



ELECTRONIC FUND TRANSFERS REGULATIONS

**PAYMENT SYSTEMS DEPARTMENT
STATE BANK OF PAKISTAN**

Acronyms

ADCs	Alternative Delivery Channels
AFI	Authorized Financial Institution
ATM	Automated Teller Machine
EFT	Electronic Fund Transfer
FI	Financial Institution
IBAN	International Bank Account Number
PIN	Personal Identification Number
POS	Point of Sale
PS&EFT	Payment Systems Electronic and Fund Transfer
PSO	Payment System Operator
PSP	Payment Service Provider
SBP	State Bank of Pakistan
SMS	Short Message Service
SOP	Standard Operating Procedures
USSD	Unstructured Supplementary Service Data

Table of Contents

1.	DEFINITIONS.....	4
2.	AUTHORITY	4
3.	OBJECTIVES	5
4.	SCOPE	5
5.	EFT INFORMATION	5
6.	RESPONSIBILITIES OF ORIGINATOR's AFI.....	6
7.	RESPONSIBILITIES OF BENEFICIARY's AFI.....	6
8.	PREAUTHORIZED TRANSFERS	7
9.	COMPENSATION POLICY	7
10.	DISCLOSURE REQUIREMENT	8
11.	PERIODIC STATEMENT	9
12.	DISPUTE / ERROR RESOLUTION PROCESS	9
13.	PRIVACY & SECURITY OF EFT	10
14.	REGULATORY REQUIREMENTS.....	10
15.	AUDIT TRAIL AND RECORD RETENTION	11
16.	REPORTING REQUIREMENT.....	11
17.	ANNEXURE A:.....	12

1. DEFINITIONS

- i. **Authorized Financial Institutions (AFI)** For the purpose of these regulations, AFI includes Banks and Microfinance Banks.
- ii. **Beneficiary** means the person to whom or for whose benefit the funds are sent by means of Electronic Fund Transfer.
- iii. **Beneficiary AFI** For the purpose of these regulations, is the AFI that receives the EFT Instruction from the Originator Institution and, acting on that instruction, credits the account of the Beneficiary, according to the information provided in the EFT instruction.
- iv. **Originator AFI** is the AFI that receives the EFT Instruction from the Originator/consumer and acts on that payment instruction by making the payment to the Beneficiary Institution in favour of the Beneficiary's account
- v. **Originator** is the Person who initiates the EFT.
- vi. **Payment System Operators (PSO) /Payment Service Providers (PSP)** for the Purpose of these regulations is a company registered under Companies Ordinance 1984, engaged in operating and/or providing Payment Systems related services like electronic payment gateway, payment scheme, clearing house, ATM Switch, POS Gateway, E-Commerce Gateway etc. acting as an intermediary for multilateral routing, switching and processing of payment transactions and authorized by State Bank of Pakistan under Rules for PSOs and PSPs issued vide PSD circular no:03 of 2014.
- vii. **Preauthorized Electronic Fund Transfer** for the purpose of these regulations means an electronic fund transfer authorized in advance by consumer.
- viii. **Unauthorized Electronic Fund Transfer** is an EFT from a person's account that is initiated by a person other than the consumer without authority to initiate the transfer and / or from which the consumer receives no benefit.

Words used in these regulations and not defined here have the same meaning as defined in Payment Systems & Electronic Fund Transfer Act 2007.

2. AUTHORITY

These regulations have been issued under Section 3 and Section 26 of PS&EFT Act 2007.

3. OBJECTIVES

The purpose of these regulations is to promote EFTs in the country, ensure consumer protection and payment transparency by standardizing EFT as broadly outlined in PS&EFT Act 2007 and setting uniform regulations, policy and procedures, applicable to AFIs, PSOs and PSPs operating in Pakistan.

