



ASSOCIATION FOR  
FINANCIAL  
PROFESSIONALS

*Underwritten by*



## 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 11 domestic banks and seven cooperative banks, the banking system includes 12 foreign-owned institutions, either branches of foreign banks or foreign-controlled, which control around 45% of the country's banking sector assets. Chile's three largest banks – Banco Santander Chile, Banco del Estado de Chile and Banco de Chile – accounted for about 48% of total banking assets in October 2016.

## 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.

© December 2016, AFP Country Profiles.

The material provided by PNC Bank, National Association (PNC), the Association for Financial Professionals (AFP) and AFP's contracted information supplier is not intended to be advice on any particular matter. No reader should act on the basis of any matter provided by PNC and AFP and AFP's contracted information supplier and third party suppliers in this document without considering appropriate professional advice. PNC, AFP and AFP's contracted information supplier expressly disclaim all and any liability to any person in respect of anything and of the consequences of anything done or omitted to be done by any such person in reliance upon the contents of this document.

The information provided is frequently subject to change without notice. The data and software are provided "AS IS" without any express or implied warranty of any kind including, without limitation, warranties of non-infringement, merchantability, or fitness for any particular purpose. PNC, AFP, and AFP's contracted information provider do not represent or warrant the information contained in this printed report, on this web site or on referred sites or sites accessible via hypertext links is complete or free from error and expressly disclaim and do not assume any liability to any person for any loss or damage whatsoever caused by errors or omissions in the data or software, whether such errors or omissions result from negligence, accident, quality, performance of the software, or any other cause.

All rights reserved. No part of the material provided by PNC, AFP and AFP's contracted information supplier and third-party suppliers may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of AFP and its contracted supplier.

# PNC's International Services

---

*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

International Funds Transfers to over 130 countries in USD and foreign currency can be accessed through PINACLE®, PNC's top-rated, online corporate banking portal.

## Multicurrency Accounts

Set up demand deposit accounts that hold foreign currency instead of U.S. dollars. These accounts offer a simple and integrated way to manage and move money denominated in more than 30 currencies, including offshore Chinese Renminbi. You can easily view deposit and withdrawal details through PINACLE.

## PNC Bank Canada Branch ("PNC Canada")

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.

## 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 USD 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 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 helping 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 connect you 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 risk management 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.<sup>1</sup>

## Economic Updates

Receive regular Economic Updates from our senior economist by going to [pnc.com/economicreports](https://pnc.com/economicreports).

(1) Information compiled from Freedom of Information Act resources.

PNC and PINACLE are registered marks of The PNC Financial Services Group, Inc. ("PNC").

Bank deposit and treasury management products and services are provided by PNC Bank, National Association, a wholly-owned subsidiary of PNC and **Member FDIC**. Lending products and services, as well as certain other banking products and services, may require credit approval.

In Canada, bank deposit, treasury management, equipment financing, leasing and lending products and services are provided by PNC Bank Canada Branch. PNC Bank Canada Branch is the Canadian branch of PNC Bank, National Association. Deposits with PNC Bank Canada Branch are **not** insured by the Canada Deposit Insurance Corporation.

Foreign exchange and derivative products are obligations of PNC Bank, National Association. Foreign exchange and derivative products are **not** bank deposits and are **not FDIC insured**, nor are they insured or guaranteed by PNC or any of its subsidiaries or affiliates.

*This AFP Country Report is being provided for general information purposes only and is not intended as specific legal, tax or investment advice or a recommendation to engage in any other transactions and does not purport to be comprehensive. Under no circumstances should any information contained herein be used or considered as an offer or a solicitation of an offer to participate in any particular transaction or strategy. Any reliance upon this information is solely and exclusively your own risk.*

©2016 The PNC Financial Services Group, Inc. All rights reserved.

