

13 June 2023

Circular BM 1192

**To: All Licensed Banks
Payment Service Providers (PSPs)
Finance and Leasing Companies (FLCs)
Money Exchange Establishments (MEEs)
Operating in the Sultanate of Oman**

After compliments,

Subject: Licensing Policy for Payment Service Providers & Ancillary Payment Service Activities in the Sultanate of Oman

The Central Bank of Oman has been making consistent efforts to promote digital payments in the country, while maintaining their safety and security.

Improvements in technology, coupled with growing demand for digital payment methods, are increasingly reshaping the way payments are made. Changes in consumer preferences and technological innovation have encouraged competition and diversity in payments. As such, the payment landscape now includes fintech driven Payment Service Providers (PSPs).

As part of strengthening the regulatory framework of non-bank entities offering payment services, emerging requirements in perspective and the valuable feedback provided by Oman Banks Association, Payment Service Providers and other licensed institutions, the Central Bank of Oman has framed the Licensing Policy for Payment Service Providers & Ancillary Payment Service Activities in the Sultanate of Oman, which is attached.

The policy covers aspects relating to licensing, minimum capital, operations/activities of PSPs, safeguarding customer funds through maintaining Trust accounts, risk management and cybersecurity, requirements related to AML/CFT, consumer protection, operations of ancillary payment service activities, etc.

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While the policy shall come into effect from the date of issue of this circular, in order to enable smooth transition by existing licensed institutions from earlier instructions or any dispensations allowed by the Central Bank in this regard, are permitted to confirm their positions to the requirement of this policy latest by December 31, 2023.

All licensed institutions and other stakeholders shall take due note of this policy and ensure compliance accordingly.

Best regards,


Tahir Salim Al Amri
Executive President



Encl: Licensing Policy for Payment Service Providers (PSPs) & Ancillary Payment Service Activities in the Sultanate of Oman



البنك المركزي العُماني
Central Bank of Oman

Licensing Policy for Payment Service Providers (PSPs) & Ancillary Payment Service Activities in the Sultanate of Oman

(Version 1.01: June 2023)



Licensing Policy for Payment Service Providers (PSP) & Ancillary Payment Service Activities

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Licensing Policy for Payment Service Providers (PSP) & Ancillary Payment Service Activities

1. Preamble

- 1.1. This document is intended to provide guidance on the licensing criteria, process and continuing obligations for the Payment Service Providers and entities providing Ancillary Payment Services.
- 1.2. The document is to be read in conjunction with the provisions of the National Payment System Law 08/2018, the Executive Regulation 1/2019, the instructions, notice, and guidelines issued thereunder and with the applicable provisions of Banking Law 114/2000 and its related regulations.
- 1.3. The principles of sound governance, effective management, operational and control considerations shall be used as the overarching guidance for implementation of this Policy Document.
- 1.4. The Central Bank will update this Policy Document periodically (as and when deemed necessary) to provide further guidance to the market participants and new applicants.

2. Definitions

For the purposes of this document, the words and phrases contained therein shall have the meaning specified for each of them in the National Payment Systems Law, the Banking Law 114/2000 and Regulations BM 43/11/97 issued thereunder, and the following words and phrases shall have the meaning assigned to each of them unless the context requires otherwise:

- 2.1 **Central Bank** – Central Bank of Oman
- 2.2 **Board of Governors** – Board of Governors of Central Bank of Oman
- 2.3 **The Law or NPSL** – means the National Payment Systems Law (NPSL) 08/2018.
- 2.4 **The Banking Law** – means the Banking Law 114/2000.
- 2.5 **The Regulations** – means the Executive Regulations of the National Payment Systems Law (NPSL).
- 2.6 **Licensee** – means the legal person granted a license to practice the business of Payment Service Activities.



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- 2.7 **Licensing** – means the pre-written authorization and license issued to the licensee in accordance with the provisions of the Law to practice one or more of the Payment Service Activities.
- 2.8 **Cross Border Money Transfer (Remittance) Services** – are services offering cross border remittance services in the Sultanate of Oman, including both inbound and outbound services.
- 2.9 **Domestic Money Transfer Services** – Provision of domestic money transfer services within the Sultanate of Oman.
- 2.10 **Account Issuance Services** are services relating to any operation required for operating a payment account, such as E-wallet, Card Issuance including Pre-paid cards or a non-bank issued credit card to allow the users to pay merchants or transfer funds to another person.
- 2.11 **Online Market Place** – is a type of e-commerce website or an application that facilitates shopping from many different sources, and brings together multiple buyers and sellers to facilitate transactions. The operator of the market place does not necessarily own inventory.
- 2.12 **Closed Network Cards** – Cards issued for use to acquire goods or services at a single store or a group of stores; owned / operated by a single entity or operating within a chain of shopping center(s). No cash out is permitted for such Closed Network Cards.
- 2.13 **Operator** – means the party authorized to operate the system.
- 2.14 **Payment Service Provider (PSP)** – is the entity authorized by the Central Bank to provide payment services in the Sultanate of Oman.
- 2.15 **Participant** – is any party who is allowed to exchange, clear or carry out a settlement directly or indirectly through the system with other participants.
- 2.16 **Payment Instruments** – include tangible or intangible instruments that enable the person to obtain funds, goods or services, or to make payments and transfer funds, including - for example - checks and funds transfer through Automatic Teller Machines (ATMs) or Points of Sale (POS) or the internet or by the telephone and include payment cards, such as debit cards, credit cards or smart cards or cards storing electronic money.



