

#### 4- THE MAXIMUM LIMITS FOR CREDIT CONCENTRATION

- A) Rules and regulations concerning the maximum limits for credit concentration Instructions No. (IBS/101/1995).
- B) Forms pertaining to the instructions concerning the maximum limits for credit concentration.
- C) Amendment of the text of paragraph (6) of Article “EIGHTH” of the instructions No. (IBS/101/1995).
- D) Circular concerning the facilities granted to banks and financial institutions, whether local or foreign.
- E) Circular No. (2/BS/74/1999) concerning the customer’s disclosure in the Credit facilities’ contracts of the parties related thereto, economically or legally.
- F) Amendment of paragraph (1) of Article “EIGHTH” of instructions No. (IBS/101/1995).
- G) Circular No.(2/BS/173/2005) concerning maximum limit for credit concentration based on an application to be submitted by respective banks before according the credit, together with a through study explaining the feasibility of the requested facility and the reasons for requesting the exceptions.
- H) Circular No (2/BS/192/2006) concerning the amendments to the application of the instructions on maximum credit concentration limits to all foreign banks.
- I) Circular No. (2/BS, IS/251/2009) requesting to provide the Central Bank of Kuwait with the form detailing credit facilities exempted from the maximum limits for credit concentration (AM28), and the form on compliance with the maximum limits for total large credit concentrations (AM29).

**GOVERNOR**

*Thu Alqi'da 19, 1415 H.  
April 19, 1995*

**THE CHAIRMAN,**

**Circular concerning  
the Maximum Limits for Credit Concentration\***

I would like to advise you that the Board of Directors of the Central Bank of Kuwait, at its meeting held on 16/4/1995, has endorsed the Instructions No. (IBS/101/1995) concerning the Maximum Limits for Credit Concentration as amended. All local banks shall observe these instructions as effective today.

With my best regards,

**SALEM ABDUL-AZIZ AL-SABAH**

\* Circulated to all local banks.

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**4- THE MAXIMUM LIMITS FOR CREDIT CONCENTRATION**

A) Rules and regulations concerning the maximum limits for credit concentration Instructions No. (IBS/101/1995).

**INSTRUCTIONS No. (IBS/101/1995)**  
**THE MAXIMUM LIMITS FOR CREDIT CONCENTRATION**

**Introduction**

In compliance with the framework endorsed by the Gulf Cooperation Council “GCC” Countries, and in line with Basle Committee Directives in respect of the Credit Concentration System, the Board of the Central Bank of Kuwait has hereby resolved to set up new rules and regulations concerning the Maximum Limits for Credit Concentration for local banks and investment companies to conform with.

these rules and regulations aim at distributing the credit risks, in their broad definition, over a larger base of customers in such a manner that minimizes the risks that may be encountered by banks or investment companies as a result of concentrating credit in a limited number of customers.

**FIRST: THE MAXIMUM LIMIT FOR CREDIT CONCENTRATION**

The Maximum Limit for Credit liabilities of any single customer toward a bank or an investment company shall not exceed 15% of capital base.

The Collateral eligible to be excluded from these liabilities shall be limited to the following:

- Cash deposits, and cash margins
- Kuwaiti Treasury Bills and Bonds that mature within a period not exceeding one year.

The Collateral to be excluded shall be subject to the following conditions:

- 1- Cash Deposits and Kuwaiti Treasury Bills and Bonds shall have to be pledged in favour of the concerned bank or the investment company;
- 2- The bank or the investment company shall have all the legal rights that enable it - under all circumstances - to arrange for the netting between the credit liabilities and the cash deposits and Kuwaiti Treasury Bills and Bonds pledged as security for the same;
- 3- Cash Deposits and Treasury Bills and Bonds pledged against the credit liabilities shall be kept at the party extending the credit. As for the investment companies that are not authorized to accept deposits from customers, the cash deposits pledged in their favor shall be kept at any of the local banks;

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- A) Rules and regulations concerning the maximum limits for credit concentration Instructions No. (IBS/101/1995).

