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CASH AND TREASURY MANAGEMENT COUNTRY REPORT

CHILE

Executive Summary

Banking

Banco Central de Chile (BCCH) is an autonomous institution under the Chilean constitution and is responsible for interest rate and foreign exchange policy as well as the management of exchange controls and international reserves. The main regulatory body for Chile's financial sector is the Superintendency of Banks and Financial Institutions.

All capital transactions effected by residents in foreign currency must be reported to the central bank as well as foreign credit transactions denominated in Chilean pesos (CLP) that are payable in foreign currency. Reporting is also required for import and export-related payments above USD 5 million per annum.

Resident and non-resident entities may hold local and foreign currency accounts within Chile, subject to holding the necessary certification of domicile and tax identification numbers. Accounts in CLP are convertible into foreign currency.

Chile's stable and well-capitalized banking system has attracted considerable foreign investment. As well as nine domestic banks and seven cooperative banks, the banking system includes nine foreign-owned institutions, either branches of foreign banks or foreign-controlled, which control around 41% of the country's banking sector assets. Chile's three largest banks – Banco Santander Chile, Banco del Estado de Chile and Banco de Crédito e Inversiones – accounted for about 49% of total banking assets in January 2019.

Payments

Chile has four main clearing systems. High-value credit transfers are cleared either by the Sistema de Liquidación Bruta en Tiempo Real (LBTR), a real-time gross settlement system operated by the central bank, or Combanc's bank-owned net-settlement system. Low-value credit transfers and direct debits are cleared by the Centro de Compensación Automatizado (CCA), a bank-owned electronic clearing house. Checks are cleared electronically by The National Clearinghouse for Checks and other Documents in Local Currency.

The check is still by far the most common non-cash payment instrument in Chile, but the introduction of high and low-value clearing systems for electronic instruments such as credit transfers and direct debits has driven volumes significantly higher in recent years, to the detriment of checks. Payment cards are also increasingly common.

Liquidity Management

There are a number of restrictions on movements between accounts that limit the scope for sophisticated liquidity management techniques; however, zero-balancing is available for accounts held in the same currency. Resident and non-resident accounts may participate in a single liquidity management structure. Notional pooling is not permitted.

Trade Finance

Chile has established an open and transparent trade policy, supported by a large number of trade agreements both regionally and globally. Import and export activities are restricted to resident and juridical persons.

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PNC can bring together treasury management, foreign exchange, trade finance and credit capabilities to support your international needs in a coordinated and collaborative way.

International Funds Transfers

PINACLE®, PNC's top-rated, online corporate banking portal provides access to International Funds Transfers to more than 130 countries in U.S. dollars and foreign currencies.

Multicurrency Accounts

Demand deposit accounts that hold foreign currency instead of U.S. dollars offer a simple and integrated way to manage and move money denominated in more than 30 currencies, including offshore Chinese Renminbi. In addition, our EUR and GBP multicurrency accounts (MCAs) are able to receive payments via the local payment systems, SEPA and BACS/ FPS, respectively. You can easily view deposit and withdrawal details through PINACLE.

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PNC Bank, through its full service branch in Canada, can help you succeed in this important market. PNC Canada offers a full suite of products including payables, receivables, lending, and specialized financing to help streamline cross border operations. We offer a comprehensive treasury management platform in Canada including U.S. dollar and Canadian dollar accounts, payment initiation services (ACH, wire and check), receivables (A/R Advantage lockbox, branch deposits, electronic payments) and information reporting (with previous day through PINACLE®).

Multibank Services

PNC's Multibank Services provide you with balances and activity for all your accounts held with PNC and other financial institutions around the world. PINACLE's Information Reporting module can give you a quick snapshot of your international cash position, including U.S. dollar equivalent value, using indicative exchange rates for all your account balances. You can also initiate Multibank Transfer Requests (MT101s), and reduce the time and expense associated with subscribing to a number of balance reporting and transaction systems.

Establish accounts in foreign countries

Establishing good banking relationships in the

countries where you do business can help you simplify your international transactions. PNC offers two service models to help you open and manage accounts at other banks in countries outside the United States.

- PNC Gateway Direct comprises an increasing number of banks located in many European countries and parts of Latin America. PNC's team will serve as a point of contact for setting up the account, help with any language and time barriers and will continue to serve as an intermediary between you and the bank you select. You can access reporting and make transfers via PINACLE.
- PNC's Gateway Referral service can help you connect to a correspondent banking network that comprises more than 1,200 relationships in 115 countries.

Foreign Exchange Risk Management

PNC's senior foreign exchange consultants can help you develop a strategy to mitigate the risk of exchange rate swings so you can more effectively secure pricing and costs, potentially increasing profits and reducing expenses.

Trade Services

PNC's Import, Export, and Standby Letters of Credit can deliver security and convenience, along with the backing of an institution with unique strengths in the international banking arena. PNC also provides Documentary Collections services to both importers and exporters, helping to reduce payment risk and control the exchange of shipping documents. We assign an experienced international trade expert to each account, so you always know your contact at PNC and receive best-in-class service. And PNC delivers it all to your computer through advanced technology, resulting in fast and efficient transaction initiation and tracking.

Trade Finance

For more than 30 years, PNC has worked with the Export-Import Bank of the United States (Ex-Im Bank) and consistently ranks as a top originator of loans backed by the Ex-Im Bank both by dollar volume and number of transactions.

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Financial Environment

Country Information

Geographical Information

Capital	Santiago
Area	756,102 km ²
Population	17.93 million
Official language	Spanish
Political leaders	Head of state and government — President Sebastián Piñera (since March 11, 2018)

Business Information

Currency (+ SWIFT code)	Chilean Peso (CLP)
Business banking hours	Business hours: 08:00/09:00–17:00/18:00 (Mon–Fri) Banking hours: 09:00–14:00 (Mon–Fri)
Bank holidays	2019 — April 19, 20, May 1, 21, June 29, July 16, August 15, September 18, 19, 20 October 12, 31, November 1, December 8, 25, 31 2020 — January 1, April 10, 11, May 1, 21, June 29, July 16, August 15, September 18, 19, October 12, 31, November 1, December 8, 25, 31 2021 — January 1, April 2, 3, May 1, 21, June 28, July 16, August 15, September 17, 19, October 11, 31, November 1, December 8, 25, 31 <small>Source: www.goodbusinessday.com.</small>
International dialing code	+ 56

Country Credit Rating

Fitch Ratings last rated Chile on February 22, 2019 for issuer default as:

Term	Issuer Default Rating
Short	F1
Long	A
Long-term rating alert	Stable

Source: www.fitchratings.com, March 2019.

