

2021 | ANNUAL REPORT



المؤسسة الإقليمية لمقاصة  
وتسوية المدفوعات العربية

ARAB REGIONAL PAYMENTS  
CLEARING AND SETTLEMENT  
ORGANIZATION

ANNUAL  
REPORT

2021

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# 1 - Buna at a Glance

## 1.1 Introduction

**Buna is a cross-border and multi-currency payment system owned by the Arab Monetary Fund (AMF) and created in execution of the Council of Arab Central Banks and Monetary Authorities Governors resolution number 10/2017, mandating the AMF to establish a cross-border payment system that supports further economic and financial integration between Arab countries and expand trade and investment activities with the global trading partners.**

Built on the foundation that an efficient infrastructure for cross-border payments is essential to a solid and effective financial ecosystem, Buna enables commercial banks, central banks, and other financial institutions, in the Arab region and beyond, to send and receive payments, in Arab currencies as well as in key international currencies. Buna welcomes the inclusion of all financial institutions that meet the eligibility criteria and conditions for participation. Participants benefit from cost-effective and real-time services through a centralized, risk-controlled, and secure platform. Buna's innovative payment infrastructure complies with the highest international standards of information security and requirements against financial crime.

Buna, as a payment system, is designed in accordance with the Principles for Financial Market Infrastructures (PFMIs) issued in April 2012 by the Committee on Payment and Settlement Systems (CPMI) of the Bank of International Settlement (BIS) and the Technical Committee of the International Organization of Securities Commissions (IOSCO).

Buna is operated by The Arab Regional Payments, Clearing and Settlement Organization (ARPCSO), an independent regional organization fully owned by the Arab Monetary Fund (AMF). The ARPCSO enjoys an independent juridical personality with a supranational status

## 1.2 Mission, and Values



### OUR MISSION

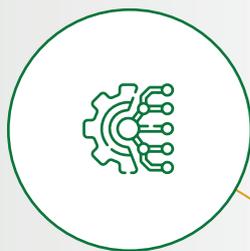
Is to provide payment solutions that empower Arab economies and promote regional integration.



### OUR VALUES

Reinforce the organization's identity, shape organization culture, assist in decision making, influence employee behavior and ensure growth.

### Buna's Values are the Following:



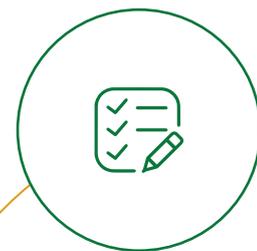
#### Integrity

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 any aspect of our services.

## 1.3 Objectives

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

- ✔ Empower Arab economies.
- ✔ Streamline trade and 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 standards.

## 2 Main Achievements in 2021

### 2.1 Establishment of the Arab Regional Payments, Clearing and Settlement Organization (ARPCSO)

The ARPCSO is a regional entity created and owned by the Arab Monetary Fund. ARPCSO act as the system operator of Buna and supports the use of relevant currencies for cross-border payments, facilitates trade and other economic activities, and promotes economic integration among all Arab countries and beyond.

The ARPCSO was established on 11 April 2021, with the issuance of the UAE government federal decree number 50 for the year 2021, that formally recognized ARPCSO as a supranational organization hosted by the United Arab Emirates in Abu Dhabi.

### 2.2 Registration of Buna Trademark

On 15 November 2021, Buna completed the formal registration of its name (Buna®) and its logo in the United Arab Emirates Ministry of Economy, as trademark owned by the ARPCSO.

### 2.3 Inclusion of Currencies

During 2021, Buna added the US dollar, the euro, and the Jordanian dinar to its list of Arab and international currencies. Buna's current list of settlement currencies includes to date four Arab currencies, namely the Emirati dirham, the Egyptian pound, the Saudi riyal and the Jordanian dinar, in addition to the US dollar and the euro.

## 2.4 Building Participants' Network

Buna welcomes the inclusion of all Central Banks, commercial banks, or any other financial institution that meet the eligibility criteria for participation in the system, primarily the standards and procedures of compliance aspects. Once an applicant organization is accepted as a participant, they can submit and receive payments directly through Buna payment system and make use of Buna services.

Buna continues its efforts to welcome eligible institutions to join the system and use its services. Our network of participants has been gradually increasing. It includes Central Banks and commercial banks, with important peaks reached at the end of the year 2021 allowing almost full reachability in some countries from different parts of the Arab region.

By 31.12.2021:

<b>135</b> financial institutions are in different stages of the onboarding process,	<b>Including</b> <b>57</b> financial institutions signed the participation agreement,	<b>Out of which</b> <b>35</b> financial institutions are fully operational.
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## 2.5 Strategic Interoperability

Driven by our strategic objective to build bridges for payments, at intra-Arab world level and between the Arab region and the global markets, Buna is continuously seeking cooperation with diverse entities and operators of payments systems from around the globe to enrich its value proposition and its footprint in the global payment landscape.

In 2021 Buna announced Memorandums of Understanding with both Visa and Mastercard, setting the foundation for interoperability with both global card schemes. The objective of these initiatives is to build beneficial interoperability through modern solutions, that facilitates the flow of payments between the participants of Buna and the ones of the two networks. This will lead to the establishment of efficient rails 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 also worked with Banca d'Italia (Central Bank of Italy) for completing a proof-of-concept interconnecting Buna with the Target Instant Payments Settlement (TIPS) system. Our collaboration with Banca d'Italia represented a successful example of how interoperability can lead to successful cross-border, cross-currency, cross-system payments transactions.

Buna interoperability initiatives will continue during the year 2022, targeting to build strategic connectivity with other global card schemes, market infrastructures and operators of national and regional payment systems in the Arab region and in other international markets, in line with our strategic objective to support the flow of payments between the Arab countries and the rest of the world.

## 2.6 Financial Highlights

**Total Assets**

**USD 35.97 million**

**Authorized Capital**

**USD 100 million**

### **3 The Statement of His Excellency Dr. Abdulrahman A. Al Hamidy, Director General Chairman of the Board of the Arab Monetary Fund**

Buna's first annual report is not just a wrap-up of the cross-border payment system activities and achievements during the year 2021. This is a significant occasion for me as Director General Chairman of the Board of the Arab Monetary Fund (AMF) and for my colleagues at the AMF and Buna, to honor the materialization of an ambitious objective into a modern and efficient multi-currency cross-border payment system.

This achievement wouldn't have taken place without the Arab Central Banks' strong support, their commitment to what Buna represents as a strategic initiative and their belief in the approach of the AMF towards the future of the payment industry in the Arab world.

The Arab Monetary Fund was mandated by the Council of Arab Central Banks and Monetary Authorities' Governors back in 2017 to establish and launch a cross-border payment system. This mandate represented a recognition by the Arab policymakers of the importance of bringing to life a payment system, that serves the financial ecosystem of the Arab region and creates value to the payment industry in this part of the world and globally. We were trusted to do what we are good at; create an advanced model that can greatly contribute to enhancing financial integration within the Arab region, by establishing a multi-currency cross-border payment system that is capable to realize three key objectives: bringing tangible value to the financial community, contributing to the empowerment of the Arab economies, and creating widespread benefits to citizens.

On the backdrop of these strategic goals, we initiated the task of setting a viable and sustainable model to clear and settle cross-border transactions, as a key tool to support the realization of the Fund's overarching theme: "providing the best achievable ways to support Arab regional integration". Buna has now been delivered and it represent a golden key to unlocking many hidden opportunities.

In addition to making sure that Buna operates with the right vision and a clear mission, the Arab Monetary Fund has set the foundation for Buna to take the payment sector in the Arab region to another level and position itself as a global player in this important industry.

The solid foundation of Buna starts from the model we have chosen for its legal construction. Buna as a payment system is operated by the Arab Regional Payment Clearing and Settlement Organization (ARPCSO), a supranational organization fully owned by the Arab Monetary Fund and governed by its articles of establishment. This construction has allowed to reconcile two key objectives, which are the independence of Buna on the one hand and its compliance with best international standards, without being bound by national legislations on the other hand.

An important aspect of Buna is that it is subject to the oversight of the central banks. This function will be exercised by an Oversight Committee to which the Central Banks that have agreed to include their currency in Buna are eligible. This committee will be assessing Buna's compliance with key regulations and international principles such as the principles for financial market infrastructures (PFMI's) and ensuring that Buna is avoiding risks or creating any threat for the financial stability of the different currencies that are included in Buna.

Another element of the Buna's foundation is the decision we took to go beyond the strict obligations of the payment system, by enabling sanctions screening and AML/CFT checks in Buna own system contrary to what is generally the practice for other payment infrastructures.

This unique capacity is key in the construction of Buna and its success in bringing the necessary element of trust and having it recognized by all actors, especially in a diversified environment that involves different currencies and several countries. Buna managed to implement these checks in a customized and fully comprehensive way, to make sure that the rules that apply to the different currencies are in place and are covered depending on the actors involved in a transaction and the currency that is used to process the payment.

Buna is an initiative with a clear mandate to support the growth of the Arab region. However, to serve the needs of the regional markets, Buna had to operate with a global approach, which is now allowing to connect the Arab region with the rest of the globe and the major trade partners, in particular. To achieve that, we made interoperability at the heart of the Buna's construction, and we designed Buna in a way to allow efficient connection with other market infrastructure and payment networks.

Another notable element of Buna's foundation is the role that this payment system is equipped to play in driving harmonization. Endorsing global compliance standards and applying them consistently to all its stakeholders represent an important aspect of this role, but it is not the only one. Thanks to its single and standardized way to use payment messages irrespective of the location of the sending and receiving parties and irrespective of the currency used for the payment, Buna is paving the way for the harmonization of cross-border payments. Moreover, thanks to its constant dialogue with different authorities and a large network of participants, in addition to its advanced and inclusive governance, Buna represents a reliable platform that gathers members of the payment community and allows them to join forces to achieve harmonization and bring important benefits to the payment community and its users.

This solid foundation of Buna has allowed tremendous progress in 2021. Mehdi Manaa, the CEO of Buna is detailing them in his review included to this annual report. I am sure that 2022 will be another year of achieved milestones and successful deliveries and I wish to Mehdi and the Buna team the best of luck in realizing Buna's objectives.



