

3- RULES AND PROCEDURES FOR OPENING BANKS' BRANCHES AND REPRESENTATIVE OFFICES

- 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 to open the branch.
- C) Circular No. (2/BS, IBS/323/2014) concerning the principles, rules and regulations for opening more than one branch of a foreign bank licensed to operate in the State of Kuwait.
- D) Regulations for opening foreign banks' representative offices in the State of Kuwait.

THE GOVERNOR

*Rajab 13, 1419 H
November 02, 1998*

THE CHAIRMAN,

**Circular No. (2/BS/64/1998)* Concerning the 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 and the Regulation of Banking, and amendments thereto, 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. A copy of these rules and procedures is attached thereto.

Best Regards,

**The Governor
Salem Abdul Aziz Al-Sabah**

*Circulated to all local banks

3- RULES AND PROCEDURES FOR OPENING BANKS' BRANCHES AND REPRESENTATIVE OFFICES.

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

The Rules and Procedures for Opening Local Banks' Branches inside and outside the State of Kuwait''

I. Opening Branches In Kuwait

A 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 is expected to become profitable.
4. The extent of expected needs for the services of more than one branch in that area, should any other bank desire 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 for, 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.

II. 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 interest in this respect.

3- RULES AND PROCEDURES FOR OPENING BANKS' BRANCHES AND REPRESENTATIVE OFFICES.

- 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 interest 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, including 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 Article " One " above.

III. 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 the establishment of the branch which should include all relevant and essential information, including:
 - Financial assumptions (estimated revenues and expences) of the branch, 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 investments and tourism between Kuwait and the host country.
 - Necessary information on the general economic and political conditions of the host country.

3- RULES AND PROCEDURES FOR OPENING BANKS' BRANCHES AND REPRESENTATIVE OFFICES.

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

IV. 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.

V. 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 an 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.

VI. When the bank is through with preparing the premises of the new branch and has determined 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 the competent authorities.

VII. Business shall not announce the opening of any new branch before it is registered in the Central Bank of Kuwait's banks register.

VIII. 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 02, 1998

(1) This paragraph was amended by virtue of the Circular No. (2/BS, IBS/190/2006) issued on 18/05/2006.

3- RULES AND PROCEDURES FOR OPENING BANKS' BRANCHES AND REPRESENTATIVE OFFICES.

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

THE 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 Rules and Procedures for Opening Local Banks'
Branches inside 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 Article "V" 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

Best Regards,

**The Governor
Salem Abdul Aziz Al-Sabah**

3- RULES AND PROCEDURES FOR OPENING BANKS' BRANCHES AND REPRESENTATIVE OFFICES.

- 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 to open the branch.

THE GOVERNOR

*Jumada Al-Awal 24, 1435 H
March 25, 2014*

THE CHAIRMAN,

**Circular No. (2/BS, IBS/323/2014) to all Local Banks
Operating in the State of Kuwait**

With reference to Law No. (3) of 2014 on amending certain provisions of Law No. (32) of 1968 concerning Currency, the Central Bank of Kuwait and the Organization of Banking Business, issued on 29/1/2014 and published in the Official Gazette on 2/2/2014, which includes amending Article (56) of the aforementioned Law, that permits foreign banks licensed to operate in the State of Kuwait to open more than one branch in accordance with the regulations set by the Central Bank of Kuwait's Board of Directors.

We would like to inform you that the Central Bank of Kuwait's Board of Directors approved, in its session held on 25/3/2014, the set of regulations related to the opening of more than one branch of foreign banks licensed to operate in the State of Kuwait. Attached is a copy of the principles, rules, and regulations that must be adhered to regarding the licensing and operation of foreign banks in the State of Kuwait, the second section of which includes "the rules and principles for opening more than one branch for foreign banks."

In this regard, foreign banks wanting to open more than one branch must provide the Central Bank of Kuwait with their branch expansion plan for the years 2014 and 2015 provided that this plan includes the number of branches they are planning to open, the locations of these branches and the expected date of establishment of each branch, taking into account the terms and requirements contained in the aforementioned rules and principles in this regard.

Foreign banks must provide us with their plans in this regard through their current branches in the State of Kuwait, along with specifying the branch it will consider as its headquarters in the State of Kuwait.

Best Regards,

**The Governor
Dr. Mohammad Y. Al-Hashel**

3- RULES AND PROCEDURES FOR OPENING BANKS' BRANCHES AND REPRESENTATIVE OFFICES.

- C) Circular No. (2/BS, IBS/323/2014) concerning the principles, rules and regulations for opening more than one branch of a foreign bank licensed to operate in the State of Kuwait.