Economic Statistics

Economics Table

		2012	2013	2014	2015	2016
GDP per capita	(USD)	15,252	15,761	14,568	13,383	13,791
GDP	(CLP trillion)	129	137	148	157	167
GDP	(USD billion)	265	277	259	240	247
GDP volume growth*	(%)	+ 5.5	+ 4.0	+ 1.9	+ 2.1	+ 1.6
BoP (goods, services & income) as % GDP		- 4.4	- 4.5	- 2.0	- 2.7	- 2.1
Consumer inflation*	(%)	+ 3.0	+ 1.8	+ 4.4	+ 4.3	+ 3.8
Population	(million)	17.39	17.58	17.76	17.95	17.91
Unemployment	(%)	6.4	6.0	6.3	6.2	6.5
Interest rate (local currency MMR)[†]	(%)	5.01	4.93	3.76	3.06	3.50
Exchange rate[‡]	(CLP per USD)[†]	486.47	495.27	570.35	654.12	676.96

		2017	2018			
			Q1	Q2	Q3	Q4
GDP per capita	(USD)	15,346	-	-	-	-
GDP	(CLP trillion)	180	-	-	-	-
GDP	(USD billion)	277	-	-	-	-
GDP volume growth*	(%)	+ 1.6	+ 5.2	+ 5.0	NA	NA
BoP (goods, services & income) as % GDP		- 2.1	-	-	-	-
Consumer inflation*	(%)	+ 2.2	+ 2.0	+ 2.2	+ 2.8	+ 2.8
Population	(million)	18.05	-	-	-	-
Unemployment	(%)	6.7	6.8	7.2	NA	NA
Interest rate (local currency MMR)[†]	(%)	2.74	2.50	2.49	2.50	2.68
Exchange rate[‡]	(CLP per USD)[†]	648.83	601.92	620.71	663.21	679.27

*Year on year. [†]Period average. [‡]Market rate.

Source: *International Financial Statistics*, IMF, March 2019 and 2018 Yearbook.

Sectoral Contribution as a % of GDP

Agriculture - 4.2%

Industry - 32.8%

Services - 63% (2017 estimate)

Major Export Markets

China (27.5%), USA (14.5%), Japan (9.3%), South Korea (6.2%), Brazil (5%)

Major Import Sources

China (23.9%), USA (18.1%), Brazil (8.6%), Argentina (4.5%), Germany (4%)

Political and Economic Background

Economics

Interest Rate Management Policy

Interest rate policy is determined by the Central Bank of Chile (Banco Central de Chile), which is an autonomous institution under the Chilean constitution. The core responsibility of the central bank is to keep inflation low and stable.

Foreign Exchange Rate Management Policy

The exchange rate of Chile's official currency, the Chilean peso (CLP), is free floating. The central bank formulates foreign exchange policy is formulated by the central bank, which also has responsibility for managing exchange controls. The central bank is permitted to intervene in the foreign exchange market in exceptional circumstances.

Major Economic Issues

Chile has an open and fast-developing economy, supported by successive governments' commitment to free market policies and trade liberalization. The performance of the Chilean economy has also been buoyed by higher copper prices in recent years; Chile produced 27% of the world's total mined output of copper in 2016, according to state copper commission Cochilco. Chile is an associate member of the Mercosur trade group and a member of the Latin American Integration Association (LAIA), and has signed bilateral trade agreements with a number of countries, including the USA, China and Japan. A marked increase in foreign investment and a burgeoning financial sector has also helped boost the economy.

Given the economy's dependence on copper (Cochilco and Chile's General Directorate of International Economic Relations (Direcon) figures show copper accounted for 8.9% of GDP and 50% of exports in 2017), a fall in the copper price has affected the wider Chilean economy, resulting in GDP growth slowing from 2.3% in 2015 to 1.3% in 2016, the worst performance since 2009, and 1.6% in 2017. Helped by higher consumption and private investment, the economy expanded by an estimated 4% in 2018, the best performance since 2013, despite the impact of the fall in international copper prices and a weakened CLP (both indirect results of the trade war between the US and China). The Central Bank of Chile expects the economy to expand by between 3.25% and 4.25% in 2019.

In October 2018, the Central Bank of Chile increased its benchmark interest rate from 2.5% to 2.75%, the first increase in nearly three years, following a gradual rise in inflation. In January 2019, the central bank increased the rate again to 3%, saying its tightening cycle will be gradual and cautious. Inflation stood at 1.8% in January 2019, down from 2.6% in 2018 and below the government's 2% to 4% target range.

The government has had some success in reducing poverty over recent years, although there is still significant uneven wealth distribution.

Politics

Government Structure

Chile is a presidential republic.

Executive

Chile's president is directly elected to a four-year term and the next election is scheduled to be held in November 2021.

Legislature

Chile's legislature is the National Congress (Congreso Nacional), which consists of the Senate (Senado) and the Chamber of Deputies (Cámara de Diputados).

The Senate's 38 members are directly elected every eight years. Designated senators and life membership of the Senate were phased out in March 2006.

The 120 members of the Chamber of Deputies are elected every four years.

Elections to the Senate and the Chamber of Deputies will be held in November 2021.

International memberships

Chile is an associate member of Mercosur, the Latin American Integration Association (LAIA) and a member of the WTO (World Trade Organization).

Major Political Issues

Sebastián Piñera, of the conservative National Renewal party, was elected president for a second time in December 2017. He took office on March 11, 2018, inheriting a stagnated economy and a large fiscal deficit from former president Michelle Bachelet, who could not run for re-election. Although Ms. Bachelet had begun ambitious reforms to make the political system more democratic, to guarantee free higher education, to empower labor unions and have the wealthy pay higher taxes, she ended her term with high disapproval rates.

Sebastián Piñera, who has the support of the business community, has promised to cut taxes and to rein in the reforms brought in by former President Bachelet. However, in June 2018, Mr. Piñera, whose first term as president was marred by students demands for better education and protests against inequality, said that his administration will maintain corporate tax at current levels to help finance the country's education, health and pension systems as it struggles to keep the government's growing fiscal deficit under control. In August 2018, the government unveiled a tax reform bill, including plans to replace the current dual corporate tax regime with a single tax regime. The bill, which has been sent for discussion in Congress, is aimed at modernizing and simplifying the country's tax system to stimulate investment by local and foreign companies and promote growth and employment.

As well as improving public finances, the Piñera administration faces a number of challenges, including translating economic growth into sustained social welfare and implementing reforms in partnership with a fragmented congress, where his government lacks a majority.

Taxation

Resident/Non-resident

A company is considered resident in Chile if it is incorporated there.

Tax Authority

Chilean Internal Revenue Service.

Tax Year/Filing

The tax year corresponds to the calendar year.

Self-assessed corporate income tax returns must be filed by April 30 of the year following the previous calendar year.

Taxes are payable when submitting the annual tax return, but taxpayers are subject to monthly advance payments during the course of the year. Any difference between the advance payments and the final assessment is settled at the time of filing the tax return.

Chilean entities may not file consolidated returns, although some de facto consolidation methods exist.

Corporate Taxation

Resident companies are subject to taxation on their worldwide income. Non-resident companies are taxed on income sourced in Chile.

Dividends distributed between Chilean companies are not taxable.

As of 2017, two new income tax regimes are applicable: the fully integrated regime (also referred to as the “attributed income regime”) or the partially integrated regime.

The applicable regime depends on the type of entity, and certain default presumptions apply if an entity eligible for either regime has not opted into a regime. Chilean entities that are not owned exclusively by persons subject to final taxes (i.e. individuals resident in Chile and/or individuals or entities that are not resident in Chile) generally are not eligible for the fully integrated regime.

