

**30- INSTRUCTIONS CONCERNING CREDIT FACILITIES EXTENDED
BY LOCAL BANKS TO THEIR BOARDS OF DIRECTORS**

- A) Rules and Regulations concerning Credit Facilities extended by local Banks to their Boards of Directors.
- B) Circular No. (2/BS/295/2012) regarding the Amendments to the Rules and Regulations applicable to the Credit Facilities extended by local Banks to their Boards of Directors.

THE GOVERNOR

*Rajab 7, 1416 H
November 29, 1995*

The Chairman,

Circular to all Local Banks*

Kindly be advised that the Central Bank of Kuwait's Board of Directors has issued, at its meeting held on 27/11/1995, instructions in respect of the rules and regulations concerning credit facilities extended by local banks to their boards of directors.

Attached herewith a copy of these instructions, with which your bank shall comply as effective from date of issue.

Best Regards,

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

* Circulated to all local banks

Rules & Regulations to be Adhered to in Respect of the Credit Facilities extended by Local Banks to the Members of their Boards of Directors

Foreword:

Having taken into consideration Article (69) of Law No. 32 of 1968 concerning Currency, Central Bank of Kuwait and the Organization of Banking Business, stipulating the terms and conditions to be applied to loans, overdrafts and guarantees granted by banks to the members of their Boards of Directors, AND;

The Instructions issued by the Central Bank of Kuwait concerning Rationalization of Credit Policy of Banks, AND;

The Instructions issued in respect of Maximum Limits for Credit Concentration.

These Rules and Regulations, which satisfy the general international supervisory trends and practice concerning organization of banks' lending to their Boards of Directors, are aimed at ensuring that providing credit facilities to Directors shall not cause excessive risks that adversely reflect on bank financial position and that preferential merits and benefits have not been granted due to their influential positions and job titles.

First: Scope of Implementation:

These instructions shall apply to all credit facilities that are extended to the bank Board of Directors, or to any other parties that are in effect economically or legally interrelated, whether they are associated through common ownership or common management, as promulgated in Article (4) of the Instructions No. (SBI/101/1995) concerning the Maximum Limits for Credit Concentration.

Second: Definition of Credit Facilities:

For the purpose of implementing these instructions, the Credit Facilities are defined as the facilities extended by the bank's Head Office, local and foreign branches, besides its Subsidiaries, including the following:

- 1) Cash Facilities, including:
 - Loans and Overdrafts
 - Discounted Bills and other securities of similar nature.
- 2) Non-Cash Facilities, including:
 - Documentary Letters of Credit.
 - Letters of Guarantee.

- Bank Acceptances.
- Other obligations of similar nature.

Third: Conditions of the Credit Facilities extended to Members of the Board of Directors:

- 1) The Bank's Board of Directors shall receive prior permission from the its General Assembly for extending credit facilities to the Board members, in conformity with the stipulations of Article (69) of the Law No. 32/1968 Concerning the Currency, the Central Bank of Kuwait and the Organization of the Banking Business.
- 2) The credit facilities extension, renewal or increase to a Board member shall be under the Board approval by majority of at least 3 quarters of its members. The Board of Directors shall not delegate its powers in this regard to any of its sub-committees or any other authority.
- 3) The Bank shall acquire adequate collaterals against the credit facilities to be granted, taking into account the following:

A. Cash Facilities:

The cash facilities to be extended shall be fully secured by cash or in-kind collaterals. Adequate additional margins for such collateral must be obtained to cover potential risks due to impairment thereof, in accordance with the generally recognized banking conventions.

These collaterals are not required to secure personal consumer/installment loans and credit cards extended to members of the Board of Directors, provided that they must have continuous monthly salary or income.¹

B. Non-Cash Facilities:

The bank shall determine the margins (cash deposits) to be obtained out of the value of non-cash facilities, in accordance with the commonly accepted banking practices, provided that such margins for certain facilities shall not fall below the following ratios:

- 25% of Bank Acceptances value.

¹ This paragraph was added according to Circular No. (2/BS/295/2012) dated 26/12/2012 and listed as Item (B) in this Chapter.

- 100% of Letters of guarantee value issued to secure any credit facilities obtained by any Board Director from other banks or financial institutions.
 - As for the Documentary Letter of Credit, other Letters of Guarantee and Contingent Liabilities, the bank shall obtain adequate margins against them, where no preferential treatment for any of Board Directors shall be permitted.
- 4) Interest rates and commissions charged on the credit facilities extended to members of the Board Directors, shall be determined in conformity with the rates imposed on all other bank customers.
 - 5) The instructions issued by the Central Bank of Kuwait concerning Rationalization and Organization of Bank Credit Policy dated 28/12/1993 shall be strictly applied to the credit facilities extended to Board members, particularly those items related to preparing a thorough credit study. Such study should include the reasons for granting or renewing such facilities and any other relevant data. Up-to-date evaluation of the concerned collaterals is also required as stipulated by these instructions, noting that certified parties specialized in evaluating specific assets of special nature shall be hired for assistance.

Fourth: The Board of Directors shall advise the General Assembly, through the annual report accompanying the closing accounts, of the balances of credit facilities extended to the Board members at end of the fiscal year, detailing the number of customers, volume of cash and non-cash facilities and the relevant collaterals.

Fifth: The bank, in compliance with these rules and regulations, shall immediately initiate collecting the necessary collaterals against the credit facilities extended to its Board members, which were outstanding prior to issuance of these instructions, within a maximum period of two years from issuance date of these instructions.

Sixth: The bank shall provide the Central Bank of Kuwait with a quarterly statement setting out the balances of all the credit facilities extended to its Board members and collaterals against them, along with the actions taken by the bank to top-up the collaterals in line with these instructions. Such statement is to be approved by the bank's external auditors.

Seventh: These instructions shall be in force and effective from issuance date.

November 29, 1995

30- INSTRUCTIONS CONCERNING CREDIT FACILITIES EXTENDED BY LOCAL BANKS TO THEIR BOARDS OF DIRECTORS.

A) Rules and Regulations concerning Credit Facilities extended by local Banks to their Boards of Directors.

Statement of Credit Facilities extended to Members of the Board of Directors as at

Bank Name: _____

Secret No. of Board Member and Related Parties	Date of granting Facilities	Cash Facilities		Non-Cash Facilities		Maturity Date	Outstanding Collaterals		Remarks
		Granted	Utilized	Granted	Utilized		Value	Type	
First : Secret No. of Board Member :(A)									
Second : Related Parties :(B) 1) 2) 3)									
Total (B)									
Total (A+B)									

* Measures taken by the bank to comply with the rules and regulations concerning credit facilities extended to members of its Board of Directors.

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THE GOVERNOR

*Safar 13, 1434 H
December 26, 2012*

The Chairman,

**Circular No. (2/BS/295/2012)
regarding the Amendments to the Rules and Regulations
concerning Credit Facilities extended by local Banks
to the Members of their Boards of Directors**

We would like to inform you that the Board of Directors of the Central Bank of Kuwait (CBK) resolved, at its meeting held on 25/12/2012, to introduce certain amendments to Item (Third/3/A) of the instructions issued on 27/11/1995 “Rules and Regulations regarding Credit Facilities extended by local Banks to their Boards of Directors”, so that the amended text will read as follows:

“The extended cash facilities shall be fully secured by cash or in-kind collaterals. Adequate additional margins for such collaterals must be obtained to cover potential risks due to impairment thereof, according to the generally recognized banking conventions. These collaterals are not required against the personal consumer/installment loans and credit cards extended to members of the Board of Directors, provided that they must have monthly salary or income”.

Best Regards,

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

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