## 4 Chief Executive Officer's Review

**Mehdi Manaâ**



*In a newly established entity, every day can bring important developments and interesting challenges. Therefore, summarizing what has been achieved in the 365 days of a calendar year is not an easy task, though an exciting one.*

2021 was our first full year as a live and operational payment system. Few days before the beginning of the year 2021 Buna executed its first live payment in UAE Dirhams, successfully processing a transaction between Mashreq Bank in the UAE and Banque Misr in Egypt. This payment announced Buna's entry into full operations and demonstrated our operational and technical readiness to perform cross-border payments. It also represented a milestone in our journey to build a solid and sustainable presence, serving as a base for the Buna team to continue growing the list of settlement currencies and intensify the engagement with banks and other financial institutions from the Arab region and beyond to join Buna and use its services to send and receive payments cross-border in multi-currencies and in a safe, cost-effective, risk-controlled, and transparent environment.

Buna's construction was complemented by the full establishment of the Arab Regional Payments Clearing and Settlement Organization (ARPCSO). This legal entity, in charge of operating Buna, received in early 2021 the recognition of the UAE authorities, through the issuance of the UAE federal decree formally establishing ARPCSO as a supranational organization hosted by the United Arab Emirates.

With those two components in place, Buna focused on developing its network in terms of settlement currencies, participants, and global partners. Buna's network significantly gained a promising shape during the year 2021. On the currency front, our list of settlement currencies doubled, growing to six currencies, and hence meeting the plans of Buna to have a diversified network of Arab and International settlement currencies. Our list of currencies includes so far, the Emirati dirham, the Egyptian pounds, the Saudi riyal, and the Jordanian dinar, in addition to the US dollar and the euro. This multi-currency aspect of Buna is key in the realization of its objective to promote the usage of Arab currencies in cross-border payments, support Intra-Arab trade and investment activities, and strengthen commercial ties between the Arab countries and their trade partners.

Payment is an industry of network, therefore making sure that the network is broad is key for the success of any payment system, and Buna is not an exception to that. In 2020 approximately 65 banks were in different stages of the onboarding to Buna, in 2021 we doubled that number reaching 135 banks, out of which 57 gained already the status of participant by signing the Buna participation agreement.

Buna list of participants is not limited to commercial banks. It also includes to date three Arab central banks, namely the central bank of Iraq, the central bank of Tunisia, and the central bank of Egypt. This proves the ability of Buna to accommodate for the needs of diverse types of actors and the trust of central banks in the added value that Buna brings to them, in terms of cost-efficiency and safety for cross-border payments in alignment with the highest standards of compliance.

Another important dimension of Buna's network that has been developed during the year 2021, is the dimension of interoperability with other payment systems. In this context, we already signed in 2021 memorandums of understanding with both Visa and Mastercard, and we are currently progressing with exploring variant aspects of cooperation with those global entities to interconnect their networks to Buna and introduce payment solutions that can bring additional value to our participants and open more corridors for cross-border transactions.

Buna's experiment with Target Instant Payments Solution (TIPS) represented a successful model of partnership and interoperability with financial market infrastructures. The proof of concept we conducted with TIPS, is an important achievement of 2021. This success can be first measured against the ease and efficiency of implementing the interconnection between the two systems in just a few weeks. The speed of the payment execution represented a second and very important element of this success, as we were able to process an instant payment end to end from a bank in Europe to a bank in the Buna network, including the confirmation of the payment, in less than 15 seconds. This notably short time for payment processing showed very promising results in terms of what could be achieved with the interconnection between existing platforms, and particularly between instant payment solutions. With our pipeline of participants, interoperability plans and innovative services, we will ensure that Buna is well positioned to achieve further development in 2022 and create significant value for its stakeholders and the financial community.

*Finally, I would like to take this opportunity to thank the Arab Central Banks and their esteemed Governors, the Arab Monetary Fund (AMF) and His Excellency Dr. Abdulrahman A. Al Hamidy, Director General Chairman of the Board of the AMF, our partners and friends in the payment industry and several international organizations for their trust in Buna and their continuous support. And most importantly, I would like to thank the Buna team for their commitment and hard work.*

“

**Let's look forward to building on  
our achievements in 2021  
through 2022 and beyond.**

**Mehdi Manaa**  
Chief Executive Officer's review

”

## 5 Our strategy to Transform Cross-Border Payments

### 5.1 Key Drivers

Buna system aims to be the payment infrastructure that transforms the financial landscape in the Arab region and beyond by empowering Arab economies, facilitating greater financial inclusion, strengthening regional integration, promoting regional currencies, and growing trade relationships with global partners.

Buna system streamlines cross-border payments by reducing costs and increasing access, speed, efficiency, and transparency.

Since its launch in 2020, Buna onboarded 6 major currencies (AED, EGP, SAR, USD, EUR, and JOD), these currencies represent more than 90 % of the intra Arab cross-border payments flows. Buna is currently in the process of onboarding approximately 200 banks from different markets.

Buna is processing payments within seconds, giving participants and end-users the ability to transact cross-border payments in a similar fashion to domestic ones. Buna charges a flat fee regardless of the transaction amount, which means that end-users will have the ability to transact with higher amounts and a higher frequency without incurring incremental costs.

These factors play a key role in supporting economic growth and sustainability by boosting the money flows between countries, whether for consumer, business, or public sector use, leading to a positive socio-economic impact and greater financial inclusion.

### 5.2 Aligning with G20 Agenda

Global recognition of the strategic necessity to improve cross-border payments attracted notable attention in recent years and further emphasized that cross-border payment services can play an important role in supporting global economic growth, development of international trades, and financial inclusion among other potential positive impacts.

The topic of “enhancing cross-border payments” joined the list of priorities on the agenda of the Group of 20 “G20” during the 2020 Saudi Arabia presidency and did not leave it with the subsequent Italian presidency and the current Indonesian presidency. That has opened the door to develop a comprehensive roadmap to enhance cross-border payments by the Financial Stability Board (FSB) in coordination with the BIS’s Committee on Payment Market Infrastructure (CPMI). The roadmap was endorsed by the G20 leaders and targeted to address the key challenges of high costs, low speed, limited access, and insufficient transparency that are often faced by cross-border payments, affecting end-users and service providers.

The roadmap builds on the FSB’s Stage 1 report, setting out the challenges and the frictions in cross-border payments that contribute to them, and the CPMI’s Stage 2 report, describing the necessary elements of a response in the form of 19 building blocks. The International Monetary Fund (IMF), the World Bank (WB), the Financial Action Task Force (FATF), and the BIS Innovation Hub (BISIH), in addition to the FSB and the CPMI are currently coordinating the efforts to implement these 19 building blocks.

The 19 building blocks are structured according to the following five focus areas: 1) Public and Private Sector Commitment 2) Regulatory, Supervisory & Oversight Frameworks 3) Existing Payment Infrastructures & Arrangements 4) Data Market & Practices 5) New Payment Infrastructures & Arrangements. An overview of the mentioned focus areas, and associated building blocks, gives a clear indication that the execution of the G20 roadmap requires contributions from diverse stakeholders beyond borders and across disciplines and in particular the commitment of public authorities and the private sector to work together.

Today, thanks to the Arab Central Banks decision, Buna is not only transforming the cross-border payments landscape in the Arab region, but it is also contributing to the global efforts to achieve the goal of this roadmap. This has been translated by Buna into the objective of “making cross border payment as efficient as domestic payment” and as a result, Buna is bringing tangible responses to each of the 19 building blocks and all the 5 focus areas of the G20 roadmap.

By enabling payments in a safe, cost-effective, risk-controlled, and transparent environment, Buna is materially helping in solving the major four frictions in cross-border payments identified by the G20 and related to the high cost, low speed, lack of transparency, and limited access. Buna’s alignment with the G20 roadmap is tangible and recognizable in different aspects of Buna such as the real-time processing of payments, multi-currency ability, easy access, effective cost, and safe operational and compliance frameworks.

Buna strongly believes in the importance of joining forces and aligning visions to implement the G20 roadmap successfully and overcome the

challenges of cross-border payments. Buna will continue increasing its collaboration with all relevant authorities and stakeholders from around the globe to achieve that.

### 5.3 Interoperability

Efficient cross-border payments require a global approach and the ability to cooperate beyond geographic boundaries. This reality has been formally stated in the previously explained G20 roadmap to enhance cross-border payments, which stressed the importance of collaboration between different payment systems across the globe to establish a proper framework for connectivity and systems interoperability.

Buna considers interoperability as a fundamental element to meet its objective of supporting further integration, not only between the Arab countries but also between them and the rest of the globe. To achieve that, Buna adopted a transparent and agile approach in joining forces with major players in the payment sector. This approach is supported by our payment system flexibility and ability to connect and build fruitful partnerships in a cooperative and efficient manner. The adoption of connectivity and messaging standards, multi-currency inclusion, and the adherence to international requirements for compliance are the three main pillars that Buna relied on to pave the way to interoperability and make it smooth and efficient.

In that context, the year 2021 witnessed several announcements of interoperability initiatives and partnerships.

***In that context, the year  
2021 witnessed  
several announcements  
of interoperability  
initiatives.***

In July 2021 we announced our successful experiment with TARGET Instant Payment Settlement (TIPS), a proof of concept that came under block 13 of the G20 roadmap that seeks to enhance the existing payments ecosystem by pursuing interlinking of payment systems for cross-border payments. In this experiment Buna and Banca d'Italia (Central Bank of Italy), in collaboration with SWIFT, have linked for the first time the instant payment settlement platforms with multi-currency features (TIPS and BUNA) operated by the two organizations. The experiment simulated a payment initiated in euro (EUR) by a current account holder of Banca Intesa Sanpaolo in favor of a customer of Jordan Ahli Bank, who received the money in Jordanian dinars (JOD). During the experiment, several cross-currency transactions were settled in both TIPS and Buna IPS, by debiting Intesa Sanpaolo's TIPS account in EUR and crediting Jordan Ahli's JOD account in BUNA. The average end-to-end response time for these transactions was approximately 15 seconds. Although it was mainly a technical experiment, the very promising results will lead to a whole new range of 24/7 services for firms and citizens.

Another interoperability announcement took place during the month of August 2021, Buna announced a memorandum of understanding (MoU) with Visa, one of the top global payment schemes worldwide. The MoU sets the foundation for connectivity between Buna and Visa Direct system, which is setting the foundation for a long-term strategic partnership.