Corporate income is taxed in two stages. The “first-category tax” arises when income is accrued. The second stage is incurred on the part of the profits distributed to shareholders/partners abroad or to individual partners/shareholders resident/domiciled in Chile.

First category income tax is imposed at a rate of 25% under the fully integrated regime. Under the partially integrated regime, the rate is 27% as from 2018 (increased from 25.5%).

In addition to the corporate income tax, either the global complementary income tax for individual residents or the additional withholding income tax for non-resident entities and individuals must be paid.

Shareholders of Chilean entities subject to the fully integrated regime are taxed when profits are accrued by the Chilean entity, irrespective of whether a dividend is actually paid. Individual resident shareholders are subject to a global complementary income tax rate at progressive rates that range from 0% to 35%. Non-resident/non-domiciled shareholders are subject to an additional withholding income tax of 35%. The corporate income tax paid on the profits attributed to the shareholder is creditable against the global complementary income tax/additional withholding income tax. Dividends paid out of profits previously attributed to the shareholders will not be subject to further taxation.

Dividends paid by Chilean entities subject to the partially integrated regime to resident individuals are subject to a global complementary income tax at progressive rates that range from 0% to 35% (distributions between Chilean entities that prepare full accounting records generally are not subject to income tax). Profits distributed abroad to non-resident/non-domiciled taxpayers are subject to an additional withholding income tax of 35%. For both resident and non-resident shareholders, 65% of the corporate income tax paid on the profits distributed is creditable against the final tax payable, except for shareholders domiciled in country with which an active tax treaty with Chile is in place, for which 100% of the corporate income tax is creditable. Under a temporary measure in force until December 31, 2021, shareholders from countries with which a tax treaty with Chile was signed before January 1, 2019 also will be entitled to a 100% credit, even if the treaty has not entered into force.

There is no alternative minimum tax.

Tax losses may be carried back until all retained taxable profits are absorbed and may be carried forward indefinitely. Tax losses are non-transferable and may be used only by the taxpayer that incurred the losses.

Preferential tax regimes are available for businesses operating in specific regions and/or carrying out specific activities.

Real Estate Taxes

Real estate tax is imposed at an annual rate of 1% on rural property and 1.2% on developed non-rural property. Non-residential property is subject to an annual rate of 0.98% on the cadastral value up to about USD 120,000 and 1.143% on the excess. Surcharges may apply.

There is no transfer tax payable on the sale of real estate.

Withholding Taxes (Subject to Tax Treaties)

Payments to:	Interest	Dividends	Royalties/ Fees	Technical Fees	Branch Remittances
Resident companies	None	None	None	None	NA
Non-resident companies	4% / 35%	35%	15% / 30%	15%/20%	35%

Payments of interest, dividends and royalties between entities resident in Chile are not subject to withholding taxes.

Interest is subject to a 35% additional withholding income tax on the gross amount. A 4% reduced tax rate applies, inter alia, to interest on loans granted by a foreign bank or foreign/international financial institution and by an insurance company or pension fund that complies with certain registration requirements, provided the lender and borrower are unrelated. If the parties are related, the thin capitalization rules must be observed.

Profits repatriated to a parent company abroad are subject to a 35% additional withholding income tax, against which the corporate tax (first category income tax) paid is creditable.

A 15% additional withholding income tax applies to payments made to non-resident/non-domiciled persons without a permanent establishment in Chile for technical and engineering works and professional or technical services that a non-resident/non-domiciled individual expert in a science or technique renders (in Chile or abroad) through advice, a report or a plan. The rate is increased to 20% if the parties are related and/or the beneficiary is resident in a tax haven jurisdiction included in a list issued by the Chilean treasury.

Services rendered abroad, other than technical services, etc., are subject to a 35% additional withholding income tax.

Royalty payments by the end user (no commercial exploitation) for the use of shrink-wrapped software are exempt from withholding tax. Payments for the use, enjoyment or exploitation of invention patents, computer programmes, utility models, industrial design and drawings, blueprints or topography of integrated circuits, and of new vegetable varieties, are subject to a 15% additional withholding income tax. The rate increases to 30% if the parties are related and/or if the income beneficiary is resident in a listed tax haven or in a jurisdiction with a preferential tax regime. Royalty payments in respect of trademarks, patents, formulae and other similar services are subject to a 30% additional withholding income tax..

A 35% additional withholding income tax applies to the remittance of profits attributable to a branch. The taxable event depends on whether the branch is subject to the fully integrated regime or the partially integrated regime. Under the fully integrated regime, the 35% tax applies when the profits are accrued, with credit granted for the 25% first category income tax paid by the branch. Subsequent remittances to the head office are not subject to further taxation. Under the partially integrated regime, the 35% tax applies to the remittances of profits to the head office, with full or partial credit granted for the first category income tax paid by the branch, depending on whether the head office is a tax treaty country.

Tax Treaties / Tax Information Exchange Agreements (TIEAs)

Chile has exchange of information relationships with 36 jurisdictions through 33 double tax treaties and four TIEAs (www.eoi-tax.org, March 2018).

On January 27, 2016, Chile, as part of the OECD/G20 Base Erosion and Profit Shift (BEPS) initiative, signed a multilateral co-operation agreement with 30 other countries (“the MCAA”). Under this multilateral agreement, information will be exchanged between tax administrations, giving them a single, global picture on some key indicators of economic activity within multinational enterprises (MNE).

With Country-by-Country reporting tax administrations of jurisdictions where a company operates will have aggregate information annually relating to the global allocation of income and taxes paid, together with other indicators of the location of economic activity within the MNE group. It will also cover information about which entities do business in a particular jurisdiction and the business activities each entity engages in. The information will be collected by the country of residence of the MNE group, and will then be exchanged through exchange of information supported by such agreements as the MCAA.

There are currently 104 signatory countries, including:-

- Argentina, Australia, Austria, Belgium, Brazil, Canada, Costa Rica, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, India, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Malaysia, Mexico, Netherlands, Nigeria, Norway, Poland, Portugal, Russia, Singapore, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland and United Kingdom.

Transfer Pricing

The tax authorities may challenge and reassess transfer prices between related parties where the terms and conditions of transactions are not conducted at arm’s length.

Country-by-country reporting is required for certain multinational groups with a Chilean resident parent or other Chilean resident group.

Transfer pricing rules are in line with the OECD guidelines and enhance the Chilean tax authorities’ ability to adjust prices in related-party transactions. The following methods may be used: comparable uncontrolled price; resale price; cost plus; profit split; comparable profit split; and residual methods.

Tax Rulings

Guidance may be obtained from the tax authorities on the tax consequences of a planned transaction.

Thin Capitalization

Thin capitalization rules apply to related party loans, the interest on which: is subject to the reduced 4% additional withholding tax rate on interest paid abroad (i.e. loans granted by foreign or international banks or financial institutions); is not subject to additional withholding income tax; or is subject to an additional withholding income tax rate lower than 35% under a tax treaty or under domestic law.

If the debt-to-equity ratio exceeds a 3:1 threshold, the excess interest is subject to an additional 35% tax payable by the borrower (reduced by any withholding tax paid on interest).

Certain third party financing is deemed to be related party financing.

