



## BUNA COMPLIANCE FRAMEWORK

Arab Regional Payments Clearing  
and Settlement Organization

January 2024

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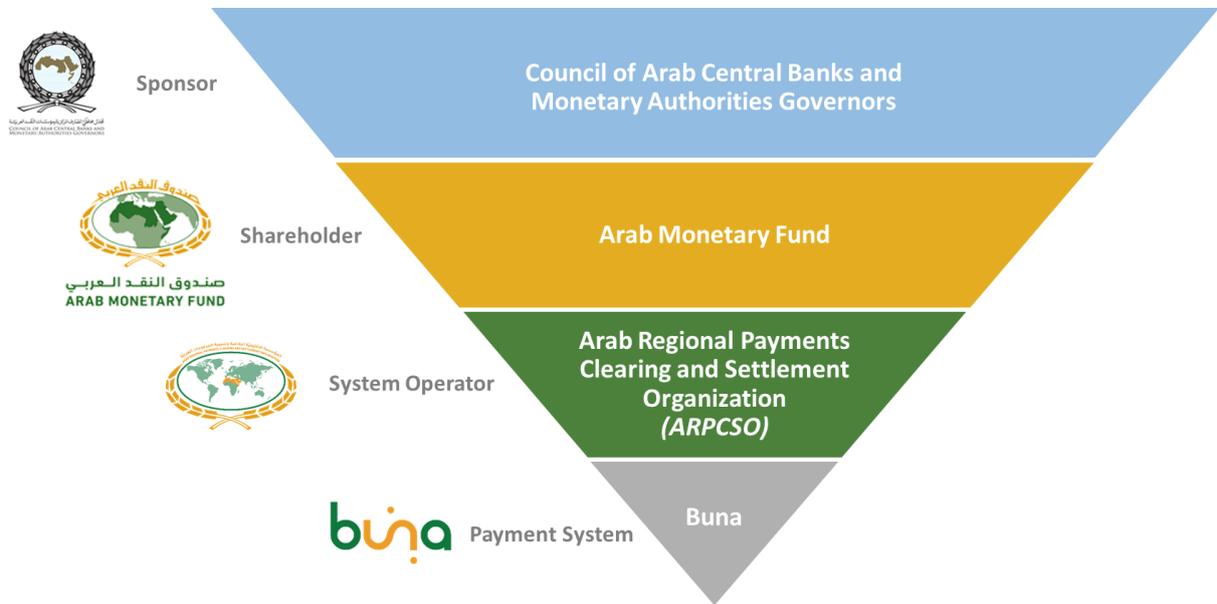
المؤسسة الإقليمية لمقاصة وتسوية  
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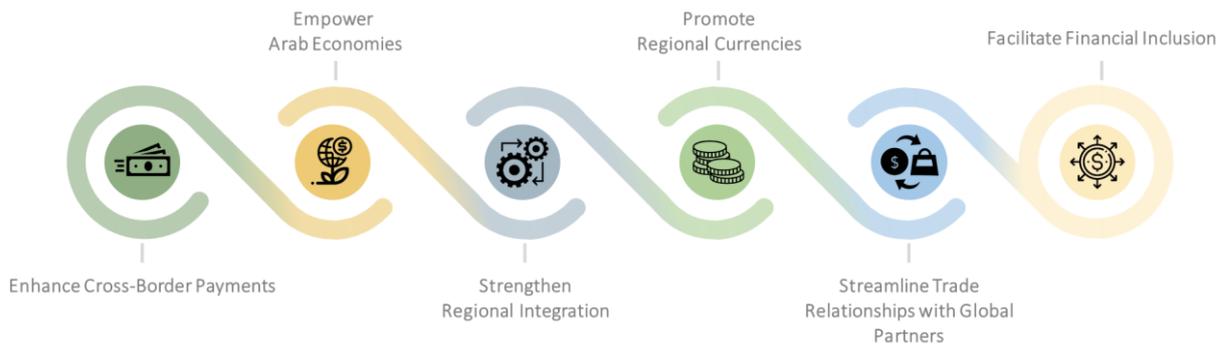
## 1 INTRODUCTION

Buna is a centralized multilateral payment system, sponsored by the Arab central banks and operated by the Arab Regional Payments Clearing and Settlement Organization (ARPCSO), an international organization subsidiary of the Arab Monetary Fund (AMF).



**Figure 1: Buna ownership structure**

Buna seeks to empower economies and promote regional integration among Arab countries and facilitate trade and investments with their major global partners through a cost-effective, risk-controlled payment system, that is in line with international standards.



**Figure 2: Objectives of Buna**

Buna is set up as a Financial Market Infrastructure (FMI), where the role of a payment system is to provide a set of instruments, procedures, and rules for the transfer of funds between its Participants.



