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**NATIONAL BANK OF ETHIOPIA**  
ADDIS ABABA

Directive No. ONPS/01/2020

**OVERSIGHT OF THE NATIONAL PAYMENT SYSTEM**

**Licensing and Authorization of Payment Instrument Issuers Directive No. ONPS/01/2020**

**WHEREAS**, it is important to promote the safety and efficiency of the payment system;

**WHEREAS**, innovative payment instruments are important to increase the use of financial services;

**WHEREAS**, establishing clear and enabling regulatory requirements are necessary to protect the interest of users of payment instruments;

**WHEREAS**, oversight of payment instrument issuers is a key to mitigate associated risks and maintain reliability of payment instruments;

**NOW, THEREFORE**, in accordance with Articles 4(2a)/2/, 4(2)/e/, 10(1)/c/, 10(5), 19(3), 20(2) and 37(2) of the National Payment System Proclamation No. 718/2011, and article 2(1) and article (58) of Banking (amended) Business Proclamation, the National Bank of Ethiopia has issued this directive.

**PART I**

**GENERAL PROVISIONS**

**1. Short Title**

This directive may be cited as “**Licensing and Authorization of Payment Instrument Issuers Directive No. ONPS/01/2020**”

**2. Definition**

For the purpose of this directive:





- 1) **“agent”** means a person contracted by a financial institution to facilitate provision of agency business service in the name and on behalf of a financial institution in a manner specified in this Directive and other relevant other relevant laws;
- 2) **“bank”** means a company licensed by the National Bank to undertake banking business or a bank owned by the Government;
- 3) **“cash-in”** means the process by which a user exchanges cash for electronic value and transactions resulting in an increase in the users’ electronic money account balance;
- 4) **“cash-out”** means the process by which a user exchanges electronic money for cash and transactions resulting in a decrease in the users’ electronic money account balance;
- 5) **“chief executive officer”** means a person by whatever title that person may be referred to, who is primarily accountable and bears the responsibility for the day-to-day management of the affairs of the payment instrument issuer;
- 6) **“company”** means a share company as defined in the Commercial Code of Ethiopia, in which the capital is: (a) fully owned by Ethiopian nationals or foreign nationals of Ethiopian origin or jointly owned by Ethiopian nationals and foreign nationals of Ethiopian origin;
- 7) **“customer due diligence”** means policies and procedures used by payment instrument issuers to obtain customer information and assess the risks of money laundering and terrorist financing posed by a user, including detecting, monitoring and reporting suspicious activities;
- 8) **“director”** means a person by whatever title that person may be referred to, who is member of the board of directors of a payment instrument issuer;
- 9) **“electronic money account”** means an account held with a payment instrument issuer and which belongs to a user;
- 10) **“electronic money float”** means the total outstanding value of electronic money issued by a payment instrument issuer that may also be reflected by a cash deposit in a bank or a government security or both;
- 11) **“electronic money”** means a monetary value represented by a claim on its issuer. It has the following attributes: (i) issued upon receipt of Ethiopian Birr, (ii) it is accepted as a means of payment by persons other than the issuer, (iii) it has equal value with other electronic money issued in Ethiopian Birr, (iv) stored on an electronic device, like a chip, pre-paid card, mobile phone, tablet or any other computer system;





- 12) “**financial institution**” means a bank or a micro-finance institution licensed by the National Bank. For the purpose of this directive, payment instrument issuers and postal services other than banks and microfinance institutions that provide electronic money related financial services using agents as per the relevant payment instrument issuer directive of the National Bank shall be considered as financial institution;
- 13) “**Know Your Customer**” means a set of due diligence measures undertaken by a financial institution or a payment instrument issuer, including policies and procedures, to identify a user and the motivation behind his financial activities;
- 14) “**limited use payment instrument issuer**” means a person, including a petroleum distributor, a supermarket, etc. who is registered and recognized by the National Bank to issue payment instruments in a limited scale to its main business’ customers.
- 15) “**merchant**” means a person engaged in the trade of goods/or and services and possesses an electronic account;
- 16) “**National Bank**” means the National Bank of Ethiopia;
- 17) “**over-the-counter transaction**” means a transaction that occurs when a sender or a receiver does not use his/her own electronic account instead he transacts in cash with an agent or a branch who executes the transaction on his behalf;
- 18) “**payment instrument**” means any instrument whether tangible or intangible that enables a person to make payments or transfer money and it includes electronic money;
- 19) “**payment instrument issuer**” means a person authorized or licensed by the National Bank to issue payment instruments against receipt of funds in Ethiopian Birr as per this directive;
- 20) “**person**” means any natural or juridical person;
- 21) “**senior executive officer**” means a person by whatever title that person may be referred to, who is deputy to the chief executive officer or is directly reporting to the board of directors of a payment instrument issuer;
- 22) “**user**” means a person who has an electronic money account and uses the services of a payment instrument issuer;
- 23) “**walk-in-user**” a person who uses services of a payment instrument issuer without having an electronic account.
- 24) Any expression in the masculine gender includes the feminine.

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### **3. Scope of the Directive**


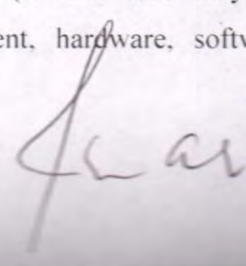
This Directive shall apply to payment instrument issuers authorized by the National Bank.

