

Central Bank of Chile's Trade Repository



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Background





Worldwide commitment to enhance the operation of OTC derivatives markets

- In 2009, after the global financial crisis, G-20 leaders committed to improve the operation of the OTC derivatives markets, by ensuring:
 - All standardized OTC derivatives are traded on exchanges or electronic trading platforms;
 - Transactions are cleared through central counterparties (CCP); and
 - All transactions are reported to trade repositories.
- In 2012 BIS/IOSCO published 'Principles for Financial Market Infrastructures' (PFMI).
- These commitments are highly relevant to Chile as all derivatives traded in the market are OTC.

¿What is a Trade Repository?

- It is a centralized entity, that keeps records at the transactional level of financial derivatives.
- Among its functions are the collection, storage and dissemination of information on the financial conditions of OTC derivatives.
- Some benefits of a TR are:
 - Promote financial stability
 - Improve market transparency by providing information to authorities and the public.
 - Detect and prevent market abuses.

Regarding the adoption of the legislation the current TR's score is 2 out of a potential 4.

Jurisdiction	Payment Systems	Central securities depositories & securities settlement system	Central counterparty	Trade repository
Argentina	4	3 / 4	3	4
Brazil	4	4	4	4
Canada	4	4	4	4
Chile	4	4	4	2
European Union	4	4	4	4
Mexico	4	4	4	4
Spain	4	4	4	4
United Kingdom	4	4	4	4
United States	4	4	4	4

1: Draft implementation measures are not published

2: Draft implementation measures are published

3: Final implementation measures are published but are not yet in force. 4: Final implementation measures are published but are in force.

https://www.bis.org/cpmi/level1_status_report.htm

Central Bank of Chile - Current OTC derivatives data

- The Central Bank of Chile (CBC) has the legal competence to require that foreign exchange (FX) transactions must be reported.
- Banks in the country are requested to inform their FX derivatives on a daily bases. The database has information from the early 90's.
- The information is used for:
 - Markets monitoring
 - Financial stability analysis
 - Dissemination of aggregated data to the public.
- We are working to develop a trade repository for the local OTC market.

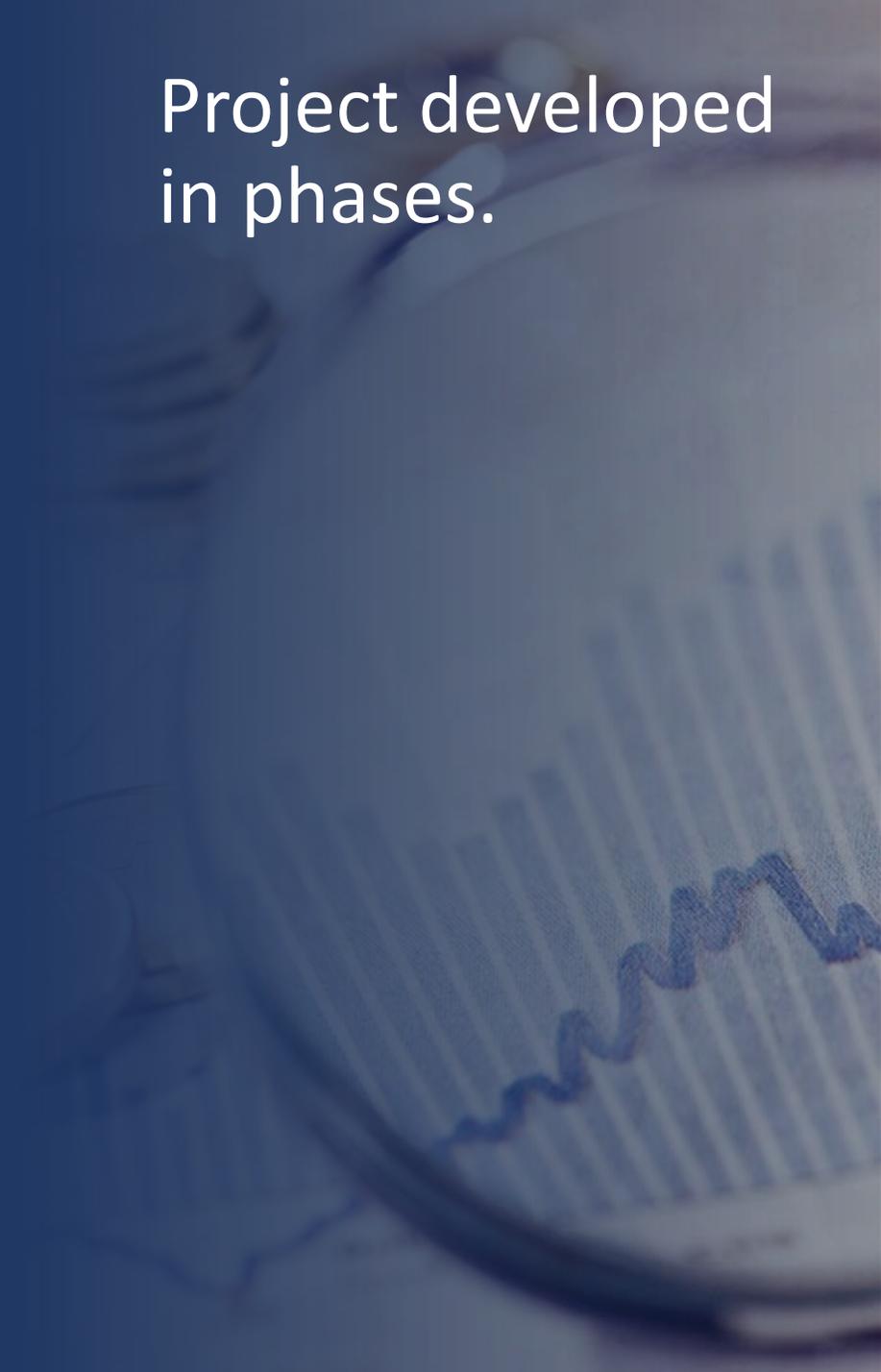
The background of the slide is a composite image. On the left, there are several stacks of coins of varying heights, with the tallest stack on the right. The coins are dark in color. Overlaid on this is a semi-transparent blue grid containing a table of financial data. The table has several columns with numerical values and some text labels like 'ATO'. The overall color scheme is blue and white, with a slight gradient from top to bottom.

