



Central Bank of The United Arab Emirates

Regulatory Framework For Stored Values and Electronic Payment Systems

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A. Context

A.1. Glossary of Terms

In this document, unless the context otherwise requires:

State	United Arab Emirates
Union Law	means the Union Law (10) of 1980, including any amendments thereof;
Central Bank	means the Central Bank of the United Arab Emirates as per the Union Law;
AML/CFT Laws	means Federal Law (4) of 2002 combating money laundering and financial terrorism and Federal law (7) 2014 combating anti-terrorist;
Applicable Laws	means applicable UAE Laws and amendments thereof;
Financial Free Zone	means a financial free zone in any Emirate of the State where financial activities are conducted as per Federal Law (8) 2004;
AML & AML requirements	means anti-money laundering and anti-money laundering requirements respectively based on AML/ CFT laws;
CFT	means Combating Financing of Terrorism as per Federal Law (4) 2002 and law (7) 2014 combating anti-terrorist;
Regulation	means rules and requirements applying to Stored Valued facilities offering Digital payments Services;
Agent	means an authorized person or entity who provides limited digital payment services on behalf of a PSP as per this REGULATION;

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Authorization	means Central Bank's approval of a licence application by a commercial bank to provide digital payment services as per this REGULATION;
Beneficial Owner	means the legal person(s) who ultimately own(s) or control(s) a PSP;
Cash Services	means <i>-(a)cash-in services and;(b)cash-out services</i>
Cash-in services	means the exchange of cash for digital money deposited in a payment account;
Cash-out services	means the exchange of digital money for cash, withdrawn from a payment account;
Commercial bank	means a licenced commercial banking institution as per the Union Law;
Credit Institution	means a licenced commercial bank and / or a financial institution as per the Union Law;
Designated Payment System	means a payment system designated by the Central Bank as systemically important;
Digital Money	means any monetary value represented by a claim (on its Issuer), issued against United Arab Emirates Dirham (AED) stored on electronic, magnetic, or mobile channels;
Digital Payment	means any payment using electronic, mobile, or magnetic channels excluding credit and debit cards payment;
Digital Payment Services	means any business activities as per this REGULATION;
Government digital payment services	means any payment involving the transfer of funds from a User of a PSP to a:(a) <i>Ministry or Federal</i>

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Authority; or (b) local Government Authority of an Emirate or a local Government Authority;

Interoperable/ Interoperability

means the interconnectivity between payment systems or payment instruments provided by the PSP(s), whose interfaces are compatible with relevant products/ systems, (present/ future and without any restricted access / implementation) in the exchange of payment instructions/ messages, satisfying Central Bank's interoperability requirements (via a circular/ operating rulebook);

Issuer

means the PSP providing the stored value instrument, enabling Customers to use the instruments at various merchants;

KYC

means the required Know Your Customer procedures to verify the identity of a User by the PSP as per role and regulation

Legal Person

means any natural person (s) including institutions, entities as per applicable UAE laws

Licensing Manual

means the Central Bank's REGULATION Licensing Manual

List

means a record maintained by the Central Bank that includes all PSPs, Agents and Third-party Service Providers;

Load limit

means the maximum amount of digital money that can be transferred into a Payment Account held by a User of a Payment Instrument as per this REGULATION;

Local Government Authority

means a local Government Authority within an Emirate of the UAE;

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Monetary / Financial Intermediary	means a monetary / financial intermediary licenced by the Central Bank as per the Union Law.
Money Exchange business	means a money exchange business licenced by the Central Bank as per the Union Law.
National Security	means UAE National Security as per the applicable standards of National Electronic Security Authority (NESA)
Non-issuing PSP	means any institution holding a Non-issuing PSP licenced as per this REGULATION;
Participant	means an entity recognized by a Payment System and is allowed, either directly/ indirectly, to send and receive payment instructions to and from that payment system;
Payment Account	means an account held by a User in relation to a payment instrument that can be credited or debited with digital money as per this REGULATION;
Payment Instruction	means an instruction initiated by a User to his / her respective PSP requesting the execution of a payment transaction;
Payment Instrument	means the Instruments used by a User to initiate a payment instruction or receive <u>only</u> in the form specified below; a) <i>Cash</i> b) <i>Bank transfer</i> c) <i>Credit card</i> d) <i>Debit card</i> e) <i>Stored value facility / prepaid card.</i>
Payment Service Provider/ PSP	means any institution licenced or authorized to provide digital payment services under this



REGULATION as per the following four (4) types of PSPs:

- a) **Retail PSP:** Authorized commercial banks and other licensed PSPs offering retail, Government, and peer-to-peer digital payment services as well as money remittances
- b) **Micropayments PSP:** PSPs offering micropayments solution facilitating digital payments targeting the unbanked and under-banked segments in the UAE
- c) **Government PSP:** Federal and local Government statutory bodies offering Government digital payment services
- d) **Non-issuing PSP:** Non-deposit taking and non-issuing institutions that offer retail, Government, and peer-to-peer digital payment services.

Payment System

means a fund transfer system or any other system that facilitates the circulation of digital money in the UAE;

Payment System Operator

means an entity that operates a Payment System;

Payment Transaction

means an act initiated by a User to deposit, transfer, or withdraw funds as per this REGULATION;

PFMI

means the 'Principles for Financial Market Infrastructure standards report by the Bank for International Settlements ('BIS');

Settlement Institution

means an institution that provides facilities for Participants of a Payment System to hold funds and/or for settlement of payment transactions between the Participants;

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Stored Value Facility	means a non-cash facility, (in electronic or magnetic form), purchased by a User (and used) to make payment for goods and services
Technical Service Providers	means entities facilitating the provision of payment services to PSPs, whilst excluded at all times from possession of funds (and transference thereof). Services offered include processing /storage of data, trust and privacy protection services, data and entity authentication, information technology (IT) and communication network provision, provision and maintenance of terminals and devices used for payment services.
Telecommunications Service Provider/ Operator	means entities licenced by the TRA as per the Federal Law (3) of 2003 regarding the Organization of Telecommunications Sector and any amendments thereof
TRA	means the UAE Telecommunications Regulatory Authority TRA as per Federal Law (3) of 2003 Regarding the Organization of Telecommunications Sector and any amendments thereof
Transport Authority	means local authorities providing transport services in the UAE;
Transport Services entity	means entities licenced under the National Transport Authority;
User Funds	means the net value of unutilized funds held on account of the customer by the PSP.
User/ Customer/ Consumer	means a legal/ natural person making use of a payment service /Payment Instrument offered by a PSP, in his capacity as a Payer or Payee;
Virtual currency	means any type of digital unit used as a medium of exchange, a unit of account, or a form of stored



value. Virtual Currency (s) is not recognised by this REGULATION. Exceptions are made to a digital unit that:

- a) *can be redeemed for goods, services, and discounts as part of a user loyalty or rewards program with the Issuer and;*
- b) *cannot be converted into a fiat /virtual currency.*

A.2. Introduction

The Government of the UAE's vision is to position the country as a global leader in digital services via a knowledge-based and innovation-driven economy in harmony with the UAE Vice President, Prime Minister and Ruler of Dubai, His Highness Sheikh Mohammed bin Rashid Al Maktoum's launch of m-Gov initiative in 2013.

The UAE Cabinet decision no. 6/6 2016 authorizes the Central Bank to issue regulations relating to Stored-value and Electronic Payments, Payment Operations, Netting and Settlement systems in the UAE. Further to this, the



Central Bank is also empowered to provide (any) explanatory notes pertaining to these Regulations.

The core objective of this exercise is to facilitate robust adoption of digital payments across the UAE in a secure manner. It is imperative for the regulatory environment to keep pace and accommodate digital payments whilst ensuring the highest levels of consumer protection and financial stability.

Given the strategic importance of this initiative, the Central Bank has extensively engaged with stakeholders across multiple sectors including banking, telecommunications, local and federal Government agencies, major retailers, as well as other regulatory agencies to ensure that the best interest of the UAE is taken into account.

Accordingly, the Central Bank of the UAE has developed the “Regulatory Framework For Stored Values and Electronic Payment Systems” and is issuing this REGULATION which applies to Stored Value Facilities offering digital payments and digital payment services.

A.3. Legal Basis

The Central Bank of UAE shall have the sole power to

- (a) *Regulate existing and future digital payment mechanisms/infrastructures in the State, including free zones (to the exception of financial free zones) whether operated by legal persons, or public / private entities.*
- (b) *Issue all relevant regulations for the purpose of safeguarding the rights of all stakeholders.*

This REGULATION is issued pursuant to the powers vested in the Central Bank under the Union Law No (10) of 1980 concerning the Central Bank, the Monetary System and Organization of Banking (including any amendments thereof) and the UAE Cabinet Decision No.6/6 of 2016 held on June 8th, 2016. The Central Bank’s interpretation of this REGULATION shall be deemed final.

