



BANCO CENTRAL DE CHILE

PROVISIONS ON

CONVERSION OF

EXTERNAL DEBT

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CENTRAL BANK OF CHILE

Chapter XVIII of Title I

Compendium of Rules on International Exchange

ACQUISITION OF FOREIGN DEBT INSTRUMENTS

Chapter XVIII

Acquisition of Foreign Debt Instruments

Natural or juristic persons, whether resident or non-resident in Chile, who acquire foreign debt instruments, from non-resident persons in the country, should conduct the corresponding transaction within the Formal Exchange Market. Without prejudice to the above, it is herein authorized to pay for, in Chile, promptly and against surrendering the relevant instrument, in cash, with or without discount, in Chilean currency, pesos, debt instruments as determined in the following paragraphs, or alternatively, to replace said instruments, in Chile, by one or more instruments, only denominated either in, Chilean currency, pesos, or indexed units, contemplating optional modifications of the previous transaction regarding the amount of the debt, the interest rate, expiry or other obligations, pursuant to the provisions and requirements referred to in this Chapter.

1. To acquire, whether directly or through agents, for the sole purpose of conducting the operations specified in this Chapter, debt instruments evidencing the existence of an obligation denominated and payable abroad in foreign currency, for an original or extended term exceeding 365 days, subscribed by any one of the following persons as direct obligor:
 - a) The Treasury,
 - b) The Central Bank of Chile,
 - c) "Entities of the public sector", comprising all agencies, institutions or enterprises referred to in Article 2 (a) of Law 18,233, including Corporación Nacional del Cobre de Chile (CODELCO) and the organizations listed in Article 11 of Law 18,196, excluding Banco del Estado de Chile,
 - d) Corporación de Fomento de la Producción (CORFO), and banking entities and financial institutions authorized to operate in Chile, or
 - e) Natural or juristic persons resident in Chile, provided that in this case such obligations refer to foreign credits admitted into the country under the provisions of Chapter XIV of this Title.
2. Notwithstanding the provisions of the preceding number:
 - a) Neither the Treasury, nor the Central Bank of Chile, or the "entities of the public sector", or banks and financial institutions authorized to conduct transactions in Chile may acquire the instruments referred to in number 1 of this Chapter, and
 - b) Persons who, according to regulations of the Superintendency of Banks and Financial Institutions, are deemed to be "related", either directly or through third parties, to the ownership or the management of banking entities and financial institutions authorized to operate in Chile, shall obtain the prior consent of said Superintendency, in each case, in order to acquire any instrument under the provisions specified in this Chapter. Such prior authorization shall also be required in the case of any financial institution subject to the supervision of the referenced Superintendency to acquire or receive as payment the instruments specified in number 3 below, regarding liabilities of "related" persons.
3. To formalize the acquisitions specified in number 1 of this Chapter a prior contract shall be subscribed and registered with a Notary Public or other recording public officer, between the acquirer(s) of the corresponding instrument(s), the debtor(s) of the relevant obligation and, as the case may be, the guarantors agreeing to the subscription of the contract, by which, subject to the completion of the acquisition of such instrument(s)



they shall agree that:

- a) The instrument evidencing such obligation shall be paid for in Chile, promptly and against surrendering such instrument, in cash, with or without discount in Chilean currency, pesos, or
- b) Alternatively, the replacement of the instrument by one or more instruments, in Chile, denominated either in Chilean currency, pesos or in indexed units, shall be agreed and, the optional modifications of the previous transaction regarding the amount of the debt, the interest rate, expire or other obligations, may also be amended.

In the event that the "instrument" evidencing the obligation is extended in other form than "to bearer" or "to the order", or it calls for partial assignment of an instrument, related to a non-restructurable debt, the above contract shall be also subscribed by the creditor(s) registered as such with the Central Bank of Chile.

In the same contract, and under the above proviso, the obligor(s) of the instrument shall waive access to the foreign currency market granted to the associated obligation and, when appropriate, they shall commit themselves to reimburse to the Central Bank of Chile, immediately upon payment of the instrument or exchange of instruments, as the case may be, through the agent specified in number 4 below, the referenced Certificate specified in Chapter XIV of the former Compendium of Rules on International Exchange, to be rendered void or amended, as the case may be.

If the acquired credit forms part of an obligation covered by the same instrument, the referenced contract shall provide, besides, for its corresponding amendment and shall keep, for the uncontracted part of the debt, in any case, the same date of execution, maturity, interest rate and other conditions agreed or stipulated on the original instrument.

When executing the contract specified in the preceding paragraphs, the provisions of this Title in Chapter XIV letter G, Point II b), shall be fulfilled, as well as the contracts originating the associated obligation.

Execution of the contract, referred to in this number, shall not be required, if and when, such instrument is subscribed by the Central Bank of Chile as direct obligor, in which case the instrument shall be replaced by one or more negotiable instruments as specified in Annex 1 of this Chapter. Nevertheless, the investor(s) may agree with said institution that the rates applicable to the instruments that, in accordance with Annex 1 of this Chapter, substitute the documents, shall be those in force at the time of the relevant covenant.

4. Persons acquiring foreign debt instruments as provided in the preceding paragraphs shall have them immediately delivered together with the contract referred to in paragraph 3, above, when appropriate, to CORFO or other banking entity or financial institution authorized to conduct transactions in Chile, to which they shall assign an irrevocable mandate to request from the Central Bank of Chile, on behalf of the mandator, to exchange the negotiable instruments referred to in Annex 1 of this Chapter, if such instrument was subscribed by the Central Bank of Chile as direct obligor or, otherwise, to collect on the debt and deliver to the mandator the proceeds of the obligor's payment, or to



request the latter to replace the document by new instruments as provided for in the relevant covenant.

If the instrument is to be exchanged for negotiable instruments or for new instruments as provided above, such irrevocable mandate shall further instruct the agent to take one of the following actions: deliver to the mandator the negotiable instruments or the new instrument(s) received in exchange; transfer them to third parties or receive them on its own account, as payment for debts or assets, or sell them to third parties, or purchase them on its own account, and deliver to the mandator the proceeds of such sale.

Under no circumstance shall the amount of payment received from the obligor of the instrument, or the amount of the negotiable instrument(s) or new instrument(s) received in exchange, or the price of sale or payment for transfer, exceed the amount of the principal or balance of the principal owed of the original instrument, plus the corresponding accrued and outstanding interest as of the date of the relevant transaction.

For the purposes of applying this and other provisions of this Chapter, except for express counter indication, the exchange rates and parities referred to in number 6 of Chapter I of this Title, and in force on the date of the corresponding transaction, shall be applied.

5. The operations associated with the collection or replacement of instruments for negotiable instruments or new instruments that may be carried out, under the provisions contained in this Chapter, on a specific part of the month by CORFO and by banking entities and financial institutions authorized to operate in the country, in compliance with the provisions contained in No. 4 above, shall be restricted to instruments that do not exceed, in foreign currency and including capital or outstanding capital and accrued and outstanding interest, calculated as of the date of the corresponding transaction, the margin that, for the same monthly period, had been awarded to CORFO or to the respective banking entity or financial institution through the bid mechanism described in Annex 2 of this Chapter, or assigned to it by CORFO or other financial institution, pursuant to the provisions of the following paragraph. The indicated "margin" does not include accrued and outstanding interest to be paid up to a total equal to 20% of the capital or the balance of owed capital.

"Margin", for a financial institution, shall be understood to be the equivalent, in Dollars of the United States of America, to the nominal value of the "Promissory Note of the Central Bank of Chile, Chapter XVIII of this Title" ("P.B.C. - Chapter XVIII"), belonging to it and referred to in No. 5 of Annex 2 of this Chapter, applying the exchange rate specified in No. 6 of Chapter I of said Title, in force the day of the issuance of the referenced Promissory Note.

The margin assigned to CORFO or to any specific financial institution for any given monthly period according to the provisions of such bid mechanism, that is not used to carry out operations described in this Chapter, may be freely assigned to CORFO or to any other financial institution, totally or partially, to be used during the same month under the provisions set forth in this Chapter. Margins assigned to be used in any given month that are not utilized within said period, may not be used in any other month.



6. CORFO and banking entities or financial institutions authorized to conduct transactions in the country shall report to the Management for External Financing of the Central Bank of Chile, within the following five banking business days, on the operations carried out in accordance with these norms, by filling the form included as page 1 of Annex 3 of this Chapter, enclosing the required documents.

Similarly, they shall inform the same Management office of the margin assignments referred to in number 5 above, carried out during said period, by filling the form contained in page 2 of Annex 3 of this Chapter, before 2:00 PM of the same day the transactions are carried out.

