

WESTERN HEMISPHERE CREDIT AND LOAN REPORTING INITIATIVE
CENTRE FOR LATIN AMERICAN MONETARY STUDIES
FIRST INITIATIVE
THE WORLD BANK

CREDIT AND LOAN REPORTING SYSTEMS IN CHILE



AUGUST 2007

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Foreword

In August 2004, following a request from the central banks of Latin America and the Caribbean, the World Bank and the *Centro de Estudios Monetarios Latinoamericanos* (CEMLA), with the financial support of the FIRST Initiative, launched the Western Hemisphere Credit and Loan Reporting Initiative (WHCRI). The objective of the Initiative is to describe and assess the credit and loan reporting systems of the Western Hemisphere with a view to identifying possible improvements in their efficiency and integrity.

As part of the project structure, in August 2004 an International Consultative Committee (ICC) comprised of experts in various fields was established. In addition to CEMLA and the World Bank, the institutions participating in the ICC include multilateral institutions such as the Inter-American Development Bank (IADB), the International Finance Corporation (IFC) and the International Monetary Fund (IMF) and central banks such as the Bank of Canada, Banco de España and the Federal Reserve Bank of New York. To assure quality and effectiveness, the Initiative includes two important components. First, all studies are conducted with the active participation of country officials and the project builds upon the existing work undertaken in the respective country. Second, the Initiative draws upon international and national expertise on the subject, through the ICC, in order to provide guidance, advice and alternatives to current practice. The Initiative has undertaken a number of activities in response to requests by central banks from Latin America and the Caribbean. These include: the preparation of public reports containing a systematic in-depth description of each country's credit and loan reporting systems; the delivery of a confidential recommendations report to the authorities of each country; the organization of ICC meetings to review country studies and provide input for future work; the organization of workshops focusing on topics of specific interest; the creation of a web page (www.whcri.org) to present the Initiative's products and other information of interest in the field of credit reporting; and the promotion of working groups to ensure continuity in project activities.

CEMLA acts as the Technical Secretariat of the Initiative, with the main objective of making this process sustainable and extending activities to all countries within the Hemisphere. To this end, the Initiative has helped strengthen CEMLA's in-house expertise and broadened knowledge and the transfer of *know-how* across the Region. The efforts of the Working Groups coordinated by CEMLA shall maintain the structure created under the Initiative and will provide a permanent forum for the countries in the Region to discuss, coordinate and lend a collective impetus to work in the field of bank credit and loan reporting systems.

This report "*Credit and Loan Reporting Systems in Chile*" is one of the public reports in the series and was prepared by an international team in collaboration with local representatives of the Ministry of Finance.

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This report is based on the findings of a mission who visited Santiago in August 2007. The report was prepared by the members of an international team which included Corina Arteché Serra (CEMLA), Fredes Montes (World Bank), Jane Hwang (World Bank), Mario Guadamillas (World Bank), Matías Gutiérrez (Consultant) and Miguel Llenas (Consultant). The international team worked in cooperation with the local team comprised by staff of the Ministry of Finance.

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1 ECONOMIC AND FINANCIAL MARKET BACKGROUND

1.1 MAIN MACROECONOMIC ASPECTS DURING RECENT YEARS

The Chilean economy exhibited a rise in gross domestic product over the last six years, especially during 2004 and 2005. Since 2004 there has also been a current account surplus due to, among other causes, growth in exports. At the same time the peso has appreciated with respect to the US dollar. The following paragraphs describe some of the main aspects for each year.

GDP grew by 2 per cent in 2002, while the current account deficit was equivalent to less than 1 per cent of GDP.

During the following year, 2003, the economy picked up on the strength of exports; the rate of growth reached 4 per cent. The current account deficit represented 1 per cent of GDP.

In 2004, the Chilean economy kept up its expansion of 2002 and 2003 and attained a growth rate of 6 per cent - the highest during the period under review – determined to a large extent by greater export activity and by gross domestic investment which grew by its highest rate in the last nine years – 16 per cent - allowing for a recovery of domestic demand.

The situation remained the same in 2005 with the economy growing at similar rates to the previous year in the context of favorable terms of trade, fiscal and balance of payments surpluses, inflation within the targeted range and low rates of unemployment.

In 2006, however, although the economy continued to expand, the rate of GDP growth – 4 per cent - fell with respect to previous years. The price of copper continued to rise, with the average above projected levels. Exports and imports continued to grow as a proportion of GDP, there continued to be a balance of payments surplus and the rate of unemployment fell.

The figures for 2007 show that, following the slowdown of the previous year, GDP picked up again and closed the year at 5.1 per cent compared to 4.3 per cent in 2006, while the balance of payments surplus continued to expand. However, the consumer price index rose 4.4 per cent in 2007 compared to 3.4 per cent in 2006. The main macroeconomic indicators are shown in Table 1.

Table 1. Macroeconomic Indicators^(a)

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 ^(b) |
|--------------------------------------|------|------|------|-------|-------|---------------------|
| GDP at Current Prices (USD Billions) | 67.2 | 73.9 | 95.8 | 118.9 | 145.8 | 164.6 |
| Real Annual GDP Growth Rates (%) | 2.1 | 3.9 | 6.0 | 5.7 | 4.3 | 5.1 |
| Gross Capital Formation (% of GDP) | 21.6 | 20.1 | 19.3 | 21.2 | 24.2 | 25.8 |

(continue in next page)

Table 1. (conclude)

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 ^(b) |
|---|-------|-------|-------|-------|-------|---------------------|
| Average Unemployment Rate | 9.8 | 9.5 | 10.0 | 9.2 | 7.8 | 8.0 |
| Imports FOB (% of GDP) | 23.8 | 24.3 | 24.0 | 26.1 | 24.6 | 26.7 |
| Exports FOB (% of GDP) | 26.2 | 29.3 | 33.9 | 34.7 | 39.9 | 41.1 |
| Balance of Payments Current Account (% of GDP) | -0.8 | -1.1 | 2.2 | 1.1 | 3.6 | 3.7 |
| Inflation (Annual Growth Rate in the Consumer Price Index) | 2.5 | 2.8 | 1.1 | 3.1 | 3.4 | 4.4 |
| Mean Interest Rate for 30 to 89 day deposits (Annual Average) | 3.7 | 2.7 | 1.9 | 3.9 | 5.0 | 5.5 |
| Memo: USD Exchange Rate | 688.9 | 691.4 | 609.5 | 559.8 | 530.5 | 522.5 |

Source: Prepared by authors with data from BCCH and IMF.

^(a) The following conventions are used for notation throughout this report: "n.a." means that the data are not available; ".." represents data that is not applicable; "neg" (negligible) is shown when the figures are too small in relation to other relevant data in the corresponding table.

^(b) Preliminary.

1.2 THE BANKING SECTOR: RECENT REFORMS AND CURRENT STRUCTURE

1.2.1 Recent Reforms

The General Banking Act was modified during recent years in order to adjust to changes and evolution both in banking transactions as well as other legal frameworks. What follows is a list of dates and amendments up until the time of preparation of this report:

| | |
|----------------|--|
| 24 – 10 – 1997 | Law 19528 introduces changes to DFL N°252 of 1960. |
| 19 – 10 – 1997 | DFL N°3: establishes merged, harmonized and systematized text of the General Banking Act. |
| 30 – 03 – 1998 | Law 19559 reinstalls Bank Holiday, DFL N°3 of 1997. |
| 20 – 10 – 2000 | Law 19705 incorporates article 35 (b) to DFL N°3 of 1997. |
| 08 – 11 – 2001 | Law 19789 incorporates and replaces articles and sub-sections to DFL N°3 of 1997. |
| 31 – 05 – 2002 | Law 19806 replaces and substitutes subsections of DFL N°3 of 1997. |
| 18 – 12 – 2003 | Law 19913 adds a final subsection to article 14 of DFL N°3 of 1997. |
| 21 – 02 – 2004 | Law 19934 eliminates a phrase in the first sentence of item (a) in the first subsection of article 70 of DFL N°3 of 1997. |
| 24 – 06 – 2006 | Law 20109 modifies substitutes and eliminates articles and subsections of DFL N°3 of 1997. |
| 05 – 06 – 2007 | Law 20190 incorporates, introduces, replaces, modifies, eliminates, suppresses, adds, inserts and repeals articles and subsections of DFL N°3 of 1997. |

In addition to these changes in the capital market, the Pension Funds Act was modified in 2002. This permitted fund managers to offer different investment fund options, which has allowed for

greater flexibility and versatility in the financial system by broadening the range of investment possibilities both for managers and minor participants.

In 2005, the Bank and Financial Institution Superintendency (SBIF) decided that the savings and credit cooperatives under its jurisdiction could act as placement agents for participations in mutual funds.

In 2006, in addition to the provisions of Law N° 19913, the regulations on money laundering were replaced and aspects pertaining to the “Core Principles for Effective Bank Supervision” and “Know your Bank Customer” of the Basel Committee on Bank Supervision were adopted.

In 2006, the Central Bank of Chile issued regulations on the activities of non-bank credit card issuers and operators, placing them under SBIF supervision. The ultimate purpose of this regulation is that the electronic means of payment comply with the efficiency and security standards that contribute to strengthening and preserving public trust; thereby, extending their use to various sectors of the economy. The regulations include certain prudential requirements that must be observed by card issuers and operators.

1.2.2 Current Structure

All banks are subject to SBIF supervision and are governed by current norms established in the General Banking Act. This law defines banks and indicates that *“the basic business is to attract money from the public for the purpose of lending, discounting bills, making investments, undertaking financial intermediation, producing income from these monies and, in general, undertaking any other transaction permitted by law...”*

Table 2. Composition of the Financial System
(2006)

| <i>Type of institution</i> | <i>Number</i> |
|-------------------------------------|---------------|
| Banks | 26 |
| Savings and Credit Cooperatives | 5 |
| Credit Card Issuers or Operators | 14 |
| Subsidiaries | 22 |
| Financial Service Companies | 18 |
| Foreign Bank Representative Offices | 31 |
| Total | 116 |

Source: Chilean Bank and Financial Institution Superintendency.

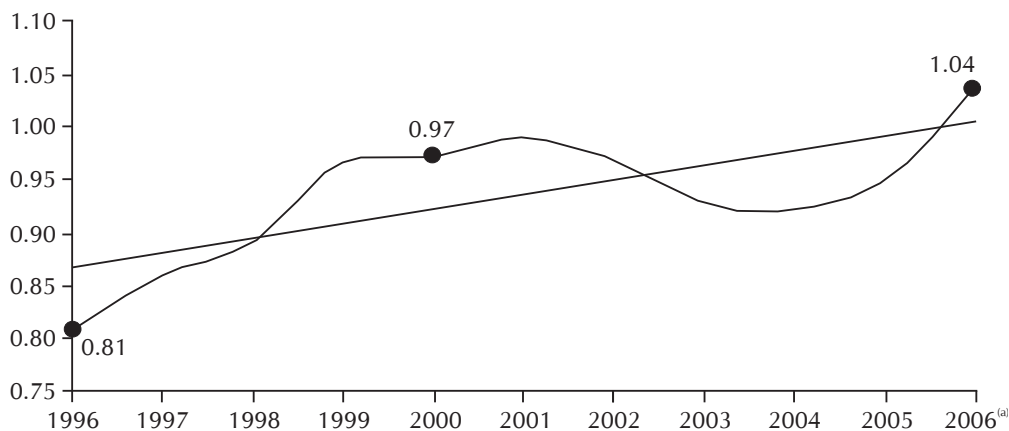
There are currently 26 banks established and operating in Chile's financial system. Among these banks the following 20 are considered established banks in Chile:

- Banco de Chile,
- Banco Internacional,
- Scotiabank Sud Americano,
- Banco de Crédito e Inversiones,
- Corpbanca,
- Banco Bice,
- HSBC Bank (Chile),
- Banco Santander-Chile,
- ABN AMRO Bank (Chile),
- Banco Security,
- Banco Falabella,
- Deutsche Bank (Chile),
- Banco Ripley,
- HNS Banco,
- Banco Monex,
- Banco Penta,
- Banco Paris,
- Banco Bilbao Vizcaya Argentaria Chile (BBVA),
- Banco Itaú Chile and
- Banco del Desarrollo.