A.4. Vision

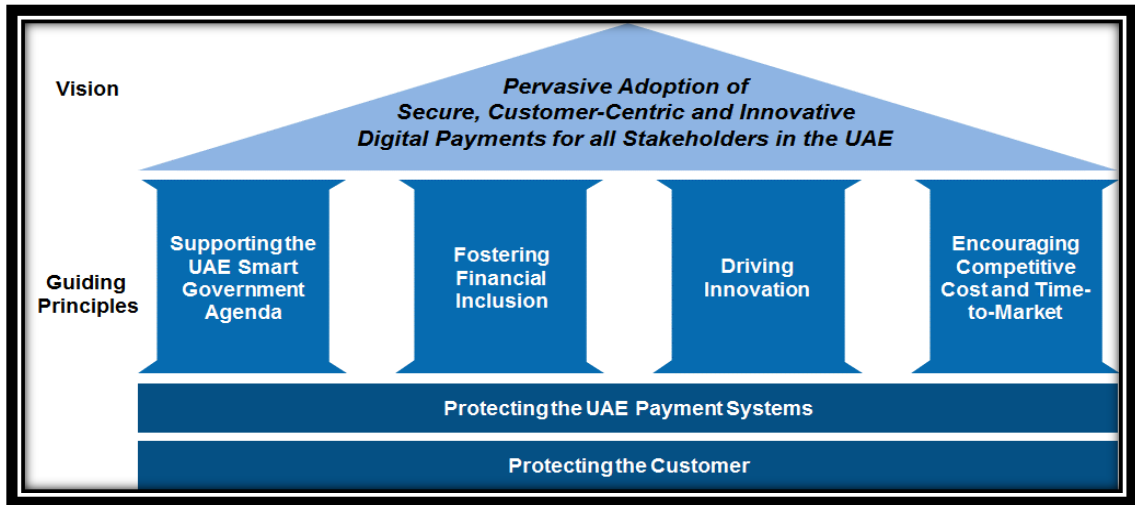


Exhibit 01 - Vision of Digital Payment in the UAE

The REGULATION is designed to facilitate the pervasive adoption of safe, secure, ‘user-centric’ and innovative digital payments for all stakeholders in the UAE via the following principles:

- **Protecting the UAE Payment Systems:** Promote continued security and stability of UAE’s Payment Systems, adherence to key international standards (e.g. PFMI) principles and national security directives.
- **Protecting the Customer:** Set robust risk and compliance principles (e.g. AML, fraud management, funds holding, etc.) across the payments ecosystem, which minimise reputational risk, emphasizing on consumer protection.
- **Supporting the UAE Smart Government Agenda:** Align with key Government initiatives such as the UAE Smart Government initiative and UAE Vision 2021.
- **Fostering Financial Inclusion:** Provide coverage across UAE customer segments, promoting wide accessibility to Digital Payment offerings in a convenient manner (e.g. youth population, unbanked, under-banked, tourists, etc.)
- **Driving Innovation:** Drive innovation and value creation in Digital Payments, leveraging the capabilities of key stakeholders and promoting high quality of service



-
- **Encouraging Competitive Cost and Time-to-Market:** Actively respond to market demand, encouraging market competition within the Digital Payments space and competitive time-to-market



B. Regulatory Approach

B.1. Overview

In developing the REGULATION, the Central Bank has worked extensively with stakeholders to identify / address the key areas to further the interests and protection of consumers whilst promoting the industry’s innovation and competition.

The Central Bank has also considered the current market demand and supply landscape in the UAE and has taken a forward looking approach to cater for future market needs and potential players entering the market. In this regard, the REGULATION specifies four (4) categories of PSPs, eligible to provide digital payment services namely

- (a) *Retail PSP*
- (b) *Micropayment PSP*
- (c) *Government PSP*
- (d) *Non-issuing PSP*

Each PSP category is subject to a set of prudential requirements spanning the digital payments value chain; rules and requirements for licencing, registration, payment initiation & authorization, payment execution processing, and consumer protection (as per Exhibit 2 below)

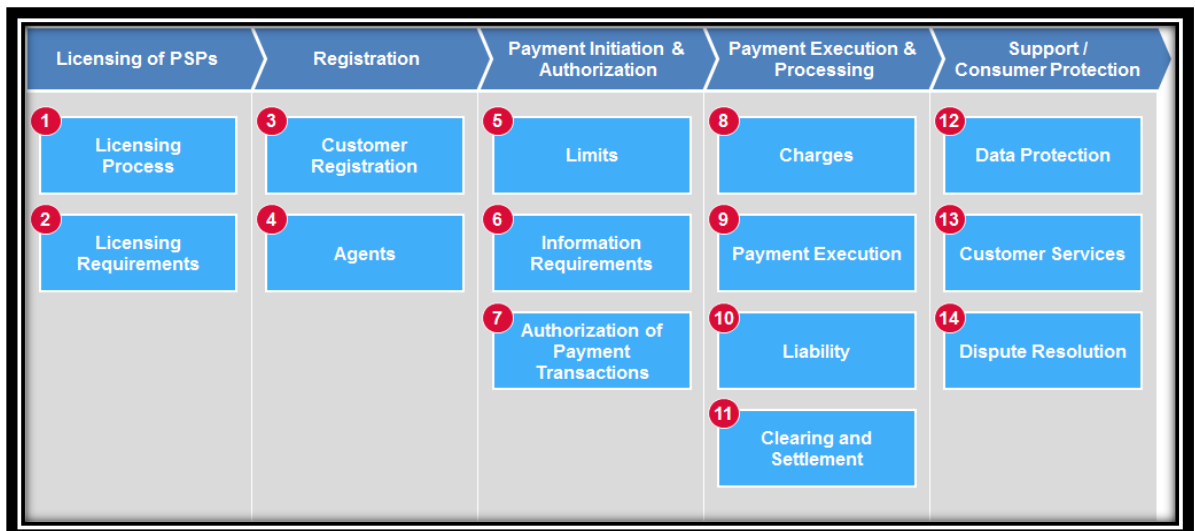


Exhibit 02 - REGULATION Dimensions

Overall, the REGULATION covers fourteen (14) dimensions across the Digital Payments value chain:



- 1) **Licencing Process**
As per the licensing manual.
- 2) **Licencing Requirements:**
Application requirements, fees, rights and obligations, duration, renewal, and cancellation of PSPs Licenses - as per the Licensing Manual.
- 3) **Customer Registration:**
KYC and Customer due diligence requirements to register Users.
- 4) **Agents:**
Requirements for the use of Agents, including but not limited to registration requirements, eligible digital payment services, monitoring and liability
- 5) **Limits:**
Funding, transaction and spending limits related to payment instruments issued by PSPs
- 6) **Information Requirements:**
Minimum set of information to be communicated by PSPs to the Payer and Payee.
- 7) **Authorization of Payment Transactions:**
Obligations of Users and PSPs in relation to execution of payments
- 8) **Charges:**
Requirements to set charges and fees on digital payment services under the principles of fairness and transparency
- 9) **Payment Execution:**
Execution requirements for payment orders
- 10) **Liability:**
Liability of PSPs and Users in relation to payment transactions
- 11) **Clearing and Settlement:**
Requirements for settlement of payment transactions
- 12) **Data Protection:**
User data privacy and protection requirements
- 13) **Customer Service:**
Requirements for customer service support
- 14) **Dispute Resolution:**
Requirements for dispute management and resolution mechanisms.

