Money Markets

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Abstract

The money markets are the market for financial assets that have original maturities of one year or less. Financial assets traded in this market include such instruments as U.S. Treasury bills, commercial paper, bankers' acceptances, federal agency discount paper, most certificates of deposit, repurchase agreements, floating agreements, and federal funds. The scope of the money market has expanded in recent years to include securitized products such mortgage-backed and asset-backed securities with short average lives. These securities, along with the derivative contracts associated with them, are the subject of this paper.

Introduction

The idea for money, markets, and trade in early Southeast Asia took shape over the summer of 1985. Two books had just appeared, K.N. Chaudhuri's*[1] *trade and civilization in the India Ocean and Kenneth R. Hair's*[2] *maritime Trade and state development in early Southeast Asia. These books dealt with the flow of maritime traffic between east and west focusing on the products of that trade and the routes over which they travelled. Almost no attention was paid to the mechanics of exchange and whether or not it was possible to document institutional movement toward monetization as a consequence of involvement in that trade.

Kenneth Hall, for instance, was puzzled by references to the use of gold and tin as media of exchange in north Sumatra during the fourteenth and fifteenth centuries." Does reference to the exchange of metals at Samudra-Pasai indicate that its inhabitants conducted their trade not in kind, as is widely believed to have been the norm in pre-European Southeast Asia, but in some instances utilized precious metals as a medium of exchange?" And K.N. Chaudhunri, contrasting Southeast Asia's monetary experience with that of South Asia noted, " the failure of South East Asian countries to develop strong national currencies based on gold and silver appears inexplicable."

Another for this study was a conviction that the economic life exemplified by Melaka and its successors was qualitatively different from Southeast Asia's economic experience of previous centuries*[3]*. All too often, however, knowledge gained from a study of the region during the better-documented fifteenth through seventeenth centuries is projected (intentionally or not) onto earlier times, thereby, obscuring both their tenor and uniqueness. As a consequence of this conviction, it was decided to limit the present study to the period before the founding of Melaka in about AD 1400 and to consider only those sources written or compiled prior to that time. Further, I have intentionally neglected ethnographic analogy in the historical discussions, not because the approach is unfruitful (witness the contributions of Miksic and Christie)*[4]*, but simply because its utility is limited to generalized observations and cannot be applied to historically specific circumstances, particularly in matters related to monetary concepts and usage.

What is money

Money is a human invention. It is a social technology, one of the oldest we have. In the words of the academic Geoffrey Ingham*[5] *it was the basis, along with numeracy and writing, for the world's first large-scale complex societies in the ancient Near East the third

millennium be. It owes its existence to people and to the dynamic of social organization. Exchange and circulation. Without these elements, money is nothing.

Money allows for the movement of obligations, possessions, goods, services, promises, debts and legacies between people. Wrote the historian Christine Desan[6], " one that communities design for that end and individuals appropriate for their own purposes". for this happen, things of value must be expressed in monetary terms and have the ability to be converted into money. This process isn't always equal. Not always democratic, and if unchecked, social wealth once monetized will congeal around a very small but powerful section of society. The money system contains within it the actions of many. When we start to look at the money system *as a system,* ***it becomes clear that " there is more to the history of money than just buying and selling".***

Money cannot be comprehended in isolation, as a thing in itself. To see the form that money takes – be it notes, coins, or bank account – and not the societal dynamics that form, is to miss entirely the purpose, structure and power of money and the money system. It is dependent on law, as well as public and private institutions such as central banks, government departments, commercial banks and financial markets. It cannot transcend its social and legal setting and remain as money. The modern Irish pound was in effect from 1927 to 2002. Its main value today is to collectors on eBay.

Money isn't neutral. It has powerful distributional effects. It operates with each other through the realms of value, law and time. It is abstract and powerful, and actively shapes the world it inhabits. We can lend it, work for it, win it, steal it, borrow it or receive it through various supports, but in order to maintain ourselves we need to get our hands on it. We need money to survive, and for most people that is compulsion enough.

Money is social and political. It only comes alive through a dynamic between people, institutions, law and the state. We see it as a thing (notes and coins) but we experience it as an activity (buying, selling, working, renting, saving, lending and investing). A man on a desert who sits on a pile of gold coins is waiting for a ship to arrive, so he can put them to use. The coins on the island will not make corn cultivate itself, or through their mere presence turn metal into a spear. Money viewed as separate from society is the same as words separate from grammar, if we want to understand it; we also need to study its "grammar", that is, the underlying structure that gives money its expressive and interpretative logic.

Societies change, and the structural dynamic and focus of money changes with them. The world we live in today is a capitalist world. We may still use essentially the same type of money forms as ancient and feudal societies – coins, credit notes, paper currency – but that doesn't mean we use them in the same way, or for entirely the same purposes. The logic of money doesn't come from money itself, it is a societal logic and that changes over time.

The farmer and the cobbler – I have something you want at this moment, but you don't have something I want at this moment – was solved by ancient societies through a simple mechanism: credit, the separation of the act of final payment from the act of exchange allowed the exchange to take place immediately. There was no need for a scramble for equivalents, only an acknowledgement that the payment was now a debt, and that debt would be settled at a later date.

The settlement of debts wasn't confined to market transactions. Money in so – called primitive societies wasn't used simply to facilitate market transactions. It was also used to " arrange marriages, establish the paternity of children, head off feuds, seek forgiveness in the case of crimes, negotiate treaties

Money, therefore, is a societal need. It is also used for market exchange for sure, but it is in essence a technology that allows people to smooth their relationships with each other in

complex societal structures, be they ancient settlement of Mesopotamia, rural settlements of early Christian Ireland or present-day globalized cities such as Tokyo, London, or New York. The unit of account and means of payment are codified through specific laws and accountancy structures that very from society to society, but the concepts and their application are universal and human.

