

Payment Systems Department
Bangladesh Bank
Head Office
Dhaka

PSD Circular-05/2020

Date : May 31, 2020

Managing Director/CEO,
Proposed White Label ATM and Merchant Acquirer and
All Scheduled Banks in Bangladesh

Dear Sir,

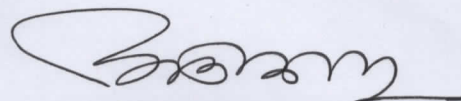
Guidelines for White Label ATM and Merchant Acquiring Services.

In order to spread ATM (Automated Teller Machine) and POS (Point of Sales) services in the rural part of the country, Bangladesh Bank (BB) has decided to allow non-bank private sector entities for setting up necessary infrastructure in the country as per attached 'Guidelines for White Label ATM and Merchant Acquiring Services' for providing services to the customers' of Banks, MFSs, PSPs and any other institution as approved by BB.

Such service will fall under the PSO (Payment System Operator) jurisdiction and intended firms (including a PSO license holder for other services) will require to obtain separate license from BB in extending such services and will need to follow all existing and upcoming policies, guidelines and standards relating to these services.

These 'Guidelines for White Label ATM and Merchant Acquiring Services' are issued herewith in exercise of the power conferred under section 7A (e) of the Bangladesh Bank Order 1972.

This is of immediate effect.



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Enclosure: Guidelines for White Label ATM and Merchant Acquiring Services.

Guidelines
for
White Label ATM and
Merchant Acquiring Services

Payment Systems Department
Bangladesh Bank



May 2020

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1.0 Introduction :

The Bangladesh Bank (BB) is mandated by clause 7(A)(e) of the Bangladesh Bank Order 1972 to make country's payment and settlement system an effective and efficient one. As a part of the mandate, the BB has been endeavoring to establish infrastructural facilities and providing policy measures so that market participants can come up with proper technology and business model to spread appropriate payment services in the country. Bangladesh Bank generally follows the bank-led model in most of its initiatives. However, current business model and the participants involved in bank-led model were not particularly appropriate to achieve wide scale geographical spread of ATM and POS services specifically to the rural areas.

Hence, to spread ATM services in the unreached peripheries as well as to include new merchants into the electronic payments network, involvement of non-bank entities is the need of time. These new entities will deploy, own and operate ATMs and/or acquire merchants to serve the customers of schedule banks/MFSs/PSPs. These private sector non-bank operators will be termed as White Label ATM and/or Merchant Acquirer (WLAMA). The WLAMA needs to establish connectivity with the existing domestic and international ATM/POS Networks and earn its revenue from the issuing entities (such as Banks/MFSs/PSPs) and acquiring bank for using their ATMs and POSs respectively.

2.0 Mandate :

Bangladesh Bank is issuing these Guidelines for WLAMA in exercise of the power conferred in Article 7A (e) of the Bangladesh Bank Order, 1972 and Section 49 (1) (O) of the Bank Companies Act, 1991.

3.0 Purpose :

The purpose of these Guidelines is to:

- I. provide a regulatory framework for the interested non-bank entities to deploy, own and operate interoperable White Label ATMs and/or merchant acquiring services in Bangladesh.
- II. spread the reach of banking and retail payment services at an affordable cost throughout Bangladesh, especially in the rural areas.

4.0 Scope:

These guidelines shall apply for the issuance of license to the interested non-bank entities for establishing White Label ATMs and to perform both the in-store and e-commerce merchant acquisition services. These services would be offered to the customers of domestic and international Banks, MFSs and/or PSPs.



5.0 Allowable Services :

White-label ATM and POS deployed under these guidelines will not display a label/name of a bank rather may contain (brand) name of particular WLAMA, Permissible activities under White label ATM and POSs are :

- a) ATM Cash Withdrawal
- b) ATM Funds Transfer
- c) ATM Mini Statement
- d) ATM Balance Inquiry
- e) ATM Bill Payment
- f) POS/QR Retail Purchase
- g) POS/QR Bill Payment
- h) Other services as permissible by Bangladesh Bank.

