

**16- INSTRUCTIONS ISSUED BY CENTRAL BANK OF KUWAIT
REGARDING ANTI-MONEY LAUNDERING AND COMBATING
THE FINANCING OF TERRORISM (AML/CFT)**

- A) Circular regarding the method of verifying the identities of the persons, who make deposit transactions into customers' accounts with banks.
- B) Circular No. (2/BS, IBS/240/2009) concerning the procedures to be adopted when a customer applies for leasing, or renewing the contract of safe deposit boxes.
- C) Instructions No. (2/BS, IBS/308/2013) concerning Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT).
- D) Circular concerning the Form of Report to Kuwait Intelligence Unit (KIU) of Suspicious Transactions with Banks, and the Guide for filling out the Form, and the Indicators that help identify the suspicious Transactions with Banks.
- E) Circular to all Local Banks, Financing Companies and Exchange Companies accompanying a copy of the Resolution No. (5) of 2014 concerning the Executive Bylaws on Implementation of the Security Council Resolutions issued under Chapter VII of the United Nations Charter on Terrorism and the Financing of Terrorism.
- F) Circular to all Local Banks, Financing Companies and Exchange Companies accompanying the Guidelines issued to the Entities concerned with Implementation of the Resolution No. (5) of 2014 concerning the Executive Bylaws on Implementation of the Security Council Resolutions issued under Chapter VII of the United Nations Charter on Terrorism and the Financing of Terrorism.
- G) Circular to all Local Banks, Financing Companies and Exchange Companies concerning the Form of Notification to Kuwait Intelligence Unit (KIU) of the suspicious Transactions, and the Guide for filling in the Form, and the Paper of Guidelines that help identify the suspicious Transactions.
- H) Circular to all Local Banks, Financing Companies and Exchange Companies requiring them to post all Circular issued by Kuwait Intelligence Unit (KIU) on their Websites.
- I) Circular to all Local Banks, Financing Companies and Exchange Companies concerning the Approval by the Committee concerned with Implementation of the Security Council Resolutions issued under Chapter VII of the United Nations Charter on Terrorism and the Financing of Terrorism of an electronic mail for the official Correspondence.

- J) Circular to all Local Banks, Financing Companies and Exchange Companies concerning the high-risk and non-cooperative Jurisdictions that Financial Action Task Force (FATF) identifies and provide updated data thereon, and the Way to deal with them.
- K) Circular to all Local Banks, Financing Companies and Exchange Companies concerning a Typing Error in the Website Name of Kuwait Intelligence Unit (KIU) in the Circular issued on 04/10/2015.
- L) Circular No. (2/BS, IBS/432/2019) to all Local Banks concerning Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) coming into effect from 16/06/2019 to replace the Instructions previously issued on 23/07/2013.
- M) Circular to all Local Banks, Financing Companies and Exchange Companies attaching the Ministerial Resolution No (35) of 2019 regarding the Executive Bylaws for Implementation of UN Security Council Resolutions issued by virtue of Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD) superseding the Resolution No (5) dated 8/04/2014.
- N) Circular to all Local Banks dated 28/08/2019 further to the Circular dated 14/05/2019 regarding Anti-Money Laundering And Combating the Financing of Terrorism (AML/CFT) obligating banks to form a committee assigned to decide on reporting any suspicious transaction of money laundry/terror finance to Kuwait Financial Intelligence Unit (KFIU).
- O) Circular to all Local Banks, Financing Companies and Exchange Companies issued 28/10/2019 attaching the mechanism to be followed for follow up on the Resolutions issued by Sanctions Committees in line with the Provisions of the Resolutions issued under No. (35) of 2019 on the Executive Bylaws for Implementation of UN Security Council Resolutions by virtue of Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD).
- P) Circular to all Local Banks, issued 16/2/2023 concerning Instructions No. (2/BS/IBS/507/2023) Concerning Anti-Money Laundering & Combating the Financing of Terrorism.
- Q) Circular to all Local Banks, Financing Companies and Exchange Companies” issued 17/7/2023 concerning Virtual-Assets Transactions Procedures.

THE DEPUTY GOVERNOR

*Thulqe'dah 01, 1424 H
December 24, 2003*

The Chairman of the Board of Directors,

Circular to All Local Banks and Kuwait Finance House

Further to Central Bank's instructions No. (2/BS/92/2002) regarding the Combat of Money Laundering and Terror Financing Transactions, specifically the rules of article No. (7) thereof, and since we have come to know that some local banks do not verify the identities of the persons, who make deposit transactions into customers' accounts, your bank is required to take the following actions in respect of all deposit transactions made to customers' accounts with your bank:

1) In case of deposit by the account holder (Customer):

- In case of an individual customer or an owner of a sole proprietorship, the name of the customer or a transliteration forms thereof must be mentioned on the deposit slip. As for joint accounts and all of corporate bodies, the name of the depositor and the type and number of his personal ID through which his identity was verified, must be mentioned on the deposit slip, provided that the type of the ID is consistent with those types specified under item (3) of the above mentioned instructions.

2) In case of deposit by a person other than the account holder:

- The name of the depositor, his capacity and the type and number of his personal ID through which his identity was verified, must be mentioned on the deposit slip, provided that the type of his identity is consistent with those types specified under item (3) of the above mentioned instructions. It is also to be observed that deposit transaction may be accepted only from authorized persons in case of deposit in the accounts of corporate bodies which so stipulate.

On the other hand, your bank should take the necessary actions ensuring that your customers attention is drawn to their responsibility as to the deposit transactions made to their accounts by any person or entity, as long as such transactions are not rejected by the account holder within a reasonable period from the deposit date.

With my best wishes,

**The Deputy Governor
Dr. Nabeel Ahmad Al-Mannai**

THE GOVERNOR

Rabi Al-Awal 19, 1430 H
March 16, 2009

The Chairman of the Board of Directors,

Circular to all Local Banks No. (2/BS, IBS/240/2009)

In line with the constant endeavor to cope with the developments relating to AML/CFT areas, we hereby emphasize that it is essential to comply with the Central Bank of Kuwait's instructions regarding AML/CFT No. (2/BS/92/2002) dated 22/10/2002, and to Islamic banks No. (2/IBS/103/2003) dated 15/6/2003, concerning the services extended to customers, including the safe deposit boxes with your bank. In this context, your bank should take the following measures when any of the customers' requests the lease of safe deposit boxes, or when existing customers request renewal of the safe deposit boxes lease agreements with you:

1. Identify customer based on the official documents stated under the above-mentioned the Central Bank of Kuwait's instructions.
2. Obtain a declaration by the customer, stating that the contents of the safe deposit box belong to him, and that he deposited its contents personally, and that he declares not to misuse the service for acts in violation of the relevant statutes, laws and regulations.
3. In case your bank has any doubts about the customer's misuse of the safe deposit box, and following investigations to judge the seriousness of such suspicion, and pursuant to the provisions of Law No. 35 of the year 2002 regarding AML, this must be reported to the Public Prosecution, with copy of such report to be sent to the Central Bank of Kuwait.

With my best wishes,

The Governor
Salem Abdul Aziz Al-Sabah

THE GOVERNOR

*Ramadhan 14, 1434 H
July 23, 2013*

The Chairman of the Board of Directors,

Circular to all Local Banks*

In light of law No. 106 of 2013⁽¹⁾ concerning Anti-money Laundering and Combating the Financing of Terrorism (AML/CFT) and its executive regulations, CBK board of directors in its meeting dated 23/07/2013 approved the attached instructions No. 2/BS/ IBS/308/2013 concerning Anti-money Laundering and Combating the Financing of Terrorism which shall come into force from 18/08/2013. These instructions shall supersede instructions No. 2/BS/92/2002 issued on 22/10/2002 to local traditional banks and instructions No. 2/IBS/103/2003 issued on 15/6/2003 to Islamic banks concerning anti money laundering and the financing of terrorism and amendments thereto.

We would like to draw the attention that due diligence should be paid to all attached instructions and in particular the following pillars:

- Ensuring that the bank's board of directors approves the appropriate and necessary policies and procedures in AML/CFT and in accordance with AML/CFT law and its executive regulations and relevant ministerial resolutions and instructions.
- Conducting necessary studies for risk assessment associated with money laundering and terrorism financing and identifying the factors that increase risk severity associated with the customer or certain transactions that require applying enhanced due diligence;
- Ongoing training for the members of the board of directors, members of the executive and supervisory management, managers and all employees in the bank for obtaining full and necessary understanding of the requirements stipulated under AML/CFT law, its executive regulations and relevant ministerial resolutions and instructions. Training tasks shall be entrusted to specialized agencies in the field of providing such programs.

With my best wishes,

The Governor

Dr. Mohammad Y. Al-Hashel

* Conventional banks, Islamic banks and branches of the foreign banks.

(1) Instructions No. (2/BS, IBS/432/2019) dated 14.05.2019 under Item (L) hereof regarding Anti-money Laundering and Combating the Financing of Terrorism (AML/CFT) have been issued to replace the instructions previously issued on 32.07.2013 effective from 16.06.2019.

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

C) Instructions No. (2/BS, IBS/308/2013) concerning Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT).

Instructions issued to Local Banks under No. (2/BS/IBS/308/2013) concerning Anti-money Laundering and Combating the Financing of Terrorism (AML/CFT)⁽¹⁾

Introduction

In light of the major changes and developments the world has witnessed recently which have material impacts on the regional and international economic conditions as well as the vast improvement in communication industry enabling swift money transfer and giving rise to new conditions for capital moves among various countries, financial crimes have become severe risks for all countries. The greatest of these financial crimes are the risks of Money laundering and Financing of Terrorism. All countries seek to apply policies and procedures that will enable them combat such crimes by all possible means due to the extremely severe impacts on their economies.

Combating Money laundering and Financing of Terrorism is an international requirement called on all countries through the international community. This is because the damaging effects are not only on economic aspects but also on social and political arenas. For urging countries to exert more efforts and enhance required combating controls, Financial Activity Task Force “FATF” has recently issued amendment to international standards on combating money laundering and the financing of terrorism to curb the developments of associated crimes and ensure compliance with any issued UN conventions for combating the financing of terrorism and fighting corruption and their impacts on institutions, individuals and organizations in any country.

In light of the above, the State of Kuwait always tries to adopt policies and procedures to ensure serious and ongoing combat of the crimes associated with AML and terror financing and fighting corruption through laws, ministerial decisions and instructions issued in this regard. Accordingly Law No.(106) of 2013 concerning Anti-money Laundering and Combating the Financing of Terrorism (AML/CFT) and its executive regulations were issued.

For the efforts exerted by CBK to confront these crimes and its belief in the significance of its role to protect the financial and banking system from risks of exposure to these crimes, within the framework of its ongoing follow up for confronting this phenomena with its highly adverse impacts and serious implications on the banking system since financial institutions and particularly banks are the most targeted by money launderers and terrorism financiers,

⁽¹⁾ Instructions No. (2/BS, IBS/432/2019) dated 14.05.2019 under Item (L) hereof regarding Anti-money Laundering and Combating the Financing of Terrorism (AML/CFT) have been issued to replace the instructions previously issued on 32.07.2013 effective from 16.06.2019.

and In light of implementing the provisions of law No. 106 of 2013 concerning Anti-money Laundering and Combating the Financing of Terrorism (AML/CFT) and its executive regulations and relevant ministerial resolutions, CBK has updated and amended the instructions thoroughly so that the instruction shall be based on weakness of the risks associated with money laundering and financing of terrorism and the significance of determining the appropriate procedures that must be complied with to ensure implementation of the appropriate instrument to fight and limit the adverse impacts resulting from these operations.

Therefore, local banks shall comply with the following:

In implementing the stipulations of these instructions, the definitions stated in AML/CFT Law Article (1) as well as the definitions stated in the executive regulations of the said law shall be applied.

First: Policies and Procedures

1. Banks shall have in place policies and procedures and internal control systems that ensure combating money laundering and financing of terrorism. these should include at a minimum the following procedures and mechanisms:
 - A. Customer and transactions' risk assessment;
 - B. Identifying the customer identity and the actual beneficiary, politically exposed persons and the documents required for verification;
 - C. keeping the records and information associated with the customers and transactions;
 - D. Applying due diligence procedures on the customer and actual beneficiary;
 - E. Reporting suspicious transactions to Kuwait Financial Intelligence Unit;
 - F. The appointment of a compliance officer at the senior management level to ensure the bank Compliance with law No. 106 of 2013 on combating money laundering and financing of terrorism, its executive regulation and these instructions
 - G. Applying the appropriate integrity and experience standards when appointing staff as stated in Para. 7 of item 18th of the instructions.
 - H. Executing ongoing training programs for all staff (new and existing), the directors of the board, executive and supervisory management personnel and managers.
 - I. Periodic review of policies, procedures and internal control systems;
 - J. Any other requirements deemed necessary by banks;

2. The policies, procedures and internal controls must be aligned with the size, nature and scope of the bank business and activities and must be approved by the board of directors. All local and foreign branches and subsidiaries of the banking group shall comply with these policies, procedures and internal controls. Mechanisms to exchange information and maintain its confidentiality must be put in place at the level of the banking group.

Second: Risk Assessment

1. Banks shall conduct assessment of the money laundering and terrorist financing risk profile including the risks associated with developing new products and techniques. Banks shall also maintain the study prepared for risk assessment and associated information as well as any updates.
2. When setting appropriate procedure to identify, monitor, manage and mitigate assess and understand the risks of money laundering and terrorist finance, the following risks should be taken into account:
 - Customer risks;
 - Risks of countries or geographic areas where customers conduct business or the source or target of the transactions;
 - Risks associated with the nature of the products and services rendered;
 - The risk of delivery channels of products and services
3. Identifying factors which increase risk severity requiring the adoption of enhanced due diligence procedures including for example:

A. Customer risk factors:

- The business relationship is conducted in unusual circumstances (e.g.
- Non-resident customers.
- Legal persons or other legal arrangements that are managing third party' assets.
- Companies that issue shares in bearer form.
- Business that are cash-intensive or vulnerable to the risks of money laundering or terrorism financing;
- The ownership structure of the company appears unusual or excessively complex with no clear economic or legal purposes given the nature of the company's business.
- Non-face-to-face business relationships or transactions ;

- Established business relationships with or in the countries stated in Item 3 B hereunder;
- Politically exposed persons or his/ her connections;
- Customers who possess huge assets or whose sources of income or properties are unclear.

B. Country or geographic risk factors:

- Countries identified by credible sources, such as mutual evaluation or detailed assessment reports or published follow-up reports, as not having adequate AML/CFT systems.
- Countries identified by Kuwait Financial Intelligence Unit as high risk countries;
- Countries subject to sanctions, embargos or similar measures issued by, for example, the United Nations.
- Countries identified by credible sources as having significant levels of Corruption or other criminal activity.
- Countries or geographic areas identified by credible sources as providing funding or support for terrorist activities, or that have designated terrorist organizations operating within their country.

C. Product, service, transaction or delivery channel risk factors:

- Private banking.
- Anonymous transactions (which may include cash).
- Non-face-to-face business relationships or transactions for personal identification purposes.
- Payment received from unknown or un-associated third parties

4. Simplified customer due diligence “CDD” measures may be applied in line with the results of risk assessment study provided that CBK prior approval is obtained while dealing, for example, with the following:

A. Customer risk factors:

- Financial institutions and Designated Non-Financial Businesses and Professions (DNFBPs)– where they are subject to requirements to combat money laundering and terrorist financing consistent with the FATF Recommendations, have effectively implemented those requirements, and are effectively supervised or monitored to ensure compliance with those requirements.

- Companies listed on a stock exchange and subject to disclosure requirements (either by law or through stock exchange rules or enforceable means), which impose requirements to ensure adequate transparency of beneficial ownership.
- Public administrations or enterprises.

B. Product, service, transaction or delivery channel risk factors:

- Financial products or services that provide appropriately defined and limited services to certain types of customers, so as to increase access for financial inclusion purposes.

C. Country risk factors:

- Countries identified by credible sources, such as mutual evaluation or detailed assessment reports, as having effective AML/CFT systems.
- Countries identified by credible sources as having a low level of corruption or other criminal activity.

5. In identifying the basis of risk assessment under Item Second (1), banks should adopt the following measures to manage risks:

A. Assessment of risk factors including:

1. The purpose of opening an account or setting up a relationship.
2. The size of deposits or transactions undertaken by a customer.
3. The regularity transactions or duration of the business relationship.

B. Obtaining additional information on the customer and the actual beneficiary, the beneficiary and the transaction.

C. Setting risk patterns for customers and transactions classifications based on sufficient information on the customer and the actual beneficiary in case of being different persons including the potential business relationship with the bank, the sources of the customer income and assets where appropriate;

D. Conducting enhanced due diligence on high risk customers;

E. Updating more regularly the identification data of the customer

F. Adopting other measures decided by CBK and Kuwait Financial Intelligence Unit.

Third: Customer identification Requirements

1. Banks should be prohibited from opening or keeping anonymous accounts or accounts in fictitious names;
2. Banks shall identify and verify the customer and the actual beneficiary identities in the following cases:
 - A. Before or on opening the account or initiating a business relationship with the customer;
 - B. Before conducting any transaction exceeding KD 3000/- or its equivalent in foreign currency whether this is a single transaction or in the form of several connected transactions with a passerby customer that has no business relationship with the bank;
 - C. Before conducting a local or overseas electronic fund transfer;
 - D. When suspecting AML/CFT transactions;
 - E. On suspecting the validity or insufficient identifiers previously obtained for the customer.
3. The banks shall obtain copies of valid customer identification documents as follows:
 - A. The Civil ID card for the citizens and residents;
 - B. Passport or travel document for non-residents in the State of Kuwait;
 - C. The commercial license issued by the Ministry of Commerce & Industry for the companies and establishments registered in the State of Kuwait as the specimen of the signature authorization form. For foreign companies and institutions, the documents issued by the concerned authorities in the country of incorporation or registration are obtained and ensure their attestation by concerned authorities in the State of Kuwait.
 - D. Papers, documents and court judgments which legally substantiate the capacity of the individual who act on behalf of a concerned person.
 - E. For the customers not mentioned above, the banks shall obtain the official documents of the Identity, approved by the official authorities issuing such documents.

Fourth: Politically Exposed Persons

1. Banks should have appropriate risk-management systems and measures to determine whether the customer or the beneficial owner is a politically exposed person. Such measures shall at least include the following:

- A. Ask for information relevant to the customer;
 - B. Refer to the available information on the customer;
 - C. Refer to e-commerce databases for Politically Exposed Persons if available;
2. In case a bank finds that the beneficial owner is a politically exposed person, the bank shall apply the following additional due diligence measures:
- A. For foreign politically exposed person:
 - obtain senior management approval for establishing (or continuing, for existing customers) such business relationships;
 - take reasonable measures to establish the source of wealth and source of funds; and
 - conduct enhanced ongoing monitoring of the business relationship.
 - B. For domestic politically exposed person or a person who is or has been entrusted with a prominent function by an international organization, the same measures referred to in (A) above are applied in cases of a higher risk business relationship with such persons.

Fifth: Enhanced due diligence measures for high risk customers

1. Banks must, as far as possible, examine all complex and unusual large transactions to verify the purposes, and verify all unusual patterns of transactions which have no apparent economic or lawful purposes and objectives,
2. Banks should apply enhanced due diligence measure as per the risks associated with politically exposed persons and customers who do not conduct deals face to face particularly increasing the degree and nature of supervision on the business relationships to determine whether these transactions or activities seem unusual or suspicious.
3. Enhanced due diligence measures applied on high risk business relationships include the following for instance:
 - A. Obtaining Additional Information on the customer for example: the profession, asset size, transactions with other banks and updating the customer and the actual beneficiary regularly;
 - B. obtaining Additional Information on the nature of the expected business relationship with the customer ;

- C. obtaining Additional Information on the customer's sources of wealth and funds;
 - D. Reasoning the rationale behind the transactions executed or expected to be executed ;
 - E. obtaining senior management approval for establishing (or continuing, for existing customers) such business relationships;
 - F. Conducting enhanced ongoing monitoring of the customer transactions through enhancing monitoring measures and regularity as well as identifying transactions patterns that require additional examination.
 - G. Taking into account that the first amount deposited for opening the customer account is transferred from another account opened under the customer's name in a bank subject to similar enhanced due diligence measures.
4. Conducting ongoing enhanced due diligence measures on each stage;
 5. Enhanced due diligence measures should include the following for business relationships that does not deal face to face for customer identification purposes:
 - A. Authenticating the document as per relevant laws and procedures;
 - B. Requesting any additional documents, setting the procedures that enable banks verify the customer identity or communicate with the customer;.

