



**GENERAL INFORMATION AND APPLICATION GUIDELINES FOR PROVIDERS OF  
ELECTRONIC RETAIL PAYMENT INSTRUMENTS AND ELECTRONIC MONEY  
PRODUCTS**

**(PAYMENT SERVICE PROVIDERS)**

Issued: July 2017

Please submit all required documents to:  
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Applications are not considered complete until all supporting documents are received.

Disclaimer: These Guidelines do not constitute financial or other professional advice. You should consult your professional adviser if you require financial or other advice. These Guidelines are subject to periodic review and amendment by The Central Bank of The Bahamas.

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## **I. INTRODUCTION**

The Central Bank of The Bahamas (“the Central Bank”) is responsible for the licensing of entities providing payment services under the Payment Systems Act, 2012 and the Payment Instruments (Oversight) Regulations 2017, as well as for regulation and oversight of payment instruments, including electronic money products. The Central Bank has the duty to promote and maintain high standards of conduct and management in the provision of payment services.

The Central Bank’s regulatory and oversight objective is to establish and maintain a prudent regulatory regime for the provision of payment services and instruments in The Bahamas, to preserve the integrity and soundness of the financial system to ensure public safety and encourage the use of cash-less instruments. The Central Bank, through the Payments Unit of the Research Department (“the Unit”), monitors the compliance of payment instruments, including electronic money products and related services provided by all entities licensed for that purpose (“Payment Service Providers”).

Electronic retail payment instruments and services in particular require specific guidelines in order to ensure the trust of the population in cash-less instruments, financial inclusion and a more efficient provision of services by non-deposit taking institutions. Given that retail payment and electronic money services may also be vulnerable to misuse for money laundering and terrorist financing, a crucial objective of the Central Bank is to ensure that providers and their agents engage the proper internal systems, policies and controls to guard against perpetrators of money laundering and terrorist financing.

## **II. PURPOSE**

The guidelines as contained in this document are intended to foster the design, development and implementation of electronic retail payment systems and instruments which take advantage of available technology, to provide more efficient payment services in a safe, secure and competitive environment. They outline the Central Bank’s policy with regard to the conduct of providers of retail payment instruments and electronic money products, and related services. These Guidelines also specify the major considerations of the Central Bank in assessing applications to become licensed service providers under the Payment Instruments (Oversight) Regulations, 2017, and the information that would normally be required in support of such applications. Further, these Guidelines set out the prudential, reporting and other regulatory requirements for providers incorporated in The Bahamas.

The information and guidance provided herein apply to all providers licensed under the Payments Act, 2012 and the Payment Instruments (Oversight) Regulations, 2017.

## **III. DEFINITIONS**

**Agent-** means a person who has been contracted by a Payment Service Provider to provide payment services on behalf of the Provider in its name and on its behalf.

**Custodian Account-** is a special purpose trust account, where the issuer is the trustee, the relevant customers are the beneficiaries, and where funds of such customers are pooled for the purpose of settlement and management of the payment services to which the customers are entitled.

**Electronic money-** means monetary value represented by a claim on the issuer, which is:

- (a) stored electronically;
- (b) issued on receipt of funds for the purpose of making payment transactions but does not amount to a deposit under the regulatory laws; and
- (c) is accepted as a means of payment by persons other than the issuer.

**Electronic money issuer-** means a person that is licensed under the Payment Instruments (Oversight) Regulations, 2017 to issue electronic money;

**Payment services -** means services enabling cash deposits and withdrawals, execution of payment transactions, the provision of money transmission business, and any other services which are incidental to money transmission. This shall also include the issuance of electronic money instruments. The term does not include the provision of solely online or telecommunication services, or services provided by technical service providers, which support the provision of payment services, without the provider entering at any time into possession of the funds to be transferred.

**Fit and Proper-** refers to a person that is essentially of good character, proficient, honest, financially sound, competent, qualified, reputable, and reliable and is likely to discharge their responsibilities fairly.

**Merchant-** means any person that accepts retail payment instruments, as well as e-money as payment for their goods and services.

**Outsourcing-** means a contractual arrangement under which a Payment Service Provider and a third party agree to have the third party perform one or more parts of a service normally carried out by the Payment Service Provider, but the Payment Service Provider retains responsibility for the provision of such services;;

**Payment Institution-** means any entity licensed pursuant to the Payment Instruments (Oversight) Regulations to provide Payment Services but does not include--

- (a) a bank, a bank and trust company, a trust company, or a money transmission service provider licensed or registered pursuant to the Banks and Trust Companies Regulation Act (Ch. 316);
- (b) a co-operative credit union which is registered pursuant to The Bahamas Co-operative Credit Unions Act, 2015

**Payment Service Provider-** means

- (a) a Payment Institution licensed under the regulations;
- (b) a bank, a bank and trust company, a trust company, a money transmission service provider licensed or a money transmission agent registered, pursuant to the Banks and Trust Companies Regulation Act, or a co-operative credit union pursuant to The Bahamas Co-operative Credit Unions Act, 2015(Ch. 316); and
- (c) any other provider licensed to provide payment services under any other relevant law.

**Customer due diligence measures-** means measures required by guidelines XII(A).

**Enhanced customer due diligence measures** - means the customer due diligence measures required under guidelines XII(A).

#### **IV. LIMITS**

Under Regulations 6(5) and 6(6) of the Payment Instruments (Oversight) Regulations, 2017, the Central Bank reserves the right to impose on licensees such terms and conditions as it sees fit. The terms and conditions may include the extent and nature of operations, the payment instruments that may be offered, and limits on the monetary values that may be transferred or funded using the payment instrument. In addition, any international (cross-border) transactions will require Exchange Control Approval.

