

CONFORMED COPY

LOAN NUMBER 3143-CH

Loan Agreement

(Financial Markets Project)

among

REPUBLIC OF CHILE

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

BANCO CENTRAL DE CHILE

Dated February 7, 1990

LOAN NUMBER 3143-CH

LOAN AGREEMENT

AGREEMENT, dated February 7, 1990, among the REPUBLIC OF CHILE (the Borrower), INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and BANCO CENTRAL DE CHILE (Central Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

(B) the Bank has received a letter dated November 14, 1989 from the Borrower describing a program of actions, objectives and policies designed to achieve reform of the Borrower's financial markets sector (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program and requesting assistance from the Bank in meeting its financing

(C) Part A of the Project will be carried out by CORPORACION DE FOMENTO DE LA PRODUCCION (CORFO), as the financial agent of the Borrower, with the Borrower's assistance and, as part of such assistance, the Borrower will make available to CORFO pursuant to a funds transfer arrangement, the proceeds of the Loan required to carry out Part A of the Project as provided in this Agreement;

(D) the Central Bank has agreed to undertake certain obligations relating to the Project, as set forth in this Agreement;

(E) the Borrower has obtained and intends to obtain additional funding from Japan by means of the Japanese Grant Facility and, accordingly, has entered into and intends to enter into an agreement or agreements with respect to such funds (hereinafter referred to as the Grant Agreements) for purposes of carrying out Part B of the Project with the assistance of the Central Bank, SVS SAFB and SBIF (as such agencies are hereinafter defined); and

WHEREAS the Bank in support of the Program has agreed, on the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Bank and CORFO;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, (the General Conditions), with the modifications set forth below, constitute an integral part of this Agreement:

(a) Section 9.07 (c) shall be modified to read:

"(c) Not later than six months after the closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the Project and the Program referred to in the Preamble to the Loan Agreement, the performance by the Borrower, CORFO, the Central Bank and the Bank of their respective obligations under the Loan Agreement, the Project Agreement and the Subsidiary Agreement and the accomplishment of the purposes of the Loan."; and

(b) the last sentence of Section 3.02 is deleted.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Project Agreement" means the agreement between the Bank and CORFO of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(b) "Funds Transfer Arrangement" means the arrangement to be entered into between the Borrower and CORFO pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time;

(c) "Eligible Enterprise" means an on-going enterprise, established under the laws of the Borrower, engaged in the business of leasing equipment within the territory of the Borrower, which has satisfied the conditions set forth in Section III of Schedule 2 to the Project Agreement;

(d) "Leasing Subproject" means the purchase of equipment qualified under Section IV of Schedule 2 to the Project Agreement, for purposes of leasing such equipment within the territory of the Borrower;

