

# Instructions for Regulating the Electronic Payment of Funds

May 2023

N.B.: This English translation is prepared by the Central Bank of Kuwait for information purposes only. In case of any variance between Arabic and English versions, Arabic text shall prevail.

## **Resolution No. 45/471 of 2023 Promulgating the Instructions Regulating the Electronic Payment of Funds**

### **The Board of Directors of the Central Bank of Kuwait (CBK)**

Having perused,

The Law No. 32 of 1968 concerning Currency, the Central Bank of Kuwait and the Regulation of Banking, and its Amendments,

The Law No. 106 of 2013 Concerning Anti-money Laundering and Combating the Financing of Terrorism (AML/CFT), amended by the Law No. 24 of 2016,

The Law No. 20 of 2014 concerning the Electronic Transactions,

The Companies Law issued by virtue of the Law No. 1 of 2016, and its Amendments,

The Resolution No. 44/430 of 2018 regarding the Instructions Regulating the Electronic Payment of Funds,

Approval of the Board of Directors of the Central Bank of Kuwait passed in its meeting held on 14/5/2023,

And in view of the interest of work and the public interest.

### **Resolved**

#### **Article One**

Provisions of the Instructions Regulating the Electronic Payment of Funds, attached herewith, shall come into force and applied accordingly.

#### **Article Two**

The aforementioned Resolution No. 44/430 of 2018 shall be revoked, as well as any provision that contravenes the provisions herewith.

#### **Article Three**

All the concerned entities and departments, each within its respective field of competence, shall implement this Resolution and abide by its provisions.

#### **Article Four**

This Resolution shall be published in the Official Gazette and shall come into force as of the date of its publication.

**Basel Ahmad Al-Haroon**

The Governor

The Chairman of the Board of Directors of the Central Bank of Kuwait

*Issued on 24 Shawwal 1444 AH  
Corresponding to 14 May 2023*

# Instructions Regulating the Electronic Payment of Funds

## CHAPTER ONE “DEFINITIONS AND SCOPE OF APPLICATION”

### Article (1)

#### Definitions

In application of these Instructions, the following words, terms and expressions shall have the meanings, respectively, ascribed to them below:

- CBK** : The Central Bank of Kuwait.
- Local Banks** : Kuwaiti banks and branches of the foreign banks registered with CBK.
- Company** : The shareholding or limited liability company.
- Activity** : Electronic payment, electronic money and operation of the E-Payment systems.
- Registry** : CBK Register of the Activity service providers.
- Registration** : Enrollment in the CBK registry.
- Customer** : The natural or legal person, who is a beneficiary of the provided Activity.
- Payer** : A customer, who performs, or approves the E-Payment order to transfer funds.
- Payee** : A customer, who receives funds of an E-Payment transaction.
- Payment Order** : Instructions to the Activity service provider to process a payment transaction, and can be issued on behalf of the payer or the payee.
- Payment Transaction** : A procedure that results in depositing, transferring or withdrawing money by virtue of the payment order.
- Commercial Intermediary** : Any party authorized to act on behalf of another party to perform a sale, purchase or collecting proceeds of goods or services as per a commercial agreement that governs the same between both parties using E-Payment instruments provided by any of the Activity service providers or local banks.

