

## **16- INSTRUCTIONS ISSUED BY CENTRAL BANK OF KUWAIT REGARDING MONEY LAUNDERING**

- A) [Circular to Local Banks for Taking Internal Measures Necessary for the Application of Law No. \(35\) for Year 2002 and its Explanatory Memorandum.](#)
- B) [Instructions No. \(2/BS/92/2002\) of Combating Money Laundering Operations and the Financing of Terrorism.](#)
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- G) [Circular dated 19/10/2004 regarding the unification of the form of replying to Central Bank's concerning the freezing of the assets and funds of some entities and individuals .](#)
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**DEPUTY GOVERNOR**

*Safar 4, 1423 H*

*April 17, 2002*

**THE CHAIRMAN,**

**Circular to all Local Banks, Kuwait Finance House, Investment Companies,  
Exchange Companies, and Investment Funds**

Reference is made to Law No (35) for year 2002 issued on 10 March 2002 and its explanatory memorandum, regarding combating money-laundering operations, which compels your bank/company to take all internal measures it deems necessary for the implementing the rules of that law.

Particular reference is also made to the provisions of Article (3) of the mentioned law, which obligate financial and banking institutions to abide by certain regulations and specifies a fine of up to KD one million for the infringement thereof.

And, considering that certain provisions of the above law relate to the duties and responsibilities of some of your bank /company employees, and provide for the application of specific penalties on these employees should they infringe that law, it is therefore incumbent upon your bank/company to inform its employees of the duties and obligations involved in the application of the provisions of the mentioned law, so as to avoid them any legal responsibility in that regard.

With my best regards,

**Dr. Nabeel Ahmed Al-Manai**

**GOVERNOR**

*Sha'aban 16, 1423 H.*

*October 22, 2002*

**THE CHAIRMAN,**

**“Circular to all local banks”**

I wish to inform you that the Central Bank of Kuwait Board of Directors has endorsed in its meeting on 19/10/2002 the instructions No. (2/BS/92/2002) addressed to all local banks in respect of combating money laundering operations and the financing of terrorism, effective from 1/12/2002.

Attached hereto is a copy of these instructions along with the format for the statement of cash transactions equaling or surpassing KD 3 thousands, to be applied by your bank in reporting these transaction to the Central Bank of Kuwait on a quarterly basis, as of the quarter ending on 31/12/2002. Also enclosed are the guidelines for the identification of suspicious transaction patterns, which your bank shall apply in monitoring the patterns of money laundering operations and financing of terrorism, as a minimum requirement.

I wish to particularly note that Item (15) of the mentioned instructions obligates all banks operating in the State of Kuwait to establish an independent unit/department directly answerable to the Chairman of the bank's Board, and essentially entrusted with the duty of assessing the level of compliance with the laws, ministerial decisions and supervisory instructions, as well as policies, regulations and procedures set forth by the bank regarding combating money laundering operations and the financing of terrorism.

I also wish to mention that Central Bank of Kuwait Instructions No. (2/BS/50/97) dated 17/11/1997 regarding combating Money Laundering and Suspicious Transactions shall apply until 30/11/2002, and become void as of 1/12/2002.

With my best wishes,

**SALEM ABDUL AZIZ AL-SABAH**

## **Instructions No. (2/BS/92/2002) regarding Combating Money Laundering Operations and the Financing of Terrorism**

### **Introduction**

Money laundering operations and the financing of terrorism is a worrying phenomenon for concerned international institutions\*, as well as all countries worldwide, due to its detrimental effects at the economic, social and political levels. This led to serious efforts deployed by the international community to prevent these operations and curb their effects, and resulted in the adoption of several relevant standards and recommendations. Furthermore, concerned international institutions are monitoring various countries' efforts in this regard, so as to ascertain their abidance by the above mentioned standards and recommendations, and take measures against non-compliant countries.

Banking and financial institutions are considered among the bodies most targeted by money launderers and terrorists, in the process of concealing their identities and sources of funds. Therefore, it is incumbent upon all units subject to the Central Bank of Kuwait supervision to realize the dangers inherent in money laundering operations and the financing of terrorism, and the necessity of taking all appropriate measures to ensure that they are not being taken advantage of in the conduct of such operations, along with the necessity of full compliance with the domestic and international requirements in this regard, so as to avoid any negative effects on the State of Kuwait on the one hand, and the country's banking and financial institutions on the other.