Sixth: Simplified Due Diligence Measures for Low Risk Customers

1. The Simplified Due Diligence Measures should be commensurate with the risk factors mentioned in item 4 above. These measures include, as examples, but are not limited to the following:
 - Verifying the identity of the customer and the beneficial owner after the establishment of the business relationship.
 - Reducing the frequency of customer identification updates.
 - Reducing the degree of periodic monitoring and scrutinizing transactions.
 - Not collecting specific information or carrying out specific measures to understand the purpose and intended nature of the business relationship, but inferring the purpose and nature from the type of transactions or business relationship established.

2. Banks may not apply Simplified customers due diligence measures whenever there is a suspicion of money laundering or terrorist financing, or where the customer is linked with businesses relationship in or with countries as stated in Para B of Item Second (3) above.

Seventh: Identifying the beneficial owner

1. Bank must take necessary measures to identify whether the customer is acting on behalf of a beneficial owner or more through a certificate signed by the customer on opening the account stating that the customer is actual beneficiary of the account or through any other means as a bank deems appropriate.
2. If a bank identifies that a customer is acting on behalf of another beneficiary or beneficiaries, the bank should verify the identity of the beneficiary owner(s) through relevant information obtained from a reliable source to ensure the identity(s) of the beneficiary owner(s) and banks shall apply due diligence measures on beneficiary owner(s) in such case.
3. Where the customer is a company listed on stock exchanges, a bank is not required to verify the identity of any shareholder or beneficial owner of such companies as long as such company is subject to disclosure requirements which impose disclosure of the identity of the actual beneficiary. Banks may only obtain copies of the required document to verify the company's identity as stated in ownership to ensure adequate transparency of, or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies;
4. When the customer is a legal person or other legal arrangement, banks should be required to take the appropriate measures to understand the ownership and control structure of the customer including the ultimate person in possession or in control of the customer as follows:
 - A. For legal person: verify the identity of each legal person that:
 - Possesses or directly or indirectly controls interest of over 50% of a corporate person;
 - Controls the management of a corporate person.
 - B. For legal arrangements, banks must verify the identity of the person acting on behalf of the customer, the custodian, the beneficiary or any other person entrusted with these functions.

Eighth: Postponing verification process of the customer identity

1. Banks may establish business relationship before completing the verification process of the customer's identity referred to in Item III of these instructions in case all the below mentioned conditions are met:
 - a) Completing the verification process as soon as reasonably practicable following the establishment of the business relationship;
 - b) The necessity of not impeding normal business procedures; and
 - c) Effectively controlling the risks of money laundering and terrorism financing.
- d) When postponing verification process of the customer identity, Banks should encompass, within its risk management measures, a set of minimum procedures such as identifying the number, type or value of the transactions a customer is permitted to undertake.

Ninth: Accepting new customers

Banks shall be prohibited from opening an account or establishing a business relationship or carrying on transactions in case it is impossible to verify the identity of the customer or beneficial owner. In this case, banks should consider the possibility of reporting the case to Kuwait Financial Intelligence Unit.

Tenth: Keeping customer information

Banks shall gather and maintain customer and beneficial owner related information throughout the business term. Banks shall ensure that documents, data or information collected under customer due diligence process is kept up-to-date and relevant by undertaking reviews of existing records to verify their soundness by reviewing the records at appropriate periodicity determined by the bank.

Eleventh: Ongoing monitoring of customer's transaction

Banks shall set electronic systems for conducting ongoing scrutiny of the Customer transactions. The monitoring process shall include a mechanism to ensure that the transactions being conducted are consistent with the bank's knowledge of the customer, risk profile, including, where necessary, identifying the source of funds. Further, the mechanism shall include the previously defined monetary thresholds on the transactions, volume and types;

Twelfth: Terminating the relationship with a customer

Where the bank is unable to apply due diligence measures towards a customer including those relationships established with customers prior to the enforcement of these instructions, it shall be required to terminate the business relationship and to consider reporting the matter to Kuwait financial Intelligence Unit.

Thirteenth: Outsourcing functions by a third party

1. The Bank may rely on other third parties to perform some of the Customer due diligence “CDD” measures, provided that the bank takes CBK prior approval and satisfy the following criteria:
 - A. The bank shall be able to immediately obtain from the third party all the necessary information under CDD measures;
 - B. The bank shall ensure that the third party will make available, upon request and without delay, copies of the identification data and other relevant documentation relating to the CDD measures; and
 - C. The Bank shall Satisfy itself that the third party is regulated and supervised and has measures in place to comply with CDD requirements, maintains records and applies measures to comply with these requirements.
2. The bank shall bear the ultimate responsibility for verifying and identifying the customer.

Fourteenth: Shell Banks and cross-border correspondent banking relationships

1. Banks shall be prohibited to enter into, or continue, a correspondent banking relationship with a “shell bank” and are also prohibited from doing so with respondent foreign financial institutions that permit their accounts to be used by shell banks.
2. Prior to entering into any cross- border banking relationship with correspondent banks or other similar relationships, banks shall apply the below measures in addition to the appropriate due diligence measures:
 - A. Collecting information about the respondent bank;
 - B. Understanding the nature of the respondent bank;
 - C. Assessing the reputation of the respondent bank , the type of supervision on the respondent bank and whether it is under investigations or regulatory measures with regard to money laundering and terrorism financing;
 - D. Assessing the controls applied by respondent bank with regard to money laundering and terrorism financing;
 - E. Obtain senior management approval prior to establishing a new correspondence relationship;
 - F. Clearly Understanding and documenting the responsibilities of each bank in combating money laundering and terrorism financing;

3. In case the bank provides the service of “payable-through accounts”, the bank must be satisfied that the respondent bank has conducted CDD on the customers having direct access to accounts of the correspondent bank, and that it is able to provide relevant CDD information upon request to the correspondent bank.
4. All the requirements stated in Item XIV Para (2) above must be documented and applied to all cross- border correspondent banking relationships and similar relationships entered into before the enforcement of the law, the executive regulations and these instructions.

Fifteenth: Approved policies and procedures for electronic transfer

1. Banks shall obtain accurate originator beneficiary information on wire transfers and related messages, and that the information remains with the wire transfer or related message throughout the payment chain. The information on wire transfers shall always include:
 - A. The name of the originator;
 - B. The originator account number where such an account is used to process the transaction;
 - C. The originator’s address, or national identity number, or customer identification number³⁵, or date and place of birth;
 - D. The name of the beneficiary; and the beneficiary account number where such an account is used to process the transaction.
2. In case the bank is unable to satisfy these requirements, the bank shall not carry out such transfer;
3. Where several individual cross-border wire transfers from a single originator are bundled in a batch file for transmission to beneficiaries, they may be exempted from the requirements of item XV paragraph 1 above in respect of originator information, provided that they include the originator’s account number or unique transaction reference number , which permits traceability of the transaction, and the batch file contains required and accurate originator information, and full beneficiary information, that is fully traceable within the beneficiary country.
4. Banks shall apply the IBAN requirements stated in IBAN Manual issued by the central bank of Kuwait when conducting domestic wire transfers.
5. The information should be made available by the ordering banks within three business days of receiving the request either from the beneficiary financial institution, CBK or Kuwait Financial Intelligence Unit.

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C) Instructions No. (2/BS, IBS/308/2013) concerning Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT).

6. Banks should take care not to bundle the cross-border wire transfers that are not routine in a batch file for transmission in cases where risks of money laundering and terrorism financing increase;
7. For cross-border wire transfers, banks processing an intermediary element of payment chains should retain wire transfer information including all originator and beneficiary information;
8. Where technical limitations prevent the required originator or beneficiary information accompanying a cross-border wire transfer from remaining with a related domestic wire transfer, a record should be kept, for at least five years, by the receiving intermediary bank of all the information received from the ordering bank or another intermediary bank.
9. Banks shall set effective risk-based policies and procedures for determining:
 - A. Cases when to execute, reject, or suspend a wire transfer lacking required originator or required beneficiary information and consider reporting them to Kuwait Financial Intelligence Unit;
 - B. The appropriate follow-up action that may include restricting or terminating the business relationship.
10. For wire transfers, the responding bank should verify the identity of the beneficiary, if the identity has not been previously verified, and maintain this information in accordance with these instructions.

Sixteenth: Suspicious Transactions Reporting

1. A bank shall report, within two days maximum to Kuwait Financial Intelligence Unit “KFIU”, any transaction or attempt to carry on any transaction regardless of its value if the bank suspects that the funds are the proceeds of a criminal activity, or are related to money laundering or terrorist financing, or may be used for performing these transactions.
2. Banks, their directors, officers and employees should be prohibited from disclosing (“tipping-off”) the fact that a suspicious transaction report (STR) or related information has been filed or will be filed with Kuwait Financial Intelligence Unit in accordance with Paragraph (1) of this item or that there has been investigation on money laundering or terrorist financing. This does not prevent disclosure or communication among bank directors and its employees, lawyers, concerned authorities and public prosecution concerning these transactions.

Seventeenth: New products and business practices

Banks shall identify, assess and take the appropriate measure on money laundering or terrorist financing risks that may arise a result of the following transactions:

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C) Instructions No. (2/BS, IBS/308/2013) concerning Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT).

- A. Developing products and new business practices including the technologies of providing new products and services.
- B. Using new or developing technologies for current and new products.

Eighteenth: Business procedures and internal controls

1. Compliance officer shall have appropriate qualifications and experience in combating money laundering and financing of terrorism. The bank shall provide CBK with the detailed particulars of the compliance officer including his name, qualifications, contact number and email address. Any changes to this data shall be reported to CBK.
2. Compliance Officer shall act with sufficient operational independence and shall be held responsible before senior management. Compliance Officer and other concerned staff must have direct access to customer identification data and other information related to due diligence measures, transaction records and other relevant information.
3. The board of directors shall ensure that the bank is in compliance with the requirements of law no. 106/ 2013 concerning anti money laundering and the financing of terrorism. Periodic Reports to the board should include a statement of all suspicious transactions monitored as well as their impacts and the measures taken by compliance staff to enhance the bank policies, procedures, rules and controls for Anti-money Laundering and Combating the Financing of Terrorism. The board of directors shall be informed with the findings of any field inspections carried out by CBK on Anti-money Laundering and Combating the Financing of Terrorism including the corrective measures that should be applied by the bank.
4. Banks shall maintain independent audit and examination to verify that the compliance controller and bank staff carry out their duties in accordance with the bank's internal policies, procedures, rules and controls on Anti-money Laundering and Combating the Financing of Terrorism.
5. The external auditor's report on the assessment of internal control systems in the bank shall include the extent of the bank's compliance with local laws, ministerial resolutions and CBK instructions relevant to anti money laundering and the financing of terrorism in addition to the bank's compliance with its own policies, procedures and controls.
6. Banks shall maintain an ongoing training program for their new and existing staff, board members, senior executive management personnel and managers to ensure they are aware of the latest techniques and updates prevailing in the field of money laundering and terrorism financing in execution to the

obligations imposed under Law No. (106) of 2013 concerning Anti-money Laundering and Combating the Financing of Terrorism, its executive regulations and these instructions;

7. On appointing their staff, banks shall identify integrity, experience and efficiency requirements and set the rules and measures for appropriate selection and qualifications to ensure that:
 - A. Staff should have high efficiency level required for performing their functions.
 - B. Staff should have the proper integrity to undertake the activities of the bank.
 - C. Potential conflict of interest, including the employee's financial and technical background, should be considered.
 - D. Persons, who have been accused or condemned of crimes including fraud, dishonesty or the like, must not be recruited.
8. The provisions of Item (7) above should be observed upon nominating the board members and recruiting the members of the executive and supervisory management and managers.

Nineteenth: Record Keeping Requirements

Banks shall maintain the following records:

- A. All documents obtained through the customer due diligence process (e.g., copies or records of official identification documents of the customer and beneficial owner, accounting files and business correspondence for at least five years after the business relationship is ended or the date of executing the transaction for a customer that has no business relationship with the bank.
- B. All records of domestic and international transactions already executed or attempted to be executed for a period of at least five years. Such records should be sufficiently detailed to verify and enable reproducing the steps of each transaction.
- C. Copies of the reports/notices sent as well as related documents for a period of at least five years from the date of submitting the notices to Kuwait Financial Intelligence Unit.
- D. Risk assessment study and any related information, if so required by CBK, for five years from the date of conducting or updating the assessment.

Twentieth: Compliance with other decisions

Banks should set the policies, procedures, rules and internal controls to ensure compliance with any decisions issued and related to Article 25 of Anti money laundering law No. 106 of 2013.

Twenty First: Penalties and legal actions

Penalties stipulated under Article 15 of Law No. 106 /2013 concerning anti money laundering and Financing of terrorism shall be applied to any bank that violates these instructions.

23/07/2013

THE MANAGER

*Shaban 22, 1435 H
June 19, 2014*

The General Manager,

Circular to all Local Banks

In the light of the provisions of Articles (12), (13) and (35) of the Law No. (106) of 2013 concerning Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), Article (16) of the Executive Bylaws No. (37) of 2013 of the said law, and Item (Sixteen) of the Central Bank of Kuwait's instructions No. (2BS, IBS/308/2013) on 23.07.2013,

And whereas Kuwait Financial Intelligence Unit (KFIU) initiated receiving reports of suspicious transactions, banks should provide their reports on the identified suspicious transactions to KFIU in sealed envelope of each report to ensure information confidentiality through the following address:

**Kuwait Financial Intelligence Unit
Complex of Ministries, Block 7, 3rd Floor
State of Kuwait**

Kindly find attached the letter received from KFIU dated 12.06.2014 accompanying:

1. Suspicious Transaction Report Form.
2. KFIU Guide for filling in the Suspicious Transaction Report Form.
3. A paper on the indicators that assist banks identify suspicious translations.

As well as the magnetic tape sent by KFIU for these forms to comply therewith and use thereof.

Best Regards,

**Manager, On-Site Supervision Department
Abdulhameed D. Al-Awadh**

Date: 12 June 2014

**His Excellency Dr. Mohammad Y. Al-Hashel
The Governor of the Central Bank of Kuwait**

Dear Sir,

The provisions of Article (12) of the Law No. (106) of 2013 concerning Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) states that financial institutions and designated non-financial businesses and professions shall report to Kuwait Financial Intelligence Unit (KFIU) without delay any transaction or attempted transaction, regardless of the value thereof, if they suspect or have reasonable grounds to suspect that such transaction involves proceeds of crime or funds related or linked to or to be used for money laundering or terrorism financing.

Article (13) of the said law states that financial institutions and designated non-financial businesses and professions, their directors and employees are prohibited from disclosing to a customer or any other person the fact that a report under the previous Article or any information related to the unit or to any money laundering or terrorism financing investigation. This shall not preclude disclosures or communications between and among directors and employees of the financial institution or designated non-financial business and profession, in addition to lawyers, competent authorities, and the public prosecution.

Article (35) of the said law states that whoever deliberately or by gross negligence:

A. fails to make a report under Article 12 or presents false statements of facts or conceals facts which should be disclosed; or

B. discloses information to a third party in violation of Article (13),

shall be punished by imprisonment for up to three years and a fine of no less than 5,000 Dinars and up to 500,000 Dinars, or by one of these two penalties. In the case where a legal person commits any of the offenses stated in (1) and (2), a fine of no less than 5,000 Dinars and up to 1 million Dinars shall be imposed

The KFIU has developed a Suspicious Transaction Report Form to be used to file reports with the KFIU, along with a guide that assists financial institutions and designated non-financial businesses and professions in filling out the form, and stipulates the manner and timing in which reports are to be filed. For each specific area identified in the form the guide elaborates on the type of information sought.

KFIU also provided indicators that help the financial institutions and designated non-financial businesses and professions identify the suspicious transactions. Therefore, kindly find attached the following for your information:

1. Kuwait Financial Intelligence Unit Guide for the financial institutions and designated non-financial businesses and professions for filling out the Suspicious Transaction Report Form,
2. Indicators that help banks identify the suspicious transactions, and
3. Suspicious Transaction Report Form.

In addition to magnetic tapes of the said forms.

You are kindly requested to circularize these forms and magnetic tapes to all CBK-regulated local banks. Any report not filed on KFIU designated forms shall not be considered. All reports should be filed in sealed envelope to ensure information confidentiality.

Finally, we would like to inform that KFIU initiated the first phase of receiving suspicious transaction reports as of the date hereof. In this phase, banks may file reports, as mentioned above, to the following address:

**Kuwait Financial Intelligence Unit
Complex of Ministries, Block 7, 3rd Floor
State of Kuwait**

Best Regards,

**President, Kuwait Financial Intelligence Unit
Talal Ali Al-Sayegh**

Kuwait Financial Intelligence Unit



Suspicious Transaction Report Form for Banks

The President of the Kuwait Financial Intelligence Unit

Address: Complex of Ministries, Block 7, 3rd Floor, State of Kuwait

Please refer to the KFIU guide to complete suspicious transaction reports forms for banks when filling out this form.

For KFIU use only	
Date of Receipt of Report	KFIU Reference Number :
I. Reporting Bank	
Name of the Bank:	
Branch:	
Address:	
Date of Disclosure:	
Name of the Compliance Officer:	
Direct Telephone Number:	Mobile Number:
Compliance Officer Email Address:	
<i>Information about the substituting officer when the compliance officer is absent :</i>	
Name:	
Direct Telephone Number:	Mobile Number:
Email:	
Position:	
Was a suspicious transaction report previously filed?	
Yes	: <input type="radio"/> Please provide KFIU reference number: <input type="text"/>
No	: <input type="radio"/>

II. Suspicious Transaction Information	
Information about the Main Subject of the Report	
A. Subject is a natural person:	
Full Name:	[REDACTED]
Other names:	[REDACTED]
Date of Birth:	[REDACTED]
Place of Birth:	[REDACTED]
Gender:	Male <input type="radio"/> Female <input type="radio"/>
Marital Status:	Married <input type="radio"/> Unmarried <input type="radio"/>
Nationality:	[REDACTED]
Occupation:	[REDACTED]
Employer:	[REDACTED]
Politically Exposed Person?	Yes <input type="radio"/> No <input type="radio"/>
Start date of the business relationship:	[REDACTED]
Business Address:	[REDACTED]
Residential Address:	[REDACTED]
Telephone Number:	[REDACTED]
Mobile phone Number:	[REDACTED]
Email:	[REDACTED]
Identification Number:	[REDACTED]
Type of Identification:	[REDACTED]
Identification Card	: <input type="radio"/> Please provide details: [REDACTED]
Passport/Travel Document	: <input type="radio"/> Please provide details: [REDACTED]
Other	: <input type="radio"/> Please provide details: [REDACTED]
B. Subject is a legal person:	
Company Name:	[REDACTED]
Company Form:	[REDACTED]
Type of Business:	[REDACTED]
Country of Incorporation:	[REDACTED]
Date of Incorporation:	[REDACTED]
Commercial Registration Number:	[REDACTED]
Start date of the business relationship:	[REDACTED]
Address:	[REDACTED]
Telephone Number:	[REDACTED]
Email:	[REDACTED]
Managing Entity Information:	
Name:	[REDACTED]
Person's Name (if other names exist):	[REDACTED]
Gender:	Male <input type="radio"/> Female <input type="radio"/>
Marital Status:	Married <input type="radio"/> Unmarried <input type="radio"/>
Date of Birth:	[REDACTED]

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

D) Circular concerning the Form of Report to Kuwait Intelligence Unit (KIU) of Suspicious Transactions with Banks, and the Guide for filling out the Form, and the Indicators that help identify the suspicious Translations with Banks.

