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INTRODUCTION

The Saudi Central Bank (“**SAMA**”) issued rules for regulating Buy-Now-Pay-Later (“**BNPL**”) Companies (“**Rules**”).

The Rules apply to companies licensed by SAMA to engage in BNPL activity which is a type of financing that allows a consumer to purchase goods or services without a term cost payable by the consumer.

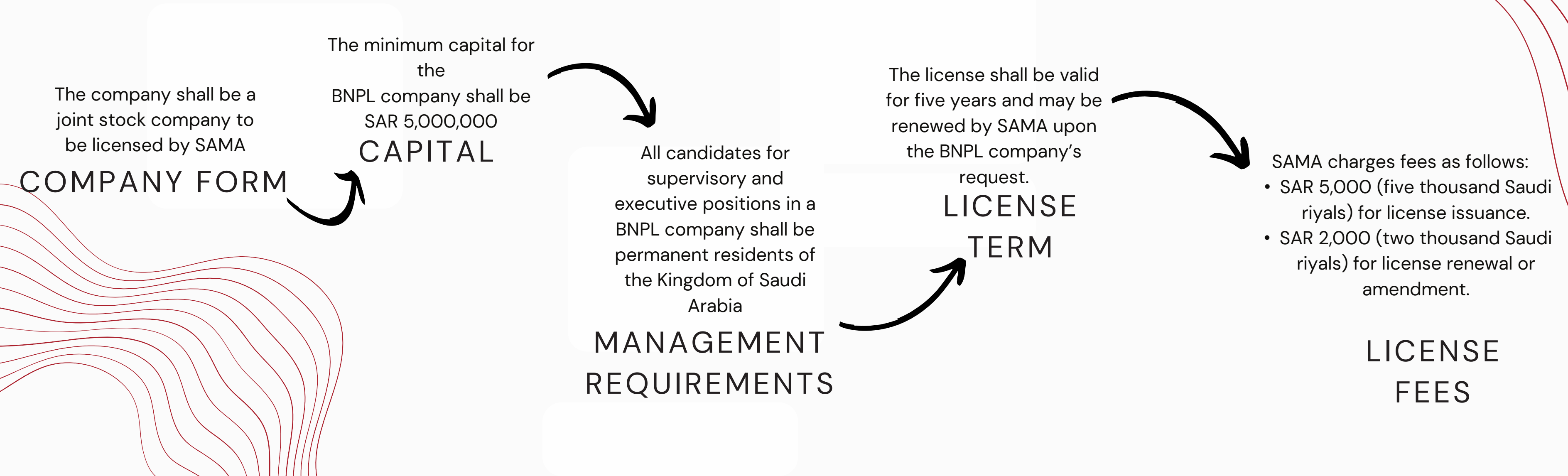
The Rules shall come into force within 30 days of being published on SAMA’s website (i.e., by around mid January 2024).

The Rules aim to:

- Establish licensing procedures and requirements for BNPL activity.
- Set the minimum standards and procedures necessary for carrying out BNPL activity.

LICENSING PROVISIONS

BNPL activity shall not be carried out except after obtaining a license from SAMA. We set out some of the requirements and the license validity and fees, as follows:



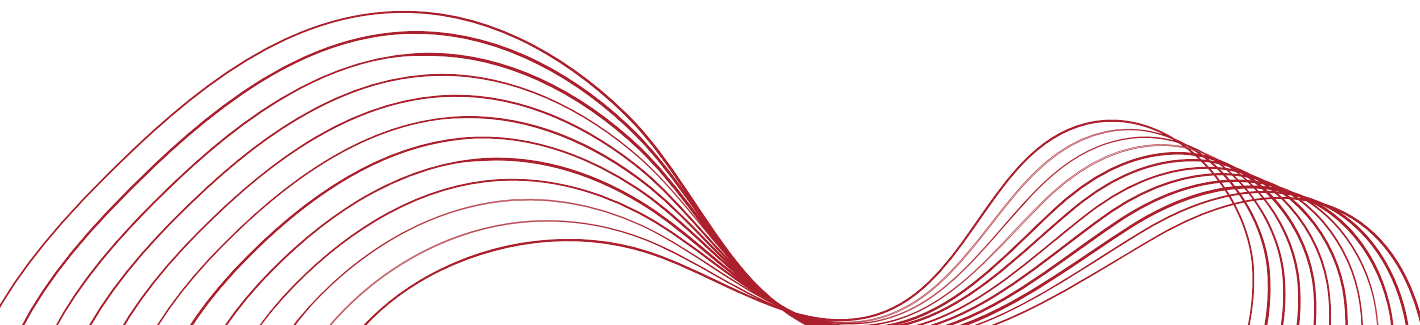
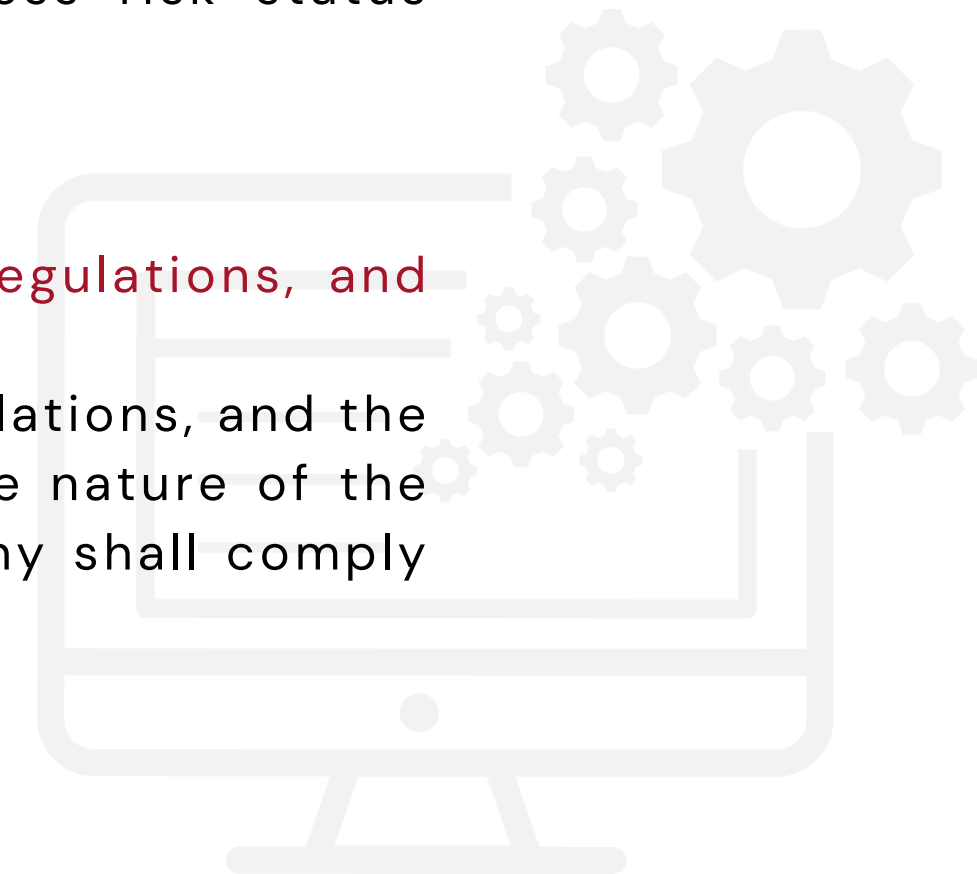
INTERNAL ORGANIZATION

The BNPL company shall:

- Develop comprehensive organizational policies covering internal aspects, governance, credit, risk management, compliance, data security, consumer protection, outsourcing, human resources, and AML/CTF.
- Ensure technological and security systems align with operational needs, nature of activity, and risk status, following best practices and SAMA instructions.
- Design IT systems for data availability, integration, integrity, and confidentiality. Periodic assessments based on technical standards and testing before use or after changes are required.
- Retain all consumer documents for a minimum of 10 years post the relationship end, maintaining orderly and updated records.
- Maintain sufficient and qualified human resources to meet operational needs and address risk status through effective recruitment, training, and retention.

The BNPL company shall:

- Comply with the information security requirements set by SAMA and the relevant laws, regulations, and instructions issued by SAMA.
- Comply with the legal requirements contained in the AML/CTF Laws, their Implementing Regulations, and the relevant rules and guidelines as specified by SAMA, in a manner that is consistent with the nature of the company's activity and its size and the risks it may be exposed to. In addition, the company shall comply with the requirements and instructions issued by SAMA on financial crimes.



INTERNAL ORGANIZATION



The BNPL company shall comply with the Rules on Outsourcing for Finance Companies issued by SAMA.

OUTSOURCING



The BNPL company shall appoint one or more certified external auditors, certified external auditors, subject to obtaining a non-objection letter from SAMA. SAMA reserves the right to appoint an auditor at the company's expense if the size and nature of its business necessitate it.