In light of the above, and pursuant to Law No. (32) of year 1968 concerning Currency, the Central Bank of Kuwait, and the Organization of Banking Business in the State of Kuwait, and the Law No. (35) of year 2002 concerning combating money laundering operations, in addition to the relevant ministerial decisions, and international legislation on combating the financing of terrorism operations, all banks operating in the State of Kuwait are obligated to abide by the following:

- 1- Banks should not maintain or keep open anonymous accounts or accounts in fictitious or symbolic names. In this regard, these accounts mean all accounts provided by banks, such as current, savings or trust accounts, various types of deposit accounts, and financial and investment portfolios accounts and other accounts.

\* Such as the IMF, World Bank, Basel Committee and FATF.

- 2- Banks should have written policies endorsed by their Boards of Directors, specifying the minimum requirements of information and data that should be obtained prior to approval the opening of account for clients, including the client's identity, profession or activity, sources of income, purpose from opening the account, etc.
- 3- Banks are prohibited from opening any of the accounts referred to in Item (1) above, before filling in a copy of form identifying the customer, according to the following:
  - The Civil ID of Kuwaiti individuals and non-Kuwaitis residents in the State of Kuwait, conditional upon the card's validity.
  - Travel documents (Passports) of non-Kuwaitis that are not residents in the State of Kuwait, conditional upon the document's validity.
  - License issued by the Ministry of Commerce and Industry for individual institutions, along with the Civil ID of the institution's proprietor, conditional upon these documents validity.
  - Articles of Incorporation and Corporation Charter endorsed by the concerned bodies in the State, for all companies, conditional upon these documents validity.
  - Supporting documents endorsed by the concerned bodies in the State, for all non-resident companies and institutions.

For clients not mentioned above, banks have to satisfy the requirement concerning the official identity documents, and their endorsement by the official bodies or authorities concerned with the issuance of these documents.

- 4- For transient clients, which are clients that do not have existing accounts or relations with the banks and seek the extension of a certain service or the consummation of a deal or transaction with the banks (such as currency exchange or outbound transfer of funds or rental of safe boxes or other services), the banks shall as a pre-requisite for carrying out these operations or services, satisfy the requirement concerning the provision of identity documents referred to under Item (3) of these instructions. In this regard, banks shall refrain from carrying out transactions, unless the requirement concerning the provision of a copy of the client's personal identification document is satisfied.

5- Banks are bound to verify the following for all new accounts of all kinds, as well as for existing accounts:

- On opening a bank account, any individual client shall certify in writing being the sole beneficiary of the account opened in his/her name.
- In case the client opens an account on behalf of a third party, it is mandatory to fulfill the requirement concerning the provision of documents supporting the nature and scope of legal representation. The above applies to accounts opened by lawyers or law offices on behalf of their clients, whereby banks are bound to fulfill the requirement concerning the verification of the name/names of clients that are the beneficiaries of the mentioned accounts, as supported by the needed legal documents.
- For legal persons, the bank shall verify the existence of the institution/company, its official seat, the names of its signatory directors, and determine that individuals representing the company possess legal proxies supported by valid official authorization; additionally, the bank shall verify the identity of these signatory individuals.
- For companies that manage/safe-keep third parties money, banks are bound to take necessary measures to ascertain that these companies are licensed to manage/safe-keep third parties money, and that they are legally bound to verify the identity and activity of clients whose money they manage or safe-keep.
- In case there is doubt that the customer does handle the account for his own benefit but on behalf of another person or body, and should the customer not accede to the bank's request to submit the legal documents establishing the true identity of the beneficiary of that account, the bank shall summarily close the account while taking into consideration all legal obligations and procedures it is bound to fulfill in this regard.

- 6- Banks shall periodically update the essential information on their clients and the activities they are engaged into, so as to keep current on any significant changes in these information. It is important for banks to verify, through whichever means they deem appropriate, the information they are presented with by their customers, conditional upon the availability of a written policy endorsed by the banks Boards of Directors on the mechanism for carrying out the mentioned updating and verification processes.
- 7- Banks should maintain records on all documents concerning transactions carried out by banks, both domestically or internationally, including duplicates of their customers personal identification documents, transaction correspondence and supporting documentation, for at least five years from the date of executing the transaction. These records must contain the essential information on these transactions such as the amounts and types of currency involved and related parties, together with the types of transaction and purpose thereof, etc.

Regarding all bank accounts, deals or contracts of various types, which were closed or elapsed or fell due, records shall be maintained on these accounts, deals and contracts for at least five years from the date they were closed, elapsed or fell due.