Place of Birth:	
Nationality:	
Occupation:	
Employer:	
Politically Exposed Person?	Yes <input type="radio"/> No <input type="radio"/>
Business Address:	
Residential Address:	
Telephone Number:	
Email:	
Identification Number:	
Type of Identification:	
Identification Card	: <input type="radio"/> Please provide details
Passport/Travel Document	: <input type="radio"/> Please provide details
Other	: <input type="radio"/> Please provide details
C. Information about subject with signing authority:	
Name:	
Person's Name (if other names exist):	
Gender:	Male <input type="radio"/> Female <input type="radio"/>
Marital Status:	Married <input type="radio"/> Unmarried <input type="radio"/>
Date of Birth:	
Place of Birth:	
Nationality:	
Occupation:	
Employer:	
Politically Exposed Person?	Yes <input type="radio"/> No <input type="radio"/>
Business Address:	
Residential Address:	
Telephone Number:	
Email:	
Identification Number:	
Type of Identification:	
Identification Card	: <input type="radio"/> Please provide details
Passport/Travel Document	: <input type="radio"/> Please provide details
Other	: <input type="radio"/> Please provide details
D. Beneficial Owner Information:	
Name:	
Person's Name (if other names exist):	
Gender:	Male <input type="radio"/> Female <input type="radio"/>

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Marital Status:	Married	<input type="radio"/>	Unmarried	<input type="radio"/>
Date of Birth:	[REDACTED]			
Place of Birth:	[REDACTED]			
Nationality:	[REDACTED]			
Occupation:	[REDACTED]			
Employer:	[REDACTED]			
Politically Exposed Person?	Yes	<input type="radio"/>	No	<input type="radio"/>
Business Address:	[REDACTED]			
Residential Address:	[REDACTED]			
Telephone Number:	[REDACTED]			
Email:	[REDACTED]			
Identification Number:	[REDACTED]			
Type of Identification:	[REDACTED]			
Identification Card	:	<input type="radio"/>	Please provide details	
Passport/Travel Document	:	<input type="radio"/>	Please provide details	
Other	:	<input type="radio"/>	Please provide details	

Details of Account 1:

Name of the accountholder: [REDACTED]

Account Number: [REDACTED]

Account Type: [REDACTED]

Date Account was Opened: [REDACTED]

Date Account was Closed: [REDACTED]

Balance of Account: [REDACTED]

Balance Date: [REDACTED]

Total Debit Activity during Suspicion Period: [REDACTED]

Total Credit Activity during Suspicion Period: [REDACTED]

General Description of Account Use: [REDACTED]

Main Economic Partners dealing with the Subject Account:
[REDACTED]

Details of Account 2:

Name of the accountholder: [REDACTED]

Account Number: [REDACTED]

Account Type: [REDACTED]

Date Account was Opened: [REDACTED]

Date Account was Closed: [REDACTED]

Balance of Account: [REDACTED]

Balance Date: [REDACTED]

Total Debit Activity during Suspicion Period: [REDACTED]

Total Credit Activity during Suspicion Period: [REDACTED]

General Description of Account Use: [REDACTED]

Main Economic Partners dealing with the Subject Account:
[REDACTED]

Details of Account 3:

Name of the accountholder: [REDACTED]

Account Number: [REDACTED]

Account Type: [REDACTED]

Date Account was Opened: [REDACTED]

Date Account was Closed: [REDACTED]

Balance of Account: [REDACTED]

Balance Date: [REDACTED]

Total Debit Activity during Suspicion Period: [REDACTED]

Total Credit Activity during Suspicion Period: [REDACTED]

General Description of Account Use: [REDACTED]

Main Economic Partners dealing with the Subject Account:
[REDACTED]

III. Suspicious Transaction Details

Transaction 1:

Transaction Type: [REDACTED]

Transaction Date: [REDACTED]

Transaction Status: [REDACTED]

Transaction Purpose: [REDACTED]

Currency in which transaction was carried out: [REDACTED]

Amount transacted: [REDACTED]

Name of Originator: [REDACTED]

Originator Account Number or Transaction Number: [REDACTED]

Name of the Beneficial Owner: [REDACTED]

Beneficial Owner Account Number (if available): [REDACTED]
Name of Receiver: [REDACTED]
Receiver's Account Number: [REDACTED]
Country of the Receiver: [REDACTED]
Transaction 2:
Transaction Type: [REDACTED]
Transaction Date: [REDACTED]
Transaction Status: [REDACTED]
Transaction Purpose: [REDACTED]
Currency in which transaction was carried out: [REDACTED]
Amount transacted: [REDACTED]
Name of Originator: [REDACTED]
Originator Account Number or Transaction Number: [REDACTED]
Name of the Beneficial Owner: [REDACTED]
Beneficial Owner Account Number (if available): [REDACTED]
Name of Receiver: [REDACTED]
Receiver's Account Number: [REDACTED]
Country of the Receiver: [REDACTED]
Transaction 3:
Transaction Type: [REDACTED]
Transaction Date: [REDACTED]
Transaction Status: [REDACTED]
Transaction Purpose: [REDACTED]
Currency in which transaction was carried out: [REDACTED]
Amount transacted: [REDACTED]
Name of Originator: [REDACTED]
Originator Account Number or Transaction Number: [REDACTED]
Name of the Beneficial Owner: [REDACTED]
Beneficial Owner Account Number (if available): [REDACTED]
Name of Receiver: [REDACTED]
Receiver's Account Number: [REDACTED]
Country of the Receiver: [REDACTED]

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

D) Circular concerning the Form of Report to Kuwait Intelligence Unit (KIU) of Suspicious Transactions with Banks, and the Guide for filling out the Form, and the Indicators that help identify the suspicious Transactions with Banks.

IV. Detailed Description of Reason for Reporting	
[Redacted]	
V. Measures taken by the Entity	
Circumstances surrounding the detection of the suspicious transaction:	
[Redacted]	
Internal procedures taken before reporting:	
[Redacted]	
Measures taken in relation to the client after reporting:	
[Redacted]	
VI. Documents Annexed to the Report	
[Redacted]	

Kuwait Financial Intelligence Unit



KFIU Guide to Complete Suspicious Transaction Report Form for Financial Institutions and Designated Non-financial Businesses and Professions

Article 12 of the Anti-Money Laundering and Combating the Financing of Terrorism Law No. (106) of 2013 (AML/CFT Law) requires financial institutions and designated non-financial businesses and professions to report to the KFIU transactions or attempted transactions, irrespective of their value, in relation to which there is a suspicion or reasonable grounds to suspect that such transaction involves proceeds of crime or funds related or linked to or to be used for money laundering or terrorism financing.

Article 13 of the Law states that financial institutions and designated non-financial businesses and professions, their directors and employees are prohibited from disclosing to a customer or any other person the fact that a suspicious transaction report or any information related to such a report has been submitted to the KFIU under the previous article, or that a money laundering or terrorism financing investigation is being carried out. This does not preclude disclosures or communications between the directors, employees and users of the financial institution or designated non-financial businesses and professions, legal counsels, competent authorities and public prosecution.

Whoever deliberately or by gross negligence:

- A. Fails to make a report under Article 12 or presents false data or information or conceals facts which should be disclosed,
- B. Discloses information to a third party in violation of Article 13,

shall, under Article 35, be punished by imprisonment for up to three years, and fine of no less than 5,000 Dinars and up to 500,000 Dinars, or by one of these two sanctions. In the case where a legal person commits any of the offenses stated in (1) and (2), a fine of no less than 5,000 Dinars and up to 1 million Dinars shall be imposed.

The KFIU has developed a Suspicious Transaction Report Form to be used to file reports with the KFIU. This Guide shall assist financial institutions and designated non-financial businesses and professions in filling out the form, and stipulates the manner and timing in which reports are to be filed. For each specific area identified in the form the guide elaborates on the type of information sought.

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

D) Circular concerning the Form of Report to Kuwait Intelligence Unit (KIU) of Suspicious Transactions with Banks, and the Guide for filling out the Form, and the Indicators that help identify the suspicious Transactions with Banks.

Both the Suspicious Transaction Report Forms and this guide can be found on the homepage of the KFIU at: www.kwfiu.gov.kw

General Information on Manner of Reporting

Suspicious Transaction Reports shall be filed through use of the Suspicious Transaction Report Forms. A separate form was developed for financial institutions and designated non-financial businesses and professions in Kuwait, taking into account its specific features.

Reports should be submitted to the KFIU no later than two working days after the suspicions has arisen or there is reasonable grounds to suspect that a transaction involves proceeds of crime or funds that are related to or to be used for money laundering or terrorism financing according to Article 16 of the Executive Regulation of Law No. 106 of 2013. In such cases, a suspicious transaction report should be made to the KFIU providing as much detail as possible and indicating the grounds for the suspicion and supporting information.

Completed forms should be forwarded to the chairman of the KFIU in a special and secret envelope and handed to the chairman's office.

**Ministries Complex, Bock 7, 3rd Floor,
State of Kuwait**

Filling out the Suspicious Transaction Report Form

Typed forms are preferred over handwritten reports, as the latter may cause delays in transcription. If requested information is not available, leave relevant fields blank. If the fields provided are not sufficient to indicate all relevant information, please copy and paste relevant fields in the form to create additional space. For example, if one subject has more than one bank account, copy the questions relevant to "subject bank account" and paste them further down in the same cell.

I. Reporting Institution Information:

Information on the reporting institution is crucial, as any analysis or request of information taken by the KFIU based on the submitted report may require the production of records, data or other available information. The information provided herein identifies the institution that any subsequent production orders or other provisional measures will be served upon.

Name of Reporting Institution: as registered with the regulating supervisory authority.

Branch office: name of the branch office from which the report originates (if any).

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

D) Circular concerning the Form of Report to Kuwait Intelligence Unit (KIU) of Suspicious Transactions with Banks, and the Guide for filling out the Form, and the Indicators that help identify the suspicious Translations with Banks.

Address: address of the reporting institution.

Date of Disclosure: Date on which the report is submitted to the KFIU.

Note that the KFIU must be provided with contact information for the compliance officer or a person who shall replace him in his absence within the institution and who is familiar with the submitted report and the transactions described therein. If necessary, contact information may also be provided for a second point of contact. Such a necessity may arise if, for example, contact person 1 is going to be on leave or otherwise unavailable for follow-up questions shortly after submission of the report to the KFIU.

If submitting an update to a previously submitted report, the KFIU reference number provided to the reporting institution with respect to the previous report should be indicated.

II. Suspicious Transaction Information

Subject of Report: The subject of a report is the natural or legal person on whom you wish to report. The form provides for up to three subjects. For each subject, indicate whether you think that a person is the main subject or an associate subject of suspicious transaction. If there are more than three subjects, please copy and paste the relevant cells to create more writing space. For each subject, either fill out the section “subject is a natural person” or “subject is a legal person”, depending on whether the subject is an individual or a company or other legal entity. For subjects that are legal persons, information has to be provided not only on the legal entity itself, but also on natural persons associated with the legal entity, such as directors and beneficial owners of the legal entity.

For all subjects, beneficial owners, directors etc., it is important that full names are indicated in the form according to identification data therein.

Subject is a natural person:

Full Name & Title: Name of the natural person as per the identification documentation should be mentioned.

Date of Birth: Date of birth of the subject.

Place of Birth: Place of birth of the subject, including city and country.

Nationality: All nationalities held by the subject.

Occupation: Current occupation, as well as other information on subject’s professional status, for example “retired”. Information may include any previous occupations held.

Politically Exposed Person: Please refer to the definition of “politically exposed person” as provided in the Executive Regulation of the AML/CFT Law.

Date of Commencing Business Relationship: It is the date of opening account or establishing the business relationship.

Business Address: Include all business addresses of the subject.

Residential Address: Include all residential addresses of the subject.

Phone Number: Include all up-to-date phone numbers of the subject that your institution can provide, and indicate which type (work, home and cell phone numbers). Previous phone numbers of the subject may be requested by the KFIU at a later stage.

Email: Include all up-to-date email addresses of the subject and identify which type (work or private). Previous email addresses of the subject that are known to your institution may be requested by the KFIU at a later stage.

ID Number: The number appearing as per the identification documentation.

Subject is a legal person:

Commercial Name: The name of the legal person as per the identification documentation should be mentioned.

Company Form: Indicate the legal form of the company, for example joint liability company, limited liability company, partnership, or any other company form under the Article of Association.

Type of Business: Indicate the business activity of the company, as indicated in the Article of Association or other official documents. If your relationship with the company revealed any other or additional business activities than those indicated in the official company documents, please indicate those as well.

Company Address: Indicate all known company addresses, including headquarters and other business office addresses deemed necessary by your institution.

Country of Incorporation: Indicate the jurisdiction under which law the company was established.

Date of Incorporation: Indicate the date of the company’s incorporation as evidenced by the commercial register excerpt or similar official documents.

Registration Number: Indicate the company registration number of the commercial register, if known.

Address: All known addresses of the legal person must be indicated, including the head office and any addresses of other branches and offices that the party submitting the notification deems important to include.

Business Relationship Start Date: The date on which the account was opened or the transaction was established.

Phone Number: Include all up-to-date phone numbers of the subject that were given to your institution, and indicate which type (work, home and cell phone numbers). Previous phone numbers of the subject that are known to your institution may be requested by the KFIU at a later stage.

Email: Include all up-to-date email addresses of the subject and identify which type (work or private). Previous email addresses of the subject that are known to your institution may be requested by the KFIU at a later stage.

Name of Company Director: Indicate the full name of the company director. If there is more than one director, copy the relevant questions and paste them directly underneath “email of company director” to provide for more writing space.

Address of Company Director: Indicate all known addresses of the company director, and indicate the type (home, work etc.)

Phone Number of Company Director: Include all phone numbers of the company director that were given to your institution, and indicate which type (work, home and cell phone numbers). Previous phone numbers of the subject that are known to your institution may be requested by the KFIU at a later stage.

Email of Company Director: Include all email addresses of the company director that have been given to your institution, and identify which type (work or private). Previous email addresses of the subject that are known to your institution may be requested by the KFIU at a later stage.

Name of Beneficial Owner: Indicate the full name of the company’s beneficial owner. The term “beneficial owner” is defined in Article 1 of the AML/CFT law as “any natural person who ultimately owns or exercises direct or indirect control over a customer or the person on whose behalf a transaction is being conducted. It also includes those persons who ultimately exercise effective control over a legal person or legal arrangement”. If the company has more than one beneficial owner, the relevant information must be provided for each beneficial owner. In such cases, please copy the relevant questions and paste them directly underneath the section on “identification details for the beneficial owner” for additional writing space.

Address of Beneficial Owner: Indicate all known addresses of the beneficial owner, and indicate the type (home, work etc.).

Nationality of Beneficial Owner: Indicate all nationalities of the beneficial owner.

Date of Birth of Beneficial Owner: Date of birth of the beneficial owner.

Place of Birth of Beneficial Owner: Place of birth of the beneficial owner, including city and country.

Occupation of Beneficial Owner: Current occupation, as well as other information of the beneficial owner's professional status, for example "retired". Information may include any previous occupations held.

Politically Exposed Person: Please refer to the definition of "politically exposed person" as provided in the Executive Regulation of the AML/CFT Law. The term describes a person who may be or recently did act in the political arena of any country, including Kuwait, or who has held a senior administrative position in such an area previously. The form should indicate for each beneficial owner whether he falls under the definition.

Subject Account Details: Information on the subject's accounts should be provided regardless of whether or not the account was actually involved in the transaction which gives rise to your suspicion and the submission of this report. In case the report will result in an investigation, it will be important for investigators to determine the financial background of the suspect, so as to identify, trace, and if necessary, seize and freeze the proceeds of crime.

Reason for Associating this Subject with Main Subject (for use only with associate subject details): In cases where the subject is indicated as "associate subject", please describe the reasons for suspecting that the subject is associated with main subject.

Name in which Account is Held: Indicate the full name in which the account is held.

Account Number: Indicate the full account number.

Type of Account: Indicate name of account.

Rights to Account: Includes holders of joint account, trustees, proxies or beneficial owners.

Date of Establishment of Business Relationship: Practically the date of establishment of the business relationship with the customer.

Information on Relationship: Number of opened accounts, facilities and services provided to the customer.

Date Account was Opened: Indicate the date that the business was established with your institution. This assists in determining whether the subject has had a long term or short term relationship with the institution, and to identify the amount of documentation that may be expected to be held.

Date Account was Closed: Indicate the date that the business relationship with the subject ended if it happened.

Balance of Account: Indicate the balance of the account at the time of submission of the report.

Balance Date: Indicate the date on which the account balance above was determined.

Number of Transactions of Debtor Account during Suspicion: Indicate total number of transactions made on the account during the suspicion

Number of Transactions of Creditor Account during Suspicion: Indicate total number of transactions made on the account during the suspicion

III. Suspicious Transaction Details:

The form provides for information on up to three directly related suspicious transactions. Suspicious transactions are considered to be directly related if the reporting institutions suspect that they are carried out for the same general purpose, and/or by or on behalf of the same main or associate subject. If needed, the relevant sections can be copied and pasted at the end of the document to provide for information on more than three transactions. In case of doubt, we would advise that separate reports are filed on suspicious transactions that are not clearly related to each other.

Transaction Status: Information on whether the transaction was carried out, attempted, postponed, delayed or canceled.

Transaction Type: Indicate the type of transaction that gave rise to your suspicion, for example an occasional transaction, deposit, wire transfer, cashing of checks etc. and whether the transaction was a credit or debit transaction.

Transaction Date: Indicate the date on which the suspicious transaction was made.

Currency in which transaction was carried out: Indicate the currency in which the transaction was carried out.

Amount transacted: Indicate the amount transacted and whether the transaction related to debit or credit

Name of Originator: Indicate the full name of the natural or legal person from whose account the suspicious transaction originated.

Originator Account or Transaction Number: Indicate the full account number of the originator of the suspicious transaction. In cases where no account was involved, indicate an identification number for the transaction (check number, credit card number etc.)

Name of beneficial owner: Indicate the full name of the beneficial owner

Account Number of beneficial owner: Indicate the full account number of the beneficial owner, if available

Name of Receiver: Indicate the full name of the natural or legal person who was the recipient of the suspicious transaction.

Receiver's Account Number: Indicate the full account number of the recipient of the suspicious transaction, if available.

Name and Sort Code of receiving institution: Indicate the name and sort code of the recipients' account that was involved in the suspicious transaction, if available.

IV. Detailed Description of Reason for Reporting:

This section is the most important part of the submission, as it should describe in great detail the suspicious transaction(s) or accounts. It should also describe the volume, sequence, links, originators, and beneficial owners of such transactions, as well as indicators that apply to the transaction, including those related to the characteristics of a given transaction, series of transactions, or information on the customer or beneficial owner and their involvement in a criminal activity, doubtful behavior or unknown economic activity which is not substantiated by available information. Information on suspicious transactions, customers or accounts, whether it has been collected at the beginning of the business relationship, upon request for evidence, update or confirmation, or to verify information or the existence of unusual transactions or behaviors, or in an attempt to provide inaccurate information or documents shall be deemed necessary for the subsequent analysis and for the suspicion of the reporting institution and the filing of this report. Information must be provided on the source and purpose of these funds and whether they are related to proceeds of crime or to terrorism financing, as well as information on such proceeds or crimes. In the case where the report is about a customer who is already the subject of another report, or is a beneficial owner, associate or partner of another customer who is, himself, the subject of a previous report,

or when there is any further information that can be useful to analyze the report, relevant information should be indicated in this section.

