

**Instructions of Institutional Governance for Electronic Payment and
Money Transfer Companies No. (10/2018)
Issued Based on the Provisions of Paragraphs (b) and (c) of Article (5) and
Provisions of Paragraph (e) of Article (6) of the byLaw of Electronic
Payment and Money Transfer No. (111) of 2017**

Article (1):

These Instructions are called “Instructions of Institutional Governance for Electronic Payment and Money Transfer companies” and shall enter into force as from date of their approval.

Article (2):

A) The following words, wherever stated in these instructions, shall have the meanings assigned thereto unless the context provides otherwise.

- Institutional Governance** : The company’s guiding structure that aims at identifying and achieving the institutional goals of the company, managing its operations in safe and sound manner, protecting the customers interests, committing to the responsibility towards shareholders and other stakeholders, and ensuring the company’s compliance with laws and regulations, and its internal policies and procedures.
- Fit and Proper Board** : The availability of certain requirements in the members of the Board of Directors and its top executive management.
- Board** : Board of Directors of the company.
- Member of the Board** : The Chairman or a member of the Board.
- Independent Member of the Board** : Member of the board who does not have any material interest or affinity relationship with the company, any members of the board, its top executive management, any affiliate or subsidiary company or company’s external auditor, which may lead to influence his decisions or exploit his position in the company to achieve personal benefits and gains at company’s account other than those connected with his ownership of shares in the company.
- Senior Executive** It includes the company’s general manager or regional

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manager, deputy general manager or deputy regional manager, assistant general manager, assistant regional manager, chief financial officer, chief audit executive and compliance manager in addition to any employee having parallel executive power and functionally and directly linked to the general manager.

- B) The definitions contained in the bylaw of electronic payment and money transfer in force shall be adopted unless the context provides otherwise.

Scope of the Application

Article (3):

- A) These regulations shall apply on all of the companies operating in the Kingdom licensed by the Central Bank to practice any payment service activity or manage and operate the electronic payment systems.
- B) The branches of foreign companies that practice any payment service activities or manage and operate electronic payment systems shall comply with these instructions to the extent applicable thereto or with the guide and policies of the institutional governance and fit and proper criteria issued by the parent company or the supervisory authority in the country of their headquarters, whichever is more achieving of the objects of the institutional governance and fit and proper criteria, in case that the latter is the most realizable, the branch must provide the CBJ with supporting documents to prove same, with due observance to be not in conflict with the legislations. In case of any conflict, the branch shall inform the Central Bank and the parent company of this and provide the necessary clarification about this conflict and obtain the approval of the Central Bank on the manner of dealing with such conflict.
- C) These instructions shall not apply towards banks and exchange companies.

Constitution of the Board

Article (4):

- A) The company shall observe that the board is composed of an appropriate number of qualified members of not less than five- unless the company is owned by one shareholder- and that these members enjoy the necessary knowledge, experience and skills to supervise and follow up the company

affaires, provided that at least one member has the appropriate skill and know-how to understand the information and communications technology (ICT) environment.

- B) The number of independent members of the board must not be less than one third of the board's members- unless the company is owned by one shareholder- and the majority of the other board's members must not be members of the senior executive management.
- C) The independence of the board member is no longer exist in any of the following cases for the purposes of paragraph (b) hereof :
- 1) In the event that the board member is an employee in the company, or in any other affiliate or subsidiary company during his tenure or during the previous two fiscal years.
 - 2) In the event that the board member is linked to any of the board members or an employee of the senior executive management in the company or any affiliate or subsidiary company with marital or affinity relationship up to the second degree and this relationship was existing during the previous two fiscal years.
 - 3) In the event that the board member owns (5%) or more of the company shares, its affiliate or subsidiary companies or in the event that a relative up to the second degree of the board member was a shareholder of the company who owns (5%) or more of company shares, its affiliate or subsidiary companies.
 - 4) In the event that the board member has control of the company.
 - 5) In the event that there is a consultative relationship or a direct or indirect commercial benefit between the board member and the company or any other affiliate or subsidiary company, or in the event that the independent member accepts any remuneration or compensation from the company or any other affiliate or subsidiary company other than the remuneration or compensation for services provided by him on the board for the current fiscal year or during the previous two fiscal years.
 - 6) In the event that the board member is elected for more than three consecutive terms.

