

**LAPSE OF
TIME**

SM/20/62
Correction 1

March 20, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Kuwait—Staff Report for the 2020 Article IV Consultation**

Board Action:

The attached correction to SM/20/62 (3/10/20) has been provided by the staff:

**Factual Errors Not
Affecting the
Presentation of Staff's
Analysis or Views**

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Questions:

Mr. Sadikov, MCD (ext. 37984)
Ms. Guscina, MCD (ext. 34836)

gathering credit information on businesses and to enhance data collection on retail borrowers. As a nationwide rating system is established and banks are better able to price risk, the CBK could gradually relax the interest rate cap on consumer loans as well. Though seeing some merit in relaxing the caps on loans to SMEs, the authorities expressed reservations over potential implications for financial stability and consumer protection. Staff noted that the CBK has a wide menu of prudential tools to arrest potential risks to financial stability, while its commendable efforts in consumer protection, including by enhancing financial literacy, mitigate risk to individual borrowers.

35. Staff welcomed progress in upgrading capital market infrastructure. Further actions could focus on deepening the local currency bond market, diversifying the investor base, and enhancing secondary market liquidity.

36. The authorities are preparing for an AML/CFT mutual evaluation in 2022. New AML/CFT regulations have been issued to banks in May 2019, and the updated regulations to exchange companies are expected to be published soon. To strengthen national coordination, the Financial Intelligence Unit intends to sign a memorandum of understanding with the ACA. The authorities indicated that Kuwaiti banks have not experienced any withdrawals of correspondent banking relationships (CBRs). Further strengthening the AML/CFT framework, including risk-based supervision and the mechanism for the freezing of assets related to proliferation financing, would help ensure that risks to CBRs remain contained.

Statistics

37. Staff welcomed efforts to enhance statistics. The Central Statistical Bureau is conducting a household consumption and expenditure survey and laying the groundwork for the 2020 establishment census, which will help update the base year of the national accounts. With IMF assistance, the authorities are building a National Summary Data Page for the e-GDDS.