

External Auditing Instructions for the Electronic Payment and Money Transfer companies No. (7 /2018)

Issued pursuant to the provisions of Article (29/A) of the bylaw of electronic payment and money transfer No. (111) of 2017

Article (1):

These instructions are called "External Auditing Instructions for the Electronic Payment and Money Transfer Companies" and shall enter into force as from the date of their approval.

Article (2):

A) Wherever they should occur herein, The following words and terms shall have the meanings assigned to each hereunder, unless otherwise connoted by the context:

Profession : The External Auditing Profession pursuant to the provisions of the law of regulating the accounting profession in force, and Regulations and Instructions issued pursuant thereof.

Auditing Office : The office through which the Auditor practices his profession and registered under the Companies Comptroller General at the Ministry of Industry, Trade and Supply as a Civilian Company for practicing the profession in accordance with the Legislations in force.

Auditor : The natural person who performs the auditing procedures under the supervision of the partner and this does not include the auditor of non-auditing services.

Partner : The Certified Partner at the Auditing office who is in charge of auditing and report issued on behalf of the Auditing Office and who has the experience, scientific qualifications and professional certificate which qualifies him to sign the auditing report.

- Quality Control Reviewer** : The Partner at the Auditing office, other than the Auditor or the Partner in the International Company, at which the Auditing office is a member thereof, and who has the sufficient and appropriate experience to evaluate the result of executing the duties carried out by the Auditor and the results reached during the preparation of the report.
- Auditing Services** : Include the Auditing office opinion or conclusion in the company financial statements in accordance with International standards on auditing and International standards on review engagements.
- Technical and Technological Auditing Services** : Include reviewing and evaluating the management controls of the IT environment and the operations relied on it in the company, and the ability of the company to protect the infrastructure environment, information assets, security, safety, integrity and the availability of information efficiently and effectively in accordance with the standards set by the Central Bank.
- Non-Auditing Services** : Include the services provided by the auditing office or any other body for the company, other than auditing services, technical and technological auditing services, which include, for example, an assessment of the adequacy of anti-money laundering and terrorism financing policies, procedures and controls, and the extent to which the company applies the institutional governance and any other non-auditing services that the central bank requests.

b) The definitions provided in the Central Bank Law, Company's Law, the law of regulating the accounting profession, and regulations and instructions issued pursuant thereof and the bylaw of Electronic Payment and Money Transfer shall be adopted wherever it is provided in these instructions unless the context provides otherwise.

Scope of Application

Article (3):

- A) The provisions of these instructions shall apply on all operating companies in the Kingdom and licensed by the Central Bank to practice any of payment services activities or managing and operating electronic payment systems.
- B) The branches of foreign companies licensed by the Central Bank to practice any of payment services activities or managing and operating the electronic payment systems, shall comply with these instructions to the extent applicable thereto. In the event of a conflict arise between these instructions and the legislation in force in the parent country of the foreign branch or the external auditing policy of the parent foreign company, whether the conflict existed on the date of entry into force of these instructions or occurred at a later date, the branch shall notify the Central Bank of this and provide the necessary clarifications of the conflicting points within sixty days from the date of granting the license or the occurrence of the conflict, to obtain the approval of the Central Bank on the manner of handling this conflict.
- C) The provisions of these instructions shall apply to operating banks in the Kingdom that are licensed to practice any activities of managing and operating the electronic payment systems to the extent that does not conflict with the law of banks in force and the instructions issued pursuant thereto.
- D) These provisions shall apply to exchange companies licensed to practice the activities of payment services other than the electronic money transfer in a manner that does not conflict with the Money Exchange business law in force and the instructions issued pursuant thereto.

First Chapter: Auditing

External Auditing Policy

Article (4)

The Company shall prepare a policy for external auditing and approve it by the board of directors, which shall be consistent with the provisions of these instructions, to be reviewed and evaluated periodically, and to be updated whenever it becomes necessary to do so, provided that this policy should include the following as a minimum:

- A) Selection criteria of the auditing office.

- B) Mechanisms for nominating and mandating the auditing office.
- C) Mechanism for determining Auditing officer fees.
- D) Auditing office and auditor periodic rotation.
- E) Auditing office and auditor independency requirements
- F) Reports related to Auditing.
- G) Duties and responsibilities of the auditing office and auditor
- H) The relationship between the Company and both Auditing office and Auditor.
- I) Technical and Technological Auditing services.
- J) Non-auditing services.

