



**Submission Requirements for Application for Approval to Operate a Payment System or to Issue a Designated Payment Instrument or to be Registered to Provide Merchant Acquiring Services**

**A. BACKGROUND**

With the enactment of the Financial Services Act 2013 (FSA) and the Islamic Financial Services Act 2013 (IFSA), which came into force on 30 June 2013, any person who intends to operate a payment system (as set out in Division 1 of Part 1 of Schedule 1 of the FSA or Part 1 of Schedule 1 of the IFSA) or issue a designated payment instrument is required to obtain prior approval of Bank Negara Malaysia (BNM) pursuant to section 11 of the FSA or section 11 of the IFSA, as the case may be, while any person who intends to provide merchant acquiring services is required to register with BNM pursuant to section 17 of the FSA.

As set out in Division 1 of Part 1 of Schedule 1 of the FSA or Part 1 of Schedule 1 of the IFSA, approval is required for the operation of a payment system which:

<b>Division 1 of Part 1 of Schedule 1 of FSA</b>	<b>Part 1 of Schedule 1 of IFSA</b>
(a) enables the transfer of funds from one banking account to another, which includes any debit transfer, credit transfer or standing instructions, but does not include the operation of a remittance system approved under section 40 of the Money Services Business Act 2011; or	(a) enables the transfer of funds from one Islamic banking account to another, which includes any debit transfer, credit transfer or standing instructions, but does not include the operation of a remittance system approved under section 40 of the Money Services Business Act 2011; or
(b) provides payment instrument network operation which enables	(b) provides Islamic payment instrument network operation

<b>Division 1 of Part 1 of Schedule 1 of FSA</b>	<b>Part 1 of Schedule 1 of IFSA</b>
payments to be made through the use of a payment instrument.	which enables payments to be made through the use of an Islamic payment instrument.

The following payment instruments have been prescribed as designated payment instruments or designated Islamic payment instruments:

<b>Financial Services (Designated Payment Instruments) Order 2013</b>	<b>Islamic Financial Services (Designated Islamic Payment Instruments) Order 2013</b>
<p>(a) charge card - a payment instrument which indicates a line of credit granted by the issuer to the user and any amount of the credit utilised by the user must be settled in full on or before a specified date, without any extended credit;</p> <p>(b) credit card - a payment instrument which indicates a line of credit or financing granted by the issuer to the user and, where any amount of the credit utilised by the user has not been settled in full on or before a specified date, the unsettled amount may be subject to interest, profit or other charges;</p> <p>(c) debit card - a payment instrument that is linked to a deposit account at a financial institution that can be</p>	<p>(a) charge card-i - an Islamic payment instrument which indicates a line of credit or financing based on Shariah principles granted by the issuer to the user and any amount of the credit or financing utilized by the user must be settled in full on or before a specified date, without any extended credit or financing;</p> <p>(b) credit card-i - an Islamic payment instrument which indicates a line of credit or financing based on Shariah principles granted by the issuer to the user and where any amount of the credit or financing utilized by the user has not been settled in full on or before a specified date, the unsettled amount may be subjected to a lesser rebate (ibra') by the issuer:</p>

<b>Financial Services (Designated Payment Instruments) Order 2013</b>	<b>Islamic Financial Services (Designated Islamic Payment Instruments) Order 2013</b>
<p>used:</p> <ul style="list-style-type: none"> <li>(i) to pay for goods and services;</li> <li>(ii) to withdraw cash from automated teller machines or withdraw cash at participating retail outlets through debit card usage by debiting the user's account; or</li> <li>(iii) for the purposes of subparagraphs (i) and (ii);</li> </ul> <p>(d) electronic money - any payment instrument, whether tangible or intangible, that:</p> <ul style="list-style-type: none"> <li>(i) stores funds electronically in exchange of funds paid to the issuer; and</li> <li>(ii) is able to be used as a means of making payment to any person other than the issuer; and</li> </ul> <p>(e) any combination of the payment instruments prescribed in subparagraphs (a) to (d).</p>	<p>(c) debit card-i - an Islamic payment instrument based on Shariah principles that is linked to a deposit account at a financial institution that can be used:</p> <ul style="list-style-type: none"> <li>(i) to pay for goods and services;</li> <li>(ii) to withdraw cash from automated teller machines or withdraw cash at participating retail outlets through debit card-i usage by debiting the user's account; or</li> <li>(iii) for the purposes of subparagraphs (i) and (ii);</li> </ul> <p>(d) electronic money - any Islamic payment instrument, whether tangible or intangible, that:</p> <ul style="list-style-type: none"> <li>(i) stores funds electronically in exchange of funds paid to the issuer; and</li> <li>(ii) is able to be used as a means of making payment to any person other than the issuer; and</li> </ul> <p>(e) any combination of the Islamic payment instruments prescribed in</p>