**Figure 3: Buna set up as a centralized multilateral payment system**

Accordingly, the Financial Crime Compliance (FCC) responsibilities relating to the processed payment transactions lie with the participants in the system and not with the system operator. However, as part of its original design and derived from the Arab Central Banks desire to tackle the risk perception of the whole region, Buna provides an additional layer of compliance on top of Participants' own compliance obligations, to promote the safety of the platform and its ecosystem. This additional layer of compliance ensures sound participation from a compliance perspective and conducts necessary transaction checks to create a uniform standard and adhere to each currency's compliance requirements by applying a holistic approach.

## 2 LEGAL AND REGULATORY FOUNDATION

ARPCSO, as the System Operator of Buna, was established in the United Arab Emirates, based on its Articles of Establishment and pursuant to the publication of the Federal Decree No. 50 of 2021 in the Official Gazette issue No. 700 dated 15<sup>th</sup> April 2021 on the ratification of the Host Country Agreement between the Arab Monetary Fund and the UAE authorities, for the purposes of establishing and operating the System.

ARPCSO is set up as an international organization, basing its authority, immunities, and privileges on its articles of establishment and the host country agreement signed with the UAE authorities. Its supranational status, and the fact of not being subject to a specific national legislation, gives the organization the necessary independence and ability to establish its own regulatory framework, applicable to all Participants. ARPCSO has chosen to base its regulatory framework on international standards and the most advanced AML/CFT benchmarks, that may exceed the requirements of the local regulations in the different jurisdictions where the Participants are established. Therefore, Buna should be considered as a specific ecosystem of compliance which robustness is determined by the rules and controls that Buna applies to its participants and their transactions, and not by the requirements or practices applicable in the local jurisdiction of the participants. Consistent with that, participation in Buna is institution based (i.e. institution by institution), and not country based (i.e. country by country), according to a uniform set of requirements and controls. This approach is key to achieve harmonization in compliance among the Participants, which is one of the objectives of Buna, and to position Buna as a central element of trust.

As per ARPCSO’s Articles of Establishment, the operation of the System shall be subject to oversight by an Oversight Committee to ensure the safety of its operations. Accordingly, the Cooperative Oversight Framework of Buna has been established initially by 4 central banks (Central Bank of UAE, as the lead overseer, Saudi Central Bank, Central Bank of Egypt and Central Bank of Jordan), that have a specific interest in the smooth functioning of the system in order to fulfil their public policy objectives aiming at the safety and efficiency of payment and settlement systems and to ensure financial stability, as their currencies are processed in Buna. Other Central Banks that agreed to include their currency in Buna may join the established Cooperative Oversight Framework and the Oversight Committee, if they express such a wish.

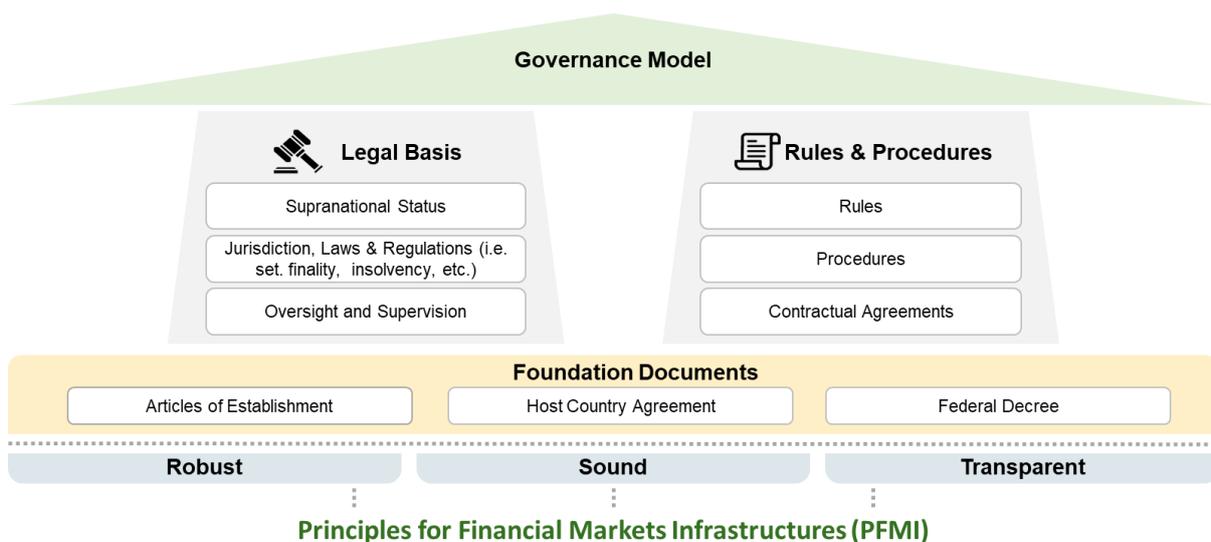


Figure 4: Buna’s legal and regulatory foundation

### 3 FINANCIAL CRIME COMPLIANCE (FCC) PROGRAM

Buna’s organization structure includes a fully-fledged Risk and Compliance Division headed by Buna’s Chief Risk and Compliance Officer. Under the current Buna’s organizational structure, the Risk and Compliance division comprises different departments, including the Compliance department and the Transaction Monitoring department.