4- In the event of differences between currencies of the cash deposit and credit liabilities, the risks resulting from the exchange rate fluctuations shall be taken into consideration. The cash deposits in foreign currency shall be limited to the major convertible currencies. A percentage of 80% only from the deposit value shall be excluded from the credit liabilities that are subject to calculations of the maximum limit for credit concentration. Additionally, these deposits shall be reviewed and valued on a weekly basis.

Government and quasi-government entities, agencies and departments in the GCC countries that do not work on commercial bases shall be excluded from the maximum limit for credit concentration.

## **SECOND: DEFINITION OF CAPITAL BASE**

the capital base comprises the core capital and the supplementary capital, in accordance with the details mentioned in item fourth of the instructions addressed to the local banks in respect of the capital adequacy standard.

## **THIRD: DEFINITION OF CREDIT LIABILITIES**

credit liabilities, used as a basis for calculating the credit concentration ratio, shall mean the entire customer's liabilities toward the bank or investment company. this includes the head office, together with the internal & external branches, besides the subsidiaries of the bank or investment company that conduct similar activities.

*Such liabilities comprise the following:*

### **1- CASH CREDIT LIABILITIES:**

Such commitments include:

#### **A- Utilized Cash Liabilities:**

- Loans, Overdrafts; whether with or without collateral,
- Discounted bills, and other bills of similar nature.
- Bonds and similar financial investments issued by the customer and included within the assets of the bank/investment company.

#### **B- Unutilized Cash Liabilities:**

Unutilized limits of the granted Cash Credit Facilities; whether they are Loans or Debit Current Account Lines.

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- A) Rules and regulations concerning the maximum limits for credit concentration Instructions No. (IBS/101/1995).

## **2- NON-CASH CREDIT LIABILITIES:**

They include:

- Letters of Credit.
- Letters of Guarantee.
- Bank Acceptances.
- Foreign Exchange Contracts & related Interest Rate Contracts thereto (including: Forward Contracts, Options, and other instruments resulting in credit risks). Such contracts to be included within the credit liabilities shall be confined to the potential credit risks.<sup>(\*)</sup>
- Sales of assets with the right of Recourse.
- Other liabilities of similar nature.

## **FOURTH: DEFINITION OF SINGLE CUSTOMER <sup>(1)</sup>**

For the purpose of calculating the Credit Concentration Ratio, any debtor parties that are in effect economically or legally associated and interrelated shall be considered as one Single Customer; whether they are associated through Common Ownership or Common Directors.

Such parties comprise:

- 1- A customer in his capacity as a Natural Person, and in his capacity as a Natural Guardian over his minor children.
- 2- Joint Accounts, where the customer is a joint partner.
- 3- Establishments owned solely by the customer.
- 4- Partnerships, where the customer acts as a partner.
- 5- Simple or Limited Partnerships, where the customer acts as a partner.
- 6- Capital Corporations (such as: Shareholding Companies, Companies with limited liabilities, Limited partnerships,) where the customer owns more than 50% of capital, or holds power of control.
- 7- Customers guaranteed by the client in the form of personal guarantee before the bank or investment company, irrespective of the legal status of such customers.

(\*) The volume of the Credit Risks shall be calculated in accordance with the following credit equation Formula: (Contract value x Conversion Factor) + contract replacement cost if positive, or zero if negative. This shall be adopted in accordance with the instructions addressed to the local banks in respect of Capital Adequacy Standard.

(1) Banks must include an item in the credit facilities contracts which stipulates the customers commitment to disclose the economically or legally related parties, in accordance with Central Bank of Kuwait circular issued on 21/10/1999.

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#### **4- THE MAXIMUM LIMITS FOR CREDIT CONCENTRATION**

- A) Rules and regulations concerning the maximum limits for credit concentration Instructions No. (IBS/101/1995).

- 8- Any other debtor parties toward the bank or investment company, who are economically or legally associated and interrelated with the customer where if any of them encounters financial difficulties, the customer's ability to settle his credit liabilities toward the bank or investment company will be adversely affected.

**FIFTH: CONNECTED PARTIES WITH INTER-RELATED INTERESTS**

Parties shall be deemed to be "connected or related" if one party has the power to control the other parties, or has the power to exercise significant influence on such parties when taking the financial and operational decisions.

