



Raast Participation Criteria

Payment Systems Policy & Oversight Department
State Bank of Pakistan

Contents

Acronyms	3
1. Definitions	4
2. Objectives	6
3. Entities Eligible for Raast Participation	6
4. Participant Categories	6
4(a) Direct Settlement Participants (DSPs)	7
4(b) Direct Non-Settlement Participants (DNSPs)	7
4(c) Payment Initiation Service Providers (PISPs)	7
4(d) Indirect Participants (IPs)	7
5. Operational Requirements and Responsibilities of Participants	8
6. On-boarding Process	9
7. Exit Procedure	9
8. Powers of SBP	10
Annexure – A	11

Acronyms

EMI	Electronic Money Institution
FMI	Financial Market Infrastructure
MFB	Microfinance Bank
PRISM	Pakistan Real-time Interbank Settlement Mechanism
PIS	Payment Initiation Service
PISP	Payment Initiation Service Provider
P2P	Person to Person
P2M	Person to Merchant
PS&EFT Act, 2007	Payment Systems and Electronic Fund Transfers Act, 2007
PSO and PSP	Payment System Operator and Payment Service Provider
RE	Regulated Entity
SBP	State Bank of Pakistan
SBP-BSC	State Bank of Pakistan-Banking Services Corporation
SECP	Securities and Exchange Commission of Pakistan
SME	Small & Medium Enterprise

1. Definitions

“Bank” means a banking company as defined in the Banking Companies Ordinance, 1962.

“Electronic Money Institution” means the same as defined in the Payment Systems and Electronic Fund Transfers Act, 2007 (PS&EFT 2007), and the Regulations for Electronic Money Institutions (EMIs), as amended from time to time.

“Financial Market Infrastructure” means a multilateral system among participating institutions, including the operator of the system, used for the purposes of clearing, settling, or recording payments, securities, derivatives, or other financial transactions.

“Integration Specifications” means a set of instructions and guidelines provided to participants detailing the technical descriptions for integration with Raast.

“Microfinance Bank” means an institution licensed by SBP under the Microfinance Institutions Ordinance, 2001, to operate as a Microfinance Bank (MFB).

“Non-bank” means any institution that is not a Bank or Microfinance Bank.

“Payment Initiation Service” means a payment service for electronically initiating a payment on the request of the payment service user for effecting the payment from his/her account or wallet held at a financial institution on the basis of consent provided by that payment service user.

“Payment Initiation Service Provider” means an entity that is authorized by SBP to offer payment initiation services.

“Payment Service User” means a natural or legal person making use of a payment service.

“Position Account” means a sub-account in Raast linked to Settlement Limit Account in Raast which is used for managing credit and debit transactions.

“PRISM” means the same as defined in PRISM Operating Rules issued by SBP vide PSD Circular No. 2 dated March 06, 2018, and as amended from time to time.

“PSO and PSP” means the same as defined in the Rules for PSOs and PSPs issued by SBP vide PSD Circular No. 3 dated October 23, 2014, as amended from time to time.

“Raast” means the instant payment system owned and operated by SBP or its subsidiary.

“Regulated Entity” means an entity regulated by the SBP.

“Reserve Account” means an account held in PRISM System to prefund Settlement Limit Account in Raast.

“Settlement Limit Account” means a prefunded account maintained in Raast to effect payments.

“Settlement Account” means an account held in PRISM system, used for settling obligations of the PRISM member institution.

“State Bank of Pakistan” means the State Bank of Pakistan, established under State Bank of Pakistan Act, 1956.

“Sponsorship Arrangement” means an arrangement between a Bank (sponsoring bank) and a Direct Non-Settlement Participant (sponsored participant) under which the Bank assumes responsibility for clearing and settling Raast transactions on behalf of the sponsored participant.

2. Objectives

Raast, Pakistan's instant payment system, has been built on ISO 20022 standard to facilitate fast and secure digital fund transfers. It caters to a wide range of payment needs of individuals, businesses, and government departments through various use cases such as Bulk Payments, Person-to-Person (P2P) and Person-to-Merchant (P2M) payments and Payment Initiation Service (PIS) transactions.

To further enhance the usage of "Raast" for fostering digitization of the economy and enabling more and more individuals and businesses to conduct near real-time, efficient and secure payment transactions, the "**Raast Participation Criteria**" have been developed for banking and non-banking institutions. It will enhance the Raast accessibility for promoting digital payments, and stimulate innovation and competition in the payments market.