Buna’s Risk and Compliance division is in charge of defining, implementing, maintaining and operating the Buna’s FCC Program, which is based on the three pillars depicted below:

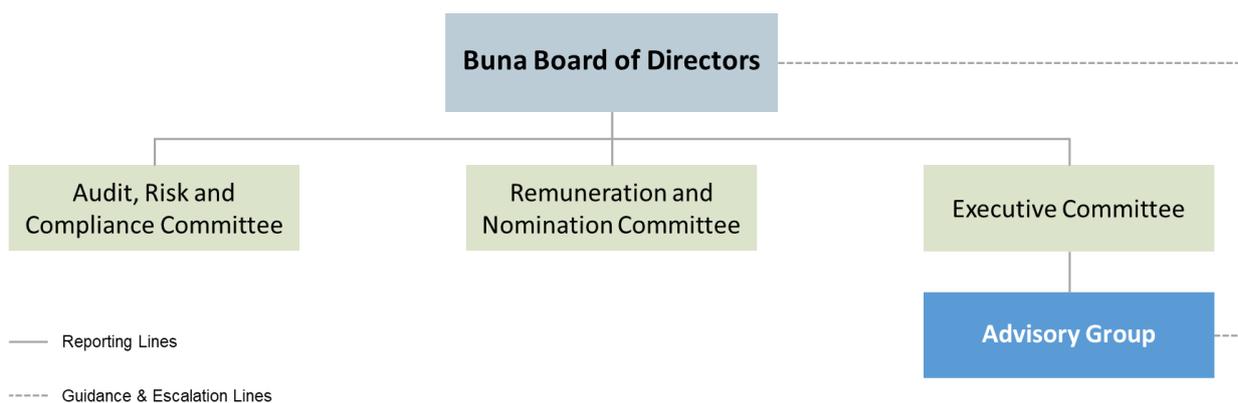


**Figure 5: Pillars of the Buna FCC program**

#### 3.1 GOVERNANCE, ROLES AND RESPONSIBILITIES

##### 3.1.1 Buna’s Governance Structure

The governance arrangements in Buna define the composition of the Board, its roles and responsibilities, Board level committees, and reporting lines between the management and the Board. These governance arrangements provide lines of responsibility and reporting, and ensure independence of the Board and key management functions such as internal audit, risk management and compliance. For the current composition of the Buna’s Board of Directors please refer to <https://buna.co/board-of-directors>.



**Figure 6: Buna’s governance structure**

The governance structure has been designed to ensure that compliance requirements and policies are effectively implemented in accordance with applicable international standards and regulations. The

Board of Directors, along with the Audit, Risk and Compliance Committee and the Executive Committee, play an active role in ensuring the safety of the platform and its ecosystem.

The Board of Directors:

- Sets the “tone at the top” to demonstrate the organization’s commitment to integrity and regulatory compliance.
- Sets the organization’s risk appetite.
- Designates a Chief Risk and Compliance Officer.
- Reviews and approves the Policies and adopts revisions as necessary.
- Reviews, approves, and oversees initiatives at the organization’s scale related to the Policies.
- Approves the AML risk assessment methodology required by the Policies executed by the Buna Compliance team.

The Audit, Risk and Compliance Committee:

- Promotes a strong culture of compliance within Buna.
- Validates and amends Policies as necessary.
- Reviews and resolves any escalated issues related to the implementation of the Policies.
- Oversees the compliance program, including the organization’s code of conduct.
- Reviews periodic Compliance reports.

The Executive Committee:

- Promotes and supports a strong culture of compliance within Buna.
- Ensures that Buna is equipped with sufficient resources, including personnel and tools to ensure that compliance requirements and policies are effectively implemented.
- Validates and approves the compliance procedures.
- Ensures that the compliance procedures are implemented effectively.
- Ensures that employees receive appropriate training.

Buna staff:

- Identifies compliance weaknesses within their areas of responsibility related to the Policies.
- Reports unusual or suspicious activities to the Chief Risk and Compliance Officer.
- Grants the Chief Risk and Compliance Officer and Buna Compliance team unrestricted access to business records, systems or tools necessary to fulfil their duties described in the Policies.
- Attends and completes the required AML compliance training relevant to their focus areas.