In addition to the above, there are 5 Foreign Bank branches, which are: Banco do Brasil S.A., Citibank N.A., JP Morgan Chase Bank, N. A., Banco de la Nación Argentina and The Bank of Tokyo-Mitsubishi UFJ, LTD. Lastly, there is one State-Owned Bank that corresponds to Banco del Estado de Chile.

Graph 1 shows the size of the banking system measured as the ratio of assets to GDP. This index has risen in recent years as financial deepening has increased constantly. Estimates for 2006 place the financial deepening ratio at 1.04. The graph also displays the trend line for the period 1996 – 2006.

Graph 1. Banking System Assets to GDP



Source: Chilean Bank and Financial Institution Superintendency.

^(a) Preliminary data.

Table 3. Evolution of the Financial System^(a)
(USD millions)

| | Dec. 2000 | Dec. 2001 | Dec. 2002 | Dec. 2003 | Dec. 2004 | Dec. 2005 | Dec. 2006 |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <i>Assets</i> | | | | | | | |
| Total Credits | 56,646 | 51,664 | 50,337 | 60,806 | 69,631 | 89,383 | 100,046 |
| Credits Net Ofinterbank Loans | 55,090 | 50,948 | 49,690 | 59,627 | 68,741 | 88,208 | 99,136 |
| Effective Credits | 39,801 | 35,750 | 34,454 | 41,348 | 50,090 | 66,082 | 75,693 |
| Commercial Banks | 31,264 | 29,228 | 27,302 | 31,978 | 35,227 | 51,650 | 56,694 |
| Export Loans | 3,202 | 3,236 | 3,070 | 3,463 | 3,791 | 4,196 | 4,784 |
| Import Loans | 1,282 | 1,119 | 1,189 | 1,089 | 1,336 | 1,639 | 2,172 |
| Consumer Loans | 4,498 | 3,971 | 4,263 | 5,751 | 6,997 | 10,902 | 12,863 |
| Contingent Credits | 3,460 | 3,229 | 3,205 | 4,154 | 5,121 | 6,841 | 8,358 |
| Loans by Letter of Credit | 11,026 | 10,243 | 9,900 | 11,807 | 10,096 | 809 | 9,141 |
| Non-performing Loans | 982 | 837 | 918 | 994 | 837 | 809 | 748 |
| Repo Transactions | 250 | 431 | 827 | 818 | 906 | 693 | 458 |
| <i>Liabilities</i> | | | | | | | |
| Total Deposits Net of Swaps | 45,756 | 41,343 | 41,188 | 47,376 | 57,032 | 76,282 | 78,858 |
| Time Deposits | 35,857 | 32,655 | 31,876 | 35,314 | 41,197 | 57,362 | 62,085 |
| Demand Deposits Net of Swaps | 8,544 | 7,549 | 8,252 | 11,108 | 13,562 | 16,022 | 18,099 |
| Resident Deposits | 2,846 | 2,395 | 1,673 | 3,047 | 3,388 | 2,791 | 3,233 |
| Foreign Deposits | 1,347 | 2,115 | 3,608 | 5,085 | 5,082 | 7,804 | 7,304 |
| Capital and Reserves | 6,255 | 5,484 | 5,654 | 6,768 | 7,309 | 8,686 | 9,108 |
| <i>Earnings</i> | | | | | | | |
| After-tax Surplus | 795 | 969 | 811 | 1,131 | 1,223 | 1,551 | 1,690 |
| <i>Profitability</i> | | | | | | | |
| After-tax Surplus/ Capital | 12.70% | 17.68% | 14.35% | 16.70% | 16.74% | 17.85% | 18.56% |

Source: SBIF and the Association of Banks and Financial Institutions of Chile.

^(a) Throughout this report the \$ symbol represents the Chilean peso while USD refers to the United States dollar.

1.3 OTHER PRINCIPAL CREDIT-GRANTING INSTITUTIONS IN THE FINANCIAL AND NON-FINANCIAL SECTOR

1.3.1 Credit and Savings Cooperatives

In keeping with article 87 of the General Cooperatives Act, credit and saving cooperative institutions whose net worth exceeds 400,000 UF¹ fall under the supervision and control of the Bank and Financial Institutions Superintendency.

There are currently 5 cooperatives supervised by SBIF: Cooperativa de Ahorro y Crédito Talagante (Coocretal), Cooperativa de Ahorro y Crédito Coopeuch, Cooperativa de Ahorro y Crédito Unión

¹ UF: development units, whose value on December 31st 2006 was equal to \$ 18,336.38.

Aérea Limitada (Capual), Cooperativa de Ahorro y Crédito Oriente Limitada (Oriencoop) and Cooperativa de Ahorro y Crédito el Detallista Limitada (Detacoop).

According to figures supplied by SBIF, the total loan portfolio of these institutions amounted to USD 1 million by December 2006. It has increased by 51 per cent in the last year.

The remaining institutions of this kind are supervised by the Cooperatives Department, which is an agency of the Vice-Ministry for Economics, Development and Reconstruction.

1.3.2 Auxiliary Financial Companies

The financial services companies currently operating in the Chilean market are firms created by financial institutions for the purpose of providing support services such as the management of credit and debit cards, ATM networks and internet purchase services, among others. Some of the firms operating in Chile are:

- Transbank S.A. This is a company that provides management services for Visa, MasterCard, Magna, American Express and Diners Club credit cards, as well as for the Redcompra debit card (Electron and Maestro).

Its shareholders are the following banks and financial institutions: ABN-Amro Bank (Chile), BBVA, Chile; Banco BICE; Banco de Chile; Banco de Crédito e Inversiones; Banco del Desarrollo; BancoEstado; Banco Falabella; Banco Internacional; Banco Santander; Banco Security; Banco Itaú Chile; Citibank N.A.; CorpBanca; JP Morgan Chase Bank; Scotiabank Sud Americano; Tarjetas de Chile S.A.

- Redbanc provides a national coverage ATM network and its shareholders are Banco de Crédito e Inversiones; Banco de Chile; Citibank N.A.; Banco Santander – Chile; Scotiabank Sud Americano; Corpbanca; BBVA (Chile); Banco BICE; Banco Itaú Chile; Banco Security; Banco del Desarrollo; ABN-Amro Bank (Chile); Banco Internacional; JP Morgan Chase Bank.

1.3.3 Retailers

Many retail department stores have become issuers of credit cards, either directly or through related companies. These card are used by customers for payment of merchandise purchased at these stores, and in some cases for payments at other outlets such as drugstores, supermarkets gas stations, etc., with whom the retailer has as an agreement

According to figures for June 2007 published by the SBIF, there were 29 million credit cards in the market of which 8 million were used on a monthly basis for a total value of \$418,544 million in the month of June.²

In this context and in its payments systems oversight role, the Central Bank of Chile (BCCH) issued a rule establishing the conditions under which non-bank credit card issuers would be regulated: i) when the total value of payments presented to non-related affiliated entities was equal to or exceeded 1 million Development Units (UF) and ii) when the issuer entered into a payment modality which exceeded three days. The issuers subject to supervision are:

² www.sbif.cl.

Table 4. Non-financial Credit Card Issuers

| <i>Issuer</i> | <i>Credit Card</i> |
|--|---|
| Consorcio Tarjetas de Crédito S.A. | Visa |
| Serv. y Adm. de Créd. Com. Presto S.A. | PRESTO |
| Cencosud Adm. de Tarjetas S.A. | Paris, Más Easy, Más Paris, Más Jumbo. Tur Bus Card |
| Cofisa S.A | Tarjeta DIN |
| ABC Inversiones Ltda. | Tarjeta ABC |
| Car, S.A. | RIPLEY |
| Com. y Adm. de Tarjetas Extra S.A. | Xtra |
| Promotora CMR Falabella S.A. | CMR Falabella |
| Efectivo S.A. | Johnson ´s Multiopción |
| Inversiones SCG S.A. | Tarjeta Dorada La Polar |

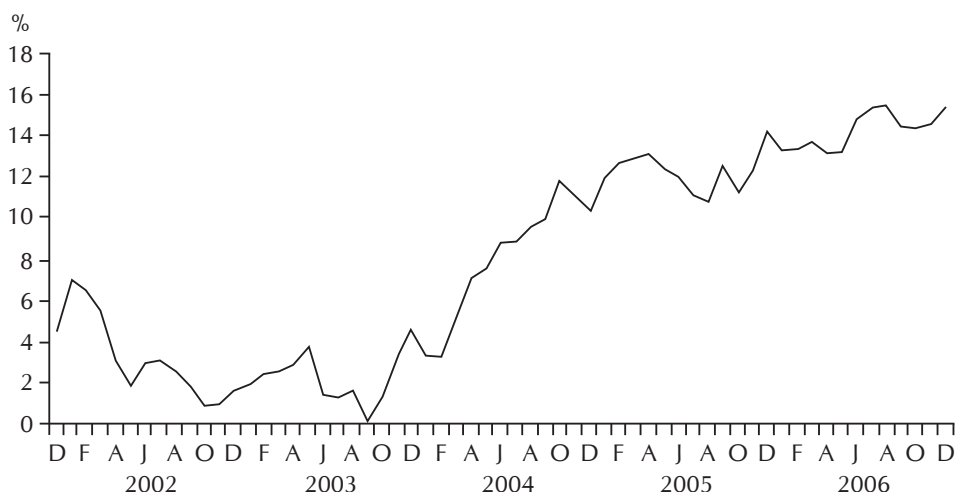
Source: SBIF.

1.4 THE CURRENT CREDIT MARKET

The banking sector continues to be the main provider of credit in Chile, although the overall context of expansion has forced it to face strong competition in the market for loans, both in the areas of consumer and commercial credit (Graphs 2, 3 and Table 5).

Consumption and home loans continued to grow strongly at rates of 20 per cent and 16 per cent respectively in 2005 and 2006. The strong growth of consumer credit stands out in a market where banks compete with related credit card-issuing non-bank companies, savings and credit cooperatives, employee compensation funds and insurance companies.

Graph 2. Evolution of Loans In the Banking System
(Annual Change)



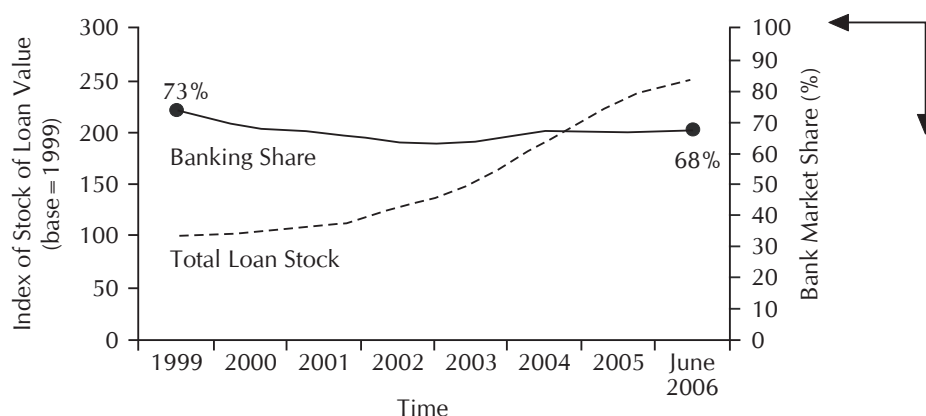
Source: SBIF and Chilean Association of Banks and Financial Institutions A.G.

Table 5. Evolution of Credit in the Chilean Financial System
(Percentage Growth Rates)

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|----------------|------|------|------|------|-------|-------|------|
| Total loans | 4.3 | 4.6 | 1.6 | 4.6 | 10.4 | 14.2 | 15.4 |
| Commercial | 3.2 | 7.2 | -2.6 | 1.4 | 6.2 | 13.8 | 13.2 |
| Consumption | -1.8 | 1.2 | 12.0 | 16.8 | 17.3 | 20.3 | 21.7 |
| Foreign Trade | 8,3 | 9.5 | 2.2 | -6.4 | 14.1 | 3.2 | 29.9 |
| Housing | 5.0 | 4.0 | 6.1 | 12.4 | 18.9 | 16.2 | 14.6 |
| Past Due Loans | 8.7 | 2.4 | 14.4 | -6.2 | -18.8 | -14.1 | -4.8 |

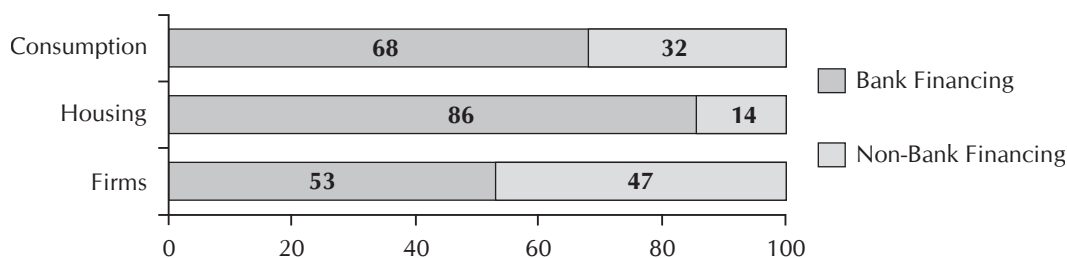
Source: SBIF.

