



INTRODUCTION

In furtherance of its responsibility to regulate and supervise non-bank money or value transmission service providers (“MVTs”) under the *Financial Institutions (Amendment) Act, 2018* (“FIAA”), the Central Bank of Barbados (“the Bank”) has developed this Framework for the licensing of non-bank MVTs existing as at January 1, 2019, as well as for prospective applicants. The licensing process is necessary to ensure that the standards maintained by MVTs are consistent with international best practices, thereby contributing to the further development of Barbados as a reputable financial centre.

This document sets out:

- a. The Bank’s criteria for licensing persons under section 23A of the FIAA;
- b. The licensing process; and
- c. The ongoing requirements for supervision.

The Bank will reject an application if the specified criteria are not fulfilled, if the applicant fails to provide adequate information, if the proposed application promotes unsound financial practices, or if the Bank determines that approval would not be in the public interest.

1. SCOPE

This Framework applies to all entities incorporated in Barbados that provide money or value transmission services as at January 1, 2019, or that seek to provide such a service as defined in section 23A of the FIAA, as well as to agents acting on their behalf. Where a licensee intends to expand its business activities, whether they are of a financial or non-financial nature, it should first obtain confirmation that the Bank has no objection to the proposal.



2. WHO NEEDS A LICENCE

2.1. Money or Value Transmission Service Providers

Section 23A of the FIAA defines a money or value transmission service provider as:

“the business of accepting cash, cheques or any other monetary instrument or other means of storing value and paying a corresponding sum in cash or in another form to a beneficiary, by means of a communication, message or transfer or through a clearing system to which money or value transmission service belongs”.

This includes the primary holder of a franchise or a primary MVT operator and applies to both domestic and international remittances.

Under section 24 (1) (b) of the FIAA, no person shall carry on the business of a money or value transmission service provider from within Barbados without a licence issued under Part III of the FIAA. Any legal person that wishes to carry on the business of an MVT in Barbados must apply to the Bank for approval. Natural persons wishing to carry on the business of an MVT as a primary MVT operator will be required to incorporate a legal entity for the purpose.

Payment processors, whose sole activity is to facilitate receipt of payments on behalf of merchants, are not required to be licensed as an MVT.

Additionally, entities that are otherwise licensed under the *Financial Institutions Act*, Cap. 324A (“FIA”) are not required to apply for a separate licence to carry on the business of an MVT.

2.2. Agents of Money or Value Transmission Service Providers

An agent of an MVT means any legal person providing the business of an MVT on behalf of an MVT, whether by contract with or under the direction of the MVT.

Prior approval of the Bank is required for all persons to whom the MVT contracts its functions as agent. Approved agents will not be allowed to contract sub-agents.



3. LICENSING CRITERIA

3.1. Money or Value Transfer Service Provider

The Bank will only entertain applications from companies which demonstrate that they have the ability to comply with the requirements set out in this Guideline. MVTs are required to maintain a physical presence in Barbados. If the principal shareholders of an MVT are non-resident, at least one of its directors must be resident in Barbados.

Legal entities operating as MVTs should maintain minimum capital of \$50,000. The individuals who are the ultimate beneficial owners of the MVT should have a net worth of five (5) times the value of the shares to which they subscribe.

Applicants must submit a business plan or strategy for the business, outlining the following:

- i. Background information on the history of the company, its corporate structure, its management team and employees;
- ii. Long term objectives, accompanied by audited financial statements for the last two (2) years and projections for the next three (3) years in respect of the MVT business;
- iii. The targeted geographic markets, customers and distribution channels;
- iv. Expected income from the MVT business;
- v. Fees to be levied for transactions;
- vi. The governance and risk management framework;
- vii. AML/CFT training plan for staff;
- viii. AML/CFT policy and procedures;
- ix. Disaster recovery and business continuity plan;
- x. Details of any contracts with affiliates/outourcing arrangements;
- xi. Agency Agreements with both domestic agents and foreign remittance companies;
- xii. Organisation and group charts; and
- xiii. Sources of funding.

Applicants should also submit certified copies of all corporate documents including Articles of Incorporation, by laws and Memoranda of Association.



In cases where the applicant already operates a regulated MVT in another jurisdiction, evidence should be submitted from that regulator of approval for the proposed Barbados operation.

