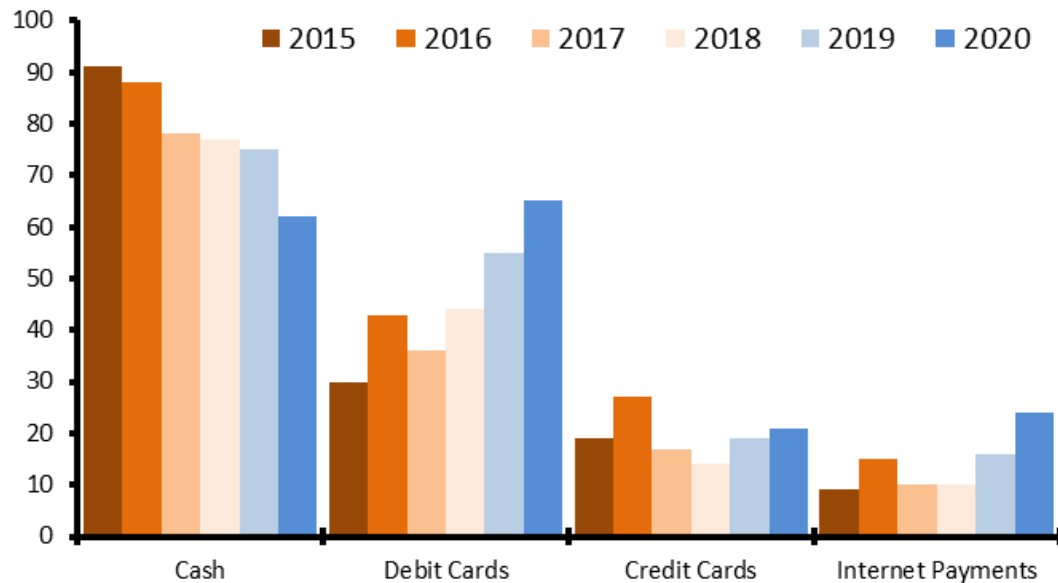


# Chile: Regulatory Developments on Retail Payments.

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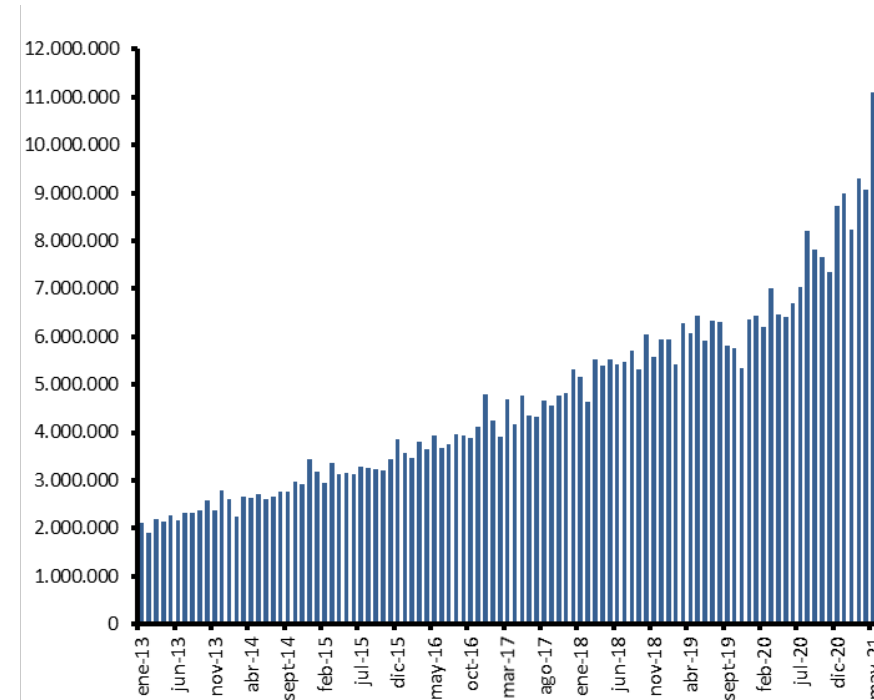
# In Chile there is an increasing use of non-cash payment instruments

Payments instruments usage  
(% indicating “always” or “nearly always”)



Source: Central Bank of Chile

Internet fund transfers  
(CLP MM)



Source: Central Bank of Chile

# At the same time, the system is undergoing several structural changes.

- Implementation of a “four party scheme” for card payments in Chile and entrance of new participants.
- Ongoing process for the regulation of interchange fees for payments cards.
- Regulatory changes for clearing of low-value payment instruments.
- Fintech Bill that will regulate stablecoins and payment initiation services.

**In this context, the Central Bank –as the payment regulator and operator- is developing a new agenda for retail payments.**

A glass globe on a stand, centered in the background. The globe is transparent with a grid of latitude and longitude lines. The continents are visible in a light brown color. The globe sits on a circular base. The background is a light blue grid pattern with some faint, larger-scale grid lines.

