



PREPAID CARD REGULATIONS

PAYMENT SYSTEMS DEPARTMENT
STATE BANK OF PAKISTAN

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PREAMBLE

Prepaid cards are increasingly being used by consumers who do not have access to other forms of electronic payments, such as debit or credit cards. Prepaid card as a result is perceived as an important product for enabling financial inclusion targeted not only at lower-income and unbanked individuals but conventional consumers of traditional banking services as well. Prepaid cards are also considered to be more convenient and adaptable for consumers than paper or other electronic instruments like mobile wallets or virtual accounts because of their ease of use and acceptability at thousands of merchants in Pakistan.

In order to promote electronic payments, SBP has decided to issue these regulations to provide an enabling and level playing field for all the existing and potential participants instead of approving prepaid card products on a case to case basis. These regulations have been developed in line with the international recommendations such as those issued by FATF to minimize the AML/CFT risks associated with the prepaid cards. Further in order to promote card usage in the domestic market, financial institutions are allowed to offer prepaid cards through Authorised Agents.

The regulations cover relevant aspects of the functionality of prepaid cards such as issuance of cards, permissible load limits, restriction on use, dispute resolution and consumer protection besides covering other operational areas.

PREPAID CARD REGULATIONS

1. DEFINITIONS

Authorised Agent: is an entity authorised for the sale of prepaid cards to the customers, by the Issuing Bank under a formal agreement.

Authorised Government Entity: is an entity authorised by the Federal/Provincial Government of Pakistan, for managing the operations of a social transfer program.

Bank: means a scheduled bank as defined in Section 5 of the Banking Companies Ordinance, 1962 or a microfinance bank as defined in Microfinance Institutions Ordinance 2001.

Closed loop Prepaid Card: means prepaid cards that:

- I. Are not issued by the Bank.
- II. Are issued by a merchant (such as fuel cards), card program sponsor or a service provider and are generally distributed by the merchant's retail outlets.
- III. Are acceptable at the issuing merchant/service provider's sites only.
- IV. Do not necessarily collect the identity (CNIC) of the purchaser or recipient.

Customer: for the purpose of these regulations, means prepaid card holder

Hajj Card: is a prepaid card issued by a Bank in Pakistan, denominated in Saudi Riyal.

Issuing Bank: for the purpose of these regulations, means the bank which issues the prepaid card to the customer.

Maximum Aggregate Loadable Amount: means the total amount that can be loaded in a calendar year either in one instance or multiple, including any balance amount carried over from the preceding year, not exceeding the allowed maximum limit.

Open Loop Prepaid Card: means a prepaid card that:

- I. Is issued by a Bank on a prepaid basis in electronic or physical form to a customer in a specified amount, may be reloadable in exchange for payment; and
- II. Can be redeemed at multiple, unaffiliated merchants, or usable at different Alternate Delivery Channels like ATMs, Internet etc.

Prepaid Card: for the purpose of these regulations, means an open loop prepaid card.

Payroll Card: is a prepaid card issued by a Bank on behalf of an employer for electronic transfer of an employee's salary, wage or other compensations on a recurring basis.

Service Fee: includes issuance fee, transaction fee, maintenance fee, reload fee, balance inquiry, dormancy/inactivity fee or any other fees that may result in a debit of value from the prepaid card or may be charged from customer through any other means.

Social Transfer Card: is a prepaid card issued by a Bank under a formal agreement with an authorised government entity for a specific purpose of disbursing funds to assist the underserved segment of the country.

Unsolicited Prepaid Card: is a prepaid card issued without a customer's consent.

2. AUTHORITY AND SCOPE

These regulations named as “Prepaid Card Regulations” are issued by the State Bank of Pakistan pursuant to Section 3 of the “Payment Systems and Electronic Fund Transfers Act, 2007”. These regulations govern the issuance and operations of the Open Loop Prepaid Cards issued by Banks in Pakistan. The regulations are not applicable on Closed Loop Cards.