In assessing applications, consideration will also be given to the following:

3.1.1. Corporate Governance

- The size and composition of the Board of Directors of a company, relative to the scope of the business; and
- The mix of relevant skills and knowledge to direct the business.

3.1.2. Fitness and Propriety

- The Bank will seek, through Confidential Statements provided by the applicant and through its own independent due diligence, to ascertain that persons identified as prospective shareholders, directors and executive officers possess:
 - i. Skills and expertise commensurate with the intended activities;
 - ii. Attributes of honesty, integrity and good repute; and
 - iii. Financial probity.
- Any individual, company or its principals found guilty of offences under the *Money Laundering and Financing of Terrorism (Prevention and Control) Act, 2011* ("MLFTA") or the *Proceeds of Crime Act*, Cap. 143 will be ineligible for licensing.
- If the Bank is not satisfied that the individual meets these criteria, it may result in the inability of that person to serve in the proposed capacity. The Bank reserves the right to reassess whether an approved person continues to be fit and proper to hold current or proposed positions.
- Ultimate beneficial owners of legal persons must be disclosed as well as those exercising control or significant influence over the applicant.
- Confidential Statements must be submitted for all persons holding more than 10% interest in the applicant. The prototype of a Statement is available on the Bank's website.
- The Money Laundering Reporting Officer or Compliance Officer must be named and must also submit a Confidential Statement.



3.2. Agents

The approval process for agents involves, in addition to the requirements outlined in 3.1, submission of:

- a. A copy of the written agreement between the MVT and the agent;
- b. Physical address, telephone number and email address of the agent;
- c. List of employees to be involved in the activity;
- d. Incorporation information;
- e. Information about its shareholders, beneficial owners and senior management;
- f. Detailed information about any branches;
- g. Details of the necessary AML/CFT training provided to staff; and
- h. Details of settlement arrangements.

In addition to all of the requirements set out in the AML/CFT Guideline, MVTs must consider the following with respect to their agents:

3.2.1. Agent Due Diligence

MVTs are required to demonstrate that they have developed policies, procedures and controls for the establishment of agent relationships. Due diligence procedures, which should be conducted before an MVT approves a new agent relationship, should consider:

- i. any recent changes from current relationship with other product/service providers;
- ii. whether the agent is representing more than one MVT;
- iii. length of time in business;
- iv. ownership structure;
- v. creditworthiness;
- vi. financial viability;
- vii. the agent's past record of legal and regulatory compliance;
- viii. the expected nature and level of transactions and customer base.

Upon approval, MVTs should conduct AML/CFT training for the new agent and ensure familiarisation with the MVT's internal policies and procedures.



3.3. Exchange Control Approval

Applicants must obtain exchange control approval from the Foreign Exchange and Export Credits Department (FEECD) to deal in foreign currency. Consideration of the exchange control approval and the licence application will be done simultaneously by the FEECD and the Bank Supervision Department (BSD) respectively, through this single application process.

MVTs and their agents must adhere to all requirements for the transmission of foreign exchange and administration of the foreign exchange component of their business. MVTs must submit to the FEECD any reports requested by that Department in the format specified by the Department, for all of their operations and those of their agents.

Prospectively, matters pertaining to regulatory issues should be addressed to the BSD and issues related to foreign exchange should be directed to the FEECD.

4. LICENCE FEES

Once approval is granted for the establishment of a licence, a fee of \$10,000.00 is payable for the principal office and \$500.00 for each location where the MVT operates. Fees must be paid prior to the issue of a licence and annually thereafter, on or before January 1 of each subsequent year.

Fees are to be paid to the Accountant General and evidence of payment should be submitted to the Bank by January 15 of each year.

5. ISSUE OF LICENCE

In accordance with sections 26 of the FIAA, a licence will be issued to the applicant duly signed by the Minister. After consideration of the application, the Bank will make the appropriate recommendation to the Minister of Finance.

The licence is valid until revoked, suspended or replaced, as the case may be, in accordance with the FIAA.

The licence should be displayed in a prominent position at the office of the MVT.



6. ANTI-MONEY LAUNDERING/COMBATTING FINANCING OF TERRORISM

6.1. MVTs

MVTs, as well as agents providing money or value transmission services on behalf of MVTs, are required to comply with the Anti-Money Laundering/Combating Terrorist Financing Guideline (“AML/CFT Guideline”).

