

8- INSTRUCTIONS REGARDING BANKS' PURCHASE OF THEIR OWN SHARES

- A) Instructions No. (2/BS/75/1999) concerning banks' and investment companies' purchase of their own shares.
- B) Circular No. (2/BS/55/1997) to all local banks for the importance of the obligation to present a quarterly statements of shares purchased and annually report of reasons for their holding of these shares.
- C) Circular obligating banks to provide CBK with statements on their own shares' purchase and sale operations on a quarterly basis.
- D) Ministerial Resolutions:
 - 1. No. (10) of the year 1987 concerning the Organization of the shareholding companies' purchase of their own shares, manner of utilizing the purchased shares, and disposing thereof.
 - 2. No. (11) of the year 1988 concerning amendment of certain provisions of the Ministerial Resolution No. (10) of the year 1987.
 - 3. No. (273) of the year 1999 concerning amendment of certain provisions of the Ministerial Resolution No. (10) of the year 1987, as amended by the Ministerial Resolution No. (11) of the year 1988.

GOVERNOR

*Ramadhan 7, 1420 H.
December 15, 1999*

THE CHAIRMAN,

**Circular to all local banks
(2/BS/75/1999)**

I would like to advise you that the Board of Directors of the Central Bank of Kuwait, at its meeting held on 14.12.1999, has endorsed the revised instructions concerning banks' and investment companies' purchase of their own shares. I would like to enclose herewith a copy of these instructions, which shall be observed by your bank as effective date of issue thereof. All other instructions previously issued in this regard on both 3.5.1988 and 21.1.1989 shall be cancelled, as well as any other previously issued directives that contravene with these instructions.

Correspondingly, your bank shall provide your external auditors with a copy of these instructions, and coordinate with them concerning implementation thereof.

With my best regards,

SALEM ABDUL-AZIZ AL-SABAH

INSTRUCTIONS NO. (2/BS/75/1999)
To all banks and investment companies regarding
banks' and investment companies' purchase of their own shares

INTRODUCTION

The Central Bank of Kuwait (CBK) has previously issued in May 1988 and January 1989 its instructions to the banks and investment companies regarding the Rules and Regulations to be observed by banks for obtaining the CBK's approval for purchasing their own shares, the accounting treatments that shall be applied, and method of disclosure thereof in the financial statements.

It has been taken into consideration that such Rules and Regulations shall be formulated in consistency with the general framework of provisions of the Ministerial Resolution No. (10) of the Year 1987, issued by the Minister of Commerce and Industry, concerning the Organization of the shareholding companies' purchase of their own shares, manner of utilizing of the purchased shares, and disposing thereof, as amended by the Ministerial Resolution No. (11) of the year 1988.

Meanwhile, the Minister of Commerce and Industry issued a resolution No. (273) of 1999, to amend certain provisions of the above mentioned Ministerial Resolution No. (10). The new Resolution provides that no cash dividends shall be distributed in respect of the company's own shares, and that the international accounting standards should be observed with respect to the method of treatment of all transactions concluded on the company's purchased shares, method of presentation and disclosure thereof in the company's financial statements.

In view of the preceding, the Board of Directors of the CBK has resolved to issue revised instructions regarding the purchase of the banks and investment companies of their own shares. Due attention has been paid to promulgate such instructions in an integral and consistent structure so as to replace the instructions previously issued in this regard, they are as follows:

PART ONE

Rules and Regulations that shall be observed by banks and investment companies for obtaining the CBK's approval for enabling them to purchase their own shares

First: The Maximum Limit a Bank and an Investment Company May Purchase from its own shares:

In accordance with the provisions of Article No. (115) *bis* of Commercial Companies' Law, and the rules of the Ministerial Resolution No. (10) of the year 1987, as amended under the Ministerial Resolution No. (11) of the year 1988, and the Ministerial Resolution No. (273) of the year 1999, banks and investment companies may purchase a maximum of 10% from their own shares at market value, provided that the funds utilized to finance such a purchase shall not exceed the total reserve balances, consisted of the net profit appropriations, profits brought forward, and share premiums.