## **PART II**

### **APPLICATION AND APPROVAL PROCESS**

#### **4. Requirement for Authorization and Licensing**

- 1) All licensed financial institutions shall submit duly completed application to the National Bank in order to get an authorization to issue a payment instrument.
- 2) A person other than licensed financial institution shall submit a complete application to the National Bank to get a license to issue a payment instrument.
- 3) An applicant intending to be licensed as a payment instrument issuer shall be established as:
  - a. an enterprise owned fully by the Government and the following documents shall be attached:
    - i) a regulation issued by the council of ministers that specifically allows engagement in the business of issuing payment instruments and related services as per this directive.
    - ii) a certificate of registration for trade name from the relevant authority. or,
  - b. a company which shall fulfill the following conditions:
    - i. a signed minutes of meeting of shareholders along with attendance sheet;
    - ii. a certificate of registration for trade name from the relevant body;
    - iii. a signed minutes of meeting for subscribers along with attendance sheet;
    - iv. a list of names, nationality, address, number and value of subscribed shares of shareholders to be published or notified on newspaper or any other media;
    - v. a memorandum and articles of association written both in Amharic and English. The memorandum and articles of association shall be approved by the National Bank before registration with the appropriate government body;
    - vi. an authenticated certificate and/or agreement (as the case may be) for ownership or use of building, land, equipment, hardware, software and professional service;







- vii. a minimum paid-up capital of Ethiopian Birr 50,000,000 (fifty million birr) shall be contributed in cash and the amount shall be deposited in a blocked account with a bank in the name of the applicant payment instrument issuer;
  - viii. no person, other than Government, may hold more than 20% (twenty percent) of the shares of a licensed payment instrument issuer; and
  - ix. a company other than a government enterprise shall have a minimum of 10 (ten) shareholders.
- 4) Applicants shall pay a non-refundable investigation fee of Ethiopian Birr 5,000 and present proof of payment along with the application.
  - 5) The application and accompanying documents shall provide adequate details and complement the National Bank's evaluation and decision making process.
  - 6) In addition to requirements under sub-articles (1), (2) and (3) of this Article, the application shall be accompanied by the following:
    - a. comprehensive document, which demonstrates applicant's ability to manage the system and allocate required resources. It includes at least:
      - i. analysis on gaps identified between the domestic and global payment instruments market;
      - ii. business plan at least for five years;
      - iii. features and value proposition of the payment instrument to be issued, products and services;
      - iv. geographical area of the market to be covered initially and through time;
      - v. initial agent distribution and expansion plan through time;
      - vi. additional sources of capital and finance (if any);
      - vii. financial and budget forecast for the first five years of operations including balance sheet, income statement, cash flow statement and basic assumptions for the projections; and
      - viii. governance, organizational structure and responsibilities of the board of directors and the management with respect to the payment instrument to be issued.







- b. Operational policies and procedures which give further details about products and services to be delivered initially as well as when new products are added:
- i. how the product/service fits into processes and systems;
  - ii. pricing and fees structure, sustainability and affordability;
  - iii. effective administrative and management function;
  - iv. accounting process, procedure and reporting;
  - v. process flow including in diagrams that must be fully transparent and be auditable;
  - vi. transaction authentication methods that are compliant with national/international standards, like two factor authentication;
  - vii. policy and procedure manual;
  - viii. participation in a national or international payment system;
  - ix. procedures taken to safeguard funds of users of the payment instrument;
  - x. proposed names for the instrument, product or services. Once accepted the names shall be registered with the pertinent authority;
  - xi. internal control system; and
  - xii. terms and conditions to be entered with agents, merchants, users of payment instrument and any other third parties.
- c. detailed document on the fulfillment of the following system related functions and technical conditions:
- i. capability to maintain and identify electronic money accounts and corresponding details;
  - ii. transaction processing and data flow within the system and timing;
  - iii. dependability of the core system;
  - iv. network infrastructure and security;
  - v. capability to be linked with other systems, checkpoints and interoperability;
  - vi. security policies and procedures installed to maintain the integrity, authenticity and confidentiality of data and operation;
  - vii. data management – archiving, retrieval and destruction procedures;
  - viii. business continuity and disaster recovery arrangement;







- x. authenticity, non-reputability of communication channels and remote access capabilities;
  - xi. system audit log file generation for all activities;
  - xii. any adopted relevant international, national and/or industry level standards and guidelines from a reputable certification body; and
  - xiii. outsourced institutions profile and contracts on service support agreements.
- d. risk management framework including but not only limited to risks such as operational, technology, communication, cyber security, third party, liquidity, reputational and legal;
- e. policy and procedure for Know Your Customers;
- f. policy and procedure for Anti-Money Laundering and Counter Financing of Terrorism;
- g. dispute resolution and case management mechanism or system;
- h. customer protection policy and procedure covering at least the following principles:
- i. equitable and fair treatment;
  - ii. transparency;
  - iii. confidentiality and disclosure of information;
  - iv. rights and responsibilities of all involved parties;
  - v. customer support arrangement; and
  - vi. complaint handling and redress mechanism.
- 7) any other relevant information as and when requested by the National Bank.
- 8) an authorized or licensed payment instrument issuer interested to issue a new product or service shall fulfill requirements under sub-article 6 along with an application and a payment advice of Ethiopian Birr 3,000 being application processing fee;
- 9) as part of the application process, the National Bank, may request for a preliminary meeting and demonstration of the intended payment instrument to be issued, its related services, products as well as operation.





- 10) based on the complexity, newness and familiarity of related features of the payment instrument to be issued, the National Bank may opt for the authorization or licensing process to follow two stages: primary approval – for piloting and final approval – for business/operation.
- 11) the National Bank based on the proposal of the applicant may authorize a pilot period for the maximum of three month duration.
- 12) an applicant who is granted the go-ahead for piloting the product or service shall submit detailed piloting plan and commence the pilot test within thirty calendar days after the date on which the notification is made.
- 13) in relation with article 4.10, the applicant shall perform the pilot and submit a monthly detailed performance report and a final report showing the results of the pilot to the National Bank within thirty calendar days after the end of the pilot.
- 14) based on a written request by applicant, the National Bank may extend the pilot test period for the maximum of one month.
- 15) the National Bank may reject an application for authorization or licensing on any of the following grounds:
  - a. the applicant or its owners have been convicted of a crime involving a financial transaction;
  - b. the application and its accompanying documents contain false information;
  - c. the applicant fails to give any response to a request from the National Bank, within ten days;
  - d. the submitted documents are incomplete, ambiguous or misleading; and
  - e. the intended payment instrument to be issued or its related service poses risk on users or the national payment system.
- 16) Where the National Bank rejects the application or any part thereof, the National Bank shall provide the applicant with a written explanation of the grounds upon which the rejection is based.



