

Bank of Zambia

REQUIREMENTS FOR DESIGNATION OF A PAYMENT SYSTEM BUSINESS

FEBRUARY 2025



Bank of Zambia



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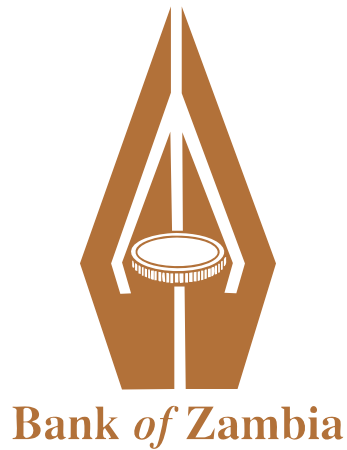
REGISTERED OFFICES

Head Office

Bank of Zambia, Bank Square, Cairo Road
P. O. Box 30080, Lusaka, 10101, Zambia
Tel: (+260) 211 399300
E-mail: info@boz.zm
Website: www.boz.zm

Regional Office

Bank of Zambia, Buteko Avenue
P. O. Box 71511, Ndola, Zambia
Tel: (+260) 212 399600
E-mail: info@boz.zm
Website: www.boz.zm



REQUIREMENTS FOR DESIGNATING A PAYMENT SYSTEM BUSINESS IN ZAMBIA

The National Payment System Act 2007 defines a Payment Systems Business as “the business of providing money transfer or transmission services or any other business the Bank of Zambia may prescribe as a payments systems business.”

Further, the NPSA Section 12 (1) requires that , any person intending to conduct or offer to conduct any payment system business shall apply for designation by the Bank of Zambia. In this regard, all persons wishing to operate a new payment system business shall apply to the Bank of Zambia for designation.

Section 12 (7) of the NPSA stipulates that, Any person who contravenes this section commits an offence and shall be liable, on conviction, to a fine not exceeding five hundred thousand penalty units or to imprisonment for a term not exceeding five years or to both.

Application forms for designation of payment systems businesses shall be obtained from the Payment Systems Department or the Bank of Zambia website.

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Bank of Zambia

1. APPLICATION REQUIREMENTS

1.1. Stage 1: Pre-engagement for product understanding

- 1.1.1. Prior to the submission of the name clearance and the designation application, a prospective applicant shall contact the Bank of Zambia's Payment Systems Department in order to arrange a preliminary meeting to:
 - a. Introduce the proposed product proposition (Applicant to make PowerPoint presentation on proposed product description, process flows, system architecture, integration, security measures, settlement processes, cybersecurity measures and any other relevant information); and
 - b. Discuss licensing requirements.
- 1.1.2. Enquiries and pre-engagement arrangements should be sent to psd@boz.zm

1.2. Stage 2: Name Clearance

- 1.2.1. Any Applicant that intends to offer or conduct payment system business shall be required to check for the suitability of the proposed company name and or product name with the Bank. The Applicant shall submit the proposed name of the company and where applicable, the name of the product for clearance.
- 1.2.2. The proposed name shall:
 - 1.2.2.1. Suggests that the company shall be offering payment services;
 - 1.2.2.2. Is not identical with that of another payment service provider;
 - 1.2.2.3. Does not resemble the name of another payment service provider in a way that the proposed company name can deceive the public; and
 - 1.2.2.4. Is not considered inappropriate by the Bank.
- 1.2.3. The applicant shall submit three names for the company or product in order of preference. The Name Clearance application should be addressed to:

Director – Payment Systems
Bank of Zambia
Bank Square
Cairo Road
P. O. Box 30080
Lusaka
ZAMBIA

- 1.2.4. Once the name is cleared, the applicant intending to operate payment system services shall proceed to register the entity with the Patents and Companies Registration Agency (PACRA). Should the company already be registered with PACRA, the name will be considered in line with the procedures for name clearance and if the name is acceptable, the applicant can proceed to submit an application for licensing.

Where the company name registered at PACRA is not acceptable to the Bank, the applicant will be guided to perform a name change at PACRA with a Bank approved name.