**In the context of these Instructions, the following parties are deemed to be "Connected and Related Parties":.**

- A- Members of the Board of Directors of the bank or investment company;
- B- Principal owners and Shareholders of a bank or investment company. This refers to the parties that own 5% or more of the capital.
- C- Key Management Personnel of a bank or investment company. This refers to Head of Executive Staff, Deputies, Assistants, Executive Managers, and others who hold administrative positions of significant influence on the decisions for granting credit.
- D- Subsidiary Companies. In this context, a Subsidiary Company shall mean any enterprise where the concerned bank or investment company owns more than 50% of its capital, or where it has power of control on it.
- E- Affiliated Companies. In this context, an Affiliated Company shall mean any enterprise where the concerned bank or investment company owns 20% or more of its capital, and has significant influence on it.
- F- External Auditors of the bank or investment company.

**The following principles shall be applied to the "Connected Parties with inter-related interests":**

- 1- The Maximum Limit for Credit Concentration obtained by Parties with inter-related interests mentioned hereinabove in (A), (B) and (C) altogether should not jointly exceed 50% of capital base, without prejudice to the Maximum Limit determined for the Single Customer. The Maximum Limit for the cumulative credit facilities extended by the bank or investment company to all such Key management personnel Mentioned above in (C) shall not exceed

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**4- THE MAXIMUM LIMITS FOR CREDIT CONCENTRATION**

- A) Rules and regulations concerning the maximum limits for credit concentration Instructions No. (IBS/101/1995).

15% of capital base. Loans extended to them for personal purposes (only Consumer loans, in accordance with internal by-laws regulations adopted by the bank or investment company) shall be excluded;

- 2- Credit facilities and placements extended by the bank or investment company to subsidiaries or affiliated companies as mentioned hereinabove in (D) and (E) shall not exceed 20% of the capital base in its comprehensive definition for any single company, while the cumulative limit for all such companies altogether shall not exceed 60%. Such credit facilities and placements extended by subsidiaries or affiliated companies to their counterparts, that belong to the same bank or investment company in terms of ownership, shall be added to the numerator of the ratio;
- 3- The bank or investment company shall not grant any credit facilities to its external auditors.

#### **SIXTH: CLUSTERING LIMIT: TOTAL LIMIT FOR LARGE CREDIT CONCENTRATION**

The aggregate of large credit concentrations (meant to be the concentrations, which exceed 10% of the capital base), including the exceptions for which the bank has obtained prior approval from the Central Bank of Kuwait, shall not exceed fourfold of the capital base.

#### **SEVENTH: PERIODIC DATA**

All banks or investment companies shall provide the Central Bank of Kuwait, in accordance with the forms designed in this respect, with periodic statements on all credit concentrations that reach 5% or more of capital base.

#### **EIGHTH: OTHER PROVISIONS:**

- 1- Credit facilities extended to banks and financial institutions<sup>(1)</sup> shall be excluded from these Instructions. The bank or investment company should be careful and meticulous in this area, especially when determining the maximum limits for credit concentration separately for each bank or financial institution<sup>(2)</sup>.

(1) The Financial institutions were canceled according to the Central Bank of Kuwait circular issued on 14/1/2004.

(2) Banks were directed to submit a detailed report in this regard on a quarterly basis according to Central Bank of Kuwait circular issued on 31/12/1998.

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#### **4- THE MAXIMUM LIMITS FOR CREDIT CONCENTRATION**

- A) Rules and regulations concerning the maximum limits for credit concentration Instructions No. (IBS/101/1995).

