

Governance, Management of Information and Related Technologies Guide

Capital Bank

Reviews and Approvals

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This guide is developed based on the Central Bank of Jordan Instructions number No.: (10/1/13722), Circular (10-6-984) and ISACA's COBIT Framework 2019.

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1. Introduction

Capital Bank recognizes the importance of the role of Information Systems Department, similar to the other banking departments of the Bank. Therefore, the Bank, represented by the Board of Directors, its senior management and all business units, whether banking or IT units, collaborated and worked together to include IT within the governance and management approach.

In response to the IT Governance instructions issued by the Central Bank of Jordan, Capital Bank has taken the initiative to use COBIT framework for Governance, Management of Information and Related Technology to comply with these Regulations and the Bank requirements to improve and develop business environment and realize the strategic objectives of the Bank.

COBIT provides a comprehensive framework that assists Capital Bank in achieving its objectives related to governance and IT management across the Bank. It helps the Bank create optimal value from IT by maintaining a balance between realizing the highest benefit from IT at the lowest level of risks and resources. COBIT enables IT to be governed and managed in a holistic manner for the entire business units of Capital Bank, in other words, covering end-to-end business and IT functions and responsibilities.

2. About Capital Bank

Since its inception in 1995, Capital Bank has grown to become one of the top financial institutions in Jordan, offering the Jordanian market a comprehensive set of commercial and investment banking services and solutions tailored to the needs of individuals and corporate clients alike.

Capital Bank's mission is to provide innovative, simplified, and holistic financial solutions through enhanced products & an elevated level of customer service and experience in the Jordanian and Iraqi markets. Capital Bank offers its corporate clients a wide variety of services from corporate finance to commercial finance, to asset management, to securities brokerage and market research through its investment arm - Capital Investments, a wholly owned subsidiary of Capital Bank with a paid-up capital of JD 10 million (USD 14 million) and with presence in Jordan and the Dubai International Financial Center (DIFC). The bank also offers unique services in the Iraqi market through the National Bank of Iraq, in which it owns a controlling stake.

In addition to its corporate financial services, the bank also provides its individual customers with retail services such as personal bank accounts, credit cards, personal loans, car loans and home loans, all of which are characterized by competitive interest rates and flexible terms.

First established as the Export & Finance Bank, Capital Bank initially boasted an authorized capital of JD 20 million (USD 28 million), which has steadily increased over the years to reach JD 200 million (USD 282 million) under the bank's new identity as Capital Bank. The bank's has achieved numerous successes in the banking sector; today, its total assets are valued at JD 3.3 billion.

Capital Bank is a 61.85% shareholder in the National Bank of Iraq (NBI), in which it has management control. NBI was established in 1995, and its capital has reached USD 210 million.

3. Scope

The scope of implementing this guide includes all Capital Bank operations that are based on information technology in various branches and departments. All stakeholders should comply with these instructions, each in its respective role and position.

The following list includes the key parties and their responsibilities in this regard:

- **Chairman**, members of the Board and outsourced experts: They undertake the responsibilities of the overall direction of the IT governance project, approving tasks, and responsibilities within the project, and supporting and providing the necessary funds.
- **CEO**, Senior Executive Management and Operations Chief Officers: They undertake the responsibility of hiring the right experienced people in the Bank's operations to represent them in the project and describe their tasks and responsibilities.
- **IT Manager**, IT steering committee and project managers: They undertake the responsibilities of IT governance project management, supervising it directly, recommending the provision of the necessary resources to complete it, and ensuring proper understanding by all parties of the requirements and objectives of instructions.
- **Internal Audit**: It undertakes the responsibility assigned to it directly under the instructions, participate in the IT Governance project, representing the role of internal audit in executive matters as a consultant and independent observer to facilitate the success and completion of the IT Governance project.

- **Risk management**, information security, and compliance: These departments undertake the responsibility of involvement in the project/program, representing the role of those departments, and ensure the representation of the project by all interested parties, specialists, and holders of technical and professional certificates of COBIT.
- According to the instructions of the Central Bank of Jordan, the Board of Directors of Capital Bank is directly responsible for the five processes of Governance and the relevant components (EDM) (Evaluate, Direct and Monitor).
- The Board of Directors of Capital Bank and the Risk Department are directly responsible for the process of "Ensure Risk Optimization" (EDM 03), "APO12 Manage Risk" process, and the relevant components.

