

## CMF issues regulation governing the Open Finance System as part of the Fintech Act

- *This regulation represents a milestone for the Chilean financial market, and a key stage on the implementation of the Fintech Act (Law No. 21,521), published in January 2023 and whose main objective is promoting competition, innovation, and inclusion in the financial system.*
- *The regulation governing the OFS becomes effective 24 months from today and will allow individuals and businesses to share their financial information and access better conditions or new products and improvements suited to their needs.*

**July 3, 2024** — The Financial Market Commission (CMF) issued today the [regulation](#) that governs the Open Finance System (OFS) as part Law No. 21,521, also known as the Fintech Act. Said issuance represents a new milestone to implement the Act, which was issued in January 2023, and places Chile at the forefront of these issues.

The OFS, defined by the Act, allows financial system users to securely share their information to obtain better benefits and conditions when contracting financial services. The Commission expects that the issuance of this regulation allows the expected benefits of the Fintech Act (e.g., greater competition and financial inclusion) to materialize.

It is also expected that the entry of new financial service providers into the market will generate greater degrees of innovation in the provision of services, with all consequent benefits. All of this will have a positive impact so a greater number of people and companies, especially those individuals underserved by the system and smaller companies (MSMEs), will gain access to more financial products and services that better suit their needs.

To achieve these objectives, Title III of the Fintech Act states that currently regulated institutions in the financial system, such as banks; payment card issuers; insurance companies; fund managers; and savings and credit cooperatives supervised by the CMF, among others, are defined in the law as Information Provider Institutions (IPIs) and Account Provider Institutions (ACPIs). These must compulsorily join the OFS to provide the information that users decide to share with other participating institutions after giving their consent.

The Act also regulates institutions that voluntarily decide to register in the OFS to offer financial services of two types to users:

- Services using the information of financial institutions' clients, which are called Information-Based Service Providers (IBSPs).
- Payment initiation services that allow direct transfers from clients' accounts to third parties, known as Payment Initiation Service Providers (PISPs).

Therefore, the regulation is applicable to entities currently supervised by the CMF and others that will enter its regulatory perimeter as participants in the OFS.

Additionally, development of this regulation included several instances of participation and discussion of proposals, in addition to a public consultation held between April 15 and May 15, 2024. Prior to this public consultation, the Commission organized a series of consultative roundtables that enriched the discussions and analysis necessary to develop a regulation with a high level of technical content.

For the discussion of the Open Finance System, seven thematic roundtables were scheduled between October 2023 and March 2024, which were attended by nearly 400 people representing 141 different entities. The CMF also hosted a significant number of entities and professional organizations that expressed their opinions and contributions to the discussion on the OFS and its implementation.

Title III of the Fintech Act regulates the OFS and establishes the matters to be supervised by the CMF. The Commission decided to issue a single regulation comprising all these matters, which is structured as follows:

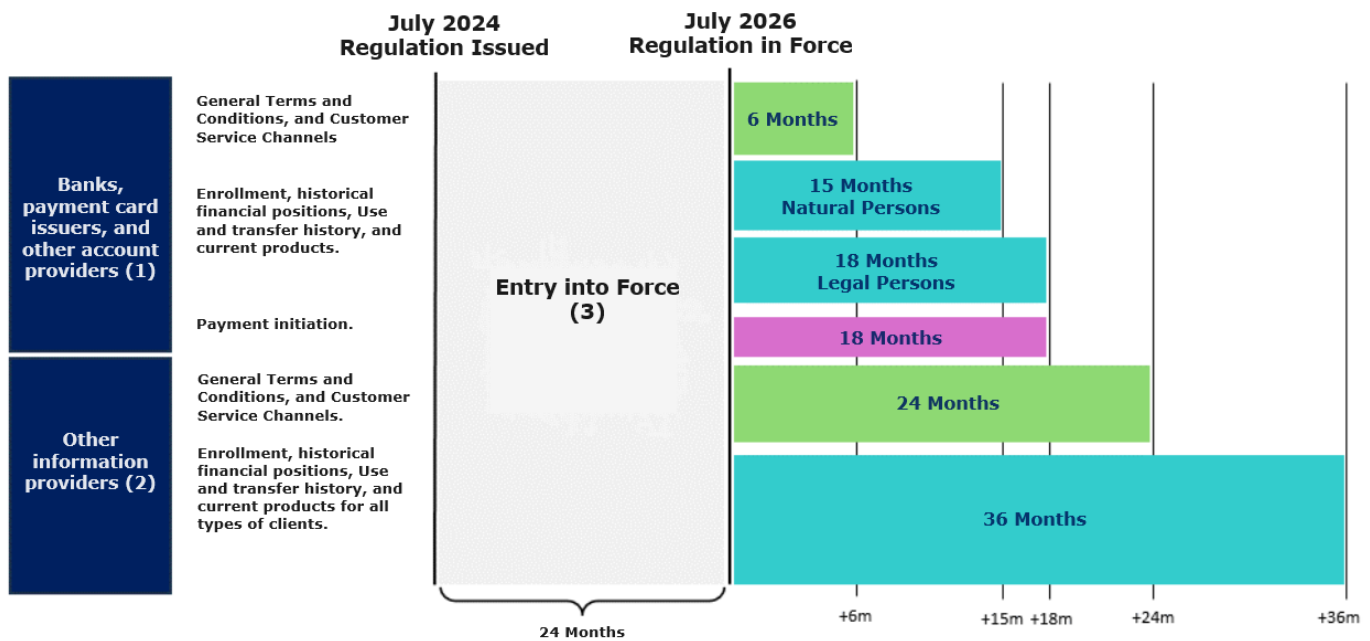
- Section 1: Perimeter of the Open Finance System.
- Section 2: System Operation.
- Section 3: System Security and Safeguards.
- Section 4: System Information.
- Section 5: Other Provisions.