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Central Bank of Chile Trade Repository

Objectives

- Increase the coverage of the derivatives information available at the CBC.
- Share granular data with the Commission for Financial Market.
- Implement a system for collection, storage and management of OTC derivatives data, taking into account international standards.
- Once it is finished we expect to improve our TR qualification of the PFMI.



Project developed
in phases.

- An interdisciplinary team of the CBC was gathered from different Divisions:
 - Statistics
 - Financial Policy
 - Legal
 - Technology
- A timeframe of four years was defined (2018-2021), which included:
 - International experience revision
 - Definition of a new legal framework
 - Public consultation of the new regulation
 - Regulatory cooperation with other regulators
 - Development of a new IT system

We studied the international experience: Honk Kong, England, Brazil, Mexico, European Central Bank , among other.

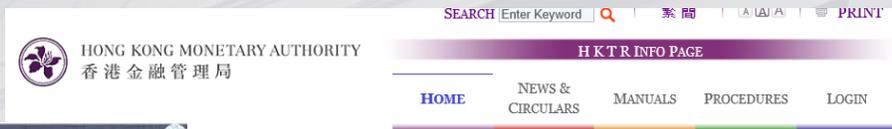
Thanks to the FIF, it was possible for a team of the CBC to visit the Banco de Mexico, to know how its TR was implemented and its new developments.

We had the opportunity to learn from the ECB experience in derivatives data.

In the case of Brazil, a team visited The Central Bank and BOVESPA.

We started to participate in the OTC Derivatives Regulators Forum, which help us to know what were the new developments in some advance economies.

Currently, one professional is doing a secondment at the Financial Market Infrastructure Directorate of the Bank of England.

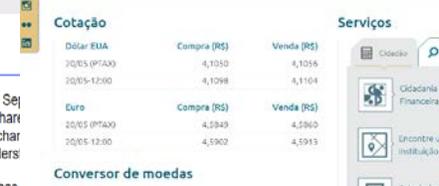


in 2008 triggered a global movement to improve transparency over-the-counter (OTC) derivatives markets, resulting in reforms on various fronts. The reform measures adopted by the international community require all OTC derivatives transactions to be reported to trade repositories and cleared at central counterparties.

The OTC Derivatives Regulators' Forum

The OTC Derivatives Regulators' Forum (ODRF) was launched in September 2008 as a means to cooperate, exchange views, and share best practices. Inception, the ODRF has served as a successful venue for the exchange of views on OTC derivatives market infrastructures, enhancing the participating authorities' understanding of the challenges and opportunities in this area.

However, since its formation the environment in which the ODRF has been operating has changed significantly. The management standards for infrastructures serving the OTC derivatives markets; further, domestic mandatory clearing and use of these infrastructures to meet the G20 objectives. Authorities participating in the ODRF have noted that several issues that were previously addressed are now more appropriately handled by these standard setting bodies and domestic authorities.



