

Central Bank of Chile's Trade Repository and Market Transparency

September, 2021

Contents

- I. Background and state of progress
- II. Use of the new data
- III. Web portal
- IV. Data quality plan
- V. Challenges

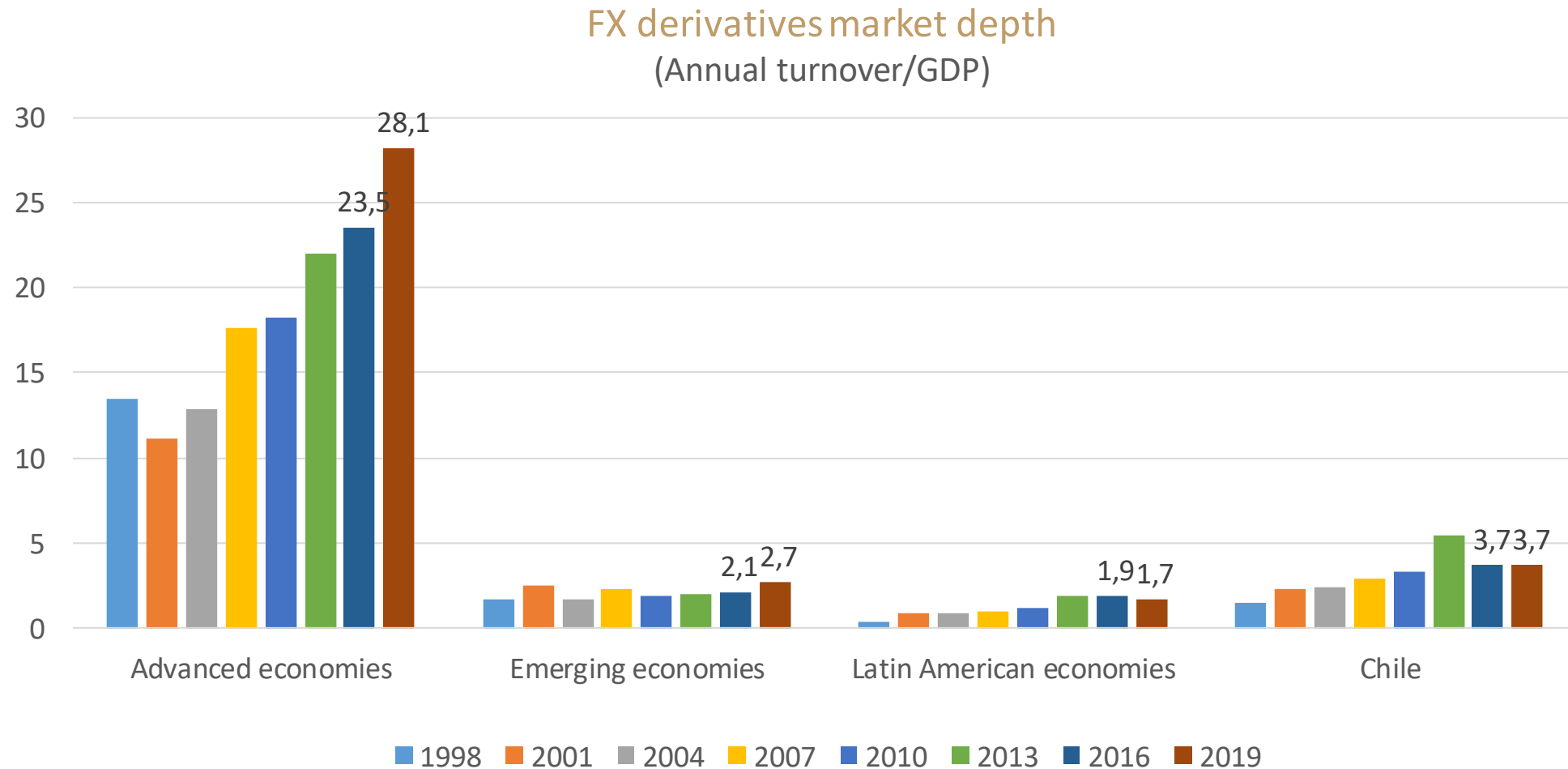


Background

The Central Bank of Chile has the goal to promote financial stability.

- The Central Bank of Chile (CBC) has the legal prerogative to require that foreign exchange (FX) transactions be reported.
- Before the TR, banks in the country were requested to inform their:
 - FX transactions daily.
 - Interest rate derivatives monthly.
- The information is used for:
 - Market monitoring
 - Financial stability analysis
 - Dissemination of aggregated data to the public for market transparency.

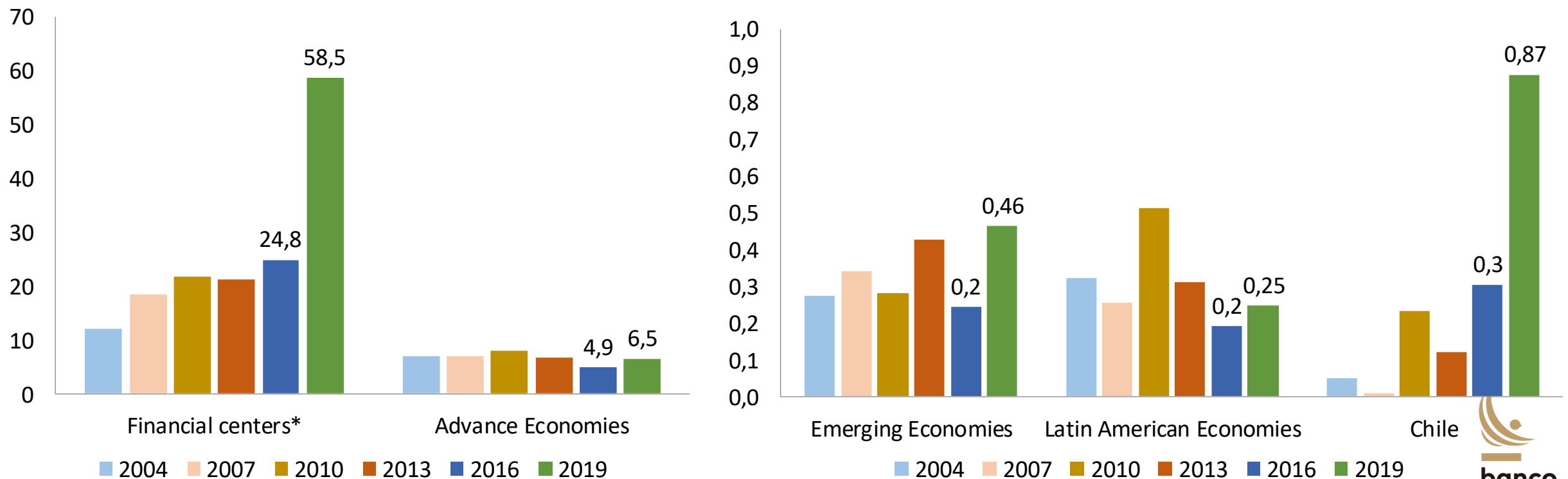
The Chilean FX market is deeper than other emerging and Latin-American economies.



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


In the case of the Interest Rate derivatives Chile appears deeper than Emerging and Latin American economies, but far lower than Advanced Economies

Interest rate derivatives market depth
(Annual turnover/GDP)



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

The CBC publishes daily statistics on the FX derivatives market in terms of notional turnover and amounts outstanding.



