



SIID-TR

Sistema Integrado de Información
sobre Transacciones de Derivados

Market transparency: the Chilean experience using derivatives trading data

Financial Information Forum: FIF

May 2022

Contents

- I. Background
- II. Market Transparency
- III. Challenges

A glass globe with a world map is centered on a light blue grid background. The globe is transparent, showing the continents in a dark blue color. The grid lines are thin and light blue. The globe is resting on a small, dark blue circular base. The overall image has a soft, ethereal feel with a light blue and white color palette.

I. Background

Worldwide commitment to enhance the operation of OTC derivatives markets

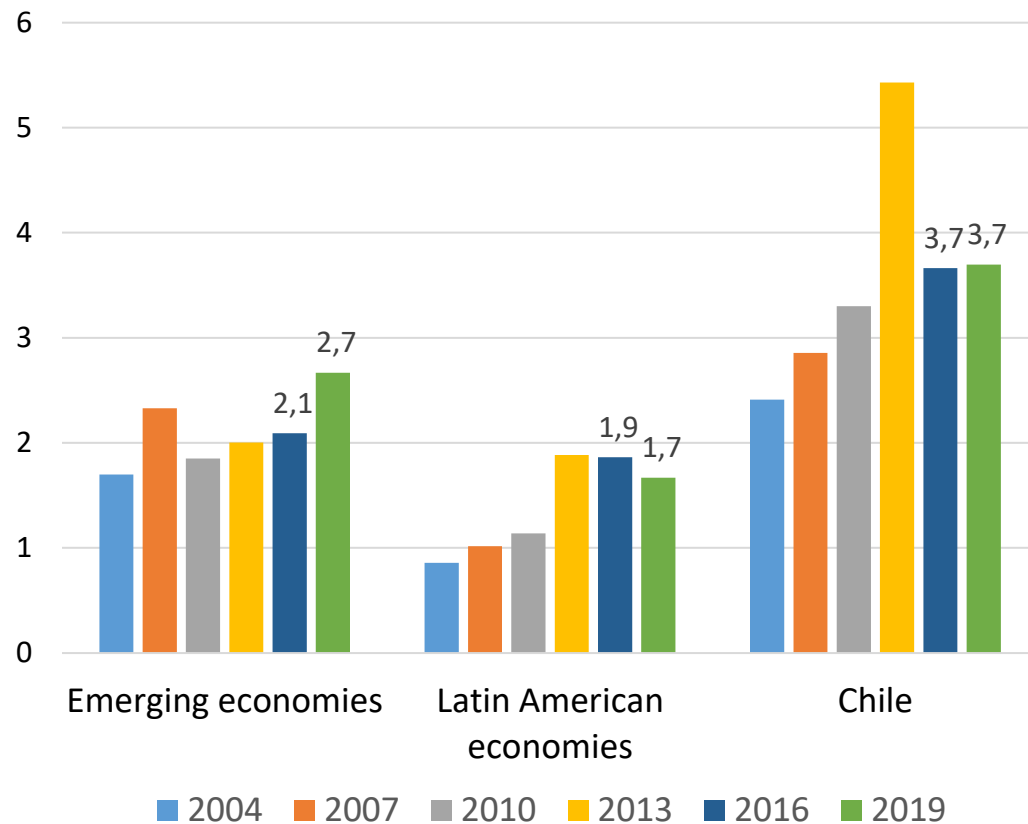
- In 2009, after the global financial crisis, G-20 leaders committed to improve the operation of the OTC derivatives markets, by ensuring:
 - All standardized OTC derivatives are traded on exchanges or electronic trading platforms;
 - Transactions are cleared through central counterparties (CCP); and
 - All transactions are reported to trade repositories (TR).
- In 2012 BIS/IOSCO published 'Principles for Financial Market Infrastructures' (PFMI).
- These commitments are highly relevant to Chile as all derivatives traded in the market are OTC.

What is a Trade Repository (TR)?

- It is a centralized entity, that keeps records at the transactional level of financial derivatives.
- Among its functions are the collection, storage and dissemination of information on the financial conditions of OTC derivatives.

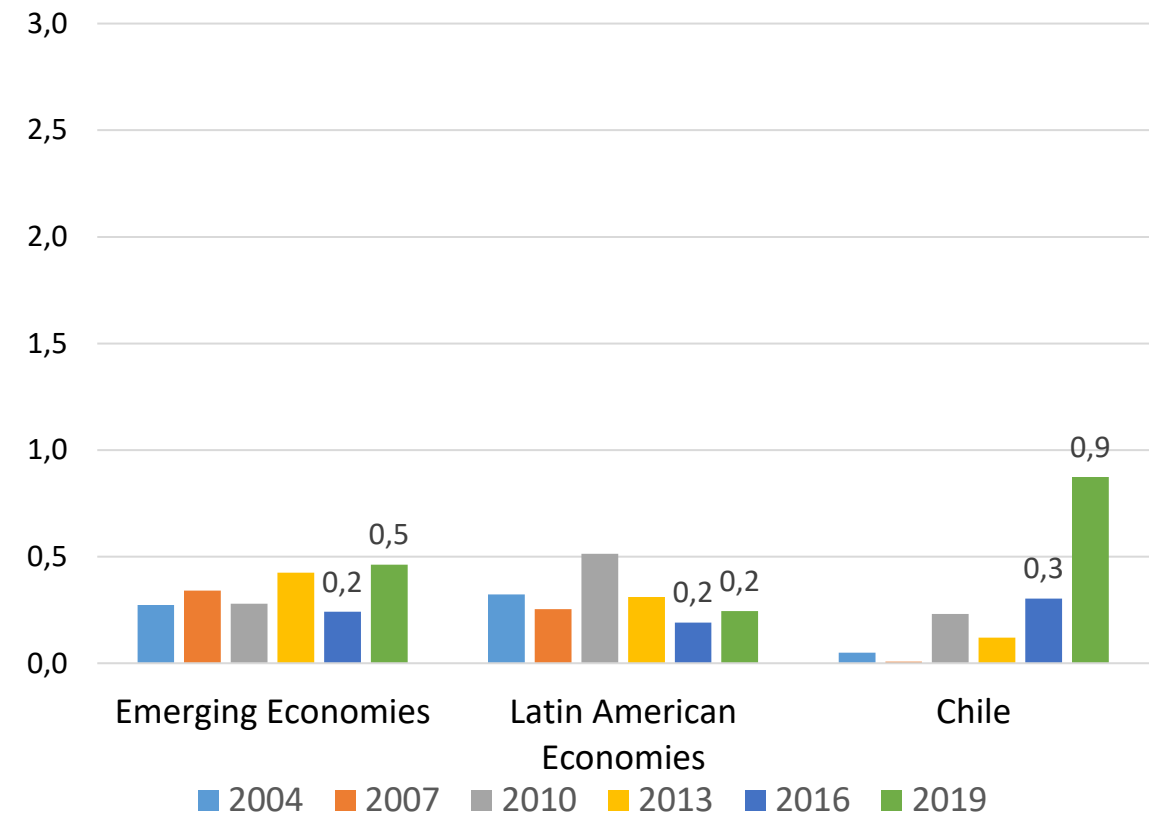
The Chilean FX market is deeper than other emerging and Latin-American economies. In the interest rate market, the growth of turnover is particularly noteworthy.

