

15- STANDARDS AND CONTROLS REGULATING THE RELATION OF BANKS TO THEIR CUSTOMERS WITH REGARD TO THE EXTENSION OF BANKING SERVICES

- A- Notification to banks regarding the Central Bank of Kuwait's Board of Directors resolution No. (2/220/1995) concerning the cancellation of established maximum limits for fees and commissions by banks against extending their banking services to customers.
- B- Instructions regarding measures to be taken by banks in relation to fees and commissions
- C- Circular concerning regulating the relation of banks to their customers.
- D- Circular concerning banks' abide by the mentioned measures regarding opening accounts for non-Kuwaiti workers in non-governmental bodies.
- E- Instruction regulating the loans extended by banks to their staff and employees.
- F- Circular No. (2/BS,IBS/193/2006) confirming the need for providing the customer with a copy of the contract signed with the bank, whether at the start of dealing with the bank, or in cases of contract renewal, rescheduling or contract amendment.
- G- Circular No.(2/BS, IBS/209/2007) requesting the discontinuation of Cash/In-kind Incentives to Customers when Obtaining Credit Facilities or Credit Cards All Types .
- H- Circular No. (2/BS, IBS/222/2008) requesting the discontinuation of cash or in-kind incentives, directly or through draws or any other form, to customers when obtaining facilities or credit cards of all types.

GOVERNOR

*Ramadhan 1, 1415 H
January 31, 1995*

THE CHAIRMAN,

Notification to banks regarding the Central Bank of Kuwait's Board of Directors resolution No. (2/220/1995) Concerning the Cancellation of established maximum limits for fees & commissions*

I would like to advise you that the Central Bank of Kuwait Board of Directors has decided, in its meeting held on 22/1/1995, to cancel the maximum limits for the fees and commissions charged by banks against extending their banking services to customers, as well as to cancel the interest rates' floor applied to deposits and savings accounts. Enclosed please find copies of the above two resolutions for implementation with effect from the date of publication in the Official Gazette "Kuwait today".

The Central Bank would like to confirm that banks are required to avoid making any prior arrangements to charge interest rates on deposits which do not reflect the interaction of the supply and demand forces. The fees and commissions collected against the banking services should be commensurate with the cost of extending such services and should not be exaggerated. It should also be taken into account that the purpose of canceling the said limits is to give the banks more flexibility in exercising their activities in accordance with the market supply and demand forces, so as to enhance competition among the banks, increase their ability to innovate new banking services, improve existing services and render better operations and services to customers.

With my best wishes,

SALEM ABDUL AZIZ AL-SABAH

* Circulated to all local banks.

15- STANDARDS AND CONTROLS REGULATING THE RELATION OF BANKS TO THEIR CUSTOMERS WITH REGARD TO THE EXTENSION OF BANKING SERVICES.

A-Notification to banks regarding the Central Bank of Kuwait's Board of Directors resolution No. (2/220/1995) concerning the cancellation of established maximum limits for fees and commissions by banks against extending their banking services to customers.

**Resolution No. (2/220/1995)
concerning the cancellation of the maximum limits of fees and
commissions charged by banks against extending banking services**

The Board of Directors of the Central Bank of Kuwait,

Having reviewed Article (73) of the Law No. (32) of the year 1968 concerning the currency, Central Bank of Kuwait and the organization of the banking business, the amending laws, and having reviewed.

Central Bank of Kuwait Board of Directors resolutions issued on 18/4/1988 and 16/11/1992 regarding the establishment of maximum limits for fees and commissions charged by banks against extending banking services.

And following the approval of the Minister of Finance,

Has decided:

Article One

The maximum limits for fees and commissions charged by banks against extending banking services, as mentioned under the two resolutions of Central Bank of Kuwait Board of Directors referred to in the preamble above, are hereby cancelled.

Article Two

This Resolution shall be published in the Official Gazette and shall be in effect from the date of its publication.

Board of Directors of the Central Bank of Kuwait.