- Notification** : A notification in writing or in any electronic method determined by CBK.
- E-Payment** : Transfer and settlement of funds electronically.
- E-Payment System** : An electronic system consisting of a set of methods and procedures for the payment and settlement of funds to fulfill obligations through the transfer of funds.
- E-Payment Instrument** : Any tangible or intangible mean that enables an individual to perform electronic payment transaction or payment transfer through the electronic payment channels for example Point of Sale, Electronic Payment Gateway, Electronic Money Wallet, etc....
- E-Payment Service Provider (EPSP)** : Any company registered to perform E-Payment Activities in the State of Kuwait in accordance with these instructions.
- Electronic Money (E-money)** : A Value that has cash equivalent stored in an electronic payment instrument, and accepted for payment transaction from a party other than the E-money issuer.
- E-money Service Provider (EMSP)** : Any company registered to perform E-money Activities in the State of Kuwait in accordance with these instructions.
- E-Payment Service Operator (EPSO)** : Any company registered to manage and operate the E-Payment systems infrastructure and its instruments in the State of Kuwait.
- Limited Purpose E-money** : A Value that has cash equivalent stored in an electronic payment instrument and issued by a single issuer to be used for making payments for goods or services in the State of Kuwait within a limited network of goods suppliers or service providers having direct commercial agreements with the issuer.
- Limited Purpose E-money Provider (LPEP)** : Any company that has obtained a no objection certificate issued by CBK to perform the activity of LPEP in the State of Kuwait in accordance with these instructions.
- Buy Now Pay Later (BNPL)** : A payment service for individuals for the purpose of purchasing consumer goods and paying for them later through a payment transaction performed by any of the electronic payment methods for the merchant.



**Article (2)**  
**Scope of Application**

These instructions apply to all defined Activity service providers, limited purpose E-money providers, and local banks.

## CHAPTER TWO “THE ACTIVITY”

### Article (3)

#### Practicing the Activity

All Activity service providers shall be listed in the CBK Register that contains the basic information submitted by them and any other information to be defined by the CBK. CBK shall not be responsible for any false or incorrect information provided in the Register.

The Activity may not be practiced without registration in the Register. Local banks are exempted from such registration.

### Article (4)

#### E-Payment Service Providers (EPSP)

E-Payment Service Providers are classified as follows:

##### **A. Small E-Payment Service Provider:**

- Legal form: a shareholding or a limited liability company.
- Minimum capital: KWD 50,000 in paid-up equity as an on-going capital requirement.
- Services: Performs one or more E-Payment Activities that are mentioned in Article (7), except for:
  - Issuing or storing or transferring E-money.
  - Buy Now Pay Later Service (BNPL)
- Limits & Activities Ceiling: The average monthly E-Payment transactions must not exceed KWD 8,000,000.

##### **B. Large E-Payment Service Provider:**

- Legal form: a shareholding company.
- Minimum capital: KWD 250,000 in paid-up equity as an on-going capital requirement.
- Services: Performs one or more E-Payment Activities that are mentioned in Article (7), except for:
  - Issuing or storing or transferring E-money.
  - Buy Now Pay Later Services (BNPL)

## Article (5)

### E-money Service Providers (EMSP)

E-money Service Providers are classified as follows:

#### **A. Small E-money Service Provider:**

- Legal form: a shareholding or a limited liability company.
- Minimum capital: KWD 100,000 in paid-up equity as an on-going capital requirement.
- Services: Performs one or more E-Payment Activities that are mentioned in Article (7), except for Buy Now Pay Later Service (BNPL).
- Limits & Activity Ceilings:
  - The total E-money stored for a single customer in all E-money accounts held by that customer must not exceed KWD 1,500 at any time.
  - The total E-Payment transactions processed through the E-money account of a single customer must not exceed KWD 1,500 per month.
  - The average daily balances - during the past 12 months - of the value of E-money stored within the small E-money service provider must not exceed KWD 800,000.
  - The total value of E-money stored with the small E-money service provider must not exceed KWD 1,000,000 at any time.
  - The average value of monthly E-Payment transactions must not exceed KWD 8,000,000.

#### **B. Large E-money Service Provider:**

- Legal form: a shareholding company.
- Minimum capital: KWD 1,000,000 in paid-up equity as an on-going capital requirement.
- Services: Performs one or more E-Payment Activities that are mentioned in Article (7).
- Limits & Activity Ceilings:
  - The total E-money stored for a single customer in all E-money accounts held by that customer must not exceed KWD 5,000 at any time.
  - The total E-Payment transactions processed through E-money account of a single customer must not exceed KWD 5,000 per month.