# Contents

<b>Executive Summary</b> .....	2
<b>PNC's International Services</b> .....	4
<b>Financial Environment</b> .....	9
Country Information .....	9
Geographical Information .....	9
Business Information .....	9
Country Credit Rating .....	10
Economic Statistics .....	11
Economics Table .....	11
Sectoral Contribution as a % of GDP .....	12
Major Export Markets .....	12
Major Import Sources .....	12
Political and Economic Background .....	13
Economics .....	13
Interest Rate Management Policy .....	13
Foreign Exchange Rate Management Policy .....	13
Major Economic Issues .....	13
Politics .....	14
Government Structure .....	14
Major Political Issues .....	14
Taxation .....	15
Resident/Non-resident .....	15
Tax Authority .....	15
Tax Year/Filing .....	15
Corporate Taxation .....	15
Real Estate Taxes .....	16
Withholding Taxes (Subject to Tax Treaties) .....	16
Tax Treaties / Tax Information Exchange Agreements (TIEAs) .....	17
Transfer Pricing .....	17
Tax Rulings .....	18
Thin Capitalization .....	18
Stamp Tax .....	18
Capital Duty/Municipal Licence Fee .....	18
Cash Pooling .....	18
Sales Taxes/VAT .....	18
Financial Transactions / Banking Services Tax .....	19
Capital Gains Tax .....	19
Payroll and Social Security Taxes .....	19
<b>Cash Management</b> .....	20
Banking System .....	20
Banking Regulation .....	20

Banking Supervision.....	20
Central Bank Reporting.....	20
Exchange Controls.....	21
Bank Account Rules.....	22
Anti-money Laundering and Counter-terrorist Financing.....	22
Banking Sector Structure.....	23
Major Domestic Banks.....	23
Overall Trend.....	23
<b>Payment Systems.....</b>	<b>25</b>
Overview.....	25
High-value.....	26
Low-value.....	28
<b>Payment and Collection Instruments.....</b>	<b>30</b>
Overview and Trends.....	30
Statistics of Instrument Usage and Value.....	30
Paper-based.....	30
Checks.....	30
Electronic.....	31
Credit Transfer.....	31
Direct Debits.....	31
Payment Cards.....	31
ATM/POS.....	32
Electronic Wallet.....	32
<b>Liquidity Management.....</b>	<b>33</b>
Short-term Borrowing.....	33
Overdrafts.....	33
Bank Lines of Credit / Loans.....	33
Trade Bills – Discounted.....	33
Factoring.....	33
Commercial Paper.....	33
Bankers’ Acceptances.....	34
Supplier Credit.....	34
Intercompany Borrowing, including Lagging Payments.....	34
Short-term Investments.....	34
Interest Payable on Bank Account Surplus Balances.....	34
Demand Deposits.....	34
Time Deposits.....	34
Certificates of Deposit.....	34
Treasury (Government) Bills.....	34
Commercial Paper.....	35
Money Market Funds.....	35
Repurchase Agreements.....	35
Bankers’ Acceptances.....	35

Liquidity Management Techniques .....	35
Cash Concentration.....	35
Notional Pooling.....	35
<b>Trade Finance</b> .....	36
<b>General Rules for Importing/Exporting</b> .....	36
<b>Imports</b> .....	37
Documentation Required.....	37
Import Licenses .....	37
Import Taxes/Tariffs .....	37
Financing Requirements.....	37
Risk Mitigation.....	37
Prohibited Imports.....	37
<b>Exports</b> .....	38
Documentation Required.....	38
Export Licenses .....	38
Export Taxes/Tariffs .....	38
Proceeds .....	38
Financing Requirements.....	38
Risk Mitigation.....	38
Prohibited Exports.....	38
<b>Information Technology</b> .....	39
<b>Electronic Banking</b> .....	39
<b>External Financing</b> .....	40
<b>Long-term Funding</b> .....	40
Bank Lines of Credit / Loans .....	40
Leasing .....	40
Bonds .....	40
Private Placement .....	40
Asset Securitization / Structured Finance .....	40
Government Investment Incentive Schemes / Special Programs or Structures .....	41
<b>Useful Contacts</b> .....	42
National Investment Promotion Agency .....	42
Central Bank.....	42
Bank Supervisory Authority .....	42
Banks.....	42
Stock Exchange .....	42
Ministry of Finance .....	42
Ministry of Economy.....	42
Chamber of Commerce.....	42
Bankers' Association.....	42