Graph 3. Evolution of Loans / Share of Banking Sector



Source: SBIF.

Graph 4. Type of Credit and Financing in the Financial System
(Percentage share in 2006)

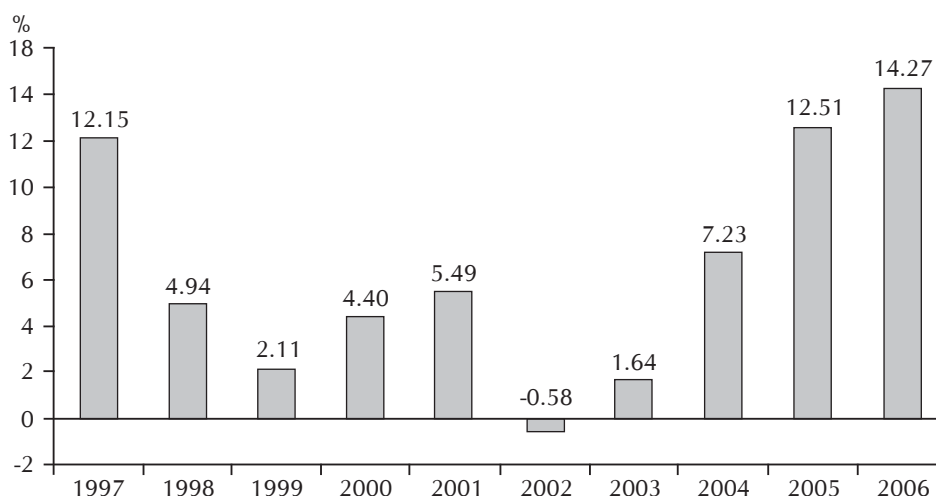


Source: SBIF.

1.4.1 Key Issues in Business Financing

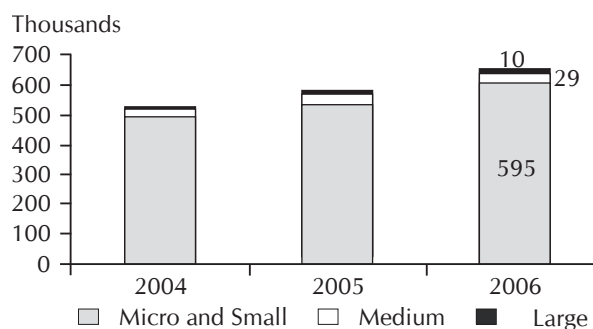
There was a strong increase in commercial loans to small business from 2004 to 2006. The banking sector remains the main source of business financing.

Graph 5. Banking Sector: Business Loans
(Annual Growth Rate)



Source: SBIF.

Graph 6. Banking Sector: Distribution of Business Loan Portfolio
(Number and Type of Business)

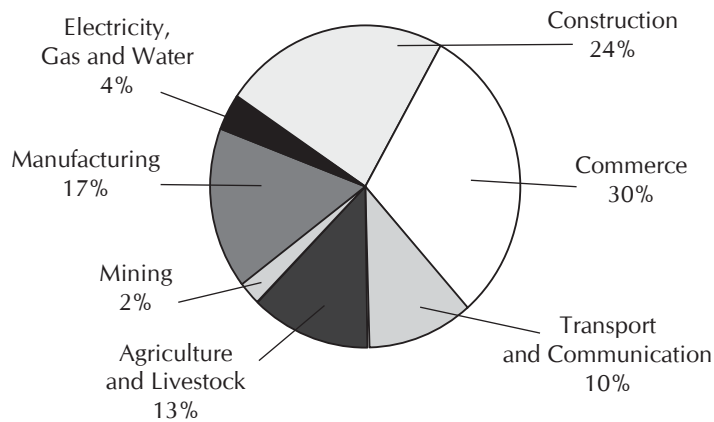


Fuente: SBIF.

According to the September 2006 Financial Stability Report issued by the Central Bank of Chile, loans to national non-financial companies accounted for 47 per cent of banks' balance sheets and corresponded mainly to big businesses. Total corporate indebtedness represented 87 per cent of GDP with local banks continuing to provide the main source of financing constituting 53 per cent of the total.

As can be seen in Graph 7, business lending was concentrated in the retail sector (30 per cent), construction (24 per cent) and manufacturing (17 per cent).

Graph 7. Bank Lending by Economic Activity
(August 2006 figures)



Source: BCCH. Financial Stability Report, second semester, 2006.

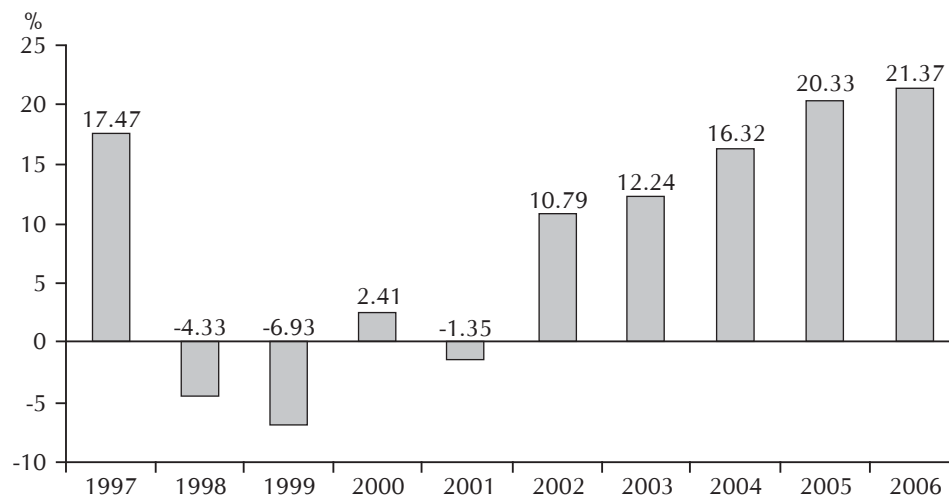
Note: It excludes credits to financial companies, services to community and personal.

1.4.2 Key Issues in Consumer Financing

Credit providers other than the banking sector have increased their market share in the consumer loans sector, although the bank loan portfolio to this sector continues to grow.

Consumer loans represent around 25 per cent of bank assets, and of this total, approximately 60 per cent corresponds to housing mortgage loans with the rest going to consumption and other uses associated with credit cards and current account overdraft facilities.

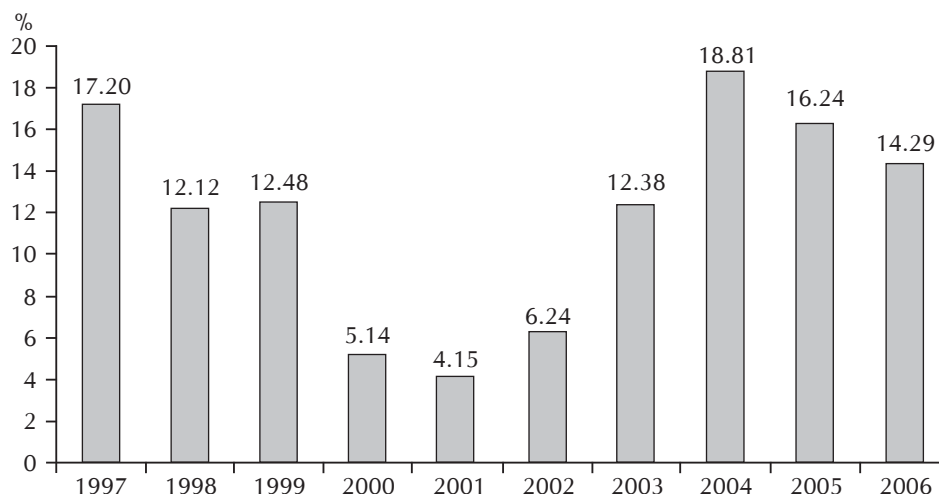
Graph 8. Banking Sector: Consumer Loans
(Annual Growth Rate)



Source: SBIF.

A significant portion of loans granted by non-bank institutions takes place through credit cards issued by Retailers. These entities offer their customers credit cards that may be used for payment of merchandise purchased at the stores themselves, and at other outlets such as drugstores, supermarkets, gas stations, etc., with whom the retailer has as an agreement.

Graph 9. Banking Sector: Mortgage Loans
(Annual Growth Rate)



Source: SBIF.

The following table shows the growth in household indebtedness to the banking and non-bank sectors:

Table 6. Current Indebtedness of Chilean Households
(Annual Growth Rate)

| | 2005 I Q. | 2005 II Q. | 2005 III Q. | 2005 IV Q. | 2006 I Q. | 2006 II Q. | 2006 III Q. | 2006 IV Q. |
|--|--------------|---------------|----------------|---------------|--------------|---------------|----------------|---------------|
| <i>Mortgage lending</i> | 15 | 14 | 13 | 14 | 15 | 16 | 16 | 14 |
| - Bank | 20 | 18 | 17 | 16 | 17 | 17 | 16 | 14 |
| - Non-bank | -9 | -5 | -5 | 0 | 6 | 10 | 14 | 11 |
| <i>Consumption</i> | 19 | 17 | 21 | 21 | 21 | 20 | 20 | 19 |
| - Bank | 19 | 20 | 19 | 20 | 21 | 22 | 23 | 21 |
| - Non-bank (retailers, cooperatives, employee compensation funds and insurance companies) | 20 | 13 | 24 | 23 | 21 | 18 | 15 | 16 |
| Total | 17 | 15 | 17 | 17 | 18 | 18 | 17 | 16 |

Source: BCCH. Financial Stability Report, first semester 2007.

1.5 MAIN TRENDS IN CREDIT REPORTING

Commercial and financial information in Chile is gathered and processed by two institutions, one private and one public. There are four private credit reporting entities in the process of beginning to provide commercial information

The Bank and Financial Institution Superintendency (SBIF) keeps a Debtor Registry containing consolidated information on individual debts in the banking system. This registry is compiled with monthly information provided by banks. Once this data is consolidated it is placed at the disposal of these financial institutions. Additionally, debtors in the banking system may request that the SBIF issue a debt certificate detailing the amount and standing of their loans at different banks.

The Santiago Chamber of Commerce (CCS) undertakes the task of compiling information on protested checks, letters of exchange and promissory notes, and preparing and publishing the Commercial Information Bulletin or Commercial Bulletin (BIC) under a legal mandate established by Supreme Decree 950 of the Ministry of Finance in 1928.

The provision of loan data services is undertaken by private firms who compile and warehouse the information obtained from the BIC and other public or private sources for subsequent distribution according to the nature of the services offered to the public. They maintain special agreements with certain clients regarding the types of services offered, whether limited to data or containing added value. These firms are: DATABUSINESS, SINACOFI, SIISA y DICOM-EQUIFAX.

2 INSTITUTIONAL ASPECTS

2.1 LEGAL FRAMEWORK

The current legal framework encompassing credit information systems began developing under Supreme Decree 950 of 1928 and its subsequent modifications. There are other laws and regulations relating to credit information systems, amongst which are: Law N°19496 on Norms for the Protection of Consumer Rights approved in 1997; Law N°19628 on the Protection of Privacy Rights approved in 1999 and modified in 2002 (Law N°19.812) and the General Banking Act which has been subject to various amendments as described in section 1.2.1 of this document.

The Chilean financial system is governed by the General Banking Act, which grants the Bank and Financial Institution Superintendency (SBIF) oversight powers over the State Bank, commercial banks and other financial entities whose supervision is not directly governed by law to any other institution.