7. Liabilities related to the instruments applied to transactions authorized by this Chapter, shall not have access to the system for the payment of obligations established in Agreement No. 1657-03-850627, nor to the system specified in Agreement No. 1672-11-850821 of the Central Bank of Chile.
8. Persons engaging or participating in operations performed under provisions of this Chapter shall be responsible for the fulfillment of the stipulations established herein and of the acts deriving from its application.
9. Persons who acquire Chilean external debt instruments, as provided in this Chapter, may apply them, with the prior consent of the Central Bank of Chile, to conduct the transactions specified in Annex 4 thereof, which shall be also subject to the other provisions established in said Annex.
10. The Operations Division of the Central Bank of Chile is herein empowered to institute the necessary procedures in order to control and supervise the operations performed according to this Chapter.

The Superintendency of Banks and Financial Institutions pursuant to its legal capacity shall issue the required accounting and control regulations.

11. Violations of the provisions of this Chapter shall be penalized in the manner specified in Chapter II, Title IV of this Compendium.

Annex 1

Acquisition of External Debt Instruments Subscribed by the Central Bank of Chile as Direct Obligor

1. In the event that persons authorized under Chapter XVIII, hereof, acquire external debt instruments subscribed by the Central Bank of Chile as direct obligor and subject to the provisions established thereof, they shall request from this Issuing Institute, through the agent referred to in No. 4 of said Chapter, the replacement of such instruments by one or more negotiable instruments to bearer issued by the Central Bank of Chile and denominated in indexed units, for an amount equivalent to 87% of the value of the replaced instruments, including principal or balance of principal owed plus the corresponding accrued and outstanding interest, which shall be assessed as to the date of such replacement.

The maturity date for the principal of such negotiable instruments shall be of six (6) years, counted from the established date and shall earn interest payable on a six-month basis, equal to the weighted average interest rate on indexed deposits of the financial system (TIP) for periods extending between 90 and 365 days reduced by 0.5% per annum.

The exchange rate and parities specified in No. 7 of Chapter I of this Title, shall be used for the operations carried out according to the above provisions, without applying the exchange differential referred to in Annex 1 hereof, in force on the date of replacement, and the TIP rate reported by the Studies Management of the Central Bank of Chile, for the relevant deposits during the calendar month immediately preceding the first day of each six-month interest period, which shall be in force during the respective period.

The interest corresponding to these instruments shall only be accrued up to the respective maturity date. The value of the indexed unit on the date of expiry of the instrument shall be applied for the purpose of assessing the amount owed in national currency corresponding to these negotiable instruments.

2. In the event that the credit acquisition correspond to part of the obligation provided for by the same instrument, the creditor and the acquirer shall have previously agreed and duly demonstrated to the Central Bank of Chile, that the non-acquired part of such credit shall retain the contracting date, maturity, interest rate and other conditions agreed or provided for in the original document.
3. When the market situation grants it, the Central Bank of Chile shall be empowered to modify the terms and conditions of the instruments specified in No. 1 of this Annex. These modifications shall be applicable to instruments issued starting from the date of the Central Bank Council's Agreement.
4. Situations not covered in the present Annex shall be ruled by the general provisions referred to in Chapter XVIII of this Title.

Annex 2

Rules for Margin Tenders on Authorized Operations with External Debt Instruments

Margin tenders on authorized operations with external debt instruments referred to in No. 5 of this Chapter, shall be carried out under the following conditions:

Tenderers

1. Corporación de Fomento de la Producción (CORFO), banking entities and financial institutions authorized to conduct transactions within the Formal Exchange Market are entitled to submit tenders.

Announcement of the Tender

2. The bases for each tender shall be defined by the Financial Policy Director and issued by the Monetary Operations Management, Agustinas N° 1180, 3rd. floor, Santiago, and shall be available starting at 3:00 P.M. in the Open Market Operations Section.

Schedule of Tenders

3. Tenders will be received and awarded on the penultimate banking business day of each month, or with the opportunity determined by the Central Bank of Chile. The tender shall be announced and its bases made available with five banking business days in advance to the date of award.
4. Should force majeure prevent fulfillment of the conditions described in the previous paragraph, the Central Bank of Chile shall give timely notice to the above referenced organizations of the relevant instructions.

"P.B.C. - Chapter XVIII" Sale

5. The Central Bank of Chile shall issue a nominative promissory note, in Chilean currency, not eligible to earn interest or adjustments, which shall be called Promissory Note of the Central Bank of Chile, Chapter XVIII of this Title (P.B.C. - Chapter XVIII hereinafter), with maturity set at 180 days from the date of emission that shall correspond to the date of award. The nominal value of "P.B.C. -Chapter XVIII" shall be equal to the awarded "margin", applying the exchange rate referred to in No. 6 of Chapter I of this Title, in force on the day of the award.

Participating institutions being awarded the "margin", commit themselves to acquire from the Central Bank of Chile the corresponding "P.B.C. - Chapter XVIII" at 100% of its nominal value, on the same day of the award. The Central Bank of Chile shall debit the account of the financial institution for an amount equal to the "P.B.C. - Chapter XVIII" on the day of the award. In the case of CORFO, payment for the acquisition of "P.B.C. - Chapter XVIII" shall be made through a Bank Check extended to the order of the Central Bank of Chile, that shall be delivered at the Open Market Operations Section of the Central Bank of Chile, Agustinas 1180, 3rd. Floor, before 2:00 P.M. on the day of the award.

Simultaneously, the Central Bank of Chile commits itself to rescue the "P.B.C. - Chapter XVIII" in advance, on the date appearing on the bases set forth in each tender, to those institutions having been awarded in the same or its cessionaries, at a price that equals



the price of the instrument offered for sale to the Central Bank of Chile, according to the award system described in No. 14 of this Annex.

The "P.B.C. - Chapter XVIII" shall be transferable in the cases and manners specified in No. 5 of the Chapter this Annex refers to, pursuant to the provisions of No. 6 of the same Chapter. The cessionary institution shall assume the rights and the obligations corresponding to the transferer and, specifically, the commitment to sell the "P.B.C.-Chapter XVIII", totally or partially, as the case may be, to which they are entitled, to the Central Bank of Chile, at the offered price, by CORFO or by the respective financial institution transferring the instrument. The cession, total or partial, of the "P.B.C.-Chapter XVIII" shall represent, consequently, the "margin" referred to in the second paragraph of No. 5 of the Chapter to which this Annex refers.

The emission, rescue and cession of the "P.B.C. - Chapter XVIII" shall also be subject to, the instructions imparted by the Financial Policy Division of the Central Bank of Chile concerning this matter.

The "P.B.C. - Chapter XVIII" shall bear the signature in facsimile of the Monetary Operations Manager and the hand-written signature of the Open Market Operations Department Chief of the Central Bank of Chile.

Submission of Bid Proposals

6. Tenders shall be solely submitted on the "Form for Margin Tenders on Authorized Operations with External Debt Instruments", included at the end of this Annex 2 and shall be enclosed in an envelope marked "Margin Tender on Authorized Operations with External Debt Instruments". This material is available to interested organizations at the Open Market Operations Section, Agustinas 1180, 3rd. Floor, Santiago.
7. Bids shall be delivered in sealed envelope.
8. Each sealed envelope may contain up to three bids, each of them in an individual form.
9. Each bid shall specify the amount of "margin" the institution wishes to be awarded, equivalent in thousand Dollars of the United States of America, and the price at which it offers to sell the "P.B.C. - Chapter XVIII" to the Central Bank of Chile. This price shall be expressed as a percentage of the total amount of the respective offer, with four decimals at the most.

Reception of Bid Proposals

10. Tenders shall be received in the Open Market Operations Section, Agustinas 1180, 3rd. Floor, Santiago, until the time indicated in the Bid Proposal.
11. Each received envelope shall be numbered and a receipt shall be issued bearing the signature and stamp of a staff member of the Open Market Operations Department. Similarly, there shall be a bid proposal register that shall be signed by the person delivering the tender.



12. The envelope shall be placed by the officer of the tendering institution in a box specially provided for that purpose.
13. The Central Bank of Chile reserves the right to reject one or more proposals without expressing the reason.

Method of Award

14. The general award procedure shall be as follows:
 - a) The total amount of the bids shall be added and shall be ordered on the basis of the lowest prices offered to sell the "P.B.C. - Chapter XVIII" to the Central Bank of Chile.
 - b) In case two or more bids contain the same price and the remaining balance does not fully cover the total amount, the balance shall be distributed in the proportion corresponding to each bid over the total offer at the same price.
 - c) The Financial Policy Director of the Central Bank of Chile, shall define the total amount and margin subject to bidding.