<b>Financial Services (Designated Payment Instruments) Order 2013</b>	<b>Islamic Financial Services (Designated Islamic Payment Instruments) Order 2013</b>
	subparagraphs (a) to (d).

## **B. SUBMISSION OF DOCUMENTS OR INFORMATION**

### **Operation of a payment system as set out in Division 1 of Part 1 of Schedule 1 of the FSA or Part 1 of Schedule 1 of the IFSA**

Pursuant to section 9 of the FSA and section 9 of the IFSA, applicants are required to submit an application in writing to BNM together with a covering letter and the following documents and information<sup>1</sup>:

#### Part 1

1. A certified true copy of its memorandum and articles of association or other constituent documents under which it is established.
2. A certified true copy of its certificate of incorporation or business registration.
3. Certified true copy of its latest audited financial statements or, in the case of a new company which has yet to complete its first financial year cycle, the following documents may be submitted in lieu of the latest audited financial statements:
  - (a) Form 24 (return on allotment of shares) under the Companies Act 1965;
  - (b) Latest bank statement;
  - (c) Latest unaudited management account; and
  - (d) Latest audited financial statements of holding company.
4. The following information and supporting documents of the applicant:

<sup>1</sup> Applicants which are financial institutions regulated by BNM are only required to submit documents and information stipulated in Part 2.

- (a) the name, place and date of its establishment;
  - (b) the principal business;
  - (c) a brief history of the applicant;
  - (d) the names and addresses of its substantial shareholders, within the meaning of section 69D of the Companies Act 1965, and its related corporations as defined in section 4 of the Companies Act 1965; and
  - (e) details of its parent company, subsidiaries and related companies including information on the ownership structure (showing all related entities and percentage of shareholding) of the applicant and its corporate group.
5. Financial resources to fund or support the business of the applicant, including:
- (a) source of initial and future capital; and
  - (b) details of all shareholders who are expected to provide financial support to the applicant including evidence that such shareholders are capable of providing, or would have access to financial resources to enable them to provide, continuing financial support to the applicant that commensurates with the level of shareholding.
6. A statutory declaration from the applicant stating that it has not been subject to any regulatory actions, criminal convictions, records of dishonesty, fraud, or violence, or breaches of statutory or other administrative or regulatory enactments.
7. Undertaking by the applicant to keep BNM informed of any material adverse developments affecting its financial soundness and/or reputation globally.
8. Details of any approval, authorisation, licence or permit required by or obtained from any regulatory authority, including a certified true copy of such approval, authorisation, licence or permit.
9. If applicable, a letter from the home country supervisory authority which includes a statement of no objection towards the applicant's establishment of operations in Malaysia and that the applicant is of good financial standing and meets the

prudential regulatory requirements in the home jurisdiction and has no record of breaches of statutory or other administrative or regulatory enactments.