# Financial Environment

## Country Information

---

### Geographical Information

<b>Capital</b>	Santiago
<b>Area</b>	756,102 km <sup>2</sup>
<b>Population</b>	17.65 million
<b>Official language</b>	Spanish
<b>Political leaders</b>	Head of state and government — President Michelle Bachelet (since March 11, 2014)

### Business Information

<b>Currency (+ SWIFT code)</b>	Chilean Peso (CLP)
<b>Business banking hours</b>	Business hours: 08:00/09:00–17:00/18:00 (Mon–Fri) Banking hours: 09:00–14:00 (Mon–Fri)
<b>Bank holidays</b>	2016 — December 25, 31 2017 — January 2, April 14, 15, May 1, 21, June 26, July 16, August 15, September 18, 19, October 9, 27, November 1, December 8, 25, 31 2018 — January 1, March 30, 31, May 1, 21, July 2, 16, August 15, September 17–19, October 15, November 1, 2, December 8, 25, 31 <small>Source: <a href="http://www.goodbusinessday.com">www.goodbusinessday.com</a>.</small>
<b>International dialing code</b>	+ 56

## Country Credit Rating

Fitch Ratings last rated Chile on July 22, 2016 for issuer default as:

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

Source: [www.fitchratings.com](http://www.fitchratings.com), December 2016.

## Economic Statistics

### Economics Table

		2010	2011	2012	2013	2014
<b>GDP per capita</b>	<b>(USD)</b>	12,685	14,500	15,252	15,761	14,568
<b>GDP</b>	<b>(CLP trillion)</b>	111	121	129	137	148
<b>GDP</b>	<b>(USD billion)</b>	218	251	265	277	259
<b>GDP volume growth*</b>	<b>(%)</b>	+ 5.8	+ 5.8	+ 5.5	+ 4.0	+ 1.9
<b>BoP (goods, services &amp; income) as % GDP</b>		- 0.4	- 2.4	- 4.4	- 4.5	- 2.0
<b>Consumer inflation*</b>	<b>(%)</b>	+ 1.4	+ 3.3	+ 3.0	+ 1.8	+ 4.4
<b>Population</b>	<b>(million)</b>	17.15	17.31	17.39	17.58	17.76
<b>Unemployment</b>	<b>(%)</b>	8.3	7.2	6.4	6.0	NA
<b>Interest rate (local currency MMR)<sup>†</sup></b>	<b>(%)</b>	1.40	4.67	5.01	4.93	3.76
<b>Exchange rate<sup>‡</sup></b>	<b>(CLP per USD)<sup>†</sup></b>	510.25	483.67	486.47	495.27	570.35

		2015			2016	
		Q3	Q4	Year	Q1	Q2
<b>GDP per capita</b>	<b>(USD)</b>	-	-	13,383	-	-
<b>GDP</b>	<b>(CLP trillion)</b>	-	-	157	-	-
<b>GDP</b>	<b>(USD billion)</b>	-	-	240	-	-
<b>GDP volume growth*</b>	<b>(%)</b>	+ 2.5	+ 1.7	+ 2.1	+ 2.2	+ 1.5
<b>BoP (goods, services &amp; income) as % GDP</b>		-	-	- 2.7	-	-
<b>Consumer inflation*</b>	<b>(%)</b>	+ 4.8	+ 4.1	+ 4.3	+ 4.6	+ 4.2
<b>Population</b>	<b>(million)</b>	-	-	17.95	-	-
<b>Unemployment</b>	<b>(%)</b>	6.4	5.8	6.2	NA	NA
<b>Interest rate (local currency MMR)<sup>†</sup></b>	<b>(%)</b>	3.00	3.24	3.06	3.50	NA
<b>Exchange rate<sup>‡</sup></b>	<b>(CLP per USD)<sup>†</sup></b>	676.66	697.85	654.12	702.70	677.77

\*Year on year. †Period average. ‡Market rate.