In this context, the Act defines banks as public share-capital corporations who are authorized to take deposits or funds from the public on a regular basis for the purpose of granting loans, discounting bills, making investments, undertaking financial intermediation, producing income from these monies and, in general, undertaking any other transaction permitted by law

According to the General Banking Act, banks are governed in the first instance by the Act itself, and secondly by the provisions applicable to publicly traded share-capital corporations to the extent that they do not contradict or may be adjusted to comply with the Act's provisions. Separately, the SBIF also supervises firms whose main business is the issuance or operation of credit cards and all similar systems.

2.1.1 Privacy

The handling of personal and private data contained in public or private registries or databases is governed by the provisions of Law N°19628 (as amended by Law N°19812). This law (the Protection of Personal Data Act) specifies that data may only be used for legally permissible purposes, and preserves the fundamental rights of the individual's consent to the storage of personal data and its possible communication to the public. There must be written authorization for the handling of private data, which can be revoked. This does not apply to personal data of a economic, financial, banking or commercial nature that is readily accessible from publicly available sources, or which provides background information such as group membership, profession, address or similar which is necessary for commercial communications, since no authorization is required in these cases.

In order to safeguard the privacy of information, personal databases or registries must establish automated transmission procedures that are respectful of the rights of the data subjects; in other words, the transmission of data must always be in keeping with the authorized tasks and purposes of entities engaging in the handling, transmission and use of information.

The Act also provides that both private and public entities working in the field of personal data handling are obliged to maintain secrecy with respect to such data, in cases where it originates or was compiled from sources that are not publicly accessible. Registries may only communicate information regarding economic, financial, banking or commercial obligations when it concerns protested bills of exchange or promissory notes, or checks returned for insufficient funds. Similarly, the non-compliance with obligations deriving from negotiable mortgage loans, or loans or credits from banks, financial societies, negotiable mortgage managers, savings and credit cooperatives, and state-owned entities and enterprises, may not continue to be reported once the obligation has been legally cancelled or settled.

The handling of such data must be restricted to the purposes for which it was gathered, unless it originated or was compiled from publicly accessible sources. In all cases the registry or entity charged with transmitting or handling such data must ensure that it will be accurate and up to date.

In addition, the compilation and processing of information other than that for the purposes expressly authorized by law requires the consent of the data subject.

2.1.2 Bank Secrecy

Article 154 of the General Banking Act establishes two levels of confidentiality: strict banking secrecy and banking reserve. Information on deposits and funds of any kind is covered by strict banking secrecy and may only be shared with the beneficiary, the beneficiary's legal representative or any person expressly authorized by the beneficiary. Other transactions are subject to banking secrecy reserve, and may only be accessed by those who can demonstrate a legitimate interest and only if this knowledge implies no damage to the financial interests of the beneficiary. People who obtain data through these means, however, may not reveal its content to third parties.

Banks are allowed to provide information on the above transactions in global and de-personalized terms (i.e. aggregate data) solely for statistical or informative purposes, or when there is a public or general interest at stake as qualified by the SBIF.

2.1.3 Consumer Protection / Quality Assurance

Consumer protection in Chile relies basically on Law N° 19628 for the Protection of Personal Data and Law N° 19494 for the Protection of Consumer Rights.

The law for the protection of personal data provides every individual with the right to know the purpose for which his/her data is being stored. Likewise, the individual may demand information from all the entities to which his/her data is being periodically sent. Should the personal data be erroneous, equivocal or incomplete, the individual has the right to have it modified.

Similarly, this law establishes that data may not be provided once five years have elapsed from the time the obligation fell due. Neither may data on obligations that have been cancelled or otherwise legally settled be communicated. This data updating must take place immediately and at no cost to the consumer.

In this regard, until 2010 all consumers who have been included in the BIC and have settled their debt must pay a clearance fee for their data to be purged from the database. However, the 2006 amendment to Decree 950 provides that as from 2010 this process of clearing the record must take place free of charge. Since 2006 and in keeping with said amendment, clearance fees have been progressively reduced towards complete elimination by 2010.

2.2 THE ROLE OF INSTITUTIONS IN CREDIT REPORTING

2.2.1 Credit Reporting Agencies

There are four firms who distribute information: DATA BUSINESS, SINACOFI, SIISA y DICOM-EQUIFAX. They receive the information from Banks, financial entities and others, undertake the internal processes of validation and verification, and distribute it again among their subscribers. The Santiago Chamber of Commerce (CCS) offers the BIC to these four distributors for a fee, and they incorporate it to their services. Likewise, the entities engaging in data handling do not rely solely on these registries; they also handle information obtained from other public sources and from their own databases, thus adding value to their credit reporting services.

2.2.2 Banking Sector

The banking sector is a provider of information and at the same time a customer for the data on debtors to the system. Banks are also the majority shareholders in two of the principal firms in the credit reporting business.

2.2.3 Others

The Santiago Chamber of Commerce is charged with the Commercial Information Bulletin or Commercial Bulletin (BIC), which is an official database on protested obligations: bills, checks and promissory notes, according to the provisions of Supreme Decree 950. It also receives data on arrears from credit-supplying retailers. Likewise, it registers and publishes clarifications regarding non-compliance with commercial obligations.

Retailers are users and providers of negative commercial information. They send data to BIC and the credit reporting agencies with which they maintain agreements. According to the Central Bank of Chile and SBIF regulations, in cases where they issue credit cards that comply with the respective norms, they must report aggregate-level information on their transactions to the bank Superintendency.

2.3 THE ROLE OF THE AUTHORITIES

2.3.1 Central Bank

The Central Bank of Chile plays no direct role in the supervision and regulation of firms reporting financial information, nor is it the Superintendency of the financial system. However, in view of

the relevance of certain non-bank credit cards as generally accepted means of payment, it issued together with the SBIF a norm regulating the issuance and operation of credit cards.

2.3.2 Ministry of Finance

Supreme Decree 950 issued by the Ministry of Finance determines who must supply information to the Santiago Chamber of Commerce, and the periodicity and content of such data. This includes:

1. Actuaries must deliver daily, inter alia, information referring to the list of protested bills, indicating whether the protest is for lack of acceptance or payment, the value, the name and address of the signatory or acceptor, the name of the lender and details regarding the sale, purchase and assignment of real estate.
2. Real estate registrars must supply a list of daily inscriptions in the property registry, mortgages, liens and prohibitions on the sale of agricultural or industrial collateral.
3. Public, semi-public or autonomous institutions, enterprises and agencies that undertake activities aimed at promoting economic development must send a list of past-due debtors in the service of loans or credits. This may also be done by banks, financial houses, negotiable mortgage managers and savings and credit cooperatives.

2.3.3 Bank Superintendency

The Bank and Financial Institution Superintendency (SBIF) keeps a Debtor Registry (ED) containing consolidated information on debts of persons in the banking system. This registry is compiled with monthly information provided by banks, and once this data is consolidated it is placed at the disposal of these financial institutions. Additionally, debtors in the banking system may request that the SBIF issue a debt certificate detailing the amount and standing of their loans at different banks (section 4).

The SBIF does not exercise a Superintendency role over firms engaging in the acquisition and storage of credit information for subsequent preparation of credit reports.

The non-regulated entities do not fall either under the supervision of the SBIF regarding credit reporting

2.3.4 Consumer Protection Office

There is no single public agency that centralizes consumer complaints regarding credit information services. Law N°19496 (“Norms for the Protection of Consumer Rights”) establishes the “National Consumer Service – SERNAC”, which is a decentralized public service subject to oversight by the Ministry of Economics, Development and Reconstruction. SERNAC’s function is to promote voluntary agreements between users and providers in the face of consumer complaints. However, there are no specific powers with respect to operations undertaken by firms engaging in the distribution of financial information.

SBIF has an “Bank Client Assistance” department that receives inquires and complaints from customers of the financial system, with reference – among others – to the information contained in the Debtors Registry kept by the SBIF. In these cases, SBIF requests information on a debt from the reporting bank which must respond to the terms of the complaint. Given that the data in the Debtors Registry originates from creditor banks, it is their responsibility to make any amendments to the original information should it contain an error.

2.4 ROLE OF OTHER PUBLIC AND PRIVATE SECTOR INSTITUTIONS

2.4.1 Non-financial Credit Providers

Non-financial, development and commercial entities are under no explicit obligation to report information regarding loan beneficiaries. Information on past-due debtors is communicated on a voluntary basis, with the exception of those entities that fall under the BCCH norm

2.4.2 Trade Associations

The Association of Banks and Financial Institutions of Chile manages SINACOFI, which is an agency amongst other multiple functions is that of distributing credit reports (see section 3).

The Santiago Chamber of Commerce, which is a trade association, publishes the Commercial Information Bulletin (see section 3).

3 PRIVATE CREDIT REPORTING FIRMS

3.1 DICOM - EQUIFAX

3.1.1 Control/Governance

Founded in 1979, DICOM provides services in Chile to firms from the financial, commercial, industrial and service sectors, and to individuals. In 1997 it was wholly acquired by EQUIFAX.

3.1.2 Information Sources

The services provided by DICOM-EQUIFAX are sourced mainly from their own databases, their clients, public information, the Official Gazette, the National Customs Service and the Commercial Information Bulletin (BIC), among others. Thus in the area of credit information, the firm – for the most part – relies only on negative information.

3.1.3 Users

DICOM-EQUIFAX has a range of customers from the banking and business sectors, as well as in the general public, and offers different services to its clients. Currently its direct customers exceed 15 thousand firms and hundreds of thousands of individuals on an annual basis.

3.1.4 Services

DICOM-EQUIFAX offers more than 150 different products, which are classified into credit categories, decision and predictive sciences systems, marketing services and personalized solutions. What follows are descriptions of some of the credit reports – such as Dicom Plus Gold, Dicom Full, Alerta Comercial and Verificación de Cheque Full – as well as marketing services such as Equifax Target and decision systems such as Dicom Experto.

1. DICOM Plus Gold: credit report on individuals and firms providing background identification, payment history and risk indicators. It offers a profile for risk evaluation in the granting of goods and services. Contains information from more than 15 databases and/or information sources allowing for knowledge of the credit subject's payment history. It consolidates in a single report data - mainly credit (negative) - on persons and/or individuals, identity, fraud, real estate information, provisional and labor information, as well as address and activities. It also includes relations with commercial banks, bankruptcies and interdictions.
2. DICOM Full: commercial report on individual and legal persons providing a profile of their commercial and financial situation plus background data contained in DICOM-EQUIFAX databases for the evaluation of loans and business in general. Relies on information from 16 databases summarized in a report that allows for analysis of a potential client. Some of the main databases sourcing the report are the Registry of Firms and Persons, the Labor

Registry, the Real Estate Registry, Current Identity Cards, the DICOM Registry of Arrears and Protested Non-compliance, Indicator of Tax-payer ID Queries, Partners and Partnerships, Interdictions on Current Account Requests and the Registry of Liens.

3. Full check verification: a check validation service which functions as a POS process, where the check information and signer is entered (or scanned) and it is authorized (or rejected) from a database, as in a credit card transaction. This is a real time system with immediate and permanent updating of the database, and a response code to verify whether the query went through. It is sourced from databases on “stop payment orders”, blocked checks and checking accounts requested by account holders through the network, blocked ID cards with access to the Civil Registry and Identification Service database of current ID cards, and the summarized DICOM-EQUIFAX Registry of Arrears and Protested Non-compliance.
4. DICOM Commercial Alert: a service providing information on database modifications for a given Tax-payer ID, alerting the subscriber to any change in the commercial-financial status of the individual or firm under observation. The databases involved are: Registry of Persons (including deaths), Registry of Firms, labor and social security bulletin, partners and partnerships, directory of addresses, DICOM arrears and protested non-compliance, indicator of tax-payer ID queries and blocked ID cards.
5. DICOM Expert: an automatic, objective and standardized cutting-edge tool for the evaluation of credit reports. It enables simple and efficient evaluation of persons and firms, since the policy to be applied is programmed under Dicom Expert. Dicom Expert employs other Dicom-Equifax products, in particular Dicom plus Gold, including all the relevant data from this report in the evaluation of the credit policy.
6. Equifax Target: a search aimed at identifying the best “twin” prospects from the best clients in a portfolio of customers, be it: i) through predetermined defined filters reflecting the best customers in the portfolio, or ii) through the use of statistical software and decision trees, allowing to obtain – from variables in the customer portfolio – those that correlate with variables in the Equifax database, thus generating differentiated segments of prospects that are “twins” to the best customers in the portfolio.