Second: Conditions which Banks and Investment Companies Have to Comply with Throughout the Acquisition Period of their Own Shares:

A certain amount of the total reserve balances, consisted of the net profit appropriations, profits brought forward, and share premiums, equaling the cost of the purchased shares, shall be retained by the banks and investment companies, and treated as non-distributable, throughout the acquisition period of such shares. Utilization of such a retained amount shall be limited only to offset any risks, which may arise as a result of selling such shares, in the manner to be set forth hereinafter, without affecting the capital or the business results thereof.

Third: Funding Resources for banks and investment companies to purchase their own shares:

The share capital shall not be utilized as a funding resource for banks' or investment companies' purchase of their own shares. It has been decided to leave the responsibility of identifying the funding resources for this purpose to the circumstances of each individual bank and investment company. However, the CBK shall be advised of the proposed sources for such a purchase, where these suggested resources shall be subjected to the CBK's review and approval. Correspondingly, the banks and investment companies shall not utilize the funding resources for such purchase unless the CBK's prior approval has been obtained in this regard.

Fourth: Procedures to be followed for obtaining the CBK's approval in this regard:

In the event a bank and an investment company decides to purchase its own shares, an application must be submitted to the CBK, including the following data:

- (1) Number of shares intended to be purchased,
- (2) Maximum limit of the amount utilized to finance the purchase thereof,
- (3) Proposed purchase funding resources, and the extent of reliance on each funding resource,
- (4) Justifications supporting the bank's or the investment company's viewpoint as regards the proposed funding resources.

Such an application shall be accompanied with an integral study showing the extent of importance of the proposed purchase, and the consequences thereof.

The CBK's approval issued for any bank or investment company in this connection shall be valid for a maximum period of six months from the date the concerned bank or investment company is notified thereof, subject to the following:

- 1- Acceptable justifications shall be presented in the event where the bank or investment company repeatedly fail to exercise the right to purchase a part of its own shares during the period of the aforesaid approval before a new request for extension of the validity period of such approval has been considered;
- 2- A quarterly statement shall be presented showing the number and value of the shares purchased or disposed of, within a maximum term of one week from the expiry of the period covered by the statement;
- 3- The banks and investment companies, which have exercised the right to purchase a part of their own shares, shall present a report to the CBK at the end of each fiscal year, stating the justifications for continuing to hold these shares, within ten days from the end of the financial year covered by that report.

PART TWO

The Accounting Treatment regarding Banks' and Investment Companies' Purchase of their Own Shares, Method of Presentation, and Disclosure thereof in the Financial Statements

The International Accounting Standards (IAS) shall be observed in respect of treating all transactions concluded on the purchased shares of banks or investment companies, and the method of presentation and disclosure thereof in the financial statements, as follows:

First: Disclosure of purchased shares of the banks or investment companies in the Financial Statements:

A. In the Balance Sheet:

The cost of purchasing such shares shall be shown as separate item on the shareholders' equity to be referred to as "Purchased Shares of the Bank / Investment Company".

B. Notes to the Financial Statements:

A note shall be incorporated therein indicating the number of purchased shares, cost of purchase and their percentage to total shares issued, and the market value of the share as at the date of preparing the financial statements.

Second: Disclosure that an amount equivalent to the cost of purchased shares shall be retained out of the reserves, consisting of net profit appropriations, retained earnings and share premiums:

A Disclosure Note should be incorporated in the Notes to Financial Statements, indicating that a portion equaling the cost of the purchased shares has been retained out of the reserves, consisting of net profit appropriations, profits brought forward, and share premiums, and shall be deemed as non-distributable throughout the shares acquisition period.

Third: Proportion of the Shares Purchased in Cash Dividends:

No cash dividends shall be allocated to the purchased shares of the bank or company.

Fourth: Proportion of the Purchased Shares in the appropriations of the Bonus Shares:

The proportion of the purchased shares of the bank or company in the appropriations of the Bonus Shares shall not be incorporated in the revenues under the Profit and Loss Account, nor shall the value of bonus shares be added to the purchase cost of such shares. The components of the purchased shares portfolio shall be amended by the number of bonus shares obtained by the bank or company; correspondingly the cost of share purchase would be reduced.