Stamp Tax

Foreign loans are subject to a stamp tax, regardless of documentation. The rate is 0.066% for each month or fraction thereof, between disbursement and maturity, capped at 0.8%. Loans payable on demand or without maturity are subject to a 0.332% tax.

Capital Duty/Municipal Licence Fee

While there is no taxable event upon the incorporation of a company, business entities must pay an annual municipal license fee. The fee ranges from 0.25% to 0.5% on tax equity, up to a maximum of approximately USD 500,000 (the cap varies in line with inflation and the exchange rate).

Cash Pooling

There are no specific tax rules for cash pooling arrangements.

Sales Taxes/VAT

VAT at the rate of 19% is generally charged on goods and on certain services and other transactions. Certain items are zero-rated or exempt.

Imports are subject to VAT. Exports are zero rated for VAT purposes.

Professional services rendered by employees or independent consultants are not subject to VAT.

Alcohol, tobacco and some luxury items are subject to additional sales taxes ranging from 10% to 50%.

Registration for VAT purposes is mandatory.

A VAT return must be filed monthly, and the tax paid at that time.

Financial Transactions / Banking Services Tax

There are no financial services / banking services taxes in Chile.

Documented monetary credit operations are subject to stamp tax; foreign loans are subject to stamp tax whether documented or not (see stamp tax section).

Cross-border financial transactions above USD 10,000 must comply with Chile's Foreign Exchange Regulations, which basically require undertaking the operation through a commercial bank, when funds cross the Chilean border, and informing the Central Bank of Chile of all transactions.

Capital Gains Tax

Capital gains generally are taxed as ordinary income. Capital gains on the disposal of certain assets may be exempt from tax, if certain requirements are met.

Payroll and Social Security Taxes

There is no payroll tax payable by employers.

The employer must make the following contributions for social security:

- a monthly 0.95% premium on remuneration (capped at a floating amount) labor-related accident insurance;
- additional contributions that vary according to the risk of the employment activity, at rates up to a maximum of 3.4%;
- a 2.4% compulsory unemployment insurance on remuneration subject to the floating cap (3% for fixed-term contracts); and
- a 1.41% premium for life and disability insurance.

Self-employed persons (professionals, directors of corporations, professional partnerships and others) and employees are subject to second category income tax charged at progressive rates that range from 0% to 40%. For employees, the tax is withheld by the employer. An employee whose entire income comprises employment income from one employer is not required to file a tax return, since the tax liability is satisfied by the second category income tax paid. Where an individual has other income and is required to submit a tax return, the second category income tax paid is credited against the final tax liability on the total income.

All tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlights 2018 (www.deloitte.com).

Cash Management

Banking System

Banking Regulation

Banking Supervision

Central bank

The Central Bank of Chile (Banco Central de Chile – BCCH) is an autonomous institution and carries out its duties in accordance with the duties and responsibilities laid out in the 1989 Basic Constitutional Act of the Central Bank of Chile and its amendments, and Sections 97 and 98 of Chapter XII of the Political Constitution of 1980. The BCCH is responsible for interest rate and foreign exchange policy as well as the management of exchange controls and international reserves.

Other banking supervision bodies

The main regulatory body for Chile's financial sector is the Superintendency of Banks and Financial Institutions (Superintendencia de Bancos e Instituciones Financieras de Chile – SBIF). However, the securities and insurance markets are overseen by the Chilean Securities and Insurance Supervisor (Superintendencia de Valores y Seguros – SVS).

As well as representing the views of its members on legislation and regulatory matters, the Chilean Association of Banks and Financial Institutions (Asociación de Bancos e Instituciones Financieras de Chile) is responsible for managing the National Banking Clearing Chamber (Cámara de Compensación Bancaria Nacional).

Central Bank Reporting

General

Quarterly balance of payments data reports include transactions between residents and non-residents as well as transactions on resident accounts held abroad.

What transactions – listed

All capital transactions effected by residents in foreign currency and – since September 2004 – foreign credit transactions denominated in CLP, but payable in foreign currency, must be reported. Reporting is also required for import- and export-related payments above USD 50 million per annum.

Whom responsible

Banks are required to report foreign exchange transactions to the central bank. Companies have the legal obligation to provide the central bank with any statistical information required.

Additional reporting for liquidity management schemes

There are no additional reporting requirements.

Exchange Controls

Exchange structure

The exchange rate of Chile's official currency, the Chilean peso (CLP), is free floating. Foreign exchange policy is formulated by the central bank, which also has responsibility for managing exchange controls. Chile has gradually dismantled its exchange control regime but a number of regulations remain in place relating to cross-border transactions. For example, financial credit operations to non-residents by resident institutional investors, insurance companies and pension funds – as well as foreign investments by commercial banks and institutional investors – are subject to prudential regulation.

As a member of the Latin America Integration Association (LAIA), Chile has regional payment and clearing arrangements with Argentina, Bolivia, Brazil, Colombia, Mexico, Ecuador, Paraguay, the Dominican Republic, Venezuela, Uruguay and Peru. Chile is an associate member of Mercosur, the South American common market formed by Argentina, Brazil, Paraguay and Uruguay. Venezuela, which joined Mercosur in 2012, was temporarily suspended from the bloc in December 2016 for failing to incorporate key rules on trade and human rights into national law. In August 2017, Mercosur suspended Venezuela indefinitely for violating the bloc's democratic principles.

Exchange tax

There is no tax on foreign exchange transactions.

Exchange subsidy

There is no exchange subsidy.

Forward foreign exchange market

Foreign exchange can be traded on a forward basis.

Capital flows

All payments abroad must be made using foreign currency. There are no restrictions on direct investment or transactions involving personal capital. Purchase of land in border zones by non-resident businesses is not allowed if they are based in a neighboring country or are more than 40% owned by citizens of these countries.

Approval is required for foreign investment in public sector industries such as media and sea transport from the Foreign Investment Committee as well as all investments exceeding USD 5 million.

Capital transactions above USD 10,000 by non-residents, and all capital transactions effected on residents' accounts abroad, must be processed via Chile's formal exchange market, which consists of banks and financial institutions authorized by the central bank.

Loans, interest and repayments

No exchange controls apply to loans, but resident insurance companies and pension funds may not provide credit to non-resident trade partners. Borrowing by non-residents requires a Chilean tax number (RUT) and a financial statement report.

Loans originating abroad are subject to a 35% withholding tax. A 4% rate is levied on loans granted by foreign banks or financial institutions. A 3.6% reserve requirement is applied to loans from abroad with a maximum maturity of one year.

Royalties and other fees

Royalty fees paid abroad are subject to a 30% withholding tax, but there is a 4% expense deduction if the tax tariff in the beneficiary's country is below 30%.

A 20% withholding tax is charged on payments to non-resident companies abroad for technical services, but this is recoverable in annual tax declarations.

The remittance of payments related to patents and trademarks requires approval from the Department of Industrial Property. Royalty and fee payment licenses authorized by the central bank are required for tax deduction purposes.

Profit remittance

There are no restrictions on profit remittances. These may be settled annually or quarterly. Dividend remittances from abroad are subject to a 35% corporate income tax; a 10% withholding tax is levied on dividends from investment funds located abroad.

