PSO REGULATION, 2025

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Payment Systems Department
Bangladesh Bank

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List of abbreviation

AI = Artificial Intelligence
AML = Anti Money Laundering
ATM = Automated Teller Machine
BB = Bangladesh Bank
BDT = Bangladeshi Taka
BIDA = Bangladesh Investment Development Authority
BCP = Business Continuity Plan
CEO = Chief Executive officer
CIB = Credit Information Bureau
CITO = Chief Information and Technology Officer
CNP = Card Not Present
COO = Chief Operating Officer
CTO = Chief Technology Officer
DRP = Disaster Recovery Plan
EMV = EMV (Europay, Mastercard, and Visa) Standard
ICT = Information and Communication Technology
ISO = International Organization for Standardization
KYC = Know Your Customer
MD = Managing Director
ML = Machine Learning
MOA = Memorandum of Association
NOC = No Objection Certificate
NPSB = National Payment Switch Bangladesh
OPG= Online Payment Gateway
PAN = Permanent Account Number
PCI DSS = Payment Card Industry Data Security Standard
PIN = Personal Identification Number
POS = Point of Sale
PR = Periodic Review
PSD = Payment System Department, Bangladesh Bank
PSO = Payment System Operator
PSP = Payment Service Provider
PSSA = Payment and Settlement System Act, 2024
QR = Quick Response
RTGS = Real Time Gross Settlement
TSA = Trust and Settlement Account
TSB = Trust and Settlement Bank
VP = Vice-president

1 INTRODUCTION

Payment System Operators (PSOs), licensed by Bangladesh Bank, provide payment channels to facilitate the acquiring, processing and clearing of payment instructions and settlement of payment obligations. Presently, authorized services under a PSO license are merchant acquiring, ATM acquiring, and payment switching services. Merchant acquiring services include acquiring both digital and physical merchants for receiving payments using a variety of payment channels, e.g. online payment gateway (OPG), Point of Sales (POS), Quick Response (QR) Codes, Near-field Communication (NFC) and so on. ATM acquiring services of PSO include installation of white-label ATMs for providing ATM-related services, e.g. cash deposit & withdrawal, funds transfer, balance inquiry, mini statement, and bill payment. Besides merchant and ATM acquiring, PSOs can also provide payment processing/clearing/switching and settlement services among the issuers, customers, acquirers, and other PSOs. The types of payment channels or services offered by the PSOs are determined by the scope of their license and the subsequent service approvals. PSOs are an integral part of our payment ecosystem and digital transformation from a cash-based society to a less cash society in Bangladesh. This guideline is formulated in alignment with the Payment and Settlement Systems Act, 2024, with a view to guiding the PSOs in their service delivery with proper accountability and to protecting the public interest.

1.1 MANDATE

The regulation has been issued in exercise of the power conferred by article 7A(e) of the Bangladesh Bank Order, 1972, , and sections 7(2), 8(1), 8(3), 9(1), and 18(4) of the Payment and Settlement Systems Act, 2024, and section 49(1)(Uma) of the Bank Company Act, 1991.

1.2 SCOPE

This regulation shall be applicable for the non-bank PSOs licensed by Bangladesh Bank. The relevant provisions of this regulation shall also be applicable for scheduled banks, PSPs, and any other payment system operating in Bangladesh.

2 INTERPRETATION

The relevant terms defined in the Payment and Settlement Systems Act, 2024, shall be equally applicable to this regulation. Besides, new terms are defined as follows:

a) "ATM Acquirer" means an entity that provides an ATM channel and acquires/accepts payment instruments (debit/credit card, e-wallet, etc.) on behalf of the issuer;
b) "Bangladesh Bank" means the central bank of Bangladesh established under the Bangladesh Bank Order, 1972 (P.O. No. 127 of 1972);
c) "Card Scheme/Card Network" establishes, operates, administers, or manages a card payment system, including setting rules for issuing and acquiring, switching or routing card transactions,

clearing and settlement, merchant acceptance arrangements, dispute and chargeback management, and related operational standards.

d) "Clearing" has the meaning given in section 2(18) of the Payment and Settlement System Act, 2024;

e) "Customer" has the meaning given in section 2(12) of the Payment and Settlement System Act, 2024;

f) "Defaulter" has the meaning given in section 5(gaga) of the Bank Company Act, 1991;

g) "Executive director" refers to a director of the Board of a PSO who has also management responsibilities in the PSO.

h) "Issuer" means an entity that issues payment instruments in the form of debit/credit/prepaid cards, e-money, e-tokens, or any other form to its accountholders/customers;

i) "Merchant Acquirer" means an entity that acquires/accepts payments of the customers on behalf of the merchants. A merchant acquirer holds an account/ ledger for each merchant it acquires in its payment system;

j) 'Payer' means a natural or legal person who holds a payment account and allows a payment order from that payment account, or, where there is no payment account, a natural or legal person who gives a payment order;

k) "Payment Aggregator" means an entity that aggregates available payment channels for the merchants to acquire payments from customers;

l) "Payment Initiation Service" refers to a service that, with the user's consent, enables a licensed provider to initiate a credit transfer from the user's account held with one bank to an account/wallet held with another bank/provider, without the provider holding the user's funds.

m) "Point of Sale (POS)" means an electronic device/channel through which fund transfer instruction is initiated in favor of the merchant from an account/card/payment instrument;

n) "Payment Instrument" has the meaning given in section 2(26) of the Payment and Settlement System Act, 2024;

o) "Payment Systems" has the meaning given in section 2(28) of the Payment and Settlement System Act, 2024;

p) "Payment System Operator (PSO)" has the meaning given in section 2(30) of the Payment and Settlement System Act, 2024;

q) "Payment System Participant" has the meaning given in section 2(29) of the Payment and Settlement System Act, 2024;

r) "Quick Response (QR) Code" means an electronically generated code that stores payment address and/or instruction of the payee and/or payer for fund transfer/payment.

s) SLF (Standing Lending Facility) rate has the meaning given in paragraph 2 of the MPD circular no.-02 of 20 June 2023.

t) Trust and settlement account (TSA) has the meaning given in section 2(14) of the Payment and Settlement System Act, 2024.

3 PSO AND ITS OPERATION

1. According to PSSA, "Payment System Operator refers to a company licensed by Bangladesh Bank under this Act, which facilitates the payment process/activities of customers in an approved procedure. Typically, a PSO is an entity that operates a settlement system for payment activities between/among participants, of which the principal participant shall be a scheduled bank maintaining accounts with the Bangladesh Bank for meeting cash reserve requirements. Therefore, a PSO might have the following characteristics:
   - A PSO shall be licensed by Bangladesh Bank.
   - A PSO shall provide the payment services as approved in its license.
   - A PSO shall not issue e-money in any form.
   - Settlement of transactions shall be done through a scheduled commercial bank.

3.1 PERMISSIBLE SERVICES AND CATEGORIZATION

2. PSOs are allowed to operate payment systems for the following services:
   (a) Merchant Acquiring Service: Process payments of physical and digital merchants using POS, QR, and other approved methods.
   (b) ATM/CRM Acquiring Service: Cash withdrawal, deposit, balance inquiry and other ATM-related transactions/services.
   (c) Payment Switching Service: Routing and processing of payment instructions.
   (d) Payment Initiation Service (PIS): enables third-party providers (like a PSO) to initiate direct bank transfers on behalf of their users.
   (e) Card Scheme/Card Network
   (f) Any other services explicitly approved by Bangladesh Bank.

3. PSO can be categorized in the following manner:

Category	Service
Category-1	A) Digital Merchant Acquiring Services B) Merchant Acquiring Services (Digital and Physical Merchants)
Category-2	Payment Switching Services
Category-3	ATM/CRM Acquiring Services
Category-4	Payment Initiation Services
Category-5	Card Scheme

3.1.1 MERCHANT ACQUIRING SERVICES

4. Merchant Acquiring Services may include both digital commerce and in-store (POS, QR-based) merchant acquiring services.

5. A PSO may offer electronic payment channels (e.g., OPG, POS, QR, etc.) to the merchants for accepting payment from the customers using the payment instruments/instructions. For this purpose, a PSO may provide services as a payment aggregator.

6. Merchants will be on-boarded through proper Know Your Customer (KYC) processes. A PSO shall periodically inspect its on-boarded merchants, maintain records of the visits, transaction history, and update KYC requirements.

7. A PSO shall have an agreement with each merchant for providing merchant acquiring services. The agreement shall include, but not be limited to, operational procedure, transaction terms and conditions, contact persons/signatories, settlement accounts and processes, roles and responsibilities, detail processes and undertakings of refund and chargeback, liability shifting, dispute resolution, etc.

8. A PSO shall be responsible for secure integration of its payment channel to the digital commerce merchant website/mobile application and for installation of POS/QR, or any other payment-receiving device in the physical store.

9. A PSO may have its own payment switch or may take similar services from a bank or other PSO.

10. A PSO may receive/collect funds and/or sales proceeds on behalf of the merchants and hold the funds for an agreed-upon time before settlement with the merchants.

11. The merchant settlement period should not exceed 5 (five) business days unless the fund is held in an escrow system as per the direction of Bangladesh Bank.

12. Cash settlement with the merchants is not permissible. A PSO shall settle the sales proceeds through merchants' designated bank account or e-wallet as agreed by both parties.

13. The management of the aggregated fund under PSO's control shall be governed by the "Guidelines for Trust Fund Management in Payment and Settlement Services" issued and as updated by Payment Systems Department.

14. A PSO shall provide the acquired merchant list to the Trust and Settlement Bank and update the same periodically. The Bank shall ensure that the payments are made to the listed merchants only.