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- 2.17 **Payment Aggregator (PA) Services** – are merchant acquiring services offered by connecting the e-commerce sites and merchants with the acquiring banks and PSPs, and facilitates the use of various payment instruments by the customers for completion of their payment obligations in return for goods and services offered by the merchants. The PAs aggregate the funds collected from the customers payment instruments (against goods and services supplied by a merchant and availed by the customers) to a **Custody Account** (maintained with a licensed bank in Oman) and then distribute the funds to the merchants within a defined period (as agreed between the PAs and the merchants).
- 2.18 **Payment Gateway (PG) Services** – are services that provide technology to route and facilitate processing of an online payment transaction between the customers and the merchant, without involvement in handling of funds. The PGs provide the connection to collect the funds from the customers instrument directly to the merchant's account maintained in an Omani bank.
- 2.19 **Security Deposit** – means the financial guarantee deposited by the Operator or Licensee in favour of the Central Bank of Oman, in accordance with the conditions laid down in the Executive Regulation 1/2019.
- 2.20 **Custody Account** – Is a trust account maintained with one of the licensed banks in Oman, maintained by entities offering Payment Service Activities and Ancillary Payment Services, to deposit the funds received from the public and/or funds due to merchants. The funds in Custody Account is separate from the other accounts the entity owns and these funds are to be managed independently.
- 2.21 **Payment Orders** – are the orders issued by the payer to the payment service provider, or to an intermediary for the purpose of payment to the beneficiary.
- 2.22 **Payment Services** – are all services connected with sending, receiving and implementing payment orders in local currency or foreign currency and include issuing and managing payment instruments and the operation of the payment systems.
- 2.23 **Payment Systems** – are all services and operations which are wholly or partly carried out in the Sultanate and are related to the sending, delivering and processing of payment orders or making remittances in local or foreign currency. They may also include issuing and management of payment instruments, or operating, managing and participating in the payment systems. All of these are carried out under the supervision and oversight of the Central Bank.



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2.24 **Settlement** – represents the actual execution of the rights and obligations of participants through the transfer of funds and securities.

3. Applicability

3.1 This Policy Document shall define the licensing and other related requirements for Payment Services Providers (PSPs) and entities offering Ancillary Payment Services, operating in the Sultanate of Oman.

3.2 This Policy Document, as well as the related annexures, will be effective from the respective dates of issuance thereof, unless otherwise specified.

4. Scope of Payment Services

4.1 Pursuant to Article (5) of the NPSL, any entity that conducts an activity relating to payment systems in Oman is required to hold a License from the Central Bank of Oman.

4.2 Some of the ancillary payment services (detailed in 4.3 below) carried out by entities operating in Oman are exempted from obtaining license from the Central Bank of Oman. However, all entities offering ancillary payment services need to register themselves with CBO, through a licensed bank / PSP with whom they are operating with.

4.3 Following is the classification of the terms of Licensing, Connectivity to Payment Systems and the type of activities that differentiate between a Payment Services Provider and entities offering Ancillary Payment Services:



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Particulars	Payment Service Activities	Ancillary Payment Services
Licensing and Type of Activities	<p>The following activities can be practiced in Sultanate of Oman, only after getting authorisation and License from the Central Bank of Oman as a Payment Services Provider:</p> <ul style="list-style-type: none"> ▪ Account Issuance Services (E-wallet, Card Issuance including Pre-paid cards) ▪ Cross Border Money Transfer (Remittance) Services ▪ Domestic Money Transfer Services ▪ Any other services approved by CBO from time to time <p>Note: A licensed PSP is permitted to carry out all types of Ancillary Payment Services</p>	<p>The following activities can be practiced in Sultanate of Oman without authorisation and License from the Central Bank of Oman:</p> <ul style="list-style-type: none"> ▪ Payment Aggregator (PA) Services including acquiring through POS ▪ Payment Gateway (PG) Services for e-payment acquiring ▪ Any other services defined by CBO as Ancillary Payment Service Activities
Connectivity to Payment Systems in Oman*	<p>Entities can connect to the payment systems (operated by CBO or any operator authorized by CBO) directly or indirectly through a Licensed Bank/Payment Service Provider in Oman.</p>	<p>Entities can connect to the payment systems (operated by CBO or any operator licensed by CBO) indirectly, through a licensed Bank/ PSP in Oman.</p>



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Particulars	Payment Service Activities	Ancillary Payment Services
Conditions for Change in Licensing requirement	<p>An entity offering Ancillary Payment Services shall seek authorisation and License as PSP from the Central Bank of Oman in case of any of the following:</p> <ul style="list-style-type: none">▪ The entity that seeks to directly connect to the payment systems (operated by CBO or any operator authorized by CBO);▪ The risk exposure of the entity (such as turnover of payment transactions processed during a month) exceeds the threshold defined by the Central Bank from time to time.	

**Note: Allowing connectivity to different Payment Systems is subject to the terms and conditions as defined by the Central Bank from time to time for the respective payment system.*

4.4 The licensing policy defined herein do not cover the following activities:

- ❖ E-money or loyalty cards used exclusively within Closed Networks.
- ❖ Digital and virtual currencies
- ❖ Cash on Delivery E-Commerce model

5. Type of PSP Licenses, Capital Requirements and Security Deposit

5.1. Non-Bank entities other than Money Exchange Establishments licensed under the Banking Law 114/2000 and Regulation BM 43/11/97, offering payment service activities referred in para (4.3) above, will be licensed under the categories detailed here below. The PSP applicant shall ensure that the License it chooses accommodates its needs and business requirements.



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Categorization, Capital limits, Services for PSP License

Type of PSP Licence	Activities Permitted	Connection to Payment System of the Central Bank	Base Capital	Security Deposit with CBO
Category 1 - PSP	<ul style="list-style-type: none"> ✓ Account Issuance Services (E-Wallet) ✓ Payment Aggregator (PA) Services including acquiring through POS ✓ Payment Gateway (PG) Services for e-payment acquiring 	Indirect Connection Only (i.e., through Licensed Bank)	OMR 100,000	5% of the base capital kept by Licensee, subject to a maximum of RO 100,000
Category 2 - PSP	<ul style="list-style-type: none"> ✓ Account Issuance Services (E-Wallet) ✓ Payment Aggregator (PA) Services including acquiring through POS ✓ Payment Gateway (PG) Services for e-payment acquiring ✓ Domestic Money Transfer Services 	Indirect Connection (i.e., through Licensed Bank) or Direct connection to select National payment systems based on business model	OMR 200,000	
Category 3 - PSP	<ul style="list-style-type: none"> ✓ Account Issuance Services (E-Wallet) ✓ Card Issuance Services, including Pre-paid card ✓ Payment Aggregator (PA) Services including acquiring through POS ✓ Payment Gateway (PG) Services for e-payment acquiring ✓ Domestic Money Transfer Services ✓ Cross Border Money Transfer (Remittance) Services ✓ Any other services approved by CBO 	Direct connection to different National payment systems based on business model	OMR 500,000	



