

2022 | ANNUAL REPORT



المؤسسة الإقليمية لمقاصة
وتسوية المدفوعات العربية

ARAB REGIONAL PAYMENTS
CLEARING AND SETTLEMENT
ORGANIZATION

ANNUAL
REPORT

2022



ANNUAL REPORT 2022



The Arab Regional Payments
Clearing and Settlement Organization

Arab Monetary Fund Building
P. O. Box 2818, Abu Dhabi, UAE
Phone: (+971)2 617 1200
Email: Buna@amf.org.ae
Website: www.buna.co

TABLE OF CONTENTS

| | |
|---|-----------|
| 1. WHO WE ARE | 04 |
| 1.1 Introduction | 04 |
| 1.2 Objectives | 04 |
| 1.3 Mission and Values | 05 |
| 1.4 Payment as It Should Be! | 06 |
| 2. MAIN ACHIEVEMENTS IN 2022 | 07 |
| 2.1 A network of 100 participants | 07 |
| 2.2 Euro real-time settlement (sixth currency became operational) | 09 |
| 2.3 Building bridges with global partners | 09 |
| 2.4 Supporting Regional Integration | 10 |
| 2.5 Contributing to the G20 agenda to enhance cross-border payments | 11 |
| 2.6 Financial Highlights | 11 |
| 3. THE STATEMENT OF HIS EXCELLENCY DR. ABDULRAHMAN A. AL HAMIDY, CHAIRMAN OF THE BOARD | 12 |
| 4. MESSAGE FROM THE CEO | 13 |
| 5. OUR STRATEGY TO TRANSFORM CROSS-BORDER PAYMENTS | 15 |
| 5.1 Payment Hub | 15 |
| 5.2 Community Platform | 15 |
| 5.3 Innovation Environment | 15 |
| 5.4 Risk & Compliance Center | 16 |
| 6. OPERATIONAL HIGHLIGHTS | 17 |
| 6.1 Business Operations | 17 |
| 6.2 IT Operations | 19 |
| 6.3 Compliance Operations | 20 |
| 7. SERVICE ENHANCEMENTS | 21 |
| 7.1 Our Instant Payment System (IPS) | 21 |
| 7.2 Our FX Service (Payment vs Payment 'PVP') | 22 |
| 7.3 Our APIs | 23 |
| 7.4 The Future of DvP (Delivery vs Payments) | 24 |
| 8. OUR INTERNAL CONTROL FRAMEWORK | 25 |
| 8.1 Operational Resilience | 25 |
| 8.2 Security and Availability | 25 |
| 8.3 Embedding Risk Management | 25 |
| 9. PFMi SELF-ASSESSMENT | 26 |
| 10. OUTLOOK FOR 2023 | 27 |
| 11. BOARD OF DIRECTORS | 28 |
| 12. EXECUTIVE MANAGEMENT | 37 |
| 13. AUDITORS' REPORT | 42 |

1. Who we Are

1.1 Introduction

Buna is the cross-border payment system operated by the Arab Regional Payments Clearing and Settlement Organization “ARPCSO,” which is owned by The Arab Monetary Fund “AMF”. Buna aims to enable financial institutions and central banks in the Arab region and beyond to send and receive payments in local currencies as well as key international currencies in a safe, cost-effective, risk-controlled, and transparent environment. Buna offers to its participants modern payment solutions that comply with international standards and compliance requirements. Buna welcomes the inclusion of all banks that meet the criteria and conditions for participation, primarily the standards and procedures of compliance aspects.

In 2022, ARPCSO continued bringing to life Buna’s objectives and delivering a modern cross-border payment solution that is strengthening opportunities for economic and financial integration in the Arab region and supporting investment ties with the global trading partners.

1.2 Objectives

As a centralized cross-border and multicurrency payment system, which acts as a bridge between the Arab region and the rest of the world, Buna aims to:

- » Empower Arab economies.
- » Streamline trade relationships of the Arab countries with major partners.
- » Facilitate financial inclusion and regional integration.
- » Promote cross-border payments and making them as efficient as domestic ones.
- » Promote usage of regional currencies.
- » Strengthen compliance standards, and adherence to relevant international principles.

1.3 Mission and Values



Our Mission

To provide payment solutions that empower Arab economies and promote regional integration.



Our Values

To reinforce the organization's identity, shape organization culture, assist in decision making, influence employee behavior and ensure growth. Buna's values are the following:



Integrity

we work in honesty and devotion, with consistent adherence to our mission.



Reliability

we do what we say, and we communicate and act in a transparent way.



Accountability

we are always eager to meet our obligation and take full responsibility for our actions.



Commitment

we are driven and motivated by our mission, constantly targeting to realize the strategic objectives of our organization.



Excellence

we always aim at delivering a superior level of quality in all aspects of our services.

1.4 Payment as It Should Be!

In 2022, we felt the need to summarize these values and encapsulate our identity in a slogan. Payment as It Should Be! is at the forefront of our innovation, conveying our beliefs in the fact that payment should be efficient and simple. Payment as It Should Be! is solidifying our commitment and confirming our confidence to deliver our promise.

2. Main Achievements in 2022

2.1 A network of 100 participants

The size of the network is a core pillar in the payment industry. Our constant efforts to expand the network of our participants regionally and globally have allowed us to attain by end 2022 a very important goal and onboarded 100 participants.

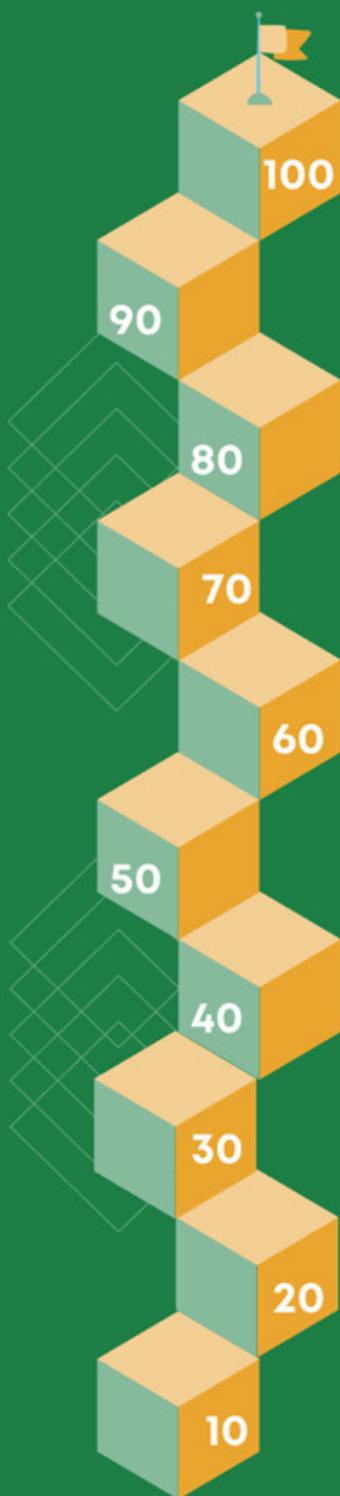
Buna's coverage has expanded. We now have a wider reach in multiple Arab countries, accessing

and reinforcing our presence in multiple countries such as Algeria, KSA, Oman, Tunisia, and the UAE. As a next step, banks from international markets are in various stages of discussion and onboarding.

By end of 2022:



Participants' List



- | | |
|--|---|
| <p>Algeria</p> <ul style="list-style-type: none"> • Banque Exterieur D'Algerie • Bank of Algeria • Gulf Bank Algeria • Banque De L'agriculture Et Du Développement Rural SPA • Al Salam Bank • Fransabank El Djazair SPA • Banque De Developpement Local • National Bank of Algeria • Housing Bank Algeria • Crédit Populaire D'Algérie • Banque Al Baraka D'Algerie • ABC Algeria | <p>Jordan</p> <ul style="list-style-type: none"> • Cairo Amman Bank • Jordan Ahli Bank • Jordan Islamic Bank • Capital Bank of Jordan PLC • Safwa Islamic Bank • Central Bank of Jordan • Egyptian Arab Land Bank • Jordan Kuwait Bank • Arab Jordan Investment Bank • Invest Bank |
| <p>Bahrain</p> <ul style="list-style-type: none"> • Bank of Bahrain and Kuwait | <p>KSA</p> <ul style="list-style-type: none"> • Arab National Bank • Bank Albilad • Bank Aljazira • The Saudi British Bank |
| <p>Djibouti</p> <ul style="list-style-type: none"> • Salaam African Bank | <p>Lebanon</p> <ul style="list-style-type: none"> • Bank Audi • Blom Bank • Lebanon & Gulf Bank • Banque Libano – Francaise • Credit Libanais SAL |
| <p>Egypt</p> <ul style="list-style-type: none"> • Banque Misr • National Bank of Egypt • QNB AlAhli • Faisal Islamic Bank • Housing and Development Bank • The United Bank • Banque Du Caire • Agricultural Bank of Egypt • Al Ahli Bank of Kuwait • Attijariwafa Bank Egypt S.A.E. • Central Bank of Egypt • Al Baraka Bank Egypt S.A.E. • Commercial International Bank | <p>Mauritania</p> <ul style="list-style-type: none"> • Banque Alwava Mauritanienne Islamique |
| <p>IO</p> <ul style="list-style-type: none"> • The Arab Monetary Fund • The Arab Trade Finance Program | <p>Morocco</p> <ul style="list-style-type: none"> • Banque Centrale Populaire • Bank of Africa • Attijariwafa Bank |
| <p>Iraq</p> <ul style="list-style-type: none"> • Central Bank of Iraq • Region Trade Bank • International Islamic Bank • Al Mustashar Islamic Bank • Cihan Bank • Iraqi Islamic Bank • Al Taif Islamic Bank • Al Janoob Islamic Bank • International Development Bank • Elaf Islamic Bank • Al Arabiya Islamic Bank • Iraqi Middle East Investment bank • Trade Bank of Iraq • Bank of Baghdad • AL Qabidh Islamic Bank For Finance and Investment • Al Rajih Islamic Bank for Finance And Investment • Ashur International Bank • Mosul Bank for Development and Investment • Al-Anssari Islamic Bank for Investment and Finance • Gulf Commercial Bank P.S.C. • National Bank of Iraq • Trust International Islamic Bank • World Islamic Bank for Investment and Finance • Mashreq al-Arabi Bank • Ameen AL-Iraq Islamic Bank • Kurdistan International Islamic Bank for Investment and Development • First Iraqi Islamic Bank for Investment and Finance • Al Qurtas Islamic Bank • National Islamic Bank | <p>Oman</p> <ul style="list-style-type: none"> • Bank Muscat • Bank Dhofar SAOG • Oman Arab Bank (S.A.O.G) • Nizwa Bank • National Bank of Oman |
| | <p>Tunisia</p> <ul style="list-style-type: none"> • Banque Centrale De Tunisie • Bank of Tunisia & Emirates • Société Tunisienne de Banque • Al Baraka Bank Tunisia • Amen Bank • Banque De l'Habitat |
| | <p>UAE</p> <ul style="list-style-type: none"> • First Abu Dhabi Bank • Mashreq Bank • Invest Bank • United Arab Bank PJSC • Dubai Islamic Bank • Abu Dhabi Commercial Bank PJSC • The National Bank of Ras Al Khaimah P.S.C. • Emirates NBD P.J.S.C. |

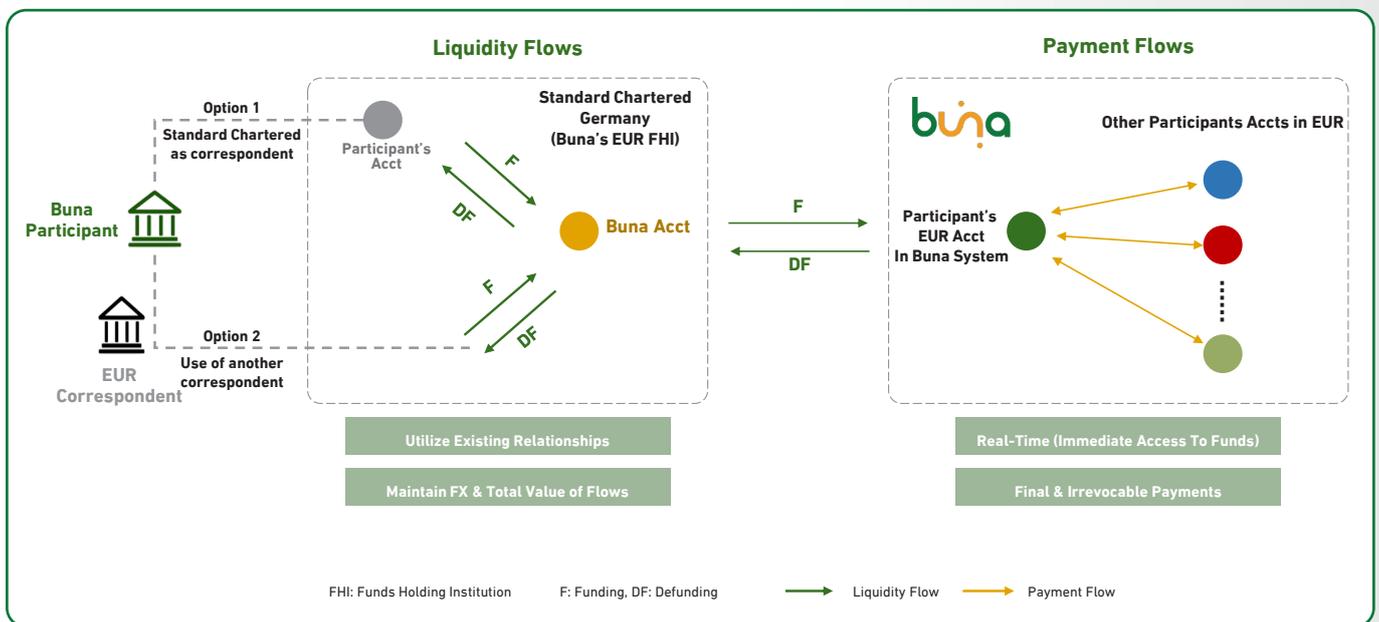
2.2 Euro real-time settlement (sixth currency became operational)

In September 2022, the euro became operational in the system, marking the inclusion of the 6th currency in Buna. The euro real-time settlement capability in Buna is being performed in collaboration with Standard Chartered (the Funds Holding Institution “FHI”).