New regulatory framework

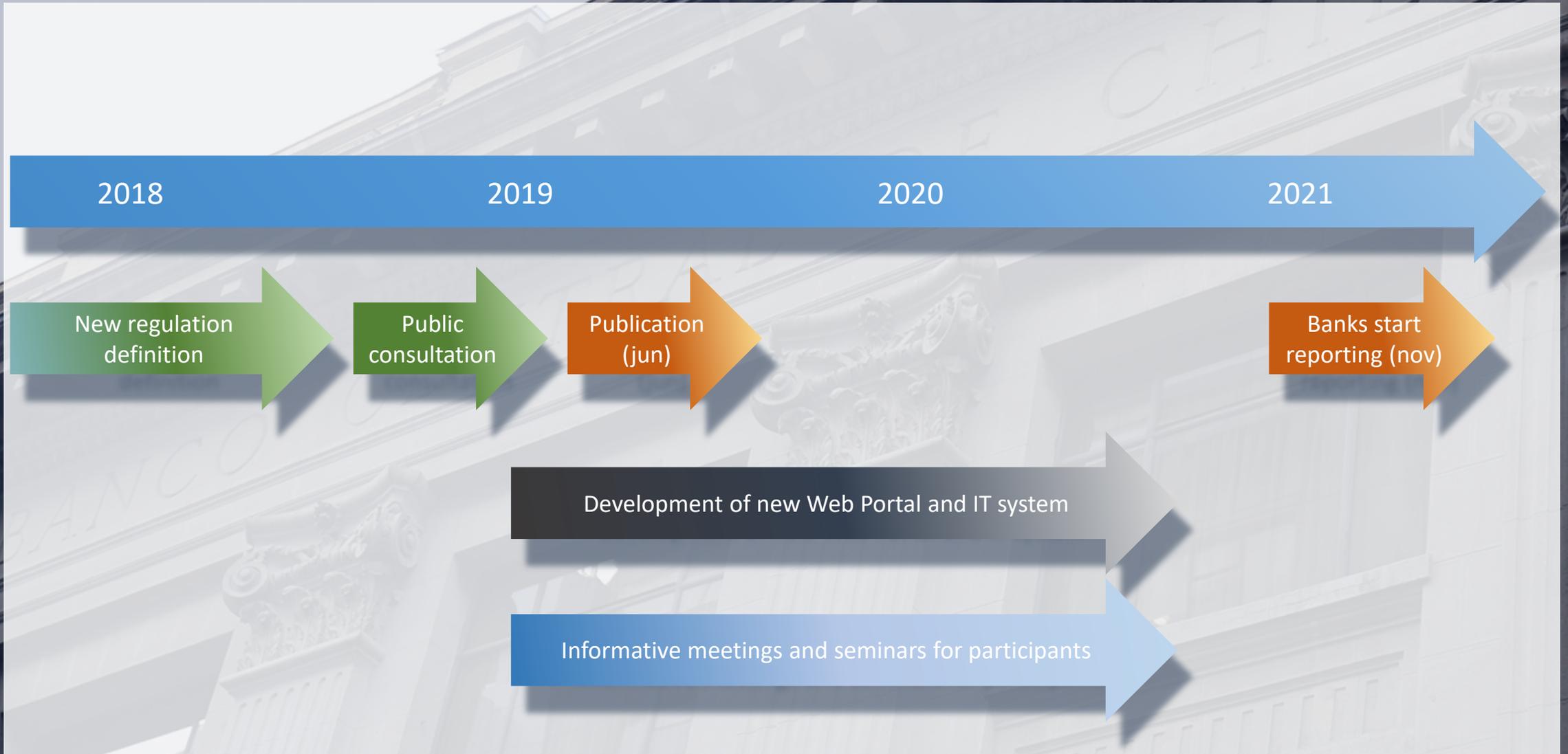
- During 2018 a working group between the CBC and the Superintendency of Banks and Financial Institutions was established. The aim was to agree on data requirements.
- Between October and December of 2018, a public consultation was performed. Comments from banks, insurance companies and stock brokers were received.

With this new scope, we expect to include the majority of the OTC derivatives contracts in Chile and the 100% of the banking sector transactions.

Counterparties		Asset Class		
		FX	Interest rate	Fixed income
Banks	Banks	Current	New	New
	Supervised financial institutions (Stock brokers, Insurance companies, investment funds)	Current	New	New
	Corporate sector	Current	New	New
	Non resident	Current	Current	Current
Supervised financial institutions	Supervised financial institutions	New	New	New
	Corporate sector	New	New	New
	Non resident	Current	Current	Current
Corporate sector	Corporate sector	Not included	Not included	Not included
	Non resident	Current	Current	Current

■ Current
■ New
■ Not included

Our next step is to publish the regulation. A period of 18 months will be given to banks to start reporting. Other institutions will have 24 months.