Principles, Rules and Regulations for the Licensing and Operation of Foreign Banks' Branches in the State of Kuwait⁽¹⁾

Preface

In line with Article (56) of the Law No. (32) of the year 1986 concerning Currency, Central Bank of Kuwait and Regulation of Banking Business with respect to the licensing and operation the foreign banks' branches in the State of Kuwait, the following are the principles, rules and regulations approved by the Board of Directors of the Central bank of Kuwait for the licensing and operation of the foreign bank's branches. The first section of these principles, rules and regulations include the terms and requirements to be met upon submission by the foreign bank of a first-time application to open a branch in the State of Kuwait (Application for operation of a branch in the State of Kuwait), and the second section provides for the principles and rules for opening more than one branch of a foreign bank.

Section One: Principles, Rules and Regulations for the Licensing and Operation of Foreign Banks' Branches in the State of Kuwait (for first-time applications):

These are represented in the following:

I. Banks Qualified to Open Branches in the State of Kuwait:

Foreign banks may open branches in the State of Kuwait provided that such banks should be regulated by supervisory authorities in their countries of incorporation, have good reputation and credit rating and fulfill all conditions laid down under these regulations. Approval of applications submitted by the said foreign banks is dependent upon the policy endorsed by the Central Bank of Kuwait Board of Directors. Likewise, these principles, rules and regulations are applicable to the branches of national banks of the Gulf Cooperation Council "GCC" including the special regulations for GCC countries in accordance with the conditions and requirements stipulated under the resolution of GCC Supreme Council in its eighteenth round.

II. Permissible Activities of the Foreign Banks' Branches:

Foreign banks' branches licensed to operate in the State of Kuwait may practice their permissible banking activities pursuant to the provisions of the

(1) Amended by virtue of the Central Bank of Kuwait Resolution passed in its session dated 25/03/2014 following the issuance of the Law No. (3) of 2014 on amending certain provisions of the Law No. (32) of 1986 concerning Currency, Central Bank of Kuwait and Regulation of Banking Business permitting the foreign banks licensed to operate in the State of Kuwait to open one branch or more in the State of Kuwait.

3- RULES AND PROCEDURES FOR OPENING BANKS' BRANCHES AND REPRESENTATIVE OFFICES.

- C) Circular No. (2/BS, IBS/323/2014) concerning the principles, rules and regulations for opening more than one branch of a foreign bank licensed to operate in the State of Kuwait.

Law No. (32) of 1968 concerning Currency, Central Bank of Kuwait and Regulation of Banking Business and amendments thereto and within the permissible activities of such banks under their articles of association, and in accordance with these principles, rules and regulations and regulations laid down by the Central Bank of Kuwait with respect to operation of foreign banks' branches.

The foreign bank licensed to operate in the State of Kuwait may open one branch or more pursuant to the rules and regulations stipulated under the second section hereof.

III. Preliminaries of Branch Opening Application:

1. The foreign bank intending to open a branch in the State of Kuwait should submit an initial written application to the Governor of the Central Bank of Kuwait setting out the activities the branch intends to practice.
2. The Central Bank of Kuwait shall study the said applications in the light of the policy approved by the Central Bank of Kuwait board of directors regarding opening foreign bank's branches in the State of Kuwait. The foreign bank should provide the Central Bank of Kuwait with any additional information which the Central Bank of Kuwait deems necessary to finalize study of the initial application.
3. The principle of reciprocity shall be considered for studying any foreign bank's branch in the State of Kuwait.
4. In case the Central Bank of Kuwait rejects the initial application of the foreign bank, the Central Bank of Kuwait shall inform the foreign bank in writing of that rejection.
5. In case the Central Bank of Kuwait approves the initial application of the foreign bank (initial approval), the foreign bank shall be notified to submit an official application to open a branch pursuant to the relevant regulations which should be fulfilled by the foreign bank.
6. Approval issued by the Central Bank of Kuwait under Item (5) above shall be considered as an initial approval till the foreign bank submits the official applications that shall be studied by the Central Bank of Kuwait in the light of the regulations set forth hereinafter, and for which a resolution by the Central Bank of Kuwait's board of directors shall be issued. In case of approval, the matter shall be referred to the Council of Ministers and the foreign bank shall be informed of such approvals upon issuance thereof. Also, the foreign bank shall be informed in case of rejection of its application without the requirement to provide a reason.

3- RULES AND PROCEDURES FOR OPENING BANKS' BRANCHES AND REPRESENTATIVE OFFICES.

- C) Circular No. (2/BS, IBS/323/2014) concerning the principles, rules and regulations for opening more than one branch of a foreign bank licensed to operate in the State of Kuwait.

