



OBSERVED DOLLAR

DEFINITION AND COVERAGE

Definition

The observed dollar (*dólar observado*) is a weighted average exchange rate with weights based on spot purchases/sales of US dollars against Chilean pesos by the Formal Exchange Market (FEM) carried out during the immediately preceding bank business day.

INFORMATION SOURCE

Reports and sources of information

Source: Regulations issued by the Central Bank of Chile (Bank or CBCh) regarding FX operations, in accordance with Article 3 and Paragraph Eight of Title III of the Basic Constitutional Act of the Central Bank of Chile (BCA), currently contained in Chapter 1 of the Manual of Procedures and Information Forms of the Compendium of Foreign Exchange Regulations ("Manual") of the Bank.

Reporting Institutions: Entities of the FEM, comprising Banks and other institutions authorized by the CBCh in accordance with Chapter III of the Compendium of Foreign Exchange Regulations (CFER) regarding "Regulations on Entities Authorized to form part of the Formal Exchange Market and the functioning of said Market", such as stockbrokers and securities intermediaries, foreign banks with representative offices in Chile regulated by the Financial Markets Commission (FMC), and legal entities domiciled and resident in Chile whose exclusive purpose is to intervene in FX operations determined by the Bank.

REGULATION

In accordance with the provisions of the second paragraph of article 44 of the BCA, the Bank must publish the exchange rate of foreign currencies generally accepted in international markets daily, based on the transactions carried out in the FEM during the immediately preceding business day and, if applicable, based on reports that may be obtained from international markets.

Considering the above, the CBCh publishes the value of the observed dollar daily, in accordance with the provisions of section VII of Chapter I of the CFER, taking into consideration the procedures for reporting information for the calculation of the observed dollar, in accordance with the provisions in N° 7 of Chapter I of the Manual.

The observed dollar is published in the edition of the Official Gazette of the Republic of Chile on the banking business day of its validity.

It should be noted that the value of the observed dollar exchange rate also constitutes one of the readjustment systems authorized by the CBCh in accordance with article 35 No° 9 of the BCA and No° 3 and No° 4 of Chapter II.B.3 of its Compendium of Financial Regulation "Readjustment Systems Authorized by the CBCh" for credit operations in national currency, which consists of the value published daily by the Bank in accordance with Chapter I of the Compendium of Foreign Exchange Regulations.

METHODOLOGY

The process of calculating and publishing the observed dollar exchange rate considers the corresponding legal and regulatory standards and is consistent with the Principals for Financial Benchmarks of the International Organization of Securities Commissions (IOSCO), to which the CBCh adheres voluntarily, fundamentally with regard to disclosure and institutional transparency.

In 2013 IOSCO published the "Principals for Financial Benchmarks" (Principals), which correspond to a reference framework of best practice on financial market indices, which are intended to promote the reliability, integrity and continuity in the determination of these indices and avoid their manipulation.

The Principals define standards to be met by the entities in charge of managing or providing a certain financial market index, in terms of governance, quality of the indicator, methodology and responsibility, as detailed below:

Governance: guarantee the integrity of the index, being responsible for all aspects of its preparation and control process, addressing the possible existence of conflicts of interest.

Quality of the index: promote quality and integrity in the preparation and determination of the index, through the application of design factors that result in a reliable value that reflects market conditions.

Quality of the methodology: promote the quality and integrity of the methodology used to prepare the index, which must be available to interested parties.

Responsibility: establish procedures for the presentation of suggestions or observations regarding the determination of the index.

Treatment of basic information

Compilation of information sources

The information corresponds to spot purchases and sales of US dollars for Chilean pesos, carried out until 16:00 on each banking business day by FEM entities, which must provide the required information to the CBCh through its website or established alternative means before 16:30, in accordance with provisions of Chapter I of the CFER Manual.

Validations

The process ensures statistical and market consistency through, for example, double-sided reporting of operations between FEM entities with the same characteristics. Observations are communicated to FEM entities during the compilation process. Erroneous or missing information must be corrected and sent in a timely manner by the reporting institution to be incorporated into the calculation of the observed dollar.

Compilation

The calculation is a weighted average of daily reported prices with weights corresponding to the traded amount. Operations between FEM entities are only counted once to avoid double counting.

Operations where the exchange rate is not explicitly negotiated on the reporting day are excluded, as is the case with those associated with settlements of physically delivered FX derivatives, settled operations indexed to the observed dollar (observed spot operations¹) with or without spread due to previously negotiated agreements between the buyer and seller, and transactions associated with spot intervention programs carried out by the Bank.

The published exchange rate is rounded to two decimal places.

Periodicity

The observed dollar is calculated and published on each banking business day according to the Chilean calendar, without lag.

Revision

The value calculated and published with respect to the observed dollar exchange rate is not subject to subsequent statistical revision.

Publication

The observed dollar is published in the Official Gazette on the banking business day of its validity. Additionally, it is published on the Bank's website, for reference, from 17:30 on the previous banking business day.

Contingency in case of insufficient data

If relevant information is not available for the calculation on a business banking day, information provided by FEM entities will be complemented with that available

¹ Condition that must be reported by FEM entities in their daily reports regarding the observed dollar, in accordance with Chapter 1 of the CFER Manual.

on electronic trading platforms or national/international market information systems widely used by financial agents.

The form and specific methodological criteria that will be applied for the purposes of incorporating this information will be determined and reported by the Statistics and Data Division of the CBCh, subject to the provisions of article 44 of the BCA and based on technical criteria considered by the principals outlined in the Methodology section of this document and other international standards applicable to the preparation of comparable financial indices.

DATA ACCESS

Official Gazette

Link: <https://www.diariooficial.interior.gob.cl/>

Statistics Database of the CBCh

Chapter: Exchange Rate

Link: <https://si3.bcentral.cl/Siete/en>

Statistics and Data of the CBCh

Link: <https://www.bcentral.cl/en/web/banco-central/areas/statistics/exchange-statistics/types-of-changes-and-parities>

RELATED DOCUMENTATION

Compendium of Foreign Exchange Regulations and Manual of Procedures and Information Forms of the Compendium of Foreign Exchange Regulations, Central Bank of Chile.

Link: <https://www.bcentral.cl/en/web/banco-central/area/regulation>

Basic Constitutional Act, Central Bank of Chile (BCA).

Link:

https://www.bcentral.cl/documents/33528/42244/bcch_archivo_098716_en.pdf/aef5f567-c7da-172b-445b-ce7a4f217a97?t=1576760254749

Principles for Financial Benchmarks (OICV-IOSCO).

Link: <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD415.pdf>