



# ALERTA LEGAL

## AMENDMENT TO THE PENSION FUND INVESTMENT REGIME

The Superintendence of Pensions (hereinafter “SP”), in its permanent effort to have a regulatory framework that allows to achieve an adequate profitability and security of the investments made with the resources of the pension funds (hereinafter “Pension Funds”), developed a project of modifications to the investment regime that considers the following:

### 1. Investment in Shares of Closed Companies/ Valuation Report.

To allow investments in instruments of letter n.4) (shares of Chilean closed companies) counting on at least one independent valuation report.

In order to efficiently ensure the investment in shares of domestic closely held corporations, domestic joint stock companies (SpA) and domestic limited partnerships, investments in these assets will be allowed with only an independent valuation report. A general rule of the SP may exempt the fund managers from the above obligation in the case of real estate or infrastructure investments in their construction stage. Subsequently, each year the fund managers must submit two independent reports on the economic valuation of these assets to the SP.

### 2. Homologation of Alternative Assets and Limits.

Homologation of the term of disposal of alternative assets, for the limit per issuer applicable to national investment funds not approved by the Risk Rating Commission, which preferentially invest in alternative assets.

The purpose of this measure is to homologate the current terms that domestic and foreign alternative assets have, for domestic investment funds that are not approved by the Risk Rating Commission, but that invest mainly in alternative assets. Therefore, it homologates that domestic alternative assets are subject to the same rules as foreign alternative assets in this respect.

### 3. Accounting of Future Pledges or Commitments for Purposes of Alternative Asset Limits.

Refinement of the accounting of future pledges or commitments for purposes of alternative asset limits.

At present, the total of current promises and commitments are accounted for in the limits in the same way as the effective investment, not being an investment that will necessarily materialize in its entirety, which has implied an underexposure to

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alternative assets with respect to comparable international pension funds. On average, 20% of the outstanding commitments are called annually during each of the first 3 years of the investment, i.e., calls in the third year reach an average of 60% of the commitments. Also, as of the fourth year, capital calls begin to be offset by capital returns, making it less necessary to provide for the future use of the investment limit, since the limit is released in approximately the same proportion.

In order to use the limit more efficiently, it is proposed to account for 60% of future promises or commitments in alternative asset limits and not 100% as at present. This relaxation will moderately increase investment slack in instruments that, on the one hand, offer better risk-return combinations, but are less liquid.

#### **4. Limit on Bonds with no Fixed Maturities.**

Incorporation of the limit on bonds with no fixed maturity issued by banking companies set by the Central Bank of Chile.

On December 10, 2021, the Central Bank of Chile issued Resolution 2442E-01-211209, which amends Chapter III.F.4 of the Compendium of Financial Regulations, to incorporate the limits for Pension Fund investments in bonds with no fixed maturity issued by banking companies in accordance with Article 45 of D.L. No. 3,500, as amended by Law No. 21,130.

Accordingly, this provision is incorporated to the limits of the Pension Funds Investment Regime, establishing the maximum limit in these instruments at 5% for the Type A and B Funds and 2% for the Type C Fund.

**This amendment is available for comments until 10 January 2022.**

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