## Article (6)

### E-Payment Service Operators (EPSO)

The E-Payment Service Operators must meet the following conditions:

- Legal form: a shareholding company.
- Minimum capital: KWD 2,000,000 in paid-up equity as an on-going capital requirement.
- Services: Performs the operation and management of Retail Payment System in the state of Kuwait, and may perform one or more E-Payment Activities that are mentioned in Article (7), except for:
  - Issuing or storing or transferring E-money.
  - Buy Now Pay Later Service (BNPL)

## Article (7)

### Activity Services

The following are considered in-scope Activity Services:

- Payment acquisition, i.e. receiving, accepting and processing transactions of payment by the Activity service provider to the payee based on a contract between both parties.
- Direct debit, i.e. debiting the payer's account based on its approval in favor of the payee to process a payment transaction through the payer's service provider or that of the payee.
- Issuing or providing E-Payment instruments.
- Issuing, storing or transferring E-money.
- Providing Buy Now Pay Later service (BNPL).
- Limited purpose E-money as per the instructions set forth hereunder.
- Any other activity CBK considers it within the scope, and for which a decision is issued by the CBK Governor.

## Article (8)

### Out-of-Scope Activity Services

The following services are considered Out-of-scope Activity services:

- Payment transactions made between the payer and the payee through a commercial intermediary authorized under commercial agreements on behalf of the payer or payee- and not both- to complete the sale, purchase or collection of

the amounts related to goods or services such as restaurant delivery platforms and rent collection platforms.

- Cash payments, or those transactions executed between the payer and the payee without the intervention of any intermediary.
- Payment transactions processed electronically by the payer to the payee through a monetary value stored via an electronic payment instrument, issued by a single issuer and used only to obtain goods or services from the issuer or group of subsidiaries of the parent company/commercial name.
- Payment transactions processed in a securities settlement system, central clearing houses, clearing houses, or central banks.
- Any type of cheque-based payment transactions.
- Payment transactions and the related services between the parent company and its subsidiaries, or among the subsidiaries of the parent company, without intervention of another E-Payment service provider.
- Carrying out the activity of transporting banknotes and coins, including collection, processing and delivery procedures.

## CHAPTER THREE

### “LIMITED PURPOSE E-MONEY”

#### Article (9)

##### Practicing Limited Purpose E-money Activity (LPEP)

Limited Purpose E-money Activity may not be practiced before a no objection certificate is issued by CBK.

Activity service providers must verify that the Limited Purpose E-money Providers (LPEPs) have obtained a no objection certificates from the CBK before providing any E-Payment instrument to them.

#### Article (10)

##### Ceiling of LPEPs Operations

The total value of Limited Purpose E-money must not exceed KWD 400,000 at any time. In case this limit is exceeded, the service provider must inform CBK by filling the designated form. CBK has the right to reduce or increase the value against an unconditional letter of guarantee in favor of CBK, based on the degree of risk associated with the nature of service, or require the company to apply to the CBK registry as a small E-money Service Provider or large E-money Service Provider.

#### Article (11)

##### LPEPs Obligations

LPEP's must:

- Obtain CBK written approval before providing the services. If the service already exists, an approval shall be requested within 180 days from the issuance of these instructions through CBK approved form, provided with the required information and documentation along with the request.
- Submit financial statements audited by a certified auditor, along with an auditor's certificate stating that the Limited Purpose E-money Provider has not exceeded the threshold established by CBK Article No. (10), to be submitted annually within 3 months from the end of the fiscal year.
- Implement the segregation of funds principle, and fulfill the requirements of anti-money laundering and countering the financing of terrorism and customer protection, as stated in these instructions.
- Implement international controls and standards related to customer confidentiality and privacy of their personal and financial data.
- Submit any reports or statistical data required by CBK.
- Implement instructions issued by CBK regarding the limited purpose E-money.

