



# Advances in the Regulation and Supervision of Corporate Governance in Chile.

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# Reforms to the Capital Markets



## 2000: LAW OF IPOs AND CORPORATE GOVERNANCE

### ❑ **Stock Takeovers and IPOs**

- *Obligation of IPO before a Change in the Control with a Premium (con premio.)*
- *Prorates all the stock holders.*
- *Obligation of IPO in the case of over 2/3 control.*

### ❑ **Creates a Board of Directors**

- *Openly traded, high equity corporations.*
- *Control Functions.*
- *Primarily Independent.*

### ❑ **Other topics**

- *Regulates compensation plans and buy-backs of own stock.*
- *Gives groups of minority stakeholders (5%) the right to sue in the case of damages on behalf of the corporation.*

# Advances on OECD Principles



## 2003 TO CURRENT

### ❑ **2003: Report of Compliance according to OECD principles**

- *Chile complies partially with 9 out of 23 principles (and the full or near full compliance with the rest).*
- *The majority of observations deal with:*
  - *Equal treatment of stockholders (use of privileged information.)*
  - *Publication of information and transparency (timeliness of information delivered and disclosure of accounting divergences with international norms)*
  - *Responsibility of directors (not publishing best practices, resolution of conflicts of interest, independence).*

### ❑ **Later initiatives with the aim of complying with OECD principles:**

- *Legal reform in corporate governance*
- *SVS administrative regulations*
- *SVS supervision*

## LEGAL REFORM INITIATIVES IN CORPORATE GOVERNANCE

### ❑ **Legal reform in the corporate governance of private companies.**

- *Improvement in the publication of information about executives and their transactions.*
- *Board responsibility in adopting policies about the transactions of executives.*
- *Promotes independence requirements in the Board of corporations*
- *Promotes the participation in stockowners meetings.*
  - *Proxy Voting.*
  - *Timely delivery of better information.*
- *Operational requirements with related entities.*
- *Heightened requirement of independence in choosing external auditors.*
  - *Subject matter and economic independence and*
  - *Rotation of auditors or partners*

### ❑ **Legal Reform of corporate governance in public companies.**

- *Governed by the norms of publicly traded companies (SA) under the supervision of the SVS.*
- *Naming independent directors.*

# Advances on OECD Principles



## SVS ADMINISTRATIVE REGULATION

- ❑ **Availability of relevant information on line.**
  - *Automated system of publishing essential events.*
  - *Ownership information (registry of stockowners).*
  - *Information on sanctions applied by the SVS (use of privileged information, etc.)*
  
- ❑ **Convergence toward IFRS**
  - *Full adoption of IASB norms (Official version in Spanish and English).*
  - *Dec. 2009: Mandatory reporting for principal issuers*
  - *2010 to 2012: Other issuers and supervised entities*
  
- ❑ **Requirement for corporations to have manuals on information management (NCG 211)**
  - *Spokespersons to the effect of lending an official character to publications.*
  - *Determination of blackout periods for insider trading.*
  - *Procedures that speed up information delivery.*
  - *Other policies with respect to information (of directives, principal stockholders).*

# Advances on OECD Principles



## SVS ADMINISTRATIVE REGULATION (cont.)

### **□ Requirements to publish relevant information (NCG 30)**

- *Essential Event: timeliness, delegation, and clarification of the objective.*
- *Reserved Events: email delivery, list of informed people, fundamentals.*
- *Information of Interest: simultaneous delivery to the market via web.*

### **□ Insider trading and database of directors and related persons.**

- *IT platform: People are to disclose their personal transactions and maintain an updated list of related persons.*

### **□ Internal SVS rules: Transaction manual, January 2008**

- *Internal norm of the purchase and sale of stock by SVS staff.*
- *Plan to extend to the rest of the public sector (financial and sectorial):*

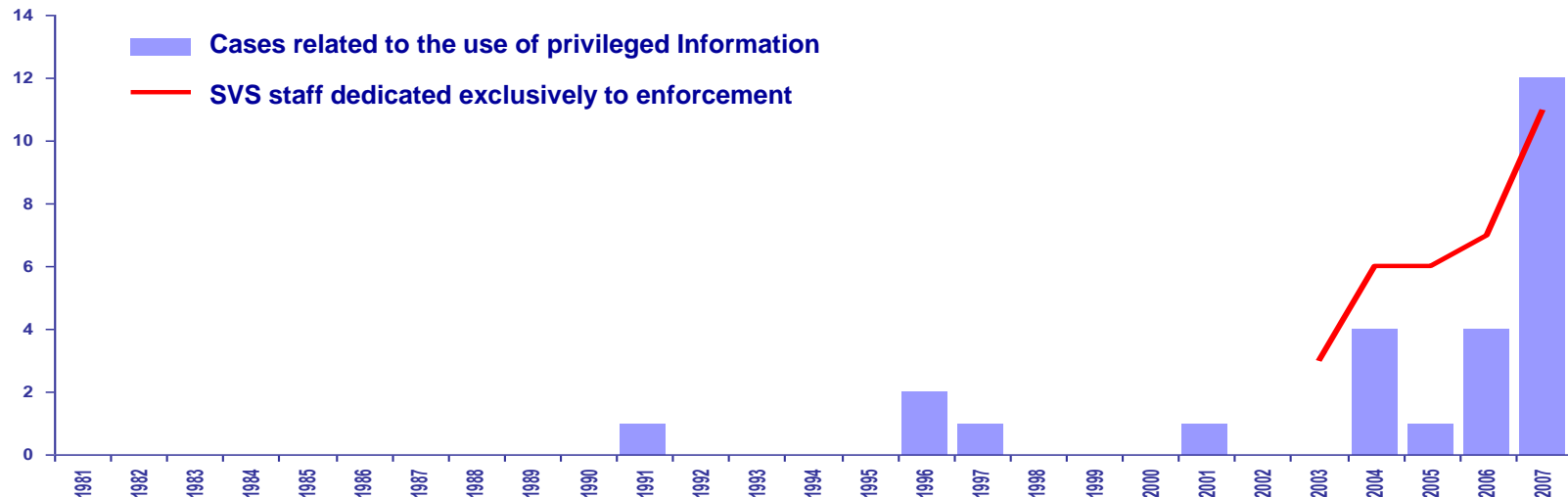
# Avances en Principios OECD



## SVS SUPERVISION

### □ **2003: Creates the investigation division and procedures for applying sanctions**

- *Specialized investigation group focusing on market abuses.*
- *Depends directly on the Superintendent and the Sanctioning Committee.*
- *Development of databases (official, commercial, etc.) and data-mining.*



### □ **2007: Strengthening the stock market monitoring function.**

- *Supervision of transactions with the support of automated systems.*
- *Protocol of how to proceed in the case of behavior not based on publicly available information.*



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