15. For acquiring merchants, a PSO shall adhere to the relevant instructions issued by Bangladesh Bank, especially the "Guidelines for merchant acquiring and escrow service" issued and as updated by the Payment Systems Department

3.1.2 ATM/CRM ACQUIRING SERVICES

16. A PSO may deploy ATM and/or CRM to provide ATM/CRM acquiring services.

17. A PSO, on behalf of the issuer, may acquire/execute/disburse payment instructions of the customer.

18. ATM/CRM services provided by a PSO may include:

(a) Withdrawal
(b) Funds Transfer
(c) Balance Inquiry
(d) Mini Statement
(e) Bill Payment
(f) Cash Deposit, and
(g) Any other services permitted by Bangladesh Bank

19. A PSO shall prioritize security and transaction parameters (if any) of issuers during acceptance of a card/instrument.

20. A PSO shall not store and use sensitive or personal data without prior authorization from the customer.

21. The ATM/CRM should be installed in safe and easily accessible places.

22. ATM/CRM downtime should not exceed 12 consecutive hours in the urban area and 24 hours in the rural area without prior approval of Bangladesh Bank.

23. A PSO shall have a central monitoring system to monitor ATM/CRM vault cash level, downtime, and physical security of the ATM/CRM booth.

24. The helpdesk number should be displayed at the ATM/CRM terminal.

25. Transaction fees and charges should be displayed at the terminal.

26. ATM/CRM terminals should have instant power backup to avoid failure during the transaction.

27. A PSO shall inspect its ATM/CRM periodically and preserve inspection reports.

28. ATM/CRM booths should have sufficient security measures and should follow the related directives of Bangladesh Bank.

3.1.3 PAYMENT SWITCHING SERVICE

29. Payment switches facilitate interoperability among participants (e.g., bank, FI, PSP, MFS, and PSO) by routing bilateral or multilateral payment instructions originated from ATM, POS, digital commerce gateway, e-wallet, or any other payment application/ device.

30. A PSO, provides payment switching services, shall not hold any funds itself, and shall have a settlement bank (a scheduled bank) for settlement of transactions among the participants.

31. A PSO should process transactions based on a pre-funded model. That is, all participants should have sufficient funds in settlement accounts with the settlement bank of the PSO.

32. The settlement bank will settle the transactions from settlement accounts of the participants based on the settlement report of the PSO.

33. Maximum settlement period shall be T+1 business day. Any delays beyond this period (T+1) shall be reported to the Payment Systems Department (Division-3), Bangladesh Bank on a monthly basis with necessary clarification and corrective measures taken.
34. A PSO shall immediately suspend processing transactions of the participants that are unable to meet settlement obligations. For this purpose, a PSO should monitor the settlement account balances of the participants with the settlement bank.
35. A PSO shall be primarily responsible for the settlement of payment obligation within the stipulated time to the acquirer for the legitimate transactions. However, this provision shall not restrain the claim and legal action of the PSO against the issuer or transaction authorization provider.
36. Settlement Bank's obligations:
    (a) A settlement bank shall maintain settlement accounts of the participants.
    (b) A settlement bank shall have proper agreements with the PSO and other participants regarding settlement of payment obligations.
    (c) A settlement bank should take sufficient measures to avoid potential settlement risk.
37. A PSO that provides switching services shall be a member interoperable platform(s) of Bangladesh Bank.
38. A PSO shall set transaction rules for the participants complying with specification/standard and regulatory requirements of Bangladesh Bank.
39. A PSO shall have agreements with the participants specifying each party's liabilities and responsibilities, including payment and settlement obligations, sharing of interest/profits, fees, and charges.
40. The agreement shall also specify the settlement process and dispute resolution, including liability shifts.

3.1.4 PAYMENT INITIATION SERVICE

41. A licensed Payment Initiation Service Provider (PISP) may engage in the following activities, subject to prior approval from Bangladesh Bank:
    (a) Initiate credit transfers from a payment account (or, card) held with a bank to a beneficiary account/wallet, based on the explicit consent and instruction of the payment service user.
    (b) A PSO that provides Payment Initiation service shall be a member interoperable platform(s) of Bangladesh Bank.
    (c) Obtain, transmit, and manage the explicit consent of the payment service user for each initiated transaction, in compliance with Strong Customer Authentication (SCA) and data protection requirements.
    (d) Transmit payment orders securely to the bank, ensuring accuracy, integrity, and confidentiality of transaction data.

(e) Provide the payment service user and/or the payee with confirmation of initiation and status updates of the payment order, including successful initiation, rejection, or failure notifications.

(f) Facilitate merchant payments and e-commerce transactions by initiating account-to-account transfers on behalf of the user, without holding user funds at any stage.

(g) Initiate recurring or scheduled credit transfers, subject to the user's explicit and continuing consent.

(h) Provide standardized and secure application programming interfaces (APIs) for merchants, fintechs, or platforms to enable account-to-account payment initiation services.

(i) A PISP shall not hold, manage, or otherwise take possession of user funds.

(j) A PISP shall not act as an escrow or settlement intermediary.

3.1.5 CARD SCHEME/CARD NETWORK

42. In accordance with Section 4(2) of the Payment and Settlement Systems Act, 2024, all card schemes or card networks, whether global, international, or domestic, requires a license from Bangladesh Bank to operate within Bangladesh.
43. A foreign card scheme shall maintain a locally incorporated entity under the Companies Act, 1994.
44. International card schemes currently operating in Bangladesh shall apply to Bangladesh Bank for license within 6 months of the date of these Regulations.
45. Cardholder data shall be processed and stored in accordance with relevant laws, Bangladesh Bank's ICT and data protection directives/guidelines.
46. Cross-border data transfers shall ensure adequate safeguards and allow supervisory access.
47. Compliance with national data protection requirements and industry standards.
48. Scheme rules shall provide consumers with disclosures, chargeback/complaint mechanisms, timeframes, and liability allocation that meet or exceed local consumer protection law.
49. Schemes maintain written agreements with licensed local acquirers/issuers that allocate liabilities, chargeback rules, dispute resolution, and settlement mechanisms compatible with relevant laws and regulations.
50. Apart from the aforementioned services, a Payment System Operator (PSO), whether domestic or international, may introduce unique or innovative services and participate in payment processing operations and facilitate transactions within Bangladesh. Such innovations are encouraged; however, they require prior approval or licensing from the Bangladesh Bank.

4 LICENSING

As stated in Section 4(2) of the Payment and Settlement Systems Act, 2024, no person, institution, or company shall operate a payment system or provide any payment services without obtaining a license from Bangladesh Bank.

51. Eligibility to apply for a PSO license:

(a) An applicant shall be a company incorporated under the Companies Act, 1994;
(b) The applicant shall fulfill the minimum regulatory capital requirement described in chapter no-6.1 of this regulation. They shall submit a capital plan including initial paid-up capital, which shall cover the required minimum capital fund, capital expenditures, and any potential operational losses for at least 3 years of operation.
(c) The proposed services of the applicant need to be included in the Memorandum of Association.
(d) The company willing to obtain such a license shall not provide any services other than those covered under the PSO license.
(e) Applicant shall have trademark registration for using a brand name other than the company name.
(f) The shareholders/directors of the board/key personnel shall not be loan defaulters as defined in section 5(GaGa) of the Bank Company Act, 1991.
(g) Directors of the board and top management/ key personnel of the applicant need to fulfill the fit and proper criteria stated in the regulation.

52. **<u>Application process:</u>** An interested company should apply in the prescribed format (Annexure-A) with required documents (Annexure-B) to the Director, Payment Systems Department (Division-1) of Bangladesh Bank.

<u>Fees and Payment Method</u>

a) Application Fee: An application fee (non-refundable) of Tk. 50,000/- (taka fifty thousand only) in favor of Director, Payment Systems Department/ Executive Director, Motijheel Office, Bangladesh Bank should be paid through EFT (a/c no: 000000,) and the receipt should be submitted with the application.

b) License Fee: A license fee (non-refundable) of of Tk. 500,000/- (taka five hundred thousand only) in favor of Director, Payment Systems Department/ Executive Director, Motijheel Office, Bangladesh Bank should be paid through EFT (a/c no: 000000,) and the receipt should be submitted as the license fee before issuing the final license.

53. **<u>Approval Procedure:</u>** The approval process shall have the following two phases:

<u>Phase-1: No Objection Certificate (NOC)</u>

a) After preliminary scrutiny of the documents submitted by the applicant,

I. Bangladesh Bank may ask for revised or additional document(s), if necessary.
II. Bangladesh Bank may reject the application with a written notice if documents and/or proposals are not satisfactory in consideration of the payment industry's necessity or not consistent with the scope of the PSO.
III. If the documents and proposals are found satisfactory, the documents may be forwarded to the evaluation committee(s).

b) An applicant is obligated to disclose any legal or regulatory actions that the applicant, shareholders, or associated entities have encountered. Bangladesh Bank will look into any prior allegations or noncompliance against the applicant, its directors, and shareholders.
c) Evaluation committee(s) will evaluate the documents and submit the evaluation report(s) to PSD.
d) Based on the satisfactory scores of the evaluation report(s), Bangladesh Bank shall take the decision of issuing/not issuing NOC to the applicant.

Phase-2: PSO License

a) The applicant, who received NOC for deploying the system, shall submit a declaration in the prescribed format (Annexure-C) within the stipulated period regarding the readiness of the infrastructure as well as the organizational setup of the proposed PSO.
b) Bangladesh Bank will conduct an onsite inspection regarding the readiness of the applicant and compliance with the NOC requirements.
c) PSO license will be issued based on the satisfactory inspection report, proper compliance with NOC requirements, and payment of the license fee.

54. Bangladesh Bank may establish an appropriate approval or licensing procedure, as deemed necessary, to accommodate innovative services proposed by an applicant that are not specified in paragraph 2, or in cases where the applicant is a well-established, tested, and experienced entity in the global or international payment industry with the requisite infrastructure and organizational framework.

55. A PSO that has been granted a license shall commence its business operations no later than 120 days from the date of the license. The license issued by Bangladesh Bank will be declared null and void if a PSO fails to conduct its activities within the designated timeframe.

56. A licensed PSO that is currently providing digital merchant acquiring services (category 1A) intends to provide both digital and physical merchant acquiring services (1B) need to raise the regulatory capital to the level required for that category (1B) and need prior approval of Bangladesh Bank. By assessing risk management capacity of the PSO and satisfactory track record, Bangladesh Bank may grant such approval without following the approval procedure outlined in paragraph-53.

