CBK Unwinds Measures Imposed to Counter Pandemic
After Banking Sector's Success in Overcoming its Impact

In line with continuous review of its regulatory instructions, the Central Bank of Kuwait has decided to start unwinding measures imposed since April 2020 to counter the negative implications from the COVID-19 pandemic, after the banking sector's success in overcoming the first year of the crisis. The regulatory instructions and macro prudential tools had earlier been amended within CBK's pre-emptive policy to ward off repercussions of the pandemic.

Announcing this decision, His Excellency the CBK Governor Dr. Mohammad Y. Al-Hashel said the easing of regulatory controls for banks had been implemented to safeguard the banking sector against the fallout of the pandemic, and bolster its capacity to extend credit to diverse economic sectors and enable them to withstand the crisis.

The Governor noted the positive indicators of the banking sector in terms of capital adequacy, liquidity, profitability, and asset quality, despite the challenging operational environment, clearly show that the sector had succeeded in weathering the first year of the crisis. This is also an indication that the Central Bank's prudent regulatory policies over the past decade and the pre-emptive measures it employed during the pandemic both met their objective, enabling the banking sector to face the crisis from a position of strength. Some banks had also realized improvement in their financial soundness indicators compared to 2019, as shown by the results the CBK presented during the Financial Stability Report Symposium held in July. Moreover, as the Governor pointed out, the CBK had put the banking sector units under extensive stress tests, the results of which highlight the resilience of banks' positions even in the worst scenarios.

In light of the above, the CBK has started to gradually unwind the relaxation of regulatory requirements in terms of the regulatory liquidity ratio, liquidity coverage ratio, net stable funding ratio, as well as limits on maturity mismatches. This also covers previous easing of requirements, including the maximum lending limit and minimum capital requirements. All these shall be restored to what they were prior to the crisis, Dr. Al-Hashel said, while the reduced risk weight for credit extended to small and medium enterprises would be maintained at the 25% mark imposed since April. This move aims to support these projects and encourage banks to extend them credit to help this sector overcome the toll of the pandemic.

In conclusion, the Governor Dr. Mohammad Y. Al-Hashel stressed the CBK shall continue to monitor the conditions of the banking sector closely and take all steps necessary to bolster monetary stability and financial stability and contribute to the growth of the national economy by any means possible.

Regulatory requirement	Limit as on 1/1/2022	Limit as on 1/1/2023
Regulatory liquidity ratio	From 15% to 16.5%	From 16.5% to 18%
Liquidity coverage ratio	From 80% to 90%	From 90% to 100%
Net sable funding ratio	From 80% to 90%	From 90% to 100%

Negative cumulative gap in maturity structure:		
• Week or less	From 20% to 15%	From 15% to 10%
• Month or less	From 30% to 25%	From 25% to 20%
• Three months or less	From 40% to 35%	From 35% to 30%
• Six months or less	From 50% to 45%	From 45% to 40%
Maximum lending limit	From 100% to 95%	From 95% to 90%
Minimum total capital requirements (CET1+AT1+T2)	From 10.5% to 11.5%	From 11.5% to 13.0%
• Minimum Tier-1 capital (CET1+AT1)	From 8.5% to 9.5%	From 9.5% to 11.0%
• Minimum shareholder equity (CET1)	From 7.0% to 8.0%	From 8.0% to 9.5%

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