### 3.1.2 Roles and responsibility in Buna’s ecosystem

The Buna’s ecosystem consists of three main actors:

1. **Buna** is the system established and operated by the System Operator for the settlement of payments between the Participants of the System. The System Operator is ARPCSO, the legal entity responsible for operating the System. (*The terms “System Operator”, “Organization”, and “Buna” are being interchangeably used in the context of this document*).
2. **Participants** include central and commercial banks that the System accepts as entities that can submit their transactions in an Eligible Currency directly to the System.

3. **Fund Holding Institutions (FHIs)** are the Central Banks of issue of the respective Eligible Currency or designated commercial banks which provide Fund Holding Services to the System Operator.

In FCC matters, these three main types of actors have different responsibilities, as depicted below:



**Figure 7: Roles and responsibilities in the Buna’s ecosystem**

### 3.2 APPLICANTS AND PARTICIPANTS DUE DILIGENCE

Onboarding to Buna is institution based and not country based. In this context, Applicants and Participants due diligence is a critical function for Buna, before engaging in a new relationship with an Applicant and for maintaining existing relationships with Participants. As a pre-requisite to onboarding and as a requirement for maintaining existing relationships with Buna, the Organization’s Compliance function performs the due diligence required to ensure adherence of all Applicants and Participants to the AML/CFT, Sanctions Screening and all other compliance requirements.

#### 3.2.1 Pre-Approval of Applicants

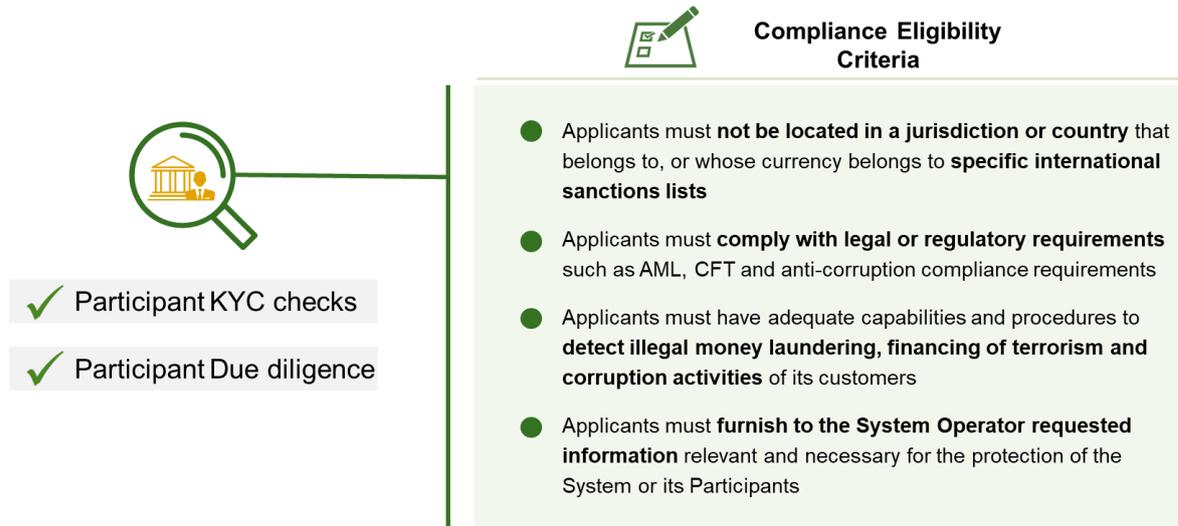
As an initial step, whenever Buna approaches or gets approached by prospective Applicants, the pre-approval process is required to be conducted. The goal of this process is to ensure the safety of the ecosystem of Buna’s network by avoiding approaching any sanctioned or non-compliant Applicant. This initial step consists of screening the name of the bank against compliance watchlists and any other information at hand.

#### 3.2.2 Onboarding Due Diligence

This process is designed to ensure that all new Applicants and existing Participants are meeting the Organization’s eligibility requirements. The onboarding due diligence is triggered upon deciding to establish the engagement with an Applicant. All applicants will be assessed against the following compliance eligibility criteria before they are approved as Participant of the Buna platform:

- The head office of the Applicant must not be located in a jurisdiction or country that belongs to, or whose currency belongs to specific international sanctions lists.
- The Applicant must adhere to Anti-Money Laundering (AML), Combating the Financing of Terrorism (CFT), and anti-corruption compliance requirements, or any other relevant compliance requirements that the System Operator considers necessary for the protection of the System or its Participants or to comply with legal or regulatory requirements.

