



DRAFT

**REGULATIONS FOR
ELECTRONIC MONEY INSTITUTIONS
(EMIs)**

PAYMENT SYSTEMS DEPARTMENT

STATE BANK OF PAKISTAN

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1. ACRONYMS

AML/CFT	Anti-Money Laundering and Combating Financing of Terrorism
AOA	Articles of Association
BCP	Business Continuity Planning
BODs	Board of Directors
CEO	Chief Executive Officer
CDD	Customer Due Diligence
CNIC	Computerized National Identity Card
DRP	Disaster Recovery Plan
EMI	Electronic Money Institution
EDD	Enhanced Due Diligence
FMU	Financial Monitoring Unit
FPT	Fit and Proper Test
ML/FT	Money Laundering/Financing of Terrorism
MOA	Memorandum of Association
NADRA	National Database and Registration Authority
NTN	National Tax Number
PSD	Payment Systems Department
PS&EFT Act, 2007	Payment Systems and Electronic Fund Transfer Act, 2007
PSO/PSP	Payment Systems Operator/Payment Service Provider
SBP	State Bank of Pakistan
SBP-BSC	State Bank of Pakistan-Banking Services Corporation
SECP	Securities and Exchange Commission of Pakistan
SLA	Service Level Agreement
STRs	Suspicious Transactions Reports
UN	United Nations

2. DEFINITIONS

Agent means a natural or legal person, non-bank and non-EMI outlets, who can provide payment services as well as distribute and/or redeem e-money on behalf of an EMI under a valid agency agreement.

Average outstanding e-money is the average amount of balances maintained by the EMI with designated banks for settlement purposes for the period and in the manner as defined by SBP.

Aggregate monthly load limit means the total amount of e-money transferred into an e-money account held by an e-money holder over the period of a calendar month.

Aggregate monthly transactions limit means the total number of transactions allowed to a customer over the period of a calendar month.

Bank means a banking company as defined in Section 5 of the Banking Companies Ordinance, 1962.

Director includes any person occupying the position of a director on the Board of an EMI and includes sponsor, nominee and alternate director or by whatever name called.

E-money holder refers to any person to whom the e-money has been issued or any person who uses the e-money to make payments for purchases of goods and services and who has a claim on e-money issuer for the e-money issued by the EMI.

Electronic Money or E-money means the same as defined in Payment Systems and Electronic Fund Transfer.

EMI means non-banking entities who are duly authorized to issue means of payment in the form of electronic money and as defined in the PS&EFT Act 2007.

Executive Director means a paid employee or executive in the concerned EMI who is also a member of the BOD.

Family Member in relation to a person means his spouse, dependent lineal ascendants and descendants and dependent brothers and sisters.

Key Executive means key executives of EMI and includes the following functional responsibilities for the present:

- a. Any executive, acting as second to CEO including Chief Operating Officer, Deputy Managing Director or by whatever name called.

- b. Chief Financial Officer/Head of Finance/ Head of Accounts
- c. Head of Internal Audit
- d. Head of Compliance
- e. Head of Operations
- f. Head of Human resource
- g. Head of IT

The list above will be reviewed by SBP from time to time.

Major shareholders of an EMI means any person holding 10% or more share capital of the EMI either individually or in concert with family members.

Merchant means any person that accepts e-money payment instruments.

Outsourcing means use of a third party (affiliated entity or un-affiliated) to perform activities, functions or processes normally to save money, time and/or use the skills/technology of another entity on a continuing basis that would normally be undertaken by EMIs, now or in the future. However, it will not cover consultancy services, purchase contracts for tangible/intangible items, for example, contracts to purchase standardized products such as furniture, Software/IT solutions, Automated Teller Machines (ATM) etc.

Payment Instrument means the same as defined in PS&EFT, Act, 2007.

Payment Services for the purpose of these regulations mean the services that enable the customers to make payments for goods and services, bill payments, fund transfers, cash deposit and withdrawal from e-money accounts and any other service defined by SBP from time to time.

Payment System means the same as defined in PS&EFT Act, 2007.

PSOs/PSPs mean the same as defined in the Rules for PSOs/PSPs issued by SBP vide PSD Circular No. 3 dated October 23, 2014.

SBP means the State Bank of Pakistan established under Section-3 of the State Bank of Pakistan Act, 1956.

Trust Account means an account maintained by an EMI with a scheduled bank in Pakistan in which the EMI is required to deposit all funds collected from its customers against the issuance of e-money and is segregated from EMI's own funds.

3. INTRODUCTION

Payment Systems and Electronic Funds Transfer Act 2007 defines e-money as monetary value stored on an electronic device or payment instrument issued on receipt of funds and accepted as a means of payment by entities other than issuer. E-money globally is widely used for making retail payments in an economy and have played a crucial role in digitizing different types of payments in various countries.

Entities who issue e-money are known as Electronic Money Institutions (EMIs) that offer innovative, user-friendly and cost effective low value digital payment prepaid instruments like wallets, prepaid cards, and contactless payment instruments including wearables. These innovative payment instruments have been instrumental in promoting cashless payments like merchant checkouts, e-commerce, transportation and toll payments etc.

