

**LICENSING REQUIREMENTS  
PAYMENT SERVICE PROVIDER (PSP) AND PAYMENT SYSTEM OPERATOR  
(PSO)**

<b>Payment Service Provider (PSP)</b>	
	<b>Licensing Requirements</b>
a)	Have minimum capital of K500,000.00 (Schedule 2 of the Oversight Directive 1/2018)
b)	Be able to safeguard funds which have been received from Payment Service users or through another Payment Service Provider for the execution of payment transactions by adequate means, and in particular by not making them commingled at any time with the funds of third parties and making them insulated against the claims of other creditors of the Service Provider, in particular in the event of insolvency; and
c)	Have a robust, effective and transparent governance arrangement for its Payment Services business, to ensure the continued integrity of the payment service provided. Those arrangements, procedures and mechanisms shall be comprehensive and proportionate to the nature, scale and complexity of the payment services provided and shall include, among others. <ul style="list-style-type: none"> <li>(i) Shareholders, directors, managers and agents fulfil the fit and proper criteria requirements as established by the Central Bank and uniformly applied to all regulated entities by the Central Bank;</li> <li>(ii) A clear organizational structure with well-defined, transparent and consistent lines of responsibility;</li> <li>(iii) Effective procedure to identify, manage, monitor and report the risks to which it is or might be exposed; and</li> <li>(iv) Adequate internal control mechanisms, including sound administrative and accounting procedures</li> </ul>
d)	Have clear rules to solve disputes associated with Payment Services
e)	Have a safe and reliable Information Technology (IT) system and adequate interfaces to ensure interoperability, access and data protection, as well as robust contingency and disaster control procedures

	<b>Documents to be submitted with the License Application Form</b>
a)	Description of the nature and scope of the Services to be offered and how these Services fit in with its overall business strategy, together with a business plan including a forecast budget calculation for the first three financial years which demonstrate that the applicant is able to employ the appropriate and proportionate systems, resources and procedures to operate soundly;
b)	List of products and services to be provided with a breakdown of commissions/ prices to be charged to the customer;

c) Description of legal structure of the scheme to provide the service, including legal definition of relationship with any bank for deposit taking institution from which it clearly emerges how liabilities are shared and risks avoided or reduced;
d) Criteria for the selection of agents and/or the outsourcing of parts of the activities, where applicable, and copy of any agency or outsourcing agreement, as appropriate, either individual or standard;
e) Description of the applicant's management arrangements and internal control mechanisms, including administrative, risk management and accounting procedures, which demonstrate that these management arrangements and internal control mechanisms and procedures are appropriate, sound and adequate; and
f) A signed document detailing the features and operational modalities of all IT systems used/proposed to be used, including the operating systems, software and interfaces explaining at a minimum the following: <ul style="list-style-type: none"> <li>i. Description (including diagrams) of the configuration of any institution's payment system and its capabilities showing: (1) how such system is linked to other host systems or the network infrastructure in the institution; (2) how transaction and data flow through the network, settlement process and timing; (3) what types of telecommunication channels and remote access capabilities (e.g. direct modem dial-in, internet access, or both) exist; and (4) what security controls/measures are installed;</li> <li>ii. A list of software and hardware components indicating the purpose of the software and hardware in the infrastructure;</li> <li>iii. How data security and data integrity is ensured;</li> <li>iv. How the system is interoperable with other existing payment systems; and</li> <li>v. How relevant international, national and industry level standards, guidelines and recommendations are applied wherever possible.</li> </ul>
g) Proof of ability to comply with all applicable Anti-Money Laundering and Counter Terrorist Financing (AML/CTF) laws, standards and measures;
h) Details of the customer protection measures, including out-of-court dispute resolution mechanisms, consumer recourse mechanisms and consumer awareness program
i) Details of data protection policy;
j) The identity of persons holding in the applicant, directly or indirectly, qualifying holdings, the identity of directors and persons responsible for the management of the entity providing services, and, where relevant, persons responsible for the management of the specific payment service activities;
k) The identity of persons holding in the applicant, directly or indirectly, qualifying holdings, the identity of directors and persons responsible for the management of the entity providing services, and, where relevant, persons responsible for the management of the specific payment service activities
l) The applicant's legal status and articles of association;

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| m) The identity of statutory auditors and audit firms, which shall be recognised by the PNG Chartered Institute of Accounts and be appointed for no more than two years; and |
| n) Any further requirements defined by the Central Bank associated to the Service  |

### **Payment System Operator (PSO)**

#### **Licensing Requirements**

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| a) Have minimum capital of K500,000, 000 (Schedule 2 of the Oversight Directive 1/2018)   |
| b) Have policies, practices and procedures for evaluating financial soundness of Operators and participants and for identifying, monitoring and controlling any risks associated to the working of the system;  |
| c) Ensure finality of payment and settlement, to have clear netting, loss allocation and apportionment procedures, and dispose of adequate collateral in all its forms, nature, effectiveness and means of realization in conformity with relevant legal and statutory provisions of the Country; |
| d) Have a safe and reliable IT system and adequate interfaces to ensure interoperability and access, as well as robust business continuity and disaster control procedures; and   |
| e) Have membership rules adequate to the operation of the System and clear, fair and non-discriminatory access procedures.  |

#### **Documents to be submitted with the License Application Form**

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| a) Description of the organization of the System and its business rationale;   |
| b) Signed memorandum of agreement and articles of association for the company formed to operate the System and details on the ownership and governance of such company;  |
| c) Business Plan for the following five (5) years;   |
| d) Description of policies and/or procedures of the System, including: <ul style="list-style-type: none"> <li>(i) The criteria established for direct and indirect Participation in the system;</li> <li>(ii) The principle of operation of the System (real time, net, etc.)</li> <li>(iii) The rules of the System and service levels to be provided to the Participants;</li> <li>(iv) An analysis of the risk and measures to limit risks in the System arising from illiquidity or insolvency of Participants in such Systems including capacity to manage risk;</li> <li>(v) Rules on management of liquidity, credit and settlement risk, including rules determining the time when a payment instruction and a Settlement is final;</li> </ul> |

<ul style="list-style-type: none"> <li>(vi) The measures employed to safeguard technical operations, including a contingency plan in the event of any operational disruption should the ordinary system fail to function, and</li> <li>(vii) The measures taken to secure the protection of electronic processing and storage of data relating to the System of payments against disclosure, misuse, damage, destruction, loss or theft.</li> </ul>
e) Details of the internal audit function including structure, scope, reporting lines and the frequency of reporting;
f) Overview of the information technology functions, including scope, structure and reporting lines with an attached organizational chart;
g) Human resources plan to ensure adequate resources to the operation of the System;
h) A signed document of the relevant portion(s) of the security policies and procedures manual containing at a minimum: <ul style="list-style-type: none"> <li>(i) A description of the institution's security organization;</li> <li>(ii) Definition of responsibilities for designing, implementing, monitoring and updating information security measures; and</li> <li>(iii) Established procedures for evaluating policy compliance, enforcing disciplinary measures and reporting security violations.</li> </ul>
i) A signed document describing the business continuity and disaster recovery plans for payment facilities and event scenario/problem management plan/program to resolve or address problems, such as complaints, errors and intrusions and the availability of back-up facilities.