

Certification Procedure

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Certification Procedure

1 General

1.1 Object of certification

Certification is defined in this context as the collection of activities on the basis of which an independent, competent and reliable institution is able to establish and report in writing, with justifiable confidence, that the object of certification satisfies the stipulated requirements. The intended aims of certification are:

1. An attempt to create an open market system, i.e. to accept institutions, hardware and software complying with previously agreed conditions; and
2. The provision of basic security, i.e. to lay down minimum security standards regarding the payment process internal control setup and the setup with regard to the security and reliability of the supporting systems by testing for compliance with the iDEAL Rules & Regulations (R&R).

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 as part of the procedure.

1.2 Scope of the certification procedure

The certification procedure aims at carrying out the certification in a verifiable, cost-effective and risk-focused manner so as to:

- Provide a framework for conducting the certification; and
- Clarify the process to be gone through in obtaining a License and/or Certificate for all concerned.
- Properly assess the internal control of the iDEAL payment processes.

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 stages:

1. Application for a Licence, Certificate or accreditation;
2. Successful completion by the Applicant of the iDEAL Test Set (this only applies to new applications from Licensees);
3. Completion by the Applicant/Institution of a Control Self-Assessment (CSA);
4. Evaluation of the CSA by Currence iDEAL B.V.;
5. Performance of verification activities by Currence iDEAL B.V. (on a selective basis) to establish compliance with the R&R on the part of the Applicant/Institution;
6. Final evaluation and decision by Currence iDEAL B.V. concerning the grant or renewal of the Licence or Certificate;
7. Monitoring of compliance with agreements to rectify outstanding issues (of minor importance).

Currence iDEAL B.V. attempts to complete the certification procedure as quickly as possible, by not later than **six** months after receiving an application, provided that the applicant carries out all the activities required for certification promptly and submits the required information to Currence on time.

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1.3 Use of standard CSA forms

The standard CSA forms, which are available on request from Currence iDEAL 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 Currence iDEAL 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.

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2 Licence and Certificate structure

Institutions wishing to enter the iDEAL payment market must obtain a Licence or Certificate from Currence iDEAL B.V.

Currence iDEAL 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 iDEAL payment product. As regards the activities covered by the R&R rules, a distinction is made between the issuing domain and the acquiring domain. The issuing domain briefly comprises all activities relating to the authorisation by the Issuing Bank of payments made using internet banking systems and the processing of payments on behalf of customers in order to enable a customer to make iDEAL payments. The acquiring domain comprises all activities relating to the receipt and processing of iDEAL payments by the Acquiring Bank on behalf of a Merchant.

Licensees are under obligation to conform to all the requirements applicable to the acquiring or issuing domain. In addition to the Licensee Role of Acquiring Bank, the iDEAL acquiring domain includes the Certificate Holder Role of Collecting Payment Service Provider (CPSP), involving various activities. It is necessary to obtain a Certificate in order to perform the various activities (linked to the 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 Currence iDEAL 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 Currence iDEAL B.V. A Certificate is obtained by entering into a Certificate Agreement with Currence iDEAL B.V. To qualify for a Licence Agreement or a Certificate Agreement, an Institution must demonstrate that it satisfies the acceptance requirements for the Role which it wishes to perform as part of the iDEAL payment product. This requires the institution to successfully complete the Currence iDEAL B.V. acceptance procedure. For Institutions already active in the iDEAL payment market, a temporary dispensation period applies in which they can demonstrate that they are complying with the rules.

The General Notes on the iDEAL R&R contain an explanation of the system of roles and a schematic diagram of the system.

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3 Certification procedure for new players

3.1 Introduction

An Applicant wishing to perform a Role described in the Currence iDEAL B.V. R&R must make an appropriate application to Currence iDEAL B.V. by completing the Application Form (appended to the Acceptance Regulations) and submitting it to Currence iDEAL 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 iDEAL payment product. This requires the Applicant to successfully complete the Currence iDEAL 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 Currence iDEAL B.V. Currence iDEAL 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 CSA which is to be completed.

The return of the Application Form to Currence iDEAL B.V. by an Applicant marks the official start of the certification procedure. At the heart of the certification procedure is the 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 answer all the questions in the complete CSA.

The certification procedure for new players comprises the various stages described in Section 1.2 Scope of the certification procedure.

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 institution is therefore independently responsible for the accuracy and completeness of this self-assessment of compliance. 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. Possible answers are 'yes', 'no' or 'not applicable'. Answering a question in the affirmative means that the Institution is 'in control', implying that:

- The Institution recognises the relevant risks;
- The Institution has adequate controls/risk management measures in place and documented or accepts the risks either in whole or in part and this fact, too, has been documented;
- The measures concerned have been brought to the attention of all the affected staff and steps are taken to ensure that the measures are applied by them; and
- Anomalies are promptly and adequately identified and dealt with.