- 17) A payment instrument issuer whose application has been rejected may be allowed to reapply, if the deficiencies that formed the basis for rejection of the initial application or subsequent review have been corrected or otherwise addressed.
- 18) Any application submitted to the National Bank for issuance of a payment instrument or new product or service shall be accompanied by the approval minutes of meeting of the board of directors.
- 19) The National Bank shall respond to the application submitted in accordance with sub-articles (2) and (3) of this article within 60 calendar days from the last date of fulfillment of all required conditions.
- 20) An applicant whose application has been rejected may appeal against the decision within seven working days from the date on which the refusal is communicated.
- 21) An authorization or licensing to issue a payment instrument under this directive may be subject to specific conditions put by the National Bank.
- 22) An authorized or licensed applicant shall commence operation within six months after the date authorization or license is made.
- 23) An applicant shall pay an initial licensing fee of Ethiopian Birr 5,000.

#### **5. Directors and Executive Management**

- 1) The appointment of directors of a licensed payment instrument issuer shall get prior written approval from the National Bank;
- 2) The appointment of directors of a Government owned payment instrument issuer shall be approved by the National Bank, according to the establishment regulation ;
- 3) The following requirements and conditions shall be fulfilled for approving the appointments of directors of licensed payment instrument issuers:







- a. a director shall have a minimum of first degree or equivalent from recognized higher learning institution;
  - b. a director shall have adequate work experience to effectively oversee the business of the payment instrument issuer and shall have prior understanding about payment instruments;
  - c. a director shall be at least thirty years old; and
  - d. signed biography and curriculum vitae of directors shall be submitted to the National Bank.
- 4) The appointment of Chief Executive Officer and Senior Executive Officers of a licensed payment instrument issuer shall get prior written approval from the National Bank.
- 5) The following requirements and conditions shall be fulfilled for approval of the appointments of Chief Executive Officer and Senior Executive Officers of licensed payment instrument issuers:
- a. a chief executive officer shall have a minimum of first degree from a recognized higher learning institution;
  - b. a chief executive officer shall have a minimum of ten years work experience in finance and payment areas and of which, five years shall be in senior executive position;
  - c. a signed biography and curriculum vitae of the chief executive officer shall be submitted to the National Bank.
  - d. a senior executive officer shall have a minimum of first degree from a recognized higher learning institution;
  - e. a senior executive officer shall have a minimum of eight years work experience and of which three years shall be in managerial position including at departmental level or equivalent;
  - f. a signed biography and a curriculum vitae of the chief executive officer or Senior Executive Officers shall be submitted to the National Bank;
  - g. qualification testimonies and signed credentials of the Chief Executive Officer or senior executive officers from previous employers shall be submitted to the National Bank; and





- h. meeting minutes of the directors wherein the appointment of the chief Executive officer and/or senior executive officers is made.
- 6) Directors, Chief Executive Officer and Senior Executive Officers shall be honest, reputable and diligent. In determining these traits of the persons, all relevant factors shall be considered, including but not limited to:
- a. whether the person has a record for previous conduct and activities where he/she has been convicted for a criminal offence under any law designed to protect members of the public from dishonesty or fraud anywhere; and
  - b. whether the person has a record of withholding information from public authorities, submission of incorrect financial or other statements and failure to comply with requirements of a regulator.
- 7) The National Bank may require a licensed payment instrument issuer for further documentation or explanation depending on the case.

#### **6. Permitted Products and Services**

- 1) Based on requests made and written approval of the National Bank; a payment instrument issuer may be allowed to provide the following services:
- a. cash-in and cash-out;
  - b. local money transfers including domestic remittances, load to card or bank account, transfer to card or bank account;
  - c. domestic payments including purchase from physical merchants, bill payments;
  - d. over-the-counter transactions; and
  - e. inward international remittances.
- 2) Based on written approval of the National Bank, a licensed payment instrument issuer under full responsibility of and written outsourcing agreement with a regulated financial institution and pension funds, may be allowed to provide the following:
- a. micro-saving products;
  - b. micro-credit products ;



- c. micro-insurance products; or
- d. pension products.

**PART III**  
**ELECTRONIC ACCOUNT, LIMITS, DORMANT ACCOUNT AND ELECTRONIC  
FLOAT**

**7. Electronic Account Management**

- 1) Electronic accounts and payment instruments shall be denominated only in Ethiopian Birr.
- 2) Payment instrument issuers shall exchange funds for equal monetary value of electronic money or vice versa.
- 3) All transactions made against an electronic account shall only be made electronically and in real time.
- 4) To ensure maximum protection on transactions related to electronic account, all transactions shall have single factor authentication, like user created personal identification number; and two-factor authentication shall be applied for transaction amounts greater than Ethiopian Birr 1,000.
- 5) A user shall be entitled to receive an electronic receipt for transactions related to its electronic account or a physical receipt shall be given to the user as a replacement in the case when it is difficult to provide an electronic receipt.
- 6) The details of the receipt shall include at least: date, time, unique reference, amount, type of transaction, any fee and details of transacting counter party.

**8. Electronic Account and Limits**

- 1) A payment instrument issuer shall put in place systems and procedures to keep and identify at least three categories upon opening of an electronic money account.







