

ROYAL MONETARY AUTHORITY OF BHUTAN



THE PAYMENT AND SETTLEMENT SYSTEMS RULES AND REGULATIONS,

2018.

In exercise of the powers conferred by Section 184 of the Royal Monetary Authority of Bhutan Act, 2010 read with Section 8(c) and Section 9(c), (h) and (l) thereof, the Royal Monetary Authority of Bhutan hereby makes the following regulations for regulating and supervising Payment and Settlement Systems and Payment Services Providers in the Kingdom of Bhutan.

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CHAPTER I: PRELIMINARY

1.1 Short title.

These rules and regulations shall be called the Payment and Settlement Systems Rules and Regulations (2018) and shall be applicable to all Payment Service Providers which include payment systems, payment systems operators and payment system participants licensed by the Authority.

1.2 Commencement and extent.

1.2.1 These rules and regulations shall come into effect from 1st February 2018 and shall extend to any national or international payment system set up, operated or controlled from within the territories of the Kingdom of Bhutan.

1.2.2 Without prejudice to the previous subsection, Chapters II and V of these rules and regulations shall not apply to systems operated by the Authority. However, the Authority shall use its best endeavor to ensure that a system it operates complies with the same oversight norms and standards as are imposed on any similar system on the condition that, in the reasoned opinion of the Authority, application of such norms and standards does not:

1.2.2.1 Disable the Authority to comply with any provision of the RMA Act, 2010;

1.2.2.2 Reduce the autonomy of the Authority; or

1.2.2.3 Undermine the operational effectiveness of the Authority.

1.3 Rules of construction.

In these rules and regulations unless the context indicates otherwise, the singular shall include plural and the masculine gender shall include the feminine gender hereafter.

1.4 Supersession.

These rules and regulations shall supersede the provisions of the existing rules and regulations, circulars, guidelines or notifications that are inconsistent with these Rules and Regulations.

1.5 Interpretation.

The authority to interpret these rules and regulations shall vest with the Authority, which, if warranted, may issue such instruction and clarification from time to time as may be necessary to give effect and implement these rules and regulations.

1.6 Amendment.

These rules and regulations may be amended in part, or in whole, by the Board/Executive Committee at its own discretion or based on the recommendation made by the Management/Department concerned.

1.7 Objectives and guiding principles.

1.7.1 These rules and regulations set out by the Authority are aimed at achieving the following objectives:

1.7.1.1 Effectively regulating, supervising and overseeing payment services providers and payment systems in promoting their safety and efficiency, thus facilitating the overall stability of the financial system in Bhutan;

1.7.1.2 Preventing and mitigating systemic risk; and

1.7.1.3 Promoting financial inclusion and consumer protection.

1.7.2 In the exercise of its powers under these rules and regulations, the Authority shall be guided by the general policy of the Royal Government of Bhutan and shall take into account international best practices.

1.8 Scope of regulations.

1.8.1 These rules and regulations shall define:

1.8.1.1 The conditions, requirements and procedures under which Payment Service Providers are licensed and payment systems authorized;

1.8.1.2 The terms and standards under which payment systems can be operated; and

1.8.1.3 The means and procedures under which the Authority shall exercise its oversight powers.

CHAPTER II: LICENSING

2.1 Licensing principle.

2.1.1 No person, other than the Authority, shall set up, or operate or control a payment system in Bhutan except under and in accordance with the terms of a license issued by the Authority to that effect under these rules and regulations;

2.1.2 Any person or entity desirous of becoming Payment Service Provider providing a payment service or operate payment system, shall apply to the Authority for a license prior to the commencement of its operations.

2.1.3 This section shall not apply to:

2.1.3.1 A person acting as the duly appointed agent of another person to whom the payment is due;

2.1.3.2 A company exclusively accepting payments from its subsidiaries, its holding company or other subsidiaries of its holding company;

2.1.3.3 The offering of payment services by a bank or a DMFI, provided that such bank or DMFI shall seek the authorization of the Authority for any new payment service it intends to offer.

2.2 Licensing criteria.

2.2.1 The Authority shall not grant a license if the following requirements are not met:

2.2.1.1 The entity is a company incorporated under the Companies Act 2016;

2.2.1.2 All essential activities of the Payment Service Providers are to be carried out in the Kingdom of Bhutan;

2.2.1.3 The directors and management of the proposed entity are fit and proper;

2.2.1.4 The capital of the proposed entity is adequate for its operations and no less than Ngultrum 20,000,000.00 (Ngultrum Twenty Million); and

2.2.1.5 The overall organization and structure of the proposed entity is adequate for its operations and includes robust procedures for the management of its liquidity and credit risk; data protection; contingency and disaster recovery.

2.2.2 The authority shall reject the application for license on any of the following grounds:

2.2.2.1 The applicant or any of its significant owners have been convicted of an offence involving a financial transaction in any jurisdiction within the past ten (10) years;

2.2.2.2 The applicant fails to respond to request from the Authority for additional information within ten (10) working days of a third request for the same information;

2.2.2.3 The documents submitted are false, incomplete, deceptive or misleading.

2.2.3 Any applicant for a license, whose application has been refused or suspended, restricted or revoked; may within thirty (30) days from the date on which the order is communicated to him/her, appeal against the decision.

2.2.4 License issued under this rules and regulation shall be subjected to annual renewal with a fee under section 5.1.3 of these rules and regulations.

2.3 Application procedure and documents.

2.3.1 Any legal person desirous of becoming Payment Service Provider shall apply for Payment Service Provider's License or carrying on the operation of a payment system shall apply to the Authority for authorization to operate a payment system under these rules and regulations.

2.3.2 An application under subsection 2.3.1 shall be made by submitting the signed information contained in **Form A** in full, and shall be accompanied by a non refundable application fee under section 5.1.1 of these rules and regulations.