10. Details of the roles and responsibilities, organisation structure, and methodology and practices of the applicant's internal audit function and where applicable, details of the involvement of any internal audit groups from the parent company to assess internal controls of the applicant.
11. Details of the system of internal controls and policies that the applicant will follow to ensure compliance with the FSA or the IFSA and any other laws administered by BNM, and any regulations, guidelines or other instruments issued by BNM under the said laws, including the Anti-Money Laundering and Anti-Terrorism Financing Act 2001 as the case may be. Please include the name of the senior officer responsible for compliance and details of the resources and authority allocated to such senior officer to discharge this responsibility.
12. The following information and supporting documents on the key responsible persons of the applicant:
  - (a) the names, addresses and identity card or passport numbers of all its directors and chief executive officer;
  - (b) curriculum vitae of senior management (head of departments or equivalent and above) demonstrating that the individual concerned has the qualifications and expertise to manage or direct the applicant's proposed business or control functions;
  - (c) a statutory declaration from the senior management (head of departments or equivalent and above) stating that he or she has not been subject to any regulatory actions, criminal convictions, records of dishonesty, fraud, or violence or breaches of statutory or other administrative or regulatory enactments against the individual or any entity for which the senior management (head of departments or equivalent and above) was, or is, a senior officer. If none, please provide a statutory declaration from the individual concerned stating that he or she has not been subject to any of the above; and

- (d) details of the composition of the applicant's Board of Directors (Board) and its committees, the Board's role, responsibilities, policies and practices, the mandate of the Board committees and details of the Board's responsibilities with respect to risk management and internal controls.

## Part 2

1. A certified true copy of board resolution or resolution of the highest decision making body of the applicant approving the application to operate a payment system.
2. The following information and supporting documents relating to the applicant's business plan:
  - (a) rationale and value proposition of the proposed payment system;
  - (b) a detailed description of the payment system, including payment flow and settlement arrangements;
  - (c) the design and architecture of the system including the system's structure, components and processes deployed in meeting the business and operational requirement;
  - (d) a description of the targeted participants and the criteria for participation in the system;
  - (e) how the proposed payment system business fits within its corporate structure, group global strategy and global operations (if applicable);
  - (f) reasons why the applicant believes the business plan will be successful, stating key assumptions, and supported by feasibility and market studies. This may include:
    - (i) analysis of proposed payment system and its value propositions against the operating environment, including target markets, competitors, threats and opportunities, and plans to address them;
    - (ii) strength of financial resources to support the business;

- (iii) ability and plans to manage associated operational and business risks;
  - (iv) availability of human capital, expertise and knowledge;
  - (v) supporting technology, systems and processes;
  - (vi) supporting research and development initiatives; and
  - (vii) track record and experience of the applicant in operating the proposed payment system.
- (g) pro-forma financial statements (base case), including balance sheet and income statement for the first 3 years of operations (not applicable for applicants which are financial institutions regulated by BNM) including:
- (i) Major asset, liability, income and expense categories; and
  - (ii) Details of the key assumptions underlying the calculations for the above.
- (h) sensitivity analysis showing the results of changes in key assumptions on the base case business plan under a worst case scenario and details of the changes in assumptions;
- (i) contingency plans to address worst case or other adverse scenarios;
- (j) source of initial and future capital provided for in the base case and other scenarios in the form of a capital plan and funding policies (not applicable for applicants which are financial institutions regulated by BNM);
- (k) projected staff complement and roles, and an organisation chart showing reporting lines for senior positions and key responsibilities in the company over the 3-year period (not applicable for applicants which are financial institutions regulated by BNM);
- (l) execution timeline from grant of approval to up to at least 3 years from commencement of business onwards, including projection of usage of payment system and resource requirements (e.g. system and manpower);



- (m) major risk areas and the policies, controls and procedures to monitor risk tolerance and risk managements, which includes market, credit, liquidity, operational (including security), technology, legal, regulatory and strategic risks; and
  - (n) description of any outsourcing arrangement anticipated by the applicant (if any) and how monitoring of the outsourcing activities will be conducted. BNM will assess the proposed outsourcing arrangement.
3. The following information and supporting documents relating to the policies, procedures and controls of the applicant:
- (a) rules and procedures setting out the rights and liabilities of the applicant and the participant of the payment system, including the terms and conditions and procedures for dispute resolution;
  - (b) measures that ensure the safety, security and operational reliability of the payment system including business continuity and disaster recovery plan and the strategy adopted for system recovery and location of alternative site;
  - (c) description of the system security procedures and implementation; and
  - (d) fees and charges imposed by the applicant, including the detailed breakdown.
4. For application to operate a payment system pursuant to section 9 of the IFSA, an applicant shall provide an attestation from a qualified Shariah advisor<sup>2</sup> on the Shariah aspects of the payment system including application of Shariah contracts and operational arrangement of the payment system to ensure compliance with Shariah.