4. SCOPE

These regulations will be applicable to domestic Electronic Fund Transfers, being offered /processed by AFIs/PSOs/PSPs which are initiated/ processed through alternative delivery channels (ADCs) such as POS terminals, ATMs, mobile banking, internet banking, call centre banking, branchless banking platforms, PRISM and any other channel as and when approved by SBP. However, Electronic Fund Transfers used for customer to merchant payments for the purchase of goods and services shall not come under the purview of these regulations.

5. EFT INFORMATION

AFIs (originator and beneficiary) and PSO/PSPs shall establish/upgrade their systems/infrastructure to ensure that EFT messages processed/routed through different channels and instruments contain the following information at minimum:

- a. Name of the Originator
- b. Name of the Beneficiary
- c. Originator's IBAN / Mobile Account Number (if applicable)
- d. Beneficiary's International Bank Account Number IBAN/ Mobile Account Number (if applicable)
- e. Originating AFI Name
- f. Beneficiary AFI Name
- g. Transaction Reference Number
- h. Date and Time of the Transfer
- i. Amount of transaction

6. RESPONSIBILITIES OF ORIGINATOR's AFIs

The Originator's AFIs shall:

- I. Activate EFT services for only those payment instruments and channels against which consumer's consent has been obtained. The consent from existing consumers should also be obtained for the purpose of regularization.
- II. Provide its consumers a list of :
 - a) Payment instruments that can be used for initiating EFT.
 - b) Payment channels that can be used for initiating EFT. For instance ATM, POS, Internet Banking, Mobile App, and USSD etc.
- III. Set intraday limits on consumers' accounts for EFT Transfers.
- IV. Be liable for refund to consumer resulting from unauthorized transactions due to security breaches, control failures and/or negligence from their end. AFI should refund amount equal to unauthorized EFT amount to the originator and compensation as per the rate mentioned in section "9" of these regulations.
- V. Make available the originator details to SBP and/or other competent authorities within three business days as and when required by SBP.
- VI. Not execute the EFT if it does not comply with the requirements specified in section 5 and 15 of these regulations.
- VII. Have effective procedures and systems in place to prove that the electronic fund transfer was authorized by the originator.
- VIII. Have effective systems to identify suspicious EFT transactions.

7. RESPONSIBILITIES OF BENEFICIARY's AFIs

The beneficiary's AFIs shall:

- I. Reverse the EFT immediately in case beneficiary notifies the bank about the incorrect credit in his/her account.
- II. Put in place effective systems to identify suspicious EFT transactions.
- III. Have risk-based policies and procedures for determining: (a) when to execute, reject, or suspend Electronic Fund Transfer lacking required originator or required beneficiary information; and (b) the appropriate follow-up action.

- IV. Ensure to credit beneficiary accounts timely for transactions initiated and processed/authorized through EFT. In case of any delays the consumers shall be compensated by amount as mentioned in section “9” of these regulations.

8. PREAUTHORIZED TRANSFERS

- I. AFI shall only allow preauthorized transfers upon the request of consumer through appropriate means after necessary consumer due verifications.
- II. AFI shall notify the consumer, either through email or SMS or any other appropriate means, about the execution of preauthorized transfers.
- III. AFI shall stop preauthorized transfers from Originator’s accounts if it is notified orally through recorded line after necessary consumer due verifications or in writing at least three business days before the scheduled date of the transfer.

9. COMPENSATION POLICY

- I. Originating/ Beneficiary AFI shall be liable to its consumer for any unauthorized transaction, loss and/or damages caused by the failure of an electronic fund transfer system or equipment to complete a transaction accepted by a terminal, in accordance with the consumer’s instruction as mentioned in Section 43 of the PS&EFT Act 2007. AFI shall pay the mark up @ 3% above the SBP policy rate to their consumer for the period of delay subject to determination and notification of the error as per Section 36 of the PS&EFT Act, 2007. However, Islamic financial institutions (Originating/ beneficiary AFI) shall develop mechanism to compensate consumer in light of Islamic Banking Principles /Regulations.
- II. Originating/ Beneficiary AFI shall pay the compensation amount to their consumer without any claim from the consumer within fifteen days after determination of the fact that error has occurred.
- III. In case the Beneficiary AFI is not responsible for the delay it can claim the compensation payment from originating AFI/PSO /PSP whoever is responsible.
- IV. Originating/ Beneficiary AFI /PSOs/PSPs shall not be liable to compensate the consumer in case they declare force majeure.
- V. Originating/ Beneficiary AFI / PSO/PSP shall communicate the force majeure events to their consumer/member banks.