57. Apart from this, a PSO that is licensed and provides service under a certain category and intends to initiate a new payment service under a different category mentioned in paragraph 3 shall submit an application with necessary documentation to the Payment Systems Department. The application process, fees, and approval procedure will remain the same. However, this time no new license will be issued; rather, an approval of the intended category will be added to the previously issued license.

4.1 APPROVAL OF BANGLADESH BANK FOR CERTAIN ACTIVITIES:

58. A PSO shall obtain prior approval from Bangladesh Bank in the following cases:
    (a) For any change in the Board of Directors
    (b) To appoint/reappoint of MD/CEO
    (c) To change any shareholding position (except listed companies in stock market)
    (d) To become a public limited company
    (e) To change registered head office and data centers
    (f) To invest in any other company or to open a subsidiary
    (g) To introduce any change in the approved services
    (h) To introduce a new service
    (i) To change the brand name and/or the name of the PSO
    (j) Any substantial changes in the organizational structure, process, or system that may result in a material impact on the company's profitability, net worth, or customer trust.

4.2 PERIODIC REVIEW

59. A licensed PSO shall undergo a Periodic Review (PR) process after the first five years of commencement of its operation. The PR is aimed at evaluating achievement of business projection, analyzing the amplitude of activities/footprint in payment processes, and ensuring that the PSO continues to adhere to the required standards and conditions necessary for the maintenance of license.

60. Bangladesh Bank shall notify a PSO of the forthcoming review and shall provide a list of required documents, reports, and information. The PSO shall submit the necessary documents, including on-boarded merchant report, transaction report, financial statements, and compliance reports.

61. On-site inspections shall be conducted to substantiate the information provided and to assess the PSO's operations.

62. In accordance with the reports submitted by the PSO and the findings of the on-site inspection team, Bangladesh Bank shall assess the performance/achievement of the PSO, its contribution to the payment system, the magnitude of its activity in facilitating payment, and its adherence to all pertinent regulations and standards.

63. Based on the assessment, Bangladesh Bank shall decide whether to renew, suspend, or revoke the license of the PSO. Furthermore, Bangladesh Bank may provide feedback and recommendations for any necessary improvements of the PSO.

64. Should the need arise, Bangladesh Bank may require a second Periodic Review three years subsequent to the initial one, particularly in instances where it is uncertain that a PSO expands its activities in a meaningful way.

65. PSOs that have been licensed before the issuance of this regulation shall also undergo the Periodic Review process. If a PSO is operating for more than 5 years, it will be evaluated at least after one year of the issuance of this regulation. On the other hand, if a licensed PSO is operating for less than 5 years, it will be evaluated after 5 years of operation or after one year of the issuance of this regulation, whichever is later.

66. Under no circumstances, periodic review shall restrict the regular supervision and inspection activities of Bangladesh Bank as described in paragraph no-234.

5 GOVERNANCE

5.1 BOARD OF DIRECTORS

67. The board shall have a board charter that sets out the mandate, responsibilities, and procedures of the board and its committees (if any), including the matters reserved for the board's decision.

68. The board has the overall responsibility for promoting the sustainable growth and financial soundness of a PSO and for ensuring reasonable standards of fair dealing, without undue influence from any party.

69. The Board of Directors shall be responsible for formulating and implementing policies, risk management, internal audit and control for the organization, and ensuring its compliance, with a view to ensuring good governance. In fulfilling this role, the board shall–

    (a) Oversee the implementation of the PSO's governance framework and internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature, and complexity of the PSO operations;

    (b) Promote, together with senior management, a sound corporate culture within the PSO, which reinforces ethical, prudent, and professional conduct and behavior;

    (c) Approve the risk appetite, business plans, and other initiatives that would, individually or collectively, have a material impact on the PSO's risk profile;

    (d) Oversee the selection, performance, remuneration, and succession plans of the CEO and other members of senior management, such that the board is satisfied with the collective competence of senior management to effectively lead the operations of the PSO;

    (e) Supervise and approve business continuity plans and exit plans, as well as ensure that they are updated as necessary.

70. The board, together with every director, is responsible for the proper compliance of the TSA guidelines issued by Bangladesh Bank.

71. The directors shall be faithful and loyal to the PSO and shall place the interests of the organization above their own interests.

72. The chairman, in leading the board, is responsible for the effective overall functioning of the board. In fulfilling this role, the chairman shall–

(a) ensure that appropriate procedures are in place to govern the board's operations;
(b) ensure that decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are reviewed by the board and that directors receive the relevant information in a timely manner;
(c) exhort constructive discussion and ensure that opposing views can be freely articulated and discussed;

5.1.1 COMPOSITION OF THE BOARD

73. The board and its committees (if any) shall be of a size and composition that is proportional to the complexity and scale of the PSO's operations and exhibits necessary business insight. Nevertheless, every PSO shall have a minimum of 5 (five) directors within 5 (five) years of its inception.

74. A PSO shall ensure board members collectively possess the necessary skill sets or business knowledge. These criteria and skill sets shall be reviewed regularly by the board to ensure alignment with the strategic direction of and emerging challenges faced by the PSO.

75. The chairman of the board shall be a non-executive director.

76. A PSO shall ensure no less than two-thirds of the board members are non-executive directors.

77. A member of the board of directors of a PSO shall not concurrently act as a member of the board of directors of another PSO.

78. Notwithstanding anything contained in the Articles of Association/Memorandum of Association of a PSO, no more than 2 (two) members of a single family shall simultaneously occupy the position of director of a PSO. "Family" has the meaning given in section '৫(ঝঝ)' of the Bank Company Act, 1991;

5.1.2 THE INCOMPETENCE OF THE DIRECTORS OF THE BOARD:

79. Members of board of directors shall meet institutional requirements, namely, aspects of integrity and track records in performing functions as management. No person shall be eligible for appointment as a director of a PSO if they fail to satisfy the following criteria:

(a) s/he lacks a minimum of 5 years of professional, business, or management experience;

(b) s/he is or has been convicted of a criminal offense or is or has been involved in any other unlawful activity, including fraud or financial crime;
(c) there is any adverse observation or comment in the judgment of the court in any civil or criminal case concerning him;
(d) s/he is penalized for violating the rules, regulations, or policies of any regulatory body that pertains to the financial sector;
(e) fails or defaults in repayment of a loan taken from a bank or financial institution in his/her own name or in the name of the institution concerned;
(f) s/he is at any time declared bankrupt by a court.

5.1.3 BOARD MEETINGS

80. The board of directors is required to convene on a regular basis to evaluate the PSO's performance, including its compliance with regulatory requirements. The frequency and number of meetings shall be proportional to the complexity and scale of the PSO's operations. Nevertheless, the board is required to convene at least four times (quarterly) during a financial year.

81. A director needs devote sufficient time to prepare for and attend board meetings and maintain a sound understanding of the business of the PSO, as well as relevant market and regulatory developments.

82. In respect of the quorum for board meetings, a PSO shall require at least two or half of the board members (whichever is higher) to be present.

83. The board shall ensure that clear and accurate minutes of board meetings are maintained to record the decisions of the board, including key deliberations, rationale for each decision made, and any significant concerns or dissenting views.

5.2 SENIOR MANAGEMENT: MANAGING DIRECTOR OR CHIEF EXECUTIVE OFFICER

To ensure good governance in the payment sector, it is necessary to appoint a competent, professionally qualified, and experienced managing director (MD) or chief executive officer (CEO). PSOs are facing more challenges in dealing with business and technical risks than ever before. In this context, there is a need to issue clear instructions regarding the appointment of the MD or CEO of a PSO. In accordance with the provisions of subsection (3) of section 7 of the Payment System Act, 2024, and other relevant provisions, the following principles shall be followed in respect of the appointment of the MD or CEO of a PSO and his duties, responsibilities, and powers:

5.2.1 NAME OF THE POST

84. The top/highest officer of the PSOs will be referred to as the "Managing Director" (MD) or the "Chief Executive Officer" (CEO) to ensure uniformity in the designation. Besides, the term "CEO" is used in this document for the sake of simplicity, as it conveys the same meaning as "MD".

5.2.2 QUALIFICATION AND ELIGIBILITY FOR APPOINTMENT OR RE-APPOINTMENT OF CEO:

85. The following qualifications and eligibility are necessary for appointment or re-appointment to the position of CEO.

86. Integrity

(a) The candidate has not been convicted by a criminal court, nor has s/he been involved in counterfeiting, financial crimes, or other unlawful activities.

(b) There is no adverse observation or comment about the candidate in the judgment of the court in any civil or criminal case;

(c) The candidate has not been punished for violating the rules-regulations of any controlling authority.

(d) The candidate was not employed as an officer of a company or financial institution whose registration or license has been revoked as a result of his/her offense.

(e) The candidate has not been removed, dismissed, demoted, or relieved from his position while serving as the chairman, director, officer, or employee of any company or institution due to embezzlement, corruption, forgery, or moral turpitude, etc.

87. Solvency:

(a) The candidate is not in default of any loan taken from any bank or financial institution;

(b) The candidate has not stopped the payment of dues to the creditor or has not been exempted from payment of dues by way of settlement with the creditor;

(c) The candidate is not a tax defaulter;

(d) The candidate has not yet been declared bankrupt by the court;

88. Educational Qualification, Eligibility, and Experience

(a) The candidate should have at least a graduate degree.

(b) The candidate should have at least 5 years of experience in the financial services, payments, fintech, IT, telecom, e-commerce, digital marketplace, or banking sector. The candidate should have at least 2–5 years in senior leadership roles (e.g., CEO, COO, VP, or General Manager), with demonstrated success in managing teams and driving business growth. S/he should have a strong track record of working with investors, board members, and other stakeholders. S/he should possess strong analytical skills to assess financial performance, set budgets, and manage resources efficiently. Experience in leading teams in high-growth or startup environments will be considered as an additional skill.