Statistics Database
[Home](#) [Methodologies](#) [Daily Indicators](#) [Chart Pack](#) [Mobile Database](#) [My Statistics](#) [BDE API](#)

Search

Contents

- Derivatives
 - Currency derivatives
 - Banks derivatives, daily
 - Derivatives net amounts outstanding
 - Derivatives turnover**
 - Banks derivatives, monthly
 - Derivatives by maturity
 - Derivatives amounts outstanding by counterparty
 - Derivatives turnover by counterparty
 - Derivatives net amounts outstanding and average turnover
 - Counterparty derivatives, monthly
 - Interbank
 - Amounts outstanding
 - Turnover
 - Foreign sector
 - Pension funds
 - Real sector companies
 - Insurance companies
 - Stockbrokers and securities intermediaries
 - General fund administrators
 - Other counterparties
 - Other derivatives
 - Interest rate derivatives
 - Commodity derivatives

Derivatives and Spot Statistics

Date


Frequency








Calculation

2021

Business

Original series

Derivatives turnover of the formal exchange market, daily data (domestic currency against foreign currency) (millions of dollars) 



Sel.	Serie	ug.2021	05.Aug.2021	06.Aug.2021	09.Aug.2021	10.Aug.2021	11.Aug.2021	12.Aug.2021	13.Aug.2021	16.Aug.2021	17.Aug.2021	18.Aug.2021	19.Aug.2021
<input type="checkbox"/>	Derivatives, total	4,958	3,412	3,745	4,766	4,395	3,835	6,171	4,590	3,723	5,438	3,907	4,984
<input type="checkbox"/>	Purchases from third parties, local market	1,093	623	902	1,078	541	455	884	502	581	634	530	1,505
<input type="checkbox"/>	Sales to third parties, local market	615	505	615	813	637	476	952	761	508	775	614	645
<input type="checkbox"/>	Interbank, local market	818	647	880	517	1,283	1,012	1,556	869	892	1,335	685	1,259
<input type="checkbox"/>	Purchases from third parties, foreign market	1,170	712	546	1,158	983	1,031	1,356	1,344	903	1,341	1,107	792
<input type="checkbox"/>	Sales to third parties, foreign market	1,261	925	802	1,199	951	861	1,422	1,113	839	1,352	970	784

Showing 1 to 6 of 6 rows

A monthly report is also published with detailed bank counterparty data.



Monthly Report *May 2021*

Foreign Exchange and Derivatives Statistics

This report presents statistics on foreign exchange and currency derivatives operations carried out by the Formal Exchange Market (FEM) with non-bank domestic counterparties and the Foreign Sector. It contains data to May 2021 and only considers domestic currency vis-a-vis foreign currency for both turnover and outstanding figures. Definitions and more detailed disaggregations of the series contained in this report are available at the [Statistical Database of the Central Bank of Chile](#).
Contact: <https://contactocentral.bcentral.cl/>

Derivatives market, net amounts outstanding

At the end of May, the Formal Exchange Market net long position registered US\$12,109 million, a US\$4,871 million decrease on the previous month. (Chart 1 and annex).

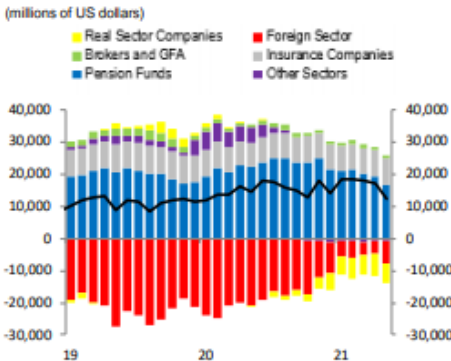
This was explained by an increase in the short position with the Foreign Sector by US\$3,044 million, arriving at a balance of US\$7,107 million. A decrease in the long position with Pension Funds of US\$2,674 was also observed, ending the month with US\$16,548 million.

Derivatives market, turnover

During the month, foreign currency derivatives turnover by the Formal Exchange Market reached US\$81,633 million which was a decrease of US\$10,654 million compared to April (Chart 2).

This reduction was mainly explained by lower activity with the

Chart 1: Derivatives, amounts outstanding by counterparty.



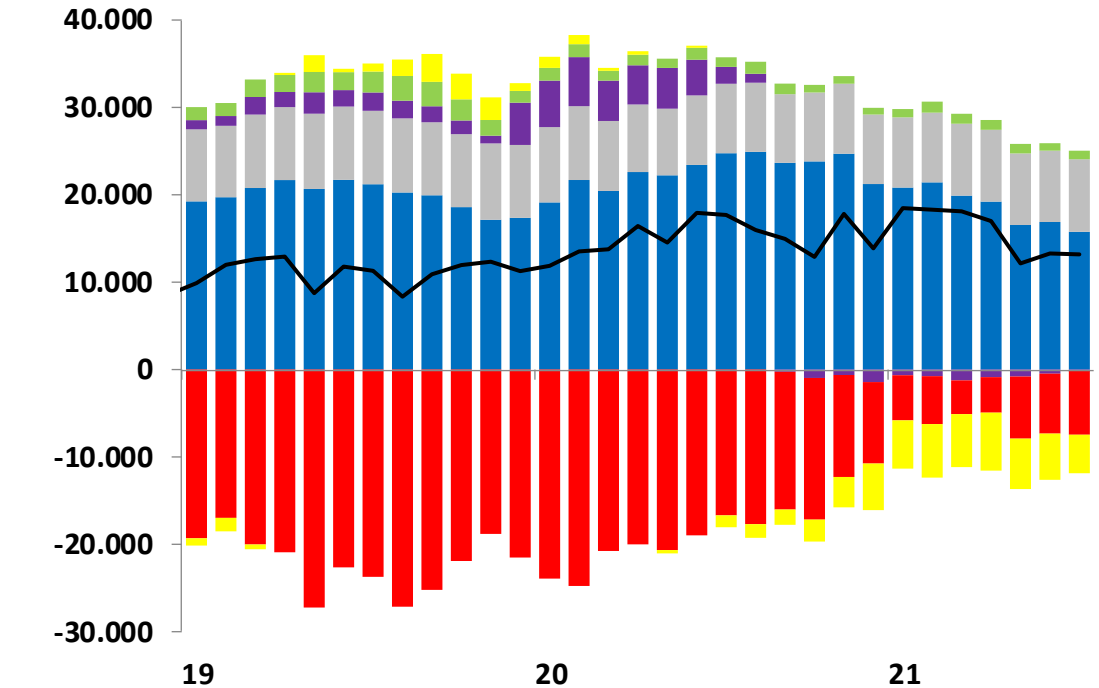
Source: Central Bank of Chile.
[View extended series](#)

Chart 2: Derivatives turnover by counterparty.



Derivatives amounts outstanding of banks, by counterparty

Millions of USD



funds

ector

standing

Insurance Companies

Foreign Sector

Otros Sectores

Real Sector Companies

One the most important indicators is the net USD/CLP forward position of banks with non-residents, which is published daily and monitored by international investors.



CLPBODM Index	1) News	Index Description
Central Bank of Chile FX Operations - Offshore Derivative Market		
2) Notes		
Net USD/CLP forward position of the formal exchange market vs. foreign entities. Participants in the formal exchange market are banks and brokers authorized by the Central Bank. A negative number suggests international investors have a net short peso position vs. the U.S. dollar in the forwards market. Index Units: Amounts Outstanding of the formal exchange market, daily data (Millions of dollars). This data has 2 day delay.		

