

Approval Procedure of Payment System Operator (PSO)/ Payment Service Provider (PSP)

1.0 Introduction

The Board of Directors of Bangladesh Bank has issued Bangladesh Payment and Settlement Systems Regulations-2014 (BPSSR 2014) with a view to promoting, regulating and ensuring secured and efficient payment systems in Bangladesh. In accordance with the paragraph 2 and 3 of section 5.3 of Bangladesh Payment and Settlement Systems Regulations-2014, this 'Approval Procedure of Payment System Operator (PSO)/Payment Service Provider (PSP)' has been issued.

2.0 Objectives

The following issues are specified by this procedure:

- i. The process and documents required for submission of application for PSO/PSP license;
- ii. Eligibility criteria for PSO/PSP license; and
- iii. Approval process of PSO/PSP.

3.0 Payment System Operator (PSO) and Payment Service Provider (PSP)

3.1 Payment System Operator (PSO): According to BPSSR 2014, 'Payment System Operator (PSO) refers to an entity licensed by the Bangladesh Bank for operating a settlement system for payment activities between/among participants of which the principal participant must be a scheduled bank maintaining accounts with the Bangladesh Bank for meeting Cash Reserve Requirements.'

In line with the definition, a PSO shall have the following characteristics:

- a) PSO shall be licensed by Bangladesh Bank;
- b) PSO shall provide the payment services as approved in its license;
- c) PSO shall not issue e-money or payment instrument in any form.
- d) Settlement of transactions shall be done through scheduled commercial bank.

3.2 Payment Service Provider (PSP): According to BPSSR 2014, 'Payment Service Provider (PSP) refers to an entity licensed and approved by the Bangladesh Bank that provides payment service(s) to its participants or to a payment system for the purpose of facilitating payment(s) or payment processes and settling their transactions through a scheduled bank maintaining accounts with the Bangladesh Bank for meeting Cash Reserve Requirements.'

In line with the definition, a PSP shall have the following characteristics:

- a) PSP shall be licensed by Bangladesh Bank;
- b) PSP shall provide the payment services as approved in its license;
- c) PSP may issue e-money or payment instrument under terms and conditions of its license and subsequent rules and regulation of Bangladesh Bank;
- d) PSP shall maintain 'Trust Cum Settlement Account' with scheduled commercial bank.

4.0 Eligibility

4.1 Eligibility for PSO

1. PSO must be a company incorporated under the Companies Act of 1994;
2. The paid up capital of the company shall not be less than BDT. 5,000,000/- (Five Million). However, Bangladesh Bank may refix minimum paid up capital based on services and business exposure;
3. Key personnel of the company shall have minimum 3 years experience/exposure in the relevant field.

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4.2 Eligibility for PSP

1. PSP must be a company incorporated under the Companies Act of 1994;
2. The paid up capital of the company shall not be less than BDT. 200,000,000/- (Two Hundred Million). However, Bangladesh Bank may refix minimum paid up capital based on services and business exposure;
3. Key personnel of the company shall have minimum 3 years experience/ exposure in the relevant field;
4. Appropriate Technology infrastructure shall be maintained within Bangladesh.

5.0 Application Procedure

Interested institutions should apply in prescribed format (Annexure-A) to Bangladesh Bank with required documents (List of documents has been given in Annexure-B). A non-refundable demand draft of Tk. 25,000.00 (Twenty Five Thousand) in favor of General Manager, Payment Systems Department should be given as application fee.

6.0 Approval Procedure

The approval process will be conducted in two phases. In the first phase, PSD shall issue a 'No Objection Certificate (NOC)' and in second phase, PSD may provide final approval to the eligible company based on following process.

6.1 Phase-1:

- a) Preliminary scrutiny of the documents shall be done by PSD. After preliminary scrutiny,
 - I) Bangladesh Bank may ask for revised or additional document(s) if necessary.
 - II) Bangladesh Bank may reject the application with a written notice, if documents and/or proposal are not consistent with proposed services.
 - III) The documents shall be forwarded to the evaluation committee(s), if documents are found satisfactory.
- b) Evaluation committee(s) will evaluate the documents and submit report(s).
- c) Based on the score of the evaluation report(s), decision of issuing/ not issuing NOC will be taken by Bangladesh Bank and communicated to the applicant.

6.2 Phase 2:

- a) The applicant, received NOC for deploying the system, shall submit a declaration in prescribed format (Annexure-C) within the stipulated period regarding readiness of the proposed infrastructure. An onsite inspection team will be formed to conduct onsite inspection.
- b) Approval may be given based on satisfactory inspection report and if all the requirements of NOC are met properly.