- 2- The bank or investment company shall prepare the accounting and controlling systems through which the maximum limit for credit concentration shall be fully adhered to, whether in respect of each customer or the connected parties with inter-related interests, in accordance with the rules contained in these Instructions.
- 3- As for the credit facilities extended before implementing these Instructions, and exceeded the set maximum limit, the concerned bank or investment company shall provide the Central Bank of Kuwait with related periodic statement thereof, in accordance with the forms designed in this concern. Commitment to reduce the extended credit limits and utilized balances for such cases shall be strictly undertaken, in such a manner leading to compliance with the set maximum limit within a period not later than December 1995.
- 4- The Board of the Central Bank of Kuwait may, when it deems necessary, exclude<sup>(1)</sup> any customer from the maximum limit set out pursuant to a request to be submitted from the concerned bank or investment company before granting the credit. Such requests shall be accompanied with a detailed study displaying the feasibility of granting the credit requested and reasons underlying such exemption. These cases shall be limited to the minimum and only in case of necessity. The bank or investment company shall bear all risks resulting from the facilities extended to their customers, including the facilities extended to their customers, including the facilities for which prior approval of the Central Bank of Kuwait has been sought for exclusion from the maximum limit for credit concentration<sup>(2)</sup>.
- 5- These Instructions shall be enforceable and effective immediately upon issuance.
- 6- The Instructions No. (IBS/104/1993) concerning the Maximum Limits for Credit Concentration issued in November 1993<sup>(3)</sup> shall be cancelled.

*April 1995*

- (1) Pursuant to the circular dated 17/11/2008, included under Item "U" of Section (10) of this Manual, and within the framework of the program for rectifying these conditions of local investment companies, banks must follow the procedures provided for under the instructions on credit concentration, stipulating that the Central Bank of Kuwait's prior approval of the excess must be obtained, where applications for approval will be considered on a case by case basis. Banks should observe in this respect the contents of the subject general rules with regard to Kuwaiti banks' participation in granting finance to companies.
- (2) Circular No.(2/BS/173/2005) issued on 11/1/2005 on maximum Limit for credit concentration based on an application to be submitted by respective banks before according the credit, together with a through study explaining the feasibility of the requested facility and the reasons for requesting the exceptions.
- (3) This paragraph " Any other instructions previously issued in this concern and contradicted with this instructions ", has been added in accordance to the Central Bank of Kuwait circular issued on 4/12/1996.

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**4- THE MAXIMUM LIMITS FOR CREDIT CONCENTRATION**

- A) Rules and regulations concerning the maximum limits for credit concentration Instructions No. (IBS/101/1995).

**The Executive Manager**

*Moharram 23, 1416 H.  
June 21, 1995*

**THE GENERAL MANAGER,**

**Subject : Instructions No. (IBS/101/1995), concerning the Maximum  
Limits for Credit Concentration in Their Amended Form\***

With reference to the Central Bank of Kuwait's letter of 19/4/1995 with regard to the Instructions No. (IBS/101/1995) concerning the Maximum Limits for Credit Concentration in their amended form.

Please stop sending us the forms related to the previous instructions in respect of the maximum limits for credit concentration, and provide us instead - on quarterly basis - with the two forms attached herewith. They are namely: No. (A.M. 18) concerning the outstanding credit liabilities, which form 5% of the capital base or more, and No. (A.M. 19) concerning the outstanding credit liabilities of the connected and related parties. Provision thereof shall be conducted through the use of the direct on-line computer system (Center of Risks-Third Issue), as effective 30/9/1995.

The data and information required as per both the aforesaid forms must be communicated into the computer system within a maximum period of ten days from the end of the said quarter.

Best regards,

**Executive Director for Supervision Department**

**Hameed Ahmed Al-Rasheed**

\* Circulated to all local banks.

**Central Bank of Kuwait  
Supervision Department  
Credit Section**

Capital base\*\* KD    MM  
Credit Concentration Ratio\*\*

**Statement of Outstanding Credit Liabilities which are 5% of the  
Capital base or more, as per Instructions No.(IBS/101/1995) according to the position as on    /    /19  
Form No. A.M. (18)**

**Name of the Bank / Company..... (KD. 000's)**

Secret no of the debtor & related parties	(1) Cash Credit Liabilities			(2) Non-Cash Credit Liabilities					(3) Total Outstanding Liabilities (1+2)	(4) Collateral against Credit Liabilities			(5)** Net Liabilities Of the Customer Toward Subsidiaries	(6) Total Liabilities Of the Customer (3-4) + 5 ***	(7) Remarks
	Utilized	Unutilized	Total	L/C's	L/G's	Acceptances	Others	Total		Cash Deposits & Cash Margins	Kuwaiti Treasury Bills & Bonds with up to one year maturity	Total			
I- Debtor (A)															
II: Related Parties (B)															
1															
2															
3															
4															
5															
6															
7															
8															
9															
10															
Total (B)															
Grand Total (A+B)															

\* This statement is prepared quarterly.  
 \*\* Net Liabilities of the customer toward subsidiaries, are computed in the same manner in which the customer's liabilities toward the bank or investment company is computed.  
 \*\*\* Total Credit Facilities extended to one customer should not exceed 15% of the capital base & total large concentrations (which exceed 10% of the capital base & extended to one customer) should not exceed four times the capital base.