In 2018, the Central Bank of Chile decided to start implementing the first TR in the country.

The worldwide commitment to enhance the operation of OTC derivatives markets after the global financial crisis is highly relevant to Chile.

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.

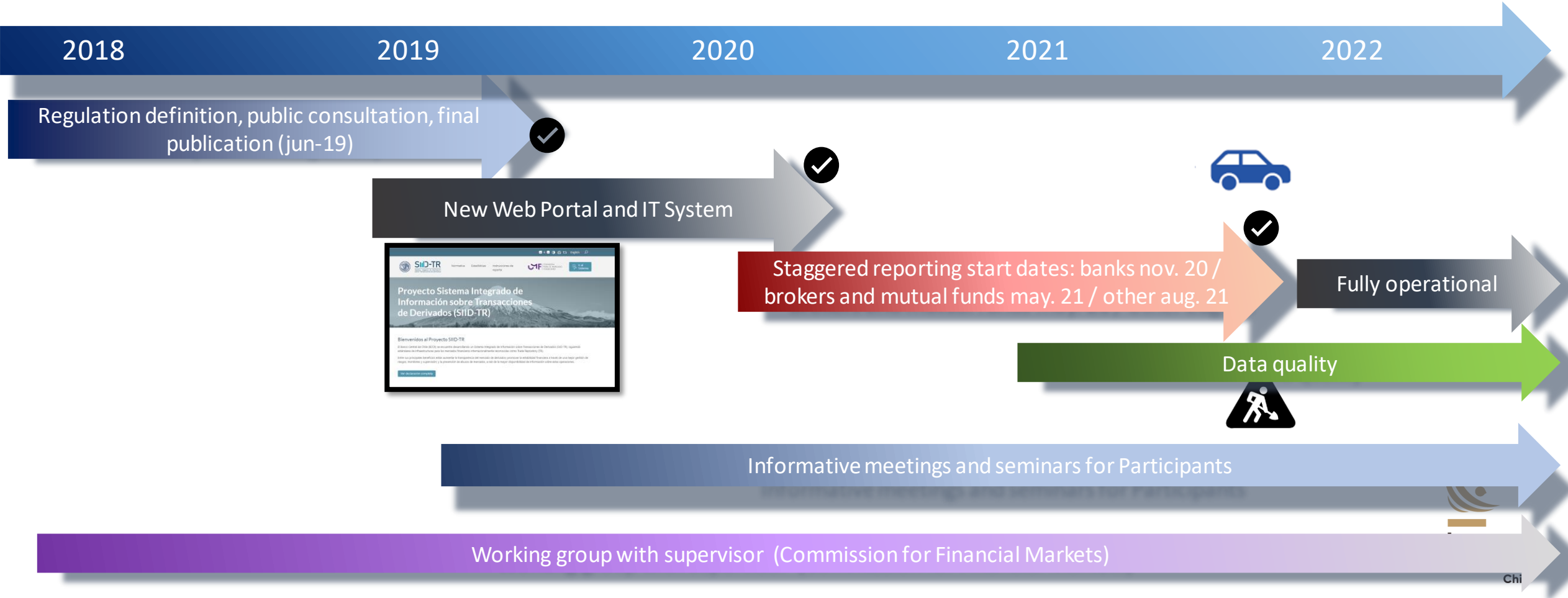
A five-year timeframe was defined, including a new legal framework, IT systems and operation in regimen.

A key component was learning from other TRs and international initiatives such as those from the HKMA, BoE, Banxico, and the ECB among others.



State of progress

Currently the project is almost fully operational, all reporting entities have already started their test period, and we are working on data quality issues with those firms that present them.



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

The implementation of the reporting was differentiated by type of entity, starting in November 2020 with the banking sector, followed by Chilean institutional investors in May 2021.

Reporting entities	Data requirements were separated in two parts:	
	Contract information	Detailing outstanding portfolio, collaterals, market value and payments
Banks	Nov- 2020 (daily report of new turnover)	May 2021
Banks's subsidiaries	Dic. 2020	May 2021
Institutional investors	May 2021	Aug. 2021
Corporations and other	Aug. 2021	Nov. 2021

The reports were defined on a monthly basis, except for banks which report daily due to their importance in the market.

Once the TR is fully operational there is the challenge to comply with the TR's objectives

1. Promotion of financial stability: Delivering timely data for market monitoring and financial stability analysis.
2. Increase market transparency: Providing market participants with new and relevant data.
3. Prevention of market abuse: Sharing of detailed data with market supervisors.



Use of the new data at CBC

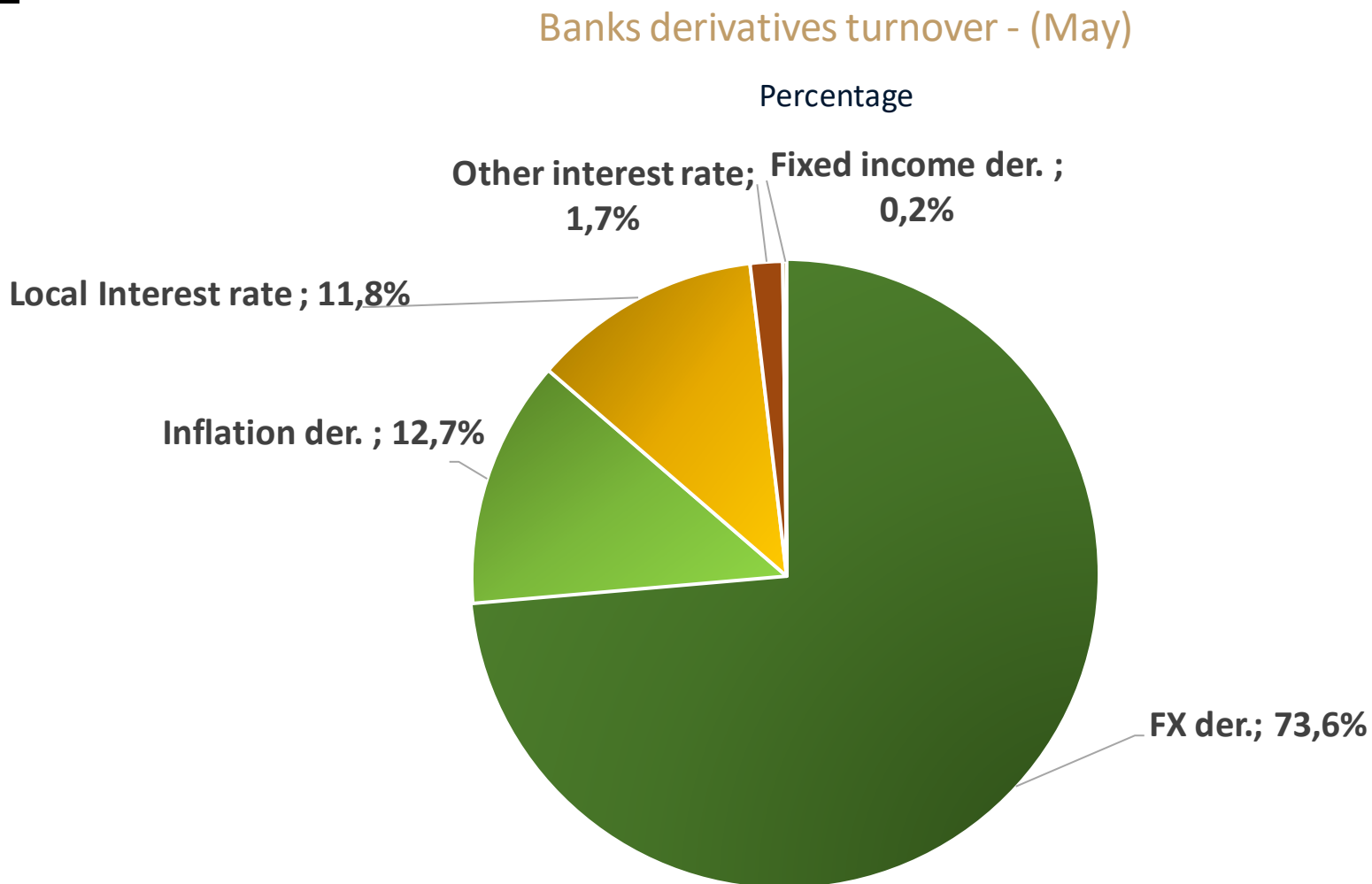
The new TR regulation requires that banks and their subsidiaries must report all their FX, interest rate, inflation and fixed income derivatives.