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<sup>2</sup> May include individuals, companies or existing Shariah Committee endorsed by BNM.

**Issuance of a designated payment Instrument**

Pursuant to section 9 of the FSA and section 9 of the IFSA, applicants are required to submit an application in writing to BNM together with a covering letter and the following documents and information<sup>3</sup>:

**Part 1**

1. A certified true copy of its memorandum and articles of association or other constituent documents under which it is established.
2. A certified true copy of its certificate of incorporation or business registration.
3. Certified true copy of its latest audited financial statements or, in the case of a new company which has yet to complete its first financial year cycle, the following documents may be submitted in lieu of the latest audited financial statements:
  - (a) Form 24 (return on allotment of shares) under the Companies Act 1965;
  - (b) Latest bank statement;
  - (c) Latest unaudited management account; and
  - (d) Latest audited financial statements of holding company.
4. The following information and supporting documents of the applicant:
  - (a) the name, place and date of its establishment;
  - (b) the principal business;
  - (c) a brief history of the applicant;
  - (d) the names and addresses of its substantial shareholders, within the meaning of section 69D of the Companies Act 1965, and its related corporations as defined in section 4 of the Companies Act 1965; and

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<sup>3</sup> Applicants which are financial institutions regulated by BNM are only required to submit documents and information stipulated in Part 2.

- (e) details of its parent company, subsidiaries and related companies including information on the ownership structure (showing all related entities and percentage of shareholding) of the applicant and its corporate group.
5. Financial resources to fund or support the business of the applicant, including:
    - (a) source of initial and future capital; and
    - (b) details of all shareholders who are expected to provide financial support to the applicant including evidence that such shareholders are capable of providing, or would have access to financial resources to enable them to provide, continuing financial support to the applicant that commensurates with the level of shareholding.
  6. A statutory declaration from the applicant stating that it has not been subject to any regulatory actions, criminal convictions, records of dishonesty, fraud, or violence, or breaches of statutory or other administrative or regulatory enactments.
  7. Undertaking by the applicant to keep BNM informed of any material adverse developments affecting its financial soundness and/or reputation globally.
  8. Details of any approval, authorisation, licence or permit required by or obtained from any regulatory authority including a certified true copy of such approval, authorisation, licence or permit.
  9. If applicable, a letter from the home country supervisory authority which includes a statement of no objection towards the applicant's establishment of operations in Malaysia and that the applicant is of good financial standing and meets the prudential regulatory requirements in the home jurisdiction and has no record of breaches of statutory or other administrative or regulatory enactments.
  10. Details of the roles and responsibilities, organisation structure, and methodology and practices of the applicant's internal audit function and where applicable, details of the involvement of any internal audit groups from the parent company to assess internal controls of the applicant.
  11. Details of the system of internal controls and policies that the applicant will follow to ensure compliance with the FSA or the IFSA and any other laws administered

by BNM, and any regulations, guidelines or other instruments issued by BNM under the said laws, including the Anti-Money Laundering and Anti-Terrorism Financing Act 2001 as the case may be. Please include the name of the senior officer responsible for compliance and details of the resources and authority allocated to such senior officer to discharge this responsibility.

12. The following information and supporting documents on the key responsible persons of the applicant:
  - (a) the names, addresses and identity card or passport numbers of all its directors and chief executive officer;
  - (b) curriculum vitae of senior management (head of departments or equivalent and above) demonstrating that the individual concerned has the qualifications and expertise to manage or direct the applicant's proposed business or control functions;
  - (c) a statutory declaration from the senior management (head of departments or equivalent and above) stating that he or she has not been subject to any regulatory actions, criminal convictions, records of dishonesty, fraud, or violence or breaches of statutory or other administrative or regulatory enactments against the individual or any entity for which the senior management (head of departments or equivalent and above) was, or is, a senior officer. If none, please provide a statutory declaration from the individual concerned stating that he or she has not been subject to any of the above; and
  - (d) details of the composition of the applicant's Board of Directors (Board) and its committees, the Board's role, responsibilities, policies and practices, the mandate of the Board committees and details of the Board's responsibilities with respect to risk management and internal controls.