- a. **Level 1** accounts shall be subject to a maximum account balance of Ethiopian Birr 5,000, an aggregate daily transaction limit of Ethiopian Birr 1,000 and an aggregate monthly transaction limit of Ethiopian Birr 10,000.
  - b. **Level 2** accounts shall be subject to a maximum account balance of Ethiopian Birr 20,000, an aggregate daily transaction limit of Ethiopian Birr 5,000 and an aggregate monthly transaction limit of Ethiopian Birr 40,000.
  - c. **Level 3** accounts shall be subject to a maximum account balance of Ethiopian Birr 30,000, an aggregate daily transaction limit of Ethiopian Birr 8,000 and an aggregate monthly transaction limit of Ethiopian Birr 60,000.
- 2) If a user has more than one account with a similar Level; the aggregate balance of all accounts shall not exceed the respective category limit where the account belongs.
  - 3) If a user has more than one electronic account with different Levels, the limit of the higher Level shall apply.
  - 4) A payment instrument issuer shall ensure that its system is capable of handling and managing the different Levels.
  - 5) Walk-in users shall be subject to a single maximum daily transaction limit of Ethiopian Birr 500.
  - 6) An electronic account belonging to an agent shall have no amount limit for transactions made in relation to users.
  - 7) A merchant electronic account is opened only for businesses and shall:
    - a. fulfill a proper Know Your Customer requirements;
    - b. made payments to large number of users;
    - c. receive payments for the prices of goods and services;





- d. have no limit on account balance and transactions; and
- e. not be allowed to make cash related transactions unless registered as an agent

#### 9. **Dormant Account Handling**

- 1) A payment instrument issuer shall follow the following successive procedures while handling dormant accounts.
  - a. an electronic account shall be classified as dormant, if it did not show any transaction for twelve consecutive months;
  - b. a notification message shall be sent to the user on the sixth month and monthly thereafter informing the user to either activate the electronic account by making a transaction or to close the electronic account;
  - c. if there is no change by the end of the twelve months period, the payment instrument issuer shall change the status of account to dormant until the user requests for reactivation either by making a cash-in or cash-out transaction or through a request call made with verifiable or pre-registered mobile number;
  - d. if the dormant electronic account is not reactivated within the twelve months period, the electronic account shall be closed;
  - e. a payment instrument issuer shall deposit the amount after deducting the necessary closure fees in closed electronic accounts to a single account opened for the purpose with a bank.
  - f. the payment instrument issuer shall maintain detailed information related to closed electronic account for ten years. The same information shall be shared with the bank mentioned under sub article (e) above and the National Bank;
  - g. a claim made on the amount of a closed electronic account shall be submitted to the payment instrument issuer and the payment instrument issuer shall process the request with the bank;
  - h. any refund made in relation with a closed electronic account shall be updated and reported quarterly to the National Bank by the payment instrument issuer;
  - i. the National Bank may instruct further the payment instrument issuer on the procedures to follow on funds kept for more than ten years.



- 2) For a mobile phone number that is directly related to electronic account, if the account did not show a movement for twelve consecutive months; the amount in such account shall be delinked from the mobile number that uniquely identifies the subscriber in the mobile network.

#### **10. Electronic Money Float Management**

- 1) A licensed payment instrument issuer shall keep the total amount of electronic money float in the form of cash deposited in a bank and/or invest in any other safe Government security as prescribed by the National Bank.
- 2) Upon the request and written approval of the National Bank, a licensed payment instrument issuer shall open an electronic money float cash deposit account with a bank.
- 3) The amount of electronic money float will be represented by cash deposited in an account maintained with a bank and invested in Government securities. This amount belongs to the users and managed by the licensed payment instrument issuer on behalf of the mentioned users.
- 4) The amount in the electronic float cash account and Government securities shall reflect, at all times, the sum of all electronic accounts maintained by the issuer and owned by users.
- 5) The outstanding balance in an electronic float cash account and Government securities shall be reconciled daily against the sum of individual electronic accounts maintained and the daily reconciliation summary report shall be sent to the National Bank by 10:00AM of the following day.
- 6) Notwithstanding sub-article 10(5) above, any identified discrepancy shall be rectified latest by 12:00PM of the following day and the report shall be sent to the National Bank revealing details on discovery, amount, reason and rectifications made.
- 7) The National Bank may investigate at any time the bank statement for electronic money float cash account and the payment instrument issuer's system report.
- 8) A payment instrument issuer shall maintain at least 10 percent of the balances in the electronic money float cash account to facilitate clearing and settlement of payments.



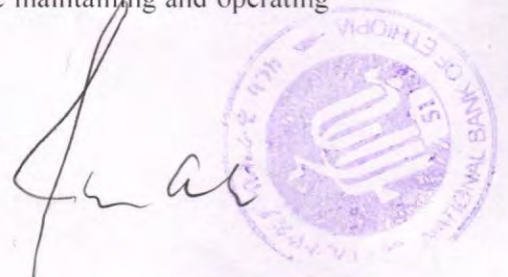
- 9) A payment instrument issuer shall transfer not less than eighty percent of any income derived from an electronic money float cash account as interest, net of any account management fee levied by the account holding bank, to electronic account holders and the remaining amount to be retained by the payment instrument issuer.
- 10) Notwithstanding sub-article 1 of this Article income derived from the investment activities on the balance in electronic money float cash account shall be kept in a separate account opened for the purpose with a bank.
- 11) A proposal for distribution of interest by a licensed payment instrument issuer shall get an approval by the National Bank.
- 12) A licensed payment instrument issuer shall segregate its own funds from that of users.
- 13) Notwithstanding sub-article 10(1) of this directive a licensed payment instrument issuer shall not deposit more than 15% of the bank's capital in its electronic float cash account in that bank.
- 14) A licensed payment instrument issuer shall not engage in any investment activities using the amount in the electronic float cash account other than the provisions made under sub-article 1 of this Article.
- 15) Individuals' electronic account balances held against the electronic float cash account shall be covered by a deposit insurance scheme as and when the scheme becomes operational.

## PART V

### CUSTOMER DUE DILIGENCE, USER PROTECTION, OVERSIGHT

#### **11. Customer Due Diligence**

- 1) A payment instrument issuer shall define acceptable identification documents in line with this directive.
- 2) A payment instrument issuer shall comply with the minimum Customer Due Diligence requirements for the different levels of Know Your Customer while maintaining and operating electronic accounts.