Reporting entities	Assets class				Type of counterparty	
	FX	Π	Interest rate	Fixed income	Local	Foreign
Banks and banks subsidiaries	✓	✓	✓	✓	✓	✓
Institutional investors	✓				✓	✓
		✓	✓	✓		✓
Pension funds	✓	✓	✓	✓		✓
Corporations and other	✓	✓	✓	✓		✓

The assets classes incorporated on this stage are FX, interest rates and fixed income.

■ New data

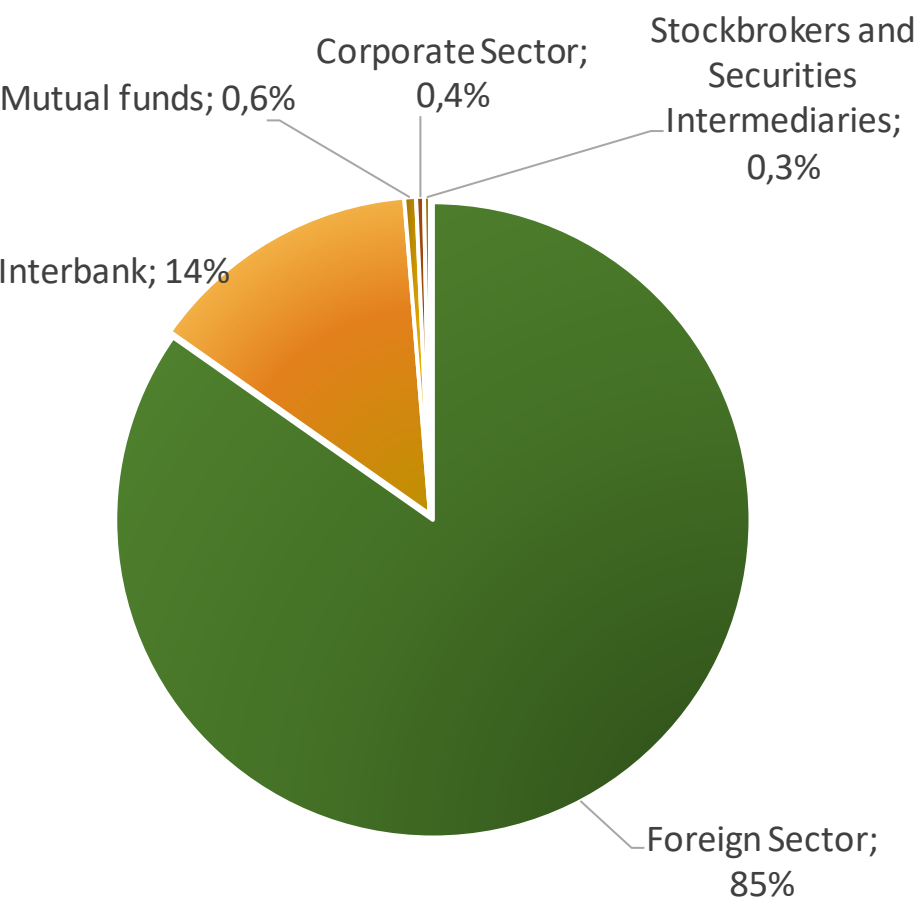
Banks data: Up to now only the size of the FX market was available, whereas now TR data shows us that inflation derivatives represent 13% and interest rate 12% of total turnover. This new data, helps the CBC in its objective of promoting financial stability.



In the case of interest rate derivatives, TR's data confirmed the importance of the foreign sector as a counterparty of the banking sector.

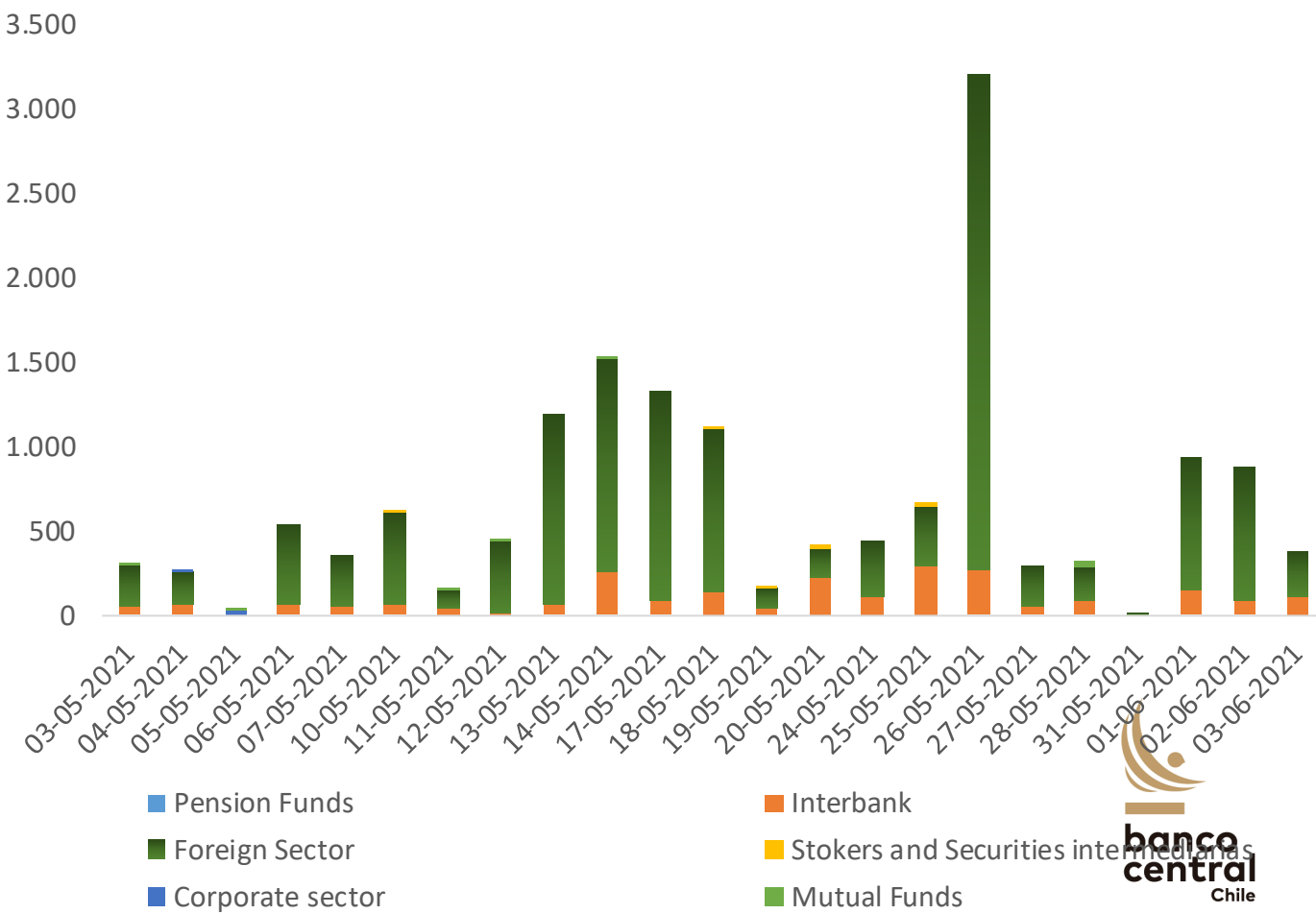
Banks interest rate derivative, by counterparty

