



CENTRAL BANK OF
TRINIDAD & TOBAGO

CONSULTATION PAPER



CENTRAL BANK OF TRINIDAD AND TOBAGO

Draft E-Money Policy

**To Inform a Ministerial Order for the Category of Persons
other than Licensed Financial Institutions
who can Issue E-money**



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EXECUTIVE SUMMARY

The Financial Institutions Act 2008 ('FIA'), defines electronic money (e-money) as "a monetary value represented by a claim on the issuer which is –

- a) *stored on an electronic device;*
- b) *issued on receipt of funds of an amount not less in value than the monetary value issued; and*
- c) *accepted as a means of payment by persons other than the issuer,*

so however that the funds referred to in (b) above shall not be treated as a deposit.

Currently, only financial institutions as defined in the FIA and licensed to conduct 'business of banking'¹ or 'business of a financial nature'² ('licensees') can issue e-money. E-money instruments include prepaid cards or stored value accounts, digital wallets etc. Consequently, persons other than licensees who wish to issue e-money instruments must do so by partnering with a licensee.

However, given the emergence of Fintechs³ in the financial landscape, non- licensees have expressed interest in being permitted to issue e-money.

It is noted that, section 17 (4) of the FIA allows for the Minister, by Order, on the advice of the Central Bank of Trinidad and Tobago ('Central Bank'/'Bank') to prescribe:

- The category of persons other than licensees which may issue electronic money, subject to the approval of the Central Bank; and
- The requirements and criteria applicable to such persons.

Further, section 17(5) of the FIA permits the Central Bank to impose certain terms and conditions on any person approved to issue e-money as well as take regulatory action against such a person.

In this regard, the Central Bank surveyed international and jurisdictional best practices pertaining to e-money issuers (other than current licensed financial institutions) as well as developments in the domestic financial system to assist in the determination of the category of persons that may be permitted to issue e-money and the relevant requirements and criteria applicable to such persons.

¹'Business of banking' is defined under section 16 (2) of the FIA 2008 to mean the business of soliciting and receiving sums of money from the public on current or deposit account which may be withdrawn on demand, by cheque, draft, order or notice, and the solicitation and granting of credit exposures, by a person whether as principal or agent and includes payment card business and generally, the undertaking of any business appertaining to the business of commercial banking.

²'Business of a financial nature' is defined under section 17 (2) of the FIA to mean the solicitation and collection of funds in the form of deposits, shares, loans and premiums and the investment of such funds in loans, shares and other securities and includes (a) the performance for reward of the functions and duties of a trustee, administrator, executor or attorney; and (b) the issue of electronic money, but does not include the business of banking.

³Fintechs as used in this paper refers to firms that use financial technology to perform one or more financial services.



Accordingly, the Central Bank is recommending that the following categories of persons be considered as e-money issuers:–

- Entities registered with the Central Bank to provide payments system services;
- Money Remitters registered with the FIU;
- Mobile Network Operators;
- Technology firms that specialise in financial services; and
- Exempt Institutions contained in paragraphs 1, 5 and 9 of Part I of the Third Schedule of the FIA.

It should be noted that only licensed authorised dealers⁴ will be allowed to issue e-money in foreign currency. All other entities highlighted above will only be allowed to issue e-money payment instruments in Trinidad and Tobago dollars.

Licensing requirements and criteria are necessary in order to protect consumers by requiring e-money issuers to have the necessary measures in place to mitigate inter alia, operational risks, money laundering and terrorism financing risks, fraud risks, and technology and cyber risks. The Bank has identified the following criteria that must be met by any of the persons identified above:

- Governance arrangements which are clear and transparent and include 'fit and proper' criteria for shareholders, directors and management;
- Capital requirements to ensure business sustainability;
- Establishment of thresholds on the issuance, loading/reloading and redemption of e-money ;
- Risk Management arrangements inclusive of Information Communication Technology and security standards, anti-money laundering and combatting of terrorist financing measures, and operational risk arrangements;
- Consumer Protection which will include safeguarding of customer funds, disclosure of participation requirements, and customer redress;
- The use of Agents which will allow providers to outsource some customer activity thus increasing their reach for financial inclusion and improving business efficiency;
- Application and licensing fees;
- Reporting requirements;
- Powers to inspect/ examine; and
- Enforcement powers

⁴An authorized dealer is a person who has been granted permission under Section 5 of the Exchange Control Act to buy or sell foreign currency.

Similar to what obtains internationally the business models which will facilitate the issuance and use of e-money which are being recommended for Trinidad and Tobago are the various permutations and combinations of the nonbank led model which includes the:

- Mobile Network Operator model - where the MNO is the owner of the technology and payment instrument (smart phones and near field communication (NFC)); and
- Collaborative Model - speaks to partnership with a bank, and/or MNO or technology service provider that specializes in financial services (Fintech) in which any of these could be the main player or the role could be shared equally.

Consultation on the E-Money Policy

The Central Bank is of the view that e-money issuers other than licensees can help promote financial inclusion and development of the domestic payments system which is still heavily cash based. Consequently, it has developed this E-money Policy that discusses the proposed regulatory framework for e-money issuers other than licensees for consultation with its regulated entities and other interested stakeholders.

The E-money Policy is divided into four parts:

- Part I is the Introduction;
- Part II discusses E-Money Developments in Trinidad and Tobago;
- Part III together with Appendices 1 and 2 examine international and regional precedent, including risks associated with e-money issuance; and
- Part IV presents the policy recommendations for Trinidad and Tobago which are detailed in Appendix 3 - the draft E-Money Issuer Order to be made by the Minister of Finance.

The Central Bank advises that the consultation on the draft E-money Policy will be closed on December 12, 2018. Comments on the E-money Policy should be forward by e-mail to emoney@central-bank.org.tt.

