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ASX Announcement

## **IOUpay gains Shariah Compliance Certification and signs agreement with Islamic Payment Gateway - PayHalal**

### **Highlights**

- **Shariah Compliance Certification awarded by Tawafuq Consultancy Sdn Bhd, an independent, global Shariah advisory firm licensed by the Securities Commission Malaysia;**
- **Merchant Acquiring Services Agreement signed with PayHalal, a Shariah-compliant payment gateway and provider of Islamic digital financial services, for the acquisition of merchants and processing of payments for 'myIOU Islamic' BNPL transactions;**
- **Integration of PayHalal payment gateway to myIOU BNPL platform has been completed; and**
- **PayHalal portfolio of ~7,000 merchant relationships is being reviewed and short-list prepared for potential onboarding to myIOU Islamic BNPL payment offering.**

**IOUpay Limited (ASX:IOU) ("IOUpay" or "the Company")** and the Board of Directors are pleased to announce that its wholly-owned subsidiary IOU Pay (Asia) Sdn Bhd ("IOUpay Asia") has been awarded Certification of Shariah Compliance by the independent, global Shariah advisory firm, Tawafuq Consultancy Sdn Bhd ("Tawafuq Consultancy").

Furthermore, the Company is also pleased to announce that IOUpay Asia has signed a Merchant Acquiring Services Agreement ("the Agreement") with Souqa Fintech Sdn Bhd (trading as PayHalal), a Shariah-compliant payment gateway, for the acquisition of merchants and processing of BNPL transaction payments in accordance with the Shariah principles of Islamic finance.

These are important milestones in the ongoing development of the Company's instalment-based consumer finance product suite. Shariah compliance and Islamic finance product capabilities provides a number of strategic growth opportunities:

- opens access to new communities of consumers and merchants (more than 60% of Malaysia's population follows the Muslim faith tradition <sup>1</sup>);
- positions the Company to develop opportunities with Islamic banks & non-bank financial institutions for instalment plan-based consumer finance programmes;
- pre-positions the Company for territory expansion into additional SEA countries with large Islamic populations; and
- more broadly diversifies the Company's products and service offerings across regulated consumer finance credit markets.

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<sup>1</sup> *MyCensus 2020*, Department of Statistics, Malaysia. <https://www.dosm.gov.my>

## **Shariah Compliance Certification – Tawafuq Consultancy**

In the IOUpay Product Development Update announced 24 June 2022, the Company reported that it is currently developing a Shariah-compliant BNPL offering to be marketed under the name 'myIOU Islamic' and that certification of compliance with Shariah principles was expected during the September quarter (Q1 FY23).

In Malaysia, to access Islamic financing and BNPL opportunities within industry best practice for Shariah principles requires certification from a Shariah advisor licensed by the Securities Commission Malaysia.

The Company has been working closely with Tawafuq Consultancy, a suitably licensed, independent global Shariah advisory firm, to gain certification of Shariah Compliance for its myIOU BNPL service offering.

Annual certification of Shariah Compliance has now been provided by Tawafuq Consultancy commencing 12 July 2022, subject to annual compliance audits for the subsequent yearly renewals.

Following issue of certification, the Company is now preparing to offer both conventional and Islamic financing. This requires a partitioning of the myIOU portfolio, integration with an Islamic Payment Gateway as well as separate documentation, policies and procedures, and an Islamic Bank Account for all Shariah-compliant transactions.

## **Merchant Acquiring Services Agreement – PayHalal Islamic Fintech Payment Gateway**

Souqa Fintech Sdn Bhd (trading as PayHalal) provides Islamic financial technology solutions, including payment gateway services, to approximately 7,000 Shariah-compliant merchants in Malaysia.

IOUpay Asia has entered into a Merchant Acquiring Services Agreement with PayHalal on a non-exclusive basis for a three (3) year term commencing 12 July 2022.

The Agreement provides for PayHalal to acquire and refer to IOUpay Asia merchants who follow Shariah principles and wish to offer to their customers BNPL payment options consistent with Shariah principles and the practices of Islamic finance.