#### **V. OBJECTIVES**

The objectives of these Guidelines are to:

- define the authorisation requirements by the Central Bank
- outline the standards to be observed by payment service providers
- foster and maintain public trust and confidence in electronic means of payment; and
- promote financial inclusion

#### **VI. REGULATORY FRAMEWORK FOR ELECTRONIC RETAIL PAYMENT INSTRUMENTS AND ELECTRONIC MONEY PRODUCTS**

These Guidelines are issued in accordance with section 4(1) of the Payment Systems Act, 2012 under which the Central Bank is responsible for licensing all electronic retail payment service providers.

#### **VII. PROCEDURES AND DOCUMENTATION REQUIREMENTS FOR APPLICATIONS FOR A PAYMENT SERVICE PROVIDER'S LICENCE**

The licence application review process involves scrutiny and analysis of all documentation submitted as part of an application. The Central Bank's licensing criteria include a "fit and proper" test, which assesses, among other things, the probity and integrity as well as the

experience level of shareholders, directors and senior executives. With respect to the soundness of the business plan, discussions are held with applicants and feasibility plans and business projections are reviewed in detail.

An applicant for licensing must apply in writing to the Payments Unit of The Central Bank in the manner directed in the Regulations and as detailed in these Guidelines. In addition to the information requested in the Regulations and these Guidelines, the Central Bank may require the applicant to provide any other information as it considers necessary to facilitate a final determination on an application.

#### **A. Pre-application Meeting**

Prior to submitting an application for the Central Bank's formal approval, all applicants must contact the Payments Unit of the Research Department to discuss their applications.

#### **B. The Application Process**

Upon receipt, the application will be checked for completeness. Any outstanding or additional information or requirements will be requested from the applicant. The Central Bank will make a determination as to whether or not to grant a licence only in respect of applications that are accompanied by ALL required supporting documents. The Central Bank will then advise the applicant of its decision and where approved, any applicable conditions of licensing.

#### **C. Who May Issue and Manage an Electronic Retail Payment Instruments – Electronic Money Product in The Bahamas**

As established under the Payment Instrument (Oversight) Regulations, 2017, only companies incorporated under the Companies Act, 1992, may apply for a licence to provide payment services, including the provision of electronic money products in The Bahamas.

#### **D. The Right to Reject an Application**

The Central Bank has the power to evaluate whether a specific entity is eligible to apply for a grant of a license and in this regard, the Central Bank will take the following criteria into consideration:

- i. whether the applicant is a “*fit and proper*” company to provide payment services;
- ii. the business record and experience of the applicant;
- iii. the nature and sufficiency of the financial resources of the applicant to provide continuing financial support for the payment services business;
- iv. the soundness and feasibility of the business plan;
- v. whether the applicant is incorporated under the Companies Act, 1992;

- vi. whether those who will operate the payment services business will do so responsibly and whether such persons have the character, competence and experience to operate a payment services business;
- vii. whether the applicant will have adequate insurance coverage to cover the risks inherent in the nature and scale of the operations of the payment services business; and
- viii. whether the proposal is in the best interests of the financial system of The Bahamas.

## **E. Documentation Requirements**

In conformity with the Payment Instruments (Oversight) Regulations, the application for a licence to operate a payment services business, should be submitted in the appropriate format outlined in Appendix 1 and correspond to the contents stipulated there:-

- i. the name of the company applicant, and the applicant's trading name (if it differs). ***Please note that the applicant's name should not resemble the name of existing or past licensees. It should not falsely describe the intended business or falsely suggest a national/government affiliation. Further, the use of the term 'bank' is not permitted.***  
  
*The applicant may offer one or several names for consideration, in order of preference. The acceptable name will be reserved with the Registrar of Companies with the restriction that the applicant is not to conduct any business under that name until approval has been given for the grant of a Payment Service Provider's licence.*
- ii. the address of the head or parent office of the company applicant including mailing address. ***Please give the complete mailing address of the company's head office, including the name and title of the relevant Senior Official. Please also provide the relevant telephone number(s), street address, postal address, email address(es) and website address of the head or parent company (where applicable).***
- iii. the proposed name of the proposed payment services business, if different from the applicant.
- iv. the address of the proposed payment services business in The Bahamas; ***The applicant is not expected to establish physical presence before approval has been granted. However, please provide details of the proposed physical address.***
- v. certificate of incorporation as a registered company under the Companies Act;
- vi. current business license inclusive of a three-year pro forma balance sheet and profit and loss statement;
- vii. history, activity, present structure and organisation of the company applicant;
- viii. evidence of taxpayer registration status from the Department of Inland Revenue, including Taxpayer Identification Number (TIN);

- ix. annual reports (including audited consolidated financial statements) of the company applicant or parent for the three consecutive financial years immediately preceding the date of application;
- x. un-audited consolidated financial statements of the applicant or parent as at the end of the most recent quarter prior to submission of the application, certified by a director or senior officer;
- xi. a detailed business plan; and
- xii. a list of all direct or indirect shareholders of the applicant, including a chart showing the structure of direct and indirect shareholdings.

**Note: Documentation requirements for group applicants are provided in the Appendix**

#### **F. Proposed Board of Directors and Senior Management**

The Central Bank of The Bahamas has established guidelines for corporate governance to provide high-level principles, which require licensees to implement comprehensive governance and risk management frameworks appropriate to the nature of their business and operations. Further, these guidelines outline the duties and responsibilities of directors for the corporate governance of each licensee. In this regard, applicants are required to supply the following information in relation to the proposed licensee:

- i. particulars concerning the composition and organisation of the proposed board of directors and senior management;
- ii. for **EACH** proposed director or senior member of management, as the case may be, the following information is required:
  - a. full name, date of birth, nationality, and domicile;
  - b. curriculum vitae, incorporating: personal data, educational background; professional education and training, lists of previous professional activities (membership of professional organizations) and scope of responsibilities including details of the level and number of subordinates managed;
  - c. two character references in original form from sources satisfactory to the Central Bank;
  - d. one financial reference in original form from a financial institution acceptable to the Central Bank;
  - e. a police or other certificate in original form, satisfactory to the Governor, confirming that the person has not been convicted of a serious crime or any offence involving dishonesty; and
  - f. a certified Confidential Statement.