I. Introduction

At present, in Trinidad and Tobago only licensed financial institutions have been issuing e-money within the domestic payments space. Primarily, these card based e-money payments instruments are of the traditional type and comprise largely smart cards or prepaid cards. The Central Bank within the last five years has been receiving what is termed as “expressions of interest” from non-licensed entities to offer retail payment instruments to the local market. These entities are proposing solutions which may be considered innovative and cost effective payment options for delivering financial products and services to the unbanked and/or under-banked individuals and companies as well as existing banking customers.

The Central Bank is of the view that the domestic payments systems will benefit from the introduction of a new category of retail payments issuers, which will aid in:

- (a) *Fostering competition and encouraging the use of electronic payments;*
- (b) *Reducing the amount of cash in circulation and cheque payments; and*
- (c) *Promoting greater financial inclusion.*

In summary, the Central Bank is willing to allow for a category of entities (including mobile network operators, payment service providers, money remitters and Fintechs providing payment services) to issue e-money, subject to certain terms and conditions.

The policy seeks to assess the current e-money environment, the legal framework associated with e-money issuance, the regional and international precedents for the operation of e-money and provides policy recommendations for a regulatory framework for e-money issuers as stipulated in the draft Financial Institutions E-Money Issuer Order (Appendix 3).

II. E-money Developments in Trinidad and Tobago

Commercial banks have been at the forefront of innovations in retail payments instruments and services and have expanded their product offerings over the years to include internet/electronic and mobile banking. Banks offer a range of retail payments instruments such as cheques, debit cards, credit cards, direct debits, direct credits and e-money in the form of prepaid cards. In terms of the electronic retail payment landscape⁵ the volume of payments made via commercial banks (“on-us and off-us transactions”) ⁶ in 2017, amounted to 60.4 million transactions valued at TT\$49.43 billion.

⁵ Electronic Retail Payment Landscape consist of the Debit Card, Credit Card and Automated Clearing House (ACH)

⁶ On-us transactions are what is drawn on a particular bank. Off-us transactions are those for another bank.

II. E-money Developments in Trinidad and Tobago (continued)

This was the equivalent of 33 per cent of the Gross Domestic Product (GDP)⁷. Volumes and values of commercial bank electronic retail payments experienced six years of consecutive growth to 2017.

Conglomerates have also been issuing retail, gift and loyalty cards of a closed loop nature. These retail merchants offer their customers cards that can be used to purchase goods and services at a variety of institutions within the same group. Since the risks associated with these activities are low, they are not considered in this policy.

The usage of the mobile handset as a payments channel has been increasing in Trinidad and Tobago. The two **Mobile Network Operators** have introduced a number of mobile services or transactions that can be accessed or conducted using the mobile handset, for example, top up of airtime is done via the handset, obtaining bill balances as well as paying mobile and land line bills. Two of the countries' major utilities (T&TEC and WASA) have developed mobile apps to facilitate bill payments by their customers.

Non-Bank Non-Financial Institutions (NBNFI's)

The **NBNFI** led e-money market is seeking to leverage the gaps in retail payments system where there is need for merchants and consumers to have payment solutions to facilitate e-commerce and to deepen financial inclusion. The introduction of e-money for making payments would add intrinsic value to the economy by providing benefits to customers, the Government of Republic of Trinidad and Tobago (GoRTT) and businesses (in particular SME's) in terms of cost savings, 24-hour access, and immediacy of funds transfer, physical security, revenue and tax collection.

Over the period 2014 to 2017, the Central Bank experienced a phenomenal increase in expressions of interest by NBNFI's to operate as e-money service providers. These entities have stated that they are offering innovative and cost effective methods which can deliver financial products and services to the unbanked and/or under-banked individuals and companies as well as existing banking customers. Generally, the retail payments instruments that they are proposing range from mobile wallets, pre-paid cards, and software solutions that facilitate the issuance of e-money, internet commerce and transfer of funds between persons and business to persons.

Consequently, the focus of the e-money policy document and the attached order will focus on the categories of persons authorised to issue e-money and the attendant requirements and criteria applicable to such persons.

⁷ The Gross Domestic Product for Trinidad and Tobago at current prices in 2017 was 149,684.7p, Source: Review of the Economy 2017, Ministry of Finance.

II. E-money Developments in Trinidad and Tobago (continued)

Legal Framework for the Operations of Payments System and the issuance of E-Money

The legal framework underpinning the domestic Payments System including the oversight of interbank payments systems and issuance of e-money is contained in the FIA. Part XII of the FIA expressly addresses oversight of the interbank payments system, while the Central Bank Act speaks to supervision of payment systems in general.

The FIA defines e-money as “monetary value represented by a claim on the issuer, which is:

- a) *stored on an electronic device;*
- b) *issued on receipt of funds of an amount not less in value than the monetary value issued; and*
- c) *accepted as a means of payment by persons other than the issuer,*

so however that the funds referred to in (b) above shall not be treated as a deposit.

The FIA includes the activity of e-money issuance within the context of **business of a financial nature**. Section 17 (2) of the FIA defines business of a financial nature as “ *the solicitation and collection of funds in the form of deposits, shares, loans, premiums and the investment of such funds in loans, shares and other securities and includes ... the issue of electronic money, but does not include the business of banking.*”

The FIA identifies the persons that can engage in business of a financial nature as:

- a) *Companies incorporated or continued in Trinidad and Tobago under the Companies Act and licensed by the Central Bank for that purpose;*
- b) *Foreign financial institutions that are licensed by the Bank;*
- c) *Persons licensed under the FIA to carry on business of banking.*

Section 17(4) of the FIA provides for the issuance of e-money by a **category of persons other than licensees** by way of a Ministerial Order, on the advice of the Central Bank. This Ministerial Order can prescribe the requirements and criteria applicable to such persons. Further, section 17 (5) of the FIA states that the Central Bank may:

- a) *Impose such terms and conditions as it sees fit on any person approved to issue electronic money;*
- b) *Issue directions, including compliance directions pursuant to section 86, to persons approved to issue electronic money as the Bank sees fit; and*
- c) *Revoke an approval to issue electronic money.*

The other piece of legislation that grants the Bank authority in respect of the supervision of payments systems is the Central Bank Act, Chap. 79:02 (CBA). Section 36(cc) of the CBA authorises the Central Bank to “supervise the operations of payments systems in Trinidad and Tobago generally, Interbank Payment Systems in accordance with the Financial Institutions Act and the transfer of funds by electronic means including money transmission or remittance business”.