3.1.5 Pricing Policies

The schedule of DICOM-EQUIFAX fees varies by product, frequency and volume of consultation. There is also a prepaid service option as a function of a given quantity of queries.

3.1.6 Procedures and Policies to Ensure Information Quality

DICOM-EQUIFAX provides its clients with a standard of service based on the verification of identity, improving those processes where the identification of a data subject is a critical factor. It is possible to verify the identity of the party requesting the loan through the verification of biometric identity.

DICOM-EQUIFAX implements a series of logical verifications, practices audits and applies various process controls in the stages of data reception from the employed sources of information, data loading and distribution of reports to the market.

3.1.7 Procedures and Policies for Risk Management

DICOM-EQUIFAX uses internal methods for data verification, audit and control, together with a series of security procedures for the efficient management of data so as to avoid risks in the processing of services to clients. Computer processing takes place in a different building from company headquarters.

It offers its clients various services to enable them to manage financial loans with minimum risk, such as credit scoring, collection scoring, payment behavior predictors and decision trees, among others.

3.1.8 Rights of Individuals/Firms to Access Information and Resolve Disputes

DICOM-EQUIFAX complies with the rights of persons and firms established by Law N°19628 on the protection of personal data, as by subsequent amendments and other legal and administrative resolutions related to the law's subject matter. It has implemented a customer service program where the general public is advised as to its rights.

3.1.9 Information-Sharing Policies

DICOM-EQUIFAX databases include data of a public nature, which is regulated by law N°19628 and has been expressly authorized by credit agents and data subjects.

3.2 DATABUSINESS

This is a system of commercial information and credit support that provides the necessary background data for decision-making in granting loans to firms and individuals.

3.2.1 Control/Governance

DataBusiness belongs to the Santiago Chamber of Commerce (CCS) which was founded in 1919 and brings together more than 1363 members comprising small, medium and large firms.

3.2.2 Information Sources

The databases originate from official sources such as: Santiago Chamber of Commerce, Labor Department, Internal Revenue Service, Electoral Registry, National Treasury, Civil Registry and Identification Service, Labor Ministry, National Customs Service and others, as well as other public sources and private creditor firms.

3.2.3 Users

The users of the information contained in DataBusiness are mainly domestic commercial, industrial and service companies.

3.2.4 Services

1. Datacred is a specialized system for commercial information and credit support, providing the necessary background on people and firms for decision-making. Among its main products are:
 - Datacred Premium Plus: provides a commercial profile of individuals and firms, allowing for information related to: credit risk scores (DB Score), general background information on persons and/or firms (addresses, verification of domicile, real estate registry, among others), current protests and arrears in the commercial-financial system, partner/partnership (creation, liens, bankruptcies, dissolution), status of ID card, tracking of tax-payer ID queries and foreign trade.
 - Datacred Integral: provides information from various databases yielding a complete report on the financial situation. The databases included in the report are: Commercial Information Bulletin (BIC), Consolidated Arrears (MC), demographic background (sex, age, profession), domiciles, deceases and status of ID card, indicators of published credit history, tax-payer ID queries, bulletin of arrears in labor and provisional payments (unpaid fines, provisional debtors), incorporations, modifications, dissolutions and bankruptcies.
 - Datacred Plus: provides information on the commercial profile of individuals and firms, allows for obtaining information related to DB Score (a tool that permits quantification of future credit performance, estimating payment performance related to loan commitments on the basis of a predictive-probabilistic system; supporting credit-granting decisions), demographic background, current protests and arrears in the commercial-financial sector, ID blocks and tax-payer N° queries. This product also includes detailed data on debts, such as: date of maturity, cause for protest, amount involved, issuer and signer.
 - Integral Query: provides consolidated data on protested documents and current arrears (individuals and firms), published in BIC and Consolidated Arrears, both of which are databases managed by the CCS.
 - Commercial Information Bulletin provides information on individuals and firms related to protested documents (checks, promissory notes) and payments in arrears published in the CCS' Commercial Bulletin.
 - Other products included in DATAURED are corporate structures, consolidated arrears, tax-payer ID N° search by name or commercial name, addresses, liens, bankruptcies,

real estate registries, SII current entries, validation of Forms 22 and 29, personal address and status of ID card.

2. Datacheck is an online system that permits verification of the status of a check upon presentation and the commercial evaluation of the signer. It informs whether there is any current stop-payment order outstanding (in the gazette or daily through the banks), account status, account-holder tax-payer ID N°, current validity of identification document, etc.
3. Address Verification: corresponds to the actual on-the-spot verification of addresses provided by clients with respect to personal and professional address.
4. Portfolio Alert: is the commercial tracking of a client portfolio, reporting and alerting only with respect to variations and changes experienced by the portfolio in relation to an initial state.
5. DataMarketing: attempts to provide support to commercial client management via validation, completion and standardization of client information. Services for generating prospects, geographic references, mapping and optimal balanced routes for commercial management, distribution and collection are also offered.
6. Business Intelligence: corresponds to a service that models prediction of risk in the customer's life-cycle (selection, performance, collection and recovery).

3.2.5 Pricing Policies

According to DataBusiness contract policies, clients and users pay a fixed monthly fee for a basic volume of queries (typically 2 UF) and for each additional query, summary or detailed, according to a price list that depends on the product consulted. In all cases, fees for the more consulted products range between 0.0238 and 0.0774 UF.

3.2.6 Procedures and Policies to Ensure Information Quality

DataBusiness processes data under strict quality controls, using internal ISO 9001 norms (currently in process of certification).

3.2.7 Procedures and Policies for Risk Management

Risk management includes control of physical and IT access, control of processes, constant tracking and monitoring of company operations, as well as confidentiality agreements with customers, suppliers and personnel.

3.2.8 Rights of Individuals/Firms to Access Information and Resolve Disputes

Chile has a law for the protection of data (Law 19628) that regulates rights and uses (including habeas data) of firms and individuals for the processing of third party data in general. Also, consumer law (law 19496) regulates the service relationship with all firms, including dispute resolution.

3.2.9 Information-Sharing Policies

There are no processes for sharing information with third parties. Customer data is kept confidential.

3.3 SINACOFI

The National Financial Communication System (SINACOFI) is a firm whose business goal is the development of activities related to data processing by means of data transfer systems and the provision of information services to the banking industry and the market in general.

3.3.1 Control/Governance

The Association of Banks and Financial Institutions of Chile formed SINACOFI in 1987 for the general purpose of managing, operating and developing an electronic support network for the commercial and operational activities of Chilean financial institutions, by means of exchanging useful information. SINACOFI is chaired by the president of the Association of Banks and Financial Institutions of Chile.

3.3.2 Information Sources

SINACOFI relies on periodically updated databases with information that comes directly from the banking industry and official sources such as the Internal Revenue Service, the General Treasury of the Republic, the Santiago Chamber of Commerce, the Civil Registry and Identification Service, among others.

From the outset of SINACOFI Network operations, all banks and finance houses in the Chilean financial system took part, along with the regulatory and oversight agencies in the sector, providing a constant source of information for updating the databases.

3.3.3 Users

The services provided by SINACOFI are used by the totality of its customers, such as: the Central Bank of Chile, the Bank and Financial Institution Superintendency (SBIF), the Mint, Armored Transport Services, Redbanc, Central Securities Depository (DCV) and the Association of Banks and Financial Institutions (ABIF). SINACOFI currently operates more than 2 million messages annually.

3.3.4 Services

SINACOFI has developed dedicated EDI (Electronic Data Interchange) messaging services. This service began operating in 1988 with 20 message formats. Currently, there is an online query service which allows direct access to the warehouse databases, both for consulting and updating data. The following actions can take place with the aid of certain connectivity options:

1. Queries via Connect 2000: this application permits direct communication between client institution mainframes and the data warehouse, and allows for the display of user information. It is based on the use of standard communication protocols and private communication networks between customers and SINACOFI.
2. On-line Web Queries: this is a data warehouse service that allows financial system clients to make direct queries or update database information online, using the graphic webpage interface facilities. It gives access to the following information: protests and unpaid bills, financial system debtors, labor and social security non-compliance, Central Bank of Chile fines, interdictions on opening bank accounts, protests in the process of publication, bankruptcy events, addresses linked to the Single Tax-payer N° (RUT), RUT queries, non-negotiable liens, tax status, arrears with retailers, registry and verification of domicile.
3. Batch Queries or massive revision processes: these allow for customer file-based query procedures at the SINACOFI data warehouse. The service enables evaluation of the customer portfolio for product and service renewal, response to legal requirements, control of credit officer performance and updating relevant information.
4. InfoMAX Total: provides commercial and financial information to the non-bank market in general. Gives access to updated information for business decision-making, and is a consolidated report with commercial behavior background on firms and individuals. It includes data related to real estate, useful for business evaluation, loans granted, strategic associations, supplier and customer evaluation, participation in tenders, leasing or sale of goods. This information is provided for each tax-payer ID (RUT) and includes: RUT queried, commercial name, type of business, address, district and municipality; summary and detail of: protested checks and bills at banks, trade and companies; current arrears with banks, in trade and with firms; address registry, real estate registry, non-negotiable lien registry, record of labor and social security non-compliance; registry of bankruptcy events; foreign trade registry; tax status registry; registry of central bank fines and RUT queries during the last six months.

3.3.5 Pricing Policies

The InfoMAX service at SINACOFI is available with payment schedules to clients who wish to consult the commercial reports: there is one schedule with no minimum billing that provides access to all services, and three others with minimum billing of 2 UF, 5 UF and 7.5 UF each that provide access to all services.

3.3.6 Procedures and Policies to Ensure Information Quality

SINACOFI applies backup and validation to its data, based on standard communication protocols. Similarly, it relies on a quality management system to guarantee reliable product delivery in order to satisfy customer needs and expectations. This quality policy is based on total observance of current regulations. SINACOFI has ISO 9001:2000 certification.

3.3.7 Information-Sharing Policies

SINACOFI is legally and contractually authorized to manage multiple public and private databases, from which it communicates information regarding commercial, banking, financial, and economic data, for the purpose of providing the market in general with a tool for decision-making.

3.4 SIISA

Integrated Information Services, Ltd. (SIISA) was founded towards the end of the 80's for the purpose of becoming a credit bureau with a focus on consulting, and specializing in the use of commercial and financial information to create management tools to support credit-granting within commercial, industrial and financial firms. It is basically a business intelligence company.

3.4.1 Control/Governance

Its main shareholders, who are all companies specializing in the evaluation of credit risk under its various modalities, include: Sistemas Integrados y Telecomunicaciones S.A. and TransUnión Inc.

3.4.2 Information Sources

It uses public and private information as permitted by Law 19.628 and considered relevant to the task of credit evaluation, which is contained in commercial, legal and other types of databases that are structured to that effect and form an integral part of the management tools.

3.4.3 Users

The portfolio of customers and users is composed of industrial, commercial and financial firms in Chile who grant credit to individual or legal persons.

3.4.4 Services

SIISA has developed a series of products with added value aimed at supporting the technical analysis required for the proper granting of credit, based on the management of data considered relevant to the purpose of credit evaluation, and which is contained in commercial, legal and other types of databases.

With this in mind, evaluation, scoring and credit control systems both for the evaluation of commercial loans or working capital, as well as for the granting and evaluation of consumer loans, have been implemented.

They also allow for the establishment of control systems for provisioning based on risk models, which is applicable to financial institutions as the new Basel II requirements come into force.

The firm's analytical databases are specially built to generate indicators that can help infer the likelihood of recovering loans granted to third parties. Their use fall within the so-called SISTEMA MARC system:

1. Performance Indicators for future "Payment Probability": in order to incorporate this variable into the process of analysis performed by the MARC[®] system, risk indicators developed by SIISA are used which establish an intermediate, multivariate analytical level (bivariate or trivariate) that allows to determine the probability that a given credit subject will maintain or deteriorate payment capacity and degree of solvency vis-à-vis the immediate past.
2. SIISA Ranking[®]: this is an index that represents the level of credit risk associated with a given credit subject at the date of evaluation, allowing to determine the probability of occurrence of cash-flow shortfalls that could affect payment capacity in the short and medium term.
3. Weighted Risk Index – IPR[®] or SIISA Score[®]: this is a risk indicator that reflects the level of risk associated with a given credit subject according to SIISA's analytical and technical criteria. This indicator is incorporated as a parameter in the credit analysis system developed by SIISA and known as MARC[®], ultimately providing the debt repayment probability for a given subject under evaluation.