- D) The board member shall not be a partner or employee of the company's external auditor, he was a partner or an employee during the previous two years or he is linked to the partner at the audit office with affinity relationship up to the first degree.
- E) The board, although the availability of one or more cases in the board member mentioned in paragraph (C) hereof, may consider this member as independent provided that the status of such member is fully disclosed and justify the reason for which he was considered him as independent.
- F) The Chairman of the Board must not be a member of the senior executive management.
- G) A relative of the Chairman of the board or board members up to the second degree shall not occupy the Position of general manager of the company.

Functions and Powers of the Board

Article (5):

The board shall be responsible for formulating the general policies of the company and supervising their implementation. The board for this purpose has the duties and authorities provided for in the relative legislations of the business and activities of the company, provided that these duties and authorities include the following as a minimum:

- A) Determine the strategic objects of the company and the necessary measures to supervise their implementation and assessment, provided that these objects are reviewed and the extent of compliance with them are assessed annually or during the year if necessary.
- B) Appoint the general manager of the company or the regional manager and approve the appointment of the deputy general manager of the company or deputy of the regional manager and members of senior executive management upon the recommendation of the general manager of the company or the regional manager, and Ensure the availability of the and the competency and the necessary administrative and technical expertise in the persons of the senior executive management to carry out the duties entrusted to them, determine their duties authorities, review their performance and the extent to which they apply the established policies, plans and procedures.

- C) Approve the organizational structure of the company and adopt the internal regulations and instructions to define the duties and authorities of the company's executive body to ensure administrative and financial control over the company's business.
- D) Adopt the criteria of determining the amount of compensation for board members and senior executive management such as salaries, allowances, remunerations and other advantages so as to achieve company interests, objectives and purposes and comply with the provisions of the relative legislations.
- E) Formulate the necessary procedures to ensure that no member of the board or the senior executive management achieves any personal interest at the expense of company interests.
- F) Formulate the procedures which would ensure the company's compliance with the provisions of the legislations relative to the business and activities of the company.
- G) Ensure the availability of a risk management system suiting the volume of the company's business and that the nature of its activity covers the aspects of the company's operations, and Establish an effective mechanism to ensure regular evaluation of the risk management policy.
- H) Take the necessary procedures to disclose the information related to the financial position of the company and provide the concerned parties with this information in time.
- I) Determine the mechanism for the board members to make jointly or severally if necessary technical consultations from outside the company to reinforce the performance of their duties provided it is at the company's expense.
- J) Contact the relative organizational and supervisory parties with the company's business if the board deems so.
- K) Inform the Central Bank about any material information which would affect negatively the fitness and properness of any member in the board or any member of the senior executive management.

- L) Exert the necessary due diligence in managing the company and allocate the necessary time to perform its work with integrity and transparency so as to achieve the company's interest, objects and purposes.
- M) Form the necessary committees to implement the board functions provided that, the board determines the responsibilities of these committees and the work mechanism of each one thereof.
- N) Formulate an action plan to apply the principles of institutional governance provided for in these instructions and other relevant legislations as well as review and evaluate the extent of its application annually.

Board Committees

Article (6):

- A) The board shall form an auditing committee composed of a chair of the committee and two members provided that at least one of them shall have experience in auditing, accounting or financial field and be elected by the board from amongst its members other than members of the senior executive management or any committee formed by the board, provided that the auditing committee shall meet at least once every three months or whenever needed. Its meeting will be valid upon the attendance of at least two members and its decisions and recommendations shall be taken unanimously or by the majority of its members.
- B) The duties and authorities of the auditing committee shall be determined clearly to enable it to carry out its jobs including as a minimum the following:
 - 1) Recommend to the board to nominate an external auditor to be elected by the general assembly.
 - 2) Supervise the extent of comprehensiveness of the external audit systems of the company's activities.
 - 3) Ascertain the availability of coordination between the external auditors' activities, in the event that there is more than one auditor.
 - 4) Review the observations received from the Central Bank and reports of the external auditor and follow-up the procedures taken thereon.