In its efforts to satisfy itself as to the fitness and propriety of senior management, the Central Bank may request additional information.

## **G. Money Laundering Reporting Officer and Compliance Officer**

Pursuant to Regulation 5 of the Financial Intelligence (Transactions Reporting) Regulations, 2001, providers are required to appoint a Money Laundering Reporting Officer (“MLRO”) and a Compliance Officer and notify the Financial Intelligence Unit (FIU) and the Central Bank of the same. For small-scale operations, one of the Senior Officers may carry out the duties of the MLRO and/or the Compliance Officer. However, this individual must be appropriately trained to carry out these additional functions. The Bank reserves the right to require that different individuals carry out such duties.

## **H. Business Rules and Internal Organization**

Applicants are required to supply the following information in relation to the proposed licensee:

- i. an organizational chart detailing reporting lines and responsibilities;
- ii. a detailed overview/summary of internal control procedures to be put in place, including but not limited to, particulars regarding staffing, logistics and information technology and management information systems. (Please note that all senior staff require the Bank’s prior approval).
- iii. details regarding arrangements for internal audit including but not limited to reporting lines and scope of the function;
- iv. the compliance programme, including a copy of the Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) Policies, which should include provisions for:-
  - (a) the internal systems of controls, policies and procedures;
  - (b) customer due diligence procedures;
  - (c) a risk based framework;
  - (d) a records management system;
  - (e) education and training of employees in recognising and reporting suspicious transactions; and
- v. copies of all other internal policies and guidelines.

## **I. Business Plan**

Applicants are required to provide, in relation to the proposed licensee, a business plan for the first three years of operations. The plan must include but not be limited to the following details:

- i. a summary of the business proposal,

- ii. a description of planned business activities, and targeted customer base, including any plans to serve potentially underserved communities or remote geographic regions;
- iii. detailed financial projections for the first three (3) years of operations including projected capital expenditures, cash flows, income statements and balance sheets.;
- iv. projection of the volume of transactions and fees to be levied for transactions;
- v. foreign and domestic agency arrangements within the limits established in the Payment Instruments (Oversight) Regulations 2017;
- vi. arrangements for outsourcing of activities within the limits established in the Payment Instruments (Oversight) Regulations, 2017;
- vii. appropriate arrangements for the maintenance of records in The Bahamas; and
- viii. arrangements for premises.

## **J. Exchange Control Approval**

Applicants who intend to offer international payment services (i.e. cross border transactions) must obtain Exchange Control approval to deal in foreign currency and, where necessary, to operate a foreign currency account with a commercial bank.

- i. Cross border transactions include but need not be limited to:
  - a. retail payments between a resident individual and non-resident individual (as defined for Exchange Control purposes) for the payment of goods and services by means of a portable electronic device;
  - b. retail payments between a resident individual and non-resident business (as defined for Exchange Control purposes) for the payment of goods and services by means of a portable electronic device; and
  - c. small value “person-to-person” transfers conducted between resident and non-resident individuals.
- ii. Foreign currency transfers between residents (as defined for Exchange Control purposes) are not permitted without Exchange Control approval.

## **K. Exchange Control Application Process**

The following documents, at a minimum, should be submitted at the time of application in order for the applicant to obtain such approvals:-

- a. a written outline of the complete flow of funds to all parties to the proposal, including the local and foreign commercial bank through which the applicant will operate foreign currency accounts and any charges so connected;
- b. a written confirmation from the local commercial bank confirming that the bank has no objection to the account being operated to facilitate retail payment (e-money) services;
- c. a copy of the draft agreement between the foreign service provider and local applicant;
- d. background information on the foreign service provider including evidence from the foreign service provider that it is licensed by the relevant supervisory/regulatory body in the country in which it is domiciled (e.g. a certificate of good standing); and
- e. projections of the anticipated foreign exchange requirement over the first quarter post launch of operations.

After the application is submitted, if the Central Bank determines that additional information is relevant for the purposes at hand, additional documentation may be requested before Exchange Control approval is granted.

Payment Service Providers may issue electronic payment instruments only in Bahamian Dollars.

#### **L. External Auditors**

Applicants are required to provide the full name and address of the applicant's proposed auditor(s).

#### **M. Operational requirements**

A Payment Service Provider shall establish adequate operational arrangements, which shall include:

- a. rules and procedures setting out the rights, responsibilities and liabilities of the Payment Service Provider, third parties providing parts of the activities in outsourcing, agents, merchants, users and any other relevant stakeholders;
- b. measures to ensure safety, security and operational liability of the product, including contingency arrangements and disaster control procedures, to be applied to all relevant systems, whether internal or outsourced, including systems and platforms;

- c. adequate interfaces to ensure interoperability, *i.e.*, that payment instruments belonging to a given scheme may be used in other systems installed by other schemes;
- d. segregation of records and accounts related to its retail payment instrument activities from its other records and accounts.

The Central Bank reserves the right to impose on Payment Service Providers any relevant standards to ensure a safe and reliable issuance and management of an instrument. More specifically, the Central Bank reserves the right to impose on Electronic Money Issuers such conditions and limits on the nature of e-money products that may be offered, the quantity of e-money products that may be issued over a particular period and limits on the monetary values that may be transferred or funded to particular e-money products.

## **N. Risk management**

A Payment Service Provider shall establish an appropriate risk management infrastructure to mitigate financial risk and ensure safety and integrity of transfers. Likewise, it shall implement operational and security safeguards in proportion to the scale and complexity of the scheme.