- The Applicant must have adequate capabilities and procedures in place designed to detect illegal money laundering, financing of terrorism and corruption activities of its customers or any other illegal activities.
- The Applicant must furnish to the System Operator such information, as may be reasonably requested by the System Operator based upon its determination that such information is relevant and necessary for the protection of the System or its Participants or to comply with legal or regulatory requirements.



**Figure 8: Compliance eligibility criteria**

### 3.2.3 Periodic Due Diligence Review

In addition to the onboarding due diligence and in order to ensure that all participants continue meeting the Buna compliance eligibility criteria over time, a periodic due diligence review is triggered against the same criteria as the original onboarding due diligence on a frequency depending on the risk ranking review of each Participant’s, as depicted below:

Participant risk rating	Periodic Review Frequency
High Risk	Annually
Medium Risk	Every two years
Low Risk	Every three years

### 3.2.4 Event Driven Review

In order to ensure continuous monitoring of the Participants in the network, an event driven review process is triggered whenever changes occur on the Participants’ profiles, including but not limited to change in ownership, adverse media news, regulatory fines, findings highlighted during the Transaction Monitoring Process.

Such an event driven review will consist in rechecking all the compliance eligibility criteria irrespective of the nature of the event.

### 3.2.5 Suspension

In line with the Buna Rulebook a Participant may be suspended:

1. Upon any breach by the Participant of the System Documents;

2. If the System Operator at its discretion considers that suspension is necessary to protect the interests of the System Operator or Participants (excluding the Participant concerned) and the safety and integrity of the System; or
3. In the event of the deterioration in the financial stability of the Participant or any Force Majeure Event affecting the Participant.

In determining whether a Participant shall be suspended, the System Operator may consult with the Participant’s home state regulator and shall notify the Participant of any such consultation as soon as practicable.

The System Operator shall be entitled to suspend the membership of any Participant upon written notice by electronic mail & authenticated swift message to (i) the Participant, (ii) each FHI and (iii) the Participant’s home state regulator, at any time and with immediate effect (or with effect at such time and date as the System Operator may specify).

The Participant may be suspended from the System in relation to only one Participant Account and Eligible Currency or in relation to all Participant Accounts and Eligible Currencies it transacts in at the System Operator’s discretion.

The System Operator shall have full discretion as to the length of the Suspension period.

### 3.2.6 Termination

The Buna Rulebook also caters for the System Operator right to terminate the membership of any Participant upon written notice and authenticated swift message to the Participant and its home state regulator following:

1. Any material and unremedied breach by the Participant of the System Documents;
2. Any prior suspension of the Participant by the System Operator that remained unresolved to the satisfaction of the System Operator 6 months after the initial suspension;
3. The occurrence of an Event of Default with respect to that Participant.

## 3.3 CONTROLS AND PROCESSES

As part of its compliance framework, Buna implemented a set of tools, controls, processes and procedures to ensure compliance of its Participants with applicable international standards and regulations in relation to FCC. This additional layer of compliance is implemented on the top of the participants’ controls and is not meant to relieve the participants from their obligations to comply with applicable regulations and perform compliance checks.

Buna’s additional compliance layer applies to all transactions denominated in any Eligible Currency. It includes transaction completeness checks, sanctions screening, fraud detection and transactions monitoring.