The inclusion of the euro in Buna will strengthen economic ties between the Arab World and Europe, as well as other international trade partners.

How does it work?

The diagram below illustrates the liquidity and payments flows of the euro real-time settlement service:



The settlement window for participants transacting in euro within Buna is from **Sunday – Friday, 09:00 am – 09:00 pm, UAE time**, which gives a great flexibility to banks in offering clients a real-time payment service outside the operating hours of traditional payment rails. The service is now activated by multiple participant banks from various Arab countries, with more participation expected in the upcoming weeks and months to benefit further from Buna’s centralized, efficient, risk controlled, and secure system to optimize their payments in such a major international currency.

2.3 Building bridges with global partners

Buna continued building bridges to streamline cross-border payments between the Arab world and major partners with the aim to strengthen economic ties, enable real-time personal remittances and act as a driver for growth of trade and investments between countries and regions. In this context, Buna partnered with UnionPay International (UPI), NPCI International Payments Limited (NIPL), and Pan-African Payment and Settlement System (PAPSS) with the objective of investigating options to interlink with the respective systems and facilitate cross-border payment between Buna participants and their participants. This adds to the partnerships with payment systems from around the world achieved in the previous years.

2.4 Supporting Regional Integration

Joint initiative to launch cross-border pension payments in the Arab world

2022 saw the emergence of a tangible contribution to regional economic integration. Buna is actively working to improve retirees' lives, allowing them to receive their pension where they live rather than in the country where they had been working. By achieving that, the distinction of being in one country instead of another becomes irrelevant. People could receive and spend their money as they wish irrespective of where they have decided to live in the Arab region. This positions Buna as a key instrument in supporting economic integration and strong collaboration among the Arab countries.

Jointly announced during December 2022 by the Central Bank of Iraq, the Central Bank of Jordan, the Central Bank of Egypt, and Buna, this initiative illustrates how Buna is also touching the lives of end users, as it removes the frictions from pension payments flowing across borders and enhances the experience of pensioners in the Arab region.

The initial phase will enable Iraqi pensioners residing in Jordan and Egypt to receive their monthly salaries faster and more efficiently.

In the future, the initiative will be expanded into other countries in coordination with Arab Central Banks. It will unlock new opportunities for improving the efficiency of cross-border payments used in a wide range of other use cases such as scholarship payments and student allowances, patient healthcare payments, embassy payments and other government functions.

Instant Payments Hub for the Arab World

Buna continues to deliver on its core objective of being a strategic payment hub that interlinks the national instant payment systems in the Arab world. This hub is envisioned to create incremental value to a large community of participants to better serve their retail and corporate clients and enable the efficient flow of cross-border payments between these national systems and other markets.

March 2022: Partnering with The Jordan Payments and Clearing Company (JoPACC), the payment system operator owned by the Central Bank of Jordan and the commercial banks in Jordan. Under the terms of this MoU, Buna and JoPACC seek achieve interoperability between Buna and CliQ, their respective instant payment services.

October 2022: Partnering with the Egyptian Banks Company (EBC) to streamline the flows of cross-border payments between Egypt and the Arab world and support various use cases such as consumer remittances and digital commerce. The MoU aims at facilitating cross-border payments via Buna and Egypt's Instant Payment Network (IPN).

December 2022: Partnering with The Benefit Company (BENEFIT) to create cross-border instant payments interoperability between the Kingdom of Bahrain and other markets. Under the terms of this MoU, Buna, and BENEFIT target to interlink their payment services, Buna and Fawri+.

2.5 Contributing to the G20 agenda to enhance cross-border payments

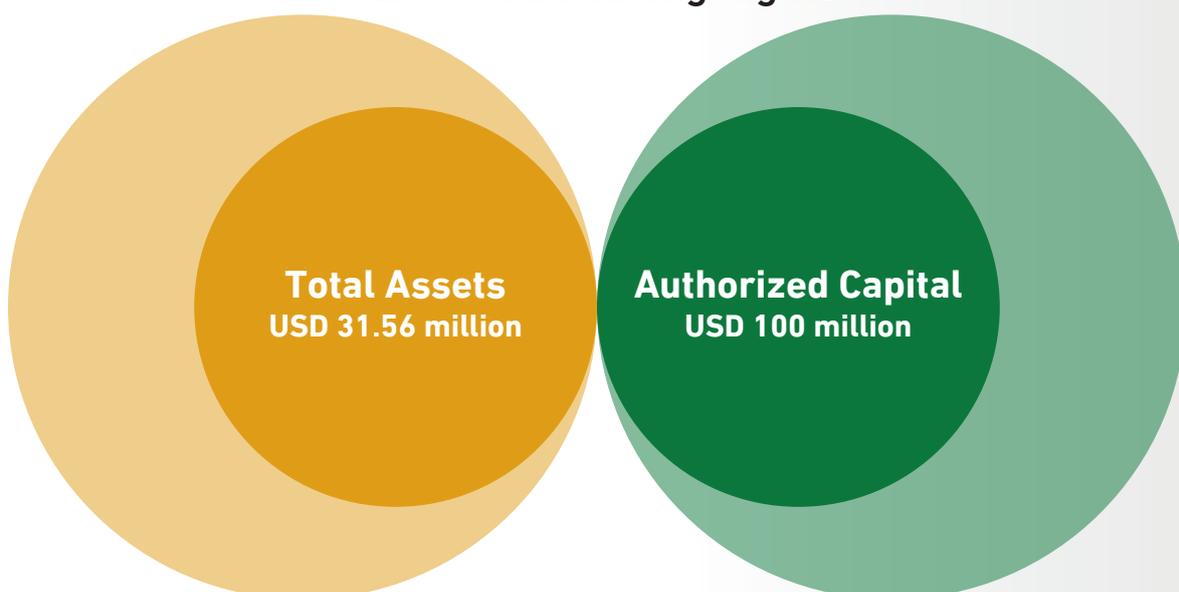
Buna's vision is aligned with the Group of Twenty (G20) roadmap to enhance cross-border payments, as it continues to address and solve frictions to key challenges related to high cost, low speed, and the lack of transparency.

Our recent achievements highlight Buna's role in contributing to the global effort as we recognize the importance of cross-border payments in facilitating financial inclusion, economic growth, and trade while also ensuring the resiliency and safety of the system.

We continuously collaborate with all relevant authorities and stakeholders from around the world to meet the goal of making cross-border payments faster, cheaper, more transparent, and to promote financial inclusion.

Buna could be seen as a benchmark in this context with its straightforward model that meets all the 19 building blocks defined in the G20 roadmap. This has been translated into tangible results, particularly under Building Block 13, which seeks to enhance the existing payment ecosystem, by pursuing interlinking between existing systems; Building Block 9, which aims to increase the effort of Payment versus Payment (PvP)); or Building Block 12, aiming to extend the operating hours.

2.6 Financial Highlights



3. The Statement of His Excellency Dr. Abdulrahman A. Al Hamidy, Chairman of the Board



2022 has been a year of achieved milestones and we are realizing the objectives of Buna to strengthen the Arab economic ties, enhance intra-Arab payments and the usage of Arab currencies.

This is a great occasion for me as the Chairman of the Arab Regional payments Clearing and Settlement Organization (ARPCSO) to affirm that Buna is now driving tangible results and making an impact in the payments industry.

I am pleased to report that this year, we have established the board of ARPCSO. The 2022 board is comprised of directors with diverse experiences, committed to embrace the mission of Buna and continue moving it forward.

The nine members of the board come from different backgrounds, with vast experience in the financial sector. The Board has been mindfully and strategically composed to ensure we have the full benefits of their varied knowledge, work, and life experiences. We, at the board, appreciate the achievements that Buna has made so far and support the path it is taking to remove frictions in cross-border payments.

Amongst its several highlighted achievements in 2022, Buna has now reached 100 participants. This achievement would not have been possible without the Central Bank's continuous encouragement and support and in their belief that Buna is the future of cross-border payments in the Arab world and

beyond. As such, I would like to thank the Central Banks and the governors for their support and contribution that have been key in leading this progress. I am grateful for your constant efforts in promoting financial inclusion and innovation, while we continue to collaborate to deliver seamless cross-border payments.

At the board, we committed to position Buna as a global player in the financial industry. One of our key focuses in this context is to ensure that Buna is compliant with best global practices and rules in particular in the area of financial crime compliance. To address this challenge, Buna goes largely beyond the strict obligations and common practices of payment systems. A dedicated team is taking a proactive approach and working together with regulators to ensure that appropriate solutions, mitigating risk and promoting transparency, are in place. Buna's objective is to enhance the level of compliance of its broad ecosystem of participants and other stakeholders and be a reliable platform to process payments in multiple currencies at cross-border level.

The trust in the platform that users and regulators are reiterating has allowed Buna great advancement in 2022. I am confident that 2023 will be yet another year of achieved milestones.

On behalf of the Board, I would like to thank Mehdi Manaa, Buna's CEO, and his team for their hard work and commitment, and the Arab Central Banks for their constant support.

4. Message from the CEO Mehdi Manaa



Today, our vision is becoming a reality!

Offering a network of 100 banks goes largely beyond reaching a nice round number. Making 100 banks from the Arab region reachable through

a single window to process payment in Arab and international currencies is the indispensable value that a centralized multilateral payment system must offer to its participant. Without a sizable reachability, payment systems do not exist and cannot deliver any service. After bringing the system to live operations, including the currencies, and setting up the organizational structure, the milestone of 100 participants that we reached in 2022 allows us to finally claim that Buna exists!

2022 has seen more than the confirmation of the existence of Buna. Not only does Buna exist, but it is already delivering tangible results in line with its promise. The fact that the growing participants base has reached a critical mass covering of the Arab region comes as evidence that Buna is strengthening economicities and removing geographical boundaries. Our achievements in 2022 are already creating new business opportunities and enhancing peoples' lives through enhanced cross-border payment. We are helping to improve the lives of retirees by facilitating receipt of their pensions in the place where they live rather than in the country where they had been working. This important development means that the country in which one lives is not – and should not – be the determining factor for how people receive or spend their money. The future will unlock

new opportunities for improving the efficiency of cross-border payments used in various other use cases such as scholarship payments and student allowances, patient healthcare payments, and other private sector and government functions.

The year 2022 also witnessed a growing number of interoperability arrangements aiming at interlinking Buna with other payment systems from around the globe and allowing payments to be processed between the two respective networks. This complements the expansion of the network of participants and sets the foundation for a critical strategic objective of Buna: to facilitate and deliver payments services to a region as well as improving that region's connection with the rest of the world.

Overall, 2022 was a year of tremendous progress. I am very proud of the different achievements we have realized to strengthen Buna which, I am confident, position it perfectly for another year of success. We will continue to reinforce regional integration and will also invest in achieving results that empower Arab economies, guided by our ambition to deliver more to our participants and to make a positive impact on peoples' lives. The year ahead will also be the year of ambitious targets in terms of volume of transactions. We have already seen encouraging signs in 2022 and we are confident that the quality and resiliency of our service will position Buna as the payment solution of choice for all our current and future participants.

The continuous progress would not have been possible without the active engagement of our supporters. On that note, I would like to take this opportunity to thank the Arab Central Banks and their esteemed Governors, the Arab Monetary

Fund (AMF) and H.E Dr Abdulrahman A. Al Hamidy, Chairman of ARPCSO, for their continuous support and guidance. I would also like to extend my thanks to our participants, our partners and friends in the payment industry, and several international organizations for their trust in Buna and for their belief in the importance of collaboration to deliver strategic and transformative value. Most importantly, I would like to thank all my colleagues at Buna for their tremendous efforts, commitment, and hard work.

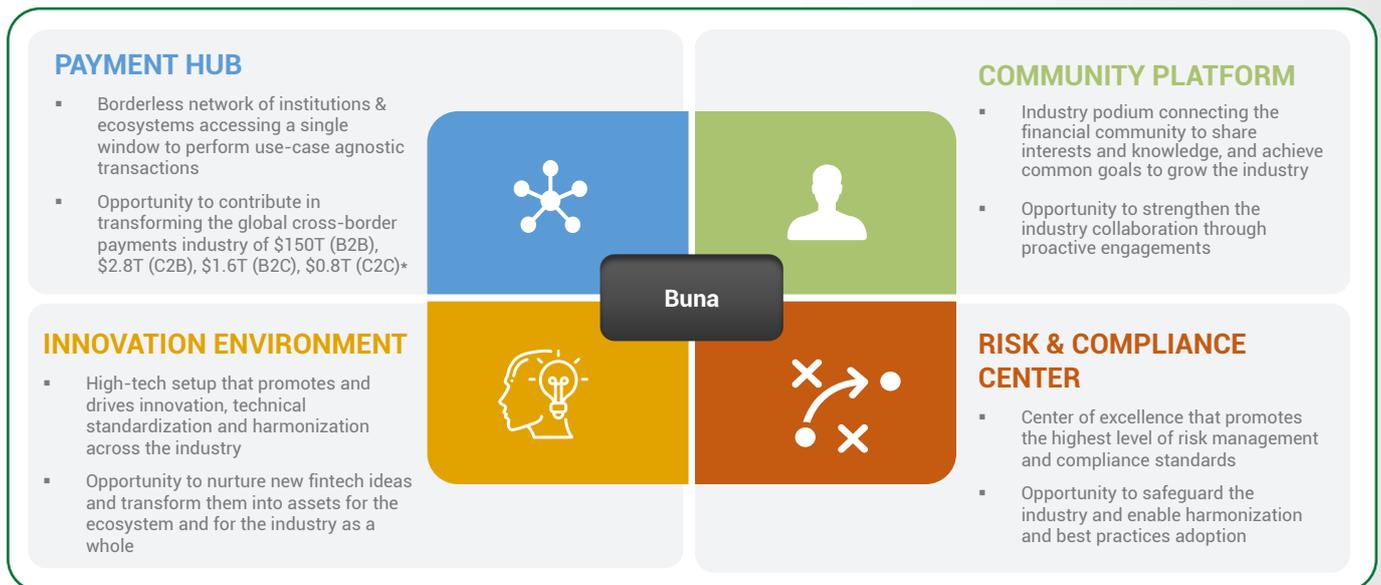
“Today, our vision is becoming a reality!”