FX derivatives market depth
(Annual turnover/GDP)



Source: Villena and Hynes (2020). Authors' calculation, based on data from BIS and IMF.

Interest rate derivatives market depth
(Annual turnover/GDP)



Source: Villena and Delpiano (2020). Authors' calculation, based on data from BIS and IMF.

In 2018, the Central Bank of Chile decided to start implementing the first TR in the country called “Integrated Derivatives Information System (SIID-TR)”.

- An interdisciplinary group was gathered from different areas of the CBC and a permanent working group with the Financial Market Regulator was implemented in order to develop the project.
- A five-year timeframe was defined, including a new legal framework, IT systems and state of the art operation.
- A key component was learning from other TRs and international initiatives such as those from the HKMA, BoE, Banxico and the ECB among others.

Underlying the progress achieved so far, Chile has received the maximum score regarding the TR's implementation of the PFMI (level 1).

Jurisdiction	Payment Systems	Central securities depositories & securities settlement system	Central counterparty	Trade repository
Argentina	4	3 / 4	3	4
Australia	4	4	4	4
Brazil	4	4	4	4
Canada	4	4	4	4
Chile	4	4	4	4
European Union	4	4	4	4
Hong Kong	4	4	4	4
Japan	4	4	4	4
Mexico	4	4	4	4
United Kingdom	4	4	4	4
United States	4	4	4	4

Source: CPMI/IOSCO

https://www.bis.org/cpmi/level1_status_report.htm

With this new scope, we expect to include the majority of the OTC derivatives contracts in Chile and the 100% of the banking sector transactions.

Counterparties		Asset Class		
		FX	Interest rate	Fixed income
Banks	Banks	Current	New (SIID-TR)	New (SIID-TR)
	Supervised financial institutions (stockbrokers, Insurance companies, investment funds administrators)	Current	New (SIID-TR)	New (SIID-TR)
	Corporate sector	Current	New (SIID-TR)	New (SIID-TR)
	Non resident	Current	Current	Current
Supervised financial institutions	Supervised financial institutions	New (SIID-TR)	Not included	Not included
	Corporate sector	New (SIID-TR)	Not included	Not included
	Non resident	Current	Current	Current
Corporate sector	Corporate sector	Not included	Not included	Not included
	Non resident	Current	Current	Current

- Current
- New (SIID-TR)
- Not included

A glass globe with a world map is centered on a background of a light blue grid. The globe is transparent, showing the continents in a light brown color. The grid lines are thin and light blue. The globe is resting on a small, dark brown circular base. The overall image has a soft, professional feel.

II. Market Transparency |

The SIID-TR was developed following international standards for financial market infrastructures and will come into operation in August 2022.

The main objectives of this TR are:



Increase transparency in the derivatives market.



Promote financial stability through improved risk management, monitoring and supervision.



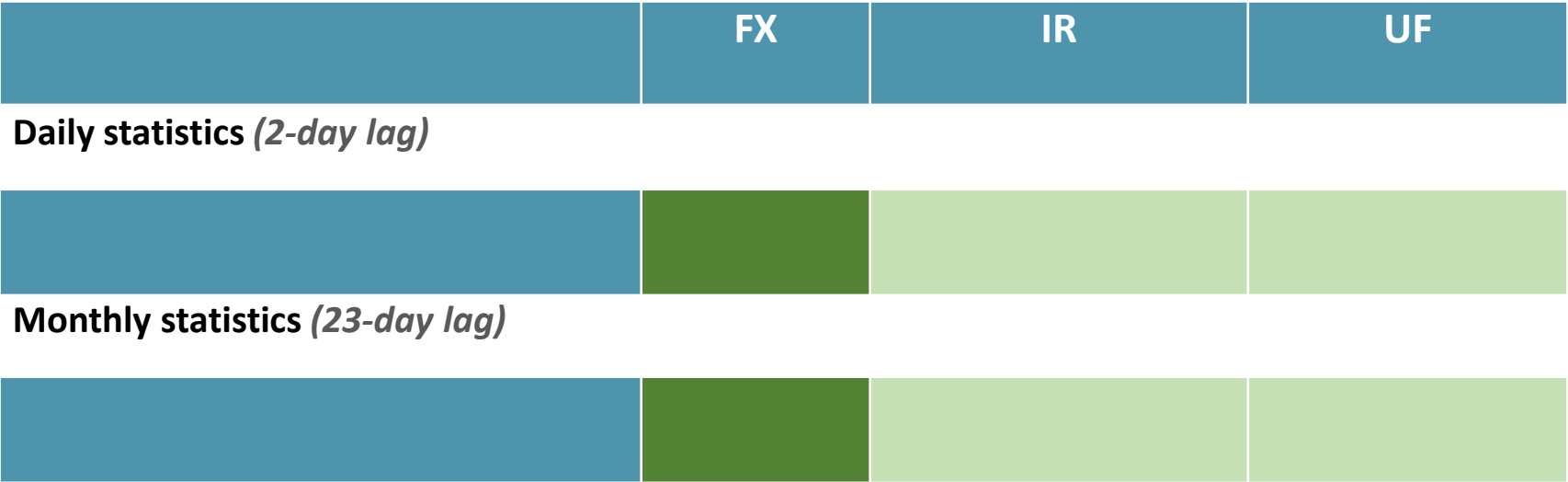
Prevent market abuse, as a result of the greater availability of information on these operations.

A plan was drawn up for the development of new statistics, taking into account international experience in TR publications, which will be addressed in two stages.

		Category/Institution	México	Hong Kong HKMA TR	CFTC (USA)	DTCC (USA)	ESMA (EU)	CME (ETR)	Ontario Security Comission	CME (CAD)	Banco de Australia	CME (AUS)	Currently in Chile	Chile - SIID-TR
1st stage		Turnover (notional)											FX	FX, IR, UF
		Outstanding (notional)											FX	FX, IR, UF
		Underlying assets												FX, IR, UF
		Counterparty sector											FX	FX, IR, UF
		Terms											FX	FX, IR, UF
		Currency pairs												FX, IR, UF
2nd stage		Market value												
		No. of operations												
		Instruments												
		Prices /rates												
		Market												
		Country/Region												
		CCP												
		Market concentration												
		Explanatory notes												

*UF: inflation-indexed unit of account

The new statistics consider the expansion of derivatives reporting coverage by incorporating underlying assets relevant to market monitoring and financial stability.