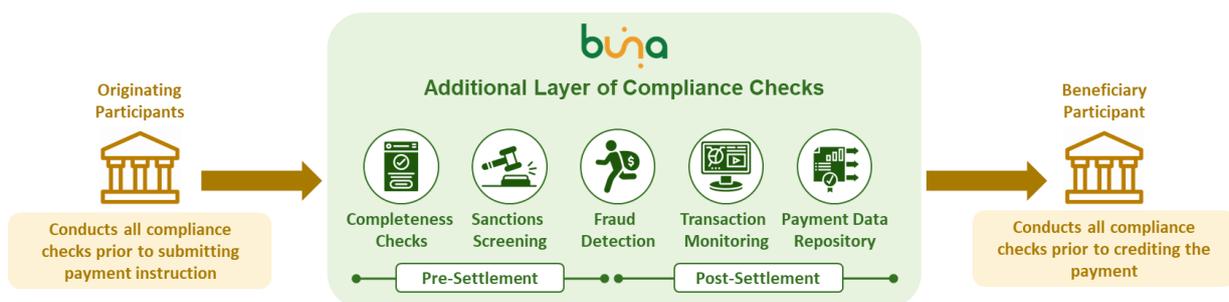


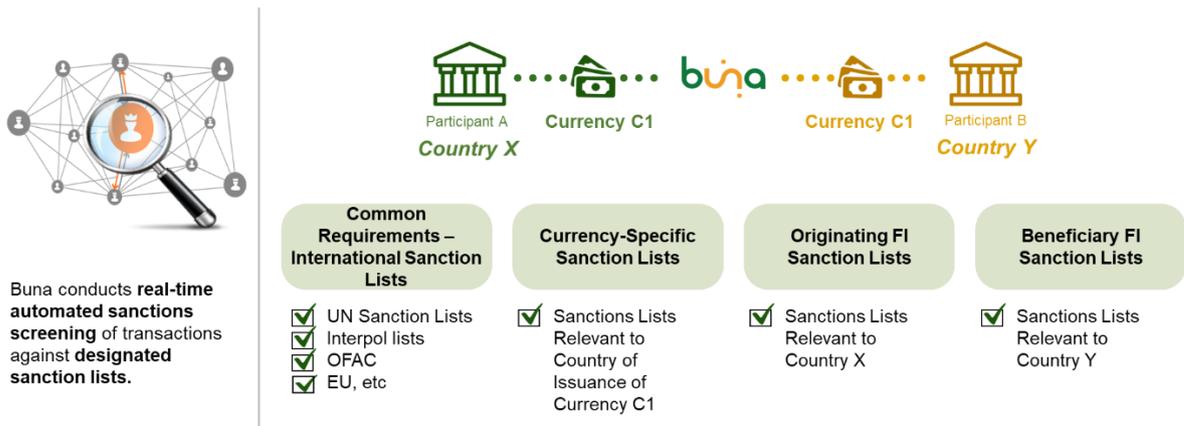
Figure 9: Buna’s additional compliance layer

### 3.3.1 Buna’s Completeness Checks

Ahead of the compliance checks, Buna performs real-time transaction completeness checks to ensure that the submitted payments contain all the mandatory fields (e.g., FATF 16 recommendation) required to process the transactions and conduct the necessary screenings and checks.

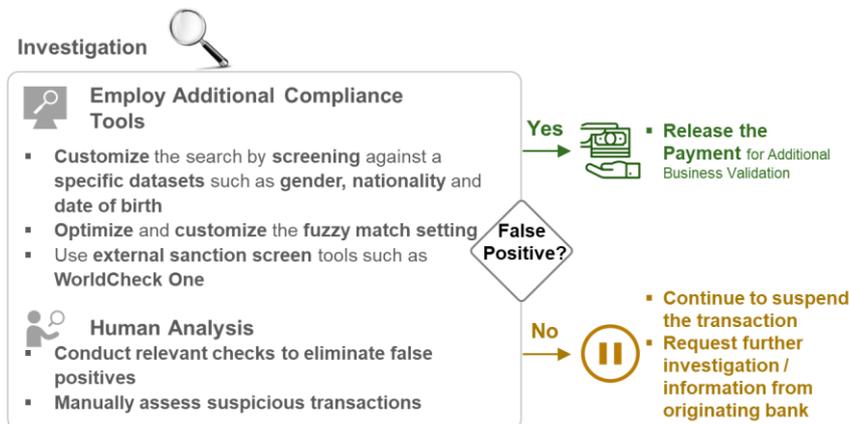
### 3.3.2 Buna’s Sanction Screening

Following completeness checks, Buna conducts automated real-time compliance screening and checks against sanctions and embargos lists. Depending on the jurisdiction of the originating and beneficiary participants and the currency of the payment transaction, the automated screening may involve different sets of sanctions and embargos list as per figure 10 below.



**Figure 10: Sanctions’ lists involved in Buna’s automated screening**

The Buna automated real-time sanction screening tool suspends any transaction that raises a flag against a sanctions list. Once a payment is suspended, the Buna compliance team initiates an investigation that may involve the request for additional information from the Originating Participant. The Buna Compliance team shall assess the transaction based on the available information to determine the course of action. If the payment is cleared as false hit, the Buna Compliance Team shall release the payment for further processing and possible settlement. Otherwise, the transaction shall be flagged as true hit and shall be rejected (in the case of USD and EUR true hits, a specific protocol may be followed in order to block the funds underlying the specific transaction, if required).

