

7- RULES AND REGULATIONS FOR EXTENSION OF CONSUMER LOANS AND OTHER INSTALLMENT LOANS BY FINANCING COMPANIES

- A) Circular No. (2/BS, IS, FS/252/2015) to all Conventional Banks, Investment Companies and Financing Companies amending the Rules and Regulations of Granting Consumer Loans and Other Installment Loans.
- B) Circular No. (2/BS, IBS, IS, IIS, FS, IFS/367/2016) to all Banks, Investment Companies and Financing Companies Regarding the Continuous Inspection of all Cases of Consumer and Installment Loans/Financing Facilities with an Attachment of the Amended Terms of Reference for the Task of continuous Inspection of all Cases of Consumer and Installment Loans/Financing Facilities.
- C) Circular to all Local Banks, Investment Companies and Financing Companies Regarding the Inspection on Consumer and Installment Loans/Finance Portfolios and Changing the Audit Firms engaged to conduct the Inspection every Two Years.
- D) Circular No. (2/BS, IS, FS/413/2018) issued on 11/11/2018 to all Conventional Banks, Investment Companies and Financing Companies Regarding the Instructions for the Rules and Regulations of Granting Personal Loans for Consumer and Housing Purposes and the Issuance of Credit Cards.
- E) Circular to all Local Banks, Investment Companies and Financing Companies on Studying the Credit Conditions of Customer Guarantors of Loans/Personal Finance Operations for Consumer and Housing Purposes.
- F) Circular No. (2/BS, IBS, IS, IIS, FS, IFS/476/2021) to all Local Banks, Investment Companies and Financing Companies regarding the Conditions and Controls for Implementing Article (2) o the Law No. 3 of 2021 for the Deferral of Financial Obligations for Six Months.

THE GOVERNOR

*Ramadhan 18, 1436 H
July 05, 2015*

The Chairman,

**Circular No. (2/BS,IS,FS/252/2015) to all Conventional Banks,
Investment Companies and Financing Companies amending
the Rules and Regulations of Granting Consumer Loans
and Other Installment Loans**

Having reviewed the instructions regarding the rules and regulations of granting consumer loans and the other installment loans by banks and investment companies, and the amendments made thereto, the latest of which were issued on 24/03/2008, the Board of Directors of the Central Bank of Kuwait (CBK) decided, at its meeting convened on 05/07/2015, to introduce amendments to these instructions, in light of the findings of the studies continually conducted by the CBK compared to the relevant regional and international practices with the aim to accommodate the customers' needs and ensure protection of customer's and creditors' rights.

These amendments shall ensure transparency and clarity in contracts with customers by laying down controls on the minimum limits that should be included in the consumer and installment financing contracts with customer, and giving the customer a reflection period to review the terms and conditions of the contract, so that the customer will be aware of the financial impact from financing.

The mentioned amendments allowed the local banks, investment companies and financing companies to re-arrange, upon request of the customer, the terms of the existing contract with the customer to enable him/her obtain new financing under a new contract, and accept early repayment if the customer is willing to transfer his/her debt and obtain new financing from another bank or company.

Attached is a statement of amendments that shall come into effect from the date hereof, excluding items (1 and 2), which shall be applicable after three months from the date hereof.

Best Regards,

**The Governor
Dr. Mohammad Y. Al-Hashel**

7- **Rules and Regulations for Extension of Consumer Loans & other Installment Loans by Financing Companies.**

A) Circular No. (2/BS,IS,FS/252/2015) to all Conventional Banks, Investment Companies and Financing Companies amending the Rules and Regulations of Granting Consumer Loans and Other Installment Loans.

**Amendments to the CBK Instructions to Conventional Local Banks,
Investment Companies and Financing Companies concerning
the Rules and Regulations of Granting Consumer Loans
and Other Installment Loans**

1. Item Third/(9) is amended as follows:

The rights and obligations of the bank/investment company/financing company and the customer must be identified by clear-worded and meaning-understood contracts compliant with the provisions of the local laws and the relevant resolutions as well as the CBK instructions. The consumer and installment loans contracts must include, as minimum, the following items:

- A. Basic data of the customer (contact address, profession/job, place of work, phone numbers, etc.).
- B. Type of loan [consumer – installment (housing)].
- C. Loan amount.
- D. Purpose of the loan and the means of verification of its utilization in such purpose, the documents required from the customer supporting utilization of the loan in the purpose for which it was granted, and the date of submission of such documents.
- E. Loan term, number of the monthly installments and the dates of their payment, and amount of the monthly installment and its percentage to the net monthly salary (after deductions) or the continued monthly income.
- F. The account from which the monthly installments shall be debited.
- G. The interest rate and the method of its collection, in accordance with the relevant CBK instructions, whereby the total financing cost (interest) shall be clear to the customer before granting the loan, and an evidence of the customer's perusal thereof shall be maintained.
- H. The customer must receive a copy of the contract, and must sign an acknowledge of receipt thereof.

2. The following shall be added to item "Third":

- 14) Obtain an authorization from the customer, to be attached to the loan contract, to inquire about the data of credit cards and consumer and installment loans/financing facilities he/she obtained from banks, investment companies, financing companies and the other entities. A statement signed by the customer setting out the balance of loans/financing facilities, which he/she obtained from the mentioned entities and are still outstanding as at the date of requesting the new loan, should be obtained.

7- Rules and Regulations for Extension of Consumer Loans & other Installment Loans by Financing Companies.

- A) Circular No. (2/BS,IS,FS/252/2015) to all Conventional Banks, Investment Companies and Financing Companies amending the Rules and Regulations of Granting Consumer Loans and Other Installment Loans.

- 15) Give the consumer and installment loan customers a “Reflection Period” for at least two business days (except for the loans extended for medical treatment purposes), so that they shall be provided with non-signed and non-final copies of the loan contract at the time of applying for the loans. Customers shall be required to submit a written acknowledgement that they have received a copy of the loan contract for review, without any liability on the customer during the reflection period, and so that the contract shall be signed after if both parties agree.

All the financial impacts resulting from the loan extended to him/her, the contractual terms and the obligations under the loan contract to be concluded should be explained to the customer. The bank should maintain the supporting documents, while the customer should be provided, at the beginning of the reflection period, with a clear and simplified statistical schedule setting out the following:

- Amount and number of the loan installments.
 - Components of each installment including interest and the amount repaid from the loan principal assuming regularity of installment payment.
 - Total amount of interest and the amounts to be repaid until the expiry of the loan term.
 - A statement of the potential changes to financing burdens for installment loans, assuming an increase in the interest rate by the maximum limit (2%) every five years.
- 16) Provide all necessary information on the consumer and installment loans through the online accounts to customers who have subscriptions in the Online Services. It is necessary in this regard to note that the statements of loan accounts must include detailed information relevant to the number and value of installments repaid and the outstanding ones up to date of maturity, detailed according to the interest and the principal amount.
- 17) Maintain all documents of the consumer and installment loans throughout the lifetime of the loan transaction until full repayment and expiry of the legal prescription period. It is necessary to consider the electronic filing of these documents.

3. Addition of Items “Sixth and Seventh” and Relay the Next Item Per Order:

Sixth: Regulations for Adjustment of the Loan Term and Re-Arrange the Terms of the Contract to Obtain the New Financing:

7- Rules and Regulations for Extension of Consumer Loans & other Installment Loans by Financing Companies.

A) Circular No. (2/BS,IS,FS/252/2015) to all Conventional Banks, Investment Companies and Financing Companies amending the Rules and Regulations of Granting Consumer Loans and Other Installment Loans.