Source: *International Financial Statistics*, IMF, September 2016 and 2015 Yearbook.

### **Sectoral Contribution as a % of GDP**

Agriculture - 3.9%

Industry - 32.9%

Services - 63.2% (2015 estimate)

### **Major Export Markets**

China (26.3%), USA (13.2%), Japan (8.5%), South Korea (6.5%), Brazil (4.9%)

### **Major Import Sources**

China (23.4%), USA (18.8%), Brazil (7.8%), Argentina (4.0%)

# 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 produces 31 percent of the world's total mined output of copper, 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.

Despite the effects of a destructive earthquake in February 2010, the Chilean economy grew strongly in both 2010 and 2011. However, as global demand for copper exports began to slow, GDP growth also slowed to 5.5% in 2012, 4% in 2013 and slowed sharply to 1.9% in 2014, the lowest in five years, as a result of reduced exports and weaker-than-expected domestic demand. The copper industry accounted for 13 percent of Chile's GDP and 49 percent of its exports in 2015, according to the Central Bank of Chile. This means that Chile is particularly sensitive to big swings in the price of copper, which fell from USD 4.00 per pound in 2011 to USD 2.5 in November 2016. The economy grew by 2.1% in 2015 and is expected to grow between 1.5% and 2% in 2016 and between 1.75% and 2.75% in 2017.

In August 2016, the Central Bank of Chile left its benchmark interest rate unchanged at 3.5% for the eighth consecutive month as the Chilean economy continues to weaken amid falling copper prices, in spite of expansionary monetary policy and increased government spending. Inflation fell from 3.1% in September 2016 to 2.8% in October 2016, still within the government's 2% to 4% target range. It is the lowest inflation rate since November 2013.

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 2017.

#### *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 2017.

#### *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

Michelle Bachelet, from the Socialist Party, was elected president for a second time in December 2013. She took office on March 11, 2014, inheriting a divided country from former president Sebastián Piñera, who could not run for re-election. Although Mr. Piñera had left behind a country with relatively strong macroeconomic statistics, his term was marred by student demands for better education and protests against inequality.

In September 2014, Chile's Congress approved President Bachelet's tax reform bill, the first key part of her administration's campaign pledge to reduce inequality. The bill seeks to raise extra cash (equivalent of 3% of GDP by 2018) through higher corporate taxes and the closure of some tax exemptions.

Despite weakening consumer and business confidence, President Bachelet's approval rating rose to 29% in October 2015 as she put allegations of political corruption, including one involving her son, behind her and her program of reforms gathered momentum. However, her approval rating has since declined, standing at 24% in November 2016, as slowing economic growth and lower prices and demand for copper have forced the president to scale back her ambitious social and economic reforms.

As well as reducing inequality, the Bachelet administration faces a number of challenges. These include the implementation of other reforms at a time of slowing economic growth and falling copper prices, despite holding a majority in Congress, as well as a need to diversify the economy away from copper dependency.

# 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.

Corporate income is taxed in two stages. The “first-category tax,” with a rate of 24%, 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. The rate of this “additional” tax applied on distributions to shareholders/partners abroad is 35%, with the first-category tax paid allowed as a tax credit.

First category income tax is imposed at a rate of 24% for 2016. The rate is to be incrementally increased, until it reaches 25% or 27% by 2018. In addition to the 24% first category 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 upon the distribution of profits, with the first category corporate tax available as a credit.

There is no alternative minimum tax.

Chile’s Foreign Investment Law provides foreign companies up until the end of 2015 with an alternative tax regime. They can elect for either a fixed rate of 42% for 10 years (20 years for companies investing more than USD 50 million), or be subject to current rates of tax (lower, at present), which might change.