Traditionally payment instruments in Pakistan are issued by banks with negligible participation of non-banking entities. New technological innovations are now enabling non-banking sector to deliver innovative and efficient payment services to consumers at much lower cost. These regulations are primarily aimed at removing entry barriers for non-banking entities by providing them a guiding as well as an enabling regulatory framework for the establishment and operations of EMIs. These regulations also address potential risks in order to ensure consumer protection in line with legal framework of the country while promoting financial inclusion.

4. OBJECTIVES OF THE REGULATIONS

These regulations are being issued with the following objectives:

- I. To provide regulatory framework for EMIs desirous of offering innovative payment services to the general public.
- II. To prescribe minimum service standards and requirements for EMIs to ensure delivery of payment services in a safe, sound and cost effective manner.
- III. To outline the permissible activities that can be carried out by an EMI and its agents' network.
- IV. To provide a baseline for protection of EMI's customers.
- V. To achieve the SBP's objective of digital payments and financial inclusion.

5. AUTHORITY

The regulations shall be issued in exercise of the powers conferred upon the SBP under Section 3 and Section 24 of PS&EFT Act, 2007.

6. SCOPE OF ACTIVITIES OF EMIS

- I. EMIs may engage in the following activities:
 - a) Issue e-money payment instrument.
 - b) Distribute e-money payment instruments
 - c) Redeem e-money payment instruments.
 - d) Any other activity permitted by SBP.
- II. E-money shall be used to make payments for goods and services, bill payments, fund transfers and cash deposits and withdrawals from e-money accounts.
- III. EMI shall not conduct the business of banking including the acceptance of funds from public for the purpose of lending, investments or any speculative activity.
- IV. EMI shall take approval from SBP before offering any e-money products/services to customers including cross-border payments.
- V. EMI shall neither pay interest/returns to customers in connection with the length of time e-money is held by consumers nor shall offer anything that adds to the monetary value of e-money.
- VI. EMI shall not issue e-money payment instruments at a discount i.e. issue e-money payment instruments that has a monetary value greater than the funds received from customers.
- VII. E-money platforms shall only be used for permissible activities.

7. LICENSING PROCESS

7.1. Application submission for License

- I. The application for EMI license shall be addressed to “The Director, Payment System Department, State Bank of Pakistan, 4th Floor, Main Building, I. I. Chundrigar Road, Karachi-74000” as per the format attached at Annexure “C”.

7.2. Conditions for Licensing

The applicant company shall fulfill the following licensing requirements:

- I. The applicant company (public/private) shall be registered with SECP having its head office or registered office in Pakistan.

- II. The applicant entity shall fulfill all the application requirements as mentioned in Annexure “C”. In case the applicant company has been granted permission to operate as PSO and/or PSP under the Rules for PSOs and PSPs issued by SBP vide PSD Circular No. 03 of 2014, then it shall only submit documents mentioned in Para “c”, “d”, “e” and “f” of Annexure C.
- III. The applicant shall have the capability to efficiently handle all the transactions as an EMI and fulfill its obligations under the PS&EFT Act, 2007 and these regulations.
- IV. The applicant shall have necessary financial resources, policies, procedures, system & controls, IT systems etc. to effectively and efficiently discharge its responsibilities as an EMI.
- V. Fit and Proper Test (FPT) requirements will be applicable to Sponsor(s) and Shareholder(s) - holding 10% or more shares, directly and/or indirectly, Directors, CEO and Key Executives of the prospective EMI.
- VI. SBP shall require the applicant company to establish a separate business entity for e-money business if it may deem fit.
- VII. SBP reserves the right to reject an application at its discretion.

7.3. Licensing Stages

Subject to the fulfillment of conditions mentioned above, SBP under section 24 of PS&EFT Act, 2007 may consider granting EMI license in the following three stages:

- I. An “In-Principle” approval shall be granted to the applicant to operate as EMI once it fulfills the following application requirements:
 - a) Conditions of licensing
 - b) Submission of complete documents as mentioned in Annexure C
- II. EMI may be allowed to commence pilot operations (limited-scale real transactions) once they attain operational readiness, fulfill minimum capital and security deposit requirements and any other requirements as mentioned in In-Principle approval. SBP may also conduct an onsite inspection of the EMIs.

- III. Subsequent to satisfactory pilot operation results and fulfillment of SBP's requirements, final approval to commence commercial operations may be granted.