B.2. REGULATION Scope

The REGULATION applies to Stored Value Facilities offering the following digital payment services:

- *Cash-in services; enabling cash to be placed in a payment account;*

Regulatory Framework For Stored Values and Electronic Payment Systems



-
- *Cash-out services; enabling cash withdrawals from a payment account;*
 - *Retail credit /debit digital payment transactions;*
 - *Government credit / debit digital payment transactions;*
 - *Peer-to-peer digital payment transactions;*
 - *Money remittances.*

The REGULATION does not apply to the following payment services/providers, which may be subject to other Central Bank laws / regulations:

- *Payment transactions in cash without any involvement from an intermediary;*
- *Payment transactions using a credit card / debit card;*
- *Payment transactions using paper cheques;*
- *Payment instruments accepted as a means of payment only to make purchases of goods/ services provided from the Issuer / any of its subsidiaries, (i.e. closed loop payment instruments);*
- *Payment transactions within a payment /settlement system between settlement institutions, clearing houses, central banks, and PSPs;*
- *Payment transactions related to transfer of securities/ assets (including dividends, income, and investment services);*
- *Payment transactions carried out between PSPs (including their agents/ branches) for their own accounts;*
- *Technical Service Providers.*



C. Role of the Central Bank

C.1. Powers & functions of the Central Bank

C.1.1. The Central Bank Oversight

- (a) Issue necessary PSP approvals /requirements/ licences to provide digital payment services in the UAE;
- (b) Exercise oversight and inspection functions of UAE Payment Systems and digital payment services;
- (c) Cancel and suspend PSP licenses in breach of this REGULATION;
- (d) Issue laws, regulations and any additional requirements deemed appropriate;
- (e) Encourage payment systems designed and operated for the benefit of the public;
- (f) Promote healthy competition among PSPs and foster innovation in the payments market;
- (g) Have the power to carry out acts which are deemed necessary to enforce regulations, and ensure financial stability; and
- (h) Designate payment systems

C.1.2. Safeguarding public interest

Having regard to the interests of the public and its prudential obligations, the Central Bank shall (whilst exercising its powers) take into consideration -

- (a) Whether a payment system is,
 - i. *Financially safe for Participants to use;*
 - ii. *Efficient and;*
 - iii. *Not contributing/ increasing risk to the financial system; and*
- (b) Any matters that the Central Bank considers relevant.

C.2. Designation of Payment Systems

C.2.1. The Central Bank Oversight

- (a) Determine whether a payment system qualifies as a Designated Payment System in this REGULATION as per subsequent laws and regulations;
- (b) Designate a payment system, should it deem that a disruption to such payment system's operations could systemically damage/ impact UAE's financial system and the public confidence ; and



- (c) Designate a payment system by way of a written circular / notice as per this REGULATION.

C.2.2. Application process for the designated payment system

- (a) A Payment System Operator deeming itself qualified to be a designated payment system based on the written Circular / Notice (by the Central Bank) may apply for such designation and;
- (b) Pursuant to the above, applications must be made using the necessary application forms (Section I.1);
- (c) Further accompanied by a non-refundable fee, (Section I.2);
- (d) Applications must be accompanied by the (Payment System Operator's):
- i. *Projected financial statements for the first three (3) years of operations including statements of financial position, income statement and cash flow statement;*
 - ii. *Values and volumes of transactions for the past three (3) years or for the number of years since commencement of operations, whichever is greater as of the date of application;*
 - iii. *Organization structure of the corporate body and respective governance arrangements overseeing the continued integrity of the designated payment system;*
 - iv. *Rules and procedures setting out the rights, liabilities and respective risks to the Payment System's Users;*
 - v. *System rulebook outlining the key operational requirement for use of the payment system;*
 - vi. *Measures to ensure safety, security and operational reliability, including disaster recovery and business continuity mechanisms, of the designated payment system;*
 - vii. *Confirmation of the payment fees (Section I.2); and*
 - viii. *Outsourcing agreements, if any.*

C.2.3. Changes & Enhancements

- (a) Where it intends to introduce a significant change / enhancement to its Designated Payment System, a Payment System Operator shall seek the Central Bank's written approval, ninety (90) days prior to the proposed implementation of such changes.
- (b) A significant change or enhancement as per above (Section C.2.3(a)) includes introduction of additional functionalities that materially alter:
- i. *The scope or the nature of the designated payment system; or*
 - ii. *The services previously provided by the payment system operator.*



C.2.4. Withdrawal / Suspension of (Payment System) Designation

- (a) The Central Bank may (by an order issued by its Board of Directors), suspend a designation under this REGULATION for a period discretionary to the Central Bank or revoke the designation altogether in the event that the Payment System Operator:
- i. *Terminates operations;*
 - ii. *Fails to meet the designation and operation requirements as per (Section C.2.2);*
 - iii. *Fails to protect confidentiality of data / information it collects;*
 - iv. *Breaches any UAE law including the AML/CFT Laws, Cybercrime Laws and any other regulations issued by the Central Bank;*
 - v. *Changes the location of its business, without written consent of the Central Bank, or outsources its activities to a third party or sells, or otherwise transfers its designated payment system business, in whole or part to another entity; or*
 - vi. *Compromises financial stability, public trust and / or national security through its activities.*
- (b) The Central Bank shall take into consideration any representations made by the Designated Payment System Operator.

C.2.5. Power of the Central Bank to impose 'Access' regimes

- (a) The Central Bank may impose an access regime that determines access to the designated payment system, with no limitation as to whether such regime is directly linked or is in itself an entity representing a Participant, an Operator, an Agent or a Settlement Institution;
- (b) The Central Bank shall have regard to the following whilst considering imposing an access regime;
- i. *whether the imposition of such an access regime would be in the interest of the public;*
 - ii. *whether the imposition of such an access regime would be in the interest of competition and the current market participants, operators or settlement institutions of the designated payment system and;*
 - iii. *Any additional matters that the Central Bank may consider relevant.*
- (c) The Central Bank shall have full authority to change / revoke the access regime imposed in the case of (Sections C.2.5 (b)i & ii) above.
- (d) An access regime shall cease to be in force if:
- i. *The order imposing, changing, or revoking the access regime under this (Section C.2.5) includes an expiration date and that date is reached; or*



-
- ii. *The designated payment system ceases to exist / operate, or ceases to be a designated payment system.*

C.3. The List

C.3.1. List of PSPs, agent and third-party providers

- (a) The Central Bank shall establish a List including all -
 - i. *PSPs;*
 - ii. *Agents;*
 - iii. *Approved third-party providers and outsourcing entities.*
- (b) The Central Bank may-
 - i. *Keep the List in any form it deems fit; and*
 - ii. *Include any information it deems appropriate.*

C.4. Monitoring and enforcement

C.4.1. The Central Bank oversight:

- (a) Shall conduct monitoring and enforcement in the manner it deems appropriate to ensure that PSPs and payment system operators have fully complied with this REGULATION;
- (b) May authorize / appoint any entity for the performance of the above (Section C.4.1) on its behalf.
- (c) Conduct on-site inspections at the premises of a PSP (and its agents/ outsourced entities);
- (d) Inspect the PSP's book of accounts and any other documents (including that of its agents/ outsourced entities) to ensure compliance with this REGULATION and all applicable UAE laws including (but not limited to) AML/CFT and Cybercrime Laws;
- (e) Enter the premises of PSPs at any given time, if the Central Bank suspects that the business conducted in such premises are in breach of this REGULATION;
- (f) Support judgments / decisions by foreign judicial and law enforcement authorities in respect of Financial Institutions and branches of foreign licensed Financial Institutions operating in UAE as per applicable legal proceedings in the State.



C.4.2. Indemnification

The Central Bank (and its employees) shall be indemnified from any losses resulting from the implementation of this REGULATION, except in the case of negligence, wilful default or fraud committed by its employees.

C.5. Provision of information

- (a) The Central Bank may via a written notice, require a PSP to provide it with all information related to the digital payment services provided by the PSP (within a reasonable timeframe);
- (b) For the purpose of Section C.5 (a) above, the Central Bank may require a PSP to provide-
 - i. *Information and all related matters about its digital payment services;*
 - ii. *Information related to the number of Users of the payment instruments;*
 - iii. *Any other material it deems appropriate / relevant for the purposes of oversight.*
- (c) PSPs shall promptly comply with the Central Bank's notice upon such receipt;
- (d) A PSP is in breach of this REGULATION if it fails to provide the required information as per Section C.5 (b) above) and shall be liable to appropriate corrective measures as determined by the Central Bank;
- (e) In case of a continuing breach, the PSP shall be liable for further corrective measures based on each additional day it is found to be in breach.



D. Common Regulatory Requirements for all PSPs

D.1. Scope

- (a) This section shall apply to all PSP categories.
- (b) Additional regulatory requirements specific to each category of PSP are covered in subsequent sections as follows-
 - i. *Section E* → Retail PSPs;
 - ii. *Section F* → Micropayments PSPs;
 - iii. *Section G* → Government PSPs;
 - iv. *Section H* → Non-issuing PSPs

D.2. Licencing of PSPs

D.2.1. Application for PSP authorization

- (a) A commercial bank is exempt from applying for a PSP licence as per Sections D.2.2 to D.2.11;
- (b) If a commercial bank intends to provide digital payment services, it must seek/apply for authorization to the Central Bank at least three (3) months prior to providing such services;
- (c) An applicant for authorization must demonstrate that it is robust and can meet the Central Bank's requirements / criteria as per the Licensing Manual;
- (d) The Central Bank shall notify the applicant for authorization of the outcome of its application within three (3) months from the date on which the Central Bank deems the application complete;
- (e) If an Applicant has been authorized, the Central Bank shall:
 - I. *Notify the applicant of the effective date of such authorization;*
 - and*
 - II. *Enlist the applicant in the List.*
- (f) As for rejected Applicants, the Central Bank shall notify the applicant in writing, reasons for the rejection.