CEO Mehdi Manaa

5. Our Strategy to transform cross-border payments.

Buna has made various progressive steps during the year 2022 on shaping its strategy and continuing its journey to transform cross-border payments.

As a result, a vision based on 4 pillars has been established for 2030.



Buna Vision 2030

5.1 Payment Hub

Our “payment hub” vision consist in creating a borderless ecosystem by offering to our participants a single multilateral window allowing them to access a use-case agnostic system that avoids fragmentation and increases efficiency. Buna will continue building bridges with global partners and expanding its list of eligible currencies to deliver via a one-stop-shop real-time, cross-border and multi-currency settlement of a vast range of payment types including trade, digital commerce, personal remittances, FX, and securities.

5.2 Community Platform

With our “community platform” pillar, we will take to the next level our collaboration with the community, by creating an environment that connects the industry and allows achieving common goals. Buna will reinforce its leadership role in promoting

cooperation through proactive engagements, such as creating advisory groups, ad-hoc forums and workgroups, workshops, training sessions, support tools and resources.

5.3 Innovation Environment

The “innovation environment” will aim to employ modern technologies to achieve the transformation of cross-border payments, by investing in continuous innovation efforts to stay ahead of the curve.

This pillar of our strategy aims at nurturing ideas and driving innovation employing advanced technologies to achieve open access, improve efficiencies, optimize costs, enhance security and contribute to greater digital and financial inclusions.

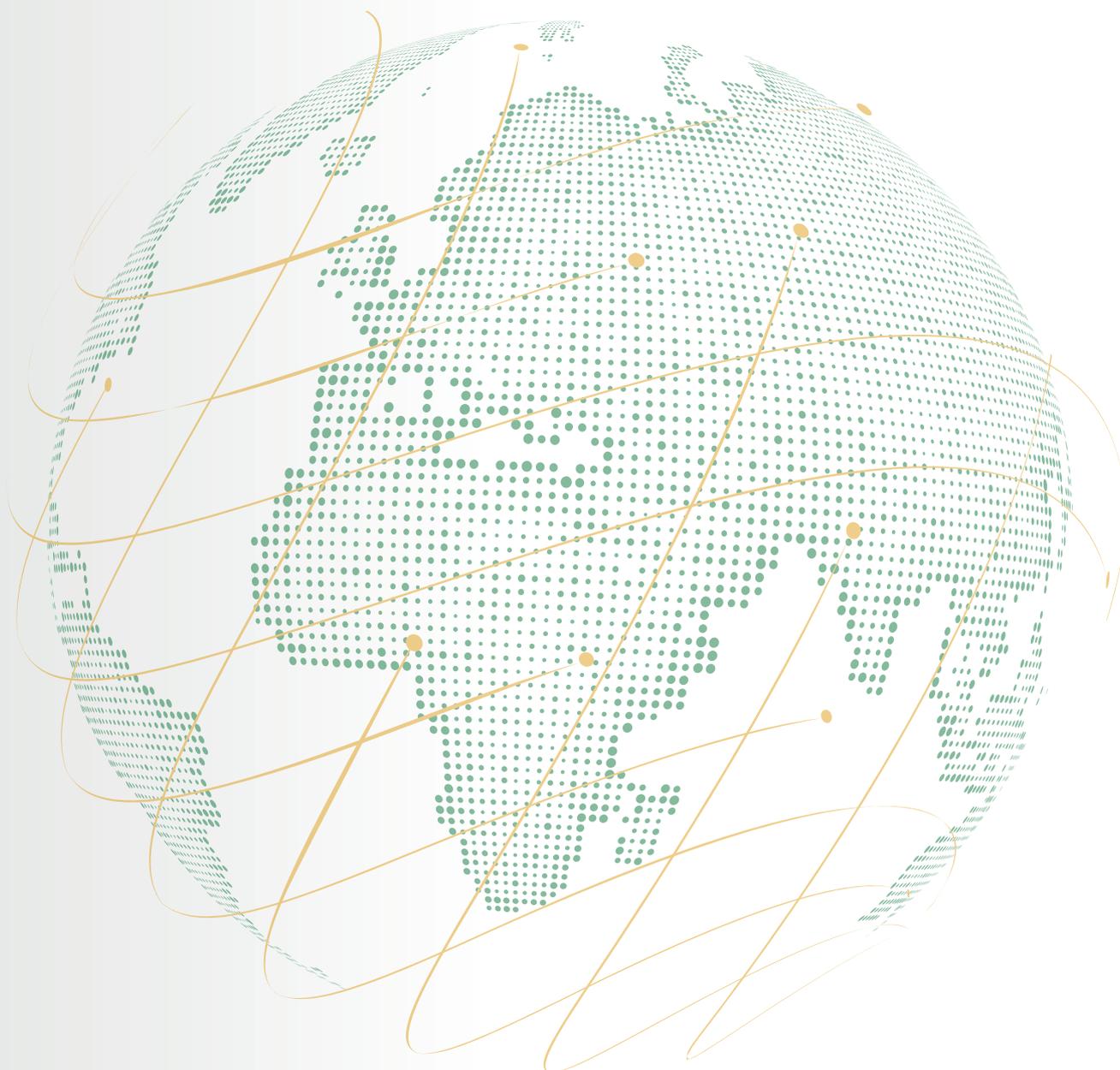
This pillar also aims at unlocking new business opportunities and promoting technical standardization not only across the Buna ecosystem but for the industry in its entirety.

5.4 Risk & Compliance Center

Buna continues to go beyond the boundaries of the strict obligation of payment systems regarding financial crime compliance. The “risk and compliance center” target establishing a center of excellence that promotes the highest level of risk management and financial crime compliance standards. This shall cover various aspects, including compliance

awareness and education, governance frameworks and data intelligence.

The focus will be to safeguard the Buna infrastructure and promote compliance harmonization and best practices adoption, with the objective of raising the bar of compliance within its ecosystem.



6. Operational Highlights

6.1 Business Operations

Extended Operating Window

To add more flexibility to Buna participants, Buna's operating days have been extended to six days a week in 2022. That allows submission of payment

24/6 for all currency. Settlement windows also have been extended for all currencies, to reach 9:00 pm in most of the cases.

| Currency | Operating window | Existing Settlement window | Future Phase |
|----------|-------------------|----------------------------|--------------------|
| AED | Sunday – Friday | 9:00 AM – 9:00 PM | 24 hours |
| USD | Sunday – Friday | 9:00 AM – 9:00 PM | 24 hours |
| EUR | Sunday – Friday | 9:00 AM – 9:00 PM | 24 hours |
| SAR | Sunday – Friday | 9:00 AM – 9:00 PM | 24 hours |
| EGP | Sunday – Thursday | 10:30 AM – 6:00 PM | 10:30 AM – 6:00 PM |
| JOD | Sunday – Friday | 9:30 AM – 3:30 PM | 24 hours |

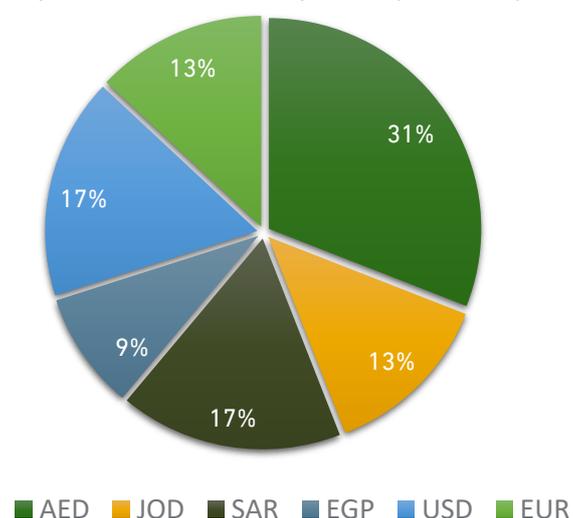
Extended Operating Days and Settlement Windows

Participants Onboarding

Buna reached 100 participants by year's end.

In this context, we also observed growing interest in the six available currencies as the proportion of accounts opened in the different currencies tends to be more and more balanced over time.

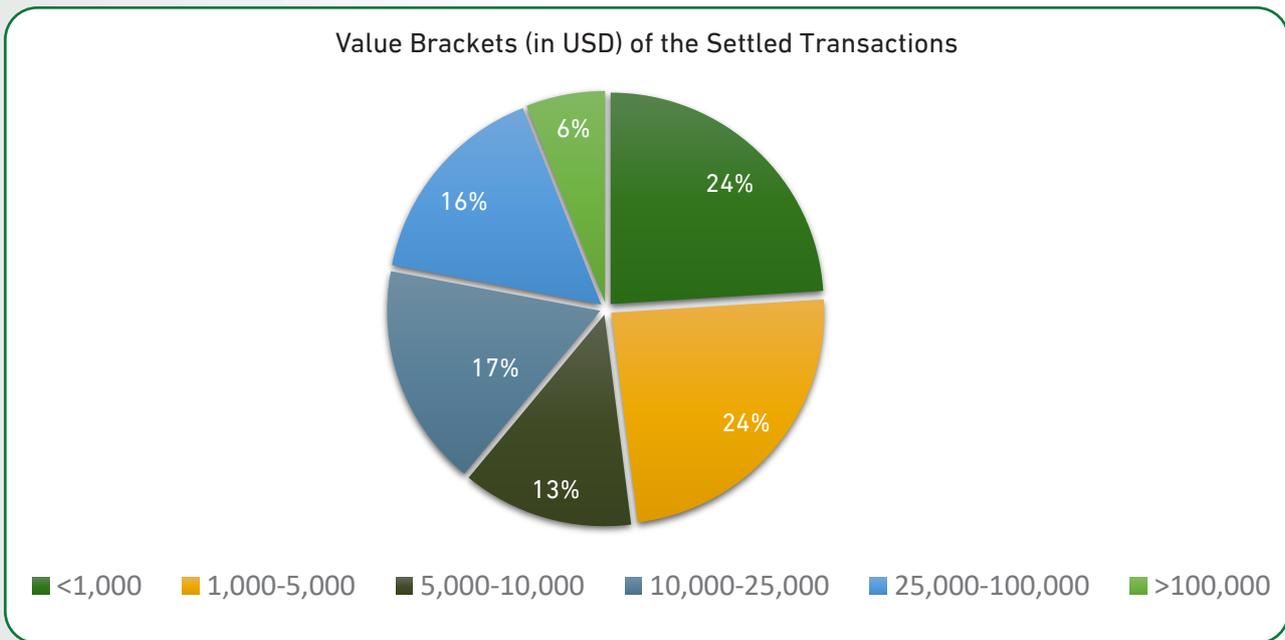
Proportion of Accounts Opened by Currency



Transactions Volumes

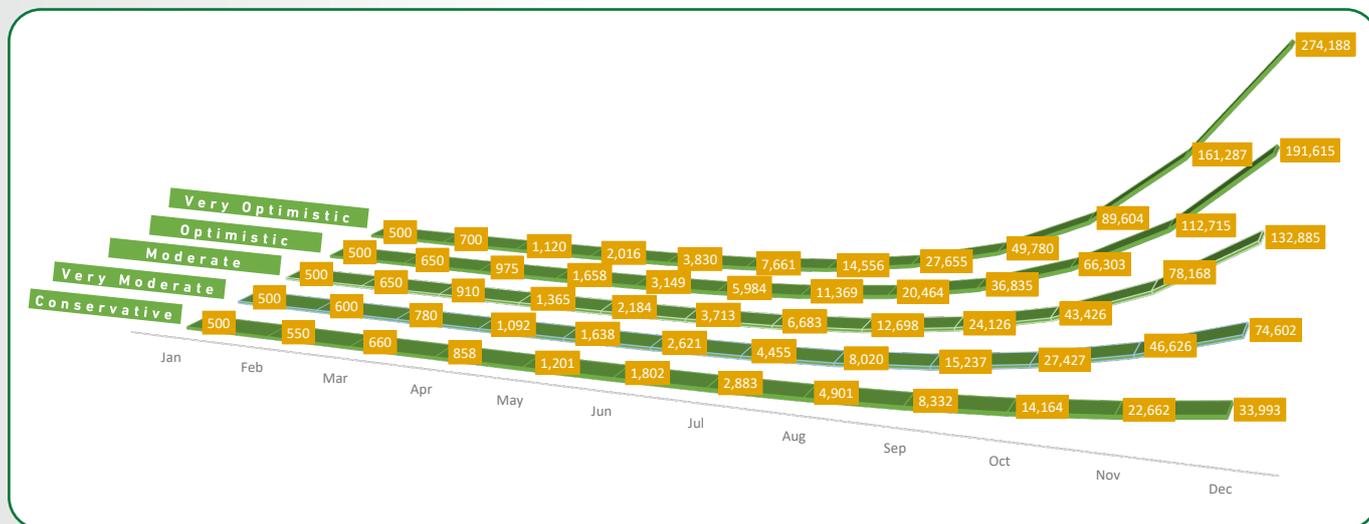
Buna's main objective for 2022 was to achieve a level of participants. Reaching a certain volume of transactions was not a strategic objective but we nevertheless witnessed a meaningful and growing

trend of transactions. This, among other indicators, confirms that Buna is fit for different use cases, as the values of the settled transactions covered a wide range from low- to high-value payments.