2.3.3 On receipt of an application and before a license is issued, the Authority may make such inquiries as it may consider necessary for the purpose of satisfying itself about the genuineness of the particulars furnished by the applicant, its capacity to provide payment services, its credentials or any other matter which it may consider necessary or expedient for the purpose.

2.4 Determination of an application.

2.4.1 Within ninety (90) days after receipt of an application under section 2.3.1 or of all additional information required by the Authority under section 2.3.3, the Authority shall notify to the applicant its decision to:

2.4.1.1 Grant the license, with or without conditions, pursuant to Section 2.5; or

2.4.1.2 Refuse to grant the license.

2.4.2 A license shall be granted using **Form A** and shall-

2.4.2.1 State the date on which it takes effect;

2.4.2.2 State the conditions, if any subject to which it shall remain in force;

2.4.3 In deciding whether to grant or refuse a license, the Authority shall have regard to the safety and efficiency of the prospective Payment Service Provider and the financial system at large.

2.4.4 In case of refusal to grant the license, the applicant may, within thirty (30) days after the notification under subsection 2.4.1.2, by making representations, invite the Authority to reconsider its decision.

2.4.5 Within thirty (30) days after representations are made under section 2.4.4, the Authority shall notify the applicant whether it confirms, modifies or sets aside its decision.

2.4.6 The license granted by the authority under these rules and regulations shall be non transferable.

2.5 Licensing conditions.

The Authority may at any time make the license conditional upon any terms or conditions which the Authority deems appropriate for the safety and efficiency of the payment system and the financial system at large.

2.6 Withdrawal and suspension of a license.

2.6.1 The Authority may, by order, withdraw or suspend the license granted to a Payment Service Provide at any time, if:

2.6.1.1 Violated or contravened any law, rules and regulation or order of the Authority;

2.6.1.2 Not commenced the operation of payment system within six (6) months after the license was granted;

2.6.1.3 Ceased operating the payment system for more than thirty (30) days;

2.6.1.4 Obtained the license through incomplete, misleading or false information or any other irregular or illegal means;

2.6.1.5 One or more of the licensing criteria under section 2.2 or the conditions pursuant to section 2.5 are not or no longer met;

2.6.1.6 Committed an act of bankruptcy; or

2.6.1.7 In the reasoned opinion of the Authority is no longer to the public interest; no longer represents the interests of the participants; endangers the stability of the financial system in the Kingdom of Bhutan.

2.6.2 No order of withdrawal or suspension under these rules and regulations shall be made without giving the Payment Service Provider a reasonable opportunity of a prior hearing.

2.6.3 The Authority shall, immediately after its decision on the withdrawal or suspension of the license, notify the order to the Payment Service Provider and publish a notice in such manner as it deems appropriate.

2.6.4 The order of withdrawal or suspension shall, as far as possible, include provisions to safeguard the interests of persons affected by it.

2.7 Authorization and issuance of payment instruments.

2.7.1 Where the Authority is of the opinion that:

2.7.1.1 Payment Service Provider's new payment instrument is of widespread use as a means of making payment and plays significant role in development of Bhutan's payment system;

2.7.1.2 It is necessary to protect the interest of the public by ensuring the integrity, security and reliability of the payment instrument as a designated payment instrument;

2.7.2 Where the Payment Service Provider's payment instrument is recognized as a payment instrument, the issuer of such payment instrument shall be subject to subsection 2.7.3 and 2.7.5 below.

2.7.3 No Payment Service Provider shall introduce any new payment instrument or service without prior written approval of the Authority.

2.7.4 The Authority may set out standards for payment instruments and services and stipulate transition time frame for the existing instruments or services, if necessary.

2.7.5 The design, security and operational risk management features of new electronic payment instruments and services, if necessary, shall be decided by the Authority.

2.7.6 No Payment Service Providers shall issue any new payment instrument to a person unless the issuer has:

2.7.6.1 Complied with the requirements set in these rules and regulations;

2.7.6.2 Submitted to the Authority information contained in **Form B** in full as specified;

2.7.7 The Authority may in granting authorization:

2.7.7.1 Require all or any of the documents submitted to be modified and altered as it may deem necessary;

2.7.7.2 Impose such restriction, limitations or conditions as it may deem fit;

2.9 Power to approve changes in a system.

2.9.1 No Payment Service Provider shall cause any change in the system it operates which would substantially affect the structure or the operation of the system without:

2.9.1.1 The prior written approval of the Authority; and

2.9.1.2 Giving notice of not less than thirty (30) days to the system participants after obtaining approval of the Authority:

2.9.2 Notwithstanding section 2.9.1, the Authority may permit a Payment Service Provider to make any quick change in a system without giving notice to the system participants or require a system to give notice for a period longer than thirty (30) days, if it deems this is the interest of monetary policy of the country or in the public interest.

2.9.3 Where the Authority has any objection to the proposed change for any reason, it shall notify such objection to the Payment Service Provider within ten (10) working days of receipt of the intimation for the proposed changes. In technically complex cases, the Authority may extend this deadline by ten (10) additional working days, by reasoned decision.

2.10 Prohibition of Issuance of payment instrument.

2.10.1 The Authority may, in written order, reject the issuance or using any payment instrument if, in its reasoned opinion:

2.10.1.1 The issuance or use of the payment instrument violates or contravened any law, rules and regulation or order of the Authority;

2.10.1.2 Failed to commence the operation of payment instrument within six (6) months after the approval/ authorization was granted;

2.10.1.3 Ceased issuing the payment instrument for more than thirty (30) days;

2.10.1.4 The authorization for payment instrument has been obtained through incomplete, misleading or false information or any other irregular or illegal means;

2.10.1.5 The Payment Service Providers commits an act of bankruptcy;

2.10.1.6 Is no longer to the public interest; no longer represents the interests of the participants; endangers the stability of the financial system in the Kingdom of Bhutan; or

2.10.1.7 There exists any other ground which in the opinion of the Authority warrants variation or revocation.

2.11 Renewal of license.

2.11.1 The license issued under chapter II shall, unless earlier revoked, be valid up one (1) year from the date of issue.

