

**34 - INSTRUCTIONS CONCERNING CREDIT CARDS  
ISSUED BY LOCAL BANKS**

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**GOVERNOR**

*Thu Al-Hijja 3, 1417 H  
April 10, 1997*

**THE CHAIRMAN ,**

**Circular No. (2/BS/12/1997)  
Concerning The Instructions related to  
Credit Cards Issued By Local Banks \***

We would like to advise you that the Central Bank of Kuwait Board of Directors, at its meeting No. 241 held on 9/4/1997, endorsed the instructions regarding credit cards issued by local banks. <sup>(1)</sup>

Enclosed is a copy of these instructions, which your bank has to comply with effective of the date of their issuance.

With my best wishes,

**SALEM ABDUL AZIZ AL-SABAH**

\* Circulated to all local banks.

(1) Circular No.(2/BS,IBS/208/2007) issued by the Central Bank of Kuwait to comply with instructions regarding credit cards issued by local banks.

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**34- INSTRUCTIONS CONCERNING CREDIT CARDS ISSUED BY LOCAL BANKS.**

A – Circular No. (2/BS/12/1997) concerning the instructions related to credit cards issued by local banks.

**Circular No. ( 2/BS/12/1997)  
Concerning The Instructions Related to  
Credit Cards Issued By Local Banks <sup>(1)</sup>:**

**Introduction :**

For the purpose of implementing these instructions, banks should differentiate between credit cards which banks issue to their customers, and whose use does not entail the repayment of debt on installments, but are charged to the customer's credit account. These cards are called " **Charge Cards** " and do not need specific controls to govern their use, as they do not result in any debt from the customer's side. The matter of organizing the issuance and use of charge cards is left to banks' discretion, as currently in practice.

As for cards whose use entails a debt on the customer's side and the repayment of such debt on installments, and which are called " **Credit Cards** " they are the subject of these proposed instructions that aim at exercising strict control on that type of credit and to limit its haphazard expansion.

Therefore, the contents of these instructions apply only to the second type of cards which allow the settlement on installments of the debit balances resulting from their use.

**First : Maximum Limit**

The maximum amount resulting from the use of a credit card and allowed to be repaid on installments, should not exceed ten times the monthly salary or the regular monthly income of the customer<sup>(2)</sup>, subject to a maximum of KD 10.000/- whichever is lower. Excluded from this limit are those customers who have a line of credit with the Bank and request that the debit balances resulting from the use of credit cards issued to them, be deducted from the credit accounts granted to them by the Bank.

**Second : Repayment Period** <sup>(3)</sup>

" Repayment period of debit balances resulting from the use of credit cards shall not exceed one year, non-renewable. The one year period is to be calculated from the maturity date of the monthly invoices to be deducted from the customer's account ".

(1) Circular No. (2/BS,IBS/208/2007) issued by the Central Bank of Kuwait to comply with instructions regarding credit cards issued by local banks.

(2) Circular No. (2/BS/196/2006) issued on 22/11/2006 to obtain the guarantee of the minor's guardian in respect of transactions which create obligations on the part of the minor towards local banks.

(3) this paragraph was amended pursuant to circular No. (2/BS,IBS/167/2004) issued on 10/8/2004 .

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**34- INSTRUCTIONS CONCERNING CREDIT CARDS ISSUED BY LOCAL BANKS.**

A – Circular No. (2/BS/12/1997) concerning the instructions related to credit cards issued by local banks.

### **Third : Interest Rate**

The interest rate applied to the debit balances resulting from the use of credit cards and whose repayment is allowed on installments, shall not exceed the contractual interest rate determined for KD lending transactions whose term does not exceed one year (i.e. a maximum of 2.5% above the Central Bank discount rate, as per the Central Bank's instructions of 25/4/1993 ).

