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ENACTMENT OF THE REGULATIONS FOR GRANTING RECOGNITION OF LEGAL ENTITY STATUS TO CORPORATIONS AND FOUNDATIONS SET FORTH HEREIN

Santiago, January 17, 1979. Today the following regulations were enacted:

Number 110. Having considered the provisions established in Article 10, No 1, of Law Decree No 527, Published in the Official Journal dated June 26, 1974;

Decree:

Article 1. The approval of the statutes of corporations and foundations to which Title 33, Book 1 of the Civil Code refers, as well as the modifications introduced to them and the agreements adopted with respect to their dissolution and the termination of their legal entity status, shall be processed in accordance with the provisions of this Regulation.

With respect to corporate entities

Article 2. Corporations shall be constituted by an instrument adapted into a document of public record. This instrument of a private nature shall be signed by all the founders and identified through a unique national or tax identification number [Corporate ID Number]. The instrument shall also contain the articles of incorporation, the statutes by which the corporation shall be governed and the power vested in the person responsible for adapting this instrument into a document of public record. The instrument shall include the request approval process of the statutes of the corporation and the acceptance of the modifications that the President of the Republic proposes to introduce to the statutes.

However, for the purpose of granting legal entity status to corporations that are ruled by the standardized statutes approved by the Ministry of Justice, they shall be governed by the provisions of Article 29 of this Regulation.

Article 3. Except when the Secretary is located in a metropolitan area, the request for the granting of legal entity status shall be accompanied by a notarized copy of the respective document of public record and shall be directed to the President of the Republic through the Ministry of Justice or the Regional Ministerial Secretary of Justice.

The request shall be made through the auspices of an attorney legally authorized to engage in this action.

The same exception established in the second paragraph of the previous article will apply to that which is set forth in the first paragraph of this article.

Article 4. The bylaws of every corporation shall include:

1. An accurate record of the name and domicile of the entity;
2. The purposes that the corporation intends to pursue and the economic means that the corporation has to achieve them;
3. The different classifications of its partners, as well as their rights and obligations, the conditions for incorporation and the basis for exclusion of members; and
4. The bodies responsible for the administration, operation and control of the corporation, as well as their competencies and the number of members that compose them.

Article 5. Legal entity status will not be granted to corporations that have the same name as a natural person or their pseudonym unless that person and her/his inheritors expressly accept the name through a private agreement legalized by a notary or in the alternative, twenty years have transpired since the death of the person in question. This benefit shall not be granted to corporations whose name is the same as or similar to another already existing corporation in the same province.

This provision shall also not be applied to Fire Departments or to Lions and Rotary Clubs that may be established throughout the country.

Article 6. Corporations shall not establish union or for-profit purposes, or the same purposes of those entities that shall be governed by their own legal statutes.

Notwithstanding the above, these entities shall be allowed to promote, practice and develop through all available means any effort for social assistance or for the benefit of the community and to collaborate with institutions legally constituted in all matters pertaining to the pursuit of their goals.

Article 7. Corporation shall have the necessary economic means to guarantee the fulfillment of their objectives. This assertion shall be established before the Ministry of Justice through a notarized affidavit from the President and the Secretary of the Boards of Directors.

This may be additionally established by such instruments as time deposits, certified checks, certified bank documents, savings account statements and other similar payment instruments.

An economic source of a corporation may consist of ordinary and extraordinary admission or incorporation fees. Admission, incorporation and ordinary fees shall be determined at the ordinary general meetings of members, and extraordinary fees during the extraordinary meetings convened by the Board of Directors.

In either situation, the minimum and maximum value of these fees shall be stated in the bylaws of the corporation, and they may be expressed in the adjustable economic unit officially in effect.

With respect to each partner, incorporation fees shall only be established on a one-time basis. Extraordinary fees shall only be allocated to or invested in the objective that gave rise to the fee.

Article 8. Only by order of the Ministry of Justice and within a three-day period counted from the receipt of the notice, the Service of Civil Registry and Identification [Servicio de Registro Civil e Identificación] shall be informed of the personal background of the members of the Board of Directors.