During last December, a third interoperability step was made by announcing a memorandum of understanding (MoU) with MasterCard. The MoU aims to establish connectivity between Buna and MasterCard cross-border services, which is also setting the foundation for a long-term strategic partnership.

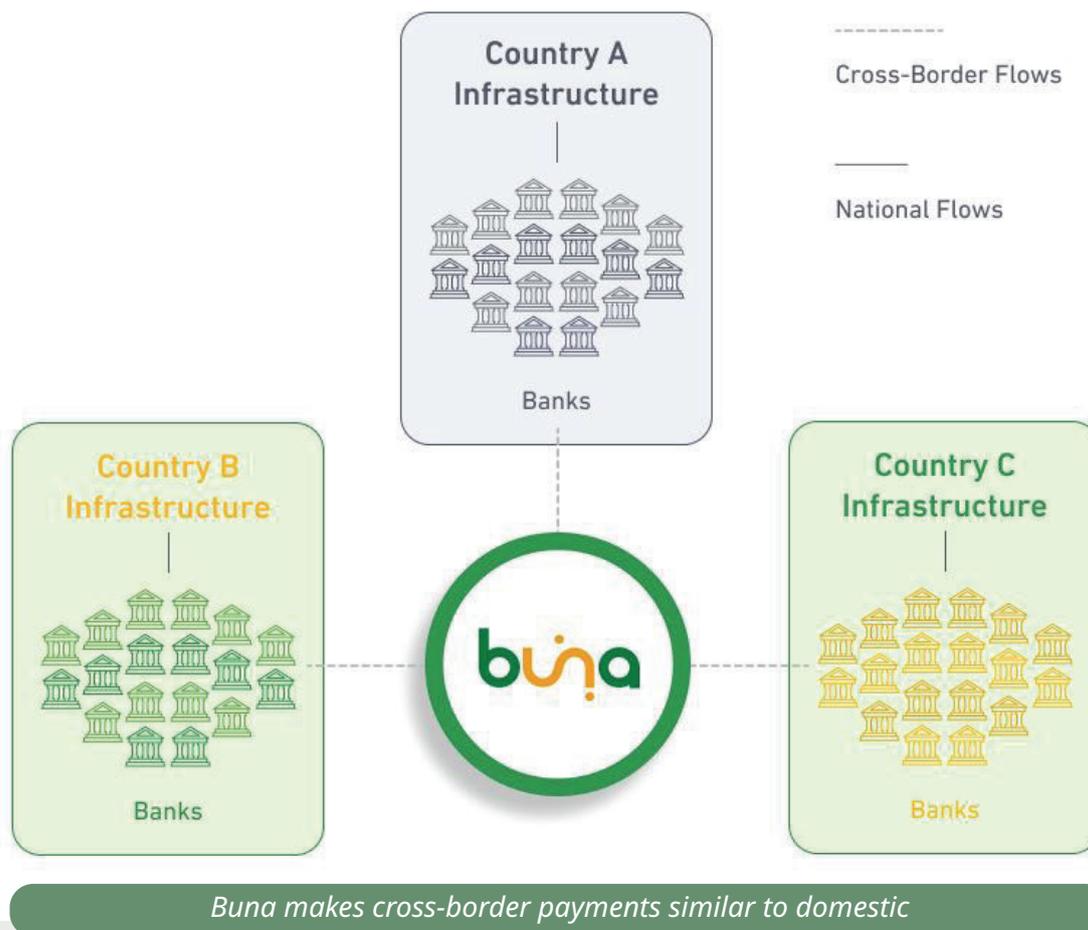
In concrete terms, the objective of these various partnerships is to build beneficial interoperability that expands reachability and facilitates the flow of payments between the participants of Buna and the participants in the other networks. This will lead to the establishment of an efficient rail for cross-border payments and serve a wide and diversified group of banks and financial institutions through a proper cooperation framework and performant technology.



## 6 Payment Ecosystem

### 6.1 Buna Streamlined Model

Buna introduces a streamlined model to process cross-border payments, providing its participants and especially the commercial banks and other financial institutions with opportunities to expand their network.



Through this streamlined payment model, Buna enables financial institutions and central banks in the Arab region and beyond to send and receive cross-border payments throughout the day in real-time and in all available Arab and International currencies, serving as a single-entry point to the region's financial systems for global financial institutions, as well as a multi-currency and multi-instrument system for local ones.

Buna holds a single account in each eligible currency at a Fund Holding Institution (FHI). FHI is the Central Bank of issuance or a designated commercial bank that may be utilized to hold Buna's settlement account where applicable. These accounts will be maintained at the Central Bank of issuance or the designated commercial bank. In both cases, final clearing and settlement is conducted in Buna, in line with CPMI-IOSCO PFMI's principle 4.

The participants' accounts are maintained in Buna, each participant is required to open an account in the system for each eligible currency in which that participant wishes to settle payment transactions. Participants in the system include central banks, commercial banks, or any other institution that meets the participation criteria and submits their cross-border transactions directly to the system. Participants are required to pre-fund their accounts to eliminate credit risk and ensures the system's stability.

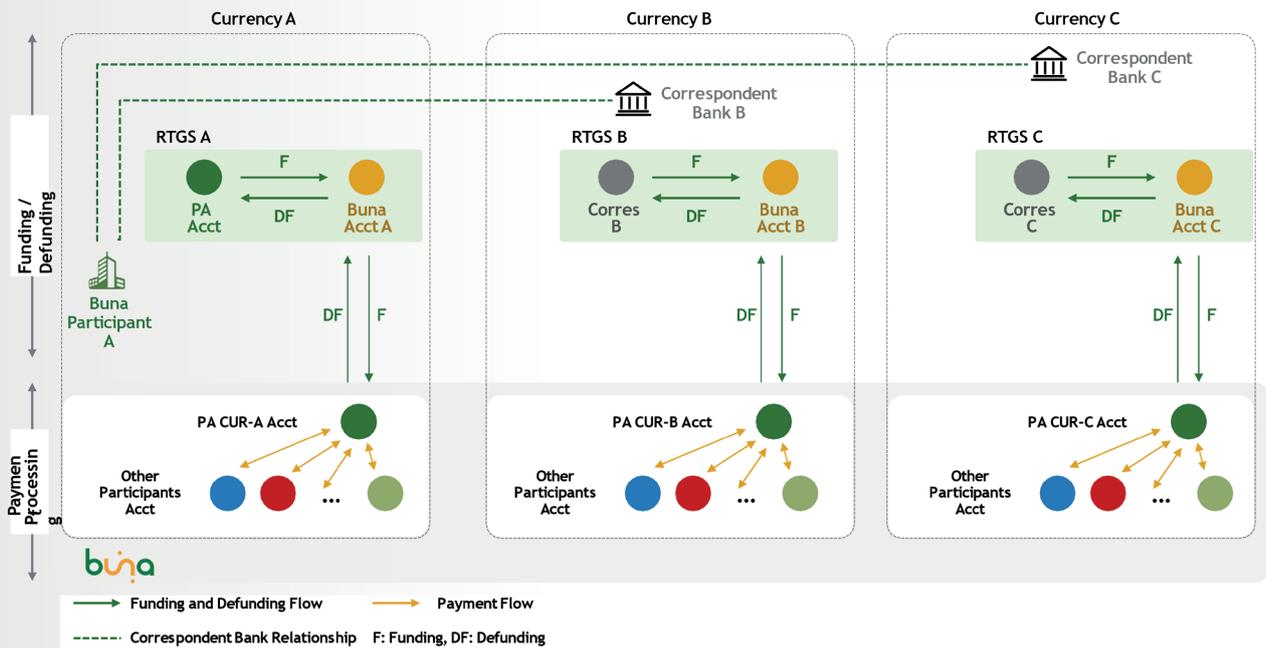
The process that a participant should follow to fund its account in Buna, varies upon the used currency. When a central bank plays the role of FHI for the currency, the participant should submit a payment instruction through the Real-Time Gross Settlement (RTGS) system of the central bank. Upon receiving a notification from the RTGS, Buna will automatically top-up the participant account.

When the FHI role is fulfilled by a designated commercial bank, the participant does not necessarily need to open an account at the Fund Holding Institution (FHI). The participant can transfer funds to Buna's account at the respective Fund Holding Institution through a correspondent bank of its choice. The correspondent bank will then transfer funds to Buna's account held at the FHI, and upon receiving a notification from the FHI, Buna will automatically top-up the participant account in Buna.

Participants can withdraw funds from their Buna accounts at any time during the day. At the end of the day, Buna may defund participant accounts, where applicable, by transferring funds equivalent to their net positions to their registered bank accounts.

To transact through Buna, participants can directly submit payments to other participants, without involvement from the FHI in the payment flows. The participants are only required to submit a payment instruction directly to Buna, which will first validate the payment message prior to settling it. Payment messages can only be submitted through SWIFT and should either be in ISO 15022 or ISO 20022 formats. The validation of the payment message includes validating contents and formats, conducting compliance checks, and checking if sufficient funds exist in the participant account. Once a payment message is validated, Buna would instantly settle the payment, debiting and crediting accounts of participants. At this point, the settlement is considered final and irrevocable. Beneficiary participants will receive a notification and will have immediate access to the balance in their accounts.





*Buna's mechanism to settle payments*

## 6.2 Our Products and Services

Buna offers a wide range of products and services that cater for various current and potential needs of its participants and their end-users. Buna's current offering includes multi-currency cross-border interbank payments, commercial payments, remittances, instant payments and it is planned to extend to trade finance, securities settlement, and ATM/POS processing service.

### Current Offering

#### Trade, Retail and Commerce



- Credit transfers constitute the majority of intra-Arab payment volumes
- Buna aims to facilitate business activities across the Arab region and beyond

#### Interbank Transfers



- Interbank payments, comprising a small portion of volumes but a large portion of cross-border payment values in the Arab region, will also be covered by Buna, in line with areas of focus of comparable systems

#### Remittances



- Despite a global drive to reduce remittance costs, Arab remittances market remains highly fragmented
- Buna can play a central role in lowering costs and streamlining remittances services through either batch mode or even cost-efficient individual payments

#### Instant Payment



- Enables instant payments with end-to-end tracking and monitoring of payments and in line with best practices and messaging frameworks

*Buna's current products*

## Upcoming Offering

### International Bridge to Trade Partners



- Acts as a **hub between the Arab region and key trade partners**
- Focus on **fostering trade and financial integration** with the world
- **Leverage major corridors to promote financial inclusion**

### Trade Finance



- **Centralized platform**
- Authenticates Letters of Credit (LOCs)
- Informs the seller of the arrival of the LOC
- **Guarantees the payment to the beneficiary by obligating the payment once all conditions are met**

### Payment Vs Payment



- Enables **foreign exchange settlement** of transactions (FX)
- **Links with other systems** for the PvP settlement of **foreign exchange** transactions with one of the currencies

*Buna's upcoming products*

Buna's products are reinforced by a variety of features that the platform offers to enhance participants' experience.