Reporting institutions should remember that officers of the KFIU do not have access to client files and a working knowledge of the client's business. An overview of the type of business being conducted for the client and the client's business portfolio will thus be helpful for the KFIU's analysis. Reporting institutions should also remember that they are required to submit reports without any delay as soon as suspicion has arisen, and not seek to prove the occurrence of a predicate offense, money laundering or terrorism financing.

V. Measures taken by Reporting Institution:

This section is dedicated to the following topics:

- Conditions that led to the suspicion:

When, where and how (in which transaction, by which measure, through which monitoring..., or other conditions under which unusual or suspicious transactions or behavior were detected) a suspicious or unusual transaction or behavior were identified, and whether this happened while carrying out a specific transaction, conducting periodic monitoring of accounts, or by taking any other measure.

- Internal measures prior to reporting:

What are the internal measures taken since the suspicion arose, including those taken in implementation of internal measures or related to the nature and purpose of the relation with the customer, and any information given by the customer on the source of funds, beneficial owner, or purpose of the transaction, etc. Where this applies, any information about the likelihood of collusion, negligence or connivance of any employee in the institution should be provided, in addition to the measures taken accordingly.

- Post-reporting measures against customer:

Such as enhanced measures taken since the suspicion emerged, including due diligence measures or monitoring the customer accounts and transactions and approval thereof, and measures limiting disposal of funds, while taking care not to suggest to the customer that a suspicious transaction report will be filed.

VI. Documents Annexed to the Report

Please list all documents that are provided together with the Suspicious Transaction Report Form, such as for example transaction records, account statements, identification documents for customers and beneficial owners, contracts to open accounts, as well as documents used to verify their identity, as well as correspondence with them. Reporting institutions are encouraged to provide as much documentation as possible to substantiate the information provided in this form.

Kuwait Financial Intelligence Unit



Banking Sector Relevant Indicators

A suspicious transaction may involve several factors that may on their own seem insignificant, but when analyzed may raise suspicion that it involves proceeds of crime or funds related or linked to or to be used for money laundering or terrorism financing. A suspicious transaction report should be filed when a transaction or a group of transactions raise questions or apprehension or give rise to discomfort or lack of understanding of the transaction purpose or the nature of account transactions.

The context in which a transaction occurs is a significant factor in assessing suspicion. This will vary from business to business and from one client to another. The bank and its employees should evaluate transactions in terms of what seems appropriate and is within normal practices in its particular line of business, and based on its knowledge of the client. The fact that transactions do not appear to be in keeping with normal industry practices may be a relevant factor for determining whether there are reasonable grounds to suspect that the transactions are related to money laundering or terrorist activity financing. Blanket explanations provided by the client (contracting party or beneficial owner) regarding the background of transactions in need of clarification are not sufficient as not every explanation provided by the client can be accepted at face value. Banks must verify the plausibility of every explanation provided to the extent possible. If the transaction is understandable and is not a source of discomfort, this should be documented accordingly. If the clarifications indicate that the transactions or fact patterns are suspicious, the reporting obligation pursuant to article 12 of the AML/CFT law is triggered. In all cases, an assessment of suspicion should be based on a reasonable evaluation of relevant factors, including the knowledge of the client's business, financial history, background and behavior.

Also, it could be the consideration of many factors—not just one factor—that will lead to a conclusion that there are reasonable grounds to suspect that a transaction may be connected to money laundering or terrorism financing. All circumstances surrounding a transaction should be reviewed.

The following indicators may be helpful in determining whether or not a transaction is suspicious. By themselves, the individual criteria may not trigger a suspicion and trigger the reporting obligation under Article 12 of the AML/CFT Law. But the coincidence of several criteria and/or the lack of plausible explanations may indicate a suspicion and thus trigger the reporting obligation.

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

D) Circular concerning the Form of Report to Kuwait Intelligence Unit (KIU) of Suspicious Transactions with Banks, and the Guide for filling out the Form, and the Indicators that help identify the suspicious Transactions with Banks.

The following list of indicators is not exhaustive:

General Indicators:

1. Transactions that involve a withdrawal of assets shortly following their deposit in the Bank.
2. The client does not show any attention towards the amount or commission of the transaction.
3. Inability to understand the reason behind the client's choice of this bank or branch to conduct its transactions.
4. Transactions that lead to noticeable activity on the account that was dormant.
5. The financial transactions or structures which are not compatible with the client history with the bank and the business relationship.
6. From an economic point of view, the financial transactions or structures are illogical.
7. Transactions appear to be inconsistent with the client's current financial position or the usual pattern of his activities.
8. Transactions that appear to be conducted outside the normal business practices in the concerned sector or that do not appear to be economically feasible for the client.
9. Transactions that appear to be complicated without a clear purpose or supporting documents.
10. An unexpected or frequent change of the actual beneficiary.
11. An unexpected or unjustified change of the bank.
12. An unexpected or frequent change of client's contact approach.
13. The client uses the same address but often changes the names linked with this address.
14. The client intentionally provides false, misleading, incomplete or unclear information, or refrains from providing the necessary information and documents that indicate the business relationship and the activity in question, and those which explain the source, destination and purpose of the transaction.
15. The clients received transfers from a country known for increased crime rate (e.g. corruption, terrorism, and mass production of drugs) or high risk countries, or make transfers to such country.

16. The client evade from or reject the Bank's attempts to contact him personally.
17. The client refuses to receive any documents sent by the Bank to his residence address.
18. The commercial relations with legal entities are unlisted within the public records or official databases and for which official certificates were not able to be obtained.
19. Upon conducting personal discussions, the client always comes with a person whose function or role is not clear but plays an active role in forming the business relationship.
20. The client gives contact details that do not match the contact details of his permanent residence address (address, phone number).
21. Transactions of a major project for which the client states that financing thereof is secured by unidentified investors.
22. The client requests to exceed the usual limit.
23. Closing accounts and opening new accounts in the name of the client or in the name of other persons related to him.
24. The client appears to have accounts in different financial institutions in one geographic area without a clear economic need.
25. The client requests receipts for cash withdrawals or delivery of securities which were never conducted or were directly followed by the deposit of such assets in the same bank.
26. The client requests the execution of payment orders giving incorrect details about the destination of the transfer.
27. The client requests to transfer some payments through the Bank's accounts instead of his own accounts.
28. The client requests accepting or registering guarantee for the loan in the accounts contrary to the economic reality, or requests a loan from the bank against a fictitious guarantee in the account.
29. Any indicators that may refer to acts performed by the client which are subject to sanctions under the Law in the State of Kuwait or other countries.
30. The client admits, speaks about, or is known for involvement in, criminal activities.
31. The client shows unusual curiosity about the procedures, monitoring systems and internal policies.

32. The client elaborates the justification or explanation of the transaction or exaggerates in providing the documents proving their validity.
33. The client shows tension that is inconsistent with the nature of the transaction.
34. The client tries to establish a close relationship with the bank staff.
35. The client uses fictitious names and several similar addresses but different.
36. The client offers money, rewards, or unusual services to insure services that may appear unusual or suspicious.
37. The client does not have a job but often performs large transactions or maintains high account movement.
38. The client maintains a high credit card balance.
39. The client visits his safe deposit box immediately before making cash deposits.
40. Client requests debit cards and credit cards to be sent to international or local addresses other than his own address.
41. The client has multiple accounts and deposit cash funds in each account together constituting huge balance.
42. The client often make depositing transactions in an account of another person, who is not an employer or a family member.
43. The client's visits to own his safety deposit box become more frequent in an unusual manner compared to his previous visits.
44. Third parties pay in cash or cheque deposits in the client's credit card account.
45. The client has many recurrent deposit transactions that are explained as "proceeds from the sales of asset" but such assets cannot be identified.
46. The client is known for the acquisition of many assets and quick liquidation thereof without any reason.
47. The client is known for possession of many assets with different mortgages, without any logical economic explanation.

Specific Indicators:

A. Client Related Due Diligence Procedures:

1. The client provides doubtful, unclear, misleading, false, or inaccurate personal information.

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2. The client submits incorrect, false, modified or inaccurate personal documents.
3. The client refuses or hesitates to provide personal documents.
4. The client submits copies of his personal documents without providing the original documents.
5. The client requests the bank to determine his identity based on documents other than his personal documents.
6. The client's personal documents do not include important details such as the phone number.
7. The client significantly delays filing the company's documents.
8. All the documents are submitted in a foreign language or could not be verified for any reason.
9. All the submitted personal documents appear to be new or recently issued.
10. The client does not cooperate in determining and identifying the beneficial owner in accordance with Article (5) of the Law.

B. Cash Transactions:

1. The client begins to conduct cash transactions in large amounts in a manner that is inconsistent with the transactions executed in the past.
2. The client often changes small-valued to bigger-valued denominations.
3. The client uses banknotes in denominations different from those he handled in the past, while cash handling criterion in the sector where he operates is much larger or much smaller.
4. The client provides cash amounts wrapped in unusual way.
5. The client carries out cash transactions in huge amounts, without fractions and in an organized manner.
6. The client often buys traveler cheques, remittances in foreign currencies or any other negotiable instruments through cash payment while this seems unusual in the normal activities of the client.
7. The client receives cheques in large amounts including traveler cheques.
8. The client exchanges a large amount of banknotes consisting of (foreign and local) in exchange of large banknotes category.
9. The client requests maintaining or sending large amounts or any other assets, while this was not part of his usual activities.

10. The client's occupation according to his statement does not appear to be consistent with the level or type of the activity (e.g. a student or an unemployed person making cash deposits/ withdrawals in a number of branches within a large geographical area).
11. The client withdraws large amounts of cash without performing deposits in the same period.
12. The client requests to transfer money amounts abroad without a clear logical justification for such transfer.

C. Bank Accounts:

1. Opening an account in a branch located in an area that does not cover the area of the client's work and residence address.
2. Opening accounts under the names of other persons to be used as frontiers.
3. Opening accounts under names which are very similar to those of other existing businesses.
4. Trying to open or run accounts under a fake name
5. The actual activity significantly exceeds the expected activity upon opening the account.
6. Creating multiple accounts without a logical need for this.
7. The account has a large number of cash deposits of small amounts and a small number of cash withdrawals of large amounts.
8. Using loan facilities in a manner that may appear normal during the international trade processes but does not correspond to the client's business activities.
9. The structure of the client's business relationship with the Banks lacks economic logic (such as maintaining many accounts with the same bank or in many currencies, frequent transfers between the accounts, or excessive liquidity, etc.).
10. The guarantee is provided by third parties that appear to have no close relationship with the client.
11. The client attempts to make transfers to another bank without providing full details about the beneficiary.
12. Accepting transfers from other banks, with unfamiliarity of the transferring person's name.

13. Regular transfers of huge amounts abroad with the client giving instructions to pay the amount in cash to the beneficiary.
14. Depositing funds in several accounts which are consolidated into one account and transferring the amounts abroad.
15. A big number of different persons conduct various deposits to one account.
16. Early repayment of a loan or undue installments.
17. Using false name or numbered account to make commercial transactions for commercial or industrial projects.
18. The client carries out multiple transactions on the same day and at the same branch, but with different employees, or go to branches in remote areas.
19. The client requests to open multiple accounts without justification.

D. Foreign Translations related to Commercial Activities:

1. There are no clear relationships between the client with third parties of the transaction and the country of the bank.
2. The transactions are carried out through several countries without an economic or financial justification.
3. The transactions are related to a country known for an increased crime rate (e.g. corruption, terrorism, and mass production of drugs) or high risk countries in terms of money laundering or terrorism financing.
4. Conducting cash deposits followed shortly with electronic transfers, particularly to high-risk countries.
5. The transaction is linked to a country known for banking secrecy and weak legal frameworks governing corporate businesses.
6. The accumulation of large balances which does not correspond to the known business movement of the institution owned by the client, and subsequent transfers to the account or accounts outside the country.
7. Loans associated with offshore banks, with a difficulty in validating the reality of such obligations.
8. Loans to or from foreign companies, with a difficulty to verify the actual activity or presence of such companies.
9. Deposits with very large amounts of money from an ambiguous source, provided that they shall be sent or guaranteed by an offshore bank.
10. The transactions associated with an offshore bank that is very likely to be fictitious given that its name is very similar major financial institutions.

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11. Unjustified electronic transfers by a client to swiftly move funds from one account to another.
12. The use of letters of guarantee and other means of commercial finance for the transfer of funds between countries while such an activity is not consistent with the business activity of the client.

E. Terrorism Financing Indicators:

1. The persons, companies or organizations related to the transaction are subject to the sanctions under Article (25) of the Law.
2. Transactions associated with unregulated humanitarian organizations.
3. Frequent change of the persons authorized to control a given account (beneficiaries, actual beneficiaries, etc.).
4. A frequent change of the address, phone number, account holders or authorized persons.
5. Information or indicators of connections with extremist persons, organizations or institutions.
6. Information indicating support of extremist publications or acts.
7. Instructions issued by non-profit organizations to conduct transactions that do not conform to the nature of their business and their usual payment processes.
8. The transaction includes beneficiaries of charitable or non-profit organizations that do not appear to belong to the social structure or are unable to carry out economic activity.
9. Accounts in which deposits or transfers from local or foreign non-profit entities are made, especially if they are in countries that are known for supporting terrorism.
10. Huge donations, especially from foreign parties, made to the account of a non-profit entity, especially without a clear relationship between them.
11. Transfers made to beneficiaries belonging to countries associated with terrorist activities.
12. Accounts of individuals who receive large transfers from an unknown source with a declared purpose of financing their living expenses.
13. Using ATM debit cards by a group of beneficiaries with no apparent relationship with the account holder.
14. There are two or more people who do not have a close relationship when using the PIN and withdrawing money from an ATM.

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THE GOVERNOR

August 31, 2014

The Chairman,

“Circular to all Local banks, Financing Companies and Exchange Companies”¹

Attached is a copy of the Ministerial Resolution No. (5) of 2014 on the Executive Bylaws for Implementation of UN Security Council Resolutions issued by virtue of Chapter VII of UN Charter concerning Terrorism and Financing of Terrorism, which was published in the Official Gazette on 08/04/2014, effective as of the date of publication.²

We meanwhile stress the following:

- That a list shall be issued by the committee formed for implementation of Security Council Resolutions issued by virtue of Chapter VII of the UN Charter concerning the countering of terrorism and the financing of terrorism including the names of persons or entities it deems must be on the list, in line with Article (8) of said resolution, and that all financial institutions and designated non-financial businesses and professions and concerned authorities shall be directly informed by the committee of the resolution issued in this regard, which shall also be published in the State’s official gazette within (15) days of issue, in line with what is stipulated in Article (10) of the resolution.
- That all financial institutions have an obligation to freeze all funds and assets held by any institution/body, **without delay or prior notice being served**, which are owned by persons or entities whose names are either included on the list to be issued virtue of Article (8) mentioned above or the list issued by the UN Security Council’s Sanctions Committee formed virtue of UNSC Resolutions 1267/1999 and 1988/2011 which is published on the committee’s official website. **Institutions shall therefore observe all that is indicated in Articles (3), (4), and (5) of the resolution mentioned above in this respect.**
- That guideline document shall be issued by the Foreign Ministry’s committee concerned with implementation of UNSC resolutions regarding implementation of requirements of Resolution No. (5) of 2014, and entities shall observe all requirements included therein towards implementation of the resolution once said document is finalized under the committee’s supervision.

¹ Circular dated 28/08/2019 included under Item (M) of this Chapter was issued to replace this Resolution.

² Circular dated 21/09/2014 accompanying the Guidelines issued to Entities addressed and required to implement the Requirements of the mentioned Ministerial Resolution No. (5) of 2014 included under Item (F) hereof.

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

- E) Circular to all Local Banks, Financing Companies and Exchange Companies accompanying a copy of the Resolution No. (5) of 2014 concerning the Executive Bylaws on Implementation of the Security Council Resolutions issued under Chapter VII of the United Nations Charter on Terrorism and the Financing of Terrorism.

- What is included in Article (20) of the above-mentioned resolution concerning the imposition of penalties stated in Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) Law No. (106) of 2013 on any/all parties that violate or fail to comply with Ministerial Resolution No. (5) of 2014, to the purport that this shall not preclude imposing the penalties stated in Article (15) of Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) Law No. (106) of 2013 and those indicated in Central Bank of Kuwait instructions dated 23/07/2013 concerning countering money laundering and financing of terrorism.

With my best wishes,

The Governor
Dr. Mohammad Y. Al-Hashel

Ministerial Resolution No. (5) of 2014 Concerning the Executive Bylaws for Implementation the Security Council Resolutions Issued by Virtue of Chapter VII of the United Nations Charter Concerning Terrorism and Financing of Terrorism⁽¹⁾

The Council of Ministers

Having perused:

- Article (25) of Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) Law No. (106) of 2013;
- Chapter VII of United National Charter;
- Security Council Resolution No. 1267 of (1999) and resolutions subsequent thereto;
- Security Council Resolution No. 1373 of (2001) and resolutions subsequent thereto;
- International conventions signed by the State of Kuwait regarding combating terrorism;
- Kuwait Council of Ministers Resolution No. 1396 issued on 11 November 2013 concerning the approval of the formation of a committee chaired by the Ministry of Foreign Affairs with membership of all concerned authorities for implementing Security Council resolutions on combating terrorism; and authorizing the Deputy Prime Minister and Minister of Foreign Affairs to issue a resolution with the Executive Bylaws concerning the terms of reference of the committee,

It has been hereby Decided:

Chapter One: Committee Formation and Definitions

Article (1)

1. The Minister of Foreign Affairs shall issue a ministerial resolution for the formation of a committee for implementing UN Security Council Resolutions issued virtue of Chapter VII of the UN Charter regarding terrorism and combating terrorism financing. This committee shall be chaired by the Ministry of Foreign Affairs and with membership of a representative of the following authorities:

⁽¹⁾ This Resolutions has been published in the Official Gazette, attachment to Edition 1178, the 60th year on Tuesday, Jumada Alakhira 08, 1435 H corresponding to April 18, 2014.

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

E) Circular to all Local Banks, Financing Companies and Exchange Companies accompanying a copy of the Resolution No. (5) of 2014 concerning the Executive Bylaws on Implementation of the Security Council Resolutions issued under Chapter VII of the United Nations Charter on Terrorism and the Financing of Terrorism.

Ministry of Finance,
Central Bank of Kuwait,
Ministry of Defense,
Ministry of Interior,
Ministry of Justice,
Public Prosecution,
Ministry of Social Affairs and Labor,
Ministry of Commerce and Industry,
General Administration of Customs,
Directorate General of Civil Aviation,
Or any other entity specified by the Chairman.

2. The Committee Chairman shall appoint a secretary, forward invitations to hold committee meetings, document minutes of meetings, and file/maintain committee records and resolutions.
3. The Committee's mandate includes all tasks indicated by the law or these executive regulations. Furthermore, it shall carry out the following tasks:
 - Coordinate with other State authorities to be updated with the latest developments related to combating terrorism and the measures taken by these authorities to implement the provisions of the Resolution.
 - Follow up on all future developments related to combating terrorism.
 - Follow up on whatever is necessary to achieve the objectives of the formation of this Committee.
4. The Committee shall prepare periodic and biannual reports which indicate its most significant actions and achievements and demonstrate the extent of the State of Kuwait's compliance with relevant international conventions and resolutions for submission to the United Nations Organization.
5. The Committee shall act as a liaison between the government of the State of Kuwait and relevant foreign entities.

Article (2)

While implementing the provisions of this Resolution, the definitions set out in Article (1) of the anti-money laundering and financing of terrorism law shall apply. The following terms and expressions shall have the meaning assigned thereto:

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

- E) Circular to all Local Banks, Financing Companies and Exchange Companies accompanying a copy of the Resolution No. (5) of 2014 concerning the Executive Bylaws on Implementation of the Security Council Resolutions issued under Chapter VII of the United Nations Charter on Terrorism and the Financing of Terrorism.