- Greater timeliness and breakdowns
- New information

New products to increase market transparency

Daily series will be published with a two-day lag given the importance of timeliness and high frequency in this market.



A detailed monthly report will complement the published statistics.



A web portal is available exclusively for the Chilean TR

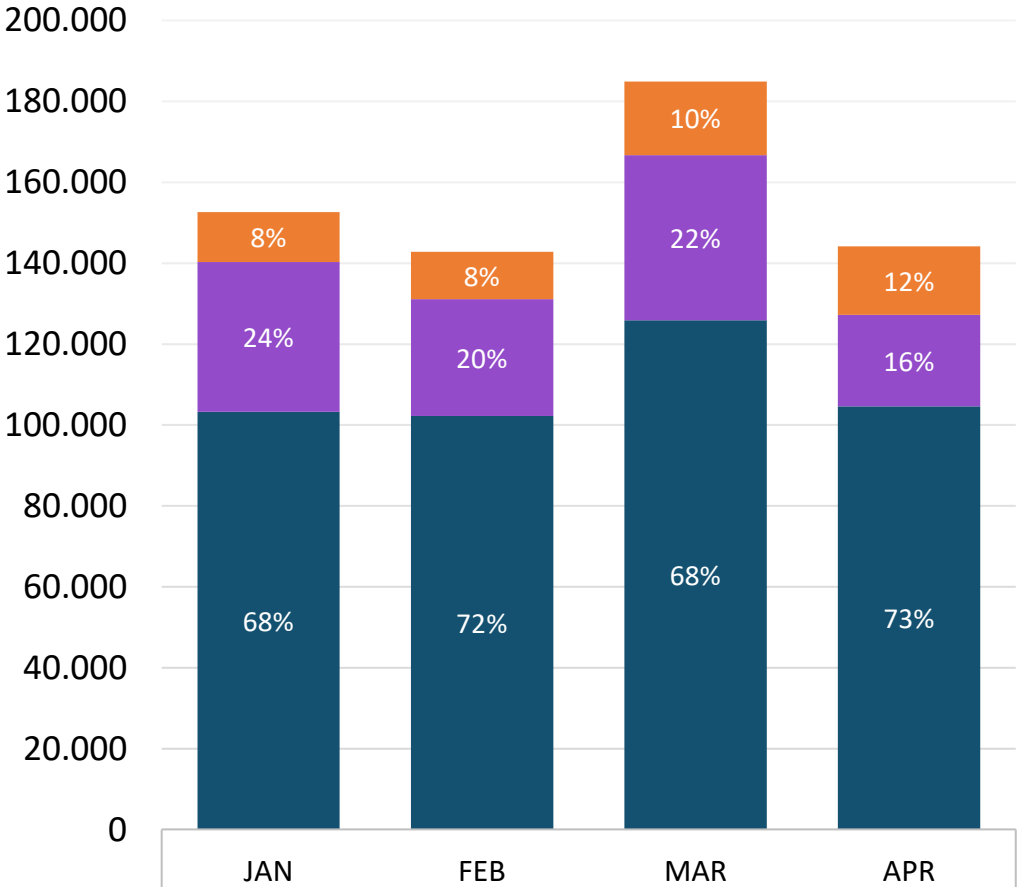


The main markets are FX, IR and inflation.

Resident turnover by asset class

(USD million)

■ FX ■ SPC-CLP ■ UF



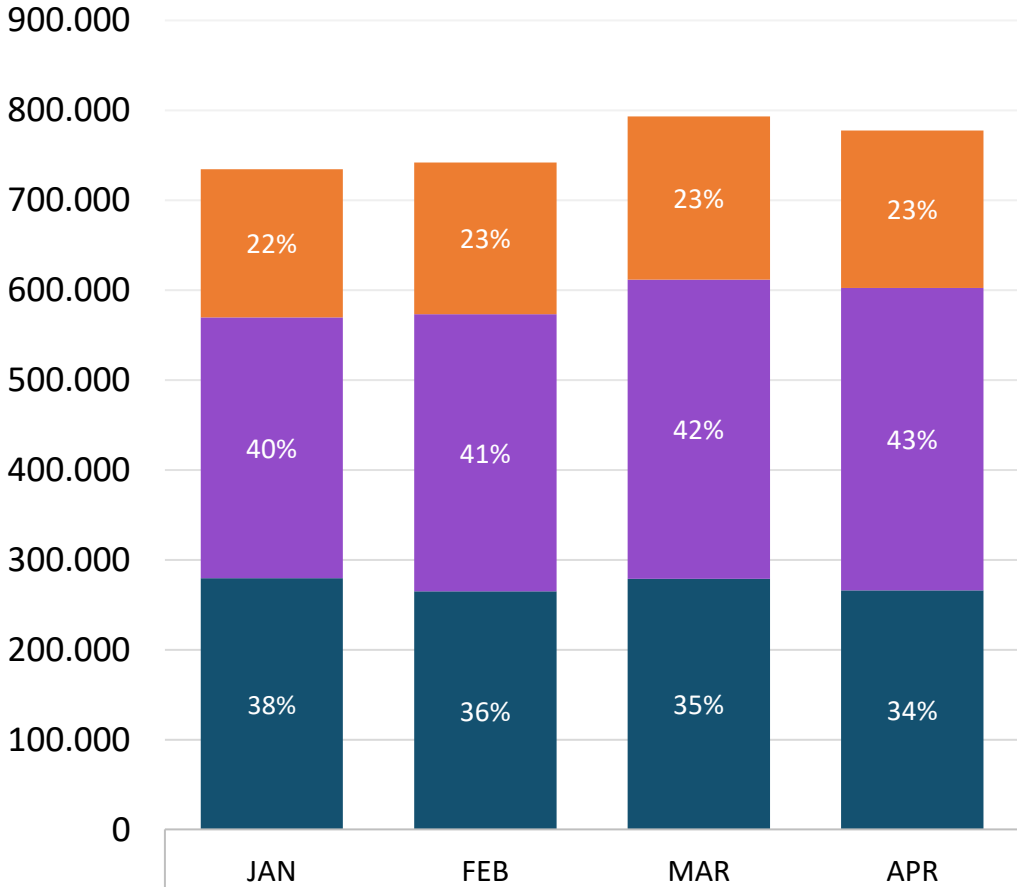
Source: Central Bank of Chile

2022

Resident bank open interest by asset class

(USD million)