### **Fourth : Other Rules**

- 1- Necessary actions should be taken to curb exceeding the credit limits granted to customers, so that a customer's attempt to exceed such limit, will result in the immediate rejection of the transaction. In the event the customer wishes to exceed his limits, he should first refer to the bank, which will decide if the customer may temporarily exceed the authorized limit.
- 2- In the event the customer does not settle the due invoices after 60 days from their maturity, his credit card will be frozen and will not be reactivated except after payment of the due amount in full. If the delay period exceeds 90 days, the card will be frozen and will be reactivated only after 6 months from the date of the Bank's recovery of the due amount in full. In the event of repeated default, the card will be renewed only after one year from the date of the Bank's recovery of the due amount in full. In case of customer's default for the third time, the credit card will be cancelled and shall not be renewed.

Local banks should coordinate necessary actions among themselves to ensure that no credit cards are issued to other banks' customers whose credit cards were cancelled due to default, according to the time limits stated above.

- 3- The necessary provisions for irregular debts, shall be calculated on the same bases applicable to consumer loans and other installment loans, as mentioned in the Central Bank's instructions concerning the Rules and Regulations of Credit Facilities Classification and the Computation of their provisions.

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#### **34- INSTRUCTIONS CONCERNING CREDIT CARDS ISSUED BY LOCAL BANKS.**

A – Circular No. (2/BS/12/1997) concerning the instructions related to credit cards issued by local banks.

- 4- Each bank shall provide the Central Bank with the following data on a monthly basis: <sup>(1)</sup>
- a) Total number of customers for whom Credit Cards were issued, as well as the total debit balances resulting from the use of the credit cards and which are allowed to be settled on installment pursuant to these instructions.
  - b) Legal actions taken against Credit Cards holders.

**Fifth : These instructions shall be implemented from the date of their issuance.**

9/4/1997

(1) Banks were provided by circular No. (2/BS/45/1997) issued on 24/8/1997 with forms on a monthly basis , and they are requested to provide the central bank of Kuwait with the filled – in attached forms.

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**34- INSTRUCTIONS CONCERNING CREDIT CARDS ISSUED BY LOCAL BANKS.**

A – Circular No. (2/BS/12/1997) concerning the instructions related to credit cards issued by local banks.

*Rabi Al-Akhir 20,1418 H  
August 24, 1997*

**Circular to All Local Banks  
No. (2/BS/45/1997)**

**THE GENERAL MANAGER,**

With reference to the Central Bank of Kuwait instructions dated 10/4/1997, concerning the credit cards issued by the local banks.

And in compliance with paragraph (4) of Item "fourth" of the said instructions, requiring banks to provide the CBK with monthly statements on the balances of these cards and the beneficiaries thereof, please find enclosed the form concerning the data which your bank is required to submit in this regard to the Central Bank of Kuwait every month.

Accordingly, your bank has to provide us, within two weeks from this date, with the completed mentioned form, which should reflect the credit cards position at your bank commencing from 30/4/1997. This statement must be submitted to us on a monthly basis latest by the tenth of the month following the month for which the statement was prepared.

Best Regard,

**Essa Mohammed Al-Attal**

**Manager of Supervision Department**

**Central Bank of Kuwait  
Supervision Dept.  
Credit Section**

**Bank :  
Date :**

**STATEMENT OF THE TOTAL DEBIT BALANCES OF  
THE CREDIT CARDS AS ON ...../...../19**

**(AMOUNT IN KD)**

<b>CUSTOMERS TO WHOM CREDIT CARDS WERE ISSUED</b>			<b>CUSTOMERS AGAINST WHOM LEGAL ACTION WAS INITIATED</b>	
<b>NO. OF CUSTOMERS</b>	<b>CREDIT CARDS LIMITS</b>	<b>TOTAL DEBIT BALANCES (UTILIZED) ALLOWED TO BE SETTLED ON INSTALMENTS</b>	<b>NO. OF CUSTOMERS</b>	<b>DEBIT BALANCES DUE ON SUCH CUSTOMERS</b>

Signature and Bank’s Stamp :.....