10. DISCLOSURE REQUIREMENT

- I. Before activating EFT on any channel/instrument, AFIs shall disclose the following in writing to its consumers in English and Urdu languages;
 - a) EFT limits on payment instruments as well as on ADCs
 - b) Channels as well as contact numbers for reporting of loss/theft of a payment instrument and credentials by consumer.
 - c) Dispute Resolution Mechanism/Error correction mechanism along with timelines
 - d) The conditions under which AFIs or Operator or Service Providers will, in the ordinary course of business, disclose information concerning the Consumer's account to third Parties ;
 - e) Applicable fee/charges;
 - f) Any tax passed on to the consumer;
- II. In case of any changes in terms and conditions initially agreed, AFIs shall notify the consumer at least Twenty One (21) days in advance to consumer.
- III. AFIs shall notify their consumer through SMS and /or e-mails the following information of each EFT as and when consumer account is debited/credited with the EFT message.
 - a) Originator/ Beneficiary name,
 - b) Originator/ Beneficiary AFIs name,
 - c) EFT Type and amount,
 - d) Date of EFT initiation
- IV. SMS alerts charges of EFT notification shall be recovered on cost recovery basis.
- V. AFIs and PSOs/PSPs shall communicate to SBP and their consumers/ member banks (in case of PSOs/PSPs) two weeks in advance through SMS, email or newspaper advertisement etc, if the EFT services are to be temporarily unavailable due to any scheduled maintenance or up-gradation of systems etc.

- VI. AFIs and PSOs/PSPs in case of suspension of EFT services due to unexpected/unavoidable circumstances, notify to SBP and their consumers / member banks (in case of PSOs/PSPs) as soon as possible along with the tentative timelines for the resumption of EFT services.
- VII. AFIs shall educate their consumers about information (in English & Urdu language) and usage of all EFT services (such as online tutorials, sending leaflets with account statements/e-statements and posters in ATM booths, etc.) on regular basis.
- VIII. AFIs shall ensure that disclosures made to the consumer shall be clear and in a readable font and provide the copy of all disclosures to consumers upon their request.

11.PERIODIC STATEMENT

AFIs shall provide the periodic statements of the accounts to its accountholders at least once in a month electronically or through other appropriate means as consented by consumer. The periodic statement shall at minimum contain the following information:

- a. Opening and closing balance of the account,
- b. Date of EFT initiated,
- c. EFT Type,
- d. EFT initiating channel such as ATM, POS or online banking etc.
- e. EFT amount,
- f. EFT fee and tax levied etc,
- g. Originator/Beneficiary name of each EFT,
- h. Originator/Beneficiary AFI name of each EFT

12.DISPUTE / ERROR RESOLUTION PROCESS

- I. AFIs shall maintain a functional and fully equipped Customer Service Support Centre that is able to handle EFT related queries, issues and disputes.
- II. AFIs/PSOs/PSPs shall have effective procedures in place to resolve any error within ten business days of notification of error/complaint from the consumer as per Annexure “A”.
- III. In case no error is found pursuant to investigation, consumer shall be notified through appropriate means about the results of the investigation within three business days and

provide copies of all documents on which the AFI relied to conclude that error did not occur to consumer upon their request

- IV. AFIs shall correct an error within one business day after determining that an error has occurred.
- V. AFIs shall cooperate and share necessary information with each other for error resolution;