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.

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.

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, against which the 24% first category income tax paid at the branch level is creditable.

## Tax Treaties / Tax Information Exchange Agreements (TIEAs)

Chile has exchange of information relationships with 30 jurisdictions through 28 double tax treaties and two TIEAs ([www.eoi-tax.org](http://www.eoi-tax.org), January 2016).

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. First exchanges under the MCAA will start in 2017-2018 on 2016 information.

Other signatory countries are:-

- Australia, Austria, Belgium, Costa Rica, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Malaysia, Mexico, Netherlands, Nigeria, Norway, Poland, Portugal, 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.

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 that are entitled to the reduced 4% withholding tax rate on interest paid abroad (i.e. loans granted by foreign or international banks or financial institutions).

Information must be provided to the Internal Tax Service regarding bank credit agreements and associated guarantees.

The Foreign Investment Committee (Cinver) generally accepts a debt-to-equity ratio of 3:1.

If the debt-to-equity ratio exceeds a 3:1 threshold, the excess interest is subject to tax at a further 31% tax payable by the borrower (35% less the 4% withholding tax paid on interest).

The government has presented a bill under which the thin capitalization rules also would apply to loans benefitting from a reduced withholding tax rate under a tax treaty, which could be enacted in 2016.

## 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.

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

Exports are zero rated for VAT purposes.

Alcohol, tobacco and some luxury items are subject to additional sales taxes ranging from 13% 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 or subject to corporate income tax (known as first category income tax) at 24% as a single 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 (capped at a floating amount); and
- a 1.15% 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 2016 ([www.deloitte.com](http://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 suspended from the bloc in December 2016 for failing to incorporate key rules on trade and human rights into national law.

#### *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 January 2016.

## Banking Sector Structure

### Major Domestic Banks

Bank	Total assets (USD million) October 31, 2016
Banco Santander Chile	54,180
Banco del Estado de Chile	49,955
Banco de Chile	46,494
Banco de Crédito e Inversiones	45,556
Itaú CorpBanca	44,594
Banco Vizcaya Argentaria Chile	20,520
Scotiabank Chile	16,733

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 11 domestic banks and seven cooperative banks, the Chilean banking system includes 12 foreign-owned institutions, either branches of foreign banks or foreign-controlled, which control around 45% 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 Chile – accounting for around 48% of total banking assets in October 2016. However, sustained economic growth over recent years has led to the emergence of a number of niche banks that specialize in consumer finance.

In April 2010, the local subsidiary of UK's HSBC launched retail banking operations in Chile. However, in September 2011, HSBC announced it would sell its local retail banking unit to Banco Itaú Chile in an attempt to refocus on larger and more profitable markets. The deal was completed in October 2011 and HSBC discontinued handling retail products in January 2012. The bank has retained its corporate banking business in the country.

In May 2013, Banco de Crédito e Inversiones (BCI) announced a deal to buy Spanish bank Bankia's Miami-based City National Bank of Florida (CNB) for USD 883 million. The acquisition was closed in October 2015 for USD 947 million. The deal was the first acquisition of a US domestic bank by a Chilean financial institution .

In August 2013, CorpBanca completed the acquisition of Colombia's seventh largest bank Helm Bank through its local subsidiary CorpBanca Colombia. The deal, which also included Helm Bank's subsidiaries in Panama and the Cayman Islands, was valued at USD 1.32 billion. CorpBanca has since merged its Colombian subsidiary with Helm Bank, creating Colombia's fifth largest bank. 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 begun a process to turn its Chilean subsidiary into a non-bank financial institution.

In January 2016, Cencosud, local retail group, announced that it will close down its small niche bank Banco Paris, after it failed to attract any buyers.

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.



