



GUIDELINE FOR BHUTAN QR PAYMENTS 2020

In exercise of the powers conferred by Section 4 (Section 4.1.1- 4.1.2) of the Payment and Settlement Systems Rules and Regulations 2018, the RMA hereby issues this Guideline for Bhutan QR Payments.

SECTION I: PRELIMINARY

1. SHORT TITLE AND COMMENCEMENT

This Guideline Shall:

- a) Be called Guideline for Bhutan QR Payments 2020;
- b) Come into force with effect from 1st October 2020

2. APPLICATION

This Guideline shall apply to all participating banks in the Bhutan QR Network.

3. PURPOSE

The purpose of this Guideline is to streamline the procedure for the operation of mobile payments via Bhutan QR.

4. SUPERSESION

This Guideline shall supersede any Provisions, Circulars, or Notifications that are inconsistent with this Guideline.

5. INTERPRETATION

The authority for the final interpretation of any provision of this guideline shall vest with the RMA which, if warranted, may issue such instruction and clarification from time to time as may be necessary to give effect and implement this guideline.

6. AMENDMENT

The amendment relating to addition, changes or repeal of any provisions of this guideline shall be made by the Executive Committee based on the recommendation of the Management.

SECTION II: MEMBERS INVOLVED, AUTHORIZATION, OPERATING PROCEDURE AND RESPONSIBILITIES

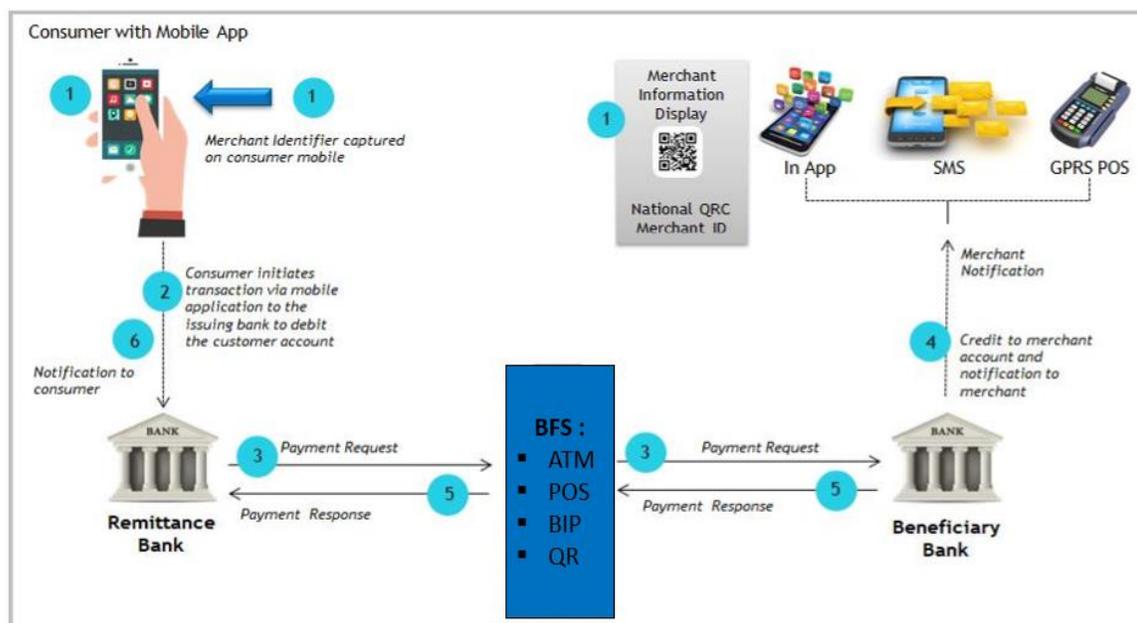
7. MEMBERS INVOLVED:

- a) Remitting customer
- b) Remitting bank
- c) RMA (BFS)
- d) Beneficiary bank
- e) Merchant/Beneficiary

8. AUTHORIZATION

- a) All Banks licensed by the RMA shall be eligible to join Bhutan QR Network; and
- b) A bank shall seek written approval from the RMA using the form attached in **Annexure II**.

