



**BANK *Of* ZAMBIA**

**REQUIREMENTS FOR SETTING UP A PAYMENT  
SYSTEM BUSINESS**

**June 2012**



## **BANK OF ZAMBIA**

### **REQUIREMENTS FOR DESIGNATING A PAYMENT SYSTEM BUSINESS**

The National Payment System Act 1 of 2007 (NPSA) defines 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”.

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”.

#### **PART I**

##### **1.0 Application requirements**

The National Payments Systems Act Section 12 (3) provides that “The Bank of Zambia shall prescribe the requirements to be complied with by an application for designation of a payment system business under this Act’.

- 1.1 A person intending to apply for designation as a payment system business shall be required to write to the Bank of Zambia submitting the proposed name of the payment system business for clearance.

- 1.2 Any person who intends to operate a payment system business shall fill in an application form which can be obtained from Bank of Zambia. 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.

The Application should be addressed to:

The Deputy Governor Operations  
Bank of Zambia  
7th Floor, Executive Building  
Bank Square, Cairo Road  
P. O. Box 30080  
Lusaka, Zambia 10101

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

- (a) The legal name and residential and business addresses of the applicant and any fictitious or trade name used by the applicant in conducting its business;
- (b) Address of the head office of the applicant including all branches at which it intends to conduct business;
- (c) Certified copies of its articles of association and Certificate of incorporation.
- (d) The name and address of the applicant's auditors, who shall be registered under the Zambia Institute of Chartered Accountants and shall be subject to the approval of the Bank of Zambia;
- (e) A detailed description of the product/services and its operations.
- (f) Detailed description of system/platform that the payment system business will use with the security features as well as the general security surrounding access to the system
- (g) Business plan with three year projected financial statements (including, for the first three years, a forecast budget calculation) which demonstrate that the applicant is able to employ appropriate and proportionate systems, resources and

procedures to operate soundly. Further, the business plan must contain the expected volumes and values of transactions and the expected customer base over a three year period;

- (h) Evidence that the applicant holds initial capital where applicable;
- (i) the source and amount of its capital
- (j) A description of the measures taken for safeguarding money transmission users' funds. The arrangements the applicant has set up with a view to taking all reasonable steps to protect the interests of its payment system business users and to ensure continuity and reliability in the performance of payment system business;
- (k) Risk management measures that will address among others operational, credit and liquidity risks;
- (l) A description of the applicant's governance arrangements and internal control mechanisms, including administrative risk management and accounting procedures, which demonstrates that such arrangements, mechanisms and procedures are proportionate, appropriate, sound and adequate;
- (m) Policies and procedures for transacting with a customer;
- (n) Details of proposed charges to be levied for transactions;
- (o) 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 2004 on information on the payer accompanying transfers of funds;
- (p) A description of the applicant's structural organisation, 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.
- (q) In relation to each person holding, directly or indirectly, a qualifying holding in the applicant—
  - i. the size and nature of their qualifying holding; and

- ii. evidence of their suitability taking into account the need to ensure the sound and prudent management of a payment system business
- (r) The identity of board of directors and senior management who are or will be responsible for the management of the payment system businesses.
  - (i) The positions of Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Chief Information Technology Officer shall not be held by one person; and
  - (ii) Evidence that the persons described in sub-regulation (i) possess appropriate knowledge and experience to perform payment system business.
- (s) Certified photocopies of all significant Shareholders, Directors' and senior management ( such as Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Chief Information Technology Officer) National Registration Cards or certified photocopies of the first four pages of the their passports;
- (t) Where the Director or senior management is from another country, certified copies of immigration, nonresident work permits and security screening results from their country of origin;
- (u) A Director's Questionnaire for its significant shareholders, directors and senior management such as the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Chief Information Technology Officer in a format prescribed by the Bank of Zambia;
- (v) Detailed Curriculum Vitae of each of the significant Shareholders, Directors and senior management (such as Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Chief Information Technology Officer);
- (w) A completed vital statistics form for Shareholders, Directors and senior management (such as Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Chief Information Technology Officer) in a format prescribed by the Bank of Zambia

- (x) A person shall not be a director of more than one payment system business without the prior approval of the Bank of Zambia.
- (y) Information on any previous instances of bankruptcy
- (z) Information on any convictions on felony or criminal charges and any material litigations
- (aa) Where the applicant is an established business, audited financial statements for the previous two years.
- (bb) 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.
- (cc) A sample form of contract for authorized Agents and other persons that the payment system business may partner with in providing the payment system business services;
- (dd) The names and addresses of the applicant's bankers
- (ee) A description of any payment system business previously provided by the applicant and any other services that the applicant seeks to provide;
- (ff) Any license/designation revocations, suspensions, or other disciplinary action taken against the applicant in another state (country).
- (gg) Information concerning any bankruptcy or receivership proceedings affecting the applicant.
- (hh) A list of other countries in which the applicant is licensed to engage in or provide other payment system businesses;
- (ii) Any other information the Bank of Zambia may require with respect to the applicant.

- 1.3 The application shall be deemed complete only after the Bank of Zambia gives written notice to that effect after which the application will be determined within ninety (90) days.
- 1.4 At any time after receiving an application and before determining it, the Bank of Zambia may require the applicant to provide it with such further information as it considers necessary to enable it to determine the application. The applicant will provide the required information within 30 days failure to which the Bank of Zambia may reject the application due to insufficient information.

