

26- INSTRUCTIONS CONCERNING EXTERNAL AUDITORS

- A) Instructions requiring banks to appoint two external auditors.
- B) Instructions concerning the regulation of audit procedures to be performed by the external auditors.
- C) Instructions concerning the Criteria approved by the Board of Directors of the Central Bank of Kuwait in the review of banks' applications for approval of the audit firms they nominate as their auditors.
- D) Circular No. (2/BS, IBS/258/2010) to foreign bank branches operating in the State of Kuwait requiring them to notify the Central Bank of Kuwait of the names of nominated audit firms.

THE EXECUTIVE DIRECTOR

*Jumada Alakhira 10, 1415 H
November 13, 1994*

The General Manager,

Subject: Instructions requiring banks to appoint two external auditors*

We would like to advise you that Law No. (51) of 1994 was issued on 01/08/1994, amending some of the rules of Commercial Companies Law No. (15) of 1960, by adding a paragraph to article (161) of the said Law, which provides that companies listed on the Kuwait Stock Exchange must have external auditors, namely not less than two chartered accountants from two separate audit firms.

Accordingly, your bank must take necessary action to comply with the said amendment, effective beginning of the fiscal year 1995, and notify us in advance of its nominated audit firm before the latter's final appointment, noting that your bank's financial statements for 1995 will not be considered for approval unless they are endorsed by two separate external auditors.

Best Regards,

**The Executive Director, Supervision Department
Hamid Ahmed Al-Rusheid**

* Circulated to all local banks.

THE GOVERNOR

Shawal 07, 1415 H
March 08, 1995

The Chairman,

Instructions concerning the Regulation of Audit Procedures to be performed by the External Auditors*

Reference is hereby made to the Law No. (51) of 1994 issued on 01/08/1994 in connection with the amendment of certain provisions of the Commercial Companies Law No. (15) of 1960 by adding a paragraph to Article (161) thereof, requiring that the companies listed on the Kuwait Stock Exchange must have external auditors, namely not less than two chartered accountants from two separate audit firms. Accordingly, your bank must take the necessary action to comply with the said amendment, and notify us in advance of its nominated audit firm, for obtaining the Central Bank's approval thereon, before the definitive appointment of that firm by your bank's General Assembly.

We would like to note that each of the two auditors must separately perform a comprehensive audit on your bank's accounts, so that both do not agree on one of them conducting the audit and the other conducting the review, or on dividing the audit tasks between them.

Best Regards,

The Governor
Salem Abdul-Aziz Al-Sabah

* Circulated to all local banks.

THE GOVERNOR

*Muharram 29, 1424 H
April 01, 2003*

**Mr. Naser Musaed Al-Sayer
The Chairman of Kuwaiti Banks Committee,**

The auditor's profession is one impacting the activity of banks, since it brings to light their financial positions, and thus serves the interest of shareholders and customers alike. Furthermore, banks are considered major financial institutions in the domestic economy. Therefore, the Board of Directors of the Central Bank of Kuwait (CBK) adopted the following criteria in the review of applications received from banks for approval of the audit firms they nominate as their auditors:

1. The local accountancy office must be a full member of an international auditing firm and as such bound to observe the latter's policies and procedures; as opposed to merely being a representation office using the international firm's name, but having no such obligations.
2. The experience of the international office in auditing bank accounts shall be taken into consideration. As such, the international auditing firm should have been the auditor of a bank (or banks) listed among the largest fifty worldwide. Additionally, a list of banks in the Arabian Gulf region, which were audited by that international auditing firm shall be obtained, if applicable.
3. Whether the international auditing firm developed a method or produced a manual regarding auditing banks.
4. The local auditing firm shall have at least one qualified partner or practitioner experienced in auditing banks. Also, the firm's employees who audit banks shall hold CPA or CA accreditations.
5. Ascertaining whether the local auditing firm provides employees assigned to auditing banks, with training on banks' auditing for an adequate period, say 30 hours as a minimum.
6. Ascertaining whether the international audit firm randomly inspects audit files of the local accounting firm, to ensure the latter's abidance by its policies and procedures and evaluate the quality of the local firm's audit.

26- INSTRUCTIONS CONCERNING EXTERNAL AUDITORS.

- C) Instructions concerning the Criteria approved by the Board of Directors of the Central Bank of Kuwait in the review of banks' applications for approval of the audit firms they nominate as their auditors.

Therefore, and in order for CBK to be able to review the application it receives from local banks requesting CBK's endorsement of audit firms newly nominated as their external auditors, other than those already existing, banks shall ensure the fulfillment of the mentioned criteria before lodging any such application, and shall attach thereto all supporting documents in this regard.

Best Regards,

The Governor
Salem Abdul-Aziz Al-Sabah

THE MANAGER

Rabi-ul-Thani 19, 1431H
April 04, 2010

The General Manager,

Circular No. (2/BS, IBS/258/2010) to Foreign Bank Branches Operating in the State of Kuwait

Reference is hereby made to the rules, regulations and controls that should be complied with in respect of license and operations of the foreign bank branches in the State of Kuwait, issued by the Central Bank of Kuwait's Board of Directors pursuant to Article (56), as amended, of the Law No. (32) of 1968 concerning Currency, the Central Bank of Kuwait, and the Regulation of Banking. Foreign bank branches operating in the State of Kuwait are required to consider the instructions issued by the Central Bank of Kuwait dated 01/04/2003 regarding the criteria adopted by the Central Bank of Kuwait's Board of Directors to be fulfilled by the audit firms nominated for auditing banks accounts.

We also stress that you must inform the Central Bank of Kuwait of the names of nominated audit firms in order to obtain the Central Bank of Kuwait's approval prior to appointing any of those nominated firms.

Best Regards,

The Manager, Off-Site Supervision Department
Yousef J. Al-Obaid