Selection criteria of the auditing office

Article (5)

With the observance of international standards on auditing and quality control, the Company shall take into account the following requirements when selecting the Auditing office as a minimum:

- A) The number of partners in the office shall not be less than three partners.
- B) The office or the international company in which the office is a member thereof shall have the appropriate experience of not less than (5) years in the field of auditing, provided that the company shall obtain from the Auditing office a proof of its membership in the international company.
- C) The Company shall obtain from the Auditing office a written approval of the following:
 1. There is an organizational and administrative structure and a sound institutional governance in the office.
 2. The auditors at the office are commissioned with auditing services, separated from the business of persons or teams commissioned with other business at the same company.
 3. There are policies, procedures and controls approved for the office activities, including an auditing manual that outlines auditing mechanism and procedures for companies, quality evaluation policies and procedures for external auditing, auditor's rotation policy, independency and objectivity requirements and a policy which ensures compliance with the code of ethics.

4. There are policies and procedures at the office indicating the minimum requirements for the efficiency of the auditor on the company's business.
5. There is an ongoing training policy for the auditors at the office, provided that the approved training hours for auditors who are commissioned with the auditing of the company's accounts shall not be less than (30) hour per year in areas related to auditing, and the activities of electronic payment and money transfer and their risks.
6. The availability of human resources with diverse experience at the office to carry out auditing on companies such as experience in the preparation of financial statements, their clarifications, accounting estimates and any other areas required for auditing the company's business.
7. There is an IT auditor or more in the office has the knowledge and experience in the IT systems auditing.
8. The auditing office and the auditors shall meet the requirements of independency outlined in these instructions.

Selection criteria of the Auditors

Article (6):

A) The following minimum requirements must be met by the partner:

- 1) Must be holding a professional certificate in the field of accounting or auditing from one of the professional associations of Chartered Accountants or Auditors which is recognized internationally and recognized by the Jordan association of certified public accountants.
- 2) Must be holding a valid Occupational Practice License to practice the profession and registered in the Jordanian certified public accountants membership list in accordance with the provisions of law of regulating the accounting profession.
- 3) Must have a practical experience in the field of auditing for period not less than (5) years, to be familiar with the electronic payment and money transfer activities, their risks, legislations relating to companies' activities and regulatory instructions issued by the Central Bank related thereto.
- 4) To be familiar with the international standards on auditing, international financial reporting standards and code of ethics and to follow up with what is new.

- 5) To have good conduct and has a good professional reputation.
 - 6) Not to be convicted of any offence involving breach of honor or trust.
 - 7) Has not been banned from practicing the profession during the last five years or has been given a final decisive judgment as a result of committing a professional error or a legal violation related to the practice of the profession.
 - 8) Must meet independency requirements outlined in these instructions.
 - 9) To continue meeting the requirements set out in this paragraph during the duration of auditing.
- B) The Auditor, other than the partner, shall meet the following minimum requirements:
- 1) Must be holding a professional certificate in the field of accounting or auditing from one of the professional associations of chartered accountants or auditors, which is recognized internationally and recognized by the Jordan association of certified public accountants, And he Must also have a practical experience in the field of auditing for a period not less than (3) years, to be familiar with the electronic payment and money transfer activities, their risks, legislations relating to companies' activities and regulatory instructions issued by the Central Bank related thereto.
 - 2) In case of more than one auditor is engaged in the auditing task, at least one of them must meet the requirements set out in clause (1) of this paragraph.
 - 3) Auditor shall meet the requirements set out in clauses (5,6,7,8,9) of paragraph (A) of this Article.
- C) Quality control reviewer shall meet the following minimum requirements:
- 1) Must be holding professional certificates in the field of accounting or auditing, and from one of the professional associations of Chartered Accountants or Auditors, which is recognized internationally and recognized by the Jordan Association of certified public accountants.
 - 2) Must be holding a valid Occupational Practice License to practice the profession and registered in Jordanian certified public accountants membership in accordance with the law of regulating the accounting profession, provided that the quality control reviewer who is a partner in

the international company which the office is a member thereof, shall be exempted from the provisions of this clause.

- 3) He shall meet the requirements set out in clauses (5,6,7,8,9) of paragraph (A) of this Article.