Fifth: Treatment of profits and losses resulting from resale of purchased shares:

- A) The name of the “Profit and Loss Account resulting from the **Operations** of the Bank’s/ Company’s purchased shares”, under the previous instructions, shall be changed to “Profit and Loss Account resulting from the **Sale** of the Bank’s/ Company’s purchased shares.”;

- B) The portion of the shares purchased by the bank/ company in the cash dividends distributed throughout all the past years up to 1998 and shown in “Profit and Loss Account resulting from the sale of the bank’s/ company’s purchased shares” should be transferred to the General Reserves (or Voluntary Reserves), so that the balance of this account shall reflect only the profit acquired from the sale of such shares. The balance of this account shall be incorporated in the shareholders’ equity items in the balance sheet, and this balance shall be deemed as non-distributable;

- C) In the event sales transactions of the purchased shares result in profits, such profits shall be incorporated in “Profit and Loss Account resulting from the Sale of the Bank’s/ Company’s purchased shares”;
- D) In the event any losses are incurred in the resale of these shares, such losses shall be charged to the “Profit and Loss Account resulting from the Sale of the Bank’s/ Company’s purchased shares”. Should the loss amount exceed the balance of this account, the excess shall be charged to the retained earnings, then to the reserves, then to the share premium, in the said order, part of which was retained for an amount equal to the cost of purchased shares. Nevertheless, if any profits are subsequently achieved from the sale of the purchased shares, a part of these profits equal to such losses that had been previously charged to the aforesaid accounts shall be set aside, and then added once again to these accounts (in the following order: share premium, reserves, profits brought forward). The remainder of these profits shall be treated as set forth in paragraph (C), hereinabove;
- E) In the event of clearing the balance of the purchased shares and achieving profits, the credit balance in the “Profit and Loss Account resulting from the Sale of the Bank’s/ Company’s purchased shares” shall be transferred to the General Reserves (or the Voluntary Reserves).

Sixth: These instructions shall be implemented immediately upon notifying the banks/ investment companies thereof. All instructions previously issued in this regard shall hereby be cancelled.

Issued on December 15, 1999

*Shaaban 22, 1418 H.
December 22, 1997*

The General Manager

Circular to all local banks (No. 2/BS/55/1997)

With reference to the instructions of the Central Bank of Kuwait (CBK) on 3/5/1988 regarding the bases and regulations which banks shall observe to obtain CBK's approval for their purchasing of their own shares according to the Ministerial Decision No. (10) of Year 1987, amended by the Ministerial Decision No. (11) of Year 1988.

We wish to advise of the obligation to observe the following:

First: Banks which exercised the right to purchase their own shares are obligated to present the CBK with a report at end of each fiscal year, explaining the reasons for their holding of these shares. This report shall be presented within 10 days from the expiration of the period it covers.

Second: Banks wishing to purchase some of their own shares shall present a comprehensive study explaining the importance of purchasing their own shares and the ensuing effects of that purchase, in addition to abiding by the set procedures for obtaining CBK's approval as mentioned in 'Article "Fourth" ' of CBK's instructions issued on 3/5/1988 in this regard.

In light of the noted non-compliance by some banks holding their own shares with the obligation to provide CBK with a quarterly statement indicating the number of shares purchased or disposed of, and the value thereof, we confirm the obligation to present the mentioned statement, within a week at most, from the expiration of the period it covers.

Best regards.

Hamad Abdul-Mohsen Al-Marzouk

Manager, Supervision Department

8- INSTRUCTIONS REGARDING BANKS' PURCHASE OF THEIR OWN SHARES

B-Circular No. (2/BS/55/1997) to all local banks for the importance of the obligation to present a quarterly statements of shares purchased and annually report of reasons for their holding of these shares.

*Rabie-Awal 25, 1419 H.
July 19, 1998*

THE GENERAL MANAGER

Circular to all local banks

Reference is made to the circular No. (2/BS/55/1997) issued to all local banks on 22/12/1997, regarding the bases and regulations to be observed by banks to obtain CBK's approval for the purchase of their own shares, according to the Ministerial Decision No. (10) of Year 1987, amended by the Ministerial Decision No. (11) of Year 1988.

