

National Bank of Ethiopia

Payment and Settlement Systems Directorate

A Complete Guide on Payment System Operator License Process

Payment System Operator License (Applicant Guide)

Phase One: Submission of Application

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| a. | <ol style="list-style-type: none">1. Application letter should be submitted addressed to,<ul style="list-style-type: none">- Director, Payment and Settlement Systems Directorate National Bank of Ethiopia Addis Ababa2. The application letter should specifically indicate the type of payment system license being applied for or requested (Payment Gateway, PoS, ATM and/or Switch) |
| b. | <p>The following documents should be submitted along with the application letter.</p> <ul style="list-style-type: none">- Application form (Annex I of Directive No. ONPS/02/2020;- Evidence of payment of license investigation fee ETB 3,000 (non – refundable);- Certificate of the company registration name from Ministry of Trade);- Founders meeting minutes which shall at least includes the agreement between founders to establish a company and assigned project manager who will communicate with the National Bank in the course of licensing process;- Fit and proprietary test of the assigned project manager (Annex III of the directive No. ONPS/02/2020);- Draft Memorandum of Association;- Business prospects, which should at least cover the following:<ul style="list-style-type: none">• overview of the planned business;• background of the founders;• the value and volume of shares to be offered;• time plan; and etc |
| c. | <p>The National Bank will respond within sixty (60) working days through letter or telephone on the outcome of the application. The National Bank may seek a meeting with the founders to better understand the planned business and systems. The meeting request will be communicated through letter or telephone before (7) seven working days of the meeting.</p> |

Phase Two: Business Plan and Opening of Blocked Account (s)

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| a. | <p>Submit the following documents to the National Bank for review and process.</p> <ol style="list-style-type: none">1. business plan which should at least cover the following topics in detail:<ul style="list-style-type: none">- Socio -economic analysis;- Analysis of Ethiopian financial system, which should comprehensively elaborate payment processing challenges and opportunities;- Global payment services analysis;- SWOT analysis;- Market analysis, which will elaborate in detail demand and supply of the planned services;- Governance of the company, which will elaborate the role and responsibility of each function of the company;- Features and value proposition of the planned product and services;- Source of capital; |
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| | <ul style="list-style-type: none"> - Technical viability, standard or design, identification, description of the payment system to be operated and the trend of using such system in other market; - Description of the organization of the system the applicant plan to run, including planned outsourcing arrangements (if any); - Means of acquiring or owning the planned system; - Pricing and marketing strategy; - Five years financial projection including income statement, balance sheet, cash flow, and basic assumptions for the projections; and - High level outlines of the proposed risk management framework policy and procedures; <p>2. Proposed system rules;</p> <p>3. Blocked account opening request letter, which shall indicate the following:</p> <ul style="list-style-type: none"> - The name of the bank and branch in which the blocked account is to be opened; - The type of account to be opened (local currency account or foreign currency account). |
| b. | Upon receipt of the completed documents, National Bank reviews the documents and forwards possible comments to the applicant through a letter within 30 working days. |
| c. | The National Bank will write a letter to the selected bank and branch to open blocked account(s) in the name of the company (under formation) for the purpose of collecting share contribution from shareholders. |
| d. | The applicant should re- submit the business plan and proposed system rules by incorporating all the comments that are communicated to the applicant. |
| e. | National Bank reviews re – submitted documents and responds to the applicant within 15 working days. After all comments are rectified the National Bank approves the documents. |
| Phase Three: Company Formation | |
| a. | <p>1. Upon approval of the business plan an applicant shall submit the following documents;</p> <ul style="list-style-type: none"> - evidence for the paid up capital, which should be a bank statement of the blocked account opened. - list of the shareholders along with their respective percentage and amount of contribution. <p>2. Upon fulfilment of the required capital (refer directive no. onps/02/2020 art. 4.7) a general assembly shall be conducted in accordance with the commercial code of Ethiopia and submit the following documents along with approval request letter to the National Bank for review and approval.</p> <ul style="list-style-type: none"> - shareholders minutes ; - signed memorandum of association; - attendance of shareholders; - fit and propriety test of each of the shareholders; - identification card of the shareholders (passport or kebele ID or Driving License, etc). <p>3. Through a separate letter an applicant should request the National Bank approval of the Board of Directors and Chief Executive Officer. The request letter should be accompanied with the proof of evidence for BOD and CEO set in the directive no. onps/02/2020</p> |
| b. | The National Bank reviews the document submitted and forwards its comment through a letter within twenty (20) working days. |
| c. | An applicant should re – submit the documents by incorporating all the comments given by the National Bank. |

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| d. | The National Bank reviews the re – submitted documents and responds on rectification of the documents within seven (7) working days. The applicant should submit final Memorandum Association and shareholders’ minuet in four copies. |
| Phase Four: Authorization and Licensing | |
| a. | Upon the fulfilment of all above listed requirements the National Bank may approve or reject the license request. |
| b. | If the license request is approved, the National Bank writes a letter to the Document Authentication and Registration Agency for authentication and registration of the applicant’s Memorandum of association, Board of Directors and CEO. |
| c. | The applicant should submit the authenticated document to the National Bank. |
| d. | Upon the submission of authenticated documents the applicant shall present evidence for payment of licensing fee ETB 5,000 and two passport size photo of the CEO. |
| e. | The National Bank Issues a License and writes a letter to the Ministry of Trade for company registration. |
| f. | The National Bank notifies the issuance of the licence to the applicant through a letter. |
| g. | After registration with the Ministry of Trade is completed; an applicant should request the National Bank through letter the release of the paid up capital maintained in the blocked account. The letter should provide a new bank account opened in the name of the new company. |
| h. | The National Bank writes a letter to the bank in which the blocked account is maintained to transfer the balance of blocked account to the new account. |
| i. | If the license request is rejected, the National Bank will notify the applicant the rejection of the license with rejection reasons through a letter. |
| j. | Upon a written request by the applicant the National Bank writes a letter to the bank in which blocked account(s) is opened to transfer the balance to individuals according to their contribution amount. |
| k. | The applicant whose application is rejected can reapply for the license. |
| Phase Five: Commercialization of the Services | |
| a. | <ol style="list-style-type: none"> 1. A payment system operator shall submit the following documents for review and approval within the pilot period which shall be a maximum of two (2) months. <ul style="list-style-type: none"> - System rules; - Risk management framework; - Operational policies and procedures including clearing and settlement process; - KYC and AML/CFT policy and procedures; - IT security policy; - Dispute management and resolution policies and procedures; - Comprehensive document on: <ul style="list-style-type: none"> • Diagram and work flow on how the system works; and the way transactions and data flows through the network; • The list of software and hardware components indicating the purpose of the hardware and software in the infrastructure; • The manner in which the data security and integrity are insured; • Types of communication channels remote access capabilities and the way security controls/measures are installed; • The manner in which the company’s system will be linked to other host systems or the network infrastructure in the company; • Applicability of relevant international and national standards, guidelines and |

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| | <p>recommendation wherever possible;</p> <ul style="list-style-type: none">• System audit log file generation for all activities and back up policies; and etc. <ol style="list-style-type: none">2. The operator shall submit biweekly report on status and performance of pilot test to the National Bank.3. Upon completion of the pilot test the operator shall request through a letter to the National Bank for onsite inspection on the readiness of the operator for commercialization. |
| b. | Upon successful completion of pilot period and approval of the above mentioned documents and processes the National Bank shall grant a letter of commercialization to the Operator. |