Nomination and mandating the Auditing office

Article (7):

A) With the observance of the relevant legislations in force, the Auditing office shall be nominated and mandated to audit the company's accounts in accordance with the following mechanism:

- 1) The company verifies that the office is meeting the criteria set out in these instructions.
- 2) The company shall take into account the requested scope of business, the company's size, its risks and the complexity of its operations when studying the suggested fees.
- 3) In case the auditing is shared by more than one auditing office (joint auditing), the Company shall ensure that those office meet the provisions contained in clauses (1) and (2) of this paragraph.
- 4) The company makes sure that the Engagement Letter covers the agreed scope of work in accordance with the provisions of the bylaw of electronic payment and money transfer, the instructions issued pursuant thereof, relevant legislations and the international standards on auditing and code of ethics before they are finally adopted and signed.
- 5) The Company shall inform the Central Bank in writing the name of the Auditing office, which has been adopted within a maximum period of one week from the date of its adoption by the Board of Directors, where the company's letter shall contain detailed information about the auditing office and the key auditors in accordance with the attached form within these instructions, and the Central Bank shall have the right to object to the auditing office that has been adopted, if the requirements in these instructions have not been met, or if there are any occupational practices or errors that are fundamentally affecting the reputation of the office or its financial position.

- 6) The Auditing office shall be appointed for a renewable period of one year, provided that the period of work of the partner responsible for auditing the Company shall not exceed (4) consecutive years.
 - 7) The Auditing office shall be changed each (7) year as a maximum, so that the new and old office shall be sharing the auditing in the changing year, and this is applied in case of a change before the lapse of the seven years. In all cases the old auditing office or its associated offices (in any way) shall not be commissioned another time before the elapse of a minimum of two years from the date of electing them, other than the case of joint auditing.
- B) If the Company delays the appointment of the Auditing office for a maximum period of four months from the beginning of the financial year, the Central Bank may appoint an Auditing office for the company against fees to be determined by the Central Bank at the expense of the company.
- C) The Central Bank shall, if it deems necessary, appoint an auditing office to review and audit the company's accounts, together with the Auditing office appointed by the company under the provisions of these instructions. The Central Bank shall determine the task assigned to the office which it has appointed, the duration of its work and the amount of its fees which shall be borne by the company.
- D) Notwithstanding the provisions of this Article, the Central Bank, whenever it deems necessary, has the right to appoint a consulting body at the expense of the company, which assesses any aspects related to the activities of the company, and the Central Bank shall determine the task assigned to this body and duration of its work.

Independency and Objectivity of Auditing office and Auditors

Article (8):

- A) With the observance of what is provided in Articles (5) and (6) of these instructions, other related legislations and international standards on auditing, quality control and code of ethics, the company must verify that the Auditing office and the Auditor have the independency when contracted, and ensure that the auditing office and the auditor shall have the independency and objectivity during the period of auditing and to ensure that there is nothing will affect auditing and its quality.

- B) The independency stated in paragraph (A) of this Article shall be achieved as a minimum by the following:
- 1) The Auditing office or the Auditor must not be a member of the Company's Board of directors.
 - 2) Any of the Auditors or the Auditing office must not occupy, on permanent bases, any technical, administrative or consulting position for the company, and this prohibition shall continue for a year from the date of the end of auditing task.
 - 3) The Auditing office or the Auditor must not be a partner with any member of the company's Board of Directors or any of the Company's top executive management or his agent or employee.
 - 4) It is not permissible to have a relation affinity up to first degree between the auditor and any member of the company's top executive management or its Board of Directors.
 - 5) The Auditing office or the Auditor must not possess, deal with or speculate with the company's shares directly or indirectly.
 - 6) The Auditing office must not combine auditing the company with other additional non-auditing services mandated to the office.
 - 7) The Auditing office shall carry out periodical rotation of the auditor in accordance with its approved policy, which will ensure the achievement of independency requirements.

Follow up on Auditing office function during auditing task

Article (9):

For the purpose of following up the Auditing office function during auditing task, the Company's Board of Directors or the Auditing Committee shall carry out the following tasks and responsibilities as a minimum:

- A) Monitoring the effectiveness of external auditing at all stages of auditing task by evaluating the extent of adequacy and sufficiency of each: auditing method, the scope of auditing, the level of material importance, fundamental risks of activities which shall be focused on and which will have a potential impact on the results of the financial position of the company.