## Part 2

1. A certified true copy of board resolution or resolution of the highest decision making body of the applicant approving the application to issue a designated payment instrument.
2. The following information and supporting documents relating to the applicant's business plan:
  - (a) rationale and value proposition of the proposed designated payment instrument;
  - (b) the name and a detailed description of the designated payment instrument, including the type of instrument (e.g. card, network-based, etc), technology used (e.g. EMV/contactless cards, SMS, NFC, mobile/web applications, etc), payment flow (e.g. usage, reload, refund transactions, etc), settlement arrangements with all relevant parties and wallet or credit limit;
  - (c) the design and architecture of the system including the system's structure, components and processes deployed in meeting the business and operational requirements;
  - (d) types of services offered to users;
  - (e) a description of the target market (users, merchants, locations, etc);
  - (f) how the proposed designated payment instrument business fits within its corporate structure, group global strategy and global operations (if applicable);
  - (g) reasons why the applicant believes the business plan will be successful, stating key assumptions, and supported by feasibility and market studies. This may include:
    - (i) analysis of proposed payment instrument and its value propositions against the operating environment, including target markets, competitors, threats and opportunities, and plans to address them;
    - (ii) strength of financial resources to support the business;

- (iii) ability and plans to manage associated operational and business risks;
  - (iv) availability of human capital, expertise and knowledge;
  - (v) supporting technology, systems and processes;
  - (vi) supporting research and development initiatives; and
  - (vii) track record and experience of the applicant in operating the proposed payment instrument.
- (h) pro-forma financial statements (base case), including balance sheet and income statement for the first 3 years of operations (not applicable for applicants which are financial institutions regulated by BNM) including:
- (i) Major asset, liability, income and expense categories; and
  - (ii) Details of the key assumptions underlying the calculations for the above.
- (i) sensitivity analysis showing the results of changes in key assumptions on the base case business plan under a worst case scenario and details of the changes in assumptions;
- (j) contingency plans to address worst case or other adverse scenarios;
- (k) source of initial and future capital provided for in the base case and other scenarios in the form of a capital plan and funding policies (not applicable for applicants which are financial institutions regulated by BNM);
- (l) projected staff complement and roles, and an organisation chart showing reporting lines for senior positions and key responsibilities in the company over the 3-year period (not applicable for applicants which are financial institutions regulated by BNM);
- (m) execution timeline from grant of approval to up to at least 3 years from commencement of business onwards, including projection of usage of the payment instrument and resource requirements (e.g. system and manpower);
- (n) major risk areas and the policies, controls and procedures to monitor risk tolerance and risk management which includes market, credit, liquidity,

operational (including security), technology, legal, regulatory and strategic risks; and

- (o) description of any outsourcing arrangement anticipated by the applicant (if any) and how monitoring of the outsourcing activities will be conducted. BNM will assess the proposed outsourcing arrangement.
3. The following information and supporting documents relating to the policies, procedures and controls of the applicant:
- (a) rules and procedures setting out the rights and liabilities of the applicant and the user of the designated payment instrument and the risks exposure of the user, including the terms and conditions of use and procedures for dispute resolution;
  - (b) measures for the management of funds collected from the user (for electronic money), including measures that ensure that such funds are available for repayment to the user and reconciliation arrangement;
  - (c) measures that ensure the safety, security and operational reliability of the designated payment instrument including business continuity and disaster recovery plan and the strategy adopted for system recovery and location of the alternative site;
  - (d) policies and processes for the management of credit, liquidity, operational, anti-money laundering and counter financing of terrorism (AML/CFT) and other relevant risks; and
  - (e) fees and charges imposed by the applicant, including the detailed breakdown.
4. For application to issue a designated Islamic payment instrument pursuant to section 9 of the IFSA, an applicant shall provide an attestation from a qualified Shariah advisor<sup>4</sup> on the Shariah aspects of the payment instrument including application of Shariah contracts and mechanism of the payment instrument to ensure compliance with Shariah.