III. International Precedent

In general, the regulatory framework for e-money adopted by countries comprises the following important measures for mitigating risks (See Appendix 1 for details on risks) and encouraging innovation, participation and competition.

E-money issuers are required to be licensed or registered with a regulatory authority and licensing criteria include inter alia, scope and application of the legislations, fit and proper requirements for directors, officers and shareholders, capital requirements, thresholds for e-money accounts etc. Accordingly, the legislative framework of a number of countries was reviewed and was found to contain the following key elements as detailed below:-

- **Scope and Application** – this is essentially who can apply to be an e-money issuer. This could require pre-conditions such as having a payments service provider (PSP) certificate before acquiring a license as an e-money issuer. Alternatively, it may require the potential e-money issuer to be licensed as a separate, standalone e-money issuer. For instance, in Ghana regulated entities such as PSPs, nonbanks like MNOs and microfinance institutions are allowed to apply to become e-money issuers. Some countries require the MNO to provide evidence from the Telecommunications regulator that it is licensed to carry on its services.
- **Permitted activities** – most activities are limited to issuing e-money accounts, cash-in/cash-out, domestic payments and transfers. However, financial intermediation is usually excluded.
- **Minimum capital requirements** – The imposition of a capital requirement is not universal but many countries include the requirement;
- **Quantitative thresholds on e-money accounts** - Countries have established minimum thresholds as a means of addressing AML/CFT concerns.
- **Governance Arrangements**– required to be a body corporate constituted under the relevant laws /legislations. In addition the board, officers and significant and controlling shareholders must be fit and proper individuals with the appropriate skills and knowledge of the e-money business. The corporate entity itself must be fit and proper.
- **Risk management framework**, which addresses operational, information technology and cyber security risks, standards and procedures;
- **AML/CFT** – Countries have adopted proportionate AML/CFT requirements dependent on the e-money issuer's business model, products offered and the type of clients targeted;

III. International Precedent (continued)

- **Consumer protection** – requiring funds to be held in custodian bank accounts and protected (ring fenced and isolated) from third party claims. Also ensuring appropriate disclosures are made to the customer.
- **Information on business plan and settlement arrangements;**
- **Application and licensing fees;**
- **Reporting requirements;** and
- **Use of agents/third parties** - this arises due to the need for the e-money provider to utilize a network of agents to provide timely, immediate and cost effective services to customers. However, the usage of an agent network will introduce risks. In many instances, countries have introduced *provisions for the oversight of agents by the e-money issuer to prevent the loss of reputation by the e-money issuer arising from revenue losses, fines and other reprimands by the regulators, fraudulent activities and corruption.*

Further a review of regional and international precedent (Appendix 2 refers) suggests that the definition of e-money should be established in law, distinguished from deposits and have the basic features of storing value electronically and facilitating payments.⁸ This currently exists in the FIA.

IV. Policy Recommendations for Trinidad and Tobago

Most developing or emerging economies such as those located in Africa and Asia have vast rural communities and low bank penetration leading to exclusion from the domestic financial system. Thus e-money was seen as a channel whereby, the need to provide access to and participation for these segments of the population in the financial system was considered critical for economic development. Unlike these countries, Trinidad and Tobago has a comparatively small land mass with a rather large banked population. As a result, the Central Bank considered the following factors in developing this e-money policy and the recommendations for the Ministerial Order.

⁸ CGAP: Basic Regulatory Enablers for Digital Financial Services.



IV. Policy Recommendations for Trinidad and Tobago (continued)

Firstly, in Trinidad and Tobago the focus of financial inclusion has been from the perspective of consumer empowerment through financial literacy and as a means of reducing the relatively high level of dependence on cash and cheques as payment instruments. It should be noted that cash transactions still play a significant role in the Trinidad and Tobago economy, with approximately 31.6 million ATM debit card withdrawal transactions valued at \$23.3 billion in 2017. Further, Bill Payment Service Providers received approximately 2.3 million transactions totalling almost TT \$832 million with cash payments accounting for 84% of the total volume of transactions and 78% of the total value of the same year. It is noted that the widespread use of cash and cheques pose significant money laundering and fraud concerns.

Secondly, a market for e-money usage exists in Trinidad and Tobago. The main providers thus far of e-money and mobile banking services have been the commercial banks, given the existing legal framework and the absence of appropriate terms and conditions, rules and guidelines applicable to NBNFIs. Additionally banks have also partnered with Mobile Network Operators (MNO's) and the Government to offer co-branded e-money products and services to the public. Conglomerates have issued retail, gift and loyalty cards of a closed loop nature to their customers, which are used to purchase goods and services at a variety of institutions that operate within the same group. Consumers are therefore familiar with the concept of using stored value instruments or electronic services to make payments given the preponderance of credit cards, debit cards and prepaid cards issued by the commercial banks and loyalty or gift cards issued by merchants. **Table 1** highlights some of the ways in which e-money can be used by the Government, businesses and individuals.

Thirdly, over the last four years (2014 to 2018) the Central Bank has seen an increase in the number of NBNFIs seeking to enter the domestic payments space as (a) technology providers (b) bill payment service providers (c) payment service providers and (d) mobile companies who have partnered with banks to issue prepaid cards. However, they are unable to operate in the domestic payments space unless licensed as a non-bank financial institution or a commercial bank in the absence of a Ministerial Order under section 17(4).