Real-time Settlement



Low Cost and Affordable



Multicurrency Support



Prefunded Model



24x7 Payment Submission



Maximized Participation



Global Standard in Compliance



Single Entry Point to Dynamic Markets

*key product features*

## 6.3 Value Proposition

On the backdrop of its unlimited geographical coverage and multi-currency approach, Buna enables financial institutions and central banks in the Arab region and beyond to send and receive cross-border payments throughout the day in real-time and in all available Arab and International currencies.

Buna has implemented a comprehensive and efficient strategy to build a wide and diversified network of participants, by reducing the adaptation effort needed to join the system and by eliminating additional barriers to access. In particular, Buna was strategically designed to adopt international standards and best practices. By adopting international messaging standards and supporting both the ISO 15022 and ISO 20022, Buna proposes an easy and standard mechanism for participants to connect with minimal setup costs and efforts.

Thanks to this strategy Buna successfully progresses with its plans to expand its reachability across the Arab region and beyond, serving as a single-entry point to the region's financial systems for global financial institutions, as well as a multi-currency and multi-instrument system for local ones.

Buna's multi-currency support across multiple geographies, multiple jurisdictions, and a diversified network of participants is driven by its capacity to use payment messages in a harmonized way, irrespective of the location of the sending and receiving parties, and irrespective of the currency used for the payment.

Moreover, Buna enables participants to submit payments around the clock, 7 days a week in any supported currency of their choice. While currently aligning its settlement window on the operating hours of the central banks and appointed settlement banks of the respective currencies, Buna has initiated with them a dialogue aiming at extending its settlement window with the ambition of offering settlement in most of its currencies 24x7, 365 days a year, in preparation to its cross-border instant payment services.

Buna meets the need for efficient solutions that process payments at an attractive cost. From the fees structure perspective, Buna eliminates any type of fixed or subscription fees and adopts a simple, flexible, and attractive pricing strategy that follows the principles of fairness, transparency, simplicity, and most importantly competitiveness. As such, Buna participants are not subject to any upfront or recurring fees, they are charged for actual usage of Buna services based on the currency of the transaction without any minimum commitment, any intermediary fee, or hidden charges.

Buna includes sanction screening and AML/CFT checks and secures the controls and mechanisms that ensure the screening of transactions, prior to settlement, against the lists and criteria applicable to the involved currency and the sending and receiving parties, as well as other applicable international lists and criteria.

## Business Impacts and Tangible Value



### Efficiency

access hundreds of participants via a single connection, agreement, and account.



### Speed

real-time payments settlement (with finality & irrevocability).



### Competitive Cost

fixed transaction fees regardless of value, no upfront or recurring fees, no intermediary charges.



### Multi-Currency

support for regional and international currencies (including USD and EUR) in a single platform reduces dependencies, costs, and liquidity needs.



### Safety and Security

the platform is endorsed by regional Central Banks, applying AML/CFT international standards.



### Scalable Network

a growing number of participants brings incremental opportunities to every participant in the payment ecosystem without having to invest in new connections.



### Quick Onboarding

connecting to Buna is a simple technical process (4-5 weeks).

## 7 Technology Platform

### 7.1 Buna – Highly Resilient, Scalable Payment Platform to Accelerate Integration

Our future-proof and agile payments technology platform helps participant banks and financial institutions safely and efficiently enable cross-border payments. We support our community to stay tuned and ahead of trends with our innovative technology foundation that is modular, interoperable, and easy to integrate.

The Buna technology platform was designed and built with high availability, scalability, and resiliency requirements by selecting the right technology stack and partners to respond to our participant's needs faster.

#### Resilient -Always Available

Uninterrupted provision of payment services requires a high degree of resilience towards any system failure. Buna's infrastructure follows the principle of "no single points of failure". The production system consists of highly available active-active systems and an additional hot standby system to be activated in case of multiple failures or complete unavailability of the production systems in the primary site(s). All system components are duplicated, and spare components are working in Active-Active mode or will be activated automatically in case of primary component failure.



*Buna "Always Available" Framework Components*

## Modern and Modular Architecture

Buna's core platform architecture is based on a modern multi-layer service-oriented framework. Each layer in the platform has its functionality and is customized to fit the requirements of cross-border payment best practices. This approach ensures the separation of duties between system layers, thus protecting information flows from bottlenecks.

Buna technology stack with distributed loosely coupled architecture allows distributed software components or services for concurrent processing on multiple servers. This architecture minimizes bottlenecks and allows achieving new levels of throughput and performance.

## Scalable for Higher Performance

Buna platform is focused on achieving efficiency and scalability through concurrent computing and parallel processes supporting vertical and horizontal scalability.

Distributed loosely coupled architecture allows efficiently distributed software components as clusters on one or more servers that span multiple data centers. This architecture minimizes bottlenecks and enables new level throughput optimized for instant payment processing. Each data center logically segregated, using virtual context technologies across multiple vendors' equipment from core to perimeter to maintain a secure environment. Buna's Hyper-Converged Infrastructure (HCI) environment allows high scalability and agility to meet the changing demand.

## Ultimate Security

The cyber threat landscape is constantly evolving and reaching higher levels of sophistication. Leveraging techniques and practices designed to protect our data are paramount to our cybersecurity strategy. In the light of this, payment systems should make further efforts to adapt, evolve and improve their cyber resilience capabilities. To address the idea of continuous adaptation, evolution, and improvement, Buna has implemented necessary IT controls & tools such as strong authentication, digital signatures, encryption, and SIEM (Security Information and Event Management) to secure our environment and detect & respond to potential cyber threats. The Buna system provides payment exchange over a secure SWIFT network. Buna data centre facility is compliant with industry standards such as ISO 14001, ISO 27001, and ISO 50001 to provide maximum data security and protection.



## Easy to Integrate

Buna integration platform enables participants to use its cross-border payment services through APIs (Application Programming Interfaces) to achieve end-to-end instant processing and richer experience. The Buna platform's service-oriented architecture reduces the cost of implementation.

Native support of ISO20022 provides a high level of Straight Through Processing (STP) and a uniform data presentation based on worldwide accepted standards.

## Advanced Payment Analytics Technology

The payments industry is increasingly driven by information and data in today's digital age. The Buna analytics application gives users a detailed understanding of transactions to make informed decisions while simultaneously providing actionable real-time payment data on Buna web-based portal. Such insights can then increase the bank's day-to-day efficiency and liquidity optimization. Buna technology platform help strengthens participant bank` business by providing in-depth payment analytics, insightful reports, and clear visibility of your entire payments traffic across Buna's network.

## 7.2 New IT Operating Model for Efficiency

A more interconnected world is driving changes in how technology is leveraged within the payment business. Our Buna technology focus was to achieve the following objectives in 2021:



Simple and reliable IT service delivery



Lower cost base



Maximum control



### Hybrid Model Sourcing

To achieve maximum control over Buna's platform with a lower cost base, we have implemented a new sourcing model called Hybrid Model. The new service model has changed how businesses procure IT services from vendors. We have developed our sourcing strategy based on insourcing the core functions while outsourcing the non-core functions to service providers in flexible deals and in a way that we integrate the vendors into a plug-and-play multi-vendor ecosystem to protect our commercial interest. We intend to build collective success through a partnership mindset with our technology suppliers.

The new IT function will have a structurally lower cost base, improved customer-oriented mindsets and capabilities, and significantly improved speed and quality of delivery.

Also, we have implemented a performance-based supplier relationship model where we monitor and report critical suppliers' KPIs, enabling them to remedy the areas of improvement.

## 7.3 Agile Transformation

The trend is to deliver more for less and faster than usual. To do that, we started to adopt agile delivery across the IT organization in 2021, targeting:



Deliver business value regularly and incrementally



Provide visibility to stakeholders



Reduce the delivery risk

### Platform as Service

We focused on creating and maintaining business value by delivering end-to-end technology operations in a service-driven way. IT for Buna is not a back-office support function but a medium that enables customer satisfaction and drives innovation. Our platform is not just technology, but a capacity empowered to move quickly and operate to bring together business, technology, governance, processes, and people.

We have developed the Buna service catalogue to monitor and manage the solutions delivered to Buna participants. As owners, we will manage end-to-end IT services and be accountable for the successful and continuous delivery of Buna services.

IT needs to change how it functions by being agile; improving IT services with next-generation capabilities such as end-to-end automation, platform as a service, and cloud; and developing flexible technology partnerships.

Buna IT is organized around a modular "application" set on a rock-solid foundation of a core system run by accountable platforms or application teams. Each platform or application consists of a logical cluster of activities and associated technology that delivers on a specific business "as a service". With the technologies and operating model of Buna IT, technology becomes a competitive advantage and not a burden.

We introduced an agile way of working in 2021. Agile ways of working allow Buna IT to take ideas to market rapidly and speed up the release of new functionality from quarterly or monthly to several times per week. Agile improves application development and maintenance efficiency, which can be considered savings or freed up capacity.

We have organized Buna IT as a "Squad" like agile organization, with representatives of different domains working together and responsible for achieving the same objective. Squads are organized as scrums, portfolio planning, and daily stand-ups to ensure progress. We aspire to go live with new software releases more frequently rather than having "big bangs" in a year.

### IT Service Management (ITSM)

Buna IT Operation Layer defines the operational processes and procedures necessary to deliver Information Technology (IT) as a service based on ITIL industry standards. Buna IT has revised all ITSM processes, including Incident Management and Change Management, to ensure the incidents are resolved with minimal disruption.

