

Royal Monetary Authority, Thimphu, Bhutan
Private Sector Development Project
IDA Grant No : H 307-BHU

Consultancy Services to develop a National Payment System in Bhutan

1. The Royal Monetary Authority of Bhutan (RMAB) has received a grant from the International Development Association (IDA) towards strengthening of the financial sector through use of information technology, under the Private Sector Development Project, and intends to apply a portion of the proceeds of this grant to payments under the contract for the Development of National Payment System in Bhutan.
2. The Services include the overall management and implementation of the National Payment System development including delivering of assignments as detailed out in the Terms of Reference.
3. The Payment systems expert will be initially hired for the duration of six months, extendable based on the implementation progress of the project.
4. The RMAB now invites eligible individual consultants to indicate their interest in providing the Services. Interested individual consultants must provide information indicating that they are qualified to perform the Services (brochures, description of similar assignments, experience in similar conditions, availability of appropriate skills among staff, etc.). Consultants may associate to enhance their qualifications.
5. An individual consultant will be selected in accordance with the procedures set out in the World Bank's Guidelines: Selection and Employment of Consultants by World Bank Borrowers May 2004 [Revised October 2006].
6. Interested Consultants may obtain further information at the address given below from 0900H to 1700H (Bhutan Standard Time) during working days from 1st July to 15th July, 2009.
7. Expression of interest must be delivered to the address given below by no later than 1500H, 16th July, 2009.

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Terms of Reference for the Payment Systems Expert for the Development of a National Payment System in Bhutan under the Bhutan Private Sector Development Project of the World Bank

I. Background

As part of the World Bank-funded Bhutan Private Sector Development (PSD) Project, the Royal Monetary Authority of Bhutan (RMA) has embarked into establishing a National Payment System in Bhutan. To prepare for the roll-out of the National Payment System, the RMA commissioned a Financial Sector IT Strategic Plan (the 'Plan') consultancy to Price Waterhouse Coopers (PWC) India, with funds from Bhutan PSD Project and IFC SEDF. RMA is now in the process of finalizing the draft reports prepared by PWC, which includes (i) a strategic Framework and Visioning Document, (ii) Functional and Technical Specifications for Phase 1 Implementation, (iii) an implementation Roadmap for Phase 1 Strategic Programs and (iv) regulatory framework recommendation.

In addition, as a part of technical assistance to the South Asia Payments and Securities Settlement Initiative (SAPI) and in collaboration with the World Bank Bhutan PSD and IFC/SEDF teams, the World Bank Payment Systems Development Group (PSDG) visited Thimphu from March 17-26, 2009 to provide a complementary diagnostic of payment systems in Bhutan and identification of future needs, building on the existing documents for the National Payment System development.

Based on the recommendations from PWC as well as the PSDG, RMA is currently in the process of setting up a National Payment System, which would initially include: (i) Electronic Fund Transfer and Clearing System (EFTCS)¹ for electronic credit and debit transfer; and (ii) a Settlement System at RMA.²

The development process will entail important aspects of a national payment system such as: (i) regulatory and policy aspects including necessary changes in legal, regulatory, oversight, and institutional framework, as well as risk mitigation measures; and (ii) technical aspects including, among others, system specifications, selection of vendor, implementation and execution of the system.

Against this background, in order to facilitate efficient development of the system, RMA seeks external assistance and guidance from Payment Systems expert over a duration of six months subjected to renewal.

¹ The Electronic Fund Transfer and Clearing System (EFTCS) refers to an Automated Clearing House where electronic credit and debit transfer is cleared on a netting basis.

² The Settlement System refers to the system that settles net positions from the EFTCS for electronic credit and debit transfer, cheque clearing, the large-value electronic funds transfers on a gross basis, and the net results from the card switch. This system should also provide participants and the operators at the RMA with timely information, such as information about the available liquidity in participants' settlement accounts, the net amounts to be settled etc

II. Scope of Work

RMA recently established a Payment and Settlement System Division, which will look after overall development of a new national payment system in Bhutan, starting with the roll-out of the EFTCS for electronic credit and debit transfer and a settlement system in RMA. The Payment System expert will closely work with the Payment and Settlement System Division and the Financial Sector IT Task force to carry out the tasks.

