



**A FRAMEWORK FOR THE RECOGNITION OF
PAYMENT SYSTEMS IN ZIMBABWE**

National Payment Systems Department

April 2016

TABLE OF CONTENTS

1. PREFACE3

2. SCOPE OF FRAMEWORK3

3. LEGAL BASIS.....4

4. DEFINITIONS.....4

5. APPLICATION PROCESS.....5

6. EVALUATION OF APPLICATION6

7. PROCEDURE AFTER APPROVAL OF APPLICATION7

8. REQUIREMENTS AFTER RECOGNITION7

9. DERECOGNITION OF A PAYMENT SYSTEM.....9

10. CONCLUSION10

1. PREFACE

- 1.1. This Framework aims to foster greater comprehension and transparency on the minimum attributes and conditions that prospective and existing payment systems providers should fulfill in order to be recognized by the Reserve Bank of Zimbabwe (Bank).
- 1.2. Payment, clearing and settlement system providers, participants and stakeholders of payment systems should be familiar with the requirements of the following:
 - 1.2.1. National Payment Systems Act [*Chapter 24.23*];
 - 1.2.2. Directives, guidelines and circulars issued by the Bank;
 - 1.2.3. Framework for Oversight of Payment Systems; and
 - 1.2.4. Any other regulatory requirements governing payment systems.

2. SCOPE OF FRAMEWORK

- 2.1. The Reserve Bank oversight function focuses on all payment systems in the economy from conceptualization stage, initiation, implementation and operationalization.
- 2.2. This Framework is applicable to both current and prospective payment, clearing and settlement systems providers, participants,

agents, access channels, access devices and other stakeholders.

3. LEGAL BASIS

- 3.1. The Reserve Bank of Zimbabwe Act and the National Payment Systems Act empower the Bank to recognize, oversee, supervise and operate payment, clearing and settlement systems in Zimbabwe.
- 3.2. Other supporting statutes on payment systems issues include the Banking, Exchange Control, Bank Use Promotion and Money Laundering and Proceeds of Crime Acts.
- 3.3. The Bank subscribes to and will also be guided by international best practice, in particular the Bank for International Settlements (BIS) Principles for Financial Market Infrastructures (PFMIs).

4. DEFINITIONS

- 4.1. **“Clearing System”** means an arrangement between two or more institutions governing the process of transmitting, reconciling, and, in some cases confirming transactions prior to settlement, potentially including the netting of transactions and the establishment of final positions for settlement.
- 4.2. **“Payment System”** means a set of instruments, procedures, and rules for the transfer of funds between or among participants; the system includes the participants and entity operating the

arrangement. This also denotes all payment-related activities, processes, mechanisms, infrastructure, institutions and users.

- 4.3. “**Settlement system**” means a system established and operated by the Reserve Bank in terms of section seven of the NPS Act for the discharge of settlement obligations between participants in the system.

5. APPLICATION PROCESS

- 5.1. Institutions wishing to offer payment services/ instruments shall apply to the Bank for recognition. Non-Bank institutions shall partner deposit taking financial institution(s) through which it will apply for recognition.
- 5.2. An application shall be complete when all the minimum requirements set out in Annexure1 and any other documentation or information requested by the Bank have been submitted.
- 5.3. A non-refundable application fee is payable upon application.
- 5.4. Four set of copies of the application must be submitted to the Bank for the attention of:

**The Deputy Director
National Payment Systems Department
Reserve Bank of Zimbabwe
80 Samora Machel Avenue
HARARE**

Telephone: 04-703000

Email address: npsd@rbz.co.zw

- 5.5. Any issue relating to the application or this Framework shall also be addressed to the attention of the Deputy Director as stated in Clause 5.4 above.

6. EVALUATION OF APPLICATION

- 6.1. In assessing any application, the Bank shall, *inter alia*, consider the adequacy and accuracy of submissions made by the applicant on aspects of governance, safety, efficiency and accessibility of the payment system.
- 6.2. At any stage prior to the granting or otherwise of the application, an applicant is required to inform the Bank of any material changes in the information submitted in its application.
- 6.3. Where a financial institution is in partnership or in collaboration with the prospective system operator, the financial institution shall confirm in writing, providing appropriate evidence that due diligence has been conducted and that the financial institution is satisfied with the product to be offered by the system operator.
- 6.4. Any application that is not complete when submitted shall not be considered and the Bank shall afford the applicant an opportunity to rectify the application within a period of three (3) months from the date of last submission of the application documents. Upon

lapse of the three (3) months, the application shall be deemed abandoned and shall not thereafter be revived by rectification of the deficiency. A new application will be required and resubmission of all relevant documents.

6.5. The Bank will formally approve an application when it is satisfied that the applicant has complied with the requirements for recognition as stated in this Framework.

6.6. The Bank will also formally advise an applicant where the application fails to meet the criteria and requirements set out in this Framework.