- (e) "Sub loan" means a loan made, or proposed to be made, by CORFO to an Eligible Enterprise for a Leasing Subproject;
- (f) "Leasing Subloan Agreement" means the agreement to be entered into between CORFO and each Eligible Enterprise for purposes of financing a Leasing Subproject pursuant to Section I, paragraph 2 of Schedule 2 to the Project Agreement,
- (g) "Auction Procedures" means those procedures for operating the system of auctioning access to Sub loans Section II of Schedule 2 to the Project Agreement;
- (h) "Minimum Rates" means the minimum fees and interest rates to be charged in respect of Subloans made available by CORFO at a particular auction;
- (i) "Central Bank" means Banco Central de Chile, the Central Bank of the Borrower;
- (j) "SVS" means Superintendencia de Valores y Seguros, the Securities and Insurance Superintendency of the Borrower;
- (k) "SVS Unit" means that unit established within SVS to monitor the performance of private risk classification companies;
- (l) "SAFP" means Superintendencia de Administradoras de Fondos de Pensiones, the Superintendency of Pension Fund Administrators, of the Borrower;
- (m) "AFPs" means Administradores de Fondos de Pensiones, pension plan administrators, qualified and organized under the laws of the Borrower;
- (n) "SBIF" means Superintendencia de Bancos e Instituciones Financieras, the Superintendency of Banks and Financial Institutions of the Borrower;
- (o) "Insurance Companies" means insurance companies, organized and operating under the laws of the Borrower, in the territory of the Borrower;
- (p) "Commercial Banks" means financial institutions engaged in commercial banking, organized and operating under the laws of the Borrower, in the territory of the Borrower;
- (q) "Securities" means stocks, bonds, notes and other tradeable financial instruments issued by enterprises organized under the laws of the Borrower or traded in the territory of the Borrower;
- (r) "Collateralized Instruments" means financial instruments issued by enterprises, organized under the laws of the Borrower, which are secured by collateral;
- (s) "Securitized Instruments" means undivided interests in pooled financial instruments, issued by Commercial Banks;
- (t) "Depository System" means a system of one or more private depositories to be established under the laws of the Borrower for the deposit, safe-keeping and transfer of securities;
- (u) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (v) "UF" means Unidad de Fomento, a monetary reference unit reweighted daily in accordance with the provisions Supremo No. 40 (Hacienda), dated January 2, 1967, as the date of this Agreement;
- (w) "LIBOR" means the average rate per annum at which term deposits in dollars maturing in 180 days are offered in the London inter bank market at 11:00 a.m. (London time) two business days before the date the rate of interest for a Subloan is determined or adjusted, inclusive of all commissions, taxes and any charges thereon. For this purpose, "business day" means a day on which dealings in dollar deposits between banks may be carried on in London, England and on which commercial banks are

open for  
business in Santiago, Chile,

(x) "CORFO Legislation" means the law of the Borrower No. 6640, published in Diario Oficial of the Borrower, dated January 1, 1941, as amended to the date of this Agreement, and DFL (Decreto con Fuerza de Ley) No. 211, dated March 26, 1960, published in April 6, 1960, as amended to the date to this Agreement, which established CORFO:

(y) "DL 3500" means the Decree Law No. 3500 of the Borrower, of November 4, 1980, published November 13, 1980 in Diario Oficial of the Borrower, as amended to the date of this Agreement, which, among other things, regulates investments by pension plans; and

(z) "Banking Laws" means DFL (Decreto con Fuerza de Ley) No. 252 of March 30, 1960, of the Borrower, published on April 4, 1960 in Diario Oficial of the Borrower as amended to the date of this Agreement, and all regulations thereto, and such other legislation or regulations of the Borrower or its agencies or departments that regulate banking in Chile:

(aa) "Cartera Vendida" means the system of selling risky or poor performing loans held by Commercial Banks to Central Bank and of repurchasing such loans by Commercial Banks;

(bb) "Insurance Laws" means DFL (Decreto con Fuerza de Ley) No. 251 of May 20, 1931, of the Borrower, published on May 22, 1931 in Diario Oficial of the Borrower as amended to the date of this Agreement, and all regulations thereto, and such other legislation or regulations of the Borrower or its agencies or departments that regulate the provision of insurance in Chile:

(cc) "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev. 3 (1986):

(dd) "Negative List" means those items referred to in paragraphs 3 (d), (e) and (f) of Schedule 1 to this Agreement; and

(ee) "peso" means the currency of the Borrower.

## ARTICLE II

### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement. various currencies that shall have an aggregate value equivalent to the amount of one hundred thirty million dollars (\$130,000,000) being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made or, if the Bank shall so agree, to be made, in respect of the reasonable cost of eligible items required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of Part A of the Project, open and maintain in dollars a special account in its Central Bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1995, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ( $3/4$  of 1%) per annum on the principal amount of

the Loan not withdrawn  
from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter. "

"(c) (iii)'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall:

- (i) carry out Part C of the Project, through Central Bank;
- (ii) cause CORFO to carry out Part A of the Project, as its financial agent, and to perform, in accordance with the provisions of the Project Agreement, all the obligations of CORFO therein set forth;
- (iii) take, or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable CORFO to perform its obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance;
- (iv) carry out Part B of the Project with the assistance of Central Bank, SVS, SAFF and SBIF; and
- (v) provide promptly as needed the funds, facilities and other resources required for purposes of carrying out Parts B and C of the Project.