- a. for Level 1 accounts name, date of birth, residential address, telephone number, recent photo of the user and the user shall be introduced by another person who already maintains an account with the payment instrument issuer.
  - b. for Level 2 accounts name, date of birth, residential address, telephone number and recent photo and identity card of the user and shall be captured in the system.
  - c. for Level 3 accounts name, date of birth, residential/business address, telephone number, a photo and identification card of the account holder shall be captured in the system whichever is appropriate for individuals and entities.
  - d. for merchants or agents, the payment instrument issuer shall validate and capture credentials like memorandum and articles of associations (where applicable), business license, tax payer's identification certificate (where applicable) bank account information, (where applicable), the name of the owner, business address, owner contact information, and information of employees of the merchant.
  - e. A walk-in user or a user without an electronic account shall be subject to Level 2 Customer Due Diligence requirements as mentioned in this sub-article.
- 3) A payment instrument issuer and its agents shall strictly comply, at all times, with the requirements of the proclamation issued for "Prevention and Suppression of Money Laundering and the Financing of Terrorism – Proclamation Number 780/2013", its subsequent amendments and related directives.

## **12. Customer Protection**

- 1) Payment instrument issuers shall ensure maximum customer protection while carrying out their business;
- 2) A payment instrument issuer upon opening of an account shall enter into an agreement with the user. And such an agreement shall include at least :
  - a. identifying the customer objectively;
  - b. distinguishing easily the logo, products and services, agents;
  - c. disclosing the price for products and services;
  - d. making available standard transaction receipt with details;
  - e. making available for viewing information on at least ten transactions online;
  - f. stating the confidentiality of all users' information;





- g. notifying easily the rights and responsibilities of users;
  - h. informing the roles and responsibilities of the parties;
  - i. ensuring arrangement of a customer call center and its contact details, working hours, procedures and response time; and
  - j. giving announcement on service interruptions and changes.
- 3) A payment instrument issuer shall make and share clear and standard terms and conditions applicable to all users in relation to the use of a payment instrument.
- 4) Notwithstanding sub-article 12 (3), issuance and any subsequent amendments made on terms and conditions shall get prior written approval from the National Bank.
- 5) A payment instrument issuer shall put in place a mechanism for customer support, complaint handling and dispute management with the necessary resources that includes at least:
- a. complaint lodgment shall be easy and accessible for extended hours longer than the normal working hours that is from 8:00 AM to 5:00 PM;
  - b. complaints could be made in person, through writing, phone calls or any other traceable means;
  - c. each complaint shall be assigned with a specific reference and same shall be notified to the complainant within which the complaint is expected to be resolved;
  - d. all complaints shall be registered;
  - e. upon request adequate explanation shall be given to the complainant about reported complaint;
  - f. complaint handling shall be free of any charge to the complainant;
  - g. complaints shall be addressed within a maximum of three working days;
  - h. a final decision shall be communicated to the complainant;
  - i. the complainant shall be given the right to appeal. Such appeal shall be reviewed by a higher-level officer of the payment instrument issuer; and
  - j. if a dispute arises among parties, the payment instrument issuer shall send to the National Bank detailed explanation of the dispute and all related documents.
- 6) A payment instrument issuer shall announce list of agents and their address; types of products and services; and applicable fees and charges on its website.



- 7) A payment instrument issuer shall update and notify pertinent information like address, complaint reporting and contact details on its website, its offices or branches (where applicable) and agent premises.

### **13. Oversight**

- 1) The National Bank shall oversee payment instrument issuers, their systems, agents and outsourcing counter parties.
- 2) Payment instrument issuers shall keep a record and submit to the National Bank the following information both in hard and soft copies along with a covering letter signed by the Chief Executive Officer or his delegate within seven calendar days after the end of every quarter:
  - a. account type, account level and account balance of users by group (like individual, merchant, agent), region, gender,
  - b. number of accounts opened and closed during the reporting month by region and as individual (including gender), merchants, agents;
  - c. the number of active and inactive accounts held by the payment instrument issuer by category, region, age and gender;
  - d. total value and volume of transactions processed by the payment instrument issuer by indicating each type of transaction, such as cash-in, cash-out, over-the-counter, local money transfer, domestic payments and inward international remittance;
  - e. number of active and inactive agents by region and administration;
  - f. outstanding amount of electronic money held by the payment instrument issuer;
  - g. number and amount of micro savings by gender and region;
  - h. number and amount of micro credits by gender and region;
  - i. number and amount of micro insurance policies by gender and region;
  - j. number and amount of pension schemes by type, gender and region;
  - k. balance in float account(s);
  - l. number and value of dormant accounts by category and region;
  - m. number, duration and reason for system interruption and subsequent measures taken to resolve the issue;
  - n. number of reported customers' complaints by product/service type, agent location and their respective status as solved, not solved or in progress;
  - o. any cyber security breach and data loss;





- p. all actual and attempted frauds with amounts involved,
    - i. detailed description of the incident including: dates, suspected fraudster, the occurrence, involved parties, agent location and subsequent measures taken;
    - ii. the description shall at least answer the questions of how, why, what, when, and the like; and
    - iii. fraud reports shall be sent to the National Bank within five working days after the incident .
  - q. the National Bank may request for additional information as and when deemed necessary.
- 3) A payment instrument issuer shall prepare financial statements in accordance with International Financial Reporting Standard.
  - 4) A licensed payment instrument issuer shall audit its book of accounts annually by authorized independent external auditors and submit the report to the National Bank within sixty calendar days after the end of the fiscal year.
  - 5) The National Bank may instruct the payment instrument issuer to submit assessment reports on different aspects of its system that is conducted by it-self or get assessed by another certified body.
  - 6) Any change or enhancement on systems, procedures, and mode of operation, product and service features and outsourcing arrangements shall be reported in writing to the National Bank to seek approval, thirty days ahead of the planned change or enhancement.
  - 7) Notwithstanding sub-article 13 (6), the user shall be notified about the relevant changes ahead of seven calendar days before the implementation of the change.