## CHAPTER FOUR “REGISTRATION”

### Article (12)

#### Registration Application

Registration applications shall be submitted to CBK along with the required documentation and enclosures. CBK may request additional information or data at any time during the application submission stage, and the applicant must provide CBK with the requested information/data within 30 days as of the request date or the period CBK sees reasonable, at its discretion. CBK may reject the application should the applicant not submitted the requested information.

### Article (13)

#### Main Requisites

The following documents must be provided along with the registration application:

- The company’s memorandum of association.
- The company’s articles of association.
- The company’s commercial register issuance validity date should not exceed 3 months from the date of application submission.
- The company’s equity structure setting out the major shareholders holding more than 5% and the percentage of ownership of each of them.
- A list of the names and copies of the IDs of the executive management and the board of directors.
- The annual financial statements audited by a certified audit office. If the applicant has been operating for less than 3 fiscal years, the financial statements must be submitted for the period from date of commencing operations.

### Article (14)

#### Company Strategy

When submitting the registration application, the company is required to attach a 5-year strategy for large E-Payment service providers, large E-money service providers and E-Payment service operators, and a 3-year strategy for small E-Payment service providers and small E-money service providers, which it should include the following:

- Overall objective of the company.

- Feasibility study for establishing the company, including a full description of the business model.
- SWOT (Strength, Weakness, Opportunity and Threat) Analysis of each of the said Activity services during the period for which the study was conducted, and the appropriate treatment and contingency plan to mitigate such risks as well as the systems for managing those risks.
- Financial projections, and to the other expectations demonstrating that the applicant will fulfill the capital requirements hereunder.

### **Article (15)**

#### **Company's Business Procedures**

When submitting the registration application, the company is required to attach a statement of its operating procedures including those for each Activity service, policies, procedures and controls related to payment, settlement, protection and custody of funds.

### **Article (16)**

#### **Infrastructure and Information Security**

When submitting the registration application, the company is required to provide a statement of IT infrastructure and information security, which includes IT infrastructure diagram covering applications, systems, data centers, servers, networks, operations and their integrations, security measures taken to protect customers' funds and their banking, financial and personal data and outsourcing agreements for any third party/cloud service provider.

### **Article (17)**

#### **Risk Management Framework**

When submitting the registration application, the company must define the risk management framework that should include the policies, procedures, systems and controls necessary to manage the risks associated with the Activity services, setting out how to identify, monitor and address the potential risks, and the related reports. This shall include all activity related risks, business continuity, crisis management and disaster recovery plans.

## **Article (18)**

### **Customer Protection Program**

When submitting the registration application, the company must provide its customer protection plan that should describe the measures designed for customer protection, including dispute resolution mechanism, necessary measures to protect customers' funds, in cases that require, information privacy, protection policy, fees and commissions for each Activity service.

## **Article (19)**

### **Exit Strategy**

When submitting the registration application, the company must provide an exit strategy plan that should be followed in case the applicant encounters difficulties in achieving the desired goals, including the company's exit from the financial sector in an orderly manner that preserves customers' and shareholders' rights. The plan must include, as a minimum, the exit driving factors, governance (identifying the persons responsible for implementing the exit plan), and contingency plans.

## **Article (20)**

### **Initial Approval of Registration**

After reviewing the application and depending on the market needs and stability, CBK issues a written initial approval to be valid for 6 months from the date of approval.

During the said period, the applicant must fulfill all the registration requirements, and may not practice any of the activity services.

The initial approval of registration may be extended for an additional 6 months with valid reasons. The extension request must be received 30 days prior to the expiration of the initial approval. If this requirement is not met, the initial approval shall automatically be revoked.

## **Article (21)**

### **Requirements for Registration Completion**

For completing the registration, the company must fulfill the following requirements:

- Commercial license.
- The minimum capital requirement.

- Financial guarantee, if required.
- Obtaining approvals on the candidates for senior positions in accordance with CBK conditions and requirements for appointing senior positions.
- Defining all governance arrangements according to business models and the level of risks associated with the activity, provided they include the organization structure including all departments, sections or functions, detailed tasks and responsibilities and the names of responsible officers, roles and persons in the senior management, and each person of supervisory position, considering segregation of duties and authority matrix.
- An undertaking from the applicant to abide by these instructions and any other relevant laws or instructions.