8. SUSPENSION AND REVOCATION OF EMI'S LICENSE

- I. SBP may revoke or suspend the license of an EMI if it is in public interest or if it is discovered that:
- a) Any of the requirements\conditions of the SBP's approval\authorization have not been fulfilled.
 - b) EMI fails to comply with these or any other regulations, rules, guidelines, directions and circulars by SBP issued from time to time and/or PS&EFT Act or other applicable laws.
 - c) Any information provided by the EMI is found to be misreported to SBP.
 - d) EMI is not able to safeguard the customers' funds as mentioned in Para 14 of these regulations.
 - e) EMI is not able to carry out its day to day operations efficiently.
 - f) The provision of e-money issuance by the EMI endangers the stability of the payment system in Pakistan.
 - g) The EMI enters into insolvency proceedings.
 - h) Any other reason substantiating the need for suspension or revocation of license granted to EMI.
- II. Subject to sub-section (a), before suspending or revoking the license granted under Section 8 of these regulations and Section 24 of PS&EFT Act 2007, SBP shall give to the EMI notice in writing of its intention to do so, specifying the ground(s) upon which it proposes to suspend or revoke the permission and shall require the EMI to submit to it within a specified period a written statement of objections to the suspension or revocation of the permission.
- III. Upon consideration of the written statement of objections referred to in sub-section (b), SBP shall give the EMI written notice of its decision to suspend, revoke or continue permission.

- IV. Notwithstanding sub-section (b), where the SBP is of the opinion that safety, soundness, reliability or efficiency of an EMI is or may be threatened, it may, without prior notice, suspend or revoke the permission of EMI.

9. GOVERNANCE ARRANGEMENTS

EMI shall ensure to have adequate governance arrangements that must include but not limited to clear organizational structure with well-defined, transparent and consistent lines of responsibility to ensure integrity of its e-money platforms. EMI shall follow the Code of Corporate Governance issued by SECP as far as the provisions thereof do not conflict with any provisions of the PS&EFT Act and other relevant regulations issued by SBP.

9.1. Fit and Proper Test

- I. FPT will be applicable to Sponsors (both individuals and companies) and shareholder(s) holding 10% or more shares, Directors, CEO and Key Executives of the prospective EMI. The fitness and propriety will be assessed as per the requirements mentioned at Annexure D-4.
- II. The Directors and CEO would require prior clearance from SBP before assuming their responsibilities. The compliance of FPT for Key Executives would be the responsibility of EMI and the relevant record shall be made available to SBP as and when required.
- III. Any changes in the information pertaining to the persons subject to FPT should immediately be submitted to PSD. Any violations, misreporting, circumvention, concealment and delay in submission of information to SBP may result in withdrawal of SBP's approval or penal action or both under PS&EFT Act, 2007.
- IV. The appointment, compensation package, promotion/demotion and renewal of the employment contracts shall be duly approved by the Board of Directors of the EMI.
- V. EMI shall also develop and Implement appropriate screening procedures to ensure high standards and integrity at the time of hiring all employees whether contractual or permanent. In case it is found at any stage or during the course of inspection by SBP that FPT guidelines have not been followed or the incumbent is not a fit and proper person, strict punitive actions will be taken under the relevant provisions of PS&EFT Act, 2007. In addition, EMI may be directed to

dispense with services of concerned officer if recruited afresh and in case of existing employee the same may be transferred from the post immediately.

9.2. Responsibilities of the Board of Directors

The main responsibilities of BODs are as follows:

- I. The BODs shall clearly define the authorities and key roles and responsibilities of both the directors and senior management.
- II. The Board shall approve and monitor the objectives, strategies and the business plans of the EMI and shall oversee that the affairs of the institutions are performed prudently within the framework of applicable laws and regulations.
- III. The board shall determine, review, approve and ensure implementation of internal policies including but not limited to risk management, internal controls systems, audit, IT security, HR etc.
- IV. A separate department for internal audit duly approved by the BODs shall be created.
- V. BODs can remove CEO with a prior notice of 2 months from the date of the notice issued. Acting CEO appointed pursuant to resignation/removal of the CEO is required to meet FPT criteria prescribed for CEO and the EMI shall duly submit FPT documents to SBP before assumption of the charge.
- VI. In case of temporary vacation (not exceeding one month) of the office of CEO, EMI shall ensure to entrust charge of the office of CEO to such an officer who meets the FPT Criteria prescribed for Key Executives and whose FPT documents have already been submitted to SBP.
- VII. Where office of any Director/CEO falls vacant, such position can only be filled with prior approval of SBP. However, any new appointment / placement of Key Executives shall be intimated to SBP within seven days of appointment / placement.

9.3. Management

- I. No member of the Board of Directors of an EMI, holding 10% or more of paid-up capital either individually or in concert with family members shall be appointed in the EMI in any capacity except as CEO of the EMI. Further,

maximum two members of the Board of Directors of the EMI including its CEO can be the Executive Directors.

- II. The Board of Directors of EMI shall appoint a qualified and experienced person as Compliance Officer. The Compliance Officer shall report directly to the CEO and shall be responsible for effective compliance of all the relevant Rules, Regulations, laws and timely submission of required accurate data, returns and other information, as required by SBP from time to time..

10. CAPITAL REQUIREMENTS

- I. An entity desirous of becoming an EMI shall hold an initial capital of PKR 200 million.
- II. Existing PSOs/PSPs that intend to become an EMI and undertake e-money business shall hold an additional capital of PKR 100 million.
- III. EMIs at all times shall maintain ongoing capital of 10% of the average outstanding e-money or that mentioned in para a/b above, whichever is higher.
- IV. The items qualified for calculating initial as well as ongoing capital are given in Annexure B.
- V. EMIs shall maintain at all times, at least ten percent (10%) of the required capital or any other amount prescribed by SBP from time to time, as security deposit at SBP-BSC Office. Five percent (5%) of the security deposit will be kept in a non-remunerative current account with the SBP Banking Service Corporation and five percent (5%) in the form of Government security to be kept under lien at SBP-BSC.