D.2.2. Application for a PSP licence

- (a) A PSP will not be entitled to possess more than one (1) PSP license.
- (b) An institution intending to provide digital payment services, shall first submit a PSP licence application (to be approved) accompanied by a non-refundable application fee Sections I.1 and I.2;
- (c) Prior to submitting the license application, such legal person(s) must confirm/ verify its eligibility to the PSP licence category (and requirements thereof) below:



-
- i. *Section E.1- Retail PSP license;*
 - ii. *Section F.1- Micropayments PSP license;*
 - iii. *Section G.1 - Government PSP license; or*
 - iv. *Section H.1 - Non-issuing PSP license.*
- (d) The Application must be accompanied by supporting documentation as per below:
- i. *Section E.2.1 - Retail PSP licence;*
 - ii. *Section F.2.1 - Micropayments PSP licence;*
 - iii. *Section G.2.1 - Government PSP licence; and*
 - iv. *Section H.2.1- Non-issuing PSP licence.*

D.2.3. Conditions for a PSP licence

- (a) The application must contain all documents specified in the Licensing Manual;
- (b) The application must satisfy the eligibility requirements as specified in Section D.2.2;
- (c) The application must comply with the licencing requirements as per Sections D.2.8 to D.2.12;
- (d) The applicant must be incorporated in the United Arab Emirates including free zones, (excluding UAE financial Free Zones);
- (e) The applicant must provide evidence of its ability to provide digital payment services, via third-party references, demonstrating relevant experience in digital payments within the UAE or a foreign country;
- (f) The applicant must demonstrate to the satisfaction of the Central Bank that its directors and persons responsible (for its management) have the appropriate skills and knowledge to provide digital payment services.

D.2.4. Application Process for a PSP licence

As per the Licensing Manual

D.2.5. Validity of a PSP licence

- (a) The PSP licence shall be valid for a fixed period of time from the issuance date of the certificate as per Section I.2;
- (b) During the period in Section D.2.5(a) above, if the PSP intends to implement substantial changes/ enhancement to the business, it shall notify and obtain written approval from the Central Bank for the



proposed changes at least sixty (60) days prior to introduction of such changes;

- (c) For purposes of Section D.2.5(b) substantial changes /enhancement are defined as follows:
- i. *Any changes in the documentation submitted as part of the licencing application to the Central Bank; or*
 - ii. *Any changes in the type of digital payment services offered.*

D.2.6. Renewal of a PSP licence

- (a) An application for renewal of a PSP licence shall be submitted to the Central Bank at least ninety (90) days prior to the expiry date of the existing licence as per the Licensing Manual.
- (b) The application must be accompanied with any other material the Central Bank may deem necessary.

D.2.7. Cancellation / Suspension / Notice to cease business

- (a) The Central Bank may suspend or cancel a PSP licence if the PSP:
- i. *Fails to provide the eligible digital payment services within twelve (12) months from the date of the licence issuance;*
 - ii. *Suspends business activity for more than six (6) months;*
 - iii. *Was granted the licence through provision of false, misleading, or concealment of material information;*
 - iv. *No longer meets the licencing requirements under Sections D.2.8 to D.2.12;*
 - v. *Provides digital payment services other than the eligible digital payment services as per the terms of the licence;*
 - vi. *Requests the cancellation of its licence;*
 - vii. *Fails to protect the confidentiality and privacy of data and information as per Section D.6.1;*
 - viii. *Fails to comply with AML/ CFT requirements and Laws;*
 - ix. *Fails to pay a monetary penalty imposed by the Central Bank by the required date;*
 - x. *Fails to comply with instructions of the Central Bank;*
 - xi. *Prevents Central Bank Officials from exercising their duty as per this REGULATION.*
- (b) The Central Bank shall provide a written warning notice of its intent to cancel/suspend the PSPs license. The PSPS shall have twenty (20) calendar days to respond as to why the licence should not be cancelled / suspended. If the PSP fails to do so within the given timeframe the cancellation/suspension process will commence;
- (c) The PSP may provide representations in response to the warning notice;



- (d) The Central Bank shall take into account such representations as per Section D.2.7(b) above and make a final decision concerning the cancellation / suspension of the licence within twenty (20) calendar days from the date of its receipt;
- (e) Upon revoking / suspending a PSP licence, the Central Bank shall notify the PSP of its decision in writing. Such a notification may be issued to the general public by way of a notice published on the Central Bank's website (or any other channel it deems appropriate);
- (f) Upon cancellation of the licence / notice to cease business, the PSP shall immediately cease from providing digital payment services and redeem all User Funds within fourteen (14) calendar days after such cancellation. Failure to do so may lead to further imposition of corrective measures by the Central Bank.

D.2.8. Ownership requirements

- (a) A PSP shall meet the ownership requirements detailed in-
 - i. *Section E.2.2 - Retail PSP;*
 - ii. *Section F.2.2 - Micropayments PSP; or*
 - iii. *Section G.2.2 - Government PSP.*

D.2.9. Capital requirements

PSPs shall:

- (a) Hold a minimum initial capital at the time of authorization as per Section I.2;
- (b) Maintain sufficient amounts of cash and liquid assets to meet the full redemption value of the corresponding payment instruments;
- (c) Ensure that the minimum capital requirement is fully secured by a bank guarantee as approved by the Central Bank. (Government PSPs are excluded).

D.2.10. Governance

- (a) A PSP shall establish/ensure effective governance arrangements and adequate quality of its digital payment services, to the satisfaction of the Central Bank;
- (b) Governance Arrangements in Section D.2.10(a) above shall include-
 - i. *A Board of Directors consisting of persons with credibility, integrity, and knowledge in payment systems;*
 - ii. *A defined organization structure, including (but not limited) to ownership and management structure;*
 - iii. *Internal control and audit functions to minimize the risk of fraud;*



- iv. *Appropriate systems and controls (including a competent compliance team) to monitor all payment transactions for each User, in terms of both volume and velocity; and*
 - v. *Documented Consumer protection, complaint management and dispute resolution measures.*
- (c) Retail and a Micropayments PSPs must meet additional governance requirements as per:
- i. *Section E.2.3 - Retail PSP; or*
 - ii. *Section F.2.3 - Micropayments PSP.*

D.2.11. Safeguarding requirements

- (a) A PSP shall establish a separate account with one (1) or several commercial banks to safeguard User Funds. The PSP shall:
- i. *Ensure all received funds are placed in a ring-fenced account at commercial bank exclusively dedicated for this purpose as approved by the Central Bank;*
 - ii. *Ensure that the account balance shall not at any time be less than the outstanding balance owed to Users;*
 - iii. *Not use the Funds to engage in any lending activity, including (but not limited to) the provision of credit and overdraft facilities;*
 - iv. *Not invest User Funds in any type of financial asset; and*
 - v. *Not transfer User Funds to another account used for other business activities.*
- (b) A PSP shall keep User Funds separately held and accounted from any other funds it holds for other business purposes;
- (c) A PSP must ensure that User Funds are covered by an insurance policy or a guarantee from a credit institution where the proceeds are payable in case of insolvency, as approved by the Central Bank. (Government PSPs are excluded);
- (d) This Section D.2.11 does not apply for Non-issuing PSPs.

D.2.12. Outsourcing

- (a) A PSP may enter into a contract with another institution to outsource its operational functions for the provision of digital payment services, provided that such services are established and carried out within the UAE, excluding UAE financial Free Zones, unless superseded by subsequent regulations issued by the Central Bank;
- (b) A PSP that intends to outsource any operational functions under Section D.2.12(a) *above* must seek written approval from the Central Bank at least three (3) months prior to the implementation of any outsourcing contract;



- (c) A PSP shall not outsource any critical operational functions in such a way as to impair the:
- i. *Quality of internal controls; and*
 - ii. *Ability of the Central Bank to monitor and enforce compliance of this REGULATION.*
- (d) Where the PSP outsources a material operational function, the PSP shall ensure the:
- i. *Outsourcing does not result in any delegation of responsibilities/ compliance of its senior management to this REGULATION;*
 - ii. *Compliance of AML/CFT Laws and Cybercrime Laws;*
 - iii. *Relationship and obligations of the PSP towards its Users is maintained and;*
 - iv. *PSP remains compliant with the legal and licencing requirements as per this REGULATION;*
 - v. For the purposes of Sections D.2.12(c) and (d) an operational function is deemed materially important if a defect / failure in its performance would materially impact the:
 1. *Continued compliance of the PSP with the licencing requirements under this REGULATION;*
 2. *Financial performance of the PSP; or*
 3. *Soundness and continuity of the PSP's digital payment services.*
- (e) Section D.2.12 shall not apply to Non-issuing PSPs.