## **Article (22)**

### **Final Approval of Registration**

CBK issues its final approval or rejection of registration which will be subject to the fulfillment of all requirements mentioned hereunder.

## CHAPTER FIVE

### “ACTIVITY SERVICE PROVIDERS OBLIGATIONS”

#### Article (23)

#### Performing the Activity

In carrying out the activity, the Activity services providers must:

- Executing the payment order properly in accordance with the customer’s orders and the rules of E-Payment systems, otherwise the activity services provider shall be responsible towards the customer, and shall immediately refund the amount of the payment order in full.
- For E-Payment services, after receiving the funds into the E-Payment service providers account, they must be deposited into the payee's account no later than the end of the next business day.
- In case of failure to execute the payment order, or a delay in crediting the funds to the customer's account, the customer shall be notified no more than 3 business days of the reasons and justifications for failure to execute the payment order, and the corrective measures.
- Provide the payer and the payee with an electronic copy of the payment order, provided that it should include the following - as a minimum requirement - reference, amount, transaction date, names of the payer and payee, and the purpose of payment.
- No fee’s or commission’s shall be collected from customers, whatsoever, before obtaining CBK’s written approval, and providing CBK with the nature of those fees and commissions, their actual cost and the supporting documents. All activity services providers shall announce all fees and commissions charged against the services provided to customers through the means of advertising that ensures their knowledge thereof, including advertisements on their websites and social media accounts. The fees and commissions must be visible to the payer before the payment transaction is completed.
- The settlement of payments through E-Payment made to the customers shall be through local bank accounts only.
- The settlement process shall be made in a correct, clear and final manner through local banks, and there shall be clearly defined policies and procedures that ensure tracing funds at any time. The activity service provider shall obtain CBK’s approval of the policies and procedures before implementing the settlement process.



- Segregated funds principle should be implemented by segregating customer funds from the Activity Service Provider funds. Accounts should be named according to their purposes so that the customers' funds are fully isolated from any claims by creditors on the activity services provider.
- CBK's prior written approval must be obtained before adding or modifying any E-Payment instrument, or activity service for Electronic payment, electronic money or operation of the E-Payment systems, or suspending any activity previously approved by the CBK.
- No cross-border or remittance shall be made by any E-Payment services provider.
- Maintain all the electronic documents, records and data related to the activity for a period of no less than 10 years from the date of termination of the contractual relationship.

#### **Article (24)**

#### **Obligations of E-money Services Providers**

In addition to the provisions set out under the article above, E-money Services Providers must:

- Settle the Full or partial value of E-money at any time at the customer's request. Such payment shall be in the same currency of stored funds.
- In the event of terminating the relationship, and in case a request by the customer to refund the stored value, no fee or commission shall be deducted from the customer's account.
- No interest or profit on the value shall be granted, in any form whatsoever.
- No credit facilities shall be granted, in any form whatsoever.
- No benefits shall be granted associated with the length of time that a customer holds funds with the service provider.
- The funds are not to be utilized in any other purposes, including investment.

#### **Article (25)**

#### **Controls Providing Buy Now Pay Later Service**

Activity service providers authorized to provide BNPL service must provide the CBK with an action plan that includes measures to protect customers' rights, a disputes mechanism for resolving any issue and return of any merchandise, in accordance with the instructions and controls issued by the CBK in this regard.

## Article (26)

### Foreign Branches and Subsidiaries

Activity service providers are prohibited from opening a branch or subsidiary company outside the State of Kuwait or initiating any procedures in this regard before obtaining the prior written approval of the CBK in accordance with the instructions it issues in this regard.

## Article (27)

### Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT)

Activity services providers must comply with AML/CFT requirements set forth under the Law No. 106 of 2013 regarding Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) and its Executive Bylaw, the related ministerial resolutions, the requirements under the international standards issued by the Financial Action Task Force (FATF), and any instructions issued by CBK or the related supervisory authorities.