(c) The candidate should possess in-depth knowledge of domestic and international Payment Systems. S/he should be familiar with domestic payment platforms, payment gateways, various payment channels, digital wallets, mobile payments, card networks, API-driven ecosystems, and emerging technologies like AI, ML, blockchain etc. S/he should have the ability to bridge the gap between technical and business teams to drive innovation.

(d) The candidate should possess regulatory Knowledge such as familiarity with financial regulations, payment system rules-regulations, compliance, anti-money laundering (AML) regulations. Knowledge of fraud prevention, cybersecurity, and risk management strategies is also very important.

5.2.3 SALARY AND ALLOWANCES

89. In determining the salary and allowances of the Chief Executive Officer, PSO's financial position, the extent of its activities, the volume of business, and its earning capacity should be considered. Disproportionate and excessive salaries and allowances are prohibited.

5.2.4 DUTIES, RESPONSIBILITIES, AND POWERS OF THE CEO

90. The CEO of a PSO shall perform the following duties and responsibilities and exercise the powers:

(a) Performing the duty of trust and fidelity: The CEO should have proper knowledge and understanding of the duty of trust and fidelity in order to safeguard the best interests of customers, payers, and the PSO itself. Such as -

i. Duty of Care: S/he shall follow all laws, rules, and regulations relating to payment services operator business. In addition, s/he shall act prudently, avoiding any kind of negligence or carelessness, so as not to cause financial or other loss to the PSO and the payers;

ii. Duty of Loyalty: S/he shall, in good faith, be loyal to the PSO and act without conflict of interest so that the interests of the PSO and the payers are preserved in place of the interests of himself/herself or any other person or group;

iii. S/he shall exercise the powers conferred on him/her for the purpose for which the powers are conferred on him/her.

(b) Financial, Business, and Administrative Responsibilities, Duties and Powers:

i. The CEO shall perform his duties and responsibilities in accordance with the financial, business, and administrative powers delegated to him/her by the Board of Directors;

ii. S/he shall be accountable for the successful execution of the PSO's business plan and the attainment of its business objectives by adhering to legal and regulatory requirements and implementing sound administrative and financial management.

iii. In the meeting of the Board of Directors or any of its subsidiary committees, if any misinterpretation has been made or any other direction has been given by the members of the esteemed Board regarding the Payment System Act, 2024, and other relevant laws, rules, regulations and directives of Bangladesh Bank while discussing any matter or while presenting a memorandum, the CEO shall be informed in writing to the Board of the specific interpretation of the relevant law/directives;

iv. If there is any violation of the Payment System Act, 2024, or any other law, rule, direction, custom, and policy by the members of the Board in the meeting of the Board of Directors or any other subsidiary committee, the CEO shall inform Bangladesh Bank in writing or orally, as the case may be;

v. The CEO, along with the board and each director, is responsible for maintaining an adequate balance (no shortfall) in the trust and settlement accounts (TSA) at the end of each day (including non-business days) as directed by the TSA guidelines.

5.2.5 APPROVAL OF BANGLADESH BANK BEFORE APPOINTMENT TO THE POST OF CEO

91. Before appointing or re-appointing an MD or CEO of a PSO in accordance with the provisions of subsections (3) of section 7 of the Payment and Settlement Systems Act, 2024, prior approval in writing of Bangladesh Bank shall be obtained.

92. The appointment proposal shall be submitted to Bangladesh Bank with the necessary documents and information two months prior to the appointment or re-appointment;

93. The proposal for the appointment or re-appointment of the CEO shall include the following documents and information:

   a. A proposal signed by the Chairman of the Board of Directors;
   b. A full resume, including a copy of the NID of the person concerned, photo, current and permanent address, and details of previous experiences;
   c. Attested copy of the contract of appointment (with reference to direct and indirect salary, allowances, and other benefits payable)
   d. A certified copy of the approval of the Board of Directors;
   e. Details of the performance indicators specified by the PSO;
   f. Declaration of the nominated person; (Appendix-oo)

g. Declaration of confidentiality of the nominated person; (Annexure- 'oo')
h. Candidate's educational certificates verified by the PSO;
i. the particulars of the last salary and allowances received by the nominated person and the necessary documents in support thereof;
j. A copy of the last income tax certificate of the nominated person;
k. CIB report of the nominated person.
l. If he himself or any member of his family holds shares in the concerned PSO, a statement signed by him and counter-signed by the company secretary of the PSO;
m. Details of his/her family business interests (if any) that should include the name, address, nature of business and other necessary details of the business;

94. Bangladesh Bank's decision on the appointment or re-appointment of the nominated person as MD shall be deemed final.

5.2.6 TRAVEL OUTSIDE BANGLADESH

95. The CEO of a PSO will avoid staying outside Bangladesh for a long time as far as possible. If it is necessary to stay abroad for more than 30 consecutive days, the CEO shall apply 10 working days before going abroad for prior approval from Bangladesh Bank. The following information and documents should be submitted along with such a proposal:
    (a) A certified copy of the decision of the Board of Directors;
    (b) Proposed travel time
    (c) The purpose of the visit and the address of the time of stay outside the country (in case of more than one country, the name of each country, the duration, and the address of the possible location)
    (d) The source of travel expenses.

96. If the application to travel abroad is approved by Bangladesh Bank, the name, designation, official phone number, cell phone number, and e-mail address of the officer in charge in the absence of the CEO should be informed in writing to the Payment Systems Department (Division-1) before the CEO leaves the country.

5.2.7 TO RELIEVE, DISMISS, OR REMOVE FROM THE OFFICE:

97. No CEO shall be removed or terminated before the expiry of his/her contract unless he/she has committed gross misconduct/aberration.

98. If the Board of Directors of the PSO wants to terminate the contract of the CEO or remove him/her before the expiry of the contract of appointment, such proposal shall be sent to Bangladesh Bank for approval, citing specific reasons. If Bangladesh Bank approves such a proposal, it will come into effect as directed by the bank. But if such a proposal is rejected by Bangladesh Bank, the concerned CEO will remain in his/her post for the remaining period of his/her contract.

99. If the CEO requests to resign prior to the expiration of the contract for personal or other reasons, an application should be submitted to Bangladesh Bank with the board of directors' recommendation. Bangladesh Bank's decision, following a personal hearing of the officer, shall be considered conclusive.

100. In accordance with the provisions of section 42 of the Payment System Act, 2024, Bangladesh Bank may at any time relieve/dismiss/remove the CEO of any PSO from his/her post, citing specific reasons.

101. In the event of the voluntary resignation or expiry of the term of office of the CEO, or for any other reason, if the post falls vacant, the PSO shall immediately appoint any eligible officer from the post immediately below the post of CEO as acting CEO for a maximum period of 3 (three) months. BB shall be informed in writing along with the resume and other details of the said officer. The temporary officer so appointed shall perform the overall duties of the CEO of the PSO.

5.3 SENIOR MANAGEMENT: OTHER

102. The key personnel, i.e., top five executives of a PSO, should have a minimum of 5 years of experience in the relevant field.

5.3.1 CHIEF TECHNOLOGY OFFICER (CTO)

103. In each PSO, there shall be a Chief Information Technology Officer (CITO) or Chief Technology Officer (CTO) or similar designation, who is a senior executive responsible for overseeing information technology strategy and operation of the PSO and ensuring that technology is in alignment with business goals. Before the appointment of such an officer, a PSO shall ensure that he/she shall meet certain fit and proper criteria.

104. For the post of CTO, the PSO shall ensure that the person concerned has not been convicted by a criminal court. He/she has not been punished for contravention of any rule, or regulation of any regulatory authority or for contravention of any provision of law. He/she was not dismissed from service due to embezzlement, corruption, forgery, moral turpitude or any other offence. Moreover, the person concerned has a good record in the field and was not involved in any illegal activities.

105. For the post of CTO, the person concerned should have at least 5 (five) years of experience in the information technology sector (out of which 3 years of experience are related to payment service operation.) He/she should have experience in banking and/or IT-related work such as IT policy and planning, financial network and applications, financial information systems, cyber security technology, payment technology, etc.

106. The person concerned should be a graduate in computer science/engineering, electrical or electric engineering (EEE), information technology (IT), information and communication technology (ICT),

software engineering (SE), or a related field from an accredited university or should be a graduate in any discipline with a professional certification in ICT.

107. The person concerned should have a strong understanding of the payment ecosystem and the various stakeholders involved. He/she should have knowledge and experience with payment card networks, digital payment solutions, familiarity with various transaction protocols, and different payment systems operating in Bangladesh.

5.4 CONTRACTUAL AGREEMENT (ADVISOR/CONSULTANT)

108. A PSO may appoint advisors for several purposes, as they can provide valuable expertise, counsel, and support in areas like strategic guidance, risk management, operational efficiency, innovation, networking, etc. On the contrary, a consultant can be appointed to perform specialized tasks, like taxation, legal procedures, engineering and technical work, information technology, etc.

109. The appointment of advisors/consultants should be avoided as much as possible for jobs/tasks that could be performed by regular employees of the PSO.

110. The advisor's or consultant's responsibilities or term of reference should be specific. He/she should not be involved beyond his/her terms of reference and is prohibited from exercising any form of executive authority in PSO's operation. The advisor can advise the board of directors or the CEO only on those matters that are specified in the appointment letter.

111. An advisor or consultant can be appointed with the approval of board of directors. The PSO is required to promptly submit the advisor's/consultant's comprehensive resume, terms of reference, remuneration details, and justifications of the post of advisor/consultant to Bangladesh Bank within 15 days following the appointment.

112. The post of an advisor is not a permanent or substantive post in the organizational structure of the PSO. Advisors will not be entitled to salaries and allowances as regular employees except for the gross amount of remuneration, transportation, and telephone facilities. On the other hand, a consultant is not entitled to any additional benefits; his/her compensation should be in the form of a monthly or single lump-sum payment. The compensations shall be consistent with the advisor/consultant's terms of reference.

6 SOLVENCY AND SAFEGUARDING OF FUND

6.1 MINIMUM REGULATORY CAPITAL

113. Pursuant to section 7(2) of the PSSA, a PSO shall always maintain the required minimum amount of 'Regulatory Capital'. The regulatory capital shall consist of (a) 'Capital Fund' and (b) 'Ongoing Capital'[1].