(b) The Borrower shall designate CORFO as its financial agent for purpose of carrying out Part A of the Project and shall make the portion of the proceeds of the Loan allocated to Part A of the Project available to CORFO, as the administrator of such funds, under a Funds Transfer Arrangement to be entered into between the Borrower and CORFO, under terms and conditions which shall have been approved by the Bank.

(c) The Borrower shall exercise its rights under the Funds Transfer Arrangement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree the Borrower shall not fail to enforce, assign, amend, abrogate or waive the Funds Transfer Arrangement or any provision thereof.

Section 3.02. (a) The Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the Actions specified in Schedule 5 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment, a report of the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request.

Section 3.03. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.04. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating respectively to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition) in respect of Part A of the Project shall be carried out by CORFO pursuant to Section 2.04 of the Project Agreement.

Section 3.05. Prior to June 30, 1990, the Borrower shall review and discuss with the Bank the scope of work and functioning of the SVS Unit. The Borrower shall take whatever measures are necessary or appropriate to improve the monitoring ability of such unit if such measures are identified and agreed upon by the Borrower and the Bank as a result of any such review.

Section 3.06. Prior to September 30, 1990, the Borrower shall:

- (a) conduct a public seminar to publicize and explain streamlined requirements for issuance of Securities

(b) publish and circulate widely to the private sector a brochure explaining the methods for issuing Securities and publish a thorough compilation of the laws and regulations of the Borrower related to the issuing of Securities; and

(c) review with the Bank proposals to permit pension funds to invest in Commercial Paper and establish a maximum amount, satisfactory to the Bank, of such investments that would be permitted as percentage of total investments held by each pension fund in its portfolio. For purposes of this Section "Commercial Paper" means financial instruments with maturities not exceeding one year which are traded in Chile and registered with the SVS or the SBIF.

Section 3.07. The Borrower shall furnish to the Bank, by each June 30 and December 31 commencing in the year 1990 and throughout the execution of the Project, a status report on the functioning of the Cartera Vendida and on the subordinated debt obligations of the Commercial Banks to the Central Bank, which have replaced the repurchasing obligations under the Cartera Vendida.

Section 3.08. Prior to September 30, 1990, the Borrower shall carry out the study referred to in Part B.4 of the Project under terms of reference satisfactory to the Bank, and shall discuss the results of such study with the Bank.

#### ARTICLE IV

##### Financial and Other Covenants

Section 4.01. (a) The Borrower shall maintain, or cause to be maintained, separate records and accounts adequate to reflect, in accordance with consistently maintained sound accounting practices the resources and expenditures in respect of the Project of the departments or agencies of the Borrower, and the Central Bank, responsible for carrying out the Project or any part thereof.

(b) the Borrower shall:

(i) have the accounts referred to in paragraph (a) above, including the Special Account, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than four months after the end of each such year certified copies of the report of such audit by such auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure the Borrower shall:

(i) maintain, or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such

fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General conditions, the following additional events are specified:

- (a) CORFO shall have failed to perform any of its obligations under the Project Agreement;
- (b) as a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that CORFO will be able to perform its obligations under the Project Agreement;
- (c) CORFO Legislation shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of CORFO to perform any of its obligations under the Project Agreement;
- (d) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of CORFO or for the suspension of its operations;
- (e) CORFO shall have changed, or failed to apply, the Auction Procedures without the Prior consent of the Bank;
- (f) the Borrower shall have ceased to apply the UF, or the UF, in the Bank's opinion, shall have ceased to reflect the variations in the Borrower's consumer price index, or any event shall have occurred which would make the adjustment of loan principals on the basis of UF inapplicable, unenforceable or illegal in the territory of the Borrower, unless the Borrower shall have adopted an equivalent indexation system or a market based system for determining principal and interest rate on debt obligations, satisfactory to the Bank, and the Borrower and CORFO shall have applied such new system to Subloans financed out of the proceeds of the Loan;
- (g) a situation shall have arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;
- (h) the Grant Agreement or Agreements shall have failed to become effective by January 31, 1990 or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement;
- (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of any grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of any Grant Agreement providing therefor; and
- (j) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