Issued on: Sha'aban 29, 1415H
January 30, 1995

15- STANDARDS AND CONTROLS REGULATING THE RELATION OF BANKS TO THEIR CUSTOMERS WITH REGARD TO THE EXTENSION OF BANKING SERVICES.

A-Notification to banks regarding the Central Bank of Kuwait's Board of Directors resolution No. (2/220/1995) concerning the cancellation of established maximum limits for fees and commissions by banks against extending their banking services to customers.

GOVERNOR

Ramadhan 13, 1415 H.

February 12, 1995

THE CHAIRMAN,

**Instructions Regarding Measures to be Taken
by Banks in Relation to Fees and Commissions**

With reference to our letter dated 31/1/1995 regarding the Central Bank of Kuwait Board of Directors resolution issued, at its meeting of 22/1/1995, on the cancellation of the established maximum limits for fees and commissions collected by banks in consideration for their services extended to customers, as well as the cancellation of interest rates floor to deposits and savings account.

We would like to confirm the contents of our aforesaid letter which stipulated that fees and commissions charged by banks against banking services should be commensurate with the cost of extending such services. In order to achieve the objectives underlying the issuance of the said resolution, we would like to advise you that the following actions must be taken within one week from this letter's date*:

- 1- Your bank must announce the prices of banking services to customers on a special board at your head office and all of its branches operating in Kuwait.
- 2- Your bank is required to provide us with a list of the fees and commissions for banking services rendered by your bank. The said list shall be provided to us whenever any amendment is made thereto.

With my best wishes,

SALEM ABDUL AZIZ AL-SABAH

* Circulated to all local banks.

15- STANDARDS AND CONTROLS REGULATING THE RELATION OF BANKS TO THEIR CUSTOMERS WITH REGARD TO THE EXTENSION OF BANKING SERVICES.

B- Instructions Regarding Measures to be Taken by Banks in Relation to Fees and Commissions

GOVERNOR

*Sha'aban 10, 1423 H.
October 16, 2002*

THE CHAIRMAN,

Circular to all local banks

We would like to underline the importance of the relationship between local banks and their customers, which must be based on maximum credibility and transparency. Such relationship also requires proper attention to customers' needs, leading to their satisfaction with their banks.

To this effect, the following set of criteria has been established as a minimum for banks to comply with in their relationship with their customers, effective today, in the following manner:

- 1 - The rights and obligations of both the bank and the customer must be specified under clearly-worded and easily understood contracts, consistently with the applicable laws and regulations, Central Bank of Kuwait instructions, and commonly accepted banking practices.
- 2 - The contract signed between the bank and the customer must clearly specify the interest rate and all relevant fees and commissions, including those to be imposed on the customer in case of his breaching any of the contract provisions.
- 3 - The customer must be provided with a copy of the contract signed with the bank, whether at the time of signing, renewal or amendment.
- 4 - In addition to the statements of account which the bank periodically provides the customer with, as per common practice, the bank must also provide the customer, upon his request, with a copy of any statement of account and for any periods he desires, as well as with any certificate or statement pertinent to him, without any exaggerated fees for such service.

15- STANDARDS AND CONTROLS REGULATING THE RELATION OF BANKS TO THEIR CUSTOMERS WITH REGARD TO THE EXTENSION OF BANKING SERVICES.

C- Circular concerning Regulating the Relation of banks to their Customers.

- 5 - The application form signed by the customer, or the agreement he signs with the bank in relation to any of the banking services such as credit cards, electronic transfers, safe deposit lockers or other services, must include clearly-worded and understood provisions, and must expressly define the rights and obligations of the customer, as well as any relevant fees or commissions, including those to be imposed on the customer in case of his breaching any of the subject service terms.
- 6 - The advertisement of the bank's products and services through the press, magazines, radio, TV, signboards or any other means, must reflect the real service and benefits the customer will obtain, as well as the obligations that he may bear.
- 7 - The bank must pay sufficient attention and must comply with absolute transparency when offering and explaining its various services to customers, while insuring accurate replies to customers' inquiries.
- 8 - The bank must attentively and professionally study customers' complaints, and must reply thereto at the earliest possible.
- 9 - The bank must assign customer service to qualified and well-trained staff who can efficiently render the bank's services to customers and reply to customers' inquiries.
- 10 - The bank must maintain a professional code of conduct, which stipulates specific rules and criteria that the staff have to follow, including those governing the bank's relationship with its customers.