Rescue of the "P.B.C. - Chapter XVIII"

15. On the date which shall be indicated in the bases for each tender, the Central Bank of Chile shall proceed to credit, in the current account of the financial institution presenting the "P.B.C. - Chapter XVIII" for its collection, the amount resulting from the application of the value of rescue offered by the awardee in the respective bidding process.

In the case of CORFO, the rescue shall be executed with a check issued by the Management of the Central Bank of Chile, the value of which, shall be the result of applying the corresponding price of award of the surrendered "P.B.C. - Chapter XVIII". This check shall be delivered at the Open Market Operations Section of the Central Bank of Chile, Agustinas 1180, 3rd. Floor, Santiago, before to 2:00 P.M. on the day of the rescue.

Notification of the Results

16. Participating institutions shall be notified of the results by telephone, once the tenders have been awarded.
17. The Open Market Operations Department shall issue a minute with the results of the award which shall be available to participating institutions on the following day of the award.

FORM FOR MARGINS TENDER ON AUTHORIZED OPERATIONS WITH
EXTERNAL DEBT INSTRUMENTS

BID

MARGINS FOR OPERATIONS INVOLVING COLLECTION OR REPLACEMENT OF
EXTERNAL DEBT INSTRUMENTS

Open Market Operations
Department
The Central Bank of Chile
SANTIAGO

Date: _____

Please accept our bid in the tender for margins for operations involving collection or replacement of external debt instruments in the following terms:

NAME OF INSTITUTION	CODE

We apply for a "margin" of:

US\$ _____ and, in case we are awarded the bid, we commit ourselves to purchase the "P.B.C. - Chapter XVIII" for an amount equal to the value of the "margin" awarded by applying, to that effect, the exchange rate referred to in No. 6 of Chapter I of this Title, in force on the day of the award, promissory note we promise to sell to the Central Bank of Chile at:

_____ % of its nominal value, on the day _____ of _____ of _____

We herein declare that we are acquainted with and in full agreement to comply with the Rules for Margins Tenders on Authorized Operations with External Debt Instruments specified in Annex 2 of Chapter XVIII of this Title and the corresponding Bases to this proposal.

Signature and Stamp

INSTRUCTIONS:

1. Do not amend the text of this form.
2. Each offer should be submitted in a different form.
3. Place your bid in an envelope marked "BID FOR MARGINS TENDERS ON AUTHORIZED OPERATIONS WITH EXTERNAL DEBT INSTRUMENTS".
4. Any bid failing to show, clearly, the name and code of the participating institution shall be rejected. The above shall also apply if the stamp of the organization is missing or if the facsimile of the signature of the persons signing on behalf of the participating institution is not registered with the Open Market Operations Department.

INFORMATION CONCERNING
CHAPTER XVIII OPERATIONS

Annex 3
INTERNATIONAL EXCHANGE

MANDATING INSTITUTION

OPERATION No. _____
Date of Margin Award _____ Date of Operation _____

1. INSTRUMENT ACQUIRED BY

Name _____
Address _____
R.U.T. _____

2. INSTRUMENT ACQUIRED FROM:

TYPE OF INSTRUMENT	ORIGIN	INSCRIP. No.	CREDIT DETAILS
☐ Cred. Sched. ☐ No	- Art. 14		Subscribed on _____
☐ Promissory Note	- Art. 15		Place of Payment _____
☐ Other	- Art. 16		Currency _____
	- New Money		Initial Capital _____
	- Other		Present Capital _____
			Acquired Nominal Capital _____
			Final Capital _____

3. INTERESTS

Rate _____
PERIODICITY
Monthly ☐ Quarterly ☐ Biyearly ☐ Other _____

4. DIRECT OBLIGOR _____

INDIRECT OBLIGOR _____
Joint debtor ☐ Aval ☐ Guarantor ☐

5. DETAILS OF THE NOMINAL VALUE ACQUISITION

	Price	%	Paid Value
Amount of Capital _____	_____	_____	_____
Amount of interest _____	_____	_____	_____

6. APPLICATION OF THE ACQUIRED INSTRUMENT

F/C

6.1 ISSUER: Central Bank: Request to issue instruments in U.F. in amount of _____
F/C

Emission for 97% T/C(*) _____ Total \$ _____

6.2 ISSUED BY OTHERS F/C

Advanced Payment _____	Price _____ %	t/c _____	total \$ _____
Exchange for Instrument D/C _____	Price _____ %	t/c _____	total \$ _____
Exchange Instrument in UF (**) _____	Price _____ %	t/c _____	total \$ _____
Exchange for Instrument F/C _____	Price _____ %	t/c _____	total \$ _____
Payable in D/C _____	Price _____ %	t/c _____	total \$ _____

7. DESTINATION OF THE NEW INSTRUMENTS OR NEGOTIABLE INSTRUMENTS

Mandator ☐ Transf. to third party in payment ☐ Received in payment by the mandator ☐
Purchased for self ☐ Sold to third party ☐

Agent

Agent

NOTE: For transactions involving related persons, enclose authorization from Superintendency of Banks and Financial Institutions.

(*) Exchange rate referred to in No. 7 of Chapter I, Title I of the former Compendium of Rules on International Exchange.

(**) UF initials stand for indexed unit.

INSTRUCTIONS TO FILL THE CHAPTER XVIII OPERATIONS FORM

NUMBER AND DATE OF THE OPERATION

Correlative number of the banking firm and date on which the operation is performed.

DATE OF MARGIN AWARD

Date of the award of the margin obtained by bidding or by cession against which the operation is performed.

1. ACQUIRER OF THE INSTRUMENT

Information on who performs the operation.

2. INSTRUMENT ACQUIRED FROM

Name of the last foreign creditor.

TYPE OF DOCUMENT

Mark an "X" in the corresponding box. If "other" is marked, specify its name.

In case "Credit Schedule" is marked, indicate number.

ORIGIN

Mark with an "X" the juridical regime or mode affecting the respective loan. If "other" is marked, specify type of debt.

INSCRIPTION NUMBER

Number of inscription of the credit with the Central Bank of Chile.

INFORMATION ON THE CREDIT

i) Initial Capital: Amount of the credit's original capital.

ii) Present Capital: Amount of capital existing before performing the operation.

iii) Acquired Nominal Capital: Nominal amount of capital included in the present operation.

iv) Final Capital: Corresponds to the difference between present capital and acquired nominal capital.

3. INTEREST

Rate: Libo, Prime or other rate and the corresponding fixed part and amount of the same in figures, in force on the day of the operation.

PERIODICITY

Period agreed for interest payment.

4. DIRECT OBLIGOR

Information of the prevalent debtor at the time of the operation.

INDIRECT OBLIGOR

Name of the prevalent indirect obligor at the time of the operation, indicating with an "x" the type of indirect debtor.

5. INFORMATION ON THE NOMINAL VALUE ACQUISITION, F/C

i) Nominal capital amount and accrued interest at the time the operation is carried out.

ii) Percentage of discount at which the capital and the interest of the transacted instrument were purchased.

iii) Actual amount disbursed, for capital as well as for interest.

6. DESTINATION OF ACQUIRED INSTRUMENT

6.1 ISSUER: The Central Bank of Chile.

i) Amount in F/C requested to be replaced by instruments in U.F.

ii) Exchange rate in force at the time of the operation according to No. 7 of Chapter I, Title I of the former Compendium of Rules on International Exchange.

6.2 ISSUED BY OTHERS

i) Nominal value of capital in F/C plus accrued interest as of the date of redenomination of the cashed or sold instrument, as the case may be.

ii) Price, expressed in percentage, applied to the transaction.

iii) Exchange rate applied to the transaction.

iv) Value of the transaction in Chilean currency, pesos.

7. DESTINATION OF THE NEW INSTRUMENTS OR NEGOTIABLE INSTRUMENTS

Mark an "X" in the respective box.

Indicate the alternative "Mandator" only in the case he shall keep the instruments.