D.3. Registration

D.3.1. User Registration - KYC and customer due diligence requirements

- (a) A PSP must comply with the KYC requirements as per -
- i. *Section E.3.1 - Retail PSP;*
 - ii. *Section F.3.1 - Micropayments PSP; or*
 - iii. *Section G.3.1- Government PSP.*
- (b) This Section D.3.1 shall not apply for Non-issuing PSPs.

D.3.2. User Registration -Fees

A PSP shall not impose any charges for User Registration.



D.3.3. User verification process

A PSP shall ensure adequate systems /procedures are in place to verify User identity.

D.3.4. Registration of agents

- (a) A PSP may enter into an agreement with an Agent to carry out certain activities, as defined in Section D.3.5 on its behalf, provided the Agent is included in the List;
- (b) A PSP shall exercise proper due diligence when appointing an Agent;
- (c) When a PSP intends to appoint a new agent, it shall provide the following information to the Central Bank in writing at least three (3) months prior to the commencement of the agreement:
 - i. *Name and address of the Agent;*
 - ii. *Description of the internal control mechanisms used by the Agent(s) to ensure compliance with AML requirements*
 - iii. *Identity of the directors and the persons responsible for the management of the Agent;*
 - iv. *Document of registration including certificate of incorporation and the articles of association of the Agent ;*
 - v. *Copy of the PSP'S risk assessment conducted on the Agent;*
 - vi. *List of owners and ownership structure of the Agent; and*
 - vii. *Supporting documents relating to the Agent's financial soundness.*
- (d) Upon receiving such information in Section D.3.4(c), the Central Bank shall decide, within thirty (30) days, whether to include the Agent on the List;
- (e) The Central Bank may refuse to include the Agent on the List if it-
 - i. *Has not received the required information as per Section D.3.4 or the information is deemed unsatisfactory;*
 - ii. *Has reason to suspect that the risk of money laundering or terrorism activities will significantly increase as a result of the services to be provided by the Agent; or*
 - iii. *It deems the directors / persons responsible for the management of the Agent are unfit.*
- (f) If the Central Bank refuses to record the Agent on the List, it shall give the PSP a written notice seeking the latter's representation as to why the Agent should be listed and allow the PSP fifteen (15) days to reply;
- (g) The Central Bank shall consider any representations made by the PSP in response to such notice (Section D.3.4(f) above) and if the Central Bank decides



- i. To include the Agent in the List, it shall notify the PSP and provide the effective date on which the registration takes effect; or*
- ii. Not to include the agent in the List, it shall give the PSP a written notice of its decision with reasons for rejection within thirty (30) days thereof.*

D.3.5. Use of Agents

- (a) An Agent may, on behalf of the PSP-
 - i. Register Users for services offered by the PSP;*
 - ii. Provide cash services; and*
 - iii. Send, receive, or process payments.*
- (b) Where the agent is carrying out services as per Section D.3.5(a) the Agent must-
 - i. Have systems to verify User identity; and*
 - ii. Satisfy the User registration and KYC requirements under Section D.3.1.*
- (c) An Agent may provide services to multiple PSPs provided that it maintains a separate:
 - i. Book of accounts for transactions it carries out for each PSP;*
 - ii. KYC documents pertaining to each PSP; and*
 - iii. Agreement with each PSP.*
- (d) A PSP shall maintain effective oversight over the activities handled by each Agent it uses to the satisfaction of the Central Bank.
- (e) A PSP shall have the ability to track and maintain records of the payment transactions carried out by each Agent it uses, to the satisfaction of the Central Bank.

D.3.6. Removal of an Agent

- (a) The Central Bank may remove an Agent from the List if the:
 - i. PSP requests the Agent's removal;*
 - ii. PSP was granted approval of the registration through false / incomplete information;*
 - iii. Agent's provision of digital payment services is unlawful; or*
 - iv. Removal is necessary to protect consumer interest and the integrity of the UAE payments system.*
- (b) If the Central Bank decides to remove an Agent from the List, other than at the request of the PSP, it shall notify the PSP in writing and publish such information on its website.



D.3.7. Liability of Agents

- (a) PSPs will remain liable and accountable to Users for the conduct of their agents;
- (b) Any agreement entered with an Agent shall not exclude PSPs from liability.

D.4. Payment initiation and authorization

D.4.1. Issuance of payment instruments

- (a) A Non-issuing PSP shall not issue digital money;
- (b) A PSP (that isn't a Non-issuing PSP), can only issue a Payment Instrument against United Arab Emirates Dirhams (AED);
- (c) Any digital payment service via the Payment Instrument must be in United Arab Emirates Dirhams (AED);
- (d) The Payment Instrument can be in the form of digital money, which can be electronically/ magnetically stored.

D.4.2. Funding mechanisms

A Payment Instrument (as per this REGULATION) shall only be funded through the payment mechanisms defined in Section A.1;

D.4.3. Funding limits

- (a) The Load Limit on issued Payment Instruments shall not exceed the amount specified in Section I.3;
- (b) The Central Bank reserves the right to issue revised load limits (as it deems necessary) via a Circular/ Notice, replacing the limits in Section D.4.3(a) above.

D.4.4. Transaction limits

- (a) A single payment transaction via a Payment Instrument shall not exceed the amount in Section I.3;
- (b) The Central Bank reserves the right to issue revised transaction limits (*as it deems necessary*) via a Circular/ Notice, replacing the limits in Section I.3;

D.4.5. Spending limits

- (a) A PSP shall set daily spending limits on the use of its Payment Instruments by a single User as per Section I.3;



- (b) The Central Bank reserves the right to issue revised Spending Limits (*as it deems necessary*) via a Circular/ Notice, replacing the limits in Section 1.3.

D.4.6. Minimum information to be communicated to the Payer

- (a) The Payer's PSP shall promptly communicate the following information to the Payer upon receiving a payment order:
- i. *A unique reference number enabling the Payer to identify the payment transaction;*
 - ii. *The payment transaction amount (including any charges therewith payable by the Payer);*
 - iii. *The identity of the Payee, if available; and*
 - iv. *The date on which the payment order was placed.*

D.4.7. Minimum Information to be communicated to the Payee

- (a) The Payee's PSP shall promptly communicate the following information to the Payee upon the execution of a payment transaction-
- i. *A unique reference number enabling the Payee to identify the payment transaction;*
 - ii. *The payment transaction amount (including any charges therewith payable by the Payee);*
 - iii. *The identity of the Payer, if available; and*
 - iv. *The credit value date*

D.4.8. Charges for information

- (a) A PSP shall not charge the User for costs related to fulfilling its information obligations set in Sections D.4.6 and D.4.7
- (b) The PSP may agree with the User on charges for any information requested by the User in instances where such information is-
- i. *Supplementary to the information required Sections D.4.6 and D.4.7; or*
 - ii. *Transmitted through channels other than those specified in the terms and conditions.*

D.4.9. User Consent

- (a) A payment transaction is considered as authorized once the User has provided written consent to the execution of the payment transaction.
- (b) Consent may be-
- i. *Prior to the payment transaction, if agreed between the PSP and the User (e.g.: direct debit) or;*



- ii. *After the execution of the payment transaction*

D.4.10. Obligations of the PSP and User

- (a) Users of a Payment Instrument must comply with the terms of its issuance and use.
- (b) A PSP issuing a Payment Instrument must ensure that -
 - i. *The Payment Instrument is not accessible to persons other than the User to whom the Payment Instrument was issued; and*
 - ii. *The User of the payment instrument possesses the effective means to notify the PSP of a loss, theft, or unauthorized use of the payment instrument*

D.4.11. Unauthorized / Incorrectly executed payment transactions

A User must notify the PSP of any unauthorized/ incorrectly executed payment transaction no later than thirty (30) days from the debit value date.

