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CMF OPENS CONSULTATION REGARDING REGULATORY FRAMEWORK FOR COMPLEMENTARY ACTIVITIES OF PAYMENT CARD OPERATORS

On April 18, 2023, the Financial Market Commission (" **FMC** ") opened a public consultation process regarding the complementary activities that may be developed by bank or non-bank payment card operators (" **Regulatory Proposal** "), given the incorporation of new participants into the payments system, as a consequence of the implementation of the four-party model. Card operators (" **Operators** ") are the entities that carry out the settlement and/or payments to affiliated entities (merchants) for the use of the cards, in accordance with Chapter III.J.2. on Payment Card Operation (" **Chapter III.J.2** ") of the Compendium of Financial Regulations of the Central Bank (" **Compendium** ").

In particular, the Regulatory Proposal proposes to amend the following rules:

(a) Circular No. 1 on Payment Card Operating Companies (the " **Circular** "); and.

(b) Chapter 11-6 on Investments in Domestic Companies (" **Chapter 11-6** ") of the Updated Compilation of Banking Regulations (" **RAN** ").

Amendments to the Circular

The FMC proposes the issuance of a General Rule (" **NCG** ") that establishes the complementary activities that may be carried out by the Operators, in addition to their exclusive scope of payment card operation.

The power to issue this regulation derives from the final paragraph of Article 3 of Law No. 20,950 (the " **Law** "), which mandates the CMF to issue a NCG for the purpose of authorizing complementary activities to the card operator's business. However, in no case may activities completely unrelated to the card operation business be incorporated in such complementary activities.

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The proposed NCG incorporates the list of complementary activities in a new Annex N°5 to the Circular. These are the following:

• Sales reporting and reconciliation service or cash flow balancing.
• Service of issuance of electronic invoices or receipts in its own way or in association with another company for transactions made with any means of payment.
• The collection of payments on behalf of third parties and processing of card payments, including the issuance of vouchers or receipts.

For these purposes, Operators incorporated as special corporations (" **SAE** ") will be authorized to carry out all the activities indicated in this Annex, from the moment they are included in said list. Additionally, it will be sufficient to mention in the bylaws that the operating company may carry out, in addition to the activities inherent to its exclusive line of business, the complementary activities authorized by the FMC.

Amendments to Chapter 11-6

It should be noted that Article 70 of the General Banking Law (" **GBL** ") allows banks to establish subsidiaries in the country to carry out different operations or functions listed therein. In addition, the FMC, empowered by subsection b) of this article, may issue NCGs incorporating the provision of other financial services considered complementary to the banking business.

Section II of Chapter 11-6 of the RAN regulates bank subsidiaries that complement the banking business, listing the businesses they may carry out. Here, it is added that bank subsidiaries that operate payment cards may also develop complementary activities authorized by the FMC.

The Regulatory Proposal will allow banking subsidiaries to be incorporated as SAEs, in order to be covered by the provisions of Chapter III.J.2 of the Compendium and to carry out the complementary activities to which non-banking operating companies are entitled to provide.

In the case of Operators that are constituted as Banking Supporting Activity Companies ("SAG") at the time the regulation is approved, they may request the corporate transformation to a bank subsidiary payment operator in accordance with Article 70 letter b) of the GBL and the consequent authorization of the CMF to transform into a SAE.

This amendment is expected to encourage Operators to participate in new activities -without compromising the security of their core business-, improve the service provided to merchants and clients and, potentially, favor the expansion of the card operation network.