# 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**

<b>Name of system</b>	Sistema de Liquidación Bruta en Tiempo Real (LBTR)
<b>Settlement type</b>	Real-time gross settlement
<b>Settlement cycle</b>	Transactions are settled for same-day value with immediate finality.
<b>Links to other systems</b>	Chile's other clearing systems link to LBTR for final settlement.
<b>Payments processed</b>	Urgent, high-value, electronic credit transfers, including obligations arising from Chile's other clearing systems
<b>Currency of payments processed</b>	CLP
<b>Value and other limits to processing</b>	No value limits
<b>Operating hours</b>	09:00-18:45 Mon-Fri
<b>System holidays</b>	2016 – December 25, 31 2017 – January 1, April 14, 15, May 1, 21, June 26, July 16, August 15, September 18, 19, October 9, 27, November 1, December 8, 25, 31 2018 – January 1, March 30, 31, May 1, 21, July 2, 16, August 15, September 17-19, October 15, November 1, 2, December 8, 25, 31
<b>Cut-off time</b>	17:30
<b>Participants</b>	26 direct participants. Participation is mandatory for banks and clearing houses that hold an account at the central bank.
<b>Access to system</b>	Via SWIFT FIN Copy
<b>Future developments</b>	NA

<b>Name of system</b>	Sociedad Operadora de la Cámara de Compensación de Pagos de Alto Valor (CCAV) - Combanc
<b>Settlement type</b>	Net settlement
<b>Settlement cycle</b>	Funds are cleared for same-day value.
<b>Links to other systems</b>	Links to LBTR for final settlement.
<b>Payments processed</b>	Urgent, high-value, electronic credit transfers
<b>Currency of payments processed</b>	CLP
<b>Value and other limits to processing</b>	No value limits
<b>Operating hours</b>	09:00-17:30 Mon-Fri
<b>System holidays</b>	2016 — December 25, 31 2017 — January 1, April 14, 15, May 1, 21, June 26, July 16, August 15, September 18, 19, October 9, 27, November 1, December 8, 25, 31 2018 — January 1, March 30, 31, May 1, 21, July 2, 16, August 15, September 17-19, October 15, November 1, 2, December 8, 25, 31
<b>Cut-off time</b>	16:30
<b>Participants</b>	19 participant banks
<b>Access to system</b>	Via SWIFT
<b>Future developments</b>	NA

**Low-value**

<b>Name of system</b>	Centro de Compensación Automatizado (CCA)
<b>Settlement type</b>	Multilateral gross settlement
<b>Settlement cycle</b>	Credit transfers are cleared for next-day value, direct debits for T+2.
<b>Links to other systems</b>	Links to LBTR for final settlement.
<b>Payments processed</b>	Low-value electronic credit transfers and direct debits
<b>Currency of payments processed</b>	CLP
<b>Value and other limits to processing</b>	No value limits
<b>Operating hours</b>	Continuous operation
<b>System holidays</b>	2016 – December 25, 31 2017 – January 1, April 14, 15, May 1, 21, June 26, July 16, August 15, September 18, 19, October 9, 27, November 1, December 8, 25, 31 2018 – January 1, March 30, 31, May 1, 21, July 2, 16, August 15, September 17-19, October 15, November 1, 2, December 8, 25, 31
<b>Cut-off time</b>	18:00
<b>Participants</b>	16 banks, covering 99.6% of Chilean current accounts
<b>Access to system</b>	Transactions are submitted in batches; file structures are based on standards and regulations the US National Automated Clearinghouse Association (NACHA).
<b>Future developments</b>	NA