- 5) Study the annual internal audit plan, review the observations contained in the reports of internal auditing and follow-up the procedures taken thereon.
 - 6) Ensure the accuracy of the accounting, financial and control procedures, soundness and extent of compliance with them.
 - 7) Ascertain the review of the financial statements by the internal auditor, before its submission to the board and particularly ascertain compliance with the requirements of the Central Bank.
 - 8) Ensure that the company complies with the laws, regulations, instructions and decisions governing the company's work and activities.
 - 9) Meet with the external and internal auditors, as the case may be, at least once a year without attendance of representatives of the senior executive management.
 - 10) Recommend to the board to approve the appointment, resignation or removal of the internal auditor.
 - 11) Obtain any information from the senior executive management and shall have the right to invite any executive manager to attend any of its meetings.
 - 12) Establish, control and review the procedures, which enable the employee in the company to report confidentially any error in the financial reports or any other matters. The committee shall ensure availability of the arrangements necessary for the independent Investigation, ensure follow-up of the Investigation results and tackle them objectively.
 - 13) Provide the board with the minutes of its meetings and the reports prepared by it.
 - 14) Any other duties entrusted thereto by the board.
- C) The board should disclose in the annual report, names of members of the auditing committee, its activities and the number of meetings held during the year.

Article (7):

The foreign companies' branches shall organize the activities of the auditing committee in the branches operating in the Kingdom as follows:

- A) They shall form in the foreign company's branch an audit committee, by a decision of its manager, composed of a chair of the committee and two members from the supervisory departments (auditing, risk and compliance) or whoever represent them, provided that the committee shall be presided by the branch Chief Audit Executive or his representative. Moreover, the committee shall exercise the duties and authorities provided for, under paragraph (b) of article (6) of these instructions.
- B) The committee shall operate under the supervision of the auditing committee originating from the board in the parent company and its reports and recommendations of the results of exercising its functions shall be submitted to it.
- C) In case the meeting pertains to any supervisory department's functions represented in the committee, the relevant department manager cannot vote on the resolutions and recommendations related to that department, and the chair of the committee can request the manager of the relevant department to leave the meeting.
- D) The committee may invite any person to seek his opinion regarding a particular issue.
- E) A secretary shall be appointed for the committee, provided that he is selected by members of the committee.

Article (8):

- A) The board may form other committees upon the need and nature of the company's activity or the orders requirement of the Central Bank, like Nomination and compensation committee, governance committee, Risks management committee, and compliance committee and other
- B) The actions of any other committee originating from the board may not be merged with the actions of the Audit Committee.

Board Meetings

Article (9):

- A) The board members shall personally attend the board meetings and in the event that personal attendance is not possible, the board member may express his opinion through the video or telephone call, after getting the

- chairman's approval, without having the right to vote or sign on the minutes of the meeting
- B) The company shall put down in writing the meetings minutes of board and its committees in accurate and complete manner including any reservations raised by any member. The company shall appropriately keep these minutes.
- C) The senior executive management shall submit accurate and complete information to the board's members about agenda items of the meeting, before the board meeting and the chairman shall verify that.
- D) The board shall appoint a secretary for the board who will be responsible for:
- 1) Schedule meetings of the board in coordination with the board chairman.
 - 2) Attend all meetings of the board, codifying all discussions, suggestions, objections, reservations and voting mechanism on the board decisions drafts.
 - 3) Ensure that the board members have signed the minutes of meetings and decisions.
 - 4) Follow up the execution of the decisions made by the board, and the discussion of any topics adjourned from a previous meeting.
 - 5) Maintaining records and documents of the board meetings.
 - 6) Take the appropriate actions to ensure that the draft resolutions intended to be issued by the board comply with the legislations.
 - 7) Prepare for the meetings of the general assembly and cooperate with the committees of the board.
 - 8) Provide Central Bank with fit and proper acknowledgements signed by the board.

Senior Executive Management

Article (10):

The board shall appoint a general manager for the company who has integrity, technical competence and financial experience. The general manager of the company shall be committed to the minimum of the following duties:

- A) Manage the company operations and submit instructions to the executive body in line with the company's strategic objectives, the approved policies by the board and the provisions of the legislations relative to the operations and activities of the company.

- B) Provide the board with accurate periodic reports on the financial position of the company, operations and procedures taken in the risk management, internal control and monitoring systems to enable the board to review the objectives, plans and policies established and accountability of the senior executive management on its performance.
- C) Provide the board members with any information and documents necessary to the board meetings before an appropriate time.
- D) Submit recommendations regarding any suggestions it deems necessary relative to the company activities.
- E) Provide the Central Bank with any information, statements and documents required according to the provisions of the relevant legislations to the operations and activities of the company.