- 5.2. Applicant should carefully consider the types of payment services which will apply to their business model and shall accordingly seek the appropriate type of License from CBO.
- 5.3. The licensee shall seek approval from the Central Bank, prior to commencing business of any new payment service activity and/ or deleting an existing activity or migrating to a new PSP License type.
- 5.4. In case of PSPs, permission to connect to a particular CBO system will be considered, provided the applicant justifies its business needs. CBO may at its sole discretion, impose higher base capital requirement for applicants connecting to multiple Payment Systems.

6. Ownership, Legal Forms and Fees

Payment Service Provider (PSP) Business can be carried out by a juristic person, only if such person is licensed by the Central Bank of Oman under the National Payment System Law 08/2018 and its executive regulation.

Permitted Shareholding (i.e. Ownership) Structure	Omani/Foreign National(s) who is a/are natural person(s), directly or indirectly via a company can hold 100% ownership in a Licensed PSP
Legal Forms for the Licensee	Commercial companies must adopt one of the following legal forms: 1. Limited Liability Company 2. Joint Stock Company (public / closed).
Application Fee (Non-refundable)	RO 500
Annual License Fee	RO 1,000 <i>Annual license fee shall be fully waived during the first three years (calendar year) of the operations of the PSP.</i>

In addition to the above licensing fee, CBO or the operator of National Payment Systems may charge the licensed PSPs fees/expenditure required to manage the national payment system operations, based on the size of business operations of the respective PSP.



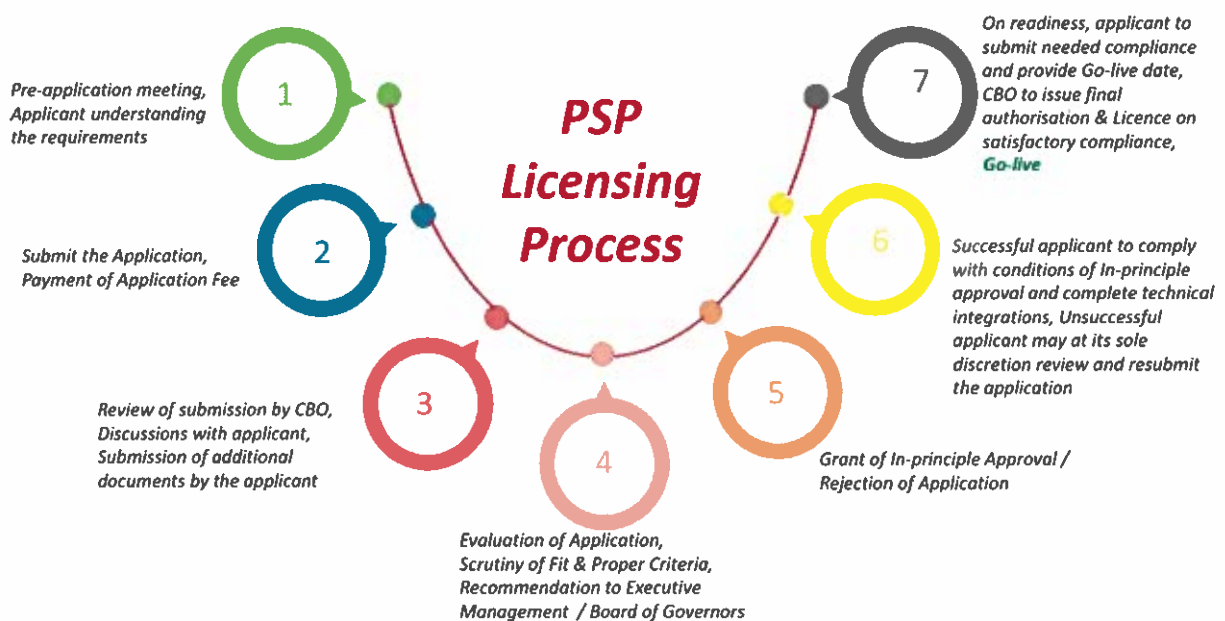
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7. Licensing

Each applicant requesting a License to offer Payment Services in Oman must fulfil the criteria defined in the following sections and must demonstrate the capabilities/ competence and resources to comply with the requirements defined under the NPSL and the Executive Regulation for PSPs.

The Central Bank will evaluate each application for a License to carry on a Payment Services Business in accordance with the Law, Regulations and any related guidance issued by the Central Bank. Such evaluations will take into account both financial and non-financial parameters.

7.1 Application Process



7.2 Requirements for Obtaining PSP License

7.2.1 A natural or juristic person may submit a new application to the Central Bank for issue of PSP License. The application letter should be submitted along with the form as per Annexure-I with necessary supporting documents listed in para 7.2.7 here below.



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- 7.2.2 The applicants shall contact the Licensing Department for a pre-application meeting to discuss: their proposals, business plans, application/licensing process and requirements. The submission of documents and meeting request must be sent to the email address: PSPTF@cbo.gov.om or through any other mode specified by the Central Bank from time to time.
- 7.2.3 All documents submitted to the Central Bank as part of the application for new License must be in Arabic or English.
- 7.2.4 The figures in budgeted financial statements, business plans or other projections must be expressed in Rial Omani.
- 7.2.5 The applicant is permitted to appoint a duly authorized representative, such as law firm or a professional consultancy firm, to prepare the feasibility study as part of the proposal. The applicant continues to retain the full responsibility for the accuracy and completeness of information/documents provided and is required to certify the details in the application form.
- 7.2.6 The Central Bank may liaise directly with the applicant or the applicants duly appointed representative when processing the application for seeking any further information or clarification.
- 7.2.7 Details of documents to be submitted to the Central Bank for new PSP license:
- a) The formal application letter signed by the applicant(s).
 - b) Duly completed form as per Annexure I.
 - c) The business plan, which must consist of following information.
 - i) Name of the proposed entity
 - ii) Legal form of the proposed entity
 - iii) Details of Initial amount of paid up capital and working capital to be injected into the business and sources of funds to finance the activity.
 - iv) Name of Owners / Partners / Shareholders with the proposed shareholding pattern.