11. CUSTOMER DUE DILIGENCE

EMIs shall fulfill the following requirements while issuing e-money payment instruments:

- I. EMI shall ensure to collect at least the following customer information while issuing the e-money payment instruments:
 - a) Name
 - b) Father/spouse's name
 - c) CNIC

- d) Cell Number
 - e) Residential Address
 - f) Any other two field information which is not present on CNIC such as place of birth, mother's name etc.
 - g) Customer is required to provide a copy of CNIC OR a live digital photo.
- II. One time password shall be sent to customer's cell number for his/her verification.
 - III. EMI shall activate e-money payment instruments only after verification of customers' particulars as mentioned in Para 11(a) above from NADRA as well as after pre-screening for designated and proscribed persons for all types of initiation of customer relationships or allowing use of financial services.
 - IV. EMI may allow one credit transaction (if necessary) to the customers before verification of customers' credentials.
 - V. EMI shall take consent of customers of the terms and conditions of e-money payment instruments including the charges/fee associated with such instruments. The copy of terms and conditions shall also be made available to customers through various channels like email, website, brochures, mobile phones, IVR etc.
 - VI. EMIs shall ensure that a CNIC holder can obtain/open only one e-money payment instrument with an EMI.
 - VII. EMI shall conduct additional CDD of those customers who are categorized as high risk as per AML/CFT regulations and risk based guidelines of SBP.
 - VIII. EMI during issuance of e-money payment instruments or during transaction processing shall identify any suspicious activity and report such transaction to FMU in the form of STRs.
 - IX. EMIs shall ensure compliance of domestic and international sanctions obligations i.e. freezing of assets and non-provision of services to individuals/entities designated/proscribed by the UN Security Council or by the Government of Pakistan under the Anti-Terrorism Act, 1997.

12. E-MONEY PAYMENT INSTRUMENTS' LIMITS

- I. EMI shall ensure that the aggregate monthly load limit of an e-money payment instrument shall be PKR 100, 000 on CNIC verification (NADRA VeriSys) and PKR 200,000 on biometric verification from NADRA.
- II. The aggregate monthly load limit of an e-money payment instrument shall be PKR 25, 000 on CNIC verification and PKR 50,000 on biometric verification of customer by EMI's agent.
- III. Cash deposit and cash withdrawal limits for e-money holders shall maximum be PKR 10,000 per day subject to biometric verification from NADRA.

13. ISSUANCE AND REDEMPTION OF E-MONEY PAYMENT INSTRUMENTS

- I. EMI shall issue an e-money payment instrument without any delay at par value on receipt of funds.
- II. E-money payment instruments can be funded through:
- III. Interbank Fund Transfer (IBFT) using any ADCs
- IV. Cash deposit at EMI branches/agent locations/ATMs subject to biometric verification
- V. EMI shall redeem the e-money payment instruments at par value at any time upon the request of e-money holders without any charges.

14. SAFEGUARDING CUSTOMERS' FUNDS

- I. EMI shall safeguard the funds that have been received in exchange for e-money payment instruments issued, by placing them in a trust account with approved primary dealer banks.
- II. The trustee shall be independent of the EMI whereby independence means that there shall be neither cross-shareholding nor common directorship between EMI and trustee.
- III. The funds placed in trust account shall only be used to refund the customers and payments to merchants.

- IV. EMI shall not commingle such funds with the funds of any person other than the users/customers on whose behalf the funds are being held by the trustee.
- V. Any revenue earned on the investment of the funds in trust account may be used only for 14 (c) above unless the funds are in excess of the total outstanding e-money liabilities.
- VI. EMI shall submit for SBP's information a copy of their trust account agreement with the approved trustee.
- VII. EMI shall ensure at all times that it meets disaster recovery and business continuity standards and requirements.
- VIII. For fidelity and secrecy, the EMI shall ensure that personal information of customers obtained during the course of operations is used, disclosed, retained and protected as committed or agreed.

15. USE OF AGENTS

- I. EMI seeking to acquire the agents for cash-in and cash-out for e-money payment instruments shall solicit SBP's approval in writing.
- II. EMI shall develop a central policy on the Agent Network Management (ANM) being deployed by the EMI and the same shall be approved by its Board.
- III. This policy, at the minimum, should contain agent onboarding procedures, agent risk management, agent training and development, service level agreement, roles and responsibilities of agents, agent code of conduct, quality of service parameters, fraud prevention and supervision, agent liquidity management, consumer protection and complaint handling, penalty structure, agent monitoring and agent termination.
- IV. EMI intending to acquire the services of agents for cash-in and cash-out for e-money payment instruments shall obtain SBP's approval in writing.
- V. EMI shall ensure that its agents do not portray themselves as an EMI or an employee/staff of the EMI.
- VI. In addition to other powers conferred on SBP, the SBP shall have powers to:
 - a) Advise EMI for such data or information.