The political project of the physical currency of coin was to centralized al the key aspects of the monetary system – unit of account, means of payment, store of value and medium of exchange – into one exclusive physical expression under the control of a state power. The advantage to those in power was clear. For example, Rome paid its soldiers in coins, it also demanded taxes from its regions to be paid in that coin. The regions, in order to get the coins to pay their taxes, had to accept Roman coin from soldiers as payment for goods. Rome may have been getting back, the same pieces of stamped metal it sent out, but in the process, it was getting its armies fed and supplied by the local population. All for the cost of manufacture and distribution of coin. It took hundreds of years to finally bed down coin as the consolidated expression of the monetary system, that is, the one item that could be used for all four actions:

1 – measurement

2 – settlement

3 – storage and

4 – exchange.

It also took a lot of killing. Coin as money – as the one, true, embodiment of monetary system as a whole – was a bloody, forced act of political and state agency.

Exhibit 1.1 New - Issue CMO Bond - Ginnie Mae REMIC 1999-25, Class PC: Purchase and						
			8/1			
	7/27	*7/30*		*8/6*	*8/16*	
	Trade Date					
Customer buys $2mm of			*Ginnie Mae releases Aug-*			
class PC from SSB			*ust pool factors. Updated*			
			bond factor for Class PC = 1.			
		CMO closing date				
		(also settlement date		*July cash flows paid to investors*		
Source: Salomon Smith Barney.						

Backed by Ginnie Mae 7% and 7.5% pass – through. The CMO closing date (i.e., the day on which the CMO settles) is July 30, 1999. Among the bonds in this deal is Class PC, a four – year planned amortization class (PAC) bond with a coupon of 7% (6). On July 27, 1999, a customer agrees to buy $2 million face value of Class PC at a price of 101-00. Exhibit 3.6 shows a timeline of the trade.

Settlement Date

Newly issued CMOs normally settle when the deal settles (issue dare). (In secondary trading of CMO classes, the settlement is T + 3, or three business days after the trade date.)

the accrual date for agency CMOs – the date from which interest starts to accrual on the bonds – is, as with agency pass-through, the first of each month, or July 1, 1999, in this case.

Settlement Calculations

Because this is a new issue, the current bond factor is 1.0, so the current face is equal to the original face of $2 million. Since the accrual date is July 1, 1999, the accrual interest is:

$$\textit{Accrued interest} = \textit{Current face} \times \textbf{coupon rate} \times \frac{(\textit{Day of month}-1}{360}$$

$$= \$2{,}000{,}000 \times 7\% \times \frac{(30-1)}{360}$$

$$= \$11{,}277.78$$

Hence, the total amount due from the investor is

$$\textit{Total amount due} = \textit{Current face} \times \frac{\textit{Price}}{100} + \textit{Accrued interest}$$

$$= \$2{,}000{,}000 \times \frac{101}{100} + \$11{,}277.78$$

$$= \$2{,}031{,}277.78$$

Calculation of July Cash flow for Class PC

Payment dates for agency CMOs usually correspond to the payment dates for the underlying pass-through. For Cinnie Maes , the payment date is the 15th of the month. However, because August 15, 1999, is a Sunday, the investor receives the July principal and interest on Monday, August 16, 1999. The interest paid is:

$$\textit{Interest payment} = \textit{Face amount (as of July 1, 1999)} \times \frac{\textit{Coupon rate}}{12}$$

$$= \$2{,}000{,}000 \times \frac{7\%}{12}$$

$$= \$11{,}666.67$$

Because the updated bond factor for Class PC is one, it receives no principal (principal payment on the collateral are directed to other bonds in the deal, as specified in the prospectus).

A secondary market ABS trade

On February 22, 1999, Salomon Smith Barney priced Citibank Credit Card 1999-2, a $798 million ABS deal backed by Citibank Credit Card receivables. Senior Class A is a triple A rated bond with a fixed coupon of 5,875% (Exhibit 3,7 provides some details about this bond). Even though the cash flows from the assets (credit card payments) are monthly, this bond is structured as a traditional semiannual pay bullet security.

Trade Date

On Tuesday, July 27, 1999, a customer buys $2million face of Class A at a price of 102-00. Trade confirmation is normally sent out immediately.

Settlement Date

As with CMOs, secondary trades of ABS classes settle T + 3, that is, three business days after the trade date. Hence, the trade settles on Friday, July 30, 1999.

Settlement Amounts

Accrued interest is calculated from the issue date of February 25, 1999. After the first coupon period, the accrued interest would be calculated from the previous payment date (September 10 or March 10). A 30/360 basis gives 155 days from February 25, 1999, to the settlement date of July 30, 1999, so the calculation is as follows:

$$\text{Accrued interest} = \text{Current face} \times \textit{Coupon rate}\,\frac{155}{360}$$

$$= \$2{,}000{,}000 \times 5.875\% \times \frac{155}{360}$$

$$= \$50{,}590.28$$

$$\text{Total amount due} = \text{Current face} \times \frac{\textit{Price}}{100} + \text{Accrued interest}$$

$$= \$2{,}000{,}000 \times \frac{102}{100} + \$50{,}590.28$$

$$= \$2{,}090{,}590.28$$

Record Date (as specified in the prospectus)

The record date is one day before a payment date, or September 9, 1999, in our example, the owner of the security on this date receives semiannual interest.