9. OPERATING PROCEDURE



Step 1: Merchant is provided with the BHUTAN QR template by the Merchant/Beneficiary bank;

Step 2: A customer of any member bank will walk in the merchant shop and after purchasing goods will initiate a transaction from his mobile application by scanning the Bhutan QR displayed at merchant location;

Step 3: If the customer and the merchant's account belong to the same bank, then the transaction will be treated as ONUS, meaning the transactions will not route through BFS;

Step 4: If the customer and the merchant's accounts belong to different banks, the remitting customer/remitting bank's account will be debited and the merchant/beneficiary account will be credited by routing the transaction through BFS – that is the mobile application will send the transaction request to the remitting bank to debit the remitting customer account and the credit request is initiated to the merchant/beneficiary bank via BFS. BFS identifies the merchant/beneficiary bank and sends the credit payment request to the merchant/beneficiary bank. After the validation by the merchant/beneficiary bank (based on PAN), the merchant/beneficiary bank credits the amount into the merchant account and sends the response back to the remitting bank via BFS;

Step 5: Both customer and merchant will receive the notification on the phone via message.

10. RESPONSIBILITES OF ROYAL MONETARY AUTHORITY OF BHUTAN

a) Operation and Maintenance

- (i) The RMA as the facilitator of the Bhutan QR, shall operate and maintain 24/7 connectivity of the network with 99.9 percent uptime of BFS; and
- (ii) RMA shall monitor, oversee and supervise all transactions and system connected to Bhutan QR.

b) Settlement

- (i) Interbank settlement among the member banks (debiting the remitting bank and crediting the beneficiary bank) shall be carried out at T+1 working days by DPSS, RMA on net deferred settlement basis.

c) Reports

- (i) DPSS, RMA shall maintain the reports of transactions processed through Bhutan QR code.

11. RESPONSIBILITIES OF MEMBER BANKS

a) Operation

- (i) Member banks shall maintain 24/7 connectivity of their network with 99.9 percent uptime of services;
- (ii) Member banks shall strictly follow the KYC norms while onboarding any merchants. Banks shall maintain a merchant registration form for registering merchants on Bhutan QR;
- (iii) Member banks shall set transaction limits on Bhutan QR as prescribed by RMA from time to time;
- (iv) Member banks are required to make necessary changes in the systems and procedures to comply with any revision in the guideline that may be issued by RMA from time to time; and
- (v) Member banks shall create awareness to the merchants that the amount will be credited into their account on T+1, if immediate credit did not happen.

b) Settlement

- (i) All transactions effected through Bhutan QR shall be REAL TIME – immediate debit and credit into the respective account with the transaction confirmation message sent to the members involved; and
- (ii) Member banks are required to have an operation team to handle daily reconciliations and shall ensure timely settlement.

c) Reports

- (i) Member banks shall maintain all transaction report including failed, merchants on boarded, and other relevant data on a daily basis;
- (ii) Member banks shall ensure timely submission of these data to RMA on a daily/monthly basis in the format presented by the RMA from time to time; and
- (iii) Failing to submit the report and submission of wrong data shall be dealt as per Penalties Rules and Regulations 2019.

d) Security

- (i) Member banks shall have a robust infrastructure in terms of applications, network, and hardware capabilities to perform transactions securely and efficiently;
- (ii) Member banks shall have the primary infrastructure, business continuity plan, and disaster recovery (DR) sites;
- (iii) Members shall perform all scheduled maintenance activity during non-peak hours and the same has to be communicated to the RMA for approval; and
- (iv) Member banks shall strictly follow the EMVCo specifications as issued by RMA and not use their proprietary information in the data elements. This should be updated only by RMA.

e) Deployment

- (i) Member banks shall strategically deploy Bhutan QR to increase accessibility to all.

f) App Checklist

SL.NO	App Checklist	Optional/Mandatory
(i)	Details on Payment Screen a) Merchant ID b) Mobile Number c) Bank Name d) Amount e) Remarks	Mandatory
(ii)	Payment Confirmation Screen a. Password authentication Screen (TPIN)	Mandatory
(iii)	Digital Receipt	Mandatory
(iv)	SMS confirmation from Remitter and Beneficiary bank	Mandatory

12. RESPONSIBILITIES OF MERCHANTS

- a) For a merchant to avail the Bhutan QR code service, he/she need to have a bank account with any of the member banks. Accordingly, fill in the required Merchant registration form;
- b) Merchant shall ensure that the QR code template is displayed visibly;
- c) Merchant shall verify the transaction amount before remitting customer initiates the payment;
- d) Merchant shall validate the amount credited into his/her account through the mobile app after the payment has been made by the remitter. Or, in some cases, the merchant shall note down the journal number, amount, and date of the transactions; and
- e) Merchants shall lodge a complaint with merchant bank in case the funds are not credited into his/her account.