%, May 2021

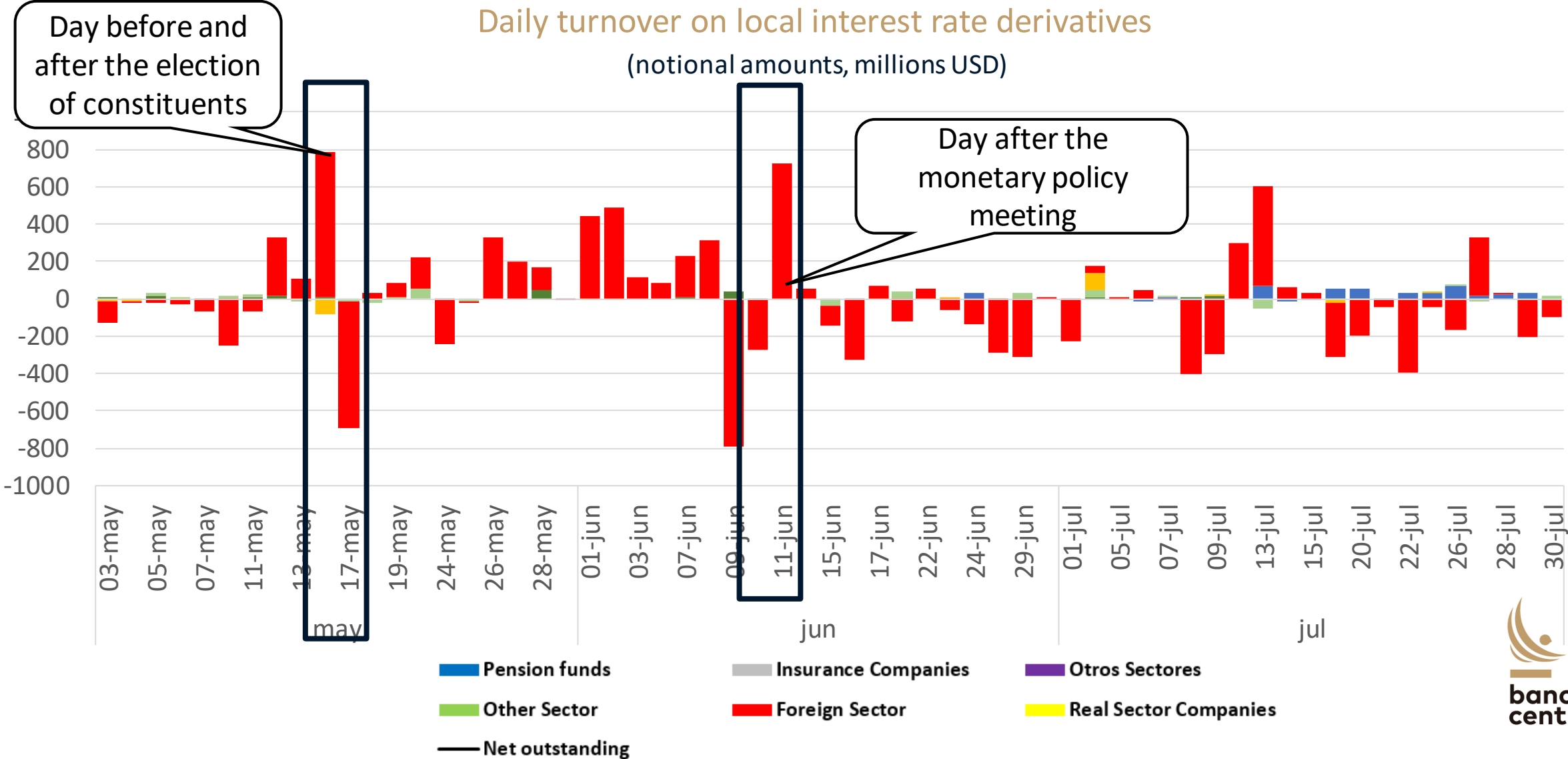


Banks interest rate derivative, by counterparty

Turnover millions of USD, 2021

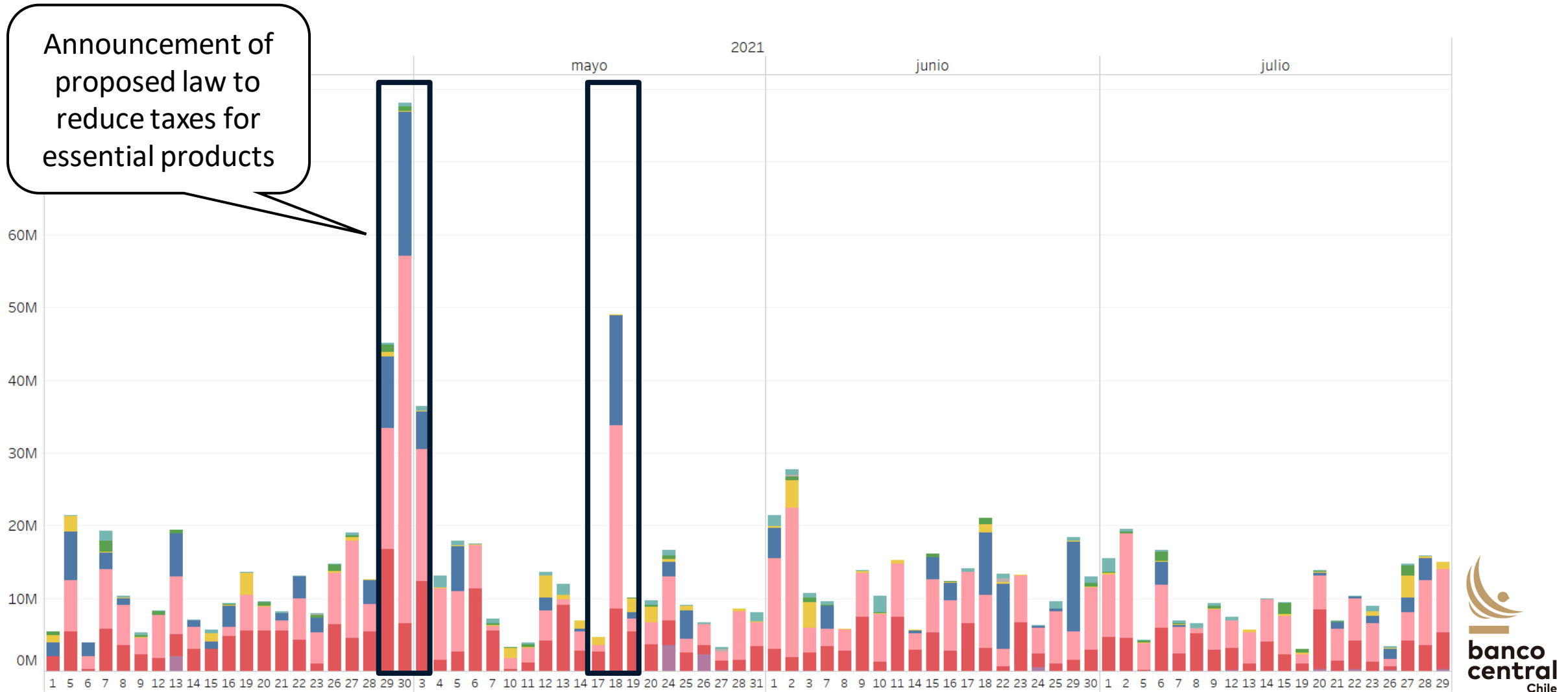


This new turnover data is being analyzed to complement market monitoring and help understand reactions to relevant shocks.



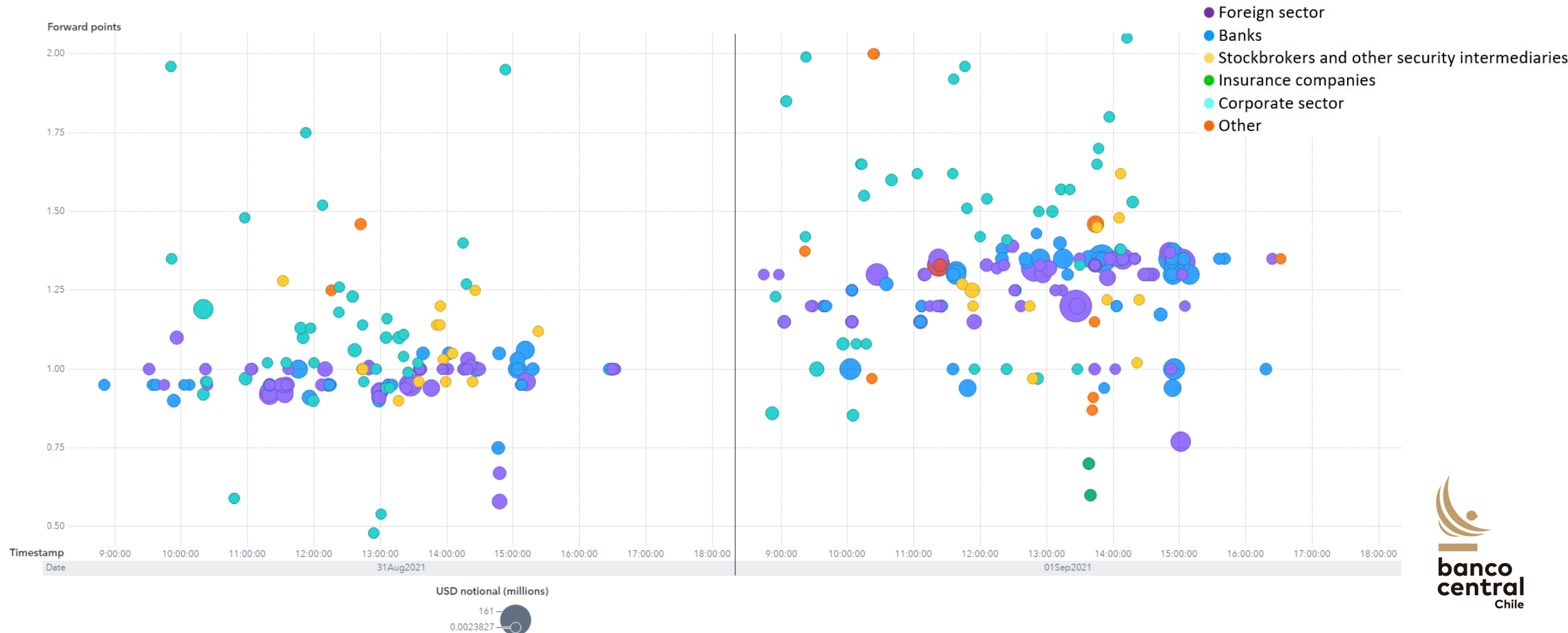
The CBC did not previously have access to timely data on “inflation” derivatives and its principal users, relying instead on qualitative data gather by phone surveys.

Daily turnover on inflation derivatives
(notional amounts UF millions)