There are no repatriation requirements for the proceeds of exports, invisible transactions or for current transfers.

Bank Account Rules

A company has resident status if it is incorporated in Chile.

Residents may open local and foreign currency accounts domestically and abroad, but certification of domicile is required to open a foreign currency account at a commercial bank. Non-residents may also open local and foreign currency accounts in Chile, provided they have the required certificates of domiciliation and a tax identification number.

Resident and non-resident accounts in CLP are convertible into foreign currency.

Banks are free to offer interest on current accounts and short-term deposit accounts, but the practice is not widespread as restrictions on the payment of interest were only lifted in 2003.

Anti-money Laundering and Counter-terrorist Financing

- Chile has implemented anti-money and counter-terrorist financing laundering legislation, (Law No. 20.000 of 2005; Law No. 19.906 of 2003; Law No. 19.913 of 2003, Law 20.119 of August 2006 and Law No. 20.818 of February 2015). Chile has also implemented counter-terrorist legislation (Law No. 18.314; of 1984 and amendments).

- Chile is a member of the Financial Action Task Force of Latin America (GAFILAT) (formerly known as South American Financial Action Task Force GAFISUD) and the Organisation of American States/Inter-American Drug Abuse Control Commission (OAS/CICAD).
- Chile has established a financial intelligence unit (FIU), Unidad de Análisis Financiero (UAF), which is a member of the Egmont Group. The UAF is a separate entity within the Ministry of Finance.
- Account opening procedures require formal identification of the account holder and corporate customers have to be scrutinized. At present, however, savings accounts are not subject to the same compliance standards.
- Financial institutions in the broadest sense are required to report suspicious or unusual transactions to the UAF.
- All cash transactions exceeding USD 10,000 must be recorded and submitted to the UAF on request or at least once per year. Since October 2005, all banks have been required to file these reports electronically and on a monthly basis.
- All physical cross-border transactions exceeding USD 10,000 must be reported to the customs authorities.
- Records must be kept for at least five years.

Data as at March 2019.

Banking Sector Structure

Major Domestic Banks

Bank	Total assets (USD million) January 31, 2019
Banco de Crédito e Inversiones	60,659
Banco Santander Chile	57,974
Banco del Estado de Chile	56,855
Banco de Chile	53,030
Itaú CorpBanca	43,530
Scotiabank Chile	43,367
Banco Bice	11,477

Source: Superintendencia de Bancos e Instituciones Financieras de Chile.

Overall Trend

Chile has a stable and well-capitalized banking system that has attracted considerable foreign investment. As well as nine domestic banks and seven cooperative banks, the Chilean banking

system includes nine foreign-owned institutions, either branches of foreign banks or foreign-controlled, which control around 41% of the country's banking sector assets.

Chile's banking system is also relatively centralized, with the three largest banks – Banco Santander Chile, Banco del Estado de Chile (BancoEstado) and Banco de de Crédito e Inversiones – accounting for around 49% of total banking assets in January 2019. However, sustained economic growth over recent years has led to the emergence of a number of niche banks that specialize in consumer finance.

In January 2014, CorpBanca and Brazil's Itaú Unibanco reached a deal to merge CorpBanca with Banco Itaú Chile in a stock-for-stock transaction. Despite opposition from minority shareholders, the merger closed in April 2016, when the bank changed its name to Itaú Corpbanca. Itaú Unibanco has become the new bank's largest shareholder with a 33.58% stake. In December 2014, Brazil's investment bank Banco BTG Pactual was awarded a permanent banking license to operate in Chile. In January 2015, the bank launched operations in the country under the name Banco BTG Pactual Chile.

In November 2015, Chilean holding company Inversiones La Construcción (ILC) completed an agreement with Baninter to buy a 50.1% stake in its local bank Banco Internacional.

Dutch bank Rabobank has completed the process of turning its Chilean subsidiary into a non-bank financial institution. In April 2017, the SBIF approved the dissolution of Rabobank Chile.

In December 2016, the Chilean banking regulator SBIF authorized Scotiabank Chile to acquire the remaining assets and liabilities of local small niche bank Banco Paris. Banco Paris, which was a subsidiary of local retail group Cencosud, has been dissolved and liquidated.

In February 2017, the SBIF approved the dissolution of scandal-hit Banco Penta. The bank has since been dissolved and liquidated.

In June 2016, China Construction Bank Corporation (CCB) opened a branch in Chile, after receiving the final authorization to launch operations in the country in the previous month. The branch is the first clearing bank for transactions in Chinese renminbi (RMB) in South America. In July 2018, Bank of China launched operations in Chile through a local branch.

In August 2017, Spain's BBVA announced plans to sell its 68% stake in its Chilean retail bank BBVA Chile to Canada's Bank of Nova Scotia (Scotiabank). In December 2017, BBVA accepted Scotiabank's offer of USD 2.2 billion for its Chilean subsidiary and, in June 2018, the operation received regulatory approvals. The deal was closed in July 2018. BBVA Chile operated under the transition name of Scotiabank Azul until the completion of its merger with Scotiabank Chile in October 2018. BBVA also has a consumer finance unit in Chile.

In October 2018, Banco de la Nación Argentina closed its operations in Chile.

In February 2019, Japan's MUFG Bank closed its branch in Chile.

Payment Systems

Overview

Chile has four clearing systems for payment instruments.

High-value, urgent credit transfers can be processed for same-day value by the Sistema de Liquidación Bruta en Tiempo Real (LBTR), a real-time gross settlement system established and operated by the central bank since 2004. Alternatively, high-value, urgent credit transfers can also be cleared via Cámara de Compensación de Pagos de Alto Valor (CCAV), Combank's bank-owned net-settlement system for same-day value.

Low-value credit transfers and direct debits are cleared by the Centro de Compensación Automatizado (CCA), a bank-owned electronic clearing house that has been in operation since 1999.

The National Clearinghouse for Checks and other Documents in Local Currency (Cámara de Compensación de Cheques y Otros Documentos en Moneda Nacional) was established by the Chilean Association of Banks and Financial Institutions (Asociación de Bancos e Instituciones Financieras de Chile) for electronic processing of checks and other paper-based instruments denominated in CLP.