An approved name shall be valid for a period of six (6) months subject to submission of an application for licensing. However, an applicant may request for an extension of the approval prior to its expiration.

1.3. Stage 3: Submission of Application

- 1.3.1. The Applicant who intends to conduct payment system business shall fill in an application form, which can be obtained from the Bank of Zambia website (<https://www.boz.zm/>)

designation-of-payment-systems.htm). An application made for designation as a payment system business shall be accompanied by documentation and will include information as may be prescribed by the Bank of Zambia.

1.3.2. The Application should be addressed to:

Deputy Governor
Bank of Zambia
Bank Square
Cairo Road
P. O. Box 30080
Lusaka
ZAMBIA

1.4. Documentation for the Application

The documentation and information shall include but not limited to the following:

- 1.4.1. The legal name, trade name or any name to be used by the applicant in conducting its business and business addresses of the applicant;
- 1.4.2. Address of the head office of the applicant including all branches at which it intends to conduct business;
- 1.4.3. Certified copies of its Articles of Association and Certificate of Incorporation;
- 1.4.4. The name and address of the applicant's auditors, who shall be registered under the Zambia Institute of Chartered Accountants (ZICA);
- 1.4.5. The names and addresses of the applicant's bankers in Zambia;
- 1.4.6. A detailed description of the system/platform and its operations. This should include but not limited to:
 - 1.4.6.1. Diagrammatic presentation of the system architecture;
 - 1.4.6.2. Consumer on-boarding process including know-your-customer (KYC) procedures supported with process flow diagrams;
- 1.4.7. Settlement process supported with process flow diagrams;
- 1.4.8. Integration of the system with other third-party support systems (i.e. electronic money issuers, banks and other technology providers where applicable);
- 1.4.9. Detailed description of the security features of the system including user access control mechanisms, data encryption in transit and at rest, firewalls, physical security, database and records management among others;
- 1.4.10. Details of the proposed product pricing and fee structure for the services to be offered.
- 1.4.11. Business plan with three year projected financial statements which demonstrate that the applicant is able to employ appropriate and proportionate systems, resources and procedures to operate as a viable entity. Further, the business plan must contain the projected volumes and values of transactions and the expected customer base over a three-year period. The projected financials should include detailed underlying assumptions and includes notes to support the projections. The financial projections should be denominated in Zambian Kwacha.
- 1.4.12. Evidence that the applicant holds initial capital and traceable sources of such capital/wealth:
 - 1.4.12.1. The evidence of the capital in the form of cash should be reflected in a bank statement or any other relevant traceable documentation of a licensed bank or financial institution indicating the presence of the funds;
 - 1.4.12.2. The documentation above may be in the name of the company, the promoters or shareholders of the company;
 - 1.4.12.3. The evidence should be confirmed by a certified auditor or legal practitioner or confirmed by the licensed bank or financial institution in which the funds are held;

- 1.4.12.4. The Bank of Zambia shall verify the authenticity of the bank statement directly from the licensed bank or financial institution.
- 1.4.13. A description of the internal control mechanisms which the applicant has established in order to comply with the Bank of Zambia Anti Money Laundering Directives and the Financial Intelligence Centre Act;
- 1.4.14. A description of the applicant's organisational structure, including, where applicable, a description of the intended use of agents and branches and a description of outsourcing arrangements, and of its participation in a national or international payment system;
- 1.4.15. A description of the measures implemented for safeguarding funds for money transmission services, the arrangements the applicant has set up with a view of taking all reasonable steps to protect the interests of its payment system business users;