2.11.2 License granted under chapter II shall prior to thirty (30) days of expiry be renewed using **Form C** for further period of twelve (12) months.

2.12 Settlement.

2.12.1 Every Payment Service Provider shall:

2.12.1.1 Open and maintain settlement accounts with banks, including the maintenance of minimum balances, on such terms and conditions as the Authority may specify;

2.12.1.2 The payment obligations and settlement instructions among the participants shall be determined in accordance with gross or netting procedure, as the case may be.

2.12.2 Finality of Payment:

2.12.2.1 The payment out of the account of a Payment Service Provider to settle a settlement obligation in a designated payment system shall be final and irrevocable unless special conditions apply.

CHAPTER III: SUPERVISION AND OVERSIGHT.

3. Oversight and supervision.

The Authority shall have powers to provide oversight and supervision of Payment Service Provider, payment systems and participants, as it deems necessary to ensure the safety and soundness of such payment systems.

3.1.1 The Authority shall conduct onsite and offsite supervision of the operations of licensed Payment Service Provider, payment systems, payment system participants and any third parties to which part of services have been outsourced and may issue guidelines, rules and regulations regarding such issuance and use, with the view to promote their soundness, safety and efficiency from time to time.

3.1.2 The Authority may require all Payment Service Provider with reporting requirements on their activities from time to time to oversee the payment system and for statistical purposes;

3.1.3 Persons undertaking monitoring on behalf of the Authority shall not be held liable towards third person for the consequences of the performance of their functions;

3.1.4 The Payment Service Provider, operator of a payment system, participants and other persons who are subjected to oversight shall be obligated to permit it, refrain from acts that could inhibit its conduct and to provide all information and cooperation stipulated by this rules and regulation or required for the conduct of the oversight by the Authority or persons authorized by this to oversee Payment Service Provider, operator of a payment system, participants and other persons;

3.1.5 The Authority shall cooperate with other public authorities engaged in the regulation and supervision of financial institutions and other entities directly or indirectly involved in payment services and their operation in Bhutan, the Authority shall have the right to exchange information with such bodies and person and to notify them regarding deficiencies found during their oversight activities; and

3.1.6 If the Authority discovers facts during its monitoring indicating that criminal acts have been committed, it shall notify the relevant body regarding criminal proceedings of this fact without unreasonable delay.

4. Powers to determine minimum standards and controls.

4.1.1 The Authority may, from time to time, prescribe to Payment Service Provider, operator of a payment system, participant and other persons, as applicable:

4.1.1.1 Minimum eligibility criteria for system participants, including rejection, continuation, and termination of membership;

4.1.1.2 Conditions for participation by system participants in fund transfers and the rights and obligations of system participants with respect to such transactions and the underlying funds and collateral;

4.1.1.3 The manner of transfer within a system, either through paper, electronic means or in any other manner, between banks or between banks and other system participants;

4.1.1.4 The format of payment and securities transfer instructions and the size and shape of such instructions;

4.1.1.5 The maximum execution time to be observed by system providers and payment services provider;

4.1.1.6 Sound and prudent management, administrative and accounting procedures and adequate internal control systems of system and Payment Service Provider;

4.1.1.7 Appropriate and tested technology;

4.1.1.8 Appropriate security policies and measures intended to safeguard the integrity, authenticity, and confidentiality of data and operating processes;

4.1.1.9 An adequate business continuity and disaster recovery plan;

4.1.1.10 An effective internal audit function to provide periodic review of the security control environment and critical technology systems; and

4.1.1.11 Such other standards to be complied with by system and payment services provider generally.

4.1.2 Without prejudice to the provisions of subsection (1), the Authority may, from time to time, issue such guidelines and instructions, as it may consider necessary for the proper and efficient management of payment systems and Payment Service Provider generally or with reference to any particular system or provider.

5. Powers to issue warnings and directions.

5.1.1 Where the Authority is of the reasoned opinion that :

5.1.1.1 A system provider or a participant is engaging in, or is about to engage in, any act, omission or course of conduct that results, or is likely to result, in systemic risk being inadequately controlled; or

5.1.1.2 A Payment Service Provider, system provider or a participant engaging in, or is about to engage in, any act, omission or course of conduct that affects or is likely to negatively affect, the monetary policy or the credit policy of the country; or

5.1.1.3 A Payment Service Provider (including its agents) is engaging in, or is about to engage in, any act, omission or course of conduct that results, or is likely to result, in harm to users of payment services; or

5.1.1.3 External influence to a system or Payment Service Provider may result in either a threat to these latter or in systemic risk being inadequately controlled; or it may issue in writing to such Payment Service Provider, system provider and participant.

5.1.2 Warnings:

5.1.2.1 Orders to cease and desist from engaging in the act, omission or course of conduct or, in case of system providers, to ensure that system participants cease and desist from the act, omission or course of conduct; or

5.1.2.2 Orders to perform such acts as may be necessary, in the reasoned opinion of the Authority, to remedy the situation; or

5.1.2.3 Orders of appointment of a person to advise the Payment Service Provider, system provider, participant on the proper operation of the systems and the proper provision of services; or

5.1.2.4 Orders of removal of a director or senior manager from office.

6. Powers to call for returns, documents or other information.

6.1.1 The Authority may call for, or access, from any Payment Service Provider, system provider and participant, such returns or documents or information relating to the systems or services as it may require from time to time.

6.2.1 Without prejudice to the generality of section 6.1.1, the Authority may require any Payment Service Provider, participant to provide, whether in the form of a periodic report or otherwise information relating to:

6.2.1.1 The operation of the system or the provision of the payment service; and;

6.2.1.2 The pricing of, or other form of consideration for the participation in the payment system or for the payment services.