The new timestamp data has allowed us to observe the reaction in the FX forward points after the CBC's Board decided to raise the official interest rate by 75 basis points on 31 August.

USD/CLP 30-day forward turnover



Increasing market transparency is one of the main goals we want to achieve in 2022.

Phase 1:

Increase availability and frequency of aggregated statistics for all sectors for different asset classes.



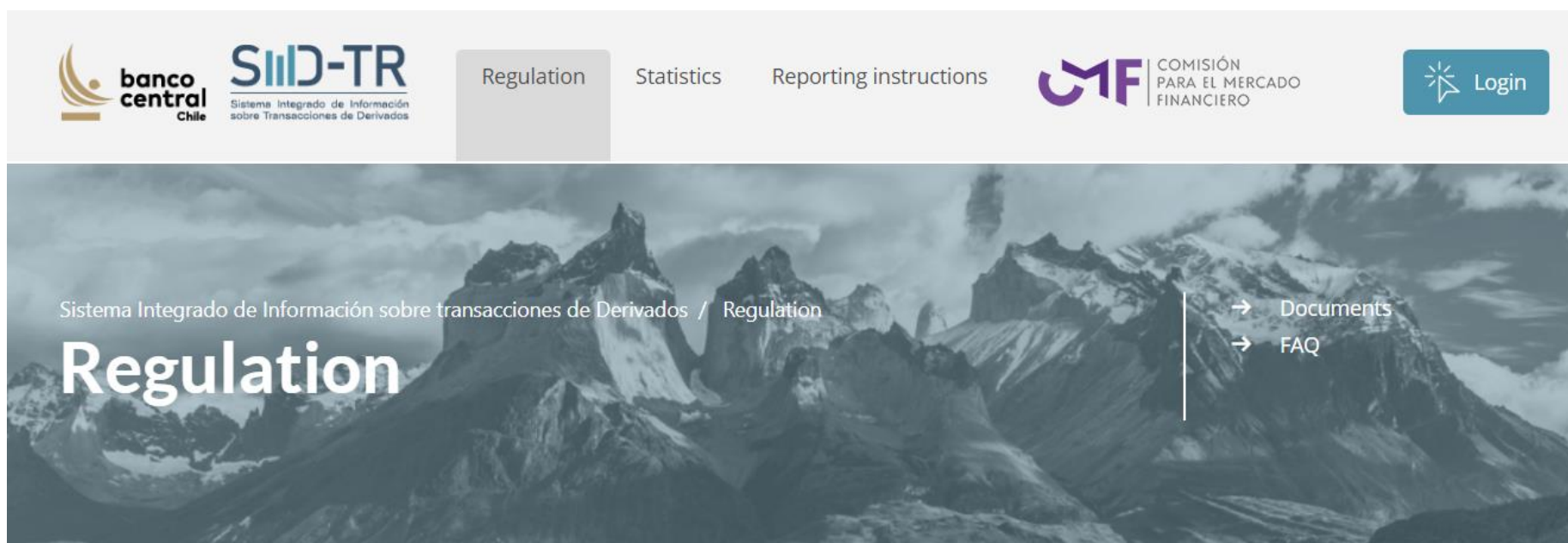
Phase 2:

Elaborate new statistics using markets value, collateral and prices information (2022-23).