114. The capital fund shall at no time be less than-

Category	Service	Minimum Capital Fund (BDT)
Category-1	A) Digital Merchant Acquiring Services	1,00,00,000/-
	B) Merchant Acquiring Services (Digital and Physical Merchants)	2,00,00,000/-
Category-2	Payment Switching Services	10,00,00,000/-
Category-3	ATM/CRM Acquiring Services	20,00,00,000/-
Category-4	Payment Initiation Services	2,00,00,000/-
Category-5	Card Scheme	5,00,00,000/-

115. If an applicant or a PSO wants to provide multiple services mentioned in categories 1 to 5, the applicable capital fund requirements shall be determined separately for each desired categories.

116. In addition to the Capital Fund as referred to in paragraph no. 113, a PSO is required to maintain an 'Ongoing Capital' that is proportional to the scale of its business operations. The required ongoing capital of a PSO in category-1 & category-4 shall be 0.3% (scaling factor) of the average monthly transaction volume over the past 12 months of the PSO. The ongoing capital requirement will be calculated on an annual basis. For a PSO in category-2, category-3 & category-5, the scaling factor shall be 0.1%.

117. Components and Computation of 'Regulatory Capital' (both the capital fund and the ongoing capital): the regulatory capital shall consist of the sum of the following items-

(a) Paid-up capital;
(b) Reserves, which include general reserve fund, exclude specific reserve;
(c) Retained Earnings (or, less Accumulated Losses);
(d) Audited profit for the period (or, less unaudited loss for the period);

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[1] [Explanation: To determine the necessary capital for starting or operating a business, a PSO shall calculate the sum of the minimum required Capital Fund, the Ongoing Capital, projected capital expenditures, and any potential operational losses. A comprehensive capital plan should incorporate anticipated capital expenditures—particularly those related to intangible assets (such as software)—the depreciation of prior capital investments, and any forecasted operational losses for the relevant period. It is imperative that a PSO maintains its capital at a level sufficient to meet all these requirements without allowing it to fall below the minimum regulatory capital requirement.]

(e) Balance of other comprehensive income.

Regulatory capital shall be calculated by deduction factors, including:

(a) Deferred tax asset;

(b) Goodwill;

(c) Intangible asset.

118. Any other item to be considered as regulatory capital shall need prior approval from Bangladesh Bank.

119. An existing licensed-PSO with a regulatory capital which is lower than required shall raise the capital to the required level within one year of the publication of this regulation.

120. In case of a shortfall in regulatory capital, a PSO shall report to Bangladesh Bank immediately and subsequently submit a capital plan to raise capital to the required minimum level.

121. In the event where regulatory capital turns negative, the payment processing operation of such PSO will be halted until the capital is replenished.

122. A PSO with Foreign Direct Investment (FDI) shall comply with applicable rules for foreign exchange investment.

123. Each shareholder/director, at the time of licensing, needs to provide an undertaking to replenish any regulatory capital shortfall. (Annexure-oo)

124. For a payment service that is not listed in paragraph-2, Bangladesh Bank may set capital requirement for such innovative services.

6.2 SAFEGUARDING MECHANISM

6.2.1 ESCROW

125. A PSO shall comply with the "Merchant Acquiring and Escrow Services Guidelines, 2023" and any other related directives issued by Bangladesh Bank.

126. As a safeguarding mechanism, a PSO may hold/delay settling a certain portion of its total payables/liabilities to a merchant (even after getting confirmation of successful product delivery) in accordance with the trend of chargeback amounts it usually receives on that specific merchant. Apart from this, any undue delay in merchant settlement is prohibited.

6.2.2 TRUST AND SETTLEMENT ACCOUNT (TSA)

127. The relevant provision of the 'Guidelines for trust fund management in payment and settlement services' issued and as amended by Bangladesh Bank from time to time shall be considered a part of this regulation.

128. In paragraph no 8.1 of the aforementioned guidelines, it has been stated that, "At each day end, the Trustee shall ensure that the Trust Fund is greater than or equal to the outstanding liability to its customers and, or participants for issuing e-money/ payment instrument and, or settlement of transactions or sales proceeds." Failure to comply with this directive shall result in certain punitive actions.

129. A PSO shall monitor and review all types of merchant payables, such as merchant liabilities, chargebacks, or refunds, etc. A PSO shall be solely responsible for addressing shortfalls and shall resolve issues promptly by communicating with merchants, banks, or self-initiating corrective actions.

130. A PSO shall be penalized if the sum of balances of all TSAs is less than the gross (not net) outstanding liabilities to all the merchants of the PSO at the close of business on any day.

131. A penalty will be imposed at the prevailing Standing Lending Facility (SLF) Rate on the amount by which the trust fund falls short daily or BDT 3,000,000, whichever is lower.

132. Each director of the board of a PSO, along with the CEO and senior officer in charge of treasury/fund management, shall be held accountable for any instance of shortfall in the trust and settlement account of the PSO.

133. If the shortfall in the TSA continues for more than 14 days, every director of the board, the CEO/MD, and senior officer in charge of treasury/fund management who is knowingly and willfully a party to the default shall be punishable with a fine of BDT 10,000 for each subsequent day on which the default continues.

7 RISK MANAGEMENT

134. The risk management system of a PSO shall include policies, procedures, limits, and controls in its foundation. This foundation is required to conduct a comprehensive, timely, and ongoing assessment, measurement, monitoring, mitigation, and reporting of the risks associated with its operations at both the business line and institution-wide levels.

135. The essential components of a sound risk management system for business operations should include comprehensive internal controls, appropriate management information systems, adequate policies and procedures, and active involvement of senior management and the board.

136. The board of directors has the ultimate responsibility for the risks taken by the PSO. Consequently, it shall define the risk appetite, risk tolerance, risk limit, and set risk strategies. The board is tasked with the responsibility of comprehending the nature of risks that are significant to the PSO and ensuring that the management is taking the requisite steps to implement those strategies and manage the accompanying risks.

137. While the overall responsibility for risk management rests with the board of directors, it is the responsibility of senior management to transform the strategic directions set by the board into operational policies, procedures, and processes that facilitate effective risk management. In order to ensure that the risk levels are in accordance with the board's strategies, senior management should possess the requisite knowledge and skills to conduct risk assessments and treatment. Top management should be aware of the risk profile on an ongoing basis and should regularly report it to the board or a board-level committee for review.

138. The board of directors and senior management shall formulate and implement risk management policies and procedures to deal with various risks that arise from the PSO's business and operational activities. The PSO's policies and more detailed procedures should provide guidance for the day-to-day implementation of broad risk strategies and generally should include limits designed to safeguard the institution from imprudent and unwarranted risks. The management should review risk policies, procedures, and limits in a timely manner and update them when necessary. Further, independent assurance from internal audit regarding the efficacy of these policies should also be obtained.

139. To ensure effective risk measurement, monitoring, and management reporting systems, a PSO shall identify and measure all quantifiable and material risk factors supported by proper information systems that provide the management with timely and accurate reports on the financial condition, operating performance, and risk exposure of the PSO. It shall provide regular and sufficiently detailed reports (i.e., types of risk, impact on business, possible recommendations for mitigation, etc.) on risk issues (if any) to line managers engaged in the day-to-day management of the PSO's business operations.

140. A PSO should establish and maintain an effective system of internal controls, including the enforcement of official lines of authority and the appropriate segregation of duties. The internal control system should be adequately tested and reviewed by internal audit.

141. In accordance with section 8 of the PSSA, a PSO is required to formulate and publish policies for dictum, operations and management. Guidelines for the management of significant risks have been laid out in the subsequent chapters, which span from 7.1 to 7.5. In accordance with the subsequent guidelines, a PSO is required to develop its own policies. These guidelines should be regarded as the minimum standard. All risk areas associated with the business shall be addressed by the PSO. Nevertheless, a PSO may implement a simplified version of the guidelines that is commensurate with the complexity and scope of its operations prior to the conclusion of the successful periodic review process (PR) as outlined in chapter-5.2. A PSO is solely responsible for its risk management in all circumstances.

7.1 LIQUIDITY RISK MANAGEMENT

142. PSOs and their participants may face liquidity risk, which is the risk that a counterparty, whether a participant or other entity, will have insufficient funds to meet its financial obligations as and when expected, although it may be able to do so in the future. A PSO experiences multiple facets of liquidity risk. One side of the risk concerns the trust fund; another is associated with the own portfolio. One common source of liquidity risk is the investment in assets that become illiquid, particularly when markets are closed or illiquid or when prices are changing rapidly or when there is a large gap between the book value and market value of the asset. Liquidity risk can also arise from other sources, such as the failure or the inability of initiating banks, settlement banks, trust and settlement banks, (primary) dealer banks, liquidity providers, and linked financial institutions (banks, FIs, PSP, MFS, PSO, etc.) to perform as expected.

143. A PSO should have a robust framework to manage its liquidity risks from its participants, initiating banks, settlement banks, trust and settlement banks, (primary) dealer banks, liquidity providers, and other entities.

144. A PSO should have effective operational and analytical tools to identify, measure, and monitor its settlement and funding flows on an ongoing and timely basis.

145. A PSO should determine the amount and regularly test the sufficiency of its liquid resources through stress testing. A PSO should maintain sufficient liquid resources to settle merchant-related payments and meet other payment obligations on time with a high degree of confidence under a wide range of potential stress scenarios. A PSO should have clear procedures to report the results of its stress tests to appropriate decision makers at the PSO and to use these results to evaluate the adequacy of and adjust its liquidity risk-management framework.