7. Powers to enter and inspect.

7.1.1 Any officer of the Authority, or any other person duly authorized by it in writing, for ensuring compliance with the RMA Act 2010, the Financial Services Act of Bhutan 2011, and these rules and regulations may:

7.1.1.1 Enter at any time, any premises where a system is being operated and a payment service is being provided,

7.1.1.2 Inspect and seize any hardware, make copies of any software applications, minutes, applications, instructions issued and other records relating to the payment system;

7.1.1.3 Call upon any employee; agent of such system provider or Payment Service Provider, or any other person present in such premises at the time of

such inspection to furnish information or documents as may be required by employee, agent or other person, as the case may be.

7.1.2 Prior to exercising the powers of section 7.1.1, the Authority shall give due prior notice of no less than one (1) working day to the system provider or the Payment Services Provider, unless the Authority reasonably suspects that, due to the facts of the case, such prior notice would put the conduct of the inspection or the collection of evidence at risk.

7.1.3 The Authority may order the external auditor of a Payment Service Provider or system provider to examine such matters as may be specified by the Authority at the expense of the audited entity.

7.1.4 The external auditor ordered under section 7.1.3 shall cooperate with the Authority and shall not invoke their professional secrecy against it.

8. Duties of a Payment Services Provider or system provider.

Every Payment Service Provider and system provider shall:

8.1.1 Ensure uninterrupted, high quality performance of the system or the services and shall also promptly inform the participants/users about any disruption or anticipated disruption in the system or services.

8.1.2 Validly contract and abide by any standard terms of contract, norms or standards as may be prescribed by the Authority.

8.1.3 Adopt a protocol to preserve the confidentiality and integrity of the data generated or received by them.

8.1.4 Preserve all data, records, etc. for a period of ten (10) years and should make it available as and when required, for the purpose of inspection by the Authority.

8.1.5 Ensure that the servers are placed in a secured location and shall submit an updated business continuity and disaster recovery plan to the Authority every twelve (12) months.

8.1.6 Ensure that the background of its staff is verified to ensure integrity and safety of the system or the provision of the payment service and the combating of fraud and theft.

8.1.7 Be required to obtain such quality certification at its own cost as may be recommended by the Authority.

8.1.8 Ensure it complies with the applicable provisions of the Anti-Money Laundering and Combating the Financing of Terrorism Rules and Regulations 2015 and amendment thereof.

8.1.9 Get its financial statements audited and submit a copy of the annual audited accounts to the Authority within thirty (30) days of the close of the financial/calendar year.

8.1.10 Provide participants and users respectively adequate and timely redress in case of grievances.

9. Duties of a system participant – suspension of participation on prudential grounds.

9.1.1 Each system participant shall ensure:

9.1.1.1 Not to undertake any action which may undermine the objectives of the system or cause its operations to get delayed, halted or malfunction in any deliberate act or omission;

9.1.1.2 To pay the transaction charges or bear cost as per the scheme to be approved by the Authority under section 5.1.5 of these rules and regulations.

9.1.1.3 To comply with the operating rules of the system in a prompt manner;

9.1.2 The Authority shall have the authority to seek explanation from any system participant and thereafter suspend or order the suspension of its participation in any or all systems for a defined period of time.

CHAPTER IV: GRIEVANCE ADDRESSAL

4. Reporting of Grievance.

4.1.1 The Authority may receive grievances and complaints from payment services provider, system participants and payment services users and may facilitate their resolution by taking corrective action pursuant to these chapter.

4.1.2 Notwithstanding subsection 4.1.1, the Authority may, at its sole discretion, play the role of a conciliator with the objective of achieving amicable and quick resolution of disputes between or among payment services providers, system participants, payment services users and other stakeholders.

4.1.3 If the parties to the dispute so agree, and the Authority at its discretion is willing, an officer from it designated for this purpose may assume the role of an arbitrator for resolution of the dispute.

4.1.4 If the parties to the dispute do not agree to the resolution of the arbitrator, the parties may appeal to competent court.

4.1.5 The rules of procedure relating to the conciliation shall be drawn up by the designated officer.

CHAPTER V: ADMINISTRATIVE FEES, CHARGES AND PENALTIES

5. Application and licensing fees.

The Payment Service Provider is subject to licensing fees, administrative charges, and reporting penalties, all of which are subject to change.

5.1.1 Application processing and License fee:

Any person or entity desirous of providing a payment service or operate payment system, shall apply to the Authority for a licence and must pay one time application processing fee of Ngultrum. 5000.00 (Ngultrum Five Thousand only) and License fee of Ngultrum 25,000.00 (Ngultrum Twenty Five Thousand only).

5.1.2 Renewal Fee:

License issued under this rules and regulation shall be subjected to annual renewal with a fee of Ngultrum 25,000.00 (Ngultrum Twenty Five Thousand Only)

5.1.4 Transaction Fees:

To pay the transaction charges or bear cost as per the scheme to be approved by the Authority;

5.2 Powers of the Authority to impose penalties.

The Authority may impose on the person contravening or committing default of any of the provisions of these rules and regulations with an appropriate fine specified by the Authority.