Risk Management and internal control and monitoring system

Article (11):

- A) The company must have a written risk management policy suits the size of the company's business and the nature of its activity, and is enough to identify risks as soon as possible and measure, evaluate, disclose and contain these risks, and to guarantee the effectiveness of this policy, subject to include the following:
 - 1) Cover all aspects of the company's operations, set clear measures and levels for each type of these risks and the procedures to tackle them. In addition, it must ensure that all employees, each according to his administrative level, are fully informed and aware thereof.
 - 2) Monitoring the companies' compliance with the risk management policy and risk levels of all kind.
 - 3) The company follow up measures to guarantee information access in a timely manner by the decision makers about any violations of material impact, and the necessary steps to address these violations and follow up the implementation.
 - 4) Regular assessment for the procedures, policies and levels of risk management in view of the seriousness of the problems that may appear, the company's strategy and market developments.

- B) The company shall establish internal arrangements necessary to manage and control all risks arising from all operations of the Company.

Article (12):

- A) The company shall develop an internal control and monitoring system approved by the board and fit with the business size of the company and the nature of its activity and with the relevant legislations. It shall be supported by information systems that ensure information auditing provided that this system is periodically reviewed by the internal and external auditor to ensure its consistency with the provisions of the relevant legislations and to evaluate the extent of its effectiveness and sufficiency.
- B) The internal control and monitoring system of the company provided for in paragraph (A) of this article must include the minimum of the following:
- 1) Provide a control environment for the senior executive management upon the organizational structure and in accordance with the nature of the company's activity subject to clearly show the lines of communication and responsibilities for each administrative unit.
 - 2) The availability of a detailed job description for the required qualifications, working guide and detailed procedures to implement the different company's operations.
 - 3) The availability of controls, segregation of duties. and ensure the separation between entities responsible for risk management and supervisors of these risks.
 - 4) The availability of procedures approved by the board ensuring the implementation and review of information systems strategies in a manner that guarantees information access in a timely and effective manner by the decision makers including a plan of dealing with emergency situations.
 - 5) Clear control bases for all of the company's operations that are implemented by bodies outside the company to verify that their implementation is in accordance with the internal controls adopted by the company.

Internal Auditing

Article (13):

The internal auditor shall audit the effectiveness and sufficiency of the internal control and monitoring system and the company's operations with accordance to the size of the company's business of the company and nature of its activity, including the following:

- A) That the company operates according to the regulating legislations of its business.
- B) That the company practice its business properly and in line with strategic objectives of the company and the policies established by the board.
- C) That all the operations of the company are fulfilled according to the duties and authorities specifies by the board.
- D) That the company applies appropriate and accurate accounting and control procedures.
- E) That the use of company assets and properties is performed in a properly, appropriately and duly manner.
- F) That the company's records and documents are complete, comprehensive and accurate and contain all the necessary information for the company.
- G) That the internal auditing standards are applied to the services provided by the external bodies and in the same manner as the other internal operations in the company.
- H) That the company management is always able to determine, evaluate and manage the work risks and it maintain a sufficient capital basis to face these risks.
- I) That the senior executive management responds to the board decision relative to the recommendations of the auditing committee based on the internal auditor reports.

- J) Inform the board immediately about any defect, failure or danger threatening the company and follow up the concerned persons in the company to carry out the necessary correction procedure.
- K) Provide reports regularly to the board on the extent of sufficiency and effectiveness of the internal monitoring and control system.

Article (14):

The internal auditor shall carry out the following:

- A) Submit a report on the internal auditing process provided for in article (13) of these instructions provided that this report contains a minimum of the following:
 - 1. Scope of auditing, auditing procedures and the time of completion.
 - 2. The financial position of the company, assets quality, the extent of compliance with the effective legislations and the comments of the external auditor.
 - 3. Points of weakness, fraud or material violations if any.
 - 4. The correction procedure to be taken if necessary.
- B) Submit a future annual action plan before the end of the previous year, provided that the plan includes the scope of auditing, auditing procedures and the necessary time of completion.
- C) Keep the results report of the internal auditing process and related documents for a period not less than five years of the auditing performance date.

Article (15):

The internal auditor shall have the following requirements:

- A) Be completely independent, so that he submits his reports and recommendations directly to the auditing committee.
- B) Preserve work and documents confidentiality in his possession.
- C) Practice his business with professionalism, good faith and competency.
- D) Have the appropriate knowledge, competency and experience.
- E) Comply with the international standards and practices of the internal auditing profession.