**Signature:.....**

**Central Bank of Kuwait  
Supervision Department  
Credit Section**

- 1- Capital base.
- 2- Total Concentrations of the Board Members, Major Shareholders, Key Officers.
- 3- Concentration Ratio (2:1)%.

**Statement of Outstanding Credit Liabilities regarding the parties with interrelated interests\*  
as per Instructions No.(IBS /101/1995) according to the position as on / /  
Form No. A.M. (19)**

**Name of the Bank / Company..... (KD. 000's)**

Secret No.	Debtor Capacity **	(1) Cash Credit Liabilities			(2) Non-Cash Credit Liabilities					(3) Total Outstanding Liabilities (1+2)	(4) Collateral	(5) Net Credit Liabilities Toward Subsidiaries ***	(6) Customer's Total Liabilities (3-4) +5
		Utilized ***	Unutilized	Total	L/C's	L/G's	Acceptances	Others	Total				
I- Debtor													
II- Related Parties													

\* Please refer to Article " Fifth" of these instructions in respect of definition of the related parties and the maximum credit concentration limits, which the said parties may obtain jointly or severally.  
 \*\* This shows whether the debtor is a board member, a major shareholder or a key officer of the bank or company, or an affiliate or a subsidiary.  
 \*\*\* In the event the debtor is a subsidiary or affiliate company, the amounts deposited therewith by the bank or company, should be added.  
 \*\*\*\* Net Liabilities of the customer toward the subsidiaries, should be calculated in the same manner in which the customer's liabilities toward the bank or investment companies are calculated.

**Signature:.....**

**GOVERNOR**

*Rajab 23, 1417 H.  
December 4, 1996*

**THE CHAIRMAN,**

**Circular to All Local Banks\***

I would like to advise you that the Board of Directors of the Central Bank of Kuwait resolved, at its meeting of 1/12/1996, to amend the text of paragraph (6) of Article "EIGHTH: Other Provisions" of the Instructions No. (IBS/101/1995) concerning the Maximum Limits for Credit Concentration.

It is worth mentioning that this amendment supercedes any other instructions previously issued in contradiction with the above mentioned Instructions which are currently in effect.

Attached please find a copy of the last page of the present Instructions, amended as aforementioned.

With my best regards,

**SALEM ABDUL-AZIZ AL-SABAH**

\* Circulated to all local banks.

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**4- THE MAXIMUM LIMITS FOR CREDIT CONCENTRATION**

C) Amendment of the text of paragraph (6) of Article "EIGHTH" of the instructions No. (IBS/101/1995).

- 3) utilized balances for such cases shall be strictly undertaken, in such a manner leading to compliance with the set maximum limit within a period not later than December 1995.
- 4) The Board of the Central Bank of Kuwait may, when it deems necessary, exclude any customer from the maximum limit set out pursuant to a request to be submitted from the concerned bank or investment company before granting the credit. Such requests shall be accompanied with a detailed study displaying the feasibility of granting the credit requested and reasons underlying such exemption. These cases shall be limited to the minimum and only in case of necessity. The bank or investment company shall bear all risks resulting from the facilities extended to their customers, including the facilities extended to their customers, including the facilities for which prior approval of the Central Bank of Kuwait has been sought for exclusion from the maximum limit for credit concentration.
- 5) These Instructions shall be enforceable and effective immediately upon issuance.
- 6) **“The Instructions No. (IBS/104/1993) concerning the Maximum Limits for Credit Concentration issued in November 1993 shall be cancelled, together with any other previously issued instructions that contradict the rules of these Instructions.”**

