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Addendum 7 to the CRI Technical Report (Version: 2017, Update 1)

This document updates the Technical Report (Version: 2017, Update 1) and details the replacement of the 3-month and 1-year interest rates for Chile. These changes have been implemented for the computation of the Probabilities of Defaults (PDs) and Actuarial Spreads (AS) starting from 12 March 2018.

I. Replacement of 3-month and 1-year interest rates, Chile

As of March 2018 calibration, the Chile Overnight Interbank Interest Rate is used as a replacement for the 3-month and 1-year risk free rate starting from 29 May 1995. The Chile Overnight Interbank Interest Rate is more appropriate and advocated by practitioners¹. We continue to use the Chile TAB UF Interbank Rate 90 Days for earlier periods and it will be scaled by the ratio of Chile Overnight Interbank Interest Rate/ Chile TAB UF Interbank Rate 90 Days on 29 May 1995.

¹ CRI would like to thank the Central Bank of Chile for the valuable suggestion.