# Central Bank's Retail payments agenda

# Advancing in instant payments is a priority for the Central Bank of Chile

- Chile was one of the first countries that implemented inter-bank electronic transfers that are immediately reflected in the beneficiaries' accounts.
  - **This was done in 2008 after instructions from the regulator.**
- The underlying infrastructure, that relies on deferred settlement, is outside the regulatory perimeter and does not have legal finality nor mandated risk mitigation measures. Therefore, it falls short of some features of instant payments.
- The Central Bank of Chile is developing new regulations for this and other retail payment infrastructures.

# The new regulation will incorporate different retail payment clearing-houses in the regulatory permitter

## Advantages:

- ✓ Finality of low value payments.
- ✓ Promote interoperability.
- ✓ Increased risk mitigation procedures.
- ✓ Promote innovation because new retail payments can find a place to perform clearing.

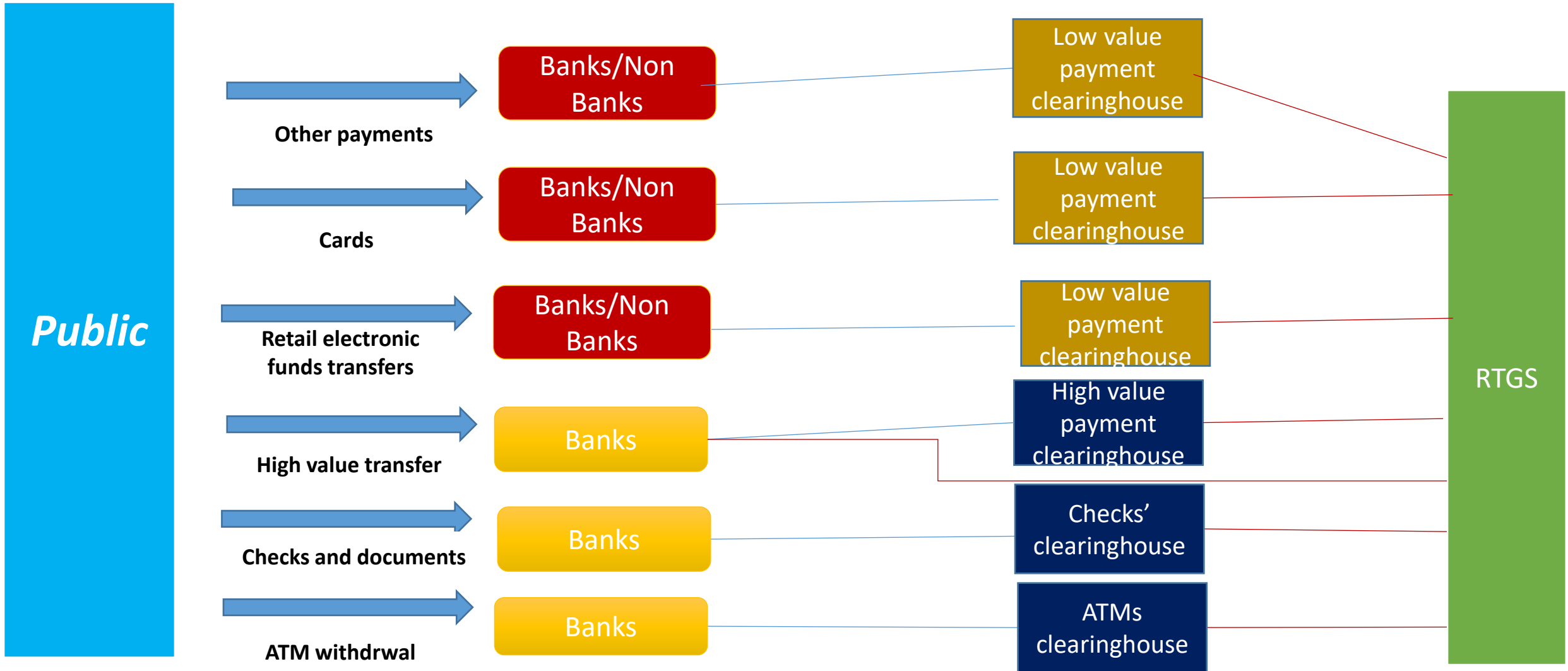
## Challenges:

- Regulation should adapt to the particularities of different payment instruments.
- Transition from legacy systems to new operating procedures may be difficult.
- No information on new payment instruments.

# In order to cope with these challenges, the regulation proposes a flexible methodology

- New systems and systems that process low values can opt for reduced regulatory requirements on an initial stage.
- Transition to settlement at RTGS will be gradual.
- A new version of the regulation will be issued after an adjustment process of 12 months.