**The Manager**

*Ramadhan 13, 1419 H.  
December 31, 1998*

**THE GENERAL MANAGER,**

**Circular to all local banks**

We would like to refer to the provisions of item No. (1) of the Clause under “**EIGHTH**” **Other Provisions**”, of the Rules & Regulations issued by the Central Bank of Kuwait concerning the Maximum Limits for Credit Concentration, regarding exclusion of the credit liabilities extended to banks and financial institutions from such limits. Such exclusion shall be conditional upon the banks' aspiration to exercise meticulous and excessive care in the treatment of details in this regard, particularly in determining the maximum credit concentration limits for each bank or financial institution separately.

You are requested to provide us with the policy set up by your bank in respect of the maximum credit concentration limits for banks and financial institutions, whether local or foreign. Moreover, you are requested to provide us with detailed statements indicating the volume of the actual concentrations for the local or foreign banks and financial institutions towards your bank as at 31/12/1998 in compliance with the two tables attached herewith. Nevertheless, your bank will have to observe providing us with the above-mentioned statement at the end of each quarter.

Best regards,

**Manager of Supervision Department**

**Ibrahim Ali Al-Qadhi**

Appendix No. (1)

**The Bank's funds employed at local banks and financial institutions**  
As on / /

**Bank Name.....**

**(KD. 000's)**

Name of the local Bank or financial institution	Deposits (1)	Certificates of Deposits (2)	Credit Facilities				Investments (5)			Total funds employed (6) (1+2+3+4+5)	Collateral Provided		
			Cash		Non-Cash		Participations		Bonds		Others	Type	Value
			Granted (3)	Utilized	Granted	Utilized (4)	Amount	%					
1-													
2-													
3-													
4-													
5-													
6-													
7-													
8-													
9-													
10-													
<b>Total</b>													

Appendix No(2)

**The Bank's funds employed at foreign banks and financial institutions**

Bank Name.....

( KD. 000's)

Name of the foreign bank or financial institution	Name of the country	Deposits (1)	Certificate s of Deposits (2)	Credit Facilities				Investments (5)			Total funds employed (6) (1+2+3+4+5)	Collateral Provided		
				Cash		Non-Cash		Participations		Bonds		Others	Type	Value
				Granted (3)	Utilized	Granted	Utilized (4)	Amount	%					
1-														
2-														
3-														
4-														
5-														
6-														
7-														
8-														
9-														
10-														
<b>Total</b>														

**GOVERNOR**

*Rajab 12, 1420 H.  
October 21, 1999*

**THE CHAIRMAN,**

**“Circular To All Local Banks”  
No. (2/BS/74/1999)**

You are kindly requested to note that the Central Bank of Kuwait Central Bank of Kuwait, within the framework of its concern to reduce the credit risks that the local banks may be encountering as a result of focusing their credit facilities in a limited number of clients, has previously issued instructions to the banks on April 19, 1995 concerning the Maximum Limits for Credit Concentration.

In compliance with these instructions, the total credit obligations for a single customer toward the bank shall not exceed 15% of the capital base. Such instructions stipulate in Article **“FOURTH: DEFINITION OF SINGLE CUSTOMER”** that for the purpose of calculating the credit concentration ratio, any debtor parties that are in effect economically or legally associated and interrelated shall be considered as one Single Customer; whether they are associated through Common Ownership or Common Directors.

It has been noticed that the data of credit concentration which the Central Bank of Kuwait receives from several banking and financial units are not sound, partly due to lack of information available to such units to verify the interrelated parties within the framework of the definition of the single customer as shown in the instructions hereabove mentioned. Consequently, it has been resolved that local banks shall include a new item in the credit facilities contracts they conclude with customers.

Through such item, the customer shall undertake to disclose the economically or legally parties (in accordance with the definition provided in Article **“FOURTH”** of the Central Bank of Kuwait instructions issued on April 19, 1995 concerning the maximum limits for credit concentration), without disclosing creditworthiness or indebtedness of such parties. Thereupon, the banks shall assume the responsibility for verifying the data and information

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**4- THE MAXIMUM LIMITS FOR CREDIT CONCENTRATION**

E) Circular No. ( 2/BS/74/1999) concerning the customer's disclosure in the facilities' contracts of the parties related thereto, economically or legally.

disclosed by the customer in this concern. Additionally, the banks shall be responsible for determining whether or not the parties disclosed by the customer would be included in calculation of the credit concentration ratio concerned in pursuance to the mentioned instructions.