## PART VI

### MISCELLANEOUS

#### **14. Limited Use Payment Instrument Issuers**

- 1) A person may apply in writing to the National Bank in order to be registered and recognized as a Limited Use Payment Instrument Issuer.







- 2) A limited use payment instrument issuer shall be subject to the following conditions:
  - a. the applicant shall have a valid business license to operate in Ethiopia;
  - b. the intended payment instrument shall be used entirely within the premises and branches of the issuer and for payment transactions related to the exchange of products and services of the issuer's main business.
  - c. the maximum individual electronic money account balance shall not exceed Ethiopian Birr 5,000;
  - d. at any time the total liabilities related to such electronic money shall not exceed Ethiopian Birr 5,000,000; and
  - e. the limited use payment instrument shall be accepted as a means of payment in not less than fifty branches of the issuer.
- 3) An application to the National Bank shall be accompanied with all the necessary details and supporting documents about the planned limited use payment instrument to be issued, its system and operation process.
- 4) Limited use payment instrument issuers shall put in place systems to maintain at least complete and accurate records of electronic money accounts, the identity of users, all transactions, individual and aggregated balances held by users.
- 5) The electronic money shall be exchanged at par with Ethiopian Birr only.
- 6) Limited use payment instrument issuers shall not use agents.
- 7) No interest or other financial return is paid to users.
- 8) A person applying for issuance of limited use payment instrument shall pay an application fee of Ethiopian Birr 2,000.
- 9) A registration made for a limited use payment instrument issuer shall be renewed every year within three months after June 30. An application for renewal shall be accompanied with valid business license of the applicant.





- 10) The National Bank, through written notice to a limited use payment instrument issuer, may suspend or revoke a registration for such period as it may specify due to the following and other related reasons:
- if the limited use payment instrument issuer ceases to operated, liquidated, wound up or dissolved;
  - if the limited use payment instrument issuer fails to comply with the provisions of this Article; and
  - engagement of the limited use instrument issuer in fraudulent, money laundering activities;
  - engagement of the limited use instrument issuer in prohibited business and handling proceeds of crime and money laundering; and
  - failure of the limited instrument issuer to keep proper customer and transactional records.
- 11) A registered limited use payment instrument issuer shall submit to the National Bank the following information both in hard and soft copies along with a covering letter signed by the appropriate official within seven days after the end of each quarter:
- total number of accounts held;
  - number of accounts opened and closed during the reporting period;
  - total value and volume of transactions processed;
  - total outstanding amount of electronic money held;
  - frauds, fraud attempts and related incidents with amounts involved, brief description including the location and subsequent measures taken;
  - any cyber security breach and data loss; and
  - the National Bank may request additional information as and when deemed important.
- 12) An outstanding balance in the account of a limited payment instrument user shall be refunded in cash or transferred up on request.
- 13) For an applicant who fulfills all the conditions mentioned under Article 14, the National Bank may issue a registration certificate to recognize it as Limited Use Payment Instrument Issuer.

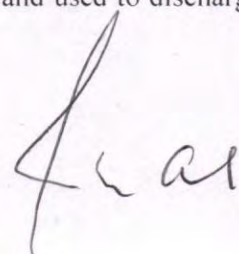


14) A registered limited use payment instrument issuer shall comply with provisions made under Article 14 of this directive only.

15) The National Bank may revise the conditions and requirements for limited use payment instrument issuers.

### **15. Requirements, Permissions and Prohibitions**

- 1) Without prior written approval of the National Bank, no payment instrument issuer shall:
  - a. issue a payment instrument and introduce related service or product;
  - b. change or enhance its payment instrument, systems, procedures, mode of operation, product and service features;
  - c. merge with or takeover the business of another person;
  - d. enter into any arrangement that brings changes in its primary business;
  - e. amend its articles and memorandum of association; and
  - f. change its name meant to do the payment instrument issuing business.
- 2) A licensed payment instrument issuer shall safeguard funds of a user of payment instrument 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 payment instrument issuer.
- 3) A payment instrument issuer shall ensure that its core system at least possesses the following functionalities:
  - a. maintain accounts, their balances and able to identify accountholders;
  - b. process and able to trace transactions;
  - c. effectively monitor the different procedures for Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT); and
  - d. keep all records related to the business of payment instrument issuance in acceptable forms for a period allowed by the relevant proclamation;
- 4) The minimum paid-up capital of a licensed payment instrument issuer shall increase by 5 percent proportional to the increase in total electronic float amount.
- 5) Airtime top-up shall not be considered as a payment instrument and used to discharge any kind of payment obligations.





- 6) A licensed payment instrument issuer shall not engage in or enter into any agreement that is not related to its payment instrument issuing business.
- 7) A person engaged in some other business and intending to be licensed payment instrument issuer must do so by establishing a separate entity exclusively for the purpose.
- 8) In relation to the payment instrument issuing business, based on prior written request to the National Bank and its subsequent approval, a payment instrument issuer may outsource its operational functions related to the recruitment, training and management of agents; provisioning and maintenance of technology platform; as well as marketing and branding to third persons.
- 9) A payment instrument issuer shall ensure that outsourcing arrangement complies with this directive.
- 10) A detailed contractual agreement shall be put in place for all outsourcing arrangements and a copy of the contract and its subsequent amendments, if any, shall be sent to the National Bank.
- 11) Payment instrument issuers, at all time, shall comply with available interoperability requirements.

#### **16. Renewal, Suspension, Revocation, Transfer and Termination**

- 1) A license issued as per this directive shall be renewed every year.
- 2) A written request for renewal shall be submitted to the National Bank along with evidence of renewal fee payment of Ethiopian Birr 5,000, tax clearance certificate and External Auditor's Report within ninety calendar days after the end of the fiscal year.
- 3) The National Bank through written notice to the payment instrument issuer may suspend or revoke an authorization or license, if the payment instrument issuer:
  - a. ceases to operate, is liquidated, wound up or dissolved;
  - b. fails to comply with this directive and other related provisions;
  - c. obtains the authorization or license on false or misleading information; and
  - d. compromised public trust.
- 4) An authorization or a license given to a payment instrument issuer shall not be transferred to another person.
- 5) A payment instrument issuer who intends to terminate or wind up its operation shall ensure the following.



