



Superintendencia  
de Bancos  
e Instituciones  
Financieras  
Chile

A photograph of a modern, multi-story building with a grid-like facade of windows. The building is set in an urban environment with trees and other structures visible in the background. The image is overlaid with a semi-transparent blue geometric pattern consisting of various shapes and lines.

# SBIF and its main objective: financial stability

**Eric Parrado H.**

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A dark, low-angle photograph of a city street corner. The main focus is a large, modern building with a grid-like facade of windows. The street is busy with pedestrians and cars. The text "The role of the SBIF" is overlaid in white, centered on the image. The overall tone is somber and professional.

# The role of the SBIF



## Principal tasks and objective

Financial  
Stability

Safeguarding  
Depositors

Public  
Faith



# A GOOD WORKING ECONOMY

- Financial stability implies economic stability and vice versa.
- Chile was not the exception: 82 banking crisis



# The confidence is vital for the stability of the financial system



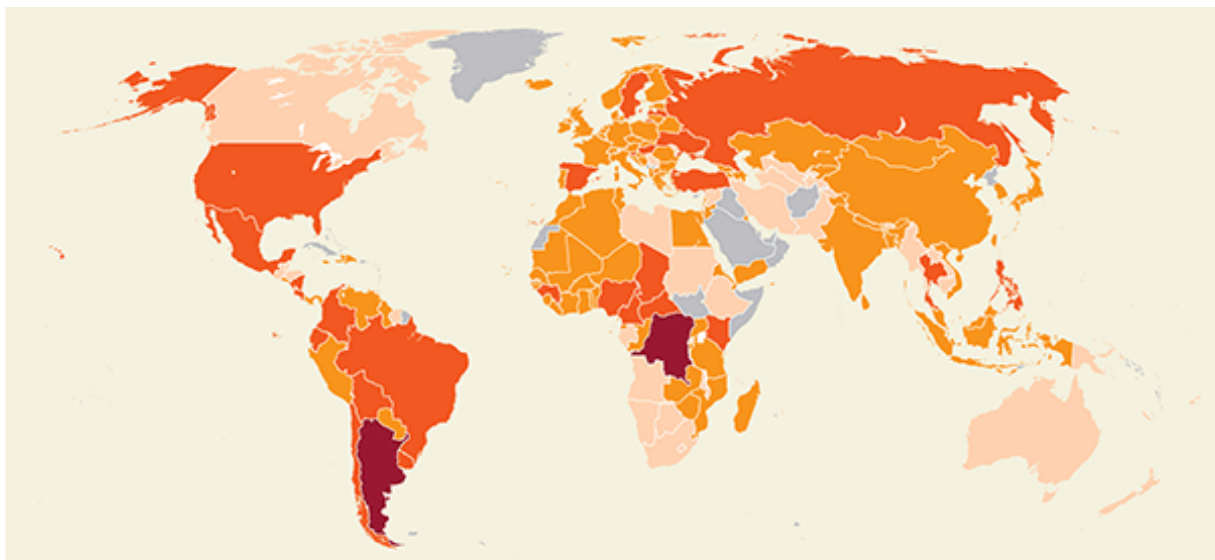
Berlin, July 13, 1931



London, December 7, 2010

# Banking crises are frequent

**Banking crises around the world, 1970 - 2011**



■ No banking crisis   ■ One crisis   ■ Two crises   ■ Three or four crises   ■ Missing data

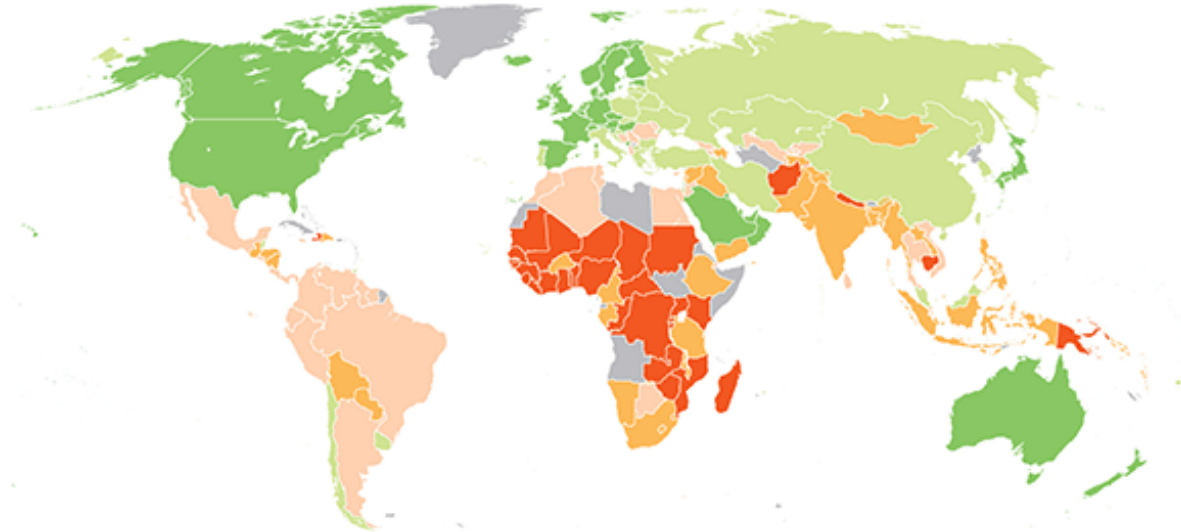
Source: WDR 2014 team based on data from Leaven and Valencia 2012. Map number: IBRD 40098





