosing whether the CBC has provided bilateral liquidity support to specific financial entities. This could be done at the aggregate level without disclosing the name of the receiving entities without violates confidentiality requirements.</p>	–	<p>The implementation of this recommendation, which calls for disclosure of liquidity support to specific entities, is constrained due to legal provisions of confidentiality and reserve established by Section 66 of the CBC Law. Moreover, in this case, even the disclosure of aggregate or partial information might violate such provisions, as it could lead to an easy</p>

		<p>deduction of the involved entities, considering the size of the Chilean market and the ripple effect this sensitive information can cause on the internal market. However, since the CBC is committed to transparency, in the MoU under discussion with the CMF, there is a provision under which the CBC shall provide determined information to the market about these operations, after a due time. To this end, each of the ELA contracts to be subscribed with the CBC should include a waiver of confidentiality clause by the corresponding banking entity, to be applied once said time has elapsed. The CBC will also consider explaining in more detail the ELA mechanism that has been taken in place recently, summarizing different press notes in a non-technical language.</p>
<p><b>9.</b> Examine how to (ex-ante) disclose its intended objective(s) of FX interventions more clearly, and ex post disclose evaluations of its FX management policy.</p>	<p>–</p>	<p>Within the expected inflation target framework of 3 percent over a 24-month horizon, with free capital mobility, and a free-floating exchange rate, which has allowed the agents' expectations to be anchored for more than 20 years, the reasons for the CBC to perform interventions in the FX market (5 in 20 years) are extremely specific and state-dependent. Thus, interventions in the FX market do not aim at a specific FX level, nor at the same objective each time. This implies</p>

		<p>the enormous challenge of characterizing an environment for conducting FX interventions that is flexible enough to accommodate different objectives, and in turn, not so general as to lose relevance. The general framework for FX interventions is communicated in the document "<i>Chile's Monetary Policy Within an Inflation-Targeting Framework</i>". Thus, there is a task for the CBC in light of this recommendation, which is to reinforce and clarify the objective of FX interventions at the time they occur, together with the rationale under the inflation targeting framework, along with considering disclosing material with ex post FX interventions evaluations. When an intervention occurs, both a press release and a related Q&amp;A will be published on the web page. We will update our internal protocols to include in those press releases information about the motivation, objective, and desired outcomes under the intervention, as well as details about amounts, terms, and rates.</p>
<p><b>10.</b> Significantly strengthen the transparency framework with respect to the CBC's official relations with the Ministry of Finance and other government bodies, domestic financial agencies, and foreign agencies.</p>	<p>In line with the response to recommendation 4, where the risk area will be considered at the same level as monetary policy, financial policy, financial markets, among others, this can be considered in the menu of the website "<i>Areas</i>", in a new section named "<i>Official</i></p>	<p>–</p>

	<p><i>Relations</i>", making a distinction between national and international institutions. In both cases, however, it is possible to publish the legal and factual status of the CBC's relationship with other bodies, joint events, regular information flows, persons in charge and their selection standards, and any other possible information within what the legal framework of the CBC and third parties allows.</p>	
--	---	--

\*\*\*