Unless otherwise expressly indicated in a statutory provision, directors shall not be individuals who have been convicted for a crime or simple felony within fifteen years prior to the date of their intended appointment.

Article 9. The provisions of articles 10 to 19 of this Regulation shall be included in the bylaws of every corporation; and except for the second paragraph of articles 11, 17 and 18, these provisions may be modified or substituted by others who govern matters to which these paragraphs refer.

However, corporations that so request by prior notice to the State Defense Council, may be subject to the rules of the standardized statutes approved by supreme decree of the Ministry of Justice.

Article 10. The Board of Directors of a corporation shall be elected at the general meeting of members, with each member voting as one single person. The individuals that obtain the largest number of votes in a single vote up to the maximum number of directors, shall be appointed.

Article 11. The Board of Directors of a corporation shall appoint from its members at least the President, Secretary and Treasurer during their first session.

The President of the Board of Directors shall also be the President of the corporation. In this capacity s/he will also exercise the right of legal representation of the corporation, judicially and extra-judicially, and shall have all the competencies established by the bylaws.

Article 12. The Board of Directors shall hold its meetings with an absolute majority of its members. Its decisions shall be adopted by the absolute majority of those present. In case of ties, the vote of whoever is presiding will be decisive.

Article 13. In case of the death, absence, resignation or impossibility of a director to perform his/her responsibilities, the Board of Directors shall appoint a replacement whose appointment will continue only through the remainder of the term of the replaced director.

Article 14. The Board of Directors will have the following competencies and duties:

1. Direct the corporation and manage its assets;

2. Convene the ordinary general meetings of members, as well as the extraordinary meetings as necessary, or as pursuant to the written request of one-third of the members of the corporation. The purpose of such meetings shall be indicated;
3. Submit to the approval of the members attending the ordinary general meetings the bylaws needed to govern the functioning of the corporation and all the affairs and business that the Board of Directors considers necessary;
4. Fulfill the agreements reached at the ordinary general meetings; and
5. During the corresponding ordinary general meeting, submit written reports of the investment of the funds and the state of the corporation for the periods that the Board of Directors, as such, perform their functions.

Article 15. Deliberations and decisions of the Board of Directors shall be recorded in a special book of proceedings, which shall be signed by all the directors attending the meeting. Directors who may wish to reserve their objection to any act or decision, shall put their opposition on record in the book.

Article 16. The general meetings of members shall be ordinary and extraordinary. The former shall be held at the times and frequency established in the bylaws, while the latter shall be held whenever the needs of the corporation require them. Only decisions on the matters indicated in the notice of meeting shall be made.

The provision of reports of the Board of Directors and the election of a new Board shall take place in an ordinary meeting of members that the bylaws establishes for that particular purpose.

The modification of the bylaws and the dissolution of the corporation shall only be addressed in an extraordinary meeting of members.

Article 17. Within ten days prior to the date of the meeting, the convening of the general meetings of members shall be promulgated through a notice published twice in a newspaper located in the province where the corporation is domiciled, or in a newspaper of the capital city of the region if there are not any newspapers in the province.

A second meeting shall not be convened in the same notice if the first meeting does not take place due to a lack of a quorum.

Article 18. An ordinary general meeting convened through the first notice of meeting shall be held with the absolute majority of members of the corporation and through a second notice of meeting with the ones attending. Decisions shall be adopted with the absolute majority of the attending members.

The dissolution of the corporation or the modification of its bylaws shall only be agreed upon by two-thirds of the attending members.

Deliberations and agreements of the Board of Directors shall be recorded in a book of proceedings kept by the Secretary. The minutes shall be signed by the President, the Secretary or

by their representatives and by the attendees or by three representatives appointed by the members during the general meeting.

The members attending the general meeting may record in the minutes their claims for mistakes of procedure with respect to the convening, constitution and functioning of the meeting.

Article 19. General meetings shall be presided by the President of the Corporation and the Secretary of the Board shall also serve as the Secretary of the general meetings or whoever replaces them.

