



NATIONAL BANK OF RWANDA

PSP regulation 2018

May, 2018



Outline

- 1. Rational**
- 2. New approach**
- 3. Changes**



Rationale

- significant technical innovation, the emergence of new types of payment services in the market place;
- **Reduce entry barriers to Fintech or TechFin**
- **Competition:** create a level playing and flexibility in the market to promote innovation;
- **Consumer protection:** adopt an effective and proportionate approach to consumer protection
- Risk based approach: potential security risks in the payment chain
- **Legal certainty:** Ensure a legal certainty along the payment chain;
- **Outcome:** support the growth in e-commerce and the use of internet and mobile payments.



Approach

➤ **Activity based approach: payment services:**

- a) Operating a payment account (deposit and withdraw);
- b) Fund transfer between payment accounts whether with a credit line or not (credit transfer, direct debit, standing orders);
- c) Issuance of payment instruments (e.g. card payment)
- d) acquiring of payment instruments including **aggregators**;
- e) Money remittance.**
- f) Payment initiation services (**payment gateways, payment terminal provider**);
- g) EMI issuance

- **Risk based approach:** payment services providers holding customers and duration with more stringent conditions;

➤ **requirements are based on the risks**

➤ **Open the door to new entrants:**

- Payment initiations services: payment Gateways payment aggregators and Payment terminal service providers



Approach

➤ **Regulatory Sandbox for innovative products:**

the provision any product or service that don't fall under the above category or represents an hybrid product may be subject to a the sandbox regulation;

“**sandbox**” refers to a live, contained environment in which participants may test their product, service or solution subject to the requirements under this regulation.



Payment Initiation service

- **PISP:** a service to initiate a payment order at the request of the payment service user with respect to a payment account held at another payment service provider. They can be:
 - This is a Third party software enabling users to initiate payment from his or her online bank (Payment gateways or aggregator) or
 - A Peer to Peer payment service
 - Payment terminal services providers supporting acquirers in a card based mode (3 party mode)



main changes



Chapter One: General provisions

- **Article 2:** Scope, activities excluded from the scope of the regulation:
 - Cash transaction without intermediary
 - Physical transport of banknote
 - Interbank transactions;
 - Technical support to payment service
 - Payment instrument used in a limited way
- **Article 2:** Review of definitions: Introduction of payment aggregator and Payment initiation services (payment gateway and payment terminal service provider (Articles 2, point 6f)



Chapter 2: Licensing requirement:

- General principles: Bank/MFIs are allowed to provide PS under their banking/MFI laws
- Document to be submitted: better clarification of application requirements (Article 6);
- Specific requirements for EMI, Payment aggregators and remittance (article 7, 8 and 9)
- Review of Capital requirements based on risk (article 11).



Chapter 2: Licensing requirements, contd

- General principles: Bank/MFIs are allowed to provide PS under their banking/MFI laws
- Document to be submitted: better clarification of application requirements (Article 6);
- Specific requirements for EMI, Payment aggregators and remittance (article 7, 8 and 9)
- Review of Capital requirements based on risk (article 11).



Chapter 3: approval of new payment services

- Article 24: New payment services are those offered by a licensed institution for the first time or a combination of payment services defined in the regulation resulting in material change
- Article 25: Information requirements
- Article 26: Exempted:
 - Innovative product
 - New contract for a similar payment service



Chapter 4: Sandbox provisions

- **Article 27:** innovative product or service is the one that does not clearly correspond to one of the services or products currently regulated, or represents a hybrid product;
- **Article 28: Eligibility criteria:**
 - solution is genuinely innovative with clear potential to bring benefit to consumer/industry;
 - Not suitable to sandbox when payment service is similar to those that are already being offered unless:
 - (i) a different technology is being applied; or
 - (ii) the same technology is being applied differently.
- **Article 29: Application requirements**



Chapter 4: Sandbox provisions

- Testing period: The initial testing period shall not exceed 6 months from the start date of the sandbox. But can be extended on demand;
- The deployment can be prohibited upon the completion of the testing due to the following reasons:
 - (a) in the event of an unsuccessful testing based on agreed test measures; or
 - (b) the product, service or solution has unintended negative consequences for the public and/or financial stability.

Chapter 4: outsourcing activities



- **Article on cloud computing:**

A Payment service provider wishing to outsource their services on cloud, shall take active steps to address the risks associated with data access, confidentiality, integrity, sovereignty, recoverability, regulatory compliance and auditing.



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Thank You!