Based on the foregoing, the implementation of e-money schemes and payment instruments accompanied by consumer education and awareness may have several positives, such as:

- Easing the introduction of new retail payments instruments in the domestic market space;
- Allowing users to appreciate and recognize new payment possibilities;
- Encouraging competition within the retail payments landscape; and
- A cheaper and faster alternative to cheques and as well assist with the reduction in cheque fraud.

IV. Policy Recommendations for Trinidad and Tobago (continued)

TABLE 1

<p><i>Government to People transfers</i></p>	<ul style="list-style-type: none"> • Government has a substantial social transfer programme (old age pensions, welfare payments) as well as those ministries which make payments on behalf of the judiciary and payments to individual and business. These social transfers are generally made using either cash or cheques to individuals who may not possess a banking account due to perhaps an inability to meet the main AML/CFT requirements or also may prefer to conduct their transaction using cash. The adoption of e-money may assist with cost reductions, increased efficiency and less paperwork.
<p><i>Bill Payments (major utilities)</i></p>	<ul style="list-style-type: none"> • Currently the population is accustomed to making bill payments to the major utilities such as WASA, TSTT, T&TEC and cable providers through the following channels – ATM, bill payment agents such as NLCB agents using the VIA platform, commercial banks branches and through mobile or internet banking, utilities outlets and via APPS offered by some of the utilities. Thus the use of m-money via the mobile phone may allow payments to be made without customers having to stand in line for long periods, may reduce the cost of transactions versus that incurred when using the commercial banks, and improve the timeliness of payments and receipts of revenue by both the customer and utility, respectively.
<p><i>Public and Private Transport Payments</i></p>	<ul style="list-style-type: none"> • Currently only cash is used as payment for the various forms of transportation used by the travelling public. Public transport is offered by the government utilizing a daily purchase of ticket system, whilst private transportation is offered by licensed taxis and maxi-taxis as well as privately owned vehicles. • The use of stored value cards for payment of transport services when using public buses or maxi taxis can reduce significantly the usage of cash and further enhance the safety of travellers and drivers.
<p><i>Retail Payments/ Person to Person Transfers/ Payroll Payments from small companies in the informal sector (merchants)</i></p>	<ul style="list-style-type: none"> • These types of payments can be facilitated using a combination of technology solutions for payment services and stored value cards. However given the nature of these types of payments the use of appropriate technology to push this form of electronic money can be more useful. These areas may be where the catalyst for financial innovation and value creation can be pursued.

IV. Policy Recommendations for Trinidad and Tobago (continued)

Having regard to the foregoing discussions, the Central Bank has detailed the categories of persons and the requirements and criteria applicable to such persons in the draft Ministerial Order shown as Appendix 3. The draft Order covers the following areas:-

- i. Definition of key terms including e-money, and e-money issuer;
- ii. Identification of the categories of persons eligible to issue e-money;
- iii. Permissible activities of e-money issuers;
- iv. Restrictions/ prohibitions applicable to such persons;
- v. Licensing requirements and documentation:-
 - a. Governance, including 'fit and proper' requirements.
 - b. Capital requirements.
 - c. Risk Management framework for IT/ cyber risks; money laundering and terrorism financing risks; liquidity risks and operational and settlement risks.
 - d. Safeguarding of customers' funds;
 - e. E-money thresholds (issuance, reloading and redemption)
 - f. Market conduct:
 - i. Customer disclosures, including fees and charges
 - ii. Complaints & redress mechanism.
 - g. Reporting requirements.
 - h. Use of agents.
 - i. Application and annual licensing fees.
- vi. Enforcement.

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APPENDICES

APPENDIX 1: KEY RISKS ASSOCIATED WITH E-MONEY ISSUANCE

The proposed regulatory framework for e-money issuers who are seeking to be licensed pursuant to the relevant Ministerial Order must treat adequately with the key risks identified below:-

Operational Risk (IT and Cybersecurity):

- These risks can arise from external and internal threats such as cybercrimes, which can compromise security of databases and the functioning of technology based products and services. The IMF in its working paper on oversight issues in mobile payments has observed that “financial authorities have considered cyber risks as a threat to financial stability with their systemic risk implications”^a. While separately each entity issuing e-money may/may not be considered systemic, failure by each entity to mitigate these risks may amount to a systemic proportion. Therefore each entity must ensure that there is in place adequate systems, security standards and procedures to promote the efficient functioning of systems and protect against cyber threats. Business continuity plans are also important to ensure that any disruptions to operations can be resumed within the international norms of 2 hours.

Customer Protection and Market Conduct:

- This involved the risk for loss of customer funds held with NBNFIs if not protected. Customers’ deposits held at commercial banks are generally protected by strict prudential requirements so as to ensure systemic stability and safety of deposits. The protection of customers’ funds from loss due to theft, insufficient liquidity resources on the part of the operator, fraud, inadequate customer disclosures and inability to conduct transactions due to failure of services is important and will contribute to consumer confidence in the safety and stability of e-money activities.

^a IMF Working Paper, Oversight Issues in Mobile Payments, Tanai Khiaonarong, WP/14/123

APPENDIX 1: KEY RISKS ASSOCIATED WITH E-MONEY ISSUANCE (continued)

Payments System Risks (Settlement and Liquidity Risks):

- The sufficiency of liquidity held by the e-money issuer to meet customer demands and to mitigate against loss of funds and to ensure that transactions can be settled safely, efficiently and effectively. The less liquidity, the greater the risk.