- (i) The risk assessment must identify any areas where it should apply enhanced customer due diligence measures, and where appropriate, specify the measure to be taken;
- (ii) The risk assessment must identify, where appropriate, the sectors or areas of lower and greater of money laundering and terrorist financing.

A Payment Service Provider shall ensure that they have resources and capacity in the form of expertise, hardware, software, and other operating capabilities to deliver consistently reliable service. Measures to ensure operational reliability shall include:

- a. appropriate system(s) with robust design, development, testing, implementation and monitoring;
- b. strong internal controls for systems and personnel administration;
- c. comprehensive and well documented operational and technical procedures to ensure operational reliability;
- d. system(s) designed with sufficient capacity, with regular monitoring and upgrades ahead of business changes;

- e. robust clearing and settlement arrangements, where relevant;
- f. robust business continuity, including a reliable back-up system;
- g. timely and accurate audit trail and the capability to provide statistical information and reports;
- h. adequate accounting systems and proper reconciliation processes.

## **VIII. POST APPLICATION PROCESS**

Once the Central Bank is satisfied that all of the documents have been submitted, it will require the applicant to conduct a pilot of the proposed service. The pilot phase will be subject to system audit by an independent system auditor, whose results shall be submitted to the Central Bank.

The Central Bank will not be responsible for any costs incurred in the application process, including that of the system audit. Once the Central Bank is satisfied with the outcome of the post-application procedures, it shall grant a licence authorising the service provider to commence operations.

## **IX. REGULATORY REQUIREMENTS**

Payment Service Providers are required to adhere to prudential requirements and ongoing supervisory programmes, including periodic off and on-site examinations, and required regulatory reporting set out by the Central Bank. Providers and their agents are also expected to conduct their affairs in conformity with all other relevant Bahamian legal requirements.

### **A. Use of Agents**

Providers shall ensure that agents acting on its behalf inform customers of their authorisation to act as agents of the Provider. They shall also ensure compliance with all relevant agreements and remain fully liable for any act of their agents and any third parties to which they have outsourced activities.

### **B. Outsourcing**

Where outsourcing of operations or activities are contemplated, payment institutions must first apply for such authorization by the Central Bank, after they have obtained a license.

### **C. Licensing and Registration**

Payment Institutions are required to pay annual license fees of \$10,000

## **X. CAPITAL AND LIQUIDITY REQUIREMENTS FOR PAYMENT INSTITUTIONS**

In addition to minimum capital as reported in Appendix I, Payment Institutions shall maintain the following minimum liquidity requirements:

- i. liquid funds of not less than three times the average maximum daily value (computed over the previous six months) of amounts required to settle customer transactions;
- ii. liquid funds of not less than six months gross operating expenses;
- iii. The Central Bank reserves the right to make changes to these requirements as is necessary to ensure the stability of the electronic retail payments environment.

## **XI. INSURANCE COVERAGE**

Payment Service Providers are required to maintain adequate insurance coverage to cover the risks inherent in the nature and scale of their payment services business. The Central Bank will review, in the course of its on-site examinations, *inter alia*, the adequacy of the insurance coverage.

## **XII. PRUDENT MANAGEMENT OF FUNDS**

In accordance with the Payment Instruments (Oversight) Regulations 2017,

- i. a Payment Service Providers shall ensure the timely refund of balances to customers and payments to merchant;
- ii. funds collected from or on behalf of users, should be deposited and held separately from any other funds of the Provider and kept insulated against the claims of other creditors of the Provider; and
- iii. funds collected from the customer should only be used in accordance with the payment instructions of the customer.

### **A. Transaction Limits**

Retail payment services are designated to facilitate retail transactions of both the banked and un-banked population. In this regard, Payment Institutions shall observe the following transaction limit:

- i. Maximum load amount of B\$15,000 (whether in a single payment or series of payments) for electronic payment instruments;
- ii. The limits are subject to review by the Central Bank periodically;

- iii. Upon the request of a Payment Institution, the Central Bank may authorise transactions in excess of the prescribed limits to specific bodies and for specific purposes;
- iv. No limits will be placed on Government transactions.

## **B. Settlement**

Settlement of all transactions shall be conducted according to the following guidelines:

- i. Intra-scheme settlement shall be effected immediately;
- ii. The service should provide appropriate settlement records for reconciliation of processed transactions;
- iii. All settlement records should be retained for a minimum period of five (5) years

## **C. Policy on Physical Presence**

Payment Service Providers are required to maintain adequate physical facilities in The Bahamas for all locations in which the business will operate. Providers are expected to demonstrate that they will secure facilities that at a minimum, meet the following requirements:-

- i. appropriate, dedicated and secure office space consistent with the needs of the business;
- ii. appropriate and secure facilities (e.g. filing cabinets, electronic storage facilities, etc.) for custody and storage of records;
- iii. appropriate communications facilities;
- iv. dedicated mechanical, and/or electronic facilities necessary to record and process the licensee's business activities;
- v. premises must bear appropriate exterior identification of the licensee's presence;
- vi. the licence issued must be prominently displayed on the premises; and
- vii. public access telephone and other numbers, mailing and street address must be listed for availability to the public.

The Central Bank or its representative must have the ability to communicate with and meet the management of the operations within The Bahamas.

## **D. Corporate Governance**

Payment Service Providers are required to implement comprehensive governance and risk management frameworks appropriate to the nature of their business and operations. The Central Bank's Corporate Governance Guidelines provide direction and basic principles from

which directors and senior management can develop and implement a corporate governance process appropriate to the unique character of each provider's operations.

Payment Service Providers must appoint a minimum of two senior officers to be responsible for the day-to-day operations of the business. These officers must be resident in The Bahamas and have the requisite knowledge, experience and integrity to perform their functions. These individuals must be approved by the Central Bank to hold these positions.

