

Bank of Zambia

REQUIREMENTS FOR DESIGNATING A PAYMENT SYSTEM PARTICIPANT

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Bank of Zambia



Bank of Zambia

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REQUIREMENTS FOR DESIGNATING A PAYMENT SYSTEM PARTICIPANT IN ZAMBIA

The National Payment System Act 2007 (NPSA) defines a Participant as “a member of a payment system” and a Payment System is defined as “a clearing and settlement system operating under clearing house rules”.

All persons wishing to participate in a payment system shall apply to the Bank of Zambia for designation.

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 participants can be obtained from the Payment Systems Department or the Bank of Zambia website.

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1. APPLICATION REQUIREMENTS

To facilitate the process of designating a participant in a payment system, the applicant shall provide the following:

- 1.1. Details of the names of the payment systems the applicant intends to participate in;
- 1.2. A copy of the license obtained under the National Payment System Act or Banking and Financial Services Act as proof of licensing status;
- 1.3. Confirmation by the Payment System operator of the applicant's eligibility;
- 1.4. A duly completed application form obtained from the Bank of Zambia;
- 1.5. Proof of payment for application fees and security screening fees;
- 1.6. 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. Description of the system and the security around it;
 - iv. Details of internal controls for the payment system;
 - v. Details of anti-money laundering procedures;
 - vi. Details of the charges to be levied for transactions;
 - vii. Three year projected financial statements (including, for the first three years, a forecast budget calculation) under which appropriate and proportionate systems, resources and procedures will be employed by the institution to operate soundly;
 - viii. Forecasted volumes and values of transactions and the expected customer base over a three-year period;
 - ix. Information and Cyber Security Policy;
 - x. Policy on anti-money laundering and countering of terrorism finance (AML/CFT);
 - xi. Complaints Handling and Resolution Policy;
 - 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 following risks related to the proposed system as well as Cybersecurity risk, Operational risk, Credit risk, Liquidity risk and all other relevant risks;
- 1.7. Updated list of shareholders, directors and senior management
- 1.8. The names and addresses of the applicant's bankers where applicable;
- 1.9. A description of any payment system(s) previously provided by the applicant and any other services that the applicant seeks to provide;
- 1.10. Any license/designation revocations, suspensions, or other disciplinary action taken against the applicant in another state;
- 1.11. Information concerning any bankruptcy or receivership proceedings affecting the applicant;
- 1.12. A list of other countries in which the applicant is licensed to engage in or provide other payment system;
- 1.13. The applicant must satisfy the Bank of Zambia that:
 - a. Any persons having a qualifying holding 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 participant;
 - b. The directors and persons responsible for the management of payment system participant are of good repute and possess appropriate knowledge and experience to provide payment system participant;
 - c. It has taken adequate measures for the purpose of safeguarding payment system participant users' 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 participants should submit details of the supervisory authority in the country of origin; and
- 1.14. Any other information the Bank of Zambia may require with respect to the applicant.
- 1.15. The applicant shall, immediately before the time of designation, hold the amount of initial capital where applicable.
- 1.16. The applicant shall be a body corporate constituted under the laws of Zambia having:
- a. its head office, and
 - b. if it has a registered office, that office, in Zambia.
- 1.17. The applicant must satisfy the Bank of Zambia that, taking into account the need to ensure the sound and prudent conduct of the affairs of the payment system participant, it has:
- a. Effective procedures to identify, manage, monitor and report any risks to which it might be exposed;
 - b. Adequate internal control mechanisms, including sound administrative, risk management and accounting procedures, which are comprehensive and proportionate to the nature, scale and complexity of the payment system participant to be provided. The payment system participant shall ensure there are systems in place that continuously measure, monitor and control risk. The systems in place should provide timely, accurate and reliable management information; and
 - c. An effective business continuity plan i.e. disaster recovery procedure in place.
- 1.18. Different conditions may be given, and different requirements imposed, in relation to different applications.

2. PROCESSING OF APPLICATIONS

- 2.1. The Bank of Zambia shall process an application for designation of a participant in a payment system within a period of ninety (90) days from the date of receipt of the duly completed application.
- 2.2. An application shall be considered to be complete when all the necessary requirements, as listed above, have been satisfied.
- 2.3. The Bank of Zambia shall inform the applicant in writing that the application is completed and has commenced processing of that application.