- 8- Adequate attention shall be paid in identifying risks of using modern technology and techniques in the perpetration of money laundering operations and the financing of terrorism, particularly in dissimulating the identity of the perpetrator and relevant fund sources, along with taking measures for prohibiting the use of such methods as necessary. In this regard, banks shall observe the following:
  - Regarding electronic transfers, domestically and internationally, banks should always ensure that such transfers encompass the name of the transferring individual or party, account number (in case of transfer from an account) or identification document number (in case of no transfer from account), the amount, the name and address of beneficiary and beneficiary's, account number (in case of transfer to an account). In case these data are not available, banks shall refrain from carrying out the requested transfer.
  - Regarding transactions conducted Online or through the Internet, these instructions shall be abided by, particularly in regard to the availability of customers identification and basic data.

- 9- The execution by banks of transactions for their own benefit or for the benefit of customers, through correspondents in foreign countries, shall exclusively be through correspondents licensed to carry out these transactions by the concerned official authority in the countries where they are located.
- 10- Banks should pay special attention to all complex or large operations and transactions, and all unusual patterns of transactions, which have no apparent economic or obvious legitimate purpose, and are not commensurate with the beneficiary's type of activity or the credit- to-debit rate in the beneficiary's accounts, and might raise suspicions regarding their type, purposes or source of funding. In this connection, particular emphasis should be placed on large or recurrent cash amounts whose owners attempt to exchange for other currencies, or large or recurrent domestic or international transfers of funds.

In the above mentioned cases, banks shall set aside in an intermediate account the funds related to suspicious transactions for a maximum two working-days period, during which they shall be enquiring, investigating and gathering information on the suspicious transaction and parties involved therein, and record the relevant findings in writing.

In case the bank is convinced that the suspected transaction and relevant funds are irreprehensible and justified according to supporting documents, the bank shall complete the transaction according to usual banking procedure.

But, if the bank's enquiry and investigation confirm suspicions on that transaction and relevant funds, the bank shall notify the general prosecution of the transaction particulars, and concurrently refer to the Central Bank of Kuwait a duplicate of that notification and relevant details.

In all cases, the bank shall prepare a report containing full details of the transaction and the grounds on which a decision was taken for its acceptance or referral to general prosecution, noting that the bank shall shoulder the full responsibility of its decisions and the consequences thereof, and will have to account to the concerned authorities in case of proven failure to take appropriate measures in verifying the integrity of the transaction in question<sup>(1)</sup>.

<sup>(1)</sup> This Paragraph was amended pursuant to circular No. (2/BS,IBS/188/2006) issued on 10/4/2006.

- 11- In line with the provisions of Item (10), in cases where the bank suspects a customer's transactions, accounts or activities, and needs to enquire and investigate the seriousness of such suspicion and to provide documents or proofs in support thereof, and whereby it is required that the concerned client remains unaware of the banks enquiries and investigation until their completion, the bank officers and employees should not warn their customer or connected parties of the bank's action in this regard.
- 12- Procedures mentioned under Items (10) and (11) above, apply to all transactions which the bank suspects to be connected to money laundering operations or the financing of terrorism, regardless of the size of involved amounts.
- 13- All banks shall effectively coordinate among themselves with regard to any suspicious operation presented to them, and set the procedure for the notification of other banks of these transactions and the involved parties therein. Upon any such notification, banks shall meet for coordinated action as required.
- 14- Enhancing internal supervision systems, whereby banks shall abide by the following:
  - Develop clear and accurate policies and procedures endorsed by the Board of directors, encompassing the bank's policy with regard to combating money laundering operations and the financing of terrorism, in line with the relevant domestic legislation, ministerial decisions and Central Bank of Kuwait instructions. Additionally, banks shall have clear definitions of these operations and various patterns thereof, and the means for their detection and tracking, along with the minimum required measures which the concerned bank employee are requested to take on suspecting any such operations.
  - The external auditor's report on the bank's internal supervision system shall include a clear opinion on the extent of the bank's abidance by the domestic legislation, ministerial decisions and Central Bank of Kuwait instructions connected with combating money laundering operations and the financing of terrorism, in addition to the extent of abidance by the bank's policies and regulations in this regard.

