

**20 - CENTRAL REGISTRATION SYSTEM FOR CUSTOMERS
WHOSE ACCOUNTS AT LOCAL BANKS WERE CLOSED**

- A- Instruction concerning the Central Registration System for customers whose accounts at local banks were closed due to cheques returned for being without provisions, and the rules and measures to be applied in this regard .

GOVERNOR

*Moharram 26, 1420 H
May 12, 1999*

THE CHAIRMAN

Circular to all local banks

I would like to inform you that the Board of Directors of the Central Bank of Kuwait has, in its meeting on 9/5/1999, issued instructions concerning the central registration system for customers whose accounts at local banks were closed due to cheques returned for being without provisions, and the rules and measures to be applied in this regard. This system shall apply after completion of its automation and testing processes at the Central Bank of Kuwait. Attached hereto is a copy of these instructions.

You will be further notified of the start of application of these instruction after completion of the mentioned processes.

Your bank shall start, on its part, to take necessary action in preparation for the implementation of these instructions, particularly with regard to the required database and the policy adopted for dealing with customers whose cheques are returned.

With my best wishes

SALEM ABDUL AZIZ AL SABAH

**Instructions concerning the central registration system for customers
Whose accounts at local banks were closed due to cheques returned
for being without provisions, and the rules and measures to be
applied in this regard**

With a view to ensuring the proper use of bank cheques, limiting the increase in number of cheques returned for being without provisions, enhancing trust in cheques as a payment instrument along with avoiding the negative impact which the misuse of cheques has on transactions; and, within the framework of upgrading the relevant system currently followed by the banks and Kuwait Finance House, and to attain an adequate measure of uniformity and organization among banks in this regard, the Board of Directors of the Central Bank of Kuwait (CBK) has decided to establish an automated central information system at CBK, in regard to customers whose accounts at local banks Kuwait Finance House were closed due to cheques returned for being without provisions, and for the issuance of rules and measures to be applied by the local banks and the Kuwait Finance House in dealing with these customers, as follows:

First : Central registration system

1. A central registration " system shall be established at the Central Bank of Kuwait for customers whose accounts at local banks were closed due to cheques returned for being without provisions, " and shall be referred to hereinafter as "the System". Participants in the system encompass local banks, Kuwait Finance House and any other banks that may be licensed in the future, are referred to hereinafter as "the Banks".
2. The System shall have for function to establish " a list of customers whose accounts were closed due to cheques returned for being without provisions, " referred to hereinafter as "the List".
3. The banks shall supply the system through on-line connection with CBK, with the following information on customers whose accounts were closed due to cheques returned for being without provisions, on the same day the account is closed:

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- Name of customer; civil card number for individuals, and commercial registration number for companies and establishments.
 - The number of account that has been closed.
 - Code of concerned branch.
 - Number and date of each returned cheques on the basis of which the account was closed.
 - Date the account was closed
 - The reason the account was closed.
4. The on-line system shall be used to input information or for viewing the list provided by the system in accordance with the procedure and controls listed below:
- a) Banks shall provide the supervision department at the Central Bank of Kuwait with a list of names, job titles and specimen signatures of persons authorized to use the on-line connection for entering data into the system or for viewing the list provided by the system. This authorization shall be limited to four officials from the competent department at each bank.
 - b) The supervision department at the Central Bank of Kuwait shall provide those employees authorized by their banks to use the System, with the following:
 - Screen identification and numbering.
 - Issuance of password for authorized employee to use the on-line system.

Second : Rules' and procedure to be implemented:

1. All customer's checking accounts shall be closed and the name thereof entered into on the list if, within one year, a maximum three cheques made by the customer are returned for being without provisions, or if the bank finds ill-intent on the customer's part, resulting into non-clearance of the cheque. The customer's name shall remain on the list for one year before removal therefrom.

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Banks shall request customers, whose accounts were closed, to return to the bank the unused cheques still in their possession.

2. A bank may not open new checking accounts or issue new cheque books for customers recorded in the list, whether they were so recorded by that bank or by any other bank.
3. Banks shall close the account of any customer recorded in the list by other banks, in the event where one cheque drawn on the customer's bank account is returned for being without provisions.
4. Where a cheque is returned for being without provisions, banks shall serve the issuing customer a warning, underlining the penalties applicable to cheques returned for being without provisions, and stating that the cheque so returned will be counted as returned cheques under Item No. 1 of these rules and procedure, regardless of the returned cheque having been settled.
5. Banks shall print and affixed to cheque books a sheet bearing a reminder of the penalty applicable under the Kuwaiti Penal Code for issuing cheques without provisions, and the measures taken accordingly in this regard.
6. When opening a checking account, the bank shall obtain from the customer, a written and unconditional consent to the application of these instructions, as well as any other measures dictated by the bank' policy regarding cheques drawn on it and returned for being without provisions. Banks shall obtain a similar consent from their existing clients for which they opened checking accounts, within six months from the application of this System.

The rules and procedure mentioned above are the minimum applicable by banks in dealing with customers whose cheques are returned for being without provisions. Banks are each entitled to apply further stricter measures, according to the bank's policy in this regard and in the light of the customer's behavior in dealing with cheques.

Third : General instructions

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1. Banks shall lay down internal regulations that ensure the confidentiality of data and information provided in this System, and prevent their misuse. Furthermore, banks shall advise authorized employees that disclosure or misuse of such data and information will subject them to the penalties provided for in the relevant laws.
2. The Central Bank shall be provided periodically with information on cheques that are returned for being without provisions, according to the attached form, on a six-monthly basis (end of June and December of each year), provided that such data be extracted from the system on-line and endorsed by the bank's management, and reach the Central Bank of Kuwait within one week from the end of the period covered by the statement. The first such statement shall be accompanied with a detailed description of the bank's policy with regard to customers whose cheques are returned for being without provisions.

Banks shall set up an adequate in-house database containing information on clients whose cheques were returned, so as to allow verification of the position of these clients at any time, and to provide the Central Bank of Kuwait with necessary information in this regard.

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**Statement of Cheques Presented to the Bank (*) and those Returned
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During the Period.....

Bank name : **“Value in Thousand KD”**

Description	Total cheques presented to the bank (**)			Total cheques returned for being without provisions (**)			Accounts closed because of cheques without provisions	
	Amount	Number	Number of Customers (***)	Amount	Number	Number of Customers (***)	Number of customers	Number of accounts
Total								

(*)Includes the head office and branches inside Kuwait .

(**)Whether presented at the counter or through the clearing room .

(***)Duplication should be avoid in the listing of customers .

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