A. Amendment of the Loan Term and the Value of the Monthly Installment:

A customer who is regular in repayment may – at any time during the term of the loan – request to re-arrange the terms of the contract concluded with the creditor bank/company, **with the same type of the outstanding loan (consumer or installment)**, with regard to the term of the loan and the value of the monthly installment, without breach of the maximum limit stipulated by these instructions for the loan, effective from the date of initial grant (5 years for the consumer loans and 15 year for the installment loans), and the ratio of the monthly installment (40% of the net salary and 30% for retired persons). It must be taken into account **that the interest rate on the consumer loan should not be modified, and that it should not be changed for the installment loan except every five years from the date of granting the original loan** to be in line with the rate announced by the Central Bank of Kuwait at the end of every five years for the installment loan, provided that the amount of change in the interest rate does not exceed 2% (whether by increase or decrease) of the agreed interest rate applied under the loan contract before the change.

B. Re-Arrange the Terms of the Contract to Obtain New Financing:

The bank/company may – upon request of the customer – re-arrange the terms of the contract with the customer with regard to the consumer and installment loans granted to him, in order to be able to obtain new financing with the same type of the outstanding loan (consumer or installment), in accordance with the following terms:

- 1) The customer must be regular in repayment not less than 30% of the number of installments set for the consumer and installment loan at their maturity dates according to the terms of the contract concluded with the customer, regardless of the early repayment.
- 2) The new loan must be extended by a new contract according to the terms and conditions stipulated by these instructions and the existing contract with the customer must be revoked.
- 3) The maximum limits stipulated by these instructions must be complied with for the term of the loan, the total value of the loan, and the percentage of monthly installment, in accordance with the financial conditions of the customer at the date of the new contract.

7- Rules and Regulations for Extension of Consumer Loans & other Installment Loans by Financing Companies.

- A) Circular No. (2/BS,IS,FS/252/2015) to all Conventional Banks, Investment Companies and Financing Companies amending the Rules and Regulations of Granting Consumer Loans and Other Installment Loans.

In case the customer desires to obtain new financing from another bank/company according to the abovementioned conditions, the bank/company extending the financing must accept the early repayment from the other bank/company, and it is necessary that the new contract shall be concluded in accordance with the financing formulas applicable at the new bank/company.

Seventh: Staff Loans:

The maximum limits stipulated for consumer and installment loans shall be complied in accordance to these instructions, for loans extended to staff for consumer and installment purposes, other than the loans granted to them in accordance with the labor law in the private sector.

4. These instructions shall be effective from the date hereof, excluding items (1, 2) which shall be applicable after three months from the date hereof.

THE GOVERNOR

*Muharram 17, 1438 H
October 18, 2016*

The Chairman,

**Circular No. (2/BS, IBS, IS, IIS, FS, IFS/367/2016) to all Banks,
Investment Companies and Financing Companies Regarding
the Continuous Inspection of All Cases of Consumer
and Installment Loans/Financing Facilities**

With reference to the Central Bank of Kuwait's circular issued on 07/08/2013 regarding assigning an audit firm to conduct an inspection on all consumer and installment loans/finance granted by banks and investment companies on an ongoing basis every quarter in accordance with the terms of reference attached to the circular issued on 16/07/2012 in this regard.

Attached with this is the modified terms of reference for the task of continuous inspection of all cases of consumer and installment loans/finance submitted during each quarter, which shall be implemented as of its date.

We would like to emphasize on the contents of the said terms of reference, in which the scope of their work must include verifying the extent of compliance with the instructions of the Central Bank of Kuwait regarding the rules and regulations of granting consumer loans and other installment loans and their amendments, as of the effective date of these amendments.

Best Regards,

**The Governor
Dr. Mohammad Y. Al-Hashel**

7- Rules and Regulations for Extension of Consumer Loans & other Installment Loans by Financing Companies.

- B) Circular No. (2/BS, IBS, IS, IIS, FS, IFS/367/2016) to all banks, investment companies and financing companies regarding the continuous inspection of all cases of consumer and installment loans/financing facilities with an attachment of the amended terms of reference for the task of continuous inspection of all cases of consumer and installment loans/financing facilities.

**Amended Terms of Reference for the Task of Continuous Inspection
on All Cases of Consumer & Installment Loan/Finance
During Every Quarter**

Task Objective:

The objective of this task is to ensure the compliance of local banks, investment companies and financing companies to the Central Bank of Kuwait's instructions issued with regard to the rules and regulations for granting consumer and installment loans/finance and their amendments, as of the effective date of these amendments, by assigning the task to one of the major audit firms.

Qualified Audit Firms:

Audit firms qualified to carry out the said task are those major firms identified in the attached shortlist, in that banks and investment companies shall select one of these firms to carry out such task, provided that such firm shall not be one of the audit firms assigned in auditing the bank/investment company/financing company's accounts.

Scope of Work:

- 1) Inspection of all cases of the consumer and installment (housing) loans/finance with the bank/investment company/ financing company during every quarter.
- 2) Ensuring the compliance with the Central Bank of Kuwait's instructions on the rules and regulations of granting consumer and installment loans/finance and the amendments, specifically in terms of the following:
 - a. The consumer or installment loans extended to the customer shall not exceed the underlying maximum limit.
 - b. The monthly installments of the consumer and installment loans extended to the customer shall not exceed the underlying maximum limits according to the instructions in force at the date of granting the loan.
 - c. Not exceeding the maximum limit of the period for the consumer loan and the installment loan.
 - d. Ensuring that customers are given a reflection period in which the loan contract is signed after its expiry, and ensure that the customer is aware of all the financial implications of the loan.
 - e. The extent of compliance to the minimum terms that must be included in the consumer and installment loan contracts concluded with customers.

7- Rules and Regulations for Extension of Consumer Loans & other Installment Loans by Financing Companies.

- B) Circular No. (2/BS, IBS, IS, IIS, FS, IFS/367/2016) to all banks, investment companies and financing companies regarding the continuous inspection of all cases of consumer and installment loans/financing facilities with an attachment of the amended terms of reference for the task of continuous inspection of all cases of consumer and installment loans/financing facilities.

- f. Ensuring the availability of all necessary information on consumer and installment loans on electronic accounts for customers participating in electronic services.
 - g. The compliance with the stipulations of the referred instructions concerning the rescheduling of such type of loans (whereby the rescheduling shall be confined to the proven default cases with which legal proceedings is futile, and that the rescheduling shall not result in extending of any new loans to the customer, nor will the repayment period according to the rescheduling exceed the determined period, other than the repayment period basically determined for the loan).
 - h. The interest shall be collected (for conventional banks and investment companies) on the diminishing balance of the loan, with the ceiling not exceeding the determined rate above the discount rate for the extended cases after 24/03/2008. (the plan applied with the bank/company shall be inspected to verify correct calculation of interest).
 - i. The availability of evidence of inquiries made on the borrower's obligations from Ci-Net, as well as obtaining an acknowledgment from customers of the balance of loans/finance they have obtained from the existing authorities at the time of the new loan application.
 - j. The compliance with all the stipulated conditions for amending the term of the loan and re-arranging the terms of the contract to obtain new finance.
- 3) Inspection must include an appropriate sample of the cases of early payment made by customers on consumer and installment loans/finance, with the determination of the extent to which the bank or company complies with the instructions issued by the Central Bank of Kuwait about not calculating any commissions or expenses in these cases.
- 4) Inspection of cases of employee loans granted to them to ensure that the procedures for granting them are in accordance with the labor law in the private sector.
- 5) Inspection and assessment of the Internal Control Review (ICR) systems applicable in the bank/investment company/financing company with regard to granting consumer and installment loans/finance and the adequacy of these systems, along with the availability of the effective mechanisms for the immediate discovery of any breaches in due course.
- 6) Verification that the authorities set labor policies and procedures related to the follow-up of their customers to complete the documents indicating the use of loans for the purpose for which they were granted in accordance with the terms specified in the contracts, with evaluation and comments in this regard.

