

15- BANKS RELATIONSHIP WITH THEIR CUSTOMERS

- A) Circular concerning the criteria regulating banks relationship with their customers.
- B) Instructions concerning the actions to be taken by Islamic banks in relation to fees and commissions.
- C) Instructions for preserving the confidentiality of customers information and data.
- D) Circular requiring banks to comply with the procedures established for opening accounts for non-Kuwaiti employees working for non-government bodies.
- E) Circular No.(2/BS, IBS/193/2006) requiring banks to provide the customer with a copy of the contract he concludes with the bank, as per the Central Bank of Kuwait established criteria regulating the relationship between banks and their customers.
- F) Circular No.(2/BS,IBS/209/2007) requesting banks to stop offering cash or in-kind incentives to customers against obtaining facilities or credit cards of all types.
- G) Circular No. (2/BS,IBS/222/2008) requesting all local banks to stop offering cash/in-kind incentives to customers - Whether directly or through draws or any other forms - against obtaining facilities or credit cards of all types

GOVERNOR

*Ramadhan 15, 1424 H
November 10, 2003*

**INSTRUCTIONS NO.(2/IBS/132/2003)
TO ALL ISLAMIC BANKS**

THE CHAIRMAN,

**CRITERIA REGULATING BANKS
RELATIONSHIP WITH THEIR CUSTOMERS**

We would like to underline the importance of the relationship between local banks and their customers, which must be based on maximum credibility and transparency. Such relationship also requires proper attention to customers needs, leading to their satisfaction with the banks they deal with.

To this effect, the following set of criteria has been established as a minimum for banks to comply with in their relations with their customers:

- 1) The rights and obligations of both the bank and the customer must be specified under clearly worded and easily understood contracts, consistently with the applicable laws and regulations, Central Bank of Kuwait instructions and commonly accepted banking practices.
- 2) The contract signed between the bank and the customer must clearly specify the return and / or the basis for its calculation, depending on the nature of the transactions, the interest rate and all relevant fees and commissions associated with the contract.
- 3) The customer must be provided with a copy of the contract signed with the bank, whether at the time of signing, renewal or amendment.
- 4) In addition to the statements of account the bank periodically provides the customer with, as per common practice, the bank must also provide the customer, upon his request, with a copy of any statement of account and for any periods he desires, as well as with any certificate or statement pertinent to him, without any exaggerated fees for such service.

- 5) The application form signed by the customer, or the agreement he signs with the bank in relation to any of the banking services such as credit cards, electronic transfers, safe deposit lockers or other services, must include clearly worded and understood provisions, and must expressly define the rights and obligations of the customer, as well as any relevant fees or commissions, including those to be imposed on the customer in case of his breaching any of the subject service terms.
- 6) The advertisements of the bank's products and services through the press, magazines, radio, T.V, sign boards or any other means, must reflect the real service and benefits the customer will obtain, as well as the obligations that he may bear.
- 7) The bank must pay sufficient attention and must comply with absolute transparency when offering and explaining its various services to customers, while insuring accurate replies to customers inquiries .
- 8) The bank must attentively and professionally study customers complaints, and must reply thereto at the earliest possible.
- 9) The bank must assign customer service to qualified and well trained staff who can efficiently render the bank's services to customers and reply to their inquiries.
- 10) The bank must maintain a professional code of conduct , which stipulates specific rules and criteria that the staff have to follow, including those governing the bank's relationship with its customers.

With my best wishes,

SALEM ABDUL AZIZ AL SABAHA

GOVERNOR

*Ramadhan 15, 1424 H
November 10, 2003*

**INSTRUCTIONS NO.(2/IBS/134/2003)
TO ALL ISLAMIC BANKS**

THE CHAIRMAN,

**THE PROCEDURES ISLAMIC BANKS MUST COMPLY
WITH IN RELATION TO FEES AND COMMISSIONS**

Islamic banks must ensure that the fees and commissions they collect for banking services are commensurate with the cost of extending these services. In this regard, we would like to note that the following rules must be observed:

- 1) The bank must announce the prices of banking services to the public on a special signboard designed for this purpose and fixed in your head office and all of your branches operating in the State of Kuwait. Customers must also be provided with a signed copy of a receipt showing all the prices which will be collected from them against each service rendered to them.
- 2) A copy of the mentioned price list and any subsequent amendments thereto must be supplied to us.
- 3) In terms of principle, the bank may not collect any amounts from customers, under any names, without being in consideration for actual services rendered to customers, or without supporting documents evidencing that banks are incurring such amounts on behalf of their customers and justifying the collection of these amounts.
- 4) In relation to finance transactions, the following rules must be observed:
 - A- No insurance fees may be collected against any type of finance transactions, unless there is a contract and an agreement with a specialized insurance company stipulating the payment of insurance premiums to such company, and provided that the insurance fees collected from the customers are restricted to the amount paid to the subject insurance company in respect to the finance extended to those customers.
 - B- With regard to the evaluation fees for real estate properties or assets related to finance transactions extended to customers, and which require an evaluation by specialized firms, the evaluation fees collected from the customer may not exceed the amount paid to the specialized firm.

For banks which have specialized units for the evaluation of real estate properties/ assets, the fees collected from customers must be consistent with the prices prevailing in the market. Noteworthy in this regard is that the Central bank's prior written approval must be obtained.

- C- Except for the insurance and evaluation fees provided for under items (a) and (b) above, banks may not collect any fees or commissions, under any names, in respect of finance transactions unless the Central bank is advised of the nature of those fees and commissions and their actual cost for the bank, supported by evidencing documents. These fees and commissions may not be implemented before obtaining the Central bank's approval.
- 5) Banks may not collect any other fees or commissions related to all areas of banking business under any names, except after obtaining the Central bank's prior written approval of those fees and commissions. The relevant application submitted to the Central bank in this respect must include the following:
- * The name of the product against which the fees or commissions are to be collected.
 - * The maximum amount of the fees or commissions.
 - * The justifications for collecting the fees and commissions.
 - * The references by which the bank was guided in determining the amount of fees or commissions, if available.

We stress that if any bank collects any fees or commissions without obtaining the Central Bank's prior written approval, such bank will be obliged to refund the amounts of such fees and commissions to the customers from whom they were collected.

- 6) Banks must avoid any prior arrangements among them on determining the amounts of fees and commissions.

With my best wishes,

SALEM ABDUL AZIZ AL-SABAH

GOVERNOR

*Ramadhan 15, 1424 H
November 10, 2003*

**INSTRUCTIONS NO.(2/IBS/119/2003)
TO ALL ISLAMIC BANKS**

THE CHAIRMAN,

**INSTRUCTIONS CONCERNING BANKS
PRESERVATION OF THE CONFIDENTIALITY
OF THEIR CUSTOMERS INFORMATION AND DATA**

As you are aware, banks preservation of the confidentiality of information and data they hold on their customers, is considered one of the primary basics of banking business in all the countries of the world, including the State of Kuwait.

In Kuwait, provisions in some legislations emphasize commitment to preserve the confidentiality of bank customers information and data, and impose punishment on any one who discloses such data and information without being so required by Law, such as provided for in Article (28) of Law No.(32) of the year 1968 Concerning Currency, Central Bank of Kuwait & Organization of Banking Business, and Article (43) of Decree law No.(39) of the year 1980 concerning proof in civil and commercial procedures. We also refer in this respect to Article No.(30) of the Constitution of the State of Kuwait, which provides that “personal freedom is secured”, and personal freedom means any matter related to the human being in terms of himself or his money.

It is worth mentioning that banks commitment to preservation of the confidentiality of each customer’s data and information, is intended to achieve a public interest, namely, to create confidence in the country’s banking system and to provide comfort for people that their transactions with banks will not be exposed to the public or disclosed, except in cases where so permitted by Law.

In addition to the punishment which will be imposed on any one who discloses information on the bank’s customers, the respective bank will also be subject to legal accountability and to ensuing financial compensations.

Based on all of the above, and in order to maintain confidence in the Kuwaiti banks, kindly emphasize to your board members and all bank staff the need to maintain the confidentiality of the data and information of your bank's customers, as well as the data and information of other banks customers, which they might have accessed by reason of their jobs.

With my best wishes,

SALEM ABDUL AZIZ AL-SABAH

GOVERNOR

*Ramadhan 21, 1424 H
November 16, 2003*

THE CHAIRMAN,

CIRCULAR TO ALL ISLAMIC BANKS

With reference to the Council of Ministers Resolution No.(1045/2002) regarding the procedures established for opening accounts for non-Kuwaiti employees working for non-government bodies, and in the light of our review of policies and conditions adopted by banks for the implementation of the rules of the above-mentioned cabinet resolution No.(1045/2002), the Central Bank stresses the need for your bank's compliance, immediately upon receiving this letter, with the following procedures in opening accounts for non-Kuwaiti employees working for non-government bodies:

- 1) Banks may not stipulate a minimum salary for the employee.
- 2) Banks may not stipulate the deposit of a certain amount by the employer, whether in the form of a direct deposit, or against each employee, or in any other form.
- 3) Banks may not stipulate the lapse of a certain time period after opening the employer's account with the bank.
- 4) An ATM card is to be delivered to the employee upon opening the account for him.
- 5) Banks may not apply any new policies or conditions for opening such accounts before obtaining the Central Bank's approval in writing.

With my best wishes,

SALEM ABDUL AZIZ AL-SABAH

15- BANKS RELATIONSHIP WITH THEIR CUSTOMERS

- D) Circular requiring banks to comply with the procedures established for opening accounts for non-Kuwaiti employees working for non-government bodies.

GOVERNOR

*Ramadhan 4, 1427 H
September 26, 2006*

THE CHAIRMAN,

**CIRCULAR NO.(2/BS, IBS/193/2006)
TO ALL LOCAL BANKS**

This has reference to The Central Bank of Kuwait circular of 16/10/2002 issued to local banks, and Central Bank of Kuwait circular of 10/11/2003 issued to Islamic banks, on the regulation of the relationship between banks and their customers, and which include the criteria banks should comply with, as a minimum, in their relations with customers. The inspection carried out by The Central Bank of Kuwait has revealed that some banks do not comply with some of those criteria, specially in relation to providing the customer with a copy of the contract he concludes with the bank.

Therefore, The Central Bank of Kuwait stresses the need for full compliance with the mentioned criteria. The operating procedures manual of the bank must stipulate that the customer should be provided with a copy of the contract signed with the bank, whether at the start of dealing with the bank, or in cases of contract renewal, rescheduling or contract amendment. A proof evidencing that the customer received his copy must also be provided.

With my best wishes,

SALEM ABDUL AZIZ AL-SABAH

15- BANKS RELATIONSHIP WITH THEIR CUSTOMERS

- E) Circular No.(2/BS, IBS/193/2006) requiring banks to provide the customer with a copy of the contract he concludes with the bank, as per the Central Bank of Kuwait established criteria regulating the relationship between banks and their customers.

DEPUTY GOVERNOR

*Rajab 3, 1428 H
July 17, 2007*

THE CHAIRMAN,

**CIRCULAR NO. (2/BS,IBS/209/2007) REQUESTING ALL
LOCAL BANKS TO STOP OFFERING CASH/IN-KIND
INCENTIVES TO CUSTOMERS AGAINST OBTAINING
FACILITIES OR CREDIT CARDS OF ALL TYPES**

It was noted that some units of the banking and financial system compete by increasingly launching advertising campaigns encouraging the public to obtain facilities or credit cards. In so doing these units offer cash/in-kind incentives against obtaining such facilities.

Taking into consideration that such practices involve adverse social impact on certain customers, The Central Bank of Kuwait stresses that local banks should, with immediate effect, cease granting the customers any such incentives against obtaining facilities or credit cards. Also they should stop and cancel the accompanying promotional campaigns. Please advise us within one week from this date of the actions taken to this effect.

With my best wishes,

DR. NABEEL AHMED AL MANAEI

15- BANKS RELATIONSHIP WITH THEIR CUSTOMERS

- F) Circular No.(2/BS,IBS/209/2007) requesting banks to stop offering cash or in-kind incentives to customers against obtaining facilities or credit cards of all types.

GOVERNOR

*Jumada Al-Aula 30, 1429 H
June 4, 2008*

THE CHAIRMAN,

**CIRCULAR NO. (2/BS,IBS/222/2008) TO ALL LOCAL BANKS
ON DISCONTINUATION OF CASH OR IN-KIND INCENTIVES,
DIRECTLY OR THROUGH DRAWS OR ANY OTHER FORM,
TO CUSTOMERS WHEN OBTAINING FACILITIES
OR CREDIT CARDS OF ALL TYPES**

This is made pursuant to circular date 17/07/2007 to all local banks on the necessity that local banks immediately cease granting any cash or in-kind incentives to customers against obtaining facilities or credit cards, as well as stopping and removing the accompanying advertising campaigns. It was noticed that certain units of the banking and financial system launch advertising campaigns attracting customers to obtain facilities or credit cards through the opportunity to enter draws for prizes when obtaining such facilities.

Therefore, The Central Bank of Kuwait hereby stresses that local banks should immediately stop granting any cash or in-kind incentives, directly or through draws or in any other manner, against obtaining facilities or credit cards. Banks should also stop and remove all accompanying advertising campaigns, and advise us accordingly, within one week from this date.

With my best wishes,

SALEM ABDUL AZIZ AL-SABAH

15- BANKS RELATIONSHIP WITH THEIR CUSTOMERS

- G) Circular No. (2/BS,IBS/222/2008) requesting all local banks to stop offering cash/in-kind incentives to customers - Whether directly or through draws or any other forms - against obtaining facilities or credit cards of all types