... So it is always necessary to be prepared

**Index of risk preparation across countries**



Least prepared quintile      Most prepared quintile  Missing data



# Balance of the Banking System

(Billions)

Assets  
USD 289

Liabilities  
USD 267

Capital  
USD 22

November 2015





# Strengths of the Chilean banking system

# The Chilean financial system enjoys a good health

## Indicators

	Solvency			Risk Non performing loans			Returns ROA		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Advanced Economies	15,2	16,1	16,6	6,1	7,7	7,3	0,3	0,4	0,6
Central and Eastern Europe	16,9	17,2	17,9	13,6	14,4	13,6	0,4	0,6	0,6
Commonwealth	22,4	19,4	17,8	8,4	8,9	10,5	1,6	1,8	0,7
Emerging Asia	16,4	17,0	17,8	3,5	3,8	3,8	1,7	1,6	1,7
Middle East and North Africa	17,9	17,5	16,4	9,0	8,5	7,9	1,4	1,4	1,5
Africa Sub-Sahara	18,8	18,6	18,7	6,9	7,2	7,3	2,9	2,8	2,8
Western Hemisphere	15,9	15,3	15,4	3,1	3,2	3,4	2,0	1,8	2,1
Argentina	17,1	13,6	14,4	1,7	1,7	2,0	4,3	5,0	6,9
Brazil	16,4	16,1	16,7	3,4	2,9	2,9	1,4	1,4	1,3
<b>Chile</b>	<b>13,3</b>	<b>13,3</b>	<b>13,2</b>	<b>2,2</b>	<b>2,1</b>	<b>2,1</b>	<b>1,4</b>	<b>1,5</b>	<b>1,6</b>
Peru	14,4	13,9	14,4	3,2	3,5	4,0	2,2	2,0	1,9
Mexico	15,9	15,6	15,8	2,4	3,2	3,0	1,8	2,1	1,7


## Soundness of banks

N°	Country	Index
1	Canadá	6,7
2	Finland	6,7
3	Australia	6,6
4	New zeland	6,5
5	Singapur	6,5
6	Norway	6,5
7	Hong Kong SAR	6,5
8	South Africa	6,4
9	<b>Chile</b>	<b>6,3</b>
10	Qatar	6,3

## Depth

### Credit /GDP 1/

	Average 1990-1999	Average 2000-07	Average 2010-13
Brazil	56	32	64
Chile	49	64	71
Colombia	26	23	36
Costa Rica	14	33	48
Mexico	21	14	20
Peru	16	20	27
Uruguay	28	38	24



But the legal framework  
is dated

**The last two changes are from  
1986 and 1987.**

1986 → Banking resolution mechanism

1997 → Basel I

**Since 2006 all governments have coincided to  
modernize the banking law.**



# Main pillars of the banking reform

**Corporate  
Governance**

**Basel III**

**Banking  
Resolution**

# Risks to financial stability

- Global growth projections are reduced, particularly for emerging economies
- They have been affected by lower commodity prices.
- China is slowing down and stock exchanges have experienced major corrections that spread to other stock markets.