## 7.4 Buna Instant Payment APIs

As API-driven financial services expand, financial institutions develop applications based on their priorities. Historically, companies have suffered from building and maintaining "spaghetti code," which is messy and difficult to manage. Buna's API-based architecture solves this problem and instead provides an extensible framework of building blocks that can be used to compose powerful integration with the Buna community. Buna's modern technology architecture consists mainly of compact, self-contained software components linked with easy-to-configure APIs

Buna's well-designed IPS architecture allows Buna participant teams to integrate with Buna seamlessly by leveraging SWIFT's secure network and RESTful APIs. Integration is easier with modular architectures and communication via Buna APIs.

Buna IPS APIs are shortcuts that make it easier to process cross-border instant payments and enable easy access to Buna services, products, and data. This transform has been unlocking a range of business opportunities in the Buna community. Buna IPS platform enables rapid scaling and less expensive development of ecosystems and ancillary services.

## 7.5 Integrated Cybersecurity

Every aspect of cross-border payment services has important cybersecurity implications. Buna allows exchanges of sensitive payment data among participants and interconnects networks with participants and other business partners such as FHLs, Central Banks, or payment systems. To streamline cybersecurity work and make it more effective, Buna IT has implemented two practices in 2021:



We applied higher levels of protection to information assets based on their importance and risk exposure.



We integrated security protections with the software development process with our vendors rather than applying protections after development is finalized.

**Buna cybersecurity teams have completed the critical technology implementations to make sure that the required controls are in place in 2021, such as:**

- ✓ Accelerate security patching for critical systems.
- ✓ Shortening patch cycles for systems, such as virtual private networks (VPNs), endpoint protection is essential to eliminate vulnerabilities soon after their discovery.
- ✓ Two-factor authentication; Buna participant users and staff are required to use two-factor authentication to access networks and critical applications.
- ✓ Expand coverage of monitoring: Expanding the coverage of the scope of security monitoring activities with new scenarios, particularly for data and endpoints, was essential to combat cyberattacks. Because basic boundary-protection mechanisms, such as proxies, web gateways, network intrusion-detection systems (IDS), or intrusion-prevention systems (IPS), won't secure remote users. To expand monitoring, the Buna security team continuously updates security-information-and-event- management (SIEM) systems with new rules.
- ✓ Levels of online activity that challenge the confidentiality, integrity, and availability of network traffic are accelerating. As Buna provides connectivity and processes transactions, securing the network activity is a top priority to protect Buna from cyber breaches. We have implemented technical building blocks such as a web- application firewall, secure-sockets-layer (SSL) certification, network monitoring, and fraud analytics.

## 8 Participation Model

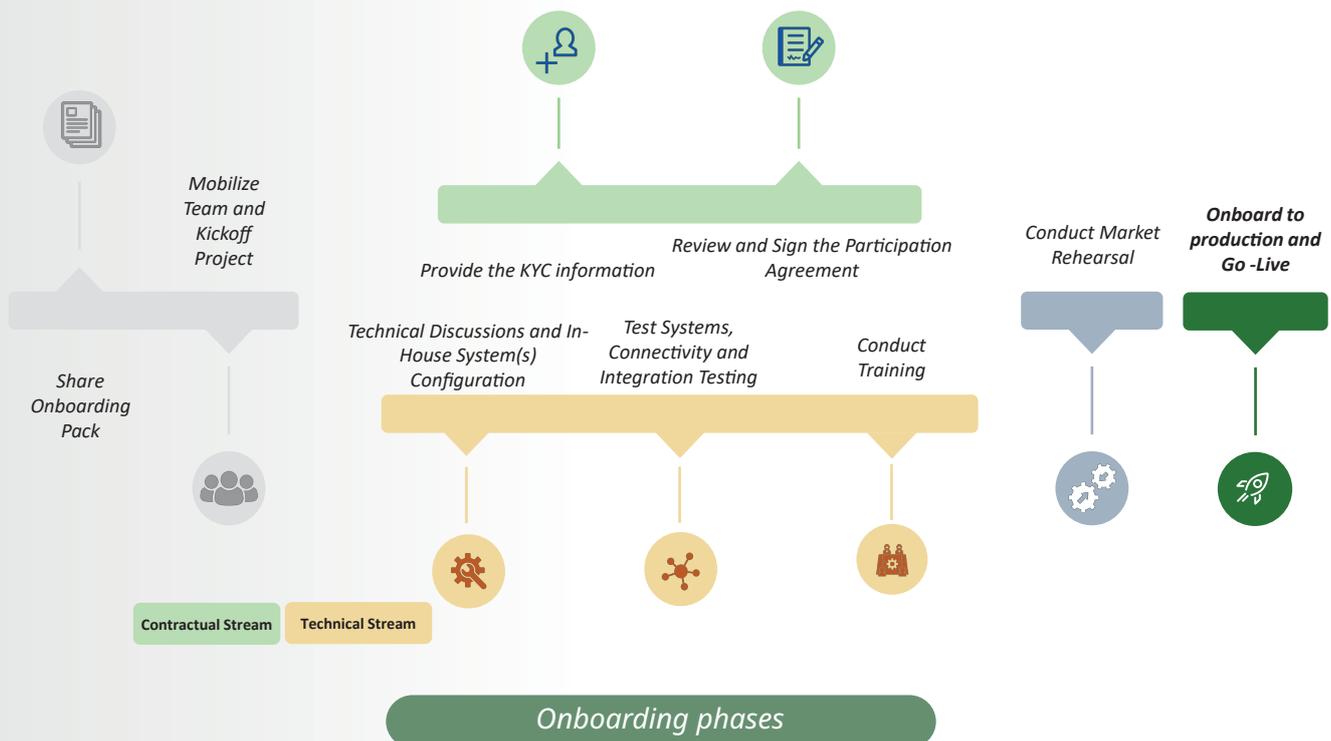
### 8.1 Onboarding Process

Central banks, commercial banks, and other financial institutions join Buna's network of participants through an easy and smooth onboarding process that includes comprehensive stages covering the contractual and technical streams of onboarding to Buna.

Buna has developed a list of mandatory requirements that shows Buna's strong commitment to applying the highest compliance standards to protect the payment ecosystem and its participants. Starting from the eligibility criteria, Buna requires the applicant to be a licensed, supervised and regulated financial institution capable to exercise a strong level of compliance that confirms its adherence to Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) regulations, anti-corruption requirements and sanctions lists, and ability to detect and act on suspicious or illegal activities.

As enrollment starts, Buna performs the know your customer "KYC" and due-diligence procedures with every applicant entity, beginning by requesting and examining a complete set of supporting documents, such as the financial institution's license, the composition of the board of directors, the Financial Crime Compliance policy, and related entity's controls and processes.

On the contractual side, Buna protects the rights of its participants through its contractually binding documents, namely the participation agreement and the rulebook (rules and procedures) that are governed by English law. The rulebook outlines the rights and obligations of all parties, in order to ensure the stability of the payment system.

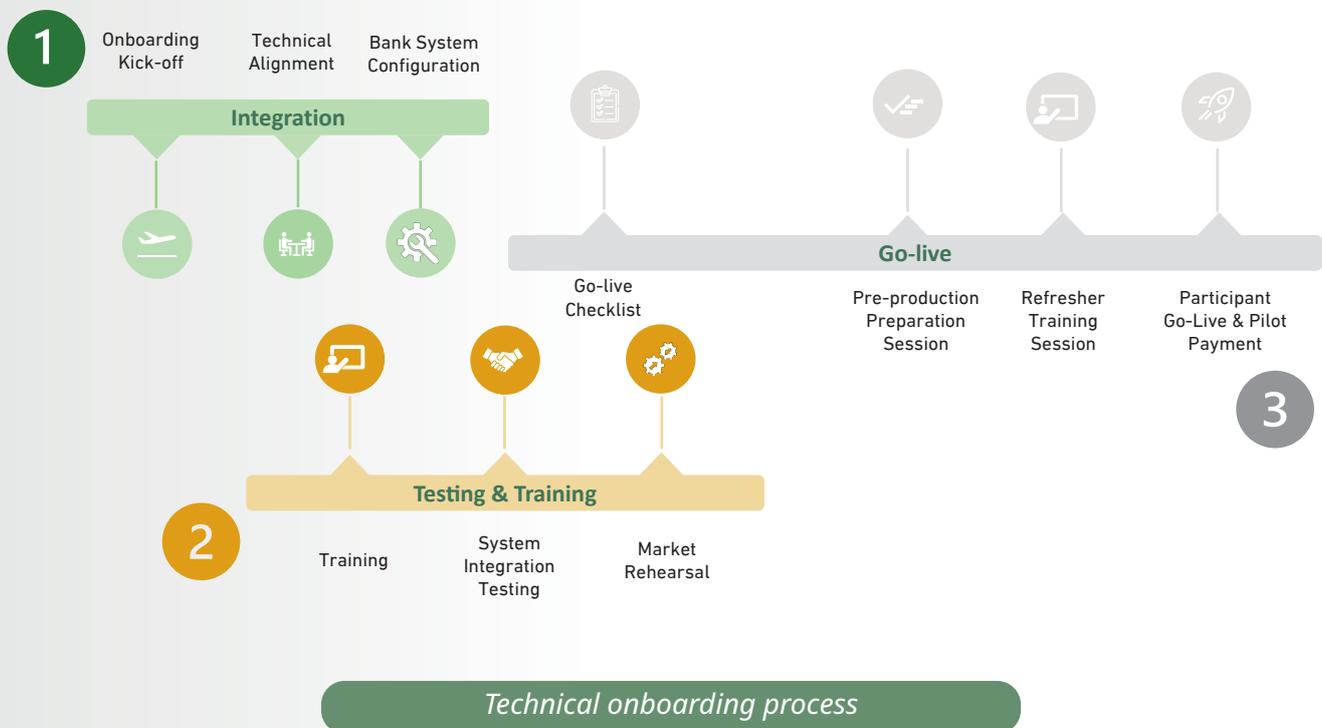


With the completion of the contractual stream, the Buna team launches the implementation phase and introduces the participant to the three main stages to connect to Buna, namely **Integration**, **Testing & Training** and **Go-live stages**.

**Integration** starts with an **onboarding Kick-off meeting**. During the kick-off meeting, Buna shares with the participant its standard onboarding project plan and discusses required adjustments on the plan to accommodate it to the participant's internal tasks. The Buna team and the participant assigned project manager agrees on the plan execution steps, timeline, and follow-up methodology.