Web Portal

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



The Central Bank of Chile (CBC) has been developing an Integrated Derivatives Information System (SIID-TR in Spanish), in line with international financial market infrastructure standards expected for Trade Repositories (TRs).

Among the main benefits of a trade repository are increased transparency, the promotion of financial stability through better risk management, and prevention of market abuse due to broader access to transaction level information

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

Files



It has three sections: Regulation, Statistics and Reporting instructions.

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 (CNCI in Spanish).

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

Sistema Integrado de Información sobre transacciones de Derivados / Statistics / Charts and series

Charts and series

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

This subsection includes charts and series of the derivatives market.

Statistical reports

[See more](#)



Methodologies and studies

[See more](#)



Charts and series

[See more](#)



Derivatives statistics

[See more](#)



Formal Exchange Market

Turnover of Swap Promedio Cámara of banks with foreign market by banks paying or receiving fixed rate

Swaps Promedio Cámara outstanding of banks with foreign market by maturity

Turnover of Swap Promedio Cámara of banks with foreign market by maturity

Foreign market amounts turnover with the FEM by original maturity

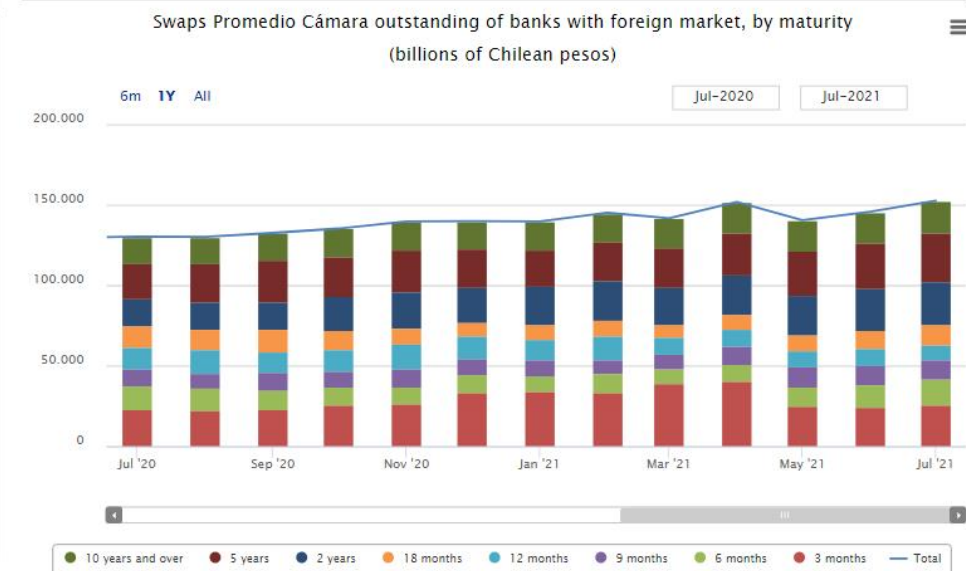
Foreign market amounts outstanding with the FEM by original maturity

Derivatives turnover by original maturity

Derivatives amounts outstanding by original maturity

Derivatives amounts outstanding by counterparties

Swaps Promedio Cámara outstanding of banks with foreign market by maturity [See Serie](#)



Reporting instructions provide all necessary guidance to SIID-TR Participants

Sistema Integrado de Información sobre transacciones de Derivados / Reporting instructions

Reporting instructions

This section has the goal of easing the reporting to SIID-TR participants. It includes first-time reporting instructions, procedure tech specifications and Operative Rules of SIID-TR (in Spanish, *Reglamento Operativo*) and so on. Please address further questions

Filters

Filters by category

Filter by date

From

To

Filters by period

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Documents

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Workshop SIID Julio Empresas Sector Real

PDF

Manual envío información por correo encriptado SIID -TR

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Actualización Especificaciones Técnicas SIID-TR

PDF

Presentación Workshop 07 de Enero de 2021

Descript

Sistema Integrado de Información sobre transacciones de Derivados / Regulation / FAQ

Frequently Asked Questions (FAQ)

→ Documents
→ FAQ
→ Contact

Instrumentos con más de un

Select

En el caso de un instrumento que conlleven un intercambio inicial de monedas en el mercado spot, por ejemplo, un Cross Currency Swap o un FX Swaps spot-forward, ¿debe informarse el intercambio spot en el SIID-TR?

¿Cómo se reporta un swap de monedas con un intercambio spot y uno forwards (FX-Swap spot-forward)?

El swap de monedas que tiene un intercambio spot y uno forward debe ser informado como un instrumento "FX swap", considerando como referencia para la información de monedas y montos a recibir y entregar el intercambio futuro o forward (la parte spot no debe ser reportada al SIID-TR – ver pregunta 9.1).

¿En el reporte de contratos vigentes de operaciones con más de un intercambio a futuro, el Calendario de Flujos debe incluir solo los flujos vigentes o también aquellos que hayan vencidos?

¿Cómo se reporta un FX Swap con dos intercambios forwards (FX Swap spot-forward)?

¿Para qué instrumentos se debe completar la sección B. de Calendario de Flujos del RO-SIID?

A glass globe with a grid pattern, resting on a circular base. The background is a light blue grid with a faint orange line pattern. The text "Data quality" is written in a dark blue font, followed by a vertical orange bar.

Data quality |

The success of the trade repository relays on data quality. There is a data quality strategy based on four pillars.