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- v) Curriculum Vitae of the applicants, address, contact details and copy of the identity document (copy of Passport/Civil ID), details of applicants experience in the banking/financial sector/digital transformation etc.
- vi) Business case and value the new entity will add to the financial industry in the Sultanate of Oman.
- vii) Projected financial statements (Balance Sheet, Profit and Loss account and Cash Flow statement for the first five years of operation.
- viii) SWOT analysis of the proposed entity.
- ix) An assessment report of the potential risks that may be faced by the proposed entity and measures to mitigate the risks.
- x) Proposed organization structure including the proposed member of the boards of directors, executive management and Omanisation plan in line with the Central Banks requirement.
- xi) Details of the proposed Information Technology (IT) / Information Security (IS) / IS infrastructure covering the hardware, software, primary and secondary sites, business continuity plan, IT operations and outsourcing if any.
- xii) The solution should consist of a minimum three environments PRODUCTION, DISASTER RECOVERY, and TEST. In addition, the solution architecture for all environments should follow minimum 3-tiers architecture with no access to DB team other than APP tier. The Deployment architecture diagram should be displaying high availability for each node/tier with no single point of failure for all three environments.
- xiii) The company shall list all critical payment services with acceptable RPO/RTO values and ensure the process of replication between sites and the data retention.
- xiv) List all control of data classification, data protection and data segregation to be applied by the hosting provider.
- xv) Proposed business model with full transaction flow (end to end) for each service and its distribution channels, targeted customers.



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- xvi) Future roadmap of products and services
 - xvii) Risk assessment report on technical, operational, capabilities and compliance, the potential risks and measures to mitigate such risks.
 - xviii) Business viability study focused on the market segment that the applicant intends to operate with clear understanding of the competitors, market potential and price point.
 - xix) Applicant shall provide a list of the National Payment Systems, it intends to connect with business justification for each system required to be connected.
 - xx) The applicant should display its understanding and experience (if any) regarding measures to be implemented to comply with the Law on Combating Money Laundering and Terrorism Financing (Royal Decree 30/2016) and supervisory instructions issued by the Central Bank.
 - xxi) The applicant must have in place plans for compliance arrangements that are commensurate with the nature, scale and complexity of its business. Regardless of the setup of the compliance arrangements, the ultimate responsibility and accountability for ensuring compliance with applicable laws and regulations will still rest with the applicant's shareholders, or directors and CEO, and compliance officer.
- d) Fit and Proper Criteria: The founder shareholders of the establishment shall satisfy the following fit and proper criteria:
- i) The founder shareholder(s) shall be persons of uprightiness, repute, credibility, ability and quality of judgment;
 - ii) They shall have sufficient capacity and experience or potential capacity to manage the areas of the business;
 - iii) They shall not have committed an offense involving fraud or other dishonesty or violence;



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- iv) They have not acted in contravention of any statute of the Sultanate of Oman or provisions thereof established for the purpose of protecting members of the public from financial loss due to dishonesty, incompetence or malpractice by the persons concerned;
 - v) They have not been involved in any deceptive or oppressive practices which would cast doubt on their integrity and in the business;
 - vi) They shall not be declared bankrupt;
 - vii) They have not been involved or associated with any business practices or otherwise conducted himself that would need to doubt his competence and soundness of judgement.
- e) In case the proposed Shareholder(s) is/are a juristic person(s), a Board resolution from such juridical person(s), confirming the decision to become shareholder in the proposed entity.
- f) In case the proposed Shareholder is a juridical person, the certificate of incorporation issued by the competent authority in its country of incorporation, commercial license/registration or any other similar official document.
- g) Details of other commercial activities pursued by the significant shareholders (Significant shareholders in this context means those who will hold 10% or more in the licensee).
- h) In case the proposed shareholder(s) is/are part of a Group of Companies/Businesses (holding shareholding of 10% and above), copies of the audited financial statements of that Group, for the immediately preceding three (3) years.
- i) Bank account statement of the applicant for the last six months (wherever available).
- j) PSPs are required to ring fence the funds collected from the customers from its own financials, by collecting these funds in a Custody Account maintained with a licensed commercial bank in Oman and making payments to the merchants or others from this Custody account. The Custody account shall be maintained and operated in line with the Custody Account Policy detailed in Section 18 in this policy document.



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- k) Any other requirement the Central Bank may call upon in specific circumstances.

7.3 Process of Approval and Timelines

7.3.1 The Central Bank reserves the right, within sixty (60) days of receiving a License application, to:

- a. require the applicant to provide additional documents/information that the Central Bank deems necessary to evaluate the application; or
- b. reject incomplete applications.

7.3.2 The applicant may withdraw its application at any time during the process by notifying the Central Bank in writing.

7.3.3 After the review of a License application, the Central Bank may advise the applicant in writing whether approval has been granted for PSP License or if the application has been rejected, including reasons thereof.

7.3.4 The Central Bank will notify the applicant of the outcome of the License application within a period not exceeding thirty (30) working days from date of issue of such decision by the Board of Governors.

7.3.5 The Board of Governors/CBO reserves the right, at any point in time, to reject an application for new License considering the interest of the public or if the applicant fails/refuses to fulfill the licensing conditions and requirements set out by the Central Bank.