With my best wishes,

SALEM ABDUL AZIZ AL-SABAH

GOVERNOR

*Ramadhan 21, 1424 H.
November 16, 2003*

THE CHAIRMAN,

**Circular to all local banks and Kuwait Finance House
excluding the Industrial Bank of Kuwait**

With reference to the Council of Ministers' decision No. (1045/2002) regarding the rules for the treatment of the personal accounts held in local banks by non-Kuwaiti workers in non-governmental bodies, in light of what we noticed from the review of policies and conditions laid down by banks in the enforcement of the provisions of the above mentioned Council of Ministers' decision No. (1045/2002), the Central Bank of Kuwait confirms the necessity for your bank to abide by the following measures regarding opening accounts for non-Kuwaiti workers in non-governmental bodies, following your receipt of this letter:

1. Not requiring a minimum salary for workers, as a condition.
2. Not requiring that a certain amount be deposited by the employer, whether as a direct deposit or as a deposit for each worker, or in any other form.
3. Not requiring the elapse of a specific period from the time the employer opened the account.
4. Issuing the worker with an ATM card, on the account being opened.
5. Not applying any new policies or conditions regarding opening accounts for non-Kuwaiti workers in non-governmental bodies, before obtaining Central Bank of Kuwait written permission.

With my best wishes,

SALEM ABDUL AZIZ AL-SABAH

15- STANDARDS AND CONTROLS REGULATING THE RELATION OF BANKS TO THEIR CUSTOMERS WITH REGARD TO THE EXTENSION OF BANKING SERVICES.

D-Circular concerning banks' abide by the mentioned measures regarding opening accounts for non-Kuwaiti workers in non-governmental bodies.

GOVERNOR

*Jumada Al-Akhira 19,1401 H
April 25, 1981*

THE CHAIRMAN,

**Correspondence concerning the rules and regulations governing
the loans extended by banks to their staff and employees ***

Enclosed is a copy of the instructions issued by the Central Bank, based on Article (71) of the Central Bank Law, which include the rules and regulations governing the loans extended by banks to their staff and employees, to be implemented effective 30/4/1981.

Even though these instructions have left to each individual bank the determination of the maximum amount of loans that may be accorded to banks' staff, depending on a case-by-case basis, yet it is necessary that your bank ensures that such loans are granted to your staff within a limited scope and to the extent commensurate with the assumable use of these loans in terms of meeting staff personal and family needs, as set out in Item (4) of the said instructions.

As for the staff credit facilities outstanding before the effective date of these instructions, Item (8) of the instructions provided that they should be reported to the Central Bank twice a year, using a form designed for this purpose by the Central Bank. Enclosed are copies of the said form** which shall be used by your bank to report these credit facilities to the Central Bank, commencing from the end of June, 1981.

The aforesaid form shall be forwarded to the Central Bank in a sealed envelope, with a remark "Private & Confidential – Banking Risks".

With my best wishes,

Hamza Abbas Hussain

* circulated to all local banks

** According to the Central Bank of Kuwait circular dated 9/7/1998, staff and employees loans shall be reported as a footnoted in the consumer loans and other installment loans returns.

15- STANDARDS AND CONTROLS REGULATING THE RELATION OF BANKS TO THEIR CUSTOMERS WITH REGARD TO THE EXTENSION OF BANKING SERVICES.

E- Instruction regulating the loans extended by banks to their staff and employees.

Instructions Concerning the Regulation of Lending to Banks' Employees

The Central Bank Law has regulated the provision of loans to members of the Boards of Directors of banks. Article (69) thereof provides that.