Money Laundering (ML) and Terrorism Financing (FT):

- The use of e-money as a method of conducting transactions presents regulatory challenges in addressing ML/FT risks. Some of these include the absence of facetime with customers' which leads to difficulties in identification and also verifying income sources. According to FATF (2013) "the absence of face to face contact may indicate a higher ML/TF risk situation. If customer identification and verification measures do not adequately address the risks associated with the lack of face to face contact, such as impersonation fraud, the ML/TF risks increases, as does the difficulty in being able to trace funds."^b Further dealing with Mobile Network Operators and other types of NBNFI's and their network of agents who transact business on their behalf and who do not adhere to ML/FT requirements poses additional challenges for regulators in curtailing the ability to use these channels for money laundering and terrorist financing. The global reach of e-money products also makes them attractive for ML/TF. For instance, pre-paid cards can be used for making payments, accessing cash and transferring funds globally, especially where there are no loading limits. The ML/FT risks must be mitigated by the e-money issuer as far as possible.

^b FATF: Guidance for a Risk Based Approach, Prepaid Cards, Mobile Payments and Internet-Based Payment Services. June 2013.

APPENDIX 1: KEY RISKS ASSOCIATED WITH E-MONEY ISSUANCE (continued)

Principal-Agent Risks:

- The usage of an agent network introduces risks such as operational, financial crimes, example fraud, and consumer risks particularly in regard to the services being provided. Consequently from both the regulator's viewpoint and the customer's, principal-agent risks must be addressed to minimize revenue losses, fines and other reprimands by the regulator, fraudulent activities and corruption, and loss of reputation.

Foreign Exchange Concerns:

- While foreign exchange concerns have not appeared as an issue in e-money regulations in the jurisdictions highlighted in this paper, it has been raised here as a specific or unique concern for Trinidad and Tobago. Given the foreign exchange constraints facing Trinidad and Tobago, only authorized dealers such as commercial banks will be allowed to issue e-money in currencies other than TT dollar. Although, banks are allowed to issue foreign prepaid cards, given the foreign exchange constraints, banks have reduced the issue limit on the existing pre-paid cards and have ceased to issue new cards.

APPENDIX 2: INTERNATIONAL PERSPECTIVE

TABLE 1: E-MONEY ISSUANCE

COUNTRY	INSTITUTIONS THAT MAY ISSUE E-MONEY	BANKS: REQUIREMENTS FOR E-MONEY AUTHORIZATION	EMIS (NONBANKS): FURTHER REQUIREMENTS & LIMITS ^b
BANGLADESH	“Mobile accounts” can only be issued by banks or their subsidiaries. (EMIs ⁹ allowed by law but not in practice.)	Banks to seek prior approval for MFS; must submit full details of services, contracts, agents, etc.	Only bank subsidiaries are permitted (under the same rules as banks). (EMIs allowed by law but not in practice.)
CÔTE D’IVOIRE (WAEMU)	Commercial banks and PSPs may issue but must notify regulator. MNOs must establish dedicated subsidiary and apply for license as EMI.	Commercial banks are required to only notify the regulator.	EMIs must be dedicated companies and meet capital requirements: minimum 3% of outstanding e-money, and at least equal to their minimum share capital requirements. Min. initial capital: US\$490,000.
GHANA	Banks are authorized as EMIs, nonbanks licensed as dedicated EMIs (DEMIs).	Submit plan for proposed operations, business plan, geographical coverage.	If engaged in other activities, nonbank must create separate dedicated legal entity for DEMI. Min. 25% local ownership Min. initial capital: US\$1.2M.
JAMAICA	Issuers that are authorized to operate Custodian Account Based Payment Services. Only PSPs (such as Issuers of payment instruments and services, Payment initiation service providers and Merchant acquirers), DTIs and other entities authorized by the Bank are allowed to issue.	Issue e-money; conversion to cash; operate a custodian account/s; and maintain the cumulative sum collected from all electronic retail payment service account holders in the custodian account/s at all times.	The issuer shall maintain the cumulative sum collected from all electronic retail payment service account holders in the custodian account(s) at all times. ² Min. initial capital: \$15,000,000/ US\$100,000 (approx.)

⁹ E- money issuers.

APPENDIX 2: INTERNATIONAL PERSPECTIVE (continued)

TABLE 1: E-MONEY ISSUANCE

COUNTRY	INSTITUTIONS THAT MAY ISSUE E-MONEY	BANKS: REQUIREMENTS FOR E-MONEY AUTHORIZATION	EMIS (NONBANKS): FURTHER REQUIREMENTS & LIMITS ^b
KENYA	Banks, PSPs, and other financial institutions authorized to issue e-money. PSP can be telecom company or a nonbank.	None	MNOs must present telecom license. PSPs to keep records and accounts for e-money activities. Min. initial capital:US\$193,000.
PERU	Nationwide open-loop mobile wallet money platform established by Peru's Government, Financial Institutions and Telecommunication companies.	BiM (2016) - interoperable digital financial services across mobile phone networks and financial service providers. Agency cash-in/out, account balances inquiry, person-to-person transfers, and mobile phone air-time top-up. Shared Banking Association (ASBANC) and E-Money issuers owned technology platform. Min. initial capital: PEN 2,268,519 (roughly US\$670,634).	
PHILIPPINES	Banks and Non-bank financial institutions may issue e-money after obtaining the regulator's approval.	Banks are required to apply for approval and meet regulatory requirements.	EMIs should have sufficient liquid assets equal to the amount of outstanding e-money issued. Liquid assets should remain unencumbered. Min. initial capital: P100M (roughly US\$1.9M).

APPENDIX 2: INTERNATIONAL PERSPECTIVE (continued)

TABLE 1: E-MONEY ISSUANCE

COUNTRY	INSTITUTIONS THAT MAY ISSUE E-MONEY	BANKS: REQUIREMENTS FOR E-MONEY AUTHORIZATION	EMIS (NONBANKS): FURTHER REQUIREMENTS & LIMITS ^b
TANZANIA	Only PSPs can issue e-money. Nonbank PSPs must obtain license. PSPs that are financial Institutions require regulator's approval.	Financial institutions need PSP license to be eligible. Application: information on services, governance, fund protection.	Nonbank PSPs require separate dedicated entity. Application: like financial institution, also minimum capital requirement. Min. initial capital:US\$224,000.