## Article (28)

### Cybersecurity and Business Continuity

Activity services providers must:

- Implement the instructions issued by CBK in relation to cybersecurity.
- Implement the international principles and standards for protecting the confidentiality and privacy of customers' banking, financial and personal data.
- Implement the instructions issued by CBK in relation to the business continuity, crisis management and disaster recovery plans.
- Obtain CBK's prior written approval for outsourcing a third party to provide services with a significant operational impact, or a cloud service provider for any of the E-Payment, E-money or E-Payment system operation activities.
- Reveal any planned delays or suspensions. In such case, the Activity service providers must inform their customers of that delay or suspension, by giving enough time before.
- Notify CBK of any system failure as stated in the company's incident reporting process defined, and in accordance with the CBK's related instructions and directives.

## Article (29)

### Customer Protection

Activity services providers must:

- Deal with customers fairly and honestly in all stages of the relationship.
- All related information and associated risks on the Activity services shall be provided to the customer. Such information must clarify customers rights, obligations, detailed fees charged and collected by the Activity services provider for each service, the advantages and associated risks, and the mechanism for relationship termination and consequences, in order to help customers make a decision.
- Notify customers within sufficient time before changing fees, commissions, charging new fees or changing any term of service provided to the customers.
- Develop the appropriate mechanisms to protect the confidentiality and privacy of customers' data and information, and define the purposes for collecting and processing such data and information.
- It is the responsibility of the Activity services provider to protect the confidentiality and privacy of customers' data and information held by the beneficiaries of its services, as well as the data and information available to a third party outsourced by the Activity services provider in performing its business.
- Disclose to customers in a clear and appropriate manner that their information and data will not be revealed except by force of the law or as per the customer's prior consent.
- Ensure that the advertisements and all promotional materials used in providing services do not include any false or inaccurate information that may cause incorrect understanding to the current or potential customers and resulting ultimately in making wrong decisions. When publishing any advertisement or promotional materials, any legal responsibility that may arise as a result of incorrect data or information in those advertisements or promotional materials shall be considered.
- Give sufficient care to address customer complaints and grievances in a prompt and fair manner.
- Define the procedures and policies applicable to resolve any dispute that may arise between the Activity services provider and its customers, and announce the procedures and steps to be followed with customers for complaints regarding their transactions. The same should be published using the channels that ensure their knowledge, including websites and social media accounts.
- Comply with the CBK instructions and directives regarding customer protection.

## Article (30)

### Information Confidentiality

The Activity services providers must comply the requirements of information security and strict confidentiality to all customers' transactions, and shall not reveal any information about them directly or indirectly, or disclose the same or enable others to access the information. Such prohibition shall continue in the event of termination of relationship between them and the customer for any reason.

The above-mentioned prohibition applies to all executives of the Activity services provider, including board members, managers, current and former employees, any of the contracted external service providers, and anyone who, may benefit of its position or profession and has direct or indirect access to such data and information, including the external auditors.

This prohibition shall not apply in case of obtaining the prior consent of the customer, or his heirs, or whoever legally act in their behalf, or in cases where the law provides for the disclosure of information and data.

## Article (31)

### Dealing Limits and Operation Ceiling

Activity services providers must notify CBK as soon as they know or expect that the required limits have been or will be exceeded. In the event of exceeding those limits, a request to adjust the situation must be submitted within a period not exceeding 90 days as of date of the violation.

In all cases, CBK shall assess the need to amend the license, based on the value and overrun duration and the associated risks.

CBK may amend the dealing limits and the operation ceiling for Activity service providers as it deems appropriate.

## Article (32)

### Risk Management Framework

Activity service providers must:

- Implement the risk management requirements mentioned in these instructions and any other relevant requirements or instructions issued by CBK.
- Develop the policies, procedures, systems and controls necessary to manage the risks associated with the activity services, setting out how to identify, monitor and address risks, and the related reporting that shall include all activity related risks, provided they shall cover the following risks:
  - Operational risks, including fraud and cybersecurity risks.