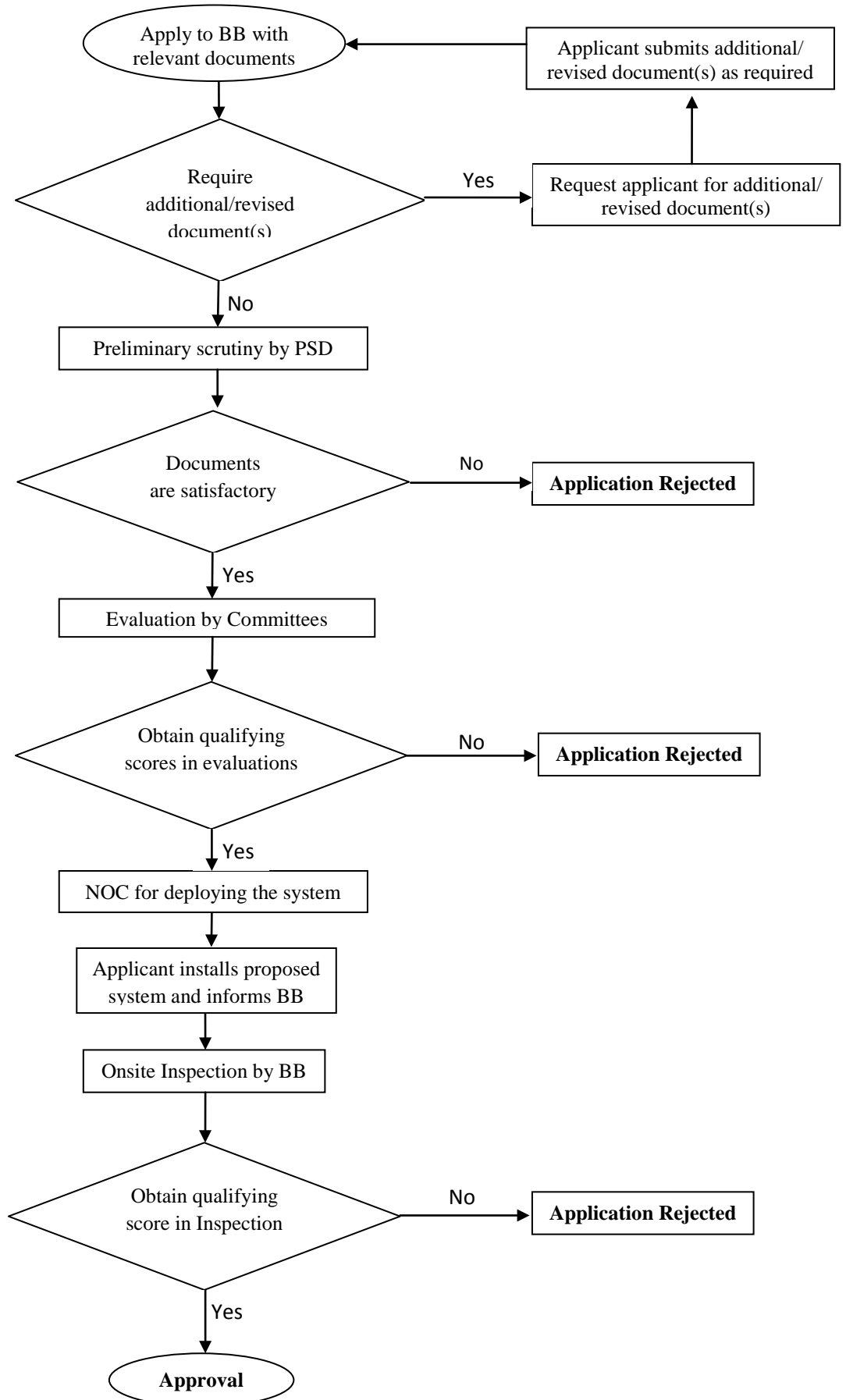
7.0 Fees and Payment Method

7.1 Application Fee: A non-refundable pay order/demand draft of Tk. 25,000.00 (Twenty Five Thousand only) shall be required to submit with application.

7.2 License Fee: A non-refundable pay order/demand draft of Tk. 1,00,000.00 (One Lac only) shall be required to submit during final approval.

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8.0 Diagram of the Approval Procedure



**Approval Procedure of Payment System Operator (PSO)/
Payment Service Provider (PSP)**

Application Format

Date:

To,
The General Manager
Payment Systems Department
Bangladesh Bank, Head Office
Motijheel, Dhaka

Dear Sir/Madam

Application for PSO/PSP License

With reference to Bangladesh Payment and Settlement and Systems Regulation 2014, We,...(*Name of Company*)..., would like to facilitate the service of *Payment Systems Operator/ Payment Services Provider (write nature of license)* in Bangladesh.

We have submitted necessary documents as per the requirement of Bangladesh Bank along with a pay order/demand draft (*Bank Name, pay order/demand draft Number, Date*) valuing BDT.25,000.00 (Twenty Five Thousand only) as application fee. We hereby declare that the documents are being submitted to Bangladesh Bank for PSO/PSP license are not counterfeit or misreported or misrepresented, or there is no contravention with the relevant laws, rules, guidelines and regulations.

We would be obliged, if you kindly issue a PSO/PSP license in favor of our company for proposed services.

Sincerely yours,

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Enclosure: (According to Annexure-B)

- i. ...
- ii. ...
- iii. ...