- Investigating new job applicants, to ensure that they are not subject to suspicions which may entail exposing the bank to the risks of money laundering operations and the financing of terrorism
  - Taking legal measures and applying adequate penalties to any employees in the bank, including the Chief Executive Officer, its deputies and assistants, as well as the Chairman and Members of the Board, if they prove insufficient in the fulfillment of their responsibilities regarding the application of the bank's policies and procedures for combating money laundering operations and the financing of terrorism, along with notifying the Central Bank of Kuwait of the particulars of the accusation leveled against the concerned employee or Member of the Board, and the results of the measures taken by the bank in this regard.
- 15- Any bank operating in the State of Kuwait shall establish an independent and dedicated unit directly answerable to the Chairman of the Board, manned by highly efficient and experienced cadres in the areas of relevance to combating money laundering operations and the financing of terrorism. The main function of this unit/department will be to ascertain the bank's compliance with the laws, ministerial decisions, Central Bank of Kuwait instructions and the bank's policies and regulations concerning combating money laundering operations and the financing of terrorism.
- 16- Banks shall develop training policies and programs regarding combating money laundering operations and the financing of terrorism, so as to satisfy the following as a minimum:
- The Chairman and Members of the Board shall be fully aware of the risks inherent in money laundering operations and the financing of terrorism, and shall adopt policies, regulations and procedures which avoid the bank being taken advantage of for the perpetration of the above operations.
  - Periodic reports shall be submitted by the concerned organizational unit –referred to under Item (15)- to the Board of Directors, highlighting the extent of bank's compliance with the domestic and international requirements regarding combating money laundering operations and the financing of terrorism, in addition to describing all exposed suspicious operations, their consequences and developments, and relevant measures taken for follow-up and appropriate action.

- Participation of newly appointed concerned employee in training programs to inform them of all aspects connected with money laundering operations and the financing of terrorism and the methods of combating them.
  - The continual holding of training programs on a quarterly basis to apprise concerned employee of all developments connected with money laundering operations and the financing of terrorism and the methods of combating them, so as to upgrade their capability and efficiency in tracking and countering these operations.
  - Informing all officials at the bank, that is the bank's Chief Executive officer, his deputies and assistants, and the bank's department managers, of all domestic and international requirements regarding combating Money Laundering Operations and the Financing of Terrorism, including domestic legislation, regulatory instructions and penalties related thereto, in addition to informing them of the procedure to be applied in case of uncovering any operation that arouses suspicions as being a case of money laundering or terrorism financing.
  - Applying the attached manual in monitoring the patterns of money laundering and terrorism financing operations, and taking it as a guide in laying down minimum precautionary measures for all operations, noting that the bank shall also possess its own manuals that identify the patterns of the above operations, while taking into consideration the volume of the bank's activity and the extent of its service diversification. It is also important to periodically update these bank manuals.
- 17- Taking into consideration the provisions of Article (14) of the Law No. (35) of year 2002, concerning combating Money Laundering Operations and the Financing of Terrorism, which exempts from any legal pursuit natural persons who denounce in good faith suspicious operations, the CBK confirms that it will not take any measure whatsoever against bank employees who denounce in good faith a suspicious operation, even if the legitimacy of such operations is subsequently established.

- 18- These instructions apply to the domestic and external branches of banks and their subsidiary companies, particularly if operating in countries that do not abide by the international resolutions and recommendations issued in that regard. Banks shall also ensure, through whichever means they deem appropriate, the abidance of these branches and companies by such instructions.

Within that framework, it is mandatory to apply special and exceptional care in any dealings with any individual or entity from the above mentioned countries, so as to ascertain the legitimacy of such operations. Banks shall prepare written policies endorsed by their Boards on the means of dealing with individuals or entities from the above mentioned countries, and the additional precautionary measures to be applied in that regard.

- 19- The provisions of these instructions apply to the banks Chairmen and Members of Boards of Directors, as well as to bank staff at all levels.
- 20- Banks shall provide the Central Bank of Kuwait with a statement, according to the attached table format, encompassing all cash transactions of a value equaling or exceeding the equivalent of KD 3000, whether the transaction is in KD or foreign currency. Understandably, a cash transaction is one entailing the receipt of cash funds by the bank.

Domestic governmental bodies are exempted from coverage by such notifications. Furthermore, banks may request Central Bank of Kuwait approval to exclude any other entities from the notification provision, conditional upon presenting a letter specifying the reasons and justifications for the requested exemption. Such exemption shall only apply after receipt by the concerned bank of Central Bank of Kuwait written permission in that regard.

The Central Bank of Kuwait shall be presented quarterly with the required list, according to the attached form, starting from the quarter ending on 31/12/2002 and within 15 days of the date taken as a basis in preparing the list.