Notably, Section 9.0 of the Guideline sets out the requirement for licensees to designate a suitably qualified person at the management level, with the appropriate level of authority, seniority and independence as Compliance Officer or Money Laundering Reporting Officer (“MLRO”), together with the responsibilities of the role.

The AML/CFT Guideline can be accessed at the Bank’s website at <http://www.centralbank.org.bb>.

6.2. Agent Compliance

The responsibilities of the MLRO/Compliance Officer should encompass the operations of all agents of MVTs.

6.3. Monitoring of Agents

The MVT is required to ensure that the agent has an effective compliance framework and an ongoing AML/CFT training programme.

MVTs are required to develop and implement risk-based policies, procedures, and internal controls that ensure adequate ongoing monitoring of agent activity, as part of the principal’s implementation of its AML/CFT programme. When conducting monitoring of their agents, principals must, at a minimum:

- Identify the owners of the MVTs agents;
- Evaluate on an ongoing basis the operations of agents, and monitor for variations in those operations; and
- Evaluate agents’ implementation of policies, procedures, and controls.



Monitoring should be risk-based, considering factors such as, inter alia, transaction volume, countries to which funds are sent or received and history of compliance.

7. REPORTING

Licensed MVTs are required to submit the following quarterly reports and information:

- a) Balance sheet;
- b) Income Statement;
- c) Information on remittance activities, e.g. number and value of transactions within given ranges; countries of origin/destination; listing of significant transactions by customer, either singly or in aggregate; fees charged; and
- d) Number of suspicious activity reports filed with the Financial Intelligence Unit;

The MVTs are also required to submit copies of any independent reviews conducted of its operations and any other information which the Bank may deem necessary.

All MVTs must produce annually, audited financial statements in accordance with section 21 of the FIAA and a list of the shareholders on its register who hold shares of a value of 5% or more of its stated capital in accordance with section 13 of the FIA.

8. RECORD KEEPING

MVTs shall maintain in Barbados, for at least five years, all necessary records on transactions and beneficial ownership, to enable them to comply without delay with information requests from competent authorities. Such records must be sufficient to permit reconstruction of individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of criminal activity.

MVTs shall keep records on the identification data obtained through the customer due diligence process (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence for at least five years after the business relationship is ended.



The identification data and transaction records must be available to domestic competent authorities under appropriate circumstances.

9. ONGOING REQUIREMENTS FOR SUPERVISION

9.1. Operational Requirements

- Applicants must establish a system of internal controls and risk management functions commensurate with their size and complexity.
- Policies and procedures manuals should be developed for the money or value transmission service business.
- An independent internal audit function should be established to review and evaluate how effectively compliance policies are being implemented, in accordance with Section 9 of the AML/CFT Guideline. This audit review should also extend to the operations of each agent.
- IT systems should be able to capture relevant data for reporting (See Section 7.0) as well as for satisfying the requirements of the MLFTA and the AML/CFT Guideline, particularly in the area of monitoring of transactions.
- Adequate insurance coverage should be maintained to cover operational losses arising from errors and omissions, forgery, computer crime and business interruption.

9.2. Material Changes

MVTs are required to seek approval from the Bank before implementing any material changes to the licensee's operations including, but not limited to:

- New appointments of directors or senior management;
- Changes in shareholders or alterations to the share structure;
- Changes in location or establishment of new branches;
- Changes in name or amendment of its Articles of Incorporation;
- Change of external auditor;
- Change of agreement with either domestic agents or foreign remittance companies; and
- Changes in scope of business activity.



9.3. Other Places of Business

An MVT must receive the prior approval of the Bank before operating from another place of business other than its head office. Such other place of business may be located within Barbados only.

An MVT intending to operate from another place of business must advise the Bank of the nature of the services the other place of business will provide and the name(s) of those responsible for the management of the other place of business. Additionally, an MVT must notify the Bank, at least 14 days in advance, of the proposed closure of any place of business and the reason for such closure.

10. ON-SITE INSPECTIONS

The Bank is authorised under section 47 of the FIA to conduct on-site examinations of the affairs of each licensee as deemed necessary. MVTs will be subject to periodic onsite examinations by officers of the Bank to verify compliance with the FIA, the MLFTA and the Exchange Control Act.