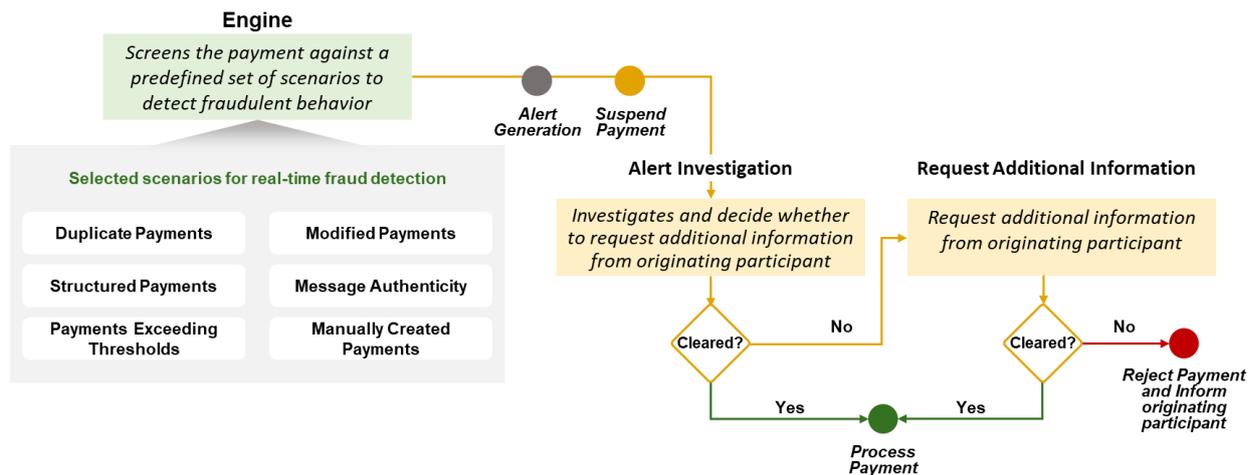


**Figure 11: Payment investigation**

### 3.3.3 Buna’s Fraud Detection

Fraud Detection in Buna is a real-time process which uses an intelligent engine that provides models and pre-defined scenarios for identifying and deterring fraud trends and risks. It analyses payment messages, body, header details and routing, as well as historical transactions data, to intelligently learn patterns, behaviors, and trends, which enables the solution to reason about the probability of a transaction to be fraudulent and create alerts when required.

Comparably to the sanction screening process, all alerts lead to an investigation from the Buna Compliance team that may involve the request for additional information from the originating bank.



**Figure 12: High-level fraud detection process**

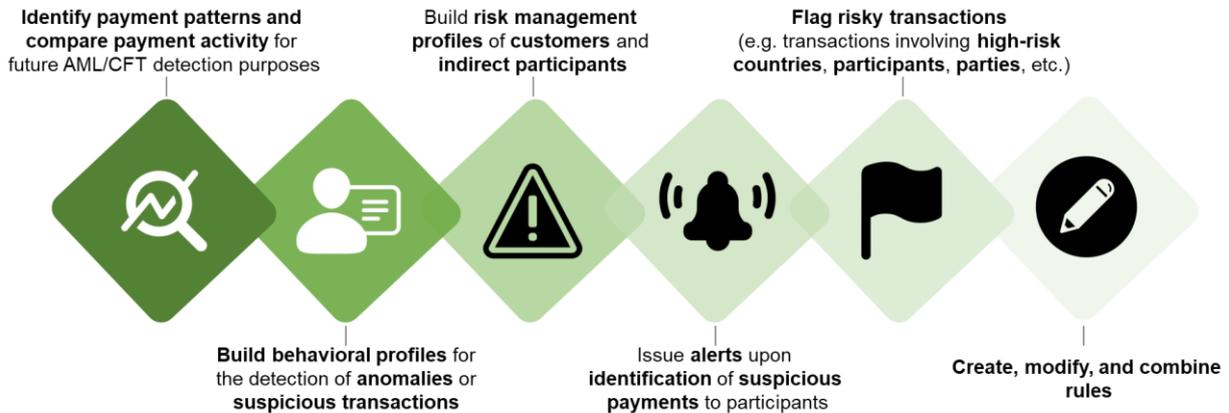
### 3.3.4 Buna’s Transaction Monitoring

The transaction monitoring system supports the following post-fact capabilities:

- Identify payment patterns and compare payment activity (for AML/CFT detection purposes) with established money laundering and terrorist financing methods.
- Build behavioral profiles for detection of anomalies or suspicious transactions.
- Build risk management profiles of customers (e.g., using bank account numbers) and Participants (e.g., using a Bank Identifier Code or a Legal Entity Identifier) to identify those Participants whose accounts are operating significantly outside the parameters that would otherwise be expected.
- Issue alerts upon identification of suspicious payments.
- Highlight red flags such as:
  - Transactions involving high risk countries vulnerable to money laundering (if and to the extent this can be identified).
  - Large (value or volume) transaction activity.
  - Other transactional activity that appears unusual in the context of the relationship with a Participant.
  - Transaction activity that involves amounts which are frequently just less than any locally mandated transaction reporting requirements, or transactions or enquiries

that appear to test or identify an institution's own internal monitoring thresholds or controls.

- Maintain an audit trail and track alerts to enable appropriate management of such payments.