Article 20. The Ministry of Justice shall authorize corporations to record the deliberations and decisions of their Board of Directors in the book of proceedings through recording methods that will not permit detachment of the numbered sheets of the book. The authorization shall be granted if in the judgment of the Ministry of Justice these methods offer or assure the security measures that the Ministry determines necessary to guarantee that the numbered pages remain collated and to avoid any deletion or alteration that may affect the accuracy of the minutes.

In using this power, the Ministry may at any time revoke the authorization granted to corporations or the Ministry may require new guarantees or assurances for the corporation to continue using these methods to record the minutes in the book of proceedings.

Note:

Paragraph 1 of the Supreme Decree N° 411 of the Ministry of Justice, published in the Official Journal dated June 8, 1992 –which modified Supreme Decree No. 923 of 1981, of the aforementioned Ministry-, grants the Regional Ministerial Secretaries of Justice the power to sign in their corresponding regions the exempt resolutions that authorize corporations to record the deliberations and decisions of their Board of Directors and the general meetings in their book of proceedings through recording methods that will not permit detachment of the numbered sheets of the book. When signing, the Regional Ministerial Secretaries shall use the phrase “By order of the Ministry of Justice”. The authorizations shall be granted only if in the judgment of the Ministry of Justice, the aforementioned methods offer or assure security measures that the Ministry determines necessary to ensure that pages remain collated and to avoid any deletion or alteration that may affect the accuracy of the minutes.

In using this power, the Ministry may at any time revoke the authorization granted to corporations or the Ministry may require new guarantees or assurances for the corporation to continue using these methods to record the minutes in the book of proceedings.

The above is in accordance with the provisions of this article.

Article 21. The Ministry of Justice shall request from the competent authorities and entities the reports legally required or those that with a well-founded reason consider necessary to make a decision with respect to a benefit previously obtained by request. Among these reports, the Ministry of Justice may request the Report of the State Defense Council, except that in this last case it referred to entities governed by standardized statutes.

If the reports that the Ministry of Justice requires were not made available within a term of 10 business days, the Ministry shall make a decision without them.

Article 22. The Regional Ministerial Secretaries of Justice shall require reports issued in their regions and, subsequently, raise the corresponding background documentation to the State Secretary of the Ministry of Justice for a definitive decision.

Paragraph eliminated.

Article 23. Based upon the merit of the submitted respective background documents, the President of the Republic shall grant or deny the approval requested.

In all cases, the President shall request any modifications considered necessary. These modifications shall be accepted and recorded in a document of public record, without which the corresponding decree shall not be enacted. The modifications required shall be submitted to the Ministry of Justice within a maximum time period of 3 years, counted from the day the notice was given to the interested parties. After this period, all background documentation will be archived.

In cases that qualify, the President of the Republic may disregard one or more requirements and processes established in this Regulation. Under these circumstances, the decree shall be well-founded.

Article 24. A request for approval of the modification of the statutes of a corporation, adapted into a document of public record, shall be accompanied by the minutes of the general meeting of members in which such modification was agreed upon. In accordance with the provisions set forth in Article 18, the minutes shall record the members attending and the assertions formulated. The general meeting shall be held with the attendance of a notary or any legally authorized civil-law notary public, who shall certify the fact that all formalities established by the statutes for such modification have been fulfilled.

The approval of such modifications shall follow the same procedures for the approval of the statutes. However, the President of the Republic may disregard the reports that he shall consider unnecessary.

Paragraph eliminated

Corporations shall not substantially alter their statutory purposes and it shall be the responsibility of the President of the Republic to determine whether this circumstance occurs.

The head of the Registry of Legal Entities [Registro de Personas Jurídicas] of the Ministry of Justice, or the Guardian of the National Archive, if appropriate, shall certify the authenticity of the statutes in effect that shall accompany the request for approval.

Article 25. The President of the Republic shall revoke the status of legal entity of a corporation at any time he considers the corporation opposes to the laws, the public order or the customary behavior of the nation, or does not fulfill the purposes for which it was constituted or commits grave infractions to its own statutes.

However, this measure shall become without effect if within the three months following the date of publication of the decree of revocation, it is proven that such termination was due to an error of fact.