- a. notify in a widely accessible communication media on the sequential steps to be followed by users to get their money, the address to submit a claim and the duration;
  - b. notwithstanding sub-article 16 (5) – (a) users shall be given at least a period of three months;
  - c. the payment instrument issuer shall pay the outstanding amount in the users' account either in cash or transfer to another account as per the user's instruction at no charge.
- 6) Once the period given under 16 (5) – (b) is elapsed, the licensed financial institution which manages and maintains the main electronic float cash account shall take the following action.
- a. keep the remaining amount and maintain details of the balance for fifteen consecutive years;
  - b. after the fifteen-year period, transfer the unclaimed balance to the National Bank and keep detailed information related to the account.

#### **17. Penalties**

- 1) Any person who contravenes the provisions of this directive and subsequent amendments may be punishable in accordance with article 35 of the National Payment System Proclamation No. 718/2011.
- 2) Without prejudice to sub-article (1) of this Article, the National Bank may also take its own administrative measures in accordance with article 34 of the National Payment Systems Proclamation Number 718/2011.
- 3) A payment instrument issuer may appeal any decisions to the appropriate internal body of the National Bank.

#### **18. Transitory Provision**

Any person engaged in the business of issuing payment instruments with a license or authorization given by the National Bank before the coming into effect of this directive shall comply with the provisions of this directive within six months after this directive enters into effect.

#### **19. Repealed Directive**

- 1) Regulation of Mobile and Agent banking Services Directive No FIS/01/2012 issued for the regulation of mobile and agent banking is hereby repealed and replaced with this directive.

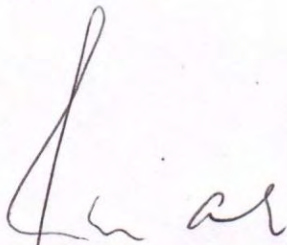




- 2) No directives, customary practices may insofar as they are inconsistent with the provisions of this directive, are applicable with respect to matters provided by this directive.

**20. Effective Date**

This directive shall enter into force 1st day of April, 2020.



**Yinager Dessie (PhD)**  
**Governor**



**ANNEX I  
APPLICATION FORM**

1	NAME OF APPLICANT ( as it appears in the trade registration certificate)	
2	CATEGORY OF LICENSING BEING APPLIED FOR (please put 'X' in the box provided)	i. LICENSE FOR PAYMENT INSTRUMENT ISSUER <input type="checkbox"/> ii. AUTHORIZATIONS FOR PAYMENT INSTRUMENT ISSUER (only for licensed financial institutions) <input type="checkbox"/> iii. AUTHORIZATION FOR LIMITED USE INSTRUMENT ISSUER <input type="checkbox"/> iv. APPROVAL FOR NEW PRODUCT AND SERVICES <input type="checkbox"/> v. LICENSE RENEWAL <input type="checkbox"/>
3	APPLICANT'S ADDRESS	
	PHYSICAL ADDRESS/SUB-CITY/WEREDA/HOUSE No.	
	STREET /ROAD	
	TOWN/CITY	
	P. O. BOX	
	PHONE : OFFICE MOBILE	
	FAX NO.	
	EMAIL	
	CONTACT PERSON'S NAME	
	CONTACT DETAIL, PHONE NUMBER, EMAIL	





ANNEX II  
PARTICULARS OF SHARE HOLDERS

S.N	NAME OF SHAREHOLDERS	NATIONALITY	TELEPHONE NUMBER/EMAIL ADDRESS	OCCUPATION	PERCENTAGE OF SHARE HOLDING
1					
2					
3					
4					
5					
6					

**Declaration**

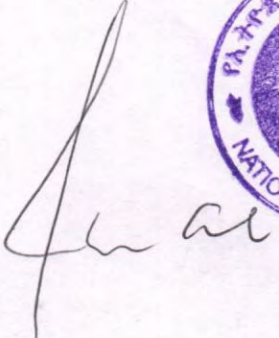
I, -----, Chairperson of the Board of Directors, aware that under sub article 2(d) of Article 35 of National Payment System Proclamation No.718/2011 it is an offence to provide false or misleading statement

I certify that the information and /or statement given above are complete and accurate to the best of my knowledge, and that there are no other facts relevant to this application of which the National Bank should be aware. I also undertake to inform the National Bank of any changes made and material to the application.

Name \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_






ANNEX III  
FIT AND PROPER PERSON FORM /CONFIDENTIAL/

GENERAL INFORMATION (Influential shareholder, Director, Chief Executive officer or Senior Executive officer)

1. Name of Payment instrument issuer (Applicant)
2. Personal information
  - a. Full name: \_\_\_\_\_
  - b. Date of birth: \_\_\_\_\_
  - c. Place of birth : \_\_\_\_\_
  - d. Nationality: \_\_\_\_\_
  - e. Identification card number and date of issue: \_\_\_\_\_
  - f. Passport number and date of issue : \_\_\_\_\_
  - g. Tax payer Identification Number: \_\_\_\_\_
  - h. Address: City \_\_\_\_\_ Sub- city \_\_\_\_\_ Zone \_\_\_\_\_  
 Woreda \_\_\_\_\_ Kebele \_\_\_\_\_ House No. \_\_\_\_\_ P.O. Box No. \_\_\_\_\_  
 Phone Number : Office: \_\_\_\_\_ Residential: \_\_\_\_\_ Mob: \_\_\_\_\_  
 Fax: \_\_\_\_\_ Email: \_\_\_\_\_
  - i. Educational qualification: \_\_\_\_\_
  - j. Field of Study: \_\_\_\_\_
  - k. Name institution (University/ College): \_\_\_\_\_
  - l. Summary of Work experience