In this regard, we wish to inform you that CBK confirms the content of the above mentioned circular; thus, your bank is obligated to provide CBK with statements on its own shares' purchase and sale operations, according to the attached form established for that purpose, on a quarterly basis, effective end of 1997.

Best Regards.

Ibrahim Ali Al-Qadi

Manager, Supervision Department

8- INSTRUCTIONS REGARDING BANKS' PURCHASE OF THEIR OWN SHARES

c- Circular obligating banks to provide CBK with statements on their own shares' purchase and sale operations on a quarterly basis.

A statement on the Operations of Bank Shares
Purchase/Sale
From / / 19 To / / 19

Bank Name:

Purchase Operations								Sale Operations			Purchased Shares Balance			
Date of Approval (1)	Available Sources of Financing (2)		Date of Purchase (3)	Purchase Cost of Shares whose Purchase was Approved (4)		Purchased Shares (5)		Unused Part (6) (4-5B)	Date of Sale (7)	Sold Shares (8)		Profit (Loss) (9)	Number of Shares (5A-8A)	Purchase Value
	Item	Amount		Price of Share	Total Amount	Number (A)	Value (B)			Number (A)	Value (B)			

**Ministry of Commerce and Industry
Ministerial Resolution No. (10) of the year 1987
concerning the organization of the shareholding companies'
purchase of their own shares, manner of utilizing the purchased
shares, and disposing thereof**

The Minister of Commerce and Industry

- Having perused Decree Law No. (15) of the year 1960 concerning promulgation of the Commercial Companies' Law, and the amending laws thereto;
- Law No. (32) of the year 1968 concerning Currency, the Central Bank of Kuwait and the Organization of Banking Business, and the amending laws thereto;
- Law No. (32) of the year 1970 concerning trading of the Companies' securities;
- The Law of Commerce promulgated under Decree Law No. (68) of the year 1980;
- The Decree issued on 14.8.1983 concerning the Organization of Kuwait Stock Exchange;
- Resolution No. (35) of the year 1983 stipulated by the Minister of Commerce and Industry, concerning issue of the internal regulations of Kuwait Stock Exchange, And
- Resolution No. (1) of the year 1984 issued by the Committee of Kuwait Stock Exchange concerning the rules and procedures for shares trading at the Exchange.

Has resolved as follows:

Article (1)

It is a condition for a company to purchase its own shares that such purchase shall be permissible by its Memorandum of Incorporation or Articles of Association. In addition, the Shareholders' General Assembly of the company shall issue a resolution authorizing the Board of Directors thereof to purchase the company's own shares within the ratio stipulated by the Law. Such a resolution shall, in addition to other conditions that the General Assembly may deem appropriate, stipulate the validity period of such authorization, which shall not exceed eighteen months.

Article (2)

Within two weeks from the date of issuing such a resolution by the General Assembly, duly authorizing the company's Board of Directors to purchase the company's own shares, a copy of such resolution must be filed with the Department of Companies at the Ministry of Commerce and Industry. Furthermore, the said resolution must be notified in writing to the Kuwait Stock Exchange before the end of the working day following its issuance.

Article (3)

Without prejudice to the other conditions and provisions stipulated in this resolution, the companies registered in the Register of Banks with the CBK, as well as the other companies subjected to CBK's supervision in accordance with the provisions of Law No. (32) of the year 1968, shall secure the prior approval of the CBK in the event they decide to purchase their own shares.

Article (4)

- a) Should a company decide to purchase its own shares, or to sell any of its previously purchased shares, it shall notify the Kuwait Stock Exchange to this effect in writing before a certain period from practicing the purchasing or selling transaction, pursuant to the Stock Exchange Administration's decisions. Likewise, the Stock Exchange Administration shall be notified of any information, and submit any data or declaration required thereby.

8- INSTRUCTIONS REGARDING BANKS' PURCHASE OF THEIR OWN SHARES.

