

Guidance on electronic payments in Kuwait

June 2021

Under Resolution No. 44/430 of 2018 the Central Bank of Kuwait (CBK) has issued a set of guidance to regulate the electronic payment (e-Payment) activity in Kuwait.

These guidelines are applicable to, any business that intends to engage in the activity of electronic payments and settlement systems.

This would include e-commerce and fintech businesses in Kuwait which have obtained an electronic payment gateway from Service Providers¹ (e.g. local banks). Such businesses would need to register as an Agent² with the Service Providers.

01

The CBK will set up a Register³ listing all the Service Providers and their Agents with their main details. The CBK will not be responsible for any false or inaccurate information contained in this Register

02

Businesses cannot practice electronic payments and settlement systems (Activity⁴) without a CBK registration

03

Businesses engaging in the Activity need to adhere to certain minimum paid-up capital requirements based on the role of the organization as given in the table below

04

An application for registration needs to be submitted to the CBK via Service Providers (such as any local bank), with the required documents, as explained in the next section. See Overleaf

05

The Service Provider should set up a system to monitor the activities of the Agents to ensure the Agent complies with the Instructions⁵, criteria and policies related to the supervision and oversight of the Activity issued by CBK, and the requirements of AML/CFT

1. Service Provider: any financial institution with the status of a shareholding company that is included in the Register to carry out all or some of aspects of the activity, whether related to operating the electronic payment and settlement system, providing services, or any other related activities whereby the final settlement is made through local banks.
2. Agents: any financial institution with the status of a shareholding company or with limited liability included in the Register to carry out all or some of aspects of the activity.
3. Register: a Register to be maintained at CBK for Service Providers and their agents.
4. Activity: the activity of Electronic Payment and Settlement Systems
5. Instructions: instructions Regulating Electronic Payment Activity

All definitions as set out in Resolution No. 44/430 of 2018 the Central Bank of Kuwait

Please note: The requirements are subject to change as per Central Bank of Kuwait's evolving guidelines and can also vary depending on the sponsoring bank's policies.

Registered as	Company Type	Minimum Paid Up Capital
Service Provider	Shareholding Companies	KD 1 million
Agent	Shareholding or W.L.L company	KD 20,000
Agent where the requirements to join the Regulatory Testing Environment (Sand-box) have been fulfilled	Shareholding or W.L.L company	KD 10,000



Documents requirements by CBK

A final and unconditional letter of guarantee issued by a local bank in favor of the CBK for a minimum of KD 100,000 valid for a period of three years renewable for similar periods

A copy of the company's Memorandum and Articles of Association and its Commercial Registration

3-year business plan for the company documenting

- Scope of activities of the company and payment services provided
- Organization structure of the company
- Company's strategy
- 3-year realistic financial projections corresponding to the strategy

Policy and Procedure document containing:

- Key functional policies
 - Information Technology (incl. access, back up policy and contingency plan) Corporate governance structure and AML plan
 - Finance (incl. reconciliation mechanism, dispute resolution mechanism and reports)
- Risk management framework
 - Risk analysis policy (Operation, Credit, Cyber, Market, IT, Security etc.)
 - Governance Framework
 - Risk Register covering Company functions and operations
 - Internal controls policies

Corporate governance structure and CFTE/AML plan

Data protection and security threat plans

Describe the procedures of the Risk Management System and the Accounting System, including the relevant reporting system

Please note: The requirements are subject to change as per Central Bank of Kuwait's evolving guidelines and can also vary depending on the sponsoring bank's policies.

**CBK has the right to request any other records or information deemed necessary for Registration. The service provider has to provide the same set of documents in case of registering for an agent.*

HOW KPMG CAN HELP

KPMG has set up a team of advisors to provide a "one stop shop" support to businesses applying for registration with the CBK through local banks and other Service Providers.

Our team of e-commerce and fintech experts

- provide a single window approach to assisting businesses
- are experienced in guiding Kuwait based businesses as they prepare to register with the CBK
- are familiar with banks in Kuwait and understand their standards/requirements for Agents
- can provide post application assistance with internal audit services to determine compliance with policies (mandated by select banks) as mentioned in point 5 above.

Contacts



Ankul Aggarwal
Partner - Deal Advisory
KPMG in Kuwait
ankulaggarwal@kpmg.com



Majid Makki
Director - Management Consulting
KPMG in Kuwait
mmakki@kpmg.com



Harsha Prakash
Associate Director - Deal Advisory
KPMG in Kuwait
hprakash@kpmg.com



©2021 KPMG Advisory W.L.L., a Kuwait limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.