D.5. Payment execution & processing

D.5.1. Fees and charges

- (a) A PSP may only charge a User for the execution of a payment transaction, as per Section I.4
- (b) The Central Bank reserves the right to issue a revised list of charges (as it deems necessary) via a Circular/ Notice, replacing the charges in Section I.4 as it deems appropriate
- (c) Charges for payment transactions must be transparent to the User expressly agreed to by the User in advance.
- (d) A PSP shall not charge the User for-
 - i. *cash-in transactions and;*
 - ii. *cash-out transactions.*
- (e) The PSP may charge for cancellation of payment orders made in accordance with section D.5.7

D.5.2. Liability of PSPs

- (a) The PSP shall be liable for the correct execution of the payment transaction initiated by the Payer
- (b) The PSP shall promptly restore the Payer's debited payment account to its original state had there been no deficiency in the payment



transaction, (refunding the full amount of any incorrect payment transaction)

- (c) As for unauthorized payment transaction(s), (without prejudice to Sections D.4.10 and D.4.11) the PSP must immediately refund the full amount of the unauthorized payment to the Payer, except where the PSP can prove the User has acted fraudulently
- (d) The PSP is liable for the sum total of losses incurred by the Payer related to any unauthorized transaction, if it does not fulfil its obligations under Section D.4.10 except where the PSP can prove that the User has acted fraudulently.

D.5.3. Liability of Commercial Banks

- (a) A commercial bank holding User funds on behalf of a PSP shall be liable for safeguarding and protecting the funds.
- (b) The commercial bank shall ensure satisfactory contractual agreements are in place with the PSP, clearly defining responsibilities/liabilities relating to breach of legal/regulatory measures.

D.5.4. Liability of the User

- (a) The User's liability for a Payment Instrument is detailed in the relevant category:
 - i. *Section E.4.1 - Retail PSP;*
 - ii. *Section F.4.1 - Micropayments PSP;*
 - iii. *Section G.4.1 - Government PSP.*
- (b) For Users of a Non-issuing PSP, the liability is determined by Payment Instruments used for executing transactions.

D.5.5. Receipt of payment orders

- (a) The time of receipt of payment orders is defined as the time when the payment order is received by the payer's PSP.
- (b) If the time of receipt is not on a business day / after cut-off hours set by the PSP, then the time of receipt of the payment order shall be determined on the following business day.

D.5.6. Refusal of payment orders

- (a) Where the PSP refuses to execute a payment order, it must notify the User of the refusal and where possible, the reasons for such refusal.



- (b) The PSP shall not refuse to execute an authorized payment order if all the conditions set out in the terms and conditions governing the use of the payment instrument are met.

D.5.7. Revocation of payment orders

- (a) A User shall not revoke a payment order once it has been received by the PSP (as per Section D.5.5) unless otherwise specified in this Section D.5.7
- (b) A payment order can be revoked only if agreed between the User and the PSP.
- (c) As for a direct debit transaction, the Payer may revoke the payment order one (1) day prior to the agreed date of the direct debit.

D.5.8. Transfer of payment amount

- (a) PSPs of both Payer/ Payee must ensure that the full amount of the payment transaction is transferred.
- (b) The User and the PSP may agree to deduct charges from the amount to be transferred prior to crediting (such amount) to the Payee

D.5.9. Screening of transactions

- (a) PSPs shall only use systems capable of screening transactions in compliance with the AML/CFT Laws.
- (b) Such systems shall be capable of blocking the use of Payment Instruments exhibiting suspicious patterns for a period of time until the User (of the Payment Instrument) has satisfactorily provided additional verification and accounted for such patterns.
- (c) PSPs must screen every transaction, against money laundering and terrorism financing for amounts that exceed the threshold as per the AML/CFT Laws or any Notice issued by the Central Bank.
- (d) The threshold will be reviewed by the Central Bank and may be subject to change from time to time. Screening systems should be capable of updating the threshold amounts at relatively short notice.
- (e) PSPs must submit suspicious transaction reports (STRs) relating to money laundering and terrorist financing to the AMLSCU division of the Central Bank within five (5) working days of detection, as per the AML/CFT Laws.
- (f) PSPs should have the ability to block further use of Payment Instruments exhibiting suspicious patterns of activity, until the User has satisfactorily provided additional verification and accounted for the patterns which gave rise to the blockage.



D.5.10. Value date and availability of funds

- (a) In case of a cash-in transaction, a PSP must ensure that the funds are made immediately available for use by the User upon receipt of the funds by the PSP.
- (b) The Payer's PSP must ensure that the amount of the payment transaction is credited to the Payee's PSP within one (1) working day of receiving the payment order, at the latest.
- (c) The credit value date for the Payee's payment account must not be later than the business day on which the amount of the payment transaction is credited to the Payee's PSP.

D.5.11. Settlement via Designated Payment Systems

- (a) All payment transactions shall be settled via Settlement Institution.
- (b) For the purpose of this Section D.5.11, a Settlement Institution refers to
 - a-
 - i. *Designated Payment System by the Central Bank; or*
 - ii. *Commercial Bank providing Settlement*
- (c) PSPs shall ensure they meet the technical and security requirements of the Settlement Institution
- (d) PSPs shall connect to the Settlement Institution's Payment Systems and send all payment transactions as per the terms set by the Settlement Institution.
- (e) PSPs already conducting transaction settlements with Designated Payment Systems (e.g. UAEFTS) shall continue to do so as per the contractual agreements with the Central Bank and are exempt from Sections D.5.11(a) to (c).
- (f) The Central Bank reserves the right to request a PSP to change its Settlement Institution where it deems necessary

D.6. Support / Consumer protection

D.6.1. User data privacy & protection

- (a) PSPs shall store all User identification data and transaction records.
- (b) Such information shall be kept confidential and can only be made available:
 - i. *To the corresponding User;*
 - ii. *To the Central Bank*
 - iii. *To other regulatory authority following prior approval of the Central Bank;*



-
- iv. *By a UAE court order*
 - (c) PSPs shall not process or share the personal data provided by Users, unless necessary as per AML /CFT laws.
 - (d) PSPs must store and retain all User and transaction data exclusively within the borders of the UAE, (excluding UAE financial Free Zones), for a period of five (5) years from the date of the original transaction.
 - (e) Details of Users' personal information must be stored for a minimum of five (5) years from the date the User relationship is terminated.
 - (f) No User or transaction_data shall be stored outside the UAE.

D.6.2. Customer Service Agreements

- (a) A PSP shall enter into a Customer Service Agreement with every User, in paper or electronic form.
- (b) The Customer Service Agreement shall at a minimum include the following:
 - i. *A detailed description of the services offered;*
 - ii. *Registration requirements to open a payment account;*
 - iii. *Privacy policy of the PSP;*
 - iv. *Conditions and procedures for executing payment transactions and services;*
 - v. *Suspension, termination, and freezing of accounts;*
 - vi. *Dispute resolution mechanisms and governing law;*
 - vii. *Warranties and liabilities and;*
 - viii. *Disclosure and data protection*

D.6.3. Customer Support Services

PSPs shall (by the date of commencing operations), establish a Customer Support Service enabling Users to make inquiries and file complaints concerning its services.

D.6.4. Dispute Resolution

- (a) PSPs shall implement clear mechanisms to address User complaints and disputes, as per any guidelines / code of conduct issued by the Central Bank.
- (b) Any User complaint shall be notified to the PSP within sixty (60) days from the date of occurrence.



- (c) The PSP shall provide the User, within three (3) days of receipt of such complaints, with sufficient information to track the complaint including-
 - i. *A unique reference number; and*
 - ii. *The date on which the complaint was filed.*
- (d) The PSP shall resolve all complaints within sixty (60) days of being filed and notify the User of the outcome.
- (e) Users dissatisfied with the outcome of the complaint, may appeal to the Central Bank.

D.7. Common provisions

D.7.1. Interoperability

- (a) PSPs shall use systems capable of interoperating / integrating with other UAE payment systems.
- (b) PSPs shall make available to other PSPs such technical terms and conditions necessary to ensure that each payment system can interoperate and shall enter into similar interoperability agreements with other PSPs in the UAE.
- (c) PSPs shall not interoperate with another PSP if this would damage/ disrupt its payment systems or breach any necessary terms of security and User protection as per Section D.7.3
- (d) In the event that a PSP is unable (in good faith), to enter into an interoperability agreement with another PSP within sixty (60) days, such PSP shall refer the matter to the Central Bank.

D.7.2. Prohibited digital payment services

- (a) Payment transactions from a Payer's prepaid card to a Payee's prepaid card are prohibited.
- (b) The Central Bank will keep the list of prohibited digital payment services under review and publish the revised list accordingly.