“Banks must not, in any form, give loans or overdrafts through current accounts, or issue guarantees in favour of the members of the Boards of Directors without prior permission from the General Assembly”. The Article further states that **“Such loans, advances and guarantees shall be subject to the rules applied by the bank to other customers”.** The Central Bank Law has also regulated the provision of loans to auditors. To this effect, paragraph (d) of Article (84) provides that **“The auditor may not receive any loans – whether with or without collateral – or guarantees from the bank which accounts he audits”.** As the Central Bank Law does not expressly address the regulation of loans given to banks' employees, other than the members of the Boards of Directors and Auditors, the Central Bank, in reliance on the provisions of Article (71) of the Central Bank Law, deems it necessary to regulate this matter by issuing the following instructions governing the provision of credit facilities to all employees of banks.

Item 1

The term “bank” or “banks” shall mean all banks operating in Kuwait, commercial or specialized.

Item 2

The term “employees” shall mean all workers in the bank, on full-time basis, with or without pay, employees or workers. This shall exclude – and insofar as these instructions are concerned – the members of the Board of Directors, Auditors and Advisors who perform specific assignments for the bank from time to time, and the advisors whose contracts terminate upon completion of the tasks entrusted to them.

Item 3

Credit facilities shall – insofar as these instructions are concerned – mean the cash credit facilities which a bank may provide to its employees, such as the discount of commercial papers, term loans, overdraft facilities, as well as non-cash credit facilities such as letters of documentary credit, bank guarantees, bank acceptances, and personal guarantees given by such employees to other employees of the bank or to bank's customers, regardless whether such facilities are secured or not.

15- STANDARDS AND CONTROLS REGULATING THE RELATION OF BANKS TO THEIR CUSTOMERS WITH REGARD TO THE EXTENSION OF BANKING SERVICES.

E- Instruction regulating the loans extended by banks to their staff and employees.

Item 4

Banks may give their employees credit facilities only within those limits which are commensurate with the use of such credit facilities for specific purposes required for the personal or family needs of the employees, such as expenses for medication, education, private housing repairs, purchases of domestic appliances, furniture, various consumer goods and other similar personal and family purposes. The cash credit facilities accorded to the employees should be in the form of term loans, as per the conditions laid down by the Central Bank in connection with the regulation and rationalization of banks' credit policy.

Item 5

The Board of Directors of the bank shall exclusively have the authority to set the rules and conditions regulating the provision or renewal of credit facilities to the bank's employees. The Board of Directors may authorize a special committee for loans to consider the granting or renewal of such credit facilities, in accordance with the rules and terms determined by the Board of Directors in this connection.

Item 6

The reasons justifying the provision of credit facilities to the bank's employees, as well as the reasons for their renewal or any other information related to such credit facilities, shall be entered in one or more documents which shall be maintained in the file of the loan.

Item 7

To the exclusion of the purpose for which the credit facilities are accorded, the rules of these instructions should be applied to the credit facilities given to the employees prior to the enforcement of these instructions, in the event these facilities are renewed after expiry of the term of contracts and agreements related to them. With regard to facilities given for purposes other than those provided for in Item (4), the banks should see to it that the debt is gradually settled during a period not exceeding four years from the date of the enforcement of these Instructions.

Item 8

Banks should notify the Central Bank of the credit facilities referred to in the preceding item – which amount to or exceed five thousand dinars – twice a year; at the end of June and the end of December every year. This reporting should be on the special forms prepared by the Central Bank for this purpose.

Item 9

These Instructions shall be considered complementary and supplementary to the instructions, rules and regulations previously issued by the Central Bank. They shall not be considered as repealing any of the said instructions, rules and regulations especially as regards their relation to the regulation and rationalization of the banks' credit policy and the Center of Risk System.

Item 10

Banking terms used in these instructions shall be construed in light of the definitions given in the Center of Risk System and the Regulations for Rationalization of Banks' Credit Policy.

Item 11

These instructions shall be put into effect as from 30 April, 1981.