With a plan in place, **the technical alignment** starts by initiating technical discussion between the technical teams at Buna and the participant. Both teams proceed with reviewing the connectivity requirements and agreeing on the connectivity parameters & configurations, message formats, and use cases. The participant's technical team should also decide on the transaction processing methodology on the participant side and ensure its system readiness for integration.

**The Participant System Configuration** represents the third and last task of the integration stage. It requires that the participant's technical team set up a SWIFT Relation Management Application (RMA) with Buna and configure a VPN agentless access to Buna's Portal. The participant's in-house system should be configured to integrate with Buna system, and its functionalities shall be tested to ensure readiness for integration testing. Buna's utilization of the SWIFT network minimizes the required time and efforts by a participant to configure its system for future routing of payments via Buna.



## Training & Testing Stage

The main objective of the training sessions is to increase the participant's understanding of Buna workflow and the modes of using both the Buna portal and the ServiceNow portal. By practice, the training sessions are dedicated for the participant operation team users of Buna portals, however, Buna secures additional sessions to answer questions and provide required clarifications to other relevant functions at the participant level, providing further awareness on Buna's value proposition and technical infrastructure. Following the completion of the training sessions, Buna launches the System Integration Testing (SIT) exercise which is conducted on the test environment to ensure the technical readiness of the participant to integrate with Buna. The SIT is conducted on the participant first onboarded currency and consists of various testing scenarios, covering all possible cases that might emerge on production.

The completion of the SIT is mandatory to start the Market Rehearsal, which is an end-to-end testing exercise conducted in association with the participant's correspondent bank to ensure proper coordination between both parties and secure the smooth processing of the funding/defunding process. Buna assists its participants in coordinating with their correspondent banks providing all the required support for the completion of the market rehearsal.

## Go-Live Stage

With the completion of the market rehearsal, the participant will be a few steps away from being live and operational on Buna. The first step that needs to be completed during this last stage is the provision of the Go-live Checklist, a document that the participant needs to fill out with a list of required information, including the participant users' details, the onboarded currencies and their relevant correspondent banks, required roles, the profiles for each user and other operational related information. Upon receiving the signed checklist, the Buna team will create the participant's accounts and users on the production environment, then the participant can submit the live SWIFT RMA, which will be accepted and reciprocated by the Buna team.

The Go-live checklist is shared by the Buna team at the beginning of the onboarding project, providing enough time for participants' internal deliberations and approval of the users, currencies, and other related operational parameters. The submission of the signed checklist is mandatory for every participant to go live.

Upon receiving the Go-live Checklist, Buna proceeds with conducting a Pre-production Preparation Session in the presence of the participants' operations team. The main objective of this session is to ensure the participant's readiness to go live by exploring and examining major operational aspects and potential concerns.

As an extra level of insurance, Buna conducts a Refresher Training Session to ensure that the participant has built a clear understanding of Buna's operating procedures. This session targets answering key queries resulting from the outcome of the tested scenarios conducted by the participant operations and business teams post the training on SIT environment.

With the completion of this session, the participant will be ready to execute its Go-Live & Pilot Payment. The processing of the first live transaction through Buna requires coordination with another live participant within Buna's network. The new participant will send a funding message to Buna account at the FHI, in the same currency that was used during System Integration Testing. The payment transaction will be in the form of a customer credit transfer, processed through Buna and sent to the other participant, which will return the money upon successful processing. During the business day, the new participant should send a withdrawal message to Buna to ensure its capability to withdraw money from its account at any time during the business day.

Reaching this stage (typically after 6 weeks on average) the participant will be ready for doing business with the Buna community in Arab and international currencies with a minimal effort and without necessarily building any specific customer experience or making front-end changes, as Buna service can be launched under the existing bank's products names and branding.

## 8.2 Participants' Support

Buna payment system is designed to enable a smooth usage of Buna services, and an efficient processing of cross-border payments within its network. The global standard technology used by the system minimizes the efforts required by participants to integrate with Buna system, and continuous support is always in place to assist participants in their operations processes.

Buna supports participants from the early beginning through different phases and via different channels. During the onboarding process, **Buna's Onboarding Team** oversees supporting the participant in implementing the onboarding project plan and successfully completing the different stages of the onboarding process, to secure the participant's readiness to launch Buna service on its system and process the first live payment transaction.

Once the participant is live, **Buna's Service Desk** will be in charge of managing all support requests for participants and FHIs. Participants' and FHI's queries are raised in the form of tickets, services, and incidents requests, and transmitted through various channels, including emails, phone calls, and the ServiceNow Portal.

In addition to the Service Desk functions, the **Business Operations Team** at Buna supports any business-related issues that might arise during the business day and deliver the required actions to solve it. This team is reachable through email and can also be assigned to handle and close opened tickets registered on ServiceNow, based on the nature of the ticket raised.

Service Desk and Business Operations teams are in charge of handling all queries and issues related to the processing of payment instructions and settlement of payments to ensure the smooth operations of Buna services at all times.

### 8.3 Statistics and Data Reporting at the End of 2021

N	Country	Bank Name	AED	JOR	SAR	EGP	USD	EUR
1	Egypt	Banque Misr	✓					
2	Egypt	National Bank of Egypt	✓		✓			
3	Egypt	QNB AlAhli	✓		✓	✓		
4	Egypt	Faisal Islamic Bank		✓	✓	✓		
5	Egypt	Housing and Development Bank	✓		✓	✓	✓	✓
6	Egypt	The United Bank	✓		✓			
7	Egypt	Banque Du Caire	✓		✓	✓	✓	
8	Egypt	Agricultural Bank of Egypt				✓	✓	
9	Egypt	Al Ahli Bank of Kuwait	✓		✓	✓		
10	Egypt	Attijariwafa bank Egypt S.A.E	✓		✓	✓	✓	✓
11	Iraq	Central Bank of Iraq					✓	
12	Iraq	Region Trade Bank	✓					
13	Iraq	International Islamic Bank	✓					
14	Iraq	Al Mustashar Islamic Bank	✓					
15	Iraq	Cihan Bank	✓					
16	Iraq	Iraqi Islamic Bank	✓	✓				
17	Iraq	Al Taif Islamic Bank	✓					
18	Iraq	Al Janoob Islamic Bank	✓	✓	✓	✓		
19	Iraq	International Development Bank	✓	✓	✓	✓		
20	Iraq	Elaf Islamic Bank	✓					
21	Iraq	Al Arabiya Islamic Bank	✓	✓				
22	Iraq	Iraqi Middle East Investment bank	✓	✓				
23	Iraq	Trade Bank of Iraq	✓		✓		✓	✓
24	Iraq	Bank of Baghdad	✓				✓	
25	Jordan	Cairo Amman Bank	✓	✓	✓	✓	✓	✓
26	Jordan	Jordan Ahli Bank	✓	✓	✓		✓	✓
27	Lebanon	Bank Audi	✓					
28	Lebanon	Blom Bank	✓		✓			
29	Lebanon	Lebanon & Gulf Bank	✓					
30	Morocco	Banque Centrale Populaire	✓					
31	Morocco	Bank of Africa	✓		✓		✓	✓
32	Morocco	Attijariwafa Bank	✓		✓			
33	UAE	First Abu Dhabi Bank				✓		
34	UAE	Mashreq Bank	✓					
35	Tunisia	Banque Centrale de Tunisie	✓					

## 9 Our Internal Control Framework

### 9.1 Compliance

ARPCSO's Compliance Department is responsible for the performance of day-to-day compliance activities supporting ARPCSO's Compliance Program. Such activities include but are not limited to:

- **Implementation of ARPCSO's Compliance Program, Policies and Processes.**
- **Day-to-day administration of the compliance function.**
- **Continuous tracking of any changes in any applicable laws or regulations.**
- **Evaluation, monitoring and testing of the Compliance systems.**
- **Coordination with auditors/examiners as and when appropriate.**

Additionally, it also engages 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.

### Applicants and Participants KYC and Due Diligence

The Organization ensures a sound Participant ecosystem by restricting participation to those entities that are duly regulated and licensed in their country of origin and/or any other jurisdiction where they provide services. The Organization designs, implements and monitors a set of controls, processes, and procedures to ensure that Participants have a sound Compliance Framework. The review of the Applicants/Participants' compliance practices is done during the onboarding and is subject to regular reviews.

All applicants are also assessed against the eligibility criteria before they are presented to an Onboarding Committee, who may recommend their onboarding as Participants of the Buna system.

The objectives of the Applicants and Participants Due Diligence process include:

- **Ensure compliance of ARPCSO with the international standards related to AML and Combating the CFT.**
- **Perform adequate due diligence on Applicants prior to onboarding to Buna.**
- **Perform continuous monitoring of Participants' compliance with Buna's Rules and Procedures and compliance requirements.**
- **Continuously update the compliance risks associated with onboarding new Applicants, in line with the organization's Policies.**

## Transaction Monitoring

ARPCSO's Transaction Monitoring Division undertakes pre-settlement checks of all transactions within the Buna network, which include sanctions screening and pre-payment fraud detection checks, complementary/additionally to the continued checks conducted by sending and receiving Participants. On top of that, it also conducts post-settlement checks which include fraud detection as well as Anti Money Laundering (AML) transaction monitoring to detect any fraudulent behaviour or suspicious activities.

**Sanctions' Screening:** A control used in the detection, prevention, and disruption of financial crime and Sanctions risk. It is the comparison of one string of text against another to detect similarities that would suggest a possible match. It compares data sourced from Participant's operations, such as customer and transactional records, against lists of names and other indicators of sanctioned parties or locations to filter out suspicious transactions from the financial flow and stop them before settlement, for the compliance officer's further investigation and action.

**Fraud Detection:** A real-time detection solution with an intelligent modelling engine that provides robust, effective, and easy-to-use models that are configurable and flexible to deter fraud trends and risks. It analyses payment messages, body, header details and routing as well as historical transactions data, to intelligently learn patterns, behaviours, and trends, which enables the solution to reason about the probability of a transaction being fraudulent, and therefore, to create alerts for the compliance officer to investigate and take a decision.