The Ministry of Justice may itself or through other State agencies, conduct the appropriate investigation to verify the facts that substantiated the termination or similarly, to confirm the existence of the error of fact to which the previous paragraph refers.

Article 26. The approval of the agreement by which a corporation is dissolved shall be subject to the same requirements or formalities set forth in Article 24.

Article 27. The decree that grants juridical personality or that approves the modifications of the statutes or the agreement of dissolution of a corporation, shall be published in the Official Journal and shall only produce legal effects from the date of its publication. Costs incurred in this proceeding shall be born by the requesting party.

Article 28. The Ministry of Justice shall send a copy of the decree that approve the dissolution of a corporation or that order the termination of its juridical personality to the corresponding Regional Ministerial Secretary of Justice and the Provincial Governor.

If the statutes of a corporation did not prescribe the manner of the disposal of assets, the Ministry of Land and Settlements shall be responsible for the assets that exist and are included in an inventory at the time of the dissolution. These assets will be under the custody of the Ministry of Land and Settlements until the President of the Republic allocates them in accordance with Article 561 of the Civil Code.

A copy of such an inventory shall be forwarded to the Ministry of Justice forthwith.

Article 29. Notwithstanding other rules that may be applicable, corporations that opt for the standardized statutes approved by the Ministry of Justice shall be subject to the following rules to obtain their legal status:

- 1.- Once the blanks of the template of standardized statutes are filled in, notarize the corresponding copy of such statutes as provided by the Ministry of Justice. It shall be necessary to submit at least three copies to the office of the notary, so that one copy duly certified remains in the possession of the requesting party as a faithful copy of the instrument notarized.
- 2.- The third copy certified by the notary shall accompany the request for legal status.



## Concerning Foundations

Article 30. The precepts contained in Articles 3, 5, 6, 8, 11,12, 15, 20, 21, 22, 23, 24, 25, 26, 27 and 28 of this Regulation are applicable to foundations.

Article 31. The statutes of any foundation shall include:

- a) The name, domicile and period of incorporation of the entity;
- b) A summary of the purpose of the foundation;
- c) The assets that compose its resources;
- d) The provisions that establish who constitutes its administrative bodies and how these will be integrated;
- e) The competencies of the members of such administrative bodies; and
- f) The provisions related to any alteration to or the dissolution of the entity and indicating the institution to which its assets will be devolved in the event of its dissolution.

Article 32. When it is necessary to supplement the statutes of a foundation, its administrators shall submit to the President of the Republic a proposal whereby the modifications or new principles necessary to introduce are contained.

The corresponding request shall be processed in accordance with that which is established in Article 24.

The President of the Republic may require that the statutes of a foundation created by a testamentary act be supplemented to ensure continuance of its administration and the effective separation of assets with the corresponding succession.

Article 33. Pursuant to the request of the administrators of a foundation, which shall be accompanied by the minutes of the Directorate or the Board of Directors and adapted into a document of public record in which the agreement is included or by own initiative of the administrators in agreement with Article 25, the President of the Republic may terminate the legal status of a foundation. The President shall also terminate such legal status when the assets destined for the maintenance of a foundation are destroyed.

## General Provisions

Article 34. With prior notice to the State Defense Council, the President of the Republic shall authorize corporations or foundations that have obtained their legal status abroad to carry out activities in the country, as long as they observe the Chilean laws and are not contrary to the public order or the customary behavior of the nation.

The approval request for such an authorization shall include the following information:

- a) The purpose of the entity, indicating the activities intended to be carried out in Chile;
- b) The time period in which the entity will carry out activities in the country;
- c) The domicile that the entity will have in Chile;

- d) The name and domicile of the representative of the entity in Chile and his/her competencies; and
- e) A statement of the representative by which s/he commits to inform the President of the Republic of any alteration made to the entity, particularly those modifications related to its activities in the country, as well as any change in the representation of the entity in question.