■ FX ■ SPC-CLP ■ UF



Source: Central Bank of Chile

2022

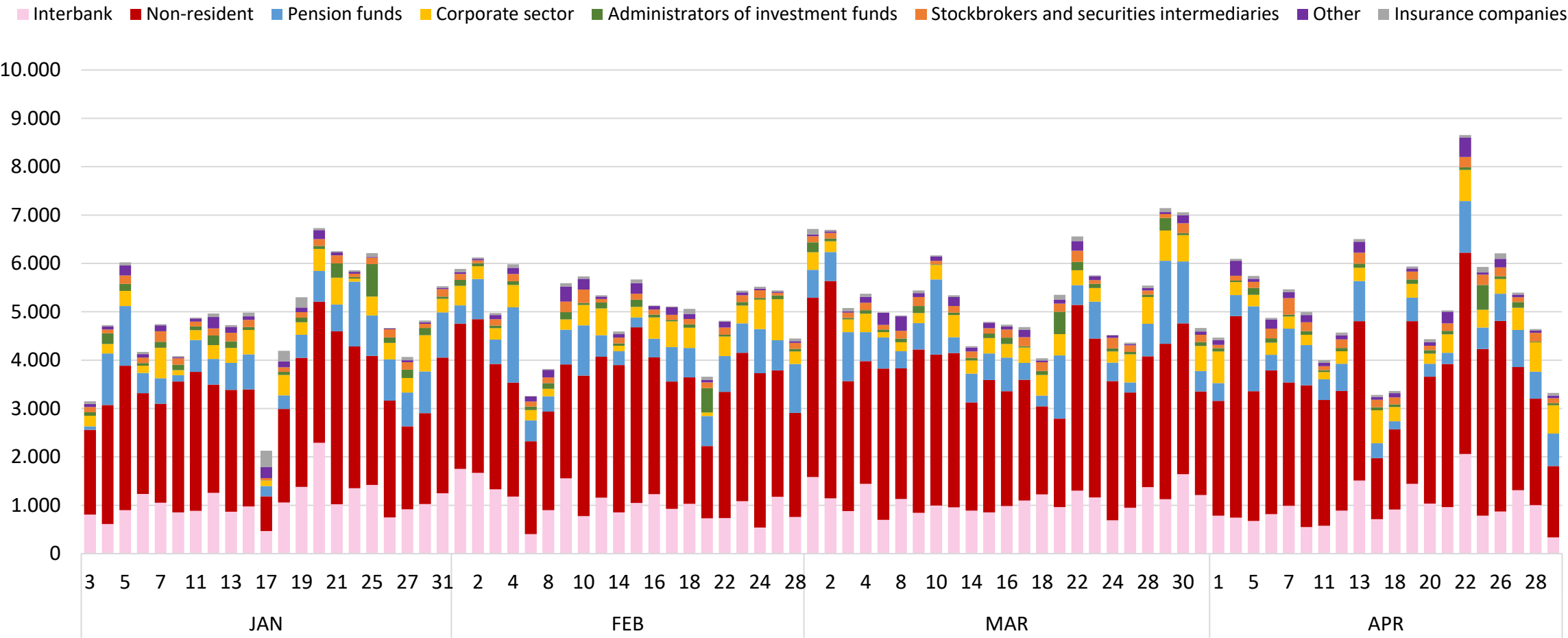


FX

Various sectors participate in the FX derivatives market, the most important being Non-residents.

Resident bank FX derivatives turnover by counterparty sector

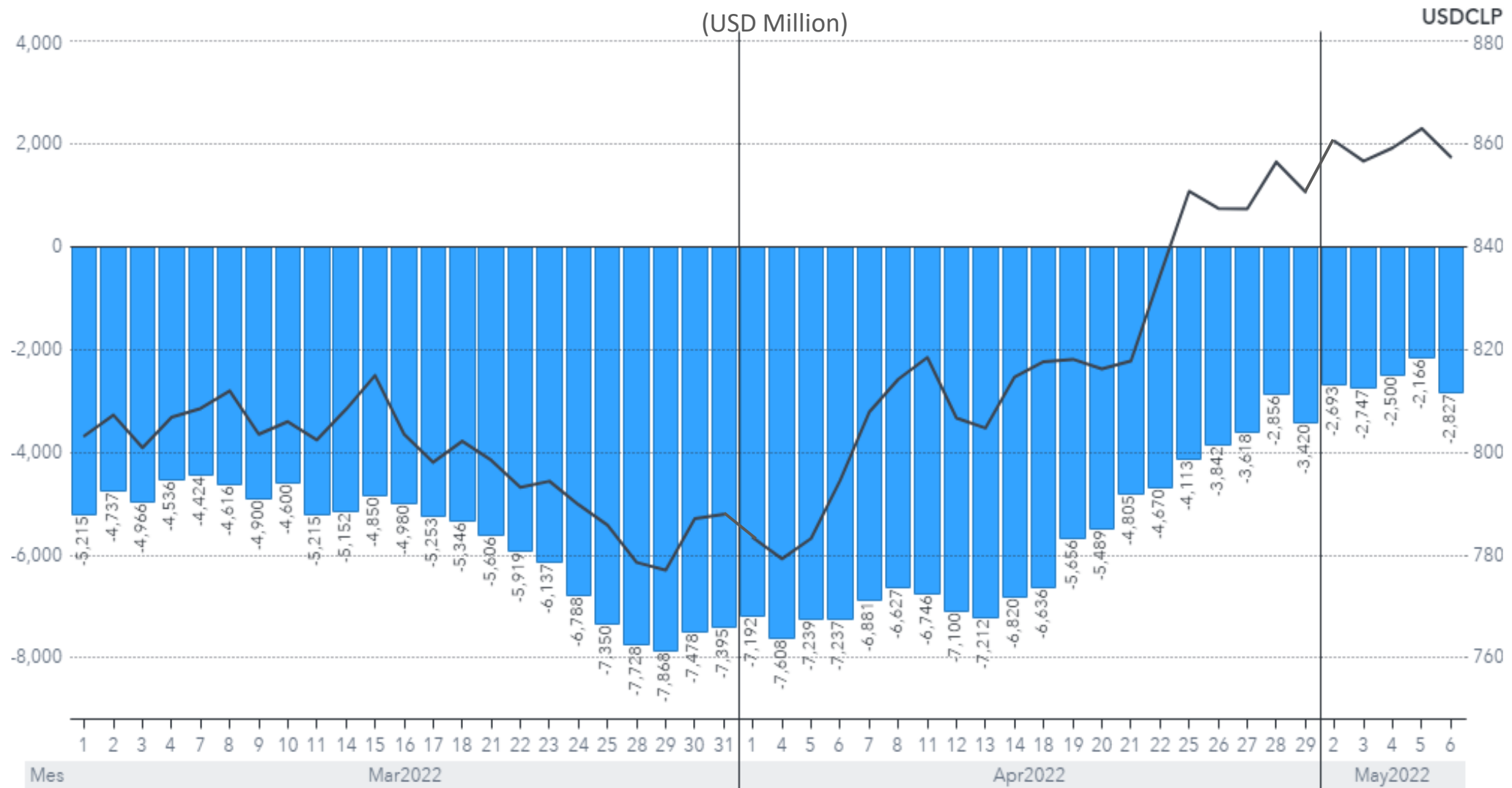
(USD Million)