- (a) the event specified in paragraph (a) of Section 5.01 of this Agreement



shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower; and

(b) the events specified in paragraphs (c), (d), (e) or (f) of Section 5.01 of this Agreement shall occur.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Borrower has designated CORFO as its financial agent to Section 3.01 (b) of this Agreement;

(b) the Funds Transfer Arrangement has been entered into on behalf of the Borrower and CORFO;

(c) the Borrower has adopted legislation providing for a Depository System;

(d) the Borrower has raised the limit of bonds which can be issued by an enterprise, organized under the laws of the Borrower and engaged primarily in the business of leasing equipment, for purchase by AFPs and Insurance Companies to twice the permanent capital of such enterprise; and

(e) CORFO has adopted Auction Procedures satisfactory to the Bank and provided the same to the Bank.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank.

(a) that the Project Agreement has been duly authorized or ratified by CORFO, and is legally binding upon CORFO in accordance with its terms;

(b) that the designation of CORFO as the financial agent of the Borrower as provided in Section 3.01 (b) of this Agreement is legally valid and binding upon the Borrower and CORFO in accordance with its terms;

(c) that the Funds Transfer Arrangement has been duly authorized or ratified by the Borrower and CORFO, entered into on behalf of the parties thereto, and is legally binding upon the Borrower and CORFO in accordance with its terms; and

(d) that the legislation referred to in condition (c) of Section 6.01 of this Agreement has been duly adopted and the legislative and regulatory changes that are or may be required by condition (d) of Section 6.01 of this Agreement have taken effect, and that no other actions or ratifications are required by any party or governmental agency or department in order for such changes to be applicable and binding law within the territory of the Borrower.

Section 6.03. The date May 9, 1990 is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministerio de Hacienda  
Teatinos 120, Piso 12  
Santiago,  
Chile

Telex:

241334 MHDA-CL

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF CHILE

By /s/ Octavio Errazuriz

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Shahid Husain

Regional Vice President  
Latin America and the Caribbean

BANCO CENTRAL DE CHILE

By /s/ Octavio Errazuriz

Authorized Representative

Countersigned on behalf of the

Controller General and of the  
Treasurer General of the  
Republic of Chile

By /s/ Octavio Errazuriz  
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Subloans under Part A of the Project	50,000,000	100% of the amounts disbursed by CORFO for each Subloan
(2) Imported Goods under Part C of the Project of the Project	80,000,000	100% of Foreign Expenditures
TOTAL	130,000,000	

2. For purposes of this Schedule the term "Foreign Expenditures" means expenditures in the currency of any country other than that of the Borrower for goods supplied from the territory of any country other than that of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$16,000,000, may be made in respect of Category (2) on account of payments made for expenditures before that date but after September 23, 1989;

(b) payments made by CORFO under Category 1 in respect of a Leasing Subproject, in connection with which the purchase price of the equipment is equivalent to \$1,000,000 or more, unless such Leasing Subproject has been approved by the Bank;

(c) payments in respect of Category 2 unless the Bank shall have been satisfied that the Borrower's macroeconomic framework is consistent with the Program;

(d) expenditures for goods under Category 2 included in the following SITC group or sub-groups, or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

Group	Subgroup	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured,

		tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semi-precious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges).
897	897.3	Jewelery of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates); and

(e) expenditures for goods under Category 2 supplied under a contract which any national or international financing institution or agency other than the Bank shall have financed or agreed to finance; and

(f) expenditures for goods under Category 2 intended for a military or paramilitary purposes or for luxury consumption.

4. No withdrawal shall be made and no commitment shall be entered into to pay amounts to, or on the order of, the Borrower in respect of expenditures to be financed under Category 2 after the aggregate of the proceeds of the Loan withdrawn from the Loan Account and the total amount of such commitments in respect of Category 2 shall have reached the equivalent of \$40,000,000, unless the Bank shall have been satisfied, after an exchange of views as described in Section 3.02 (a) of this Agreement, and based on evidence satisfactory to the Bank, that:

(a) the Borrower has achieved satisfactory progress in carrying out the Program;

(b) the Borrower's macroeconomic framework is consistent

(c) the actions described in the Schedule 5 to this Agreement have been taken in a manner satisfactory to the Bank.