6. Definitions.

In these regulations, unless the context otherwise requires,

6.1 “**Authority**” shall mean the Royal Monetary Authority of Bhutan, constituted under the Royal Monetary Authority of Bhutan Act, 2010 represented by its Board of Directors;

6.2 “**Bank**” shall mean an entity carrying on the business of ‘banking’ as defined in clause (b) of section 187 of the RMA Act, 2010 and (b) such other entity as the Authority may, from time to time, notify for this purpose;

6.3 “**Beneficiary**” shall mean a party which is entitled to receive some or all of the benefits of ownership of a security; or other financial instrument, including a payment instruction;

6.4 “**Clearing**” shall mean the process of transmitting, reconciling and, when applicable, confirming payment instructions or security transfer instructions prior to settlement, including, where so applicable, the netting of instructions and the establishment of final positions for settlement;

6.5 “**Commission of an act of bankruptcy**” shall be interpreted as in section 10 of the Bankruptcy Act of the Kingdom of Bhutan, 1999;

6.6 “**Company**” shall have the same meaning as in the Companies Act of the Kingdom of Bhutan, 2016;

6.7 “**Credit risk**” shall mean the risk that a counterparty to a transaction will not settle an obligation for full value, either when due or at any time thereafter;

6.8 “**Deposit-taking Micro Finance Institution (DMFI)**” shall mean an institution licensed under the Regulations for Deposit-taking Micro Finance Institutions (DMFI) 2016;

6.9 “**Finality**” shall mean the state of an instruction having become irrevocable;

6.10 “**Financial statements**” shall mean a balance sheet, profit and loss statement or account and cash-flow statement together with required notes;

6.11 “**Fit and proper**” shall have the meaning attributed in Chapter 4 of the Financial Services Act of Bhutan 2011;

6.12 “**Gross settlement**” shall mean settlement in a system in which each settlement of funds or securities occurs on the basis of separate or individual instructions.

6.13 “**Liquidity risk**” shall mean the risk that a counterparty (or participant in a settlement system) will not settle an obligation for full value when due;

6.14 “**Netting**” shall mean the determination by the system provider of the amount of money or securities, due or payable or deliverable, as a result of setting off or adjusting, the payment obligations or delivery obligations among the system participants, including the claims and obligations arising out of the termination by the system provider, on the commission of an act of bankruptcy or dissolution or winding up of any system participant or such other circumstances as the system provider may specify in its rules or bye-laws (by whatever name called), of the transactions admitted for settlement at a future date so that only a net claim be demanded or a net obligation be owned;

6.15 “**Net settlement**” shall mean settlement in a system where final settlement of transfer instructions occurs through netting at one or more discrete, pre-specified time during the processing day;

6.16 **“Notify”** shall refer to a notification published by the Authority;

6.17 **“Oversight”** oversight of Payment Services Provider, payment systems, system participant in Bhutan means function whereby the objectives of safety and efficiency are promoted by monitoring existing and planned systems and services, assessing them against these objectives and, where necessary, inducing change;

6.18 **“Participant”** shall mean the system provider and any institution or party authorized by the Authority to participate in a system in the Kingdom of Bhutan;

6.19 **“Payment”** shall mean the payer’s transfer of a monetary claim through a party acceptable to the payee.

6.20 **“Payment institution”** shall mean an entity licensed by the Authority under these rules and regulations to provide payment services;

6.21 **“Payment instruction”** shall mean any instrument, authorisation or order in any form, including electronic means, to effect a payment, (a) by a person to a payment services provider; or (b) by a system participant to another system participant;

6.22 **“Payment instrument”** shall mean any instrument other than cash, whether tangible or intangible, that enables a person to obtain money, goods or services or to otherwise make payments;

6.23 **“Payment obligation”** shall mean an indebtedness that is owned by one system participant to another system participant as a result of clearing or settlement of one or more payment instructions relating to funds, securities or foreign exchange or derivatives or other transactions;

6.24 **“Payment services”** shall include:

6.24.1 Services enabling cash to be placed on a payment account or enabling cash withdrawals from a payment account and all of the operations required for operating a payment account;

6.24.2 The execution of the following types of payment transactions:

- (i) Direct debits, including one-off direct debits;
- (ii) Payment transactions executed through a payment card or a similar device;
- (iii) Credit transfers, including standing orders;

6.24.3 Issuing payment instruments or acquiring payment transactions;

6.24.4 Money remittances; and

6.24.5 Issuance of electronic money (including mobile money), as further specified and notified by the Authority;

6.25 **“Payment Services Provider”** shall mean a payment institution, a bank and a DMFI;

6.26 **“Payment system”** shall mean a system that enables payments to be effected between a payer and a beneficiary, involving a clearing, payment or settlement service, on a gross settlement – real time transfer or a net - deferred settlement basis;

6.27 **“Person”** shall include an individual, sole proprietorship, a partnership, a company unincorporated association, Government agency, a natural person in his or her capacity as a legal representative and anybody recognized as a separate legal entity;

6.28 **“Real time transfer”** shall mean the transmission, processing and settlement of funds or securities transfer instructions at the time it is initiated;

6.29 **“RMA Act”** shall mean the Royal Monetary Authority of Bhutan Act, 2010;

6.30 **“Securities”** shall include shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any financial institution, incorporated company or other body corporate, derivative, government securities, rights or interests in securities, and such other instruments as may be declared by the Authority to be securities from time to time;

6.31 **“Securities transfer instruction”** shall mean an instruction by a participant to transfer the title to, or interest in, a security or securities;

6.32 **“Settlement”** shall mean settlement of payment or a security transfer instructions and includes the settlement of securities, foreign exchange or derivatives or other transactions which involve payment obligations;

6.33 **“Settlement account”** shall mean an account in the books of a settlement agent used to hold funds and financial instruments and to settle transfer instructions between participants;

6.34 **“Settlement agent”** shall mean an entity providing to participants, settlement accounts through which transfer orders within payment systems are settled, and, as the case may be, extending credit to those participants for settlement purposes;

6.35 **“Subsidiary”** shall have the meaning attributed in the Companies Act of the Kingdom of Bhutan, 2016;

6.36 **“Systemic risk”** shall mean the risk arising from: (a) the inability of a participant to meet his payment obligations under the payment system as and when they become due; or (b) any disruption in a system, which may cause other participants to fail to meet their obligations when due and is likely to have an impact on the stability of that and/or other systems or the financial markets as a whole; provided that if any doubt or

difference arises as to whether a particular risk is likely to be systemic, the determination of the Authority shall be final;

6.37 “**System provider**” shall mean a person who operates a system;

6.38 “**Transfer instruction**” shall mean –

6.38.1 Any instruction by a participant to a system to place at the disposal of a recipient an amount of money by means of a book entry or electronic transfer on the accounts of a participant, or any instruction which results in the assumption or discharge of a payment obligation as defined by the rules of the system; or

6.38.2 An instruction by a participant to transfer the title to, or interest in, financial instruments by means of a book entry on a register, or otherwise;

6.39 “**Writing**” shall mean recording by paper, electronic means, or any other durable medium.