- B) To check the independency of the auditing office and the auditor during the auditing period as provided in these instructions as a minimum, and In case the auditing office is commissioned with additional non-auditing services, the Board of Directors or the Auditing committee must study that and its impact on the independency of the Auditing office, provided that these services shall be disclosed in the Company's annual report so that the disclosure shall include the nature of those services, collected fees in return and the measures taken to maintain the office's independency.
- C) To check the auditing office's compliance with scope and plan of auditing and reasons behind any changes or deviations therefrom, if any.
- D) In case more than one Auditing office is commissioned with auditing the company, they must both agree on the auditing scope and plan, the duties' distribution among them, in accordance with international standards on auditing and international standards on review engagement. The Board of Directors or the Auditing Committee shall ensure that there is a coordination in the work between them, so that they can carry out auditing the company's business in accordance with agreed plan and issue the required reports about that task.
- E) To seek the views of the Company's employees who are involved in the auditing process about the auditor's performance.
- F) To communicate regularly with the partner during the period of auditing and to discuss the following with him as a minimum:
 - 1) The results of auditing and reports issued during the auditing period, including the Management Letter presented by the Auditing office, to discuss with him any fundamental weakness aspects in internal control and monitoring systems, and in preparing financial reports of the company that have been discovered during auditing task. The Board of Directors or the Auditing Committee shall evaluate its point of view in any fundamental matters arose during auditing, review the nature and level of mistakes shown by the auditor and get clarifications from the management why some mistakes remain unchanged.
 - 2) Any matters shown by auditing and which have a potential impact on the Company's capital, collaterals or disclosures required by the legislations in force.

- 3) The impact of early application of amendments to the international financial reporting standards or the relevant legislations on the Company's financial position and on the process of preparing financial reports.
 - 4) The extent to which the Company's management is committed to providing him with the information he requested, to discuss with him if this information reflect the Company's financial position in accordance with Representation Letter presented by the Company's management.
- G) Requesting the Auditing office to provide him with the main results of the quality control review of external auditing on the auditing of the Company, in case the Company was among the sample subjected to quality control review.
- H) Inviting the partner in charge to attend the Board of Directors meetings or the Auditing committee meetings relating to external auditing (except meetings related to the discussion of evaluating the external auditing effectiveness).
- I) Meeting with the partner (without the attendance of the company's executive management) at least once a year to discuss pending matters which arose between the Company's management and the auditor during his work and any other matters of interest to the Board of Directors or Auditing Committee which will help it in practicing its tasks.
- J) Follow up with the Auditing Office to submit the required reports at the specified time.
- K) Putting a plan to address the possibility of the withdrawal of the Auditing office from auditing or its dismissal.
- L) With the observance of the law of regulating the profession of chartered accountants, the Company's Law, regulations and instructions issued pursuant thereof, if the Auditing office expresses its willingness to withdraw from carrying out auditing for any reason, the Central Bank must be immediately informed, and the Board of Directors or the Auditing Committee must find the reasons for this and take required procedures to address the reasons if possible. In case the Auditing office did not change its withdrawal, the Board of Directors shall do whatever necessary in accordance with related legislations and inform the Central Bank immediately of the procedures taken in this regards.

Non- Auditing Services

Article (10):

- A) In case the company needs any non-auditing services required by its operations or upon the request of the Central Bank, the Company, with the prior approval of the Auditing Committee, shall commission the Auditing office- unless this affects its independency or objectivity- or any other Auditing office or any consulting body specialized in performing those additional services.
- B) The Company shall provide the Central Bank with a copy of the reports related to the additional services which is requested from the company within a maximum period of 30 days from the date of presenting them to the Company.
- C) The agreement shall be made between the Company and the contracting party to provide the additional services on the scope of business was commensurate with company's size, the complexity of its activities, operations and risks.

Reports relating to Auditing

Article (11):

Auditing Committee shall request the Auditing office to provide it with following as a minimum:

- A) Auditing report, which shows its opinion in the annual financial statements in accordance with the international standards on auditing and the extent of their harmony with related local legislations and with international financial reporting standards.
- B) Review report on interim financial statements in accordance with the related international standards and the extent of their harmony with related local legislations and with international financial reporting standards in this regards.
- C) A report with its observations, that appeared during auditing the company as commensurate with the requirements of the international standards on auditing.
- D) Reports on some important matters, if any, such as:

- 1) Obstacles faced by the auditors during auditing and the extent of the executive management and control departments cooperation with auditors and its response to their requests.
 - 2) The presence of fundamental excesses by the top executive management of the powers or delegations granted to them.
 - 3) Disclosures in financial reports which need improvement.
- E) Any other reports related to auditing task

Auditing office Responsibilities towards the Central Bank

Article (12):

With the observance of the provisions of the bylaw of electronic payment and money transfer and the instructions issued pursuant thereof, Auditing office must do the following:

A) Provide the Central Bank with copies of:

- 1) Its report shown in paragraphs (A) and (B) of Article (11) of these instructions, duly sealed and signed by the partner indicating his name and his license number therewith.
- 2) Any reports that they presented to the company in the frame of auditing task for which it was appointed, including the Management Letter related to the observations about the results of examining and auditing the company and its subsidiaries and the company's replay to that, within a maximum period of thirty days from the date of their presentation.
- 3) Any additional information or data about the company's conditions and the nature of services it provides to its customers, or any additional information or data requested by the Central bank which fall within the scope of auditing task.

