

**Principles, Rules and Regulations for the Licensing and Operation of
Foreign Banks' Branches in the State of Kuwait,
According to Amended Article (56) of Law No. 32 of year 1968
Concerning Currency, the Central Bank of Kuwait and the
Organisation of Banking Business**

The principles, rules and regulations mentioned hereafter represent the minimum requirements for the licensing and operation of foreign banks in the State of Kuwait. It is noted in this regard that each application presented to the Central Bank of Kuwait (CBK) for opening a foreign bank's branch in the State of Kuwait shall be studied independently, and the decision for its acceptance or rejection taken in light of the conditions prevailing at that time. The CBK has no obligation to provide reasons for the rejection of any such application.

It is preferable that the foreign bank desiring to open a branch in the State of Kuwait coordinates with CBK before officially presenting its application in this regard.

Following are the conditions and requirements to be fulfilled when applying for opening a foreign bank's branch in the State of Kuwait:

- 1 – The foreign bank applying for the license shall obtain written permission of the regulatory body in the country where its main office is located, regarding the opening of a branch in the State of Kuwait.

- 2 – An official letter shall be obtained from the regulatory authority in the country where the main office of the foreign bank is located, expressing that authority's readiness to cooperate with CBK on consolidated supervision and exchange of regulatory information, while observing the confidentiality and protection of information. Necessary arrangements in this regard shall be agreed upon when the foreign bank sets up in the State of Kuwait.

- 3 – Presenting proof that the regulatory authority in the country where the foreign bank's main office is located observes the minimum required standards for the supervision of international banks' groups and their cross-border branches, according to the relevant Basel Committee standards. Also, presenting the latest assessment by the International Monetary Fund (IMF) of that regulatory authority's observance of the Basel Core Principles for Effective Banking Supervision, according to the IMF reports on the Financial Sector Assessment Program (FSAP).
- 4 – Presenting the Articles of Association and Memorandum of Agreement of the foreign bank, as well as information on its financial position, and attaching the bank's last three annual financial statements audited by its auditors. Also, presenting proof that the foreign bank is assigned an adequate credit rating by an international rating agency, such as Moody's, S&P, FITCH IBCA, etc.
- 5 – The main office of the foreign bank shall commit to meet any future liability of the branch which the foreign bank seeks to open in the State of Kuwait.
- 6 – The main office of the foreign bank which applies for opening a branch in the State of Kuwait, shall commit to notify CBK of any developments that may negatively affect the soundness of the foreign bank's financial position or its reputation.
- 7 – The main office of the foreign bank shall submit a clear strategy, work plan and economic feasibility study, for the branch it wants to establish in the State of Kuwait.
- 8 – Fulfillment of any other requirements of CBK.

National banks of the GCC countries shall, in addition to the above, fulfill all conditions and requirements mentioned in the decision taken by the GCC Supreme Council in its eighteenth session, and represented in the following:

- 1 – Approval of the regulatory authority in the country of origin of the bank applying for opening a branch to conduct banking activities in the State of Kuwait.
- 2 – License shall be issued according to the provisions of the laws, rules, regulations, instructions, conditions and procedures in force in the State of Kuwait.
- 3 – The total equity share of the GCC bank shall be not less than the equivalent of one hundred million US dollars.
- 4 – The GCC bank applying for the license to open a branch in the State of Kuwait should have not less than ten years of operation in the banking business since its establishment.
- 5 – The GCC bank licensed to open a branch shall commit to allocate and keep at all times an amount of not less than the required minimum capital of KD 15 million, for its operations in the State of Kuwait, in addition to the reserves defined by the laws, regulations and banking supervision requirements applied in the State of Kuwait.
- 6 – The CBK shall supervise and inspect the foreign bank's licensed branch, according to the rules and instructions laid down for that purpose. The regulatory authority in the country of the foreign bank's main office shall coordinate with CBK before undertaking the inspection of the foreign bank's branch in the State of Kuwait.
- 7 – The licensed branch shall be subject to the laws and regulations in regard to voluntary or compelled liquidation in force in the State of Kuwait. In this regard, the CBK may apply all measures it is authorised to by virtue of the relevant laws and banking regulations.

In addition to the above, the following particular conditions apply to branches of all foreign banks, including the branches of national banks of the GCC:

- 1 – The foreign bank's branch shall abide by the provisions of the Law No. 32 of year 1968 concerning Currency, the Central Bank of Kuwait and the Organization of Banking Business, along with the instructions and decisions issued by the CBK in regard to banks supervision and oversight, and any related laws or decisions in force. The following shall be observed in this regard:
 - a. The foreign bank shall commit to allocate an amount of not less than KD 15 million for the exercise of its branch activities in the State of Kuwait.
 - b. The ratio of Kuwaiti nationals in the total labour force of the foreign bank's branch shall be not less than 50%, provided that such ratio is achieved within three years of the date of its licensing to operate in the State of Kuwait.
- 2 – In the present phase, licensing shall be limited to opening one branch for the foreign bank in the State of Kuwait.
- 3 – The branch shall commit to exercise the activities delineated in the Articles of Association and Memorandum of Agreement of the foreign bank's main office, at the condition of not contravening the activities it is licensed to conduct in the State of Kuwait.
- 4 – The reciprocity principle shall be taken into account in studying any application for opening a foreign bank's branch in the State of Kuwait.
- 5 – The approval issued for the foreign bank's branch to exercise its activity in the State of Kuwait shall be valid for six months from its date of issuance, and may be extended for one further six-month period, after studying the justifications for the non-exercise of the activity, and on condition of committing to provide updates of previously submitted data or information, as requested.