Source: Central Bank of Chile

Non-residents are one of the main driver of the local currency. Foreign exchange forward sales drive the exchange rate downwards

Non resident FX net outstanding with resident Banks



Source: Central Bank of Chile

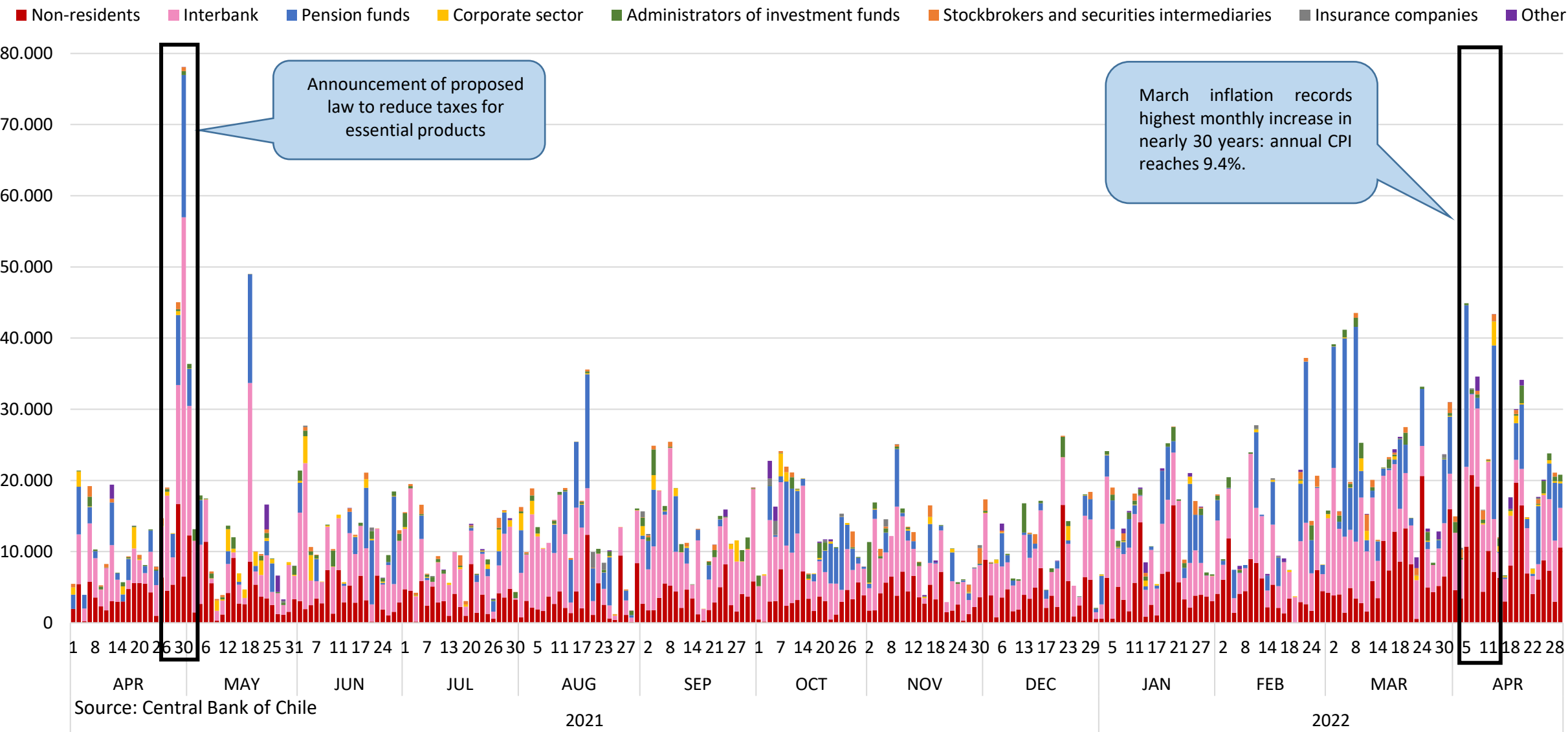


UF

The market is more active in response to relevant inflation news.