1. Data entry (approx. 400 rules)

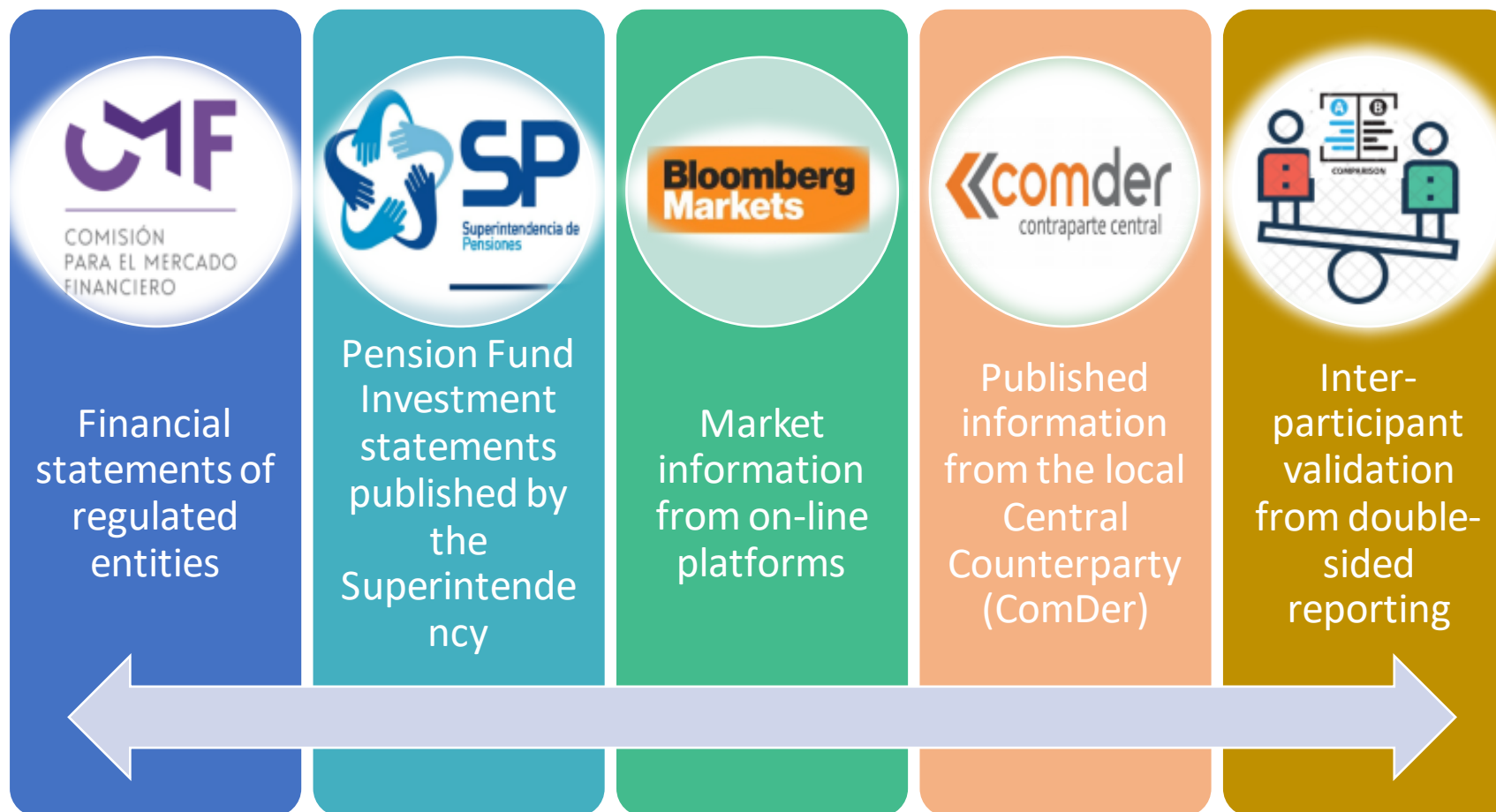
2. Comparison with previous data

3. Data validation with financial statements and other sources

4. Quality scoring

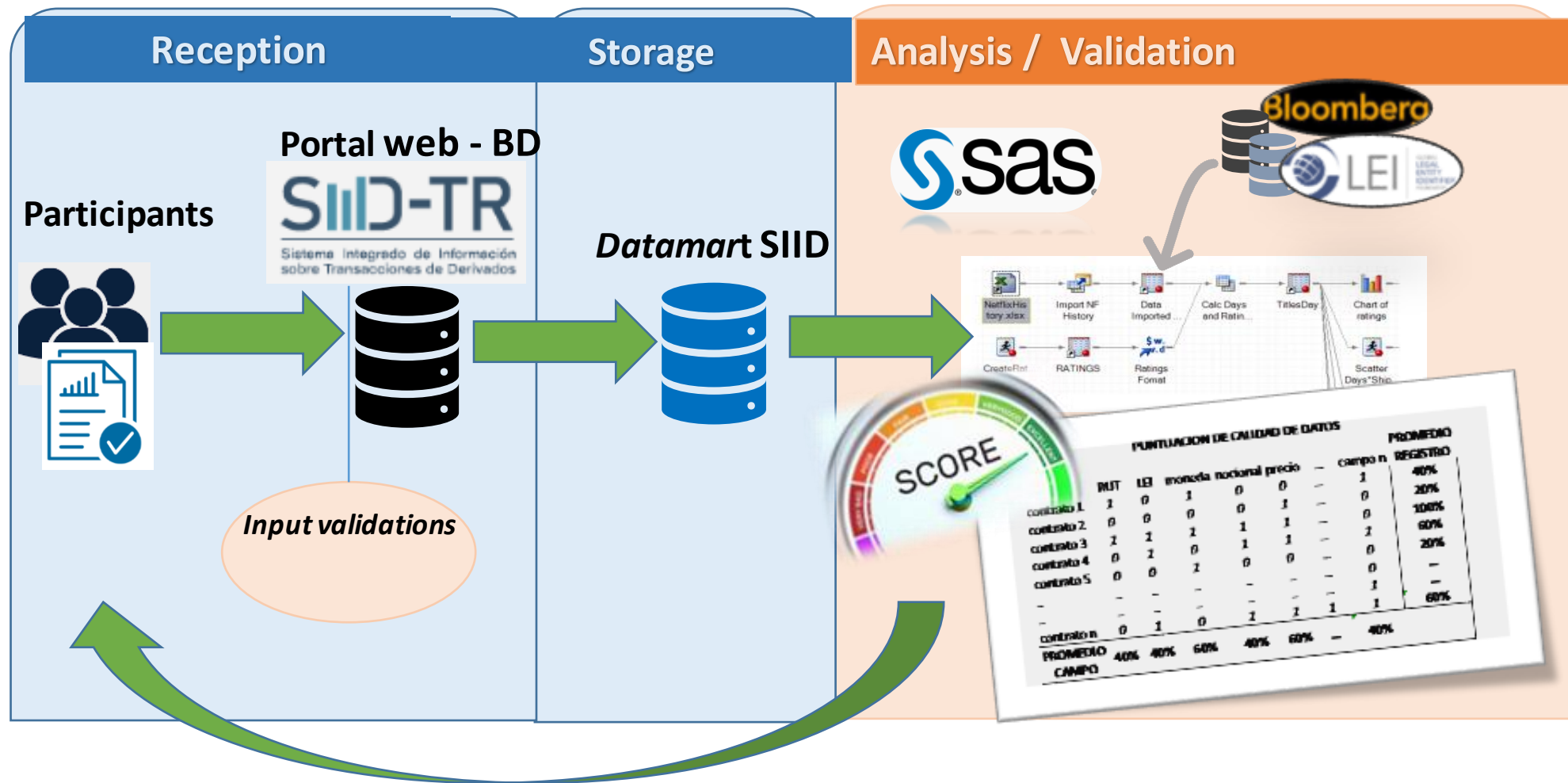
WORK
IN PROGRESS

There are multiple sources of comparison for aggregated data.



The goal is to implement a data scoring in the usual flow of information reception and processing.

Information diagram for SIID-TR



Challenges: The success of the TR depends on the quality and completeness of the information received.

- Continue implementing the four-pillar data quality plan.
- The CBC is working with the supervisor to implement a Monitoring Committee to:
 - ✓ Improve data quality of those Participants who present reporting problems.
 - ✓ Use the TR data for financial stability purposes and detection of market abuse.
- Increase market transparency in the Chilean OTC derivative market by elaborating and publishing relevant information regarding markets participants, assets classes, prices, market value, collaterals, among other.
- Use the TR data inside the CBC for financial stability purposes and market monitoring.

Central Bank of Chile's Trade Repository and Market Transparency

September, 2021