For 2023, we have elaborated five scenarios for the growth of volumes. All five scenarios are attainable. However, for the elaboration of its 2023 budget, Buna

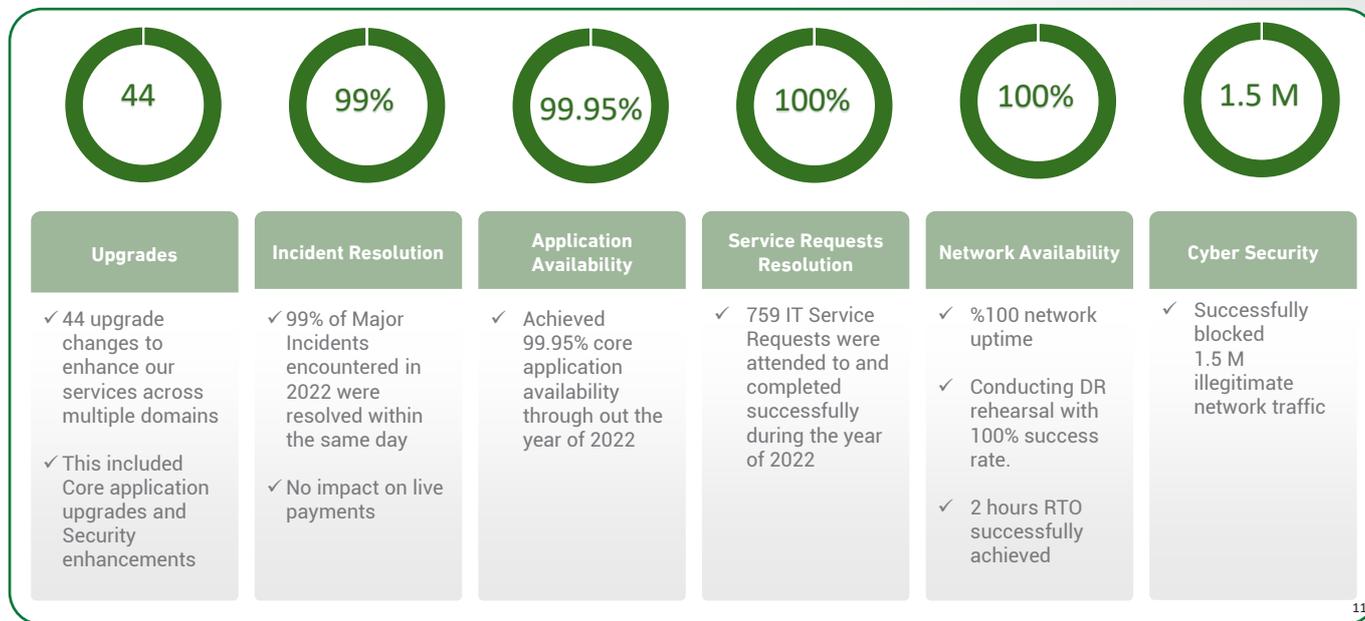
has opted for a cautious approach and selected the "very moderate" scenario as a baseline.



Volume Scenarios (2023 Forecasts)

6.2 IT Operations

Key Facts and Figures for 2022



11

Upgrades:

44 upgrades were completed across applications and other critical supporting domains to ensure the highest levels of performance and efficiency to:

- » Avoid outdated software that could be source of exploitable vulnerabilities, thus enhancing the security of the Buna infrastructure and applications.
- » Ensure that new and improved features are incorporated to enhance the end-user experience.

Incident Resolution and Core Application Availability:

Throughout 2022, 99% of the major Incidents encountered were closed in less than four hours and with no impact on participant’s payments. Additionally, Buna achieved 99.95% core application availability throughout 2022. These facts are an indication of the resilience of the Buna’s payment solution and Buna’s ability to safeguard all payments, even in the event of an unexpected service disruption.

Service Requests Resolution:

During 2022, 100% of the service requests logged were completed, including requests from participants and other critical stakeholders.

Network Availability and Disaster Recovery Success:

Thanks to its enhanced network technology and high-availability network design, Buna did not face disruptions impacting its network connectivity throughout the year, achieving 100% availability and ensuring resilient connectivity between all application components.

Buna’s Disaster Recovery site is fully prepared to bring services back up in case of an unexpected disaster. The scheduled Disaster Recovery drill was conducted as part of Buna’s Business Continuity Program. All core services recovered from the disaster site in less than two hours. This is an additional resilience measure that will ensure our service continuity, even in the case of unexpected major circumstances.

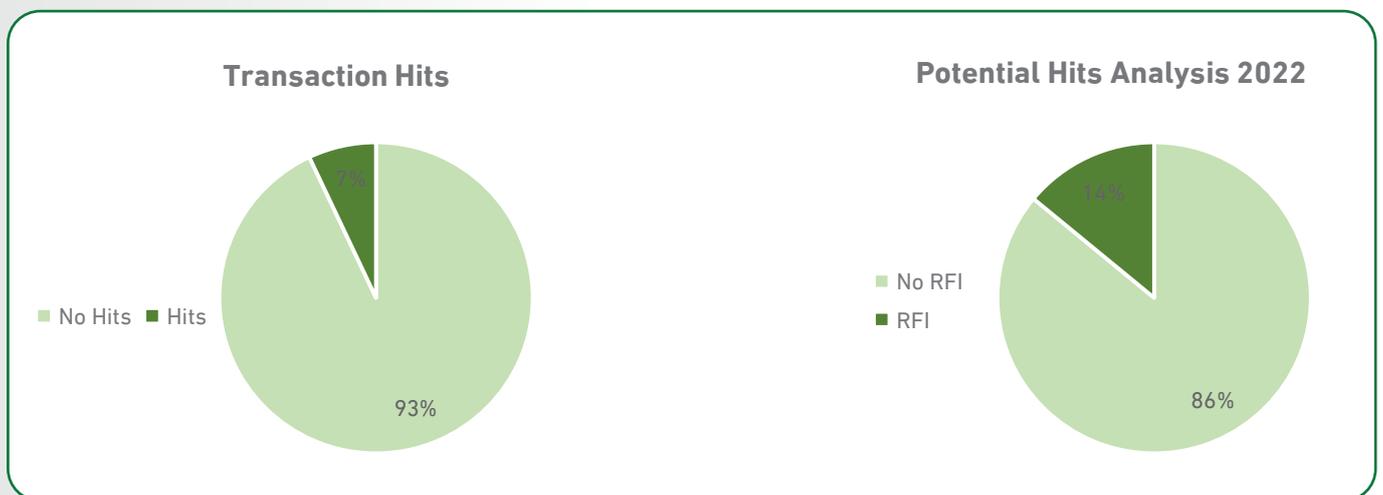
Illegitimate Network Traffic:

Buna’s in-place security solutions, including security appliances, hardening policies and threat detection applications, successfully blocked 1.5 M illegitimate network traffic hits. Our security solution and robust security measures protect our applications from malicious attacks, thus ensuring the safety of participant payments.

At Buna, we also ensure transaction monitoring. In terms of sanctions screening, we monitored transactions and investigated potential matches, constituting only 7% of the total pool. In certain cases, sanctions screening clearance had to be done with the collaboration of participants’ compliance department in the form of a request for information (RFI) process.

6.3 Compliance Operations

We engage in the continuous end-to-end Due Diligence and KYC checks conducted as part of the Participant onboarding process for ensuring the safety of BUNA’s ecosystem and its network. In 2022, 42 new KYCs were conducted and 16 reviews through its set of controls, processes, and procedures.



- » **Fraud Detection:** In 2022, No violation or Real Fraud was identified. All potential alerts were investigated and marked as False Positive.
- » **AML Transaction Monitoring:** In 2022, No violation or Real Money Laundry activity was identified. All potential alerts were investigated and marked as False Positive.



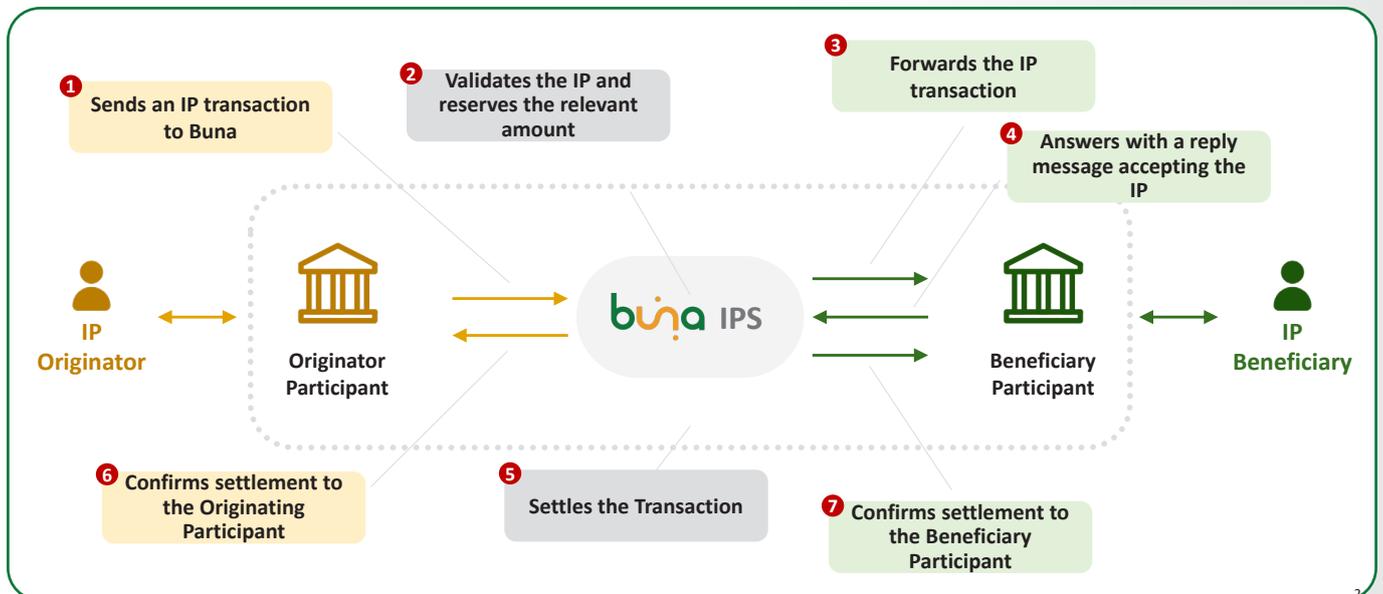
7. Service Enhancements

The payment world is in constant evolution and innovation, and Buna should be no exception to that rule in order to maximize the value for the community through covering multiple payment use cases. Here are some of the key enhancements about Buna products and the related progress achieved during 2022.

7.1 Our Instant Payment System (IPS)

Instant Payment Service "IPS"

Buna's Instant Payment System is tailored for low-mid value payments such as personal remittances, digital commerce, corporate disbursements, and SME payments. It has a special pricing model that incentivizes such use cases with very competitive transaction fees.



IPS Transaction Flow

Some of the key IPS service benefits include:



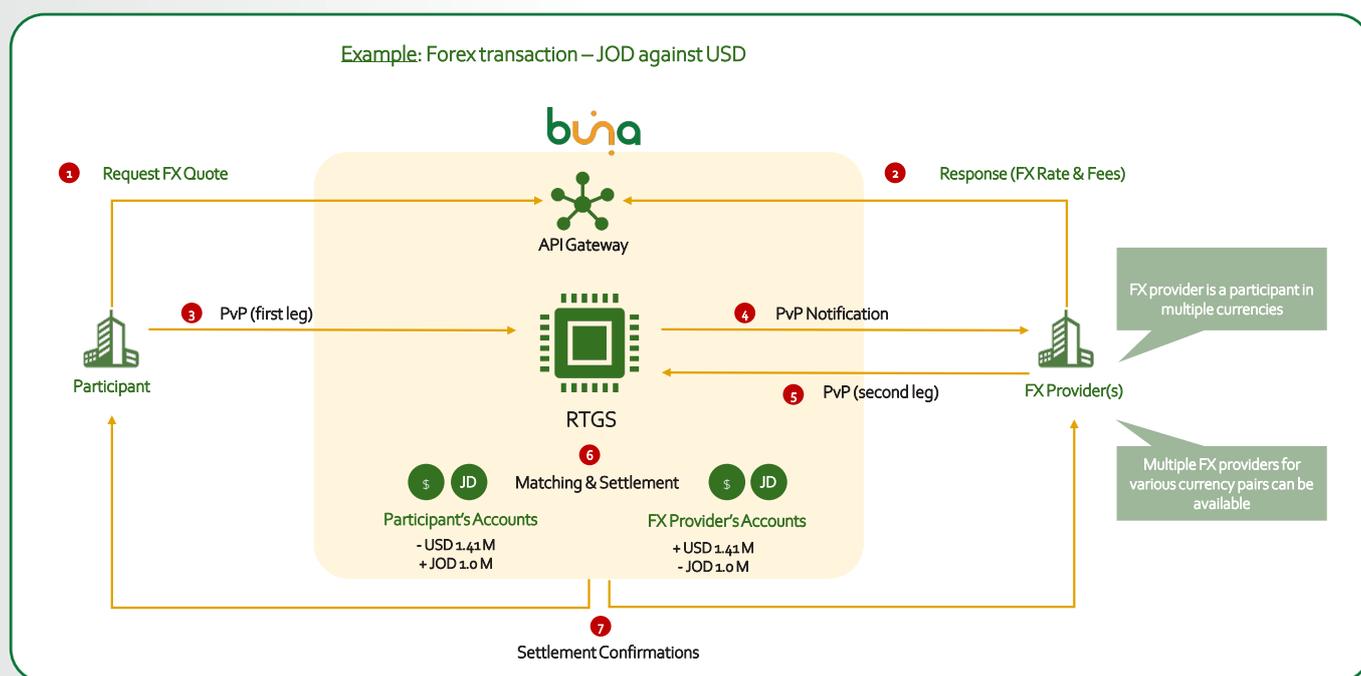
7.2 Our FX Service (Payment vs Payment ‘PvP’)

Led by the group of twenty “G20” and spearheaded by the Financial Stability Board (FSB), the Bank of International Settlements (BIS), and the Committee on Payments and Market Infrastructures (CPMI), block 9 of the G20 roadmap is particularly highlighting the importance of increasing adoption of Payment versus Payment (PvP) in transactions involving foreign exchange operations.

