

Direction No. 01/2018

To: All Licensed Financial Acquirers of Payment Cards

Direction on Acquiring Payment Card based Electronic Commerce Transactions through Service Providers

This Direction is issued in terms of the regulation 18 of the Payment Cards and Mobile Payment Systems Regulations No.1 of 2013 (Regulations) and shall apply to Financial Acquirers of Payment Cards licensed in terms of the Regulations (hereinafter referred to as Licensed Financial Acquirers or LFAs).

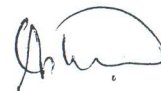
Licensed Financial Acquirers who make arrangements with third parties to accept payment cards as a means of payment and reimburses those third parties with the value of goods or services purchased, may acquire payment card based electronic commerce transactions through Institutions facilitating initiation of online card payments (hereinafter referred to as Service Providers). LFAs may also obtain the assistance of Service Providers to settle payments to merchants for electronic commerce transactions carried out through the respective internet payment platform/gateway.

The objective of issuing this Direction is to stipulate conditions on acquiring payment card based electronic commerce transactions through Service Providers in order to ensure timely payments to merchants and to safeguard the interests of cardholders. This Direction shall come into force with effect from 18 January 2018.

LFAs intending to acquire payment card based electronic commerce transactions through Service Providers, shall adhere to following conditions;

- 2.1. LFAs shall take utmost care in assessing the capability of the prospective Service Provider.
- 2.2. LFAs shall enter into agreements with Service Providers with regard to providing facilities to accept payment cards as a means of payment for online purchases of goods and/or services. The roles, responsibilities, rights and obligations of each party shall be clearly specified in these agreements.
- 2.3. LFAs shall review merchant applications and grant approval for merchants to register in the respective internet based payment platform/gateway. LFAs may consider company profiles and details of business operations of merchants provided by Service Providers when reviewing merchant applications. LFAs shall maintain a record of all merchants registered in each internet based payment platform/gateway.

- 2.4. LFAs shall maintain the confidentiality of cardholder data and ensure that Service Providers shall not have access to sensitive information of cardholders such as card number, card security code and expiry date.
- 2.5. LFAs shall maintain a dedicated account owned by the LFA for each internet payment platform /gateway to facilitate payments related to transactions carried out through the respective internet payment platform/gateway. Refunds for failed or disputed transactions shall also be facilitated through this account.
- 2.6. LFAs shall ensure that final settlements to the merchants will take place within three (03) business days upon receipt of funds.
- 2.7. LFAs shall develop a dispute resolution mechanism in line with dispute resolution guidelines of the relevant payment card scheme for handling of disputes relating to transactions effected through internet payment platform/gateway.
- 2.8. LFAs shall monitor the operations of internet payment platform/gateway.
3. LFAs shall submit a copy of the draft agreement to be entered into by and between the LFA and the Service Provider to obtain approval of the Central Bank of Sri Lanka prior to facilitating card payments in the internet payment platform/gateway. LFA shall have separate agreements with Service Providers for each internet payment platform/gateway.
4. LFAs shall ensure that they adhere to all applicable laws and regulations in acquiring payment card based electronic commerce transactions through internet payment platform/gateway.
5. LFAs shall submit an assessment report on each internet payment platform/gateway on a quarterly basis to the Payment and Settlement Department of Central Bank of Sri Lanka.



C.J.P. Siriwardena
Deputy Governor