Sources:

- Adapted from CGAP Basic regulatory Enablers for Digital Financial Services: written by Stefan Staschen and Patrick Meagher
- Guidelines for Electronic Retail Payment Services (ERPS 2): Bank of Jamaica
- Circular No. 649, Series of 2009: Bangko Sentral ng Pilipinas

Notes on Table

1 Section 6.1 of Bank of Jamaica's "Guidelines for Electronic Retail Payment Services (ERPS 2)" state that "All electronic retail payment service providers are required to maintain sufficient capital to support a minimum net worth of JM 15,000,000 or the equivalent amount in Jamaica dollars, subject to any changes that the Bank shall make from time to time."

2 A custodian account must be set up in a deposit taking institution regulated by the Central Bank. Account, daily and transactions limits must be approved by the Central Bank (this relates to the operations of Custodian Accounts). Issuers shall maintain the following minimum liquidity requirements: a. liquid funds of not less than three times the average maximum daily value (computed over the previous six months) of amounts required to settle customer transactions; and b. liquid funds of not less than six months gross operating expenses or c. as an alternative or in addition to (a) and (b) above, minimum liquidity requirements determined in accordance with directives of the Bank.

APPENDIX 2: INTERNATIONAL PERSPECTIVE (continued)

TABLE 2: REGULATIONS ON E-FLOAT

COUNTRY	FUND SAFEGUARDING RULES	DIVERSIFICATION REQUIREMENT	INTEREST PAYMENT	RECONCILIATION
CÔTE D'IVOIRE	Placed in a bank. At least 75% in sight/demand deposits, the balance in time deposits, T-bills, or corporate securities.	Not specified.	No interest paid to e-money customers.	Daily
GHANA	Hold as liquid assets in banks.	Not to exceed 15% of net worth of bank.	80% of income from pooled account to be paid to EMI clients.	Daily
JAMAICA	PSPs required to open and operate custodian accounts at one or more regulated DTIs and shall deposit funds collected from electronic payment service customers and funds held on behalf of merchants into the custodian accounts.	Not specified.	The custodian bank ensures that interest earned on balances held on the custodian account is credited to a separate account for the benefit of the PSP.	—
KENYA	Trust Fund	Once float exceeds US\$950,000, max 25% of float may be kept in a single bank and 2 of the banks must be strong-rated.	Income from trust account to be used according to trust legislation or donated to public charity, but not paid out to customers.	Daily
PHILIPPINES	Liquid assets	Sufficient liquid assets equal to the amount of outstanding e-money issued.	E-money not to earn interest.	—

APPENDIX 2: INTERNATIONAL PERSPECTIVE (continued)

TABLE 2: REGULATIONS ON E-FLOAT

COUNTRY	FUND SAFEGUARDING RULES	DIVERSIFICATION REQUIREMENT	INTEREST PAYMENT	RECONCILIATION
TANZANIA	Trust Account	If float exceeds US\$45,000, max 25% of float may be kept in a single bank. Each single bank cannot hold trust float funds exceeding 50% of its core capital.	Interest from trust shall be used for direct benefit of e-money customers.	—

APPENDIX 2: INTERNATIONAL PERSPECTIVE (continued)

TABLE 3: SELECTED KYC REQUIREMENTS FOR E-MONEY ACCOUNTS

CDD/KYC COVERAGE AND TIERS	QUANTITATIVE LIMITS FOR LOW KYC	ILLUSTRATIVE KYC REQUIREMENTS
GHANA		
Tiered KYC schemes apply only to EMIs. E-money KYC tiers: minimum, medium, enhanced.	Limits for minimum KYC: <ul style="list-style-type: none"> • Maximum balance: GHC 1000 (US\$226) • Daily transactions: GHC 300 (US\$68) • Aggregate monthly transactions: GHC 3000 (US\$677). 	<ul style="list-style-type: none"> • Minimum KYC: Any type of photo identification • Medium KYC: Official ID documentation listed as acceptable ^a • Enhanced KYC: Same requirements as that of opening bank account.
JAMAICA		
Tiered KYC	Three tiers, each defined by the corresponding limits: <ul style="list-style-type: none"> • Tier 1 – Account Limit of \$50,000 • Tier 2 – Account Limit of \$100,000 • Tier 3 – Account Limit of \$150,000 	<ul style="list-style-type: none"> • Tier 1: Name, Gender, Date of birth, Country of birth & Nationality, Taxpayer Registration Number (TRN), Photo ID • Tier 2: : Source of funds must be verified and recorded • Tier 3: Source of funds must be verified and recorded, Occupation/ Line of business, proof of address must be verified and recorded.
TANZANIA		
Tiered KYC applies to mobile money issuers. Tiers: Electronically registered (lowest level); electronically and physically registered; SME accounts. No tiering for card-based e-money.	Limits for electronically registered mobile money accounts: <ul style="list-style-type: none"> • Single transaction limit = TZS 1 million (US\$446) • Maximum balance = TZS 2 million (US\$892) (stated as “daily” balance, i.e., average not to exceed threshold). 	Alternative IDs: Employment ID, social security ID, or a letter from the ward/village executive.

^a. National ID, voter identification, driver's license, passport, and other government documents, such as the National Health Insurance Scheme identification.

