

Certification Procedure PIN

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1 General

1.1 Object of certification

The certification procedure aims at ensuring a uniform, verifiable and efficient certification process. The aim is to:

- provide a framework for the process of certification; and
- to make the process of obtaining a Licence and/or Certificate completely transparent for all parties.

The certification procedure is aimed primarily at Applicants, i.e. Institutions wishing to obtain or renew a Licence and/or Certificate. It also makes sense for Applicants/Institutions, or internal auditors who may be involved, to be familiar with the certification process so that they have a better appreciation of the activities to be performed in testing whether the requirements of the Rules & Regulations are satisfied.

1.2 Scope of the certification procedure

The certification procedure covers the activities to be completed in order to be able to perform a Role as described in the R&R. The various activities are described in detail in this procedure. The certification procedure comprises the following parts:

- Completion by the Applicant/Institution of a Control Self-Assessment (CSA)
- Evaluation of the CSA by PIN B.V.
- If necessary, submission of the proposed verification activities to an expert committee of auditors for their recommendations
- Performance of verification activities by PIN B.V. (on a selective basis)
- Final evaluation, including decision, by PIN B.V. as to the grant or renewal of the Licence or Certificate.

1.3 Use of standard CSA forms

The standard CSA forms, which are available on request from PIN B.V., serve to support Applicants/Institutions in the conduct of a CSA and all the associated activities. The standard CSA forms have been produced with the object of enabling PIN B.V. to issue a standard set of questions for the conduct of a CSA. Having each Applicant/Institution complete the same, standard CSA form greatly facilitates comparison.

2 Licence and Certificate structure

Institutions wishing to enter the PIN payment market must obtain a Licence or Certificate from PIN B.V. Only Institutions which have an license in accordance with the statutory and other rules and regulations currently in force qualify for a Licence Agreement. Other Institutions are only permitted to provide support services in upstream markets for PIN payment transactions on behalf of Licensees. In order to provide such services, Institutions must obtain a Certificate from PIN B.V.

PIN B.V. has adopted a uniform set of rules, the Rules & Regulations, which are to be adhered to by every Licensee and Certificate Holder. The R&R contain among other things rules covering all critical activities relating to the PIN payment product. As regards the activities covered by the PIN R&R, a distinction is made between the issuing domain and the acquiring domain. The issuing domain briefly comprises all activities relating to the issue of PIN cards, the online authorisation of PIN card payments by an Institution (the Issuing Bank) and the processing of payments on behalf of Cardholders in order to enable a Cardholder to make PIN payments. The acquiring domain comprises all activities relating to the processing of PIN payments by an Institution (the Acquiring Bank) on behalf of a Merchant.

Licensees are under obligation to conform to all the standards applicable to the acquiring or issuing domain. In each domain there are a number of Roles, with a number of activities linked to each Role. Unless they are directly linked to a Licence, it is necessary to obtain a Certificate in order to perform the various activities (linked to a specific Role). If a Licensee performs such activities itself, it is the Licensee's responsibility to obtain a Certificate for those activities. If a Licensee subcontracts those activities, the contracting Institution will require a Certificate from PIN B.V. for the Role concerned plus the associated activity or activities. Licensees may only subcontract activities to certified Institutions. Certificate Holders can be certified to perform one or more (or all) of the activities associated with a specific Role. It is the Licensee's responsibility to ensure that all the activities in a particular domain are covered.

A Licence is obtained by entering into a Licence Agreement with PIN B.V. A Certificate is obtained by entering into a Certificate Agreement with PIN B.V. To qualify for a Licence Agreement or a Certificate Agreement, an Institution must demonstrate that it satisfies the acceptance standards for the Role which it wishes to perform as part of the PIN payment product. This requires the institution to successfully complete the PIN B.V. acceptance procedure. For Institutions already active in the PIN payment market, a temporary dispensation period applies in which they can demonstrate that they are complying with the rules.

The General Notes on the PIN R&R contain an explanation of the system of roles and a schematic diagram of the system, from which it can be seen that a Licensee occupies a key position in each of the two domains.

3 Certification procedure for new players

3.1 Introduction

An Applicant wishing to perform a Role described in the PIN B.V. R&R must make an appropriate application to PIN B.V. by completing the Application Form (appended to the Acceptance Regulations) and submitting it to PIN B.V.