3. Entities Eligible for Raast Participation

- i. Following entities are eligible for applying for Raast participation:
 - a. Banks and MFBs;
 - b. Non-bank financial institutions, including FMIs, regulated by SBP or SECP;
 - c. Federal or provincial governments or their agencies or departments or autonomous bodies;
 - d. Public Sector Entities (PSEs);
 - e. Corporates and other private sector entities including SMEs;
 - f. Business platforms, payment aggregators, educational institutions, incubators, Fintechs or any other service provider.
- ii. Entities which are under licensing process with SBP and have valid in-principle approval are also eligible to apply for Raast participation.

4. Participant Categories

Access to Raast will be provided under four categories of participants:

- a. Direct Settlement Participants
- b. Direct Non-Settlement Participants
- c. Payment Initiation Service Providers
- d. Indirect Participants

The following table prescribes the specific requirements for each category of participants:

Requirement	Direct Settlement Participants	Direct Non-Settlement Participants	Payment Initiation Service Providers	Indirect Participants
Current Account at SBP-BSC	✓	X	X	X
Settlement & Reserve Accounts	✓	X	X	X
Settlement Limit &/or Position Accounts	✓	✓	X	X
Direct Connectivity / Integration with Raast	✓	✓	✓	X

4(a) Direct Settlement Participants (DSPs):

- Eligible entities as specified in Section 3(i) (a - c) may apply to become DSPs provided they fulfill the conditions mentioned in the above table.
- DSPs shall pre-fund their accounts with sufficient balances to mitigate liquidity, credit, and settlement risks, and ensure uninterrupted access to Raast services for customers.

4(b) Direct Non-Settlement Participants (DNSPs):

- Eligible entities as specified in Section 3(i) & (ii) above may apply to become DNSPs subject to the fulfillment of the conditions mentioned in the above table.
- DNSPs shall enter into legally binding Sponsorship Arrangement with a Bank for management of their Position Accounts and timely replenishment of funds to mitigate liquidity and/or settlement risks.

4(c) Payment Initiation Service Providers (PISPs):

- PISPs are entities, authorized by SBP to send payment orders directly to the Raast system via direct technical connection.
- Eligible entities as per Section 3(i), including DSPs and DNSPs, may apply to SBP for becoming PISPs and shall complete necessary technical developments as per the Integration Specifications.
- All PISPs shall ensure compliance with relevant regulations of SBP.

4(d) Indirect Participants (IPs):

- IPs are entities that do not fulfill any of the conditions mentioned in the table above, but provide Raast services to their customers by entering into technical, legal and operational arrangements with REs (which are participants of Raast).
- While on-boarding IPs, REs shall:
 - Formulate and implement comprehensive IP onboarding policies/procedures which shall at minimum include due diligence and assessment of IPs and their sponsors,

- business use case, risk management, consumer protection and compliance with relevant laws, rules and regulations;
- b. Be responsible for processing, clearing and settlement of payments on behalf of IPs in accordance with relevant laws, rules and regulations;
 - c. Ensure complete security and privacy of transactions and customer data;
 - d. Enter into legally binding agreements with IPs covering the scope of agreed services and clearly segregating roles and responsibilities of each party including the responsibility in the event of any loss, fraud and disputes arising out of this arrangement. Further, these agreements should include, inter alia, the following conditions:
 - i. The transactions originated from IPs shall be irrevocable and final, once they have been acknowledged and validated by Raast;
 - ii. SBP may require IPs to become DSPs/DNSPs and/or obtain authorization/license from SBP at any time based on its assessment that may take into consideration factors such as the nature of business, transaction volumes, and value being processed or any other factor determined by SBP;
 - iii. Shall comply with all applicable instructions, guidelines, regulations, standards or reporting requirement as and when issued by SBP;
 - iv. Shall ensure that IPs' systems connecting to Raast directly or indirectly are fully secure from potential vulnerabilities. If required, SBP may conduct onsite or off-site assessment of IPs or require third-party assessment at the cost of participant.
 - iii. Conduct ongoing risk assessment of this arrangement with IPs and immediately notify SBP in the event of any significant risk(s) that may arise and the action that has been taken to mitigate these risk(s).
 - iv. Submit quarterly information about IPs to SBP as per Annexure – A (Quarterly Data Reporting Template).

