



STATE BANK OF PAKISTAN

Regulations on e-Payment Gateway

Payment Systems Department

REGULATIONS FOR DESIGNATION OF AN ENTITY AS E-PG OPERATOR

Following are the broad guidelines/ requirements for designating an entity as e-PG Operator:

I. NOC from SBP for Incorporation of Company as e-PG Operator

Any entity incorporating itself as a company under Companies Ordinance 1984 with SECP for the purpose of applying for designation as e-PG operator or to carry such functions which relate to payment systems should obtain NOC from SBP before incorporation.

II. General Rules regarding e-PG

1. The entity applying for designation as e-PG operator must be incorporated under Companies Ordinance 1984. Copies of following documents duly registered with the Registrar SECP must be submitted to SBP for review:
 - a) Certificate of Incorporation
 - b) Form-29
 - c) Articles of Association
 - d) Memorandum of Association
 - e) Any other document relating to incorporation of the e-PG
2. The entity applying for designation as e-PG operator must provide details of governance structure to SBP which should include the following:
 - i. Board of Directors**
 - a) Board of Directors and Chief Executive Officer would be approved by SBP.
 - b) Names and copy of CNIC. In case of foreign sponsor, NIC & copy of passport duly attested by Embassy of Pakistan in that country or their respective embassy located in Pakistan
 - c) Share holdings in the Company
 - d) Brief Profile of all Directors
 - e) Brief Profile of Shadow Director(s)

- ii. Committees & their terms of references**
 - a) Investment
 - b) Audit
 - c) Information Technology (i.e. IT Operations, BCP, Projects etc.)
 - d) Any other relevant Committee
3. Where office of any executive member falls vacant, such position can only be filled with the approval of SBP;
4. Number of sponsor directors shall not be less than two;
5. Board of directors and chief executive officer should have the relevant experience and qualification to successfully oversee e-PG;
6. Brief Profile of key executives or the senior management must be submitted at the time of applying for designation as e-PG operator;
7. Locally incorporated entities and/or foreign entities desiring to apply for designation as e-PG operator must have a paid up capital (free of losses) of PKR 200 million or any other amount prescribed by SBP from time to time;
8. e-PG should submit copies of following documents to SBP:
 - a) Agreement(s) between the Participants
 - b) Memorandum of Understanding (MoU)
 - c) Non-Disclosure Agreements (NDAs)
 - d) Service Level Agreements (SLAs)
9. The interested entities should submit a feasibility report and short & long term business plans at the time of applying for designation as e-PG operator;
10. Only those entities having the appropriate technology can apply for designation as e-PG operator. In this regard, the aspiring e-PG must submit the following details:
 - a. e-PG's need/requirement assessment that the technology serves the objective of the company
 - b. IT Solution having proven record of being used for payment system functions in the region and other parts of the world
 - c. Availability of maintenance and support for the IT Solution in the country or in the region

11. Where some entities agree to jointly establish an e-PG, one of them must have at least fifty one percent shares in the consortium. Besides, either all or the individual entities should have the experience of dealing with the business of payment gateway for a period of at least three years;
12. Policies on internal control system along with scale of authority should be in place and a copy of the policy should be submitted to SBP;
13. To ascertain the financial strength, audited financial statements should be submitted to SBP for review;
14. The entities should have a sound knowledge of current market practices;
15. Prior to seeking approval from SBP, the interested parties should get their IT systems audited from a well reputed External Auditor and report of the same be submitted to SBP for review;
16. To facilitate cross border transactions, the company establishing e-PG should be connected with international payment schemes operating in Pakistan such as VISA, MasterCard etc.;
17. A dispute resolution mechanism along-with approved policies & procedures should be in place to resolve disputes relating to participants, customers etc and the same must be submitted to SBP at the time of seeking permission to establish e-PG. However final authority to resolve the cases will lie with SBP;
18. There should also be in place a formally approved settlement policy and procedures for all the authorised transactions;
19. Designated e-PG operators will comply with all the relevant rules and regulations issued by SBP from time to time which in any manner relates to payment gateway;
20. The designated e-PG operator may offer insurance cover to customers;
21. PCI DSS requirements in vogue will be adhered to for enhancing security of e-PG;
22. Details of service charges and logic thereof be provided to SBP for review and eventually be communicated to the respective participants;
23. There should be a proper mechanism in place to circumvent fraudulent activities;
24. Suspicious transactions should be monitored carefully and reported to FMU as per legal requirements;
25. While processing the proposal of any entity, SBP may conduct on-site assessment to assess the financial soundness, management, IT Systems & infrastructure etc. of the proposed e-PG;
26. Operator of e-PG in no way will act as custodian of money, i.e. they should not hold money;

27. The e-PG service provider has no authority to create e-money;
28. If satisfied with the requisites for designating an entity as operator of e-PG, SBP may grant conditional approval to the applicant to run a pilot program prior to final approval;
29. SBP reserves the right to decline any application without giving any reason thereof.
30. Liquidation of the designated entity will be carried out as per the instructions contained in Companies Ordinance 1984. However, any voluntary liquidation will not effectuate unless approved by SBP.