

PAYMENT CARDS: CENTRAL BANK OPENS PUBLIC CONSULTATION PROCESS ON REGULATION TO SIMPLIFY CAPITAL AND LIQUIDITY REQUIREMENTS APPLICABLE TO OPERATORS

On November 12, the Central Bank of Chile published an amendment proposal to the Chapter III.J.2 of its Financial Regulations Compendium, on payment cards operation, for the general public to be able to make any comments that may arise from its review (the “**Proposal**”).

The Proposal aims to simplify the capital and liquidity requirements that are currently required to the payment cards operator companies (the “**Operators**”), with the purpose of encouraging competition and allowing the entrance of new actors to this industry, specially Fintech companies.

The main amendments of this Proposal can be summarized as follows:

- The initial paid capital and reserves requirement that the Operators shall maintain is reduced from 25,000 to 10,000 Unidades de Fomento (i.e. from US\$1,000,000 to US\$400,000 approximately);
- It is introduced greater gradualness to the increase of such initial capital, simplifying its calculation algorithm. The Proposal amends current formula, setting that such increase will be determined on the basis of 20% of total daily transactions paid to the merchants for the relevant Operator, and
- It is established an incentive for the Operators to make payments to the merchants in shorter times than current ones, through an amendment to the algorithm to calculate the liquidity reserve they shall maintain, which consists on consider that, payments made by the Operator within the banking business day following payment date by the relevant issuer are deemed as if were had been made on a 0.25 days term, instead of the current 0.5.

The Proposal also sets a transitory provision, which will be valid until

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the amendments introduced by the Proposal come into force, and consists in apply to current Operators, both the capital and liquidity requirements that, pursuant to current regulations, correspond to the levels calculated by December 31, 2019.

The consultation period will be open until December 10, 2020, inclusive. Comments can be sent in-person or through the email consultaPAGOS@bcentral.cl.

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