The OFS implementation timeframe will be gradual depending on the role played by each participant within the System, and Stage 1 of the regulation will become effective 24 months after today. Said timeframe will be used to make all adjustments required to implement the OFS by each of its participants. This also includes the Commission, which is to provide Directory services for operation of the System. Technical manuals with specifications on OFS operation are to be developed as well during this early stage.

After this timeframe, the regulation contains an implementation schedule that starts with progressive submission of information to be shared by banks and payment card issuers within the next 18 months. Obligations for savings and credit cooperatives supervised by the CMF, insurance companies, fund managers and compensation funds, among others, will start within the second 18-month period. Consequently, the regulation will be fully implemented in five years (see below).

Progressive submission of information to be shared for each group of institutions begins with data on the general terms and conditions of financial products and institutions' customer service channels (all of which is public information). Subsequently, information on natural persons will be added, followed by information on legal persons to consider the potential benefits of incorporating such information and adequately weigh implementation timeframes.

## **OFS Implementation Calendar**



(1): "Other account providers" refers to other entities that directly issue payment cards or open demand accounts.

(2): "Other information providers" refers to payment card operators; savings and credit cooperatives supervised by the CMF; agents managing endorsable mortgages and insurance companies; institutions performing mass money credit operations; general fund and portfolio managers; brokers; compensation fund institutions; and entities enrolled in the Registry of Financial Service Providers (Fintechs).

(3): Development of Technical Annex No. 3 (System Standards) with assets from the OFS Forum and other sources is included in the timeframe.

The OFS regulation is divided in three levels, with the first two contained therein setting forth:

1. General guidelines and safeguards required of participants.
2. Technical definitions in terms of standards to be used for operation of the system.

All the above will be complemented with technical specifications (manuals) or Level 3 regulations to be issued by the CMF within the first 24 months to achieve an adequate implementation of previously defined Level 1 and 2 regulations, which will support the interoperability of the OFS. The Commission will use its usual public consultation tools in addition to contributions of the Open Finance System Forum, created in late 2023 to allow industry players to provide their technical views, although its recommendations are non-binding.

The OFS regulation complements one already issued by the CMF on January 12, which regulates the enrollment, authorization and obligations that Fintech financial services providers<sup>1</sup> must comply with.

Interested parties can check every detail on the implementation of the Fintech Act in a [special section of the CMF website](#).

Finally, it is worth noting that regulatory benefits and costs arising from this regulation will be periodically evaluated. For more information, check the [FAQ Document](#).

<sup>1</sup> Crowdfunding platforms; alternative transaction systems; intermediation of financial instruments; order routing; loan advisory services; investment advisory services; and custody of financial instruments.

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**Area of Communications, Education & Image — Financial Market Commission (CMF)**

**Contact:** [prensa@cmfchile.cl](mailto:prensa@cmfchile.cl) | [Press Room](#) | [Subscribe to Relevant CMF Information](#)

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