In Buna, our choice is to create a marketplace for FX allowing our participants to perform FX transactions directly between each other, without the intermediation of Buna in the FX deals. By enabling participants to provide FX services to other

participants, we create new business opportunities across the ecosystem. In addition, the settlement service that Buna provides eliminates the risk of FX transactions to a very large extent by relying on the PvP mechanism.

We opted for the PvP mechanism in line with the G20 recommendation. Thanks to the combination of the PvP mechanism with the Buna model relying on prefunding and catering for immediate finality, we can consider the different risks related to FX transactions largely mitigated with this Buna innovative service.



FX Transaction Flow using PvP (JOD/USD Example)

In order to keep the payment flows simple and seamless, the scope of our FX service will apply at account level (rather than payment level). The aim is to facilitate cross-currency liquidity management, while individual payments continue to take place in single-currency circuits in real-time. This is envisioned to step-up the liquidity optimization for our participants by centrally managing multiple

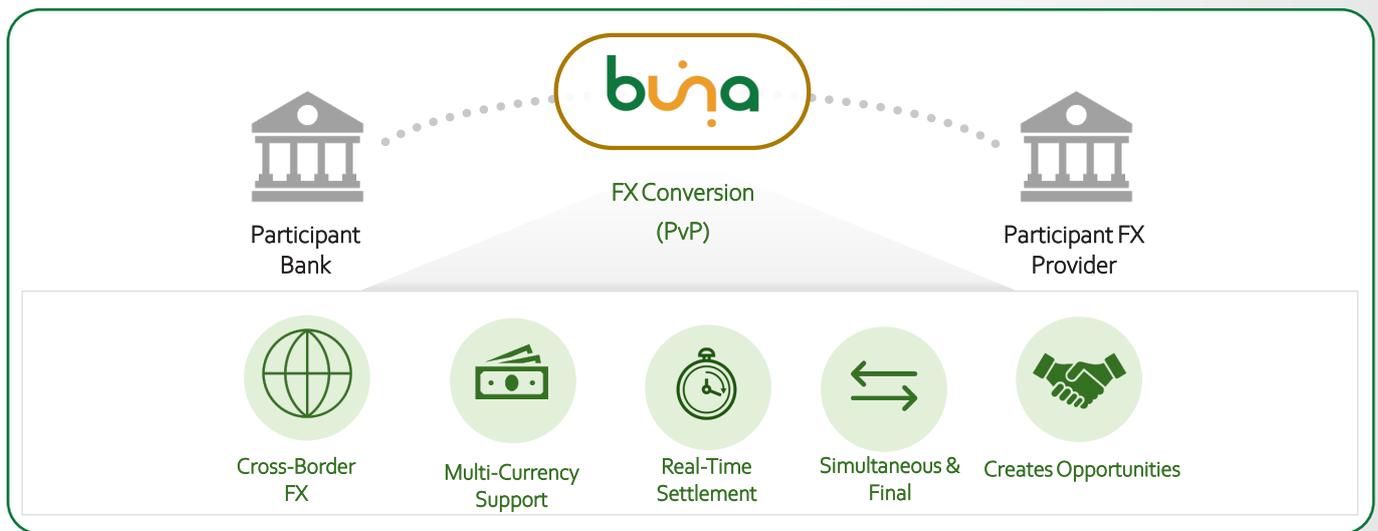
currency accounts and balances via one single window, avail liquidity in real-time and support clients' needs especially in the age of 24x7 cross-border instant payments and interoperability between payment systems around the world.

In addition to ensuring the simultaneity of the settlement of the two payment legs, PvP

transactions are processed only with “same-day-value”, and on “settle-or-reject” basis, i.e., if any of the debiting accounts doesn’t have enough funds then PvP transaction is rejected with appropriate notifications. This was also an important choice that we made when designing the service and which aims at limiting the principal risk. The service is designed

based on a rich and modern set of APIs to support the interaction between the participants when arranging their FX deal.

This service will be delivered to Buna’s community in Q2 of 2023.



FX Service (Payment vs. Payment)

7.3 Our APIs

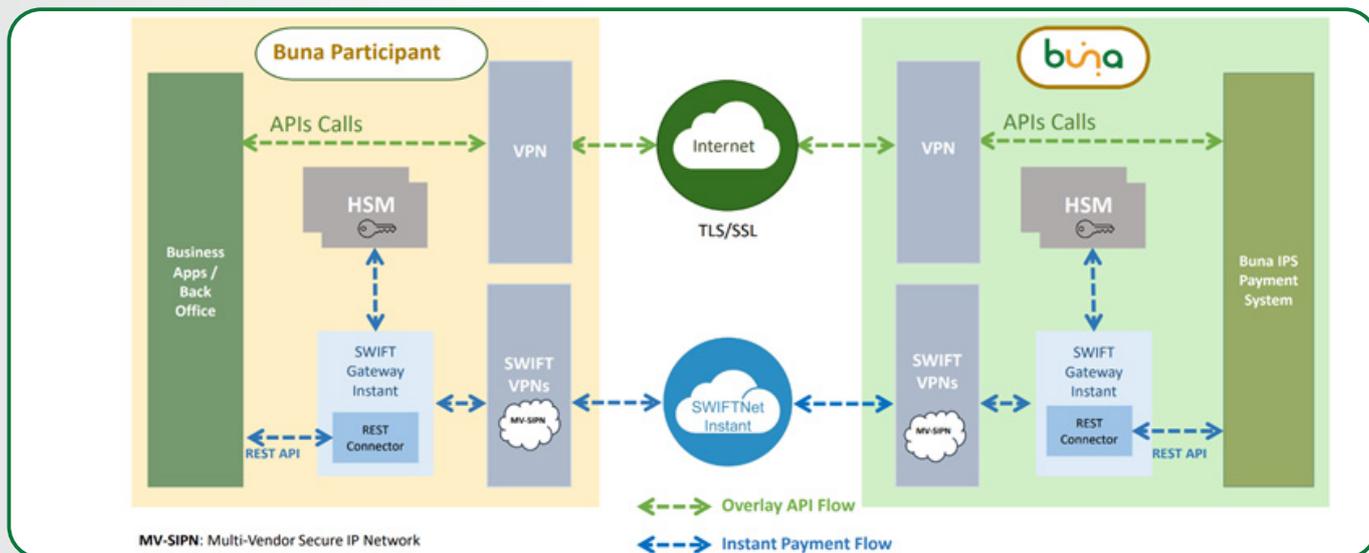
Buna considers APIs as the new norm of the agile delivery model of business services to develop an “always on” and “transformative” ecosystem. Today, the financial sector is one of the largest adopters of API-related technology to transform the cross-border payment landscape. The G20 roadmap’s focus on harmonizing API protocols for data exchange is one of the critical initiatives to follow up.

In turn, and via Buna APIs, cross-border payments can now be automated much more rapidly to produce greater efficiency and transparency than ever. Our APIs allow the participants to execute payment transactions in Buna in only a few seconds by exchanging standard information.

Buna APIs are modernizing the cross-border landscape to allow greater automation and remove

manual tasks from account verification and reconciliation. This automation reduces human errors and the risk of fraud by allowing participants and their customers to manage the cash flow efficiently. The underlying technology of Buna APIs make it easier than ever to implement instant payment integration at a cross-border level without undergoing expensive and complex technology implementation.





API Services

7.4 The Future of DvP (Delivery vs Payments)

In 2022, Buna has taken initial steps to assess the market demand for a regional settlement solution for securities, including the evaluation of potential strategic partnerships in this area.

Building on its cross-border multi-currency and real-time payments infrastructure, Buna's solution is envisioned to have various benefits including:

- » Providing fast and efficient securities settlement solution to Arab markets.
- » Promoting harmonization and standardization in the Arab markets and potentially beyond.
- » Supporting the growth of securities issuance and increasing the investors' access to the Arab markets.

Buna is expected to progress further with the market and solution assessment throughout 2023 in partnership with Arab states and strategic solution partners.



8. Our Internal Control Framework

8.1 Operational Resilience

Buna's platform is designed to provide maximum redundancy with an active-active setup of primary and secondary data centers. Each site has robust resilience based on the duplication of all software and hardware components to achieve the two-hour recovery time objective (RTO) objective for Financial Market Infrastructures, including in the event of a significant disruption. Buna has managed to conduct a successful DR rehearsal in 2022 with one hour and 10 minutes recovery time, significantly less than the two hours objective.

8.2 Security and Availability

At Buna, we always strive for uninterrupted services for excellent proficiency and productivity. Incident management is vital in encouraging efficient workflow to achieve greater availability with the fastest resolution of issues. During the year, the focus remained on cybersecurity to ensure around-the-clock availability of the Buna payment system. Real-time payments are much more demanding than traditional payments in this respect. End-users expect to be able to make payments 24/7 and have the funds immediately available to the recipient. Therefore, Buna core solution availability is a crucial success factor. To that effect, Buna has managed to maintain 99.95% core platform availability during 2022 to contribute the customer satisfaction and volume growth.

8.3 Embedding Risk Management

Buna's Risk Management ensures that risks are appropriately identified, reported, and mitigated. Our risk management framework is in line with the Three Lines of Defence model.

It aims to optimize the Organization's risk

management capability. We made risk prevention and management a main part of our culture.



9. PFMI Self-Assessment

Aiming to fulfil its objectives and to continuously enhance its efficiency, safety, and stability as a Payment System, Buna conduct a comprehensive self-assessment against the principles of financial market infrastructures on a regular basis. The latest update of the self-assessment was completed in August 2022. Buna continuously coordinates with its internal stakeholders, its Participants, its Fund Holding Institutions, and its Critical Service Providers to maintain the alignment and efficiency of the System's operations taking into consideration both internal and external interdependencies.

As a result of the latest PFMI self-assessment, the following was concluded:

- » No major gaps were identified during Buna's 2022 PFMI self-assessment.
- » Majority of the items identified are justified and logical for a new and continuously evolving payment system.
- » To conclude the 2022 self-assessment and to enhance the System's compliance with the PFMI, Buna designed the required plan of actions to cover all the gaps identified during the assessment.
- » Buna shared the 2022 self-assessment results with the Central Banks in charge of System's oversight and will be happy to engage further with those Central Banks to discuss the following assessment outcome and actions.

| | Not Observed | Partly Observed | Broadly Observed | Observed |
|--|--------------|-----------------|------------------|----------|
|  General Organization Principle 1: Legal basis Principle 2: Governance Principle 3: Framework for the comprehensive management of risks | | | | |
|  Credit and Liquidity Risk Management Principle 4: Credit risk Principle 5: Collateral Principle 6: Margin Principle 7: Liquidity risk | | | | |
|  Settlement Principle 8: Settlement finality Principle 9: Money settlements Principle 10: Physical deliveries | | | | |
|  CSDs and Exchange-of-value Settlement Systems Principle 11: CSDs Principle 12: Exchange-of-value settlement systems | | | | |
|  Default Management Principle 13: Participant-default rules and procedures Principle 14: Segregation and portability | | | | |
|  General Business and Operational Risk Management Principle 15: General business risk Principle 16: Custody and investment risks Principle 17: Operational risk | | | | |
|  Access Principle 18: Access and participation requirements Principle 19: Tiered participation Principle 20: FMI links | | | | |
|  Efficiency Principle 21: Efficiency and effectiveness Principle 22: Communication procedures and standards | | | | |
|  Transparency Principle 23: Disclosure of rules, key procedures, and market data Principle 24: Disclosure of market data by TRs | | | | |