High-value

Name of system	Sistema de Liquidación Bruta en Tiempo Real (LBTR)
Settlement type	Real-time gross settlement
Settlement cycle	Transactions are settled for same-day value with immediate finality.
Links to other systems	Chile's other clearing systems link to LBTR for final settlement.
Payments processed	Urgent, high-value, electronic credit transfers, including obligations arising from Chile's other clearing systems
Currency of payments processed	CLP
Value and other limits to processing	No value limits
Operating hours	09:00–18:45 Mon–Fri
System holidays	2019 — April 19, 20, May 1, 21, June 29, July 16, August 15, September 18, 19, October 12, 31, November 1, December 8, 25, 31 2020 — January 1, April 10, 11, May 1, 21, June 29, July 16, August 15, September 18, 19, October 12, 31, November 1, December 8, 25, 31 2021 — January 1, April 2, 3, May 1, 21, June 28, July 16, August 15, September 17, 19, October 11, 31, November 1, December 8, 25, 31
Cut-off time	17:30
Participants	22 direct participants. Participation is mandatory for banks and clearing houses that hold an account at the central bank.
Access to system	Via SWIFT FIN Copy
Future developments	NA

Name of system	Sociedad Operadora de la Cámara de Compensación de Pagos de Alto Valor (CCAV) - Combanc
Settlement type	Net settlement
Settlement cycle	Funds are cleared for same-day value.
Links to other systems	Links to LBTR for final settlement.
Payments processed	Urgent, high-value, electronic credit transfers
Currency of payments processed	CLP
Value and other limits to processing	No value limits
Operating hours	09:00-17:30 Mon-Fri
System holidays	2019 — April 19, 20, May 1, 21, June 29, July 16, August 15, September 18, 19, October 12, 31, November 1, December 8, 25, 31 2020 — January 1, April 10, 11, May 1, 21, June 29, July 16, August 15, September 18, 19, October 12, 31, November 1, December 8, 25, 31 2021 — January 1, April 2, 3, May 1, 21, June 28, July 16, August 15, September 17, 19, October 11, 31, November 1, December 8, 25, 31
Cut-off time	16:30
Participants	15 participant banks
Access to system	Via SWIFT
Future developments	NA

Low-value

Name of system	Centro de Compensación Automatizado (CCA)
Settlement type	Multilateral gross settlement
Settlement cycle	Credit transfers are cleared for next-day value, direct debits for T+2.
Links to other systems	Links to LBTR for final settlement.
Payments processed	Low-value electronic credit transfers and direct debits
Currency of payments processed	CLP
Value and other limits to processing	No value limits
Operating hours	Continuous operation
System holidays	2019 — April 19, 20, May 1, 21, June 29, July 16, August 15, September 18, 19, October 12, 31, November 1, December 8, 25, 31 2020 — January 1, April 10, 11, May 1, 21, June 29, July 16, August 15, September 18, 19, October 12, 31, November 1, December 8, 25, 31 2021 — January 1, April 2, 3, May 1, 21, June 28, July 16, August 15, September 17, 19, October 11, 31, November 1, December 8, 25, 31
Cut-off time	18:00
Participants	15 banks, covering 99.6% of Chilean current accounts
Access to system	Transactions are submitted in batches; file structures are based on standards and regulations the US National Automated Clearinghouse Association (NACHA).
Future developments	NA

Name of system	Cámara de Compensación de Cheques y Otros Documentos en Moneda Nacional
Settlement type	Multilateral net settlement
Settlement cycle	Four clearing cycles per day at main clearing house; checks are typically cleared for next-day value.
Links to other systems	Links to LBTR for final settlement.
Payments processed	Checks and other paper-based instruments are processed electronically; physical items are exchanged in parallel.
Currency of payments processed	CLP (USD checks drawn on Chilean banks are processed in separate sessions at main clearing house on T+1 basis).
Value and other limits to processing	Maximum value CLP 50 million
Operating hours	09:00–18:00 Mon–Fri
System holidays	2019 — April 19, 20, May 1, 21, June 29, July 16, August 15, September 18, 19, October 12, 31, November 1, December 8, 25, 31 2020 — January 1, April 10, 11, May 1, 21, June 29, July 16, August 15, September 18, 19, October 12, 31, November 1, December 8, 25, 31 2021 — January 1, April 2, 3, May 1, 21, June 28, July 16, August 15, September 17, 19, October 11, 31, November 1, December 8, 25, 31
Cut-off time	17:30
Participants	All deposit-taking financial institutions are required to participate.
Access to system	NA
Future developments	NA

Payment and Collection Instruments

Overview and Trends

Cash is still heavily used, particularly for retail-level transactions. The check is still a common non-cash payment instrument in Chile. However, the introduction of high- and low-value clearing systems for electronic instruments, such as credit transfers and direct debits, has driven volumes significantly higher in recent years to the detriment of checks. Debit and credit cards have also grown in usage as retail payment instruments.

Statistics of Instrument Usage and Value

	Transactions (million)		% change	Traffic (value) (CLP billion)		% change
	2016	2017	2017/2016	2016	2017	2017/2016
Checks	140.7	122.9	- 12.7	303,030	287,377	- 5.2
Debit cards	739.7	898.6	21.5	13,450	16,265	20.9
Credit cards	262.1	307.1	17.2	13,270	15,130	14.0
CCA Credit transfers	282.6	330.3	16.9	212,580	245,965	15.7
CCA Direct debits	45.7	51.1	11.8	3,428	4,674	36.4
Total	1,470.8	1,710.0	16.3	545,758	569,411	4.3

Source: CCA and Chile Superintendency of Banks and Financial Institutions, 2018.

Paper-based

Checks

Checks are still very widely used for retail and commercial transactions in Chile, even though volumes have diminished recently in favor of electronic payments (i.e. credit transfers and payment cards) for large-value and low-value transactions.

Checks are processed and cleared electronically by the National Clearing House for Checks and Other Documents in Local Currency's main clearing house in Santiago and the network of regional clearing houses. Checks are exchanged physically by banks in parallel with an exchange of electronic information. Funds are generally available on a T+1 basis, but checks drawn on more remote locations may take longer.

Checks can be denominated in both CLP and USD, with the latter processed at separate clearing sessions held at the Santiago clearing house.

In addition to standard checks, two other types of check are used: the *vale vista* (or cashier's check), used for high-value transactions, and the *vale de cámara* (or clearing check), which is used exclusively for inter-bank transactions and to settle clearing house obligations between financial

institutions. However, both are falling out of use. Most transactions above CLP 50 million are now made via electronic credit transfer (the LBTR or Combanc) rather than *vale vista*, and inter-bank payments related to clearing are typically made via the central bank's LBTR real-time gross settlement system.

Electronic

Credit Transfer

Volumes of credit transfers have grown substantially in recent years both for high-value transactions and for bulk, non-urgent transfers for payroll, supplier and other third-party payments. Credit transfers are exclusively electronic instruments in Chile, with high-value items processed either by the LBTR or Combanc and low-value inter-bank credit transfers (*transferencias electrónicas*) cleared via the CCA retail payments system.

LBTR and Combanc clear high-value credit transfers in real time, with funds available on a same-day basis. Neither system operates a minimum value threshold. Low-value, non-urgent credit transfers are batch processed by the CCA on a T+1 basis.

Cross-border

Cross-border electronic credit transfers are typically made via a combination of SWIFT connectivity, correspondent banking relationships and payment clubs, and branch network capabilities.

Direct Debits

Use of direct debits has increased considerably in recent years, mainly for recurrent, low-value payments relating to utility services.

Payments are pre-authorized by the debtor ahead of transfer of value from his/her account to the payee. The CCA low-value system clears interbank direct debits on a T+2 basis.

There is a value limit of UF 1,000, equivalent to approximately CLP 27.57 million as of March 2019, on CCA direct debit transactions. (The *unidad de fomento* (UF) is an inflation adjusted tax unit.)

Payment Cards

Debit and credit card payments are increasingly common for retail transactions, although cash and check usage remains high. There were 12.6 million credit cards (80% of which were issued under the Visa or MasterCard brands) in circulation in Chile at the end of November 2018. There were also 21.8 million debit cards in circulation at the end of December 2018.