An Applicant will only qualify for a Licence Agreement or a Certificate Agreement if it has demonstrated that it complies with the rules laid down in the R&R for the PIN payment product. This requires the Applicant to successfully complete the PIN B.V. acceptance procedure. To begin the acceptance procedure, the Applicant must return the Application Form and the Acceptance Regulations, duly signed for agreement, to PIN B.V. PIN B.V. will then send the Institution a documentation set, including the R&R. Also included in the documentation set will be a copy of the Control Self-Assessment which is to be completed.

The return of the Application Form to PIN B.V. by an Applicant marks the official start of the certification procedure. At the heart of the certification procedure is the Control Self-Assessment (CSA) to be conducted by the Applicant. The CSA is an assessment designed to answer the question of whether the Applicant meets the requirements laid down in the Rules & Regulations. To this end, new players will be required to complete a CSA at Rules & Regulations level.

The entire certification procedure comprises the following stages:

- completion of the CSA by the Applicant
- evaluation of the completed CSA by PIN B.V.
- performance of verification activities by PIN B.V.
- evaluation of the CSA including the results of verification activities and possible consultation with the Audit Expert Committee
- decision by PIN B.V. concerning the grant of a Licence.

Currence aims to complete the certification procedure within five weeks of receiving the completed CSA. In general, where an Applicant conducts a CSA with the object of obtaining a Licence and/or Certificate for the PIN payment product, activities already performed in connection with a CSA for other products (such as Chipknip) will be taken into account as far as possible, and vice versa.

3.2 Conduct of CSA

The Applicant is required to conduct the CSA independently to assess whether it complies with all the requirements of the Rules & Regulations for the Role which the Applicant wishes to perform. The CSA amply covers the important areas of activity associated with that Role and closely reflects the requirements of the Rules and Regulations for the Role concerned.

The form taken by the CSA means that, by answering a number of specific, yes/no questions, it should become clear whether the Rules & Regulations are complied with. If one or more questions are answered

in the negative, the Applicant is required to provide further information in the annex to the CSA, explaining why and in what way it fails to comply. The further details provided should clarify the situation with regard to the nature of the compliance issue or qualification, the reasons for it and how serious it is. The Applicant is also required to describe what action has been taken to rectify the situation and to state when it expects to be able to satisfy the requirements on the issue in question.

Finally, the CSA must be signed on behalf of the Applicant by an owner (of a particular product or in general) with overall responsibility for managerial decisions, commercial decisions, operations/IT and general control of the payment product concerned. In practice, this will usually be the director. In signing, the signatory gives assurances to PIN B.V. that the answers provided are in accordance with the facts.

It is strongly recommended that the services of the Applicant's Internal Audit Department (IAD)¹ be employed in completing the CSA. In view of its knowledge of the organisation and control structure and specific expertise, an IAD has an important role to play in the conduct of the CSA. Such use of the services of an IAD is, however, not obligatory; it is up to the management of the Applicant to decide as it sees fit. If use is made of the support provided by an IAD, the IAD's input should preferably be clearly indicated on the CSA forms.

The following remarks are also pertinent with regard to the CSA:

- A completed CSA must be verifiable, from both an internal point of view and an external point of view (PIN B.V.). Completion of the CSA should take place on the basis of verifiable or auditable observations from which internal conclusions can be drawn. The considerations and/or statements of fact forming the basis of the conclusions should be documented internally.
- The assertions/statements with regard to compliance with the applicable requirements are typically formulated in the perfect tense or the present tense. In responding, the Applicant is deemed to indicate whether the processes and procedures are functioning in such a manner as to provide assurances of ongoing compliance with the assertions/statements. The Applicant will also be deemed to have collected sufficient evidence over a period of one year in support of the answer given.
- The Applicant is required to provide PIN B.V. with the results of the CSA in writing by using the standard form.

3.3 Verification activities and certification decision

PIN B.V. will record the CSA submitted by the Applicant and assess the possible risks. The verification activities subsequently performed by PIN B.V. will focus particularly on any compliance issues and/or qualifications reported by the Applicant. PIN B.V. will attempt to complete its verification activities within a relatively short space of time.

If the outcomes of the CSA and the verification activities performed by PIN B.V. are satisfactory, PIN B.V. will decide in favour of granting a Licence and/or Certificate, subject to there being no outstanding issues and/or qualifications with regard to compliance with the Rules & Regulations. A favourable decision is also possible if, in the opinion of PIN B.V., there are compliance issues or qualifications that are not serious or where firm agreements have been reached concerning the corrective action to be taken to address the issues or qualifications in a manner which will ensure compliance with the applicable requirements within six months. In connection with the performance of verification activities, PIN B.V. may, on its own initiative,

¹ Or external auditors if the Institution does not have an Internal Audit Department.

seek the advice of the Audit Expert Committee. For more information on the activities of this Committee, reference is made to Section 4.3.