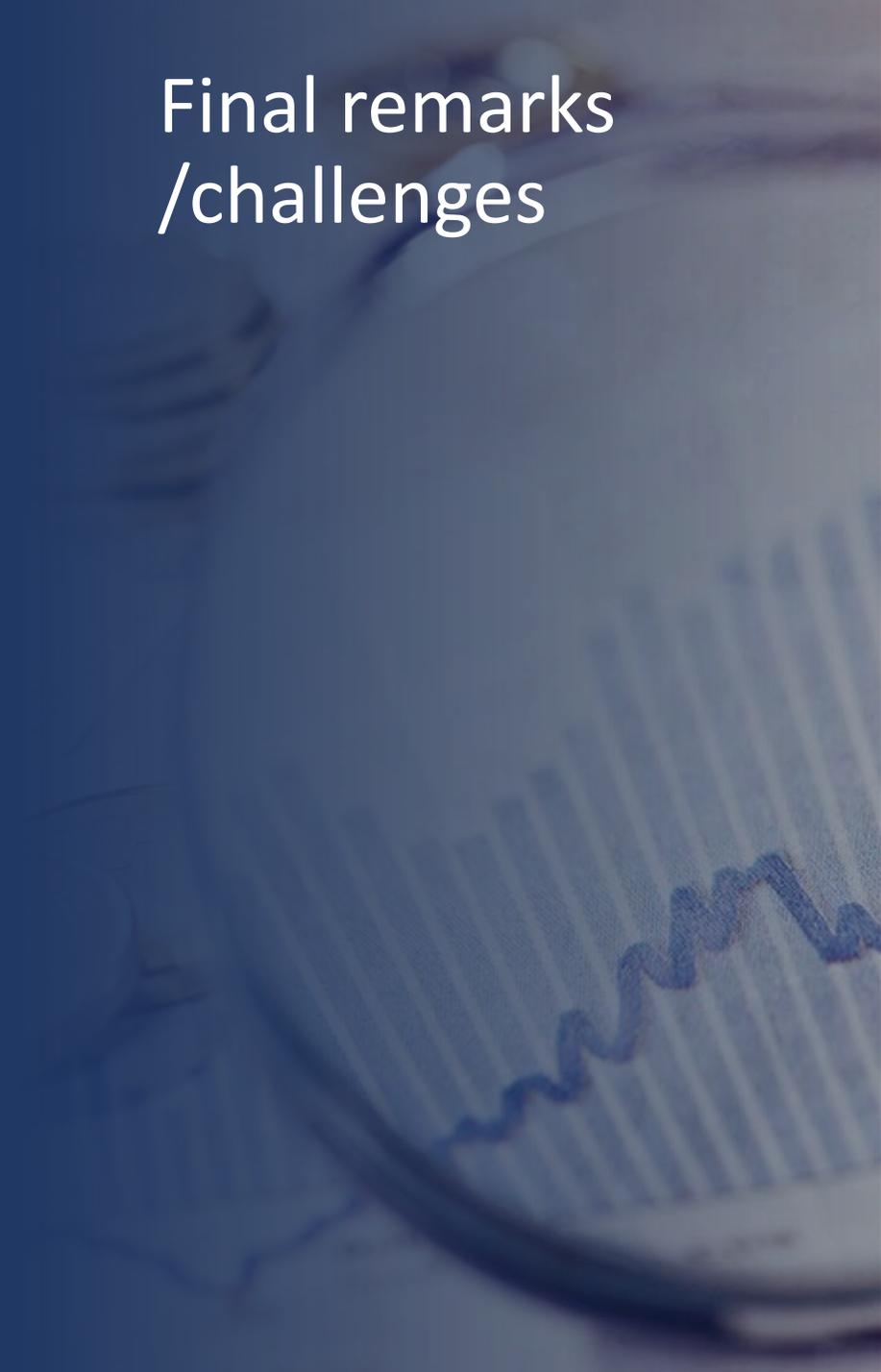


Web Portal - new data available for users

- The web portal will be a centralized entrance point for users:
 - Participants will send their data and will receive feedback about its data quality.
 - Regulators will have access to detailed data.
 - The general public will have access to new statistics and reports.
- The portal will gather information about derivatives:
 - Regulations
 - Statistics
 - Studies
 - User's guide for participants
 - Links to International initiatives

Next steps

- During June the regulation is expected to be published.
- We will continue explaining the new regulation to the participants.
- The IT system for the trade repository is currently under development.



Final remarks /challenges

- Internal collaboration at CBC has been very important in this project.
- Relationship with other supervisors to support this initiative has also been crucial.
- Data quality is a key factor in TR.
- International good practice has been very helpful in this project.

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Annex: The main OTC derivative contract in Chile, is related to foreign exchange contracts.