The list shall be presented on the banks official letterhead papers and signed by the bank's Chief Executive Officer, along with a computer diskette containing a backup of the mentioned list.

- 21- Regarding cash transactions of a value equaling or exceeding the equivalent of KD 3000, or even cash transactions below that value, it goes without saying that all banks shall exercise necessary caution to ensure that they are not subject to suspicion, particularly if they are inconsistent with the customer's activity and level of previous transactions, or are repeated by the customer at short periods.
- 22- Banks shall provide the Central Bank of Kuwait with copies of the policies approved by their Boards of Directors with regard to combating Money Laundering Operations and the Financing of Terrorism, in line with the policies referred to under the Items (2), (6) and (13) of these instructions, within a maximum three-months period from the date of application of these instructions, along with providing the Central Bank of Kuwait with any amendments to these policies upon their introduction.
- 23- Central Bank of Kuwait Instructions No. (2/BS/50/97) dated 17/11/1997 regarding combating Money Laundering Operations and Suspicious Transactions shall apply until 30/11/2002, and become void as of 1/12/2002.
- 24- These instructions shall be in force as of 1/12/2002.

22/10/2002

## **Guidelines for the Identification of Suspicious Transactions Patterns**

### **First: Money Laundering Using Cash Transactions:**

- 1- Unusually large cash deposits made by an individual or company whose business activities would normally be generated by cheques and other instruments.
- 2- Substantial increase in cash deposits of any individual or business without apparent cause, especially if such deposits are subsequently transferred within a short period out of the account particularly to a destination not normally associated with the customer.
- 3- Customers who deposit cash funds by means of numerous deposit vouchers so that each deposit goes unnoticed nor draw attention, though the total value of all such deposits aggregates to a significant amount.
- 4- Company accounts whose transactions, both deposits and withdrawals, are carried out in cash rather than in the forms of debit and credit normally associated with commercial operations (e.g. cheques, Letters of Credit, Bills of Exchange, Withdrawal Vouchers, etc.).
- 5- Customers who constantly deposit cash to cover requests for bank cheques, money transfers or other negotiable and readily marketable money instruments.
- 6- Customers who seek to exchange large quantities of low denomination banknotes for those of higher denomination.
- 7- Frequent exchange of cash funds into other currencies, in case such exchange operations are not justified by the customers' type of activity.
- 8- Branches having unusually frequent cash transactions, while their Head Office statistics reflect a decline in such cash transactions.
- 9- Customers whose cash deposits contain counterfeit banknotes or forged documents.
- 10- Customers transferring large sums of money to or from overseas locations under instructions for payment in cash.
- 11- Large cash deposits using electronic deposit facilities, thereby avoiding direct contact with bank staff, or those in charge at the bank.

**Second : Money Laundering Using Bank Accounts:**

- 1- Customers who wish to maintain a number of trustee or clients' accounts which do not appear consistent with their type of business.
- 2- Customers who have numerous accounts in which they make cash deposits, and whereby the total of such deposits aggregates to a large amount.
- 3- Individuals or companies whose accounts do not practically reflect the usual pattern of banking or economic activities that require banking services, as such accounts are rather used to receive or disburse large sums which have no obvious purpose, or have no relationship to the account holder and/or his business.
- 4- Reluctance to provide normal information when opening an account, providing minimum or fictitious information, or providing information that is difficult or highly expensive for the bank to verify.
- 5- Customers who appear to have accounts with several banks within the same locality.
- 6- Settlement in cash of the difference between external payments (payment orders, remittances), and the customer credit balances on the same or previous day.
- 7- Depositing of large cheques by third parties to be endorsed in favour of the customer.
- 8- Large cash withdrawals from a previously dormant and inactive account, or from an account which has just received an unexpected large credit from abroad.
- 9- Increased use of electronic deposit facilities for a certain account, and sudden increase in activity in such accounts.
- 10- Companies' representatives avoiding contact with the bank, or bank's officers
- 11- Substantial increases in deposits of cash or negotiable instruments by firms or companies, using their client accounts or trust accounts, especially if these deposits are promptly transferred to other accounts.

- 12- Reluctance by the customer to use his credit accounts or available banking facilities which would normally serve the customer's interest. (for example: avoiding high interest rates on large debit balances despite holding credit balances).
- 13- Large number of individuals making deposits into the same account without adequate explanation therefore.