With my best regards,

**SALEM ABDUL-AZIZ AL-SABAH**

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**4- THE MAXIMUM LIMITS FOR CREDIT CONCENTRATION**

- E) Circular No. ( 2/BS/74/1999) concerning the customer's disclosure in the facilities' contracts of the parties related thereto, economically or legally.

**GOVERNOR**

*Thu-Alqi'da 22, 1424 H.  
January 14, 2004*

**THE CHAIRMAN,**

**“Circular to all local banks”  
No. (2/BS/153/2004)**

I would like to advise you that the Board of Directors of the Central Bank of Kuwait, decided in its meeting on 11/1/2004 to amend Paragraph (1), under Item Eighth of Instructions No. (IBS/101/1995) concerning the Maximum Limits for Credit Concentration issued on 16/4/1995, to read as follows:

“ Credit facilities extended to banks shall be excluded from these Instructions. The bank or investment company should be careful and meticulous in this area, especially when determining the maximum limits for credit concentration separately for each bank ”.

A grace period shall be granted to banks where the percentage of credit concentration of some local investment companies exceed the Maximum Limit for Credit liabilities of any single customer (set at 15% of the capital base in its comprehensive definition) until the maturity date of fund uses with these companies.

With my best regards,

**SALEM ABDUL-AZIZ AL-SABAH**

**GOVERNOR**

*Thu Alqi'da 30, 1425 H.  
January 11, 2005*

**THE CHAIRMAN,**

**“Circular to All Local Banks”  
No. (2/BS/173/2005)**

Within the framework of the intent of the Central Bank’s instructions of 19/4/1995 concerning the maximum limit for credit concentration, and which provided for distributing credit facilities in their broad concept over a wide customer base, particularly the rules of Item (Eighth / 4) of the subject instructions which provided for the possibility of exempting <sup>(1)</sup> any customer from the established maximum limit for credit concentration based on an application to be submitted by respective banks before according the credit, together with a thorough study explaining the feasibility of the requested facility and the reasons for requesting the exceptions, and which stipulated that such cases should be kept to the minimum and to utmost need, we would like to advise you that the Central Bank of Kuwait will take into account the following guidelines when considering banks applications for exempting any customer from the maximum limit established for credit concentration:

- 1) The extent of the bank’s compliance with the regulatory instructions of the Central Bank of Kuwait.
- 2) The comments pertinent to the bank’s performance, such as capital adequacy, liquidity position etc...
- 3) The extent of regularity of the debt of the subject customer, whether at the level of the applicant bank or at the level of the other units of the banking system.
- 4) Whether the facility to be accorded is intended to finance any projects of national or strategic nature, such as industrial projects, power and water stations and infrastructure projects.

(1) Pursuant to the circular dated 17/11/2008, included under Item “U” of Section (10) of this Manual, and within the framework of the program for rectifying the conditions of local investment companies, banks must follow the procedures provided for under the instructions on credit concentration, stipulating that the central bank of Kuwait prior approval of the excess must be obtained, where applications for approval will be considered on a case by case basis. Banks should observe in this respect the contents of the subject general rules with regard to Kuwaiti banks’ participation in granting finance to companies.

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**4- THE MAXIMUM LIMITS FOR CREDIT CONCENTRATION**

- G) Circular No.(2/BS/173/2005) concerning maximum limit for credit concentration based on an application to be submitted by respective banks before according the credit, together with a through study explaining the feasibility of the requested facility and the reasons for requesting the exceptions.

- 5) Whether the facility to be accorded is intended to finance any housing or public utilities projects, according to the following priorities:
- a- Residential real-estate projects supporting the State's efforts towards providing housing care.
  - b- Healthcare projects.
  - c- General recreational projects.
- 6) Any other considerations that may arise when considering exemption cases.

In the event the customer's credit concentration as a result of the requested facility represents an influential percentage of the capital in its comprehensive concept, then the respective bank must market such facility to other banks.