Observed
 Broadly Observed
 Partly Observed
 Not Observed
 Not Applicable

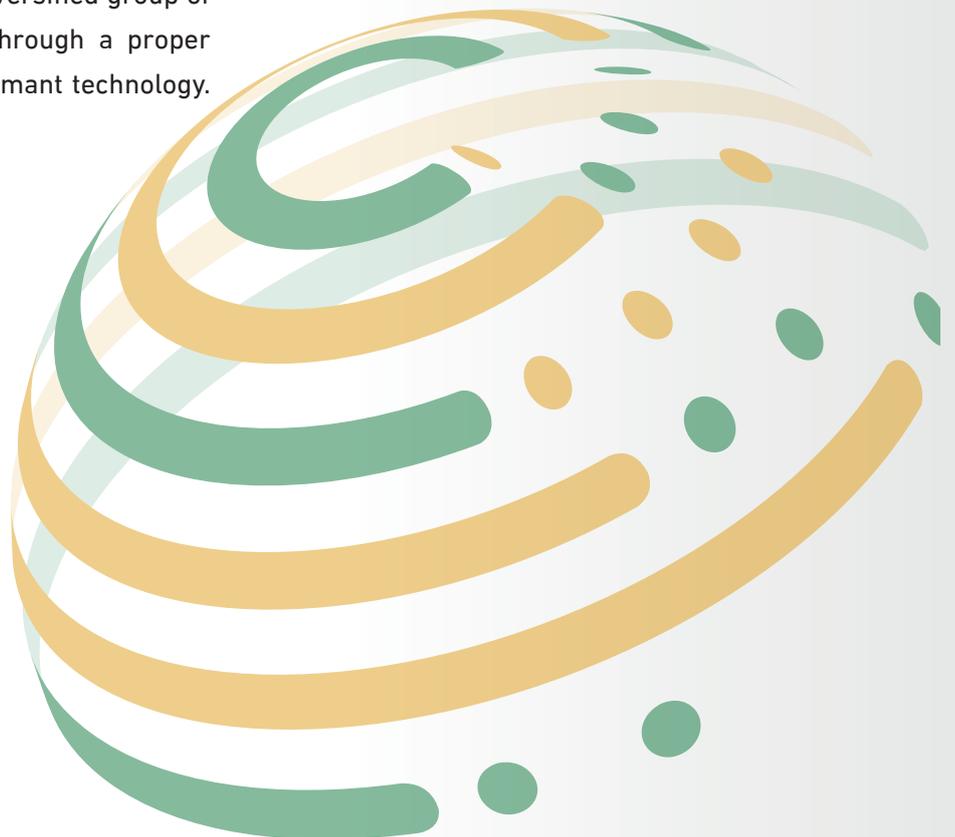
10. Outlook for 2023

Buna's strategic approach will continue to be encompassed by the mission to empower Arab economies, strengthen the opportunities for financial and economic integration, and support investment ties with global trade partners. Cooperation is critical in building interoperability bridges. Buna believes in partnerships and collaboration as important factors to enhance cross-border payments.

In 2023, Buna is looking to bring some of the interlinking initiatives live. Those partnerships pave the way to empower economies by facilitating the smooth flow of cross-border payments between the Arab countries and foreign markets, underpinning economic activities, easing the flow of capital investments from the Arab region towards its trade partners, and fostering consumers' confidence in the use of money and payment systems. This will lead to the establishment of an efficient rail for cross-border payments and serve a wide and diversified group of banks and financial institutions through a proper cooperation framework and performant technology.

We have set an ambitious goal for ourselves. By the end of 2023, Buna aims to double the number of participants by reaching a total of 200 participants. With the list of settlement currencies now increased to include AED, SAR, EGP, EUR, JOR, and USD, this will provide participants with a better experience and wider options to transact through Buna and extend reachability within the Arab region and beyond. By joining forces with participants, they will be offering tangible value to their clients and process payments faster, efficiently, and at a low cost.

Finally, we aim to see a gradual increase in the number of transactions through Buna's system that is transforming the financial landscape to become a widely used system in the region and beyond.



11. Board of Directors



H.E. Dr. Abdulrahman A. Al Hamidy
Chairman

H.E. Dr. Abdulrahman A. Al Hamidy, a Saudi National, born in 1960, holds a Ph.D. in Economics from the University of Oregon, U.S.A. since 1991.

Before serving as Director General Chairman of the Board of Executive Directors of the Arab Monetary Fund (AMF), in March 2014, H.E. Dr. Abdulrahman A. Al Hamidy, was Vice Governor of the Saudi Arabian Monetary Agency (SAMA) for the period 2009-2013. H.E. Dr. Al Hamidy has also served as Deputy Governor for Technical Affairs at SAMA as well as Director General at Economic Research and Statistics and earlier as Director of Training, Research and Information, at the Institute of Banking. He has earlier taught Economics at the King Saud University.

Dr. Al Hamidy has also been a member of the Board of Executive Directors in the Arab Monetary Fund for the period 2003-2013, as well as other organizations, namely, Saudi Industrial Development Fund; Saudi Development Fund; Saudi Real Estate Development Fund; Saudi Post Corporation; Saudi Arabian General

Investment Authority; The Council of Cooperative Health Insurance; Saudi Stock Exchange Co. (Tadawul); The Saudi Basic Industries Corporation (SABIC)

Dr. Al Hamidy has participated in international meetings such as G20, International Monetary Fund (IMF), the World Bank (WB), as well as meetings of the Bank of International Settlements (BIS), Financial Stability Board (FSB), and Council of Islamic Financial Services Board (IFSB).

In addition, with his appointment as Director General Chairman of the Board of the Arab Monetary Fund, Dr. Al Hamidy also holds the position of Chief Executive Chairman of the Board of Executive Directors of the Arab Trade Financing Program (ATFP).



Mr. Abdulaziz AlOnaizan
Board Member

Mr. Abdulaziz AlOnaizan is CEO and member of the Board of Directors and Executive Committee of Bank Albilad. Among other current positions, he is also Chairman of the Board and Chairman of the Executive Committee of Bayan Credit Bureau, Vice-Chairman of the Board and member of the Executive Committee of Albilad Capital. He is a member of the Housing Program Advisory Committee at the Ministry of Housing and sits on the Board of Buna (Arab Regional Payments Clearing and Settlement Organization) as Saudi Arabia's representative.

Mr. AlOnaizan is a seasoned banker with over 30 years of experience and expertise in the field of treasury, investment, risk, credit, strategy, and leadership. He held several senior leadership positions in a number of local financial institutions prior to his appointment as CEO of Bank Albilad in 2016.

Mr. AlOnaizan attended various executive courses and programs, notably the Executive Education at INSEAD Singapore and the IESE Business School Global CEO Program in Barcelona, Spain. He represented Bank Albilad in major domestic and global conferences and was a resource speaker and panellist in several forums on financial markets, locally and abroad.

Mr. AlOnaizan obtained his bachelor's degree in Research Methodology and Quantitative Methods from King Saud University College of Business Administration in 1987.



Mrs. Hana Al Rostamani
Board Member

Mrs. Hana Al Rostamani is the Group Chief Executive Officer at First Abu Dhabi Bank (FAB).

As the only female Group Chief Executive Officer of a major UAE-headquartered bank and publicly listed corporation within the UAE, Hana is recognised for being a change leader and for her forward-thinking vision with a focus on embedding a culture of innovation and diversity and inclusion in her leadership.

A seasoned C-suite executive with more than 20 years of experience in banking and financial services, Hana previously served as Deputy Group Chief Executive Officer and Head of Personal Banking at FAB, responsible for leading the transformation of FAB's consumer bank, instilling a customer and digital-first mindset.

A graduate of George Washington University in the US, Hana is currently Chair of the Global Council on the Sustainable Development Goals, with a key interest in development goal 7; 'Affordable and Clean Energy'. She is also a member of MasterCard Advisory and has served as an independent director in Emirates Integrated Telecommunication Company (Du) and vice-chairperson of the Emirates Institute for Banking and Financial Services.

Her most recent accolade includes her nomination in Forbes Middle East, being ranked third as featured in 'Middle East's Power Business' Women 2021' list.



Mr. Khalid NASR
Board Member

Mr. Khalid Nasr is the Executive General Manager of BANK OF AFRICA – BMCE Group, in charge of CIB & Morocco.

Thus, he oversees Retail Banking activities in Morocco, Corporate & Investment Bank, International subsidiaries (including BANK OF AFRICA United Kingdom, BANK OF AFRICA Europe and BANK OF AFRICA Shanghai) and debt recovery.

Mr. Khalid Nasr is Member of the Group Executive Committee and the Presidential Committee of BANK OF AFRICA – BMCE Group. He is also Chairman of the Management Board of BMCE Capital, the Group's Investment Banking Division (Asset & Wealth Management, Markets & Services, Advisory & Private Equity, Real Estate, Research).

He holds several mandates within the Group's entities, especially BOA Group – as Board Member -, BOA Capital – as Chairman of the Board -, Maghrebail – as Board Member - and BANK OF AFRICA UK – as Board Member.



Mr. Mohamed Mahmoud Ahmed El-Etreby

Board Member

Mr. Mohamed Mahmoud Ahmed El-Etreby is a prominent banker with a long-standing experience of more than 35 years in the banking sector.

Prior to joining Banque Misr, he was the CEO and Managing Director of the Egyptian Gulf Bank from January 2013 to December 2014.

Mr. El-Etreby began his banking career in 1977, joining the Arab African International Bank (AAIB) and Credit International d’Egypte Bank later on. In 1983, he joined Misr International Bank (MIBank, currently Qatar National Bank Alahli), where he spent more than 22 years, during which he held several senior banking positions and acquired a wide range of experience in different key areas of the banking business.

In September 2005, he joined the Egyptian Arab Land Bank as Vice Chairman and Board Member. In 2009, he was appointed as the Managing Director of the Arab Investment Bank. In 2011, Mr. El-Etreby was rehired at the Egyptian Arab Land Bank as a Chairman.

In recognition of his great achievements, Mr. El-Etreby was appointed as the Chairman of the Egyptian Gulf Bank in 2013.

Subsequently, he was appointed as the Chairman of Banque Misr in January 2015. He also serves as the Chairman of Banque Misr Liban (BML) and Vice Chairman of Cairo Amman Bank.

He graduated with a bachelor’s degree in Commerce from Ain Shams University in 1976.

Other Current Positions:

Chairman, Union of Arab Banks.

Chairman, Federation of Egyptian Banks (FEB)

Chairman, Board of Trustees, Banque Misr Foundation for Community Development.

Board Member, Egyptian General Company for Tourism and Hotels (EGOTH)

Board Member, Misr Insurance Holding Company S.A.E.

Board Member, General Authority for Investment and Free Zones (GAFI)

Board Member, Ain Shams University (ASU)

Board Member, Arab Contractors Company



Mr. Salem Chalabi
Board Member

Mr. Salem Chalabi is currently the Chairman of the Board of Directors and President of the Trade Bank of Iraq. The Trade Bank of Iraq was established in 2003 to be Iraq's principal international bank; it is a wholly-owned government bank. Prior to this, Mr. Chalabi was the senior advisor to three prime ministers of Iraq on international legal and financial issues. In these capacities, he oversaw Iraq's relationships with international financial institutions, including multilateral institutions, such as the International Monetary Fund and the World Bank. He also oversaw Iraq's major international legal disputes.

Prior to this, Mr. Chalabi was a partner at the International law firm, Stephenson Harwood, being based out of its Dubai office. Prior to this, he worked for the international law firms, DLA Piper, Clifford Chance and Morgan Lewis.

Mr. Chalabi graduated with a B.A. in economics from Yale University, a Master's degree in international affairs from Columbia University and a J.D. from Northwestern University School of Law. Mr. Chalabi is a member of the New York bar.



Mr. Chong-Tee Ong
Independent Board Member

Mr. Chong-Tee Ong was with the Monetary Authority of Singapore (MAS) for 35 years and held various senior central banking roles as Deputy Managing Director. He headed the Financial Supervision Group

in MAS and was a member of the Basel Committee on Banking Supervision before retiring in 2021. Mr Ong has also served on various external boards of statutory bodies and university research institutes.



Mr. Jean-Michel Godeffroy
Independent Board Member

Since 2015, Mr. Jean-Michel Godeffroy has been a senior international consultant based in Paris. His field of competence is payments and market infrastructure from a central bank perspective. From 1988 until 2014, he was Director General at the European Central Bank where he played a key role in the preparation and the operation of TARGET2, the RTGS system of the euro area, of T2S, the securities settlement system for 20 European countries, and of the Single Euro Payments Area (SEPA).

Jean-Michel was also the chairman of several Eurosystem Committees and a member of the Committee on Payments and Settlement Systems (CPSS) of the G10 (now the Committee on Payments and Market Infrastructure in the G20 context).

Jean-Michel Godeffroy graduated from the Institut d'Etudes Politiques de Paris (Sciences Po) and from the Pantheon-Sorbonne University.



Mr. William (Bill) Coen
Independent Board Member

Mr. William (Bill) Coen served as Secretary General of the Basel Committee on Banking Supervision from 2014 to 2019 where he had overall responsibility for the work of the BCBS including its Basel III post-crisis reforms. He joined the BCBS's Secretariat in 1999 from the Board of Governors of the Federal Reserve System. Prior to that, Bill was a bank examiner for the US Office of the Comptroller of the Currency, and

he began his career as a credit officer of a New York City-based bank. He currently serves on various boards of directors and advisory boards, providing advice and recommendations on regulatory and supervisory matters; payments and settlements; risk and risk management; business strategy; and group-wide management and governance.

12. Executive Management



Mehdi Manaa
Chief Executive Officer

In January 2020, Mr. Mehdi Manaa was appointed as the Chief Executive Officer of Buna. Prior to his appointment, Mr. Manaa served as the Deputy Director-General of the Market Infrastructure and Payments Directorate General at the European Central Bank (ECB).

During his 12-year tenure at the ECB, Mr. Manaa held several other roles, including heading the Market Infrastructure Development Division as well as the T2S Programme, a program in which he was involved since its inception. Prior to his career at the ECB, Mr. Manaa held various managerial and advisory positions in the private sector focusing on payment solutions and financial market infrastructures.