AUDITOR



The BNPL company shall establish a complaint-handling function with clear procedures for receiving, documenting, reviewing, and responding to complaints within SAMA-set timelines. All details related to complaints and actions taken must be recorded.

CONSUMER PROTECTION AND DATA CONFIDENTIALITY



At least 50% of human resources employees must be Saudi nationals when the BNPL company starts operations.

The percentage must be increased annually by 5% at least until it reaches 75%.

SAUDIZATION OF HUMAN RESOURCES

ACTIVITY PROVISIONS

Activity Limits

The BNPL company shall NOT:

- Charge fees on the consumer, including fees owed to the company, contracted stores, or a third party. This excludes any delay penalties or debt collection fees imposed in accordance with the Debt Collection Regulations and Procedures for Individual Customers.
- Launch any new products without obtaining prior written non-objection from SAMA.
- Transact with a consumer under the age of (18) Hijri years.
- Transact with a foreign consumer who is not a resident of Saudi Arabia, except after obtaining a written non-objection from SAMA.
- Purchase goods or services in a currency other than the Saudi riyal, except after obtaining a written non-objection from SAMA.

Conflict of Interest

The BNPL company shall develop an organizational policy that addresses potential conflicts of interest, which shall include adequate measures put in place ensuring fair treatment of all consumers and stores.

Consumer Due Diligence (CDD)

The BNPL company is required to develop a CDD program, ensuring compliance with AML/CTF regulations and instructions. The program should encompass KYC, information security, and data privacy. Additionally, the company must comply with the Electronic Transactions Law, implementing procedures such as phone number verification through authentication tokens and confirming the accuracy of consumers' national addresses.

Advertisement Requirements

- The BNPL company must adhere to SAMA's advertising rules: a. Include company details in ads. b. Avoid false or misleading statements. c. Refrain from overly persuasive ads for unnecessary credit.
- Non-compliance requires the company to withdraw the advertisement within one business day of SAMA's notice.

Credit Limits

- Total outstanding financing for individual consumers should not exceed SAR 5,000, subject to SAMA's discretion.
- Consumer installment plans are limited to a maximum of 12 installments.
- Collection methods must be electronic, and cash requests are prohibited.
- Total outstanding finance is capped at 20 times the capital and reserves, unless approved by SAMA.
- The company cannot obtain financial facilities from non-licensed financiers without SAMA's approval.

Disclosure

The BNPL company shall:

- Clearly disclose all terms, security instructions, payment methods, and relevant information according to laws and instructions.
- Disclose licensing information as per SAMA's License Disclosure Instructions.