146. In conducting stress testing, a PSO should consider a wide range of relevant scenarios. Scenarios, especially those related to treasury investment, should include relevant peak historic price volatilities, shifts in other market factors such as price determinants and yield curves, and simultaneous pressures in funding and asset markets in a variety of extreme but plausible market conditions. Scenarios should also take into account the design and operation of the PSO and include all entities that might pose material liquidity risks to the PSO (such as initiating banks, settlement banks, trust and settlement banks, dealer banks, liquidity providers, and linked financial institutions). In this regard, a potential scenario could include, but not be limited to, the default of the participant that would cause failure of the largest aggregate payment obligation to be met by the PSO in extreme but plausible market conditions. In all cases, a PSO should document its supporting rationale for, and should have appropriate governance arrangements relating to, the amount and form of total liquid resources it maintains.

7.2 OPERATIONAL RISK MANAGEMENT

147. There are few fundamental principles that all PSOs, regardless of their size or complexity, should address in their approach to operational risk management. Ultimate accountability for operational

risk management rests with the board, and the level of risk that the organization accepts, together with the basis for managing those risks, is driven from the top down by those charged with overall responsibility for running the business.

148. The board and senior management should ensure that there is an effective, integrated operational risk management framework. This should incorporate a clearly defined organizational structure, with defined roles and responsibilities for all aspects of operational risk management/monitoring and appropriate tools that support the identification, assessment, control, and reporting of key risks.

149. The board and senior management should recognize, understand, and have defined all categories of operational risk applicable to the PSO. Furthermore, they should ensure that their operational risk management framework adequately covers all of these categories of operational risk.

150. Operational risk policies and procedures, which clearly define the way in which all aspects of operational risk are managed, should be documented and communicated. These operational risk management policies and procedures should be aligned to the overall business strategy and should support the continuous improvement of risk management.

151. All business and support functions should be an integral part of the overall operational risk management framework to enable the institution to manage effectively the key operational risks facing the PSO.

152. Line management should establish processes for the identification, assessment, mitigation, monitoring, and reporting of operational risks that are appropriate to the needs of the PSO, easy to implement, operate consistently over time, and support an organizational view of operational risks and material failures.

7.3 CUSTODY RISK MANAGEMENT

153. A PSO may be exposed to custody risks regarding the fund it manages on behalf of its participants with a trust and settlement bank (TSB). Custody risk is the potential for a loss of assets in custody in the event of a custodian's (TSB’s) insolvency, negligence, fraud, poor administration, or inadequate recordkeeping. A PSO should choose a TSB with relatively lower custody risk.

154. While choosing/selecting a TSB, a PSO should consider factors that should include, but not be limited to, the financial health of the bank, creditworthiness, reputation, reviews, credit rating, ability to handle a high volume of transactions, geographic reach, potential for API integration, internet banking or digital banking capabilities, less frequent downtime, customer support, etc.

155. A PSO should be vigilant on an ongoing basis of the stability and sustainability of TSB. It should monitor any negative developments regarding the TSB, such as regulatory penalties, data breaches, or compliance failures that could potentially result in the TSB's failure. It should utilize all available sources of information, including news and print media, broadcast media, social media, and reports

published by banks, central banks, or other institutions, to identify indicators that suggest the stability of a TSB.

156. A PSO should evaluate and understand its exposures to its TSBs, taking into account the full scope of its relationships with each TSB. For example, a scheduled bank may serve as a trust and settlement bank, may provide current account facilities, FDR or similar facilities, and may facilitate investment in government securities. A PSO should carefully consider all of its relationships with a particular TSB to ensure that its overall risk exposure to an individual TSB remains within acceptable concentration limits. Where feasible, a PSO may consider using multiple custodians for the safekeeping of its funds to diversify its exposure to any single custodian. In any event, a PSO should monitor the concentration of risk exposures to, and financial condition of, its custodian banks on an ongoing basis.

7.4 FRAUD RISK MONITORING

157. A PSO shall ensure risk management processes, procedures, systems, and controls are in place to enable effective fraud risk mitigation and management.

158. A PSO shall establish effective procedures on fraud detection, analysis, investigation, and reporting, which include–

   (a) fraud detection and transaction monitoring that can facilitate timely identification and mitigation of suspicious transactions;

   (b) regular analysis to understand fraud trends and modus operandi. This includes the ability to be vigilant of evolving trends and taking into account material changes in the business strategy, which may increase exposure to potential fraud risk; and

   (c) reporting of fraud incidents to senior management and the board on a regular basis.

159. A PSO shall conduct periodic reviews on the adequacy of its fraud risk mitigation measures.

160. In the event of fraud occurrences, the PSO shall take appropriate and immediate corrective measures to address gaps and vulnerabilities in order to strengthen the security features of the payment system.

7.5 MONEY LAUNDERING & TERRORIST FINANCING RISK MANAGEMENT

161. PSOs shall comply with the provisions of the Money Laundering Prevention Act, 2012; Anti-Terrorism Act, 2009; and other related instructions/guidelines issued by Bangladesh Financial Intelligence Unit (BFIU) and Bangladesh Bank from time to time.

162. PSO should have real-time monitoring tools to flag suspicious transaction activities of merchants and customers.

8 ICT SECURITY MANAGEMENT

163. Compliance with ICT security guidelines

(a) For ICT security management, a PSO, along with this regulation, shall comply with the applicable provisions of the "Guidelines on ICT Security" issued by Bangladesh Bank.

(b) A PSO shall comply with the applicable provisions of the "Guidelines on Cloud Computing" issued by Bangladesh Bank.

(c) A PSO shall comply with cybersecurity and other related circulars and directives of Bangladesh Bank.

(d) A PSO shall also have its own "ICT security policy" approved by the Board of Directors in compliance with the Bangladesh Bank guidelines.

164. Standard, certification, and testing:

(a) A PSO, involved in storing, processing, and transmitting payment card data, shall have PCI DSS certification.

(b) A PSO shall have undergone third-party vulnerability assessment and penetration test (VAPT) on a periodic basis.

(c) A PSO shall adopt/comply with ISO standards in relevant areas.

(d) Acquiring terminals (e.g., ATM and POS) shall be compliant with the EMV and TakaPay standards.

(e) QR terminals shall be compliant with the Bangla QR standards.

(f) Certifications and security standards shall be upgraded from time to time to comply with the latest version.

165. Transaction security: a PSO shall have industry-standard security arrangements for all transactions transmitted through its system. The arrangements shall include, but not be limited to, the following:

(a) A PSO shall have anti-skimming solutions in acquiring devices.

(b) The keypads of acquiring devices shall be tamper-resistant.

(c) A PSO shall ensure standard encryption of transaction data during transmission.

(d) A PSO shall ensure dynamic multi-factor authentication for all card-not-present (CNP) and internet-based transactions.

(e) A PSO shall ensure privacy, integrity, and authenticity of data and confidentiality of customer authentication factors (e.g., PIN, PAN, biometric information) during storing and routing the data.

(f) A PSO shall preserve acceptable audit trails and logs for all transactions processed through its payment channels irrespective of ATM, POS, QR, or digital commerce to facilitate investigations, reconciliations, and dispute resolution.

(g) A merchant shall not be able to store authentication and sensitive data.

(h) Pre-authorization and recurring authorization for payment shall be controlled in accordance with the approval of the Bangladesh Bank.

(i) Each transaction shall have a fixed period as a transaction session, and the session shall be terminated automatically unless the customer re-authenticates for an extension of the existing session.

(j) A PSO shall ensure proper training of its staff and establish multi-layered verification for system access.

(k) A PSO shall have proper segregation of duties for operation and incident management.

(l) A PSO shall organize periodic programs/campaigns to enhance customer awareness regarding transaction security aspects.

(m) A PSO shall adhere to PSD Circular No. 04, dated August 24, 2017, or as amended from time to time on 'Ensuring security, minimizing transaction risks, and enhancing public awareness in card-based payments through different payment channels to discourage or reduce cash transactions'.

8.1 BUSINESS CONTINUITY PLAN (BCP)

166. A PSO shall have a Business Continuity Plan (BCP) approved by the Board of Directors.

167. The BCP should be circulated to the relevant stakeholders. One copy should be stored outside the office location in safe custody.

168. The effectiveness of BCP should be tested and reviewed at least once a year.

8.2 DISASTER RECOVERY PLAN (DRP)

169. A PSO shall have an approved disaster recovery plan for various types of contingency scenarios caused by system faults, hardware malfunctions, operating errors, and security incidents that restrict the primary data center accesses.

170. The effectiveness of DRP should be tested and reviewed at least once a year.

9 CONTROL AND COMPLIANCE

9.1 INTERNAL AUDIT

171. The internal audit function of a PSO shall be independent of the audited activities. This necessitates that the internal audit function have a sufficient level of authority and stature within the organization to allow internal auditors to perform their duties with objectivity. The internal audit function should be able to directly discuss their views, findings, and conclusions with the audit committee of the board (if any) and the board of directors, thereby assisting the board in overseeing senior management.

172. A PSO shall ensure that the professional competence, including the knowledge and experience of each internal auditor and of internal auditors collectively, is sufficient to the effectiveness of the internal audit function.

173. The board of the PSO shall ensure that the function is well staffed with enough human resources with sufficient qualifications and skills to effectively deliver on the mandate for professional competence and to audit to the required level. The collective competence of internal auditors should enable them to evaluate all operational areas of the PSO.

174. The internal audit function within each PSO should be defined by an internal audit charter that articulates its purpose, authority, and standing. The scope of internal audit activities should include the examination and evaluation of the effectiveness of the internal control, risk management, and governance systems and processes of the entire PSO, including the organization's outsourced activities and its subsidiaries (if any).

175. The internal audit function shall be accountable to the board, or its audit committee (if any), on all matters related to the performance of its mandate as specified in the internal audit charter.

176. An audit plan shall be prepared annually. This would be a high-level plan, which shall be approved by the board or its audit committee (if any). This plan will be risk-based that prioritizes sensitive areas. Auditable units with higher risk shall be covered at least twice each year. However, every process/activity/division/department/section/office/unit/subsidiary, etc. within the organization should be audited every year.

177. Findings are pertinent statements of fact uncovered during the course of an audit. These findings need to be reported. The item to be included in the report should include at least the following information:

- A statement of what was expected;
- The factual evidence of what the auditor found;
- The reason for the difference;
- The risk or exposure of the difference that has been found has on the organization and on the financial statements (if applicable);
- Recommendation to resolve the issue; and
- Management comment including action to be taken and a date by which the issue will be resolved (following discussion with management).