- b) Request for any information from any agent directly or through EMI at any time as the SBP may deem necessary.
- c) Inspection of the books and premises of the agent as and when deemed necessary.
- d) Direct an EMI to instruct its agent to take such action or desist from such conduct as the SBP may deem necessary.
- e) Direct an EMI to terminate agreement with agent;
- f) Direct the EMI to take such action or measures against or on behalf of the Agent as the SBP may find appropriate.
- g) Direct the EMI to take such remedial action arising from the conduct of an Agent as it may deem fit.
- h) EMI shall publish an updated list of all agents and locations on their websites for information of the general public. EMI shall assign transaction limits to the agents on the basis of potential business volume to be generated by the agents and risk category of each agent.
- i) EMI shall not issue e-money payment instruments through its agents.
- j) EMI shall sign SLA/ Agency Agreement with agents detailing the functions/activities to be performed by agent, roles, responsibilities and obligations of the EMI and its agents.
- k) Fees/revenue sharing structure, responsibility for bearing up-front/ running costs of EMI operations shall be defined in the agreement.
- l) The agent shall ensure secrecy of all transactions in accordance with all applicable laws, rules and regulations and safe-keeping of all relevant records, data and documents /files.

16. OUTSOURCING OF FUNCTION(S) TO THE THIRD PARTY (IES)

- I. EMI shall not outsource, outside Pakistan, any of its function(s) without prior approval from SBP.
- II. For the purpose of outsourcing, the EMI shall follow the instructions stipulated in Framework for Outsourcing Risk Management by Financial Institutions as issued and amended by SBP from time to time.

- III. Outsourcing of any activity/process or systems shall not absolve the EMI from its primary responsibility of security, integrity and confidentiality of data/information.

17. COMPLAINT HANDLING MECHANISM

- I. As the EMIs shall be dealing with a large number of first time customers and the customers with low financial literacy level, EMIs need to ensure that adequate measures for customer protection, awareness and dispute resolution are in place. EMIs shall be expected to have appropriate customer protection against risks of fraud, loss of privacy and even loss of service.
- II. EMI, therefore, shall have board approved dispute resolution mechanism to settle all disputes between EMI and e-money payment instrument holders.

18. SECURITY AND CONFIDENTIALITY

- I. EMIs shall ensure the Security, Integrity, Confidentiality and Availability of data and services by adopting prevailing international standard(s) or as may be prescribed by SBP from time to time.
- II. EMIs are required to comply with Section 70 of PS&EFT Act, 2007 relating to Secrecy and Privacy of Information.
- III. EMIs must get their systems audited from SBP's Panel of Auditors before commencement of their business operations and thereafter on annual basis. The audit reports should be submitted to PSD-SBP within ninety (90) days after completion of the financial year.
- IV. All security breaches should immediately be reported to relevant stakeholders including PSD, SBP and detailed report shall be submitted within fifteen days as per Annexure "E".

19. AML/CFT REQUIREMENTS

- I. EMI shall deploy the automated transaction monitoring system to proactively monitor the transactions for avoiding the ML/TF risks.
- II. EMI shall adopt risk based approach to mitigate the money laundering and terrorist financing activities. In this regard, EMIs shall comply with all the AML/CFT Laws, Guidelines, Regulations issued by SBP or any other authority from time to time.

- III. EMI shall identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products.
- IV. EMI shall undertake the risk assessments prior to the launch or use of new products, practices and technologies; and take appropriate measures to manage and mitigate the risks.

20. RISK MANAGEMENT MECHANISM

- I. EMI must have overall risk management including enterprise risk management policies and procedures duly approved by the Board. Where applicable, EMI shall ensure compliance with SBP's Enterprise Technology Governance & Risk Management Framework for Financial Institutions as issued vide BPRD Circular No. 05 of 2017 dated May 30, 2017.
- II. EMI must have approved policies and procedures for information and systems security as well as necessary internal controls in place. Further, they must take proactive measures to detect and prevent fraudulent transactions and unwanted intrusions.
- III. EMI must have BCP and DRP in line with international best practice. BCP and DRP drills must be conducted half-yearly in first two years of commencement of operations and quarterly thereafter and results of the drills be recorded in a formal report.

21. OVERSIGHT OF EMIs

The oversight of EMIs shall be conducted by SBP in the following manner:

21.1. Reporting Requirements for EMIs

- I. EMI shall submit the annual audited financial statements to SBP within three months of the financial year end.
- II. EMI shall provide to SBP the monthly statistics on e-money loaded and redeemed.
- III. EMIs shall submit the capital and funds safeguarding returns to SBP on monthly basis in the reporting format attached at Annexure "A".

- IV. In addition to subsection (c), EMI shall submit at least the following information as per the frequency set by SBP from time to time:
- a) The volume and value e-money services;
 - b) Incidents of fraud, theft and robbery;
 - c) Material service interruption and major security breaches as per Annexure E.
- V. The SBP may at any time request for any other information from EMI, any of its agents and its associated bank.