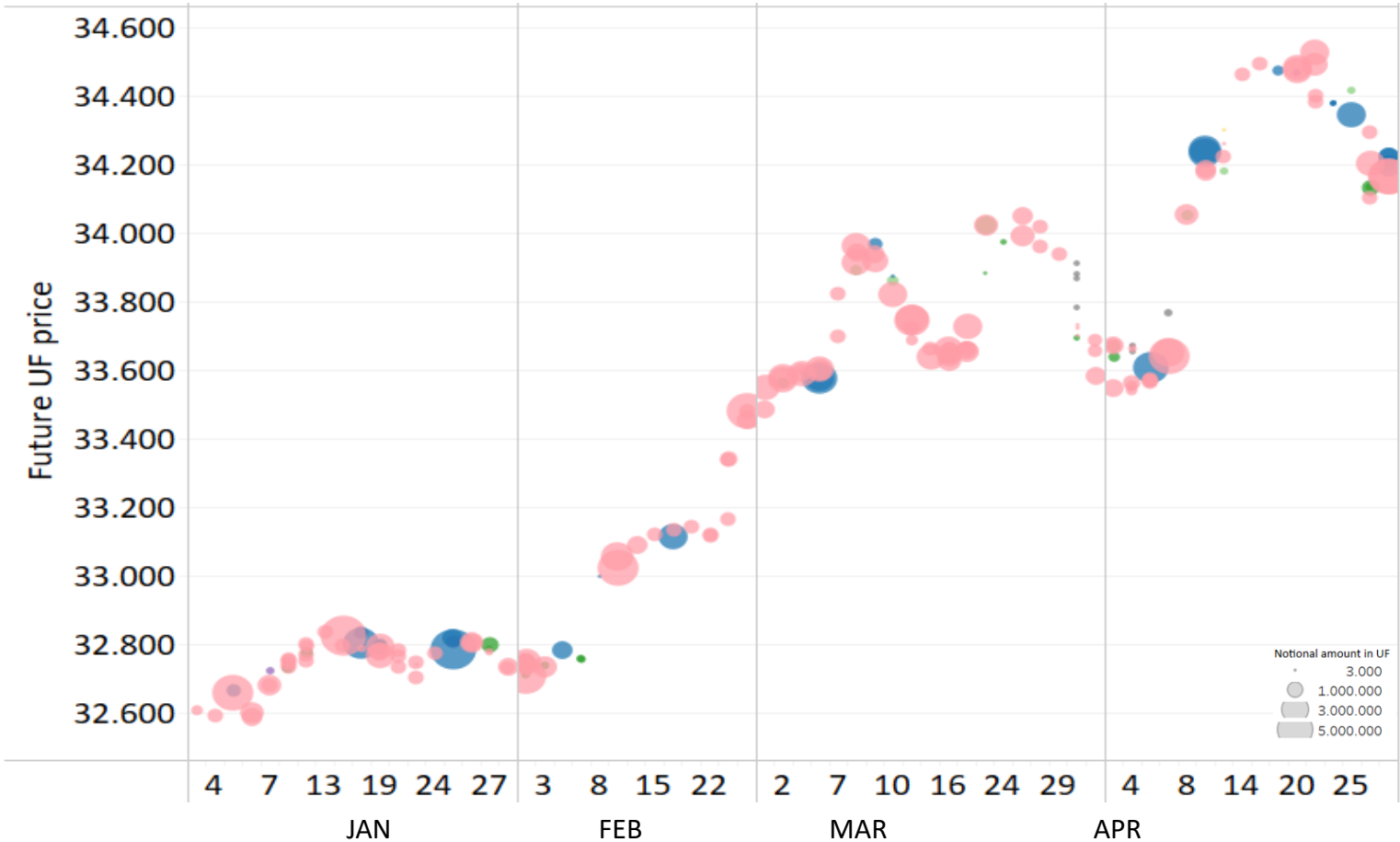
Resident bank inflation derivatives turnover by counterparty sector

(Thousands of UF)



Inflation forward market prices have been rising, implying year-end inflation expectations of 10%.

Inflation forward prices/turnover to Dec. 2022



- Counterparty sector of banks
- Interbank
 - Pension funds
 - Administrators of investment funds
 - Corporate sector
 - Insurance companies
 - Stockbrokers and securities Intermediaries
 - Other

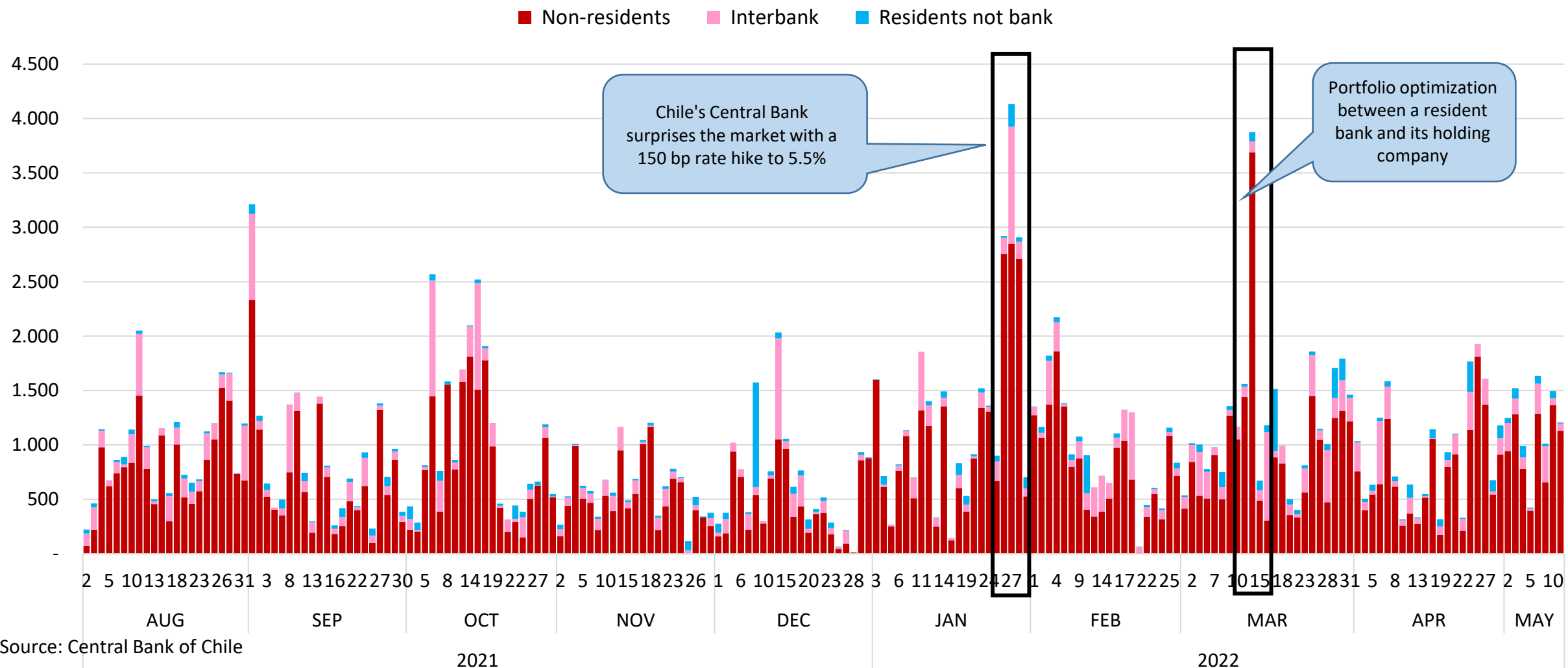
Source: Central Bank of Chile



Chilean Cámara IRS | (“Swap Promedio Cámara”)

Non-residents are active participants in the Chilean *cámara IRS* market, speculating on future MPR movements.