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Annexure-B

<p>Company Documents</p> <ul style="list-style-type: none"> • Memorandum and Articles of Association • Certificate of Incorporation • Form- XII • Trade License • e-TIN Certificate • Corporate profile with present areas of business • CIB clearance of Directors of Board and Key personnel. • CV and declaration (Annexure-D) of Directors of Board and Key personnel. 	
<p>Business Documents</p> <ol style="list-style-type: none"> 1. List of proposed service(s) 2. Business case analysis <ul style="list-style-type: none"> ➤ Business opportunity ➤ Market analysis ➤ Execution Plan 3. Business Process flow description <ul style="list-style-type: none"> ➤ Transaction flow ➤ Fund flow ➤ Others 4. Business Projection for next 5 years <ul style="list-style-type: none"> ➤ Investment (Initial, year-1 to 5) ➤ Sources of fund (Share capital, Loan) ➤ Breakeven analysis ➤ Audit report (if any) ➤ Projected fees and charges ➤ Others 5. Organizational Structure <ul style="list-style-type: none"> ➤ Board of Directors ➤ Organogram of the company ➤ Human resources management ➤ Internal control and compliance ➤ Others 6. Financial settlement process: <ul style="list-style-type: none"> ➤ With Bank and end user ➤ With third party ➤ Charge policy and profit sharing ➤ Reversals and dispute management procedure ➤ MoU with all the related parties ➤ Others 7. Policies and guidelines <ul style="list-style-type: none"> ➤ AML/CFT compliance ➤ Member/Accountholder rules ➤ Reversals and dispute Management ➤ KYC/verification policies ➤ Others 	<p>Technical Documents</p> <ol style="list-style-type: none"> 1. Technical process flow description <ul style="list-style-type: none"> ➤ Message flow ➤ Message format ➤ Fund flow ➤ Others 2. Overview of proposed infrastructure <ul style="list-style-type: none"> ➤ Hardware ➤ Software ➤ Network communication ➤ Bank/other institutions integration ➤ Others 3. Hardware details <ul style="list-style-type: none"> ➤ Value and source ➤ Module wise functionalities ➤ Proposed DC and DR ➤ User capacity, TPS and session ➤ Others 4. Software Details <ul style="list-style-type: none"> ➤ Value and source ➤ Module wise functionalities ➤ Proposed DC and DR ➤ User capacity, TPS and session ➤ Others 5. Detail network plan 6. IT risk management process <ul style="list-style-type: none"> ➤ Physical security ➤ Data security ➤ Operational security ➤ System rules ➤ Access right management ➤ Others 7. Business continuity and disaster recovery plan 8. Settlement, reversals and dispute management process

Note:

1. In case of foreign investment, applicant shall submit investor's legal and business documents e.g. Company documents, BIDA approval (if applicable), credit rating, business profile, etc.
2. Bangladesh Bank may require any other documents if necessary.
3. All documents should be properly attested.
4. All documents should be submitted 3 sets.

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Annexure-C

Declaration

Date:

To,
The General Manager
Payment Systems Department
Bangladesh Bank, Head Office
Motijheel, Dhaka

Dear Sir/Madam

Declaration of readiness for Go-live

With reference to your 'No Objection Certificate (NOC)' no..... dated, We,... (*Name of Company*)... have fulfilled all conditions of the NOC and prepared our system accordingly. Hence, we are declaring our readiness for On-Site-Inspection by Bangladesh Bank and for Go-Live.

Sincerely yours,

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**Approval Procedure of Payment System Operator (PSO)/
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Annexure-D

CV and declaration of Mr/Mrs....., Director

1. Personal Information

Full Name:	
Father's Name:	Mother's Name:
Spouse's Name:	Date of Birth:
Nationality (ies):	Tax Identification/File Number (TIN):
Passport Number:	Telephone Number(s) :
Mobile Number(s)	Email Address:
Present Residential Address:	
Permanent Residential Address:	

2. Educational Qualification

Name of degree, institutions/universities and completion year

3. Training and Professional Education

Name of degree/training, institutions/universities and completion year

4. Experience

Employment/ business details, designation and period of experience

5. Other Business Information

Please provide particulars of all businesses, including proprietary/partnership/companies, in which you have been associated as a proprietor, partner or a director.

6. Share details in the proposed PSO/PSP

Share details in the proposed Payment Systems Operator (PSO)/ Payment Service Provider (PSP).

7. Any other information that is relevant for the purpose of Bangladesh Bank and needs to be mentioned

Declaration

I, hereby, declare that the information given above is true. I also declare that;

1. I have not been adjudicated as bankrupt by a court.
2. I am not a defaulter as per section 5(GaGa) of Bank Company Act, 1991 (Amended 2013).
3. I have not been involved with management/ownership of a company/firm whose registration and, or license has been revoked or cancelled or gone into liquidation or other similar proceedings due to mismanagement, financial misconduct or malpractices.
4. I have not been convicted by any court for criminal offence.
5. There is no adverse observation against me in any verdict of the court.
6. I am not a defaulter of tax.

Name and Signature with official seal