1. **Freezing of Funds:** Prohibiting any movement, transfer, disposal, change or use of funds or dealing therewith which results in a change in its volume, value, location, ownership, acquisition, nature, or destination or which enables by whatever means the use of these funds for whatever purpose.
2. **UN Sanctions Committee:** UN Security Council Sanctions Committees formed virtue of Security Council Resolutions No. 1267 of (1999) and 1988 of (2011).
3. **Relevant UN Security Council Resolution:** Security Council resolution issued under Chapter VII of the UN Charter, which aims to prevent and impede the financing of terrorism, including all resolutions related to Al-Qaeda organization and the individuals and groups associated thereto, in addition to individuals, groups, institutions and entities related to the Taliban movement which threaten peace, stability, and security in Afghanistan.
4. **Concerned Committee:** The Committee formed by virtue of these regulations.
5. **The Law:** Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) Law No. (106) of 2013.

Chapter Two – Freeze of Funds

Article (3)

Natural or legal persons shall, promptly and without delay or serving prior notice, freeze all funds that belong to any of the following entities, whether they are wholly owned by them or co-owned with another entity and whether said funds are in their possession or under their control directly or indirectly:

- Any person, group, or entity listed by the UN Sanctions Committee in accordance with Article (8), or whoever acts on behalf of that person, group, or entity or under the management thereof, or as the owner of or has direct or indirect control thereon.
- Any person, group, or entity specified by the UN Sanctions Committee or whoever acts on behalf of that person, group, or entity or under the management thereof, or as the owner of or has direct or indirect control thereon.
- Freezing measures by virtue of this article shall further apply to proceeds from which funds such as those mentioned in the above paragraph are generated and collected.

Funds subject to freezing arrangements by virtue of this article shall be maintained and managed in accordance with the regulations laid down by the Committee.

A freeze imposed virtue of this article shall be lifted in the event of the UN Sanctions Committee's or the concerned committee's removal of a person, group, or entity from the list virtue of Article (8).

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

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Article (4)

No person may make available funds nor provide financial services or other related services, either directly or indirectly, wholly or in partnership, to or for the benefit of any person, group, or entity virtue of Article (3) unless sanctioned by provisions of Chapter Four of this resolution.

Article (5)

Any concerned natural or legal person shall notify the concerned committee within 3 days as of date of imposing a freeze by virtue of Article (3).

In addition to the requirements stated in the above paragraph, financial institutions and designated non-financial businesses and professions shall implement the following procedures:

- a. Notifying the concerned committee immediately upon discovering or suspecting that a customer, previous customer, or any person being or have been dealt with falls within the persons, groups, or entities indicated in Article (3).
- b. Providing information on the status of funds and any actions or measures taken with regard thereto, and on the nature and volume of funds subject to a freeze, as well as any other information either relevant to or which may facilitate compliance with this Resolution.
- c. Cooperating with the concerned committee towards verifying the accuracy of information provided.

The concerned committee shall forward the information it receives by virtue of this article to concerned entities for appropriate action.

Article (6)

The concerned committee may, upon request of an interested person/party, amend or waive a freeze action virtue of Article (3), paragraph 1 (a), if it is ascertained that this article is not applicable to the funds subject to the freeze, provided that such action is published in the Official Gazette and the person/party affected by the freeze is notified in line with procedures specifies in Article (11).

Should the concerned committee decide to keep the freeze virtue of this article, the applicant shall have the right to file a petition to the Chief Justice of the Court of the First Instance, or a person authorized by them, within thirty days of date of receipt of the notification.

The freeze may not be changed or lifted by virtue of Article (3), paragraph 1 (b) by the concerned committee or Chief Justice of the Court of the First Instance, unless sanctioned by Chapter Four of this resolution. The concerned committee may, upon its own accord or upon the request of any concerned person/party, decide not to apply any given freeze measure in line with Article (3), paragraph 1 (b), on grounds that the person, group, or entity subject to the freeze is not the person, group, or entity named by the UN Sanctions Committee.

Article (7)

Criminal, administrative, and civil liability shall be waived where persons/parties, in good faith, impose a freeze of funds or refuse to allow disposal of such funds and refuse to provide financial services in implementation of provisions of this resolution.

Chapter Three – Inclusion and Removal from Lists by the Committee

Article (8)

The concerned committee may act by virtue of this article of its own accord or upon request of Kuwait Financial Intelligence Unit (KFIU), the Public Prosecution, or any concerned local or foreign entity concerned with submission of such application by virtue of relevant UN Security Council resolutions.

The concerned committee shall name the persons, groups, and entities regarding whom sufficient grounds exist to believe that they have committed, initiated, or attempted to commit an act of terrorism, or have participated in or facilitated an act of terrorism. The concerned committee shall include the names of those persons, groups, or entities on the list, which it shall revise and amend as it deems appropriate.

The concerned committee shall revise the list every six months at least to ensure its accuracy and ascertain that sufficient grounds exist, still, for keeping the name of any person, group, or entity on the list. Should the concerned committee find that the available information and evidence no longer serve as sufficient grounds to keep the name of any person, group, or entity on the list, the name of that person, group, or entity shall be removed from the list.

Any person, group, or entity may be included on the list in line with the above paragraph without carrying out an investigation with or trial of the person, group, or entity subject to the action. The decision of inclusion of a person, group, or entity in the list, or their removal, shall be taken without delay and without a prior notice being served to the concerned person, group, or entity.

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

E) Circular to all Local Banks, Financing Companies and Exchange Companies accompanying a copy of the Resolution No. (5) of 2014 concerning the Executive Bylaws on Implementation of the Security Council Resolutions issued under Chapter VII of the United Nations Charter on Terrorism and the Financing of Terrorism.

Article (9)

Any person, group, or entity whose name is included in the list by the concerned committee virtue of Article (8), paragraph 2, may apply to the committee in writing requesting removal of the name from the list. The committee shall decide upon such application within 10 days of the submission date. Should a decision fail to be reached by then, the request shall be denied. Should the concerned committee approve the application, the name shall be removed from the list in line with Article (8), and the concerned committee shall apprise the applicant of its decision in line with the procedures indicated in Article (11).

Should the request for removal from the list be denied by the concerned committee, the applicant shall be entitled to file a grievance to the Chief Justice of the Court of First Instance within 30 days of receipt of the denial.

In absence of an express resolution by the committee within the fixed deadline above, the applicant may file a grievance within 60 days of the date of submission.

Article (10)

The concerned Committee shall apprise financial institutions, designated non-financial businesses and professions, and the concerned authorities of issued resolutions listing or de-listing a person, group, or entity pursuant to Article (8) directly. Furthermore, the committee shall publish any/all such resolutions in the Official Gazette within 15 days.

Article (11)

The concerned committee shall expend appropriate efforts to serve the written notice of its resolution, justified as per Article (8), paragraph 2, to the person, group, or entity included on the list or those removed from said list, in addition to sending a document indicating the rules and procedures for requesting deletion from the list.

Should the person, group, or entity being included in or removed from the list be a resident in the State of Kuwait, the concerned committee shall serve the notice and attach the document by one the following means:

- a. For natural persons: by mail to their last registered address.
- b. For legal persons: by mail to their last registered address.
- c. For groups: by any means possible.

Should the person, group, or entity being included in or removed from the list reside outside the State of Kuwait, the concerned committee shall serve a copy of the written notice via the Ministry of Foreign Affairs to the representative of the foreign state where the person, group, or entity resides or is present and it shall request that they be advised of this resolution at the earliest opportunity.

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If the whereabouts of the person, group, or entity is unknown, the concerned committee shall send a copy of the written notice to the representative of the state of which he is a national and it shall request that he is advised of this resolution at the earliest opportunity.

Chapter Four – Funds Exempt from the Freeze Article (12)

Every interested party may apply to the concerned committee in writing to obtain a permit to dispose of all funds subject to a freeze or part thereof. The concerned committee may grant such a permit under the conditions it deems appropriate to prevent terrorism financing to serve the following purposes:

- a. To cover necessary or basic expenses of a natural person or any family member.
- b. To pay reasonable professional fees and pay for cost of legal services.
- c. To cover service fees or charges payable to a financial institution for management of funds subject to a freeze.

The concerned committee shall allow disposal of all frozen funds or part thereof as per Article (3), paragraph 1 (b), provided that the UN Sanctions Committee is apprised of the intention to exempt some funds from the freeze and that the UN committee does not express an objection in this regard within a period of one full week.

Article (13)

Pursuant to a written application submitted by any interested party to the concerned committee to obtain permission for disposal of all or part of frozen funds to cover exceptional costs as per the conditions it deems appropriate to prevent terrorism financing, the concerned committee may allow disposal of all frozen funds or part thereof pursuant to a UN Sanctions Committee resolution.

The concerned committee may lay out the rules and procedures required for disposal of an additional portion of the frozen funds pursuant to and in line with the requirements of relevant UN Security Council resolutions.

Article (14)

The concerned committee shall notify the applicant of its decision of the consent or denial of their request virtue of Article (12) or (13) within 30 days from receipt of the application indicating the justification behind its decision. If the application is approved, the concerned committee shall expressly indicate the conditions it deems necessary to prevent terrorism financing.

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The concerned committee may lay down additional conditions or nullify the permission at any time upon any incident indicating that lifting the freeze may lead to the funds being used for terrorism financing.

Article (15)

The following payments or appropriations deposited in a frozen account shall be frozen:

- a. Amounts due under contracts, agreements, or obligations entered or created before the date of freezing the account.
- b. Interest or any other benefits or gains due from the account

The concerned committee is entitled to set the conditions for payment of funds or settlement of credit card balances upon its own discretion to prevent abuse of funds for terrorism financing. It is also entitled to allow the credit of further payments into the frozen accounts in accordance with the requirements of relevant United Nations Security Council resolutions.

Chapter Five – Filing or Removal of Designation Application

Article (16)

The concerned committee shall file an application to the UN Sanctions Committee to designate a person, group, or entity in line with the criteria in relevant resolutions issued by the United Nations Security Council when the committee gathers sufficient evidence to support such designation. The application shall be filed without any prior notification of the concerned person, group, or entity.

Article (17)

A person, group, or entity designated by the committee holding the Kuwaiti nationality with business premises or residence in Kuwait may file a grievance to the concerned committee to remove the designation. The committee shall in turn communicate the petition to the Ministry of Foreign Affairs so that it may be forwarded to the concerned United Nations liaison.

Chapter Six – General Provisions

Article (18)

Financial institutions and designated non-financial businesses and professions must have procedures in place to ensure compliance with the provisions of this resolution.

The concerned regulatory authorities shall verify compliance of the financial institutions and the designated non-financial businesses and professions with the provisions of this resolution.

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The measures and penalties set forth in Article (15) of the law shall apply, should the financial institutions or specified non-financial businesses and professions fail to comply with the provisions of this resolution.

Article (19)

Any objection to any action or decision issued by the concerned committee virtue of this resolution shall be put before the Chief Justice of the Court of First Instance or those he authorizes for this purpose.

Article (20)

Provisions of Article (35) of Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) Law No. (106) of 2013 shall be applicable on every person who violates or fails to comply with a funds freeze under Article (3) or allows access to the funds or provides financial or associated services in violation to Article (4), or anyone who withholds information or gives false information, in implementation of Article (5).

Further, the provisions of Article (33) of this law shall apply to financial institutions or designated non-financial businesses and professions that breach or fail to comply with Article (18), Item 1.

The imposition of penalties virtue of provisions of this article shall not preclude the imposition of penalties and measures set forth by the regulatory authorities in relation to financial institutions and designated non-financial businesses and professions in line with Article (15) of the law.

Article (21)

This resolution shall be published in the Official Gazette and shall be effective from the date of its promulgation.

First Deputy Prime Minister, Minister of Foreign Affairs
Sabah Khaled Al-Hamad Al-Sabah

Issued on Rabi' Al-Awwal 19, 1435 H,
Corresponding to January 20, 2014

THE GOVERNOR

*Thulqe'dah 26, 1435 H
September 21, 2014*

The Chairman,

**Circular to all Local Banks, Financing Companies
and Exchange Companies**

Further to our circular dated 31/08/2014 attaching a copy of Council of Ministers Resolution No. (5) of 2014 on the Executive Bylaws for implementation of UN Security Council Resolutions issued by virtue of Chapter VII of the UN Charter concerning Terrorism and Financing of Terrorism, published in the Official Gazette on 8/04/2014, effective as of same date,

Kindly find attached the guidelines drawn by the committee formed for implementation of Security Council Resolutions issued by virtue of Chapter VII of the UN Charter concerning the countering of terrorism and the financing of terrorism⁽¹⁾ (formed virtue of resolution No. (4) of 2014), which were issued to entities addressed and required to implement the requirements of Resolution (5) of 2014 mentioned above.

Further, we stress the following:

- The importance of commitment to freezing targeted funds and abstaining from providing financial or other services to any names that appear on the lists of persons, groups, or organizations prepared by the following entities:
 - **The committee's, formed by virtue of Resolution No. (4) of 2014, decision** that a freezing of funds is required immediately upon receipt of CBK-regulated entities of the committee's decision of inclusion of concerned name, be that with prior notice, or through publication of the list including the concerned name in the Official Gazette, where the freeze is required as of the date of publication. The communication of the committee's decision in either means mentioned makes the freezing of funds of any person within the State of Kuwait (natural or legal person) final and binding.
 - **The two sanctions committees formed virtue of UN Security Council Resolutions No. 1267 of 1999 and No. 1988 of 2011 and other relevant resolutions,** be that through issued resolutions or updated lists issued by either committee to be obtained through the websites/sources indicated in the guidelines. All funds and assets of any person, group, or organization included on these lists shall be subjected to an immediate freeze.

⁽¹⁾ The Committee approved its own email through which all correspondences should be made as per the Circular issued on 09/04/2015 included under Item (I) hereof.

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

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- The importance of regularly checking customers' information and comparing it to updates by either committee to ascertain your institution's accuracy regarding freezing of funds or assets you hold that is the property of any of the names on the lists issued by the committees. Failure to impose a freeze promptly upon the announcement of the designation of names on the lists could subject a financial institution to any of the penalties stated upon in Article (20) of the Council of Ministers Resolution No. (5) of 2014.
- Where there are no targeted balances but several current or previous transactions with any person, group, or organization listed do exist, the committee formed by virtue of Resolution No. (4) of 2014 shall be notified immediately.
- All CBK-regulated units shall prepare and have higher management approval of appropriate internal controls and working procedures that ensure compliance with all requirements listed in the provisions of Resolution No. (5) of 2014.
- The CBK shall conduct inspections to ascertain compliance of all CBK-regulated units with Resolution No. (5) of 2014 and the guidelines issued by the committee formed by virtue of Resolution No. (4) of 2014 in this respect.

With my best wishes,

The Governor
Dr. Mohammad Y. Al-Hashel

The Guidelines issued to Entities addressed and required to implement the Requirements of the Ministerial Resolution No. (5) of 2014 on the Executive Bylaws for Implementation of UN Security Council Resolutions issued by Virtue of Chapter VII of the UN Charter concerning Terrorism and Financing of Terrorism.

1. Commitment to freezing of funds designated virtue of provisions of law No. (106) of 2013 and Council of Ministers resolution No. (5) of 2014

Based on provisions of Article (25) of AML/CFT law No. (106) of 2013 (The Law) which states that “the Council of Ministers shall upon the recommendation of the Minister of Foreign Affairs adopt the appropriate mechanism for the implementation of the UN Security Council resolutions issued virtue of Chapter VII of the UN Charter concerning terrorism and the financing of terrorism”, Ministerial Resolution No. (5) of 2014 Concerning the Executive Bylaws for Implementation of Security Council Resolutions Issued by Virtue of Chapter VII of the United Nations Charter Concerning Terrorism and Financing of Terrorism (The Ministerial Resolution). Articles (3) and (5) of the resolution binds all persons, natural or legal persons) to impose a freeze on all funds that belong to any of the following entities, whether they are wholly owned by them or co-owned with another entity and whether said funds are in their possession or under their control directly or indirectly:

- A. Any person or entity designated by a concerned UN committee for an association with Al-Qaeda organization or the Taleban movement.
- B. Any person or entity the State of Kuwait designates as having an association with terrorism.

All parties shall verify that the funds or assets subjected to the freeze are made inaccessible to the concerned person, group, or institution or those acting in their interest. The committee formed by virtue of resolution 4/2014 shall be notified by the parties addressed within (3) days of date of imposing the freeze virtue of Article (3) of any prior transactions with any of the names listed and information about accounts subjected to a freeze of funds in this respect.

This, the above, since the State of Kuwait is required to immediately and without any delay, in compliance with Chapter VII of the UN Charter, impose a freeze on all funds and other assets that are connected to/property of:

- A. Any person, group, or entity designated by the committee concerned with implementation of UN Security Council resolutions issued virtue of Chapter VII of the UN Charter concerning terrorism and the countering the financing of terrorism; the committee formed virtue of resolution (4) of 2014,

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- B. Any person acting on behalf of the person, group, or entity designated by the committee formed virtue of resolution (4) of 2014 or who is under the management of, the owner of, or who has control over said party, directly or otherwise,
- C. Any person, group, or entity designated by the UN sanctions committee formed virtue of UN Security Council resolution No. (1988) of 2011 or the committee formed virtue of UN Security Council resolutions No. (1267) of 1999 and No. (189) of 2011,
- D. Any person acting on behalf of the person, group, or entity designated by either UN sanctions committee indicated in paragraph (c) or those who are managed by, owners of, or those with control/influence over said parties, directly or otherwise.

Article (4) of the ministerial resolution also prohibits any natural or legal person including all types of reporting financial institutions or entities from allowing access to funds or providing financial or other related services, directly or indirectly, wholly or in partnership, to any person, group, or entity or for their benefit in view of Article (3), except under specific extraordinary circumstances indicated in Chapter 4 of the ministerial resolution.

2. Identifying the person, group, or entity designated

For the funds of a person, group, or entity to be “targeted” and therefore subject to a mandatory freeze of funds virtue of Article (3) of the resolution, a person, group, or entity must first be “designated” as falling under the classification where relevant UN Security Council resolutions are applicable.

Classification as “targeted” funds is decided by:

- The committee formed by virtue of resolution (4) of 2014,
- The UN sanctions committee formed by virtue of UN Security Council resolution No. (1988) of 2011 concerning persons, groups, installations, and entities with association to the Taleban and which threaten peace, stability, and security in Afghanistan,
- The UN sanctions committee formed by virtue of UN Security Council resolutions No. (1267) of 1999 and No. (189) of 2011 concerning Al-Qaeda organization and persons and entities associated with it.

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Commitments/obligations imposed by the committee formed by virtue of resolution (4) of 2014

Once the committee designates a person, a group, or an entity, financial institutions are apprised of the decision immediately, and the obligation is binding immediately upon receipt of the notification from the committee formed by virtue of resolution (4) of 2014; in other words, financial institutions have the obligation to impose a freeze of funds as soon as they receive the committee notice of designating a group or an entity.

The resolution shall apply to any party who had not received the prior notice from the committee immediately upon publication of the decision in the Official Gazette, at which time every person within the State of Kuwait shall be deemed “notified” of the designation, therefore obligated to impose a freeze on the targeted funds.

Commitments/obligations imposed by the UN committees

Financial institutions shall observe all lists published by the UN committee formed virtue of resolution 1988 on the official committee website

<http://www.un.org/sc/committees/1988/list.shtml> and the lists published by the UN committee formed by virtue of resolution 1267 on the official committee website

<http://www.un.org/sc/committees/1267/aqsanctionslist.shtml>, and should they hold balances or credit for any person, group, or entity listed in any of these lists, they shall apprise the committee within (3) days of freezing the assets.

3. Funds to be subject to a freeze virtue of commitments

Freezing of funds as per Articles (3) and (4) of the ministerial resolution shall apply to all “funds”, and this term has been defined in detail in the first article of the law so that it includes “any kind of asset or property whether it is banknote or securities or stocks, or movable or immovable material or significance value, or all rights/equity related to these – whatever be the means to obtain them – as well as documents and legal instruments of any sort, including those in electronic or digital form, and bank facilities, cheques, payment orders, stocks, bonds, bills of exchange, and letters of guarantee, whether within or beyond the territory of the State of Kuwait.”