D- Ministerial Resolutions:

1- No. (10) of the year 1987.

- b) Purchasing or selling transactions shall be concluded in accordance with the special rules and regulations set forth by the Kuwait Stock Exchange Administration in this connection.

Article (5)

The company must have, at the time of purchasing its own shares, retained earnings or reserves available for distribution as dividends, so that such purchase transaction shall be funded therefrom. A portion of these earnings or reserves equivalent to the cost of acquisition of such shares or their nominal value, whichever is greater, shall be undistributable so long as these shares remain in the ownership of the company.

Article (6)

The nominal value of the purchased shares must be fully paid up.

Article (7)

- a) In the event of increasing the capital of the company through issuing shares against profits realized by the company, or through adding its reserves, which are distributable as dividends, to the capital, the company shall be entitled to the same rights for its shares as due to the other shareholders, provided that the number of shares held by the company, under any circumstances, shall not exceed 10% of the total share capital.
- b) In the event of increasing the capital of the company through new issue for share subscription, the company shall not exercise the subscription priority right resulting from its ownership of the shares, where this right is only limited to the other shareholders. As an exception from this limitation, the General Assembly of the company may approve selling its subscription priority rights through the Kuwait Stock Exchange.

Article (8)

The distributed profits related to the shares owned by the company shall be incorporated in the Profit and Loss Account.

Article (9)

In the event of selling the shares purchased, the transaction shall be concluded against cash payment. Nevertheless, such an act does not preclude the possibility, in any special case, that a company whose shares are listed on the Kuwait Stock Exchange may exchange its own shares with the shares of another company listed also on the Kuwait Stock Exchange, subject to the approval of the administration of the Kuwait Stock Exchange.

Article (10)

A company may use its holdings of its own shares in preventing speculation activity of adverse impact on its shares, through offers of sale and purchase in accordance with the rules and regulations set by the Kuwait Stock Exchange Administration.

Article (11)

- a) A detailed statement shall be prepared every three-month period for the movement of the company's purchases and disposals of its own shares, indicating the number of such shares either purchased or disposed of, and the value of each transaction. This statement shall be presented to the Companies' Department at the Ministry of Commerce and Industry, and to the Kuwait Stock Exchange, within fifteen days after the expiry of the period for which the statement shall be submitted.
- b) The company's annual financial statements must disclose the number of its own shares, which it holds, and their relevant value incorporated in such financial statements.

Article (12)

The company may sell or grant to its employees all or part of its holding of shares already purchased, provided that a resolution to this effect is issued by the Shareholders' General Assembly ratifying such an action, and setting the regulations that organize selling transactions or granting of such shares to the company's employees, or otherwise authorizing the company's Board of Directors thereof to establish such regulations.

Article (13)

This Resolution shall come into effect from the date of publication thereof in the Official Gazette.

Minister of Commerce and Industry

*Jumuda Al-Akher 17, 1407 H.
February 16, 1987*

Ministry of Commerce and Industry
Ministerial Resolution No. (11) of the year 1988
concerning amendment of certain provisions of the Ministerial
Resolution No. (10) of the year 1987 concerning the Organization of
the shareholding companies' purchase of their own shares,
the manner of utilizing the purchased shares, and disposing thereof

The Minister of Commerce and Industry

- Having perused Decree Law No. (15) of the year 1960 concerning promulgation of the Commercial Companies Law, and the amending Laws thereto;
- Law No. (32) of the year 1968 concerning Currency, the Central Bank of Kuwait and the Organization of Banking Business, and the amending laws thereto;
- Law No. (32) of the year 1970 concerning trading of the Companies' securities;
- The Law of Commerce promulgated under Decree Law No. (68) of the year 1980;
- The Decree issued on 14.8.1983 concerning the Organization of Kuwait Stock Exchange;
- Resolution No. (35) of the year 1983 stipulated by Minister of Commerce and Industry concerning issue of the internal regulations of Kuwait Stock Exchange;
- Resolution No. (1) of the year 1984 issued by the Committee of Kuwait Stock Exchange concerning the rules and procedures of shares trading at the Exchange; And
- Ministerial Resolution No. (10) of the Year 1987 concerning the Organization of the shareholding companies' purchase of their own shares, the manner of utilizing the purchased shares, and disposing thereof.