13. RESPONSIBILITIES OF CUSTOMERS/USERS

- a) Customer/users shall have a smart phone;
- b) Customer/users shall assign different login password for MPIN and TPIN;
- c) Customer/users shall not disclose his/her MPIN and TPIN to others;
- d) Customer/users shall verify the mobile network/internet connection before initiating any transactions;
- e) Customer/users shall verify the merchant ID before the payment is initiated; and
- f) Customer/users shall be entitled to receive a digital receipt/SMS notification at the time a transaction is performed.

SECTION III: DISPUTE HANDLING & REDRESSAL

14. DISPUTE HANDLING

- a) Disputed transactions are those, which are reported as erroneous/failed by a customer/merchant. Members should collaboratively endeavor to settle discrepancies in a settlement, if raised by other members. To facilitate settlement of the disputed transactions, RMA shall provide necessary transaction logs from the Bhutan QR of BFS, if any, relating to the disputed transaction;
- b) Members should resolve and settle all adjustments of the Bhutan QR transactions arising out of error. They shall furnish all reports/documents in support of the disputed transaction; and
- c) Dispute scenarios, and the subsequent actions are attached in **Annexure I**.

15. DISPUTE REDRESSAL

- a) RMA maintains a database for all interbank transactions performed by the members. Only valid disputes are processed by the RMA and the member banks; and
- b) RMA and the member banks shall validate and processes the disputes raised by members upon verification of reports and evidences.

SECTION IV: INDEMNIFICATION, AML/CFT COMPLIANCE, CONFIDENTIALITY, AND PENALTY

16. INDEMNIFICATION

All members participating in the Bhutan QR network shall defend, indemnify, and protect themselves from all loss and liabilities, if any, except arising out of the following:

- a) Member 's failure to perform its duties and responsibilities;
- b) Malfunctioning of member 's equipment;
- c) Fraud or negligence on the part of a member;
- d) Unauthorized access to Bhutan QR network, and
- e) Member 's software, hardware, or any other equipment violates copyright and patent laws.

17. AML/CFT COMPLIANCE

All Bhutan QR members should comply with proper Anti Money Laundering (AML) and Combating the Financing of Terrorism (CFT) checks as stipulated by FID, RMA and other regulatory bodies, regulating the activities of the members before registering a customer for Bhutan QR.

18. CONFIDENTIALITY

All members participating in the Bhutan QR network shall maintain the confidentiality of the data. Each member shall treat Bhutan QR related documents strictly confidential and shall not disclose to third parties without prior written permission from RMA.

19. PENALTY

RMA reserves the right to impose penalties on the members if they have violated any of the provisions specified under these guidelines. Penalty may include imposing a fine decided by RMA or suspending/terminating of end-to-end (host-to-host) connectivity of the member.

20. DEFINITIONS:

In this guideline, unless the context otherwise requires, it shall have the same meaning as defined in the Payment and Settlement Systems Rules and Regulations 2019.

- a) **“Authority”** means the Royal Monetary Authority of Bhutan as defined by the Royal Monetary Authority Act of Bhutan 2010;
- b) **“Member Bank”** - means a bank admitted for participating in the Bhutan QR Network by RMA;
- c) **“Person”** means an individual or juridical entity, whether incorporated or not;
- d) **“Remitting Customer”** means the person having account with the remitting bank wishing to make payment from his account through Bhutan QR;
- e) **“Remitting Bank”** means the member bank where the account of a remitting customer is held;
- f) **“Beneficiary Bank”** means the member bank where the merchant/beneficiary’s account is held;
- g) **“BFS”** means Bhutan Financial Switch, is a switch set up by the RMA to facilitate interbank fund transfer;
- h) **“Interoperability”** means a seamless transfer of payment instructions or funds from an account of remitting customer/remitting bank to the account of another merchant/beneficiary bank;
- i) **“Merchant”** refers to any person that accepts payments through Bhutan QR for their goods and services;
- j) **“Off Us”** means those transactions, which are done by the remitting customer at the merchant’s shop on a QR code template belonging to any member bank other than the one in which he has account with;
- k) **“On Us”** means those transactions, which are done by the remitting customer on a QR code template belonging to the same bank;
- l) **“Settlement Account”** means an account maintained by a participating bank at the Banking Department of RMA for settlement of payment obligations; and
- m) **“PAN”** means a unique Primary Account Number assigned to individual merchants.

