

July 27 2021

## Regarding Euroclearability of Chilean Corporate bonds

**Santiago, July 27 2021.** The Ministry of Finance has implemented several measures in recent years to improve market access and liquidity in the local fixed income market. On Friday July 2 2021, the Ministry of Finance and Euroclear Bank announced that Chilean corporate debt could be accessed through the market's Euroclearable link. This adjustment was possible by changes implemented in recent years to the legal framework and tax treatment of these securities, in line with international standards.

In particular, in 2016, the tax exemption to capital gains of the Article 104 of the Income Tax Law ("Ley sobre Impuesto a la Renta") included a new modality of collecting taxes on interest, establishing a withholding tax on interest payments, through the stipulations contemplated in Article 74 of the Income Tax Law. **This new modality facilitated the access of Chilean local currency instruments to International Central Securities Depositories (ICSD's, such as Euroclear), as financial and contractual clauses established the withholding tax to be under Article 74 nr. 7 of the Income Tax Law, in which the issuer is responsible to withhold the 4% of interest, using the corresponding Fiscal Tax Rate ("Tasa de Interés Fiscal") at the moment of the coupon payment. Thus, the eventual access to the Euroclear depends on if the bond was issued or will be issued under Article 74 nr. 7 of the Income Tax Law.**

Additionally, in 2020, an amendment to the Article 104, established the possibility of exempting a period of time between purchase and sale of the instruments in order to qualify for the tax exemption. This became effective with the publication of Supreme Decree N°59, of the year 2020.

As a result of Euroclearability, Chilean issuers will be able to carry out local currency debt placements with simultaneous participation of local and foreign investors, facilitating the access of these firms to the international liquidity pool, thereby diversifying their investor base and contributing to more competitive borrowing costs.

These modifications are part of several measures implemented in Chile during the last years, with the objective to strengthen the liquidity and depth of the fixed income local market, including:

- Adjustments to the settlement period of Treasury Bonds, according to international standards, in T+2 (2015).
- Adjustment to the Income Tax Law, in order to facilitate access to international investors through ICSD's (2016).

July 27 2021

- Local Exchange Operations, geared towards strengthening local benchmarks while buying off-the-run bonds (2016), further implemented in 2019.
- First book-building peso denominated issuance of Treasury bonds with the simultaneous participation of local and international investors in 2017; these types of transactions have been executed annually since then.
- Inclusion of local currency Treasury Bonds in fixed-income indices (2017).
- Authorization of Central Bank to use CLP in cross-border transactions (2021).