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**34- INSTRUCTIONS CONCERNING CREDIT CARDS ISSUED BY LOCAL BANKS.**  
B- Circular requiring banks to provide the Central Bank of Kuwait with a monthly statement of the total debit balances of credit cards.

*Shawwal 13, 1423 H  
December 17, 2002*

**THE GENERAL MANAGER,**

**Circular to all local banks and Kuwait Finance House**

Reference is made to the communications and meetings which took place between the Central Bank of Kuwait and the current Chairman of the Union of Kuwaiti Banks, regarding the establishment of a database on the volume of plastic cards (**credit cards**) and (**debit cards**) transactions in the State of Kuwait, and the level of coordination between local banks and Kuwait Finance House in this regard, whereby the plastic cards transactions were categorized as follows for the purpose of establishing the mentioned database:

1. Transactions of credit cards issued by your bank, conducted inside and outside the State of Kuwait.
2. Transactions of debit cards issued by your bank, conducted inside and outside the State of Kuwait.
3. Transactions of credit cards and debit cards issued by foreign banks, which were processed through your bank within the State of Kuwait.

In this regard, your bank is requested to provide the Central Bank of Kuwait with the filled-in attached forms (31/3, 30/6, 30/9 and 31/12) on a quarterly basis, commencing from the quarter ended 31/12/2002 and not later than 15 days from the date taken as a basis for completing the forms.

Best Regard,

**Ibrahim Ali Al-Qadhi**

**Executive Director Of Supervision Sector**

**Central Bank of Kuwait  
Supervision Sector**

**Bank's Name :**

**Credit Cards Transactions  
During the Period (.....)**

Description	Total Number Of Machines	Transactions within Kuwait		Transactions outside Kuwait	
		Number	Value in KD	Number	Value in KD
A. Points of Sale Machines					
B. ATMs					
C. Number of Credit Cards issued during the period					
D. Total number of Credit Cards valid at the end of the period					

**Central Bank of Kuwait  
Supervision Sector**

**Bank's Name :**

**Debit Cards Transactions  
During the Period ( .....)**

<b>Description</b>	<b>Transactions within Kuwait</b>		<b>Transactions outside Kuwait</b>	
	<b>Number</b>	<b>Value in KD</b>		<b>Value in KD</b>
A. Points of Sale Machines				
B. ATMs				
C. Number of Credit Cards issued during the period				
D. Total number of Credit Cards valid at the end of the period				

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**34- INSTRUCTIONS CONCERNING CREDIT CARDS ISSUED BY LOCAL BANKS.**

C - Circular requesting banks to provide data on plastic card transactions according to the forms prepared for that purpose.

**Central Bank of Kuwait  
Supervision Sector**

**Bank's Name:**

**Transactions Carried Out through Credit Cards and Debit Cards issued by  
Foreign Banks and Processed Locally  
During the Period (.....)**

<b>Description</b>	<b>Number of Transactions</b>	<b>Value in KD</b>
1. Points of Sale Machines		
2. ATMs		

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**34- INSTRUCTIONS CONCERNING CREDIT CARDS ISSUED BY LOCAL BANKS.**  
C - Circular requesting banks to provide data on plastic card transactions according to the forms prepared for that purpose.

*Moharram 2, 1425 H  
February 22, 2004*

**THE GENERAL MANAGER,**

**Circular to all local banks  
(Excluding the Industrial Bank of Kuwait)  
and the Kuwait Finance House**

Reference is made to the circular issued on 17/12/2002 to all local banks and the Kuwait Finance House regarding the required data on the usage of plastic cards in the State of Kuwait.

In this regard, please find attached the explanatory definitions of the above circular's items, which shall be applied in the preparation of data required by that circular, according to the forms provided for that purpose.