7.3.6 The Central Bank has the right to withdraw the license granted to the applicant if it is proved that the applicant has submitted false or inaccurate information or data for obtaining the license

8. Omanisation

8.1 The Licensed entity must ensure that the number of their Omani employees is no less than 50% of the total number of employees.



9. Technical Requirements

- 9.1. The applicant has to demonstrate commitment and capability to make available a system that satisfies the technical and business requirements specified by CBO from time to time, including the following pre-requisites at the minimum:
- a) Ability to maintain a safe and secure connection with the payment systems at CBO, where applicable.
 - b) Ability to manage payment services transactions in accordance with the terms and conditions stated in the relevant operating rules.
 - c) Ability of the system to provide the service at all times (24 X 7).
- 9.2. The applicant shall put in place a comprehensive robust Information Technology (IT) infrastructure and Information Security (IS) policy and governance framework, which shall include but not limited to the following:
- a) Overview of IT infrastructure including hardware, software, network communication, and integration with any other external systems for both production and Disaster Recovery (DR) sites.
 - b) The main site and backup / DR site shall be identical with system resources. As well, the testing environment should be simulating the same production system with the same environment configuration.
 - c) The System Development Life Cycle (SDLC) shall be followed and ensure security control is applied at all system development levels.
 - d) Business continuity strategy, which includes business impact analysis, recovery plan, testing programs, training, awareness and third-party dependencies. Also, this strategy should follow international standards and best practices.
 - e) Plans regarding data protection with the data segregation and data privacy in line with the Information Systems or Data protection policy of the Sultanate and other guidelines issued by competent authorities including CBO.



9.3 Management of Technology and Cyber Risk

- a) To manage the technology risk and risk of online financial services, the applicant performs a penetration test of its proposed online services, remediate all high-risk findings identified, and conduct independent validation on the effectiveness of the remediation actions. This does not need to be completed prior to application but must be completed prior to the grant of License and then on an annual basis.
- b) The applicant should establish a process to periodically conduct vulnerability assessment (VA) to identify security vulnerabilities in the information assets. The frequency of performing Vulnerability assessment should be determined based on the criticality of the information assets (risk-based).

10. Corporate Governance Structure and Internal Controls

- 10.1. The licensee shall ensure that there is no conflict of interests among business and between business and control functions.
- 10.2. The licensees shall maintain resources, systems and internal controls, effective risk management framework and compliance commensurate with the scale and complexity of their operations for mitigating risks including money laundering, terrorism financing and other financial crimes. The above shall, also, cover ensuring preparedness for business continuity and disaster recovery requirements.
- 10.3. The licensees shall ensure that their Anti-Money Laundering and Terrorism Financing framework is in line with applicable laws and regulations and instructions issued by CBO. They shall carry out needed customer due diligence and other requirements to ensure compliance with instructions, standards and AML/ CFT requirements.
- 10.4. The licensees shall have an appropriate anti-fraud risk framework in order to prevent, detect, investigate and respond to frauds including cyber and electronic fraud incidents.
- 10.5. Outsourcing of any activity shall be with the prior approval of CBO. The licensees shall restrict outsourcing only to non-core activities and shall own full responsibility for the same in line with CBO Circular BM – 1080.



11. Customer Grievance Redressal and Dispute Management System

- 11.1. The applicant shall put in place a formal, publicly disclosed customer grievance redressal and dispute management framework, including designating an officer / executive of the applicant to handle the customer complaints / grievances and the escalation matrix. The complaint facility, if made available on website / mobile, shall be clear and easily accessible.
- 11.2. The applicant shall also have a dispute resolution mechanism binding on all the participants which shall contain transaction life cycle, detailed explanation of types of disputes, process of dealing with them, compliance, responsibilities of all the parties, documentation, reason codes, procedure for addressing the grievance, turn-around-time for each stage, etc.

12. CBO Examination

- 12.1. The Central Bank of Oman reserves the right to appoint examiners, who shall be its own employees or others appointed by the Central Bank to examine the books of accounts and records of the licensee in accordance with procedures and details determined by it.
- 12.2. The licensee shall cooperate in all such examinations and provide the examiners with books, records, other prescribed returns and all information they require.
- 12.3. The contents of examination reports and related correspondence shall be treated with confidence.
- 12.4. The Central Bank may order special examination if it is deemed necessary by the Central Bank. Licensee shall bear the cost of the special examination in case; external experts are appointed by the Central Bank to carry out such examination.

13. Enforcement

Where the Central Bank deems the Payment Service Provider is non-compliant with any applicable laws or regulations or instructions after following due process, the Central Bank may decide to carry out remedial action or impose penalties as applicable under the Law and Regulations.



14. Record Keeping and External Audit

14.1. The licensees shall at all the times keep proper books of accounts following the best practices and prepare financial statements in line with the International Financial Reporting Standards set by IFRS Foundation and International Accounting Standard Board and provide unrestricted access to CBO examiners to examine the same for compliance purposes. The Licensee shall have to comply with the following requirements as well:

- a) Record keeping shall meet the requirements of relevant laws including Oman Commercial Law and Law on Combating Money Laundering and Terrorism Financing (including breaches / violations of AML / CFT law and instructions).
- b) The licensee must have plans in place for adequate independent internal audit arrangements to regularly assess the adequacy and effectiveness of its record keeping, procedures, controls, and its compliance with regulatory requirements. The internal audit arrangement may also have dedicated internal resources, or it may be outsourced to the internal audit function of the parent / sponsor entities or to a third party.
- c) The licensee must have plans in place to meet the annual external audit requirements. The auditor must be appointed at the applicant's own expense to carry out an audit of its accounts and transactions, and compliance with the relevant laws and regulations.

15. Disclosures and Market Updates

15.1. The licensee should comply with the following guidelines in terms of its disclosures and communication with stakeholders:

- a) Make accurate representation on the scope of its license and provide the disclosures applicable to its business through the licensee's official means of communication, including but not limited to the Licensee's official website and mobile application.
- b) Ensure that customers receive timely updates regarding any material changes to the disclosures.
- c) Arrange to publish its audited financial statements, in both Arabic and English languages, in the prescribed form not later than the end of March of the subsequent year, or as advised by CBO from time to time.