The agent(s) must provide the Central Bank with:

- i. the identity of the Directors and persons responsible for the management of the agent(s) and documents to assist the Central Bank in conducting fit and proper assessments of each officer; and
- ii. Copies of the agency agreement containing, at minimum, a clear indication of the duties and responsibilities of the agent(s), as well as compensation arrangements;

#### **E. Corporate Governance Certificate**

Annually, within 120 days of the end of each calendar year, the Board of Directors of each Payment Service Provider will be required to certify in writing to the Central Bank that, using the advice and assistance of management, it has assessed and documented whether the licensee's corporate governance process is effective and that it has successfully achieved its objectives. The Board must report any material deficiencies and problems identified within the licensee, along with action plans and timetables for their correction. Any deficiencies in respect of these Guidelines should be noted, and an Action Plan to remedy these deficiencies should be created and submitted to the Central Bank.

#### **F. Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) / Know Your Customer Policies**

In accordance with section 3(1)(j)(v) of the Financial Transactions Reporting Act, 2000 (“FTRA”), Payment Service Providers and their agents are covered by the definition of “financial institution”. Consequently, providers and their agents are expected to adhere to all of the requirements of the FTRA, the Financial Transactions Reporting Regulations, 2000, (“FTRR”), the Financial Intelligence Unit Act, 2000 (“FIUA”) subsidiary legislation made thereunder and all other relevant anti-money laundering or countering the financing of terrorism laws. These laws and regulations, *inter alia*, set out the minimum mandatory requirements for customer identification, suspicious transaction reporting and retention of records systems that financial institutions are obligated to implement in relation to financial transactions.

All Payment Service Providers are expected to provide the Central Bank with a description of the internal control mechanisms that will be used by their agents in order to comply with the obligations of the Provider in relation to anti-money laundering (AML) and countering the financing of terrorism (CFT) requirements.

## **G. Exchange Control Requirements**

Payment Service Providers and their agents must adhere to all requirements for foreign exchange transactions occurring through their retail payment network, including person-to-person transfers and extra-jurisdictional transmission. Providers must submit, to the Exchange Control Department, periodic (quarterly) reports on transactions conducted under delegated authority, in the format specified by the Exchange Control Department, for all of their operations and those of their agents.

In addition, should any changes occur in arrangements with foreign or domestic agents, the provider must submit current documentation on such arrangements, which at a minimum outline the payment chain and arrangements secured by the provider and copies of the agents' most recent audited financial statements, where appropriate.

## **H. Record Keeping/Retention**

Payment Service Providers are required to maintain all relevant information for a minimum of five (5) years, with regard to all transactions carried out by providers and agents. In addition, providers and their agents are expected to adhere to the requirements set out in the Central Bank's *Guidance Note on Accounting and Other Records*, to the extent appropriate for their operations.

## **I. Reporting Requirements**

### **1. Financial Reporting**

- i. All Payment Institutions Providers are required to produce annual audited financial statements. Such statements are to be prepared in accordance with International Financial Reporting Standards (IFRS) and must be furnished to the Central Bank within three months of the end of the Payment Institution's financial year.
- ii. The Central Bank may also consider a request to submit audited financial statements prepared in accordance with the reduced form International Financial Reporting Standards for Small and Medium Enterprises (IFRS for SMEs).
- iii. Every Payment Institution must annually furnish a copy of the finalized management letter from the external auditor to the Central Bank within ten (10) days of its receipt by the Payment Institution and not later than forty-five (45) days after the expiration of the deadline for the submission of the financial statements.
- iv. Further, all providers are required to submit quarterly un-audited financial statements within twenty-one days of quarter end.

## **2. Annual Statutory Filing**

Payment Service Providers are required to submit an Annual Statement, which is due within 10 days following the statutory deadline for filing with the Registrar General's Office. The Annual Statement should include:-

- i. a list of the board of directors and senior corporate executives;
- ii. a list of shareholders with any additions or deletions since last reporting date;
- iii. capital composition; and
- iv. a list of the names and addresses of all of its agents.

## **3. Statistical Reporting**

Payment Service Providers are required to submit a monthly statement to the Payments Unit, which is due within 15 business days following the end of each calendar month. The monthly statement should include:-

- i. the number of subscribers who transacted through the retail payment service;
- ii. the volume of payments made through the retail payment service;
- iii. the value of payments made through the retail payment service;
- iv. a list of any complaints received related to the service describing -
  - a. date and time of complaints;
  - b. steps taken to resolve the complaint;
  - c. reference to complaint resolution mechanism; and
  - d. details of actions taken to identify patterns of complaints that may point to general or systemic weakness.

## **4. Operational Reporting**

Payment Service Providers are required to notify the Payments Unit immediately in the event of:-

- i. any system security lapses
- ii. any loss of confidential data
- iii. any service breakdown including network outages; and failures of transactions including:
  - a. details of breakdown; and
  - b. reasons and remedial actions taken to prevent reoccurrence.
- iv. any losses incurred by the payment service provider or its customers

## **J. Regulated Activity**

Payment Service Providers are required to seek the approval of the Central Bank for the implementation of any material changes to the licensee's operations including, but not limited to:-

- i. new appointments of senior management or directors;
- ii. changes in shareholders or shareholdings;
- iii. new location(s),branch(es) or changes of existing location(s);
- iv. change of foreign service providers or agreements with such entities;
- v. modifications in scope of business activities undertaken; and
- vi. new appointment of Retail Payment Services Agent(s);
- vii. material outsourced functions.

## **K. Cessation of Retail Payment Service**

- i. Any institution wishing to exit from the retail payment system shall notify the Central Bank in writing regarding the intention for the discontinuation ninety (90) days before terminating its operations.
- ii. The Central Bank shall have powers to order the retail payment system provider to take appropriate actions prior to exiting from the retail financial payment service, to ensure that the integrity of the financial sector is maintained.