- Legal risks.
  - Reputational risks.
  - AML/CFT risks.
  - Liquidity risks.
  - Third party risks.
  - Business continuity risks.
  - Any financial or other business risks related to the activity.
- Develop the policies, procedures, systems and controls necessary for detecting fraud and the mechanism for dealing with it, and update them according to CBK directives, and inform the competent authorities of fraud related cases and reporting, while notifying CBK on a continuous basis within the specified timeframe.
  - Set an operation policy to control the limits of customer based on risks and the limits of the total E-money, provided that CBK must be notified of any change.
  - Document all the above-mentioned risk management arrangements, present the same to the senior management of the Activity services providers for approval, review them at least annually, and provide CBK with updated versions. CBK may request any additional information or amendments as it deems appropriate.
  - CBK may direct the Activity services providers towards setting limits on customer operations in line with the levels required at all times.

### **Article (33)**

#### **Governance**

Activity services providers must:

- A. Implement the governance requirements set out in these instructions or any other relevant requirements and other instructions that CBK sets in this regard.
- B. Develop the policies, procedures and arrangements required for governance, provided that they include the following as a minimum:
  - The organizational structure setting out all departments, sections or functions, detailed tasks and responsibilities and the names of responsible officers.
  - Define the roles and responsibilities of each person in the senior management, and each person entrusted with supervisory jobs or tasks.
  - Policies and procedures necessary to ensure segregation of duties and defining authorities.

- Mechanism and frequency of reviewing and updating all governance arrangements including reports and its reporting line.
  - The business code of conduct that should include regulations relating to non-conflict of interest, and compliance with the internal by-laws and systems of the Activity services providers.
  - An agreement of third-party outsourcing to perform any task to the Activity services provider.
- C. Large E-Payment service providers, large E-money service providers and E-Payment system operation services providers must:
- Establish independent functions for risk management, internal audit, compliance, information security and AML/CFT, and define the related authorities and tasks.
  - Form specialized committees to ensure compliance with the requirements of governance, provided that they include an audit committee and a risk management committee, and define the powers necessary for these committees to perform their work.
- D. Document all the above-mentioned specific governance arrangements, and obtain senior management approval, and they shall be reviewed at least annually. CBK shall be provided with the updated versions, and may request any additional information or amendments as it deems appropriate.

### **Article (34)**

#### **Independent Entity**

In the event that the Activity services provider carries out commercial activities outside the scope of the E-Payment or E-money activities, CBK may require them to establish an independent legal entity to carry out those activities if it deems that other commercial activities may affect abidance by the Activity services provider with these rules or the applicable regulations issued by CBK, or CBK's ability to practice its supervision and control over the Activity services providers.

### **Article (35)**

#### **Capital and Financial Guarantee**

CBK may increase or decrease the required capital based on the volume and nature of the activity.

CBK may determine the amount of guarantee it deems appropriate to be obtained from the Activity services provider, including an unconditional letter of guarantee issued by a local bank in favor of CBK, if necessary, according to the volume of the activity and the associated risks.

### **Article (36)**

#### **Appointing of Senior Positions**

CBK approval must be obtained for candidates of the Board of Directors and executive management positions with the Activity services provider, and/or any other jobs determined by CBK in accordance with the requirements under its instructions issued regarding appointment of executive positions.

### **Article (37)**

#### **Information/Data Amendment**

The Activity services providers must inform CBK of any amendment to their memorandum or articles of association before making any changes. Subject to the approval of CBK Governor's, the necessary formalities shall be initiated in accordance with the provisions of the Companies Law.

In regards to any amendments on any of the registered information, that doesn't involve changes in the memorandum or articles of association, the CBK Governor's approval shall be sufficient to make the needed amendment.