Three entry meta-variables are defined, among others, for the calculation of this indicator, which then become a single value after revising for each their equivalence in a table of statistical weights, and whose summation yields the input for the calculation of the final indicator. Desk variables, financial variables and demographic variables are considered.

3.4.5 Pricing Policies

SIISA's pricing policy is based mainly on industry characteristics in Chile: given the high market share of the industry leader among data distributors, SIISA's prices are set in reference to the dominant player.

3.4.6 Procedures and Policies to Ensure Information Quality

The quality of commercial information, its updating and strict adherence to the real situation of each data subject are assured by the database managers' obligations to comply strictly with the provisions of laws 19625 and 19812.

3.4.7 Rights of Individuals/Firms to Access Information and Resolve Disputes

SIISA has a specialized Call Center for handling inquiries that may eventually arise as the result of information errors in the databases, which are then channeled to the legal department and data processing. The Call Center analyzes each case and determine whether or not timely corrections are called for in keeping with articles 18 and 19 of law 19.628.

Access to the Call Center is through SIISA's phone switchboard, with remedial action in the report copied back to the data subject via fax, e-mail or other means.

All subjects have the right to request from distributors, free of charge, any information that may be kept on them so as to verify its accuracy, in keeping with the provisions of article 12 of law 19,628.

3.5 SANTIAGO CHAMBER OF COMMERCE

According to Supreme Decree 950, the Santiago Chamber of Commerce is charged with centralizing and distributing information on protests of bills of exchange, promissory notes and checks and other non-compliance of debtors to banks and finance houses. These services are offered via the Commercial Information Bulletin or Commercial Bulletin (BIC).

Although part of the services provided involves centralizing and distributing information through other databases, in keeping with Supreme Decree 950, it also provides data on arrears with retailers and thus has become a data distributor..

3.5.1 Control/Governance

Supreme Decree 950 of 1928 and its 2006 amendment via Supreme Decree 998 of the Ministry of Finance established and subsequently ratified BIC as the commercial database which fulfills the role of official source, managed by the Santiago Chamber of Commerce (CCS).

3.5.2 Information Sources

Reported data is either obligatory or voluntary, according to the source. Actuaries, for example, are legally obliged to periodically report protested exchange bills and promissory notes. Commercial banks must inform protested checks on a weekly basis. However, financial, commercial and development agencies, report data on their debtors in arrears on a voluntary basis. In addition, BIC contains clarifications regarding protests and other non-compliance (see section 2.3.2).

3.5.3 Users

Private financial data registries, data subjects and any individual, firm or bank subscribing to the BIC.

The delivery of data to final users is done through distributor firms (credit bureaus) who obtain the referred information from CCS.

3.5.4 Services

Through BIC, the CCS compiles, processes, edits and publishes protests and arrears at the national level, and also registers the regularization of financial obligations by persons and firms.

One of the main services offered by BIC is the Official Certificate of commercial background. This is an official document containing updated information on protests and arrears in the commercial and financial system registered in the Commercial Bulletin at the time the document is requested. The Certificate provides persons, institutions and companies with the commercial background related to a given RUT (tax-payer ID) in support of commercial decisions in credit risk evaluation processes.

The BIC also includes voluntarily reported information on customer arrears of its member companies, including retailers.

3.5.5 Pricing Policies

Some of the basic BIC fees are described next. These include taxes and are applied individually to each protest or arrear. Their source is the CCS website. The clarification fee is applied to the total amount outstanding of a given loan, each time the clarification process is undertaken.

As from January 1st 2008, fees are only charged for clarification of entries in excess of \$300,000. After January 2010, there will be no clarification charge.

Table 7. BIC – Services Fee Schedule

| <i>Type of Certificate</i> | <i>Unit Value (\$)</i> |
|--|------------------------|
| Clarification in Process Certificate | 700 |
| Current Publications in the Commercial Bulletin | 2,500 |
| Current Publications in the Commercial Bulletin and Arrears in the Commercial/Financial System | 2,500 |
| Documents to be published in the next Commercial Bulletin | 2,000 |
| Clarification Certificate | 2,000 |
| Official Certificate of Commercial Background with Clarifications in Process | 3,000 |

*Fees for the Clarification of Protests and Payments in Arrears in the Commercial Bulletin
As from November 24th 2006*

| <i>Value of Documents</i> | | <i>Fee (VAT inclusive)</i> |
|---------------------------|-----------|----------------------------|
| <i>From</i> | <i>To</i> | |
| <i>\$</i> | <i>\$</i> | <i>\$</i> |
| 1 | 100,000 | 0 |
| 100,001 | 300,000 | 4,410 |
| 300,001 | 500,000 | 7,860 |
| 500,001 | 1,500,000 | 10,580 |
| Más de 1.500.000 | | 13,110 |

3.5.6 Procedures and Policies to Ensure Information Quality

The centralization of primary sources and subsequent data processing allows for homogenous delivery to the distributing companies, and from them to the final users.

3.5.7 Rights of Individuals/Firms to Access Information and Resolve Disputes

The BIC contains a clarifications section where interested parties may, at no cost, provide explanations by individuals erroneously affected by the publication of data in previous Bulletins. These errors can be the result of imprecision or any cause other than non-compliance by the debtor. The clarification process begins with the submission of the documents proving the regularization of commercial non-compliance and the payment of the corresponding fees in those cases where they still apply.

3.5.8 Information-sharing Policies

In keeping with the provisions of law N° 19628, BIC places at the disposal of all persons individual and legal) free of charge the commercial background service once every six months, which must be requested personally at any official BIC agency by the data subject whose information was published.

4 PUBLIC FINANCIAL INFORMATION REGISTRIES

4.1 MAIN OBJECTIVES OF THE REGISTRY

The Bank and Financial Institutions Superintendency (SBIF) operates a credit information registry known as the Debtors System (SD), which started in 1950. The purpose of the registry is to support the regulation and supervision of the banking sector and distribute positive and negative information to the supervised institutions.

The legal basis for the existence and operation of this registry is article 14 of the General Banking Act and section 18-5 of the Updated Compilation of SBIF Norms. The System Information manual presents a detailed explanation of all the information processed in the debtors system.

4.2 INFORMATION SOURCES

There are currently 31 regulated financial intermediaries in Chile: 26 domestic and foreign banks and 5 credit cooperatives. They all report data to the SD. The system gathers the data reported obligatorily by financial intermediaries under a standard format. There is no minimum loan value for reporting purposes.

Some of the SD files such as D01 and D10 contain consolidated data on unpaid debts to the institution. SD files are shown in Table 8.

The institutions report their data in TXT files through an encrypted channel. It is generally sent through SINACOFI, a firm belonging to the Bank Association that provides the service. Another transmission method is through an extranet connection with a digital certificate. The data is backed up on a monthly basis.

The data reported to SD is stored by SBIF. The available database dates back to 1955, although for Superintendency purposes, only the last 24 months are available online. The rest of the data is stored on CD/DVD.

Part of the data received at the SD goes to the Debtors Status (ED). For the most part SD data is prepared via file D01.

ED information is not stored permanently at the SBIF. Once it is received and compiled from file D01, SBIF distributes it to the institutions and keeps it in the database for a month.

ED data is updated monthly from the background information that financial institutions report to SBIF, according to the provisions of Information System Manual – which refers to the Debtors System – and the Updated Compilation of Superintendency Norms.

Table 8. Debtors System

| <i>Code</i> | <i>Name</i> | <i>Frequency</i> | <i>Deadline (working days)</i> |
|-------------|---|--------------------|------------------------------------|
| D01 | General Debts | Monthly | 7 |
| D02 | Specific Debts | Monthly | 7 |
| D04 | Funds Attracted | Monthly | 10 |
| D05 | Debtors on cross-border transactions | Monthly | 10 |
| D08 | Consumption and housing mortgage loans | Monthly | 7 |
| D09 | Interbank letters of guarantee | Monthly | 7 |
| D10 | Debtor information – article 12 LGB ^(e) | Monthly | 7 |
| D16 | Guarantees provided | Quarterly | 10 |
| D17 | Guarantees provided by individuals | Quarterly | 10 |
| D21 | Leasing contracts | Monthly | 7 |
| D22 | Leased goods | Monthly | 7 |
| D24 | Factorage transactions | Monthly | 12 |
| D25 | Related loans granted by subsidiaries and branches abroad | Monthly | 12 |
| D26 | Loans granted by foreign branches | Monthly | 15 |
| D30 | Interest rate charged on transactions linked to the calculation of current interest | Daily | ^(a) |
| D31 | Daily interest rates for loan and deposit transactions | Daily | 1 ^(a) |
| D32 | Daily interest rates for transactions | Weekly | 2 |
| D33 | Interest rates on loans granted via the use of credit or overdraft lines | Weekly | 2 |
| D40 | Loans for tax-exempt exports | Monthly | 12 |
| D41 | Loans purchased from ANAP ^(b) | Semesterly | 15 |
| D42 | Loans for subsidized housing | S/P ^(c) | 15 |
| D43 | Auctions or assignment in payment of subsidized housing | S/P ^(d) | - |
| D50 | Financial creditors | Monthly | 12 |

Fuente: SBIF.

^(a) To be reported on the morning of the following bank working day

^(b) This file is to be sent only by those banks with the corresponding loans

^(c) No frequency. Files shall be sent only when requested.

^(d) File D43 shall be sent only if there are auctions or assignments in payment to be informed, and the deadline for their reporting shall be indicated in the corresponding request.

^(e) File D10 shall be sent for the first time with data referring to October 31st, 2008.

4.3 USERS

Reciprocity exists with respect to the data reported to the ED. Only reporting institutions in turn receive the information from the ED. This implies that only supervised institutions have access to the ED. While such reciprocity exists, in the case of positive information the data received by entities from the SBIF database is at the aggregate level with no detail on individual transactions.

System debtors have the right to consult regarding their situation in the system, either directly at SBIF or via the website.

4.4 SERVICES

SBIF prepares and distributes the file known as Debtor Status to regulated financial intermediaries. Some of the basic information is summarized in Table 9.

Table 9. Debtor Status Information

| | |
|--|--|
| <i>Debtor Identification:</i> | Name and RUT (tax-payer ID). |
| <i>Direct Debt:</i> | Current (less than 30 days overdue), Arrears (from 30 to 90 days overdue), Overdue loans. |
| <i>Indirect Debt:</i> | Current and Overdue. |
| <i>Commercial Debt:</i> | Current Debt. |
| <i>Commercial Foreign Currency Debt:</i> | Current and Overdue. |
| <i>Consumer Debt:</i> | Current debt and number of debtors. |
| <i>Mortgage debt:</i> | Current debt. |
| <i>Available lines of credit</i> | |
| <i>Direct debt through repurchase agreements</i> | |
| <i>Overdue or protested debt:</i> | Identification of creditor institution. |
| <i>Leasing:</i> | Value of contracts. |

Another services provided by the registry is intended internally for the Institution as a Superintendency and inspection tool, through prior analysis to on-site inspection and the design of early-warning mechanisms for banks.

4.5 PROCEDURES AND POLICIES TO ENSURE INFORMATION QUALITY

The institutions report their data in TXT files through an encrypted channel. Another transmission method is through an extranet connection with a digital certificate.

Once the SBIF receives the data, various validation stages ensue. First, SBIF checks that the file structure and contained data are correct. The data is then processed and its consistency is verified through other means. Finally there is a third validation level.

In addition, financial system debtors may consult their Debtor System information directly at the SBIF or through the internet.

4.6 RIGHTS OF INDIVIDUALS/FIRMS TO ACCESS INFORMATION AND RESOLVE DISPUTES

All financial system debtors may consult their Debtor System information directly at SBIF or through the internet.

SBIF has a Bank Customer Assistance Department that receives and processes all debtor complaints regarding the data contained in the ED. Although SBIF cannot modify the data reported by financial institutions, this department can intervene to find a solution.

If the existence of an error is confirmed, the bank sends a corrected report to SBIF as well as to other banks. The ED will display the current corrected data. Thus the ED will contain correct data on the subject. However, the history contained in the ED and distributed prior to the correction is neither revised nor corrected. SBIF does not redistribute the previous ED with the correct information.