IOUpay Asia will have absolute rights and discretion in the approval of any merchants referred by PayHalal.

Under the Agreement, PayHalal will be responsible for: (i) performing 'know your business' checks on any merchants to be referred; (ii) collecting the necessary documentation to sign new merchants; (iii) installing and maintaining any devices, QR codes or point of sale materials required by merchants to carry out the BNPL transactions; (iv) overseeing merchants to ensure they correctly administer the myIOU BNPL services; and (v) payment gateway services for the processing of BNPL transaction payments.

Once the myIOU Islamic BNPL offering is made available, consumers will register with myIOU and complete myIOU BNPL transactions in the usual way. IOUpay Asia will settle with PayHalal each day in a single payment for all myIOU transactions completed with PayHalal merchants the previous day. PayHalal will then settle with the individual merchants. IOUpay Asia will collect myIOU BNPL instalment payments directly from customers' card accounts in the normal course.

Upon expiry of the initial term, the Agreement automatically renews for further periods of one (1) year each on the same terms and conditions unless otherwise agreed.

Standard termination provisions apply to the Agreement, including by giving 60 days written notice if IOUpay Asia is dissatisfied with the performance of PayHalal, where IOUpay Asia has given written notice specifying the dissatisfaction or act of default and PayHalal fails to rectify within 14 days of receiving the notice.

There is no consideration paid by the Company to PayHalal for entering into the Agreement.

Fees associated with the provision of payment gateway services will be collected at daily settlement against the net proceeds paid to merchants such that the merchant discount rate (or gross margin) earned by IOUpay Asia for individual BNPL transactions will be fixed and agreed between PayHalal and IOUpay Asia.

Integration works were commenced in anticipation of signing the Agreement and have now been completed so that, once onboarded, PayHalal merchants will be able to process myIOU Islamic BNPL transactions via PayHalal's Shariah-compliant payment gateway.

This now satisfies an important requirement for myIOU Islamic as a Shariah-compliant Islamic BNPL payment option.

IOUpay Asia is currently reviewing PayHalal's merchant portfolio to develop a shortlist that may be suitable for referral as myIOU Islamic merchants. PayHalal will then promote to the shortlisted merchants the myIOU BNPL payment option and refer to IOUpay Asia those merchants wishing to apply for the service.

The release of this announcement was authorised by the Board of the Company and released by the Company Secretary.

Yours faithfully,

## **IOUpay Limited**

**(Aaron) Lee Chin Wee**  
**Managing Director**

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### **About IOUpay (ASX:IOU):**

IOUpay Limited (ASX:IOU) provides fintech and digital commerce software solutions and services that enable its institutional customers to securely authenticate end-user customers and process banking, purchase and payment transactions.

The Company's core technology platform enables large customer communities to connect to end user customers using any mobile device and integrate mobile technology throughout their existing business and customer product offerings. The Company's business divisions consist of Mobile Banking and Digital Payments which service leading banks in Malaysia and large telcos and corporates in Malaysia & Indonesia. IOUpay also works with telecommunication network providers to provide mobile OTT (over-the-top) services that leverage their subscriber base to build active communities.

### **Forward Looking Statements**

This announcement contains forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. Forward looking statements should, or can generally, be identified by the use of forward-looking words such as "believe", "expect", "estimate", "will", "may", "target" and other similar expressions within the meaning of securities laws of applicable jurisdictions, and include but are not limited to the expected outcome of the acquisition. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements. Such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements. Those risks, uncertainties, assumptions and other important factors are not all within the control of IOUpay and cannot be predicted by IOUpay and include changes in circumstances or events that may cause objectives to change as well as risks, circumstances and events specific to the industry, countries and markets in which IOUpay operates. They also include general economic conditions, exchange rates, interest rates, competitive pressures, selling price, market demand and conditions in the financial markets which may cause objectives to change or may cause outcomes not to be realised.

None of IOUpay or any of its subsidiaries, advisors or affiliates (or any of their respective officers, employees or agents) makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward-looking statement or any outcomes expressed or implied in any forward-looking statements. Statements about past performance are not necessarily indicative of future performance.