

26- THE BASES OF PREPARING CLOSING FINANCIAL DATA OF ISLAMIC BANKS

- A) Ministerial resolution No. (18) of the year 1990.
- B) Instructions No. (2/IBS/122/2003) concerning disclosure of transactions with related parties in the closing financial data.

Ministry of Commerce & Industry

Ministerial Resolution No. (18) of the year 1990 Requiring Companies and Institutions to Adopt The International Accounting Standards In the Preparation of Their Financial Data

- Having reviewed Law No.(15) of the year 1960 on the enactment of the Commercial Companies Law and the laws issued in amendment thereof, and
- Decree Law No.(5) of the year 1980 on the enactment of the Commercial Law, and
- Decree Law No.(5) of the year 1981 Concerning the Practice of Auditing Business, and
- Ministerial Resolution No.(10) of the year 1986 concerning the preparation and submission of the closing accounts for the year 1985, and
- Ministerial Resolution No.(14) of the year 1986 concerning the formation of the permanent technical committee for developing the accounting rules, and
- Ministerial Resolution No.(4) of the year 1987 concerning the accounting principles which must be adopted in the preparation of companies and establishments financial data, and
- Ministerial Resolution No.(11) of the year 1989 concerning the renewal and the re-formation of the permanent technical committee for the development of the accounting rules, and
- Based on the presentation of the Undersecretary of Ministry of Commerce & Industry.

Has Resolved ,

Article (1)

Companies and establishments of all legal constitutions are required to prepare their financial data in accordance with the International Accounting Standards issued by the International Committee of Accounting Standards.

The implementation of those standards shall be within limits that do not exceed or contradict the Local regulations and legislations, except where cancelled by a legal text.

Article (2)

The Ministry, upon a recommendation from the permanent technical committee for development of accounting standards, may determine the International Accounting standards which the Ministry deems unnecessary to adopt, and may as well determine accounting standards to be adopted although they do not have corresponding ones in the International Accounting standards.

Article(3)

This resolution supersedes the rules of Ministerial Resolutions No.(4) of the year 1987 concerning the accounting rules to be observed in preparing the financial data of companies and establishments.

Article (4)

This resolution shall be applied to the financial data for the period commencing from January 1, 1991 or thereafter

Minister of Commerce & Industry

Ramadhan 22, 1410 H
April 17, 1990

GOVERNOR

*Ramadhan 5, 1424H
November 10, 2003*

**Instructions No. (2/IBS/122/2003)
To All Islamic Banks**

THE CHAIRMAN,

Disclosure of Transactions with Related Parties

Within the Central Bank of Kuwait's endeavour to have the data contained in the financial statements of the local banks more transparent, particularly those data related to disclosure of the transactions with the related parties, your bank is required to follow the below stated method in reporting transactions with related parties in the published financial statements as well as in the closing accounts:

Description	No. of Board or Executive Management Members	No. of Related Parties	Value
Board Members	X	X	X
1) Liabilities towards the bank:	X	X	X
- Finance Transactions	X	X	X
- Commitments & Contingent Liabilities	X	X	X
- Credit Cards	X	X	X
2) Deposits with the bank	X	X	X
Executive Management	X	X	X
1) Liabilities towards the bank:	X	X	X
- Finance Transactions	X	X	X
- Commitments & Contingent Liabilities	X	X	X
- Credit Cards	X	X	X
2) Deposits with the bank	X	X	X

In addition to the aforesaid, the concept of the related parties must be explained to the board and executive management members, as per the requirements of the International Accounting Standards concerning the disclosure of the related parties transactions.

We would also like to confirm in this regard the importance of adherence to rules of the Central Bank of Kuwait instructions issued regarding the finance transactions granted to the board members, whereby your bank's board of directors must inform your bank's shareholders General Assembly, through the annual report containing the closing accounts, of the balances of the finance transactions extended to its members as at end of the year, detailing the number of customers, the size of the cash and non-cash finance and the existing collaterals.

With my best wishes,

SALEM ABDUL AZIZ AL SABAHI