## **XIV. ADDITIONAL CONDITIONS FOR ELECTRONIC MONEY ISSUERS**

In accordance with the Payment Instruments (Oversight) Regulations, 2017, Electronic Money Issuers are subject to additional conditions.

Electronic money must:

- i. be stored on an electronic device
- ii. be issued on receipt of funds for an amount exactly equal to the monetary value offered
- iii. be redeemed at par with the equivalent conventional money; and
- iv. never expire

An Electronic Money Issuer shall open one or more Custodian Accounts at commercial banks and:

- i. Ensure that at a minimum, the balance on the Custodian Account used to effect retail transactions is equal to the total outstanding (un-claimed) balance of all holders of e-money under that service;
- ii. Undertake to ensure that no new or additional e-money is issued, other than in return for an equal amount in conventional money being paid and received by the payment service provider from customers.

**APPLICATION FORM  
FOR A RETAIL PAYMENT – ELECTRONIC MONEY SERVICE PROVIDERS  
LICENCE**

**Application Form Guidance Notes**

1. A Senior Executive or other person responsible for the conduct of the business and having legal capacity to sign on behalf of the applicant should complete this form.
2. Be advised that all sections of this form including the Declaration in Appendix III and any additional information pages need to be filled out in full, insuring all documentation is correct and information supplied is accurate. The checklist in Appendix I and the insurance information set out in Appendix II must be filled out and returned to the Central Bank along with the rest of this application form.
3. Appendix I Form I or II is to be filled out by Retail Payment – Electronic Money Service Providers, as appropriate.
4. ***Before completing this form, applicants should refer to the Payment Systems Act, 2012, the Payment Instruments (Oversight) Regulations, 2017, and any relevant Guidance Notes issued by the Central Bank of the Bahamas. Thereafter, successful applicants must conform to any relevant guidance issued by the Central Bank from time to time.***
5. The signatory should, on completion of the form, initial and date each page of the application and any supplementary sheets.
6. Completed applications with relevant supporting material should be sent to:-

Research Department  
The Central Bank of The Bahamas  
P.O. Box N-4868  
Nassau, N.P., Bahamas

7. If you require further assistance or have any queries in connection with this application, please contact the Payments Unit of the Research Department by telephone (242) 302 2713, by fax (242) 356 4324, or by email [payments\\_unit@centralbankbahamas.com](mailto:payments_unit@centralbankbahamas.com). Additional information may also be found on the Central Bank's website at <http://www.centralbankbahamas.com>.

## **APPENDIX I**

### ***FORM I*** **APPLICATION FORM:**

#### **COMPANY APPLICANTS FOR A PAYMENT SERVICE PROVIDER'S LICENCE**

Pursuant to Regulation 4 of the Payment Instruments (Oversight) Regulations, 2017

#### **PART I: DETAILS OF APPLICANT**

*Applicants are required to complete this page and submit all supporting documents outlined in the accompanying checklist.*

<b>1. Name of Company Applicant:</b>		<b>10. Licence Provider Company</b>
<b>2.Trading Name of the proposed Payment Institution (if different from above)</b>		<b>Operations</b> International and domestic transmission
<b>3. Address of Head / Parent Office of the Company</b>	<b>4. Location and Mailing Address of Proposed Place of Business</b>	<b>Domestic transmission only</b>
<b>5. Address of Other Places of Business Within The Bahamas</b>	<b>6. Address of Foreign Service Provider (If Applicable)</b>	
<b>7. Contact Name, Phone Number and Address</b>	<b>8. E-Mail address</b>	<b>For Official Use Only</b>  Application received by: _____ Date: _____  Application Reviewed by: _____ Date: _____
<b>9. Name and Address of External Auditor:</b>		

### **Checklist for Payment Institutions**

To assist you further in filling out this application form it is our pleasure to provide you with a checklist. Please crosscheck all requested items with the items you are providing.

<i>The application must be accompanied by the following items (as applicable):-</i>	<i>Check box</i>
1. <b>Memorandum &amp; Articles of Association:</b> A copy of the Applicant's Memorandum and Byelaws, and Certificate of Incorporation, as may be appropriate, verified by statutory declaration made by a Director or the Secretary duly authenticated and VAT certification.	
2. <b>Un-audited consolidated financial statements:</b> of the applicant or parent as at the end of the most recent quarter prior to submission of the application, certified by a director or senior officer.	
3. <b>Annual reports:</b> (including audited consolidated financial statements) of the applicant or parent company for three consecutive financial years immediately preceding the date of application.	
4. <b>Detailed Business Plan:</b> A statement setting out the nature and scale of the payment service business which is to be carried out by the applicant, and particulars of the arrangement(s) proposed for the operation of that business including ownership and structure which includes all the information contained in Section VI (I) of the Guidelines.	
5. <b>Exchange Control:</b> specifically information pursuant to the requirements of Section VII (J) of the Guidelines.	
6. <b>MLRO and Compliance Officer Requirements:</b> specifically information pursuant to the requirements of Section VII (G) of the Guidelines.	
7. <b>A list of and background information on all direct or indirect shareholders:</b> pursuant to Section VII (E) (xii) of the Guidelines.	

