

Account Registration Guide

September 2021

Table of Contents

1. Background.....	3
2. Account Registration Improvements.....	4
3. Current Steps for Account Registration.....	6
4. Appendix A.....	7
5. Appendix B.....	8

Background

Kuwait has implemented major reforms recently aiming at easing market access for foreign investors and enhancing market infrastructure. These reforms were validated by recognitions from the three main global index providers FTSE Russell, S&P Dow Jones and MSCI. One major area where improvements were noticed is foreign accounts registration which has substantially transformed over the past few years. CMA simplified the account opening process by decreasing the amount of documentation required to be submitted to the Kuwait Clearing Company (KCC) as well as speeding up the account opening process in which the registration time to open an account has been considerably reduced. Another enhancement is the introduction of a new mechanism, which went live on a permanent basis on August 15, 2021, allowing custodians to submit documentation to KCC electronically, however, custodians are required to obtain physical documentation from their clients for verification and corporate action purposes. These developments increased efficiency which led to a significant number of account openings recently that coincided with the implementation of market reclassifications from the three global index providers.

One particular change that eased the account opening process was the issuance of “Resolution No. (135) of 2018 Regarding Amending Some Provisions of Module One (Glossary) and Module Sixteen (Anti-Money Laundering and Combating Financing of Terrorism) of the Executive Bylaws of Law No. (7) of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and their Amendments”.

The resolution mentioned above was issued as a result of the amendments made to facilitate the opening of trading accounts for foreign investors; some of which were:

- Adding a definition of the term Global Custodian, which is licensed by regulators in foreign countries that apply FATF recommendations.
- Organizing the process of verifying the identity of the client dealing with a foreign entity or an international custodian through the existence of specific requirements that must be provided by the parties dealing with a licensed person in Kuwait, in order to exempt the licensed person from certain requirements related to the verification of the customer's identity.
- Regulating the process of authorization by a third party to perform due diligence procedures towards the client.
- Adding a requirement for the Local Custodian to obtain an undertaking in writing from the Global Custodian that:
 - The Global Custodian complies with FATF recommendations, and
 - The Global Custodian will provide KYC/CDD related documentation/information relating to their underlying investor clients on request from the Local Custodian.

To ensure that the changes to the foreign account registration process meets investors’ requirements, the CMA has been continuously consulting with relevant stakeholders such as: assets managers, global custodians, asset owners, investment banks and index providers. Due to the dynamic nature of capital markets, the CMA is constantly seeking to improve the process further to reflect the international best practice.

Account Registration Improvements

As mentioned in the previous section, the accounts opening process for foreign investors became less cumbersome as the documentation requirements were reduced in 2018. In addition, the KCC formed a dedicated unit to oversee this process, making it much faster to vet the application to open an account. Furthermore, the biggest change came with the MSCI classification in 2020 by having an agreement between KCC and the custodians. This agreement makes the custodian an authorized entity when it comes to applying for new accounts and significantly reduced the number of documents required to support an account opening request.

This led to a massive increase in the number of foreign accounts in the market (please see figure 1). The table below shows a summary of how the process changed over the last four years along with the related updates:

	Pre 2017	2018 (FTSE)	2019 (S&P)	2020 (MSCI)	Current day
Account Duration	- Minimum of 5 business days, which can take up to 2 weeks	- 3-5 business days	- 3 business days	- 1-2 business days - (after agreement executed between the KCC and Custodians from April 2020 onwards)	- 1-2 business days
Supported Documents For KCC	<ul style="list-style-type: none"> - Cover letter with KYC forms - A completed account application - At least 1 of 7 articles/declaration/bylaws* - At least 1 of 13 client ID types** - POA if available - Prospectus of client - (Depending on the investor's type, documents can go up to 20 different documents) 	<ul style="list-style-type: none"> - Cover letter with KYC forms - A completed account application - At least 1 of 7 articles/declaration/bylaws* - At least 1 of 13 client ID types** - POA if available - Prospectus of client - (Depending on the investor's type documents can go up to 20 different documents) 	<ul style="list-style-type: none"> - Cover letter with KYC forms - A completed account application - At least 1 of 7 articles/declaration/bylaws* - At least 1 of 13 client ID types** - POA if available - Prospectus of client - (Depending on the investor's type, documents can go up to 20 different documents) 	<ul style="list-style-type: none"> - No document is needed, just the KCC Account Opening Form*** 	<ul style="list-style-type: none"> - No document is needed, just the KCC Account Opening Form***