<b>Name of system</b>	Cámara de Compensación de Cheques y Otros Documentos en Moneda Nacional
<b>Settlement type</b>	Multilateral net settlement
<b>Settlement cycle</b>	Four clearing cycles per day at main clearing house; checks are typically cleared for next-day value.
<b>Links to other systems</b>	Links to LBTR for final settlement.
<b>Payments processed</b>	Checks and other paper-based instruments are processed electronically; physical items are exchanged in parallel.
<b>Currency of payments processed</b>	CLP (USD checks drawn on Chilean banks are processed in separate sessions at main clearing house on T+1 basis).
<b>Value and other limits to processing</b>	Maximum value CLP 50 million
<b>Operating hours</b>	09:00-18:00 Mon-Fri
<b>System holidays</b>	2016 — December 25, 31 2017 — January 1, April 14, 15, May 1, 21, June 26, July 16, August 15, September 18, 19, October 9, 27, November 1, December 8, 25, 31 2018 — January 1, March 30, 31, May 1, 21, July 2, 16, August 15, September 17-19, October 15, November 1, 2, December 8, 25, 31
<b>Cut-off time</b>	17:30
<b>Participants</b>	All deposit-taking financial institutions are required to participate.
<b>Access to system</b>	NA
<b>Future developments</b>	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
	2014	2015	2015/2014	2014	2015	2015/2014
<b>Checks</b>	180.3	153.9	- 14.6	291,322	282,981	- 2.9
<b>Debit cards</b>	474.1	577.2	21.8	9,131	10,911	19.5
<b>Credit cards</b>	171.1	216.2	26.4	9,027	11,298	25.2
<b>CCA Credit transfers</b>	197.6	242.1	22.5	155,363	186,323	19.9
<b>CCA Direct debits</b>	36.9	40.0	8.4	2,251	2,368	.2
<b>Total</b>	<b>1,060.0</b>	<b>1,229.4</b>	<b>16.0</b>	<b>467,094</b>	<b>493,881</b>	<b>5.7</b>

Source: CCA and Chile Superintendency of Banks and Financial Institutions, 2016.

### 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 26.33 million as of December 2016, 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 13 million credit cards (67% of which were issued under the Visa or MasterCard brands) in circulation in Chile at the end of August 2016. There were also 20.8 million debit cards in circulation at the end of August 2016.

The Visa, MasterCard, Diners Club, American Express and Magna (a local brand) credit cards 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 2017.

### ATM/POS

ATM and POS terminal networks have grown in Chile in step with the increased use of payment cards. There were an estimated 7,802 ATMs in Chile in September 2016. There were approximately 217,000 POS terminals in Chile in December 2014.

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 2016, there were over 19,000 Caja Vecina terminals in Chile.

### Electronic Wallet

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.

General purpose prepaid cards are expected to become available in Chile in 2017.



# 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 the practice is not widespread as restrictions on the payment of interest were only lifted in 2003.

### 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.

Chile and India have completed negotiations towards a full free trade agreement to replace their existing partial trade agreement. The new agreement has not been signed yet.

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. The TPP is going through a process of ratification by all signatories but doubts over the US Congress passing the agreement means its future is uncertain.

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 79.9% of the population at June 2016 and the Superintendency of Banks and Financial Institutions (SBIF) reported 7.5 million users of e-banking (businesses and individuals) in August 2016.

# 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](http://www.foreigninvestment.cl)

## Central Bank

Banco Central de Chile — [www.bcentral.cl](http://www.bcentral.cl)

## Bank Supervisory Authority

Superintendency of Banks and Financial Institutions — [www.sbif.cl](http://www.sbif.cl)

## Banks

Banco Santander Chile — [www.santander.cl](http://www.santander.cl)

Banco de Chile — [www.bancochile.cl](http://www.bancochile.cl)

Banco del Estado de Chile — [www.bancoestado.cl](http://www.bancoestado.cl)

Banco de Crédito e Inversiones — [www.bci.cl](http://www.bci.cl)

## Stock Exchange

Bolsa de Comercio de Santiago — [www.bolsadesantiago.com](http://www.bolsadesantiago.com)

## Ministry of Finance

Ministry of Finance — [www.minhda.cl](http://www.minhda.cl)

## Ministry of Economy

Ministry of Economy — [www.economia.cl](http://www.economia.cl)

## Chamber of Commerce

National Chamber of Commerce — [www.cnc.cl](http://www.cnc.cl)

## Bankers' Association

Chilean Association of Banks and Financial Institutions — [www.abif.cl](http://www.abif.cl)