

Doing Business in Chile

Guide 2025

ASSET MANAGERMENTS



EXECUTIVE SUMMARY

In Chile, asset management is primarily regulated by Law N° 20,712 (the Asset Management Law), which governs third-party funds, separate accounts, portfolio managers, mutual and investment funds, and private investment funds.

The Asset Management Law was enacted to:

1. Standardize regulations for all funds existing prior to its publication.
2. Define the general framework for fund managers and administrators.
3. Establish a regulatory framework for individual portfolio management.

The law is supplemented by regulations issued by the Chilean Securities Regulator (CMF), including:

- General Rule 365 (NCG 365): Establishes requirements for fund internal regulations, contract content, deposit procedures, and modifications to records with the CMF.
- General Rule 475 (NCG 475): Regulates the registration of private investment fund managers in the CMF's Reporting Entities Register, replacing General Rule 364.



INVESTMENT FUNDS AND MUTUAL FUNDS.

Article 1 of the Asset Management Law defines a fund as a pool of assets contributed by investors for investment in legally permitted securities and assets. It is managed by a fund manager, and investors hold their participation in the form of shares.

The Asset Management Law classifies funds as either:

1. Non-Redeemable Investment Funds – Investors cannot fully redeem their shares before the fund's termination or may only redeem after 180 days from the redemption notice. These funds must have corporate governance structures such as shareholders' meetings and a Surveillance Committee.
2. Redeemable Investment Funds – Investors may redeem their shares at any time, with payment made within 180 days of the redemption notice¹. If redemption occurs within 10 days, the fund is classified as a mutual fund.

All funds—whether investment or mutual funds—must be incorporated by depositing their internal regulations in the Public Registry of Internal Regulations maintained by the CMF. These regulations must comply with General Rule 365 (NCG 365) and include key details such as:

- Fund and manager name
- Type of fund (redeemable, non-redeemable, mutual fund)
- Eligible investors (retail or qualified investors)
- Investment, liquidity, and debt policies
- Share series, fees, and expenses
- Redemption and valuation rules
- Corporate governance (for non-redeemable funds)
- Fund term, liquidation process, distributions, and tax incentives

Once a fund's internal regulations are deposited in the Public Registry of Internal Regulations, its shares may be publicly offered and traded. These shares are legally considered registered in the Securities Registry² maintained by the CMF. However, after a one-year commercialization period, non-institutional investors cannot hold more than 35% of the fund's net assets³ whether directly or indirectly.

The operations of the fund are carried out by the manager on its behalf. The fund itself owns the investments made and



the assets acquired. These must be recorded and accounted for separately from the manager's own assets and from the other funds that it manages⁴.

Funds cannot invest directly in:

- Real estate, mining rights, water rights, intellectual property rights, or motor vehicles.
- Industrial, commercial, agricultural, or mining activities.
- Insurance or reinsurance intermediation.
- Any other business involving direct commercial, professional, or industrial activity.

In general, it is prohibited for a fund to be engaged in an activity different from the investment of its assets or its complementary activities⁵.

Article 96 of Law N° 18,045 mandates that funds cannot invest in shares of other funds managed by their own manager or its business group unless:

1. Explicit Approval – The fund's internal regulations permit such investments.
2. Consistency in Policies – The investment, liquidity, diversification, leverage policies, redemption rules, and governance structures of both funds align.
3. Expense Limits – A maximum percentage of fees, commissions, and expenses for direct and indirect fund management is established.
4. Regulatory Oversight – For non-qualified investor funds, investments must be in funds supervised by the CMF.
5. No Reciprocal Investments – The investing fund and the recipient fund cannot invest between them⁶.

Funds are allowed to incorporate companies to comply with their investment objectives⁷.

Funds are required to distribute at least 30% of their net profits⁸ as dividends each fiscal year.

Distribution decisions are made by the Shareholders' Meeting or the Manager's Board for non-redeemable Investment funds, and by a manager's board for mutual funds.

Any provision in the internal regulations or decisions by these governing bodies that conflict with the minimum distribution requirement is invalid. The manager shall in any case comply with the distribution obligation⁹.

In accordance with Article 81 of the Asset Management Law, investment funds and mutual funds are not considered taxpayers for income tax purposes, but the distribution of any profit to the shareholders, including the decrease of the share value, will be subject to income tax.



INVESTMENT AND MUTUAL FUNDS MANAGERS.

The administrator of an investment or mutual fund must be a general fund manager (Administradora General de Fondos - AGF) and be incorporated as a special stock corporation¹⁰ with the exclusive corporate purpose of managing third-party funds.

The corporate name must include “Administradora General de Fondos”.

It must have a minimum net worth of 10,000 Unidades de Fomento (UF) (approx. US\$400,000).

All the provisions as set forth in Title XIII of Law 18,046 on Corporations are applicable¹¹.

