

Ministry of Finance

Ministerial Resolution regarding the Central Bank of Kuwait Supervision over Foreign Exchange Companies

Minister of Finance

Having perused Articles (55), (59) and (90) of the Law No. 32 of 1968 regarding Currency, the Central Bank of Kuwait and Regulation of Banking, amended by virtue of the Law Decree No. 130 of 1977,

And based on the Resolution of the Board of Directors of the Central Bank of Kuwait,

Resolved:

Article (1)

A foreign exchange company is any company licensed to practice currency exchange business, e.g. buying and selling currencies, traveler cheques, drafts/remittances, trading in precious metals, cheque collection and transfers drawn on parties abroad.

Article (2)

Exchange Companies may not practice any of the banking profession operations such as receiving cash deposits and saving deposits, opening current accounts, accepting securities custody, renting safe boxes, opening letters of credit/documentary letters of credit, issuing letters of guarantee, commercial paper discounts and lending.

Article (3)

Exchange Companies may not represent foreign banks or banking institutions in Kuwait, or carry out banking activity inside Kuwait for the account of such banks and institutions.

Exchange Companies may not enter into management agreements with foreign banks or banking institutions.

Article (4)

Foreign exchange companies should keep regular accounts of their operations, activities and actual financial positions, and maintain the required books, records and documentation appropriate to the nature of their activities.

Article (5)

Companies licensed to practice foreign currency exchange together with other commercial, real estate or industrial activities should take all needful actions to establish an independent company to be engaged in foreign exchange, provided this must be accomplished within a period not exceeding one year from the effective date of this resolution.

Article (6)

Upon transference of any application to establish a foreign exchange company from the Ministry of Commerce to the Central Bank, the latter should make sure of the financial market need to establish such a company, and that the company's capital is proportionate to its activity, the company's objectives are confined to practicing foreign currency exchange, and there is a need for a foreign partner in case the company to be established shall have non-Kuwaiti partners.

Article (7)

CBK should keep a register for the exchange companies in which the following data shall be recorded:

- 1) Registration number and date.
- 2) Company's name and address.
- 3) Legal nature of the company.
- 4) Date of establishment.
- 5) Capital.
- 6) Reserves.
- 7) Names of members of the Board of Director or the persons entrusted with the management of the company.
- 8) Names of the joint partners if the company is a partnership or a limited partnership company.
- 9) Names of the foreign partners in case of the company has non-Kuwaiti partners.
- 10) Branches.
- 11) Any other information that CBK may require addition thereof the register.
- 12) Any change to the foregoing data.

Article (8)

Applicants should file their requests for registration to the Central Bank on the designated form, along with an official extract of the company's memorandum and articles of association as well as the supporting documentation of the information included in the application.

Article (9)

An exchange company may not initiate its business before registration thereof in the register of exchange companies with the Central Bank.

Exchange companies operating at time of issuing this resolution should file their registration applications within the time-band determined by the Central Bank.

Article (10)

An exchange company should notify the Central Bank of any intended amendment to its memorandum/articles of association or any of the information included in the register. No such amendment shall be valid unless it is approved by the Central Bank as per provisions of Article No. (61) of the Central Bank Law.

Article (11)

Pursuant to the provisions of Article No. (63) of the Central Bank Law, any exchange company may be deleted from the register of exchange companies in the following cases:

- A. Upon the company's request.
- B. If the company has not initiated its activity within one year following the notification of its registration in the register of the exchange companies.
- C. If the company is declared bankrupt.
- D. If the company merged into another.
- E. If the company ceased its operations or its financial position is at risk.

Article (12)

Taking into consideration the provisions of the Commercial Companies Law, any exchange company delisted from the register of exchange companies shall be liquidated.

Article (13)

Pursuant to provisions of Article (71) of its Law, the Central Bank may provide the exchange companies with instructions deemed necessary to regulate their businesses and achieve the credit and monetary policies adopted by the Central Bank.

Article (14)

Pursuant to the provisions of Article (78) of its Law, the Central Bank may set down inspection regulations in respect of the exchange companies to ensure integrity of their activities and financial positions, and accuracy of the data and information submitted to it, in addition to any other areas the Central Bank deems necessary to be overseen.

Article (15)

Pursuant to the provisions of Article (81) of the Central Bank Law, foreign exchange companies are required to file their Balance Sheets and Profits & Loss Accounts to the Central Bank within three months from the end of financial year.

Article (16)

Pursuant to the provisions of Article (82) of the Central Bank Law, the Central Bank may require the foreign exchange companies to file the data, statements and statistical information it deems necessary to discharge its responsibilities in terms of oversight over such companies.

Article (17)

The Central Bank may impose the penalties stated under Article (85) of the Central Bank Law on any exchange company that breaches the provisions of its memorandum/articles of association, or otherwise violates the instructions issued by the Central Bank to the foreign exchange companies, failed to file the required data or information or filed unreal or misleading data.

Article (18)

This resolution shall be published in the Official Gazette and shall come into effect from the date of its publication.

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