Provided PIN B.V. is not aware of any facts or circumstances which, in the opinion of PIN B.V., would prevent the grant of permission for the performance of a Role by the Applicant, PIN B.V. will make the Applicant an irrevocable offer in writing to enter into a Licence Agreement or Certificate Agreement upon completion of its verification activities, and in any case within **six** months of the start of the certification procedure, having due regard to the deadline for the submission of the completed CSA. The offer will lapse if the Applicant fails to accept the Licence Agreement or Certificate Agreement within a period of 30 days after the date of the offer. An updated list of all the Institutions that have been certified by PIN B.V. will be posted on the PIN B.V. website.

If PIN B.V. finds that (a) one or more of the issues or qualifications reported in the CSA have not been rectified (within six months as agreed) or (b) its verification activities have produced findings indicative of issues or qualifications with respect to compliance with the Rules & Regulations or (c) circumstances or facts have become known which, in the opinion of PIN B.V., prevent the grant of permission for the performance of a Role by the Applicant, PIN B.V. will have the right – without prejudice to any other rights enjoyed by PIN B.V. – to restart all or part of the certification procedure.

In the event of a difference of opinion concerning the outcome of the certification or the manner in which it has been conducted, PIN B.V. and the Applicant will attempt to resolve the matter amicably. If PIN B.V. and the Applicant cannot resolve the matter, the arbitration arrangements described in the Acceptance Regulations may be invoked.

Upon signature of the Licence or Certificate Agreement, the Licensee or Certificate Holder will have the right to perform a Role – for which PIN B.V. has issued a Licence or Certificate – in connection with the PIN Payment Product on its own account and at its own risk.

4 Certification procedure for existing players

4.1 Introduction

Although the Licence or Certificate Agreement is issued for an indefinite period, a CSA will have to be repeated periodically for various reasons. It follows that already accredited Licensees and Certificate Holders will therefore have to periodically conduct (or repeat) a CSA. For already accredited Institutions, the level of detail in the CSA is not as deep as for new applicants, who do not yet have a track record to present.

The entire certification procedure comprises the following stages:

- completion of CSAs by the Institution
- evaluation of completed CSAs by PIN B.V. and preparation of a risk analysis
- possible question and answer round with Licensees and/or Certificate Holders
- recommendations of the Audit Expert Committee
- performance of verification activities
- evaluation of CSAs including results of verification activities
- decision by PIN B.V. concerning the grant or renewal of a Licence or Certificate.

The extended duration of the certification period is entirely due to the substantial volume of activities which PIN B.V. has to perform.

4.2 Conduct of CSA

The Institution is required to conduct the CSA independently to assess whether it complies with all the requirements of the Rules & Regulations for the Role performed by the Institution. The CSA apply covers the important areas of activity associated with that Role and closely reflects the requirements of the Rules & Regulations for the Role concerned.

The form taken by the CSA means that, by answering a number of specific, yes/no questions, it should become clear whether the Rules & Regulations are complied with. If one or more questions are answered in the negative, the Institution is required to provide further information in the annex to the CSA, explaining why and in what way it fails to comply. The further details provided should clarify the situation with regard to the nature of the compliance issue or qualification, the reasons for it and how serious it is. The Institution is also required to describe what action has been taken to rectify the situation and to state when it expects to be able to satisfy the requirements on the issue in question.

Finally, the CSA must be signed on behalf of the Institution by an owner (of a particular product or in general) with overall responsibility for managerial decisions, commercial decisions, operations/IT and general control of the payment product concerned. In practice, this will usually be the director. In signing, the signatory gives assurances to PIN B.V. that the answers provided are in accordance with the facts.

For existing players, too, it is recommended that the services of the Institution's Internal Audit Department (IAD)² be employed in completing the CSA. In view of its knowledge of the organisation and control structure and specific expertise, an IAD has an important role to play in the conduct of the CSA. Such use

² Or external auditors if the Institution does not have an Internal Audit Department.

of the services of an IAD is, however, not obligatory; it is up to the management of the Institution to decide as it sees fit. If use is made of the support provided by an IAD, the IAD's input should preferably be clearly indicated on the CSA forms.