SAMA SUPERVISION

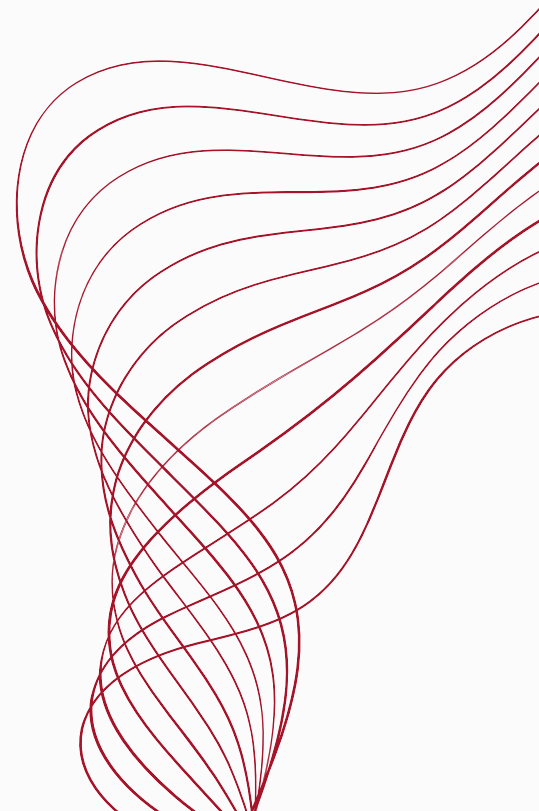
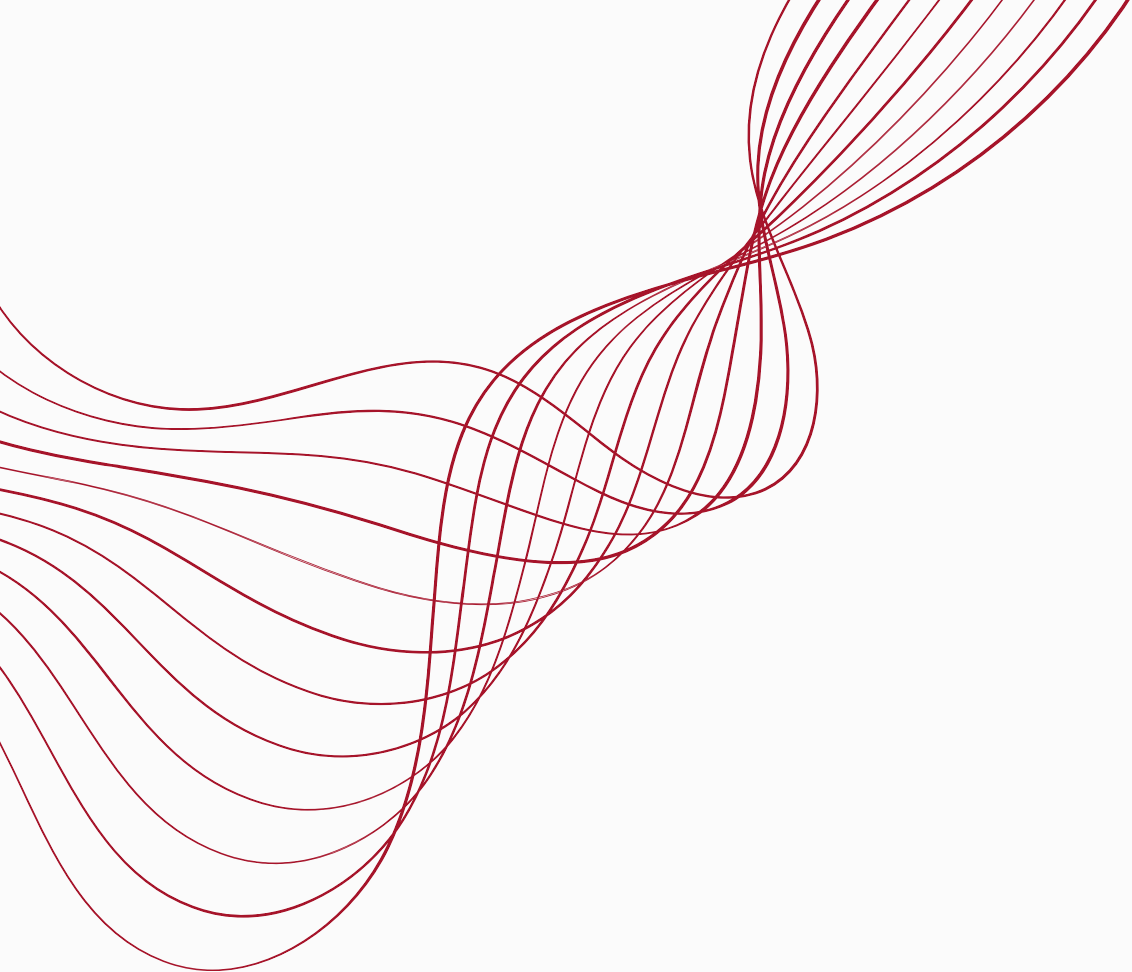
The BNPL company shall:

- Provide SAMA with required reports and information as per specified forms and timelines.
- Follow International Accounting Standards for accounts and financial statements.
- Grant SAMA access to information, documents, and facilities upon request.
- Report losses exceeding 15% of paid-up capital to SAMA immediately.
- Develop a recruitment plan for vacant positions.
- Allow SAMA's staff and appointed auditors access to facilities, documents, and data.
- Obtain SAMA's written non-objection before disposing of financing assets.
- Comply with SAMA's actions for ensuring legal adherence, including supervisory visits and addressing observations.
- Cover expenses incurred by SAMA for appointing a third party to implement procedures outlined herein.

COMPLIANCE

The BNPL company shall:

- Establish internal controls and procedures to ensure compliance with the provisions of the Finance Companies Control Law and these Rules and relevant laws, regulations and rules.
- Retain sufficient records to confirm compliance with the provisions of the Finance Companies Control Law and these Rules and relevant laws, regulations and instructions and shall take the necessary procedures to prevent any violation of their provisions.
- Not disclose any information to third parties, unless it obtains SAMA's written non-objection and such disclosure does not violate the provisions of relevant laws.
- Obtain a non-objection letter from SAMA before undergoing partial or complete liquidation.



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