MONTHLY RECORD OF MARGINS
Thousands of Dollars

Date of Margin Award _____

NAME OF FINANCIAL INSTITUTION

A. MARGIN AWARDED _____ US\$ _____

B. MARGIN ASSIGNED TO _____ AMOUNT _____ US\$ _____

-

C. MARGIN RECEIVED FROM _____ AMOUNT _____

+

D. CLOSING BALANCE _____ US\$ _____

Agent

Agent

TO BE FILLED BY CENTRAL BANK

E. TOTAL OPERATIONS
BALANCE (+)

WITHIN MARGIN
OFF MARGIN

US\$ _____

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Annex 4

Acquisition of External Debt Instruments for Firms' Capitalization

1. Persons who acquire Chilean external debt instruments as provided in this Chapter, may apply such instruments to the subscription and payment of shares issued by the entities that shall be listed herein, subject to the fulfillment of the requirements and conditions established in this Annex.
2. Chilean external debt instruments applied, as set forth in this Annex, to the subscription and payment of shares shall meet the requirements contained in No. 1 of this Chapter and they shall have to be subscribed, as main debtor or guarantor, as the case may be, by the issuer of the shares, which shall be subscribed and paid, who, in any event, shall be registered as such debtor or guarantor, as the case may be, with the Central Bank of Chile prior to July 1, 1986.
3. The operations referred to in the present Annex shall only be authorized when referred to the subscription and payment of shares issued by firms producing goods and services which, as of the day of capitalization, are constituted as corporations organized in the country and requiring a capital increase, in order to solve the difficulties derived from excessive borrowing, or else, when such capital increase is carried out by banking entities or financial institutions established in Chile.
4. To obtain the corresponding authorization, persons wishing to apply to the benefits established in this Annex shall submit to the International Division of the Central Bank of Chile, an application which shall provide their backgrounds and enclose the following documents:
 - a) The individualization of the applicant(s) and, when appropriate, of the agent(s) acting on behalf of the former, accompanying the documents evidencing their representation.
 - b) Information concerning the activity, purpose or line of business, capital or volume of trade of the applicant(s) and, regarding the entity that shall issue the shares, records to prove the need of capital increase for the normal development of its business. In addition to the above mentioned information, the application shall include, except in the case of banks and financial institutions, a general balance sheet duly audited by External Auditors registered with the Superintendency of Securities and Insurance, and it shall indicate, besides, if the entity issuing the shares has received or not other contributions subject to any provision of the "foreign investment regime" such as D.L. 600, Articles 14, 15 or 16 of the former Law on International Exchange, Chapter XIV, Chapter XIX of this Title or Article 47 of the Constitutional Organic Act of the Central Bank of Chile.
 - c) The individualization of the debtor's instrument(s) intended to be applied to operations contained in this Annex, as well as the indication of the "credits", that is, of part or the total capital or capital balance of the instruments and, when appropriate, of the accrued and outstanding interest, that shall be assigned, pursuant to this Annex, to the subscription and payment of shares to be issued.
 - d) The specification of the manner in which the subscription and payment of the shares shall be carried out, and the commitment of the applicant(s) to use the respective



"credit" for the sole purposes specified on the application.

- e) Copy of the covenant referred to in No. 5 of this Annex, which shall be duly registered with by Public Notary or recording public officer, and
 - f) Express statement of the applicant(s) to the effect that the relevant operation shall be subject to the provisions of the present Annex and to those established in the respective authorization granted by the Central Bank of Chile.
5. Persons wishing to carry out investments under the provisions of the present Annex must have previously subscribed a covenant in their capacity of future creditors of the respective "credit", together with the corresponding debtor of the same and, as the case may be, with the guarantor(s) of the obligation, by which, provided that the application referred to in the preceding number is approved by the Central Bank of Chile, the parties shall agree that:
- a) The document evidencing the "credit" shall be paid in Chile, immediately and against delivery of the same, in cash, with or without discount, in Chilean currency, pesos, and the total amount of the proceeds shall be assigned, simultaneously, to the subscription and payment of the shares issued to this effect by the debtor of the "credit" or, alternatively,
 - b) The above mentioned document shall be replaced in Chile, with or without discount, by one or more instrument(s), subscribed by the debtor, such as, bills of exchange, promissory notes, public deed or other negotiable instruments that shall be denominated in Chilean currency, pesos, which shall be compensated with the debtor of the "credit" in payment of the shares that, to this effect, have been subscribed by the creditor and issued by the debtor. The compensation shall be carried out simultaneously with the subscription and payment of the shares.

Under no circumstances shall the amount received from the debtor and the amount appearing on the new instrument(s) received in exchange exceed the amount of the "credit", including accrued and outstanding interests, assessed up to the date the respective operation is carried out. For these purposes, the exchange rate and parities referred to in No. 7 of Chapter I of this Title shall be considered, without applying the exchange rate differential referred to in the second paragraph of Annex 1 of the same, and in force on the above mentioned date.

In the same agreement and under said condition, the parties shall waive access to the currency market, they could have been entitled to by the respective "credit" and commit themselves to return, to the Central Bank of Chile, the corresponding Certificate referred to in Chapter XIV of this Title, for its amendment or inutilization, whichever the case may be.

In the event that the "credit" is part of a non-restructurable debt instrument, or that the document evidencing the obligation is not transferable by simple delivery or endorsement, the creditor(s) of the debt, registered as such with the Central Bank of Chile, shall also participate to the subscription of the above mentioned agreement, covenant that, for all purposes, shall maintain, in case of partial cession of the same "instrument", the



date of subscription, maturity profile, interest rate and other conditions agreed or stipulated in the original instrument.

The provisions specified in letter b) of Point II of letter G of Chapter XIV of this Title shall be complied with upon executing the agreement referred to in this number, and fulfillment of the agreements that gave rise to the corresponding obligation shall also be required.

6. In order to decide upon the applications submitted to do business under the provisions of the present Annex, the Central Bank of Chile may request from the Superintendency of Securities and Insurance, the Superintendency of Banks and Financial Institutions or from other appropriate entities, the reports deemed necessary to adopt its decision. The Central Bank of Chile may accept or reject investment applications without expressing the reason. In case an application is approved, the corresponding authorization shall establish the terms and conditions ruling the operations referred to in this Annex.
7. The operations carried out under the provisions of this Annex shall be also ruled, by the regulations of Chapter XVIII of this Title, except for those contained in letter b) number 2 and in numbers 3, 4, 5 and 6 of said Chapter.

CENTRAL BANK OF CHILE

Chapter XIX of Title I

Compendium of Rules on International Exchange

CONVENTIONS ON INVESTMENTS WITH FOREIGN DEBT INSTRUMENTS

Chapter XIX

Conventions on Investments with Foreign Debt Instruments

The present Chapter rules the conventions on investments with foreign debt instruments, that the Central Bank of Chile is entitled to execute, under Article 47 of its Constitutional Organic Act, with investors identified below, pursuant to the requirements and provisions established in this Chapter:

1. Natural or juristic persons, whether Chilean or foreign, resident and domiciled abroad, may carry out investment operations in Chile subject to the provisions of the present Chapter, provided that they have obtained the prior consent of the Central Bank of Chile and that, such investments are carried out using Chilean currency resources resulting from the application of debt instruments, called "instruments" hereinafter, in the manner established by this Chapter, and that said instruments meet the following joint requirements:
 - a) The instruments must evidence the existence of an obligation denominated and payable in foreign currency abroad, and with an original or extended maturity exceeding 365 days;
 - b) The relevant instruments must have been subscribed, as direct obligor, by the Treasury, by the Central Bank of Chile, by "entities of the public sector", by Corporación de Fomento de la Producción (CORFO), by banking or financial institutions authorized to conduct transactions in the country, or be instruments subscribed by natural or juristic persons resident in Chile, other than those listed above, provided such instruments have been pledged prior to July 1st, 1985, without limitations as to time, occasion, amount or person involved, by CORFO or banking entities or financial institutions authorized to operate in the country.

For the purposes of this paragraph, the term "entities of the public sector " shall be understood to include all agencies, institutions and firms referred to in Article 2 a) of Law 18,233, including Corporación Nacional del Cobre de Chile (CODELCO), and the organizations described in Article 11 of Law 18,196 excluding Banco del Estado de Chile. In turn, the capacity of guarantor shall be certified, when appropriate, in the relevant instrument and, in the case of external credits under Chapter XIV of the former Compendium of Rules on International Exchange and of this Title or loans associated to Decree Law 600 of 1974, and its amendments, through the corresponding registration with the Central Bank of Chile.

2. The persons referred to in the preceding No.1 above wishing to make use of the provisions of this Chapter shall have to submit an application to the International Division of the Central Bank of Chile, in order to obtain the authorization referred to in the same referenced paragraph, that shall contain at least, the following information and include the documents listed below:
 - a) Identification of the applicant(s) and, as the case may be, of the agent(s) acting on behalf of the former, including the documents evidencing such representation;
 - b) Information on the applicant(s) concerning, at least, the activity, line of business or object, capital, volume of operations, if (s)he carries out business in or with Chile, if (s)he holds investments in Chile under the "foreign investment regime", such as D.L. 600 of 1974 and its amendments, Chapter XIV of the former Compendium of Rules on



International Exchange, Chapter XIV of this Title, the Article 47 of the Constitutional Organic Act of the Central Bank of Chile, or under the provisions of this Chapter;

- c) The individualization of the "instrument(s)" that shall be subject to the operations specified in this Chapter, as well as information concerning the "credits", that is, the total or partial amount of capital or balance of capital of the "instruments" and, as the case may be, of the accrued and outstanding interest that shall be destined, in the manner specified in this Chapter, to carry out the investments authorized by the Central Bank of Chile.