*Please see appendix (a)

**Please see appendix (b)

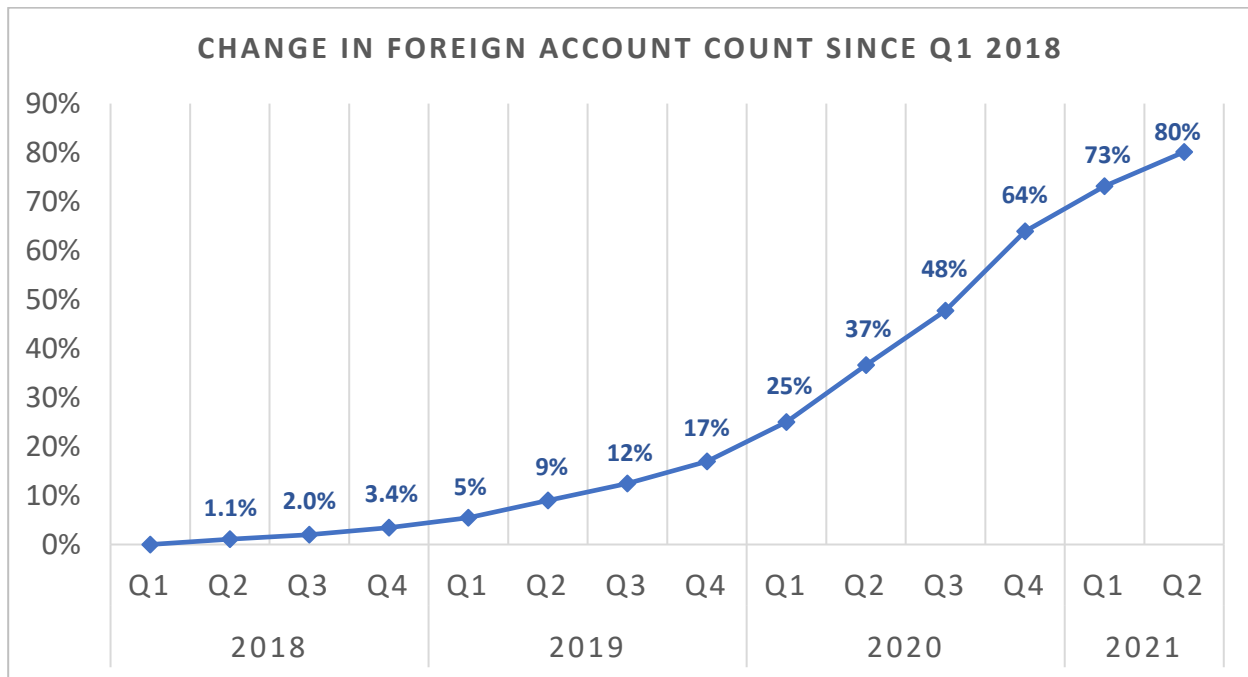
***The documents mentioned in the chart are required by KCC. Please see below for custodian's requirements.

The following documents are required by the Local Custodian to comply with local regulatory and market requirements:

- A Power of Attorney (POA) from the investor to the Global Custodian and from the Global Custodian to the Local Custodian.
- The Certificate of Incorporation (or equivalent identification document) of the investor entity (which is required in the market for voluntary corporate events).
- An undertaking in writing from the Global Custodian confirming that they comply with FATF recommendations and will provide KYC/CDD related documentation/information relating to their underlying investor clients on request from the Local Custodian.
- An authenticated instruction from the Global Custodian to open the account.

There are documentation legalization requirements imposed by the KCC in relation to the KCC Account Opening Form.