Payment to investor

The investor receives interest on September 10, 1999, (Payment dates depend on the issuer and deal, and are specified in the prospectus). The semiannual interest payment usually would be:

$$\text{Normal interest payment} = \text{Current face} \times \frac{\textit{Coupon rate}}{2}$$

$$= \$2{,}000{,}000 \times \frac{5.875\%}{2}$$

$$= \$58{,}750.00$$

However, for the first interest payment, the accrual period begins on the issue date, February 25, 1999, so the first interest payment on September, 10, 1999, is:

$$\text{First interest payment} = \$2{,}000{,}000 \times 5.875\% \times \frac{195}{360}$$

$$= \$63{,}645.83$$

The workings of the money market are largely invisible to the average retail investor, the reason is that the money market is the province of relatively large financial institutions and corporations. Namely, large borrowers (e.g., U.S. Treasury, agencies, money center Banks) seeking short-term funding as well as large institutional investors with excess cash willing to supply funds short-term. Typically, the only contact retail investors have with the money market is through **money market mutual funds,** *known as* **unit trusts** *in the United Kingdom and Europe.*

Money market mutual funds are mutual funds that invest only in money market instruments. There are three types of money market fund:

1 – general money market funds, which invest in wide variety of short-term debt products;

2 – U.S. government short-term funds, which invest only in U.S. Treasury bills or U.S. government agencies;

3 – short-term municipal funds.

Money market mutual funds are a popular investment vehicle for retail investors seeking a safe place to park excess cash. In Europe, unit trusts are well-established investment vehicles for retail savers; a number of these invest in short-term assets and thus are termed money market unit trusts. Placing funds in a unit trust is an effective means by which smaller investors can leverage off the market power of larger investors, in the UK money market, unit trusts typically invest in deposits, with a relatively small share of funds placed in money market paper such as government bills or certificates of deposit. Investors can invest in money market funds using one-off sums or save through a regular saving plan.

The money market

The money market is a market in which the cash requirements of market participants who are long cash met along with the requirements of those that are short cash. This is identical to any financial market; the distinguishing factor of the money market is that it provides for only short-term cash requirements. The market will be always, without fail, required because the needs of long cash and short cash market participants are never completely synchronized. The participants in the market are many and varied, and large numbers of them are both borrowers and lenders at the same time. They include:

(i)- the sovereign authority, including the central government (Treasury), as well as government agencies and the central Bank or reserve Bank;

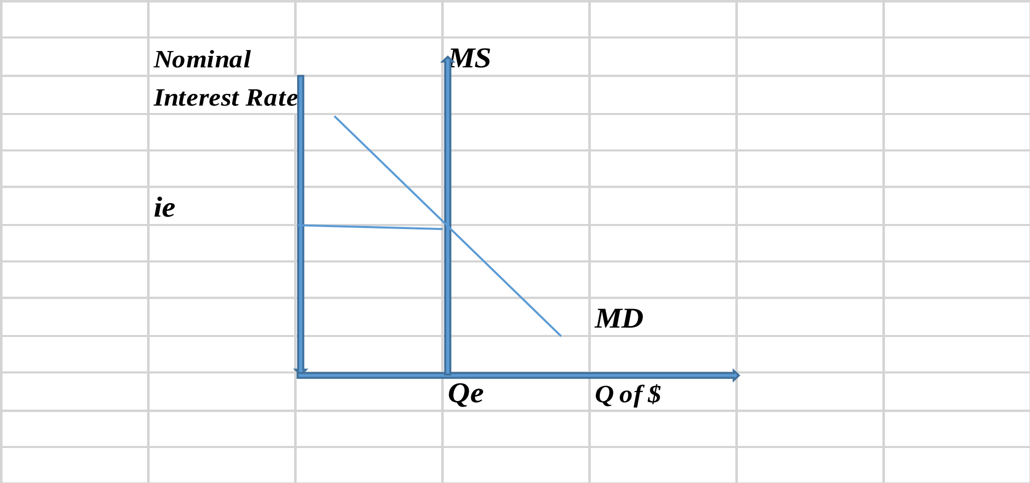
(ii)- financial institutions such as the large integrated investment Banks, commercial Banks, mortgage institutions, insurance companies, and financial companies;

(iii)- corporations of all types;

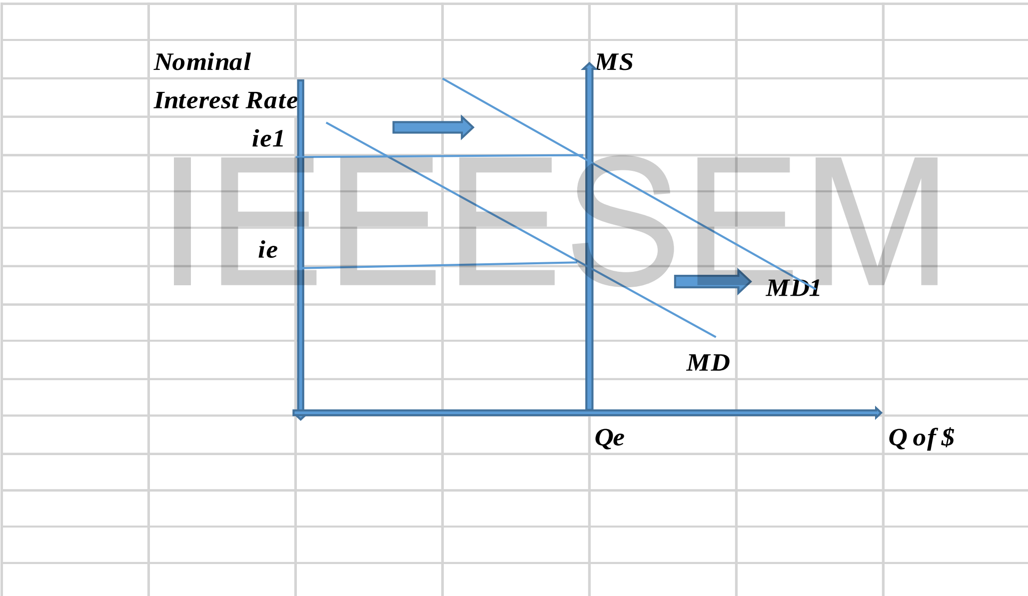
(iv)- individual private investors, such as high net-worth individuals; and

(v)- infrastructure of the marketplace, such as derivatives exchanges.