When appropriate, proof of guarantor status as described in letter b) of No. 1 of the present Chapter shall be provided and, in case the person submitting the application differs from the creditor of the "instrument", registered as such with the Central Bank of Chile, an application to obtain the authorization to make the corresponding change of creditor on the "credit" shall also be required;

- d) A detailed account of the destiny that shall be given, directly or indirectly, to the resources that shall be invested in the country under the provisions of this Chapter, indicating the required period to materialize the necessary operations, and the commitment of the applicant to submit to the prior consent of the Central Bank of Chile, any modification that directly or indirectly, may undergo during the first year counted from the date the original investment is actually made.

In case the foreseen investment is meant to be carried out through an entity resident in Chile that receives the corresponding contribution, indication shall exist whether the agency shall be formed exclusively for that purpose or whether the agency already exists, case in which, information shall be included regarding, at least, the object or line of business, capital, volume of operations, and if it is recipient of other contributions subject to any form of the "foreign investment regime";

- e) Copies of the covenant duly registered with Public Notary or competent recording public officer and of the irrevocable mandates referred to in numbers 3 and 4 respectively, of the present Chapter, when appropriate, and
 - f) The application must contain express acceptance by the applicant of the provisions of this Chapter, and of those to be established by the corresponding authorization of the Central Bank of Chile.
3. Persons wishing to carry out investments under the provisions of the present Chapter should subscribe, prior to its formalization, a contract registered with Public Notary or recording public officer, consigning them as creditors or future creditors of the respective "credit", when the case be, in conjunction with the pertinent debtor(s) of the same, registered as such with the Central Bank of Chile, and, if the case may be, with the guarantor(s) of the obligation who agree to concur to its subscription. In said contract, under the condition that the authorization referred to in the preceding number 2 be granted by the Central Bank of Chile, the parties shall agree:
- a) That the instrument evidencing the "credit" shall be paid in Chile, immediately and against surrendering such instrument, in cash, with or without discount, in Chilean



currency, pesos, or

- b) That, alternatively, the replacement of the instrument by one or more instruments, in Chile, denominated either in Chilean currency, pesos or in indexed units, shall be agreed and, the optional modifications of the previous transaction regarding the amount of the debt, the interest rate, expire or other obligations may also be amended.

In the same contract, and under the above proviso, the parties shall waive access to the currency market granted to the respective "credit" and, when appropriate, the debtor shall commit himself to reimburse to the Central Bank of Chile, immediately upon payment of the "credit" or exchange of instruments, as the case be, through the agent specified in No. 4 below, the Certificate referred to in Chapter XIV of the former Compendium of Rules on International Exchange, to be rendered void or amended, as the case may be.

In the event that the "credit" is part of a non-restructurable debt "instrument", or that the document evidencing the obligation is not transferable by simple delivery or endorsement, the creditor(s) of the debt, registered as such with the Central Bank of Chile shall also concur to the subscription of the above mentioned agreement, covenant that, for all purposes, shall maintain, in case of partial cession of the same "instrument", the date of subscription, maturity profile, interest rate and other conditions agreed or stipulated in the original "instrument".

The provisions specified in letter b) of Point II of letter G of Chapter XIV of this Title shall be complied with upon executing of agreement referred to in this number, and fulfillment of the agreements that gave rise to the corresponding obligation shall also be required.

Execution of the above referenced contract, shall not be required if and when such "instrument" had been subscribed by the Central Bank of Chile, as direct obligor, in which case the corresponding "credit" shall be replaced by one or more of the instruments referred to in Annex 1 of this Chapter, in the form indicated in it. Nevertheless, the investor(s) may agree with said Institution that the rates applicable to the instruments that, in accordance with Annex 1 of this Chapter, substitute the "credits", shall be those in force at the time of the respective covenant.

4. Persons wishing to carry out investments through the application, subject to the provisions of this Chapter, of "credits", shall have previously granted an irrevocable mandate to a banking institution authorized to conduct transactions in the Formal Exchange Market, within the country so that it, subject to the approval by the Central Bank of Chile of the application described in No. 2 of this Chapter, and acting on behalf and in representation of the mandator, request from the Issuing Institute to exchange the "credit" for the instruments referred to in Annex 1 of this Chapter, in case the "instrument" had been subscribed by said Issuing Institute as direct debtor, or, otherwise, proceed to collect the obligation from the debtor or to someone obliged to pay, or to request from them the replacement of the "credit" for new instruments, in accordance with the terms defined in the relevant covenant.

In the event the "credit" should be exchanged for other instruments, the referenced



irrevocable mandate shall further instruct, besides, the agent to take, with the prior consent of the Director of Operations of the Central Bank of Chile, one of the following actions:

- a) Contribute the new instruments received in exchange to an entity residing in the country, so that the latter, applies them to the purposes authorized by the Central Bank of Chile;
- b) Give or receive, in payment for goods representative of the investments authorized by the Central Bank of Chile, the new instruments received in exchange, or
- c) Sell to third parties the new instruments received in exchange or acquire them on its own account, in both cases, cash and in Chilean currency, pesos.

In the cases that "credit" collection or purchase or sale of the new instruments received in exchange, the above referenced mandate shall include instructions to the agent to apply the Chilean currency, pesos, received with the prior consent of the Director of Operations of the Central Bank of Chile, to conduct the investment operations authorized by said Issuing Institute and, in case such operation may not be carried out immediately, and while the authorized investment operations are being perfected, to retain the proceeds of the collection or sale, as the case may be, and to apply said resources to the following:

- Constitute sight or term deposits in a banking institution established in Chile, that could be the same mandating entity. Such deposits could be, if the specific applicable provisions so permit, with or without adjustment according to the variation registered by the indexed unit or the exchange rate and with or without interests;
- Purchase subject or not to resale, Discount Promissory Notes of the Central Bank of Chile; Readjustable Promissory Notes of the Central Bank of Chile; Readjustable Promissory Notes of the Central Bank of Chile subject to Floating Interest Rates (P.T.F.); Promissory Notes payable to the order, according to the provisions of numeral 2.2 and letter b) of the fifth clause of No. 3 of the former Executive Committee's Agreement of the Central Bank of Chile No. 1555-07-840209 and its modifications; Promissory Notes and Negotiable Instruments issued by the Central Bank of Chile, referred to in Annex 1 of Chapter XVIII and Annex 1 of this Chapter; Discount Promissory Notes issued by the Treasury of the Republic and Readjustable Promissory Notes of the Treasury of the Republic.

These resources may only be drawn prior authorization specified above, with the sole purpose of applying the capital, together with the readjustment and interest they may have generated, to the materialization of the authorized investments.

In the event that the new instruments received in exchange or the resources that shall be invested in Chile be contributed to an entity resident in the country, so that the latter may carry out the investments authorized by the Central Bank of Chile, said entity shall grant, in turn, an irrevocable mandate to a banking institution authorized to operate in the country so that, previous authorization from the Director of Operations of the Central Bank of Chile, and acting on behalf of the mandator, may apply such resources to



the materialization of said investments or transfer to third persons the new instruments or receive them on its own account, in payment for goods representative of the investments authorized by said Issuing Institute, or else, collect them from the respective debtor, sell them to third parties or purchase them for itself, in all cases cash and in Chilean currency, pesos. In the cases of contribution of resources or collection or sale of new instruments, this mandate shall include instructions so that the mandating entity proceed to retain said resources or the product of said collection or sale, and to apply the respective amounts to constitute sight or term deposits and/or apply them to repurchasing, subject to the same conditions and purposes specified in the previous paragraph.

5. Under no circumstances shall the amount of payment from the obligor or from someone obliged to pay the "credit", or the amount of the new instrument(s) received in exchange, or the price of its sale, cession as payment or contribution, exceed the amount of the "credit", that is, the value of the capital or the outstanding balance of the capital, including accrued and outstanding interest, calculated as of the date of the relevant transaction.

For the purposes of the applying this and other provisions of this Chapter, except for express counter indication, the exchange rate and the parities referred to in No. 6 of Chapter I of this Title, in force on the date of the corresponding operation, shall be applied.

6. The applications for investment inside the country subject to the present Chapter that are submitted to the Central Bank of Chile according to provisions of No. 2 above, may be approved or rejected without expressing the reason by the Central Bank of Chile.