The main tasks of the Payment Systems expert would be to help RMA with the overall management and implementation of the National Payment System development in Bhutan, including delivering of the assignments spelled out in the Terms of Reference as detailed below.

Terms of Reference

A) Regulatory and Policy framework

- Review all the existing Laws applicable for Payment and Settlement System based on the recommendations made by PWC and the PSDG and advise accordingly.
- Frame necessary Rules & Regulations required for Payment and Settlement System.
- Review the draft Clearing House Rules and help to implement it.
- Develop Operational Manual for EFTCS for credit and debit transfer and a settlement system.
- Advise on the mode of settlement (gross/net).
- Review the present accounting system relating to the payment and settlement system adopted by RMA and the banks and recommend suitable changes.
- Review the RMA's payment system policy including appropriate Risk Mitigation Methodology with regard to, among others, legal, liquidity, credit, systemic and operational risks and recommend changes.
- Develop the oversight methodology and instruments for the Payment and Settlement System Division.
- Help to build the institutional capacity with regard to payment systems at RMA.
- Develop business contingency plan for payment systems.

B) Technical framework

- Review the details covered in the Request for Expression of Interest (REOI) regarding the EFTCS and a settlement system development and advise appropriately.
- Guide in short listing the top notch vendors who have submitted REOI for the second stage i.e. for calling a Request for Proposal (RFP) on the development of the EFTCS and a settlement system.
- Develop comprehensive Request for Proposal for EFTCS and in line with the International best practices.
- Review the System Requirement Specification (SRS) submitted by the prospective vendors to make sure that all the necessary functional details are adequately covered in the RFP at the time of floating international tender for submission of bids.
- Suggest appropriate evaluation criteria matrix for assigning weightage for financial and technical bids.
- Guide to finalize the selection of vendor for execution of the Project as per Procurement guidelines of the World Bank.
- Propose suitable Management Information System to be developed by the Vendor.
- Certify the software and hardware delivered by the vendor and closely monitor the testing of the systems
- Devise uniform Accounting System for the Payment and Settlement transactions to be adopted by RMA and other Banks.
- Train the staff of Payment and Settlement System Division.
- Supervise the Vendor to carry out the National Payment System Project as specified in the SRS.
- Address all the issues that might arise during the testing of the system.
- Provide follow-up assistance that may later be required in connection to the execution of the Payment and Settlement Project

III. Duration

The Payment Systems expert will be initially hired for a duration of six months, extendable based on the implementation progress of the project.

IV. Deliverables

The Payment Systems expert will submit the following to the RMA with copy to the World Bank:

1. Progress Report on a monthly basis about the work carried out.
2. The status of the implementation of the EFTCS by the vendor.
3. The status of the amendments regarding the legal and policy frameworks and other implementation issues.
4. Updated project action plan for the EFTCS
5. Any other issues that may arise in the course of project implementation.

V. Budget

The total budget of USD 60,000 is earmarked for the payment systems expert

VI. Qualification Requirement

The Payment Systems expert should preferably be a senior official from a regional Central Bank or a private sector payment system developer and has independently executed various payment and settlement systems projects including the EFTCS. He/She should have in-depth knowledge of Payment and Settlement system framework including Laws, Rules and Regulations, IT framework and should be competent to deliver the work covered in the Terms of Reference.

VII. Logistics

The RMA shall provide the following logistical support to the Payment Systems Expert.

- (a) Office space in the RMA Head Office Building in Thimphu.
- (b) Local transportation to and from the office to the place of Expert's stay in Thimphu.
- (c) Internet Facility
- (d) Local telephone facility
- (e) Shared Computer Printer in the office.

VIII. Confidentiality Statement

All data and information received from the RMA for the purpose of this assignment are to be treated confidentially and are only to be used in connection with the execution of these Terms of Reference. The contents of written materials obtained and used in this assignment may not be disclosed to any third parties without the expressed advance written authorization of the RMA and the World Bank.