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Chile: Debt-equity Swap Foreign Investors Permitted To Repatriate Investment Within Three Years

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On April 16, the Agence France-Presse reported that under a new regulation applied by the Central Bank certain foreign companies will be permitted to recuperate their investment and remit profits to home offices in three years rather than 10. The regulation favors investments made under the so-called Chapter 19, which since 1985 permits the purchase of foreign debt bonds and conversion into equity in Chile. In theory, the companies involved could request in 1991 the remittance of $1.8 billion of $3.6 billion invested under Chapter 19. According to Camilo Carrasco, the bank's director of operations, only one company has requested the use of such facility. Under the regulation, companies opting to recover investment within three years must pay compensation to the Central Bank equivalent to a predetermined percentage of the sum invested depending on the time lapse since investment start-date. For instance, on $10 million invested in 1986 under Chapter 19, the foreign investor would be required to turn over $2.1 million to the Central Bank. The compensatory charges, said Carrasco, are intended to avoid discrimination against foreign companies who have invested in the past under other arrangements. The original Chapter 10 specified a 10-year wait, seven years longer than the time period applied to other foreign investors. Debt-equity swap investors were compensated in that the Central Bank exchanged the discounted debt paper held by foreign investors at a bonus in the local currency. (Basic data from AFP, 04/16/91)

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