D.7.3. Provisions for Virtual Currencies

All Virtual Currencies (and any transactions thereof) are prohibited

D.7.4. Risk management and security requirements

PSPs shall:



-
- (a) Comply with any technical standard(s) issued by the Central Bank, including (but not limited to) PCI and EMV compliance.
 - (b) Meet all of the latest relevant principles and standards for financial market infrastructures, (i.e.; PFMI)
 - (c) Conform to any other international standards set out by the standard setting bodies and any risk management guidelines issued by the Central Bank.
 - (d) Have in place a comprehensive risk management system relevant to its operations featuring the following:
 - i. *Clear delineation of responsibility for risk management;*
 - ii. *Adequate risk measurement systems;*
 - iii. *Appropriately structured risk limits;*
 - iv. *Effective internal control; and*
 - v. *Timely and efficient risk reporting systems*
 - (e) Ensure that the technology used in the provision of the digital payment services is characterized by security measures which meet the minimum standards, (as issued by Central Bank from time to time)
 - (f) Implement measures and procedures to ensure adequate levels of operational reliability, including disaster recovery and business continuity procedures.

D.7.5. External Audit

- (a) PSPs shall appoint a third-party auditor to carry out periodical audits on its business
- (b) The third-party auditor should be rotated at a maximum every 5 (five) years.
- (c) PSPs shall bear the costs of all expenses related to services provided by the Auditor.
- (d) Central Bank may require information / reports from the Auditor in relation to the services carried out.

D.7.6. Non-compliance Implications

- (a) A PSP is in offence/breach_of this REGULATION in the event that it-
 - i. *Contravenes a requirement imposed on them;*
 - ii. *Fails to comply with any provision of this REGULATION;*
 - iii. *Provides false / misleading information; or*
 - iv. *Breaches any UAE law;*
- (b) The Central Bank shall notify the PSP of its offence(s) via a written warning notice.
- (c) The warning notice shall define the terms of relevant corrective measures



(d) The PSP shall remedy the violations as per the Central Bank's directives.

D.7.7. Offences

- (a) Digital payment service(s) in the UAE shall only be provided if such person(s) is a licenced/authorized PSP as per this REGULATION.
- (b) A person who is not a PSP as per this REGULATION shall not describe themselves as such (in any terms) or behave in a manner indicating it is a PSP.
- (c) A person who contravenes this Section D.7.7 shall be guilty of an offence and liable to a penalty as per Section I.5

D.7.8. Transitional provisions

- (a) Any PSP that commenced the provision of digital payment services in the UAE prior to this REGULATION shall take all measures to comply with it within one (1) year from the date of its issuance.
- (b) PSPs failing to comply with Section D.7.8(a) above shall be mandated to cease their services within the UAE.



E. Additional Regulatory Requirements for Retail PSPs

E.1. Scope

E.1.1. Eligible Institutions

An Institution qualifies as a Retail PSP if it-

- (a) Is a commercial bank and authorized as per Section D.2.1 or;
- (b) Holds a Retail PSP licence as per Section E.2

E.1.2. Eligible digital payment services

The following digital payment services can be offered:

- (a) Cash-in services, enabling cash to be placed in a digital payment account;
- (b) Cash-out services, enabling cash withdrawals from a digital payment account;
- (c) Retail credit and debit digital payment transactions;
- (d) Government credit and debit digital payment transactions;
- (e) Peer-to-peer digital payment transactions; and
- (f) Money remittances.

E.2. Licencing of PSPs

E.2.1. Documents for Retail PSP licence application

- (a) An applicant applying for a Retail PSP license must demonstrate to the Central Bank that it is robust and can meet the Central Bank's requirements as per the Licensing Manual.
- (b) An application for a Retail PSP licence must be accompanied by the following:
 - i. *Registration documents (including certificate of incorporation and the Articles of Association);*
 - ii. *The business model, specifically outlining the type of digital payment services and payment instruments envisaged;*
 - iii. *A business plan including a financial forecast for the first three (3) years of operations;*



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- iv. *The identity of person(s) holding shares in the applicant, directly /indirectly and the size of their holdings;*
 - v. *The identity of the applicant’s director(s) and person(s) responsible for the management of the institution;*
 - vi. *Evidence that the applicant holds the minimum initial capital required as per Section D.2.9;*
 - vii. *A certified copy of the bank guarantee on the initial capital as per Section D.2.9;*
 - viii. *A description of the applicant’s governance model, demonstrating that it complies with the governance requirements set out in Section D.2.10 including compliance measures with the AML/CFT Laws;*
 - ix. *A description of the measures implemented to ensure adequate levels of operational reliability, including disaster recovery and business continuity mechanisms as per Section D.7.4;*
 - x. *A copy of the system rulebook, detailing the operational rules of the envisaged payment scheme;*
 - xi. *A description of measures taken to comply with the requirements for safeguarding of User funds as per Section D.2.11 accompanied by a letter from the sponsoring bank(s); and*
 - xii. *A description of how the Applicant will settle payment transactions accompanied by a certified copy of the agreement with a settlement bank or a designated payment system.*

E.2.2. Ownership requirements

A commercial bank or a consortium of commercial banks must own more than fifty percent (50%) of the total outstanding shares of the Retail PSP

E.2.3. Governance

- (a) In addition to the governance arrangements outlined in Section D.2.10, a Retail PSP must satisfy the governance requirements outlined in this Section E.2.3
- (b) A Retail PSP may engage in the following activities other than the provision of digital payment services:
 - i. *Provision of ancillary payment activities such as storing and processing of data, and execution of payment transactions; and*
 - ii. *Operation of a payment system.*



- (c) Where a Retail PSP is engaged in non-payments business activities other than those in Section E.2.3(b) above, the Central Bank shall require the establishment of a separate corporate entity for the digital payment service business, such that:
- i. *The separate entity must be incorporated in the UAE, (excluding UAE financial Free Zones); and*
 - ii. *The separate entity must maintain a separate management structure and keeps a separate book of accounts for its digital payment services business.*

E.3. Registration

E.3.1. KYC & Customer due diligence requirements

- (a) A Retail PSP and its Agents must comply with requirements under AML/CFT Laws and this Section E.3
- (b) Where the User is a natural person, the Retail PSP shall (at a minimum), require the submission of the following documents:
- i. *An original copy of the Emirates ID card / a valid passport;*
 - ii. *Current address and;*
 - iii. *Place of work.*
- (c) Where the User is a legal person, a Retail PSP shall, (at a minimum) require the submission of the following documents-
- i. *Commercial or Federal registration certificate;*
 - ii. *Copy of passports of authorized signatories; and*
 - iii. *Public companies, the name and addresses of shareholders whose shareholding in the company exceed five percent (5%).*
- (d) Enhanced due diligence processes should be applied with respect to High Risk Users which includes foreign Politically Exposed Persons ('PEPs'), correspondent banks and specific businesses and individuals dealing in precious metals and stones, real estate, luxury goods, auction houses, private banking users and non-resident account holders.
- (e) Account opening policy and procedures must be in accordance with established AML legislation and Central Bank regulations.

E.4. Liability

E.4.1. Liability of the User

- (a) The User shall be liable for losses up to one hundred percent (100%) of the transaction value related to any unauthorized payment transaction if



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- proven that the User has failed to protect any payment instrument from misappropriation / misuse.
- (b) The User shall be liable for all the losses related to any unauthorized payment transaction if he has-
 - i. *Acted fraudulently; or*
 - ii. *Failed to fulfil his obligations under Section D.4.10*
 - (c) The User shall not bear any liability related to any unauthorized payment transactions if the Retail PSP has been notified as per Section D.4.11 (except in the event of fraud)



F. Additional Regulatory Requirements for Micropayment PSPs

F.1. Scope

F.1.1. Eligible institutions

- (a) An institution qualifies as a Micropayments PSP if it-
 - i. *Is a commercial bank and authorized to provide digital payment services as per Section D.2.1*
 - ii. *Holds a micropayments licence as per Section D*
- (b) To be eligible to apply for a micropayments licence, an institution must be a:
 - i. *Telecommunications Service Provider /operator licenced by the TRA as per the Federal Law by Decree No. (3) of 2003 Regarding the Organization of Telecommunications Sector and any amendments thereof.*
 - ii. *UAE licensed money exchange business; or*
 - iii. *Corporate entity providing transport services and licenced by the National Transport Authority.*

F.1.2. Eligible digital payment services

The following digital payment services can be offered:

- (a) Cash-in services; enabling cash to be placed in a digital payment account;
- (b) Cash-out services; enabling cash withdrawals from a digital payment account;
- (c) Retail credit and debit digital payment transactions;
- (d) Government credit and debit digital payment transactions; and
- (e) Peer-to-peer digital payment transactions;

F.2. Licencing of PSPs

F.2.1. Application for Micropayments PSP licence

An applicant applying for a Micropayments PSP license must demonstrate to the Central Bank that it is robust and can meet the Central Bank's requirements as per the Licensing Manual.