3. OTHER REQUIREMENTS

The following are some of the ongoing requirements that a participant in a designated payment system shall be expected to comply with:

- a. A participant in a designated payment system shall be subject to on-site and off-site oversight inspections.
- b. A participant in a designated payment system shall be required to provide information as may be prescribed by the Bank of Zambia.
- c. A participant in a designated payment system who intends to cease participating in a designated payment system shall give the Bank of Zambia 90 days' notice in writing prior to cessation.
- d. A participant in a designated payment system shall ensure that they comply with the provisions of the NPSA as well as other applicable laws and regulations.
- e. A participant in a designated payment system shall employ a compliance officer who shall

- ensure that there are adequate internal policies, guidelines, and training programs for their personnel to ensure adherence to stipulated regulations.
- f. A description of any payment system previously participated in by the applicant and any other services that the applicant seeks to provide.
- g. Any license/designation revocations, suspensions, or other disciplinary action taken against the applicant in another country.
- h. Information concerning any bankruptcy or receivership proceedings affecting the applicant.
- i. A list of other countries in which the applicant is licensed to engage in or provide other payment services, including certified copies of the licences.
- j. Any other information the Bank of Zambia may require with respect to the applicant.

3.1. Submission of Application

Any person who proposes to participate in a payment system shall fill in an application form, which can be obtained from the Bank of Zambia website (<https://www.boz.zm>). An application made for designation as a payment system participant shall be accompanied by documentation and will include information as may be prescribed by the Bank of Zambia. The Application should be addressed to:

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

3.2. Legal Basis (Requirements)

- 3.2.1. The application shall be submitted in line with the NPSA requirements. An entity applying for a payment system participant license and intends to partner with other third parties to support the system shall submit the following documents where applicable:
 - a. Draft agreements with all third-party technology providers;
 - b. Consumer terms and conditions; and
 - c. Any other relevant agreements or contracts pertaining to provision of proposed payment services.

I PART II

4. INFORMATION REQUESTS

4.1. Additional Information

- 4.1.1. The Bank of Zambia may also require the following information in facilitating the designation process of a Payment System Participant:
 - a. Information on any negative data that might be available on the promoters from the Credit Reference Bureau;
 - b. Information on whether the promoters have been paying all their tax obligations for their past business dealings to the Zambia Revenue Authority or any other relevant authority;
 - c. Details of supervisory authority and regulatory status for a payment system designated in another country;
 - d. Police Clearance from the Zambia Police Service for all Non-Zambian Director who have lived in Zambia for over six months; and
 - e. Any other information the Bank of Zambia may require with respect to the applicant.

I PART III

4.2. Anti-money Laundering

- 4.2.1. 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 participant exercises care and caution and avoids entering into transactions, that may involve or facilitate money laundering and terrorist and proliferation financing; and
- 4.2.2. 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 participate in the payments system in line with Anti-money Laundering regulation/directives.

I PART IV

5. DETERMINATION OF APPLICATION

5.1. Determination

- 5.1.1. The Bank of Zambia shall determine an application for designation for a payment system participant 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.
- 5.1.2. 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.
- 5.1.3. 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.

5.2. Designating an Applicant

- 5.2.1. 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.
- 5.2.2. 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.
- 5.2.3. The designation certificate authorizes its holder to conduct the payment system at the place or places of business authorized by the Bank of Zambia.
- 5.2.4. 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 Laws and Regulations.
- 5.2.5. Provided an annual designation fee is paid, a designation certificate shall remain valid until it is revoked or surrendered to the Bank of Zambia.
- 5.2.6. 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

6. WITHDRAWAL OF APPLICATION

6.1. Withdrawal

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

6.2. Decline an Application

- 6.2.1. 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.
- 6.2.2. 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 1 of 2007.

I PART VI

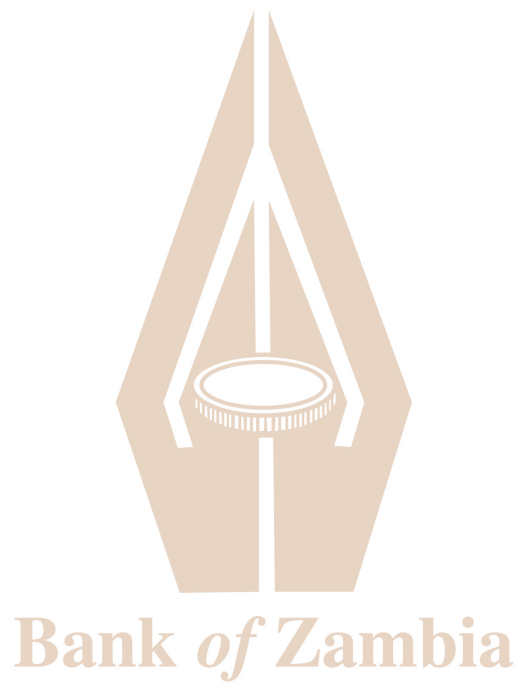
7. CONTACT DETAILS

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 systems is also available on the Bank of Zambia website: <https://www.boz.zm/>





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