Annexure I

SL.NO	Scenario	Status	Remitting Bank	Beneficiary Bank	RMA	Remarks
1	Remitting customer account debited, but merchant/beneficiary account not credited	Merchant account not credited	Remitting bank shall not reverse the amount back to the remitting customer account. Instead raise debit authorization (RRN, PAN, Amount, TRN, etc.) to DPSS for manual interbank settlement.	Based on the report/confirmation received from remitting bank, merchant/beneficiary bank shall credit the merchant account within T+1.	Manual interbank Settlement based on debit authorization from remitting bank.	Remitting bank shall raise Debit Authorization along with supporting documents to DPSS with a copy to merchant/beneficiary bank.
2	Remitting customer account debited; Merchant/beneficiary account credited but response code failed	Interbank settlement did not happen	Remitting bank shall not reverse the amount back to the remitting customer account. Instead raise debit authorization (RRN, PAN, Amount, TRN, etc.) to DPSS for manual interbank settlement.		Manual interbank Settlement based on debit authorization from remitting bank.	Remitting bank shall raise Debit Authorization along with supporting documents to DPSS with a copy to merchant/beneficiary bank.
3	Host down and transaction failed but the Remitting customer received debit message.	Merchant account not credited	Remitting bank shall not reverse the amount back to the remitting customer account. Instead raise debit authorization (RRN, PAN, Amount, TRN, etc.) to DPSS for manual interbank settlement.	Based on the report/confirmation received from remitting bank, merchant/beneficiary bank shall credit the merchant account within T+1.	Manual interbank Settlement based on debit authorization from remitting bank.	Remitting bank shall raise Debit Authorization along with supporting documents to DPSS with a copy to merchant/beneficiary banks.

* The dispute scenarios cited above are subject to change depending on the technology enhancement measures. The members shall follow any circulars, directives and notifications that are related to dispute management of the Bhutan QR issued by DPSS.

* Any matter of the dispute management, both the remitting and the beneficiary bank must follow the dispute handling procedures under BFS procedure guideline 2018.

Annexure II

FORM A: RMA/BhutanQR

Date:

To
The Deputy Governor
Royal Monetary Authority of Bhutan
Thimphu, Bhutan.

Subject: Membership to Participate in Bhutan QR Network/System

Dear Sir/Madam,

The (Bank name) would like to participate in the RMA Bhutan QR Network/System.

We agree to abide by the Guidelines for Bhutan QR Payments/Circulars/Directives and comply with the technical and operational requirements in the event of being admitted into the Network/System.

We will ensure that adequate balance would be maintained in our account with Royal Monetary Authority of Bhutan for settlement obligations relating to Bhutan QR transactions.

We authorize the Royal Monetary Authority of Bhutan to debit our account maintained at Banking Department, RMA for all transactions relating to Bhutan QR.

Therefore, we would like to request the RMA to kindly approve our participation in the Bhutan QR Network/System.

Yours sincerely,

Signature:

Name:

Designation of the authorized signature

Annexure III

FORM B: RMA/BhutanQR

Date:

To

The.....

.....

.....

Subject: Letter of Authorization to Join Bhutan QR Network/System.

Dear Sir,

The RMA is pleased to inform that..... (Bank name) has been authorized to participate in the Bhutan QR network with effect from.....

As a member participant of Bhutan QR, you are required to adhere to the Guideline for Bhutan QR Payments/Circulars/Directives, and comply with the technical and operational requirements prescribed by the RMA.

Further, as authorized vide your letter no. dated, we will be debiting your current account maintained at Banking Department of Royal Monetary Authority of Bhutan for all transactions relating to your Bhutan QR operations.

Yours sincerely,

Signature:

Name:

Designation of the authorized Signatory