The money market is like any other competitive market with just a few differences. It has a supply curve, equilibrium price and equilibrium quantity just like a competitive market for any product. There are a few differences you need to know including center labels and unique supply and demand shifters. The first distinction for a money market is the heart labels. The Y axis is the nominal interest rate, which means it hasn't been adjusted for inflation, instead of price. The X axis is the not just quantity, rather quantity money. The demand curve in this market is downward sloping and the supply curve is perfectly inelastic (vertical).



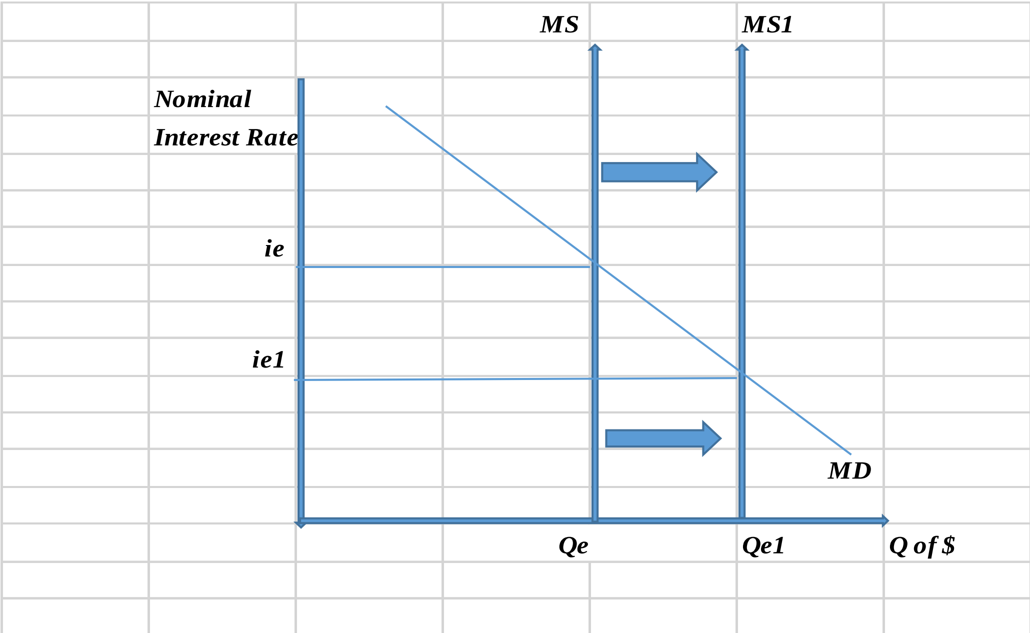
The demand curve in the money market is comprised of two things. The transaction demand of money and the asset demand for money. The transaction demand for money comes from the money necessary to facilities the transactions throughout the entire economy. It is equal to nominal GDP. As a result, changing any component of GDP $(C + Ig + G + Xn)$ *or the price level changes the transaction demand for money.*



The second component of the money market demand curve, is the asset demand for money. Money has value, and holding it is one way to store wealth. Money is the most liquid asset, but it doesn't earn interest. The opportunity cost for holding money is the interest rate that could have been earned if the money were saved in a CD, money market, savings account, etc. with higher interest rates, less money will be held (demanded) as an asset, it will be saved instead. With lower interest rates, more money will be held (demanded) as an asset. As a result of this inverse relationship between the quantity of money demanded as an asset and the nominal interest rate, the money market demand curve is downward sloping. The asset demand for money will change with anything that impacts people's desire to hold their wealth as money (like an unstable stock market). Changes in the transaction demand for money or the asset demand for money shift the demand curve for money. Increases shift to the left, and decreases shift to the right.

The money supply, isn't impacted by the interest rate so, it is perfectly inelastic. The money supply is controlled by the federal reserve. The federal reserve uses MONETARY POLICY

to change the money supply and influence the equilibrium nominal interest rate. The monetary policy tools the Fed has at its disposal are the discount rate, the reserve requirement, and open market operations.



the discount rate is the interest rate Banks are charged when they borrow from the Fed. Raising the discount rate decreases the money supply and lowering it increases the money supply. The reserve requirement is the percentage of checkable deposits (demand deposits) the bank may not loan out. Increasing the reserve requirement decreases the money supply and decreasing the reserve requirement increases the money supply. Open market operations are the buying and selling of bonds or securities by the Fed. Buying securities increases the money supply, and selling securities decreases the money supply. The actions of the fed change the nominal interest rate which change gross investment(Ig) shifting the AD curve in the AS/AD model of the economy. All of these actions of the federal reserve are also closely tied to the Balance Sheets of individual banks so, make sure your study up on those as well.

How does the nominal interest rate impact the price of bonds?

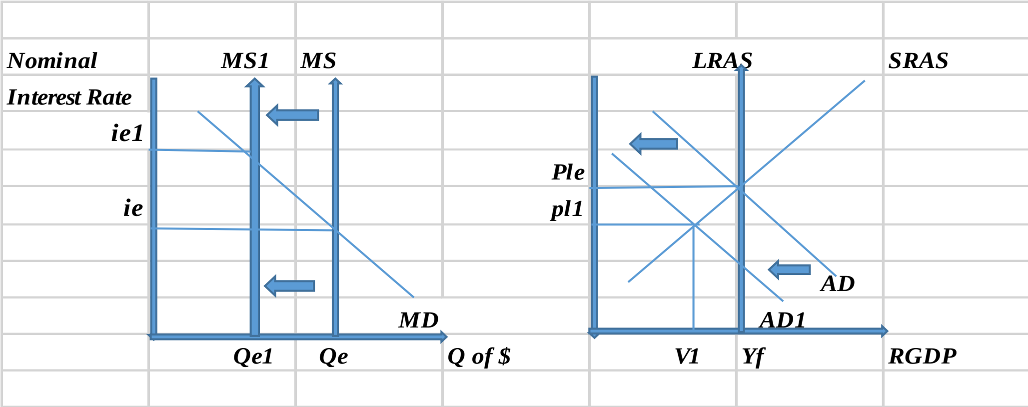
The nominal interest rate found on the money market graph as well as the real interest rate found on the Loanable Funds market graph impact the price of bonds. Interest rates and bond prices are inversely related so as interest rates rise, bond prices fall and vice versa. To understand why, take an example of a bond that originally sold for $1000 and pays $50 per year (this bond will have no expiration date for simplicity). At the time the bond was issued it paid 5% interest. If the equilibrium interest rate falls to 2.5% newly issued bonds with a price of $1000 would pay just $25 per year. As a result, the previously issued bond paying $50 per year would now be worth $2000. If the equilibrium interest rate rises to 10% newly issued $1000 bonds would pay $100 per year. The previously issued bond paying $50 per year would only be worth $500 now.