21.2. Record Retention

- I. EMIs shall maintain all necessary records for at least 10 years or as required by the relevant laws.
- II. EMIs shall keep all records obtained through CDD measures, business correspondence, and results of any analysis undertaken, following the termination of the business relationship as required by the relevant laws.
- III. EMIs shall ensure that transaction records should be sufficient to permit reconstruction of individual transactions so as to provide, if necessary, evidence for prosecution of criminal activity.
- IV. EMI shall retain those records for longer period of time where transactions/customers/accounts involve litigation or it is required by court or other competent authority.

21.3. Material Changes in Funds Safeguarding Measures

EMI shall inform SBP in advance of any material change in measures (i.e. change in banks where customers' funds are deposited etc.) taken for safeguarding of funds that have been issued in exchange for e-money payment instruments issued.

Annexure A

Capital and Funds Safeguarding Returns

Initial Capital Requirement	
E-money outstanding at period end-----	
<p>Average daily outstanding electronic money at the end of each calendar day over the preceding six months.</p> <p>EMIs that have not completed a long period of business to calculate amount of average outstanding e-money shall use the projected figures submitted in business plan in their application to SBP.</p>	
On-going capital requirement – 10 % of average outstanding e-money or PKR 200 million	
PKR 100 million additional capital requirement for existing PSOs and PSPs	
<p>Funds placed in a trust account with a licensed bank</p> <p>Name of the Bank:</p>	Yes/No

Annexure B

Capital Resources

- I. Qualifying items to be used to meet the Initial Capital requirements are:
 - a) Paid-up capital (including balance in share premium account)
 - b) Reserves
 - c) Profit/Loss
 - d) Any other item approved by SBP

- II. Qualifying items to be used to meet the ongoing Capital (own funds) are:
 - a) paid-up capital (including share premium account)
 - b) reserves
 - c) Retained profit /loss
 - d) revaluation reserves
 - e) general or collective provisions/reserves
 - f) cumulative preference shares
 - g) fixed-term cumulative preference shares and subordinated debt

- III. Deductions:
 - a) Own shares held by the EMI
 - b) Intangible assets
 - c) Material losses of the current financial year

Annexure C

Application Format

The Director
Payment Systems Department
State Bank of Pakistan
Main Building
I.I Chundrigar Road
Karachi

Dear Sir,

< Covering letter on the company's original letter head introducing the company, its program of operations setting out in particular the type of business for which the permission is required >

List of Documents to be attached with application:

- a. Certified true copy of:
 1. Certificate of Incorporation with SECP,
 2. MOA
 3. AOA
- b. Copy of receipt of PKR Two Hundred Thousand (Rs. 200,000/-) deposited in SBP-BSC Karachi Office as Non-refundable Application Processing Fee.
- c. Business feasibility report (consisting of business plan including the financial projections for the first five years) including detailed description of operations related to e-money issuance, redemption, delivery channels, payment services to be offered, contractual arrangements with financial institutions, IT Systems, data security and data storage.
- d. Description of the measures to be taken to safeguard the customers' funds in line with these regulations.
- e. Details of the internal control mechanisms established to comply with AML/CFT Regulations and Guidelines issued by SBP from time to time.
- f. Details about the use of agents and outsourcing arrangements, if any.
- g. List and details of beneficial owner(s), sponsor(s) and shareholder(s) (holding 10% or more shares) in the format as given in Annexure – D and undertaking as per Annexure D-2
- h. "Fit and Proper Test" of Directors, CEOs and Key Executives in the format as given in Annexure – D-1 and D-2.
- i. Details of list of Associated Companies, Subsidiaries and other related parties.
- j. Audited financial statements of the company for the last three (3) years where applicable.
- k. Any other relevant document (s)
- l. SBP may request the applicant for any further information it requires for the purposes of considering the application.

Yours faithfully,

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President / Chief Executive Officer
Company Seal

Annexure D

Performa – Fitness and Proprietary of beneficial owner(s), sponsor(s) and shareholder(s) (holding 10% or more shares)

1. Full Name:		
2. Father’s Name:		
3. Mother’s Name:		
4. Spouse’s Name:		
5. Date of Birth:	6. Place of Birth	
7. Nationality (ies):	8. NTN:	
9. CNIC:		
10. Passport Number:		
11. Recent Residential Address in Full:		
12. Permanent Residential Address in Full:		
13. Residential Telephone Number (s):	14. Mobile Number:	
15. Email Address:		
16. If you have changed your name, state previous name and reasons for change:		
17. Academic Education		
Qualification	Name and Address of Degree Awarding Institution	Date of Completion
18. Professional Education		
Qualification	Name and Address of Institution/Professional Body	Date of Completion
19. Training (s), if any:		
20. Existing Employment:		
21. Present Designation:	22. Present Department:	
23. Official Address:		

24. Telephone Number (s):	25. Email:	
26. Please provide complete and true particulars of all business(es), including proprietary concern/partnership firms, companies in which you have been associated as a proprietor, partner or a director thereof during the last ten years and the accounts maintained by them:		
Name of the Proprietary Concern/Partnership Firm/Company	Name of Bank and/or NBFIs together with Name of Branches	Account Numbers
27. Position held during the last ten years (along with name and address of company/institution/body where appointment held, nature of the company/institution/body and dates of appointment)		
Position of shares held in EMI	Number of shares held as of	
As a Sponsor Shareholder Own name In the name of the company In the name of family member Other than Sponsor Shareholder Own name In the name of the company In the name of family member		

(Signature of concerned official)

Annexure D-1**Questionnaire for Assessing Fit and Proper Test**

Please answer the following questions by entering a tick (✓) in the appropriate box. If the answer of any of these questions is YES and need explanation then use a separate sheet with proper reference to the question.