## CHAPTER SIX “GENERAL PROVISIONS”

### Article (38)

#### Supervision and Control

Activity services providers are subject to CBK supervision and oversight. CBK representatives have the right to visit their premises as part of the licensing or registration process, or to conduct periodic or unexpected visits as part of the supervision and oversight procedures.

CBK has the right to engage the specialized entities to assist them in carrying out some tasks of supervision and oversight function over the Activity service providers. Such entities shall not have any obligation towards any third party as a result of carrying out these tasks.

### Article (39)

#### Data & Reporting

Activity services providers must submit all necessary data and information to CBK, for the purposes of supervision, oversight and inspection as per the procedure stated by CBK. Activity service providers shall allow access to all books, records, documents and minutes of meeting, and not to take any action that may have a negative impact on CBK’s supervision, oversight and inspection, and to fully cooperate to accomplish the mission.

In addition, they must submit periodic reports, data and information required by CBK in accordance with the related instructions.

### Article (40)

#### Practicing Activity without Registration

Subject to the provisions of the Companies Law, if any party practices activity without registration thereof, CBK shall take the necessary actions to cease such activity, and that party shall bear all the financial and non-financial obligations, and CBK shall bear no liability towards that party, its customers or its third parties.



## Article (41)

### Suspension of Registration

CBK may suspend registration of the Activity services providers in the following cases:

- A. If no activity is practiced within 6 months from the date of registration. The concerned parties may, within 15 days from the date of notifying them of the decision to suspend the registration, submit an application to CBK to extend the period referred to for a maximum of another 6 months accompanying the justifications. CBK has the right to accept or reject the application subject to studying the application.
- B. If the E-Payment system has discontinued without providing justifiable reasons acceptable to the CBK.
- C. If the services of the Activity services providers' practices adversely affect the stability and integrity of the E-Payment systems or the financial system in the State of Kuwait.
- D. If the Activity services provider experienced financial or legal conditions that affect its ability to practice activities, as assessed by CBK.
- E. If the Activity services provider has taken any action or procedures that would impede the work of CBK inspectors, or if the inspection reports revealed repetition of the same violations of these or any other instructions.
- F. If it is found that the Activity services providers' practices result in damages or risks to customers or the public interest.

The decision issued to suspend the registration shall be issued including the period of suspension and the period necessary to take the measures to ensure the payment of all obligations towards the clients. Activity Service Provider shall be notified of the CBK's decision mentioned above upon its issuance in any manner deemed appropriate by the CBK.

The Activity service provider must resolve the issues responsible for the suspension of the registration within the period specified by the CBK in the decision issued for the suspension.

## Article (42)

### Appealing against Suspension Decision

Any affected party may appeal to CBK against the decision of suspending registration within 15 days from the date of notification.

CBK shall review the appeal within 30 days of receiving the appeal. CBK shall issue a decision to maintain or cancel the suspension based on the results of its review, and the appellant shall be notified of the decision. Non-response to the appeal shall be therefore considered as rejection.

#### **Article (43)**

##### **Restrictions and Penalties**

In case of any violation by the Activity services providers of any of these instructions or any ad-hoc instructions to the Activity services providers, CBK shall have the right to issue a resolution imposing measures or applying restrictions on the Activity services providers that shall be valid and effective within a defined period and includes all or some of the following:

- Ceasing entry into new business engagements or agreements.
- Modifying or canceling some of the rules of the business activity.
- Partially or fully Ceasing any E-Payment activity.

#### **Article (44)**

##### **Cancellation of Measures or Restrictions**

Activity services providers, for whom any of the decisions referred to in the previous article have been issued, must notify CBK of implementation of these decisions immediately upon completion.

CBK may, whenever appropriate, cancel any measure or restriction imposed on the Activity services providers, and notify them of the same.

#### **Article (45)**

##### **Penalties**

Penalties shall be applied to Activity Service Providers both under Article (85) of Law No. 32 of 1968 or Article (15) of Law No. 106 of 2013, as the case requires, with notifying them.