F.2.2. Ownership requirements

- (a) The Micropayments PSP shall be majority owned by one (1) or a consortium of the following institutions-
- i. *A Commercial Bank*
 - ii. *A Telecommunication Service Provider / Operator*
 - iii. *A Transport Services Entity and;*
 - iv. *A Monetary / Financial intermediary*

F.2.3. Governance

- (a) In addition to the governance arrangements outlined in Section D.2.10 a Micropayment PSP must satisfy the governance requirements in this Section F.2.3
- (b) Where a Micropayments PSP is engaged in non-payments business activities, it shall establish a separate entity for the digital payment services business which:
- i. *Is incorporated in the UAE, (excluding UAE financial Free Zones) and;*
 - ii. *Maintains both a separate management structure and books of accounts for its digital payment services business*

F.3. Registration

F.3.1. User Due Diligence & KYC Requirements by Micropayment PSPs

- (a) Where the User is a natural person, submission of any of the following original identity document (and copy) is required:
- i. *Emirates ID card;*
 - ii. *Valid passport, (including a copy of a valid UAE visa for non-UAE nationals) or;*
 - iii. *GCC ID, (for GCC nationals)*
- (b) Where the User is a legal entity, submission of any of the following (applicable) documents is required:
- i. *Certificate of Incorporation;*
 - ii. *Partnership Agreement; or*
 - iii. *Trust Deed.*



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- (c) Micropayments PSPs shall identify the beneficial owners of the Legal entity as per Section F.3.1(b) above
 - (d) Where the User is publicly listed on a stock exchange and subject to regulatory disclosure requirements, it is not necessary to identify the beneficial owners as per Section F.3.1(c)
 - (e) Micropayments PSPs shall perform due diligence measures to its existing Users (as deemed appropriate) without compromising the requirements of this Section F.3

F.4. Liability

F.4.1. User's Liability

- a. The User shall be liable for losses up to one hundred percent (100%) of the transaction value related to any unauthorized payment transaction if proven that the User has failed to protect any payment instrument from misappropriation / misuse.
- b. The User shall be liable for all losses related to any unauthorized payment transaction if he has:
 - i. *Acted fraudulently or;*
 - ii. *Failed to fulfil his obligation under Section D.4.10*
- c. The User shall not bear any liability related to any unauthorized payment transaction where he has notified the Government PSP as per Section D.4.11, (except in the case of fraud)



G. Additional Regulatory Requirements for Government PSPs

G.1. Scope

G.1.1. Eligible institutions

- (a) An applicant qualifies as a Government PSP if it holds a Government PSP licence as per this REGULATION.
- (b) To be eligible to apply for a Government PSP licence, an institution must be a-
 - i. *Federal Ministry / Authority; or*
 - ii. *Local Government Authority*

G.1.2. Eligible digital payment services

The following digital payment services can be offered:

- (a) cash-in services, enabling cash to be placed in a digital payment account;
- (b) cash-out services, enabling cash withdrawals from a digital payment account;
- (c) Government credit and debit digital payment transactions;

G.2. Licencing of PSPs

G.2.1. Required documents for a Government PSP licence application

An application for a Government PSP licence shall be as per the Licensing Manual

G.2.2. Ownership requirements

- (a) A Government PSP shall be majority owned by one (1) or a consortium of the following institutions:
 - i. *a Federal Ministry / Authority; or*
 - ii. *a local Government Authority*



G.3. Registration

G.3.1. KYC and customer due diligence requirements by Government PSPs

- (a) Where the User is a natural person, submission of any of the following original identity document (and copy) is required:
 - i. *Emirates ID card;*
 - ii. *Valid passport, (including a copy of a valid UAE visa for non-UAE nationals) or;*
 - iii. *GCC ID, (for GCC nationals)*
- (b) Where the User is a legal entity, submission of any of the following (applicable) documents is required:
 - i. *Certificate of Incorporation;*
 - ii. *Partnership Agreement; or*
 - iii. *Trust Deed.*
- (c) Government PSPs shall identify the beneficial owners of the Legal entity as per Section G.3.1(b) above
- (d) Where the User is publicly listed on a stock exchange and subject to regulatory disclosure requirements, it is not necessary to identify the beneficial owners as per Section G.3.1(c)
- (e) Government PSPs shall perform due diligence measures to its existing Users (as deemed appropriate) without compromising the requirements of this Section G.3

G.4. Liability

G.4.1. User's Liability

- (a) The User shall be liable for losses up to one hundred percent (100%) of the transaction value related to any unauthorized payment transaction if proven that the User has failed to protect any payment instrument from misappropriation / misuse.
- (b) The User shall be liable for all losses related to any unauthorized payment transaction if he has:
 - iii. *Acted fraudulently or;*
 - iv. *Failed to fulfil his obligation under Section D.4.10*



- (c) The User shall not bear any liability related to any unauthorized payment transaction where he has notified the Government PSP as per Section D.4.11, (except in the case of fraud)



H. Additional Regulatory Requirements for Non-Issuing PSPs

H.1. Scope

H.1.1. Eligible institutions

An institution qualifies as a non-issuing payment institution if it holds a Non-issuing PSP licence as per Section D of this REGULATION

H.1.2. Eligible digital payment services

(a) The following digital payment services can be offered:

- i. *Retail credit/ debit digital payment transactions;*
- ii. *Government credit and debit digital payment transactions; and*
- iii. *peer-to-peer digital payment transactions;*

(b) Non-issuing PSP shall not issue digital money

H.2. Licencing of PSPs

H.2.1. Application for Non-issuing PSP licence

An application for a Non-issuing PSP licence must be accompanied by the requirements as per the Licensing Manual.



I. Schedules

1.1. PSP Application Forms and Fees

Application forms and fees for a PSP License/ renewal shall be as per the Licensing Manual

1.2. Capital requirements and validity of PSP licence

Capital requirements and validity of PSP licence shall be as per the Licensing Manual

1.3. Limits on payment instruments

PSP Licence	Funding Limits (monthly)	Holding Limits (maximum)	Transaction Limits per transaction)	Maximum Spending Limits (daily)
Retail PSP	AED25,000	AED25,000	AED10,000	AED25,000
Micropayments PSP	AED800	AED800	Type of payments: <ul style="list-style-type: none"> • Retail: AED 500 • Government: AED 800 • Peer-to-Peer: AED 500 	AED800
Government PSP	n/a	n/a	n/a	n/a
Non-issuing PSP	n/a	n/a	n/a	n/a



1.4. Customer Charges and Fees

PSP Category	Account set-up Fees	Transaction processing Fees
Retail PSP	<i>No fees shall be charged</i>	<ul style="list-style-type: none"> <i>i. Max floating fee of 0.5% of transaction amount</i> <i>ii. Max fixed fee of AED 1</i> <i>iii. Maximum total transaction fee capped at AED 10</i>
Micropayments PSP	<i>No fees shall be charged</i>	<ul style="list-style-type: none"> <i>i. Max floating fee of 0.5% of transaction amount</i> <i>ii. Max fixed fee of AED 1</i> <i>iii. Maximum total transaction fee capped at AED 5</i>
Government PSP	<i>No fees shall be charged (* for government services, established government fees apply.</i>	<ul style="list-style-type: none"> <i>i. Max floating fee of 0.5% of transaction amount</i> <i>ii. Max fixed fee of one AED 1</i> <i>iii. Maximum total transaction fee capped at AED 10</i> <p><i>(* for government services, established government fees apply</i></p>
Non-issuing PSP	<i>No fees shall be charged</i>	<ul style="list-style-type: none"> <i>i. Max floating fee of 0.5% of transaction amount</i> <i>ii. Max fixed fee of AED 1</i> <i>iii. Maximum total transaction fee capped at AED 5</i>

1.5. Administrative Penalties

Will be updated as applicable.



J. Interpretation:

Any Clarification or interpretation of the provisions of this regulation may be sought from the Central Bank whose interpretation shall be final.

K. Conflict with Other Regulations:

The provisions of any other regulation will not apply to the extent that they contradict the provisions of this regulation.

L. Publication and Effective Date:

This Regulation shall be published in the official gazette and become effective from 1st of January 2017.

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