

## CENTRAL BANK OF CHILE SUBMITS TO PUBLIC CONSULTATION CHANGES TO REGULATION ON ISSUANCE AND OPERATION OF PAYMENT MEANS

The Central Bank of Chile submitted to public consultation amendments to Chapters III.J.1.3 and III.J.2 of the Compendium of Financial Regulations of the Central Bank of Chile about issuance of payment cards with provision of funds and operation of payment cards, respectively. The aforementioned, with the purpose of adapting such regulation to new business models and promote the development of an efficient, safe, and inclusive payment means market.

The regulatory proposal addresses the following:

### **Submit Payment Processing Service Providers (PSPs) that execute payments to adhered commercial establishments to rules of Chapter III.J.2**

Under the current regulatory framework, PSPs do not have to register as Operators and are not subject to the supervision of the Financial Market Commission (CMF), except for PSPs that settle payments exceeding 1% of the total payments conducted in the market, that shall be registered as Operators.

Due to the increase of PSPs that settle payments, the Central Bank's proposal incorporates an intermediate stage of this players to the regulatory perimeter. The proposal contemplates that PSPs that provide sub-operating or sub-acquiring services that involves payment settlements (PSP Sub Operators) representing between 0.5 and 1% of total market transactions, would need to register as Operators, have a minimum capital of UF 1,000 and be subject to the CMF supervision, by their registration in the Card Operators Registry held by the same entity.

For PSP Sub Operators that do not exceed the threshold of 0.5%, it will be sufficient for them to enter into a contract with an Issuer or Operator, which clearly establishes the payment responsibility.

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## **New regulation for the development of cross-border acquiring activities**

The proposal expressly regulates cross-border acquiring activities i.e., the activity of affiliating and assuming payment commitments with one or more commercial establishments not domiciled or resident in Chile, settling payments of transactions made abroad with Payment Cards issued in Chile. Operators and PSP Sub-Operators may carry out such activities if they comply with, briefly, the following requirements: (i) a minimum capital equivalent to UF 2000, (ii) the adoption of measurements for the management of exchange risks, and (iii) the provision of adequate operational and security safeguards for transaction processing and payment execution abroad, paying special attention to money laundering and terrorism financing risks.

It should be noted that PSPs or Operators performing this activity from within the country may only process and settle transactions made with payment cards issued in Chile.

## **Closed or semi-closed payment models under Fintech Law**

The recently approved Law No. 21,521 (Fintech Law) allows payments between cardholders of the same prepaid card issuer. The Central Bank proposal incorporates certain clarifications to the Liquidity Reserve required to non-bank issuers of prepaid cards. Also, non-bank issuers will be required to implement procedures for cardholders to execute payments, considering the alternatives of interconnection and interoperability available in the prepayment card market with the purpose of avoiding fragmentation risks of low value payments system.

**Link to the proposal**[here](#).

This proposal will be open for public consultation until September 22, 2023.

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