With my best regards,

**SALEM ABDUL-AZIZ AL-SABAH**

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**4- THE MAXIMUM LIMITS FOR CREDIT CONCENTRATION**

- G) Circular No.(2/BS/173/2005) concerning maximum limit for credit concentration based on an application to be submitted by respective banks before according the credit, together with a through study explaining the feasibility of the requested facility and the reasons for requesting the exceptions.

**GOVERNOR**

*Jumada Al-Aula 16, 1427 H.  
June 12, 2006*

**THE CHAIRMAN,**

**Circular No. (2/BS/192/2006)  
to all Foreign Banks Operating in the State of Kuwait  
Concerning The Amendments to the Application of the Instructions on  
Maximum Credit Concentration Limits**

With reference to the Central bank of Kuwait instructions concerning the maximum credit concentration limits, I would like to advise you that the Central Bank has decided to introduce certain amendments to the application of these instructions to foreign banks branches operating in Kuwait, as follows:

- 1- The maximum credit concentration limits shall be calculated on the basis of an indicator for measuring the capital base of the branch, representing (20) times the amount allocated for the branch's operations in Kuwait (i.e. 15 KD million). In all cases, the maximum credit concentration limit for anyone single customer may not exceed 45 KD million, while observing the rules of item (2) below.
- 2- It has to be observed that, in all cases, the amount of the maximum credit concentration limit for a single customer may not exceed the amount calculated on the bases of the capital base for the head office of the branch (and not the group's capital base).
- 3- Save as mentioned above, foreign bank branches shall be committed to implement the other relevant rules included in the instructions concerning the credit concentration limits. In addition, the Central Bank of Kuwait instructions concerning the maximum ratio of the net credit facilities portfolio to deposits (80%), shall remain valid.

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**4- THE MAXIMUM LIMITS FOR CREDIT CONCENTRATION**

H) Circular No (2/BS/192/2006) concerning the amendments to the application of the instructions on maximum credit concentration limits to all foreign banks.

We would like to stress in this regard that the foreign banks branches operating in Kuwait may not direct the customers to borrow from the branches of the external banks of the group, nor make any arrangements aimed at facilitating the formalities for granting such loans. Accordingly, the lending activity should be confined to the branch, so that the branch's records and files shall clearly show all the loans granted and the actual conditions against which those loans were granted.

With my best regards,

**SALEM ABDUL-AZIZ AL-SABAH**

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**4- THE MAXIMUM LIMITS FOR CREDIT CONCENTRATION**

H) Circular No (2/BS/192/2006) concerning the amendments to the application of the instructions on maximum credit concentration limits to all foreign banks.

*Thu Al-Hijja 1, 1430H*  
*November 18, 2009*

**THE GENERAL MANAGER,**

**CIRCULAR NO. (2/BS, IS/251/2009)  
TO ALL LOCAL CONVENTIONS BANKS  
AND ALL CONVENTIONAL INVESTMENT COMPANIES  
ALLOWED TO LEND**

This has reference to the instructions Ref. (IBS/101/1995) regarding the maximum limits of credit concentration, and in line with the Central Bank of Kuwait's follow-up of compliance by banks and companies with the maximum limits stated under such instructions, you are kindly requested to complete both attached forms, (AM28) detailing credit facilities exempted from the maximum limits of credit concentration, and (AM29) on compliance with the maximum limit of the total large credit concentrations.

You should provide us with both forms on a quarterly basis, with effect from 31/12/2009, within a maximum of ten days from the end of each quarter. Both forms sent to us by the end of each year should be audited by the external auditors.

You will be notified later of the date for providing us with both forms directly online.

Best regards,

**Yousuf Jassim Al-Obaid**  
**Manager, Off-Site Supervision Department**

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**4- THE MAXIMUM LIMITS FOR CREDIT CONCENTRATION**

- 1) Circular No. (2/BS, IS/251/2009) requesting to provide the Central Bank of Kuwait with the form detailing credit facilities exempted from the maximum limits for credit concentration (AM28), and the form on compliance with the maximum limits for total large credit concentrations (AM29).



