



Chile News

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CAPITAL MARKET REFORM WAS SENT TO CONGRESS

*President Ricardo Lagos signed today the capital market reform bills.
Top priority will be given for discussions at Congress.*

The announced reform was divided in three parts:

1. The first bill is mainly on tax issues. It includes the necessary legal changes that address the following measures:

- ?? Simplified tax treatment for commercial paper,*
- ?? Lower interest tax rate for foreign institutional investors,*
- ?? Exemption on capital gains tax for highly traded stocks,*
- ?? Capital gains tax exemption on short selling of highly traded equity and fixed income instruments,*
- ?? Tax incentives for stocks traded at the emerging stock exchange,*
- ?? Elimination of tax on cross- border intermediation by banks, and*
- ?? Promotion of voluntary savings.*

2. The second bill includes the measures that involved institutional changes:

- ?? Deregulation of the insurance companies industry*
- ?? Deregulation of the mutual funds industry*
- ?? Improvements in the Banking Law*
- ?? Allow for the Creation of a general fund manager*

3. The third element is an amendment to a bill currently being discussed at Congress regarding Investment Limits of AFPs. The measures addressed are:

- ?? Creation of multiple pension funds, and*
- ?? Elimination of the “Activo Contable Depurado”, which restricts the investment decisions of Chilean Pension Funds (AFPs).*