Best Regard,

**Ibrahim Ali Al-Qadhi**

**Executive Director Of Supervision Sector**

## **Explanatory definitions regarding plastic cards data**

### **First: General Definitions:**

- a) Credit cards are cards which provide the customer with credit to draw from, up to certain limits. These are of two types. The first, referred to as (**Charge Cards**), does not allow installment payment of the amount debited from the card, but require settlement at period's end (usually at month-end). The second type, referred to as (**Credit Cards**), allows installment payment according to the Central Bank of Kuwait instructions No. (2/BS/12/1997), issued on 10/4/1997.
- b) Debit Cards are cards which directly debit the customer's account. Their limits are usually the available balance in the customer's account, and they are usually linked to the customer's account at the concerned bank.
- c) Cards mentioned under items (a) and (b) through the points-of- sale and ATM machines.

### **Second: Credit Cards and Debit Cards Operations:**

- a. Points-of-Sale Machines - Credit Cards and Debit Cards operations executed through points-of-sale machines, (only by customers of the concerned bank) . [Bank which is the card issuer].
- b. Automated Teller Machines (ATMs) - Credit Cards and Debit Cards operations executed through ATM machines, (only by customers of the concerned bank) . [Bank which is the card issuer].

The number and value of operations are categorized according to whether they were conducted inside or outside Kuwait. These operations shall be reported by the concerned bank, whether or not it owns the Points-of-Sale Machine / ATM.

- c. GCCNet Operations- all ATM withdrawal operations carried out by the concerned bank's customers are recorded as ATM debit cards operations executed outside Kuwait.

- d. Number of credit cards/debit cards issued during the period, is the number of credit cards/debit cards issued to clients for the first time.
- e. Total number of credit cards/debit cards valid as at end of period, is:
  - Total number of credit cards/debit cards valid at the start of the period, **Addition**
  - Total number of credit cards/debit cards issued to clients for the first time, **Subtract**
  - Total number of cancelled credit cards/debit cards.

**It is noted that expired and renewed credit cards/ debit cards, are not included in/excluded from the count, as they are considered valid.**

- f. Total number of points-of-sale machines, are those machines provided by the concerned bank to the traders among its customers, for processing their credit/ debit cards operations . [the bank as owner of the machine]
- g. Total number of ATMs, are those machines owned and operated by the concerned bank, excluding those machines which the concerned bank is entrusted with operating or re-loading, but does not own.

**Third : Operations of Credit/Debit Cards issued by foreign banks, which were carried out locally:**

- a. Points-of-sale machines - Operations of credit/debit cards issued by foreign banks, and carried out locally through Points-of-Sale Machines of the concerned bank . [the bank as owner of the machine].
- b. ATMs - Operations of credit/debit cards issued by foreign banks, by which cash withdrawal was carried out through the ATMs of a concerned bank.

**GOVERNER**

*Jumada Al-Akhir 24, 1425 H  
August 10, 2004*

**THE CHAIRMAN,**

**Circular No. (2/BS, IBS/167/2004)  
To All Local Banks Concerning Credit Cards Instructions <sup>(1)</sup>**

We would like to advise you that the Central Bank Board of Directors resolved at its meeting of 3/8/2004 to amend Item “Second : Repayment Period” of instructions No. (2/BS/12/1997) passed on 10/4/1997 with regard to credit cards issued by local banks, and instructions No. (2/IBS/150/2003) passed on 3/11/2003 in connection with credit cards issued by Islamic banks. The amended item shall read as follows:

**Second : Repayment Period :**

“Repayment period of debit balances resulting from the use of credit cards shall not exceed one year, non-renewable. The one year period is to be calculated from the maturity date of the monthly bills to be deducted from the customer’s account”.

“Total installments deducted from the customer’s account in settlement of the debt resulting from the credit cards, and in repayment of the installments of consumer loans (finance transactions) and other installment loans (finance transactions), whether through the issuer of the credit card or the other creditor parties, may not exceed 50% of the monthly salary or continuous monthly income of the customer”.