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Article (3) of the resolution also states that the funds freeze applies to funds owned by the person wholly or in partnership with any other party and whether the funds are in the possession or under the management of the person, directly or otherwise. Therefore, the freeze shall apply also to companies under the designated person's influence or control, directly or otherwise. Examples of funds under the influence or control of the designated person are joint accounts, trust funds, companies he owns indirectly through a spouse or a minor child, or those in his possession whatever be their form, directly or otherwise, through mechanism aimed to disguise his control or ownership.

Funds owned by a designated person, a group, or an entity or those in his possession or under his control in partnership with a person, group, or entity that is not designated shall also be subject to the freeze and include funds owned by the non-designated person, group, or entity which is in his (the designated party) possession or under his control. The freeze commitment also applies to all funds owned by a person acting on behalf or for the benefit of the designated person, group, or entity which are under his management, of which he is owner, or over which he has control and influence, direct or otherwise, as well as all funds in his possession or under his control.

4. Financial institution checks to ascertain existence of targeted funds to be frozen

All financial institutions are obligated by law to regularly check their customers' databases and the information obtained from prospective customers, and to compare these to the designations of the committee formed by virtue of resolution (4) of 2014 and the two concerned UN committees mentioned above to ascertain whether any financial institution is in possession of or managing targeted funds. As soon as the resolution is made public through either means indicated above, the obligation enters effect to freeze funds of designated persons by all parties addressed in Article (3) of the ministerial resolution. Failure on the part of reporting parties to implement funds freeze measures within one to two hours of issue of the designation shall constitute a breach of the law, which could subject the parties to all penalties, financial or sentences of imprisonment, which are stipulated in Article (20) of the ministerial resolution.

Some financial institutions seek services of other parties to check that none of their customers are subject to any UN sanctions, and though such electronic services are of some value, they do not guarantee the financial institutions' compliance with obligations indicated in the ministerial resolution, since other parties only check for persons/parties designated by the concerned UN

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committees, but not those designated by the committee formed by virtue of resolution (4) of 2014. Should an institution rely on such services, it shall employ additional measures to ensure it is also checking its databases and comparing them to designations issued by the committee for countering terrorism.

5. Measures to be taken when discovering targeted funds

Should a financial institution discover that any funds in its possession or under its management are targeted funds as indicated above, it shall take the following measures:

- Immediately proceed with freezing all these funds and other funds derived or collected thereof, without serving prior notice to the prospective customer, and the financial institution or any other person within the territory of the State of Kuwait is obligated to freeze the targeted funds immediately after the designation of a person, group, or entity and publication of this resolution in the Official Gazette (where the freezing decision is by the committee formed virtue of resolution (4) of 2014) or posted on either UN websites indicated above (where the freezing decision is by either UN committee). There is no need for any authority in the State of Kuwait to send any notice or further instructions to financial institutions, nor is there a need for obtaining any further instructions to enforce or approve a freezing of funds from any power or court in the State of Kuwait, since the obligation of imposing the funds freeze stems directly from provisions of the law and the ministerial resolution. Failing to meet this obligation of freezing targeted funds subjects the parties concerned to the financial penalties and imprisonment stated in Article (20) of the ministerial resolution. Fund freezing measures shall be taken immediately upon the discovery of targeted funds without serving prior notice to the party who owns, controls, or is in possession of the funds.
- Refrain from providing financial or other services and from providing funds to a designated person, group, or entity and shall comply wholly to the prohibition that covers all services to the designated person, group, or entity, including opening of accounts or provision of any type of financial counsel. The prohibition also means no funds in the broader sense of the word are to be provided to a designated person, group, or entity which covers any provision, direct or otherwise, of all types of assets and property, monetary or in kind, movable or immovable.

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- Notify the committee formed by virtue of resolution (4) of 2014 of taking the freezing measures within (3) days, and include any information on the status of the funds or the measures taken concerning them, as well as on the nature and volume of the frozen funds and any information relevant to and that may facilitate compliance with the resolution. Financial institutions shall also show complete cooperation with the committee concerned with countering corruption towards verification of the accuracy and authenticity of the information provided.

6. Financial institutions' obligations where no targeted funds are discovered

Should a financial institution ascertain that none of the funds in its possession or under its management are targeted funds, it shall notwithstanding notify the committee formed by virtue of resolution (4) of 2014 immediately regarding any current or former customer or a person it has or had interactions/transactions with who is a designated person, group, or entity in view of Article (3) or the ministerial resolution.

7. Freezing exemptions and obligations regarding these exceptions

Chapter Four states that under few specific circumstances, access is allowed to the funds subject to a freeze to cover specific expenses. In every such case, the committee formed by virtue of resolution (4) of 2014 issues a written permission allowing access to the funds which clearly specifies extent of access granted. Financial institutions shall, in all cases, request an original of this written permission from the person, group, or entity requesting access to the frozen funds, and shall also communicate with the committee formed virtue of resolution (4) of 2014 to verify it had indeed issued this specific permit. And even where verification of existence of permission to access the funds is possible in a specific case, the financial institution shall only grant access to the frozen funds to the person indicated in the written permit issued by the committee formed by virtue of resolution (4) of 2014 and to the extent and within the restraints indicated in the permit.

8. Allowing transfers to/from the frozen account and the conditions to be observed in this regard

Article (15) of the ministerial resolution allows for receipt of some payments into frozen accounts provided the amounts are put under the freeze immediately. As for payments due on the frozen account:

- The payments payable under contracts, agreements, or obligations entered into prior to the date of the freeze such as credit commitment entered into prior to the date of the freeze may be accepted and shall be debited from the frozen account by the financial institution. Meanwhile, all payments of

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credit created post the date of the freeze shall be rejected, and may not be debited from the account by the financial institution.

- Interests or any other benefits or gains due on the account.

The committee formed virtue of resolution (4) of 2014 has the right to allow receipt of other funds into the frozen fund in certain cases.

9. Accountability of the party imposing a funds freeze virtue of the ministerial resolution to other parties, including the designated person

Article (7) of the ministerial resolution indicates that any party that imposes a funds freeze in good faith aiming to comply with provisions of the ministerial resolution, including a financial institution, cannot be held criminally, administratively, or civilly accountable for such act. Thus, as long as the freeze measures were taken based on the institution's belief that the funds in its possession or under its management are targeted funds, all accountability is waived, even should it be ascertained later that the frozen funds were not in fact subject to the ministerial resolution.

Meanwhile, financial institutions shall understand that the penalties stated upon in Article (20) shall be imposed against any party that "violates or fails to comply with" the freezing resolution. This means that should any deliberate act or an act resulting from grave negligence leading to failure to impose a freeze virtue of a resolution, the party concerned could be held criminally accountable.

10. Length of time a funds freeze is maintained

The ministerial resolution does not specify any time limit for any freeze measures indicated. Therefore, a freeze could be maintained on funds indefinitely. However, the committee formed by virtue of resolution (4) of 2014 can decide in some cases that a certain freeze decision is no longer justified or that the freeze should be partially lifted. One such example is the cases where the funds of a person bearing the same name as that of another designated person are subjected to a freeze, while not being in fact the person intended. There are also cases where a person whose funds were frozen presents evidence that, contrary to the financial institution's belief, he is not acting on behalf of a designated person or under their management, and that their funds are not targeted funds. In such cases, the committee formed by virtue of resolution (4) of 2014 issues a written resolution to this purport and publishes said resolution in the Official Gazette. The financial institution may not amend a freezing resolution or cancel it except after verifying that the committee formed by virtue of resolution (4) of 2014 has issued a resolution to this end and published it in the Official Gazette.

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Moreover, the obligation to freeze funds is no more should the concerned UN Security Council committee write-off a resolution that had resulted in the concerned freeze. In cases where a freeze is imposed by virtue of a resolution issued by the committee formed by virtue of resolution (4) of 2014, the freeze is lifted through resolution by said committee to lift the freeze on the funds of the person, group, or entity concerned. In all instances where the committee formed by virtue of resolution (4) of 2014 removes the name of a person, group, or entity from the list of designated parties, it shall inform all financial institutions and publish its decision in the Official Gazette. A financial institution may not halt any measures before verifying that the committee had indeed removed the name of the person, group, or entity from the list of designated parties.

11. Verification of compliance with ministerial resolution through on-site inspection

Article (18) of the ministerial resolution indicates that financial institutions are obliged to implement internal measures to ensure they are in compliance with all aspects of the ministerial resolution, and that supervisory/regulatory bodies shall verify financial institutions' level of compliance. Further, failure to adopt the appropriate internal measures and controls could subject the entity to one or more of the regulatory penalties indicated in Article (15) of the law.

12. Penalties that could be imposed due to failure to comply with requirements indicated in the ministerial resolution and this guidelines document

Article (20) indicates that any person “who violates or fails to comply with a funds freeze under Article (3) or allows access to the funds or provides financial or associated services in violation to Article (4), or anyone who withholds information or gives false information, in implementation of Article (5)” of the ministerial resolution may be given a prison sentence no longer than a year and fined no less than half and no more than full value of the funds involved in the crime, or either penalty. If the party guilty of the crime is a legal person, a fine no less than full value of the funds involved in the crime shall be imposed.

Further, financial institutions failing to adopt the required measures to guarantee compliance with provisions of the ministerial resolution subject themselves to one or more of the following regulatory penalties:

1. A written notice;
2. An order to observe certain procedures/measures;

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

- F) Circular to all Local Banks, Financing Companies and Exchange Companies attaching a copy of the Guidelines issued to Entities addressed and required to implement the Requirements of the Ministerial Resolution No. (5) of 2014 on the Executive Bylaws for Implementation of UN Security Council Resolutions issued by Virtue of Chapter VII of the UN Charter concerning Terrorism and Financing of Terrorism.

3. An order to submit periodic reports on the measures taken to address the related violation;
4. A fine not exceeding KD 500,000 for each violation;
5. The party in violation could be banned from activity in the relevant sectors for a period decided by the supervisory authority;
6. The authority and privileges of the entity's managers, directors, executive and supervision managers, and controlling owners are all restricted, which includes assignment of a temporary supervisor/controller;
7. The entity's managers, directors, and its executive and supervision managers may be relieved from their posts or instructed to be changed;
8. The entity's activity, business, or profession could be stopped, restricted, or banned;
9. The license may be suspended;
10. The license may be withdrawn.

13. The committee's e-mail address

Where information is available concerning freezing measures taken by entities obliged to implement the requirements of resolution (5) of 2014 concerning the Executive Bylaws for implementation of UNSC resolutions issued virtue of Chapter VII of the UN Charter concerning terrorism and the financing of terrorism, or any data or information on previous or current transactions/interactions involving any of the names that are listed, all shall be sent to either official through the indicated email address:

1. Consultant/ Tahani Al-Naser
Phone no: 90030076
Email: t.alnaser@mofa.gov.kw
2. First Secretary/ Meshari Al-Naibari
Phone no: 99022882
Email: m.alnainbari@mofa.gov.kw

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

- F) Circular to all Local Banks, Financing Companies and Exchange Companies attaching a copy of the Guidelines issued to Entities addressed and required to implement the Requirements of the Ministerial Resolution No. (5) of 2014 on the Executive Bylaws for Implementation of UN Security Council Resolutions issued by Virtue of Chapter VII of the UN Charter concerning Terrorism and Financing of Terrorism.

The Manager

*Thulqe'dah 28, 1435 H
September 23, 2014*

The General Manager,

**Circular to all Local Banks, Financing Companies
and Exchange Companies**

With reference to provisions of Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) Law No. (106) of 2013, and provisions regarding sending a Suspicious Transactions Report (STR) to Kuwait Financial Intelligence Unit (KFIU) and the requirements listed in CBK instructions on countering money laundering and the financing of terrorism regarding the same,

You may find attached a circular issued by the KFIU on the forms and guidelines to be followed as well as the paper pointing out indicators to help detect suspicious transactions, available on the Unit's website.

Therefore, you are to access the website, obtain and fill out the STR form when reporting any cases you find suspicious, and you are also to follow the related guidelines provided for filling out the form while referring to the specified indicators of suspicious transactions.

Your entity shall fill out the form in Arabic and send it in a "private and confidential" envelope to the address indicated in the KFIU circular.

Best regards,

**On-Site Supervision Manager
Abdulhameed D. Al-Awadh**

Circular (FI/1/2014)
Financial Institutions and Designated Non-Financial Businesses
and Professions

1. Article (12) of the Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) Law No. (106) of 2013 stipulates that financial institutions and designated non-financial businesses and professions (DNFBPs) shall report to the KFIU without delay any transaction or attempted transaction, regardless of the value thereof, if they suspect or have reasonable grounds to suspect that they involve proceeds from criminal activities or funds related or linked to or to be used for money laundering or terrorism financing.
2. Article (13) of the aforementioned law stipulates that financial institutions and DNFBPs, their directors, and their employees be prohibited from disclosing to a customer or any other person information about the report which is mentioned in the previous article, or any information related to the KFIU or to any money laundering or terrorism financing investigation. This shall not preclude disclosures or communications between directors and employees of the financial institution or DNFBP, in addition to lawyers, concerned authorities, and the Public Prosecution.
3. Article (35) of the same law stated upon a punishment of imprisonment for up to three years and a fine of no less than KD 5,000 and up to KD 500,000, or either of these two penalties, to be imposed on whoever deliberately or by gross negligence commits the following:
 - a. Violation of the provision of Article (12) concerning the delivery of false reports or data or information or concealment of facts which should be disclosed; or
 - b. Disclose of information to a third party in violation of the first paragraph of Article (13), and in the case where a legal person commits any of the offenses stated in the previous paragraphs, a fine of no less than KD 5,000 and up to KD 1 million shall be imposed.
4. The KFIU formalized a Suspicious Transaction Report (STR) Form to be used for providing information to KFIU about suspicious transactions, in addition to a guide aimed to assist financial institutions and DNFBPs in completing the STR form. The guide identifies the adopted method and timeframe to send STRs to KFIU and clarifies the type of information required in each section of the form.

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

- G) Circular to all Local Banks, Financing Companies and Exchange Companies regarding the designating Forms of Reporting to Kuwait Financial Intelligence Unit (KFIU) of the suspicious Transactions and the related Guidelines for filling out the Forms, as well as the paper prepared to help identify suspicious Transactions.

5. The KFIU has also provided a list of indicators to assist financial institutions and DNFBPs in identifying suspicious transactions. These forms are available on the unit's website (www.kwfiu.gov.kw) as indicated below:
 - a. The KFIU's guide to complete STR forms for financial institutions and DNFBPs.
 - b. Indicators for banks to assist in identifying suspicious transactions.
 - c. Suspicious Transaction Report Form for Banks.
6. Financial institutions and DNFBPs shall send their STRs in Arabic in accordance with the above clarifications to the following address:

**Kuwait Financial Intelligence Unit
Ministries Complex, Block 7, Third Floor
State of Kuwait**

**President
Talal Ali Al-Sayegh**

*Thulqe'dah 6, 1435 H
September 01, 2014*

THE GOVERNOR

*Rabi-uthani 19, 1436 H
February 08, 2015*

The Chairman,

Circular to all Local Banks, Financing Companies and Exchange Companies

Kindly find attached the letter from Kuwait Financial Intelligence Unit (KFIU) dated 16/11/2014 and its attachments, the letter dated 22/12/2014 concerning KFIU circular No. (FI/2/2014), and KFIU notice that it has provided access through its webpage (www.kwfiu.gov.kw) to all the circulars it issued to financial institutions and designated non-financial businesses and professions, to ensure more transparency and communication among all concerned parties. In its notice, KFIU stressed that all CBK-regulated entities are required to check the website's updates regularly to stay on top of the latest circulars the unit has issued and regulatory procedures it recommended towards implementation of provisions of Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) Law No. (106) of 2013, its Executive Bylaws, and all other relevant regulations.

The CBK stresses it is vital that all banking and financial institutions subject to its supervision stay updated with all content on the website indicated above to take appropriate measures towards implementation of the requirements of the circulars the KFIU posts on the website. The CBK shall also be following up in this regard.

With my best wishes,

**The Governor
Dr. Mohammad Y. Al-Hashel**

November 16, 2014

**Your Excellency Dr. Mohammad Y. Al-Hashel
The Governor of the Central Bank of Kuwait,**

Dear Sir,

Please find attached with this letter the KFIU circular (FI/2/2014) concerning the precautionary measures to be observed when dealing with high-risk countries, circulated to all financial institutions and designated non-financial businesses and professions.

We also refer to provisions of Article (17) of Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) Law No. (106) of 2014 and Article (8) of Executive Bylaws No. (3) of 2013 indicating that regulatory authorities have a responsibility to verify the compliance of financial institutions and designated non-financial businesses and professions subject to its supervision with the precautionary measures recommended by Kuwait Financial Intelligence Unit in this respect.

Your institution is therefore to take whatever measures appropriate in line with its on-site and off-site supervision of the units it regulates.

Best Regards,

**President
Talal Ali Al-Sayegh**

Circular (FI/2/2014)
Preventive Measures when Dealing with High-Risk Countries

In line with the provisions of Article (17) of Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) Law No. (106) of 2013, the KFIU shall identify high-risk countries and prescribe the measures to be applied in relation to such countries.

Consistent with the Financial Action Task Force (FATF) published list that has been updated on yearly basis in February, June, and October, that includes countries and jurisdictions which pose a risk to the international financial system due to their AML/CFT deficiencies,

All financial institutions and designated non-financial businesses and professions (DNFBPs) according to the provisions of aforementioned Law 106/2013 shall implement adequate due diligence measures to counter risks related to business relationships and transactions involving persons or financial institutions from countries identified in the public statement published on the FATF website www.fatf-gafi.org.

Provisions of this circular shall be applicable when carrying transactions with customers who are either residing in or who establish their business in such countries, in the following cases:

- A. Business relationships with non-permanent customers
- B. Establishing or continuing business relationships with permanent customers

There should be a regular review of the updates on the FATF list, at the intervals mentioned above in the circular.

President
Talal Ali Al-Sayegh

Muharram 23, 1436 H
November 16, 2014

December 22, 2014

**Your Excellency Dr. Mohammad Y. Al-Hashel
The Governor of the Central Bank of Kuwait,**

Dear Sir,

We hereby direct your attention that the Kuwait Financial Intelligence Unit (KFIU) has provided access through its website to special designated Suspicious Transaction Report (STR) forms to be used when forwarding to the Unit information related to suspicious transactions, as well as a guide to help the reporting financial institutions and designated non-financial businesses and professions complete the STR forms and specifying the manner and timing to be observed when sending reports to the unit. The guide also indicates the type of transactions and data to be addressed in each section of the STR form.

The unit had also recently added the circulars it issues to financial institutions and designated non-financial businesses and professions to its website content, which enhances transparency and improves communication with reporting entities.

In view of the above, entities subject to your supervision are required to stay constantly updated with the latest content posted on the Unit's website (www.kwfiu.gov.kw) and to obtain the latest circulars and recommended procedures the Unit posts, all towards implementation of provisions of Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) Law No. (106) of 2014 and its Executive Bylaws, and any other regulatory developments.

You are thereby required to take appropriate measures and issue the circulars needed to all entities subject to your supervision.

May Allah help us all best serve our beloved country.

Best Regards,

**President
Talal Ali Al-Sayegh**

THE MANAGER

*Jumada Alakhira 20, 1436 H
April 09, 2015*

The General Manager,

Circular to all Local Banks, Financing Companies and Exchange Companies

Further to our circular dated 21/09/2014 attaching a copy of the guidelines document prepared by the committee formed for implementation of Security Council resolutions issued by virtue of Chapter VII of the UN Charter concerning the countering of terrorism and the financing of terrorism,

Please note that the said committee has designated an email address for all official correspondence: ctc@mofa.gov.kw.

You are therefore to direct all your correspondence and communication with the committee to indicated email address.