4. Objectives

Capital Bank has set the following objectives for Governance, Management of Information and Related Technology framework:

4.1. Meet stakeholder needs and achieve the objectives of the Bank through the utilization of an established governance framework that:

- Facilitates delivering the expected benefits to the Bank and ensures optimization of risks and optimal utilization of resources.
- Ensures the provision and quality of information to support proper decision-making.
- Provides a technology infrastructure that enables the Bank to achieve its objectives.
- Upgrades the Bank operations by employing efficient, reliable and purpose-driven technological systems.
- Ensures integrated risk management of information technology to ensure the protection of the Bank's assets.
- Complies with the requirements of laws, regulations and instructions as well as complies with Capital Bank policies and work strategies and procedures.
- Improves internal control environment.
- Maximizes the level of satisfaction of information technology users by efficiently and effectively meeting their work requirements.
- Manages customer and third-party services entrusted with carrying out operations, services and products.

4.2 Separate governance from executive management in line with internationally recognized standards and practices for Governance, Management of Information and Related Technology.

5. Policies

5.1. This guide is based on the Central Bank of Jordan's Regulations No: (10/1/13722) and Circular 10-6-984 that are derived from COBIT framework. This guide should be reviewed and updated on a regular basis to ensure its consistency with any updated regulations, or COBIT update by ISACA.

5.2 Capital Bank, through the Information Technology Governance Committee of the Board of Directors, will review this guide and update it whenever necessary.

5.3. Capital Bank will publish this guide on Capital Bank website through any appropriate means available to the public.

5.4. Committees

- The Bank has established the required committees to organize and direct the governance framework in the Bank. IT Governance Committee and IT Steering Committee were created.

- **IT Governance Committee:**

As per the Central Bank of Jordan Instructions, the Board of Directors of Capital Bank formed IT Governance Committee from the members of the Board. This committee is composed of four members. It includes people with experience or strategic knowledge in information technology. The Committee meets at least on a quarterly basis and maintains and properly documents minutes and records of the meetings. The Committee will carry out all the tasks set out in the regulations and instructions of the Central Bank of Jordan.

- **IT Steering Committee:**

The Senior Executive Management has formed this Committee to ensure strategic alignment with the strategic objectives of the Bank. This Committee is chaired by the CEO and includes senior executive management as members, including the Head of IT Department, Project Management Director, Head of Risk Management, in addition to an observer of the Board of Directors, in accordance with the Central Bank of Jordan requirements, and the Head of Internal Audit. The Committee may invite other parties to attend the meetings, if necessary. The Committee meets at least on a quarterly basis. The records and minutes of the meetings will be maintained and duly documented. The Committee will carry out all the tasks set out in the regulations and instructions of the Central Bank of Jordan.

5.5. Bank Operations, IT, and Related Goals:

In addition to its functions set out in the Committee Charter, the IT Governance Committee will adopt and prioritize the set of enterprise goals and related alignment goals, governance and management objectives, in addition to other components based on a qualitative and/or quantitative study that is prepared for this purpose on at least an annual basis and that takes into consideration the factors that affect the formation of IT governance framework (COBIT 2019-Design Factors), in line with the Bank specificity and strategies, and will make a recommendation on the outputs of the process above to the IT Governance Committee for approval.

5.6. Policy System

The Board of Directors of Capital Bank or its competent committees will adopt the necessary set of policies for the management and operations of IT governance, as per Appendix (a). This set includes the minimum policies, with the possibility of the combination of these policies with other policies, as required by work nature.

5.7. Information System and Reports

- The Board of Directors of Capital Bank and senior executive management will develop the infrastructure and systems necessary to provide information and reports to their users to support proper decision-making in the Bank. The Board of Directors of Capital Bank or authorized entities will adopt the information systems and reports set out in Appendix (b). This system is the minimum requirement. It will determine the owners of this information and the reports through which the review and use authority is determined and authorized according to work requirements.