7- Rules and Regulations for Extension of Consumer Loans & other Installment Loans by Financing Companies.

- B) Circular No. (2/BS, IBS, IS, IIS, FS, IFS/367/2016) to all banks, investment companies and financing companies regarding the continuous inspection of all cases of consumer and installment loans/financing facilities with an attachment of the amended terms of reference for the task of continuous inspection of all cases of consumer and installment loans/financing facilities.

- 7) Verification of the wellbeing of the automated systems followed by the entity regarding the classification of consumer and installment loans, and their compliance with the terms specified, in this regard, in accordance with the classification policy issued by the Central Bank of Kuwait.
- 8) Determination of the cases of consumer and installment loans/finance in which the breaches of the Central Bank of Kuwait's instructions have been disclosed in this regard, and the date of the breach's occurrence. This includes verification of the soundness of the method of calculation of the interest on such loans, submission of detailed statements for said cases with identification of the reasons of the breach, the response of the violating entity, the firm's feedback on it and the financial impact resulting from their corrections.

Main Deliverables of the Task:

- The audit report shall include the following, as a minimum:
 - 1) Executive procedures taken by the auditor to accomplish the inspection process.
 - 2) Determined documents and records to be inspected in line with the task objectives.
 - 3) Procedures of verification, documentation and assurance taken by the auditor.
 - 4) Conclusions of the inspection in light of the task objectives.
 - 5) Negative issues detected and the remedial actions taken thereon.
 - 6) Providing detailed statements (schedules) of the violating cases disclosed along with clarification of the type of each violation, reasons thereof, date of occurrence, financial impact resulting from their correction, response of the violating entity, and the firm's feedback on the entity's response.
- The audit firm assigned with the task shall forward a copy of the final report directly to the Central Bank of Kuwait after being discussed with the concerned bank/investment company/financing company.

Contracting to Accomplish the Task:

Task contract shall be made directly between the bank/investment company/financing company and the audit firm selected from those mentioned in the attached shortlist. The selected audit firm shall not be the bank/company's auditor and the CBK shall be notified no later than 31/07/2012. The above underlying terms of reference for the task, without any amendment thereto, shall account for an element of the contracting to be considered as an integral part of the contract.

7- Rules and Regulations for Extension of Consumer Loans & other Installment Loans by Financing Companies.

- B) Circular No. (2/BS, IBS, IS, IIS, FS, IFS/367/2016) to all banks, investment companies and financing companies regarding the continuous inspection of all cases of consumer and installment loans/financing facilities with an attachment of the amended terms of reference for the task of continuous inspection of all cases of consumer and installment loans/financing facilities.

Task's Time Frame:

The inspection audit report shall be submitted to the Central Bank of Kuwait on a date no later than 45 days after the end of the period for which the inspection will be conducted.

7- Rules and Regulations for Extension of Consumer Loans & other Installment Loans by Financing Companies.

- B) Circular No. (2/BS, IBS, IS, IIS, FS, IFS/367/2016) to all banks, investment companies and financing companies regarding the continuous inspection of all cases of consumer and installment loans/financing facilities with an attachment of the amended terms of reference for the task of continuous inspection of all cases of consumer and installment loans/financing facilities.

Audit Firms to Carry out the Inspection

S.	Audit Firm
1	Al-Aiban Al-Osaimi & Partners, Ernst and Young
2	Al-Fahad and Al-Wazzan and Company Deloitte and Touche
3	KPMG Safi Al-Mutawa and Partners
4	Price Waterhouse Coopers, Al-Shatti & Partners
5	Al-Nisf & Partners - BDO
6	Al-Bazie & Partners – RSM International

7- Rules and Regulations for Extension of Consumer Loans & other Installment Loans by Financing Companies.

- B) Circular No. (2/BS, IBS, IS, IIS, FS, IFS/367/2016) to all banks, investment companies and financing companies regarding the continuous inspection of all cases of consumer and installment loans/financing facilities with an attachment of the amended terms of reference for the task of continuous inspection of all cases of consumer and installment loans/financing facilities.

THE GOVERNOR

*Jumada Al-Oula 28, 1439 H
February 14, 2018*

The Chairman,

**Circular to All Local Banks, Investment Companies and
Financing Companies Regarding the Inspection
on Consumer and Installment Loans/Finance Portfolios**

With reference to the Central Bank of Kuwait's circular issued on 07/08/2013 regarding assigning an audit firm to conduct inspections for all cases of consumer and installment loans/finance granted by local banks and investment companies on an ongoing basis every quarter, provided that the auditor's report on the inspection results is submitted within quarterly periods no later than 45 days after the end of the period inspected. In addition to the terms of reference attached to the circular issued on 18/10/2016 in this regard.

We would like to inform you that every two years, your bank/company must change the audit firm assigned to conduct the inspection, starting from the inspection operations that will be conducted as of 01/04/2018, and this applies to the audit firm currently conducting the inspections, if it continues working with you during the previous two years.

It should be taken into account that the new audit office is not one of the current auditors of your bank/company, nor one of those charged with the work of inspecting your Internal Control Review (ICR) systems, and that the approval of the Central Bank of Kuwait is obtained for the new audit firm before contracting with it, bearing in mind that it is acceptable to re-assign one of the audit firms whom were previously assigned to this task by you, if two years or more have passed since its change.

It has been decided that the entities qualified to perform this task are the audit firms of local banks, and the audit firms entrusted with the task of inspecting the ICR systems of those banks.

We would like to emphasize what was included in the terms of reference for the task of continuous inspection. It is necessary that the scope of its work should include verifying compliance with the instructions of the Central Bank of Kuwait regarding the rules and regulations for granting consumer and installment loans/finance and their amendments, as of the effective date of these amendments.

Best Regards,

**The Governor
Dr. Mohammad Y. Al-Hashel**

7- Rules and Regulations for Extension of Consumer Loans & other Installment Loans by Financing Companies.
C) Circular to all Local Banks, Investment Companies and Financing Companies Regarding the Inspection on Consumer and Installment Loans/Finance Portfolios and Changing the Audit Firms engaged to conduct the Inspection every Two Years.

THE GOVERNOR

*Rabi-ul-Awwal 03, 1440 H
November 11, 2018*

The Chairman,

**Circular No. (2/BS/IS/FS/413/2018) to all Conventional Banks,
Investment Companies and Financing Companies Concerning
the Rules and Regulations for Granting Personal Loans
for Consumer & Housing Purposes and Issuance of Credit Cards**

Within its continued review of the instructions issued concerning the rules and regulations for granting personal loans for consumer and housing purposes by banks, investment companies and financing companies, and the amendments thereto, the Central Bank of Kuwait (CBK) incorporated a set of changes to the said instructions based on a study that considered the changes in the indicators of macroeconomic performance since the last amendment to the maximum limits for such loans back in 2004, including changes in population growth rates, inflation rates, rise in consumable and durable goods prices, and increases in salaries and wages, in view of relevance of loans to a large segment of nationals and residents and their relative share in credit and financing portfolios of banks and financing companies, as well as the importance of regulating growth of such loans in a manner that maintains monetary and financial stability.

The revised instructions act as an integrated, balanced and flexible framework that accommodates the needs of customers and protect them from any financial overburden.

The main changes in the first part of the attached instructions included raising the maximum limit of consumer loans, whereby the consumer loan shall be separated from the housing loan. Thus, a customer may be granted the maximum limit of each the consumer and housing loan, provided any continuous monthly income of the customer other than the monthly salary shall not be considered in calculating the monthly instalment to net salary ratio. The said instructions provided for treatment of the borrowers whose status has been changed due to retirement.

The second part included instructions regarding credit cards along with the previously issued instructions regarding enhancement of fraud monitoring systems and credit cards related information security.