**AML Transaction Monitoring:** An ongoing monitoring process on all customers' activities, transactions, and behaviours to identify and detect all suspicious activities based on rules, scenarios, and risk scoring schemes. This is done after identifying patterns of unusual and suspicious behaviour by building profiles for each customer and comparing their financial activity against expected behaviour and peer group norms to create alerts for the compliance officer to investigate and take an appropriate decision.

## 9.2 Risk Management

ARPCSO Risk Management Department is responsible for the continuous identification and assessment of risk areas that Buna, as a payment system, could be exposed to or could impose on its participants. The mode of operation today is through the implementation of the operational risk management framework which includes:



Risk and control self-assessments and risk escalation;



Control Testing;



Key indicators management;



Incidents management;



Issues and actions management;



Risk governance and reporting.

ARPCSO developed its first Risk Management Policy (August 2020) which was interim approved by the Steering Committee (subject to final approval by ARPCSO's Board of Directors). Following the Three Lines of Defence model, this Policy defines the overall practices and the roles and responsibilities required to achieve the business objectives of ARPCSO's risk management framework, with the purpose of:

**A**

Establishing the guidelines for managing and treating risks across ARPCSO;

**B**

Defining a common risk language and raising awareness across ARPCSO;

**C**

Defining the roles and responsibilities in risk management;

**D**

Encouraging the development of a robust risk culture that revolves around effective communication, leadership, transparency, and continuously striving to enhance internal processes.

The purpose of this Risk Management Policy (the "Central Risk Management Policy") is to describe the risk management framework used for continuous identification and assessment of risks and areas of weak internal control setup that Buna could be exposed to as a payment system. Such risks may include but are not limited to, operational risk (including business continuity), credit risk, liquidity risk, legal risk, cyber risk, information security risk and third-party risk.

The roles and responsibilities of all the following stakeholders are listed and described in the Policy:

- |   |  |
|---|--|
| a. Board of Directors;                          | f. Senior Risk Officer;                          |
| b. Audit, Risk and Compliance Committee (ARCC); | g. Executive Management Team (i.e. Risk Owners); |
| c. Chief Executive Officer (CEO);               | h. Risk Champions; and                           |
| d. Risk and Compliance Division;                | i. Other ARPCSO Staff.                           |
| e. Chief Risk and Compliance Officer (CRCO);    |  |

### 9.3 Information Security

The information created, processed, and used by ARPCSO/Buna is one of the organization's most valuable assets. A compromise of these information assets could severely impact the reputation and revenues of the organization. In addition, effectively securing information is essential to ensure privacy of information in accordance with the business requirements. The Information Security function of ARPCSO/Buna is aimed to assure and communicate the management commitment and intent of supporting goals and principles for Information Security in line with business requirements.

**The objective of this function is to provide a conformity instrument for the various functions relating to Information Security within ARPCSO/Buna. The overall objectives for the Information Security function are:**

- To build, continually strengthen and improve the overall capabilities of the information security management system.
- To protect the participants' information and ensure privacy.
- To ensure that services and operations continue to be carried out in line with the international standards and best practices.
- To establish quantified information security goals through management and review meetings.
- To fulfil the legal, contractual, and business requirements.

**To ensure the effective governance and management of Information Security for ARPCSO/Buna, a security governance structure has been established, to:**

- Ensure information security is treated as a critical business element. Ensure that it is supported by a strategy and an Audit Program.
- Align the information security strategy with the business strategy. Deliver value to stakeholders.
- Provide assurance that information risks are being adequately addressed.

**To achieve above, the Information Security Governance Group (ISGG) has been established. This group consist of top management representative of Buna and is responsible to:**

- Govern the establishment, implementation, maintenance, and continual improvement of information security and provide direction and decisions where required.
- Demonstrate leadership and commitment with respect to the security by ensuring resources needed.
- Ensure the implementation of an Information Security Management System (ISMS) and its controls across the program.
- Communicate the importance of meeting the information security objectives and the need for continual improvement throughout the program.
- Conduct management reviews on implementation of information security controls, at planned intervals, to ensure continuing suitability, adequacy, and effectiveness.
- Review and maintain periodically the information security policies and procedures that are implemented for the platform and operations.
- Promote information security culture and maintain an awareness of information security needs.
- Support internal and external audits and ensure that those audits are conducted in an objective and impartial manner.
- Review and approve the information security risk assessment methodology that is used across the program.
- Make recommendations for both corrective and preventive actions based on the risk assessment results.
- Ensure that information security requirements are determined and are met with the aim of minimizing risk and maintaining effective controls.
- Review the information security incidents and the responses.
- Ensure that recommendations approved by the committee are implemented.

**The Information Security Governance Group with the support of an Information Security Officer is responsible to ensure compliance with the following International Standards / Best Practices:**

- **ISO / IEC 27001:2013•SWIFT CSP V2 2019;**
- **CIS / NIST Benchmark for Hardening;**
- **NIST Benchmark for Application Security.**

In addition, ARPCSO/Buna operates a security risk management process based on the IOS/IEC 27005:2018 standard.

The ARPCSO/Buna's Information Security Officer leads the security risk management program to ensure risks are managed effectively.

## 10 Central Banks Oversight and Principles of Financial Market Infrastructure

### 10.1 PFMI Self-Assessment

*Buna conducts regular self-assessment against the Principles for Financial Market Infrastructures (PFMI).*

End of 2021, Buna initiated a review of its self-assessment after one year of operations. The outcome of this ongoing work will be made available to the Central Banks exercising the Oversight of Buna for their review.

### 10.2 Oversight Committee

Financial market infrastructures (FMIs) form the backbone of the financial system. They provide the networks through which financial institutions, financial markets are connected and financial transactions are cleared and settled. Safe and efficient FMIs are therefore essential for a stable and well-functioning financial system.

Buna is a cross-border and multicurrency payment and settlement system, operated by the Arab Regional Payments Clearing and Settlement Organization (ARPCSO), and designed in accordance with the Principles of Financial Market Infrastructure (PFMI). The central banks of issue of Buna's-settled currencies have a common interest in the prudent design and management of the payment system operated by ARPCSO (the "Buna system"), given their shared public policy objectives for ensuring the safety and efficiency of this cross-border payment and settlement system and their focus on the stability of the financial system.

The Cooperative Oversight Framework of Buna is being established by the central banks whose currency is processed in Buna. They have a specific interest in the smooth functioning of the system to fulfil their public policy objectives aiming at the safety and efficiency of payment and settlement systems in their country and, more generally, in order to ensure financial stability in their country and beyond.

## The Main Responsibilities of the Oversight Shall Be to:

- Periodically assess the design and operation of Buna against the Principles for Financial Market Infrastructures (PFMI).
- Determine the adequacy of the settlement arrangements in line with the PFMI.
- Evaluate the payment system continuously, collecting information from the system operator, and being notified well in advance of any significant design or operational changes proposed.
- Strive to reach a consensus on their assessment of Buna's observance of the PFMI.
- Ensure that arrangements are in place for an efficient, effective, accountable, and transparent governance of the system in line with the PFMI.
- Revise the Buna Cooperative Oversight framework in case of need.
- Define the annual oversight programs; and
- Issue guidelines and recommendations to the ARPCSO Board.

## 11 Outlook for 2022

# 2022 WILL BE AN EVENTFUL YEAR FOR BUNA.

**We will continue onboarding banks, central banks from multiple countries to our RTGS system which is the cornerstone of our payment business.**

In addition, Buna is moving forward with its plan to launch a cross-border instant payment service (IPS), leading the transformation of the region's financial landscape into the new age of payments, and further supporting businesses, consumers, and financial institutions in the Arab world and beyond with modern ways to transact with one another faster, at lower cost, in greater safety and more effectively. Buna cross-border IPS will complement Buna's already operational RTGS system while maintaining the same features at the level of multicurrency support and full adherence to the international standards of compliance and information security. With its IPS, Buna will be processing and settling cross-border payments within seconds, 24 hours a day, 365 days a year.

Buna's Instant payment supports various use cases, including personal remittances, digital commerce, bill payments, and corporate disbursement. The ability to execute a payment instantly topped with the cross-border and multi-currency aspects of Buna offers tangible benefits to consumers, businesses, and the wider society. Starting with consumers, Buna IPS will allow individuals to benefit from an enhanced and low-cost digital payment experience in transferring funds, whether when sending money to family or friends, shopping online across borders, or paying their utility bills or school fees back home in real-time. Corporates can use instant payments for B2C and B2B purposes and benefit from the instant collection of funds for better cash and liquidity management, operational efficiency, and cost reduction. At a societal level, the increased adoption by end-users is a key enabler for greater financial inclusion.

Buna continues its efforts to prepare the ground for the launch of its IPS services by conducting all the necessary operational adjustments, at the level of extending operating hours, ramp-up support resources, updating reporting tools, and disabling automatic defunding for applicable currencies to allow participants to transact in IPS 24x7x365. Buna is also introducing attractive pricing that is tailored for low-mid value payments, enabling the participants and their end-users to access cost-effective instant payment services. The pricing will be tiered in brackets of transaction values (amounts) and will be starting from less than a dollar price point. The IPS service will be coexisting with Buna's RTGS price scheme that is more tailored for large-value payments.

Another key area for Buna comes under block 9 of the G20 roadmap and as part of the global effort to increase adoption of PvP in cross-border payments, Buna plans to introduce cross-currency capability during the year 2022 using PvP mechanism. This will provide a better participant experience and facilitate cross-currency liquidity management for banks to move funds from one account to another in an efficient way (re-distribution of funds between Buna accounts in different currencies). Specialized participants providing foreign exchange (FX) rate management services will be defined and registered in the system. These providers must have accounts with Buna in currencies for which they provide FX exchange services. This feature is planned to be rolled out during the second half of the year 2022.

Furthermore, and under block 12 of the G20 roadmap which aims at extending and aligning operating hours of key payment systems to allow overlapping, Buna is actively engaged with its FHIs to extend operating hours for different currencies to offer 24x7 services, supporting the global efforts towards reaching a round-clock global settlement window at the soonest possible opportunity. The advantages envisioned here are of multiple folds, processing of payment will become not only faster; but also less costly, since the facilitation of cross-border payments outside the standard operating hours reduce the dependencies that make the interlinking financial market infrastructures (FMIs) difficult to achieve today. Access to payment services is also envisioned to increase at both originating and receiving ends, being a natural result of reduced costs.