16. Submission of Information / Returns to CBO

- 16.1. The licensee shall provide copy of the audited financial statements for the year to CBO within a period not exceeding two months after the closure of the financial year (or as advised by CBO from time to time).
- 16.2. CBO reserves the right to demand the submission of any other information or documents along the specific forms prescribed by CBO.

17. Ancillary Payment Services

- 17.1. Entities offering Ancillary Payment Services (as defined in para 4.3 above) in the Sultanate of Oman, hereinafter referred as Payment Aggregators or PAs and Payment Gateway Services or PGs, shall register their activities with the Central Bank through one of the Licensed Banks or Payment Service Providers operating in the Sultanate of Oman.
- 17.2. The licensed banks and PSPs dealing with PAs and PGs shall:
- a) Conduct Customer due diligence (CDD) / Enhanced due diligence (EDD) on the PAs and PGs registered with them and doing acquiring services.
 - b) Carry out merchant settlement for the ancillary payment service activities conducted by PAs and PGs.
 - c) PAs and PGs are different from licensed banks and PSPs (hereinafter called as Acquirers), in the sense that they are connecting the merchants to Acquirers, and the Acquirers are then connected to the National Payment Systems.
- 17.3. Merchants have the option to be onboarded directly by the Acquirers or through PAs or PGs, based on its business requirements.
- 17.4. The PAs and PGs may provide any or all of the following services to merchants:
- a) A mechanism whereby the merchant's website can connect to the PAs through the relevant payment gateway, for collecting funds from customer's payment instruments (Transaction Processing).
 - b) The infrastructure to host their website (Online Market Place).



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- c) Other technology-based solutions to facilitate the reporting, reconciliation, etc.
 - d) Any ancillary services to support the business of the merchant such as storage, logistics and / or delivery facility for the products / services of the merchants.
 - e) In addition to the above services to other merchants, the PAs may have their own products and services on the same website / platform and participate in the market place as a participant.
- 17.5. PAs and PGs may be providing these services either for a single type of merchants, like ride hail aggregator, food ordering and delivery services, etc. or for different types of merchants like online marketplaces, etc. Utility bill collection service is also a type of payment aggregation, and are covered under these guidelines.
- 17.6. PGs and PAs are not permitted to provide an e-wallet issuing service in its platform.
- 17.7. PAs and PGs shall have a formal Customer Grievance Redressal and Dispute Management framework as defined by section 11 of this policy document.
- 17.8. In order to expand e-commerce reach and facilitate e-payments, the licensed banks and PSPs are permitted to onboard the PGs and PAs for offering "payment aggregation services and transaction processing services" as per the following rules:
- a) PAs and PGs may be onboarded by the Acquirors without prior approval or permission from the CBO, subject to the following conditions:
 - a) PAs and PGs shall have the permission to operate in Oman by relevant government authorities.
 - b) Acquirers shall obtain a proposal with details of the company's legal status in Oman, business categories that will be on boarded on the platform, detailed business entities onboarding process adapted by the PAs and PGs along with any other relevant information.
 - c) Acquirors also shall ensure that the relevant Information Technology Security, Information Security, Data Security and Cyber Security Policies published from time to time by the relevant regulatory authorities in the Sultanate of Oman are duly complied with by these entities.



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- d) Acquirors shall satisfy themselves on the financial, technical and other capabilities of the PAs and PGs to operate the business.
 - e) Acquirors shall ensure that the promoters / stakeholders of PAs and PGs satisfy the fit and proper criteria as defined in para 7.2.7.d (iii-vii) in this document.
 - f) Acquirors after satisfactorily completing the KYC, CDD and EDD of the PA or PG, shall register the list of PAs and PGs on-boarded by them with the Central Bank on a quarterly basis, as per the form in Annexure II.
 - g) Licensed Banks and PSPs shall treat the PAs and PGs as "technology providers" or "outsourcing partner" of the acquiring bank/PSP, and hence should comply with all outsourcing guidelines issued by CBO vide BM – 1080 dated April 16, 2011.
 - h) Licensed Banks and PSPs shall at all times have a list of merchants onboarded by the PAs and PGs.
- b) PAs are required to ring fence the funds collected from the customers (on behalf of Merchants) from its own financials, by collecting these funds in a **Custody Account** maintained with a licensed commercial bank in Oman and making payments to the merchants from this Custody account. The Custody account shall be maintained and operated in line with the **Custody Account Policy** detailed in Section 18 in this policy document.
- c) Licensed Banks/PSPs shall ensure that the settlement of payments to merchant's shall be to a bank account maintained by the respective merchant in one of the licensed commercial banks in Oman. Such account shall be registered with the Licensed Bank/PSP by the PAs or PGs.
- d) PAs offering their own products and services, along with the payment aggregation services to the other merchants, should clearly segregate the activities of payment aggregation from their other businesses.
- e) PAs are required to make timely settlement and payments to its merchant partners using banking channels. A confirmation regarding the same shall be taken by the Acquirors at periodic intervals, at least on quarterly basis.



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- f) PAs or PGs are required to report any unusual transaction trend or behavior by any business entity to the National Center of Financial Information (NCFI) through their Acquirer.
- g) PAs and PGs to ensure sufficient risk controls are in place to ensure the merchant transactions volume, value and ticket size are in accordance to the nature of business and the business entity's projected business volumes.
- h) PGs and PAs shall only onboard business entities that fall under the business categories that are permitted to operate in the Sultanate of Oman.
- i) Acquirers, PAs and PGs are required to monitor the activities of the merchants and update the KYC documents from time to time.
- j) Acquirers, PAs and PGs will retain the KYC documents and transaction history as per the relevant Omani law.
- k) The acquirer shall develop/maintain proper automated transaction monitoring rules/scenarios and red flags for PAs and PGs. CBO encourages a peer analysis and grouping for this type of monitoring.
- l) The acquirer shall ensure that PGs and PAs are not facilitating any products or services or channels related to proliferation, targeted sanctions or crimes and risks identified in the National risk assessment.
- m) PGs and PAs shall charge competitive fee to its merchants for providing this service.
- n) Agreements between PAs/PGs, merchants, acquiring banks, and all other stake holders shall clearly define the roles and responsibilities of the involved parties in managing the complaints, refund / failed transactions, return policy, customer grievance redressal (including turnaround time for resolving queries), dispute resolution mechanism, reconciliation, etc.