**Third: Money Laundering Using Investment Related Transactions:**

- 1- Purchasing of securities to be held by the Bank in safe custody, at a time where such action is inconsistent with the customer's apparent financial position.
- 2- Back-to-back financing/depositing transactions with subsidiaries of, or affiliates of, overseas financial institutions located in known drug-trafficking areas.
- 3- Requests by customers or portfolios regarding purchase or sale of investment instruments or services (either foreign currency or securities), where the source of customer funds is unclear or inconsistent with the customer's apparent activities.
- 4- Larger cash settlements of purchases and sales of securities
- 5- Security purchase or sale operations with no discernible purpose or concluded in unusual circumstances.

**Fourth: Money Laundering by Off-shore International Activities:**

- 1- Customer introduced by overseas institutions based in countries known for drugs production or trafficking.
- 2- Use of Letters of Credit and other methods of trade financing to move money between countries, where the trade covered by the letter of credit is inconsistent with the customer's business.
- 3- Customers who pay/receive regular and large amounts, through cash or remittance by fax or telex, that cannot be proven legitimate and related to transactions with countries which are commonly associated with the production or marketing of drugs; or proscribed terrorist organizations; or tax-haven countries.

- 4- The building up of large balances, inconsistent with the known turnover of the customer's business, and their subsequent transfer to account(s) held overseas by other parties.
- 5- Transfers to and by the customer without passing through any of his accounts at the bank.
- 6- Frequent and regular and regular requests for the issuance of travelers cheques, or foreign currency drafts to be issued.
- 7- Frequent and regular depositing of travelers cheques or foreign currency drafts in the customer's account.

**Fifth: Money Laundering Involving Financial Institution Employees and Agents:**

- 1- Changes in employees distinctive attributes and life style (e.g. lavish life style or avoiding taking holidays and vacations).
- 2- Sudden changes in employee or agent performance, (e.g. the remarkable or unexpected expansion in the agent's business).
- 3- Deals with an agent where the identity of the ultimate beneficiary or counterpart is undefined, contrary to normal procedure for such type of business.

**Sixth: Money Laundering by Secured and Unsecured Lending:**

- 1- Customers who suddenly repay problem loans.
- 2- Applications for the extension of credit against collateral assets held by another financial institution or a third party, where these assets are of unknown origin or inconsistent with the customer's activities or financial position known to the bank.
- 3- Applications presented by customers on behalf of their financial institutions for arranging the financing of deals where the customer's financial contribution is unclear or unspecified, particularly where deals involve real estate or private property.

**Seventh: Money Laundering through Electronic-Payment Means:**

- 1- Recurrent withdrawal of large sums through plastic cards (such as credit cards) despite high withdrawal commissions associated thereto, and the subsequent cash repayment of obligations.
- 2- Exercising adequate caution towards electronic transactions and transfers carried out on-line or through the internet, as it is a requisite to set suitable programs for the verification of these operations legitimacy and the proper monitoring thereof.

## Central Bank of Kuwait Supervision Sector

Statement of Cash Transactions Equivalent to or Exceeding KD 3000 (Kuwaiti Dinars Three Thousands)  
For the Quarter Ending On:.....

Name of the Bank: .....

S	Customer's Name (1)	Nationality (2)	ID Number (3)	ID Type (4)	Type of Transaction (5)	Currency Cashed In (6)	Transaction Value in KD (7)	Currency Disbursed (8)

- 1- Data in columns (1), (2), (3) and (4) are to be filed up according to Item (3) of CBK Instruction No. (2/BS/92/2002).
- 2- Column(5) indicates the type of transaction, whether bank deposit, telegraphic transfer, bank currency exchange, purchase of traveler's cheques, cash repayment , outstanding obligations to the bank, or any other type of transaction.
- 3- Value of cash transaction is to be recorded in KD in column (7), based on the average exchange rate issued by the CBK.
- 4- The sign (-) in column (8) indicates that there was no other currency against that which was mentioned for the transaction.

**DEPUTY GOVERNOR**

*Jumada Al-Aula 20, 1424 H*

*July 20, 2003*

**THE CHAIRMAN,**

**"Circular to All Local Banks, Kuwait Finance House,  
Investment Companies and Exchange Companies"**

Within the context of the State of Kuwait's abidance by the all standards and recommendations issued by the international bodies concerned with combating money laundering operations and terrorism financing, of which the Financial action Task force (FATF), and by virtue of Law No. (35) of year 2002 concerning combating money laundering, and the Ministerial decisions issued in that regard.