13. PRIVACY & SECURITY OF EFT

- I. AFIs/PSOs/PSPs shall establish data/information security policies as approved by its Board of Directors in accordance with international data security regulations that must at least cover:
 - a. Identification of security risks and approaches to safeguard EFTs.
 - b. Impact of security policies on quality of service to the customers
 - c. Data confidentiality of consumers at all levels.
 - d. Responsibilities of officers/employees managing EFT systems.
 - e. User awareness programs and training regarding security of EFT.
 - f. Backup, recovery & business continuity plans.
 - g. Procedures for periodic review of the security and privacy policy.
- II. AFIs/PSOs/PSPs shall test and validate security protocols and processes on well defined intervals.

14. REGULATORY REQUIREMENTS

- I. These regulations are subject to all relevant laws, rules and regulations issued by SBP from time-to-time including but not limited to the following:
 - a. Anti-Money laundering and Combating the Financing of Terrorism (AML/CFT) Regulations issued vide BPRD Circular Letter No. 20 of 2017 dated June 14, 2017.
 - b. Enterprise Technology Governance & Risk Management Framework for Financial Institutions issued vide BPRD Circular No. 05 of 2017 dated May 30, 2017
 - c. Financial Consumer Protection issued vide CPD Circular No. 4 of 2014 dated August 29, 2014

15. AUDIT TRAIL AND RECORD RETENTION

- I. AFI/PSOs/PSPs shall keep a record of complaints and its resolutions for a time frame of at least five (05) years and shall make available records of complaints to State Bank of Pakistan or any other body authorized by it, as and when required. However, record of complaints under investigation by any Law Enforcement Agency, challenged in honorable court of law etc. should be retained till the resolution/ verdict of the case or as required by the law.
- II. AFI/PSOs/PSPs shall ensure that their electronic fund transfers generate sufficient records to enable a transaction to be traced.
- III. AFIs, shall retain, consumer's consent of activation of EFT services, as referred in section 6 (1) of these regulations, for at least ten years.
- IV. AFI/PSOs/PSPs shall retain electronic records of transactions for at least 10 years. .

16.REPORTING REQUIREMENT

AFIs shall report all error/disputes/suspense transactions details to SBP as per PSD Circular No. 03 of 2016.

17. ANNEXURE A:**EFT Error/Complaint Resolution Process**

Action/Tasks	No. of Business Days
AFI shall allocate a unique complaint number to each complaint they receive through Call Centre /email or any other appropriate mean from their consumers, and use this number in all of their future correspondence. Moreover, the complaint number shall also be communicated to consumer for his/her record.	Same day
AFI shall investigate the complaint initially at their end by reviewing the following documents/information but not limited to • Clearing report provided by their concerned PSO/PSP, • Account statement, • Transactions authorization log & scrolls etc and • Any other record relevant to disputes.	03
AFI shall forward the complaint along with the detail to concerned PSO/PSP, if the acquiring infrastructure such as POS terminal/ web portal of another AFI used in the disputed transaction. Otherwise, resolve/close the complaints based on the available record and accordingly communicate the same to the complainant.	01
PSO/PSP after initial investigation at their end shall forward the complaint to the concerned AFIs directly or through other PSO/PSP (if concerned AFI is not the member/participant of PSO/PSP) whose acquiring infrastructure is used in the disputed transaction.	02
Concerned AFI upon receipt of complaint shall investigate it in detail and review all the necessary record such as transactions scroll, POS receipt and any other necessary record to check the authenticity of consumer complaint and accordingly communicate to PSO/PSP.	03
In case consumer complaint is found to be legitimate, concerned AFI shall credit the consumer account through PSO/PSP/AFI, However, even if it's found to be not legitimate, the concerned AFIs shall also communicate the same to other AFI through PSO/PSP.	01

* However procedure & timelines for “Automatic Credit” of Suspense ATM Cash issued vide PSD Circular Letter No. 2 /2010 dated July 8, 2010 shall be followed.