178. At the end of a year there should be a summary report on the audit findings and corrective actions taken, which should be forwarded to the board, or its audit committee (if any), and the managing director simultaneously.

179. Based on the review of monitoring reports, the audit team should also conduct surprise checks on the auditable units where regular gaps are identified.

180. However, before the completion of successful periodic review process (RP) as described in chapter-4.2, a PSO may outsource auditors to perform the internal audit function.

9.2 INFORMATION SYSTEM AUDIT

181. A PSO shall conduct an annual IT system audit.

182. The System Audit report shall include, but not be limited to, the following:
    a) System design and operation test report subject to effectiveness,
    b) Hardware structure, operating systems, database, and critical applications evaluation/ vulnerability assessment report,
    c) Evaluation report on disaster recovery plan/procedure,
    d) User access and control procedures,
    e) Evaluation report on the business contingency plan.

9.3 COMPLIANCE FUNCTION

183. The compliance function shall identify and assess the compliance risk associated with a PSO's activities. This requires the compliance to have adequate knowledge and exposure to key business processes of the PSO and keep up to date with material changes in the PSO's business.

184. The compliance officer shall report to senior management on a regular basis the findings and analyses of compliance risk. The report shall include at a minimum the results of the compliance risk assessment, a summary of incidents of non-compliance and deficiencies in the management of compliance risk, an assessment of the impact (both financial and non-financial) of such incidents of non-compliance and deficiencies on the PSO, recommendations of corrective measures, and a record of corrective measures already taken.

10 OUTSOURCING

185. This outsourcing policy document is issued pursuant to section 9(1) of the PSSA. This document shall be read together with section 9 of the PSSA.

186. PSOs shall take prior approval from Bangladesh Bank in case of outsourcing core technology components, e.g., applications, software modules, and data center(s).

187. Before the selection of a service provider, the PSO shall formulate criteria to assess whether the provider has the ability and capacity to carry out the relevant outsourcing activities effectively, faithfully, and with high standards. In addition, the PSO shall identify the potential risks associated with the services of a particular service provider.

188. While selecting a service provider, the due diligence process should include at least the following:
    (a) Documents relating to the legal basis and formation of the service provider, necessary license or authorization letter, or necessary certifications for carrying out outsourcing activities,
    (b) Experience and competence of the service provider in conducting outsourcing activities,
    (c) The financial conditions necessary for the performance of the duties of the service provider,

(d) Quality of work, reputation, compliance culture, corrective actions taken by any regulator in the past, existing or prospective litigation,

(e) Security, internal control system, audit scope, data flow and monitoring environment, business continuity protection plan, and

(f) Capacity to meet special needs, such as the ability to deliver services in various geographical locations (if relevant).

189. Outsourcing activities shall be carried out by entering into a legal written agreement between the PSO and the service provider. The agreement shall include all essential aspects of the outsourcing arrangement, including the rights, responsibilities, and expectations of all parties.

190. The agreement with the service provider should contain certain terms and conditions, including but not limited to the following:

(a) A description of all outsourcing activities, including the desired standards of service and work,

(b) Roles and responsibilities of each party,

(c) The right to inspect and audit by the relevant PSO all documents and information related to outsourcing activities stored by the service provider;

(d) Provision for continuous monitoring and evaluation by the PSO of the functioning of the service provider so that necessary remedial measures can be taken immediately;

(e) the terms of the termination of the contract and, if necessary, the minimum period for the termination of the contract

(f) Service Level Agreement between the parties (where applicable),

(g) Provision of a fee/revenue sharing structure among parties,

(h) Provision of safekeeping of relevant records, data, and documents/files,

(i) Standard and updated documentation of IT setup, network architecture, and integration,

(j) Operations and technical controls for appropriate risk mitigation measures,

(k) Arbitration in case of any dispute between or among the parties,

(l) Conditions for the protection of the confidentiality of customer information,

(m) Conditions for the return of all information to the PSO's possession after the expiration or termination of the contract and the duties to be performed by the service provider after the expiration or termination of the contract

(n) The laws of Bangladesh shall apply to the contract, and the matters pertaining to the contract shall be settled only by the courts of Bangladesh.

191. The outsourcing agreement shall not in any manner hinder the performance of the statutory obligations of the PSO.

192. Suitable conditions should be included in the agreement so that Bangladesh Bank will be able to audit and inspect the documents/files stored or processed by the concerned service provider and will be able to exercise all its regulatory powers.

193. A PSO shall be solely liable to ensure regulatory compliance and settlement of participants' obligations, even in the case of service outsourcing.

10.1 OUTSOURCING OUTSIDE BANGLADESH

194. Any service to be outsourced outside Bangladesh, a prior approval from Bangladesh Bank is mandatory.

195. At the initial screening stage, the PSO shall take into account and closely monitor the government policy and the political, social, economic, and legal situation/risk of the country concerned and continue such monitoring even after the appointment.

196. The proposal sent for prior approval of the Bangladesh Bank shall be accompanied by a description of the outsourcing services, the rationale of outsourcing abroad, the due diligence report of the proposed service provider, the nature and sample of the information to be sent, the legal opinion on the confidentiality of the information, including the power of the foreign authority and the court to demand or order access to the information, the draft of the contract to be executed with the service provider, the description of the auditing and controlling measures to be taken by the PSO in relation to the outsourcing arrangement, and the plan regarding the manpower if there is a possibility of reduction of manpower due to the proposed outsourcing.

11 WINDING UP/DISSOLUTION ETC

11.1 EXIT PLAN

197. A PSO should be ready to exit the PSO business if the business is deemed unsustainable or it fails to function reliably.

198. A PSO is required to maintain an exit plan that has been approved by the board of directors. This plan will allow the PSO to voluntarily unwind its business operations in an orderly manner without causing any disruption to its customers, merchants, or the payment ecosystem, and without any regulatory intervention.

199. An exit plan shall, at the very least, address these key areas:

    (a) Internal Triggers: Clear internal indicators that would signal the need to exit, such as unsustainable business performance or failure to meet the business's value proposition.

    (b) Exit Options and Measures: likely options and related measures to be taken for exit that minimizes disruption to its customers, merchants, and the payment ecosystem;

    (c) Potential Obstacles and Mitigation: Identification of potential impediments to implementing the exit strategies and plans to lessen their impact;

    (d) Funding and Timeline: Sources of funding and liquidity for the exit process (in addition to safeguarding customer funds) and an estimated timeframe for completing the exit;

(e) Data Extraction Capabilities: The ability to quickly gather and compile customer and merchant data, including up-to-date contact information and refund/payment mechanisms;

(f) Service Continuity: The resources and capabilities needed to maintain uninterrupted services throughout the exit plan implementation.

(g) Roles and Responsibilities: Clearly defined roles and responsibilities for the board, senior management, and relevant business units; and

(h) External Dependencies: A description of dependencies on external parties for its operations.

200. For the purpose of paragraph no. 199(a), a PSO shall identify exit triggers, i.e., factors and indicators/thresholds that will prompt activation/execution of the exit plan. The exit triggers at a minimum shall include compliance-related indicators, in particular on minimum capital funds, liquidity ratio, and the safeguarding of customer funds.

201. A PSO may take into consideration the following factors in determining the exit triggers–

(a) Financial-related indicators, which include but are not limited to–

i. Continuous shortfall or multiple instances of shortfall in TSA

ii. Not reaching breakeven point for a long time; /significantly low return on equity for a continuous time period; or

iii. Significantly high cost-to-income ratio for a continuous time period.

(b) Operational-related indicators, which include but are not limited to–

i. Prolonged and/or frequent unscheduled downtime of the system.

ii. Multiple successful cyberattack incidences; or

iii. Breaches of customer/payer/participants information with monetary impact to customer/payer/participants.

202. The exit plan shall be reviewed every three years or as and when there are material changes to the PSO's structure or operations.

203. An existing PSO shall submit an exit plan to Bangladesh Bank within one year from the effective date of this regulation. An applicant of PSO shall submit the exit plan along with the business document.

204. The full implementation of the exit plan shall result in the cessation of the PSO business by the PSO.

205. A PSO shall need to get approval from Bangladesh Bank and shall provide notification to the relevant authorities about the decision to wind down.

11.2 LICENSE SUSPENSION

206. When the license of a PSO is suspended in accordance with section 5(7) of the PSSA, the PSO shall temporarily close its existing payment processing operations upon the date of such suspension or gradually as directed by Bangladesh Bank.

207. Nevertheless, such PSO shall continue to discharge its obligations, which include but are not limited to the following–

(a) Provide adequate and prompt notice to the relevant stakeholders, especially merchants and TSBs, on its suspension of business or operations;
(b) Settle the outstanding amount with the merchants and relevant beneficiaries at a reasonably practical time;
(c) Provide assistance to the merchants, if needed, for smooth transition of services to other operators/aggregators.

208. A license-suspended PSO can restart its operation/payment processing activities only upon receiving a written direction from Bangladesh Bank to do so.

11.3 CANCELATION OF LICENSE (OR CESSATION OF BUSINESS)

209. When the license of a PSO is revoked in accordance with section 5(7) of the PSSA, the PSO shall wind down its existing payment processing operations/activities upon the date of revocation of license or gradually as directed by Bangladesh Bank.

210. Nevertheless, such PSO shall continue to discharge its obligations, which include but are not limited to the following–

(a) Provide adequate and prompt notice to the relevant stakeholders, especially merchants and TSBs, on its cessation of business or operations;
(b) Settle the outstanding amount with the merchants and relevant beneficiaries at a reasonably practical time;
(c) Provide assistance to the merchants, if needed, for smooth transition of services to other operators/aggregators.
(d) Contact and periodically provide reminders to relevant stakeholders, which includes but is not limited to merchants/customers/payers/participants, for them to claim any unclaimed balances from the PSO;
(e) Ensure that transaction records and relevant information are made available to the trust and settlement bank(s); and
(f) Ensure all data and information, especially transaction databases and merchant information, continue to be safeguarded and/or disposed of appropriately in accordance with statutory records retention requirements.