8- INSTRUCTIONS REGARDING BANKS' PURCHASE OF THEIR OWN SHARES.

D- Ministerial Resolutions:

2- No. (11) of the year 1988.

Has resolved as follows:

Article One

Article (3) of the Ministerial Resolution No. (10) of the year 1987 concerning the organization of the shareholding companies' purchase of their own shares, the manner of utilizing the purchased shares, and disposing thereof, shall hereby be cancelled.

Article Two

The text of Article (5) of Ministerial Resolution No. (10) of the year 1987 shall be replaced with the following text:

“The company’s share capital shall not be used in financing the purchase transaction of its own shares. The company shall ensure that, in funding these transactions, the volume of funds utilized in such finance shall not exceed its total reserve balances, consisting of the net profit distributions, profits brought forward, and share premium.”

Article Three

A new Article shall be added to the above-mentioned Ministerial Resolution No. (10) of the year 1987, as follows:

Article Five (bis)

“Without prejudice to the provisions of the above Article, all banks and companies subject to the supervision of the CBK shall secure the prior approval thereof before purchasing their own shares. Furthermore, they must be committed to funding the purchase transaction of their own shares through the financing sources to be determined by the CBK, and to comply with any other regulations the CBK issued in this connection.”

8- INSTRUCTIONS REGARDING BANKS' PURCHASE OF THEIR OWN SHARES.

D- Ministerial Resolutions:

2- No. (11) of the year 1988.

Article Four

This Resolution shall be in effect from the date of publication thereof in the Official Gazette.

Minister of Commerce and Industry

*Rajab 25, 1408 H.
March 13, 1988*

**Ministry of Commerce and Industry
Ministerial Resolution No. (273) of the year 1999
concerning amendment of certain provisions of
the Ministerial Resolution No. (10) of the year 1987,
amended by the Ministerial Resolution No. (11) of the year 1988
concerning the organization of the shareholding companies' purchase
of their own shares, the manner of utilizing the purchased shares,
and disposing thereof**

The Minister of Commerce and Industry

- Having perused Decree Law No. (15) of the year 1960 concerning promulgation of the Commercial Companies Law, and the amending Laws thereto it;
- Law No. (32) of the year 1968 concerning Currency, the Central Bank of Kuwait and the Organization of Banking Business, and the amending laws thereto;
- Law No. (32) of the year 1970 concerning trading of the Companies' securities;
- The Law of Commerce promulgated under Decree Law No. (68) of the year 1980;
- The Decree issued on 14.8.1983 concerning the Organization of Kuwait Stock Exchange;
- Resolution No. (35) of the year 1983 stipulated by Minister of Commerce and Industry concerning issue of the internal regulations of Kuwait Stock Exchange;
- Resolution No. (1) of the year 1984 issued by the Committee of Kuwait Stock Exchange concerning the rules and procedures of shares trading at the Exchange, And
- Ministerial Resolution No. (10) of the year 1987 amended by the Ministerial Resolution No. (11) of the year 1988 concerning the organization of the shareholding companies' purchase of their own shares, the manner of utilizing the purchased shares and disposing thereof.

8- INSTRUCTIONS REGARDING BANKS' PURCHASE OF THEIR OWN SHARES.

D- Ministerial Resolutions:

3- No. (273) of the year 1999.

Has resolved as follows:

Article One

The texts of Articles (8) and (11/B) of the Ministerial Resolution No. (10) of the year 1987 shall be replaced with the following texts:

Article (8)

“No Cash dividends shall be distributed in respect of the company’s shares owned thereby.”

Article (11/B)

“All the provisions of the International Accounting Standards shall be strictly observed in respect of the methods of treating all transactions concluded on the company’s purchased shares, and the manner of presentation and disclosure thereof in the company’s financial statements.”

Article Two

This Resolution shall be in effect from date of publication thereof in the Official Gazette.

Minister of Commerce and Industry

Issued on: July 27, 1999