Information and Capital Bank reports will be reviewed and updated to reflect governance and management goals according to the best practices and criteria.

5.8. Organizational Structure: The Board of Directors of Capital Bank will adopt the organizational structures (hierarchical and committee structures) concerning the management of resources, operations, IT projects, risk and IT management, information security, and human resources management that meet the operational requirements of governance and management of information technology, and that efficiently and effectively achieve the Bank's objectives.

5.9. Services, Programs and Infrastructure of Information Technology:

Capital Bank, represented by the Board of Directors and Senior Executive Management, will adopt service system, programs and IT infrastructure (set out in Appendix “c”) to achieve governance services, alignment objectives, and thus the Bank objectives in general.

5.10 Knowledge, Skills and Experiences:

The management of Capital Bank, Board of Directors or its delegate committees, adopt the necessary matrix of powers (HR Competencies) and policies of human resources management to achieve the requirements of information technology governance, and to ensure that the appropriate human resources are in place.

The Senior Executive Management of the Bank enrolls its staff in training and ongoing education programs to maintain the level of knowledge and skills necessary to achieve information technology governance.

5.11. Culture, Ethics and Conduct:

The Board of Directors of Capital Bank has adopted a code of corporate ethics related to handling information and related technology that clearly defines the desired rules and conduct and will be developed as necessary.

6. Six Principles of Governance, Management of Information and Related Technology Framework

Governance and Related Technology Framework at Capital Bank is based on six key principles of COBIT 2019:

1. Creating the desired value that meets stakeholder needs by maintaining a balance between the optimization of risk, optimal utilization of resources and creating value.
2. Segregation of governance and management responsibilities through the distribution of roles and responsibilities at all levels and relevant committees.
3. Comprehensive coverage of the Bank.
4. Implementing a framework designed and adapted to meet the needs of the Bank through the use of a set of elements that take into account the factors influencing the formation of IT Governance Framework COBIT 2019 - Design Factors, in line with the Bank's specificity and strategies, in order to prioritize the objectives of management and governance of IT and related technologies at the Bank.
5. Applying a dynamic framework that can be developed to keep pace with changes in the enterprise. If any factor of this framework changes (for example, a change in the enterprise strategy or technology), the impact of these changes on the Bank's governance system can be considered and updated to accommodate and keep pace with these changes and meet new needs.
6. Applying a comprehensive methodology for IT governance and management through 7 Components:
 - Principles, policies and frameworks.
 - IT governance processes.
 - Organizational structures.
 - Information and reports.
 - Services, programs and information technology infrastructure.
 - Knowledge, skills and experience.
 - Set of values, ethics and conduct

7. Goal Setting and Cascading

Every enterprise operates in a different context. This context is determined by external and intrinsic factors. External factors include the market, industry, geopolitics, etc. Intrinsic factors

include culture, organization, risk appetite, etc. This enterprise context requires a customized governance and management system.

COBIT 2019 objectives are an integrated mechanism for translating stakeholder needs into a feasible, actionable, and customizable enterprise strategy and objectives, from which alignment, management governance and objectives and related components are derived. This translation between objectives allows specific objectives to be set for each level and in every area of Capital Bank in support of the overall goals and stakeholder requirements, and thus effectively supports alignment between the Bank needs and IT solutions and services.

Step 1. Stakeholder Drivers Influence Stakeholder Needs

Stakeholder needs are influenced by a number of drivers, e.g., strategy changes, a changing business and regulatory environment, and new technologies.

Step 2. Stakeholder Needs Cascade to Enterprise Goals

Stakeholder needs can be related to a set of generic enterprise goals. These enterprise goals have been developed using the balanced scorecard (BSC) dimensions, which represent a list of commonly used goals that an enterprise may define for itself. Although this list is not exhaustive, most enterprise specific goals can be mapped easily onto one or more of the generic enterprise goals.

Step 3. Enterprise Goals Cascade to Alignment Goals

Achievement of enterprise goals requires a number of IT-related outcomes, which are represented by alignment goals.