The instructions underlined that the lenders must ensure that all conditions are fulfilled, assess the customer's credit positions, verify the purpose of the loan and the customer's need of such loan, and provide the financial advice to customers at the time of granting loans or during the term thereof.

7- Rules and Regulations for Extension of Consumer Loans & other Installment Loans by Financing Companies.

- D) Circular No. (2/BS, IS, FS/413/2018) issued on 11/11/2018 to all Conventional Banks, Investment Companies and Financing Companies Regarding the Instructions for the Rules and Regulations of Granting Personal Loans for Consumer and Housing Purposes and the Issuance of Credit Cards.

Kindly find attached the new instructions that shall come into force as of 14 November 2018. The previous instructions concerning the consumer loans and the other instalment loans, the instructions issued with respect to credit cards and any other instructions that contravene these instructions shall be revoked.

Best Regards,

The Governor
Dr. Mohammad Y. Al-Hashel

7- Rules and Regulations for Extension of Consumer Loans & other Installment Loans by Financing Companies.

- D) Circular No. (2/BS, IS, FS/413/2018) issued on 11/11/2018 to all Conventional Banks, Investment Companies and Financing Companies Regarding the Instructions for the Rules and Regulations of Granting Personal Loans for Consumer and Housing Purposes and the Issuance of Credit Cards.



بنك الكويت المركزي

**Instructions to Conventional Banks and Investment Companies
and Financing Companies Concerning the Rules
and Regulations for Granting Personal Loans
for Consumer & Housing Purposes and Issuance of Credit
Cards**

Date: 11/11/2018

7- Rules and Regulations for Extension of Consumer Loans & other Installment Loans by Financing Companies.

D) Circular No. (2/BS, IS, FS/413/2018) issued on 11/11/2018 to all Conventional Banks, Investment Companies and Financing Companies Regarding the Instructions for the Rules and Regulations of Granting Personal Loans for Consumer and Housing Purposes and the Issuance of Credit Cards.

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7- Rules and Regulations for Extension of Consumer Loans & other Installment Loans by Financing Companies.

- D) Circular No. (2/BS, IS, FS/413/2018) issued on 11/11/2018 to all Conventional Banks, Investment Companies and Financing Companies Regarding the Instructions for the Rules and Regulations of Granting Personal Loans for Consumer and Housing Purposes and the Issuance of Credit Cards.

Introduction

In line with the Central Bank of Kuwait's efforts to regularly review its instructions concerning the Rules and Regulations for Granting Consumer & other Installment Loans, monitoring the development of their balances in light of the key indicators of Kuwait macro economy, the banking sector indicators and other factors associated with demand for and uses of this type of finance, and in light of the conclusions of studies conducted in this regard, a series of significant amendments have been introduced to these instructions.

Needless to say, the new rules aim at regulating the grant of such loans by banks, investment and financing companies to satisfy customers actual needs and are intended to reduce the excessive use of these loan without actual needs from the customers' side. On these grounds, the instructions emphasize that it is the responsibility of the lender to verify that the necessary conditions have been met, identify the credit position of the customer, ascertain the purpose of the required loan and the customer's need for such loan and provide financial advice to customer – whether upon granting the loan or during its term - to determine the nature of the customer's monthly obligations and burdens incurred as a result of the required operations and advise the customer about his/her needs and obligations; and to point out the risks of increasing obligations and burdens, especially in case of change in customer's financial conditions due to work changes or retirement.

The CBK purports to issue these instructions in two parts: The First Part includes the rules and regulations of granting personal loans for consumer purposes by conventional banks, investment and financing companies while the second part covers the rules and bases for issuance credit cards by conventional banks. These instructions shall supersede the applicable ones regarding consumer and other installment loan as well as instructions issued in respect of credit cards and any other instructions inconsistent thereof.

7- Rules and Regulations for Extension of Consumer Loans & other Installment Loans by Financing Companies.

- D) Circular No. (2/BS, IS, FS/413/2018) issued on 11/11/2018 to all Conventional Banks, Investment Companies and Financing Companies Regarding the Instructions for the Rules and Regulations of Granting Personal Loans for Consumer and Housing Purposes and the Issuance of Credit Cards.

**Part One: Rules and Regulations for Granting Personal Loan
for Consumer & Installment Purposes by Conventional Banks,
Investment and Financing Companies**

Chapter 1: Definitions & Maximum Limits:

First: Definitions

- 1) **Personal loans:** For these instructions, personal loan is meant to be the loan granted for consumer and housing purposes.
 - a. **Consumer loan:** It is a medium term personal loan for a period not exceeding 5 years extended to the customer for financing personal consumer needs.
 - b. **Housing loan:** long-term personal loan for a period not exceeding 15 years granted to the customer for purchasing, building or repairing private house.
- 2) **Lender:** Banks, investment and financing companies subject to supervision by the Central Bank of Kuwait.
- 3) **Monthly Deductions:** Deductions from the salary as reported in the original official salary certificate issued by the customer employer or reported in the certificate issued by Public Institution for Social Security for the monthly pension of the retiree.
- 4) **Net Monthly Salary:** The total amount reported in the original official salary certificate issued by the employer of the customer or reported in the certificate issued by Public Institution for Social Security for the monthly pension of the retired customers and national labor support allowance minus the deductions reported in this certificate including the housing allowance granted as per the Housing Welfare Scheme.
- 5) **Monthly Installments:** The total monthly obligations of loans, personal finance operations and credit cards received by the customer from lenders, in addition to any monthly commitment resulting from operational leasing transactions and installed purchases from entities subject to the Ministry of Commerce and Industry.

Second: Maximum Limits of Personal Loans and Monthly Installment Ratio:

- 1) **Consumer Loan:** The total amount of the consumer loan to a single customer shall not exceed 25 times the net monthly salary of the customer up to KD 25,000 maximum to be repaid on equal monthly instalments for a period not exceeding 5 years.

7- Rules and Regulations for Extension of Consumer Loans & other Installment Loans by Financing Companies.

- D) Circular No. (2/BS, IS, FS/413/2018) issued on 11/11/2018 to all Conventional Banks, Investment Companies and Financing Companies Regarding the Instructions for the Rules and Regulations of Granting Personal Loans for Consumer and Housing Purposes and the Issuance of Credit Cards.

- 2) **Housing Loan:** The amount of the housing loan to a single customer shall not exceed KD 70,000 to be repaid on equal monthly instalments for a period not exceeding 15 years. It is to be observed that the value of the monthly instalment should be changed in case the interest rate is revised or amended by the end of the five years in respect of the housing loan as stipulated in Item (Third) below.
- 3) **Instalment to Salary Ratio:** The ratio of the monthly instalment to the net salary of the customer shall not exceed 40% for employees or 30% for retirees.

Third: Interest Pricing and How to be collected:

The maximum interest pricing on personal loans should not exceed 3% over the Central Bank of Kuwait's Discount Rate. The interest should not be deducted upfront for any of the abovementioned loans. A fixed interest rate is to be applicable on consumer loans in accordance with the contractual interest rates prevailing at the time the loan was extended.

A fixed interest rate shall be applicable on housing loans as per the contractual interest rate prevailing at the time the loan was granted. However, the contracts concluded with the customers in this regard should include a clause that stipulates that the lender shall revise the applicable interest rate every five years throughout the loan term where the applicable interest rate will be revised to match the interest rate announced by the CBK at the end of each five years of the housing loan term (the amendment shall commence from instalment No. 61 then instalment No. 121) under the condition that the variation level in the interest rate should not exceed 2% up or down from the contractual interest rate prior applied prior to the change.