IV. Regulations to be Complied with Upon Submission of a Branch Opening Application:

The following are the conditions and requirements that the foreign bank should fulfill upon submission of the official applications to open a branch in the State of Kuwait:

1. A written approval should be obtained from the supervisory authority of the foreign bank's country, being the applicant, to open a branch in the State of Kuwait.
2. An official letter should be obtained from the supervisory authority in the country in which the foreign bank's head office is located certifying the supervisory authority's readiness to cooperate with the Central Bank of Kuwait for mutual oversight and regulatory information exchange, taking into consideration the confidentiality of information and protection thereof, provided the necessary arrangements for this purpose should be agreed when the foreign bank operates in the State of Kuwait.
3. Evidence should be submitted that the supervisory authority in which the foreign bank's head office is located at a minimum complies with the standards of supervision of international banks and their cross-border branches as per Basel standards as per the supervisory authority's most recent evaluation, if any, of compliance with the Basel's Core Principles For Effective Banking Supervision in line with the International Monetary Fund "IMF" reports for Financial Sector Assessment Program (FSAP).
4. The Articles and Memorandum of Association should be provided along with information on the foreign bank's financial position accompanying the last three audited financial statements approved by the auditors and a proof that the foreign bank has obtained a proper credit rating by one of the international credit rating agencies (e.g. Fitch Ratings, Moody's, S&P).
5. The foreign bank's head office undertakes to fulfill any obligation that may arise in the future on the branch to be opened in the State of Kuwait now or additional branches to be opened in the future.
6. The head office of the foreign bank applying to open a branch undertakes to inform the Central Bank of Kuwait of any developments that may adversely affect soundness of the bank's financial standing or its reputation.

3- RULES AND PROCEDURES FOR OPENING BANKS' BRANCHES AND REPRESENTATIVE OFFICES.

- C) Circular No. (2/BS, IBS/323/2014) concerning the principles, rules and regulations for opening more than one branch of a foreign bank licensed to operate in the State of Kuwait.

7. The foreign bank's head office should submit a clear strategy, business plan and feasibility study for the branch to be opened in the State of Kuwait as well as the future plan for opening any additional branch/s.
8. A period of not less than 10 years of practicing banking should lapse since incorporation of the bank applying to open a branch in the State of Kuwait.
9. Total shareholders' equity of the foreign bank should not be less than US\$ one billion (not less than US\$ one hundred million for the national banks of the Gulf Cooperation Council "GCC").
10. Fulfillment of any other requirements of the Central Bank of Kuwait.

V. Regulations for Approval Issued for the Foreign Bank to Open a Branch:

1. The approval of the Central Bank of Kuwait's Board of Directors for opening a branch of a foreign bank shall be valid for six months from the date of notification of the foreign bank of the Council of Ministers' approval to open the branch.
2. The aforesaid approval may be extended subject to study of the justifications that led to non-practicing of business, provided that any data or information that has been submitted should be updated, as required.
3. The foreign bank should, within the mentioned period, finalize the procedures for the establishment of the branch including obtaining the necessary licenses from the other government authorities and appointing the manager (in charge) of the branch operations subject to the Central Bank of Kuwait's approval.

VI. Regulations for Registration of the Branch in the Central Bank of Kuwait's Register of Banks:

1. Upon completion of establishment of the branch and obtaining the necessary approvals from the other official bodies and the Central Bank of Kuwait's approval of the nominee for the post of branch manager in accordance with the provisions Article (68) of the mentioned Law (32) of 1968, the foreign bank should submit an application to the Central Bank of Kuwait requesting registration of the branch in the Central Bank of Kuwait's Register of Banks to before providing any banking services.

3- RULES AND PROCEDURES FOR OPENING BANKS' BRANCHES AND REPRESENTATIVE OFFICES.

- C) Circular No. (2/BS, IBS/323/2014) concerning the principles, rules and regulations for opening more than one branch of a foreign bank licensed to operate in the State of Kuwait.

2. The application should be submitted in the form designated for this purpose. Such form includes the data to be recorded in the register in line with the bylaws of the Central Bank of Kuwait's Register of Banks.
3. The Governor of the Central Bank of Kuwait shall issue the resolution for registration of the branch in the Central Bank of Kuwait's Register of Banks. The branch may not begin practicing banking before registration thereof in the Central Bank of Kuwait's Register of Banks.

VII. Rules for Compliance with Regulations and Instructions

1. The foreign bank should comply with the provisions of the Law (32) of 1968 concerning Currency, Central Bank of Kuwait and Regulation of Banking Business, and the Central Bank of Kuwait's instructions and resolutions concerning supervision and oversight over banks, the Central Bank of Kuwait's regulations relating to operations of the foreign bank's branches and any other applicable laws or resolutions in this respect.
2. The branch shall practice the activities provided in the Articles and Memorandum of Association of the head office, so long as they do not contravene those licensed in the State of Kuwait.
3. The foreign bank is committed to allocate an amount of not less than KD 15 million for practicing its branch activities in the State of Kuwait, and maintain the reserves, as required by the laws, regulations and requirements of banking supervision applicable in the State of Kuwait. The Central Bank of Kuwait's Board of Directors may require an increase of such amount in the light of size of the branch operations and the number of branches approved to be opened in the State of Kuwait.
4. The ratio of Kuwaiti nationals to the total workforce of the foreign bank's branch should be not less than the ratio stipulated under the laws and regulations applicable in the State of Kuwait, provided that such ratio should be fulfilled within three years of the date of licensing to operate in the State of Kuwait.
5. Foreign banks' branches approved to open in the State of Kuwait should maintain separate accounts for their operations including all financial statements.
6. An auditor for the branch in the State of Kuwait should be appointed subject to the Central Bank of Kuwait's approval to carry out his duties in line with the Law No. (32) of 1968 and amendments thereto and the Central Bank of Kuwait's instructions issued to banks in this respect.