What connections does the money market have to other models?

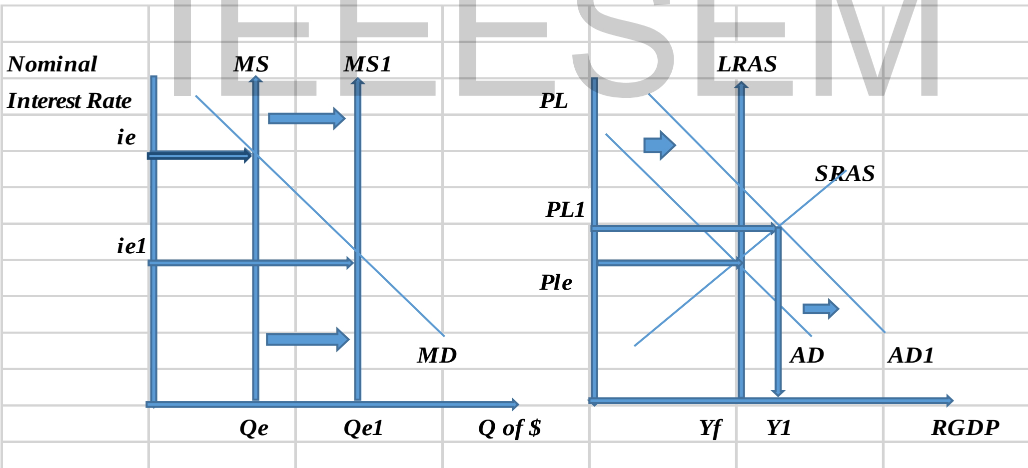
In the AS/AD model lower nominal interest rates (perhaps from the federal reserve selling bonds) cause an increase in gross investment. That increase in gross investment causes a rightward shift of the aggregate demand curve which increases the price level and decreases unemployment (increases and output). If nominal interest rates increase, that

causes a decrease in gross investment. Then, the aggregate demand curve shifts left, prices levels fall, and unemployment increases (real output decreases).

If the federal reserve decreases the money supply (sells bonds), there will be a decrease in gross investment and the AD curve will shift left.



decrease in money supply causes decrease in AD



Increase in money supply causes Increase in AD

so what happens in the long run when there are changes in the nominal interest rate? The answer is it depends on what the particular test question is asking about. Generally, there will be no impact on real output. That is because in the long run, wages are flexible. The money supply increases, aggregate demand will shift right and output will increase in the short run. In the long run, wages will adjust to the higher price level and that will cause a leftward shift of the short run aggregate supply curve. As a result, there is only an increase in price levels with no increase in real output in the long run.

If a question focuses on increased investment (which increases capital formation) from an increased money supply, there could be a rightward shift of the long-run aggregate supply curve.

Cases state of Kuwait for money markets

Market overview

Discusses key economic indicators and trade statistics, which countries are dominant in the market, and other issues that affect trade.

Kuwait is located in the northeast corner of the Arabian Peninsula, at the head of the Arabia Gulf. Bordered to the north and west by Iraq, to the south and west by Saudi Arabia, and to the east by the Arabian Gulf, Kuwait occupies a strategic position in this vital region. Kuwait is a member of the Six – nation Gulf Cooperation Council (GCC). Approximately one – third of an estimated population of 4.6 million are Kuwaiti nationals. The remainder of the population consist of expatriate residents hailing from more than 80 countries. The oil industry and government sector dominate the economy, with crude oil reserves estimated at nearly 101.5 Billion Barrels, or approximately 7% of the world's reserves. The oil industry accounts for over half of GDP and 94.4% of government revenues. With oil the main natural resource, oil refining and downstream petrochemical processing are the dominate industries. Non – petroleum manufacturing and agricultural sectors are limited, consisting of a swish – gear manufacturer for power sub – stations, and factories for building materials, furniture, and food packaging.

In 2010, the parliament passed a five-year $104 billion development plan that aimed to upgrade infrastructure and diversify the economic away from oil. In 2015, the government adopted a new development plan (2015-2020) that focused on economic reform and the implementation of several long-stalled mega-strategic projects that weren't implemented under the preceding plan. While the majority of government-funded projects move slowly, several major projects were expedited in recent years. The COVID-19 pandemic and the low oil prices have significantly impacted Kuwait's 2020-2021 budget as the country is expected to report a deficit of $46 billion. The budgets situation has resulted in Kuwait cancelling or postponing major infrastructure projects such as the long planed AL-Dedbebah solar power plant and putting other projects on hold until further notice. Currently, the ministries have approved the preliminary steps to issue consultancy tenders and pre-quality companies in preparations of releasing solicitations/ tenders in the second half of 2021.