S. No	Description	Yes	No
1.	Have you ever been convicted/involved in any fraud/forgery, financial crime etc., in Pakistan or elsewhere, are subject to any pending proceedings leading to any conviction?		
2.	Have you ever been associated with any illegal activity concerning banking business, deposit taking, financial dealing and other business?		
3.	Have you ever been subject to any adverse findings or any settlement in civil/criminal proceedings particularly with regard to investments, financial/business, misconduct, fraud, formation or management of a corporate body etc. by SBP, other regulators, professional bodies or government bodies/agencies?		
4.	Have you ever contravened any of the requirements and standards of regulatory system or the equivalent standards or requirements of other regulatory authorities?		
5.	Have you ever been involved with a company or firm or other organization that has been refused registration/license to carry out trade, business etc.?		
6.	Have you ever been involved with a company/firm whose registration/license has been revoked or cancelled or which has gone into liquidation or other similar proceedings?		
7.	Have you ever been debarred for being Chief Executive, Chairman, Director or Sponsor/major Investor of a company, especially financial institutions?		
8.	Have you ever been dismissed/ asked to resign/resigned in Pakistan or elsewhere in order to avoid legal or disciplinary action?		
9.	Have you ever resigned from a professional or regulatory body in Pakistan or elsewhere in order to avoid legal or disciplinary action?		
10.	Have you ever been disqualified/ removed by regulators/Government bodies/ agencies?		
11.	Have you ever been in default of payment of dues owed to any financial institution in individual capacity or as proprietary concern or any partnership firm or in any private unlisted/listed company?		
12.	Have you ever been in default of taxes in individual capacity or as proprietary concern or any partnership firm or in any private listed/unlisted company?		

13.	Have you ever been associated as director and/or chief executive with the corporate bodies whose corporate and tax record, including custom duties, central excise and sales tax has been unsatisfactory?		
14.	Have you entered into any agreement with any other person (natural or legal) which will influence the way in which you exercise your voting rights or the way in which you otherwise behave in your relationship with the authorized entity?		
15.	Are you a director on the Board of Directors of any other Financial Institution(s) or EMI/PSO/PSP?		
16.	Are you a Chairman, Chief Executive, Chief Financial Officer, Chief Internal Auditor, Research Analyst or Trader (by whatever name/designation called) of an Exchange Company (firm or sole proprietorship), member of a Stock Exchange, Corporate Brokerage House?		
17.	Are you owning/controlling any Exchange Company or Corporate Entity?		
18.	Have you been or are you working as consultant or adviser of EMI/PSO/PSP or any related business in which you intend to become a director?		
19.	Are you employee of an EMI/PSO/PSP?		
20.	Are you employee of a company/entity/organization where sponsor shareholders of EMI have substantial interest?		
21.	Are you a member/office bearer of any political party or member of Senate/National/Provincial Assembly/Local Body?		
22.	Any other information that is relevant for the purpose of SBP and needs to be mentioned?		

Signature: -----

Name: -----

Position: -----

Date: -----

Annexure D-2**Performa – Fitness and Proprietary of Key Executives/Directors/CEOs**

1. Position and grade held by the Executive:		
2. Date of assumption of current position (dd /mm/ yyyy):		
Full Name:		
Father's Name:		
Date of Birth	Place of Birth (City and Country):	
Nationality:	NTN:	
CNIC Number:	Email Address:	
Telephone Number (s):	Mobile Number (s):	
Academic Qualification:		
Qualification	Name and Address of Degree Awarding Institution	Date of Completion
Professional Qualification		
Qualification	Name and Address of Institution/Professional Body	Date of Completion
Training (s), if any:		
Previous Employment (s)- date wise:		
Designation:	Department:	
Official address:		
Telephone Number (s):		
Has he/she ever been convicted of any offence? Yes <input type="checkbox"/> No <input type="checkbox"/>		
If yes, mention the nature of offence and penalty imposed:		
Has he/she ever been censured or penalized by any financial regulator (local or foreign)?		
Yes <input type="checkbox"/> No <input type="checkbox"/>		
If yes, reasons for adverse findings and amount of penalty imposed:		
Has he/she ever been dismissed from employment? Yes <input type="checkbox"/> No <input type="checkbox"/>		
If yes, name of the employer and reasons for dismissal:		