The following guarantee conditions apply:

- Within one year of CMF authorization, the AGF must begin managing at least one fund.
- Initial Guarantee Amount of 10,000 Unidades de Fomento (UF) (~US\$400,000).
- The guarantee must be adjusted each year to the highest of:
 - 0 . 10,000 UF (~US\$400,000);
 - 1 . 1% of the fund’s daily net asset value, based on the previous quarter; or
 - 2 . A specific percentage determined by the CMF, based on its evaluation of the fund manager’s risk management procedures¹².

The guarantee must be in one of the following forms:

- Cash,
- A bank guarantee surety (boleta bancaria)
- An insurance policy from an authorized Chilean insurance company.

Additionally, a Chilean commercial bank must be appointed as the representative of the beneficiaries of the guarantee¹³.

The General Fund Manager and the registered funds it manages are subject to the supervision of the CMF.



PRIVATE INVESTMENT FUNDS.

Investment funds with fewer than 50 participants who are not members of the same family shall not be subject to the supervision of the CMF and shall be considered, for the purposes of this law, as private funds.

Private investment funds are governed exclusively by the provisions set forth in their internal regulations, except regarding the limitation of assets in which they may invest, which is the same as for investment and mutual funds. Furthermore, investment funds also have the obligation to distribute dividends of at least 30% of the net profits every year. Private investment funds cannot invest their assets in other Chilean private investment funds, unless the latter are managed by unaffiliated corporations¹⁴.

After one year from the incorporation of the private investment fund, the fund must have at least 8 shareholders, none of whom may be related to each other. Furthermore, none of them may have more than 20% of the total paid shares of the private investment fund, except if the fund has one or more institutional investors with at least 50% of the paid shares of the fund¹⁵.

Private investment funds are not subject to the supervision of the CMF and their shares cannot be publicly offered, nor can the management of private investment funds be publicly advertised or promoted¹⁶.

Private investment funds are not considered taxpayers of income tax, but the distribution of any profit to the shareholders, including any decrease of the share value, is subject to income tax¹⁷.

Private investment funds can be managed by a General Fund Manager or by closed stock corporation registered in the Registry of Reporting Entities kept by the CMF in accordance with rule NCG 475.

PORTFOLIO MANAGEMENT.

In accordance with Article 97 of the Asset Management Law, any person or entity that regularly manages the assets or wealth of third parties is subject to the supervision of the CMF if they fulfil one or more of the following conditions:

- a) It manages more than 500 accounts or mandates: or,
- b) It manages 50 or more accounts that are not part of the same family, for a total amount equal to or more than 10.000 Unidades de Fomento (approx US\$ 400,000).



Any person or entity that regularly manages third-party assets and meets at least one of the stated conditions (the Portfolio Manager) must register with the CMF's Portfolio Management Registry (the Registry) within 60 working days. This is required to continue managing third-party assets.

The registration process and requirements are outlined in General Rule 363 (NCG 363)¹⁸.

Who Must Register?

1. Portfolio Managers meeting the specified conditions must register.
2. Those managing 50+ accounts (not within the same family) but not meeting the stated conditions fall under the Asset Management Law and must follow the portfolio management mandate. However, they are not supervised by the CMF.

Voluntary Registration & Exemptions

- Entities not required to register can choose to do so voluntarily. This subjects them to CMF supervision.
- General Fund Managers (AGFs) are automatically registered (*ipso iure*)¹⁹.

Portfolio Managers must maintain a minimum net worth of 10,000 Unidades de Fomento (UF) (approx. US\$ 392,000)²⁰.

They must also provide a guarantee²¹ of at least 10,000 UF (approx. US\$ 400,000), updated annually to meet the highest of:

- 10,000 UF (approx. US\$ 400,000),
- 1% of total assets under management (calculated from the previous quarter), or
- A CMF-specified percentage based on risk assessment.

The guarantee must be in cash, a bank guarantee surety ("boleta bancaria"), or an insurance policy from a CMF-authorized local insurer. Additionally, a Chilean commercial bank must act as the representative for the beneficiaries²².

The partners or shareholders of a Portfolio Manager, its directors, managers, representatives and principals, must be considered suitable and have the knowledge required for the management of assets²³. CMF General Rule 503 applies and its key aspects are.



- A new accreditation mechanism is to be established, to be administered by the stock exchanges or a non-profit entity created for this purpose.
- Individuals performing functions in financial institutions must demonstrate technical and ethical knowledge through examinations and ongoing training programs.
- Specific functional categories will be defined, each with its own knowledge requirements.
- A confidential question and answer bank will be created for the development of examinations.
- A continuing education program will be implemented to keep accreditations up to date.
- Temporary exceptions will be established for certain individuals, under specific conditions.
- A public registry of accredited individuals will be maintained.
- Requirements for the use of algorithms in decision-making will be established.
- General Rule No. 412 is repealed.
- The rule entered into force on January 13, 2025.