Kuwait imports most of its capital equipment, processed foods, manufacturing equipment, and consumer goods. Two-way trade is limited to a few international partners. Almost half of the country's imports originate from China, the United States, the United Arab Emirates (UAE), Japan, and Germany, while over 50% of Kuwait's export earnings are attributable to South Korea, China, India, Japan, and the United States. The United States remains a leading strategic trade partner. In 2019, U.S. exports to Kuwait were valued at $3.17 billion, while U.S. imports from Kuwait stood at $1.41 billion, primarily driven by petroleum products. Kuwaitis frequently travel to the United States, with approximately 10% of Kuwaiti high-school graduates continuing their education at U.S. colleges and universities. American and U.S. brands, as well as products, are warmly welcomed due to familiarity with U.S. culture. Although Kuwaitis are extremely price-conscious, they are also avid consumers. While Chinese and India goods increasingly dominate low-end imports, high quality U.S. exports remain relatively competitive in Kuwait.

According to the Kuwait's Central Statistical Bureau, Kuwait's nominal Gross Domestic Product (GDP) was approximately $130 billion in 2019 with 0,4% growth from the previous

year. Kuwait's current oil production capacity is estimated at 3.15 million barrels per day. The government hopes to increase production capacity to 4.75 million barrels per day by 2024. In order to reach this goal, Kuwait must continue spending and investing in upgrading downstream facilities as well as on upstream oil development.

Transportation equipment, including automobiles and automotive parts, accounted for 32.8% of non-military U.S. exports to Kuwait in 2019. Oil and gas field equipment, telecommunications and IT equipment, medical equipment, and electronics were also leading export sectors for U.S. firms.

Kuwait, Market Entry Strategy

The GCC has a 5% flat rate tariff on imports. Kuwait corporate income taxes for foreign corporations are 15%. A value added tax of 5% maybe added in 2021. To be successful in the Kuwaiti market, most U.S. companies should identify, develop, and support a local agent, representative, or account executive to manage the marketing strategy for both the company and its products. Some companies find having a Kuwait joint-venture rather than an agent a good tactic. Prior success in other GCC countries is helpful, but companies rely on local experience and knowledge to conduct their business in these markets. Knowing regulations and the general business framework is a difficult task without the support of a competent local agent or business partner. U.S. companies should seek this type of business relationship and understand that the best representatives are those who are already active in their particular sector with cultivated contacts.

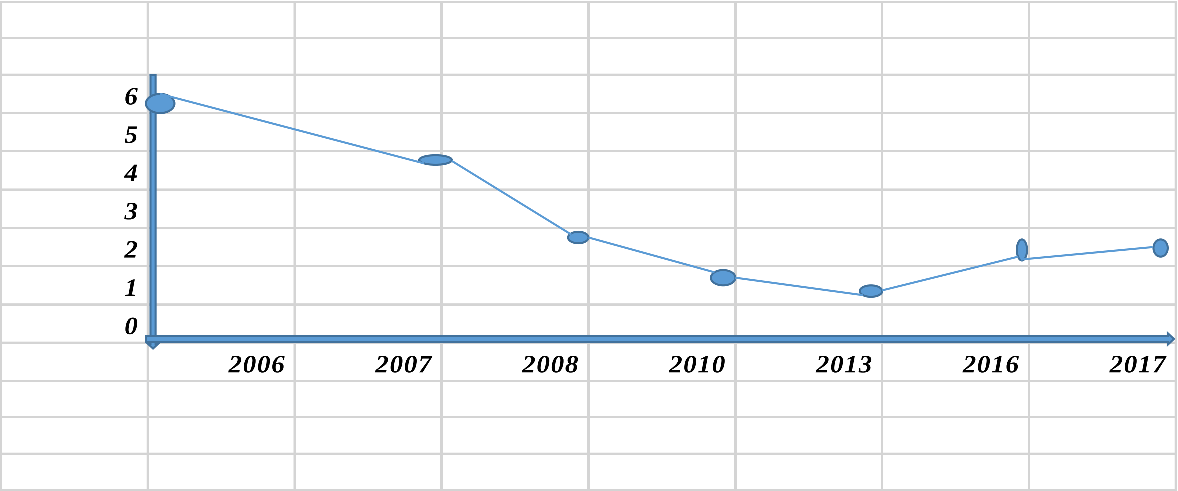
The commercial service in Kuwait has a number of programs and services to asset U.S. companies in establishing a presence in this growing market. We highly discourage entry into the Kuwait market without the assistance of competent legal and tax counsel. To that end, we employ experienced commercial specialists with industry sector expertise who can tailor your business approach to the right audience, and advise your company in negotiating the bureaucratic procedures that are common in this part of the world. If you wish to learn more about the potential for your business in Kuwait, please contact your local U.S. Export Assistance Center (USEAC).

In summary, selecting the appropriate agent who will work for you is the single most important step a U.S. exporter can take in Kuwait. Getting competent local legal counsel to craft an agreement that protects your company from future lability is also a key. The best local partners are those who share both the risk and profit with their American partners.

Kuwait KW: Money Market Rate

Kuwait KW: money market rate data was reported at 1.532% pa in 2017. This records an increase from the previous number of 1.451% pa for 2016. Kuwait KW: money market rate data is updated yearly. Averaging 6.215% pa from Dec 1979 to 2017, with 38 observations. The data reached an all-time high of 10.935% pa in 1980 and a record low of 0.645% pa in 2013. Kuwait KW: money market rate remains active status in CEIC and is reported by international monetary fund. The data is categorized under Global Database's Kuwait – Table KW: IMF.IFS: Money Market and Policy Rates: Annual.