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17.9. Minimum On-Boarding Requirement of Merchants by PAs and PGs:

- a) PAs and PGs shall collect the following minimum KYC documents along with the duly filled KYC form of each business entity (merchant) to be on-boarded:

Particulars	Details of Proof to be collected
ID Proof	National ID or Resident Card of the owners & partners
Legal Status	Commercial Registration (CR), Municipality License, Permits or any other legal document detailing the permission to conduct business or profession.
Address	Business address
Account	Details of Bank account in the name of the Merchant in Sultanate of Oman
Volume	Anticipated monthly business volume
Activities	Details of all business activities

- b) PAs and PGs shall have an approved policy for merchant on-boarding, which shall be reviewed by the Acquirers before onboarding.
- c) PAs and PGs shall undertake background checks of the merchants and their sponsors to ensure that such merchants do not intend to sell fake / counterfeit / banned / prohibited products (with or without the intention of deceiving customers).
- d) PAs and PGs shall ensure that the merchant's website clearly indicate the terms and conditions of the service and time-line for processing returns, charge backs and refunds and a copy of the same shall be submitted to the acquirer as part of the due diligence process.
- e) PAs and PGs shall be responsible to confirm compliance of the infrastructure of the merchants on-boarded, with the relevant security standards followed by the industry / defined by CBO from time to time.
- f) PAs and PGs shall ensure that the agreement with merchant shall have provision for security / privacy of customer data.



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17.10. Compliance by Licensed Banks / PSPs:

Licensed Banks / PSPs shall comply with the following:

- a) Bring the contents of this policy document to the attention of entities under their clientele, operating in the Sultanate of Oman as PAs and PGs
- b) To ensure that PAs and PGs operating under their clientele, shall comply with the terms and conditions of this policy within a period of six months from the date of issue of this policy.
- c) To ensure that PAs and PGs not complying with the requirements referred herein shall not be allowed to operate, after expiry of six month from the date of issue of this policy or such other time as permitted by the Central Bank.
- d) To provide a list of PAs and PGs currently operating under its clientele to the Central Bank (as per Annexure II) within 60 days from the date of issue of this circular.

18. Policy on Custody Account

18.1. In the process of facilitating payment and settlement services, licensed Bank and Non-Bank entities hold money that does not belong to them rather belongs to their customers and/or payment participants. Hence, the guidelines on maintaining and operation of custody account are aimed to protect the interest of actual owners of the fund, who have a lawful claim on such fund at any point in time.

18.2. Scope of the Custody Account Guidelines

These guidelines are applicable to:

- a) Licensed Banks
- b) Licensed Non-Bank entities (hereinafter called Non-Bank entities) performing any of the below activities:
 - i. Issuance of E-wallet, pre-paid cards, gift cards/vouchers.



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- ii. E-payment acquiring for businesses and institutions.
 - iii. Payment Aggregation.
- c) Entities offering Ancillary Payment Services.

18.3. Opening of Custody Account

- a) Licensed Banks issuing wallets or prepaid card to its customers are not required to open a separate custody account, however the outstanding balance in the wallets and prepaid cards shall be considered as "Designated Deposit Liabilities" for the purpose of maintenance of reserve requirements. This position has to be computed based on the balances appearing in the books of the bank as on the date of reporting.
- b) Non-Bank entities undertaking the activities listed under Para 4.3 shall open and operate a bank account, hereinafter called as "Custody Account" with a licensed bank in Oman.
- c) The banks maintaining the custody accounts shall ensure that they comply with relevant instructions of BM 1187 regarding Customer Due Diligence.

18.4. Operations in Custody Account

For the purpose of operation of custody account, following conditions shall apply:

- a) The balance in the custody account shall not, at the end of the day, be lower than the value of outstanding electronic money issued and/or payments due to merchants. While as far as possible non-banking entities shall ensure immediate credit of funds to custody account on issue of wallets, load/reload of wallet or receipt of funds from customer on behalf of its merchants, under no circumstance such credit to custody account shall be later than the close of business day.
- b) The operations in the custody account shall be monitored by non-bank entities on a daily basis to remain compliant with these instructions.
- c) Following credit transactions shall be permitted in the custody account:



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- i. Payments received towards issue, load / reload of wallets, including at partner locations
 - ii. Payment received from customers by the payment aggregators towards the completion of merchant transactions.
 - iii. Refunds received for failed / disputed / returned / cancelled transactions.
 - iv. Payments received from sponsor banks towards settlement obligations from payment systems for loading / reloading the wallets or for completion of the merchant transactions.
 - v. Any other transaction permitted by the Central Bank from time to time.
- d) Following debit transactions shall be permitted in the custody account:
- i. Payments to merchants / service providers in lieu of their offering goods and services to the customers.
 - ii. Payment to sponsor bank for processing funds transfer instructions received from wallet holders.
 - iii. Payment towards applicable government taxes collected from customers (e.g.: VAT).
 - iv. Refunds towards cancellation of transactions in a wallet in case of wallet loaded / reloaded erroneously or through fraudulent means. The funds shall be credited back to the same source from where these were received.
 - v. Any other payment due to the custody account holder in the normal course of operating the wallet business (for instance, service charges, forfeited amount, commissions, etc.).
 - vi. Any other debit as directed by the regulator / courts / law enforcement agencies, after approval from the Central Bank.
 - vii. Any other transaction permitted by the Central Bank from time to time.