Chapter 2: General Rules for Granting Personal Loan Transactions:

The lender should have in place clear credit policies and procedures approved by the board of directors to grant personal consumer and housing finance operations, taking into account the CBK instructions in this regard as well as established credit rules and customs. The following should be taken into account:

First: Rules for Loan Application and the Minimum Requirements for Concluding the Contract:

The lender shall observe the following regulations in respect of granting personal loan:

- 1) The customer's application shall at minimum include the following information:
 - a. Loan amount and repayment period.
 - b. Loan specific purpose.

7- Rules and Regulations for Extension of Consumer Loans & other Installment Loans by Financing Companies.

- D) Circular No. (2/BS, IS, FS/413/2018) issued on 11/11/2018 to all Conventional Banks, Investment Companies and Financing Companies Regarding the Instructions for the Rules and Regulations of Granting Personal Loans for Consumer and Housing Purposes and the Issuance of Credit Cards.

- c. The customer's official and original salary certificate from the employer including details of the monthly salary and all monthly deductions. The lender should verify the integrity and authenticity of this certificate.
 - d. An undertaking signed by the customer to present all documents requested by the lender, including the bills and documents evidencing the use of the housing loan in the purpose for which it has been granted. In the event of customer's incompliance of this requirement within the period designated by the lender, the customer will not be granted any new finance/ facility.
 - e. A statement signed by the customer of the loans and finances transactions balance which the customer might have obtained from other banks or institutions subject to CBK supervision, as well as other existing financial obligations as stated in Item 4 below, as well as a statement of the sources of income. The lender shall verify all such information.
- 2) The lender shall obtain a copy of the valid identify card*.
 - 3) The lender shall enquire at the Credit Information Network Company (Ci-Net), after obtaining customer's authorization, about the customer's debit balance arising out of the customer's credit cards, loans, the consumer and installment finance obtained by the customer from all lenders and all other obligations on the customer towards third entities as per the information available at Ci-Net, so as to verify the accuracy of the customer's declaration about the size of his/her financial obligations and to ensure that total monthly installments does not exceed the threshold stipulated in these instructions.
 - 4) Lenders shall ensure meeting necessary conditions, study customer's credit position, ascertain the purpose of required loan and the extent of customer's need for the loan and consider all customers' existing obligations (including loan transactions to employees as per labor law in the private sector) to determine the appropriate loan size to the customer, the amount of the monthly installments to avoid increasing the customer's monthly burdens and consider the customer's ability for ongoing payment taking into account any changes that may occur to the customer's future financial conditions. lenders shall consider all customer' existing obligations (cash and non-cash**), including installments for settlement of

* A copy of the civil Identity card or passport and the residency permit proof for non-Kuwaitis who have not obtained Civil ID Cards yet.

** Non-cash obligations include for example, guarantees issued for the account of the customer for the benefit of service providers such as the communication and electricity along with letter of guarantees endorsed for issuing commercial license and the letter for guarantees issued for obtaining consumer or housing or other loans.

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the debit balance arising from credit cards, whether such obligations are towards lenders subject to the CBK supervision, or towards any other entities (such as monthly standing orders, lease financing/operating installments etc..).

- 5) lenders should provide financial advice to personal loan customers whether at the inception or during the loan term, consider the nature of their monthly obligations and their burdens under the required loan operations, advise them on their needs and liabilities, underline the risks of increasing their obligations, particularly in case their financial conditions suffered any implications due to changes in work or retirement or change in the applied interest rate. The provisions of item (7) below should be taken into account:
- 6) Giving the customers a “Reflection Period”, for at least two business days (excluded from the reflection period are the loan transactions extended for medical treatment provided that the Bank is so ascertained), so that customers are provided with, no final and no signed, copy of the loan contract when they apply for loan. Customers shall have to submit a written acknowledgement of the receipt of a copy of the loan contract for the purpose of reflection, without any liabilities on the customer or the lender during the reflection period. The contract shall be signed after the reflection period in case of agreement of the two parties.
- 7) Lenders should let the customer know all terms, obligations and financial impacts arising from the loan that shall be extended to him/her according to the contract that will be concluded. Lenders shall have to maintain the documents in support of the same and at the beginning of the reflection period, provide the customer with a clear and simplified statistical schedule showing the following:
 - a. The amount and number of the loan installments.
 - b. Components of each installment of the interest and the paid amount of the loan principal amount and the insurance premium amount^{***} (in case of customer’s approval on insurance) assuming regular repayment.
 - c. Total value of profits and the amounts that shall be repaid up to expiry of the maturity date of the loan and the total insurance amounts.
 - d. Statement of the potential changes in the finance burdens either for the early repayment case or the housing loan and the monthly installment amount assuming the increase of the interest rate by the maximum

^{***} Item (13) should be taken into consideration in this regard.

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stipulated limit of (2%) every five years.

- 8) The rights and obligations of the lender and the customer must be identified by clear written and understood contracts compliant with the provisions of local laws, relevant resolutions and CBK instructions. The consumer and installment loan contracts must include, at minimum, the following items:
 - a. Basic information about the customer (contact address – profession / job, place of work, phone numbers, email, etc. ...).
 - b. Type of the loan transaction (consumer – housing).
 - c. Loan amount.
 - d. Purpose of the loan.
 - e. Verification method for using the housing loan for the purpose for which it has been granted, the documents required from the customer in support thereof, and the date of submission of such documents as well as full information about the property subject of the finance.
 - f. The term of the loan transaction and the number of the monthly installments, the dates of their repayment, the amount of the monthly installment and its percentage to the net monthly salary.
 - g. The account that will be debited by the monthly installment amounts.
 - h. The interest rate on the loan.
 - i. Customer's share of the insurance premiums, should the customer desire to have insurance, as per Item 13 below, which should be paid along with the monthly installment amounts of the loan.
- 9) The lender should provide the customer with a copy of the contract and get his/her signature in acknowledgment and provide the customer with the Customer's Protection Manual, if so requested.
- 10) Providing all necessary information about personal loan transactions through the online accounts of customers subscribing in the Online Services. In this regard, it is necessary that the statements of accounts of the loan transactions must include detailed information about the number and amounts of installments repaid and outstanding up to date of maturity, in such details that illustrate both the interest and principal amounts.
- 11) The lender should follow up customer's use of the housing loan in the purpose for which it has been granted. Lenders of this type of loans should

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obtain from the customer the documents so evidencing and ensure documents authenticity and integrity.

- 12) The lender may, if the contracts with customers so permit, collect the monthly installment before maturity date in case the customer salary is credited to his /her account before maturity date, which is considered early settlement of the installment, provided however, that the customer is so notified by text messages “SMS”. The lender may not withhold any credit balance in the customer's account without legal reason or prior approval of the customer.
- 13) No insurance fees may be collected against any type of loans, except where a contract is signed with a specialized insurance company requiring the payment of insurance premiums to such company, and provided that the insurance fees collected from customers shall be limited to the amount paid to the insurance company under the contract. In all cases, lenders shall comply with following:
 - a. Insurance shall be optional for customers;
 - b. In the event the customer opts to have insurance, the lender should obtain the customer’s approval to this effect, while observing the following:
 - Insurance charges borne by the customer may not exceed those borne by the lender on condition that the maximum amount borne by the customer may not exceed 2% of the finance amount.
 - The insurance premiums shall be charged over the lifetime of the loan, so as to be payable along with the finance monthly instalment and to be taken into account within the percentage of the monthly instalment of the loan (40% for employees and 30% for retirees).
 - In the event the customer prepays the loan before maturity i.e. (early repayment), he/she will be relieved from paying the remaining insurance premiums.
 - Customers must be advised of the scope of insurance coverage on the finance by providing the customer with a copy of the terms and conditions of the insurance policy or the customer gets a copy of the insurance policy itself under customer acknowledgement of receipt thereof.
- 14) Lenders shall keep all loan transaction documents granted to customers throughout the finance lifetime till full repayment and expiry of the legal

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prescribed statute of limitations. Electronic saving of these documents should be maintained.