6.0 Parties Involved :

- a) **White Label ATM and/or Merchant Acquirer (WLAMA):** A Non-Bank entity licensed by the Bangladesh Bank as a Payment System Operator (PSO) to deploy, own and operate white label ATM and offer in-store merchant acquiring services such as POS/QR payments. Besides, they may provide e-commerce merchant acquiring facilities as well. A WLAMA may choose to offer both ATM and merchant acquisition services or any one of those services.
- b) **Settlement Bank:** Act as the acquiring bank in favor of WLAMA and assume the roles and responsibilities of an acquiring bank including settlement of transaction and disputes.
- c) **Issuing Bank or Entity:** Banking Company or MFS or PSP that issues payment instruments (such as Payment Card, Mobile wallet, Electronic wallet etc.) in favor of their customers through which a customer can access to the services of a WLAMA.
- d) **National Payment Switch Bangladesh (NPSB):** An interoperable platform for payment and settlement of domestic interbank card-based, account-based and wallet-based transactions initiated through ATM, POS, Internet Banking and electronic wallets (provided by Banks, MFSs and PSPs).
- e) **International Payment Schemes (IPS):** A payment platform incorporated outside the country which operates payment and settlement for both the domestic and international interbank transactions in multiple countries.
- f) **Customer:** An individual/organization who maintains account or card or e-wallet with domestic or international Bank or MFS or PSP and is willing to avail services of a WLAMA.



7.0 Eligibility Criteria :

- a) A WLAMA should be licensed by the Bangladesh Bank as a PSO under the Bangladesh Payment and Settlement Systems Regulations 2014.
- b) The paid-up capital of a WLAMA would be Taka 450 (Four hundred fifty) Million if it provides ATM services only, an additional bank guarantees of Taka 100 (One Hundred) Million favouring BB would be required in case of WLAMA serving as both ATM and merchant acquisition service provider, while Taka 100 (One hundred) Million paid up capital and 100 (One Hundred) Million bank guarantee is required for entities intended to provide merchant acquisition services only.
- c) A WLAMA must be incorporated in Bangladesh under the Companies Act, 1994 and the memorandum must contain clauses specifying the types of service(s) they intend to offer.
- d) An intended WLAMA must select a schedule bank as a Settlement Bank and submit a MoU (Memorandum of Understanding) between WLAMA and the Settlement Bank with its application for license.

8.0 Operational Aspects :

- a) A WLAMA may establish its own switching solution or use its settlement bank's solution to connect with the local and/or international payment and settlement platforms.
- b) The primary connectivity of a WLAMA should be with the NPSB and it must designate a settlement bank for settling of transactions and disputes relating to this platform. A WLAMA may choose to join other domestic or international payment platforms (i.e. IPSs), where they may designate the same settlement bank or a different one for settling transaction and disputes.
- c) A WLAMA must have proper agreement(s) with the related stakeholders such as settlement bank, domestic and/or International Payment Schemes and with their merchants. These agreements among others must address the roles and responsibilities of the concerned parties including consumer protection, arbitration and dispute resolution mechanisms.
- d) A WLAMA must enter into a separate agreement either with its settlement bank or other schedule bank(s) in order to get an adequate supply of genuine and good quality bank notes to be fed into their ATMs. However, the responsibility of ensuring the quality of the notes in the ATMs would be the sole responsibility of the WLAMA.
- e) A WLAMA must submit a strategic plan for its ATM and Merchant acquisition business for the first three year period. This plan should adhere to a minimum deployment quantity of 100 ATMs and 1000 POSs/QRs per year while the urban to rural deployment ratio has to be 1:3. The Urban and Rural demarcation will be made as per BRPD Circular no. 18 of Nov.29, 2012. It is noteworthy here that taking over any existing Bank's ATM is not permissible.



