

Resolution No. (8) of 2011
Regarding
Issuing Regulations of Auditors Registration in the Concerned
Register with
the Capital Markets Authority

Having Perused:

- Law of the Establishment of the Capital Markets Authority & Regulating Securities Activities No. (7) of 2010; and
- Article (41) of the Executive Bylaws of Law No. (7) of 2010 issued by CMA Board of Commissioners No. 2-4 of 2011 dated 3/3/2011; and
- Based on the approval of the Board of Commissioners passed in its meeting held on Wednesday 18/5/2011; and
- Based on the approval of the Board of Commissioners passed in its meeting held on Wednesday 9/6/2011.

The Following Was Resolved

First Article: Issuance of the auditors' registration regulations in the concerned register with the CMA shall be according to the following:

Article (1)

Auditors willing to register with the Capital Markets Authority in the register of auditors of the companies which are regulated by the CMA shall have to fulfill the requirements and conditions stated in the following Articles:

Article (2)

Without prejudice to the provisions of Law No. (5) of 1981 concerning practicing the profession of accountancy and review, any auditor licensed by the Ministry of Commerce and Industry to practice auditing and review may proceed to the CMA requesting his registration as an auditor for companies under the control of the CMA, provided that he/she fulfills the following conditions:

- 1- To be registered in the auditors' register, class (A), in the Ministry of Commerce and Industry.
- 2- The practical expertise of the auditor in Kuwait should not be less than 10 years in the field of accountancy, review and auditing of shareholding companies.
- 3- To acquire the professional and technical efficiency, and the good reputation in the field of auditing, and not to have been deprived from practicing the profession or convicted with any penalties or punishments due to mistakes in practicing the profession, or any other legal violations by any supervisory or judicial authority.

Article (3)

The review and auditing firms that apply to CMA shall fulfill the following terms and conditions:

- 1- The number of employees working for the firm shall not be less than five, one of whom at least is a professional partner fulfilling the conditions of the previous Article. Such employees are conditioned to:
 - a. Be dedicated for working with the auditing firm.

- b. The percentage of Kuwaiti employees working in the auditing team shall be not less than 25% within one year as of the date of issuing these regulations, provided that this percentage shall increase annually with an annual percentage of not less than 10% within the following years, until it reaches a percentage of not less than 50%.
- c. Members of the auditing team of the firm shall be holders of international professional qualifying certificates, provided that there shall be a clear plan for training and professional development for the staff.
- d. The legal accounting certificate of the non-Kuwaiti employee or the equivalent professional qualification shall qualify him/her to practice the duties of an external auditor in the state in which he obtained the qualification.
- e. The qualifications of the assistant manager or his equivalent in duties shall not be less than 8 years of experience after obtaining the CPA professional qualification or the equivalent.
- f. The percentage of professional employees with experience of not less than ten years in the field of auditing after obtaining the CPA professional qualification or the equivalent shall not be less than 60% of the total number of the auditing team.
- g. The office shall be keen on ongoing training of its staff, with not less than the minimum required limit to in order to maintain the validity of the CPA professional qualification or the equivalent.

2- Then number of clients for professional employees (including the partners) shall not in all times exceed:

- a. Ten clients only for each professional employee of experience not less than ten years after obtaining the auditing qualification.
- b. Seven clients only for each professional employee of experience not less than five years after obtaining the auditing qualification.

For the purposes of applying this Article, clients shall mean the companies subject to the control of the CMA or any other corporation or company whose revenue or net equity exceed K.D. one million.

Article (4)

The auditor shall have a professional code of conduct pursuant to the latest international practices signed by every employee in the company and shall abide by the same.

Article (5)

The auditing and review office that applies for registration with the CMA shall submit a written application including the following details:

- 1- His basic details including the name of the office, the date of incorporation and license, his main domicile and contact details.
- 2- Certificate of the commercial register and its legal attachments (the official papers issued by the Commercial Register Secretariat at the Ministry of Commerce and Industry).

