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LEGAL ALERT

Payment Cards: Central Bank publishes, for public consultation, an amendment to its Payment Cards Operation regulations

On August 23, the Central Bank of Chile published, for public consultation purposes, a proposed amendment to Chapter III.J.2 of its Financial Regulations Compendium, on Payment Cards Operation, for the general public to make, within a month, comments or observations that may arise from their analysis.

The main amendments included in this proposal are the following:

****Review of the definition and requirements of the Brand Holder, for Operation purposes****

1. To allow for a foreign state, foreign public or private entity or foreign company owned or managed by a foreign state to be a Brand Holder, as long as the sovereign debt of the foreign state has at least a BBB risk qualification, or its equivalent.
2. To empower the interested Operators upon authorization by the Superintendence of Banks and Financial Institutions ("SBIF"), to enter into an agreement with a Brand Holder that does not meet all requirements set in the relevant regulations. The SBIF shall issue general instructions in this regard.

****Incorporation of a new Operation method****

The proposal states that the operation of Payment Cards may be provided by an Operator by means of an agreement with another Operator, to the extent that this agreement establishes, at a minimum: **(i)** which party will assume the responsibility for the payment to the affiliated entities, and **(ii)** the necessary measures to assure the settlement and/or full and timely payment of the transactions owed to the affiliated entities.

****Extension of the limit for the Operation activities that a Payment Processing Services Provider (“PSP”) may perform****

The total of payments that, on an exceptional basis, a PSP is authorized to make to affiliated entities is extended from 0.5% of the total amount of the contracting Operator’s annual payments, to 1% of the total amount of all annual payments made on behalf of all Issuers or Operators with whom the PSP has a valid agreement.

The consultation period will be open until September 24, 2018.

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