The request shall also be accompanied by the following background documents:

1. The power of attorney that the corporation or foundation grants to the person who shall represent them in the country. The power of attorney shall expressly state that the representative will operate in Chile under the legal authority and economic resources of the entity; and
2. An official document from the competent authority in Chile stating that the corporation or foundation obtained their legal status, and that is in effect at the time of the request.

These documents shall be submitted duly notarized and, if they were not in Spanish, they shall be officially translated.

Prior to publication in the Official Journal, the decree that authorizes these entities to carry out activities in Chile will produce the same effect than the decree that grants legal status to the corporations and foundations created in the country.

The Ministry of Justice will incorporate the decrees enacted in accordance with the previous paragraphs to the Registry to which Article 37 of this Regulation refers.

Article 35. Whenever he considers it appropriate, the President of the Republic shall terminate the authorization to which the previous paragraph refers.

Article 36. The oversight of the corporations and foundations to which this Regulation refers will belong to the Ministry of Justice. In exercising this competence, the Ministry shall require corporations and foundations to submit for its consideration the minutes of their meetings, financial statements, reports approved, accounting books, inventories, payrolls and any type of report related to their activities. A time period will be established for such submission. Failure to submit the complete background documentation in a timely manner shall enable the Ministry to demand through a written order from the Sub-secretary of Justice the immediate submission of such documents.

Upon receipt of the reports, the Ministry of Justice shall demand the correction of verified infractions by corporations and foundations. Adequate procedures shall be established for that purpose. Prior establishment of rational and fair procedures, if those who hold a position in a competent internal body of the corporation have seriously compromised the social or economic integrity of the corporation or foundation or in the case of the President, and especially if s/he has not convened the general meeting of members when s/he is obligated to do so, if appropriate, the Ministry shall order the competent internal body of the corporation or foundation to apply the disciplinary or corrective measures affecting all partners or members of the corporation or foundation. According to the statute, these measures shall imply the expulsion of the partner or

the suspension or removal of one or more of the members of the Board of Directors or its president.

The non-fulfillment of a directive of the Ministry of Justice with respect to the previous third paragraph, shall be sufficient reason to terminate the legal status of the corporation or foundation.

Article 37. The Ministry of Justice shall keep a registry of corporate entities in which corporations and foundations whose statutes have been approved will register, indicating the number and date of the enactment and publication of the decree that grants their legal status in the Official Journal; as well as who approved the modifications to their statutes, who terminated their legal status, who approved and ordered a dissolution; and who directed their assets to another institution or to the State.

In addition, and with respect to each corporation or foundation, the registry shall include:

- a) The province where it is domiciled;
- b) The place where its headquarters is located;
- c) The date of the public document or the notarized document that records the statutes approved and the name of the notary before whom the statutes have been authorized and notarized;
- d) The purpose of the corporation or foundation in accordance with their statutes; and
- e) The list of the current Board of Directors.

Article 38. Pursuant to the request of its President or Secretary, the Ministry of Justice will certify the legal effect of the juridical personality of corporations or foundations, as long as of the date of the request they have fulfilled the obligations set forth in this Regulation.

Article 39. Repeals Supreme Decree No. 1540, dated May 20, 1966 and its modifications.

Article 40. This Regulation will enter into effect on the date of its publication in the Official Journal.

#### Transitory Provisions

Article 1. Within a six-month period counted from the date of the legal effect of this Regulation, corporations and foundations with legal status granted in compliance with provisions of Title XXXIII of Book 1 of the Civil Code shall submit to the Ministry of Justice the background documentation to which items a), b), c), d) and e) of paragraph 2 of Article 37 refer. This obligation will not be applicable to corporations and foundations that had previously submitted the aforementioned background documents.

The non-fulfillment of this obligation shall enable the President of the Republic to terminate the corresponding legal status.

Article 2. That which is established in Article 29 of this Regulation will be applicable once the Ministry of Justice enacts the supreme decrees that approve the standardized statutes.

This Regulation shall be duly noted and published. AUGUSTO PINOCHET UGARTE, General the Army.- Mónica Madariaga Gutiérrez, Minister of Justice.

I transcribe the above for your information.

Best regards, Lautaro Téllez Ruiz, Sub-Secretary of Subrogating Justice.