Step 4. Alignment Goals Cascade to Enabler Goals

Alignment goals require the successful application and use of a number of components. Components include:

- Principles, Policies and Frameworks.
- Processes.
- Organizational Structures.
- Information.
- Culture and Conduct.
- Services, Infrastructure and Systems.
- People, Skills and Competencies.

Appendix (a): Minimum Set of Policies

*The table below is based on the Instructions of the Central Bank of Jordan No. 10/1/13722, Attachment (6).

The Board of Directors of Capital Bank adopted the following minimum set of policies to regulate and manage the Bank's operations.

- IT governance.
- Information security and protection.
- Business continuity and disaster recovery plans.
- IT risk management.
- IT compliance.
- Data privacy.
- Outsourcing.
- Project Portfolio Management.
- Asset management.
- Acceptable use of IT resources.
- Change management.
- Central computers.
- Computer peripherals.
- Portable devices.
- User Access Management.
- System Development Lifecycle.
- Service Level Management.
- Backup and Restore.
- Data retention.
- Systems and supplies purchasing.
- Remote access.
- Networks.
- Wireless networks.
- Firewalls.
- Penetration Testing and Vulnerability Assessment.
- Public Branch Exchange.

Appendix b: Minimum Set of Information and Reports

* The table below is based on the Instructions of the Central Bank of Jordan No. 10/1/13722, Attachment (7).

The Board of Directors of Capital Bank adopted the following set of information and reports to ensure proper progress of decision makings in the Bank.

- Matrix of powers and privileges.
- IT Risk Factor Analysis.
- IT Risk Scenario Analysis.
- IT Risk Register.
- Responsibilities Chart of IT management and governance processes.
- IT Risk Profile.
- IT Risk Report.
- IT Risk Map.
- Risk Appetite and Tolerance.
- Key Risk Indicators.
- Risk Taxonomy.
- Risk and Control Activity Matrix (RCAM).
- Information Security budget.
- Management information systems (MIS) Reports.
- Audit Strategy.
- IT Audit Charter.
- IT Audit Plan.
- Matrix of Qualifications.
- IT Audit Register.
- IT Audit File.
- The best international standards for the management of projects and information technology resources, risk management, information technology, security, protection and verification of information technology.

Appendix c: Services and Software Infrastructure for Information Technology

* The Board of Directors of Capital Bank adopted the following set of services, programs and infrastructure for information technology supporting the achievement of enterprise objectives and the objectives of information and related technology.

- Incident Management Services.
- IT Assets Inventory.
- Awareness of information security good practices.
- Security and protection of data and information.
- Information Security Surveillance.
- IT auditing software.
- Physical and environmental security for server rooms and chambers of communications and electricity supply.

Appendix (d): Definitions

- **Governance:** Governance ensures that stakeholder needs, conditions and options are evaluated to determine balanced and agreed-on enterprise objectives to be achieved; prioritization and decision making; and monitoring performance and compliance against agreed-on objectives.
- **COBIT:** Formerly known as Control Objectives for Information and Related Technology (COBIT); now used only as an acronym in the last version. It is a complete and internationally accepted framework for governance and management of information and related technology. This framework supports enterprise executive management in its definition and achievement of business goals and related alignment goals. COBIT describes a set of principles and seven components that support enterprises in the development, implementation, and continuous improvement and monitoring of good governance and management practices related to information technology.
- **Process:** A collection of practices influenced by the enterprise's policies and procedures that take inputs from a number of sources (including other processes), process the inputs and produce outputs (e.g., products, services).
- **Board:** The Board of Directors of the Bank.
- **Senior Executive Management:** Includes the CEO of the Bank, Head of Financial Control, COO, Head of Risk Management, Head of Treasury and Investment, Head of Compliance, as well as any employee of the Bank who has executive authority parallel to any of the abovementioned authorities and functionally and directly reports to the general manager.
- **Stakeholders:** Any interested party in the Bank, such as shareholders, employees, creditors, customers, suppliers or external competent regulatory bodies.

Appendix (e): References

- Central Bank of Jordan Circular No. 13722/1/0 and Circular No. (10-6-984).
- COBIT Governance Framework 2019.