We wish to advise that the Central Bank of Kuwait (CBK) issued on 23/6/2003 a decision regarding the Kuwaiti Financial Intelligence Unit (FIU) at the Central Bank, which is chaired by the Central Bank of Kuwait Governor, whereby that Unit has for task to receive notifications on money laundering operations referred by the General Prosecution for reviewing and the provision of technical opinion thereon, in line with the provisions of Law No. (35) of year 2002 regarding combating money laundering operations and the Ministerial decisions issued in implementation thereof.

With my best regards,

**Dr. Nabeel Ahmed Al-Manna'e**

**DEPUTY GOVERNOR**

*Thu Al-qi'da, 1424 H*

*December 24, 2003*

**THE CHAIRMAN,**

**Circular to All Local Banks and Kuwait Finance House**

Further to the instructions No. (2/BS/92/2002) of the Central Bank of Kuwait Central Bank of Kuwait regarding combating money laundering operations and terrorism financing, particularly Article (7) thereof; and, as it was brought to our knowledge that some local banks do not verify the identity of persons that undertake deposits to customers' accounts opened with these banks.

**you are required to take the following measures in regard to deposit operations in your customers' accounts:**

**1- In case the depositor is the account's holder:**

The name of the client or the term (himself) for individual clients or owners of individual proprietorships shall be recorded on the deposit coupon. For joint accounts, and for all forms of institutional entities, the depositor's name, type and number of personal identification document, by which his identity was verified -provided that such document corresponds with the provisions of Article (3) of the above mentioned decision- shall be recorded.

**2- In case the depositor is not the account's holder:**

The depositor's name, capacity, type and number of personal identification document, by which his identity was verified provided that such document corresponds with the provisions of Article (3) of the above mentioned decision shall be recorded. Depositing shall be limited to authorized persons, for the accounts of institutional entities that so request.

On the other hand, It is important that you take necessary measures to advise your customers of their responsibilities in regard of deposit operations to their accounts by any individual or entity, as long as such operations were not refused by the customer holding the account, within a reasonable period of the depositing date.

With my best regards,

**Dr. Nabeel Ahmed Al-Manna'e**

*Rabie Al-Akhir 26,1425 H*  
*June 14, 2004.*

**Executive Director**

**THE CHAIRMAN,**

**Circular No. (2/BS,IBS/165/2004)  
to All Local Banks**

Further to the Central Bank of Kuwait instructions No. (2/BS/92/2002) issued to all local banks, and No. (2/IBS/103/2003) issued to Islamic banks, regarding combating Money Laundering and Terrorism Financing

I wish to refer in particular to Item (20) of both above mentioned circulars, concerning submitting to the Central Bank of Kuwait a statement reporting all cash transactions which are equal to or exceed the equivalent of three thousand Kuwaiti dinars, whether concluded in Kuwaiti dinars or in foreign currency, according to the form attached to these two circulars.

Taking into consideration that, according to Central Bank of Kuwait circular on 27/8/2003, an automated system for the electronic acquisition of these data was tried at local banks during 30/9/2003 – 31/3/2004, I wish to advise that the following has been decided:

1. Discontinuing the usage of the cash-transaction form, as of the third quarter of the current year.
2. As of 1/7/2004, sending electronically the cash transactions statement (as a CSV File), on a daily basis.

Regarding the system for oversight of foreign currency transfers according to our circular on 12/5/2002, since no minimum value is applied in notifying Central Bank of Kuwait of these transactions, it has been decided that as of 1/7/2004, such notification shall be limited to amounts equal to or exceeding three thousand Kuwaiti dinars, or the equivalent thereof in foreign currency, on a daily basis.

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**16 - INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING MONEY LAUNDERING.**

F- Circular No. (2/BS-IBS/165/2004) regarding commencement of the application of the automated system for acquisition of cash transaction data, on a daily basis.

Should you have any query regarding the above, please do not hesitate to instruct the concerned staff at your bank to make direct contact with the head of the Information Systems Coordination and Oversight Unit, on phone 2409738 or 814444 (Ext. 2722)

Best regards,

**Ibrahim Ali Al-Qadhi**

**Executive Director, Supervision Sector**

**GOVERNOR**

*Ramadan 5, 1425 H*

*October 19, 2004.*

**THE CHAIRMAN,**

**Circular to All Local Banks, Investment Companies and  
Exchange Companies**

With reference to Central Bank's Circular concerning the freezing of the assets and funds of some entities and individuals pursuant to the Security Council's resolutions relating to combating terror financing, as received from the Kuwaiti Ministry of Foreign Affairs, and in line with the Central Bank's desire to unify the form of letters received from you in this regard, we have attached the following:

- 1) The form of the reply which must be filled in and forwarded to us, in cases where accounts/transactions do not exist for the entities and individuals whose names are listed in the circular.
- 2) The form of the reply which must be filled in and forwarded to us, in cases where accounts/transactions exist for the entities and individuals whose names are listed in the circular, and the data and documents to be provided in this regard.