**Figure 13: Transactions monitoring**

### 3.3.5 Reporting

In case of a payment rejection due to a ‘True Hit’ in the Sanctions Screening, Buna may report the transaction to the Participant Originating Bank. The same report may be made to the respective Fund Holding Institutions (FHI) of the currency involved in the transaction, in accordance with the FHI agreement or any other internal arrangement with such FHI. These reports may be done after thorough assessment of the seriousness of the infringement.

In case of increased numbers of hits from a specific Participant or any other suspicious activity observed, the concern is escalated internally to the CEO, ExCo and ARCC, as and if applicable, before raising it to the Participant’s Compliance and Senior Management.

In case it is required to block the funds, Buna reports the payment transactions, with its details and the violation details, to the relevant Fund Holding Institutions (FHI) of the currency involved in the transaction.

#### 4 APPENDIX: DEFINITIONS

In this document, except where the context otherwise requires, the following words and expressions shall have the following meanings:

<b>Term</b>	<b>Definition</b>
<b>AML</b>	Anti-money laundering
<b>Applicant</b>	An entity that has applied for becoming a Participant in the System
<b>ARCC</b>	The Audit, Risk and Compliance Committee
<b>Board of Directors</b>	The Board of Directors of the Organization
<b>CEO</b>	The Chief Executive Officer of the Organization
<b>CDD</b>	Customer Due Diligence
<b>CFT</b>	Combating the Financing of Terrorism
<b>Compliance Program</b>	Buna’s Compliance Program
<b>CRCO</b>	The Chief Risk and Compliance Officer
<b>Currency</b>	Eligible Currency
<b>Currency-Specific Sanctions</b>	Sanction List applied to the transactions denominated in the involved currency
<b>EDD</b>	Enhanced Due Diligence
<b>Eligibility Criteria</b>	The legal, financial and operational criteria for participating in the System as may be specified by the System Operator from time to time;
<b>FCC</b>	Financial Crimes Compliance, which involves a series of internal policies, procedures, and systems designed to detect and prevent activities that could involve money laundering, fraud, or other financial crimes
<b>Money Laundering</b>	The process by which persons attempt to conceal and disguise the true origin and ownership of illegal funds. Money laundering is generally viewed as a three-stage process
<b>Organization (the Arab Regional Payment, Clearing and Settlement Organization or ARPCSO)</b>	The legal entity established in the United Arab Emirates pursuant to Federal Decree No. 50 of 2021 on the Ratification of the Host Country Agreement between AMF and UAE government, published in the Official Gazette issue No. 700 dated 15 April 2021 for the purposes of establishing and operating the System
<b>Originating Participant</b>	A Participant that submits a Payment Message or amends or rescinds a Payment Message
<b>Participant</b>	An entity that has been granted Participant status by the System Operator and has received an executed copy of its Participation Agreement in accordance with the Rules and the Procedures
<b>Payment Message</b>	An electronic SWIFT message which a Participant sends for Processing by the System Operator in order to affect the transfer of funds to a Payee

<b>Procedures</b>	The Procedures of Buna
<b>Rulebook</b>	The Rules and the Procedures
<b>Rules</b>	The Rules of Buna
<b>Sanctions</b>	Any international trade, economic or financial sanctions or embargoes administered, enacted or enforced by a Sanctions Authority
<b>Sanctions Authority</b>	<ul style="list-style-type: none"> <li>a) The Security Council of the United Nations</li> <li>b) United States of America including the Office of Foreign Asset Control, US Department of State, the US Department of Commerce and US Department of the Treasury, including Office of Foreign Asset Control</li> <li>c) The European Union</li> <li>d) The United Kingdom Government (including Her Majesty's Treasury)</li> <li>e) Any other as may be</li> </ul>
<b>Sanctions List</b>	The Specifically Designated Nationals and Blocked Persons list maintained by the Office of Foreign Asset Control, the consolidated list of Financial Sanctions Targets and Investment Ban List maintained by her Majesty's Treasury, or any Similar list maintained by or public announcement of a Sanctions designation made by, a Sanctions Authority, each as amended, supplemented, or substituted from time to time
<b>Settle or settlement (and related expressions)</b>	The settlement of Payment Messages on the books and records of the System by the simultaneous making of debits and credits by the System Operator to the Accounts of the payer and payee specified in the applicable Payment Message
<b>STP</b>	Straight Through Processing
<b>Suspension or Suspended</b>	The temporary moratorium of the right and obligations of a Participant for a period of time to be determined by the System Operator
<b>System (Buna)</b>	The system established and operated by the Organization for the settlement of payments between the Participants of that system including the processes, protocols, computer hardware and software system used to deliver the services described in the System Documents
<b>System Documents</b>	Participation Agreement and the Rulebook of Buna (namely the rules and the procedures)
<b>System Operator</b>	The legal entity responsible for operating the System (being the Organization)