Best Regards,

**On-Site Supervision Department Manager
Abdulhameed D. Al-Awadh**

THE GOVERNOR

*Thulhija 20, 1436 H
October 04, 2015*

The Chairman,

Circular to all Local Banks, Financing Companies and Exchange Companies

Please find attached a copy of Kuwait Financial Intelligence Unit (KFIU) circular No. (FI/2/2015) dated 15/09/2015 concerning high-risk and non-cooperative jurisdictions which the Financial Action Task Force (FATF) designates and provides updated information on and specifies how to deal with them on a regular basis after its plenary meetings. The circular can be found on the Unit's website:

www.kwfiu.gov.kw⁽¹⁾.

You shall therefore take the appropriate steps towards full compliance with the mentioned KFIU circular.

With my best wishes,

**The Governor
Dr. Mohammad Y. Al-Hashel**

⁽¹⁾ The web address of Kuwait Financial Intelligence Unit was changed according to the circular dated 26/10/2015, listed as item (K) of this chapter.

September 15, 2015

**Your Excellency Dr. Mohammad Y. Al-Hashel
The Governor of the Central Bank of Kuwait,**

Dear Sir,

Please find attached circular, No. (FI/2/2015) concerning high-risk and non-cooperative jurisdictions which the Financial Action Task Force (FATF) designates and provides updated information on and specifies how to deal with them on a regular basis after its plenary meetings held in February, June, and October each year on the following page:

<http://fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions/>

Kindly note that the said circular has been posted on the Unit's website: www.kwfiu.gov.kw.¹ You are therefore to take the appropriate measures in this regard, in line with provisions of Article (17) of Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) Law No. (106) of 2013 concerning verifying the compliance of entities regulated by your institution with the precautions and measures indicated in this circular.

Best Regards,

**President
Talal Ali Al-Sayegh**

¹ The web address of Kuwait Financial Intelligence Unit was changed according to the circular dated 26/10/2015, listed as item (K) of this chapter.

Circular (FI/2/2015) High-risk and Non-cooperative Jurisdictions

Further to Circular (FI/2/2014) on preventive measures when dealing with high-risk countries, and according to the FATF identified jurisdictions that have strategic AML/CFT deficiencies stated in both documents “FATF’s Public Statement” and “Improving Global AML/CFT Compliance: On-going Process”, KFIU calls on financial institutions (FIs) and designated non-financial businesses and professions (DNFBPs) to be vigilant and to implement adequate measures in dealing with high-risk and non-cooperative jurisdictions.

FATF's identified Jurisdictions are classified in three main categories as shown below:

1. Identified Jurisdictions:

Group (1): Public Statement

- 1. First category:** Jurisdictions that pose a risk to the international financial system. FATF calls for counter measures when dealing with such jurisdictions.
- 2. Second category:** Jurisdictions that have not made sufficient progress in addressing their strategic AML/CFT deficiencies.

Group (2): Compliance Document

- 3. Third category:** Jurisdictions listed in the compliance document that have been identified as having AML/CFT strategic deficiencies but developed an action plan with FATF and provided a written high-level political commitment to improve their AML/CFT regime.

2. Measures to be taken when dealing with identified jurisdictions:

FIs and DNFBPs are required to apply the following measures when dealing with identified jurisdictions in FATF public documents as shown below:

1. Regarding jurisdictions listed in the first category, FIs and DNFBPs are required, to give special attention to business relationships and transactions with and from these jurisdictions in order to protect the international financial system in general and the local one in particular from ML/TF risks emanating from these jurisdictions. In addition, FIs and DNFBs are required to apply at least the following enhanced due diligence measures:
 - 2.1.1 Requesting additional information on the customer/transactions linked to such customer.

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

J) Circular to all Local Banks, Financing Companies and Exchange Companies concerning high-risk and non-cooperative countries, which the FATF designates, provides any updated information on, and specifies how they are to be dealt with.

- 2.1.2 Verifying the nature and purpose of the business relationship.
 - 2.1.3 Verifying the customer's source of funds and assets.
 - 2.1.4 Obtaining senior management approval to decide whether or not to continue a business relationship.
 - 2.1.5 Further monitoring of transactions.
 - 2.1.6 Review, amend or, if necessary, end business relationships with correspondent banks of identified jurisdictions.
2. Regarding jurisdictions listed in the second category, FIs and DNFBPs are required to consider the risks arising from the deficiencies associated with each identified jurisdiction. Therefore, FIs and DNFBPs are required to assess AML/CFT risks when dealing with such jurisdictions.
 3. Regarding jurisdictions listed in the third category, FIs and DNFBPs are required to refer to the compliance document for any updates on information regarding listed or de-listed jurisdictions in order to assess the risks linked to each jurisdiction identified in the document.

3. Names of listed jurisdictions:

For information on the names of jurisdictions listed within the identified categories mentioned above, FIs and DNFBPs are required to check the following link:

<http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions/>

Please note that this link is periodically updated in February, June, and October. Therefore, FIs and DNFBPs are required to check the latest updates of listed jurisdictions based on the identified categories mentioned in Section 1 above.

The Kuwaiti FIU calls on FIs and DNFBPs to check KFIU website regularly (www.kwfiu.gov.kw)¹ for the latest circulars and decisions issued by KFIU.

President
Talal Ali Al-Sayegh

¹ The web address of Kuwait Financial Intelligence Unit was changed according to the circular dated 26/10/2015, listed as item (K) of this chapter.

THE MANAGER

*Muharram 13, 1437 H
October 26, 2015*

The General Manager,

**Circular to all Local Banks, Financing Companies
and Exchange Companies**

Further to the Central Bank of Kuwait (CBK) circular dated 04/10/2015 attaching a copy of Kuwait Financial Intelligence Unit (KFIU) circular No. (FI/2/2015) dated 15/09/2015 concerning high-risk and non-cooperative countries which the FATF designates, provides any updated information on, and specifies how they are to be dealt with,

Please find attached, for your information and discretion, a copy of a letter by the KFIU dated 5/10/2015 pointing out a typographical error in the circular concerning the unit's website, which is as follows:

www.kwfiu.gov.kw.

Best Regards,

**On-Site Supervision Department Director
Abdulhameed D. Al-Awadh**

October 05, 2015

**Your Excellency, Dr. Mohammad Y. Al-Hashel
The Governor of the Central Bank of Kuwait,**

Dear Sir,

Further to our letter dated 15/09/2015 that attached circular No. (FI/2/2015) concerning high-risk and non-cooperative countries and jurisdictions,

Please note there was a typographical error in the circular where the unit's web address was indicated, and the correct address is as follows:

www.kwfiu.gov.kw).

The circular had therefore been corrected on the Unit's webpage.

Best Regards,

**President
Talal Ali Al-Sayegh**

THE GOVERNOR

Ramadhan 09, 1440 H

May 14, 2019

The Chairman,

Circular to all Local Banks No. (2/BS/IBS/432/2019)⁽¹⁾

In the context of the Central Bank of Kuwait's approach for the continued development of the requirements of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), and pursuing the updates and amendments introduced by the Financial Action Task Force (FATF) on the contents of these requirements, in accordance with the issued standards (the forty recommendations), in line with the changes witnessed by the world economic conditions, and within the endeavors made to mitigate risks associated with money laundering and the financing of terrorism crimes, to which all countries are susceptible as a result of the continued development of the methods used in committing such crimes,

And whereas the Central Bank of Kuwait has previously issued instructions dated 23/07/2013, which included AML/CFT requirements under Law No. (106) of 2013 concerning Anti-money laundering and combating of terrorism issued on 08/05/2013, and its Executive Bylaws issued on 13/06/2013, and

Taking into consideration the onsite and offsite follow-up to the units subject to the control and supervision of the Central Bank of Kuwait (local banks, exchange companies, financing companies), and in order to provide entire awareness of all the desired combating requirements, to ensure compliance by all these units of the contents of these instructions, The Board of Directors of the Central Bank of Kuwait endorsed at its meeting convened on 14/05/2019 the attached instructions under No. (2/BS/IBS/432/2019), which will be applicable from 16/06/2019 and will supersede the previously issued instructions under No. (2/BS/IBS/308/2013).

With my best wishes,

The Governor

Dr. Mohammad Yousef Al-Hashel

⁽¹⁾ The Circular dated 28/08/2019 included under Item (N) of this Chapter was issued to obligate the banks to form a committee assigned to decide on reporting any suspicious transaction of money laundry/terror finance to Kuwait Financial Intelligence Unit (KFIU).

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

L) Circular to all Local Banks No. (2/BS, IBS/432/2019) regarding Anti-Money Laundering And Combating the Financing of Terrorism (AML/CFT) to be applicable from 16/06/2019 superseding the Instructions previously issued on 23/07/2013.

Instructions No. (2/BS/IBS/432/2018) Concerning Anti-Money Laundering & Combating the Financing of Terrorism⁽¹⁾

In the context of reinforcing Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) efforts, and in order to ensure the required compliance with the application of the international standards issued by the Financial Action Task Force “FATF” in this regard, and in line with the provisions of the Law No. (106) of 2013 Concerning Anti-Money Laundering and Combating the Financing of Terrorism, its Executive Regulations and the relevant promulgated ministerial resolutions, as well as the provisions of Articles No. (14) and (15) of the said Law, which provided that the regulatory authorities shall supervise and monitor compliance with the requirements of anti-money laundering and combating the financing of terrorism, and imposing the appropriate penalties and sanctions on the units subject to their supervision.

And, whereas the banking and financial institutions are the most targeted entities for money launderers and terrorism financiers, through which they endeavor for layering and hiding the illicit sources of their funds. As such, these institutions are always exposed to risks arising from such acts. And, in order to protect the banking and financial institutions from such illegitimate practices and to avoid any adverse impacts they may face due to these risks, it is necessary for all banking and financial institutions to take the measures which ensure that they are not manipulated by such operations, in addition to ensuring compliance with the full implementation of the requirements under the recommendations issued by FATF and the provisions of the referred to Law, while adopting the Risk-Based Approach in the preparation of such measures; and,

In light of the above, CBK has updated the instructions issued on 23rd July 2013 to all local banks under No. (2/BS/IBS/308/2013) concerning Anti-Money Laundering and Combating the financing of terrorism. This update has been introduced to enhance and clarify some of the needed requirements which were revealed by the CBK’s follow-ups during the past period, aimed at achieving the full and optimal compliance with these requirements by banking and financial institutions subject to CBK supervision.

Accordingly, all banks operating in the State of Kuwait shall abide by the following:

⁽¹⁾ Circular dated 28/8/2019 included under Item (n) hereof was issued to obligate banks to form a committee mandated to decide on reporting to KFIU of any suspicious money laundry or financing of terrorism.

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

L) Circular to all Local Banks No. (2/BS, IBS/432/2019) regarding Anti-Money Laundering And Combating the Financing of Terrorism (AML/CFT) to be applicable from 16/06/2019 superseding the Instructions previously issued on 23/07/2013.

First: Determining the Risks Associated with Money Laundering and Financing of Terrorism:

- 1) The bank should have risk-management systems in place, prepare a written study which shall be updated every two years, and which shall address all the risks associated with money laundering and financing of terrorism which the bank may be exposed to as a result of exercising its licensed business, provided that the study should determine at least the risks associated with the following elements:
 - a) Various types of customers (if any) with whom dealings are prohibited by the bank.
 - b) Countries and geographical regions where any of the requested transactions are processed.
 - c) Products and services, be they existing ones or any other services to be innovated which the bank intends to offer for its customers.

Furthermore, the study should address risk assessment levels to which the bank is exposed as per the said elements, and to divide the same into three levels (Low, Moderate, and High) while making the appropriate and necessary procedures to monitor and manage such risks to mitigate their impacts on the bank's business.

- 2) Within the scope of identification of the risks associated with the elements mentioned in paragraph (1) above, the study of these elements shall address the factors which may augment the risks associated with each element, and set the appropriate remedies for the same, such as the following:
 - a) **As for the various types of customers:**
 - The nature of the customer's business.
 - The unusual activities and risks associated related thereto.
 - The legal form of the customer, in particular the companies that issue bearer shares.
 - The ownership structure of the customer, clarity of ownership and whether there is any unusual ownership.
 - The existence of an actual activity for the customer, with clear lawful economic purposes consistent with the business they are authorized to exercise.

- The customer is resident in the State of Kuwait or a non-resident customer.
- The customer undertaking management of third-party's assets.
- The purpose of establishing a relationship between the customer and the bank and the purpose of opening the account.
- The volume of transactions (credits and debits) required by the customer's activity.
- Frequency of the transactions carried out for the customer.
- The period of time preceding dealings with the customer (relationship with the customer).
- Risks associated with Politically Exposed Persons (PEPs) and those related with them.
- Customers who own huge assets or those for whom no clear information are available about the source of income or owned assets.
- The customer's business is mainly dependent on cash or a business which is associated with high risks related to money laundering or terrorism financing.
- Customers whose transactions are carried out without need of attendance in person to any of them.
- The customer's business having a business relationship between the customer and persons resident in high-risk countries.

b) As for Countries and Geographical Regions

- The classification issued by FATF about countries whether in terms of their compliance with AML/CFT's international standards or the adequacy of the combating regulations applied in these countries, as per the findings of the reports of assessments conducted on such countries or the follow-up reports published, which reveals shortcomings in AML/CFT's combating requirements at these countries.
- The list issued by Kuwait Financial Intelligence Unit (KFIU) for High-Risk countries as well as the amendments introduced to this list as a result of the continued monitoring thereto.

- The countries subject of resolutions passed by the United Nation's Security Council or countries subject to sanctions, ban of dealings or any other similar measures.
- Classifications issued by trusted sources concerning corruption, criminal activities and the ranking of such countries in this regard.
- Classifications issued by trusted sources which define the countries funding or supporting terrorist activities or where there are specific active terrorist organizations.

c) As for Products and Services

- Requirements and terms and conditions of providing the product or service.
- Private banking services.
- Services rendered through the use of various cards.
- Services or products whose process does not necessitate the attendance of the customer in person in order to confirm his identity.
- Transactions executed for customers through third parties, without the availability of information for the relationship which requires such transactions.
- Any new proposed product or service that will be offered by the bank to customers.

3) In light of the findings of the assessment and identification of risks to which the bank is exposed as required above, the type of due diligence applied with regard to the execution of transactions, shall be identified, taking into consideration the following measures as a minimum limit:

- Documents which will be collected based on the level of risks associated with transactions and customers.
- Information required to be submitted by customers which shall be determined in accordance with the associated risks.
- Procedures that shall be applied upon execution of transactions across any of the other countries in accordance with the level of risks associated to each of these countries.

- Enhanced due diligence measures proposed to be followed in case of high risks exist in transactions for customers, countries, or risks associated with the product or the service itself.
 - Follow up an approach to update customers' information and data on periodic basis tailored with the degree of the associated risks (one year or less for high-risk customers, two years or less for medium-risk customers, three years or less for low-risk customers).
- 4) The study on risks associated with money-laundering and terrorism financing and its results shall be approved by the board of directors. With regard to branches of foreign banks operating in the State of Kuwait, the study shall be approved by a management level not less than the regional management of the branch. The prepared study as well as any update incorporated therein shall be maintained as per the requirement of documents and records keeping as stipulated in clause twenty two.

Second: AML/CFT Policy:

1. Each bank shall have in place a policy including the targets and scope of anti-money laundering and combating of terrorism financing to be followed, provided that this policy shall include at a minimum the following points:
 - Entire compliance with the provisions of the law (106) of 2013 regarding Anti-Money Laundering and Combating of Terrorism Financing, its Executive Regulations and all relevant ministerial resolutions as well as the CBK instructions issued in this regard.
 - Develop a manual for procedures and internal control systems which shall be followed in relation to the implementation of the required combating requirements.
 - Refer to risks associated with anti-money laundering and combating of financing terrorism and identify them within three levels (low- medium-high) in the implementation of the required combating requirements.
 - Apply the appropriate due diligence measures in accordance with the degree of associated risks upon the execution of the required transactions.
 - Follow up defined procedures to apply the principle of Know Your Customer ("KYC") which requires the identification of information that shall be obtained and the periods required for updating thereof according to the risks associated with customers.

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

L) Circular to all Local Banks No. (2/BS, IBS/432/2019) regarding Anti-Money Laundering And Combating the Financing of Terrorism (AML/CFT) to be applicable from 16/06/2019 superseding the Instructions previously issued on 23/07/2013.

- Comply with the freezing requirements and not to deal with any names included in the lists issued by the Security Council sanctions committees or pursuant to local resolutions issued by a committee of the Ministry of Foreign Affairs to execute the Security Council resolutions in accordance with the Chapter VII of United Nations Charter concerning Terrorism and Terrorism Financing.
- Commitment to notify KFIU of any suspicious cases with regard to money laundering and terrorism financing which may be identified by the bank during the period defined for the same.
- Procedures that shall be followed upon dealing with high-risk persons, especially Politically Exposed Persons (PEPs).
- Adhering to keeping documents, records and information related to customers and executed transactions as per the legally defined periods.
- Commitment to appoint a compliance controller in charge of verifying the scope of the bank's compliance with the requirements of provisions of the Law No. (106) of 2013, its Executive Regulations and the relevant ministerial resolutions.
- Compliance with preparing periodic reports to be presented to the board of directors or the regional management of foreign banks branches, including efforts exerted by the compliance controller in respect of compliance with the requirements of anti-money laundering and combating of terrorism.
- Mandating all branches of local or foreign banks as well as subsidiaries of banking groups to satisfy the requirements and provisions of the law and the ministerial resolutions and these instructions and the recommendations issued by the Financial Action Task Force (FATF) standards applicable in this regard, as a minimum limit, and to confirm the necessity of cooperation between these branches and subsidiaries in respect of exchange of information and maintaining their confidentiality, along with development of the most appropriate methods to realize this commitment.
- Implementation of integrity standards and the appropriate experience upon the appointment of new staff at the bank.
- Commitment of the existence of ongoing training programs, to be prepared on periodic basis, so that the staff (new and current ones) will be able to attend training programs on anti-money laundering and combating terrorism financing.

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- The bank staff accounts shall be subjected to supervisory measures to ensure absence of any transactions on these accounts related to money laundering or terrorism financing suspicion or the existence of any correlation between them and customers' accounts at the bank, provided that the required tasks shall be assigned to the compliance controller in charge of AML/CFT and his assistants.
 - Updating the policy on ongoing basis (every two years at most) by reviewing it periodically to keep pace with any developments by the combating efforts exerted in this regard.
2. The bank's policy shall be aligned with the size, nature and scope of transactions executed at the bank.
 3. The bank shall endorse the policy prepared by the board of directors. For branches of foreign banks operating in the State of Kuwait, such policy shall be approved by a management level not less than the regional management of the branch to which the branch is reporting.

Yet, foreign banks branches operating in the State of Kuwait may follow up the policy certified by the bank's board of directors abroad, which is applicable to its foreign branches, provided that such policy shall comprise all regulatory requirements concerning money laundering and terrorism financing applicable in the State of Kuwait and a copy of such certified policy must be available at the branch and a copy of the documents indicating such certification from the board of directors.

Third: Applicable Procedures and Internal Control Systems:

- 1) The bank shall develop written procedures including steps to be followed and applied on the execution of transactions as per the bank's activity and its applicable internal controls, which satisfy the bank's compliance with the requirements of anti-money laundering and combating terrorism financing, provided that such steps shall be reviewed on a periodic basis consistent with the periods of reviewing the bank's policies in this regard, and shall include the following, at minimum:
 - Steps to be applied with regard to the application of due diligence requirements as per associated risks, whether the ordinary, enhanced or the mitigated due diligence.
 - Nature and type of documents required to be collected from customers in accordance with the risks relevant to each of them.