There is no specific regulation on fines or disciplinary action in cases where institutional reporting is poor. However, section 5 of chapter 18-5 of the Updated Compilation of SBIF Norms requires that institutions be careful and responsible when reporting debtor data to the ED. Currently, SBIF acts at discretion regarding action to be taken with respect to institutions that do not keep proper standards.

4.7 INFORMATION SHARING POLICIES

Except for the “debt certificate” that a debtor may request from SBIF, this registry only provides information on aggregate indebtedness.

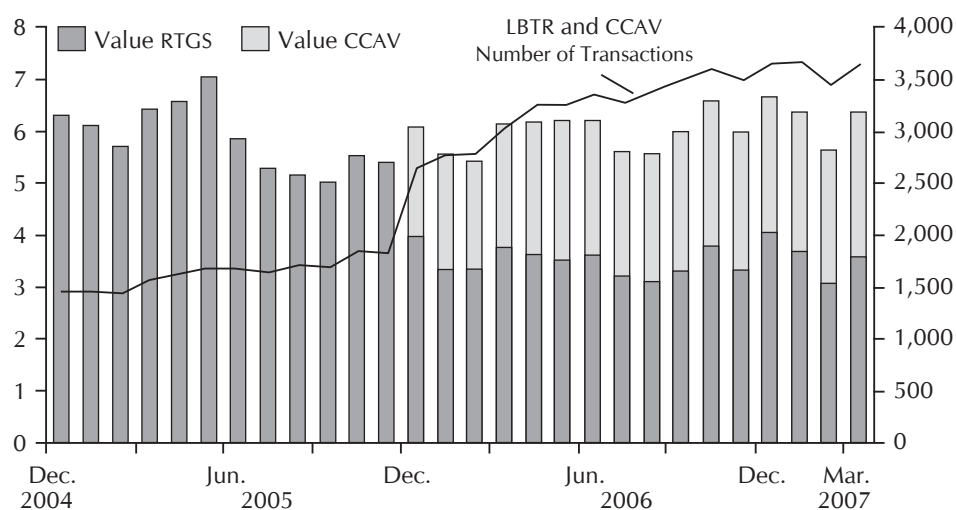
5 INTERACTION WITH OTHER COMPONENTS OF THE FINANCIAL INFRASTRUCTURE

5.1 PAYMENTS SYSTEMS AND INSTRUMENTS

There are “large value” payments systems operating in Chile which process a low volume of transactions of an individual or aggregate value that is significant with respect to the size or capital of the participants.

These systems are usually associated to interbank transactions and transactions in the currency and securities markets. Since these systems are employed for the transfer of payments that are critical to the proper functioning of financial markets, they are also known as systemically important payments systems. The principal large value systems are the RTGS (Real Time Gross Settlement) and the CCAV (Large Value Clearing House).

Graph 10. Large Value Systems
Settled Transactions
(Millions of pesos)



Source: Central Bank of Chile.

“Small value” payments systems process a large number of low individual value transactions. They are commonly used to transfer funds between individuals and/or firms in transactions connected to the sale of goods and services.

There are various means employed in Chile for small value transactions, among them the check which accounts for 38 per cent of the total. Payment cards (credit and debit), however, are acquiring increasing relative importance.

The following table and graph show the evolution of the principal means of payment:

Table 10. Retail Systems
(Settled transactions)

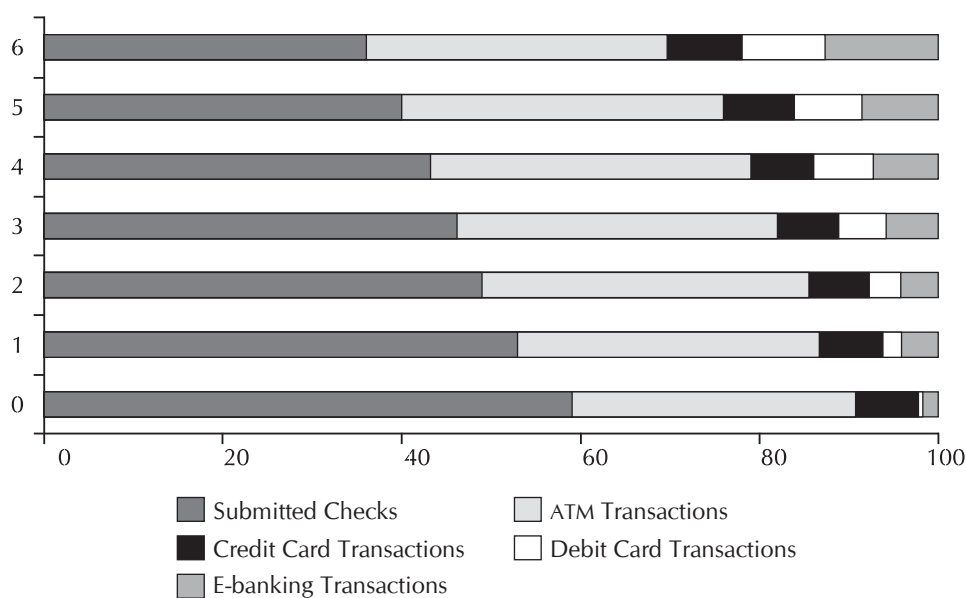
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---------|---------|---------|---------|---------|---------|---------|
| <i>(value in billions of current pesos)</i> | | | | | | | |
| Checks | 518,574 | 545,627 | 568,040 | 512,007 | 503,038 | 463,925 | 339,126 |
| ATM's | 4,969 | 5,795 | 6,710 | 7,058 | 7,673 | 8,633 | 8,838 |
| Credit Cards | 861 | 951 | 1,013 | 1,205 | 1,418 | 1,829 | 2,173 |
| Debit Cards | 31 | 175 | 319 | 597 | 804 | 942 | 1,261 |
| Internet Ops. | n.a | n.a | n.a | n.a | n.a | n.a | n.a |
| <i>(thousands of transactions)</i> | | | | | | | |
| Checks | 305,122 | 293,173 | 285,108 | 291,932 | 284,286 | 276,589 | 257,540 |
| ATM's | 161,576 | 184,980 | 210,930 | 221,464 | 233,617 | 246,115 | 238,632 |
| Credit Cards | 37,536 | 39,751 | 40,346 | 43,903 | 47,964 | 55,560 | 59,754 |
| Debit Cards | 1,972 | 11,490 | 20,459 | 34,058 | 42,645 | 52,157 | 66,975 |
| Internet Ops ^(a) | 7,969 | 22,399 | 23,183 | 34,064 | 46,556 | 56,991 | 88,183 |

Source: SBIF.

n.a: Not available.

^(a) Annualized figures based on transactions undertaken in June and December.

Graph 11. Use of Means of Payment in Retail Systems
(Percentage market share)



Source: Central Bank of Chile.

5.2 CIVIL REGISTRY AND IDENTIFICATION SERVICE

The Civil Registry Service is a decentralized public service charged with managing the information systems relevant to the life-cycle, legal events and personal identification.

When requesting data from the Civil Registry and Identification Service (SRCel) a “Service Contract” must be signed between the Civil Registry and Identification Service and the entity requesting the data, in which the respective responsibilities, the means of data delivery and its price are established.

There are a series of available services that allow for the validation of data held by external entities with that contained in the Service’s registries. The data made available respects the provisions of Law N° 19628 (and Law N° 19812) on the Protection of Data Referring to Private Life. The main functions of the Registry Service associated to the Commercial Information System are:

- Identity cards.
- National Passport Registry.
- National Registry of Effective Possessions and Wills.
- Motor Vehicle Registry, which issues the certificate of inscription and current entries.
- National Registry of Road Cargo Transportation.
- National Registry of Motor Vehicle Drivers, which contains information on the subject’s driving record that is kept confidential.
- National Registry of Handicapped Persons.
- Public Registry of Professionals.
- Registry of Family Violence.
- Registry of Personal Information Databases managed by public entities.
- General Registry of Verdicts

Actuaries are legally obliged to periodically report all protests of bills of exchange, promissory notes and checks to the entity charged with handling this information, i.e. they report the information to the database at the Commercial Information Bulletin.

5.3 REAL ESTATE REGISTRY (REAL ESTATE REGISTRARS)

Information pertaining to the ownership of real estate is stored in the offices of Real Estate Registrars, of which there are 137 throughout the country. They keep three types of registries: purchases, mortgages and bans.

APPENDIX: STATISTICAL TABLES

The first series of tables (A) provides information on credit reporting in Chile. These tables have been prepared following the Standard Methodology for Country Tables developed by the main Initiative team. This methodology is available at the WHCRI website, www.whcri.org.

The second series (B) provides general statistical information on the financial system and the loan market.

Series A

Credit Reporting Statistics

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Series B

General Statistical Information

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A1: Basic Statistical Data

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|-------------------------|-------|-------|-------|-------|-------|-------|
| Population | 15.4 | 15.6 | 15.8 | 15.9 | 16.3 | 17.1 |
| GDP (USD Billions) | 68.6 | 67.2 | 73.9 | 95.8 | 118.9 | 145.8 |
| Per Capita GDP (in USD) | 4,403 | 4,272 | 4,629 | 5,903 | 7,089 | 8,572 |
| Exchange rate vs. USD | | | | | | |
| End of year (December) | 669.1 | 702.2 | 602.9 | 576.2 | 514.3 | 527.6 |
| Average | 634.9 | 688.9 | 691.4 | 609.5 | 559.8 | 530.3 |

Source: Banco Central de Chile and IMF.

A2: Bank Credit and Loan Reporting Institutions, and Other Relevant Databases for Credit Activities

| | Name | General Description |
|--|---|---|
| <i>Private Credit Bureaus</i> | DICOM – EQUIFAX | Founded in 1979, provides commercial background and check verification services to firms and individuals. |
| | DATA BUSINESS | Created by the Santiago Chamber of Commerce in 1999, provides information on credit risk and business intelligence services, including scoring. |
| | SINACOFI | Firm engaging in data processing based on information transfers; also provides credit reporting services. |
| | SIISA | Firm specializing in credit reports, Generic Scores and Specific Scores. |
| | Santiago Chamber of Commerce (BIC) | Centralizes and processes information on protests of bills of Exchange, promissory notes and checks; also processes and distributes information on members' customer arrears. |
| <i>Public Credit Information Registries/Risk Centers</i> | SBIF-Debtor Status | File which forms part of the centralized debtor system and is processed by SBIF; it is sent to all supervises institutions with consolidated data on the system's debtors. |
| | Civil Registry and Identification Service | Processes information systems relevant to the life-cycle, legal events and personal identification of individuals. |
| <i>Other Databases</i> | Real Estate Registry | Real Estate Registrar's offices process all data referring to ownership of real estate. |

Source: Prepared by authors.

A3: Private Credit Bureaus – Ownership Structure

| | <i>Name of Partner</i> | <i>Percentage of Ownership</i> |
|-----------------|--|--------------------------------|
| DICOM – EQUIFAX | Equifax Inc. | 100.0% |
| DATA BUSINESS | Inversiones Cerro Huelen S.A. Peter Hill | 99.9% ... |
| SINACOFI | Association of Banks and Financial Institutions of Chile | 100.0% |
| SIISA | Hans Eduardo Hanckes Estefan Virginia Ximena De Laire Forttes Transunion | n.a. |
| CCS (BIC) | Santiago Chamber of Commerc | 100.0% |

Sources: *Private Credit Bureaus.*

A4: Institutions Reporting to Private Credit Bureaus

| | <i>2001</i> | <i>2002</i> | <i>2003</i> | <i>2004</i> | <i>2005</i> | <i>2006</i> |
|-------------------------|-------------|-------------|--------------|--------------|--------------|--------------|
| DICOM – EQUIFAX | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| DATA BUSINESS | | | | | | |
| Financial Sector | n.a. | n.a. | 118 | 123 | 126 | 127 |
| Non-Financial Sector | n.a. | n.a. | 908 | 943 | 974 | 988 |
| Total | n.a. | n.a. | 1,026 | 1,066 | 1,100 | 1,115 |
| SINACOFI ^(a) | | | | | | |
| Financial Sector | 18 | 20 | 20 | 20 | n.a. | n.a. |
| Non-Financial Sector | neg. | neg. | neg. | neg. | n.a. | n.a. |
| Total | 18 | 20 | 20 | 20 | n.a. | n.a. |
| SIISA | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| CCS (BIS) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Source: *Private Credit Bureaus.*

^(a) At the time this report was prepared SINACOFI had 41 million entries and 16 million individuals; there is no annual information.

