

TITULO: Santander venture to shake up credit card competition in Chile				
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Santander venture to shake up credit card competition in Chile

Emily Darby | 31 July 2020



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Guerrero Olivos has helped the Chilean branch of Spanish bank Santander incorporate a new credit card subsidiary, which aims to remodel the country's existing payment processing system and challenge the long-standing market dominance of local credit card processor Transbank.

The firm helped Santander register the new business, called Sociedad Operadora de Tarjetas de Pago Santander Getnet, with Chile's securities regulator Comisi3n para el Mercado Financiero (CMF), which approved the deal on 1 July.

In Chile's current three-part system, both the issuance of credit cards to customers and the authorisation of payments are completed by the same company – Transbank. The organisation has been Chile's sole acquirer – the company processing payments – for 30 years through its partnership with a host of major banks including Banco de Chile, Banco de Cr3dito e Inversiones, JP Morgan and Santander among several others.

Three-part credit card payment systems work by allocating the role of the issuer and the acquirer to one party as opposed to two. A four-party scheme works by giving those powers to separate entities and increasing the scope for competition in the market.

With Santander's latest incorporation, the bank will introduce a four-part credit card model in Chile, which will create a separate entity to process payments only. The news follows on from a 2018 statement in which Santander announced its plans to end its contract with Transbank as its main card operator.

Santander's new venture, known as Getnet, will compete with Transbank and will process payments made from Santander credit cards to businesses across the country. The Spanish bank already operates the service under the same name in Brazil, after acquiring Getnet from Brazilian shareholders in 2019.

Transbank has come under significant fire for its controversial monopoly of the market in Chile over the past decade. Chile's National Economic Prosecutor office (FNE) began investigating the company's dominance of the market in 2011 and a request to end Transbank's partnership with a syndicate of banks was rejected by the Supreme Court in 2014 after Chile's Free Competition Tribunal (TDLC) also refused a similar appeal that same year. In 2017, more recommendations to put an end to Transbank's dominance were put forward this time by the TDLC itself, after it conducted a review that found that the elevated fees from card operators hiked up retail prices in the country.

Chile's new four-part system will introduce interchange fees between the acquiring and issuing parties, for which the competition regulation is already being evaluated by the FNE and TDLC.

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