3- RULES AND PROCEDURES FOR OPENING BANKS' BRANCHES AND REPRESENTATIVE OFFICES.

- C) Circular No. (2/BS, IBS/323/2014) concerning the principles, rules and regulations for opening more than one branch of a foreign bank licensed to operate in the State of Kuwait.

7. Analogous to Kuwaiti banks, foreign banks' branches should submit to the Central Bank of Kuwait all data, information and statistics it requires, in accordance with the system the Central Bank of Kuwait lays down for this purpose. All such information shall remain confidential, except for statistical data in an aggregate form, data and information exchanged between the Central Bank of Kuwait and other central banks and other banking supervision authorities, in fulfillment of the objectives of aggregate supervision on banks, branches and subsidiaries of these banks.
8. Foreign banks' branches, at the Central Bank of Kuwait's request, shall submit regular data (annually and semiannually) on the parent company's balance sheet and profit & loss statement.
9. The Central Bank of Kuwait shall conduct its supervision and inspection on the licensed foreign bank's branch(s) in accordance with the regulations and instructions prescribed for this purpose. Coordination between the supervisory authority in the country of the head office and the Central Bank of Kuwait should be observed prior to any inspection by that supervisory authority on the foreign bank's branch in the State of Kuwait.
10. The licensed bank shall be subject to laws and regulations that are applicable in the State of Kuwait concerning voluntary and compulsory liquidation. The Central Bank of Kuwait may take all actions within its authorities granted under the related laws and banking regulations.
11. The license is issued to the foreign bank pursuant to the laws, regulations, bylaws, instructions, requirements and procedures applicable in the State of Kuwait.

Section Two: Rules and Principles of Opening More than One Branch for Foreign Banks

Below is a set of rules and bases for opening local branches for foreign banks licensed to operate in the State of Kuwait; and these must be observed by foreign banks intending to open more than one bank branch:

- I. Foreign banks licensed to operate in the State of Kuwait may open more than one branch pursuant to the Central Bank of Kuwait's approved policy in this regard.

3- RULES AND PROCEDURES FOR OPENING BANKS' BRANCHES AND REPRESENTATIVE OFFICES.

- C) Circular No. (2/BS, IBS/323/2014) concerning the principles, rules and regulations for opening more than one branch of a foreign bank licensed to operate in the State of Kuwait.

- II. The foreign bank shall assign the branch that is deemed as its head office in State of Kuwait and that shall be referred to as the head office of such foreign bank in the State of Kuwait.
- III. Local branches will run the banking activities assigned to them by the head office in the State of Kuwait within the scope of activities which the foreign bank is licensed to exercise in the State of Kuwait.
- IV. In application of the provisions of this Law, branches of the foreign bank in State of Kuwait will be treated as one bank. Accordingly, instructions and supervisory regulations shall apply to the head office in the State of Kuwait as well as to other branches as one entity.
- V. The Manager of the foreign bank's head office in the State of Kuwait shall submit a written application to the Central Bank of Kuwait attaching with it a study on the feasibility and justifications of opening the branch. The study shall cover the following:
 - 1. Proposed location of the branch, justifications of choosing the area, and the banking activities to be provided by the branch..
 - 2. Expected impact of the branch's activity on the head office's activity in Kuwait and on the bank in general.
 - 3. Cost of establishing the branch and the financial estimates for the performance results for three years in light of the expected volume of the branch's activity.
 - 4. A letter from the foreign bank's head office authorizing the head office's manager in Kuwait to take the necessary procedures for opening the new branch shall be attached with the application.
 - 5. Any other factors the foreign bank has taken into consideration when it decided to open the branch.
- VI. If the Central Bank of Kuwait's Board of Directors approves opening the branch, such approval will be valid for six months from the date of its issuance. The head office in Kuwait shall take the necessary procedures to open the branch prior to expiry of such given period which may be extended upon a request giving justifications for not opening the branch within the given period.

3- RULES AND PROCEDURES FOR OPENING BANKS' BRANCHES AND REPRESENTATIVE OFFICES.

- C) Circular No. (2/BS, IBS/323/2014) concerning the principles, rules and regulations for opening more than one branch of a foreign bank licensed to operate in the State of Kuwait.