The following remarks are also pertinent with regard to the CSA:

- A completed CSA must be verifiable, from both an internal point of view and an external point of view (PIN B.V.). Completion of the CSA should take place on the basis of verifiable or auditable observations from which internal conclusions can be drawn. The considerations and/or statements of fact forming the basis of the conclusions should be documented internally.
- The assertions/statements with regard to compliance with the applicable requirements are typically formulated in the perfect tense or the present tense. In responding, the Institution is deemed to indicate whether the processes and procedures are functioning in such a manner as to provide assurances of ongoing compliance with the assertions/statements. The Institution will also be deemed to have collected sufficient evidence over a period of one year prior to the date of signature in support of the answer given.
- The Institution is required to provide PIN B.V. with the results of the CSA in writing by using the standard form.

4.3 Evaluation of CSAs and performance of verification activities

PIN B.V. will record and evaluate the CSAs received, including comparison of one CSA with another. On the basis of the CSAs received, PIN B.V. will make an analysis of the risks, taking account of the compliance issues reported by the Institution.

PIN B.V. will draw up a plan of approach for the selective verification activities which it is to perform. A selection will be made from among the Institutions with regard to performance of the various verification activities. The plan will be presented to the Audit Expert Committee (AEC) appointed by PIN B.V.. This AEC is composed of experienced, authoritative auditors (including external auditors) with extensive expertise in the financial sector. The AEC will, among other things, make recommendations to PIN B.V. concerning the verification activities to be carried out. These recommendations will not be binding. Nevertheless, PIN B.V. will not be able to ignore the recommendations of the AEC without good reason.

The finalised plan of approach for the verification activities will largely depend on three determinants:

1. The results of the CSAs
2. The involvement or otherwise of an IAD in the conduct of the CSA
3. The results of the evaluation of the CSAs performed by PIN B.V.
4. The recommendations of the AEC concerning the plan of approach for the verification activities.

PIN B.V. will attempt to complete its verification activities within a relatively short space of time.

4.4 Certification decision

If the outcomes of the CSA and the verification activities performed by PIN B.V. are satisfactory, PIN B.V. will decide in favour of renewing a Licence and/or Certificate, subject to there being no outstanding issues and/or qualifications with regard to compliance with the Rules & Regulations. A favourable decision is also possible if, in the opinion of PIN B.V., there are compliance issues or qualifications that are not serious or where firm agreements have been reached concerning the corrective action to be taken to address the

issues or qualifications in a manner which will ensure compliance with the applicable requirements within six months.

Provided PIN B.V. is not aware of any facts or circumstances which, in the opinion of PIN B.V., would prevent the grant of permission for the continued performance of a Role by the Institution, PIN B.V. will notify the Institution of its decision upon completion of its verification activities, and in any case within **six** months of the start of the certification procedure. An updated list of all the Institutions that have been certified by PIN B.V. will be posted on the PIN B.V. website.

If PIN B.V. finds that (a) one or more of the issues or qualifications reported in the CSA have not been rectified (within six months as agreed) or (b) its verification activities have produced findings indicative of issues or qualifications with respect to compliance with the Rules & Regulations or (c) circumstances or facts have become known which, in the opinion of PIN B.V., prevent the grant of permission for the continued performance of a Role by the Institution, PIN B.V. will have the right – without prejudice to any other rights enjoyed by PIN B.V. – to restart all or part of the certification procedure.

In the event of a difference of opinion concerning the outcome of the certification or the manner in which it has been conducted, PIN B.V. and the Institution will attempt to resolve the matter amicably. If PIN B.V. and the Institution cannot resolve the matter, the arbitration arrangements described in the Licence Agreement or Certificate Agreement may be invoked.

4.5 Repeat assessment

On occurrence of any of the following events, a Licensee or Certificate Holder is required to carry out a new CSA and to submit the results thereof to PIN B.V., showing that the Institution is meeting its obligations under the Licence or Certificate Agreement and, more particularly, complying with the R&R:

- impending expiry of each period of three years;
- a change in the R&R affecting the Role to which the Licence or Certificate Agreement relates and the nature of the change is material according to PIN B.V. In this case, the CSA will serve merely to establish that the Institution satisfies the specific requirements of the R&R that have been changed. If PIN B.V. has set a date for implementation of the change, the Institution will be required to submit its report before expiry of the period concerned;
- a change in the organisation, systems or suppliers of the Institution affecting the extent to which the Institution is able to meet its obligations under the Licence Agreement or Certificate Agreement.

With regard to the conduct of the CSA, the requirements and guidelines described above apply. Again, the IAD of the Institution concerned will be able to perform important supporting and other activities.