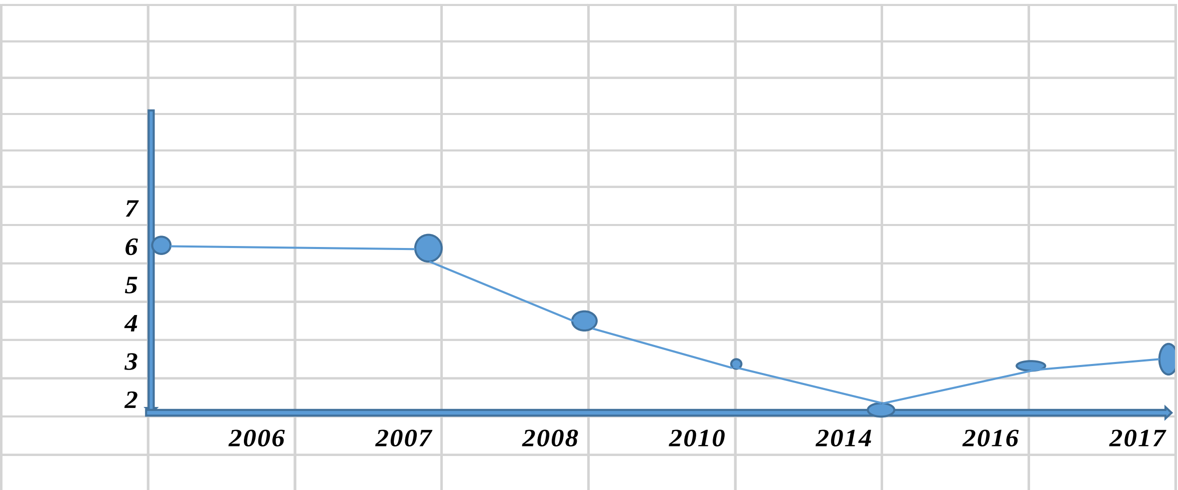
View Kuwait's KW: Money Market Rate from 1979 to 2017 in the chart:



Kuwait money market and policy

KW: discount rate: end of period data was reported at 2.750% pa in 2017. This records an increase from the previous number of 2.500% pa for 2016. KW: discount rate: end of period data is updated yearly, averaging 6.000% pa from Dec 1975 to 2017, with 43 observations. The data reached an all-time high of 7,500% pa in 1997 and a record low of 2.000% pa in 2014. KW: discount rate: end of period data remains active status in CEIC and is reported by international Monetary fund. The data is categorized under Global Database's Kuwait - table KW. IMF.IFS: Money Market and Policy Rates: annual.

View Kuwait's KW: Discount Rate: End of period from 1975 to 2017 in the chart:



Trade channels in Kuwait

Foreign trading companies can export their goods to Kuwait

Through the following:

1 – A Kuwaiti agent to import the goods from the exporting company in accordance with agency agreement contract signed between the two parties.

2 – A Kuwaiti businessman who imports via a documentary credit.

3 – A Kuwaiti intermediate, whether an importer or a commission agent.

The great competition in the Kuwaiti market increases the importance of and the role played by price in marketing any type of goods. Therefore, a lot of foreign companies prefer to appoint an agent for its products in the state of Kuwait due to the agent's experience role in marketing. Further, the Kuwaiti merchant always prefers to deal directly with the foreign producing company, or at least with its general approved agent in exporting. It is worth mentioning that the laws of the state of Kuwait expressly state that agencies are only for Kuwaiti persons, whether natural or artificial. Laws don't restrict the appointment of sub-agents in the state of Kuwait by the sole agent of the company in the area, provided that the latter don't practice distribution in Kuwait.

Methods of receiving exported goods:

Exporters to Kuwait can obtain the prices of their exports via all means of payment and credits known worldwide.

In general, it is advised to follow the style of payment through documentary credits. Bank transactions can be performed in any free and acceptable foreign currency.

Documents and papers needed for goods clearance:

**- Official delivery order issued from the vessels agent or any other authorized entity, showing the number of parcels, their contacts and their description as stated in the manifest.*
**- Invoices of three copies, mentioning the type of goods in details, unit price, total price, net and gross weight, full name and address of the producer and the exporter, goods origin and exporting entity, approved means of shipment, name of shipping port, type of packing and folding of the goods, trade markets and approved numbers shown on the parcels of the shipment as reflected in the manifest, and authentication of the invoices from the concerned entities (embassy of the state of Kuwait or Kuwaiti consulate in the exporting country. In case there is no representation of the state of Kuwait on the diplomatic or the consular level, authentication can be obtained from any of the embassies or the consulates of the GCC countries. If not available, from Arab embassies and consulates members of the Arab league found in the exporting country.*
**- Lest of contents (packing) showing the type and method of packing (in boxes, cartoons, bale, parcel, container), contents of every parcel with its gross and net weight and its value, in addition to the harmonized code of each item. Originals of such list should be authenticated. It should be verified that on each parcel, box or bale of the exported items bear the name of the country of origin is shown in a fixed manner that cannot be damaged, provided that it conforms with the name mentioned in the letter of credit, and all documents relevant to this shipment, and that the commercial trademark is clearly printed on all parcels, and is identical to the trademark mentioned in the manifest.*
**- A certificate of origin issued from the producing or the exporting company, authenticated from one of the Arab-foreign Chambers of commerce, or the local Chamber of commerce (in case of the non-existence of the Arab-foreign Chamber of commerce), or the Union of Exporters or the Union of industries in the exporting country stating that the exported goods are of ------Origin, and that the materials it is made from are ----, exported from -----, and that the producing and manufacturing company is ---- in addition to the above, the said certificate should*

include the name of the factory or the origin, where the goods were manufactured, the name of the producing company. Moreover, the certificate of origin should state the original source of the goods, the net and gross weight, the trade mark mentioned in the Manifest, the total value, the type of packing and folding, and the means of transportation. Originals of the certificate of origin should be duly authenticated.

Foreign investor's law: most important advantages of which are

1 – Establishing Kuwaiti companies wherein the share of foreign capital can reach up to 100%.
2 – the foreign project cannot be confiscated or nationalized but against a compensation equal to its market value. Rights and privileges obtained by the foreign investor cannot be cancelled but against a fair compensation.
3 – the foreign investor can transfer the ownership of his investment to another foreign or national investor.
4 – the foreign investor has the right to transfer his profits and capital abroad.