With my best wishes,

**SALEM ABDUL AZIZ AI-SABAH**

(1) Circular No. (2/BS,IBS/208/2007) was issued for stressing the requirement of full compliance with all the limits included in Central Bank of Kuwait’s instructions concerning credit cards issued by local banks.

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**34- INSTRUCTIONS CONCERNING CREDIT CARDS ISSUED BY LOCAL BANKS.**

E- Circular No. (2/BS,IBS/167/2004) on the amendment of Item “Second” relating to the repayment period for debit balances arising from the use of credit cards.

**GOVERNER**

*Thu Alqi'da 1,1427 H  
November 22,2006*

**THE CHAIRMAN,**

**Circular No.(2/BS/196/2006) requiring local banks  
to obtain the guarantee of the minor's guardian in respect of transactions  
which create obligations on the part of the minors  
towards local banks**

This has reference to circular No. (2/BS/12/1997) issued on 10.4.1997 concerning the credit cards issued by local banks, and which stipulated that the customer must have a continuous monthly salary or income in order to be qualified for obtaining a credit card, except for customers who have credit lines with the bank.

Whereas, it has been noticed that some local banks offer banking services comprising the issuance of credit cards to minor customers (below the age of 21), we stress the need for local banks' compliance with the requirement of not issuing credit cards to minor customers (below the age of 21) who do not have a monthly salary or income, while observing the stipulation of obtaining the guarantee of the guardian in case of issuing credit cards to such customers.

In general, local banks should not carry out any transactions creating obligations on the part of any minor customer (below the age of 21), except in the case where the guardian guarantees such obligation.

With my best wishes,

**SALEM ABDUL AZIZ AI- SABAH**

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34- INSTRUCTIONS CONCERNING CREDIT CARDS ISSUED BY LOCAL BANKS.

F- Circular No. (2/BS/196/2006) requiring local banks to obtain the guarantee of the minor's guardian in respect of transactions which create obligations on the part of the minors towards local banks.

*Rabi Al-Awal 8,1427 H  
April 6 2006*

**THE GENERAL MANAGER,**

**" Circular to all local banks "  
Implementation of EMV Technology for Shifting to the Smart Card**

This has reference to the second meeting held with the local banks chairmen on 29/11/2005, where The Central Bank of Kuwait stressed the importance of the above subject, and the responsibility for the risks ensuing from not shifting to the smart card by the beginning of 2006, for both credit cards and ATM cards issued by local banks.

By way of ensuring that the units subject to The Central Bank of Kuwait supervision are implementing and coping with the international standards in this regard, kindly update us on this issue.

Best Regards,

**Ibrahim Ali Al-Qadhi**

**Executive Director Of Supervision Sector**

*Rabi Al-Akhir 29,1428 H  
May 16 2007*

**THE GENERAL MANAGER,**

**"Circular To All Local Banks "  
Implementation of EMV Technology for Shifting to the Smart Card**

This has reference to the Governor's meeting held with local banks chairmen on 29/11/2005, where The Central Bank of Kuwait stressed the importance of finalizing the implementation of EMV Technology for shifting to the Smart Card by the beginning of 2006, as well as the need for adapting your POS system, so as to avoid the responsibility for the risks that may arise from misuse of credit cards and ATM cards issued by your bank.

Further to our circular to local banks of 6/4/2006, and by way of reminding you of the importance of the above subject and re-stressing the need to finalize its implementation, **we would like to draw your attention that the implementation of the subject technology must be completed by the end of the current year at the latest.**

In case of any inquiry, you may call Mr. Basel Al Hashash – Head of Coordination and IT Supervision Unit - Supervision Sector - Tel: 2972745.

Best regards,

**Ibrahim Ali Al-Qadhi**

**Executive Director Of Supervision Sector**

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34- INSTRUCTIONS CONCERNING CREDIT CARDS ISSUED BY LOCAL BANKS.