Notwithstanding the foregoing, the Central Bank of Chile may condition the approval of the application to authorize investment to the fulfillment, on the part of the applicant or of the entity receiving the contribution, of specific regulations, regarding stipulations, terms and requirements defined in each case, that, as an illustrative way, may include the requirement to carry out part of the investment with the proceeds from the sale of freely convertible foreign currency. These conditions must be expressly accepted by the applicant or the referenced receiving entity, as the case may be.

Upon the approval of an investment application, the Central Bank of Chile shall formalize a covenant with the investor, in accordance with Article 47 of its Constitutional Organic Act, in order to authorize access to the Formal Exchange Market, pursuant to which said investor may remit abroad, the principal and net profits that might be generated, under the following conditions:

- a) Capital may not be remitted before a ten years period has elapsed from the date the investment or contribution actually takes place, which shall be evidenced by the investor to the Operations Division of the Central Bank of Chile within 30 days from the date the action is completed;
- b) Remittance of any net profits that might be generated by the investment during the first four years, counted from the date the investment or contribution takes place, shall only be carried out by the investor after the same period of four years has elapsed. Nevertheless, such net profits may be remitted starting on the fifth year, in



annual percentages that shall not exceed 25% of the total amount. The above limitations will not apply to net profits obtained from investments made from the fifth year onwards. Should the investor decide to reinvest the profits generated by the investment, such reinvestment may not be remitted during the first four years, counted from the date the original investment has been completed. Any net profit obtained from the reinvestment of profits carried out during the first four years shall only be remitted once the same period of four years has elapsed. Such reinvested profits and their associated net profits may be remitted as from the fifth year, in annual percentages not exceeding 25% of the total amount thereof. The above limitation shall not apply to reinvested profits taking place after the fifth year, nor to net profits arising from said reinvestment;

- c) Net profits shall only be remitted, once the corresponding requirements are met and at the times specified above, only to the extent that they appear in the duly audited balance sheet for the relevant fiscal year. In the case of persons not subject to keep book-keeping records, said profits shall be evidenced to the satisfaction of the Central Bank of Chile;
 - d) In the case of investments made as contributions to an entity resident in Chile, the investor's interest in the recipient organization, for the purpose of remittance of capital and profits abroad, shall be deemed to be that stated in the relevant Agreement of the Council of the Central Bank of Chile authorizing the investment;
 - e) The foreign currency needed to carry out total or partial remittance of capital may only be acquired with the proceeds of total or partial sale of the assets, shares, or rights representative of the investment, or of the partial or total sale or liquidation of the firms acquired or established with such investment; and
 - f) The exchange rate applicable to the remittance of capital and profits abroad shall be that freely agreed by the investor and any banking entity authorized to conduct transactions within the Formal Exchange Market in Chile.
7. The liabilities related to the "credits" applied to perform transactions authorized by this Chapter, shall not have access to the system for the payment of obligations established in Agreement No. 1657-03-850627, nor to the system specified in Agreement No. 1672-11-850821 of the Central Bank of Chile.
 8. In case any investment transaction carried out under the present Chapter does not take place in accordance with its provisions, and conditions provided for by the relevant covenant with the Central Bank of Chile, or any amendments that at the investor's request, may be agreed thereafter, the following provisions shall be applicable:
 - a) If the change of creditor, when appropriate, does not take place in the specified period or manner, the covenant shall become void. The same shall apply if, without a change of creditor, the investor fails to timely collect the "credit" from the relevant obligor or from anyone obliged to pay, or to request from them the substitution of the "credit" for new instruments, in the manner provided for by the relevant transaction;
 - b) If, once performed the change of creditor of a "credit", the collection or replacement



for other instruments does not take place in the period obliged or in the manner provided for to carry out the relevant transaction, the obligor and the parties obliged to pay for the respective obligation, as well as the creditor himself, shall lose access to the foreign currency market that may correspond to its service, and

- c) If, after the collection or replacement of the "credit" by other instruments has taken place, the investment authorized by the Central Bank of Chile does not take place at the time, manner and conditions established for that purpose, or the final destiny of the invested resources is modified, during the first year, counted from the date the original investment was completed, without prior authorization from the Central Bank of Chile, the applicant shall forfeit access to the foreign currency market he may have been granted to remit abroad the capital and net profits generated by the investment.
 9. Persons engaging or participating in operations performed under the provisions of this Chapter shall be responsible for the fulfillment of the stipulations established herein and of the acts deriving from its application.
 10. Notwithstanding the regulations of number 8 above, violations to this Chapter shall be penalized in the manner specified in Title IV of this Compendium.
 11. The Operations Division of the Central Bank of Chile is herein empowered to institute the necessary procedures in order to control and supervise operations performed according to this Chapter, and to grant any specific authorization when necessary, pursuant to the provisions of the Agreements through which the Council of the Central Bank of Chile authorizes the materialization of such operations.
- The Superintendency of Banks and Financial Institutions, pursuant to its legal capacity, shall issue the required accounting and control regulations.
12. Persons who own Chilean external debt instruments referred to in No. 1 of this Chapter and who, also, fulfill the requirements and conditions contained in Annex 2 of said Chapter, may apply such instruments to carry out the operations specified in said Annex.

Annex 1

Investment with Foreign Debt Instruments Subscribed by the Central Bank of Chile as Direct Obligor

1. In the case of persons referred to in number 1 of Chapter XIX of this Title having obtained authorization from the Central Bank of Chile to carry out investments inside the country pursuant to the provisions stated in the above mentioned Chapter, applying instruments subscribed by the Central Bank of Chile as direct obligor, shall submit a request to the Central Bank of Chile through the agent referred to in paragraph 4 of said Chapter, once performed the change of creditor of the "credits", when appropriate, with the purpose of replacing such instruments by one or more of the following instruments:

- a) Promissory notes to bearer issued by the Central Bank of Chile, denominated in Dollars of the United States of America and payable in Chilean currency, pesos, in an amount equivalent to the total of the "credits", with expiry after ten years counted from the date of the replacement, which shall earn interest, payable in six-monthly installments in Chilean currency, pesos, as shown in the following schedule for periods counted from the date of their issuance:

Period	Annual Interest Rate
For the first six months	That of the original instruments
From the 7th month to maturity	LIBO - 1.3%

Notwithstanding the foregoing, when these promissory notes are issued in replacement of instruments denominated in currencies other than the Dollar of the United States of America, the interest rate that shall be applied for the first six months, shall be that corresponding to the debts expressed in Dollars of the United States of America whether it refers to New Money Contracts or Restructuring Covenants.

- b) Negotiable instruments to bearer issued by the Central Bank of Chile, denominated in indexed units, in an amount equivalent to the total of the "credits".

The maturity date for the principal of these negotiable instruments shall be of fifteen years counted from the date of replacement, and they shall accrue, interest payable on a six-month basis and equal to the weighted average interest rate on indexed deposits of the financial system (TIP) for periods extending between 90 and 365 days, reduced by 1.8% per annum.

The holders of the promissory notes referred to in letter a) above may, at any time during the first eighteen months counted from the date the note was issued, exchange these instruments in the Central Bank of Chile for negotiable instruments to bearer of equal value referred to in letter b) above. In this case, the reduction applicable to the interest rate, if any, and the other conditions for negotiable instruments, shall be those in force on the issuing date of the promissory notes that are exchanged, or else those that were in force on the date of the covenant subscription referred to in No. 3 of the present Chapter, as the case may be, even though the Central Bank had modified, according to the provisions of No. 3 of this Annex, the conditions and terms of the instruments referred to in this number 1.

2. Regarding the provisions of No. 1 above, the following shall apply:

- a) The exchange rate and parities referred to in No. 7 of Chapter I, Title I of this Compen-



dium shall apply, to foreign currency conversions, without the exchange differential stipulated in the second paragraph of Annex 1 of the same Chapter and, when appropriate, the value of the indexed unit in force, on the date of the corresponding operation.

- b) The LIBOR to be applied as of the maturity date of the first six-month period and for each one of the six-month periods thereafter, shall be the LIBOR (180 days) informed by the International Management of the Central Bank of Chile through its "Report on Foreign Currency Equivalencies" and shall correspond to that rate established by said Report for the first day of each six-month period. If such a day is a bank holiday, the applicable rate shall be that specified in the referenced Report for the immediately preceding banking business day. Similarly, the applicable TIP rate shall be the TIP rate informed by the Management of Studies of the Central Bank of Chile, corresponding to pertinent operations carried out during the calendar month immediately preceding the first day of each six-month interest period, which shall be in force during the respective period.
- c) The interest of the instruments referred to in No. 1 of this Annex shall be only accrued up to the respective maturity date.