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<sup>4</sup> May include individuals, companies or existing Shariah Committee endorsed by the Bank.

## Merchant Acquiring Services

Pursuant to section 17 of the FSA, a person who intends to provide merchant acquiring services shall fulfill the requirements and submit documents or information as may be prescribed by BNM. The documents or information which are required to be submitted to BNM as prescribed in the Financial Services (Requirements and Submission of Documents or Information) (Registered Business) Order 2013 are as follows<sup>5</sup>:

### Part 1

1. A certified true copy of its memorandum and articles of association or other constituent documents under which it is established.
2. A certified true copy of its certificate of incorporation or business registration.
3. A certified true copy of its latest audited financial statements or in the case of a new company which has yet to complete its first financial year cycle, the following documents may be submitted in lieu of the latest audited financial statements:
  - (a) Form 24 (return on allotment of shares) under the Companies Act 1965;
  - (b) Latest bank statement; and
  - (c) Latest unaudited management account.
4. A statutory declaration that:
  - (a) the shareholder, in the case where the applicant is not a public listed company, director or person concerned with the operation or management of the applicant has not been convicted of an offence under the Act or an offence involving fraud or dishonesty under any other written law; and

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<sup>5</sup> Applicants which are financial institutions regulated by BNM are only required to submit documents and information stipulated in Part 2.



- (b) the shareholder, in the case where the applicant is not a public listed company, director or person concerned with the operation or management of the applicant has not been involved in the management or operation of a person who has been previously deregistered by the Bank.
5. The following information and supporting documents of the applicant and its business:
- (a) the name, place and date of its establishment;
  - (b) the principal business;
  - (c) the names, addresses and identity card or passport numbers of all its directors and chief executive officer;
  - (d) the names and addresses of its substantial shareholders, within the meaning of section 69D of the Companies Act 1965, and its related corporations as defined in section 4 of the Companies Act 1965;
  - (e) details of parent company, subsidiaries and related companies; and
  - (f) organisational structure of the applicant.
6. Any approval, authorisation, licence or permit required or obtained from regulatory authorities.

## Part 2

The following information and supporting documents relating to the payment system for merchant acquiring services:

- (a) a detailed description of the payment system, including payment flow and settlement arrangements;
- (b) a description of the targeted merchants and the criteria for participation;
- (c) roles and responsibilities of the operator;

- (d) rules and procedures setting out the rights and liabilities of the operator and participants including the terms and conditions and procedures for dispute resolution;
- (e) description of the system security procedures and implementation;
- (f) fees and charges imposed by the operator, including the detailed breakdown;
- (g) participant recruitment procedures, including underwriting criteria and procedures for approval, and merchant monitoring mechanism;
- (h) measures that ensure the safety, security and operational reliability of the payment system including business continuity and disaster recovery plan and the strategy adopted for system recovery and location of alternative site;
- (i) fraud detection and control mechanism; and
- (j) outsourcing arrangements, if any.

### **C. FEE**

An applicant is required to pay a fee of RM500 to BNM via RENTAS with TRN code OBT01, account number 1547010015. Such fees shall be paid by the applicant not later than seven (7) working days from the date the application is submitted to BNM.

### **D. SUBMISSION**

The application shall be submitted and signed by the Chief Executive Officer or a person of higher authority of the applicant. The application shall be addressed to:

Director  
Payment Systems Policy Department  
Bank Negara Malaysia  
Jalan Dato' Onn  
50480 Kuala Lumpur  
Malaysia.

Throughout the review process, the applicant may be required to provide additional information if requested by BNM to facilitate the assessment. Applicants are required

to provide documentary evidence that can substantiate declarations made in the application.