All clients must sign a portfolio management mandate²⁴ (“mandato de administración de cartera”) allowing the Portfolio Manager to act on their behalf. This mandate must be in writing (paper or electronic) and comply with CMF regulations. The Portfolio Manager must strive for adequate investment returns while always acting in the client’s best interest. They are liable for losses caused by gross negligence or wilful misconduct²⁵.

Portfolio Managers are not allowed²⁶ to:

- Charge hidden fees not stated in the mandate.
- Bill for related company services without client approval.
- Buy securities/assets from clients without explicit authorization.
- Sell company-owned securities/assets to clients without approval.

In accordance with Article 100 of the Asset Management Law, the assets held by the Portfolio Manager in cash and/or in foreign currency, as well as the assets and contracts that are held for a specific client, must be registered separately from its own operations or operations of other clients.

Notwithstanding the above, Banks that are duly incorporated in Chile, can also render portfolio management services to their clients, as expressly allowed by Article 86 of the General Banking Law. This states that banks can accept general or specific mandates for the management of third-party assets. In this case, Banks are subject to the supervision of the CMF.

Banks are not required to grant any special guarantee for the management of assets of third parties²⁷. Assets under management of the bank pursuant to a mandate, may only be invested in accordance with the instructions granted for this purpose by the clients. In the absence of such instructions, they may only be invested in securities issued by the Central Bank of Chile, the Chilean Treasury Service or public offered securities with a credit rating of “A” granted by the Chilean Risk Classification Commission²⁸.





Notas al final

- 1 The definition of redeemable investment fund was made by the Superintendence in virtue of Ordinary Resolution (Oficio Ordinario) Number 19,861 of August 17, 2016
- 2 Article 47 of the Asset Management Law.
- 3 Article 6 of the Asset Management Law.
- 4 Article 52 of the Asset Management Law
- 5 Article 57 of the Asset Management Law
- 6 Article 61 of the Asset Management Law
- 7 Article 64 of the Asset Management Law
- 8 In accordance with Article 80 of the Asset Management Law, “net profits” are the amounts resulting from subtracting from the sum of profits, interest, dividends and capital gains received, the total losses and expenses incurred during the period.
- 9 Article 80 of the Asset Management Law
- 10 In accordance with Article 126 of Law N° 18.046 on Corporations, special stock corporations are those whose existence, amendment and termination must be authorized by the CMF, and they are subject to its supervision.
- 11 Article 35 of Law 21,521 (the “Fintech Law”) amends Article 4(c) of the Asset Management Law to impose new capital requirements on certain financial entities. Once the CMF establishes specific thresholds for business volume or client numbers, entities exceeding these thresholds will be subject to a minimum equity requirement. This minimum equity must be greater than the higher of:
 - 5,000 Unidades de Fomento (approx US\$ 200,000), or
 - 3% of their risk-weighted assets, as calculated according to the CMF’s methodology.

The CMF may increase this percentage to 6% for entities with weak risk management practices. Please note that the specific implementation details and effective date of these new requirements will depend on the issuance of the relevant General Rules by the CMF.
- 12 Article 13(iii) of the Asset Management Law
- 13 Article 12 and following of the Asset Management Law.
- 14 Article 22(g) and Article 88 of the Asset Management Law, read together.
- 15 Article 92 of the Asset Management Law.
- 16 Article 93 of the Asset Management Law.
- 17 Article 86 in connection with article 81 of the Asset Management Law.



18 If the person or entity is already registered in one of the registries held by the CMF, the procedure is simpler, as less documents must be presented.

19 Article 93 of the Asset Management Law. Please note that the final paragraph of Article 98 of the Asset Management Law has been replaced by Article 35 of the Fintech Law, with the following wording: “In the event that algorithms or systems are used that automate the functions referred to in the preceding paragraph, it must be accredited to the Commission that these comply with the necessary suitability for the proper performance of such functions. For such purposes, the regulations referred to in the preceding paragraph must determine the circumstances that must be accredited to consider that such algorithms or systems have the indicated suitability. Asset Managers registered in the Registry that have reached the amount of assets under management, volume of business or number of potential direct clients affected by the actions or omissions of the entity, which the Commission has established by general rule, shall be subject to the same minimum capital and guarantee requirements that this law requires for fund managers.” Please note that the specific implementation details and effective date of these new requirements are regulated by the relevant General Rules of the CMF.

20 If the portfolio management company does not comply with this minimum net worth condition, it must report this to the CMF within one working day from the date of breach.

21 Article 99 of the Asset Management Law.

22 Please note that these requirements are the ones referred to in Article 13 of the Asset Management Law, so they will be replaced according to what was noted in footnote 12.

23 Article 98, second paragraph of the Asset Management Law.

24 Article 101 of the Asset Management Law.

25 Article 102 of the Asset Management Law.

26 Article 103 of the General Banking Law.

27 Article 87 of the General Banking Law.

28 Article 89 of the General Banking Law.