For the purpose of assessing the amount in Chilean domestic currency that is considered in debt through promissory notes to bearer denominated in Dollars, the applicable exchange rate shall be that referred to in letter a) of this No. 2, in force on the respective maturity date.

For the purpose of assessing the value in Chilean domestic currency that is considered in debt through the negotiable instruments to bearer, the applicable value shall be that in force for the indexed unit on the respective maturity date.

- 3. When the market situation grants it, or when, due to eventual restructuring of the Chilean external debt the Central Bank of Chile agrees with crediting foreign financial institutional creditors, to more favorable terms regarding the amount of principal obligation, debt's maturity dates or applicable interest rate, it shall be empowered to modify the terms and conditions of the promissory notes to bearer or of negotiable instruments to bearer specified in No. 1 of this Annex. These amendments shall be applicable to instruments issued starting from the date of the Central Bank Council's Agreement.
- 4. Situations not covered in the present Annex, regarding the operations referred to in it, shall be subject to the general rules contained in Chapter XIX of this Title.

Annex 2

Use of Foreign Debt Instruments for Capitalizing Chilean Investment Companies

1. Persons referred to in the following number, hereinafter the "investors" who hold Chilean external debt instruments referred to in No. 1 of this Chapter may apply said instruments, in the manner specified in this Annex, to the subscription and payment of shares issued by Chilean corporations, hereinafter "Investment Company", the exclusive purpose of which is to carry out investment in the country subject to the terms and conditions established in this Annex. For the purpose of this Annex, these shares shall be denominated "A" shares.
2. The Investors shall be juristic persons with residence and domicile abroad -established and organized subject to the laws of their country of origin or, organizations or international agencies, governmental or paragonmental agencies- with net assets that equals or exceeds US\$ 5,000,000 (Dollars of the United States of America), or its equivalent in other foreign currencies, and which are not directly or indirectly controlled by persons of Chilean nationality or resident in the country.
3. The operations referred to in this Annex shall only be carried out with the prior authorization of the Central Bank of Chile which shall require the presentation of the following information, to the satisfaction of the Central Bank of Chile:
 - a) The individualization of the Investors who shall subscribe and pay the capital of the Investment Company and, when appropriate, of the agent(s) acting on behalf of the Investors, including documents evidencing their representation;
 - b) Information concerning the activity, purpose or line of business, capital and net assets of the Investors. Such capital and net assets shall be evidenced with the entity's latest balance sheet or, alternatively, through a duly audited financial statement dated not more that 90 days prior to the submission of the application;
 - c) A draft of the proposed by-laws of the Investment Company that shall include, at least, the representations established in this Annex.

A duly legalized copy of the by-laws shall be submitted to the Central Bank of Chile within 60 days counted from the date the authorization referred to in this number is granted;

- d) The individualization of the persons who shall be named legal representatives of the Investment Company;
- e) The applicants shall inform whether they hold investments in the country pursuant to any form of the "foreign investment regime", such as: D.L. 600 of 1974 and its amendments, Articles 14, 15 or 16 of the former Foreign Exchange Law, Article 47 of the Constitutional Organic Act of the Central Bank of Chile or under the provisions of Chapter XIX of this Title;
- f) A listing of the "instrument(s)" that shall be applied to conduct the operations referred to in this Annex, as well as the identification of the "credits", that is, total or partial amount of the principal of the "instruments", and, when appropriate, of the accrued and outstanding interest, that shall be used, in the manner specified in this Chapter XIX and in this Annex, to investments authorized by the Central Bank of Chile.



Evidence shall also be included, when appropriate, regarding the guarantor status referred to in letter b) of No. 1 of this Chapter XIX and, if the applicant is a person other than the creditor of the "instrument" registered as such with the Central Bank of Chile, a request for the approval of the corresponding change of creditor appearing on the "credit";

- g) Copy, of the covenant duly registered with Public Notary or competent public officer referred to in No. 3 of this Chapter XIX, which shall be understood to be subject to the approval specified in this number;
 - h) Copy of the irrevocable mandate issued by the Investors pursuant to No. 4 of Chapter XIX, whereby they instruct the agent to proceed, within a maximum of 60 days counted from the date of the approval referred to in this number, to contribute to the capital of the Investment Company the Chilean domestic currency obtained in payment of the "credits" or to deliver, as contribution, the instruments received in exchange for the "credits", or the Chilean domestic currency received as payment for such instruments, and
 - i) The applicant(s)' express acceptance to the effect that they submit to the provisions of this Chapter XIX and its Annex 2, as well as to those established by the Central Bank of Chile in the corresponding authorization.
4. Notwithstanding the provisions of the previous number, the Investor(s) committed to jointly contribute, to the Investment Company at least one third of its minimum capital shall be entitled to submit a request to the Central Bank of Chile to authorize -in principle- the presentation of an application to qualify for the benefits of this Annex and include the following information to the International Division:
- a) Individualization of the relevant Investors and their representatives;
 - b) The information specified in letter b) of the preceding number;
 - c) A draft of the Investment Company's by-laws;
 - d) Information indicated in letter e) of the preceding number;
 - e) Express acceptance of the applicants to be subject to the provisions of this Chapter XIX and its Annex 2, as well as to those established by the Central Bank of Chile in the respective authorization; and
 - f) The "Placement Memorandum" that is intended to be used for promoting the placement of shares of the Investment Company.

The above referenced authorization, in principle, shall imply, regarding the Placement Memorandum, that the Central Bank of Chile has granted its consent, solely and exclusively, to the stipulations on norms and exchange operations applicable to the investment.

5. The authorization referred to in the previous number shall be subject to the condition



that, within a 180 days period, counted from the day of said authorization, all the information specified in No. 3 of this Annex shall be presented to the Central Bank of Chile for its approval.

6. For the purposes of resolving on the application submitted to the Central Bank of Chile in order to operate under this Annex, the Issuing Institute may request from the Investors to provide evidence that they are not directly or indirectly controlled, by persons of Chilean nationality or resident in the country, and similarly, from the Superintendency of Securities and Insurance and from the Superintendency of Banks and Financial Institutions, and from other organizations and entities, the reports deemed necessary to adopt a decision.
7. The Investment Companies that may carry out the operations specified in this Annex shall be established as closed corporations and their by-laws must contain, at least, the following stipulations:
 - a) The object, that shall be exclusive, shall consist in carrying out, solely, the acts and agreements necessary to implement the operations established by the Central Bank of Chile for this type of companies;
 - b) The minimum capital stock, subscribed and paid, shall not be less than US\$ 20,000,000 (Dollars of the United States of America) equivalent in Chilean currency, pesos, at the time of the establishment of the company;
 - c) The shares issued shall not have a subscription value below the equivalent in Chilean currency, pesos, of US\$ 100,000 (Dollars of the United States of America).

Said shares shall only be payable by the Investors with the product in Chilean currency, pesos, originated from the payment of the "credits" or through the contribution of the instruments received in exchange for the "credits", or of the Chilean currency received in payment for such instruments.

The shares, once subscribed and paid, may be freely transferred abroad by and among the persons specified in number 2 of this Annex;

- d) No shareholder may own, directly or indirectly, over 25% of the capital of the company, except with express authorization of the Central Bank of Chile;
- e) The by-laws shall establish that each subscriber and/or holder of the shares and the Investment Company shall be subject to the obligation of producing evidence whenever required by the Central Bank of Chile, to demonstrate that they are holders of the respective shares, that the shares are under their control or that they have been transferred to any other person of those specified in No. 2 of this Annex.

The Investment Company shall inform the Central Bank on a monthly basis regarding the shareholders' registry and commit itself to provide any information required by the Central Bank of Chile in order to verify compliance with the referenced condition of this letter and, similarly, that the Investment Company shall not register transfer of shares to persons who do not meet the requirements referred to in No. 2 of this



Annex;

- f) Stipulation on the company's period of duration that may not be less than 12 years counted from the date of its establishment;
- g) The by-laws shall specify that the investments of the company shall conform to the established rules, or to be established for this purpose, by the Central Bank of Chile;
- h) The company shall prepare balance sheets covering the period between January 1st and December 31st of each year, that shall be audited by independent auditors, registered with the Superintendency of Securities and Insurance and shall only distribute profits to its shareholders pursuant to the manners and terms of this letter h).

Nevertheless, if the first business year ending on December 31st does not complete the period established above, counted from the date of initiation of activities of the Investment Company, this period shall only be considered for the purposes of distributing profits of the Company, and for the remittance referred to in letters a) and b) of No. 16 of this Annex, when referring to periods equal to or exceeding six months, counted from the above referenced date of initiation of activities.

During the first five business years, the company may agree not to distribute profits or that these be partially distributed on each business year. In case distribution is agreed, it shall not exceed 70% of the profits corresponding to each business year.