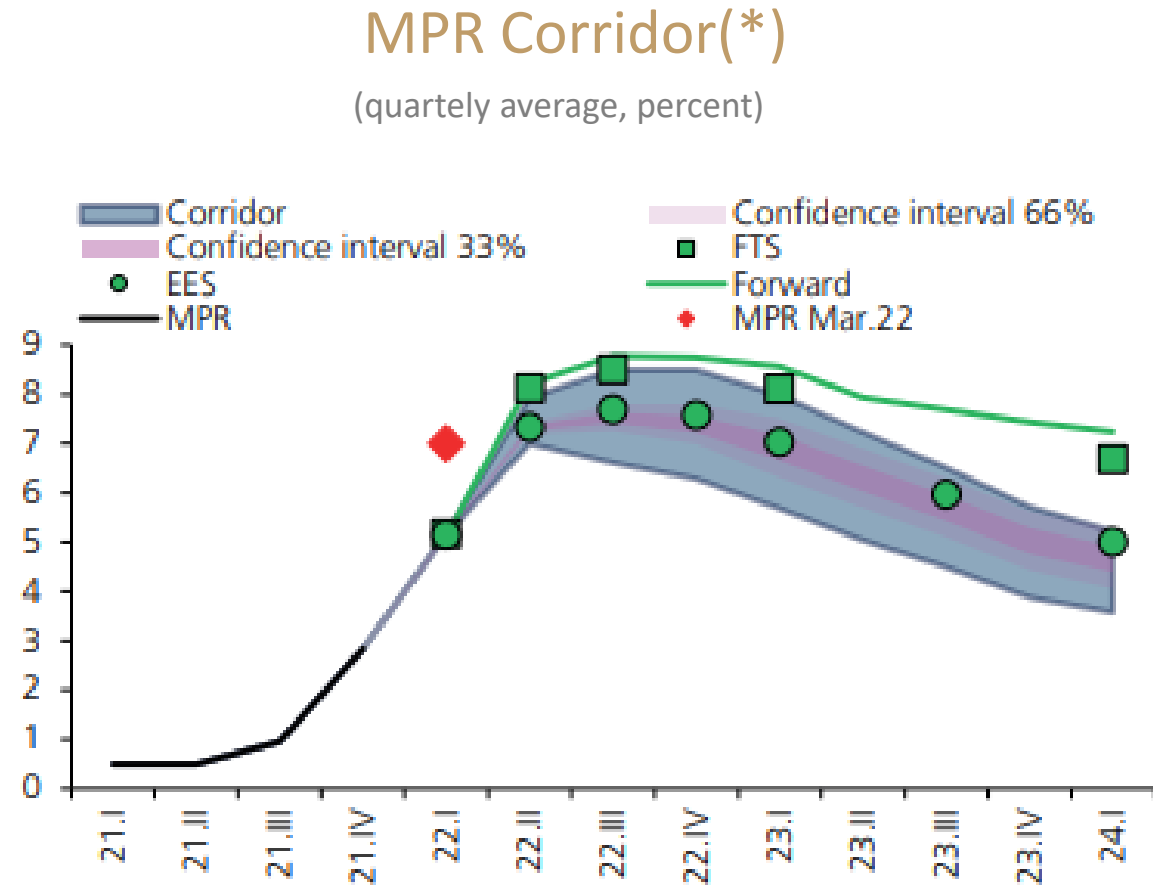
Resident bank *cámara IRS* turnover by counterparty sector
(Billions of CLP)



Source: Central Bank of Chile

The Bank forecasts the Monetary Policy Rate band under alternative scenarios (corridor).

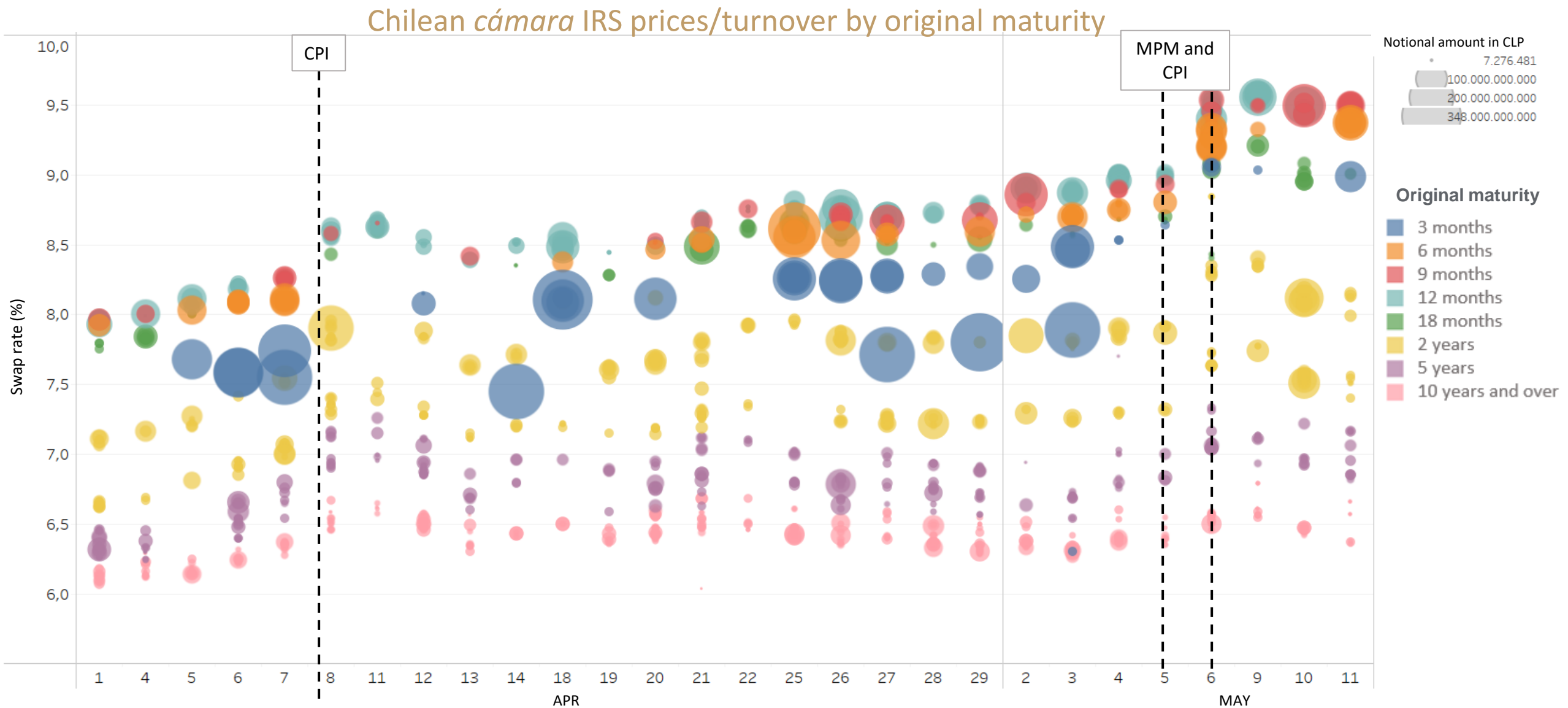
The market view (implied forward curve) is analyzed for the effectiveness of the conduct of monetary policy.