All other words and expressions used but not expressly defined in these rules and regulations, unless the context otherwise requires, shall have the meanings respectively attributed to them in the RMA Act, 2010 and the Financial Service Act of Bhutan, 2011.

APPLICATION FOR LICENSE TO SET UP A PAYMENT INSTITUTION

The Director
Payment & Settlement Systems Department
Royal Monetary Authority of Bhutan,
Thimphu

Date:

Subject: Application to establish a Payment Service Provider in Bhutan

Dear Sir/Madam,

In accordance with Financial Services Act of Bhutan, 2011 and the Payment and Settlement Systems Rules and Regulation, 2018, we would like to apply for a license to establish a Payment Service Provider in Bhutan and agree to abide by the Royal Monetary Authority of Bhutan Act, 2010 and the above mentioned Rules and Regulations as amended from time to time.

An electronic funds transfer transaction (Reference) No..... for an amount of (Ngultrum only) as non-refundable application fees is enclosed with the application.

We also declare that RMA will not be held responsible for any service related issues with regards to the operation of the Payment Service Provider.

Yours sincerely,

Signature:

Name:

Address:

Telephone number:

Fax number:

Email:

INSTRUCTIONS

- Application must be made in the prescribed **Form A** only. Wherever space is insufficient, information may be furnished in a separate sheet;
- Application along with enclosures duly completed should be page numbered and submitted to the Payment and Settlement Systems Department, Royal Monetary Authority of Bhutan;
- Application must be signed by an official who has the authority to do so such as, Chairman, Managing Director, Chief Executive Officer, or the proprietor;
- Application must bear common seal of the firm/company;

1. Name of the applicant
 - i. Name of the company:.....
 - ii. Head Office:.....
 - iii. Address:.....
 - iv. Phone No:.....
 - v. Fax No:.....
 - vi. Email:.....
2. Please indicate the payment services the applicant intends to provide:
 - I.
 - II.
 - III.
 - IV.
3. Internal Control System

Please provide us each copy of the following manuals/procedures pertaining to the payment services offered:

- i. Operational manual
 - ii. IT security and controls guidelines
 - iii. Internal control procedures, risk management and risk control procedures, Customer protection policy
 - iv. KYC and CDD procedures
 - v. Agents' due diligence manual
4. Plans for appointing agents for the payments services, including the services to be provided by each agent.
-
-
-

5. The proposed capital structure of the Payment Institution:
 - i. Authorized capital.....
 - ii. Issued capital.....
 - iii. Paid-up capital.....
 - iv. Source of capital.....

6. Details of the applicant:

Provide the following key aspects of the company:

- i. Name:
- ii. Date of Registration:.....
- iii. Registration number:
- iv. Place of registration:
- v. Type of business:
- vi. Number of shares in proposed company:.....

7. To submit the biographical report (details of each applicant, director(s), and key personnel of the proposed Payment Institution) in the form prescribed by RMA).

8. Additional information required to be submitted along with the application:

- i. Trade/Business License issued under Companies Act, 2016;
- ii. Feasibility report:
 - a. Macro economic background/environment of Bhutan
 - b. Financial system and structure
 - c. SWOT analysis
 - d. Survival and growth strategies/justification
 - e. Business plan

9. The Payment Institution is required to submit a comprehensive and detailed business plan that consists of at least the following:

- i. Executive summary;
- ii. Mission statement;
- iii. Company overview – group structure, proposed board of directors, management team, staffing;
- iv. Product strategy- all product lines;
- v. Marketing plan, strategy, sales strategy, distribution channels and break –even analysis;
- vi. Financial plan
- vii. Latest three year audited and certified financial statements of the applicant in case of a legal entity;

BIOGRAPHICAL REPORT OF CEO/DIRECTOR and KEY POST HOLDERS

1. Personal Details.

| | |
|--------------------------------|--|
| a. Name | |
| b. Date of Birth | |
| c. Nationality | |
| d. Citizenship ID No. | |
| e. Passport No.(Non-Bhutanese) | |

2. Contact Information

| | |
|-----------------|--|
| a. Telephone No | |
| b. Mobile No. | |
| c. Fax No. | |
| d. E-mail | |

3. Present Position.

| | |
|---------------------------------|--|
| a. Name and Address of the Firm | |
| b. Nature of Business | |
| c. Telephone No | |

4. Marital Status.

| | | |
|--|----------------------------------|-----------------------------------|
| <input type="checkbox"/> Single | <input type="checkbox"/> Married | <input type="checkbox"/> Divorced |
| If married, Spouse's Name and Citizenship ID No. | | |

5. Dependents.

| Name | Relationship | Date of Birth (dd/mm/yyyy) |
|------|--------------|-------------------------------|
| | | |
| | | |
| | | |

6. Family History.

| Relationship | Name | Date of Birth | Occupation | Email Address | Mobile No. |
|--------------|------|---------------|------------|---------------|------------|
| Father | | | | | |
| Mother | | | | | |

7. Education.

| Name & Address of University | Years of Attendance | Major Area of Study | Degree/Certificate Granted | Date Awarded |
|------------------------------|---------------------|---------------------|----------------------------|--------------|
| | | | | |
| | | | | |
| | | | | |