1.5. Governance Structure

- 1.5.1. An applicant shall describe the governance arrangements and internal control mechanisms of the entity, which demonstrates that such arrangements, mechanisms and procedures are proportionate, appropriate, sound and adequate to ensure the safety and efficiency of the payment services;
- 1.5.2. The applicant shall conduct due diligence in relation to the appointment of directors who shall be appropriately skilled and experienced to execute their responsibilities. The role of the directors shall include but not limited to monitoring and overseeing the implementation of the strategic objectives, management of risk, financial performance, good governance practices and corporate values and culture and compliance of the entity with all relevant laws and regulatory requirements;
- 1.5.3. The applicant shall provide details of direct or indirect shareholding of the entity. This shall include the name of ultimate beneficial owners (shareholders) and number of shares held by each shareholder;
- 1.5.4. The application shall submit details and identity of board of directors. The board shall comply with the following requirements:
- 1.5.4.1. The entity shall have a minimum of three (3) board members. The Bank reserves the right to prescribe a higher number of board members;
 - 1.5.4.2. The majority of appointed directors shall be held in the non-executive capacity; and
 - 1.5.4.3. Not less than half of the number of appointed directors shall be resident in Zambia;
- 1.5.5. The applicant shall provide details and identify of senior management of the entity who will be responsible for the management of the payment systems. Senior management officers of the entity shall at the minimum include the following positions;
- a. Chief Executive Officer
 - b. Chief Financial Officer
 - c. Chief Compliance Officer
 - d. Chief Information Technology Officer or Chief Operations Officer

An officer of the payment system business shall not hold more than one position at any particular time. The applicant shall provide evidence that the officers selected to hold the senior management positions possess the appropriate knowledge and experience to effectively undertake the functions in their respective roles and prudent management of a payment system business.

The officers of an applicant shall be engaged in compliance with the Employment Act and other relevant labour laws.

- 1.5.6. Where the proposed officer is an expatriate, part of the fit and proper test will require the

- applicant to fulfil all the applicable immigration requirements before their appointment. The Bank will require an applicant to submit for consideration a certified permit issued by the Zambian Department of Immigration;
- 1.5.7. The applicant shall submit certified photocopies of identity document (i.e. Zambian National Registration Card or the first four pages of the passport) for all significant shareholders, Directors' and senior management;
 - 1.5.8. Where the significant shareholder, director or senior management officer is not Zambian, the applicant shall provide security screening results from a law enforcement agency from the country of origin or residence. In the case of the senior management officers, the applicant shall provide certified copies of immigration and non-resident work permit;
 - 1.5.9. The applicant shall submit a Director's Questionnaire for its significant shareholders, directors and senior management officers in the format prescribed by the Bank of Zambia;
 - 1.5.10. The applicant shall submit detailed curriculum vitae with three (3) traceable references including reachable phone number and email address for each of the significant shareholders, directors and senior management;
 - 1.5.11. The applicant shall submit a duly completed vital statistics form for significant shareholders, directors and senior management in a format prescribed by the Bank of Zambia;
 - 1.5.12. A person shall not be a director of more than one payment service provider without prior written approval of the Bank of Zambia;
 - 1.5.13. The applicant shall submit a list of countries in which it is licensed to provide payment services together with accompanying copies of licences;
 - 1.5.14. Where applicable, the applicant shall submit details of any regulatory sanctions such as license/designation revocations, suspensions, or other disciplinary action taken against the applicant in Zambia and in other countries;
 - 1.5.15. The applicant shall provide information concerning any bankruptcy or receivership proceedings affecting the applicant;
 - 1.5.16. The applicant must satisfy the Bank of Zambia that:
 - a. Any persons holding shares in it are fit and proper persons having regard to the need to ensure the sound and prudent conduct of the affairs of a designated payment system business;
 - b. The directors and persons responsible for the management of payment system business are of good repute and possess appropriate knowledge and experience to provide payment system business services;
 - c. It has taken adequate measures for the purpose of safeguarding customer funds;
 - d. It has procedures in place to prevent potential conflict of interest arising in the conduct of different types of activities; and
 - e. International payment systems businesses should submit details of the supervisory authority in the country of origin.

1.6. Agents

- 1.6.1. An applicant wishing to provide its payment services using an agent network for the provision of its services shall provide a list of the applicant's proposed authorized agents and the locations in Zambia where the applicant and its authorized Agents propose to provide money transmission services;
- 1.6.2. The applicant shall provide a draft contract for authorized Agents and other persons that the payment system business may partner with in providing the payment services;
- 1.6.3. The applicant shall provide a risk management framework that covers the operational and transactional limits, cyber security risks inherent in the partnership and business continuity plan relating to the agent's function; and
- 1.6.4. The applicant shall provide details of any agents to be engaged in offering payment services, namely, certificate of incorporation or registration, valid business licenses or permits and

evidence of sufficient funds to cover agent operations.