- f) A WLAMA must ensure an uninterrupted service for its ATMs and merchant acquisition devices. In addition, a WLAMA must also ensure the replenishment of cash to all of their ATMs as and when required.
- g) Customers' payment information is the property of those particular customers and must not be stored by a WLAMA without proper authorization.
- h) A WLAMA intended to provide merchant acquiring services needs to provide a minimum bank guarantee of Taka 100 (One Hundred) Million initially which may be increased as the acquisition business grows. This will act as a cushion in case any issue arises regarding the settlement of merchant accounts.
- i) A bank may choose to issue co-branded cards in partnering with a WLAMA.
- j) All guidelines, standards and security measures applicable to the banks relating to ATM/POS operation, including cyber security framework, currency handling etc. shall be equally applicable to the WLAMAs. All the ATMs and POSs deployed should be compliant with the latest industry standards including EMV Compliance.
- k) Apart from the regular services, a WLAMA may introduce value added services (such as interoperable cash deposit) with prior approval from Bangladesh Bank.
- l) As part of customer service, a WLAMA must run, at a minimum, a 24X7 call centre and an online portal for receiving complaints and establishing standard dispute resolution procedures adhering to the related dispute management rules of Bangladesh Bank.

9.0 Miscellaneous :

- a) A WLAMA would be permitted to display its own logo, advertisements and offer value added services as per the regulations. Besides its own logo, each WLAMA must display logo of NPSB in its entire white label ATM and POS network and the logo of Bangla QR in its QR displays. A WLAMA would be permitted to display transaction security campaign, advertisements on its financial products conforming to the regulatory requirement.
- b) A WLAMA cannot charge a customer directly for any transaction. In case of ATM transaction, Settlement Bank's account will be credited as per the existing charging policy and procedures of NPSB and appropriate IPS(s). In case of POS transactions the Settlement Bank will collect the MDR (Merchant Discount Rate) on behalf of WLAMA.
- c) In case of customer complaints, Issuing Bank will communicate with the Settlement Bank and Settlement Bank, if requires, will communicate with the WLAMA. WLAMA will share all transactional information with the Settlement Bank and with NPSB for settlement of disputes as per the Dispute Management Guidelines of NPSB. Disputes arising out of other payment platforms would be resolved in line with the platform rules and procedures while the settlement bank will perform the role of an acquiring bank.



- d) Relevant provisions of all guidelines/directives/instructions issued by various departments of Bangladesh Bank with reference to ATM and merchant acquiring services, operations, cash handling, security, etc. for banks would also be applicable to the WLAMAs as well.
- e) A WLAMA will submit periodic reports as prescribed by Bangladesh Bank and are subjected to Bangladesh Bank's Audit, Inspection and Oversight.
- f) Bangladesh Bank reserves the right to suspend and/or cancel the license of a WLAMA if it deems appropriate.
- g) WALMA will require paying connection and other fees as determined by Bangladesh Bank for its connectivity with NPSB.

10. Definitions :

Automated Teller Machine is an electronic device that usually facilitates cash withdrawal, balance inquiry, funds transfer, bill payment, cash deposits etc to the authorized users from their accounts using card or mobile phone or other means after proper verification and authentication.

Authentication is a process through which a Payment Service Provider verifies the identity of a customer.

Credit Card is a physical or virtual card that authorizes a person to make payments (for goods and services) or to withdraw cash with a condition to repay the same within certain time frame after proper verification and authentication.

Debit Card is a physical or virtual card used to withdraw cash and to make payment (for goods and services) from customer's bank account after proper verification and authentication.

e-Wallet is a store where electronic money is preserved.

Merchant Discount Rate (MDR) is the rate charged to a merchant by the acquirer for processing payments from debit/credit card, e-wallet, m-wallets. The merchant must set up infrastructure and agree to the rate before accepting debit/credit card, e-wallet, m-wallet as payments.

Mobile Financial Services means e-money services provided against a particular mobile/cell phone number of a client (termed as Mobile Account), where the record of funds is stored on the electronic general ledger. These services can be draw-down through specific payment instructions to be issued from the bearer's mobile phone or through alternative digital process or device by ensuring authenticity of the transaction. However, unlike e-money products, 'cash-in' and 'cash-out' and other services as permitted by BB at agent locations are allowed for MFS accounts

Payment System Operator means an entity licensed by Bangladesh Bank with a view to operating a clearing and settlement system among the Payment System Participants.

Payment Service Provider means an entity licensed by Bangladesh Bank which provides payment services directly to customers or to a payment system.

Point of Sales is an electronic device through which funds transfer instruction is initiated from a bank account, card or wallet in favor of the seller/customer.