5. If, after the exchange of views described in paragraph 4 above, the Bank shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within ninety days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Bank, then the Bank may, by notice to the Borrower, cancel the unwithdrawn amount of the Loan, or any portion thereof.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist the Borrower in reforming its financial sector, strengthening its securities and banking markets and its leasing

sector.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives

Part A: Leasing Sector Support

The provision of Subloans to Eligible Enterprises for purposes of financing Leasing Subprojects.

Part B: Technical Assistance and Studies

1. Technical assistance to strengthen governmental institutional capabilities in supervising and monitoring financial markets.
2. Training to upgrade managerial skills in the financial sector.
3. Technical assistance to overcome any constraints to the development of the Borrower's technological capacity.
4. Carrying out a study of all investment possibilities for the pension funds and an analysis of what further changes in the portfolio regulations would be required to enable them to diversify their investments.

Part C: Imports

Financing of imported goods required during the execution of the Program.

\* \* \*

The Project is expected to be completed by December 31, 1994.

#### SCHEDULE 3

#### Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
On each February 15 and August 15 beginning August 15, 1995 through August 15, 2006	5,415,000
On February 15, 2007	5,455,000

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\* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment, multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than eleven years before maturity	0.65
More than eleven years but not more than fifteen years before maturity	0.88
More than fifteen years before maturity	1.00

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Category" means Category 1 set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "Eligible Expenditures" means expenditures in respect of the reasonable cost of equipment required for Part A of the Project and to be financed out of the proceeds of the Loan allocated from time to time to the Eligible Category in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to 7,500,000 dollars to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent

withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the Eligible Category, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

5. Notwithstanding the Provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Loan allocated to the Eligible Category for Part A of the Project, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to Part A of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the Eligible Category for Part A of the Project shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for Eligible Expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

#### SCHEDULE 5

##### Actions Referred to in Paragraph 4 (c) of Schedule 1 to this Agreement

1. The Borrower shall have issued the regulations relating to the legislation referred to in Section 6.01 (c) of this Agreement and shall have taken the necessary or appropriate measures to put in place the Depository System.

2. The Central Bank and any authority having jurisdiction shall have adopted a plan of action, satisfactory to the Bank, including a set of appropriate incentives and a timetable for implementation thereof, to cause the AFPs to transfer securities held by such AFPs from Central Bank to the Depository system.

3. The Borrower shall have taken the measures, necessary or appropriate, including amending DL 3500 to permit: the pension funds to invest in closed-end mutual funds and short-term notes of corporations organized under the laws of the Borrower, within portfolio limits acceptable to the Bank.

4. The Borrower shall have submitted to its legislative body for approval, draft amendments to its Banking Law, Insurance Law, DL 3500 and such other laws as are applicable: (i) to permit Commercial Banks to issue Collateralized Instruments and Securitized Instruments and to sell such instruments to third parties, without previous authorization of SBIF; (ii) to permit Insurance Companies to invest in Collateralized Instruments and Securitized Instruments; and (iii) to permit pension funds to invest in Collateralized Instruments.

5. The Borrower shall have taken all measures necessary and appropriate, including amending its Banking Law and such other laws and regulations as are applicable, to permit Commercial Bank:

(i) to issue subordinated debt, at least 50% of the value of which could be used as contributing to the capital base of the issuing Commercial Bank, up to a limit of 20% of the total capital and reserves of such Bank

(ii) greater flexibility in providing guarantees in their lending operations by eliminating the global limit that restricts the total value of guarantees offered by a Commercial Bank.

6. The Borrower shall have reviewed with the Bank, the requirements for establishing real estate investment companies and shall have modified such requirements, in a manner satisfactory to the Bank, to facilitate the establishment of such investment companies.