1.7. Legal Basis (Requirements)

- 1.7.1. The application shall be submitted in line with the requirements of the National Payment Systems Act. An entity applying for a payment system business license and intends to partner with other third parties shall submit the following documents where applicable:
 - a. Draft agreements with all third-party technology providers including relevant service level agreements (SLAs);
 - b. Draft agreement with other financial service providers (FSPs) or payment service providers (PSPs);
 - c. Customer terms and conditions; and
 - d. Any other relevant agreements or contracts pertaining to the provision of proposed payment services.

1.8. Risk Management Framework

- 1.8.1. An applicant for payment system business shall put in place a comprehensive risk management framework. The risk management framework shall at a minimum address the following risks, among others:
 - a. Cybersecurity risk
 - b. Operational risk
 - c. Credit risk
 - d. Liquidity risk
 - e. Money Laundering/ Terrorism Financing and Proliferation risk
- 1.8.2. The applicant shall be required to undertake a detailed risk assessment to identify key risks pertaining to its operations and proposed payment services and provide mitigation measures in terms of policies, controls, product and infrastructure design to address identified risks.
- 1.8.3. As part of its risk management processes, the applicant shall be required to develop appropriate organizational policies to manage different types of risks. These shall include the following policies:
 - a. Information and Cyber Security;
 - b. Anti-money laundering and countering the financing of terrorism (AML/CFT);
 - c. Business Continuity Management Plan;
 - d. Complaints Handling and Resolution; and
 - e. Any other policy that the Bank may require from the applicant.

1.9. Disaster Recovery Plan

- 1.9.1. An Applicant who intends to offer payment system business shall submit to the Bank of Zambia a framework for business continuity management. The framework should, among other things, clearly state the Recovery Time Objective (RTO) and Recovery Point Objective (RPO), should be proportionate to the nature of the infrastructure or service to be deployed.

1.10. Anti-money Laundering:

- 1.10.1. The applicant must satisfy the Bank of Zambia that it has Know Your Customer (KYC) and client verification procedures in place that ensure the payment system business exercises care and caution and avoids entering into transactions, that may involve or facilitate money laundering and terrorist or proliferation financing; and
- 1.10.2. The applicant must ensure that it complies with all applicable Anti-money Laundering

regulations or directives and that its employees and/or Agents receive appropriate training to enable them to operate the payment services in line with Anti-money Laundering regulation/directives.

I PART II

2. APPLICANTS LICENSED UNDER THE BANKING & FINANCIAL SERVICES ACT

2.1. Requirements

- 2.1.1. For applicants that are licensed under the Banking and Financial Services Act (BFSA) the following will be required:
- a. A copy of the license obtained from the Bank of Zambia;
 - b. Detailed business plan for the payment system that will include:
 - i. Detailed description of the payment system;
 - ii. Details of structure and partnerships with draft Agreements;
 - iii. Detailed product pricing and fee structure;
 - iv. Description of the system and the security around it;
 - v. Details of internal controls for the payment system;
 - vi. Details of anti-money laundering procedures;
 - vii. Details of the charges to be levied for transactions;
 - viii. Three year audited projected financial statements
 - ix. Forecasted volumes and values of transactions and the expected customer base over a three-year period;
 - x. Information and Cyber Security Policy;
 - xi. Policy on anti-money laundering and countering of terrorism finance (AML/CFT);
 - xii. Business Continuity Management Plan clearly stating the Recovery Time Objective (RTO) and Recovery Point Objective (RPO); and
 - xiii. Risk management framework to address the risks related to the proposed system including but not limited to Cybersecurity risk, Operational risk, Credit risk, Liquidity risk and other relevant risks;
 - c. Updated list of shareholders, directors or senior management
 - d. The names and addresses of the applicant's bankers where applicable;
 - e. A description of any payment system services previously provided by the applicant and any other services that the applicant seeks to provide;
 - f. Any license/designation revocations, suspensions, or other disciplinary action taken against the applicant in another Jurisdiction;
 - g. Information concerning any bankruptcy or receivership proceedings affecting the applicant;
 - h. A list of other countries in which the applicant is licensed to engage in or provide other payment services; and
 - i. Any other information the Bank of Zambia may require with respect to the applicant.

