

**30 - Instructions concerning Credit Facilities Extended
by local Banks to their Boards of Directors**

GOVERNOR

Rajab 7, 1416 H
November 29, 1995

THE CHAIRMAN,

Circular to all local banks *

I would like to advise you that the Central Bank of Kuwait Board of Directors has issued, at its meeting held on November 27, 1995, instructions in respect of the rules and regulations concerning credit facilities extended by local banks to their board of directors.

In this regard, I would like to attach herewith a copy of these instructions with which your bank shall comply as effective from date of issue.

With my best regards,

SALEM ABDUL-AZIZ AL-SABAH

** Circulated to all local banks.*

**Rules & Regulations concerning the
Credit Facilities extended by local Banks
to their Boards of Directors**

FOREWORD

Having taken into consideration Article (69) of Law No. 32 of 1968 concerning Currency, Central Bank of Kuwait and the Organization of Banking Business, stipulating the terms and conditions to be applied to loans, overdrafts and guarantees granted by banks to the members of their Boards of Directors, AND;

The Instructions issued by the Central Bank of Kuwait concerning Rationalization of Credit Policy of Banks, AND;

The Instructions issued in respect of Maximum Limits for Credit Concentration.

These Rules and Regulations, which satisfy the general international supervisory trends and practice concerning organization of banks' lending to their Boards of Directors, are aimed at ensuring that providing credit facilities to Directors shall not cause excessive risks that adversely reflect on bank financial position and that preferential merits and benefits have not been granted due to their influential positions and job titles.

FIRST : Scope of Implementation :

These instructions shall apply to all credit facilities that are extended to the bank Board of Directors, or to any other parties that are in effect economically or legally interrelated, whether they are associated through common ownership or common management, as promulgated in Article (4) of the Instructions No. (SBI / 101 /1995) concerning the Maximum Limits for Credit Concentration.

SECOND : Definition of The Credit Facilities :

For the purpose of implementing these instructions, the Credit Facilities are meant to be the facilities extended from the bank's Head Office, local and foreign Branches, besides its Subsidiaries. They comprise the following :

1. Cash Facilities

They include :

- Loans and Overdrafts;
- Discounted Bills, and other securities of similar nature.

2. Non-Cash Facilities

They include :

- Documentary Letters of Credit;
- Letters of Guarantee;
- Bank Acceptances;
- Other non-cash facilities of similar nature.

THIRD : Conditions of the the Credit Facilities extended to a Member of a Bank's Board of Directors :

1. The Bank shall receive prior permission from the Bank's General Assembly to the Board of Directors for extending credit facilities to the Board members, in conformity with the stipulations of Article "69" of Law No. (32) of 1968 concerning Currency, the Central Bank of Kuwait and the Organization of Banking Business;
2. The Bank's Board of Directors shall approve the decision of the credit facilities to a Board member in respect of granting, renewing and

increasing thereof, at the majority of not less than three quarters. The Board of Directors shall not delegate its powers in this concern to any other committee or authority;

3. The Bank shall acquire adequate collateral against the credit facilities to be granted, taking into account the following controls :

A- Cash Facilities :

The Cash Facilities to be extended shall be fully secured by cash or non-cash collateral. Adequate additional margins for such collateral shall be acquired to cover potential risks due to fall off in value thereof, in accordance with banking common practices.

B- Non-Cash Facilities :

As for the Non-Cash Facilities, the margins (cash collaterals) to be received by the bank shall be determined in accordance with the banking common practices. Such margins for some facilities shall not be less than the following ratios :

- 25% of Bank Acceptance value,
- 100% of Letters of Guarantee value issued to guarantee any credit facilities obtained from banks or financial institutions by any Board Director,
- As for the Documentary Letters of Credit, other letters of Guarantee and Contingent liabilities, the bank shall receive adequate margins against them, where no preferential treatment for any of Board Directors shall be permitted.

4. Interest and commission rates applied to credit facilities extended to members of Board of Directors shall be determined in conformity with the rates imposed on all other bank customers.
5. The instructions issued by the Central Bank of Kuwait concerning Rationalization and Organization of Bank Credit Policy dated 28. 12. 1993 shall be strictly applied to the credit facilities extended to Bank Directors, particularly those items related to preparing a thorough credit study. Such study should include the reasons underlying granting of such facilities or reasons for renewal thereof, and any other relevant data. Up-to-date evaluation of the concerned collateral shall be taken into account. The professional parties specialized in evaluating specific assets of special nature shall be requested for assistance.

FOURTH :

The Bank Board of Directors shall advise the General Assembly, through the Annual Report with the Closing Accounts, of the balances of credit facilities granted for Board members at end of the fiscal year, where the number of related clients, volume of cash and non-cash facilities and the outstanding collateral shall be indicated.

FIFTH :

The Bank shall immediately receive the collateral required, in accordance with these Rules & regulations, to match with the credit facilities extended to its Board members and outstanding before issue of these instructions, within a maximum period of two years from issue thereof.

SIXTH :

The Bank shall submit to the Central Bank of Kuwait quarterly statement for balance of all credit facilities extended to Board of Directors and the

outstanding collateral against them. Banks shall indicate the measures taken to fulfill deficiency of the collateral, in compliance with these instructions. These statements shall be endorsed by one of the Bank external auditors.

SEVENTH :

These instructions shall be enforceable and effective upon date of issuance.

November 29, 1995

**Statement of Credit Facilities extended to the
Bank Board Members As at**

Bank Name : _____

Secret No. of the Director & Related Parties	Date of Granting Facilities	Cash Facilities		Non-Cash Facilities		Maturity Date	Existing Collateral		Remarks
		Granted	Utilized	Granted	Utilized		Granted	Utilized	
First : A) Director's Secret No. (A)									
Second : B) Related Parties Secret No. (B) 1) 2) 3)									
Total (B)									
Total (A + B)									

• Measures taken by the bank to comply with the rules and regulations concerning credit facilities extended to Bank's Board of Directors..

-

-

-