B) To inform the Central Bank in writing as soon as it is informed about:

- 1) Any matters of negative fundamental impact on the Company's financial or administrative positions, any violations committed by the company's board of directors or the board of directors of its subsidiaries or by any of their managers or any third party contracted with the company or the third party's employees, or when it is informed of illegal, unsound or unsafe operations or any of them, including operations suspected of being related

to money laundering and terrorism financing, or any operations expected to cause material loss to the company or its subsidiaries.

- 2) Any other matters which fundamentally impacts the company's position such as:
 - a) Any material breaches of the Company's memorandum of association, article of association, or its internal policies.
 - b) The presence of material weaknesses in the internal control operation of the company.
 - c) The presence of substantial doubts about the company's ability to continue to operate.
 - d) Negative material changes in the actual or potential risks facing the company.

Second Chapter: Technical and Technological Auditing

Technical and Technological Auditing Services

Article (13):

With the observance of the provisions provided in these instructions and to the extent applicable to the Technical and Technological Auditing services thereof, the Auditing Committee shall ensure the ability of the contracted party to provide the Technical and Technological Auditing services to do the following:

- A) Auditing and reviewing the company's technical and technological operations in a specialized manner (IT Auditing) through technical staff which shall meet the following minimum conditions and requirements:
 - 1) They have the appropriate knowledge and experience, and are qualified to carry out technical and technological auditing services, they are holding relevant professional certificates from international societies and/ or parallel practical experience.
 - 2) They meet the requirements provided in clauses (5,6,8) of paragraph (A) of Article (6) of these instructions, and to continue meeting those requirements during the auditing period.
- B) Compliance with the IT auditing standards in accordance with latest update of the international standard (Information Technology Assurance Framework) issued by Information System Audit and Control Association.

- C) The ability to examine, evaluate and review the extent of the sufficiency and effectiveness of the procedures relating to the information and communication technology environment of the company's and activities based thereon, the continuity of its work and providing opinion about its total level of risks within a comprehensive auditing program.
- D) The ability to evaluate the company's mechanisms followed in terms of approved and written policies, principles, and work procedures, mechanisms of employment of resources and their performance, monitoring, improvement and development tools and mechanism, in regards to the information and communications technology environment.
- E) Documentation of technical and technological auditing results, evaluating them based on the importance of imbalances and weakness points (observations), in addition to the activated controls and the evaluation of the level of residual risk related to those imbalances and weakness points by using a systematic standard to analyze and measure the risks which includes agreed upon corrective measures which will be followed by the company with specific dates for correction.

Article (14):

- A) With the observance of what is provided in the provisions of these instructions and in case the Auditing office- with the prior approval of the Auditing Committee – provides technical and technological auditing services on the Company's activities – unless this affects its independency and objectivity – said office must provide one or more technical or technological auditors who have the appropriate knowledge and experience and are qualified to carry out technical and technological auditing. This task shall be considered separate from accounts auditing services. Said office may participate in providing technical and technological auditing services with another auditing office (joint audit) or any other body specialized in the field of providing technical and technological auditing services (Dual Audit).
- B) Notwithstanding what is provided in paragraph (A) of this Article, the company may contract, directly or indirectly, with another auditing office or a specialized body in the field of technical and technological auditing to provide technical and technological auditing services on the company's activities in accordance with the provisions related to the selection criteria of the auditing office, its nomination, independency and objectivity provided in these instructions to the extent applicable thereof.

C) The Agreement shall be made between the company and the contracted body to provide the technical and technological auditing services, on the scope of work as commensurate with company's information and communications technology environment size, the complexity of its activities, operations and risks.

Article 15:

- A) Auditing Committee shall request the technical and technological auditor to provide it with the reports set forth in Articles (11/D/1) and (11/D/2) of these instructions.
- B) Technical and technological report shall be repeated at least once every three years, or in the event of fundamental changes to the information environment, communication and its associated technology.
- C) The company shall provide the Central Bank with a copy of the reports relating to the technical and technological auditing services sealed and signed by the technical and technological auditor within a maximum period of thirty days from the date of presenting them to the company, any reports relating to the technical and technological auditing task and any other documents to be defined by the Central Bank.
- D) The body that provides the technical and technological auditing service must inform the Central Bank of any matters that have a negative fundamental impact on the company's technical and technological positions

Governor
D. Ziad Fareez

"This document has been translated for knowledge, but for legal purposes the Arabic version is adopted"