Article (16):

- A) The company may appoint an internal auditor or constitute an internal auditing unit according to the size of the company's business, the nature of its activity and complexity degree. In all cases the provisions of articles (13), (14) and (15) of these instructions shall apply to the internal auditor and internal auditing unit as the case may be.
- B) The internal auditor must obtain extensive authorities in the work so that he will be able to review all issues in the company (financial, administrative, technical, operations and others) and effectively perform his duties.

Fit and Proper Criteria

Article (17):

The board members and senior executive management must exhibit exemplary qualities of credibility, integrity, competence, necessary experience and ability of commit. The board shall have the responsibility to ensure that and devote time to the work of the company for the senior executive management.

Article (18):

- A) The following conditions must be met by whoever occupies the chair or membership of the board:
1. Be at least 25 years old.
 2. Must have a first university degree as a minimum either in economy, finance, accounting, business management, information technology or any other specialties if coupled with an experience related to the works of the company.
 3. Have good reputation and conduct.
 4. Not be a member of the board of any other company practicing any activity of electronic payment services or managing and operating electronic payment systems, general manager thereof or employee therein unless the other company is a subsidiary or affiliate to that company.
 5. Not be a lawyer, legal consultant, auditor or technical auditor of the company.

- B) The Central Bank has the right to object to the nomination of any person to the membership of the board if it found that he does not meet the conditions provided for in paragraph (a) of this article.
- C) Each member of the board shall sign the declaration according to the approved form from the Central Bank for this purpose. It shall be kept with the company and a copy thereof shall be sent to the Central Bank accompanied by the curriculum vitae (CV) of the member.

Article (19):

- A) The following conditions must be met by whoever appointed in the senior executive management of the company:
 - 1. Have good reputation and conduct.
 - 2. Must have a first university degree as a minimum either in economy, finance, accounting, business management, information technology or any other specialties if coupled with an experience related to the works of the company.
 - 3. Be devoted for the management of the company for the duration of his work therein.
 - 4. Not be a member of the board of directors in any other company practicing services similar or competing to electronic payment services or managing and operating electronic payment systems.
 - 5. Not be a lawyer, legal consultant, auditor or technical auditor of the company.
- B) The company before the appointment of any member in the senior executive management shall obtain from the candidate his curriculum vitae (CV) accompanied by the documents, academic degrees, experience certificates, certificate of good conduct and other necessary supporting documents. It shall ask him to sign the declaration according to the approved form from the Central Bank for this purpose and provide the Central Bank with a copy of the declaration accompanied by the curriculum vitae (CV) of the members of the senior executive management.

- C) The company shall annually provide the Central Bank with the information related to the members of the board and the members of the senior executive management according to the approved form from the Central Bank for this purpose and when any modification is made.

Conflict of Interest

Article (20):

- A) The members of the board and the senior executive management shall bear the responsibility of any direct or indirect conflict of interest with the company.
- B) In the event that the board chairman or any member of the board has a personal benefit in any dealing or contract in which the company is a party, he shall declare this benefit and withdrew from the meeting when considering this dealing or contract and does not vote thereon.
- C) The general manager of the company must notify the board of the existence or arising of any conflict of interest.

Disclosure and Transparency

Article (21):

- A) The Company shall establish written procedures in accordance with the disclosure policy approved by the board to organize information disclosure affairs and follow up its application.
- B) The company shall provide the disclosed information to the shareholders and investors in an accurate, clear and not misleading manner in the specified times according to the requirements of the supervisory bodies and effective legislations, which enable them to make their decisions, including the disclosures related to the following:
1. The relationship between the board chairman and general manager of the company, if any.
 2. The organizational structure of the company, including the structure of the board and top executive management and indicating their qualifications and experiences of each.

3. The ownerships of the chairman and the members of the board as well as senior executive management of the shares issued by the company.
 4. The ownership structure so that it contains disclosure of the shareholders who own more than 5% of the company shares.
 5. Remunerations policy in the company for each of the board members and top executive management.
 6. Periodical reports and fundamental information.
 7. Financial statements of the company.
 8. The main risks in the company and risk management policy.
- C) The company shall organize its accounts and prepare its financial statements according to the International Financial Reports Standards (IFRS) and International Accounting Standards (IAS).
- D) The company shall use its website on the World Wide Web to reinforce disclosure and provide information.

Article (22):

The members of the board and senior executive management undertake to maintain confidentiality of any fundamental information they sight by virtue of their jobs and such information may not be disclosed for any purpose other than the performance of their functional duties.

**Governor
Dr. Ziad Freiz**