211. A PSO shall provide all or part of data and information to Bangladesh Bank or any other party as directed by Bangladesh Bank.

212. The utmost financial and non-financial penalties stipulated in section 37 of the PSSA will be imposed on individuals who are found guilty if a PSO fails or is reluctant to comply with the aforementioned instructions or any other directives of the Bangladesh Bank related to license cancellation or suspension.

11.3.1 RESPONSIBILITIES OF DIFFERENT PARTIES WHILE WINDING DOWN OF A PSO

Whether the decision to wind down is made voluntarily, by regulatory direction from BB, or by any other means, the winding down of a PSO involves a number of parties, each with specific responsibilities to ensure that the process is conducted in a legal, efficient, and risk-minimizing manner. The following is an outline of key responsibilities of the primary stakeholders, at the very least, during the winding-down process:

Board of Directors

213. The board of directors is accountable for settlement of all liabilities of merchants, payers, participants, customers, creditors, or any others, even if that requires liquidation of the company's assets.

214. The board shall ensure that the wind-down process conforms to the legal and regulatory requirements, corporate governance standards, and best practices.

215. If, for any reason, the PSO requires a different winding-down plan that includes specific timeframes, responsibilities, and actions, other than the previously approved exit plan, the Board shall approve the winding-down plan and submit it to Bangladesh Bank for its consent.

216. The board shall ensure that payers/participants/merchants/consumers are protected during the transition, including guaranteeing the proper handling of disputes, refunds, and claims.

Management and Operational Team

217. The management team is accountable for the execution of the wind-down plan, which includes the cessation of new transactions, the cessation of operations, and the completion of outstanding payments and services.

218. The management team is responsible for informing customers, merchants, and other stakeholders about the wind-down process and providing instructions for account closures or transitions to other providers. A PSO shall use all possible means to reach its stakeholders. The documentation of all such communication is essential.

219. In order to satisfy liabilities, the management team, if necessary, shall take measures for the liquidation of assets, such as physical infrastructure, software, intellectual property, or other assets.

220. The management team's primary responsibility is to ensure that all debts are repaid, all liabilities with the merchants are settled appropriately, all unsettled payments of payers/participants are refunded in a timely manner, and creditors are paid in accordance with the law. They need to make sure that any necessary documentation for regulatory or legal filings is prepared and submitted.

221. The management team shall ensure the secure handling, storage, or transfer of customer data in compliance with applicable laws, rules, and regulations until the end of the legal retention period.

222. The management team, with or without the assistance of legal advisors, shall guarantee that the wind-down process adheres to the law. They shall perform the essential legal filings to dissolve the business, including registration or deregistration with relevant authorities.

223. The management team shall ensure that all tax obligations are fulfilled, including final tax filings and potential liabilities associated with the winding-down process.

224. Steps shall be taken to terminate or renegotiate contracts with merchants, service providers, vendors, and customers, ensuring minimal legal liability.

225. Employees shall be informed in a timely and transparent manner about the wind-down process. The management team is responsible for ensuring employees receive their legal entitlements, such as severance pay, accrued benefits, etc. They shall ensure that all actions comply with labor laws regarding employment termination, severance packages, and worker protection, if any.

Customers and Merchants

226. Merchants and participants/payers (customers of merchants) need to submit claims for unsettled transactions or refunds or chargebacks within the defined deadlines, following the proper procedure established by the PSO.

227. If merchants need to transition to a different PSO, they need to act promptly, and if any cooperation is needed in this regard, the PSO shall do so.

Trust and Settlement Bank (TSB)

228. A TSB shall halt the transfer of any fund, including the realized fees/charges, interest earned on the trust fund, FDR, or investment, to the linked operational account of the PSO.

229. All liabilities, claims, chargebacks, and refunds of the customer and merchants shall be settled from the trust and settlement account under the supervision of the TSB. The remaining balance of the TSA, if any, may be credited to the operational account of the PSO upon receiving written consent from Bangladesh Bank.

11.4 MERGER AND ACQUISITION

230. In the event that PSO conducts corporate actions in the form of merger, consolidation, acquisition of PSO, the PSO, at first, is required to obtain approval from Bangladesh Bank. The following information shall be provided with the application:

- Background of the corporate action;
- Party that will conduct the corporate action;
- Management structure, share ownership structure, and corporate ownership structure after the corporate action;
- Business plan for payment system service provider after the corporate action.

12 MISCELLANEOUS

231. PSOs shall adhere to all rules, regulations, guidelines, and instructions issued by Bangladesh Bank.

232. Sponsor shareholders shall not transfer, sell, assign, pledge, or otherwise dispose of any of their shares in the company for a period of five (5) years from the date of issuance of the license. Bangladesh Bank may, upon written application by the PSO or the sponsor shareholder, grant prior written approval for a transfer within the restriction period, where it is satisfied that— (a) the transfer is necessitated by exceptional circumstances; and (b) the trasnsfer will not adversely affect the ownership structure, governance, or financial stability of the PSO.

233. PSOs are supposed not to provide any services other than those covered under the PSO license. However, if a licensed-PSO is providing other services, those services shall be separated from the PSO-related operation within 1 (one) year from the effect of this regulation. The financial statement shall separately reflect the operational performance of the PSO activities during that period, with the proper disclosure.

234. PSOs shall be subject to off-site supervision and on-site inspection by Bangladesh Bank. Non-cooperation during inspections or failure to follow Bangladesh Bank's instructions shall result in punitive action under the relevant acts.

235. Any payment or transaction in foreign exchange shall be under the purview of the Foreign Exchange Regulation Act, 1947, the Guidelines for Foreign Exchange Transactions (GFET), and other relevant circulars issued by Bangladesh Bank. A PSO shall obtain the requisite permission(s) from Bangladesh Bank prior to the introduction of any service that pertains to foreign exchange.

12.1 LOANS TO DIRECTOR, MD, OR OTHER COMPANY ETC

236. Since the primary function of a PSO is to facilitate payments, a PSO shall not extend any credit facilities, whether funded or non-funded, to any individual or entity. This prohibition encompasses any individual, as well as any other company or entity, including PSO's subsidiaries, holding companies, sister concerns, shareholders, directors, CEO, and other employees or officers. Nevertheless, the provision of staff loans/advances in accordance with the policy approved by the board is permissible.

237. No assets of the company shall be used as collateral for a loan unless the loan is issued in the name of the PSO. However, under no circumstances shall the trust fund be used as collateral.

12.2 INTEROPERABILITY

238. A PSO shall be obliged to be compatible and to integrate its system for greater interoperability initiatives of Bangladesh Bank.

12.3 ORGANIZATIONAL AND TECHNOLOGICAL ARRANGEMENT

239. A PSO shall have organizational and technological arrangements to ensure the reliability, efficiency, scalability, and security of its system. The PSO should have:

(a) An organizational structure with the defined job specification and individual accountability.
(b) Operational policies and procedures approved by the board of directors.
(c) Suitable contracts and agreements with technology partners.
(d) Robust technological arrangement for the proper functioning of the businesses.
(e) Capacity to handle large transaction data and retain it for at least 12 years.

12.4 PRICING MECHANISM

240. All charges/fees shall be agreed upon through contractual agreements among the relevant parties commensurate with the service requirements and standards.

241. Customer charges (if any) shall be approved by Bangladesh Bank.

12.5 GRIEVANCE REDRESSAL

242. A PSO should have a 24X7-call center or an online portal/mobile application for emergency support to the participants.

243. A PSO shall have standard dispute resolution policies specifying the liability-shifting process in accordance with applicable rules of Bangladesh Bank and payment card schemes. User protection and dispute resolution policies should be easily accessible by the participants and users.

244. A PSO shall preserve transaction data or have the mechanism to recall the same to resolve the dispute of a transaction in the future according to its role in the transaction process. If applicable, a PSO shall have an online dispute management system for raising and resolving disputes. Any unresolved disputes should be reviewed on a monthly basis.

245. A PSO shall introduce strict refund timelines for failed transactions.

246. A PSO shall disclose applicable terms and conditions, including fees and charges, to the participants and the users properly.

247. Sufficient manpower shall be appointed to handle customer complaints effectively, keeping in line with the increasing number of merchants.

12.6 ACCOUNTING AND REPORTING REQUIREMENTS

248. To ensure transparency, consistency, and reliability in financial reporting, a PSO shall follow accounting principles, standards, and norms when recording and reporting accounting transactions.

249. A PSO should regularly (at least monthly) reconcile transaction records with bank statements and internal accounts to ensure accuracy. If any discrepancies identified during reconciliation, investigate the discrepancies and resolve the differences by making necessary corrections.

However, any significant discrepancies persist for more than 15 days, it should be notified to Bangladesh Bank without any delay.

250. A PSO shall submit annual audited financial statements, along with a management letter/report, to Bangladesh Bank within 03 (three) months of the closing of a financial year.

251. 'Balances with banks in TSA' and total 'Liabilities with all merchants' shall be disclosed in the balance sheet & its notes in the forms set out in the appendices 00 or as near thereto as possible.

252. PSOs shall submit periodic reports and required statements and information to Bangladesh Bank in prescribed formats and on an ad hoc basis (as instructed).

253. In the case of a major operational or security incident, a PSO shall notify Bangladesh Bank within 24 hours of the incident. Where the incident has or may have an impact on the financial interests of its participants, the PSO shall, without undue delay (not more than 3 days), inform its participants of the incident and of all measures that they can take to mitigate the adverse effects of the incident.

254. Any breach of data should be notified to Bangladesh Bank within 72 hours of the incidents.

12.7 RECORD RETENTION

255. A PSO is required to retain all information and data related to a transaction for the next 12 (twelve) years from the date of the transaction, in accordance with section 12 of the PSSA. Nevertheless, written consent Bangladesh Bank is necessary prior to the deletion of any transaction data or information. This provision also applies to a PSO whose license has been revoked.