

BANK OF BOTSWANA



**ELECTRONIC PAYMENT SERVICES LICENSING
GUIDELINES**

V1.0

Contents

- 1. *INTRODUCTION*.....2
- 2. *TYPES OF ELECTRONIC PAYMENT SERVICES*.....2
- 3. *APPLICATION OF GUIDELINES*2
- 4. *DEFINITIONS*2
- 6. *APPLICATION VERIFICATION CHECKLIST*.....5
- 7. *KEY ONGOING COMPLIANCE REQUIREMENTS*.....5
- 8. *CONTACT INFORMATION*.....6
- Appendix I*.....7

ELECTRONIC PAYMENT SERVICES LICENSING GUIDELINES

1. INTRODUCTION

1.1 *These Electronic Payment Services (EPS) Licensing Guidelines are intended to provide information and guidance to EPS providers applying for an EPS licence particularly in instances where the promulgated EPS Regulations, 2019, are deemed to be unclear or do not provide sufficient information to prospective applicants. The guidelines also buttresses and provides guidance to applicants' required compliance with relevant sections of the Financial Intelligence Act (FIA) of 2019. The EPS Regulations 2019 apply to both EPS providers and Money or Value Transfer Services Providers where the latter's focus is solely on electronic remittances.*

2. TYPES OF ELECTRONIC PAYMENT SERVICES

2.1 *EPS offer person-to-person (P2P), person-to-business (P2B), business-to-person (B2P), business-to-business (B2B) and business to government (B2G) payments. These payments have been identified as catalysts and drivers for financial inclusion and part of the development of the payments ecosystem and for licensing purposes are Categorised as follows:*

- a) *electronic money issuance (non-cash payment instrument, tangible e.g., cards or intangible e.g., e-wallets, that stores funds electronically in exchange of cash funds paid to the issuer);*
- b) *account-based payment services (placing of cash on, or withdrawal of cash from a payment account, credit transfer, direct debit, debit and credit card payments);*
- c) *issuance of payment instruments (for example payment cards such as prepaid cards, mobile point of sale (m-POS), virtual teller machines (VTMs)) that can be used to initiate a payment transaction from a payment account held with the same or another payment service provider); and*
- d) *non-account-based payment services (money remittances). Service providers leverage existing platforms to remit customer funds to third parties.*

2.2 *Where an applicant is deemed to be applying for more than one of the above categories of services, the Bank shall assess the application on the basis of the service requiring the highest amount of capital.*

3. APPLICATION OF GUIDELINES

3.1 *These Guidelines will apply to all persons who provide or intend to provide EPS in Botswana in terms of Regulation 3 of the EPS Regulations, 2019. These Guidelines will be read in conjunction with the EPS Regulations, 2019.*

4. DEFINITIONS

4.1 *The terms used and defined in the EPS Regulations shall have the same meaning when used in these Guidelines unless the context otherwise indicates.*

5. LICENCING REQUIREMENTS

5.1 *Applicants are required to apply in writing to the Bank, complete with a cover letter and Form A set out in Schedule 1 of the EPS Regulations, addressing all applicable requirements discussed below and listed on Appendix 1:*

(a) Initial Capital Requirements

5.2 *Section 5 (2) (c) of the EPS Regulations requires that an EPS provider shall meet the minimum capital requirements set out in Schedule 2 and will provide additional capital as may be required. These are P2 000 000 for Electronic Money Issuance; P1 000 000 for Account Based Payment Services and P100 000 for non-account-based services.*

5.3 *An EPS provider may use one or more of the items specified below to meet the initial capital requirements:*

- (i) Capital instruments (e.g., ordinary shares);*
- (ii) Retained earnings;*
- (iii) Other verifiable income; and*
- (iv) Other reserves.*

5.4 *The capital should be identifiable in the financial statements, and where Debt Equity is used, evidential information and records must be provided to support or as proof of ability to meet required capital.*

5.5 *An EPS provider should submit a certified copy of the latest audited financial statements or, in the case of a new company which is yet to complete its first financial year cycle, the following documents may be submitted in lieu of the audited financial statements:*

- (i) Five (5) year financial projections;*
- (ii) Latest bank verified account statement; and*
- (iii) Proof of financial liquidity.*

(b) Establishment of a Legal Person

5.6 *An EPS provider must be incorporated in Botswana in accordance with the Companies Act. An EPS provider license application must be accompanied by certified copies of certificate of incorporation and company extract.*

(c) Fitness and Propriety Test

5.7 *The fit and proper test processes include completing a questionnaire, providing identity documents, copies of educational qualifications and passport-sized photos for Directors, Ultimate Beneficial Owners, Principal Officers and Senior Managers per Form C of Schedule 1 of the Regulations. Additionally, Directors, Ultimate Beneficial Owners, Principal Officers and Senior Managers are to complete the Botswana Government Security Vetting Consent and Authorisation Form allowing the Bank to carry out a check on the financial propriety of the Directors, shareholders and Principal Officer. A request for these forms must be made to epslicensing@bob.bw when compiling the application package.*