No.	Name of Organization	Position	Immediate Supervisor	Duration /years of work

3. Please list financial institutions/payment instrument issuer/payment system operator in which you currently (as of completing this form) owns shares in the following table

Name of Company/Institutions	Subscribe share shares owned		Remark
	Number	Shares in the financial institution's total subscribed capital (%)	

4. Description of past and current business activities in Ethiopia and abroad (if applicable)

- a. Current shareholding or ownership in non- financial institutions /companies

Name of the company	Date of incorporation	Amount of share/ownership (in ETB)	Percentage from the total capital of the company	Remark

- b. Past shareholding or ownership in a company ( shares you owned in the past but had been relinquished) including financial institutions

Name of the	Date of	Amount of	% from the	Reason for	Remark





company	incorporation	share/ownership (in ETB	total capital of the company	termination of share holding	

5. If juridical person (only for influential shareholders in the payment instrument issuer), please complete the following table the three recent financial years (please also attaché audited financial statement)

Year	Asset	Liabilities	Net worth	Remark

6. If you are shareholder of the payment instrument issuer or existing shareholder planning to increase your shares in the payment instrument issuer, please provide details of the actual source(s) of fund that, you as a shareholder, would like to invest or use in the acquisition of shares in the payment instrument issuer. \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

### DECLARATION

I, \_\_\_\_\_, Chairperson of the Board of Directors, aware that under sub article 2(d) of Article 35 of National Payment System Proclamation No.718/2011 it is an offence to provide false or misleading statement

I certify that the information and /or statement given above are complete and accurate to the best of my knowledge, and that there are no other facts relevant to this application of which the National Bank should be aware. I also undertake to inform the National Bank of any charges material to the applications.

Name \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_





**ANNEX IV**

**PROPRIETRY TEST QUESTIONNAIRE**

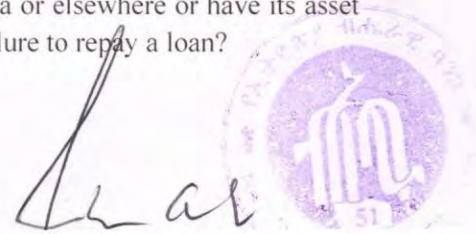
Please give Yes or No answers for the following questions and if your answer is "Yes" please give particulars.

Full Name: \_\_\_\_\_

(Influential shareholder, director, chief executive officer, senior executive officer )

Name of Payment instrument issuer: \_\_\_\_\_

1. Have you or the juridical person in which you were a director, chief executive officer, senior executive officer or owner been charged or convicted of any criminal offence, particularly an offence relating to dishonesty or fraud, under any law whether in Ethiopia or elsewhere?  
Yes  No  if yeas give particulars \_\_\_\_\_
2. Have you or the juridical person in which you were a director, chief executive officer, senior executive officer or owner been imposed with corrective actions or interventions by public authority due to withholding information or submission of incorrect financial or other statements?  
Yes  No  if yeas, give particulars \_\_\_\_\_
3. Have you or the juridical person in which you were a director, chief executive officer, senior executive officer or owner been refused approval by any regulatory/supervisory body of field to comply with requirements of regulatory /supervisory body?  
Yes  No  if yeas, give particulars \_\_\_\_\_
4. Have you ever been in dispute with previous employees concerning fulfillment of position or compliance with a code of conduct which has led to imposition of penalty under employment or ever been dismissed or requested to resign from any office of employment or disciplinary measures imposed by trade or professionals?  
Yes  No  if yeas, give particulars \_\_\_\_\_
5. Have you been refused, whether in Ethiopia or elsewhere, the right to carry on any trade, business or profession for which a specific license, registration or other authority is required?  
Yes  No  if yeas, give particulars \_\_\_\_\_
6. Have you or the juridical person in which you were a director, chief executive officer, senior executive officer or owner been declared bankrupt whether in Ethiopia or elsewhere or have its asset sequestrated because of bankruptcy or foreclosed by a bank due to failure to repay a loan?





Yes  No  if yeas, give particulars \_\_\_\_\_

7. Have you or the juridical person in which you were a director, chief executive officer, senior executive officer or owner been convicted of default on repayments of bank or other credits or tax payment

Yes  No  if yeas, give particulars \_\_\_\_\_

8. Have you or the juridical person in which you were a director, chief executive officer, senior executive officer or owner been carrying non-performing loan or account closed and not reinstated by any bank in line with relevant directives of the National Bank?

Yes  No  if yeas, give particulars \_\_\_\_\_

9. Has your purchase of shares in payment instrument issuer been funded or to be funded by another person or legal entity who is actually bankrupted or technically insolvent because of irresponsible or reckless management, fraud or illegal business practice?

Yes  No  if yeas, give particulars \_\_\_\_\_

10. Has your minimum net worth at the time of acquisition of shares at least greater than the shares acquired or to be acquired from a financial institution?

Yes  No  if yeas, give particulars \_\_\_\_\_

11. Are you currently a member of board of directors or chief executive officer in any of the financial institutions or other business?

Yes  No  if yeas, give particulars \_\_\_\_\_

**Declaration**

I am aware that under sub article 2(d) of Article 35 of National Payment System Proclamation No.718/2011 it is an offence to provide false or misleading statement

I certify that the information and /or statement given above are complete and accurate to the best of my knowledge, and that there are no other facts relevant to this application of which the National Bank should be aware. I also undertake to inform the National Bank of any charges material to the applications

Name \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

*Handwritten signature*







**ANNEX V**  
**FEE SCHEDULE**

<b>NO.</b>	<b>SERVICE TYPE</b>	<b>FEE</b>
1.	Application processing fee	ETB. 5,000
2.	Licensing fee	ETB. 5,000
3.	Renewal fee	ETB. 5,000
3.	New product and services authorization fee	ETB. 3,000
4.	Application /Registration fee Limited Use instrument	ETB. 2,000

*Final*