- 15) The guarantor, if any, must sign the loan agreement/ contract concluded with the customer, and the lender must obtain the necessary information on the guarantor to ascertain the efficiency of his/her guarantee of the customer in securing the lender's rights. The information may be obtained from the guarantor himself/herself, or from other information sources such as (Ci-Net). The guarantor shall be provided with full copies of the documents delivered to the customer and his/her signature should be obtained in acknowledgement thereof. The amounts of the guaranteed personal loans or their instalments shall not be considered in the guarantor's obligations without prejudice to the stipulations of Item (4)¹.
- 16) It is not allowed to consolidate salaries of customers of whatever degree of kinship. Neither husband nor wife may guarantee each other.
- 17) Lenders are not allowed to:
 - a. advertise and promote consumer loans for travel and entertainment or for purchasing personal luxury goods (bags / accessories, etc.).
 - b. grant consumer loans for speculation purposes in domestic and foreign stock markets.
 - c. Carry out marketing endeavours for consumer or housing loans directed to specific individuals in their personal capacities, as marketing campaigns should be generally undertaken about the lender's products and services.
- 18) The final instalment, (balloon payment). Furthermore, each instalment, at the grant date, should not exceed the maximum stipulated limits.
- 19) lenders are prohibited from granting loans to natural persons under any other names, if the source of repayment for the principal amount or the interest is the customer's monthly salary credited to the customer's account. Loan granted to customers in this context shall be restricted to personal loans in accordance with the concept specified in these instructions.
- 20) The customer may get personal finance from multiple lenders provided that:

¹ Circular issued on 10/9/2020 and included in item (TT) of this chapter to all local banks, investment companies and financing companies on studying the credit conditions of customer guarantors of loans/personal finance operations for consumer and housing purposes.

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- D) Circular No. (2/BS, IS, FS/413/2018) issued on 11/11/2018 to all Conventional Banks, Investment Companies and Financing Companies Regarding the Instructions for the Rules and Regulations of Granting Personal Loans for Consumer and Housing Purposes and the Issuance of Credit Cards.

- a. The total loans obtained from all lenders may not exceed the maximum limit prescribed in **Chapter 1** herein;
- b. The total monthly instalment amounts of all personal loans the customer obtains from all lenders may not exceed the limit prescribed herein. The lender shall obtain an undertaking from the customer in this meaning.

Second: Controls for Adjusting the Loan Term & Monthly Installment and Rearranging the Terms of the Contract

A. Adjusting the Loan Term & Monthly Installment

At any time during the term of the loan transaction, a customer regular in repayment may request rearranging the terms of the contract concluded with the lender, **at the same type of the outstanding loan (Consumer or Housing)**, with regard to the term of the loan transaction and the amount of the monthly installment, without breach of the maximum limit stipulated under these instructions for the loan transaction, effective from the date of initial grant (5 years for consumer loan and 15 years for housing financing), and the ratio of the monthly installment (40% of the net salary and 30% for retirees). However, **the interest rate on the consumer loan will not be revised and similarly for the housing loan, where the interest rate may be revised or adjusted every five years from the grant date** to match the interest rate announced by the CBK at the end of each five years of the housing loan term under the condition that the variation level in the interest rate should not exceed 2% up or down from the contractual interest rate prior applied prior to the change.

B. Rearranging the Terms of the Contract to Obtain New Financing:

The lender may, upon request of the customer, rearrange the terms of the contract with regard to loan transactions, in order to be able to obtain new loan at the same type of the outstanding loan (consumer or housing), in accordance with the following terms:

- 1) The customer must be regular in repayment of not less than 30% of the number of installments set for the loan at maturity date according to the terms of the contract concluded with the customer, regardless of early repayment.
- 2) The new loan must be extended under a new contract according to the terms and conditions stipulated in these instructions. The existing contract with the customer must be revoked.
- 3) The maximum limits stipulated in these instructions must be complied in light of the financial conditions of the customer at the date of the new contract.

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In case the customer desires to obtain new loan from another lender according to the above-mentioned conditions, the lender of the outstanding loan must accept early repayment from the other lender. The new contract shall be concluded in accordance with the loan formulas applicable at the new lender.

C. Rearranging the Terms of the Contract for Retirees:

The lender may, upon request of the customer, rearrange the terms of the contract with the retired customer with the option to accept early payment (using the retiree's own resources including end of service benefits) by extending consumer loan term as granted to customer for one year added to the prescribed period (five years maximum) and extending the housing loan for five years added to the prescribed period (15 years maximum) by reducing the amount of the monthly installment provided that the installment in such case will not be less than 30% of the new pension of the retiree. However, the interest rate on the consumer loan will not be revised and similarly for the housing loan, where the interest rate may be revised or adjusted every five years from the grant date to match the interest rate announced by the CBK at the end of each five years of the housing loan term under the condition that the variation level in the interest rate should not exceed 2% up or down from the interest rate prior applied prior to the change.

In general, lenders may not use end of service benefits or any amount in customer accounts or withhold them for installments that have not become mature yet, unless under a written consent by the customer.

In all cases referred to in points (a, b, c) above, if such operations lead to early repayment of outstanding loan or part thereof, the lender shall be obliged to waive the interest amount due on the remaining period for the finance term already repaid.

Third: Rescheduling Controls in Case of Default:

In the event the lender finds it necessary to reschedule personal finance, the following rules must be taken into account:

- Rescheduling shall be within the narrowest limits and for the purpose of protecting the lender's rights. There should be convincing reasons for rescheduling, most importantly an evidence of the customer's real inability to repay and the uselessness of legal actions.
- Rescheduling should not involve granting any new loan to the customer other than the finance already granted subject of rescheduling.
- The repayment period according to rescheduling shall not exceed one year, apart from the original repayment period determined for the consumer loan which is a

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maximum of five years. Thus the repayment period, including the rescheduling term, may not exceed 6 years.

- The repayment period according to rescheduling shall not exceed three years, apart from the original repayment period determined for the housing loan which is a maximum of 15 years. Thus the repayment period, including the rescheduling term, may not exceed 18 years.
- The lender shall prepare a statistical record of the rescheduling cases in chronological order and Ci-Net informed accordingly.

Fourth: Staff Loans:

The maximum limits stipulated for consumer and housing loan and the ratio of the monthly installments shall be complied with according to these instructions, for loan extended to staff, other than the loans granted to them in accordance with the labor law in the private sector.

Fifth: Announcing the Interest Rate on Personal Loans:

Lenders must comply to announce, in an apparent location in their banking hall and all branches, the actual interest rate the customer pay on personal loan. Furthermore, lenders shall comply to continuously disclose the actual interest rate on these loans in all media campaign.

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Part Two: Credit Cards Issued by Conventional Banks

First: Definitions:

Banking Cards: This means credit and debit cards including ATM cards and prepaid cards.

A. Debit Cards:

Debit Cards are cards which directly debit the customer's account. Their limits are usually the available balance in the customer's account, and are usually linked to the customer's account with the concerned bank.

B. Prepaid Cards:

Prepaid cards are cards which directly debit the amounts transferred to the card from the customer's source of transfer.

C. Credit Cards:

Credit cards are cards which extend a credit limit to the customer which he/she can debit; such cards fall into two types:

- Credit Cards:

These are payment installment cards (i.e., the use of which gives rise to a debt which is paid on installments by the customer).

- Charge Cards:

Charge cards result in a temporary debt to be paid in full on the maturity date, provided that the term of credit does not exceed one month.

All the following literature addressing the maximum limit and the repayment period is exclusively related to "Credit Cards".