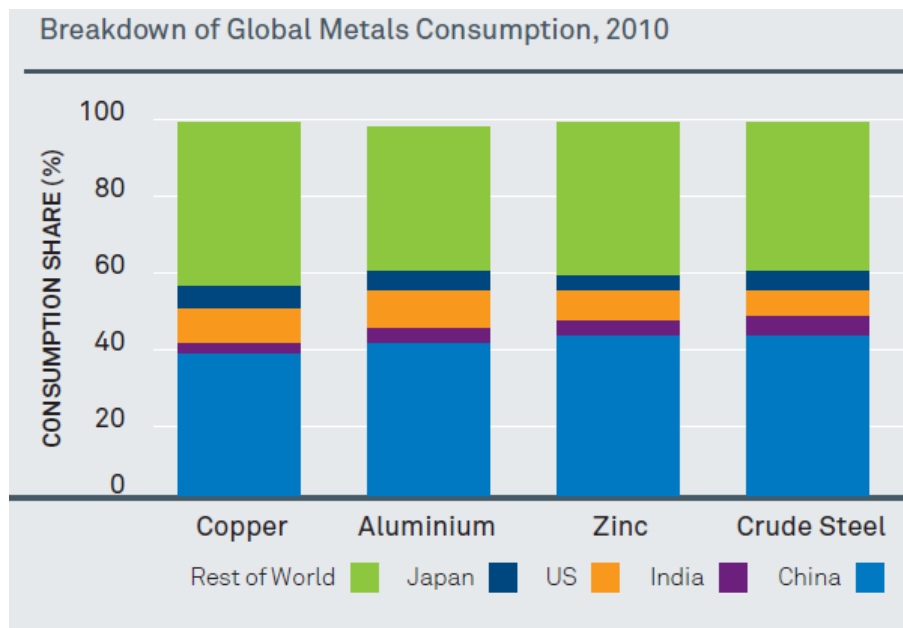


# Risks to financial stability

Commodity exports and trade with China							
	Commodity exports					Trade w/China	
	% GDP	% of total exports				%GDP	
		Sum	Sum	Energy <sup>1</sup>	Metals	Soft	Exp
LatAm	9.1	40.6	5.1	12.7	22.8	2.0	2.9
Arg	7.4	54.5	-8.1	6.4	56.2	0.9	1.7
Bra	6.2	43.4	-4.2	10.2	37.4	2.1	1.8
Chile	17.3	44.8	-18.2	55.0	8.0	7.1	5.5
Col	21.0	64.6	50.8	4.8	9.0	1.4	2.8
Ecu	21.9	60.2	29.1	3.3	27.8	0.9	3.4
Mex	5.0	7.9	2.4	2.3	-3.2	0.5	4.8
Peru	13.6	55.6	-3.4	53.0	6.0	3.5	4.3
Uru	5.7	44.0	-14.6	0.6	58.0	14.0	18.2
Ven	22.0	93.8	91.9	1.8	0.1	5.0	3.0

Source: J.P. Morgan, 1. Net energy imports as % of total exports.

## Risks to financial stability

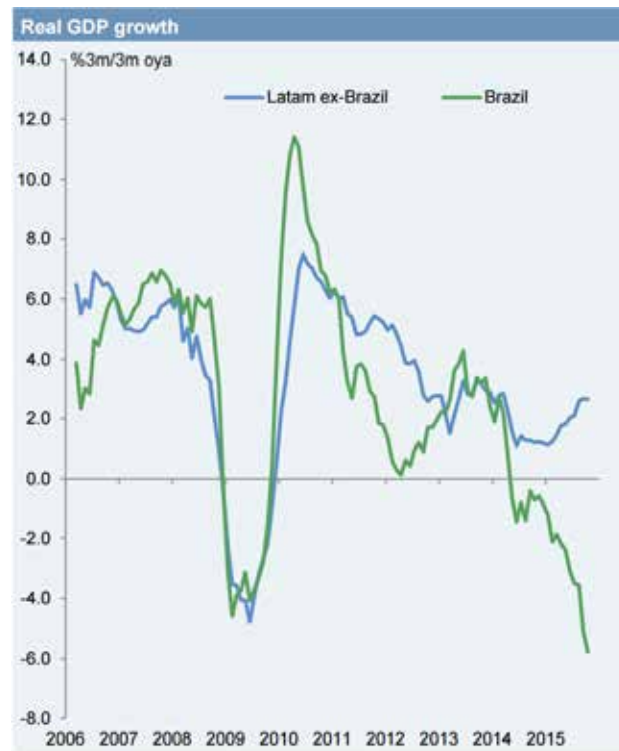


Source: Macquarie.



## Risks to financial stability

- In Latin America growth prospects for 2016 have been revised downwards across the board.



Source: J.P. Morgan

## Risks to financial stability

- While inflationary pressures have reduced the room for maneuver of monetary policy in these economies.



Source: J.P. Morgan

## Risks to financial stability

- In Latin America growth prospects for 2016 have been revised downwards across the board; while inflationary pressures have reduced the room for maneuver of monetary policy in these economies.
- Brazil has made a sharp deterioration recently that has resulted in a sharp depreciation of its currency.



## Risks to financial stability

- USA It has entered into a process of normalization of its monetary policy without major financial disruptions. After the Fed announcement, the international financial markets reacted moderately.
- The rise in the reference rate is the beginning of a process of normalization, which is expected to be gradual, and the consequences will be observed over time
- Among these, it could generate a decompression risk premiums, including premiums for term foreign interest rates, which would lead to exchange rate fluctuations and increased long local rates.



## Risks to financial stability





- The divergence of monetary policies is accentuated among developed countries. The normalization of US monetary policy contrasts with the monetary stimulus that keeps the Eurozone, where interest rates short and medium term are at historic lows.  
moderately.
- This divergence of policies has resulted in an overall appreciation of the dollar which has strengthened the decline in commodity prices expressed in that currency, and has also affected those emerging economies have accumulated a large stock of external debt.



Is the world prepared for a  
new recession?



# Is the world prepared for a new recession? Economic tools

	Individual PIIGS	USA	Chile
Monetary policy			
Currency depreciation			
Fiscal policy			
Wage reduction			
Labor mobility			





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