



Guidance towards electronic payments in Kuwait

September 2023
kpmg.com/kw

The Central Bank of Kuwait (CBK) has promulgated the “Instructions for Regulating the Electronic Payment of Funds” in May 2023, an update to the previous regulations that was issued in 2018, under the umbrella of “Law No. 20 of 2014 for The Electronic Transactions”

The instructions issued by CBK shall be applied to electronic payment service providers (EPSPs), electronic money service providers (EMSPs), and all local banks. To perform any Activity¹, e-commerce and fintech businesses in Kuwait shall be listed in the CBK Register² that contains the basic information submitted by them and any other information to be defined by CBK.

The purpose of the document is to help you understand:

01 **Activity service providers**

02 **Documents required by CBK**

03 **Registration process**

04 **How Can KPMG help?**

Section 1

Activity service providers

E-Payment Service Provider (EPSP)

Any company registered to perform E-Payment Activities in the State of Kuwait in accordance with these instructions.

	Legal form	Minimum capital requirement (ongoing basis)	Permissible services	Prohibited services (if any)	Transaction limits
A1. Small	K.S.C. or W.L.L.	KD 50,000	<ul style="list-style-type: none"> Payment acquisition, direct debit Issuing or providing E-Payment instruments 	<ul style="list-style-type: none"> Issuing/storing/transferring E-Money Buy Now Pay Later Service (BNPL)* 	Monthly transaction value: KD 8,000,000
A2. Large	K.S.C.	KD 250,000			N/A

E-Money Service Provider (EMSP)

Any company registered to perform E-Money Activities in the State of Kuwait in accordance with these instructions.

	Legal form	Minimum capital requirement (ongoing basis)	Permissible services	Prohibited services (if any)	Transaction limits
B1. Small	K.S.C. or W.L.L.	KD 100,000	<ul style="list-style-type: none"> Payment acquisition, direct debit Issuing/providing E-Payment instruments Issuing/storing/transferring E-Money 	<ul style="list-style-type: none"> Buy Now Pay Later Service (BNPL)* 	<ul style="list-style-type: none"> E-Money stored for a single customer: KD 1,500 at any time Total E-Money stored at any time: Does not exceed KD 1,000,000. E-Money processed for a single customer: KD 1,500 per month Average daily balances of E-Money stored: Does not exceed KD 800,000 Monthly transaction value: KD 8,000,000.
B2. Large	K.S.C.	KD 1,000,000	<ul style="list-style-type: none"> Payment acquisition, direct debit Issuing/providing E-Payment instruments Issuing/storing/transferring E-Money Providing BNPL service 	N/A	<ul style="list-style-type: none"> E-Money stored for a single customer: KD 5,000 at any time E-Money processed for a single customer: KD 5,000 per month

Requirements to perform the BNPL services

Maximum grant	Period of repayment	Other
KD 500	Does not exceed four months	<ul style="list-style-type: none"> No interest, profit or return to be collected from the customer Customer's credit information history to be established before giving the services

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.

Legal form	Minimum capital requirement Ongoing basis	Permissible services	Prohibited services (if any)	Transaction limits
K.S.C.	KD 2,000,000	<ul style="list-style-type: none"> 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 his 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 an e-payment instrument. 	<ul style="list-style-type: none"> Issuing or storing or transferring E-money. Buy Now Pay Later Service (BNPL)* 	N/A

- Activity:** Electronic payment, electronic money and operation of the E-Payment systems..
- Register:** CBK Register of the Activity service providers.
- E-Payment Service Operators (EPSO):** Any company registered to manage and operate the E-Payment systems infrastructure and its instruments in the State of Kuwait.
- 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.
- Limited Purpose E-Money (LPE):** 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.
- 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.

Section 2 Documents required by CBK

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

A copy of the Memorandum and Articles of Association, the Commercial Registration of the Company, list of board of directors, company's equity structure showcasing major shareholders holding >5% and percentage of their ownerships and audited financial statements by an approved auditor for a period of three financial years¹

Corporate governance structure and CFTE/AML plan

Customer protection, data protection and security threat plans

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

Five-year business strategy and action plan for large EPSPs and EMSPs, and three-year business strategy for small EPSPs and EMSPs. These plans to include:

- Objective and scope of activities of the Company and payment services provided
- Feasibility study for establishing the Company including operating procedures
- Organization structure for the Company
- Company's strategy, business model and SWOT analysis for each of the services offered
- Corresponding risks and mitigating measures
- Future financial projections corresponding to the strategy
- Exit plan to include the driving factors for exit, governance and contingency plans

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, Legal, Credit, Cyber, Market, IT, Security, etc.)
 - Governance framework
 - Risk Register covering company functions and operations
 - Internal controls policies

1. If the applicant has worked less than three financial years, it must submit the audited financial statements for the period which it has worked.

Section 3

Registration Process



Step 1: Submit the registration form electronically with all the required documents.



Step 2: CBK to issue an initial approval valid for six months.



Step 3: Completion of the registration documents. Refer to section 2 to know more.



Step 4: Receive the final decision of approval or rejection from CBK.

Section 4

How can we help?

KPMG has set up a team of advisors to provide a “one-stop shop” to support to the businesses applying for the E-Payment licenses. Some of the services we offer are listed below. To know more about these services visit kpmg.com/kw

- | | |
|---|---|
| <ul style="list-style-type: none"> Business plan development and strategy advisory (including business objectives and activities, target business and operating model, SWOT analysis, key risks and exit plan) | <ul style="list-style-type: none"> Restructuring (assisting businesses to stabilize, reorganize borrowings, enhance profitability and build a platform for sustainable growth) |
| <ul style="list-style-type: none"> Market assessment and financial feasibility study (including market potential, target customer segments and financial projections for the proposed business) | <ul style="list-style-type: none"> Operations Policy & and Procedure Manual (including Dispute Management, Vendor Onboarding and Vendor & and Customer Support) |
| <ul style="list-style-type: none"> Valuation (independent valuations for specific client needs including transactions, tax, accounting, and financial reporting purposes) | <ul style="list-style-type: none"> Anti Money Laundering (AML) and CFT Policy & and Procedure Manual |
| <ul style="list-style-type: none"> Transaction services (pre-deal evaluations, financial due diligence, vendor assistance, vendor due diligence and strategic & commercial intelligence) | <ul style="list-style-type: none"> Readiness Assessment, Compliance Assessment, Technology Risk Assessment, Internal Audit, and Post Implementation Review |
| <ul style="list-style-type: none"> Sell-side/buy-side advisory (identify, manage and successfully complete transactions, drawing upon both our local market knowledge and international M&A network) | <ul style="list-style-type: none"> Information Technology Policy & and Procedure Manual (including the Back-up Policy) |



Ankul Aggarwal
Partner and Head of Deal Advisory
KPMG in Kuwait
ankulaggarwal@kpmg.com



Majid Makki
Partner and Head of Management Consulting
KPMG in Kuwait
mmakki@kpmg.com



Ali Abbas
Director – Risk Consulting
KPMG in Kuwait
aliabbas@kpmg.com

kpmg.com/socialmedia



©2023 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.