8. Employment Record (Pertaining to previous 5 years). Use additional sheets, if necessary, and account for all gaps in employment.

| Position held/ Department | Main responsibilities | Organization | Country | Duration |
|---------------------------|-----------------------|--------------|---------|----------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |

9. Status of the proposed appointment. Please tick relevant box.

| Initial Appointment | Independent Director | Non-Independent Director |
|---------------------|----------------------|--------------------------|
| Re-appointment | | |

10. Do you have a license to practice any profession? Yes No

If yes, please give details.

| | |
|---------------------------------|--|
| a. Nature of License | |
| b. Date of Issue | |
| c. License/Registration No. | |
| d. Licensing Agency and Address | |

11. (a) If self-employed, describe each enterprise, including the name, address, license number, your percentage of ownership and the type of business which you own or control. (Control means ownership of 10% or more of the stock or ability to effectively control the management of the corporation or other entity).

(b) List names, addresses and percentage of control and/or ownership of other incorporators, partners, directors, or officers of the entity or corporation referred to above.

| | |
|---|---|
| <p>Are you employed in any professional capacity, or do you perform any services for or have any business connections with any institution which is subject to the supervision of the Royal Monetary Authority of Bhutan, or any other authority of the Royal Government of Bhutan?</p> <p>If "Yes", indicate the name of the institution, address and nature of your work.</p> | <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> |
|---|---|

12.

| | |
|--|---|
| <p>Have you had, or do you now have, any financial interest, direct or indirect, in any financial institution in Bhutan</p> <p>If "Yes", give the name of the institution, address and nature of the financial interest.</p> | <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> |
|--|---|

13. Please tick whichever is relevant for the following questions below.

| | |
|---|--|
| <p>Do you have more than 5 years experience in banking, finance, accounting & information technology.</p> | <p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</p> |
| <p>Were you declared insolvent and adjudicated bankrupt</p> | <p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</p> |
| <p>Were you convicted by a court in any criminal offense or has been involved in any fraud/forgery, financial crime or other illegal activities</p> | <p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</p> |

14. Practicing accountants may be appointed as directors provided they are not employed or are not partners in an accounting firm, which has been engaged to conduct audit or consultancy work for that particular financial institution.

15. Are you a practicing accountant/consultant? Yes No

If "yes", in what capacity?

16. Are you affiliated to any political party? Yes No

If "yes", in what capacity?

17. Answer "Yes" or "No" to any of the questions below if they apply to you as an individual, or a partner, director or officer of a corporation except for minor traffic violations.

| | |
|--|--|
| a. Are any arrests, indictments, criminal information or other criminal proceedings now pending against you? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| b. Were you ever convicted for any violations of the law? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| c. Have you or has any partnership of which you were a CEO or a major owner (more than or equal to 10% of the capital of the company) ever been liquidated or judged bankrupt? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| d. Has any business of which you were a director, officer, partner or major shareholder (10% or more of the voting shares) defaulted on his/her loan repayment? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| e. Has any enterprise in which you were a partner, director or officer been the subject of criminal indictment or other criminal proceedings? | <input type="checkbox"/> Yes <input type="checkbox"/> No |

DECLARATION

I certify and I am aware that, it is an offence under the Royal Monetary Authority Act of Bhutan 2010 and the Payment and Settlement Systems Rules and Regulation, 2018 to provide the Authority any information which is false or misleading.

I certify that the information given in the form above and accompanying documents is complete and accurate to the best of my knowledge, information and belief and that there are no other facts relevant to this application of which the Authority should be aware.

I also undertake that as long as I continue to be a Director/CEO/Key post holder, I will notify the Authority of any material changes to, or affecting the completeness or accuracy of, the information given above as soon as possible, but in any event no later than 10 days from the day the changes come to my attention.

Further, I would like to pledge that as long as I continue to be a Director CEO/Key post holder of the company, I will not violate any laws and regulations of the Authority.

Name.....

Position held.....

Signed.....

(Affix legal stamp)

Date.....

Witness

Name.....

Citizenship ID No (please attest a copy).....

Address:

Occupation:

Telephone number:

Email:

Signed.....

Royal Monetary Authority of Bhutan

Thimphu

CERTIFICATE OF LICENSE NO:

In exercise of the powers conferred on the RMA by Section 184 of the Royal Monetary Authority of Bhutan Act, 2010 read with Clause (c) of Section 8 and Clauses (c), (h) and (l) of Section 9 and Payment & Settlement Systems Rules and Regulation, 2018 thereof is hereby issued with License to establish Payment Service Provider and operate a payment system, with effect from, subject to compliance with the terms and conditions given on the reverse of this Certificate.

At Thimphu on this day of.....

(Signature)

RMA Seal

(Designation of the officer)

Terms and Conditions*

- 1. The certificate of license or a certified copy thereof shall be displayed at the main premises of the Payment System Provider and its other offices.*
- 2. The Payment Service Provider shall adhere to the provisions of the Payment and Settlement Systems Rules and Regulations, 2018, and the directions/guidelines issued by the Royal Monetary Authority of Bhutan from time to time.*
- 3. (Any other conditions as may be specified)*

APPLICATION FORM FOR AUTHORIZATION OF OPERATING A PAYMENT SYSTEM / ISSUANCE OF PAYMENT INSTRUMENT

The Director,
Payment & Settlement Systems Department
Royal Monetary Authority of Bhutan,
Thimphu

Date:

Sub: Application for authorization to operate a payment system/ issuance of payment instrument:

Dear Sir/ Madam,

We hereby submit an application under Chapter 2, subsection 2.7 of the Payment and Settlement Systems Rules and Regulations, 2018 for authorization to operate payment system// issuance of payment instrument. The required information and documents have been furnished as per instructions.