<p>8. <b>Chart showing structure of the direct and indirect shareholdings along with the history of the organization:</b> Pursuant to the requirements of Section VII (E) (xii) of the Guidelines.</p>	
<p>9. <b>Capital Requirements:</b> Evidence that the minimum of \$100,000 unimpaired capital asset requirement is met (Section X of the Guidelines).</p>	
<p>10. <b>Liquidity Requirements:</b> Evidence that the minimum liquidity currently available is three times higher than the projected average daily value (Section X).</p>	
<p>11. <b>Certificate of Insurance</b> (or proposed insurance coverage): Applicants must submit copy of insurance certificate and complete Appendix III. Please refer to Section XI of the Guidelines.</p>	
<p>12. <b>Particulars concerning the composition and organization:</b> of the proposed Board of Directors as outlined in Section VII (F) of the Guidelines.</p>	

## **APPENDIX I**

***FORM II***  
**APPLICATION FORM:**  
**GROUP APPLICANTS FOR A PAYMENT  
SERVICE PROVIDER'S LICENCE**

Pursuant to Regulation 4 of the Payment Instruments (Oversight) Regulations, 2017

### **PART I: DETAILS OF APPLICANT**

*Applicants are required to complete this page and submit all supporting documents outlined in the accompanying checklist.*

<b>1. Name, Personal and Business Address of Each Applicant in the Group</b>	<b>7.</b> <b>Licence Provider Group</b>  <b>Operations</b> International and domestic transmission  Domestic transmission only
<b>2. Proposed Corporate Name(s) of the Retail Payment Business</b>	
<b>3. Location and Mailing Address of Proposed Place of Business</b>	<b>For Official Use Only</b>  Application received by: _____ Date: _____  Application Reviewed by: _____ Date: _____
<b>4. Name and Address of Foreign Service Provider (If Applicable)</b>	
<b>5. Contact Name, Address, Phone Number and Email Address</b>	

**6. Name and Address of External Auditor:**

**Checklist for Retail Payment Service Providers (Group Applicants)**

To assist you further in filling out this application form it is our pleasure to provide you with a checklist. Please crosscheck all requested items with the items you are providing.

<i>The application must be accompanied by the following items (as applicable):-</i>	<i>Check box</i>
1. <b>Detailed Business Plan:</b> A statement setting out the nature and scale of the money transmission business which is to be carried out by the applicant, and particulars of the arrangement(s) proposed for the operation of that business including ownership and structure which includes all the information contained in Section VI (I) of the Guidelines.	
2. <b>Exchange Control:</b> specifically information pursuant to the requirements of Section VII (J) of the Guidelines.	
3. <b>MLRO and Compliance Officer Requirements:</b> specifically information pursuant to the requirements of Section VII (G) of the Guidelines.	
4. <b>Details of the proposed shareholding of each individual shareholder in the Group,</b> including information specified Section VII (E) (xii) of the Guidelines.	
5. <b>Details of dominant shareholders:</b> Please provide all information requested under Section VII (E) (xii) of the Guidelines.	
6. <b>Capital Requirements:</b> Evidence that the minimum of \$100,000 unimpaired capital asset requirement is met (Section X of the Guidelines).	

<p>7. <b>Liquidity Requirements:</b> Evidence that the minimum liquidity currently available is at a minimum three times higher than the projected average daily value (Section X).</p>	
<p>8. <b>Certificate of Insurance</b> (or proposed insurance coverage): Applicants must submit a copy of the insurance certificate and complete Appendix III. Please refer to Section XI of the Guidelines.</p>	
<p>9. <b>Particulars concerning the composition and organization:</b> of the proposed Board of Directors as outlined in Section VII (F) of the Guidelines.</p>	

## APPENDIX II

### INSURANCE COVERAGE

Indicate below whether the Applicant has coverage in respect of the following:-

<b><i>Insurance</i></b>			<b><i>Limit</i></b>	<b><i>Deductible</i></b>	<b><i>Insurer</i></b>	<b><i>Broker</i></b>
Errors & Omissions	Yes	No				
Directors and Officers Liabilities	Yes	No				
Fidelity and Forgery	Yes	No				
Loss of Property	Yes	No				
Computer Crime	Yes	No				
Business Interruption	Yes	No				
Office Contents	Yes	No				

Has any application for insurance by the applicant or any predecessors in business ever been refused?      Yes      No
--

Reason for refusal, Name and Address of insurer
Name(s) and address(es) of insurer(s):

## **APPENDIX III**

### **Declaration**

**This declaration must be completed by the Applicant in block capitals or typed and must be signed by the Applicant.**

I, (full name and address) \_\_\_\_\_

of \_\_\_\_\_  
\_\_\_\_\_

confirm that I have read and understood the provisions of the Payment Instruments (Oversight) Regulations, 2017 (“the Regulations”) and I declare that the business in respect of which this application is made will be conducted in accordance with the provisions of the Regulations and any other relevant legislation.

I declare that the particulars supplied in the application are true to the best of my knowledge and belief.

**Name** \_\_\_\_\_ **Position in undertaking** \_\_\_\_\_

**Signature** \_\_\_\_\_ **Date** \_\_\_\_\_

## **APPENDIX IV**

### **Certified Confidential Statement**

**This statement is to be completed and signed by individuals proposing to serve as directors and/or executive officers of Payment Institutions.**

#### **CONFIDENTIAL STATEMENT BY INDIVIDUALS WHO ARE PROPOSING TO HOLD THE POSITION OF DIRECTOR AND/OR EXECUTIVE OFFICER OF A PAYMENT INSTITUTION LICENSED BY THE CENTRAL BANK OF THE BAHAMAS**

*If insufficient space is provided, please attach separate sheets.*

1. Name of the institution in connection with which this questionnaire is being completed ("the institution").

.....

2. Your Full Name.

.....

3. Former names by which you may have been known.

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4. Please state in which capacity you are completing this questionnaire; i.e., as a prospective director, an executive officer, or a combination of these. Please state your full title, and describe the particular duties and responsibilities attaching to the position(s) that you will hold. If you are completing this form in the capacity of director, indicate whether, in your position as director, you have or will have any executive responsibility for the management of the institution's business. In addition, please provide a copy of your *curriculum vitae*, unless it has already been provided.

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5. Of which bodies corporate (other than the institution) are you a director or an executive officer and since when?

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6. Do you have any direct or indirect interest representing 15 per cent or more of the issued capital of any body corporate (other than the institution) that is now licensed, or that has applied for a license, under the Payment Instruments (Oversight) Regulations, 2017? If so, please give particulars.