(figure 1)

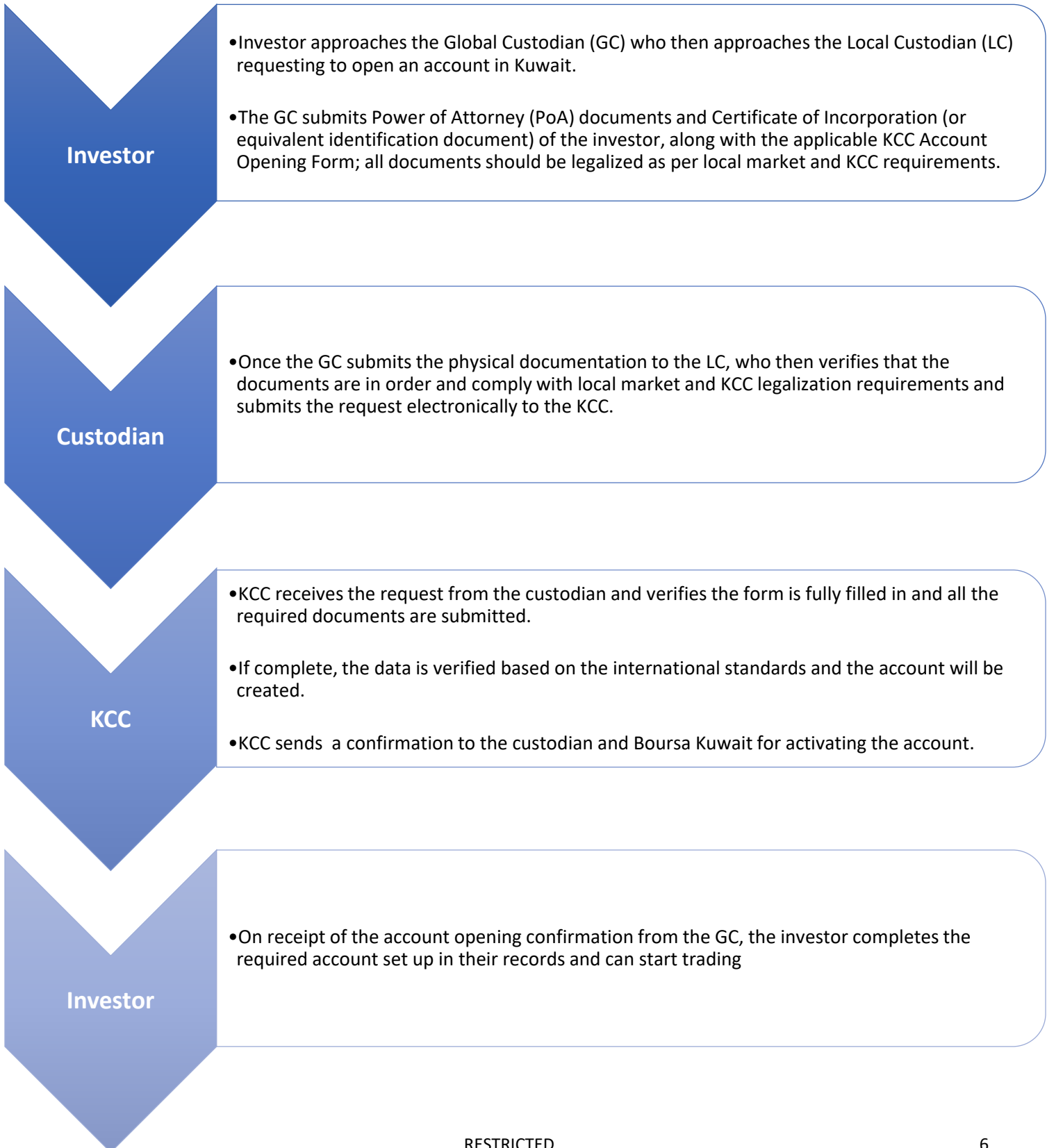


The number of foreign accounts in the Kuwaiti market increased to 80% from the beginning of 2018 to mid 2021, with 2020 highlighting the biggest jumps in the numbers of foreign accounts.

Current Steps for Account Registration

KCC's Account Opening Forms can be found on the website provided below:

<https://www.maqasa.com/en/ourservices/trading-forms/>



Appendix A

- Articles of Incorporation
- Articles of Association
- Memorandum of Association
- Bylaws/Trust Deed
- Declaration of Trust/Trust Agreement
- Ownership Structure/Control Structure
- Private Placement Memorandum

Appendix B

- A valid commercial license
- A valid commercial register certificate
- Certificate of Incorporation
- Certificate of Existence
- Certificate of Good Standing
- Extract from a commercial registrar
- Certificate of Trust
- Certificate of Residence (tax doc)
- SEC Edgar (for US Mutual Funds)
- SEDAR (for Canadian Mutual Funds)
- Companies House Extract (UK)
- CRO (Ireland's Company registration office)
- Chamber of Commerce certificate Excerpt



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