For questions answered in the affirmative, it must be possible (if checks are made) to supply intelligible and verifiable supporting evidence. Explanatory remarks are mandatory for questions answered in the negative or as not applicable.

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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 company director. In signing, the signatory gives assurances to Currence iDEAL B.V. that the answers provided are in accordance with the facts and that the Institution is verifiably compliant with the R&R.

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 (Currence iDEAL 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 Currence iDEAL B.V. with the results of the CSA in writing by using the standard form.

3.3 CSA evaluation and verification activities

Currence iDEAL B.V. will record the CSA submitted by the Applicant and assess the possible risks. The verification activities subsequently performed by Currence iDEAL B.V. will focus particularly on any compliance issues and/or qualifications reported by the Applicant. Currence iDEAL B.V. will attempt to complete its evaluation and verification activities within five weeks on condition that the Applicant/Institution is prompt in providing Currence iDEAL B.V. with any supplementary information required.

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

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3.4 Decision concerning grant of Licence or Certificate

If the outcomes of the CSA and the verification activities performed by Currence iDEAL B.V. are satisfactory, Currence iDEAL 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 Currence iDEAL 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 **three** months of certification. In connection with the performance of verification activities, Currence iDEAL B.V. may, on its own initiative, seek the advice of the Audit Expert Committee.

Provided Currence iDEAL B.V. is not aware of any facts or circumstances which, in the opinion of Currence iDEAL B.V., would prevent granting permission for the performance of a Role by the Applicant, Currence iDEAL 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. 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 Currence iDEAL B.V. will be posted on the website www.currence.nl.

If Currence iDEAL B.V. finds that (a) one or more of the issues or qualifications reported in the CSA have not been rectified (within **three** 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 Currence iDEAL B.V., prevent granting permission for the performance of a Role by the Applicant, Currence iDEAL B.V. will have the right – without prejudice to any other rights enjoyed by Currence iDEAL 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, Currence iDEAL B.V. and the Applicant will attempt to resolve the matter amicably. If Currence iDEAL 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 Currence iDEAL B.V. has issued a Licence or Certificate – in connection with the iDEAL Payment Product on its own account and at its own risk.

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4 Reassessment of existing players

4.1 Introduction

Although the Licence or Certificate Agreement is issued for an indefinite period, a CSA will have to be repeated in full or partially as part of the normal supervision activities. For the reasons behind this, see 4.5.

It follows that already accredited Licensees and Certificate Holders will therefore have to periodically conduct (or repeat) a CSA, albeit that subsequent CSAs will focus on changes in the process since initial certification ('deltas'). Institutions are required to indicate what parts of the process are affected by the changes and to confirm that the rest of the iDEAL payment process is unchanged.

The entire reassessment procedure comprises the following stages:

1. Completion by the Institution of a Control Self-Assessment (CSA) , focusing on differences;
2. Evaluation of the CSA by Currence iDEAL B.V.;
3. Performance of verification activities by Currence iDEAL B.V. (on a selective basis) to determine the Institution's 'in control' and compliance status;
4. Final evaluation and decision by Currence iDEAL B.V. concerning the renewal of a Licence or Certificate; and
5. Monitoring of compliance with agreements to rectify outstanding issues (of minor importance).

4.2 Conduct of CSA

The conduct of the CSA for existing players follows the same procedure as that described in Section 3.2 Conduct of CSA.

4.3 CSA re-evaluation and verification activities

Currence iDEAL B.V. will record and evaluate the CSAs received, including comparison of the answers given and the risk analysis submitted by the Institution. On the basis of the CSAs received, Currence iDEAL B.V. will make an analysis of the extent to which the Institution continues to comply with the provisions of the R&R and is 'in control' with respect to the payment process risks and whether this status is substantiated by documentation, for instance.

On the basis of the evaluation, Currence iDEAL B.V. will prepare a list of points for attention for the selective verification activities which it is to perform. A selection may be made from among the Institutions with regard to performance of the various verification activities, depending on their risk profiles and track records.

In this case, too, it is strongly recommended that use be made of supporting services provided by an Internal Audit Department in that this can substantially accelerate the process of reassessment with a similar or even better quality of the exercise.

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4.4 Decision concerning renewal of Licence or Certificate

The decision concerning renewal of a License or Certificate basically follows the same procedure as that described in Section 3.4 Decision concerning grant of Licence or Certificate.

4.5 Reasons for reassessment

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 Currence iDEAL 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 Currence iDEAL 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 Currence iDEAL 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;
- A stream of complaints, incidents, disruptions or cases of fraud or other irregularities relating to the payment process handled by the Institution (indicating structural problems).

All such events have potential implications for the Institution's existing risk profile and warrant a decision to require the Institution to repeat the CSA procedure.