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- e) The payment towards service charges, commission and forfeited amount shall be at pre-determined rates / frequency. Such transfers shall only be processed to a designated bank account of the custody account holder as indicated in the service level agreement with the licensed bank where custody account is maintained.
- f) All these provisions shall be part of Service Level Agreement that will be signed between the custody account holder and the bank maintaining custody account.
- g) The Service Level Agreement between the custody account holder and the bank maintaining custody account shall include a clause enabling the bank to debit or credit the money into the custody account only for purposes mentioned as per this policy Instructions.
- h) Settlement of funds with merchants shall not be co-mingled with other business, if any, handled by the non-banking entity.
- i) Custody account holder shall be required to submit the list of merchants, payments network and other entities acquired by them to the bank and update the same from time to time. The bank should ensure that the payments from the custody account are made to the accounts in this specified list.
- j) Licensed banks shall flag the 'custody account' separately in the Core Banking System to monitor its operations on a daily basis. Any shortfall or discrepancy should be addressed effectively and the same shall be immediately reported to the Central Bank.
- k) In terms of Article (73) of the Regulation of National Payment Systems Law (01/2019), no loan is permissible against collateral of funds collected from public of e-money issued. Accordingly, bank shall not issue any deposit certificate/guarantee for taking loan or use the fund in Custody account as collateral.
- l) The funds in the custody account shall be maintained in local currency only.
- m) Licensed banks shall follow the AML/CFT policies and instructions during operations of the custody account.
- n) Bank and Non-Bank entities should monitor the transaction caps (if any) for transactions processed through the Custody account.



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- o) Licensed Banks shall treat the outstanding balance in custody accounts as part of the "designated deposit liabilities" for the purpose of maintenance of reserve requirements. This position will be computed based on the balances appearing in the books of the bank as on the date of reporting.

18.5 Interest on Custody Account

- 18.5.1 The 'custody account' being a 'current account', is not eligible for payment of interest as per the instructions provided in para 1(b) of Circular No. BM 703 dated September 25, 1993.

18.6 Reporting's and Disclosure

- 18.6.1 A certificate (format enclosed Annexure – III) signed by the auditor(s), shall be submitted by the custody account holders to the licensed bank where custody account is maintained on an annual basis. Such certificate shall be submitted before the end of the first quarter of every year for the immediate previous financial year.
- 18.6.2 Adequate records indicating the daily position of the value of instruments outstanding and payments due to merchants vis-à-vis balances maintained with the banks in the custody accounts shall be made available for scrutiny to CBO.
- 18.6.3 The funds lying in the custody account and the outstanding liability of the custody account holders to its customers/merchants/participants should be presented separately in the audited financial statements of the non-banking entity.



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Annexure I – Form for New Payment Service Provider License

1. Name of the Applicant (Name of the proposed entity) _____

2. Legal Form

Limited Liability Company

Public / Private Joint Stock Company

3. Authorized Paid Up Capital (Proposed)

4. Details of any entity licensed or authorized within the group by a regulatory / supervisory authority.

S. No	Name of the Entity	Type of License	Regulatory / Supervisory Name
1.			
2.			
3.			

5. Details of Parent / related entities (Local / International)

S. No	Name of the Entity	Type of License	Relationship	Licensed (Country)	in
1.					
2.					
3.					



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6. Has the applicant or member(s) of its group been the subject of any litigation or convicted in a Court of Law (or known circumstances which might give rise to litigation) over the past five (5) years, or is any litigation currently outstanding? If yes, please provide details

7. Has the applicant or member(s) of its group convicted of a criminal offence, and/or been subject to disciplinary proceedings of an institution or professional body? If yes, please provide details

8. Are there any restrictions imposed on the operations of the applicant or member(s) of its group by any regulatory authorities in Sultanate of Oman or abroad? If yes, please provide details

9. Has the applicant had any of its previous applications in other countries rejected? If yes, please provide details (name of the Regulator, date of rejecting the application, reasons for the rejection)

10. Details of the proposed Shareholders / Partners / Owners

S. No	Name of the Individual / Entity*	Nationality / Country of Incorporation	Proposed Investment in OMR	Percentage of Shareholding
1.				
2.				
3.				
4.				
5.				

*Attach copies of civil identity, passport copy, residency card, company registration certificate etc.



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11. Details of Board of Directors*

Sl No	Name	Nationality	Other Responsibilities	
			Name of the Entity	Position
1.				
2.				
3.				
4.				
5.				

*The CV of all Board Members should be enclosed along with the application.

12. Declaration

I/We hereby confirm that the information contained in my/our application are accurate, correct and complete and that the documents submitted along with this application form are genuine.

I/We understand that in the event of any information being found false or incorrect at any stage, the application shall be rejected without notice.

(Signature)
Name:
Designation

(Signature)
Name:
Designation

Address with contact details:



Annexure II

List of Payment Aggregators and Payment Gateway offering Ancillary Payment Services to be furnished by Licensed Banks / PSPs:

Name of Licensed Bank/PSP: _____

Name of the authorized person filing return: _____

Report for the Quarter ended _____

S.No	Name of the Entity	Shareholder details (owning 10% & above)	Contact Details (Phone & Email)	Brief of Activities	Details of Custody Account	
					Turnover during the reporting Quarter in RO	Balance in RO as on end of the Quarter
1.						
2.						
3.						



(Authorized Signature)

Annexure III – Certificate to be submitted by Custody Account holders to Licensed Banks.

Certification of Custody Account
For the Financial Year ending _____

1	Name of the Custody Account Holder	
2	Custody Account Details:	Bank Name Branch Name Account number
3	Opening Balance as of 1 st Jan	Balance as of 1 st Jan or account opening date (whichever is later)
4	Closing Balance as of 31 st December _____	
5	Number of merchants registered for payments	
6	Number of service providers and payments network registered for payments	
7	Any other information that the Auditor may like to indicate for the purpose of this certificate	

I / We hereby certify that the above said Custody account is operated in accordance to the rule and regulations as stipulated by the Central Bank of Oman.

Authorised Signatory

Name: _____

Date: _____

Company Name: _____

Seal/ Stamp

