

3-RULES AND PROCEDURES FOR OPENING BANKS' BRANCHES

- A) [Circular No. \(2/BS/64/1998\) concerning rules and procedures for opening local banks ' branches inside and outside the state of Kuwait.](#)
- B) [Circular No. \(2/BS,IBS/190/2006\) concerning the amendment to the rules and regulations for opening local banks branches within and outside the state of Kuwait, whereby the validity of the Central Bank of Kuwait approval has become one year.](#)

GOVERNOR

*Rajab 13, 1419 H
November 2, 1998*

THE CHAIRMAN,

**Circular No. (2/BS/64/1998)* concerning
" rules and procedures for opening local banks '
branches inside and outside the state of Kuwait "**

In line with the Central Bank's responsibility of securing the smooth running of the banking business pursuant to the provisions of the Law No. 32 of the year 1968, concerning Currency, the Central Bank Of Kuwait (CBK) and the Organization of Banking Business, and amendments thereof; and, since the Central Bank of Kuwait is the competent authority looking into the applications presented by local banks for opening branches inside and outside the State of Kuwait.

The Central Bank of Kuwait has set the rules and procedures which local banks have to comply with for opening branches inside and outside the State of Kuwait. Copy of these rules and procedures is attached thereto.

With my best wishes,

SALEM ABDUL AZIZ AL-SABAH

* Circulated to all local banks

3- RULES AND PROCEDURES FOR OPENING LOCAL BANKS' BRANCHES.

A- Circular No.(2/BS/64/1998) concerning rules and procedures for opening local banks' branches inside and outside the state of Kuwait.

**"Rules and procedures for opening local banks' branches
inside and outside the state of Kuwait"**

FIRST: Opening Branches In Kuwait

The bank desiring to open a local branch, shall submit a written application in this respect to the Central Bank of Kuwait, together with an economic feasibility study for the branch to be opened, showing the need of banking services in the area where the bank is applying to open a branch. Such a study shall cover, at least, the following points:

- 1) The motives for opening the branch applied for.
- 2) The need of banking services in the area where the bank is applying to open a branch, and the considerations underlying the selection of the site for the branch applied for.
- 3) Expected increase in demand for banking services in that area, and the period within which the activity of the branch will be become profitable.
- 4) The extent needs for the services of more than one branch in that area, should any other bank desires to open a branch there.
- 5) The impact of the activities the branch applied for on the activities of other branches of the bank, as well as on its head office's activities.
- 6) The financial assumptions of the branch applied, based on its anticipated business size, business development, establishment cost and operating cost and results over an adequate period of not less than three years.
- 7) Any other matters the bank took into consideration when deciding to open the branch.

SECOND: Requests received by Central Bank of Kuwait from government authorities and institutions to open bank branches in specific areas.

- A) In the event the Central Bank receives a request from any of the government authorities that local bank branches be opened in specific areas, Central Bank of Kuwait shall pass on this request to Kuwaiti Banks Committee, which will in turn circulate it to local banks in order to query their desire in this respect.

3- RULES AND PROCEDURES FOR OPENING LOCAL BANKS' BRANCHES.

A- Circular No.(2/BS/64/1998) concerning rules and procedures for opening local banks' branches inside and outside the state of Kuwait.

- B) In the event of more than one bank expressing willingness to establish a branch in the selected area, the Central Bank of Kuwait shall select among these applicants on the basis of a number of regulatory standards, among which the capital of each of the bank's branches (shareholders equity / number of operating branches and branches under-establishment branches inside and outside the state of Kuwait).
- C) After selecting the bank, the Central Bank shall inform the requesting government authority of the bank's name, and advise the selected bank to communicate with that authority for reaching an agreement on all matters negotiated in such cases.
- D) After completing the procedures mentioned under item (C) above, the respective bank shall apply for Central Bank of Kuwait's approval to establish the proposed branch, along with documents proving fulfillment of the aforesaid procedures, and the economic feasibility study for opening the said branch according to the requirements shown under item " FIRST " above.

THIRD: Procedures for opening branches outside Kuwait.