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7. Of which bodies corporate other than the institution and those listed in reply to question 6, above, have you been a director or an executive officer at any time during the past 10 years. Please give relevant dates.

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8. Do any of the bodies corporate listed in reply to questions 5, 6, and 7, above, maintain a business relationship with the institution? If so, please give particulars.

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9. Do you hold or have you ever held or applied for a license or equivalent authorization to conduct any business activity in the Commonwealth of The

Bahamas or elsewhere? If so, give particulars. If any such application was refused or withdrawn after it was made or if any authorization was revoked, give particulars.

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10. Does any body corporate with which you are, or have been, associated as a director or executive officer hold, or has it ever held or applied for, a license or equivalent authorization to conduct any business activity in the Commonwealth of The Bahamas or elsewhere? If so, please give particulars. If any such application was refused, or was withdrawn after it was made or if any authorization was revoked, please give particulars.
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11. Have you at any time been convicted of any offence, excluding –

- i. any minor offence committed when you were under 18 years of age, unless the same offence was committed within the last 10 years; or,
- ii. any minor road traffic offence?

If so, please give particulars of the court by which you were convicted, the offence, the penalty imposed and the date of conviction.

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12. Have you, in The Bahamas or elsewhere, been censured, disciplined, warned as to future conduct, or made the subject of a court order at the instigation of any regulatory authority or any professional body to which you belong or belonged,

or have you ever held a practicing certificate subject to conditions? If so, please give particulars

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13. Have you, or has any body corporate, partnership, or unincorporated institution with which you are, or have been, associated as a director or executive officer, been the subject of an investigation, in The Bahamas or elsewhere, by or at the instigation of a government department or agency, professional association, or other regulatory body? If so, please give particulars.
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14. Have you, in The Bahamas or elsewhere, been dismissed from any office or employment, or been subject to disciplinary proceedings by your employer or been barred from entry to any profession or occupation? If so, please give particulars.
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15. Have you failed to satisfy any debt adjudged due and payable by you, pursuant to an order of a court, in The Bahamas or elsewhere, or made any compromise arrangement with your creditors within the past 10 years? If so, please give particulars.
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16. Have you ever been declared insolvent (either provisionally or finally) by a court, in The Bahamas or elsewhere, or has a bankruptcy petition ever been served on you? If so, please give particulars.

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17. Have you, in connection with the formation or management of any body corporate, partnership or unincorporated institution, been adjudged by a court, in The Bahamas or elsewhere, civilly liable for any fraud, misfeasance, or other misconduct by you towards such a body or company or towards any members thereof? If so, please give particulars.

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18. Has any body corporate, partnership, or unincorporated institution with which you were associated as a director or executive officer, in The Bahamas or elsewhere, been wound up, made subject to an administration order, otherwise made any compromise or arrangement with its creditors or ceased trading, while you were associated therewith, or has anything analogous to any of these events occurred under the laws of any other jurisdiction? If so, please give particulars.

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19. Have you been concerned with the management or conduct of the affairs of any institution that, by reason of any matter relating to a time when you were so concerned, has been censured, warned as to future conduct, disciplined, or made the subject of a court order at the instigation of any regulatory authority, in The Bahamas or elsewhere? If so, please give particulars.

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20. In carrying out your duties will you be acting on the directions or instructions of any other individual or institution? If so, please give particulars.

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21. Do you, or does any related party of whom you are aware, currently or prospectively plan to undertake business with this institution? If so, please give particulars.

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22. How many shares in the institution are or will be registered in your name or the name of a related party? If applicable, give name(s) in which such shares are registered and the number and class of shares.

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23. In how many shares in the institution (not being registered in your name or that of a related party) are related parties beneficially interested?

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24. Do you, or does any related party, hold or plan to hold any shares in the institution as trustee or nominee? If so, please give particulars.

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25. Are any of the shares in the institution mentioned in reply to questions 22,23, and 24, above, equitably or legally charged or pledged to any party? If so, please give particulars.

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26. What proportion of the voting power at any general meeting of the institution (or of another body corporate of which it is a subsidiary) are you or any related partly entitled to exercise control?

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27. If the exercise of the voting power at any general meeting of the institution, or of another body corporate of which it is a subsidiary, is or may be controlled by one or more of your associates or any related party, give the proportion of the voting power so controlled in each case and the identity of each associate.

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28. Are you currently, or do you expect to be, other than in a professional capacity, engaged in any litigation in The Bahamas or elsewhere? If so, please give particulars.

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29. Do you, at all times while acting in your capacity as a director or executive officer of the institution, undertake to:

- Act in good faith towards the institution;

- Avoid conflict between your other interests and the interests of the institution; and,
  - Place the interests of the institution and its clients above all other interests?
- .....

30. Have you acquainted yourself with, and do you understand, the extent of the rights and powers, as well as your responsibilities and duties, as a director of the institution, as contained in the applicable law, regulations, and guidelines? (To be completed only by prospective directors.)

.....

## **DECLARATION**

I, ..... hereby declare the following:

This statement consists of.....pages, each signed by me. The content of this declaration is true to the best of my knowledge and belief. I am aware that should I knowingly or intentionally supply false or misleading information herein, I may be liable to prosecution.

I undertake that, as long as I continue to be a director or executive officer of the institution, I will notify the Assistant Manager, Payments Unit of the Central Bank of The Bahamas of any material changes to or affecting the completeness or accuracy of the information supplied by me as soon as possible, but in no event later than 21 days from the day that the changes come to my attention. I know and understand the content of this declaration.

..... SIGNATURE

..... DATE

I certify that the above statement was taken by me and that the deponent has acknowledged that he/she knows and understands the content of this statement. This statement was signed in my presence at:

..... on this ..... day of

..... (mm/yy)

.....  
Justice of the Peace/Notary Public