The Visa, MasterCard, Diners Club, American Express and Magna (a local brand) credit card schemes and the Redcompra (Electron and Maestro) debit card brand – are all administered by a common network operator, Transbank S.A., which is jointly owned by 12 Chilean banks.

In June 2016, Multicaja, a Chilean payments processing company, announced a card acquirer agreement with MasterCard through which it will process credit and prepaid card (issued both

locally and abroad) transactions from MasterCard. The deal, which brings to an end the monopoly of credit card administrator Transbank in Chile, paves the way for other companies to become card acquirers for MasterCard in Chile.

Although banks are permitted to issue general purpose prepaid cards, this type of payment instrument is not yet available in Chile. General purpose prepaid cards are expected to become available in Chile in 2019.

ATM/POS

ATM and POS terminal networks have grown in Chile in step with the increased use of payment cards. There were an estimated 7,468 ATMs in Chile in December 2018. There were approximately 227,680 POS terminals in Chile in December 2015.

There is one shared ATM networks in operation in Chile. Redbanc S.A., owned by 12 private sector banks, operates around 6,580 ATMs, which provide services to customers of 14 financial institutions.

Caja Vecina, an EPOS system developed by BancoEstado, allows customers to carry out main banking operations at local grocery stores. The system consists of an electronic device installed in the stores through which customers can make cash withdrawals and deposits, and pay for service bills with their financial cards. As of December 2018, there were over 25,000 Caja Vecina terminals in Chile.

Electronic Wallet

Contactless card technology is available in Chile. A contactless smart card has been in operation for fare payments on Santiago's transit system since 2005.

Retail store cards have become popular in Chile in recent years.

The mobile payment scheme Google Pay has been available in Chile since November 2018 through a partnership with local credit card company CRM Falabella. Currently the service supports Visa credit cards.

General purpose prepaid cards are expected to become available in Chile in 2019.

Liquidity Management

Short-term Borrowing

Overdrafts

Overdrafts are available to well-established companies; however they are expensive, and are mostly used in liquidity emergencies or by companies unable to borrow “cheaper” funds.

Overdraft facilities are usually for one year, but with demand rights, so banks can unilaterally cancel the facility and, with a minimum of 30 days’ notice, demand repayment of any that are outstanding.

Interest is charged on overdrafts at a margin over the nominal 30 day rate, *tasa de interés de referencia* (TIR).

Bank Lines of Credit / Loans

Short-term CLP-denominated 30 day advances are usually rolled over on maturity. A nominal interest rate is charged.

Advances for longer periods are usually inflation indexed (*unidades de fomento* - UFs).

Credit facilities can be arranged for up to 365 days. Collateral required can include a promissory note, security over real estate, plant or machinery, or a guarantee.

Trade Bills - Discounted

Banks discount trade bills with recourse to the borrower. Interest charged is at rates similar to those for short-term advances plus commission.

Factoring

The amount of receivables factored is increasing in Chile. It is usually with recourse and disclosed.

Factoring companies share information, through their Chilean factoring association, about client companies, which helps their credit assessment.

Commercial Paper

Private and stock market quoted companies can issue commercial paper (CP). They require one credit rating supplied by a credit rating agency approved by the Superintendency of Securities and Insurance (SVS).

Short-term unsecured promissory notes (*efectos de comercio*) are only subject to Chilean credit instrument tax (*impuesto de timbres y estampillas*) when the program is established and paper first issued and not on each subsequent note issue. The rate was reduced from 1.2% to 0.6% in 2010.

Bankers' Acceptances

These are rarely used, but are available denominated in USD.

Supplier Credit

This is used by companies less able to borrow from banks.

Intercompany Borrowing, including Lagging Payments

The 35% tax on interest received makes intercompany borrowing expensive, but not illegal.

Short-term Investments

Interest Payable on Bank Account Surplus Balances

Banks are free to offer interest on current accounts and short-term deposit accounts to residents and non-residents, but, although restrictions on the payment of interest were lifted in 2003, the practice is not widespread.

Demand Deposits

Banks are permitted to offer interest on short-term demand deposit accounts.

Time Deposits

Time deposits (*depósitos a plazo*) are available for maturities between a month and a year, with shorter maturities the most popular. Time deposits are offered in CLP, UFs (only for maturities above three months) and USD, including a USD-linked index.

Certificates of Deposit

CDs are issued for terms between a month and a year and are commonly used for short-term investment by larger companies. CDs with maturities up to 89 days are denominated in CLP but longer-dated instruments are issued in UFs.

Treasury (Government) Bills

Treasury bills are auctioned weekly with maturities ranging from a month to a year and are also available to residents via the secondary market. Banco Central de Chile also issues central bank discountable promissory notes (*pagarés descontables del banco central* - PDBC), which are sold daily.

Since September 2002, adjustable promissory notes (*pagarés reajustables del banco central* - PRBCs), which were issued via weekly auctions, have been gradually replaced with three types of central bank bonds: central bank bonds in CLP (*bonos banco central en pesos* - BCPs); central bank bonds indexed to USD (*bonos banco central reajustables en USD* - BCDs); and central bank bonds in UFs (*bonos banco central en UFs* - BCUs). Bonds in CLP with maturities of up to 365 days are issued as PDBC.

Commercial Paper

Commercial paper can be issued for maturities up to 36 months, but supply has been reduced by the availability of short-term bank credit to would-be issuers. CP issues are subject to a minimum denomination of UF 250.

Money Market Funds

Money market funds and bond funds are available in Chile.

Repurchase Agreements

Chilean companies frequently use the repo market for short-term investment purposes.

Bankers' Acceptances

Bankers' acceptances are not widely used in Chile as a short-term investment instrument.

Liquidity Management Techniques

There are a number of restrictions on movements between accounts that restrict the scope for sophisticated liquidity management techniques; however, zero-balancing is available for accounts held in the same currency.

In addition, an important cash management tool in Chile is the *cuenta recaudadora*, a special collections account that enables companies to receive all customer payments in a single account (the mail system is not used to send payments in Chile). Special deposit tickets, sometimes barcoded, allow banks to capture remittance information about the payment which is then forwarded to the collecting company via electronic banking, file transfer or report. Some banks provide online payment and remittance information.

Cash Concentration

Zero-balancing is available in Chile, but only for accounts held in the same currency. Although resident and non-resident accounts may participate in a single liquidity management structure, transfers between residents and non-residents are subject to lifting fees and central bank reporting requirements.

Cross-border sweeping is permitted. Resident entities establish structures that allow them to sweep funds collected in other jurisdictions into a nominated header account. Non-resident entities may participate in cross-border sweeping into or out of liquidity structures based in Chile.

Notional Pooling

Notional pooling is not permitted.

Trade Finance

General Rules for Importing/Exporting

Chile has established an open and transparent trade policy, supported by a large number of trade agreements.

Chile is an associate member of Mercosur. Chile joined the Community of Andean Nations (Comunidad Andina) as an associate member in 2006, has bilateral economic complementation agreements with Bolivia, Cuba, Ecuador, Peru and Venezuela and a partial trade agreement with India. It is also a member of the Latin American Integration Association (LAIA).