5. Operational Requirements and Responsibilities of Participants:

- i. DSPs, DNSPs and PISPs shall:
 - a. Execute necessary legal agreements with SBP and complete technical integration as per SBP's Integration Specifications;
 - b. Establish and maintain resilient and secure technology setup, and continuous operational monitoring mechanism and ensure availability of adequate resources;
 - c. Immediately report to SBP any developments or incidents that may pose any risk to the Raast system or affect its services;
- ii. All Raast participants shall:
 - a. Ensure compliance with applicable provisions of all laws including but not limited to the Payment Systems and Electronic Fund Transfers Act, 2007, Anti-Money Laundering Act, 2010, and any other relevant regulations, guidelines, circulars and instructions issued by SBP from time to time;

- b. Ensure complete security and confidentiality of customers' transactions, data and other information;
- c. Assume liability for any losses arising due to failure of controls at their end;
- d. Ensure compliance with Raast Rules, Risk Management Guidelines or any other instructions issued by SBP.

6. On-boarding Process:

- i. Entities desirous of becoming DSPs, DNSPs and PISPs of Raast may submit application to SBP at Raast@sbp.org.pk.
- ii. Entities desirous of becoming IPs may directly approach REs which are DSPs or DNSPs of Raast.
- iii. After receipt of an application, SBP will advise the applicant to sign a Non-Disclosure Agreement (NDA). Upon receiving the signed NDA, SBP will share the Integration Specifications package with the respective applicants and assign a Relationship Officer for facilitation purpose.
- iv. The applicant shall review the Integration Specifications and sign Participant Agreement within ten (10) working days.
- v. After signing the participant agreement, the applicant shall:
 - a. Submit a detailed integration project plan with timelines and other details;
 - b. Complete the technical integration project and necessary setup as per the project plan and submit a detailed report to SBP.
- vi. Upon its satisfaction, SBP may grant conditional approval to the applicant to initiate pilot operations on Raast.
- vii. After the successful completion of the pilot phase, SBP will allow the participant to go-live commercially.
- viii. In case of unsatisfactory progress at any stage of the project, SBP reserves the right to terminate the participation process at its discretion.
- ix. On-boarding of an unregulated entity on Raast does not imply that the entity is regulated by SBP.

7. Exit Procedure:

- i. DSPs, DNSPs and PISPs desirous of terminating their Raast participation may request SBP in writing, along with reasons, at least 90 days before the expected date of withdrawal or exit.
- ii. The participants shall undertake to comply with all obligations arising from the withdrawal or exit including payments, fees, complaint handling, dispute resolution and/or other obligations towards SBP or other Raast participants.
- iii. Subsequently, SBP shall off-board the participant from Raast and inform the participant accordingly.
- iv. After termination or withdrawal of participation, the entity shall:

- a. Stop use of Raast logo, brand name, and image on all publications, marketing materials, payment products, and other related products/services of member without SBP's written consent;
- b. Comply with all applicable laws, rules, and regulations.
- v. For IPs, the REs shall develop and implement an appropriate exit procedure.

8. Powers of SBP:

- i. SBP may suspend/terminate participation of any Raast participant with immediate effect, if it is in the public interest or when the participant:
 - a. Violates or breaches the Raast Participation Criteria or Raast Rules or any other law, rules, regulations, etc.;
 - b. Poses a threat to the security, integrity or reputation of Raast;
 - c. Fails to fulfill the responsibilities and obligations for usage of Raast system as agreed with SBP or its subsidiary;
 - d. Fails to timely replenish its account and poses liquidity/settlement risk to the system;
 - e. Is declared insolvent by the court of law, or is in the process of being wound up or dissolved or has suspended its operations.
- ii. SBP reserves the right to:
 - a. Conduct onsite or off-site assessment of all participants or require third-party assessment at the cost of participant;
 - b. Reject/decline application of any entity for participation in Raast without assigning any reason.
- iii. SBP may amend these criteria from time to time as deemed appropriate.

Annexure – A

Quarterly Data Reporting Template by DSPs / DNSPs

Quarter: XX

Name of IP	Nature of Business	Volume of Transactions	Value of Transactions (PKR in millions)	Remarks