Source: Central Bank of Chile - Monetary Policy Report of March 2022

(*) The corridor is built by following the methodology presented in boxes V.1 of March 2020 Report and V.3 of March 2022 Report. Includes March EES, FTS pre-policy-meeting of March and the average smoothed forward curve of quarter to 23 March. This is calculated by extracting the implicit MPR considering the forward curve on the interest rate swap curve up to 2 years, discounting the fixed rates at every maturity at the simple accrual of the ICP. For the current quarter the surveys and the forwards consider the average daily effective and are completed with the respective sources.

Significant variations in swap prices tend to reflect changes in expectations of the future path of the policy rate, which attract greater speculative activity.



Monthly report containing the main insights in the FX, IR and inflation banking derivatives market



Informe de derivados financieros

Evolución del mercado bancario de derivados sobre tipo de cambio CLP-USD, inflación y tasas de interés local.

MARZO 2022

El Informe de derivados financieros presente tiene por objetivo brindar información a los distintos agentes participantes del mercado de derivados en Chile y sus reguladores, así como al público general. Este ha sido elaborado a partir de los datos contenidos en la Infraestructura de mercado financiero "SIID-TR".

Este informe mensual se publica el día 23 de cada mes, e incluye gráficos y las principales cifras del mercado de derivados de bancos sobre monedas CLP-USD, inflación y Swap promedio Cámara. Adicionalmente, en el [Portal Web del SIID](#) se dispone de un set de estadísticas de alta frecuencia y oportunidad sobre operaciones de derivados negociados por las entidades residentes, en lo que se refiere a montos suscritos y posiciones vigentes, desglosados por sector económico, plazos, pares de monedas, entre otros.



A web portal was implemented which centralizes all information related to the trade repository.

27

<https://www.siid.cl/en/home>

banco central Chile SIID-TR Sistema Integrado de Información sobre Transacciones de Derivados

Normativa Estadísticas y Publicaciones Instrucciones de reporte

COMISIÓN PARA EL MERCADO FINANCIERO Ir al Sistema

Statistics and publications

Dissemination of statistics, reports, methodologies and studies of financial derivatives. During the first implementation phase of the SIID-TR project, this section will only contain statistics pertaining to Chapter IX of the Compendium of Foreign Exchange Regulation (CNCL in Spanish).

- Statistical reports
- Methodologies and studies
- Charts and series
- Derivatives statistics

Statistical reports

[See more](#)



Methodologies and studies

[See more](#)



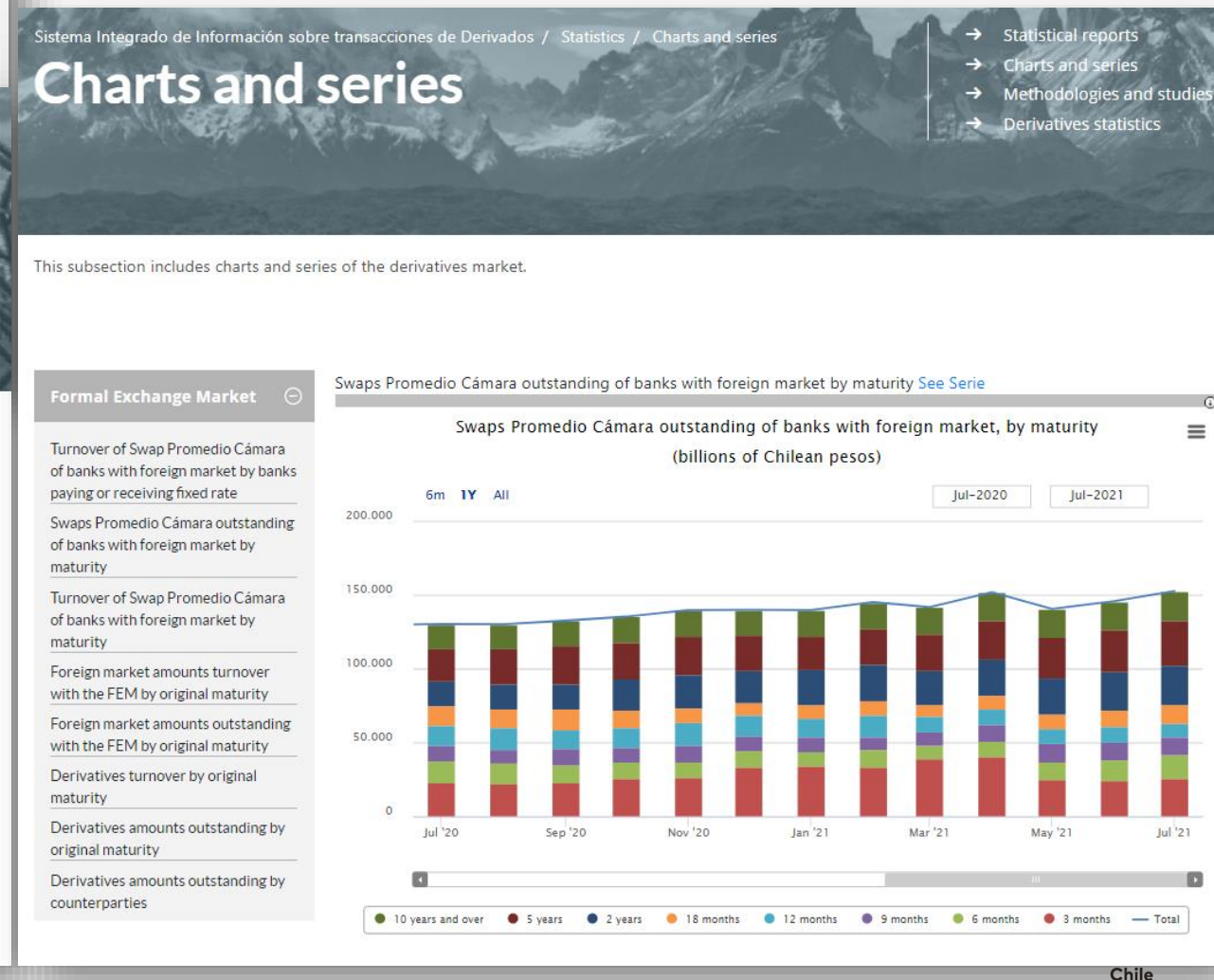
Charts and series

[See more](#)



Derivatives statistics

[See more](#)



A glass globe with a grid pattern, resting on a circular base. The background is a light blue grid with a faint, stylized world map. The globe is positioned in the center of the slide, and the text 'III. Challenges' is overlaid on it.

III. Challenges

Challenges:

- Demands for new information
- Data quality
- Coordination with *Financial Market Commission*
- SIID-TR coverage to other assets class
- Team of professionals with a high level of expertise in “derivatives” and analytics.



SII D-TR

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