The Central Bank would like to emphasize the importance of giving utmost attention to following up the subject lists of frozen accounts and to applying them to all types of transactions with your bank. The mentioned circulars are applicable to all of your current and future transactions, and extreme attention should be paid to providing us with your replies to those circulars within a maximum period of 5 days from the date of the respective circular.

With my best wishes,

**SALEM ABDUL AZIZ AL-SABAH**

**The Executive Director – Supervision Sector  
Central Bank of Kuwait**

Dear Sir,

In reply to your letter reference No. ----- dated ----- concerning the Ministry of Foreign Affairs letter dated ----- requesting the freezing of the assets of the entities and individuals mentioned in your subject letter, we would like to advise you that , after checking our records, we found (financial assets, accounts, financial activities) for the following entities / individuals:

- Name of (entity / individual) account / transaction holder: -----
- Identity Documentation : \* -----
- Relevant accounts Number : -----
- Total frozen assets : -----

Please note that we will not conduct any transaction with the entities / individuals mentioned in your subject letter until further notice from your part.

Best regards,

***General Manager***

\* Copy of the identity documentation.

**The Executive Director – Supervision Sector  
Central Bank of Kuwait**

Dear Sir,

In reply to your letter reference No. ----- dated ----- concerning the Ministry of Foreign Affairs letter dated ----- requesting the freezing of the assets of the entities and individuals mentioned in your subject letter, we would like to advise you that , after checking our records, we found no financial assets, accounts or financial activities belonging to the individuals / entities mentioned in your subject letter .

Please note that we will not conduct any transaction with the entities / individuals mentioned in your subject letter until further notice from your part.

Best regards,

***General Manager***

**GOVERNOR**

*Rabi Al-Awal 12,1427 H*

*April 10, 2006.*

**THE CHAIRMAN,**

**Circular to All Local Banks  
No. (2/BS, IBS/188/2006)**

We would like to advise you that the Central Bank of Kuwait Board of Directors has resolved, at its meeting of 9/4/2006, to amend item No.(10) of Central Bank of Kuwait instructions No. (2/BS/92/2002) issued to local banks, and Central Bank of Kuwait instructions No. (2/IBS/103/2003) issued to Islamic Banks with regard to combating money laundering and terror financing transactions, to read as follows:

“Banks must pay special and exceptional attention to all complex and unusual large transactions, and to all unusual patterns of transactions which have no apparent economic or lawful purposes and objectives, or which are inconsistent with the customer’s nature of business or the size of debit and credit balances in his account, or raise doubts on their essential nature, objectives or the source of their funds. We also particularly refer to the large or repeated sums of cash money which owners try to exchange, or the internal and foreign transfers of large or repeated amounts.

In the above mentioned cases, the bank must investigate the case and collect the data on the suspicious transaction and the parties having relation to the transaction. However, such actions taken may not be disclosed to such parties, whether expressly or implicitly. The bank must also record the outcome in writing.

In case the bank finds out that the subject transfer and its amount is sound and substantiated by supporting documents, the bank must process the transaction in accordance with established banking procedures.

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**16 - INSTRUCTIONS ISSUED BY CENTRAL BANK OF KUWAIT REGARDING MONEY LAUNDERING.**

H- Circular No. (2/BS,IBS/188/2006) concerning the amendment of item (10) of Central Bank of Kuwait instructions issued to all local banks on combating money laundering and terror financing transactions.

If the results of the investigation and detection conducted by the bank confirm the suspicion over such transaction and the funds associated with it, the bank must notify the Public Prosecution of the details of the suspected transaction, sending at the same time a copy of the notification and its details to Central Bank of Kuwait for info.

In all cases, the bank must prepare a report including all the details of the transaction and the bases on which the bank relied in passing the transaction or referring it to the Public Prosecution, while taking into account that the bank will be fully responsible for its decisions and their consequences, which may make the bank accountable before the competent authorities in case the bank is found to be negligent in taking the appropriate actions for ensuring the integrity of the subject transaction.

Your bank is required to observe the above from this letter's date.

With my best wishes,

**SALEM ABDUL AZIZ AL-SABAH**