H- Circular urging local banks to finalize the implementation of EMV Technology for shifting to the Smart Card before the end of 2007.

**GOVERNOR**

*Jumada Al-Akhir 5, 1428 H  
June 20, 2007*

**THE CHAIRMAN,**

**Circular No. (2/BS, IBS/208/2007)  
Concerning Credit Cards Issued by Local Banks**

This has reference to The Central Bank of Kuwait instructions of 10/4/1997 concerning the credit cards issued by local banks, and to The Central Bank of Kuwait instructions of 3/11/2003 concerning the credit cards issued by Islamic banks, as well as to The Central Bank of Kuwait circular of 10/8/2004 concerning the amendment of the mentioned instructions.

Further to The Central Bank of Kuwait circular of 13/2/2007 concerning the procedures local banks and investment companies have to comply with for rectifying existing violations of the rules and regulations for extending consumer and installment loans (finance transactions), and in the light of the findings of the follow-up by The Central Bank of Kuwait, which indicated the existence of breaches by some local banks of the limits established under The Central Bank of Kuwait instructions for credit cards issued by local banks, we would like to advise you that all local banks have to fully comply with all the limits established under The Central Bank of Kuwait instructions relevant to credit cards. Local banks are also required to comply with and implement the following:

**First:** Rectifying within one year - from above date - any breaches of the following limits established under The Central Bank of Kuwait instructions related to credit cards:

- 1- The maximum amount resulting from the use of a credit card and allowed to be repaid in installment, may not exceed ten times the monthly salary or the continuous monthly income of the customer, subject to a maximum of KD 10,000.
- 2- The maximum period for repayment of debit balances resulting from the use of Credit Cards shall not exceed one year, unrenewable.

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**34- INSTRUCTIONS CONCERNING CREDIT CARDS ISSUED BY LOCAL BANKS.**

I - Circular No. (2/BS,IBS/208/2007) stressing the requirement of full compliance with all the limits included in the Central Bank of Kuwait's instructions concerning credit cards issued by local banks.

- 3- Total installments deducted from the customer in repayment of the debit balance arising from the use of credit cards, as well as in repayment of the installments of consumer and other installment loans – finance transactions, whether through the credit card - issuing bank or other creditors, may not exceed 50% of the customer’s salary or continuous monthly income (this relates to the breaches arising from adding the credit cards installments to the installments of consumer and installment loans - finance transactions – leading to exceeding the 50% ratio).
- 4- Banks will have to rectify all of the above mentioned breaches during the granted grace period (one year as mentioned above). At the end of the said grace period, banks will have to provide us with a statement of the number of breaches, accompanied by a certificate from both of the external auditor offices stating that all such breaches have been rectified. The Central Bank of Kuwait will consider the application of appropriate penalties to the banks that do not rectify the subject breaches within the granted grace period, pursuant to the rules of article (85) of law No. 32 for year 1968.

**Second:** The monthly installment of the credit card must be determined on the basis of **the limit established for the card**, when calculating the ratio of total installments of consumer and installment loans – finance transactions – and installment of credit cards / customer’s net salary or continuous monthly income, which may not exceed 50% according to the aforesaid instructions. Any breaches ensuing from this calculation must be rectified during the granted grace period (one year from above date).

**Third:** The installment determined on the basis of the credit card limit must be entered into the “last payment” box on Ci-Net system. This should be done in coordination with the mentioned company.

With my best wishes,

**SALEM ABDUL AZIZ AI-SABAH**

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34- INSTRUCTIONS CONCERNING CREDIT CARDS ISSUED BY LOCAL BANKS.

I - Circular No. (2/BS,IBS/208/2007) stressing the requirement of full compliance with all the limits included in the Central Bank of Kuwait’s instructions concerning credit cards issued by local banks.