Annexure D-3

State Bank of Pakistan
Payment Systems Department

**Affidavit
(On Non-Judicial Stamp Paper)**

I (the deponent), _____ son/daughter/wife of _____ adult,
resident _____ of _____

and holding CNIC/Passport No. _____ do hereby state on
oath/solemn affirmation as under:-

a. that the deponent hereby confirms that the statement made and the information supplied in the
attached questionnaire at Annexure D-1 and Annexure D-2 and the answers thereof are correct and
that there are no other facts that are relevant for “Fit and Proper Test”

b. that the deponent undertakes that the State Bank of Pakistan may seek additional information
from any third party as it deems necessary in view of assessing “Fit and Proper Test”

c. that the deponent undertakes to bring to the attention of the State Bank of Pakistan any matter
which may potentially affect my status as being someone fit and proper as and when it crops up;
and

d. that whatever is stated above is correct to the best of my knowledge and belief and nothing has
been concealed there from.

DEPONENT

The Deponent is identified by me

Signature _____

ADVOCATE (Name and Seal)

Stated on oath/solemnly affirmed before me on this _____ day of _____ at
_____ by the Deponent above named who is identified to me by _____,
Advocate, who is known to me personally.

Signature _____

OATH COMMISSIONER FOR TAKING AFFIDAVIT

(Name and Seal)

Annexure D-4

Assessment of Fitness and Propriety

The fitness & propriety of Sponsor(s), Director(s), CEO and Key Executives will be assessed on the following broad elements:

I. Integrity, Honesty and Reputation

Sponsor(s) of EMIs and any person applying to be appointed as Director, CEO and Key Executives should fulfill the following criteria:

- a) Has not been convicted, involved in any fraud and/or forgery, financial crime etc., in Pakistan or elsewhere, or is not being subject to any pending proceedings that may lead to such a conviction;
- b) Has not been subject to any adverse findings or any settlement in civil and, or criminal proceedings particularly with regard to investments, financial matters, business, misconduct, fraud, formation or management of a corporate body etc. by SBP, government bodies or agencies;
- c) Has not contravened any of the requirements and standards of SBP or the equivalent standards, requirements of other regulatory authorities (outside Pakistan as well), professional bodies or government bodies or agencies;
- d) Has not been involved with (management or conduct of the affairs of) a company, firm or any other organization that has been refused registration and, or license to carry out trade, business etc.;
- e) Has not been involved with (management or conduct of the affairs of) a company, firm whose registration and, or license has been revoked or cancelled or gone into liquidation or other similar proceedings due to mismanagement of affairs, financial misconduct or malpractices;
- f) Has not been debarred for being Chief Executive, Chairman, Director, Controlling Shareholder, Sponsor or Key Executive of a company, firm or in similar capacity.

II. Track Record

- a) The Director/CEO/Key Executives must have an impeccable track record in the companies served either in the capacity of an employee or Director/Chief Executive or as Chairman;
- b) The Director/CEO/Key Executives have not been dismissed from employment or have not been removed or forced to resign by any regulator or government body or court order, in the capacity of employee, director, chairman or key executive of the company/firm or any other position of trust.

III. Solvency & Financial Integrity

- a) Has not been associated with any illegal activity concerning banking business, deposit taking, financial dealing and other business;
- b) Has not been in default of payment of dues owed to any financial institution and/or default in payment of any taxes in individual capacity or as proprietary concern or any partnership firm or in any private unlisted, listed company;
- c) Has not been associated as director and/or chief executive with the corporate bodies who have defaulted in payment of Government duties/taxes etc..;
- d) The Sponsor (s) has sufficient means to discharge his/her financial obligations, if any.

IV. Qualification & Experience This section shall apply separately for Directors, CEO and other Key Executives of EMIs as under:

a) BODs

- i. Must have management or business experience preferably pertaining to payment and settlements systems of at least three (3) years at senior level in an active capacity;
- ii. Minimum qualification for a person to be appointed as Director on the Board of Directors is graduation.

b) CEO

- i. Must be having at least five (5) years of experience at senior level. Preference must be given to a person having the said experience in payment and settlement systems;
- ii. Must possess expertise and skill set to undertake responsibilities of the position effectively and prudently;
- iii. Should have minimum qualification of graduation or equivalent preferably relevant experience in information technology, banking, finance, economics, business administration, commerce or relevant fields.

V. Conflict of Interest

- a) The CEO will not be the Chairman of the Board of Directors of the same EMI.
- b) The Directors on the Board should avoid conflict of interest in their activities with, and commitments to, other organizations;
- c) Directors and CEO should not be a Director/CEO of any other EMI/PSO/PSP.

VI. Others

- a) Not more than 50% directors of the same family are permitted to be on the Board of an EMI;
- b) No member of Senate, National/ Provincial Assembly, Local bodies shall be appointed/ recommended for appointment as Member of Board of Directors and/or Chief Executive Officer/Key Executive of any EMI.

Annexure E

**Incident Details of Information Security Breaches
(Suspected and/or Compromised) on Quarterly Basis**

S. No	Source of Discovery of Breach	Nature of Incident	Reasons for Incidents Occurred	Value of Maximum Exposure	Remarks, if any