The net profits distributed by the company during the institution five business years shall only be destined by the shareholders to the following:

- i) Constitute sight or term deposits in a banking institution established in Chile, that may be the same mandating entity referred to below in this letter h).
Such deposits shall be, in accordance with the applicable provisions, subject or not to adjustment according to the variation of the indexed unit or the exchange rate, with or without interest. The profits received may also be invested in Discount Promissory Notes of the Central Bank of Chile; Readjustable Promissory Notes of the Central Bank of Chile; Readjustable Promissory Notes of the Central Bank of Chile subject to Floating Interest Rate; Discount Promissory Notes of the General Treasury of the Republic and Readjustable Promissory Notes of the General Treasury of the Republic.
- ii) Subscribe and pay new shares that shall be nominated "B" shares for the purpose of this Annex, issued by the Investment Company. The respective reform of the company's by-laws shall be subject to the prior approval of the Central Bank of Chile. These shares shall only be subscribed, paid and held by the eligible investors referred to in No. 2 above, where the "B" shares are not subject to the restrictions affecting "A" shares, referred to in the first and second paragraphs of letter c) of this No. 7 and letter c) of No. 16 of this Annex.

The benefits or profits generated by the investments carried out by the holders of the same, pursuant to points i) and ii) above, as well as those generated by the eventual reinvestment of these, shall be destined, necessarily to the investments specified in



the referenced points i) and ii).

The financial instruments referred to in point i) above, shall not be ceded or transferred by their holders and shall only be liquidated on occasion of profit remittances they are entitled to, in accordance with the provisions of letter b) No. 16 of this Annex. "B" shares may be ceded or transferred, abroad, by the shareholders of the same only to other investors that are eligible according to No. 2 of this Annex. The new shareholders shall assume the rights and obligations of the ceding persons.

Once five business years of the Investment Company have elapsed, the company shall only be authorized to distribute up to 90% of its annual profits;

- i) Provisions that determine that the Investment Company shall be governed by the accounting norms applicable to open corporations with the exception that the investments shall be individually assessed at the lesser value among the acquisition cost corrected for eventual variations in currency value and their market price;
- j) Commitment to monthly inform the Central Bank of Chile regarding its investments portfolio and the performed transactions and to provide full and detailed account of said transactions when the Central Bank of Chile requests it.

Provisions that enable the Central Bank of Chile to disclose information regarding the investment portfolio by means it deems appropriate.

- 8. Investments made by the Investment Companies, regardless of the amounts reserved in cash or in banking accounts, shall be carried out using the following instruments:
 - a) Shares of Chilean corporations;
 - b) Instruments issued or guaranteed until their full payment by the Republic of Chile, by "entities of the public sector", pursuant to the definition of the latter contained in letter b) of No. 1 of this Chapter, and by Corporación de Fomento de la Producción (CORFO);
 - c) Instruments issued by the Central Bank of Chile;
 - d) Instruments issued or guaranteed until total payment by banks or financial institutions established in the country;
 - e) Letters of credit issued by banks or financial institutions, or by other authorized entities in the country;
 - f) Bonds and negotiable instruments registered with the Registry of Securities, and
 - g) Any other instrument or security purchased with express authorization of the Central Bank of Chile.
- 9. The investments of the company shall be subject to the following diversification requirements:



- a) Investments may not exceed, directly or indirectly, 10% of the corresponding capital with the right to vote of the same issuer. Such restriction shall amount to 15% of the corporate capital with a right to vote if the excess over such 10% corresponds to shares pertaining to a primary issue subscribed and paid by the corresponding Investment Company;
- b) Investment in instruments issued or guaranteed by the same issuer may not exceed 10% of the respective Investment Company's assets, except if said instruments are issued or guaranteed until full payment by the Republic of Chile or by the Central Bank of Chile, and
- c) After the fourth year counting from the date of initiation of activities, the company must have at least 80% of its assets invested in shares or long term financial instruments. Besides, and also starting on the above mentioned date, at least 60% of the assets shall be invested in shares pertaining to open corporations. Nevertheless, such limits shall not be applied during the year prior to the liquidation of the Investment Company, and shall be reduced to 40% and 30%, respectively, during the year prior to the one preceeding liquidation.

For these purposes, long term instruments shall be understood to be those the maturity date of which exceeds four years counting from the date of their purchase by the corresponding Investment Company.

- 10. If excesses should occur regarding the limits of investment established in the preceding number, which shall be reported to the Central Bank of Chile within 10 days after the limit has been exceeded, the Issuing Institute shall determine a date for normalization that shall not be less than 60 days and may not exceed 180 days counting from the date of notification of the fact. Such term may be extended if the Central Bank of Chile considers there are justified reasons to alter the limits mentioned above.
- 11. The operations carried out by the Investment Companies shall conform to bona fide and reasonable conditions, and the Central Bank of Chile, at any time may request verification as to the manner such operations have been carried out.
- 12. In case the Investment Companies hire third parties for the management of their investment portfolio, the system of remunerations to be applied to such purposes must be submitted to the approval of the Central Bank of Chile.
- 13. The Investment Companies shall submit to the Central Bank of Chile a list identifying the foreign markets or stock exchanges in which the shares of the company shall, eventually, be registered for their transaction.
- 14. The liabilities of the Investment Company may only originate from operations related to its line of business and in current market terms, outstanding commissions, accrued expenditures, fees payable for the management of its portfolio, deferred payments for primary issues of securities and other liabilities of similar nature related to its operation and its correct financial management, authorized by the Central Bank of Chile.
- 15. In case that, for any circumstances, the obligations specified in the third paragraph of



letter c) or of letter d) of number 7 of this Annex were violated, access to the foreign exchange market shall only be granted, to the corresponding shares, once the impediment has been removed, without prejudice of the possibility of penalizing said breach in accordance with the provisions of number 10 of this Chapter XIX.

16. The shareholders of the Investment Company and/or, as the case may be, the holders of the investments described in point i) of letter h) of No. 7 above, shall have access to the foreign exchange market to carry out the following operations:
 - a) Remit net profits distributed by the Investment Company, and 90% of the proceeds generated by the investments they hold, carried out in instruments described in point i) of letter h) of No. 7 above, after the fifth business year of the company;
 - b) Remit profits not distributed by the Investment Company during the first five business years, and those invested according to points i) and ii) of letter h) of No. 7 above, as well as those generated by eventual reinvestment of the same, once expired the fifth business year of the Investment Company, and in a proportion not exceeding, annually, 20% of non-distributed profits and outstanding net balance of the investments and/or its reinvestments as of the fifth business year of the company, and
 - c) Remit the product of the Investment Company's liquidation as well as the 10% retentions of the proceeds referred to in letter a) of this No. 16, not before the minimum term established in letter f) of No. 7 of this Annex has elapsed.
17. The persons holding "A" or "B" shares, as well as those holding investments referred to in point i) of letter h) of No. 7 above, shall confer, previously or simultaneously with the corresponding investment of the profits, and to the extent that the Investment Company had agreed to distribute profits during any of the first five business years counting from the date of initiation of activities, an irrevocable mandate to the Investment Company to carry out the following actions concerning the same:
 - a) Collect the corresponding dividends distributed by the Investment Company and invest them in the subscription and payment of "B" shares or in financial instruments referred to in point i) of letter h) already cited;
 - b) Collect the proceeds obtained by the holders of the financial instruments specified in point i) of letter h) cited above and invest them in shares or financial instruments referred to in letter a) above;
 - c) Manage the investment carried out by the respective holders of the financial instruments, and the proceeds generated by the same, referred to in letters a) and b) above, and
 - d) Liquidate the financial instruments referred to in point i) of letter h) cited, and the product of the reinvestment of the same, placing them at the holders' disposal for its corresponding remittance abroad, according to the terms and conditions established for this purpose in letters a) and b) of Nr. 16 above.



The mandates granted pursuant to this number shall be in force as long as the corresponding right to access to the foreign exchange market referred to in No. 16 above is maintained. In case cessions of shares "A" or "B" take place, and previously or simultaneously to the materialization of these actions, the new holders shall grant a mandate to the Investment Company in agreement with the provisions established in this No. 17.

18. For the purposes of the conversions of foreign currency taking place pursuant to the norms of this Annex the exchange rate in force, shall be the one referred to in No. 6 of Chapter I, Title I of this Compendium of Rules on International Exchange.
19. The investments authorized under the provisions contained in this Annex shall be subject to each and all the general norms, conditions, and general commitments of Chapter XIX of this Title, and to the specific regulations contained in this Annex, where the latter prevails over the former, in case of conflict.

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