

pension funds and insurance companies, started to play a major role in the market.

## 16.2 The banking sector

For many years, the Chilean banking sector was wide open for both national and foreign institutions. Witness of this is the fact that, for a relatively small market as the Chilean, there are 36 commercial banks and 4 financial houses ("financieras"). Twenty three out of the 36 banks, or almost two-thirds of the total, are foreign. All domestic banks but one (Banco del Estado) are private, and have been so for about 15 years.<sup>12</sup> Foreign banks account for 20% of assets of the banking system, and 15% of its equity (See Table 1 in the Statistical Appendix).

The operation of the Chilean banking sector is regulated by the General Banking Law (DFL No. 252), which dates back to 1960, and whose main modification took place in November 1986. A new project modifying the banking law is currently under discussion in congress; its main provision is the opening of new lines of business for banks.<sup>13</sup> The Superintendency of Banks and Financial Institutions is the entity charged with the enforcement of the law and the regulations.

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<sup>12</sup> It must be noted, however, that several domestic banks were intervened in January 1983. Although they remained under private ownership, their administration was nominated by the State for a few years until they were capitalized by private investors.

<sup>13</sup> The project also redefines capital adequacy standards, and presents new rules for the payment of subordinated debt (this is the debt that some banks still have with the Central Bank as a result of the 1982-83 crisis).