Second: Maximum Limit:

The credit limit extended to the credit card and the amount allowed to be repaid in installments, which results from the use of the credit card, shall not exceed ten times the net monthly salary of the customer, subject to a maximum of KD 10,000.

Excluded from this limit are such customers who have lines of credit with the bank and whose debit balances, resulting from the use of credit cards issued to them, are deducted from the credit accounts granted to them by the bank.

The amount of the monthly installment for the credit card is to be determined based **on the credit limit extended to the card.**

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The monthly installment of the credit card shall be included in the calculation of the ratio of the total monthly installments “of loans and personal finance operations, credit card operations and credit cards” to the net monthly salary of the customer which shall not be in excess of the maximum limit decided under these instructions (40% for employed customers and 30% for retirees).

Third: Repayment Period:

The 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 as of the maturity date of the monthly invoices to be deducted from the customer’s account each month.

Entities extending credit shall comply with the requirements of clause no. 4/First of the Second Chapter of Part I of these instructions.

Fourth: Interest Rate:

The interest rate on the debt balances arising from the usage of the credit cards, (revolving credit) must not exceed the contractual interest rate as stipulated for KD lending whose term does not exceed one year (for which a maximum limit of 2,5% + the CBK Discount Rate is determined).

Fifth: General Instructions:

1) Necessary Actions to Curb Exceeding the Credit Limits Granted to Customers:

- a. The bank’s automated systems shall guarantee automatic rejection of credit card transactions which exceed the credit limit extended to the customer. In case the customer requests to exceed the credit limit extended to him/her, the bank must study the customer’s credit standing before allowing the same.
- b. In the event the customer does not settle the due invoices after 60 days from their maturity, his credit card shall be frozen and shall not be reactivated except after payment of the due amount in full. If the delay period exceeds 90 days, the card shall be frozen and shall only be reactivated 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 shall be renewed only after one year from the date of the bank’s recovery of the due amount in full. In case of the customer’s default for the third time, the credit card shall be cancelled and shall not be renewed again. 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.
- c. The necessary provisions for non-performing debts shall be calculated as per the requirements of the instructions issued by the Central Bank of Kuwait in that regard.

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2) Reinforcing Fraud Monitoring Systems:

In this regard, the following shall be adhered to, at least:

- Ensuring to provide effective automated systems to combat fraud operations on banking cards, which guarantee automatic detection and arrangement of notifications in order of severity such as different geographic locations, frequency of operations or operations performed with unusual amounts, etc. It is also necessary to set the appropriate rules on such systems and to regularly update the same to avoid the increased and diverse fraud operations affecting banks' customers, and to set the proper mechanism that guarantees the effective monitoring thereof.
- Not using the White List which allows the processing of all transactions made on credit cards for customers by excluding them from the rules of fraud operations' detection systems, however, this list can be used as a reference to compare the locations where banking cards are used **and not to process the transactions.**
- Selecting the appropriate personal questions to ask in order to use the same at the call centers to verify the identity of the customer, and ensuring to request additional information to verify the veracity of the operations performed using credit cards other than the information mentioned on the credit card.
- Taking the necessary measures upon issuing and renewing banking cards such as:
 - Cards must be inactive (not activated).
 - Banking cards issuance center as well as the cards' PINs must be equipped with security features.
 - Segregation of duties must be adhered to in terms of delivering credit cards and delivering their PINs.
 - Encrypted storage of cards' information and PINs.
- Ensuring the effectiveness of the mechanism used to activate the suspended banking cards due to wrong entry of the PIN for three consecutive times on all channels in addition to verifying the identity of the customer upon reactivating the card through the call center, branches or the IVR service as well as sending an SMS to the customer immediately after activating the card.
- Not retaining the banking cards which remain unreceived by customers for a period in excess of 3 months from the date of issuance.
- Informing the customer via SMS of the accepted and declined operations performed using his banking cards.

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- D) Circular No. (2/BS, IS, FS/413/2018) issued on 11/11/2018 to all Conventional Banks, Investment Companies and Financing Companies Regarding the Instructions for the Rules and Regulations of Granting Personal Loans for Consumer and Housing Purposes and the Issuance of Credit Cards.

- 3) The maximum limit allowed for transactions performed using all types of banking cards without using the PIN is KD 25, provided not to exceed 5 transactions per day for each card, and provided that the sixth transaction shall not be processed except by using an OTP to be sent to the customer's phone registered with the bank.
- 4) A clear mechanism shall be defined to verify the source of funds used in transfers with regard to prepaid cards.
- 5) Reinforcing the Security of Payment Cards' Information:

Local banks shall commit all stores to stop swiping the banking cards of customers on the automated systems of such stores upon payment using POS machines. This shall be done by the end of 2018 at most. Local banks shall further take the necessary actions in case of non-compliance with the same, and they shall make customers aware of their right not to allow stores to swipe their banking cards through their automated systems.

- 6) Providing the SMS service for retail customers free-of-charge for all of their banking transactions:

Local banks are committed to providing free SMS service to all retail customers for all banking transactions made on their accounts including the use of any type of banking cards and any e-transaction performed by the customer unless the customer requests to be contacted by any other means such as an email or smart phone app notifications.

In order to maintain the banking secrecy, banks should ensure the update of customer's data in a manner that guarantees sending all text messages to the mobile phone numbers of customers as determined and registered with the bank for this purpose, **provided that the identity of the customer should be verified in accordance with the below mechanism:**

- The customer shall visit the bank or any of its branches in person.
- In case of updating the mobile number via the website or the smart phone app, the approved steps for verifying the customer's identity must be observed as well as sending an OTP to confirm the same.
- It is permissible to use ATMs and ITMs to change the mobile phone number as per the set conditions after entering the customer's PIN and sending an OTP to confirm the same.

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- D) Circular No. (2/BS, IS, FS/413/2018) issued on 11/11/2018 to all Conventional Banks, Investment Companies and Financing Companies Regarding the Instructions for the Rules and Regulations of Granting Personal Loans for Consumer and Housing Purposes and the Issuance of Credit Cards.

The bank shall prepare independent reports for all customers whose phone numbers were updated by the competent department inside the bank, and have the same audited by the competent departments within the bank. Banks shall have electronic systems in place to support these services as mentioned above.

Issued on November 11th 2018

7- Rules and Regulations for Extension of Consumer Loans & other Installment Loans by Financing Companies.

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THE EXECUTIVE DIRECTOR

*Muharram 22, 1442 H
September 10, 2020*

The Chief Executive Officer,

Circular to all Local Banks, Investment Companies and Financing Companies on Studying Credit Conditions of Customer Guarantors of Loans/Personal Finance Operations for Consumer and Housing Purposes

In reference to item (First/15) of Chapter Two of “Rules and Regulations for Granting Personal Loans for Consumer and Housing Purposes and Issuance of Credit Cards”, which includes the controls and procedures that must be adhered to in cases that require the presence of a guarantor, and among those controls is not to violate what is stated in Clause No. (4), which states: “ensure meeting necessary conditions, study customer’s credit position, ascertain the purpose of required loan and the extent of customer’s need for the loan and consider all customers’ existing obligations (including loan transactions to employees as per labor law in the private sector) to determine the appropriate loan size to the customer, the amount of the monthly installments to avoid increasing the customer’s monthly burdens and consider the customer’s ability for ongoing payment taking into account any changes that may occur to the customer’s future financial conditions. lenders shall consider all customer’ existing obligations (cash and non-cash), including installments for settlement of the debit balance arising from credit cards, whether such obligations are towards lenders subject to the CBK supervision, or towards any other entities (such as monthly standing orders, lease financing/operating installments etc..)”.

In this regard, the Central Bank of Kuwait stresses the need for donors to thoroughly study the credit conditions of each of the borrowing/financier customers and their guarantors, and to take the necessary measures when determining the amount of credit/finance provided to the customer, and the credit obligations based on the guarantor, in order to avoid the risks of increasing financial burdens if the guarantee is achieved, as well as the necessity to ensure that the loan/finance offered to the customer is used for the purpose for which it was granted. It is also required to clarify to the guarantor the obligations and risks in the event of a default by the guaranteed person, and the possibility that the monthly installment amount to the guarantor’s net salary exceeds the maximum limit. In addition, the guarantor must be notified of all the legal obligations that he/she may incur under this guarantee and his/her signature should be obtained as an evidence of knowledge thereof.

Best Regards,

**Director of the Off-Site Supervision Department
Waleed M. Al-Awadi**

7- **Rules and Regulations for Extension of Consumer Loans & other Installment Loans by Financing Companies.**

E) Circular to all Local Banks, Investment Companies and Financing Companies on Studying the Credit Conditions of Customer Guarantors of Loans/Personal Finance Operations for Consumer and Housing Purposes.

THE GOVERNOR

*Ramadhan 06, 1442 H
April 18, 2021*

Circular No. (2/BS/IBS/IS/IIS/FS/IFS/476/2021) to all Local Banks, Investment Companies and Financing Companies Regarding the Conditions and Controls for Implementing Article (2) of the Law No. 3 of 2021 for the Deferral of Financial Obligations for Six Months

The Chairman,

Reference is hereby made to Article (2) of the Law No. 3 of 2021 for Deferral of the Financial Obligations for Six Months, which provides for deferring the installments of consumer and housing loans in the local banks, investment companies and financing companies that are subject to the supervision of the Central Bank of Kuwait (CBK) for willing eligible citizens. The CBK shall set forth the terms and controls necessary to implement the provisions of this law.

Attached are the conditions and controls for implementing the provisions of the aforementioned law, approved by the CBK's Board of Directors on 07/04/2021, to be complied with from the date on which the law comes into force.

We further advise that the CBK's Board of Directors has decided that the deferral period of installments for consumer/housing loans and financing facilities for willing eligible citizens for six months, shall not be considered within the maximum period of repayment specified in the CBK Instructions dated 11/11/2018 with respect to the Rules and Regulations for Granting Personal Loans and Financing Facilities (Consumer/Housing).

It is also imperative to take the necessary actions, establish the governing controls, coordinate with the Credit Information Network Company (CI-Net), and ensure that other measures are taken to optimally implement the law.

Best Regards,

**The Governor
Dr. Mohammad Y. Al-Hashel**

7- **Rules and Regulations for Extension of Consumer Loans & other Installment Loans by Financing Companies.**
F) Circular No. (2/BS, IBS, IS, IIS, FS, IFS/476/2021) to all Local Banks, Investment Companies and Financing Companies regarding the Conditions and Controls for Implementing Article (2) of the Law No. 3 of 2021 for the Deferral of Financial Obligations for Six Months.

**Resolution No. (65/F/2021) Regarding the Conditions and Controls
for Implementing Article (2) o the Law No. 3 of 2021 for the Deferral
of Financial Obligations for Six Months**

The Central Bank of Kuwait,

Having perused

- The Law No. 32 of 1968 concerning Currency, The Central Bank of Kuwait and The Regulation of Banking, as amended, and
- The Law No. 3 of 2021 for the Deferral of Financial Obligations for Six Months.

And based on the approval of the Central Bank of Kuwait's Board of Directors on 07/04/2021.

Resolved

Article One

The conditions and controls for implementing Article (2) of the Law No. 3 of 2021, annexed hereto, hereby come into force and are to be applied accordingly.

Article Two

This Resolution shall be published in the Official Gazette and shall come into force as of the date of its publication.

Regards,

Dr. Mohammad Y. Al-Hashel

The Governor

The Chairman of the Board of Directors of the Central Bank of Kuwait

Issued on Ramadhan 06, 1442 H coincided with April 18, 2021

7- Rules and Regulations for Extension of Consumer Loans & other Installment Loans by Financing Companies.

F) Circular No. (2/BS, IBS, IS, IIS, FS, IFS/476/2021) to all Local Banks, Investment Companies and Financing Companies regarding the Conditions and Controls for Implementing Article (2) o the Law No. 3 of 2021 for the Deferral of Financial Obligations for Six Months.

**Conditions and Controls for Implementing Article No. (2)
of the Law No. 3 of 2021 Regarding the Deferral of
Financial Obligations for Six Months**

**Article (1)
Loans and Financing Facilities**

These conditions and controls shall apply to all consumer and housing loans and financing facilities extended by local banks, investment companies and financing companies, which are subject to the supervision of the Central Bank of Kuwait in accordance with the Instructions dated 11/11/2018 with respect to the Rules and Regulations for Granting Personal Loans and Financing Facilities (Consumer / Housing).

**Article (2)
Customers Eligible for Deferral**

These conditions and controls shall be applicable to all eligible Kuwaiti citizens, provided that the customer submits an application to the lender, expressing the desire for deferring the repayments of his/her financial obligations, within a month from the date of which the Law No. 3 of 2021 comes into force. Lenders shall provide electronic channels and other means to determine the customer's preferences.

If the customer desires to defer his/her repayments, the lender shall defer the repayment of the installments covered under the law for six months starting from the first installment after determining the customer's preferences.

**Article (3)
Past Due Installments**

Deferring the repayments of financial obligations shall not apply to the loans and financing facilities against which legal actions have been taken and have fallen due in full as a result of the customer's default in repaying his/her obligations before the date of entry into force of the Law No. 3 of 2021.

The deferral shall not apply to past due installments, where lenders may continue to pursue the repayment of such installments in accordance with the relevant legal procedures.

**Article (4)
Standing Orders**

The deduction of loan and financing facility installments processed through standing orders shall be discontinued for the deferral period, and lenders shall coordinate with banks in this regard.

7- **Rules and Regulations for Extension of Consumer Loans & other Installment Loans by Financing Companies.**
F) Circular No. (2/BS, IBS, IS, IIS, FS, IFS/476/2021) to all Local Banks, Investment Companies and Financing Companies regarding the Conditions and Controls for Implementing Article (2) of the Law No. 3 of 2021 for the Deferral of Financial Obligations for Six Months.

Article (5)
Installment Deferral Cost

The State Public Treasury shall incur the cost of deferring the repayments of financial obligations, expressed as the cost of the deferred loans and financing facility installments for six months in accordance with the International Financial Reporting Standards 9. The Customer shall not incur any costs resulting from the deferral.

Lenders are required to provide the customer with a certificate setting out the customer's outstanding balance of debt at the beginning of deferring the repayment installments.

Article (6)
Credit Information Network Company (CI-Net)

Lenders shall coordinate with the Credit Information Network Company (CI-Net) so that the deferred installments shall not be reported as "past due" and that such deferrals shall not affect the calculation of the customer's monthly liabilities.

Article (7)
Lenders' Obligations

All lenders shall provide the Central Bank of Kuwait, within three months from the date of enforcement of the Law No. 3 of 2021 referred to above, with detailed statements audited by the Auditors on all installment deferral cases, along with a certificate from the Auditor to provide an assurance that all loans and financing facilities deferred in accordance with Article (2) of the Law referred to above, fulfill all the approved conditions and controls, and that the deferral costs to be incurred by the State Public Treasury have been duly calculated in accordance with the International Financial Reporting Standards (IFRS).

18/04/2021

7- Rules and Regulations for Extension of Consumer Loans & other Installment Loans by Financing Companies.

F) Circular No. (2/BS, IBS, IS, IIS, FS, IFS/476/2021) to all Local Banks, Investment Companies and Financing Companies regarding the Conditions and Controls for Implementing Article (2) of the Law No. 3 of 2021 for the Deferral of Financial Obligations for Six Months.