Chile is also a member of the Pacific Alliance (Alianza del Pacífico) trade bloc. Its other member states are Colombia, Mexico and Peru.

As well as economic association agreements with the European Union, Japan, New Zealand, Singapore and Brunei Darussalam, Chile has signed free trade agreements (FTAs) with the European Free Trade Association (EFTA), China, Hong Kong, South Korea, Colombia, Peru, Costa Rica, El Salvador, Honduras, Panama, Guatemala, Nicaragua, Australia, Turkey, Malaysia, Vietnam and the countries of the North American Free Trade Association (NAFTA). Under the NAFTA agreement, trade with the USA has been tariff-free since January 2015.

Chile signed an FTA with Thailand in October 2013. This agreement came into force in November 2015.

A partial scope trade agreement between Chile and India was signed in March 2006. This agreement came into force in August 2007. In September 2016, Chile and India signed a new agreement broadening their existing partial trade agreement, which came into force in May 2017.

Chile signed a new-generation FTA with Uruguay in October 2016. This new agreement, which includes issues such as e-commerce, environment, labor, trade and transparency and corruption, has not come into force yet.

In October 2015, Chile and 11 other Pacific Rim countries announced the conclusion of a regional, Asia-Pacific trade agreement, known as the Trans-Pacific Partnership (TPP) Agreement. After the withdrawal of the USA from the TPP trade pact in January 2017, the remaining 11 countries signed an amended agreement in Chile on March 8, 2018. The agreement, which has been renamed the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP), will be open to other countries to join in the future.

Import and export activities are restricted to resident and juridical persons.

Free trade zones have been established in Iquique and Punta Arenas.

Imports

Documentation Required

A customs declaration, commercial invoice (four copies in English or Spanish, including a full description of the imported goods), a bill of lading (two copies), a packing list and, in certain cases, a certificate of origin and a technical standard / health certificate are required when importing goods into Chile.

Import Licenses

No import licenses are required, but imports worth more than USD 3,000 must have a customs import report.

Import Taxes/Tariffs

A standard 6% import tax is charged on most imports from countries with which Chile does not have a free trade agreement. Exceptions include spirits (27%), beer (15%), luxury goods (50%) and tobacco (60.4%). Additional charges apply to imports of wheat, wheat flour and sugar.

Imports are subject to a 19% VAT charge.

Financing Requirements

There are no particular financing requirements for imports.

Risk Mitigation

There are no specific requirements.

Prohibited Imports

Items including certain agrochemical products and unlicensed drugs may not be imported for public health and national security reasons. Other products may be prohibited for moral reasons or industrial policy. Imports of used automobiles, motorcycles and tires are restricted.

Exports

Documentation Required

A customs declaration, commercial invoice (including a full description of the exported goods), a bill of lading, a packing list and in certain cases a certificate of origin and a technical standard / health certificate are required when exporting goods from Chile.

Export Licenses

No export licenses are required.

Export Taxes/Tariffs

No taxes are levied on exports.

Proceeds

Chile imposes no restrictions on the transfer of proceeds from exports, but the central bank must be informed of annual export proceeds exceeding USD 50 million for balance of payments purposes.

Financing Requirements

There are no particular financing requirements for exports.

Export credit is available from commercial banks. Chile's governmental development agency (Corporación de Fomento de la Producción - Corfo) also offers export credit to companies with annual sales of up to USD 30 million, for periods between six months and eight years in USD and UF, as well as fixed and variable-rate loans of up to USD 3 million.

Risk Mitigation

There are no specific requirements.

Local insurance firms offer a variety of export protection services. In addition, Corfo may also guarantee up to 50% of bank loans as a non-payment protection to companies with annual sales below USD 30 million.

Prohibited Exports

Chile operates a negative list of products the export of which is prohibited, including endangered species and historical relics. Government approval is required for the export of armaments, ammunition and hazardous chemicals.

Information Technology

Electronic Banking

Electronic banking services are commonly used by domestic and multinational firms operating in Chile. Large-scale investment by Chilean banks means that internet-based services are widely available to business and retail users.

Typical functionality available to companies includes domestic and international payment initiation, balance and transaction reporting and zero-balancing.

Internet penetration was estimated at 77.5% of the population at December 2017 and the Superintendency of Banks and Financial Institutions (SBIF) reported 10.42 million users of e-banking (businesses and individuals) in November 2018.

External Financing

Long-term Funding

Bank Lines of Credit / Loans

CLP-denominated loans are available up to seven years for large companies of good credit quality denominated in inflation-indexed *unidades de fomento* (UFs). Larger loans are often syndicated.

USD-denominated loans are readily available locally at floating rates based on the London inter-bank offered rate (Libor) plus a margin. They are used by companies with export receivables to service the debt.

Banks and insurance companies provide commercial mortgages denominated in UFs.

Local and foreign-owned companies have equal access to bank credit and loans in Chile.

Leasing

Both finance and operating leases are available.

Bonds

CLP-denominated bonds are invariably inflation-indexed (UFs) and, unlike public sector bonds, tax free for the investor. Bonds of up to 30 years have been issued but the most common maturities range from five to 21 years.

Bond issuers must register the issue with the Superintendency of Securities and Insurance (SVS) and have two ratings issued by Chilean credit rating agencies.

Institutional investors tend to hold their investments to maturity, unless an issuer's credit rating is downgraded, when they are legally required to sell their holding.

Private Placement

Private placements, through brokers' open offerings, require the prior approval of the SVS and can only be issued by publicly listed companies. Institutional investors are not allowed to buy privately placed securities.

Asset Securitization / Structured Finance

Special-purpose subsidiaries of banks and issuance companies are used to securitize mortgages, lease receivables, etc.

Government (Agency) Investment Incentive Schemes / Special Programs or Structures

The Chilean development company, Corporación de Fomento de la Producción (Corfo) helps SMEs (*pequeñas y medianas empresas* - PYMEs) obtain medium-term and long-term finance from multilateral sources.

The state-owned Banco Estado also helps PYMEs with subsidized credit insurance funding.

The Chilean government guarantees a minimum revenue stream on all transport concessions and helps private finance providers hedge exchange risks above 10% associated with foreign currency funding. Projects are typically financed with bond issues.

Useful Contacts

National Investment Promotion Agency

Chilean Foreign Investment Committee — www.foreigninvestment.cl

Central Bank

Banco Central de Chile — www.bcentral.cl

Bank Supervisory Authority

Superintendency of Banks and Financial Institutions — www.sbif.cl

Banks

Banco Santander Chile — www.santander.cl

Banco de Chile — www.bancochile.cl

Banco del Estado de Chile — www.bancoestado.cl

Banco de Crédito e Inversiones — www.bci.cl

Stock Exchange

Bolsa de Comercio de Santiago — www.bolsadesantiago.com

Ministry of Finance

Ministry of Finance — www.minhda.cl

Ministry of Economy

Ministry of Economy — www.economia.cl

Chamber of Commerce

National Chamber of Commerce — www.cnc.cl

Bankers' Association

Chilean Association of Banks and Financial Institutions — www.abif.cl