(d) Safeguarding of Funds

5.8 *In line with Regulation 21 of the EPS Regulations, where applicable, an EPS provider shall open a dedicated cash account with a commercial bank for the safeguarding of customer funds. An EPS provider shall safeguard funds cashed in by customers for conversion into electronic funds by:*

- (i) *separating funds received from EPS customers/clients from funds of any other business operations conducted by the payment services provider;*
- (ii) *ensuring that the dedicated cash account has records of all customers using the EPS; and*
- (iii) *maintain or keep 100 per cent of the electronic money float (virtual money in circulation) in the form of cash balances held at commercial bank(s) in Botswana.*

5.9 *For the above, a letter of confirmation of account from the partner settlement commercial bank where the account is held must be submitted to the Bank. Additionally, a valid signed settlement agreement with the commercial bank must be submitted to the Bank.*

(e) Governance Arrangement

5.10 *In compliance with Regulation 15 of the EPS Regulations, an EPS provider shall establish effective, transparent (that is detailing all key positions and their roles and responsibilities), and adequate governance arrangements to ensure the continued integrity of its service. The governance arrangements shall include keeping of the EPS as a separate business unit from other business units of the licensee including:*

- (i) *clearly defined and documented organisational arrangements for ownership and management structure;*
- (ii) *maintaining a separate management structure for the EPS;*
- (iii) *keeping separate books of accounts for its payment services; and*
- (iv) *segregation of duties and internal control arrangements to mitigate against the risk of mismanagement and fraud.*

(f) Risk Management Framework

5.11 *Regulation 19 of the EPS Regulations provides that an EPS provider shall establish and maintain a Risk Management Framework to mitigate against risk and ensure the safety and integrity of transactions. The Risk Management Framework should identify the range of risks associated with the provision of critical operations and services; and include comprehensive risk management policies, procedures and systems to identify, measure and monitor the range of risk on an ongoing basis. Common risks include operational, technological, settlement, liquidity and money laundering and the financing of terrorism (ML/FT) risks.*

(g) AML/CFT Arrangements

5.12 *The applicant should be able to demonstrate the employment of internal control mechanisms that comply with AML/CFT/P obligations. The internal controls should also include appointment of an AML/CFT Compliance Officer in line with requirements of the FI Act, 2019, and related Regulations. In addition, the applicant must provide information on the sanctions screening system/platform to be used and clearly detail the capabilities of such a system. This information must be supported by agreements or contracts with the sanctions screening system provider.*

(h) Application and Licence Fees

5.13 *An application should be accompanied by proof of payment of an initial application fee amounting to P1 000.00 (excluding VAT). A licence fee of P10 000.00 (excluding VAT) shall become due upon approval of the application and annually thereafter.*

5.14 *Prior to submission of the application, applicants are required to arrange for an information verification meeting with the Payments and Settlement Department, whose objective is to ensure the completeness of the application and that it meets all requirements of the EPS Regulations. Requests for a verification meeting should be sent to email address: epslicensing@bob.bw.*

5.15 *Following the information verification exercise, applications that have been confirmed to be meeting all requirements of the EPS Regulations per the EPS Application Checklist should be submitted to the Bank's Registry. Upon receipt, the application will be rechecked for completeness and acknowledged in writing, within seven (7) days.*

5.16 *Any outstanding information or requirements, if any, will be requested from the applicant. Such information should be provided within 28 days of the request per Regulation 4(5) of the Regulations.*

6. APPLICATION VERIFICATION CHECKLIST

6.1 *An application for a licence to offer EPS must be submitted in the appropriate format outlined in Form A of Schedule 1 and be accompanied by the Checklist at Appendix I as well as all the documentation listed in the Checklist.*

6.2 *The Bank will decide as to whether or not to grant a licence only in respect of applications that are accompanied by all required supporting documents as listed in the Checklist at Appendix I.*

6.3 *The Bank will advise the applicant of its decision within three (3) months of receipt or date of application as indicated in the acknowledgement letter.*

7. KEY ONGOING COMPLIANCE REQUIREMENTS

(a) Annual Fees

7.1 *The licence is renewable annually and the applicable annual fee is P10 000.00 (excluding VAT).*

(b) Reporting

7.2 *EPS providers are required to submit operational information on a monthly basis in a format prescribed by the Bank (Available at www.bob.bw). Regulation 35 of the EPS Regulations provides that the Bank shall have access to any relevant information under the control of a licensee related to the provision of EPS.*

(c) Oversight

7.3 *EPS providers are expected to study and understand the Payments System Oversight Policy (Available at www.bob.bw) which guides the Bank's regulatory responsibilities mandated by the EPS Regulations. .*

(d) AML/CFT Supervision

7.4 *EPS providers are designated as Specified Parties in terms of the FI Act, 2019, and are therefore subject to AML/CFT supervision by the Bank as outlined by the FIA 2019.*

(e) Record Keeping

7.5 *EPS/MVTS providers are required to maintain records that include all types of transactions and customer identification documents for a period of 20 years from the date a transaction is concluded and after the termination of the business relationship. This requirement is in line with Sections 27 and 28 of the FA Act*

8. CONTACT INFORMATION

8.1 *Applications for an EPS licence shall be addressed to:*

*The Director
Payments and Settlement Department
Bank of Botswana
Private Bag 154
Gaborone*

8.2 *During the application assessment period, the Bank may call upon additional information required to verify factual information provided by the applicant*

Appendix I

	<i>A description of the applicant’s governance arrangements and internal control mechanisms that are comprehensive and proportionate to the nature, scale, and complexity of the payment services. This should include, where applicable, a company organisational structure showing relationships with other companies, domestic and international for purposes of clearly depicting major shareholders and Ultimate Beneficial Owners of the company applying for EPS licensing</i>
	<i>Certificate of incorporation as a registered company under the Companies Act and company extract</i>
	<i>Duly signed covering letter on company letterhead.</i>
	<i>A structured and detailed business plan providing a clear description of the proposed EPS and its economic and social benefits, mode of operation in terms of target market/customers, clear description of each product, , comprehensive process flows, technological requirements and platform providers, third party support required, tariffs and charges. The business plan should also indicate whether the application constitutes a new business or an extension/diversification of an existing business.</i>
	<i>The geographical area to be covered.</i>
	<i>A description of funds flow processes and settlement arrangements with respect to safeguarding of funds.</i>
	<i>A signed and valid trust account management and Settlement Agreement with partner settlement bank, where applicable.</i>
	<i>Letter by partner bank confirming existence of a dedicated trust account.</i>
	<i>Information on liquidity arrangements detailing the management of liquidity risk including liquidity and float management processes for agents, where agents will be used in the distribution of the service.</i>
	<i>Evidence of sufficient funds to meet the initial and ongoing capital requirements per Regulation 20 read with Schedule 2 of the EPS Regulations.</i>
	<i>AML/CFT Policy detailing internal control mechanisms established in compliance with anti-money laundering and counter terrorism financing and proliferation (AML/CFT/P) of weapons of mass destruction obligations.</i>
	<i>Proof of appointment of an AML/CFT Compliance Officer in line with Section 12 of the Financial Intelligence (FI) Act, 2019.</i>
	<i>Signed and valid agreement with a sanctions screening platform provider.</i>

	<i>Certified copy of the latest audited financial statements together with a six-month bank verified account statement, in the case of established companies or five (5) year financial projections and bank verified statements in the case of start-ups.</i>
	<i>Consumer Protection Policy detailing consumer protection measures and customer complaints handling procedures, recourse mechanisms, rights and obligations of consumers and full fees disclosures, charges and tariffs for using the services provided.</i>
	<i>Agency management processes and criteria for appointment of agents, where necessary and a template agreement with agents, for distribution of the service.</i>
	<i>A Risk Management Framework that includes a Risk Management Policy and Risk Assessment Report clearly outlining, in detail, the potential risks that may arise or inherent in the proposed products and services as well as risk mitigation measures that will be employed to safeguard systems and services.</i>
	<i>Information and Communications Technology and Security Policies.</i>
	<i>Agreements with third parties, including mobile network operators, technology providers, payment scheme providers such as VISA and Master Card where applicable.</i>
	<i>Information on major shareholders with controlling interest in the company as described in the Financial Intelligence Act, 2019, that is, ultimate beneficial owners and directors.</i>
	<i>Certificate of incorporation of shareholding companies where applicable and related shareholding information/company extracts.</i>
	<i>Completed Form A set out in Schedule 1 of the EPS Regulations.</i>
	<i>Completed Form B by Directors, Senior Managers, Principal Managers and Ultimate Beneficial Owners packaged separately.</i>
	<i>Completed Form C by Directors, Senior Managers, Principal Officers and Ultimate Beneficial Owners packaged separately.</i>
	<i>Completed security vetting and consent form from Botswana Law Enforcement by Directors, Senior Managers, Principal Officers and Ultimate Beneficial Owners.</i>
	<i>Curriculum vitae, certified copy of identity documents and educational certificates, two passport size photos for all the Directors, Senior Managers, Principal Officers and Ultimate Beneficial Owners.</i>
	<i>Confirmation of contact address of the parent company and the head office of the applicant, where applicable.</i>
	<i>Confirmation of the address and contact details of the EPS business in Botswana.</i>
	<i>Proof of payment of application fee plus applicable VAT at prevailing rate.</i>