We declare that to the best of our knowledge and belief the information furnished in the forms and annexure enclosed are true/correct and complete.

Yours faithfully

Signature:

Name:

Designation:

Company Seal:

Date and Place:

INSTRUCTIONS

- *Application must be made in the prescribed **Form B** only. Wherever space is insufficient, information may be furnished in a separate sheet;*
 - *Application along with enclosures duly completed should be page numbered and submitted to the Payment and Settlement Systems Department, Royal Monetary Authority of Bhutan;*
 - *Application must be signed by an official who has the authority to do so such as, Chairman, Managing Director, Chief Executive Officer, or the proprietor;*
 - *Application must bear common seal of the firm/company;*
10. Please indicate the payment services the applicant intends to provide:
- i.
 - ii.
 - iii.
11. Business proposal of the particulars of payment system sought to be set up incorporating all the requirements spelled out below:
- i. Whether other companies/firms/ entities will be associated with the applicant in setting up the payment system.
 - ii. If the answer to query 2 is yes, please furnish full particulars of this association.
 - iii. Previous experience of applicant and associated companies/firms/entities in the payment systems area.
 - iv. Type of payment system proposed to be set up i.e. whether electronic fund transfer or payment card based/ internet based/ mobile phone based.
 - v. Will the proposed payment system cover a particular region or the whole country?
 - vi. Does the proposed payment system seek to address the needs of any particular social/ economic segment/s of the population?
 - vii. Method of settlement of payment claims, namely, whether gross, net or hybrid.
 - viii. Name of the settlement agent for the proposed payment system:
 - ix. Whether the applicant or settlement agent will act as a central counterparty to provide guaranteed/ secured settlement.

- x. When will be the account credited/funds made available to the beneficiary?
- xi. What will be the risks in operating the payment system sought to be set up and how does the applicant propose to mitigate them.
- xii. Mention the customer grievances redressal machinery proposed for the payment system sought to be set up.
- xiii. The time proposed to be taken to dispose customer complaints.
- xiv. Amount of finance required in executing Payment System project.
- xv. Sources of finances for executing the Payment System project.
 - (a) Amount of own capital proposed to be deployed:
 - (b) Amount of borrowings expected from banks;
 - (c) Amount of borrowing expected from sources other than banks: (Sources may be mentioned)
- xvi. Rate of return on investment expected from the Payment System sought to be set up.
- xvii. How does the applicant propose to recover its investment, and earn an income, that is, whether through cash flows or by levying joining fees, security fees, annual/ operating charges etc. (Please give full details).
- xviii. Internal Control System/ copy of the following manuals/procedures pertaining to the payment services offered:
 - a) Operational manual
 - b) IT security and controls guidelines,
 - c) Internal control procedures, Risk management and risk control procedures, Customer protection policy
 - d) KYC and CDD procedures
 - e) Agents' due diligence manual
 - f) Any other information the applicant wishes to furnish (Additional information sheets/documents as required may be enclosed)

DECLARATION

I certify and I am aware that, it is an offence under the Royal Monetary Authority Act of Bhutan 2010 and the Payment and Settlement Systems Rules and Regulations, 2018 to provide the Authority any information which is false or misleading.

I certify that the information given in the form above and accompanying documents is complete and accurate to the best of my knowledge, information and belief and that there are no other facts relevant to this application of which the Authority should be aware.

I also undertake that as long as I continue to be a Director/CEO/Key post holder, I will notify the Authority of any material changes to, or affecting the completeness or accuracy of, the information given above as soon as possible, but in any event no later than 10 days from the day the changes come to my attention.

Further, I would like to pledge that as long as I continue to be a Director CEO/Key post holder of the company, I will not violate any laws and regulations of the Authority.

Name.....

Position held.....

Signed.....

(Affix legal stamp)

Date.....

Witness

Name.....

Citizenship ID No (please attest a copy).....

Address:

Occupation:

Telephone number:

Email:

Signed.....

Royal Monetary Authority of Bhutan

Thimphu

AUTHORIZATION NO:

In exercise of the powers conferred on the RMA by Section 184 of the Royal Monetary Authority of Bhutan Act, 2010 read with Clause (c) of Section 8 and Clauses (c), (h) and (l) of Section 9 and Payment & Settlement Systems Rules and Regulation, 2018 thereof is hereby granted the authorization to operate apayment system/ issuepayment instrument, with effect from, subject to compliance with the terms and conditions given on the reverse of this Certificate.

At Thimphu on this day of.....

(Signature)

RMA Seal

(Designation of the officer)

Terms and Conditions*

- 1. The authorization letter or a certified copy thereof shall be displayed at the main premises of the Payment System Provider and its other offices.*
- 2. The Payment System Provider shall adhere to the provisions of the Payment and Settlement Systems Rules and Regulations, 2018, and the directions/guidelines issued by the Royal Monetary Authority of Bhutan from time to time.*
- 3. (Any other conditions as may be specified)*

APPLICATION FOR RENEWAL OF A PAYMENT INSTITUTION LICENSE

The Director,
Payment & Settlement Systems Department
Royal Monetary Authority of Bhutan,
Thimphu

Date:.....

Subject: Application to renew Payment Institution License

Dear Sir/Madam,

In accordance with Financial Services Act of Bhutan, 2011 and the Payment and Settlement Systems Rules and Regulation, 2018, we would like to apply to the Authority to renew Payment Institution's license and agree to abide by the Royal Monetary Authority Act of Bhutan 2010 and the above mentioned Rules and Regulations as amended from time to time.

An electronic funds transfer transaction (Reference) No..... for an amount of (Ngultrum only) as non-refundable renewal fees is enclosed with the application.

We also declare that RMA will not be held responsible for any service related issues with regards to the operation of the payment institution.

Yours Sincerely,

Signature:

Name:

Address:

Telephone number:

Fax number:

Email: