

28- INSTRUCTIONS CONCERNING POST-DATED CHEQUES

GOVERNOR

*Ramadhan 15, 1424 H
November 10, 2003*

**Instructions No. (2/IBS/108/2003)
“Concerning Post – Dated Cheques”**

THE CHAIRMAN,

You know that, a cheque is considered in banking conventions as only a payment instrument, and this was confirmed in the provisions of the Kuwaiti Commercial Law. Hence, it is not permissible to use the cheque as an instrument for guarantee or credit. Banks reliance on post-dated cheques when extending finance to their customers in any form is deemed as a use of the cheques as a guarantee or credit instrument, which violates the purpose of the cheque and the rules of the banking conventions and the law.

Therefore, the Central Bank would like to stress the following:

1. The primary criterion for granting finance to customers should be based on your studies justifying finance extension, whether in terms of amount or conditions. Post-dated cheques should not be relied on in decision-making.
2. Banks should refrain from granting finance against post-dated cheques issued by customers or their guarantors, regardless of whether these cheques are requested for collateral purposes or as additional documentary evidence for indebtedness. Finance contracts should be signed between the banks and their customers as per sound banking practices.
3. Whenever banks like to get additional documentation as debt evidence, they may ask their debtors to sign “pronotes”, while taking into consideration the need for legally preserving the customers’ rights as a result of your signing finance contracts with those customers.

With my best wishes,

SALEM ABDUL AZIZ AL SABAHI