# General view of the payment system after the regulation is fully implemented





# Another topic on the agenda is exploring CBDC. A White Paper is due for next year.

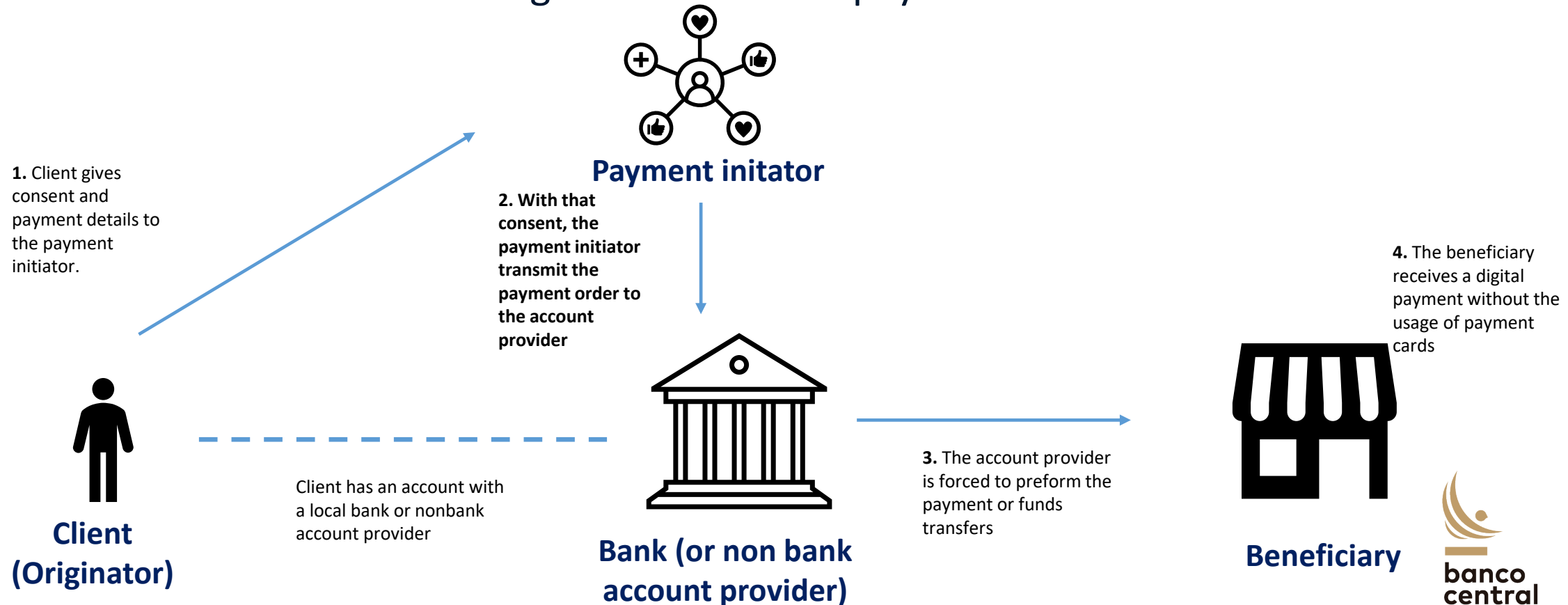
- An internal group –involving directors and board members- was constituted with the objective of generating a medium-term agenda for Central Bank Digital Currencies.
- The White Paper will first analyze, amongst others, international experience, the local legal framework and the local payment system and then will propose the action lines objectives and expected results for the next years.



# Fintech Bill and new activities in retail payments

# The government has issued a Bill that will create an “Open Finance System” and regulate “Payment Initiators”

- These regulated entities will be able to initiate payments on behalf of a client.
- Their introduction may increase usage of electronic funds transfer for payments: This reinforces the need of the new regulation for retail payments infrastructure.



# The same bill will also regulate different activities done with digital assets.

- On one hand, custodians, intermediaries and exchanges of “virtual currencies” will be regulated by the financial supervisor as “securities”.
  - As defined, virtual currencies cannot be a “representation” of fiat money.
- On the other hand, the Central Bank will be able to regulate digital assets that are a representation of fiat money (or electronic money tokens) as payment instruments, using existing attributions.
  - This includes regulating entities that issue electronic money tokens in Chile, entities that do cross-border transactions with electronic money tokens and payment systems with electronic money tokens.

**This approach follows the idea that “virtual currencies” are not currently widely used as payment instruments and that “electronic money tokens” share many similarities to other forms of electronic money.**





# Final remarks |

# The Central Bank of Chile is working towards a payments agenda to address the rapid changes happening in the payments industry.

- During the last years, the agenda was dominated by a transition on the operating model at the payment-cards market.
- Currently, the agenda is dominated by the Retail Payments Clearinghouses and achieving interoperability between banks and non-banks.
- Towards the future, the agenda will probably be dominated by digital assets and the implementation of Open Finance.

**The Central Bank of Chile is working to promote a safe and innovative payment ecosystem in the country. The decision process of new regulations includes financial inclusion, interoperability and competition considerations.**



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