## **PART II**

### **2.0 Applicants that are licensed under the Banking and Financial Services Act**

For those applicants that are licensed under the Banking and Financial Services Act (BFSA) the following will be required:

- 2.1 The license number of the license obtained from the Bank of Zambia;
- 2.2 Detailed business plan for the payment system business that will include
- a) Detailed description of the payment systems business;
  - b) Details of structure and partnerships with draft Agreements;
  - c) Description of the system and the security around it;
  - d) Clear rules and procedures for transactions;
  - e) Details of internal controls for the payment system business;
  - f) Details of anti-money laundering procedures;
  - g) Details of the charges to be levied for transactions;
  - h) Risk mitigating measures in place to address operational, credit, liquidity risks and any other matters pertaining to systemic risk management;
  - i) 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;

- j) expected volumes and values of transactions and the expected customer base over a three year period;
  - k) Business continuity plan;
- 2.3 Updated list of shareholders, Directors or senior management
- 2.4 A list of the applicant's proposed authorized Agents and the locations in Zambia where the applicant and its authorized Agents propose to provide payment system business services.
- 2.5 A sample form of contract for authorized Agents and other entities that the payment system business may partner with in providing the payment system business services;
- 2.6 The names and addresses of the applicant's bankers where applicable;
- 2.7 A description of any payment system business previously provided by the applicant and any other services that the applicant seeks to provide;
- 2.8 Any license/designation revocations, suspensions, or other disciplinary action taken against the applicant in another state.
- 2.9 Information concerning any bankruptcy or receivership proceedings affecting the applicant
- 2.10 A list of other countries in which the applicant is licensed to engage in or provide other payment system businesses;
- 2.11 Any other information the Bank of Zambia may require with respect to the applicant

### **PART III**

#### **2.0 Other information that the Bank of Zambia may require**

The Bank of Zambia may also require the following information in facilitating the designation process of a Payment System Business:

- 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.



- c. Payment Systems Businesses designated in another country should submit details of supervisory authorities in that country.
- d. All Non-Zambian Directors who have lived in Zambia for over six months will need to provide police clearance from their country of origin and will also be required to be cleared from the Zambia Police Service

## **PART IV**

### **4.0 Application, designation and other fees**

- 4.1 Application fee - An application for designation shall be accompanied by a non-refundable fee of **K1,000**.
- 4.2 Annual designation fee – Once the application has been approved by the Bank of Zambia the applicant will be required to pay an annual designation fee of **K500**.
- 4.3 Security screening fees - The applicant will be required to pay to the Bank of Zambia security screening fees of **K50** for each shareholder, Director and/or senior management that may require screening

These fees may be revised by the Bank of Zambia from time to time.

The application and annual designation fees may be paid by either cheque, Direct Debit and Credit Clearing (DDACC), Zambia Interbank Payment and Settlement System (ZIPSS) or any other such methods as may be prescribed by the Bank of Zambia.

## **PART V**

### **5.0 Conditions for designation**

- 5.1 The applicant shall, immediately before the time of designation, hold the amount of initial capital where applicable.

5.2 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.

5.3 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 business, it has—

- (a) robust governance arrangements for its payment system business, including a clear organisational structure with well-defined, transparent and consistent lines of responsibility;
- (b) effective procedures to identify, manage, monitor and report any risks to which it might be exposed;
- (c) 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 business to be provided. The payment system business 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;
- (d) robust payment system
- (e) an effective business continuity plan i.e. disaster recovery procedure in place

5.4 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 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;
- (c) it has a business plan with 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; and
- (d) it has taken adequate measures for the purpose of safeguarding payment system business users' funds.
- (e) it has procedures in place to prevent potential conflict of interest arising in the conduct of different types of activities.
- (f) it has clear rules and procedures in place
- (g) International payment systems businesses should submit details of the supervisory authority in the country of origin.

5.5 Different conditions may be given, and different requirements imposed, in relation to different applications

5.6 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.

## **6.0 Anti-money Laundering**

6.1 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 financing .

6.2 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 payments business in line with Anti-money Laundering regulation/directives.

## **PART VI**

### **7.0 Determination of application**

The National Payment System Act Section 7(3) provides that ‘The Bank of Zambia shall determine an application for designation for a payment system within a period of ninety 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.

7.1 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.

7.2 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.

(a)The designation certificate authorizes its holder to conduct the payment system business at the place or places of business authorized by Bank of Zambia

(b)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

(c)Provided an annual designation fee is paid, a designation certificate shall remain valid until it is revoked or surrendered to the Bank of Zambia

7.3 A designated payment system business shall comply with applicable laws, regulations, directives, rules, guidelines and/or any other requirements imposed by the Bank of Zambia.

## **8.0 Withdraw of application**

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

## **9.0 Refusal of designation**

The Bank may refuse to approve an application and not grant a designation where the applicant fails to meet the requirements for designation or where the Bank deems it necessary not to grant designation

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.

## **PART VII**

### **10.0 Requirements once designated**

Once an applicant is designated as payment system business, they will be provided with laws, regulations and guidelines for operating a payment system business. They will be expected to comply with among other things the following:

- a) On-site and off-site oversight inspections.
- b) All designated payment systems businesses shall submit such returns, relating to the operation of their payment system business, as may be prescribed by the Bank of Zambia.
- c) Any designated payment systems business that intends to cease conducting a designated payment system business shall give the Bank of Zambia 90 days' notice in writing.
- d) A designated payment system business shall ensure that it complies with the provisions of the National Payment Systems Act 1 of 2007 and other relevant Regulations, directives or guidelines.
- e) A designated payments system business shall ensure that it has a compliance officer who shall ensure that there are adequate internal policies, guidelines and training programmes for its personnel to ensure adherence to stipulated regulations.

f) Any other requirements that the Bank of Zambia may impose from time to time.

## **PART VIII**

### **11.0 Contact Details**

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

The Director,  
Banking, Currency and Payment Systems Department,  
Bank of Zambia  
1st Floor, Executive Building  
Bank Square, Cairo Road  
P.O Box 30080  
Lusaka,  
Zambia 10101.

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