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0401

EBD/91/91
Supplement 1

March 26, 1991

To: Members of the Executive Board

From: The Secretary

Subject: Kuwait - Regulations and Procedures for Exchanging New
Currency Notes for Notes to be Withdrawn from Circulation;
and Measures to be Observed by Kuwaiti Banks upon Resuming
Their Activities in Kuwait

The Secretary has received the following memorandum dated
March 25, 1991 from Mr. Finaish:

Please find attached copies of communications regarding
the above matters, which I have received from the the
Governor of the Central Bank of Kuwait. I would appreciate
it if the said communications are circulated to the members
of the Executive Board.

Attachments

The staff is preparing a note on the subject for the information
of the Executive Directors.

Mr. Scott (ext. 7607) or Mr. El-Erian (ext. 7357) is available to
answer technical or factual questions relating to this paper.

Other Distribution:
Department Heads

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



CENTRAL BANK OF KUWAIT

ATTACHMENT I

GOVERNOR



Date
Ref

21/3/1991.

2 / 4 / 1991

DR. Mohamed Finaish
Executive Director

International Monetary Fund
Washington D.C. 20431
USA

Dear Sir,

Due to the conditions resulting from the Iraqi invasion on the STATE OF KUWAIT, it has been resolved to withdraw the Kuwaiti Currency Notes issued and placed into circulation up to August 1, 1990 against payment of their face value, and to offer New Currency Notes into circulation.

The Exchange of the New Currency Notes for the Notes withdrawn from circulation shall be conducted at the Central Bank of Kuwait and the Banks operating in Kuwait. The Currency Exchange Program shall be implemented in accordance with the controls and procedures set out by the Central Bank of Kuwait; which are basically as follows :

FIRST : No exchange operation shall be concluded in respect of the Currency Notes for which the Amiri Decree No. 2/A of 1990 has been promulgated and that have been specified by the two Resolutions issued in this concern by the Minister of Finance (Cancelled Currency Notes); the details of which are as follows :

- 1 - Denomination of Twenty Dinars :
from No. $\frac{CW}{9}$ up to No. $\frac{CW}{13}$; من رقم $\frac{ج و}{9}$ وحتى رقم $\frac{ج و}{13}$
- 2 - Denomination of Ten Dinars :
from No. $\frac{CH}{70}$ up to No. $\frac{CH}{87}$; من رقم $\frac{ج هـ}{70}$ وحتى رقم $\frac{ج هـ}{87}$
- 3 - Denomination of Five Dinars :
from No. $\frac{CD}{18}$ up to No. $\frac{CD}{20}$; من رقم $\frac{ج د}{18}$ وحتى رقم $\frac{ج د}{20}$
- 4 - Denomination of One Dinar :
from No. $\frac{CC}{47}$ up to No. $\frac{CC}{53}$; من رقم $\frac{ج ج}{47}$ وحتى رقم $\frac{ج ج}{53}$
- 5 - Denomination of Half Dinar :
from No. $\frac{CB}{30}$ up to No. $\frac{CB}{37}$; من رقم $\frac{ج ب}{30}$ وحتى رقم $\frac{ج ب}{37}$
- 6 - Denomination of Quarter Dinar :
from No. $\frac{CA}{54}$ up to No. $\frac{CA}{68}$; من رقم $\frac{ج أ}{54}$ وحتى رقم $\frac{ج أ}{68}$

Second: The Exchange Period starts as effective from 24/3/1991 up to 30/9/1991. But, upon the expiry of the first FORTY FIVE days of this specified period (i.e. on 7/5/1991), the Currency Notes withdrawn from circulation shall cease to be legal tender for the State of Kuwait and dealing with them shall be forbidden.

Meanwhile, holders of these Currency Notes shall have the right to have them exchanged at the cash windows of the Central Bank of Kuwait, to be founded at the Banks operating in Kuwait, during the period from 8/5/1991 up to 30/9/1991. No exchange operation shall, under any conditions, be concluded upon the expiry of this period.

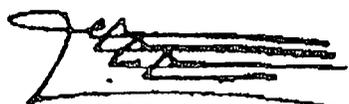


THIRD : Holders of such Notes outside the State of Kuwait can present their holdings of Kuwaiti Currency Notes withdrawn from circulation to any of the Banks operating in Kuwait - whether through their branches operating outside Kuwait or through their correspondents - within the period as effective from 24/3/1991 up to 30/9/1991.

Fourth: Banks operating in Kuwait shall receive the Currency Notes withdrawn from circulation presented to them from abroad. These Notes shall be exchanged at face value. The relevant amounts of the Notes shall be deposited in the accounts of the concerned foreign banks with the Kuwaiti Banks.

Finally, we would like to have these measures circulated through your offices to the concerned parties in the different countries of the world.

With my best sincere regards,


SALEM ABDULAZIZ AL-SABAT

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



CENTRAL BANK OF KUWAIT

GOVERNOR



Date

21/3/1991.

Ref

2 / 50
1991

Dr. Mohamed Finaish
Executive Director,

International Monetary Fund,
Washington D.C. 20431,
USA.

Dear Sir,

We would like to advise you that the Central Bank of Kuwait has set out some measures to be observed by the Kuwaiti Banks on the occasion of resuming their activities in Kuwait as effective from 24/3/1991.

These measures basically include the following :

1 - Announcement of KD Exchange Rate as effective from 24/3/1991. The new rate is KD 0.2875 against the US Dollar; which is very close to the average exchange rate announced on 1/8/1990.

2 - The Central Bank of Kuwait has provided the Banks operating in Kuwait with instructions to be observed regarding the imposition of some controls - of temporary nature - on transfers abroad.

According to these controls, it has been allowed to transfer abroad each month amounts in foreign currencies equivalent to KD 4000 (Kuwaiti Dinar Four Thousand).

Meanwhile, requirements that request transfer of foreign exchange beyond this imposed limit have been taken into consideration; such as : the financing of imports, interest and debt payments.

Additionally, foreign-owned companies investing in Kuwait shall be authorized to freely transfer abroad their profits, due interests, and other related amounts.

However, it is expected that these temporary controls will be adopted only for a limited period, not more than three months.

With my best sincere regards,



SALEM ABDULAZIZ AL-SABAH