- VII. When the head office in Kuwait finalizes equipping the new branch's office and fixes a time for its opening, it shall submit an application to the Central Bank of Kuwait for amending its data in the banks register to endorse the registration of the new branch at least fifteen days prior to the date of opening. The request shall be attached with proper evidence that the necessary licenses and approvals have been obtained from the competent authorities. The new branch may not start operating its activity unless after it is endorsed in the banks register with the Central Bank of Kuwait upon a resolution to be issued from the Governor.
- VIII. Attention shall be given to the requirement that the new branch manager must have relevant experience in the branch's operations affairs and the activities it will be practicing.
- IX. The Central Bank of Kuwait, upon considering the application for opening a new branch, will evaluate the overall position of the head office and its branches in Kuwait, the efficiency of its operations systems and the extent to which it abides by the laws and supervisory instructions issued by the Central Bank of Kuwait. The Central Bank of Kuwait will also verify that there are no significant violations on part of the head office, or its branches in Kuwait.
- X. The Central Bank of Kuwait will consider whether there is a requirement to increase the KD 15 million amount allocated for the head office's operations in Kuwait in the light of the number of branches that have been approved to be opened for the foreign bank licensed to operate in the State of Kuwait.

25/3/2024

3- RULES AND PROCEDURES FOR OPENING BANKS' BRANCHES AND REPRESENTATIVE OFFICES.

- C) Circular No. (2/BS, IBS/323/2014) concerning the principles, rules and regulations for opening more than one branch of a foreign bank licensed to operate in the State of Kuwait.

**The Central Bank of Kuwait
The State of Kuwait**

Application Form for a License to Open a Foreign Bank’s Representative Office in the State of Kuwait as per the Provisions of the Law No. 32 of 1968 Concerning Currency, the Central Bank of Kuwait and Regulation of Banking, and its Amendments, and the Principles, Rules and Regulations approved by the Central Bank of Kuwait on Licensing and Operation of Foreign Banks’ Branches in the State of Kuwait

1	<ul style="list-style-type: none"> • Name of Bank:..... • Nationality:..... • Year of Establishment:..... • Address (Head Office):.....
2	<ul style="list-style-type: none"> • Bank’s Objectives as Written in the Articles and Memorandum of Association: • Purposes of the Branch to be Opened in the State of Kuwait: <p>Attachments: A Copy of the Memorandum and Articles of Association.</p>
3	<ul style="list-style-type: none"> • Written Approval by the Supervisory Authority in the Country of the Head Office on Opening a Branch in the State of Kuwait: (Attached / Not Attached / Notes)
4	<ul style="list-style-type: none"> • Written Approval by the Supervisory Authority in the Country of the Head Office on its Willingness to Cooperate with the Central Bank of Kuwait in the Field of Consolidated Supervision and Information Exchange: (Attached / Not Attached / Notes)
5	<ul style="list-style-type: none"> • The Commitment of the Supervisory Authority in the Country of the Head Office to the Standards of the Minimum Supervision over the International Banks and their Cross-Border Branches as per Basel Committee Standards. (Attached / Not Attached / Notes)

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C) Circular No. (2/BS, IBS/323/2014) concerning the principles, rules and regulations for opening more than one branch of a foreign bank licensed to operate in the State of Kuwait.

6	<p>Undertakings of the Head Office of the Bank:</p> <ul style="list-style-type: none"> • Fulfill any obligations that may arise in the future on the main branch and its branches in the State of Kuwait. • Notify the Central Bank of Kuwait of any developments that may adversely affect soundness of the bank’s financial standing or reputation. • Ratio of Kuwaiti nationals to the total workforce of the foreign bank’s branch should be not less than the ratio stipulated under the laws and regulations applicable in the State of Kuwait, provided that such ratio should be fulfilled within three years of the date of licensing to operate in the State of Kuwait. <p>(Attachments / Notes)</p> <p>.....</p> <p>.....</p> <p>Note: These undertakings must be issued by authorized resolutions and signed by authorized representatives of the bank</p>
7	<p>Financial Statements about the Bank (Valued in US\$, to the Nearest Million).</p> <ul style="list-style-type: none"> • Paid-up Capital () • Total Shareholders’ Equity () • Total Assets () • Total Contra Accounts () <p>Attachments (the last three audited balance sheets by the bank’s auditor).</p>
8	<p>The Latest Credit Rating of the Bank by International Rating Agencies (One Rating or More).</p> <ul style="list-style-type: none"> • Ratingby (.....Agency) on • Ratingby (.....Agency) on • Rating by(.....Agency) on <p>(Attachments / Notes)</p> <p>.....</p> <p>.....</p>
9	<ul style="list-style-type: none"> • Most Recent Evaluation of the Supervisory Authority in the Country of the Head Office Regarding its Compliance with Basel’s Core Principles For Effective Banking Supervision in line with the International Monetary Fund (IMF) reports for Financial Sector Assessment Program (FSAP). <p>(Attachments / Notes)</p> <p>.....</p> <p>.....</p>

3- RULES AND PROCEDURES FOR OPENING BANKS’ BRANCHES AND REPRESENTATIVE OFFICES.

C) Circular No. (2/BS, IBS/323/2014) concerning the principles, rules and regulations for opening more than one branch of a foreign bank licensed to operate in the State of Kuwait.