A5: Institutions Reporting to Public Credit Information Registries

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Financial Sector | 27 | 26 | 27 | 27 | 28 | 31 |
| Banks | 26 | 25 | 26 | 26 | 26 | 26 |
| Finance Houses | 1 | 1 | 1 | 1 | 0 | 0 |
| Financial Intermediation Cooperatives | 0 | 0 | 0 | 0 | 2 | 5 |
| Non-Financial Sector | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 27 | 26 | 27 | 27 | 28 | 30 |

Source: SBIF.

A6: Individuals, Firms and Transactions Registered at Private Credit Bureaus (millions)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|----------------------------------|-------------|-------------|------------|------------|------------|------------|
| DICOM – EQUIFAX | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| DATA BUSINESS | | | | | | |
| Number of Registered Individuals | n.a. | n.a. | 2.4 | 3.1 | 3.6 | 4.1 |
| Number of Registered Firms | n.a. | n.a. | neg | neg | neg | neg |
| Total | n.a. | n.a. | 2.4 | 3.1 | 3.6 | 4.1 |
| SINACOFI | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| SIISA | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| CCS (BIC) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Source: Private Credit Bureaus.

A7: Individuals, Firms and Transactions Registered at Public Information Registries

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| STATUS OF DEBTORS | | | | | | |
| Number of Individuals | 2,377,810 | 2,504,999 | 2,584,877 | 2,815,334 | 3,085,855 | 3,455,436 |
| Number of Firms | 939,914 | 993,321 | 1,009,614 | 528,240 | 562,810 | 641,883 |
| Total | 3,317,724 | 3,498,320 | 3,594,491 | 3,343,574 | 3,648,665 | 4,097,319 |
| Number of Registered Individuals | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Number of Registered Firms | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Total | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Source: SBIF.

Note: as from 2004 current account overdrafts ceased to be classified by default as loans to companies. The criterion of classifying them as loans to individuals or firms, according to the nature of the client, was adopted. This reclassification explains the decline in the number of commercial clients in the year 2004.

A8: Credit Reports Requested from Private Credit Bureaus
(by type of requesting institution)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|----------------------|--------|---------|---------|---------|------|------|
| DICOM – EQUIFAX | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| DATA BUSINESS | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| SINACOFI | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| SIISA | 88,000 | 126,000 | 200,000 | 290,000 | n.a. | n.a. |
| Financial Sector | 88,000 | 126,000 | 200,000 | 290,000 | n.a. | n.a. |
| Non-Financial Sector | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| CCS (BIC) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Source: Private Credit Bureaus.

A9: Credit Reports Requested from Private Credit Bureaus
(by type of requesting institution)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|-------------------|--------|---------|---------|---------|------|------|
| DICOM – EQUIFAX | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| DATA BUSINESS | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| SINACOFI | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| SIISA | 88,000 | 126,000 | 200,000 | 290,000 | n.a. | n.a. |
| Direct Connection | 70,000 | 95,000 | 150,000 | 210,000 | n.a. | n.a. |
| Others | 18,000 | 31,000 | 50,000 | 80,000 | n.a. | n.a. |
| CCS (BIC) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Source: Private Credit Bureaus.

A10: Credit Reports Requested from/delivered by Public Credit Information Registries
(by type of requesting institution)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| STATUS OF DEBTORS | | | | | | |
| Financial Sector ^(a) | 12 | 12 | 12 | 12 | 12 | 12 |
| Banks, Cooperatives and Financial Houses | 12 | 12 | 12 | 12 | 12 | 12 |
| Others | 0 | 0 | 0 | 0 | 0 | 0 |
| Individuals or Firms Requesting their own Credit Reports ^(b) | 139,065 | 160,992 | 218,587 | 220,101 | 202,510 | 201,411 |
| Total | 139,077 | 161,004 | 218,599 | 220,113 | 202,522 | 201,423 |

Fuente: SBIF.

^(a) Reports delivered to financial institutions contain aggregate system debtor data with a monthly frequency.

^(b) These reports are requested individually. Each one corresponds to an individual.

B1: Financial institutions

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|-------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| <i>Banks</i> | 26 | 26 | 26 | 26 | 26 | 26 |
| Private Banks | 25 | 25 | 25 | 25 | 25 | 25 |
| State-owned Banks | 1 | 1 | 1 | 1 | 1 | 1 |
| Financial Houses | 1 | 1 | 1 | 1 | 0 | 0 |
| Cooperatives | 0 | 0 | 0 | 0 | 2 | 5 |
| Total | 27 | 27 | 27 | 27 | 28 | 31 |

Source: SBIF.

B2: Loans Granted by Financial Sector Entities

(by type of institution, in USD millions)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|-------------------|---------------|---------------|---------------|---------------|---------------|----------------|
| <i>Banks</i> | 48,216 | 46,635 | 59,054 | 70,463 | 90,556 | 100,946 |
| Private Banks | 42,181 | 40,215 | 50,410 | 59,788 | 76,354 | 85,753 |
| State-owned Banks | 6,035 | 6,419 | 8,644 | 10,675 | 14,202 | 15,193 |
| Financial Houses | 330 | 232 | 324 | 290 | - | - |
| Cooperatives | - | - | - | 477 | 707 | 1,036 |
| Total | 48,546 | 46,867 | 59,378 | 71,230 | 91,263 | 101,982 |

Source: SBIF.

B3: Loans Granted by Financial Sector Entities

(by type of debtor, in USD millions)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|---------------|---------------|---------------|---------------|---------------|----------------|
| <i>Non-Financial Sector</i> | 45,320 | 45,104 | 57,066 | 68,545 | 87,481 | 98,054 |
| Public Sector | 620 | 248 | 527 | 559 | 879 | 771 |
| Private Sector | 44,699 | 44,856 | 56,538 | 67,986 | 86,602 | 97,283 |
| Natural or Legal Persons (non-profit) | 13,630 | 13,925 | 19,137 | 24,153 | 31,956 | 36,541 |
| Legal Persons (for profit) | 30,438 | 30,759 | 37,088 | 43,399 | 54,071 | 60,173 |
| Social Security System (Private Sector) | 632 | 172 | 313 | 434 | 575 | 569 |
| <i>Financial System</i> | 1,624 | 955 | 1,600 | 1,457 | 2,259 | 1,745 |
| Public Sector | 12 | 108 | 163 | 121 | 158 | 155 |
| Private Sector | 1,612 | 848 | 1,437 | 1,336 | 2,101 | 1,590 |
| <i>External Sector</i> | 1,602 | 807 | 713 | 751 | 816 | 1,147 |
| Total | 48,546 | 46,866 | 59,379 | 70,753 | 90,556 | 100,946 |

Source: SBIF.

Note: Excluding cooperatives.

B4: Loans Granted by Financial Sector Entities
(by type of loan, in USD millions)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Commercial | 36,640 | 34,704 | 42,810 | 48,181 | 60,455 | 65,925 |
| Mortgage | 8,298 | 8,333 | 11,188 | 14,253 | 18,762 | 21,325 |
| Consumption | 3,609 | 3,829 | 5,381 | 8,318 | 11,339 | 13,696 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 48,546 | 46,866 | 59,379 | 70,753 | 90,556 | 100,946 |

Source: SBIF.

Note. Excluding cooperatives.

**B5: Credit Quality Indicators of Loans Granted
by Financial Sector Entities**
(in USD millions)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|----------------------------------|--------|--------|--------|--------|--------|---------|
| Total Loans | 48,546 | 46,866 | 59,379 | 70,753 | 90,556 | 100,946 |
| Current | 47,784 | 46,015 | 58,372 | 69,915 | 89,730 | 100,183 |
| Past Due | 762 | 852 | 1,007 | 838 | 825 | 764 |
| Provisions | 1,152 | 1,094 | 1,270 | 1,408 | 1,458 | 1,499 |
| Classification by credit quality | | | | | | |
| A | 17,173 | 17,051 | 23,667 | - | - | - |
| B | 13,159 | 13,519 | 15,807 | - | - | - |
| B- | 1,085 | 1,029 | 1,684 | - | - | - |
| C | 304 | 351 | 333 | - | - | - |
| D | 124 | 150 | 341 | - | - | - |
| A1 | - | - | - | 2,934 | 4,066 | 2,324 |
| A2 | - | - | - | 14,391 | 16,544 | 21,741 |
| A3 | - | - | - | 10,573 | 13,864 | 15,998 |
| B | - | - | - | 7,617 | 9,926 | 10,447 |
| C1 | - | - | - | 1,901 | 1,942 | 2,171 |
| C2 | - | - | - | 483 | 398 | 365 |
| C3 | - | - | - | 199 | 135 | 124 |
| C4 | - | - | - | 209 | 195 | 113 |
| D1 | - | - | - | 177 | 122 | 81 |
| D2 | - | - | - | 226 | 199 | 150 |
| Group | - | - | - | 13,043 | 20,436 | 21,304 |
| No classification | 16,702 | 14,768 | 17,646 | 18,998 | 22,729 | 26,129 |

Source: SBIF.

Note. Excluding cooperatives.

LIST OF ABBREVIATIONS

| | |
|-------|---|
| ABIF | <i>Asociación de Bancos e Instituciones Financieras</i> (Association of Banks and Financial Institutions) |
| BCCH | <i>Banco Central de Chile</i> (Central Bank of Chile) |
| BIC | <i>Boletín de Información Comercial</i> (Commercial Information Bulletin) |
| CCAV | <i>Cámara de Compensación de Alto Valor</i> (Large Value Clearinghouse) |
| CCS | <i>Cámara de Comercio de Santiago</i> (Santiago Chamber of Commerce) |
| ED | <i>Estado de Deudores</i> (Status of Debtors) |
| EDI | Electronic Data Interchange |
| GDP | Gross Domestic Product |
| IMF | International Monetary Fund |
| RTGS | Real Time Gross Settlement |
| RUT | <i>Registro Unico Tributario</i> (Single Tax-payer ID Number). |
| SBIF | <i>Superintendencia de Bancos y Otras Instituciones Financieras</i> (Bank and Financial Institution Superintendency) |
| SD | <i>Sistema de Deudores</i> (Debtor System) |
| SRCel | <i>Servicio de Registro Civil e Identificación</i> (Civil Registry and Identification Service) |
| UF | <i>Unidades de Fomento</i> (Development Units) |

GLOSSARY

| | |
|-----------------|---|
| CLARIFICATION | The regulatory procedure for natural and legal persons in response to protests of their payment obligations lodged at the Santiago Chamber of Commerce. |
| RETAIL HOUSES | Department stores that sell retail with a credit option. Many issue credit cards that are used to finance purchases at their stores, and in certain cases for payment to third parties with whom agreements are maintained. |
| LOANS: | |
| - COMMERCIAL | Commercial loans are credits and collectibles to clients that are not included under the categories of housing or consumption loans. |
| - FOREIGN TRADE | Loans granted to persons other than banks, corresponding to foreign trade transactions involving Chile or third countries. They include: term-negotiable letters of credit for Chilean exports; loans to finance Chilean exports, granted to residents or non-residents and for the purchase of bills of exchange, promissory notes or other documentation of Chilean exports; term letters of credit for Chilean imports. |
| - CONSUMPTION | Comprise all loans granted to natural persons for use by the debtor in the purchase of consumer goods or services. Includes different types of loans (in installments or rotating), as well as balances on credit cards and current account overdrafts of natural persons. Consumer loans also include consumption leases and other accounts receivable. They do not include loans granted to finance entrepreneurial activity on any scale undertaken or to be undertaken by the debtor. |
| - HOUSING | Comprise mortgage loans granted to natural persons for the purchase, expansion, repair or construction of housing, granted under the modality of letters of credit, endorsable negotiable mortgages and others. They also include complementary loans to those granted for the same purpose, and linked loans prior to mortgage contract execution. It also includes leasing transactions for housing and other accounts receivable. |
| PROTESTS | These are checks, bills of exchange and promissory notes that have been presented before notaries upon non-payment on the due date and following attempts to collect by the creditor. |

BANKING RESERVE

Information that is not subject to bank secrecy and which may be seen by those natural or legal persons who can demonstrate a legitimate interest, so long as their access to the data does not bring about impairment of the data subject's net worth.