- 3- A valid license from the Ministry of Commerce and Industry for practicing the profession of accountancy and review in the State of Kuwait.
- 4- List of the signatory authorized persons and samples of their signatures.
- 5- List of the partners and professional employees working for him, their nationalities, academic and professional qualifications and practical experience.
- 6- The number of clients it is auditing their accounts at the time of submitting the application, with a statement for each of them.
- 7- The firm's organizational structure.
- 8- A brief statement of the internal regulations and policies of the office, and the technical systems used.
- 9- Submitting a written statement in which he undertakes to:
 - a. Reviewing Law No. (7) of 2010 and its Executive Bylaw.
 - b. Abiding by all the laws, regulations, and instructions organizing companies under the supervision of the CMA and the auditing profession in the State of Kuwait.
 - c. Abiding by providing all the information and details required by the CMA.
 - d. Abiding by informing the CMA upon losing any of the requirements or conditions stated in the above Articles.
 - e. Abiding by not accepting any other tasks that include a conflict of interests.
 - f. Abiding by not accepting any tasks that affect the honor of the profession.
 - g. Paying the applicable fees to the CMA.

The Board of Commissioners of the Capital Markets Authority shall issue a resolution concerning the registration application, within one month as of the date of submitting the application by the auditor, as complete and fulfilling all the above mentioned requirements. In case of refusal, the resolution shall be reasoned.

Article (6)

The auditor of companies subject to the control of the CMA shall take the following into consideration:

- 1- When the auditing office has a license to work in the field of providing consultancy, it shall separate completely between the teams working in auditing and those working in providing consultancy.
- 2- Not to provide additional services to the company, except for those required by the auditing profession, and is completely banned to provide services that affect his independence and neutrality like consultancy services or the internal auditing services during practicing the works of external auditing.
- 3- To review the details of his work plan, and the results of the auditing process with the internal auditing committee in the company, which guarantees giving him the full right to view all the documents necessary for performing the tasks of auditing.
- 4- To discuss his opinions with the auditing committee prior to submitting the annual accounts to the Board of Directors to take decision in their concern.

- 5- To be appointed for one fiscal year, and shall not be appointed for more than four successive fiscal years. It shall only be reappointed after the elapse of at least two successive years.
- 6- To inform the Board of Directors of the company and the shareholders with any important issues like:
 - a. The suitability and effectiveness of the internal auditing regulations of the company.
 - b. The ability of the company to continue practicing its businesses.
 - c. The company's compliance with laying out rules and internal regulations, their suitability to the company's status, and their application.
- 7- To inform the Board of Directors of the company of any violations discovered or any suspected non-conformity with the applied laws and regulations, or with the Articles of Association of the company. In case of any important violations, the auditor shall also inform the CMA and the Ordinary Annual General Assembly of the company.

Article (7)

The CMA is entitled to review the work of the auditor registered with it to inspect the aspects related to auditing the accounts of the companies under the control of the CMA pursuant to the international standards of financial reports and the requirements of disclosure issued by the CMA, and that the auditor has relied on reasonable basis in issuing his report pursuant to the international standards of financial reports, and the policies and procedures of quality control pursuant to such standard.

Article (8)

The auditing firm registered with the CMA abides by submitting an annual report in June every year, including the human resources available to it along the year, the activity of auditing, consultancy, and other services it introduced to companies, and the training activity along the year, in addition to risk report and quality control.

Article (9)

The Chairman of the CMA may, pursuant to a reasoned resolution, suspend the auditing office registered with the CMA for a certain period of time, from auditing the accounts of the companies subject to the control of the CMA.

The auditor shall continue to perform his tasks until the meeting of the Annual General Assembly even if he was removed from the register of auditors with the CMA after his appointment.

The firm that whose activity with the CMA has been suspended may submit an application to the CMA requesting to resume this activity, pursuant to the conditions set by the CMA.

Article (10)

The Chairman of the CMA may, pursuant to a reasoned resolution, remove the auditing office registered with the CMA if it violated the provisions of Articles (2) and (3), or if his registration was removed or canceled from the register of accounting auditors with the Ministry of Commerce and Industry, or if a final verdict was issued against him in a moral or trust crime.

Article (11)

Without prejudice to the penalties and punishments provided for in any other legislation, the Chairman of the CMA may refer to the Disciplinary Board any violation by the auditor, the office, or one of its employees to these regulations or any other rules or regulations issued by the CMA.

Second Article: After the settlement period provided for in Law No. (7) of 2010 or the current fiscal year, whichever is farther, no person licensed by the CMA is permitted to appoint an auditor from the ones who are not registered with the CMA.

Third Article: Submitting applications for registering in the auditors' registration shall start from the 2nd October 2011.

Fourth Article: All of sectors' heads and departments' directors shall execute this Resolution, it shall come into force from the date of its issuance.

Saleh Mubarak Al-Falah

Chairman, CMA Board of Commissioners

Issued on 13/6/2011