10	<p>Economic Feasibility, Strategy and Business Plan of the Branch.</p> <p>Attached Hereto the economic feasibility, strategy and business plan of the branch.</p>
11	<p>Commitment to the Set of Principles, Rules, and Regulations</p> <p>Note: We are aware that the Central Bank of Kuwait is not obligated to give any reasons if our request is rejected. Also, if our request is approved, we are committed to applying the principles, rules and regulations for licensing and operation foreign banks’ branches in the State of Kuwait, which were reviewed before submitting this request.</p> <p>Date of Application:.....</p> <p>Signature (Authorized Persons’ Name and Signature):.....</p> <p>.....</p>

3- RULES AND PROCEDURES FOR OPENING BANKS’ BRANCHES AND REPRESENTATIVE OFFICES.
 C) Circular No. (2/BS, IBS/323/2014) concerning the principles, rules and regulations for opening more than one branch of a foreign bank licensed to operate in the State of Kuwait.

Regulations for opening Foreign Banks’ Representative Offices in the State of Kuwait⁽¹⁾

Preface

In line with Article (56 bis) added to the law (32) of 1986 concerning Currency, Central Bank of Kuwait and Regulation of Banking Business and the amendments thereto, pursuant to the law No. (3) of 2014 promulgated on 29/1/2014 and published in the official gazette on 02/02/2014 which authorizes the Board of Directors of Central Bank of Kuwait to approve opening representative offices for foreign banks pursuant to the regulations set by the Central Bank of Kuwait in this respect.

Below is the set of regulations pertinent to opening representative offices for foreign banks in the State of Kuwait.

I. Banks Qualified to Open Representative Offices in the State of Kuwait:

Foreign banks may open representative offices in the State of Kuwait provided that such banks should be regulated by the supervisory authorities in their countries of their incorporation, have good reputation and credit rating and fulfill all conditions laid down under these regulations. Approval of applications submitted by the said foreign banks is dependent upon the policies endorsed by the Central Bank of Kuwait’s Board of Directors in this respect.

II. Permissible Activities of the Foreign Banks’ Representative Offices:

The representative office will protect the interests of the foreign banks in the State of Kuwait, with no objective of generating profits. Towards this end, the representative office may practice the following activities:

1. Promote the services provided by the foreign bank to which the representative office is affiliated within the State of Kuwait.
2. Providing the head office of the foreign bank with the information and data pertinent to economic and financial developments in the State of Kuwait; including conducting studies on these developments, provided that such information is allowed to be accessed or published.
3. Providing data for local companies that seek developing their activities with the countries in which the foreign banks licensed to open representative offices operate.

(1) These regulations have been approved pursuant to the Resolution of the Central Bank of Kuwait’s Board of Directors, issued on 25.03.2014.

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4. Providing advice to the entity which the office represents as well as to its customers abroad on investment opportunities available in the State of Kuwait.
5. Providing assistance to the customers of head offices to which these representative offices are affiliated, provided that managing this activity does not result in running banking operations.

In all cases, representative offices may not practice banking or financial operations, and in particular, may not accept deposits, extend loans, open documentary credits or issue letters of guarantee. These offices are prohibited from running financial brokerages services or commercial operations, including commercial agents' activities. Furthermore, the representative office is prohibited from using any word or phrase in its advertisements or correspondences that indicates that it runs banks' businesses or provides banking services. of the word "representative office" must be put beside the foreign bank's name (offices signboards, letters, advertisements and business cards).

III. Preliminaries of Representative Office Opening Application:

1. The foreign bank intending to open a representative office in the State of Kuwait should submit an initial written application to H.E. the Governor of the Central Bank of Kuwait setting out the activities the proposed representative office intends to practice.
2. The Central Bank of Kuwait shall study the said application in the light of the policy approved by the Central Bank of Kuwait's board of directors regarding opening foreign bank's representative offices in the State of Kuwait. The foreign bank should provide the Central Bank of Kuwait with any additional information which the Central Bank of Kuwait deems necessary to finalize the study of the initial application.
3. In case the Central Bank of Kuwait rejects the initial application of the foreign bank, the Central Bank of Kuwait shall inform the foreign bank in writing of that rejection.
4. In case the Central Bank of Kuwait approves the initial application of the foreign bank (initial approval), the foreign bank shall be notified to submit an official application to open a representative office pursuant to the relevant regulations which should be fulfilled by the foreign bank.

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5. Approval issued by the Central Bank of Kuwait under Item (4) above shall be considered as an initial approval till the foreign bank submits the official applications that shall be studied by the Central Bank of Kuwait in the light of the regulations set forth hereinafter, and for which a resolution by the Central Bank of Kuwait's board of directors shall be issued if studying the official application resulted in a resolution of approval by the Central Bank of Kuwait's board of directors. Also, the foreign bank shall be informed in case of rejection of its application without stating the reason.