I PART III

3. INFORMATION REQUESTS

3.1. Additional Information the Bank of Zambia may require

- 3.1.1. The Bank of Zambia may also require the following information in facilitating the designation process of a Payment System Business:
- a. Any adverse information available on the promoters from the Credit Reference Bureau and law enforcement agencies;
 - b. Details of supervisory authority and regulatory status for a payment system designated in

- another country;
- c. Police Clearance from the Zambia Police Service for all Non-Zambian Directors who have lived in Zambia for over six months; and
- d. Any other information the Bank of Zambia may require with respect to the applicant.

I PART IV

4. DETERMINATION OF APPLICATION

4.1. Determination

- 4.1.1. The Bank of Zambia shall determine an application for designation for a payment system within a period of ninety (90) days from the date of receipt of the duly completed application. An application shall be deemed complete only after the Bank of Zambia gives written notice to that effect. The Notice of completion shall mean all required documents highlighted in part I above have been submitted.
- 4.1.2. Where the application submitted is incomplete, the Bank shall request the applicant to collect the application. The applicant shall be required to incorporate any missing information prior to making a re-submission of the application.
- 4.1.3. At any time after receiving an application during its assessment, the Bank of Zambia may require the applicant to provide it with such additional information as it may consider necessary to enable it to determine the application. The applicant will provide the required information within thirty (30) days failure to which the Bank of Zambia may reject the application due to insufficient information.

4.2. Designating an Applicant

- 4.2.1. Where the Bank of Zambia is satisfied that the applicant has met the requirements for designation, the Bank of Zambia shall approve the application for designation.
- 4.2.2. The Bank of Zambia will, where an application is approved and upon payment of the annual designation fee by the applicant, issue the applicant with a designation certificate.
- 4.2.3. The designation certificate authorizes its holder to conduct the payment system at the place or places of business authorized by the Bank of Zambia.
- 4.2.4. A designation certificate may be issued subject to such terms and conditions as the Bank of Zambia may impose in accordance with the National Payment Systems Act and other relevant Regulations.
- 4.2.5. Provided an annual designation fee is paid, a designation certificate shall remain valid until it is revoked or surrendered to the Bank of Zambia.
- 4.2.6. Where a designation is issued, the applicant shall be required to commence offering payment services within a period of twelve (12) months from the date of receiving the Certificate of Designation, failure to which the Bank has the right revoke the licence.
- 4.2.7. The Bank of Zambia may, before granting designation cause an inspection of the place proposed for the business to be conducted. Further, the Bank of Zambia reserves every right to inspect the premises after designation has been granted.

I PART V

5. WITHDRAWAL OF APPLICATION

5.1. Withdrawal

- 5.1.1. The applicant may withdraw its application, by giving the Bank of Zambia notice, at any time before the application is determined.

5.2. Declining an Application

- 5.2.1. The Bank may decline an application where the applicant fails to meet the requirements for designation or where the Bank deems it necessary not to grant designation.
- 5.2.2. If the Bank of Zambia decides to reject the application or to impose a requirement, the applicant may appeal against the decision in accordance with Section forty-one of the National Payment Systems Act 01 of 2007.

I PART VI

6. CONTACT DETAILS

Further queries relating to requirements, application for and conducting of a designated payment system should be addressed to:

Director - Payment Systems
Bank of Zambia
Bank Square
Cairo Road
P. O. Box 30080
Lusaka
ZAMBIA

Telephone +260- 211-399300
E-mail – psd@boz.zm

Information on the requirements for designation of a payment system business is also available on the Bank of Zambia website: www.boz.zm



Bank of Zambia