Additionally, values of the flows will be expected to increase, as having better options to send payments cost-effectively shall lead to higher volumes of payments.

Finally, building interoperability bridges will continue, buna believes in partnerships and collaboration as important factors to enhance cross-border payment. We will continue exploring all opportunities to achieve further results and meet our objective of empowering Arab economies and supporting the growth of multilateral commercial and investment activities, between them and with the main partners from around the globe. In fact, the model that we are currently exploring with Visa and MasterCard can be easily replicated with other operators of payment networks and market infrastructures.

*Buna is currently investigating different options to interlink its **instant payment solution** with the one operated by other FMIs in Asia, Europe, and Africa in addition to the FMIs in the Arab world.*

## 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 (Money Laundering Reporting Officer) 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 20 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

### Independent Auditor's report to the shareholders of Arab Regional Payments Clearing and Settlement Organization

#### 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 2021, and the statement of comprehensive income, and statement of changes in equity for the period from inception (note 1) to 31 December 2021, 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 2021 and its financial performance for the period from inception (note 1) to 31 December 2021 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 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 those charged with governance 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.

Those charged with governance 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.

## **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 those charged with governance 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.

Further, and as required by the Financial Rules of the Organization, we report the following:

- The Organization maintains proper books of accounts and that the Organization's financial statements are consistent with those records.
- The Organization maintains proper books of accounts and that the Organization's financial statements are consistent with those records.

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

8 March 2022  
Abu Dhabi



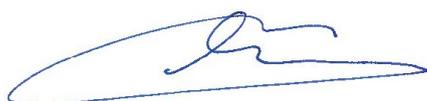
## Arab Regional Payments Clearing and Settlement Organization

### STATEMENT OF FINANCIAL POSITION

As of 31 December 2021

	<i>Notes</i>	<i>2021 US Dollar</i>
<b>ASSETS</b>		
Prepaid expenses and other receivable	3	850,218
Property and equipment	4	3,802,738
Intangible assets	5	<u>31,318,168</u>
<b>TOTAL ASSETS</b>		<b><u>35,971,124</u></b>
<b>LIABILITIES</b>		
Provision for employees' end of service benefits	6	207,600
Accrued expenses	7	1,514,428
<b>Total liabilities</b>		<b><u>1,722,028</u></b>
<b>NET ASSETS</b>		<b><u>34,249,096</u></b>
<b>Shareholders' equity</b>		
Authorized capital (100 Million US Dollars)		
Paid up capital	8	52,217,070
Accumulated losses		<u>(17,967,974)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b><u>34,249,096</u></b>

These financial statements were agreed by the Organization's Steering Committees On 01 March 2022.



\_\_\_\_\_  
Mehdi Manaa  
Chief Executive Officer  
Arab Regional Payments Clearing and Settlement Organization

The attached notes 1 to 10 form part of these financial statements.

## Arab Regional Payments Clearing and Settlement Organization

### STATEMENT OF COMPREHENSIVE INCOME

For the period from inception (note 1) to 31 December 2021

	<i>Notes</i>	<b>2021 US Dollar</b>
<b>Income</b>		
Income from operations		-
<b>Total income</b>		-
<b>General and operating expenses</b>		
Employee salaries and allowances		<b>(3,632,702)</b>
General and operating expenses	9	<b>(10,771,027)</b>
Depreciation and amortization expenses	10	<b><u>(3,564,245)</u></b>
<b>Total general and operating expenses</b>		<b><u>(17,967,974)</u></b>
<b>LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b><u>(17,967,974)</u></b>

The attached notes 1 to 10 form part of these financial statements.

## Arab Regional Payments Clearing and Settlement Organization

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### STATEMENT OF SHAREHOLDERS' EQUITY

For the period from inception (note 1) to 31 December 2021

	<i>Paid-up capital US DOLLAR</i>	<i>Comprehensive income US DOLLAR</i>	<i>Total US DOLLAR</i>
Paid-up capital	52,217,070	-	52,217,070
Comprehensive income for the period	-	<u>(17,967,974)</u>	<u>(17,967,974)</u>
Balance at 31 December 2021	<b><u>52,217,070</u></b>	<b><u>(17,967,974)</u></b>	<b><u>34,249,096</u></b>

The attached notes 1 to 10 form part of these financial statements.

## Arab Regional Payments Clearing and Settlement Organization

### NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

#### 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 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, ratified by Federal Decree No. (50) of 2021 signed on 11 April 2021 (inception date). These are the first set of financial statements for the Organization for the period from inception to 31 December 2021.

#### 2 **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 applied in a manner consistent with the establishment period and considering that this is the first data issued by the Organization.

##### **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 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.

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 proceed and the carrying amount of the asset and is recognized in the profit and loss at the date of retirement or disposal.

## Arab Regional Payments Clearing and Settlement Organization

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### NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

#### **2** *SIGNIFICANT ACCOUNTING POLICIES (continued)*

##### **Intangible assets**

Intangible assets mainly comprise of the computer software (BUNA 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.

##### **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.

## Arab Regional Payments Clearing and Settlement Organization

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### NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

#### **2** **SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Leases** (continued)

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.

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 flow 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 transaction:** 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 statement of financial position are converted to US Dollar at the exchange rate prevailing on that date.

#### **Important Judgments in Applying Accounting Policies**

The International Financial Reporting Standards (IFRS) requires the management, when preparing the financial statements, to choose the appropriate accounting policies and apply it regularly, and to take reasonable and balanced estimates and assumptions.

In the absence of a relevant standard or interpretation, the management should apply an accounting policy that leads to reliable information that is guided by the guidance contained in standards that apply to similar situations and the conceptual framework for preparing and presenting financial statements issued by the International Accounting Standards Board.

#### **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:

##### *Continuity*

The management has made an assessment of the Organization's ability to continue as a going concern and that it has the necessary resources to continue its operations for the foreseeable future. The management is not aware of any material doubts about the organization's ability to continue as going concern. Therefore, the financial statements have been prepared on the going concern basis.

## Arab Regional Payments Clearing and Settlement Organization

### NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

#### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 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 assessment of cash flows on individual cash generating units when there is 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.

##### *COVID-19*

The outbreak of the coronavirus (COVID-19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration and its impact on the business and overall economic impact.

The extent and duration of impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Though the Organization's activities have not been impacted by the outbreak of the coronavirus, future developments could impact the future financial results, cash flows and financial condition of the Organization.

#### 3 PREPAID EXPENSES AND OTHER RECEIVABLES

Prepaid expenses and other receivables consist of:

	<b>31 December 2021 US Dollar</b>
Prepaid system licenses and subscriptions	<b>394,857</b>
Staff loans	<b>320,907</b>
Prepaid office rent	<b>93,388</b>
Prepaid fees and other receivables	<b>41,066</b>
	<b><u>850,218</u></b>

## Arab Regional Payments Clearing and Settlement Organization

### NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

#### 4 **PROPERTY AND EQUIPMENT**

Property and equipment consist of the cost of furniture and fixtures and computer hardware which are depreciated over a period of four years from date of acquisition.

	<i>Computer hardware US Dollar</i>	<i>Furniture and fixture US Dollar</i>	<i>US Dollar</i>
Additions for the period and balance as at 31 December 2021	<b><u>4,487,016</u></b>	<b><u>74,508</u></b>	<b><u>4,561,524</u></b>
Depreciation charged for the period and the balance as at 31 December 2021	<b><u>(741,544)</u></b>	<b><u>(17,242)</u></b>	<b><u>(758,786)</u></b>
<b>Net carrying amount as at 31 December 2021</b>	<b><u>3,745,472</u></b>	<b><u>57,266</u></b>	<b><u>3,802,738</u></b>

#### 5 **INTANGIBLE ASSETS**

Intangible Assets consist of costs related to BUNA software, such as the costs of design, programming, implementation advisory costs and licenses which are amortized over a period of eight years.

	<i>BUNA Software US Dollar</i>
Additions for the period and balance as at 31 December 2021	<b><u>34,123,627</u></b>
Amortization charged for the period and the balance as at 31 December 2021	<b><u>(2,805,459)</u></b>
<b>Net carrying amount as at 31 December 2021</b>	<b><u>31,318,168</u></b>

#### 6 **PROVISIONS FOR EMPLOYEES END OF SERVICE BENEFIT**

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

	<i>31 December 2021 US Dollar</i>
Charge for the period and balance as at 31 December 2021	<b><u>207,600</u></b>

## Arab Regional Payments Clearing and Settlement Organization

### NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

#### **7 ACCRUED EXPENSES**

Accrued expenses consist of the following:

	<b>31 December 2021 US Dollar</b>
Technical support services accrual	690,000
Implementation of the system accrual	418,921
Staff provisions	121,942
Other accrued expenses	<u>283,565</u>
	<b><u>1,514,428</u></b>

#### **8 PAID UP CAPITAL**

Based on the decree of the Council of Governors of Arab Central Banks and Arab Monetary Organizations No. (10) of 2017, 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 from the date of the decree until the date of these financial statements.

#### **9 GENERAL AND OPERATING EXPENSES**

General and operating expenses represent about 65% of the total expenses, which include SWIFT operating system fees and licenses, consultancy expenses, subscription licenses expenses, systems and software maintenance expenses, operating expenses of data centers and communication, office rent, water and electricity expenses and miscellaneous expenses.

	<b>For the period from inception (note 1) to 31 December 2021 US Dollar</b>
Swift licenses and operating system fees	459,115
Technical support expenses	1,380,000
Operating expenses of data centers and communication	1,339,398
Subscription licenses and maintenance	554,301
Consultancy expenses for establishment	6,451,213
Office rentals, water and electricity, and other expenses	<u>587,000</u>
	<b><u>10,771,027</u></b>

## Arab Regional Payments Clearing and Settlement Organization

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### NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

#### **10 DEPRECIATION AND AMORTIZATION EXPENSES**

	<i>For the period from inception (note 1) to 31 December 2021 US Dollar</i>
Depreciation of property and equipment	758,786
Amortization of intangible assets	<u>2,805,459</u>
	<u><b>3,564,245</b></u>



المؤسسة الإقليمية لمقاصة وتسوية المدفوعات العربية  
وتسوية المدفوعات العربيّة

ARAB REGIONAL PAYMENTS  
CLEARING AND SETTLEMENT  
ORGANIZATION

## ANNUAL REPORT 2021