Manuel Iglesias
Chief Risk and Compliance Officer

In March 2020, Mr. Manuel Iglesias was appointed as the Chief Risk & Compliance Officer of Buna. Mr. Iglesias has over 20 years of experience in the financial sector, with an extensive background covering corporate governance, regulatory, prudential, and financial crime compliance.

Prior to joining Buna, Mr. Iglesias held several senior compliance positions with Deutsche Bank and JPMorgan in Spain and acted as Compliance Director/MLRO with ADS Securities/ADS Investment Solutions in Abu Dhabi, United Arab Emirates. Mr. Iglesias holds a bachelor's degree in law from the University of Santiago de Compostela (Spain) and is a Certified Compliance Professional.



Erol Kaya
Chief Technology Officer

Mr. Erol Kaya is the Chief Technology Officer of Buna. Mr. Kaya has over 20 years of experience as a technology and business leader with an entrepreneur mindset in digital payments and a passion for building and scaling up multinational fintech platforms. Mr. Kaya is an expert in technology development with the capability of technology strategy creation and overseeing technology operations for financial institutions. Mr. Kaya held several executives or board member positions in different multinational organizations across the UK, the UAE, and Turkey with a proven track record in the fintech/banking sector for payments, mobile financial services, remittance, mobile money, and e-commerce.

Mr. Kaya received his bachelor's degree in Computer Science Engineering from Ege University and completed the Executive Education program at Cambridge Judge Business School in the UK.

**Faisal Al Hijawi**

Chief Strategy and Development Officer

Mr. Faisal Alhijawi is the Chief of Strategy and Development Officer of Buna. Prior to joining Buna, Mr. Alhijawi served as a Director of Account Payout Network at Western Union Financial Services in Dubai, UAE.

During his 8 years tenure at Western Union, Mr. Alhijawi held several other leadership roles building end-to-end cross-border payment services by creating strategic partnerships with diverse classes of organizations including banking, fintech, and government institutions.

Prior to that, Mr. Alhijawi held various techno-business positions for 12 years in the private sector focusing on online and mobile payment solutions.



Ahmed El Hefnawy
Chief Business Services Officer

Mr. Ahmed El Hefnawy is the Chief Business Service Officer of Buna. During his 25 years of experience in the payment industry he has held various positions of increasing responsibility in the Payment field and banking sector. Prior to joining Buna, Mr. El Hefnawy spent 10 years at the National Bank of Egypt, as Payment System Manager and PMO Deputy General Manager, and was a board member at Misr Real Estate Assets Company.

Mr. El Hefnawy played major roles in different organizations across the Middle East and GCC regions ranging from Solution Providers, National Switches, Islamic and Conventional Banks, Card Processors, and Consultancy Firms.

Mr. El Hefnawy holds a bachelor's degree in Communications and Electronics Engineering from Ain Shams University and holds a Master of Business Administration (MBA), major in marketing management, from Maastricht School of Management, the Netherlands. He is PRINCE2® Practitioner certified. Mr. El Hefnawy enriched his business and leadership knowledge and skills by acquiring a graduate school banking program diploma and executive leadership diploma from the University of Wisconsin – Madison in the United States.

13. Auditors' report



Ernst & Young Middle East
(Abu Dhabi Branch)
P.O. Box 136
27th Floor, Nation Tower 2
Abu Dhabi Corniche
Abu Dhabi, United Arab Emirates

Tel: +971 2 417 4400
Fax: +971 2 627 3383
abudhabi@ae.ey.com
ey.com
CL No. 1001276

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARAB REGIONAL PAYMENTS CLEARING AND SETTLEMENT ORGANIZATION

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Arab Regional Payments Clearing and Settlement Organization (the "Organization"), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Organization in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and the Board of Directors for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Organization's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
ARAB REGIONAL PAYMENTS CLEARING AND SETTLEMENT ORGANIZATION** continued

Report on the Audit of the Financial Statements continued

Auditor's responsibilities for the audit of the financial statements continued

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Signed by
Mohammad Mobin Khan
Partner
Ernst & Young
Registration No 532

14 March 2023
Abu Dhabi

Arab Regional Payments Clearing and Settlement Organization

STATEMENT OF FINANCIAL POSITION

As of 31 December 2022

| | <i>Notes</i> | <i>2022 US Dollar</i> | <i>2021 US Dollar</i> |
|--|--------------|---------------------------|---------------------------|
| ASSETS | | | |
| Cash and cash equivalents | | 2,973 | - |
| Prepaid expenses and other receivables | 3 | 1,810,695 | 850,218 |
| Property and equipment | 4 | 2,664,151 | 3,802,738 |
| Intangible assets | 5 | <u>27,086,558</u> | <u>31,318,168</u> |
| TOTAL ASSETS | | <u>31,564,377</u> | <u>35,971,124</u> |
| LIABILITIES | | | |
| Provision for employees' end of service benefits | 6 | 401,054 | 207,600 |
| Accrued expenses | 7 | <u>758,187</u> | <u>1,514,428</u> |
| Total liabilities | | <u>1,159,241</u> | <u>1,722,028</u> |
| NET ASSETS | | <u>30,405,136</u> | <u>34,249,096</u> |
| SHAREHOLDERS' EQUITY | | | |
| Capital | 8 | 63,547,080 | 52,217,070 |
| Accumulated losses | | <u>(33,141,944)</u> | <u>(17,967,974)</u> |
| TOTAL SHAREHOLDERS' EQUITY | | <u>30,405,136</u> | <u>34,249,096</u> |

These financial statements were agreed by the Board of Directors on 12 March 2023.



Mehdi Manaa
Chief Executive Officer
Arab Regional Payment Clearing and Settlement Organization

Arab Regional Payments Clearing and Settlement Organization

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

| | | <i>31 December</i> | <i>From the period</i> |
|---|--------------|---------------------|------------------------|
| | | <i>2022</i> | <i>from inception</i> |
| | | <i>US Dollar</i> | <i>(note 1) to</i> |
| | <i>Notes</i> | <i>US Dollar</i> | <i>31 December</i> |
| | | | <i>2021</i> |
| | | | <i>US Dollar</i> |
| Revenue | | | |
| Revenue from operations | | <u>6,123</u> | - |
| Total revenue | | <u>6,123</u> | - |
| General and operating expenses | | | |
| Employee salaries and allowances | 9 | (3,755,055) | (3,632,702) |
| General and operating expenses | 10 | (6,037,957) | (10,771,027) |
| Depreciation and amortization | 11 | <u>(5,387,081)</u> | <u>(3,564,245)</u> |
| Total general and operating expenses | | (15,180,093) | (17,967,974) |
| LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR | | (15,173,970) | (17,967,974) |

Arab Regional Payments Clearing and Settlement Organization

STATEMENT OF SHAREHOLDER'S EQUITY

For the year ended 31 December 2022

| | <i>Capital US Dollar</i> | <i>Accumulated losses US Dollar</i> | <i>Total US Dollar</i> |
|---|------------------------------|---|----------------------------|
| Capital | 52,217,070 | - | 52,217,070 |
| Total comprehensive loss for the year | <u>-</u> | <u>(17,967,974)</u> | <u>(17,967,974)</u> |
| At 31 December 2021 | <u>52,217,070</u> | <u>(17,967,974)</u> | <u>34,249,096</u> |
| At 1 January 2022 | 52,217,070 | (17,967,974) | 34,249,096 |
| Additional contributed capital (note 8) | 11,330,010 | - | 11,330,010 |
| Total comprehensive loss for the year | <u>-</u> | <u>(15,173,970)</u> | <u>(15,173,970)</u> |
| At 31 December 2022 | <u>63,547,080</u> | <u>(33,141,944)</u> | <u>30,405,136</u> |

Arab Regional Payments Clearing and Settlement Organization

STATEMENT OF CASH FLOWS

31 December 2022

| | <i>Notes</i> | 2022 <i>US Dollar</i> | 2021 <i>US Dollar</i> |
|--|--------------|---------------------------------|---------------------------------|
| OPERATING ACTIVITIES | | | |
| Loss for the year | | (15,173,970) | (17,967,974) |
| Adjustments for: | | | |
| Depreciation of property and equipment | 4 | 1,138,348 | 758,786 |
| Amortisation of intangible assets | 5 | 4,248,733 | 2,805,459 |
| Provision for employees' end of service benefits | 6 | <u>193,454</u> | <u>207,600</u> |
| | | <u>(9,593,435)</u> | <u>(14,196,129)</u> |
| Working capital changes: | | | |
| Prepaid expenses and other receivables | | (960,477) | (850,218) |
| Accrued expenses | | <u>(756,241)</u> | <u>1,514,428</u> |
| Net cash flows used in operating activities | | <u>(11,310,153)</u> | <u>(13,531,919)</u> |
| INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | 4 | - | (4,561,524) |
| Write-off of property and equipment | 4 | 239 | - |
| Acquisition of intangible assets | 5 | <u>(17,123)</u> | <u>(34,123,627)</u> |
| Net cash flows used in investing activities | | <u>(16,884)</u> | <u>(38,685,151)</u> |
| FINANCING ACTIVITY | | | |
| Capital injection | | <u>11,330,010</u> | <u>52,217,070</u> |
| Net cash flows from financing activity | | <u>11,330,010</u> | <u>52,217,070</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 2,973 | - |
| Cash and cash equivalents at 1 January | | <u>-</u> | <u>-</u> |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER | | <u><u>2,973</u></u> | <u><u>-</u></u> |

Arab Regional Payments Clearing and Settlement Organization

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

1 LEGAL STATUS AND ACTIVITIES

The Arab Regional Payments Clearing and Settlement Organization (“The Organization”) is a regional Arab Financial Organization established pursuant to the Board of Governors of Arab Monetary Fund resolution No. (4) of 2018, in implementation of the decision of the Council of Governors of Arab Central Banks and Arab Monetary Institutions No. (10) of 2017, and it is wholly owned by the Arab Monetary Fund. The Organization’s Articles of Establishment stipulate the organization’s objectives, which include contributing to supporting opportunities for economic and financial integration among Arab countries and with the trading partners of Arab countries through the establishment, management and operation of a platform (BUNA platform) that provides the necessary services for payments clearing and settlement among Arab countries and trading partners.

The Organization operates from Abu Dhabi, United Arab Emirates according to an agreement between the Arab Monetary Fund and the government of the United Arab Emirates signed on 11 April 2021 (inception date) and ratified by Federal Decree No. (50) of 2021.

2.1 SIGNIFICANT ACCOUNTING POLICIES

Basic of preparation

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB), under the historical cost convention. In accordance with the Articles of Establishment and the financial regulations of the Organization, the financial statements are expressed in US Dollar as the base currency.

The preparation of the financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The assumptions of these estimates are based on factors that are believed to be reasonable under the current circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis to ensure appropriate valuations of assets and liabilities and recognition of results in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. The accounting policies and methods of calculation have been consistently applied for periods presented in these financial statements.

Property and equipment

Property and equipment are stated in the statement of financial position at cost, less accumulated depreciation, and impairment losses (if any).

Depreciation is calculated on straight line basis over the relevant expected useful life of four years for:

- Computer equipment,
- Furniture and fixtures, and
- Office equipment.

Both the useful life of the assets and their residual values are reviewed annually. The carrying amounts of fixed assets are reviewed for indication of impairment at each reporting period. An impairment loss is recognized in the statement of comprehensive income if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of:

- i) fair value of the asset, less cost of disposal; and
- ii) value-in-use.

Arab Regional Payments Clearing and Settlement Organization

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2.1 SIGNIFICANT ACCOUNTING POLICIES continued

Property and equipment continued

The value-in-use is calculated by discounting the estimated future cash flow to their present value using a discount rate that reflects the current assessment of the time value of money and the risks specific to the asset. An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amounts.

Gain or loss from retirement or disposal of fixed asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the profit and loss at the date of retirement or disposal.

Intangible assets

Intangible assets mainly comprise of the computer software (BUNA platform software), its operational applications, and the associated licenses. Costs associated with the system maintenance and operations are expensed and recognized as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Organization are recognized as an intangible asset if they meet the following criteria:

- the Organization can technically complete the system to be available for use or sell;
- management has intent and ability to complete the system for use or sell;
- the Organization can demonstrate that the system will be able to generate future potential economic benefits.
- availability of sufficient technical, financial, and other resources to complete the development of the system for use or sell;
- the expenditures attributable to the system during its development can be measured reliably; and
- intangible assets are stated in the statement of financial position at cost less accumulated amortization.

Intangible assets are stated in the statement of financial position at cost less accumulated amortization and impairment losses (if any). The amortization of intangible assets is charged to the statement of comprehensive income for the period on a straight-line basis over the asset's useful life of eight years, commencing from the date of usage.

Impairment of non-financial assets

The Organization assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Organization estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Organization bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

Arab Regional Payments Clearing and Settlement Organization

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2.1 SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of non-financial assets continued

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Organization estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Organization's cash management.

Provisions

Provisions are recognized when the Organization has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of economic benefits will flow from the organization to settle the obligation and the amount required to settle the obligation can be measured reliably. When it is not probable that an outflow of economic benefits will be required or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability. Possible obligations whose existence can only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities, unless the probability of outflow of economic benefits is remote.

On the date of the financial position, the provisions are revised and adjusted to reflect the appropriate estimates at that date.

Employees' entitlements

Salaries, allowances, bonuses, and other benefits are recognized as an expense in the statement of comprehensive income in the period in which the employee renders the services. Other provisions such as paid annual leave are also recognized as an expense in the statement of comprehensive income for the period in which the services were rendered by the employees.

The end of service benefits for the employees were calculated for their services for the current and previous periods, based on the Organization's internal system, which considers the employees service time. The accumulated provisions for the current and previous periods are shown under liabilities in the statement of financial position.

