

# Supervision of Non-Banking Payment Service Providers

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# Outline:

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1. Payment Service Providers
2. Licensing of Payment and E-money Institutions
3. Off-site Supervision
4. On-site Inspections
5. Supervisory Measures

# 1. Payment Service Providers

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- Credit institutions (banks);
- Payment institutions within the meaning of PSD;
- E-money institutions within the meaning of EMD2;
- Post office giro institutions;
- European Central Bank and the central banks of the Member States;
- Other public state authorities.

## 2. Licensing of Payment and E-money Institutions (1)

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- Licensing procedure as a first step of supervision
  - a) Provision of formal documents for registration;
  - b) Information about the capital (own funds);
  - c) Information about the activities and models for providing services;
  - d) Business plan (plan for development, economic rationale, risks, availability of resources, forecast budget and other);
  - e) Information about the organizational structure (lines of responsibility, conditions for outsourcing of activities, use of agents and branches, interaction with other PSPs and other);

## 2. Licensing of Payment and E-money Institutions (2)

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- f) Internal rules and procedures (procedures for the provisions of payment services or issuing of e-money, AML and TF program, internal control system and mechanisms, accounting and administrative procedures, safeguarding procedures, business continuity procedures, procedures for management of the risks, procedures for the operation of the information system, security procedures, procedures for settlement of disputes and other);
- g) Information about the persons managing and representing the legal entity;
- h) Information about the owners (to actual owner);
- i) Information about the persons with whom the legal entity is in close links with;
- j) Other.

# 3. Off-site Supervision

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## 3.1. Regular reporting

- Financial statements – once a year.
- Interim financial statements – twice a year.
- Own funds reports – on a quarterly basis (reports from PI and EMI).
- Audit reports - report on the legal entity's financial statements;
  - report on the internal control mechanisms;
  - report on the internal rules and procedures (optional).

## 3.2. Requiring of documents and information in connection with the fulfilment of a task.

## 4. On-site Inspections (1)

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### 4.1. Powers given to the competent authority

- To conduct on-site inspections on the persons subject to supervision, their agents and branches and the entities to which activities have been outsourced;
- Free access to the business premises;
- Requiring documents and information in connection with the fulfilment of a task;
- Attending the meeting of the governing and supervisory bodies.

## 4. On-site Inspections (2)

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### 4.2. Types of on-site inspections:

- Planned inspection;
- Ad-hoc inspection;
- Complete inspection;
- Representative (thematic) inspection.



## 4. On-site Inspections (3)

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4.3. Criteria for including a non-banking PSP in the annual plan for on-site inspections:

- Market share of the e-money issued and/or payment services provided;
- Inquiries and signals received from other bodies, institutions or CA of other MSs;
- Number of complaints received from payment service users and e-money holders;
- Expansion in the products offered;
- Introduction of innovative channels for providing services;
- Inaccuracies in the reporting requirements;
- Authorization in the preceding 18 months;
- Frequency of conducting an on-site inspection on the legal entity.

## 4. On-site Inspections (4)

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### 4.4. Initiating an on-site inspection

- Initiation of the inspection by an order of the deputy governor;
- Preliminary analysis of the subject matter;
- Configuration of the goal and the scope of the inspection;
- Preparation of a plan for conducting of the inspection, which shall contain the required documents and information from the entity, the procedures and stages to perform the inspection, the team of inspectors and other;
- Presentment of the order and the plan for the on-site inspection to the management of the supervised entity.

## 4. On-site Inspections (5)

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### 4.5. Conducting an on-site inspection

- Presentment of the order and the plan for the on-site inspection to the management of the supervised entity;
- Provision of the requested documents and information to the supervisors;
- Review and analysis of the provided documents and information;
- Review of the internal systems of the entity;
- Preparation of a supervisory report.

## 5. Supervisory Measures (1)

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In case of a breach (depending on the nature and gravity), the competent authority may:

- Issue a written warning;
- Issue a mandatory instruction;
- Oblige the legal entity to discontinue and rectify the breach with a given time-limit;
- Require changes in the internal rules and procedures;
- Forbid the conducting of some or all of the services until the irregularities have been resolved;

## 5. Supervisory Measures (2)

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- Oblige the legal entity to carry out an extraordinary audit;
- Impose on the legal entity stricter supervisory requirements (including a request for an increase of its own funds);
- Restrict the business of the legal entity, prohibiting it from conducting specific transactions or deals;
- Restrict the volume of specific types of activities carried out;
- Withdrawal of the authorisation.

**Thank you for your attention!**

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