APPENDIX 2: INTERNATIONAL PERSPECTIVE (continued)

TABLE 4: CONSUMER PROTECTIONS IN DFS

RULES, COVERAGE	DISCLOSURE RULES: KEY TERMS, FORMS	COMPLAINTS
BANGLADESH		
<p>General and institution-specific: Banks and regulated financial institutions, PSPs, electronic fund transfers (EFTs), agents</p>	<ul style="list-style-type: none"> - Customers must be notified of charges and fees, changes of terms and conditions, value-added services. - Transparency in all terms and conditions relating to all banking products and services. - All regulated financial institutions must have a Customer Charter in each branch. - Dispute resolution mechanisms should be part of the contract agreement. 	<ul style="list-style-type: none"> - Banks/financial institutions and PSPs shall establish formalized complaint procedures; the same applies for EFTs - All financial institutions: Zonal customer service and complaints management cells deal with all complaints received directly from customers - Customer can register complaint with central bank
GHANA		
<p>Activity-specific rules: EMIs and agents</p>	<ul style="list-style-type: none"> - Display fees and service charges - Bank of Ghana provides standard summary sheet - Risk information provided to customers - Specify minimum contract content and written agreement. 	<ul style="list-style-type: none"> - EMI to have a functional dispute and complaints resolution desk - Right of appeal to Bank of Ghana - 40 days to file complaint; resolution within 5 days

APPENDIX 2: INTERNATIONAL PERSPECTIVE (continued)

TABLE 4: CONSUMER PROTECTIONS IN DFS

JAMAICA		
PSP specific rules	<ul style="list-style-type: none"> - PSPs required to provide measure to promote consumer protection, education and privacy of information - Provide customers and merchants with formal agreements that includes full details of the terms and conditions 	<ul style="list-style-type: none"> - Provide prompt responses to complaints - Establish appropriate dispute resolution mechanisms
PHILIPPINES		
EMIs specific	<ul style="list-style-type: none"> - Provide information on investments, volume of transactions, total outstanding e-money balances and liquid assets to the BSP - Ensure minimum systems and controls are in place 	<ul style="list-style-type: none"> - EMIs shall provide an acceptable redress mechanism to address complaints
TANZANIA		
Institution-specific rules: PSPs, agents	<ul style="list-style-type: none"> - Full disclosure of relevant information such as pricing, charges, and fees - Terms and conditions should be fair, legible, and understood by the client 	<ul style="list-style-type: none"> - PSP to establish consumer redress plan with adequate resources - Appeal to competition commission or communication authority - Redress within a reasonable time and no later than 30 days

^a. Some countries separately list banking institutions that are not commercial banks. These distinctions are indicated where relevant.

^b. EMI licensing requirements are often in addition to the requirements applied to banks seeking e-money authorization.

APPENDIX 3: DRAFT MINISTERIAL ORDER

LEGAL NOTICE NO. xxx
REPUBLIC OF TRINIDAD AND TOBAGO

THE FINANCIAL INSTITUTIONS ACT, 2008

ORDER

MADE BY THE MINISTER UNDER SECTION 17(4) OF THE FINANCIAL INSTITUTIONS ACT

E-MONEY ISSUER ORDER, 201X

1. This Order may be cited as the E-money Issuer Order, 201X.

2. In this Order,

“the Act” means the Financial Institutions Act, 2008.

“Bank/ Central Bank” means the Central Bank of Trinidad and Tobago.

“Cash-in” means the process by which a customer credits his account with cash. This is usually via an agent who takes the cash and credits the customer’s mobile money account with the same amount of e-money.

“Cash-out” means the process by which a customer deducts cash from his mobile money account. This is usually via an agent who gives the customer cash in exchange for a transfer of e-money from the customer’s mobile money account.

“e-float” means the total value of electronic value issued to customers of an e-money issuer and outstanding.

“e-money issuer” means those persons identified in section 3

“Fintech” (FSB definition): means technologically enabled financial innovation that could result in new business models, applications, processes or products with an associated material effect on financial markets and institutions and the provision of financial services.¹⁰

“Money remitter¹¹” means a provider of electronic transfers whereby funds are sent and received through a data communication network, or by an electronic platform that processes the data. The settlement of transactions is achieved between the sending and receiving parties through settlement accounts with their respective banks.”

¹⁰ <https://www.bis.org/bcb/publ/d431.pdf>

¹¹ FATF definition used in CBT's Money Remitters policy.

APPENDIX 3: DRAFT MINISTERIAL ORDER (continued)

“Mobile Network Operators”, “MNO” means a telecommunications service provider or providers that offer wireless voice and data communication to its subscribed mobile users, possesses its own mobile license, mobile infrastructure and maintains a direct relationship with mobile user.

“Technology firms’ means Fintech firms that offer M-money payment options to e-commerce merchant and/or e-money transfers including peer to peer, consumer to business, business to business transfers, government to business and government to individuals.

Eligibility

3. The category of persons other than licensees who may apply to be an e-money issuer, subject to the approval of the Central Bank, include:-

- a.) *Entities registered with the Central Bank to provide payments system services;*
- b.) *Money Remitters registered with the FIU;*
- c.) *Mobile Network Operators;*
- d.) *Technology firms; and*
- e.) *Exempt Institutions contained in paragraphs 1, 5 and 9 of Part I of the Third Schedule of the FIA.*

Restrictions/ Prohibition

4. A person granted an e-money issuer licence is prohibited from buying, selling or dealing in foreign currency unless authorised to do so pursuant to section 5 of the Exchange Control Act.

Use of Agents by E-money issuers

5. E-money issuers may apply to the Central Bank for permission to utilise registered retail agents to conduct certain permissible activities.

APPENDIX 3: DRAFT MINISTERIAL ORDER (continued)

Agent management

6. E-money issuers utilising Agents to conduct certain permissible activities are required to oversee the management of these agents and to ensure the following:

- *An approved accreditation process for agents;*
- *AML training and re-training every two years;*
- *Annual operational and financial review of the Agent by issuer;*
- *A list of agents registered with the e-money issuer is provided to the Central Bank;*
- *Segregation of records /transactions of different types of payment service providers.*

Permissible Activities for E-money issuers

7. E-money issuers (and their agents in certain instances) will be allowed to conduct the following activities shown in the Table below:-

TABLE 1: PERMISSIBLE ACTIVITIES FOR E-MONEY ISSUERS

ACTIVITY	DESCRIPTION
Issuance of e-money account	Initial loading of card or mobile wallet
Cash-in	Reloading of funds on card or mobile wallet
Cash-out	Redemption and conversion of funds held on card/wallet to cash
Provision of payments services	Payments for items such as but not limited to goods, services, utility bills, tax payments, wages and salaries within Trinidad and Tobago
Money transfers or remittances	Transfer of funds between persons (P2P), Business and Persons (B2P), Businesses and Businesses (B2B) and Government to Persons (G2P) (e.g. social transfers etc) within Trinidad and Tobago.

