

National payment systems cover the institutional arrangements and infrastructure for the transfer of funds. The essential purpose of a national payment system is to support the efficient and secure transfer of funds between individuals, commercial and other entities and, financial institutions.

An appropriate payment system not only enables funds to be transferred safely and efficiently between participants in the system, but also supports a country's monetary policy, financial stability and overall economic development.

Central banks are key actors in the development of a national payment system and generally perform a variety of functions. They act as operators, users of payment services and catalysts for the reform of payment systems. In addition, they have the task of supervising payment and securities clearing and settlement systems, which are fundamental to the functioning of the financial sector and the economy in general.

To be effective, market and payment arrangements and payment systems supervision and regulation require a legal framework that provides security, stability and reduces their inherent risk.

With this decree-law, and in accordance with the provisions of Articles 4, 5, 28 and 30 of Law no. 5/2011 of 15 June, which establishes the obligation of the Central Bank of Timor-Leste to establish, regulate and supervise the National Payment System as a whole, in order to promote its efficiency and safety, as well as to limit risks, especially systemic risks, and to foster transparency and protection of customers, the functions and powers of the Central Bank of Timor-Leste to regulate and supervise the national payment system, while establishing a regime for the authorization of payment service providers and operators are defined. In addition, settlement, clearing and finality of payments are regulated, as are electronic payments and e-money.

Thus,

The Government decrees the following under Article 115(1)(e) n) and (o) of the Constitution of the Republic and Article 28(1) of Law No. 5/2011 of 15 June, to be enforced as law:

1. This Decree-Law establishes the legal framework applicable to the regulation and management of the

- n) means the electronic transmission by an institution authorized to cash-out Cheques of an image and payment information of a Cheque to the creditor institution at which it is cashed;
- o) means any transfer of funds that is initiated by a person through an instruction, authorization or order addressed to a Payment Service Provider to debit or credit an account held with that Payment Service Provider by electronic means and includes, but is not limited to, transactions at automated payment terminals, automated teller machines, account deposits or withdrawals of funds, transfers initiated by telephone, internet, card and other devices;
- p) means monetary value stored electronically, including in magnetic form or on any other tangible or intangible device (such as SIM cards or computer systems), represented by a claim on the issuer, which is issued upon receipt of the funds for the purpose of making

- y) means an agreement, in writing, which converts several claims and obligations into one net claim or net obligation and includes Bilateral Netting, Multilateral Netting, Novation Netting, Advance Payment Netting or a combination of any of these;
- z) means a Netting Agreement between the parties covering a set of transactions in which an account of amounts due is maintained and the parties' rights and obligations in relation to that account are continuously extinguished and replaced by a single amount due from one party to the other;
- aa) means the Central Bank or any other entity licensed or authorized by the Central Bank to operate a System;
- bb) has the meaning assigned to it in Law No. 5/2011 of 15 June;
- cc) means a party recognized under the rules of a System as capable of trading, clearing and settling through the System with other Participants, either directly or indirectly. A direct participant is a participant in a System which is responsible for settling its own payments, its customers' payments and the payments of indirect participants on whose behalf it settles;;
- dd) means any entity that provides Payment Services;
- ee) means a card or other device, including a code or other means of access to an account, which may be used to withdraw cash or to make payments, and covers cards or devices regardless of whether they are credit, debit or prepaid cards;
- ff) means any instrument, tangible or intangible, which enables a person to obtain money, goods or services or to make payments or transfer money. These include, but are not limited to, Cheques, transfers of funds initiated on paper or in dematerialized form (such as ATMs, automated payment terminals, internet, telephone, mobile phones), Payment Cards, including prepaid ones;
- gg) means:
 - i. services enabling cash deposits and 2 reW*nBT1 113.42 330.17 Tm0 g0 G(i)-4(.)JTJETQ0.000008871 0 5

- kk) means the act of fulfilling obligations by transferring funds or securities between two or more parties;
 - ll) means an entity that provides accounts for the Participants of a System to hold funds and settle transactions between System Participants;
 - mm) means rules, irrespective of how they have been established, which provide the framework within which payment obligations are calculated, cleared or settled and include rules for action in the event that a Participant is unable or likely to become unable to meet its obligations to the Payment System, Clearing House, IC or other Participants. These rules cover the settlement of obligations relating to securities;
 - nn) means a System established and operated by the Central Bank or any other System for the fulfilment of payment obligations and the settlement of securities obligations;
2. Unless expressly provided otherwise, the term in this Decree-Law shall mean without distinction a Payment, Clearing and/or Settlement System.

The Central Bank has, under this decree-law, functions and powers to:

- a) define the policies for the continuous modernization of the National Payment System;
- b) authorize Payment Service Providers and System Operators in accordance with the provisions of this decree-law and complementary regulations;
- c) determine general or individual conditions, standards, norms and/or procedures for the implementation of this decree-law and complementary regulations with respect to any authorized entity and its activity and to ensure that such conditions, standards, norms and procedures are duly respected;
- d) serve as a forum for the discussion of matters of common interest and policies concerning the National Payment System; and
- e) perform any other functions that it may have in relation to Payment, Settlement or Clearing Systems or the issuance of Payment Instruments in order to enable them to be effective and to achieve their objectives.

- a) issue written warnings; or
 - b) issue written orders requiring the agent to cease and desist from the practice of the act and take corrective measures.
3. Under the terms of the preceding paragraph, and taking into account the seriousness of the infringement, the Central Bank may adopt one or more of the following administrative penalties:
- a) fines between 1,000.00 and 500,000.00 U.S. dollars;
 - b) suspend or remove from office administrators, directors, or employees of agents;
 - c) suspend or revoke the authorization granted to a Bank, Operator, Payment Service Provider or Participant.
4. The application of administrative measures and sanctions under this Article, terms and procedures shall be established by instruction of the Central Bank, with due regard for the defendants' guarantees of defense.
1. An administrator, director or employee of an Operator or Participant in a System who:
- a) obstructs the performance of an auditor acting under the terms of this Decree-Law or an inspection by the Central Bank carried out by an inspe

1. Where an institution participating in one of the Systems goes into liquidation, is subject to administration or otherwise declared insolvent by court order, any provisions of Netting Agreements to which the Participant is a party or of any Netting Rules and practices applicable to the System shall be binding on the bankruptcy, insolvency or liquidation estate of, as the case may be, the liquidator or administrator of, as the case may be, the respective Participant in respect of any payment or settlement of an obligation:
 - a) which was determined by Netting at a time prior to the formal commencement of the liquidation or receivership proceedings, as the case may be; and
 - b) which is fulfilled on or after the date of commencement of winding-up proceedings or administration d

1. The measures adopted by the Central Bank under Article 32 shall impose on any Payment Service Provider applying fees to clients for the execution or receipt of Wire Transfers, that it provides, in accordance with paragraph 2 of this Article, information to the client:
 - a) that a fee is applicable; and
 - b) the amount of the relevant fee.
2. The information required under paragraph 1 in relation to any fee shall be:
 - a) displayed in a visible manner at an accessible place and at the place where the client initiates the Electronic Funds Transfer, including electronic interfaces; and
 - b) submitted as established by the Central Bank.
3. No fee may be applied in respect of an Electronic Transfer of Funds initiated by a client and for which information is required pursuant to paragraph 1 unless the client receives such information pursuant to paragraph 2 and elects to proceed with the transaction.

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