7. PROCEDURE AFTER APPROVAL OF APPLICATION

7.1. The Bank may conduct a pre-opening on-site inspection to determine the operator's readiness to commence operations. Once a payment system is recognised, it shall comply with the NPS Act and other supporting statutes and standards.

7.2. In the event that, the preopening inspection report is adverse, the Central Bank reserves the right to give the applicant additional time to rectify the issues or revoke its approval.

8. REQUIREMENTS AFTER RECOGNITION

8.1. Once recognised, a payment systems operator shall be subjected to regular on-site inspections and off-site analysis at frequencies or

intervals as shall be determined by the Bank.

- 8.2. The payment systems operator shall:
 - 8.2.1. Provide unfettered access to the Central Bank staff to their facilities for on-site inspections;
 - 8.2.2. Not close or otherwise wind up its business without giving prior written notice to the Bank;
 - 8.2.3. Not change its shareholders, directors, senior management or its name, or product range without approval of the Bank;
 - 8.2.4. Furnish the RBZ with periodic statistical information on the activities of the payment system; and
 - 8.2.5. Submit any information or reports as may be requested by the Bank from time to time.
- 8.3. License fees and new product application fees shall be levied on any recognised payment system operator.
- 8.4. The license fees shall be payable annually in advance and any new product application fee or product enhancement fee shall be paid upon application for the product.
- 8.5. The Bank may at its discretion review the fees stated herein and give all interested parties prior notice thereto.

9. DERECOGNITION OF A PAYMENT SYSTEM

- 9.1. The Bank reserves the right to revoke the recognition of a payment system, where such an operator contravenes or deviates from or willfully fails to comply with provisions or requirements of the National Payment Systems Act or any enactment or any directive or guideline or any such instruction issued by the Bank.
- 9.2. Any person aggrieved by the Bank's decision to withdraw or revoke recognition may appeal in terms of the National Payment Systems Act.
- 9.3. A payment system provider or participant intending to discontinue or terminate the provision of payment services must notify the Central Bank of its intention to do so at least 3 (three) months before the termination date.
- 9.4. Termination of any service and/or withdrawal of recognition for any reason shall not release the payment system provider or participant from any liability or obligation which at the time of termination or cancellation had become due to be performed or which may become due prior to termination or cancellation.

10. CONCLUSION

- 10.1. Payment systems are technologically dynamic and they need to continuously satisfy the evolving needs and requirements.
- 10.2. Payment system operators, participants and agents should ensure that products and systems are safe, sound and efficient so as not to bring risk to national payment systems.
- 10.3. The Bank will continue to monitor the operations of recognized payment systems in an effort to preserve the integrity of the national payment system.
- 10.4. The requirements as stated in this Framework are not exhaustive and the Bank may review, or supplement, or amend the framework from time to time.

ANNEXURE

MINIMUM REQUIREMENTS FOR A RETAIL SERVICE PAYMENT SYSTEMS PROVIDER

Entities or individuals wishing to operate a payment systems switch or such products and services should comply with the RBZ Act [22:15], NPS Act [Chap 24:23], Banking Act [24:20], BUP and SML Act [Chap 24:24] among others.

Prospective and current Payment Systems Provider should partner with a bank or banks of their choice and ensure that the application is submitted through the each bank.

Below are additional requirements among others that should be provided and fulfilled before conducting any operation.

1. Corporate Governance Issues

- a. Ownership structure
- b. Memorandum and Articles of Association.
- c. Adequate Capital Amount
- d. Clearance and net worth statements for directors
- e. Director clearance by Police and credit rating bureau
- f. Organizational structure
- g. Board and Senior Management profiles

2. Business Plan

- a. Objectives and mission statement
- b. Business case
- c. System Technology / the system functionalities / process flow

- d. Market Analysis
- e. Financials
- f. Viability and projections

3. Comprehensive Risk Management Framework

- a. Identify all pertinent risks
- b. Measurement
- c. Mitigating measures
- d. Transactions limits

4. Agreements

- a. Service level agreements
- b. Contractual agreements with third parties signed

5. Clearing and Settlement Modalities

- a. Clearing arrangements
- b. Settlement procedures and processes
- c. Collateral
- d. Rules and procedures
- e. Entry and exit access criteria

6. Policies and Procedures

- a. Pricing policy
- b. Conflict resolution policy
- c. Customer protection issues
- d. Customer due diligence procedures
- e. Anti-money laundering policy

7. Systems Integrity and Audit Report

- a. System design and architecture
- b. System providers
- c. Capacity and reliability of the system

NB.

- a. *In addition, no pilot tests or live launch of the product should be done without the requisite regulatory approval.*
- b. *A letter of acknowledgement shall constitute official notice that the application was submitted however, the processing or evaluation of the application may commence after the submission of all documents requested.*

0000000