3. PREPAID CARD VALUE LIMITS

- I. Maximum aggregate loadable amount for all categories of cards issued and distributed directly by a Bank against a single CNIC is:
 - a) PKR 100,000 for cards issued/activated after CNIC verification.
 - b) PKR 500,000 for cards issued/activated after biometric verification.
- II. Maximum aggregate loadable amount for all categories of cards distributed by Authorised Agent on behalf of Issuing Bank against a single CNIC is:
 - a) PKR 25,000 for cards issued/activated after CNIC verification.
 - b) PKR 50,000 for cards issued/activated after biometric verification.
- III. Maximum aggregated loadable amount on a social transfer card shall be defined by the relevant authorised government entity managing the social transfer program. The maximum aggregate loadable amount on social transfer card however, shall not be over PKR 100,000.
- IV. Maximum aggregated loadable amount on Hajj cards shall not be over SAR 5,000.
- V. Cash withdrawal, POS, and internet transaction per day and per month limits shall be defined by the respective Bank based on its risk assessment of prepaid program category.
- VI. Bank shall obtain undertaken from customer about non-breach of limit(s) as mentioned above.

4. PREPAID CARD ISSUANCE & DISTRIBUTION

- I. Bank shall identify and document the risks associated with issuance of prepaid card programs including but not limited to operational, credit (in case of issuance through Authorised Agents), reputational risks etc that may arise in relation to the development, business practices and sale of prepaid card

products before launching such products. Banks shall perform this exercise for all existing prepaid cards by September 2016.

- II. Prepaid card shall be issued and distributed by a Bank or its Authorised Agent after physical interaction with the customer.
- III. All prepaid cards shall only be activated after the CNIC verification or biometric authentication of customer's information from NADRA's System.
- IV. Prepaid card for a renewal or in substitution for already issued cards shall be handled by the Bank in line with its approved internal policies.
- V. Hajj Card shall be issued by a Bank only.
- VI. Bank shall not issue unsolicited prepaid cards.
- VII. The balance in the underlying account linked to prepaid card shall be treated as demand deposit and the bank shall maintain CRR and SLR as per statutory requirements.
- VIII. Net outstanding value against the prepaid card shall be displayed in the financial statement of the Issuing Bank.
- IX. Necessary trainings regarding the prepaid card program management covering areas related to issuance, dispute resolution, customer support and record keeping shall be provided by the Issuing Bank to its relevant staff.

4.1 Prepaid Card Distribution by Authorised Agent

- I. Bank may distribute prepaid cards through its Authorised Agents.
- II. Bank shall develop a formal in-house risk based criteria duly approved by its Board for the selection of Authorised Agents for the purpose of prepaid card distribution. The risk based criteria shall include value limits assigned/extended to specified category of Authorised Agents for prepaid card sale.
- III. The Issuing Bank shall ensure that the Authorised Agent is maintaining adequate funds in its account as required in the risk assessment.
- IV. Bank shall ensure that funds collected against the sale/load of prepaid cards are debited each business day from the account maintained by the Authorised Agent for this purpose.
- V. Bank shall enter into written agreements with its Authorised Agent for the distribution of the prepaid cards to walk-in customers. The agreement shall

have necessary provisions relating to Issuing Bank's and SBP's right of inspecting the Authorised Agent's prepaid cards record.

- VI. Bank shall ensure that its Authorised Agent is capable of entering the card issuance data in real time as well as maintaining the records as required under these regulations for different categories of cards.
- VII. Prepaid cards distributed by the Authorised Agents shall be activated by the Issuing Bank against the CNIC number entered by the Authorised Agent.
- VIII. Issuing Bank shall be liable to activate or redeem all cards distributed by its Authorised Agent against the amount received from the customers by the Authorised Agent.
- IX. Authorised Agent's records as well as stock of unsold prepaid cards shall be audited regularly by the Bank.
- X. The Issuing Bank will remain responsible for compliance of all regulatory requirements including but not limited to CDD, customer support, error correction, dispute resolution and prepaid card operations issued under these or any other relevant regulations issued from time to time.
- XI. Bank shall provide adequate training related to prepaid card issuance and record maintenance etc on periodic basis to its Authorised Agent.

5. PAYROLL CARD

- I. Payroll card customers shall be offered the option to receive salary in their accounts at the Issuing Bank.
- II. Bank shall enter into written agreements with employers who are seeking to issue payroll cards to their employees. The terms and conditions, roles and responsibilities of employer and the Issuing Bank shall be clearly mentioned in the agreements.
- III. Payroll cards shall be issued to registered corporate entities only.
- IV. Payroll cards shall not be issued without the consent of the employee.
- V. The name of the payroll customer shall be printed on the payroll card.
- VI. Payroll customers shall not be charged for issuance of payroll cards.
- VII. Payroll customers reserve the right to cancel the prepaid payroll card facility. The procedures for receiving payroll through alternative means shall be provided to each payroll customer in a clear and conspicuous language.

- VIII. Bank shall make available to the payroll customers an electronic history of the prepaid payroll account transactions through appropriate means such as an internet website, covering a period of at least 90 days.
- IX. Bank shall provide promptly upon the payroll customer request, a written history of the customer's account transactions covering a period of at least 90 days prior to the request on a reasonable fee.
- X. Payroll customers shall also be allowed cash withdrawal from the tellers of Issuing Bank branches.
- XI. Bank is prohibited to share any payroll card related revenue with the employer.
- XII. Payroll cards issued by the bank may be distributed by the employer. Verification of payroll customer's CNIC and activation of the payroll card however shall be done by the Issuing Bank.
- XIII. Regulatory compliance under these regulations will primarily be the responsibility of the Issuing Bank.

6. SOCIAL TRANSFER CARD

Bank may issue social transfers cards on behalf of an authorised government entity as per their requirements for onward distribution of these cards to the beneficiaries. The distribution of the social transfer cards shall be arranged as per instructions of the authorised government entity. Social transfer cards shall be issued subject to following conditions:

- I. Beneficiary name along with CNIC and other details shall be provided by the relevant government entity.
- II. Beneficiary name shall be printed on the social transfer card.
- III. Social transfer card shall be of the same quality as is observed in case of debit and credit card.
- IV. Name of the social transfer scheme and the Issuing Bank shall be printed on the card.
- V. Issuing Bank will remain responsible for providing all customer services support to customers.
- VI. Social transfer card shall only be reloadable by the authorised government entity.

7. HAJJ CARD

Prepaid Card in Saudi Riyal for Hajj may be issued by a Bank in Pakistan subject to the following conditions:

- I. The amount of SAR loaded on the prepaid card shall be entered in the customer's passport having a valid Hajj Visa.
- II. Multiple prepaid cards having aggregate loadable value more than SAR 5,000 shall not be allowed by the Bank against a single passport.
- III. Hajj card shall be issued for transactions in Saudi Arabia only.
- IV. Hajj card issued with a partner bank in Saudi Arabia shall carry logo of the partner bank. The partner bank shall be made liable to handle customer services related aspects through written agreements.
- V. Customer support availability, in case of issues like disputed transactions, ATM issues (card capture, partial withdrawal etc) shall be ensured with the partner bank through written contracts.
- VI. Customer shall be made aware of complaint resolution mechanism in case of any issues regarding the use of Hajj Card.
- VII. Any remaining balance shall be refunded free of cost to the customer by the Issuing Bank in PKR.

8. MONEY LAUNDERING/TERRORIST FINANCING RISKS AND MITIGATING MEASURES

- I. Bank shall develop internal policies, procedures, and controls to prevent money laundering and terrorist financing through the prepaid cards. Issuing Bank will be responsible to ensure compliance of SBP's AML and CFT Regulations.
- II. Bank shall clearly define and apply prepaid card funding limits, reload limits, cash access limits and purchasing limits for different categories of prepaid cards, commensurate with the risk assessment of the card product, targeted market and intended use.
- III. Person to person transfers on the prepaid card shall not be allowed.

9. CUSTOMER DUE DILIGENCE (CDD)

- I. No additional CDD is required for a prepaid card issued to an existing account holder.
- II. Bank shall ensure to collect the following ID documents from a walk-in customer at its branches and its Authorised Agents' site:
 - a. Valid CNIC/SNIC Copy
 - b. Prepaid card issuance form containing basic KYC information i.e. name, address, contact numbers etc.
 - c. A declaration containing the details of active prepaid cards obtained from any other bank.
 - d. A declaration that the prepaid card will not be used by the customer for any business related transaction.
- III. CNIC verification and/or biometric authentication through NADRA's systems shall be done before issuing prepaid card by the Issuing Bank.
- IV. CNIC verification or biometric authentication through NADRA's systems shall be ensured before activating prepaid card distributed by a Bank's Authorised Agent.
- V. Authorised Agent shall be equipped with the systems for capturing the CNIC details and monitoring load limits of the prepaid cards.
- VI. Authorised Agent shall be contractually bound to obtain the details of walk-in customers as per AML/CFT regulations and Bank's CDD policies. The contract shall contain provision for penalties in case of violation of these regulations or the contract.

10.RECORD KEEPING

- I. Bank shall maintain all the records related to sale, reloads, limits, CDD and transaction records of the prepaid cards issued and distributed by it or distributed by its Authorised Agent in accordance with AML/CFT regulations.
- II. Bank shall be required to retain complete record of electronic transactions in electronic form for ten years.
- III. Bank shall ensure that records retained are sufficient to allow tracing of funds through the reconstruction of transactions.

11.CROSS BORDER USE

Cross border use of the prepaid card shall be allowed to individuals only, subject to the following conditions:

- I. Cross border usage shall be enabled only after obtaining customer's consent through appropriate means.
- II. Cross border use of prepaid card products category shall be subject to an additional risk assessment review by the Issuing Bank.
- III. Only specific category of prepaid card program assessed against the cross border usage risks and mitigating controls put in place, shall be allowed for cross border use.
- IV. Cross border card usage shall be compliant with relevant FX regulations issued by SBP from time to time.

12.PERIODIC REVIEW

All prepaid card programs and products shall be reviewed by the Issuing Bank at least once in a calendar year to ensure compliance with these regulations or any other regulations issued by SBP from time to time. A copy of the review report shall be provided to SBP's onsite inspection team.

13.OPERATIONAL ASPECTS OF PREPAID CARDS

13.1 Card Load/Reload

- I. Bank shall allow reload of prepaid cards where applicable, through its branches and Authorised Agents; subject to maximum load limits as specified in these regulations and bank's internal policies.
- II. Payroll card shall be reloaded by direct debit from a separate employer's account maintained at the Issuing Bank for this purpose. Card reload through other means shall be prohibited.
- III. Social transfer card shall be reloaded by direct debit from the relevant government entity's account held at Issuing Bank. The Issuing Bank shall ensure credit to beneficiary's account within 24 hours from the receipt of funds from the authorised government entity. Reload of social transfer card through other means shall be prohibited.
- IV. Transaction alerts shall be sent to customers through SMS as well as other appropriate means.

- V. The customer shall be provided with a receipt/acknowledgement of the amount loaded in the prepaid card by the Bank or its Authorised Agent.

13.2 Withdrawal of Funds

- I. Issuing Bank shall offer withdrawal of funds through its branches to prepaid card customer, in addition to ATMs.
- II. Withdrawal charges from ATMs shall be in line with the Bank's existing ATM/debit card charges.
- III. In case a customer is unable to activate prepaid card due to any issue or restriction, full amount shall be refunded within 5 working days of receiving such request.
- IV. When claimed, the remaining underlying funds on the prepaid card shall be remitted to the customer, without charge, by any appropriate means as per relevant laws.

13.3 Dormancy of the Card and Fund Expiry

- I. Prepaid card issued shall not be made dormant due to inactivity for at least one year.
- II. Bank shall not set any fund expiry date on the prepaid card.
- III. The underlying remaining funds on the dormant card shall be remitted to customer on withdrawal request, without charge, by any appropriate means as per relevant laws.
- IV. The terms and conditions of the card shall clearly and conspicuously state the dormancy period and procedures to reactivate the prepaid card.
- V. In case the amount stored in the card has not been used during a period of ten years, the same shall be subject to surrender under Section 31 of Banking Companies Ordinance, 1962.

13.4 Card Expiry

- I. Card expiry duration shall not be less than one year from the date of purchase/activation.
- II. Expiry date shall be printed on prepaid card.
- III. Active prepaid card shall be replaced free of cost by the Issuing Bank in order to ensure access to the underlying funds.

13.5 Disclosures

- I. Issuing Bank shall disclose all terms and conditions related to dormancy and inactivity, service fee and any change in service fee applicable on prepaid card. These disclosures shall be provided with the prepaid card or prior to purchase of the card. Prepaid cards shall not be subject to any hidden charges.
- II. A complete and comprehensive list of all service fees, including those that are seldom incurred shall be disclosed and provided in a separate box at a prominent place in terms and conditions for the card.
- III. Disclosures shall be made in a simple and clear language. Acronyms shall not be used in disclosures.
- IV. Customer shall be given the option to receive disclosures at least in any of two languages i.e. English and Urdu.
- V. A toll free number and a website address shall be stated on the prepaid card enabling customer to obtain any prepaid card related information.
- VI. Bank shall disclose and provide a copy of roles and responsibilities of the customer, the Issuing Bank and the dispute resolution mechanism to the customer.
- VII. Bank shall not disclose customer's sensitive data to any third party except for routing/processing of transactions. Contracts with third parties shall contain necessary provisions related to confidentiality of customer data.

13.6 Customer Service Support

- I. Bank shall ensure to maintain a functional and fully equipped Customer Service Support Centre that is able to handle customer queries, issues and disputes. A service standard for prepaid card customers shall conform to the same standards available to bank's other customers.
- II. Bank shall ensure that the customer is able to identify and resolve problems related to prepaid card and is able to receive the information and support necessary to use the prepaid card successfully.

14. BALANCE AND TRANSACTION HISTORY

Bank shall ensure that customers can access their balance information and transaction history quickly through multiple channels i.e. ATM, Internet etc. Customers shall also

be able to access free-of-cost electronic statements. Prepaid card statement in a printable format at a reasonable cost shall be offered to prepaid card customers.

15.FRAUD AND ERROR RESOLUTION

- I. In case of any frauds or errors, the customer's liability shall be clearly and prominently mentioned in the terms and conditions.
- II. Bank shall ensure that roles and responsibilities of the Bank and customer for error notification and resolution as mentioned in the Section 37 of the PS & EFT Act 2007 are clearly communicated to the customer.
- III. In case of any fraud or error notified by the customer, Bank shall investigate, conclude and resolve the issue within 10 working days. Bank shall report fraud/forges as per the relevant regulatory requirements.
- IV. Bank shall develop a policy for lost or stolen cards.
- V. In case of any issues or errors related to cash withdrawal from ATMs, retained/disabled card, dispute/complaint resolution shall be handled in line with PSD's Circular Letter No 2/2010 and PSD Circular No. 1/2008 or any other regulation/circular issued from time to time.
- VI. Issuing Bank shall indemnify prepaid card customer against frauds committed by its Authorised Agent.

16.REGULATORY REQUIREMENTS

These regulations are subject to all relevant laws, rules and regulations issued by SBP from time-to-time including but not limited to the following:

- I. Guidelines on the Outsourcing Arrangements (BPRD Circular Letter No 11 dated May 13, 2011);
- II. Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Regulations & Guidelines issued by BPRD (updated up to June 2015).

17.ACRONYMS

AML/CFT	Anti-Money Laundering and Combating Financing of Terrorism
ATM	Automated Teller Machine
BPRD	Banking Policy & Regulations Department
CDD	Customer Due Diligence
CNIC	Computerized National Identity Card
CRR	Cash Reserve Requirements
FATF	Financial Action Task Force
FX	Foreign Exchange
KYC	Know Your Customer
CDD	Customer Due Diligence
ML	Money Laundering
NADRA	National Database & Registration Authority
PKR	Pakistani Rupee
POS	Point of Sale
PSD	Payment Systems Department
PS&EFT	Payment Systems and Electronic Fund Transfers Act, 2007
SAR	Saudi Arabia Riyal
SBP	State Bank of Pakistan
SLR	Statutory Liquidity Requirements
SMS	Short Message Service
SNIC	Smart National Identity Card
TF	Terrorist Financing
