

Guidance towards electronic payments in Kuwait

March 2022

In January 2022, the Central Bank of Kuwait (CBK) has suggested new draft guidelines (subject to approval*) towards regulating the electronic payments (e-payment) of funds in Kuwait. This guidance was first issued under Resolution No. 44/430 of 2018 Central Bank of Kuwait (CBK).

The instructions issued by the CBK shall be applied to electronic payment service providers (EPSPs)¹, electronic money service providers (EMSPs)², and all local banks. To perform any activity³, e-commerce and fintech businesses in Kuwait which have obtained an electronic payment gateway from an ESP need to register as an Agent⁴ with the ESPs, EMPs, and other local banks.

01

A Register⁵ shall be set up at CBK listing all the **EPSPs** and **EMSP**. CBK shall not be responsible for any false or inaccurate information contained in such Register.

02

Businesses cannot practice Electronic payments and settlement systems **activity** without registration with CBK.

03

Activity providers are categorized into small and large EPSPs and EMS. These activity providers need to adhere to certain minimum paid-up capital requirements on the role of the organization as given in the table below

Registered as	Company Type	Minimum Capital
Small Electronic Payment Service Provider License	Shareholding Company or a LLC	KD 50,000 on ongoing basis
Large Electronic Payment Service Provider License	Shareholding company	KD 250,000 on ongoing basis
Small Electronic Money Service Provider License	Shareholding Company or a LLC	KD 100,000 on ongoing basis
Large Electronic Money Service Provider License	Shareholding company	KD 1,000,000 on ongoing basis

04

An application for registration needs to be submitted to 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. The Service Provider must ensure that the agent complies with supervision and oversight of the Activity issued by CBK, as well as with the requirements of AML/CFT.

06

Large EPSPs and large EMSPs should create separate management functions for risk management, internal audit, compliance, information security, anti-money laundering and terrorist financing and define related powers and tasks.

1. E-Payment Service Provider (EPSP): Any company registered in the registry to conduct electronic payment in the State of Kuwait in accordance with these instructions.
2. E-Money Service Provider (EMSP): Any company registered in the registry to conduct electronic payment and electronic money in the State of Kuwait in accordance with these instructions
3. Activity: Electronic payment and electronic money.
4. 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.
5. Register: a Register to be maintained at CBK for Service Providers and their agents.

**CBK reserves the right to make any addition, deletion, or update on the guidelines. The draft guidelines are subject to approval from the Central Bank of Kuwait. Please refer to the CBK website for the latest update on the guidelines.*

Documents requirements by the Central Bank of Kuwait



A final and unconditional letter of guarantee issued by a local bank in favor of CBK with **a value no less than 10%** of the capital valid for a period of three years renewable for similar periods.

A copy of the Memorandum and Articles of Association, the Commercial Registration of the company, list of board of directors, and audited financial statements by an approved auditor for a period of three financial years¹

5-year business strategy and action plan for large EPSPs and EMSP and a 3- year business strategy for small EPSPs and EMSP. These plans to include

- a) Objective and scope of activities of the Company and payment services provided
- b) Feasibility study for establishing the Company including operating procedures
- c) Organization structure for the Company
- d) Company's strategy, business model and SWOT analysis
- e) Corresponding Risks and mitigating measures
- f) Future financial projections corresponding to the strategy
- g) Exit plan to include the driving factors for exit, governance and contingency plans

Policy and Procedure document containing:

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

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

**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.*

1. If the applicant has worked less than 3 financial years, it must submit the audited financial statements for the period which it has worked.

HOW KPMG CAN HELP

KPMG has set up a team of advisors to provide a "one stop shop" support to businesses applying for compliance with CBK e-payment through local banks.

Our team of e-commerce and fintech experts

- are experienced in handholding various Kuwait based business on preparing for compliance with CBK e-payment regulation
- adopt a single window approach to assisting businesses
- well networked with various banks in Kuwait and understand their standards/requirements for agents
- can provide post application assistance with internal audit services to ensure compliance with policies (mandated by select banks) as mentioned in point 5 and 6 above.

Contacts



Ankul Aggarwal

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



Majid Makki

Director – Management Consulting
KPMG in Kuwait
mmakki@kpmg.com



Ali Abbas

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



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