IV. Regulations to be Complied with Upon Submission of a Representative Office Opening Application:

The following are the conditions and requirements that the foreign bank should fulfill upon submission of the official applications to open a representative office in the State of Kuwait:

1. A written approval should be obtained from the supervisory authority in the country of the foreign bank, being the applicant, to open a representative office in the State of Kuwait.
2. An official letter should be obtained from the supervisory authority in the country in which the foreign bank's head office is located certifying its readiness to cooperate with the Central Bank of Kuwait for the mutual oversight and regulatory information exchange taking into consideration confidentiality of information and protection thereof.
3. The Articles and Memorandum of Association of the foreign bank should be provided along with information on the foreign bank's banking indicators and financial position, accompanied with the latest three audited annual financial statements approved by the auditors.
4. Proof that the foreign bank has obtained a good credit rating by one of the international credit rating agencies (e.g. Fitch Ratings, Moody's, S&P).
5. Allocation of the appropriate amount to meet the needs of the representative offices' activities and operations in the State of Kuwait, together with submitting an undertaking from the foreign bank's head office to fulfill any obligations that may arise in future from its representative office in the State of Kuwait.

6. The head office of the foreign bank applying to open a representative office undertakes to inform the Central Bank of Kuwait of any developments that may adversely affect integrity of the bank's financial standing or reputation.
7. A period of not less than 10 years of practicing the banking business should lapse since incorporation of the bank applying to open a representative office in the State of Kuwait.
8. The foreign bank's head office should submit clear strategy, business plan and economic study including the feasibility and objectives for opening the representative office in the State of Kuwait. This study shall also include the proposed number of staff to be working in the office as well as their qualifications and experience, in addition to a detailed statement of the activities which the office wishes to practice in the State of Kuwait and how the foreign bank's head office will supervise the work of its representative office.
9. The Central Bank of Kuwait will take into consideration the extent to which the supervisory authority in the foreign bank's head office country adheres to the principles of effective basic supervision issued by Basel Committee according to the International Monetary Fund's reports on Financial Stability Assessment Programs (FSAP), particularly the supervisory authority's commitment with the principles of consolidated supervision.

V. Regulations for Approval Issued for the Foreign Bank to Open a Representative Office:

1. The approval of the Central Bank of Kuwait's board of directors for opening a representative office of a foreign bank shall be valid for six months of the date of notifying that foreign bank of such approval.
2. The aforesaid approval may be extended once for another six month period after studying the justifications that led to the non-practicing of business, provided that any data or information that has been submitted should be updated, is so required.
3. The foreign bank should, within the mentioned period, finalize the procedures for establishment of its representative office; including obtaining the necessary licenses from the other government authorities.
4. The office of the representative office in the State of Kuwait must be at the appropriate level for the nature and activity of such office.

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VI. Regulations for Managing the Representative Office:

1. The foreign bank must provide the staff necessary to manage the office and undertake its activities, taking into consideration the qualifications and relevant experience appropriate with the office activity that such staff must fulfill, whilst ensuring practicing such activities impartially, integrally and honestly within a framework of disclosure and transparency in the office's dealings with third parties in a manner that reflects the principles of proper governance in the foreign bank as well as in its representative office. Furthermore, governance instructions issued by the Central Bank of Kuwait to the Kuwaiti banks must be observed within the scope of the activities run by the representative office.
2. The foreign bank must appoint a manager for the representative office before commencing the activity. The said manager must have a university degree in economics, management, accountancy or law with experience of not less than 10 years in any of the banking or financial business fields of which at least 5 years were in executive positions in such fields.
3. The representative office's manager must be impartial and honest, and must have not been judged guilty in an honor or honesty crime.
4. The foreign bank must obtain a written consent from the Central Bank of Kuwait on the representative office's manager nominated for such position according to the nomination form prepared for such purpose before the representative office commences its operations. In addition, the Central Bank of Kuwait's consent requires that the representative office's manager successfully passes the interview that will be conducted by officials from the Central Bank of Kuwait.
5. Upon final approval of the candidate nominated for the position of the representative office's manager, the Central Bank of Kuwait will notify the foreign bank of such approval, and will invite it to submit an application for registering its representative office in the representative offices register at the Central Bank of Kuwait for such office to practice its activity.
6. The manager of the representative office in the State of Kuwait will be the legal representative of the foreign bank, and will have the right to sign on behalf of such bank. Furthermore, the said manager will be fully responsible for all operations performed by the representative office within the State of Kuwait as well as the consequences of such operations. Any act made by the representative office's manager or any

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notification made to him in the name of the office shall be deemed a legal act binding for the foreign bank, its affiliated representative office and the manager of such office.

7. The representative office may not terminate or suspend its operations in the State of Kuwait unless upon a written approval from the Central Bank of Kuwait subject to the conditions the Central Bank of Kuwait may set for such an act.