GOVERNOR

*Ramadhan 4, 1417 H.
September 26, 2006*

THE CHAIRMAN,

**Circular No. (2/BS, IBS/193/2006)
to all Local Banks**

This has reference to Central Bank of Kuwait circular of 16/10/2002 issued to local banks, and Central Bank of Kuwait circular of 10/11/2003 issued to Islamic banks, on the regulation of the relationship between banks and their customers, and which include the criteria banks should comply with, as a minimum, in their relations with customers. The inspection carried out by Central Bank of Kuwait has revealed that some banks do not comply with some of those criteria, specially in relation to providing the customer with a copy of the contract he concludes with the bank.

Therefore, Central Bank of Kuwait stresses the need for full compliance with the mentioned criteria. The operating procedures manual of the bank must stipulate that the customer should be provided with a copy of the contract signed with the bank, whether at the start of dealing with the bank, or in cases of contract renewal, rescheduling or contract amendment. A proof evidencing that the customer received his copy must also be provided.

With my best wishes,

SALEM ABDUL AZIZ AL-SABAH

15- STANDARDS AND CONTROLS REGULATING THE RELATION OF BANKS TO THEIR CUSTOMERS WITH REGARD TO THE EXTENSION OF BANKING SERVICES.

F- Circular No. (2/BS,IBS/193/2006) confirming the need for providing the customer with a copy of the contract signed with the bank, whether at the start of dealing with the bank, or in cases of contract renewal, rescheduling or contract amendment.

DEPUTY GOVERNOR

*Jumada Al-Akhira 3, 1428 H
July 17, 2007*

THE CHAIRMAN,

**Circular No. (2/BS,IBS/209/2007) To All Local Banks
On Discontinuation of Cash/In-kind Incentives to Customers When
Obtaining Credit Facilities or Credit Cards of All Types**

It was noted that some units of the banking and financial system exaggerate their competition by launching advertising campaigns encouraging the public to obtain facilities or credit cards by granting cash/in-kind incentives upon obtaining such facilities.

Taking into consideration that such practices involve adverse social impact on certain customers, the Central Bank stresses that local banks should, with immediate effect, cease granting the customers any such incentives against obtaining credit facilities or credit cards. Also, banks should stop and cancel the accompanying promotional campaigns. Please advise us, within one week from this date, of the actions taken to this effect.

With my best regards,

Dr. Nabil Ahmed AlMana'e

15- STANDARDS AND CONTROLS REGULATING THE RELATION OF BANKS TO THEIR CUSTOMERS WITH REGARD TO THE EXTENSION OF BANKING SERVICES.

G-Circular No.(2/BS, IBS/209/2007) requesting the discontinuation of Cash/In-kind Incentives to Customers when Obtaining Credit Facilities or Credit Cards All Types .

GOVERNOR

*Jumada Al-Aula 30, 1429 H
June 4, 2008*

THE CHAIRMAN,

**Circular No. (2/BS,IBS/222/2008) To All Local Banks
On Discontinuation of Cash or In-kind Incentives,
Directly or Through Draws or any Other Form, to Customers
When Obtaining Facilities or Credit Cards of All Types**

This is made pursuant to circular date 17/07/2007 to all local banks on the necessity that local banks immediately cease granting any cash or in-kind incentives to customers against obtaining facilities or credit cards, as well as stopping the accompanying advertising campaigns. It was noticed that certain units of the banking and financial system launch advertising campaigns attracting customers to obtain facilities or credit cards through the opportunity to enter draws for prizes when obtaining such facilities.

Therefore, the Central Bank of Kuwait hereby stresses that local banks should immediately stop granting any cash or in-kind incentives, directly or through draws or in any other manner, against obtaining facilities or credit cards. Banks should also stop and remove all accompanying advertising campaigns, and advise us accordingly, within one week from this date.

With my best wishes,

SALEM ABDULAZIZ AI-SABAH

15- STANDARDS AND CONTROLS REGULATING THE RELATION OF BANKS TO THEIR CUSTOMERS WITH REGARD TO THE EXTENSION OF BANKING SERVICES.

H-Circular No. (2/BS, IBS/222/2008) requesting the discontinuation of cash or in-kind incentives, directly or through draws or any other form, to customers when obtaining facilities or credit cards of all types.