5 – the foreign investor can enjoy the following privileges:
**- Exemption from income tax or any other type of tax for a period up to ten years.*
**- full or partial exemption from custom charges on imports needed for the project.*
**- Allocation of the land required by the project.*
**- To bring forward and employ foreign labor needed for the project.*
**- Any dispute that arises between the foreign investor and any other party can be referred to local or international arbitration. "Other party" as used herein includes governmental authorities.*

Participating in companies
Among the most important privileges of Kuwaiti business market:
1 – comprehensive infrastructure.
2 – availability of means of communications.
3 – strategic geographic location.
4 – neighboring high density populated countries, which markets Kuwaiti a gateway to these countries.
5 – availability of modern ports.
6 – existence of a free trade zone on the Kuwaiti-Iraqi borders, with large warehouses.
7 – low custom tax (approximately limited to 5% on most goods).

Participation in companies is done pursuant to the provisions of the law of companies No. (15) of 1960, which states that establishing companies in Kuwait, or sharing in companies existing in Kuwait in a percentage not exceeding (49%), provided the remaining percentage (not less than 51%) be for the Kuwaiti partner. Herein below is a review of the types of companies in Kuwaiti law:
(*) – partnership company:
Established among two or more persons, under a specific name and title to practice commercial business. Partners are jointly liable, in all their monies, for company obligations.

(*) – limited liability company:

Composed of a limited number of persons, not more than thirty. The liability of each member falls within the limits of the capital paid by him (i.e. his share of the of the capital). This type of company isn't allowed to issue tradable shares and isn't subject to public offering.

(*) – limited partnership company:
Established among two or more persons, wherein partners are divided into two categories:
1 – joint partner: who has the right to manage the company, and is jointly liable to all the obligations of the company with his own monies.
2 – silent partner: his role is limited to his monetary share in the company and isn't liable to its obligations but within the limit of his share.

(*) – joint stock company:
Wherein partners are either of two categories: joint partners; shouldering management and liability, or silent partners; not liable for debts and obligations of the company.

(*) – particular partnership company:
A commercial company that is established among two or more persons and is confined to the relationship between the partner, i.e. isn't applicable to others, and doesn't have a legal personality.

(*) – shareholding companies:
Are divided into
A – general shareholding company:
Composed of a number or persons understanding in tradable shares via public underwriting, and are not liable for the obligations fo the company but within the nominal value of their shares in it. (a decree is issued with its establishment).
B – closes shareholding company:
Composed of a number of persons underwriting in non-tradable shares, where establishing members pay the capital. This sort of company isn't entitled for public offering, and its establishment should be licensed by the ministry.

(*) – holding companies:
A company with the objective of obtaining Kuwaiti and foreign shareholding companies, as well as shares or stocks of Kuwaiti or foreign limited liability companies, or to share in the establishment of the above two types of companies, providing them with loans, and sponsoring them before other parties.

Incorporation of Kuwait companies where foreign possess 100% of their capital:
The council of ministers issued its resolution No. 1006/2 year 2003 regarding the incorporation of Kuwait companies where foreigners possess 100% of their capital. Herein below is the text of the resolution:
By virtue of minister of commerce and industry order upon the recommendation of investment committee, a license id issued to incorporate Kuwaiti shareholding closed companies, where the share of the foreigners

therein shall be 100% of their capital in accordance with the following conditions and terms:
A – the company's capital shall be sufficient to achieve its objectives and shall be fully subscribed to be the founders.
B – in corporation thereof shall fulfill the procedures, rules and conditions contained in law No. 15/1960 regarding these companies.
C – a company shall proceed with its activity or enterprises shown in the council of minister's resolution No. 1006/1 of the year 2003 referred thereto, subject to the fact that a company incorporation would result in the achievement of one of more of the following objectives:
1 – A transfer of modern technology and administration and practical, technical and marketing expertise.
2 – expansion and activation of the role of Kuwait private sector.
3 – creation of job opportunities for national labors and contribution to training thereof.
4 – support of national products exports.

Trading Volume in the Official Market According to the National and Category of the Trade
For the Period from 1/04/2021 to 30/04/2021

	number of deal	%	number of shares	%	The value is in Kuwaiti Dinars	%
kuwaiti individuals						
buy	126,827	48.354	4,055,173.66	53.812	487,920,079	45.039
sale	131,5	50.155	3,915,650.85	51.961	483,645,404	44.644
				Net	4,274,675.55	
institution / companies						
buy	25,940		814,250,772	10.805	125,874,610	11.619
sale	25,189	9.604	958,369,594	12.718	136,079,328	12.561
				Net	-10,204,718.23	
investment funds						
buy	4,208	1.604	167,862,067	2.228	43,193,631.54	3.987
sale	5,487	2.092	198,151,471	2.63	43,068,001.40	3.976
				Net	125,630.14	
client wallets						
buy	67,912	29.323	2,021,675.71	26.828	301,175,953.42	27.801
sale	69,888	26.645	2,002,173.43	26.569	303,923,347.20	28.055
				Net	-2,747,393.78	
				kw Net	-8,551,806.31	

GCC						
individuals			*Net*	*-620,540.35*		
institution / companies			*Net*	*3,907,094.11*		
investment funds			*Net*	63,099.82		
client wallets			*Net*	*7,992.57*		
			GCC, Net	*3,357,646.16*		
others						
individuals			*Net*	*-32,176.35*		
institution / companies			*Net*	*5,803,955.61*		
investment funds			*Net*	*-577,619.10*		
			Others Net	*5,194,160.15*		
total						
buy	*262,291*	*100%*	*7,535,778.99*	*100*	*1,083,330,448.40*	*100*
sale	*262,291*	*100%*	*7,535,778.99*	*100*	*1,083,330,448.40*	*100*

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8 – A Eurocurrency is a currency that is traded outside of its national border, and can be any currency rather than just a European one.

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