VII. Regulations for Registering the Representative Office in the Representative Offices Register with the Central Bank of Kuwait:

1. Upon completion of the establishment of the office and obtaining the necessary licenses from other competent authorities, as well as after obtaining the Central Bank of Kuwait's approval of the candidate nominated for the position of the office manager, the foreign bank shall submit an application to the Central Bank of Kuwait for registering the representative office with the Central Bank of Kuwait in order for such office to commence its activity. This application shall be submitted using the registration form prepared for such purpose as it includes the data to be registered in the representative offices register, including the foreign bank's name, seat and address of the representative office, name of the representative office's manager in charge of managing the office and the date of commencing the office's activity.
2. A resolution will be issued by the Central Bank of Kuwait's Governor regarding registration of the representative office in the representative offices register with the Central Bank of Kuwait, and such resolution will be published in the official gazette.
3. The foreign bank must obtain the Central Bank of Kuwait's approval in case it wishes to change the representative office's manager, or in case it wishes to change its office. The Central Bank of Kuwait's Governor will issue a resolution endorsing the new data in the representative offices register with the Central Bank of Kuwait.

VIII. Regulations for Compliance with Laws, Regulations and Instructions

1. The representative office should comply with the provisions of the Law (32) of 1968 concerning Currency, Central Bank of Kuwait and Regulation of Banking Business and its amendments, and the instructions and resolutions of the Central Bank of Kuwait concerning supervision and oversight over works of foreign banks' representative offices in the State of Kuwait, and any other applicable laws or resolutions related to these offices activity.

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2. The representative office shall open records for the office's accounts showing in a detailed a clear way the sources of the office's funds as well as its expenses. These records should be made available to the Central Bank of Kuwait's inspectors upon request. In addition, the representative office shall provide the Central Bank of Kuwait with the following:
 - a) The financial and non-financial information the Central Bank of Kuwait requests in relation to the office's activity.
 - b) Semiannually reviewed financial statements and annually audited financial statements according to International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS).
3. Whenever necessary, the Central Bank of Kuwait shall inspect the representative office's works by checking its financial records and statements and its correspondences to ensure that the representative office adheres to these regulations and the other valid laws, regulations and instructions applicable in this respect.

IX. Breaching the Laws and Instructions:

If the representative office breaches any of the applicable laws in the State of Kuwait, or the provisions of these regulations, or any instructions issued under these regulations, the Central Bank of Kuwait may impose any of the penalties set out in Article No. (85) of the Law No. (32) of 1968 concerning Currency, Central Bank of Kuwait and Regulation of Banking Business on the representative office.

**The Central Bank of Kuwait
The State of Kuwait**

Application Form for a License to Open a Foreign Bank’s Representative Office in the State of Kuwait as per the Law No. 32 of 1968 Concerning Currency, the Central Bank of Kuwait and Regulation of Banking, and its Amendments, and the Regulations Approved by the Central Bank of Kuwait for Opening Foreign Banks’ Representative Offices in the State of Kuwait

1	<ul style="list-style-type: none"> • Name of Bank:..... • Nationality:..... • Year of Establishment:..... • Address (Head Office):.....
2	<ul style="list-style-type: none"> • Bank’s Objectives as Written in the Articles and Memorandum of Association: • Purposes of the Representative Office to be Opened in the State of Kuwait: <p>Attachments: A Copy of the Memorandum and Articles of Association.</p>
3	<ul style="list-style-type: none"> • Written Approval by the Supervisory Authority in the Country of the Head Office to Opening a Representative Office in the State of Kuwait: (Attached / Not Attached / Notes)
4	<ul style="list-style-type: none"> • Written Approval by the Supervisory Authority in the Country of the Head Office on its Willingness to Cooperate with the Central Bank of Kuwait in the Field of Consolidated Supervision and Information Exchange: (Attached / Not Attached / Notes)
5	<ul style="list-style-type: none"> • The Commitment of the Supervisory Authority in the Country of the Head Office to the Standards of the Minimum Supervision over the International Banks and their Cross-Border Branches as per Basel Committee Standards. (Attached / Not Attached / Notes)
6	<p>Undertakings of the Head Office of the Bank:</p> <ul style="list-style-type: none"> • To Fulfill any obligations that may arise in the future on the representative office in the State of Kuwait.

	<ul style="list-style-type: none"> • Notify the Central Bank of Kuwait of any developments that may adversely affect soundness of the bank’s financial standing or reputation. (Attachments / Notes) Note: These undertakings must be issued by authorized resolutions and signed by authorized representatives of the bank
7	Financial Statements about the Bank (Valued in US\$, to the Nearest Million). <ul style="list-style-type: none"> • Paid-up Capital () • Total Shareholders’ Equity () • Total Assets () • Total Contra Accounts () Attachments (the last three audited balance sheets by the bank’s auditor).
8	The Latest Credit Rating of the Bank by International Rating Agencies (One Rating or More). <ul style="list-style-type: none"> • Rating..... by (.....Agency) on (Attachments / Notes)
9	Economic Feasibility, Strategy and Business Plan of the Branch. Attached Hereto the economic feasibility, strategy and business plan of the representative office.
10	Commitment to the Set of Principles, Rules, and Regulations Note: We are aware that the Central Bank of Kuwait is not obligated to give any reasons if our request is rejected. Also, if our request is approved, we are committed to applying all the regulations for opening representative offices issued by the State of Kuwait, which were reviewed before submitting this request. Date of Application:..... Signature (Authorized Persons’ Name and Signature):.....