

banking entities wishing to participate in the Chilean market. The exclusion of dubious banks incorporated in financial heavens implies just prudence.

In practice, however, the authorities will not approve today applications to establish new banks in the Chilean market. This stems from a diagnosis that there are too many banks operating in the domestic market, and the authorities would like the current ones to strengthen. Thus, they encourage joint ventures between local and foreign banks, especially in the case of weak local banks teaming up with stronger foreign partners. Thus, the only practical way for a foreign bank to establish in Chile is through one of two ways: a joint venture with a local bank, or a direct purchase of a domestic bank.

The General Banking Law indicates that foreign institutions established in Chile must comply with the same legislation and regulations as their domestic counterparts. This is reflected, for example, in the need to form a local board of directors (without restriction of nationality), in case the bank chooses to establish a subsidiary.

The law does not discriminate between foreign and domestic banks. Foreign banks are entitled to the same rights and duties as domestic banks. Also, the foreign bank cannot invoke rights derived from its nationality. As an example, small deposits (whether in foreign or in domestic banks) are equally covered by state insurance.

The minimum capital required for the establishment of a bank