

**MEMO# 16164**

June 5, 2003

## **CHILEAN GOVERNMENT EXCLUDES 401(K)-TYPE PROVISION FROM THE CAPITAL MARKETS REFORM LEGISLATION**

[16164] June 5, 2003 TO: INTERNATIONAL COMMITTEE No. 36-03 RE: CHILEAN GOVERNMENT EXCLUDES 401(K)-TYPE PROVISION FROM THE CAPITAL MARKETS REFORM LEGISLATION We understand that the Chilean Ministry of Finance considered but subsequently removed from the Capital Markets Reform legislation a provision that would provide for a voluntary employer-sponsored retirement system. The draft provision is not available, and the specifics of the retirement system have not been made public. As you know, Chile has a mandatory retirement system – the AFP – to which Chileans generally are required to contribute. Chile also has a voluntary portion to the AFP to which Chileans may contribute additional funds for their own individual retirement savings. Foreign firms are permitted to manage both the mandatory and voluntary portions of the AFP, but participants have much greater freedom in choosing service providers and savings products for the voluntary portion. In this phase of the Capital Markets Reform in Chile, the government had been considering whether to supplement the Chilean retirement system by providing for a new occupational defined contribution type system in which employers would be able to offer voluntary savings programs to employees. Financial industry representatives in Chile (both domestic and foreign) are seeking to encourage the Chilean government to include the 401(k)-type provision in the Capital Markets Reform. We understand that the Chilean Executive Branch may re-introduce the provision into the Capital Markets Reform legislation during the debate in Parliament. If you have any questions, please contact me at (202) 326-5810 or at [jchoi@ici.org](mailto:jchoi@ici.org). Jennifer S. Choi  
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