- A) Compliance with the Central Bank of Kuwait's instructions dated 11/7/1994, regarding advising the Central Bank prior to communicating with financial or banking supervisory authorities in other countries.
- B) Applying to Central Bank of Kuwait for approval to establish the proposed branch outside Kuwait, along with presenting the economic feasibility study for establishment of the branch which should include all relevant essential information, particularly:
- Financial assumptions of the branch applied, based on its anticipated business size, business development, establishment cost and operating cost and results over an adequate period of not less than three years.
 - Motives for establishing the branch and anticipated benefits thereof.
 - Relations and size of trade, financial and tourism exchange with the host country.
 - Necessary information on the general economic and political conditions of the host country.

3- RULES AND PROCEDURES FOR OPENING LOCAL BANKS' BRANCHES.

A- Circular No.(2/BS/64/1998) concerning rules and procedures for opening local banks' branches inside and outside the state of Kuwait.

FOURTH: When considering any bank's application for opening a new branch - whether inside or outside Kuwait, Central Bank of Kuwait shall apply certain regulatory standards, such as:

- A) Assessment of the bank's general position.
- B) Adequacy and efficiency of the bank's internal control system, and system of information flow between the bank's branches and management.
- C) Extent of the bank's adherence to supervisory regulations laws and instructions issued by the Central Bank of Kuwait, and the absence of any violations with tangible negative impacts or repeated violations
- D) Other relevant matters and considerations.

FIFTH: If Central Bank of Kuwait approves any bank's application of, such approval shall be considered preliminary and valid for one year⁽¹⁾ from the date of issuance with regard to opening branches in Kuwait, and for one year⁽¹⁾ for branches to be opened outside Kuwait. The concerned bank is obligated to take necessary actions for opening the branch before the expiry of the said period.

If the bank fails to open the new branch within the above mentioned fixed period, it shall apply to Central Bank of Kuwait requesting the extension of the approval period, before its expiration, and provide to that effect the justifications for such extension. In case of non-compliance with the above, the approval shall be automatically cancelled on its expiry date.

SIXTH: When the bank is through with preparing the premises of the new branch and setting the opening date, it will submit an application to Central Bank of Kuwait requesting amendment of the bank's register data for recording the new branch therein, at least 15 days before the opening date. This application shall be accompanied with proof of obtainment of needed licenses and approvals from competent authorities.

(1) This paragraph was amended by circular No. (2/BS,IBS/190/2006) issued on 18/5/2006.

3- RULES AND PROCEDURES FOR OPENING LOCAL BANKS' BRANCHES.

A- Circular No.(2/BS/64/1998) concerning rules and procedures for opening local banks' branches inside and outside the state of Kuwait.

SEVENTH: Business shall not be initiated at any new branch before it is registered in the Central Bank of Kuwait's banks register.

EIGHTH: The Central Bank of Kuwait's instructions dated 26/10/1982 concerning the rules and procedures for opening branches of existing bank within cooperative societies' compounds in Kuwait' areas, are hereby rescinded.

Issued on: November 2, 1998

3- RULES AND PROCEDURES FOR OPENING LOCAL BANKS' BRANCHES.

A- Circular No.(2/BS/64/1998) concerning rules and procedures for opening local banks' branches inside and outside the state of Kuwait.

GOVERNOR

*Rabi Al-Akhir 20, 1427 H
May 18, 2006*

THE CHAIRMAN,

Circular No. (2/BS, IBS/190/2006)

To All Local Banks

Concerning the amendment to the regulations and procedures for opening branches for local banks within and outside the State of Kuwait

With reference to the instructions concerning the regulations and procedures for opening branches for local banks within and outside the State of Kuwait, I would like to advise you that the Central Bank of Kuwait has resolved to introduce an amendment to Item "Fifth" of the above mentioned instructions, relating to extending the validity of the Central Bank of Kuwait initial approval of opening new bank branches, whereby such approval will be **valid for one year**, for branches to be opened both within and outside the State of Kuwait

With my best wishes,

SALEM ABDUL AZIZ AL-SABAH

3- RULES AND PROCEDURES FOR OPENING LOCAL BANKS ' BRANCHES.

B- Circular No.(2/BS,IBS/190/2006) concerning the amendment to the rules and regulations for opening local banks branches within and outside the state of Kuwait, whereby the validity of the Central Bank of Kuwait approval has become one year.