Leases

At the commencement of the contract, the Organization assesses whether the contract is, or contains, a lease. The contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period in exchange for consideration. Control is conveyed where the Organization has both the right to direct the use of the identified asset and to obtain substantially all the economic benefits from that use.

At the lease commencement date, the Organization recognizes a right-of-use asset and a lease liability. When the Organization enters a lease in respect of low-value assets, the Organization decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or using a relevant incremental rate.

Arab Regional Payments Clearing and Settlement Organization

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2.1 SIGNIFICANT ACCOUNTING POLICIES continued

Leases continued

The right-to-use asset recognized when the lease is capitalized is initially measured at cost, which comprises the initial amount of lease liability plus any lease payments made at or before the commencement date, and any initial direct cost incurred. Where applicable the cost of the right-to-use asset includes an estimate of the cost to dismantle and remove the underlying asset or to restore the underlying asset or the location. The right-to-use asset is subsequently stated at cost, less accumulated depreciation and impairment losses.

The Organization rents offices and defined space and services of data centers from which it operates, with lease contracts that do not exceed 12 months. The Organization has decided to apply the exemption relating to short term leases by not recognizing the “right of use” asset and “lease liability” in the statement of financial position. The organization has also decided to apply the low-value asset recognition exemption to office equipment leases, if any. Accordingly, lease payments on short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the term of the lease.

Revenue recognition

Revenue is recognized when there is probable economic benefits flowing for the Organization and the flow can be measured reliably. The organization follows the following criteria for revenue recognition:

- **Income from transactions:** it is the fees collected by the Organization from participants in clearing services that are related to the services of clearing and settlement transactions of financial Organizations. Revenue generated from these transactions is recognized at the time the transaction is completed. Claims are submitted to participants on a monthly basis.
- **Income from recurring transactions:** it includes fees for inquiry, search, verification, report requests, and others, which are recognized when the requested service is provided.
- **Income from non-recurring transactions:** it includes fees for account opening in the system and others, which are recognized upon agreement with the client.

Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the dates of the transactions. Assets (excluding fixed assets and intangible assets) and liabilities denominated in foreign currencies at the date of the statement of financial position are converted to US Dollars at the exchange rate prevailing on that date.

Important judgments in applying accounting policies

IFRS requires management, in preparing financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard or interpretation, management is required to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the International Accounting Standards Board (IASB) Framework for the Preparation and Presentation of Financial Statements.

Judgments

The following are the judgments made in applying the Organization’s accounting policies that the management believes will have an impact on the amounts recognized in the financial statements:

Going concern

Management has assessed the Organization's ability to continue as a going concern and has concluded that the Organization has adequate resources to continue its operations for the foreseeable future. The assessment was based on a review of the Organization's financial performance, cash flow projections, and other relevant factors. In making this assessment, management has considered the following factors:

- The Organization's projected financial performance, including revenue and profitability, to reach US Dollars 48,501,000 by 31 December 2026 in present value terms.
- The Arab Monetary Fund has undertaken the funding of capital and operating costs incurred by the Organization as part of its contribution in the Capital of the Organization.

Arab Regional Payments Clearing and Settlement Organization

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2.1 SIGNIFICANT ACCOUNTING POLICIES continued

Judgments continued

Going concern continued

Based on the assessment, management has concluded that the Organization has adequate resources to continue its operations for the foreseeable future. This assessment is based on information available as of the date of this disclosure and management will continue to monitor the Organization's financial performance and cash flow projections to ensure that it has the necessary resources to continue as a going concern. If the Organization's financial position were to deteriorate, management would take appropriate action to address the situation, including seeking additional funding or implementing cost-saving measures

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Useful lives of property and equipment and intangible assets

The Organization's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the useful lives annually and the future depreciation charge would be adjusted where management believes that the useful lives differ from previous estimates.

Impairment of property and equipment and intangible assets

Property and equipment and intangible assets are assessed for impairment based on the assessment of cash flows on individual cash generating units when there is an indication of impairment. Cash flows are determined based on contractual agreements and estimations over the useful life of the assets and discounted using a range of discounting rates representing the rate of return on such cash generating units. The net present values are compared to the carrying amounts to assess any probable impairment. Management is satisfied that no impairment provision is necessary on property and equipment and intangible assets.

2.2 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial year, except for the following new standards, interpretations and amendments effective as of 1 January 2022. The Organization has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter,
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities,
- IAS 41 Agriculture – Taxation in fair value measurements,
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37,
- Reference to the Conceptual Framework – Amendments to IFRS 3,
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16.

These amendments had no impact on the Organization's financial statements.

Arab Regional Payments Clearing and Settlement Organization

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2.3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Organization's financial statements are disclosed below. The Organization intends to adopt these new and amended standards and interpretations, when they become effective.

- IFRS 17 Insurance Contracts (effective for the financial period starting on or after 1 January 2023).
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (effective for the financial period starting on or after 1 January 2023).
- Definition of Accounting Estimates – Amendments to IAS 8 (effective for the financial period starting on or after 1 January 2023).
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (effective for the financial period starting on or after 1 January 2023).

The Organization does not expect that the adoption of these new and amended standards and interpretations will have an impact on its financial statements in future periods.

3 PREPAID EXPENSES AND OTHER RECEIVABLES

| | <i>31 December</i> <i>2022</i> <i>US Dollar</i> | <i>31 December</i> <i>2021</i> <i>US Dollar</i> |
|---|---|---|
| Prepaid system licenses and subscriptions | 1,142,365 | 394,857 |
| Staff loans | 533,773 | 320,907 |
| Prepaid office rent | - | 93,388 |
| Prepaid fees and other receivables | 131,407 | 41,066 |
| Fees and commissions receivables | <u>3,150</u> | <u>-</u> |
| | <u>1,810,695</u> | <u>850,218</u> |

Arab Regional Payments Clearing and Settlement Organization

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

4 PROPERTY AND EQUIPMENT

| | <i>Computer hardware US Dollar</i> | <i>Furniture and fixtures US Dollar</i> | <i>Total US Dollar</i> |
|----------------------|--|---|----------------------------|
| 2022 | | | |
| Cost: | | | |
| At 1 January 2022 | 4,487,016 | 74,508 | 4,561,524 |
| Written off | <u>(239)</u> | <u>-</u> | <u>(239)</u> |
| At 31 December 2022 | <u>4,486,777</u> | <u>74,508</u> | <u>4,561,285</u> |
| Depreciation: | | | |
| At 1 January 2022 | 741,544 | 17,242 | 758,786 |
| Charge for the year | <u>1,112,483</u> | <u>25,865</u> | <u>1,138,348</u> |
| At 31 December 2022 | <u>1,854,027</u> | <u>43,107</u> | <u>1,897,134</u> |
| Net carrying amount: | | | |
| At 31 December 2022 | <u>2,632,750</u> | <u>31,401</u> | <u>2,664,151</u> |
| 2021 | | | |
| Cost: | | | |
| At 1 January 2021 | - | - | - |
| Additions | <u>4,487,016</u> | <u>74,508</u> | <u>4,561,524</u> |
| At 31 December 2021 | <u>4,487,016</u> | <u>74,508</u> | <u>4,561,524</u> |
| Depreciation: | | | |
| At 1 January 2021 | - | - | - |
| Charge for the year | <u>741,544</u> | <u>17,242</u> | <u>758,786</u> |
| At 31 December 2021 | <u>741,544</u> | <u>17,242</u> | <u>758,786</u> |
| Net carrying amount: | | | |
| At 31 December 2021 | <u>3,745,472</u> | <u>57,266</u> | <u>3,802,738</u> |

Arab Regional Payments Clearing and Settlement Organization

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

5 INTANGIBLE ASSETS

| | <i>Software US Dollar</i> |
|-----------------------------------|-------------------------------|
| 2022 | |
| Cost: | |
| At 1 January 2022 | 34,123,627 |
| Additions | <u>17,123</u> |
| At 31 December 2022 | <u>34,140,750</u> |
| Amortisation: | |
| At 1 January 2022 | 2,805,459 |
| Amortisation for the year | <u>4,248,733</u> |
| At 31 December 2022 | <u>7,054,192</u> |
| Net carrying amount: | |
| At 31 December 2022 | <u>27,086,558</u> |
| 2021 | |
| Cost: | |
| At 1 January and 31 December 2021 | <u>34,123,627</u> |
| Amortisation: | |
| At 1 January | - |
| Amortisation for the year | <u>2,805,459</u> |
| At 31 December 2021 | <u>2,805,459</u> |
| Net carrying amount: | |
| At 31 December 2021 | <u>31,318,168</u> |

6 PROVISIONS FOR EMPLOYEES' END OF SERVICE BENEFITS

The movement in the provision for employees end of service benefits is as follows:

| | <i>31 December 2022 US Dollar</i> | <i>31 December 2021 US Dollar</i> |
|---------------------|---|---|
| Opening balance | 207,600 | - |
| Charge for the year | <u>193,454</u> | <u>207,600</u> |
| | <u>401,054</u> | <u>207,600</u> |

Arab Regional Payments Clearing and Settlement Organization

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

7 ACCRUED EXPENSES

| | <i>31 December 2022 US Dollar</i> | <i>31 December 2021 US Dollar</i> |
|--------------------------------------|---|---|
| Technical support services accrual | 243,367 | 690,000 |
| Implementation of the system accrual | 226,369 | 418,921 |
| Staff provisions | 160,406 | 121,942 |
| Other accrued expenses | <u>128,045</u> | <u>283,565</u> |
| | <u>758,187</u> | <u>1,514,428</u> |

8 CAPITAL

Based on the decree of the Council of Governors of Arab Central Banks and Arab Monetary Organizations No. (10) of 2017, which was approved by the Board of Governors of Arab Monetary Fund Resolution No (4) of 2018, Arab Monetary Fund (The "Fund") was assigned to establish a regional organization to administer the regional system for clearing and settling Arab payments, and considering the costs incurred by the Fund as part of its capital contribution. Paid up capital represents the amounts incurred by the Fund on behalf of the Organization up to the date of these financial statements within the context of the authorized capital amounting to US Dollar 100 million. During the year ended 31 December 2022, an amount of US Dollar 11,330,010 was incurred by the Fund on behalf of the Organization (31 December 2021: US Dollar 52,217,070).

| | <i>31 December 2022 US Dollar</i> | <i>31 December 2021 US Dollar</i> |
|--------------------------------|---|---|
| Capital | 52,217,070 | 52,217,070 |
| Additional contributed capital | <u>11,330,010</u> | <u>-</u> |
| | <u>63,547,080</u> | <u>52,217,070</u> |

9 EMPLOYEE SALARIES AND ALLOWANCES

| | <i>31 December 2022 US Dollar</i> | <i>Period from inception (note 1) to 31 December 2021 US Dollar</i> |
|----------------------------------|---|---|
| Staff cost | 3,506,967 | 3,301,281 |
| End of service Benefits | 203,988 | 208,025 |
| Freight on Joining & Termination | 41,752 | 29,422 |
| Accumulated Leave | <u>2,348</u> | <u>93,974</u> |
| | <u>3,755,055</u> | <u>3,632,702</u> |

Arab Regional Payments Clearing and Settlement Organization

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

10 GENERAL AND OPERATING EXPENSES

| | <i>31 December</i> <i>2022</i> <i>US Dollar</i> | <i>Period from</i> <i>inception</i> <i>(note 1) to</i> <i>31 December</i> <i>2021</i> <i>US Dollar</i> |
|---|---|---|
| Technical support expenses | 2,838,034 | 1,380,000 |
| Operating expenses of data centers and communication | 1,132,799 | 1,339,398 |
| Subscription licenses and maintenance | 1,098,449 | 554,301 |
| Swift licenses and operating system fees | 260,962 | 459,115 |
| Consultancy expenses | 254,903 | 6,451,213 |
| Board of Directors' meetings remuneration and expenses | 210,982 | - |
| Office rentals, water and electricity, and other expenses | 178,150 | 587,000 |
| Official missions | <u>63,678</u> | <u>-</u> |
| | <u>6,037,957</u> | <u>10,771,027</u> |

11 DEPRECIATION AND AMORTIZATION

| | <i>31 December</i> <i>2022</i> <i>US Dollar</i> | <i>Period from</i> <i>inception</i> <i>(note 1) to</i> <i>31 December</i> <i>2021</i> <i>US Dollar</i> |
|---|---|---|
| Depreciation of property and equipment (note 4) | 1,138,348 | 758,786 |
| Amortization of intangible assets (note 5) | <u>4,248,733</u> | <u>2,805,459</u> |
| | <u>5,387,081</u> | <u>3,564,245</u> |

12 RISK MANAGEMENT

The main risk arising from the Organization's financial instruments is currency risk. The management reviews and agrees policies for managing this risk which are summarised below.

Foreign currency risk

Foreign currency risk is the risk that a financial instrument will fluctuate due to change in foreign exchange rates which is limited since a significant portion of the monetary assets and liabilities are in UAE Dirhams and US Dollars. As the UAE Dirham is pegged to the US dollar, balances in UAE Dirham are not considered to represent significant currency risk.

Capital management

Capital is managed in a manner that will achieve the Organization's main objective as disclosed in note 1.

The Organization manages its equity and makes adjustments to it in light of changes in business conditions. no changes were made in the objectives, policies or processes during the year ended 31 december 2022. Capital comprises of capital and accumulated losses and is measured at USD 30,405,136 as at 31 December 2022 (2021: USD 34,249,096).



المؤسسة الإقليمية لمقاصة
وتسوية المدفوعات العربيّة

ARAB REGIONAL PAYMENTS
CLEARING AND SETTLEMENT
ORGANIZATION

ANNUAL REPORT
2022