APPENDIX 3: DRAFT MINISTERIAL ORDER (continued)

Licensing Requirements

8. A person seeking approval to become an e-money issuer must satisfy all requirements in this Order.

Corporate Governance

9. (1) The applicant must be a body corporate constituted or continued under the Companies Act of Trinidad and Tobago having its registered office in Trinidad and Tobago.
- (2) Where the applicant is a subsidiary of a financial or other group, information on the significant and controlling shareholders of the applicant must be submitted, as well as a group chart showing all the entities in the group that are either owned or controlled by the applicant's controlling or significant shareholder.
- (3) All directors, officers, significant and controlling shareholders of the applicant must be fit and proper (refer to Central Bank's fit and proper guidelines and the Second Schedule of the FIA) and subject to the Central Bank's approval process.

Regulatory Reporting

10. The e-money issuer must submit annual reports to the Bank including audited financial statements. In addition, the e-money issuer will be required to submit information on a regular basis including transaction volumes and values, as well as any other information that the Bank will consider necessary for its oversight.

APPENDIX 3: DRAFT MINISTERIAL ORDER (continued)

Risk Management

11. (1) The e-money issuer must demonstrate to the Central Bank that it has all relevant procedures in place to effectively identify, manage, monitor and report any risks to which it might be exposed.
- (2) The e-money issuer must implement internal control mechanisms, risk management framework that addresses operational, settlement, liquidity, IT/ cyber and AML/CFT risks.
- (3) The Information and Communication Technology risk management framework should address - Access control; authentication; availability; cryptography and protocols; Detection of and reaction to abnormal events; identification; integrity; partition; traceability.
- (4) The Anti-Money Laundering/Combating of Terrorist Financing (AML/CFT) programme should be risk based and proportionate Know Your Customer (KYC) and Customer Due Diligence (CDD) should be applied to clients (refer to Central Bank's AML/CFT guidelines).

Capital

12. (1) E-money issuers are required to have sufficient initial capital to mitigate risks. At minimum, e-money issuers are required to maintain TT\$500,000 or 3 per cent of the outstanding balance of the e-float, whichever is greater.
- (2) Notwithstanding the provision in (1) above, the Central Bank can determine the capital requirement on an e-money issuer based on considerations such as the size and type of business and the risks associated with its-money operations. The capital determined by the Central Bank for an e-money issuer may be above the minimum specified amount at (1).

Market Conduct

13. E-money issuers are required to:
 - (a) *disclosure all fees, charges, terms and conditions for the use of e-money accounts, as well as any such information necessary for customers to contact the issuer and/or its agent in the event of a query or concern.*
 - (b) *Establish and implement appropriate procedures for addressing customer complaints.*

APPENDIX 3: DRAFT MINISTERIAL ORDER (continued)

Liquidity requirements

14. (1) An E-money issuer must maintain liquid assets equal to the total value of its e-float.
 - (2) Liquid assets used to back the custodian account must be readily and easily available and may include cash or near cash instruments or any other instruments as the Central Bank may allow.
 - (3) The e-float must be held with more than one financial institution where it crosses a certain threshold, as may be determined by the Central Bank.
 - (4) E-money Issuers must have a separate account to be used for their liquidity needs.

Application & Licensing Fees

15. E-money issuers shall pay such fees in relation to applications for permission and renewal of permission to issuer e-money, as set out in Schedule 1.

Safe Guarding of Customers Funds

16. (1) E-money issuers must ensure the safeguarding of customers' funds by execution of a trust instrument administered by the bank over the funds held in the custodian account.
 - (2) E-money issuers are prohibited from using customer funds for operational purposes and/or extending any form of credit.
 - (3) E-money issuers must establish measures to ensure that customers can retrieve funds in the event of the failure of the e-money issuer or any other event requiring mass conversion of electronic value into cash.

APPENDIX 3: DRAFT MINISTERIAL ORDER (continued)

E-Money Issuance, Reloading and Redemption Limits

17. (1) E-money issuers may make an initial e-money issuance to a customer up to a maximum of \$5,000.00.

Reloading

(2) E-money may only be issued or reissued to customers at registered retail agents, existing banking channels and e-money issuers' outlets against cash/debit cards/credit cards. The frequency of reloading will be limited to twice monthly to the maximum limit.

Redemption of E-money

(3) Customers may redeem e-money balances outstanding at any time and where the business is being wound-up or directed by the Central Bank to be discontinued.

(4) Where redemption is provided in the event of discontinuance, the redemption value shall not be in excess of the amount outstanding or the face value (loading limit) for the instrument.

Validity Period

18. (1) Non-reloadable e-money issued to holders should have a predetermined period of validity in order to protect the issuer from unreasonable or unduly extended periods of liability. E-money issued by an e-money issuer to a customer shall be valid for a period of one year. Upon the expiry date of the e-money, the value of the outstanding funds remaining on the expired e-money instrument must be transferred to a new e-money instrument at a nominal cost to the holder. Internationally it is set at 10% of the stored value.

Enforcement

19. (1) Monetary penalties and other sanctions for violations committed by e-money issuers will be imposed.



SCHEDULE I

DESCRIPTION	AUTHORIZATION FEES
Application Fee – E-money Issuer	\$ 5,000
Annual License Fee	
- E-money Issuer	\$50,000
- Agent	\$ 1,000



CENTRAL BANK OF
TRINIDAD & TOBAGO