- Nature of information to be collected from customers for ordinary due diligence and information required for high-risk customers, especially politically exposed persons for whom strict due diligence requirements shall be applied upon dealing with them.
- Steps to be followed regarding the application of “KYC”, taking into consideration the customers’ associated risks, information and data to be collected and the appropriate periodicity to update such information based on the associate risks.
- Procedures necessary to understand the equity of customers of corporate bodies or legal arrangements.
- Procedures necessary to identify whether the customer is the actual beneficiary of the required transaction or he is acting on behalf of one or more other beneficiaries.
- Steps to be followed and applied concerning the continued monitoring of customers’ transactions.
- Steps to be applied regarding presenting services or products to customers as per the risks associated with money laundering and terrorism financing, especially for the following:
 - Opening accounts for customers.
 - Foreign remittances whether inward or outward transactions.
 - Banking cheques issued to non-bank customers.
 - Transactions required by customers which are processed without the customer’s presence.
- Steps to be applied with regard to verification of the bank’s compliance with freezing balances of accounts of any customers and persons related to it, as well as the adequate procedures to ensure non-dealing with them in future, with regard to names included in the freezing lists issued by the Security Council sanction committees or pursuant to local resolutions issued by a committee of the Ministry of Foreign Affairs to implement the Security Council resolutions.
- Applied Programs and techniques to identify suspicious transactions and activities in relation to money laundering and terrorism financing, and the ensuing measures to be taken in case of confirmation of suspicious transactions, to report it to KFIU during the determined period, and determination of the measures to be taken concerning preparing the suspicious reports or not, and determination of the management levels required to obtain their approvals for sending the report to the KFIU.

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- 2) The written procedures of the bank shall be consistent with the size of the activity, nature and scope of the bank transactions, taking into consideration the provisions stated in the guideline manual prepared at the bank to identify patterns of money laundering & terrorism financing activities, based on the guideline manual issued by KFIU regarding the patterns of money laundering & terrorism financing activities.
- 3) The business procedures of the bank shall be approved by the board of directors and for branches of foreign owned banks operating in the State of Kuwait, they shall be approved at least by the regional management of the branch.

Fourth: Customer Identification Requirements:

- 1) Banks shall identify and verify the customer and the actual beneficiary identities and shall understand the purpose of the dealing and its nature, and, if necessary, obtain supporting information, in the following cases:
 - A. Opening an account at the bank or initiating a business relationship, where the bank shall ensure the physical existence of the account opening applicant and to have his signature made before the concerned employee by any other administrative officer. Excluded from the same are the accounts opened using official power of attorney issued by the Ministry of Justice (according to the bank's internal policy) or accounts opened in the scope of using the Fintech products for which the bank shall obtain approval from the CBK concerning rendering such service.
 - B. Upon presenting any service or execution of any transaction exceeding KD three thousand or its equivalent in foreign currency (whether for a single transaction or frequent transactions), for dealers who have no open account or ongoing business relationship with the bank.
 - C. Upon execution of any following transactions:
 - Local or overseas electronic fund transfer.
 - Issue a bank cheque paid in cash.
 - Issue prepaid card to non-bank customers who have open accounts.
 - D. Upon suspicion of the validity of the identification data previously received from the customer.

- E. Upon suspecting a transaction required to be executed – to non-bank customers – that it is related to money laundering and terrorism financing.

Fifth: Due diligence measures towards customers:

- 1) Due diligence measures towards customers based on the risk-based approach are represented in the following:
 - a. Verifying the customer’s identity using documents, data and information from reliable and independent sources.
 - b. Identifying the actual beneficiary and taking reasonable measures so that the bank will be fully aware of and knows the actual beneficiary.
 - c. Understand the purpose and nature of the business relationship through obtaining evidence for the bank.
 - d. Exert ongoing due diligence in respect of the business relationships and review the transactions undertaken to ensure that they are commensurate with the information about the customer, activities and associated risks.
- 2) Banks may not open or keep anonymous accounts or accounts in fictitious names or only numeric names or maintain such accounts with them. Furthermore, banks should not open accounts to natural persons without their attendance in person before the concerned employee. Excluded from the same are the accounts opened using the legal official power of attorney issued from the Ministry of Justice (according to the bank’s in-house policy) or accounts opened within the scope of using the modern financial technologies (Fintech) for which approval is obtained from the Central Bank of Kuwait for rendering such services.
- 3) Banks should review the documents proving the customer’s identity and ensure their validity, get a copy signed by the concerned bank officer that the document is a true copy of the original that he/she has reviewed, in accordance with the following:
 - a. **For natural persons:**
 - The Civil ID card for citizens or non-citizens (residents);
 - The passport or travel document by which the customer entered to Kuwait for non-residents in the State of Kuwait.
 - Official identity document issued and certified from the concerned government authority, or the concerned official authority, for customers not classified under the above two items.

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- Official document issued authorizing the person dealing with the bank on behalf of the customer certifying the authenticity of the signature on the document submitted with the customer signature kept with the Bank, and to view the identity supporting document for the person authorized to carry out the transaction and keep a copy thereof.

b. For Legal Persons:

- Completion of the full name of the legal person, the date of incorporation, the headquarter business address and the names of the key management personnel of the legal person and the authorized signatories.
- Documents evidencing incorporation of the institution or company and that it is entitled to exercise business according to the documents issued by the concerned authorities.
- The existence of official authorization according to legal documents issued for the person acting on behalf of the institution/company in dealing with the bank, provided that the supporting documents for the authorized person must be verified and a copy thereof to be maintained.
- For companies and institutions that are established outside the State of Kuwait, certificates of incorporation shall be documented by the concerned authorities in Kuwait.

Excluded from the above, the supporting documents that evidence the incorporation of the company or the institution abroad which were presented by the customer to one of the bank branches abroad, which exercise its business in the country where the company or institution has been established, provided that these documents must be certified by the branch officers to the effect that they have previously perused these documents and that they are true copies.

- For a person's representation of an institution/company before the bank, it is necessary to submit the legal documents and judicial judgments issued in this regard which evidence the same.

Sixth: Identifying the Actual Beneficiary:

- 1) The bank shall take the necessary measures to identify whether the customer is acting on behalf of an actual beneficiary or more, through obtaining a certificate signed by the customer on opening the account stating that the customer is the actual beneficiary of the account or through any other means deemed necessary by the bank.

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- 2) If the bank identifies that a customer is acting on behalf of another beneficiary or beneficiaries, the bank should verify the identity of the beneficiary owner(s), through obtaining the relevant information from a reliable source to ensure the identity(s) of the beneficiary owner(s) and the bank shall apply due diligence measures on beneficiary owner(s) that commensurate with the risks associated with the beneficiary owner(s) in this case.
- 3) Where the customer is a company listed on Kuwait Stock Exchange, the bank is not required to verify the identity of shareholders or beneficiary owners of such companies, provided that the company must be subject to the appropriate disclosure requirements identifying the actual beneficiary. Banks may only obtain copies of the required documents to verify the company's identity as stated in item "Fifth" above.
- 4) If the customer is a legal person or legal arrangement, banks should be required to take the appropriate measures to understand the equity and control structure for such customers, to reach the ultimate person in possession or in control of the customer as follows:
 - a. For legal persons: verify the identity of each natural person that:
 - Possesses or directly or indirectly controls interest of over 50% of a legal person;
 - Controls the management of a legal person.
 - b. For legal arrangements, banks shall verify the identity of the person acting on behalf of the customer, the custodian, the beneficiary or any other person entrusted with these functions.

Seventh: Postponing customer identification:

- 1) Banks may establish business relationships before completing the verification process of the customer's identity referred to in Item "Fourth" of these instructions, in case of satisfaction of the below mentioned conditions:
 - a) Completing the verification process as soon as practicably possible following the establishment of the business relationship;
 - b) Such postponement is necessary for non-suspension of the normal business processes; and,
 - c) Effectively controlling the risks of money laundering and terrorism financing.

- 2) When postponing verification process of the customer identity, banks should determine the related risk management measures, by means of laying down a set of minimum procedures in this regard, such as identifying the satisfaction of the measures requirements **within 90 days** at most, a follow up for these accounts and determination of the number of transactions that the customer can execute, define the type of transactions that can be executed, and defining the maximum limit for the value of transactions.

Eighth: Abstention from accepting new customers:

Banks shall abstain from opening an account or establishing a business relationship or executing a transaction in case verification of the customer identity or the actual beneficiary is impossible. In this case, banks should consider the possibility of reporting the case to the KFIU.

As for transactions to be executed but the bank has suspicion of money laundering or terrorist financing thereon, and believes based on logical reasons that the application of the due diligence process will alert the customer, the bank may not continue in completing the due diligence requirements for the customer while executing the transaction. In such case, the bank shall report the suspicious transaction to the KFIU.

Ninth: Enhanced due diligence measures for high risk customers and when providing specific services or performing certain operations

- 1) The bank shall take additional measures to apply enhanced due diligence for: customers classified as high risk, customers whose transactions are not performed face-to-face and politically exposed persons who deal with the Bank. This specifically includes increasing the degree and nature of supervision on the business relationship in order to determine whether the transactions executed or to be executed appear unusual or suspicious.

In this regard, banks shall examine all complex and unusual large transactions to identify the purposes, and verify all unusual patterns of transactions which have no clear economic or lawful purposes and objectives.

- 2) Enhanced due diligence measures should be applied on the following services and transactions:
 - *cross-border correspondent banking relationships*
 - *money or value transfer*
 - *Wire transfer*
 - *Services provided via modern technologies (Online Services).*

- 3) Enhanced due diligence measures applied on high risk business relationships include the following:
 - a. Obtaining additional information on the customer (natural person), sources of his funds and wealth.
 - b. Reasoning the rationale behind the transactions executed or expected to be executed.
 - c. Obtaining additional information on the customer (legal person), the nature of the expected business relationship with the customer, the volume of business and obtaining the latest available financial statements.
 - d. Obtaining the senior management approval for establishing or continuing the business relationships.
 - e. Conducting enhanced ongoing monitoring of the customer's transactions through enhancing monitoring measures and their periodicity as well as identifying transactions patterns that require additional examination.
 - f. Taking into consideration that the first amount credited upon opening the customer account should be from a known source and via banking platform.
- 4) Conducting ongoing enhanced due diligence measures for customers stated in paragraph (1) on each stage of the due diligence process.
- 5) For customer identification purposes, enhanced due diligence measures should include the following for business relationships with a customer that does not deal face to face:
 - a) Authenticating the documents as per relevant laws and procedures.
 - b) Obtaining customer contact details whether via email or phone numbers through which communications can be established.

Tenth: Politically Exposed Persons (PEPs):

- 1) Banks shall set appropriate procedures to determine whether the customer or the actual beneficiary is a Politically Exposed Person (PEP). Such procedures should include, the following, at minimum:
 - a) The information required to be obtained from customers to determine whether he is a political person posing risk or a person assigned or previously assigned with a key position by an international organization.
 - b) Continuous follow-up to update customer information.

- c) Use of electronic databases provided by specialized companies for PEPs in order to collect information and data.
- 2) In case the bank finds that the customer or the actual beneficiary is a PEP, the following additional measures shall be applied:
 - Obtaining approval from any one of the top management levels as specified under the bank's policy, before establishing a business relationship with that person.
 - Having in place the procedures which determine how to deal with the accounts opened to those customers, periodic update of data, and the required follow-up for executed transactions.
 - Taking all appropriate measures to determine the source of funds and wealth.
 - Application of strict and continuous monitoring of the business relationship.
- 3) The same requirements as in paragraphs (1) and (2) above shall be applicable to family members of PEPs up to second-degree relatives and close partners.

Eleventh: Reduced due diligence procedures for low-risk customers:

- 1) In dealing with the following customer segments, reduced due diligence measures may be applied, in consistence with the results of the risk assessment study, which should be low, provided that the Central Bank of Kuwait's prior approval shall be obtained in this regard:
 - Targeted group of individuals and institutions within the financial inclusion scope of application, aimed at promoting the right of every citizen to open a bank account in his/her name, unless a legal, banking or financial impediment exists, because the activities exercise by those persons are mostly not associated with high risks. Noting that specific controls should be set for transactions made on those accounts, for example: specifying the nature of transactions that can be dealt in, amount of money that can be credited to the account, limits on the number of transactions that can be executed during certain timelines, estimated limits on the volume of balances that can be held in such accounts, means and tools of credit and debit to the account. In addition, such accounts should be monitored on continued basis to identify any irregularities and to verify that they are not used in suspicious transactions, whether for money laundering or terrorist financing.

- Other financial institutions subject to AML/CFT requirements, which conform with the FATF recommendations and apply them effectively, and controlled or supervised to ensure effective compliance with those requirements.
 - Companies listed on stock exchanges subject to disclosure requirements (under the law, stock exchange regulations or other binding instructions), which define requirements to ensure identification of the actual beneficiary.
 - Government entities.
 - Private or limited financial products or services offered to a particular segment of customers, offered for the purpose of providing appropriate financial services.
- 2) Reduced due diligence measures should be consistent with risk factors listed in item First (2) above. These measures include, for example not for limitation the following:
- The ability to verify the customer identity and the actual beneficiary after establishment of the business relationship.
 - Update the customer data at longer intervals than those specified for the standard usual due diligence measures.
 - Following reduced measures for periodic monitoring and verification.
 - Non-commitment with collection of detailed information or taking specific actions to understand the purpose and nature of the business relationship, in that it is sufficient to understand the objective and nature of this relationship in light of the type of the transactions or existing business relationships.
- 3) Banks may not apply reduced due diligence measures in case of suspicious money laundering or financing of terrorism transactions, or when the customer's activity is associated with a business relationship in high-risk countries.

Twelfth: Keeping Customer Information (Know Your Customer “KYC”)

In opening accounts for customers and in collecting information about the customer and actual beneficiary of the account, the bank shall **use a form designated for the same**, and keep the documents, data and information collected under due diligence measures updated on continued basis and verify their validity by reviewing the records on appropriate periods consistent with the risks associated with the customer and maintain them throughout the dealing period, represented in the following data as minimum:

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- Nature and pattern of activity.
- Purpose of dealing on the account (salary, saving, business transactions, business proceeds, etc.).
- Number of transactions expected on the account (monthly, annually).
- Value of transactions expected on the account (monthly, annually).
- Nature and pattern of transactions expected to be executed on the account (cash deposits, cheques, local/foreign remittances, etc.).
- Average annual income and its sources.
- Obtaining information on the customer occupation of political or international public positions at present or in the past, and the essence of this position, if any.
- For legal persons, the volume of the registered capital and the volume of the working capital.
- Clarifying and mentioning the names of related parties, such as first-degree relatives, subsidiary and affiliate companies.
- For shareholding companies, clarifying the names of shareholders holding 25% or more.
- Inquiring about having accounts opened with other banks for the same customer and naming these banks.

Thirteenth: Continuous monitoring of customer's transactions:

The Bank shall use automated systems to monitor customer transactions on a continued basis, including a mechanism to verify that the transactions are conducted as per the bank's knowledge of the customer and the pattern of risks relevant to his transactions, and that the transactions are consistent with sources of funds and wealth. Monitoring may include also placing pre-set restrictions to trace the transaction and its value and type.

In addition, the bank shall pay special and exceptional attention to complex and large transactions or deals and all types of unusual transactions that do not have clear economic objectives, or those which are not commensurate with the customer's activity and the rate of amounts shown in previous debit and credit transactions, on his account, and obtaining supporting documents thereto, if possible, in addition to preparing a written report explaining the reasons for the decision on whether to execute the requested transaction or in case of suspicion, to report the same to Kuwait Financial Investigation Unit (KFIU).

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Fourteenth: Terminating the Relationship with the Customer

The bank shall terminate the business relationship with the customer and consider whether the matter requires reporting the matter to the KFIU or not, in the following cases:

- Inability to implement the due diligence measures required for the bank's existing customers.
- The customer failure to provide any clarifications or information required from him regarding any transactions required to be executed which are not commensurate with the volume of previous transactions or information previously obtained about his activity.

Fifteenth: Outsourcing

- 1) Banks may engage other local parties to implement certain due diligence measures, such as identification of customer and the actual (real) beneficiary and understanding the nature of activity. Banks may also engage any external party reporting to the bank (within the financial group), taking into consideration the level of risk in the country it operates therein. In this case, the CBK prior approval shall be obtained, provided that the following conditions shall be satisfied:
 - a. The bank's ability to immediately obtain from the engaged party all information required under due diligence measures.
 - b. Ensuring that the engaged party provides, upon request and without delay, copies of identification documents and other documents associated with the due diligence measures obtained from customers.
 - c. Ensuring that the engaged party is regulated, supervised or controlled in order to comply with due diligence and record keeping requirements, and the due diligence measures shall be adopted to comply with these requirements.
 - d. Taking the necessary measures to adequately reduce the high risk of countries where the bank's external party operates through its AML/CFT policy and procedures, which are adopted by the bank and binding for all its subsidiaries.
 - e. Providing adequate guarantees concerning the confidentiality required with regard to exchanged information.

- f. Signing a contract between the bank and the engaged party (other than the external party reporting to the bank) which includes clear provisions for the responsibilities and functions to be performed by the other party and the types of transactions and services for which it will be required to meet the required due diligence requirements.
- 2) In all cases, the ultimate responsibility for customer identification and verification shall remain with banks.

Sixteenth: Shell banks and foreign banking relations (cross-border) with correspondent banks:

- 1) Banks may not establish or maintain correspondent or business relationships with shell banks. It is also prohibited to do so with any correspondent financial institution in any foreign country allowing the use of its accounts by a shell bank.
- 2) Prior to entering into a banking relationship with correspondent banks abroad or other similar relationships, banks shall take additional measures to usual due diligence measures through the following:
 - a) Collect sufficient information about the respondent bank through the published information.
 - b) Understand the nature of the respondent bank.
 - c) Assessing the reputation of the respondent bank and the level of supervision to which it is subject, and whether it has previously been involved in investigations or supervisory measures in the area of anti-money laundering or combating the financing of terrorism.
 - d) Evaluate the controls applied by the respondent bank in the area of anti-money laundering and combating the financing of terrorism and taking the necessary measures in order to clearly identify the adequacy of the regulations in place with regard to AML/CFT.
 - e) Obtain the approval of top management before establishing a banking relationship with correspondent banks abroad or other similar relationships.
- 3) In the event that the bank offers the payment service by correspondence, it shall ensure that the respondent bank applies due diligence measures to its customers who are entitled to use correspondent accounts, and that the respondent bank can provide related due diligence information to the sender bank.

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- 4) All requirements mentioned in paragraph (2) above shall be documented and applied to external banking relationships (cross-border) and all similar relationships, be they the new relationships, the relationships due to be established, or the already established ones, before the Law comes into effect and the Executive Regulations and these Instructions are issued.

Seventeenth: Banking transactions related to remittances:

- 1) With regard to the outward external remittances, banks shall have full and accurate information about the transferor, the beneficiary and the related messages, and ensure that such information are attached to the electronic transfer or related messages within the payment chain at all stages. In addition, a unique identification number should be used for each transaction, and the information attached to all electronic transfers shall always include the following:
 - a) Full name of the transferor (as mentioned in the identification evidencing document of the inquired party).
 - b) Account number of the transferor in case the account is used for the transaction.
 - c) The Civil ID number, address of the transferor or birth place and date.
 - d) Name of beneficiary, not less than the first name and family name, and account number, in case the account is used for depositing the transferred funds based on the transaction.
- 2) For inward external remittances, the bank shall verify that all information required in paragraph (1) above are available in the data and information sent in the transfer, and for those who do not include such information, such transfers shall be monitored. In addition, customer identity shall be verified in case the same has not been previously verified, and such information shall be kept in the transaction supporting documents.
- 3) If the bank is unable to comply with these requirements, it shall refrain from executing the electronic remittance.
- 4) The bank shall comply with all freezing requirements and prohibition of dealing with any persons, entities or groups whose names are included in the lists of Sanctions Committees under Security Council Resolutions under Chapter VII of the United Nations Charter Concerning Terrorism and Terrorist financing within the scope of transactions related to electronic remittances.

- 5) If there is a set of cross-border electronic remittances issued severally by one transferor in a bundled package to be transferred to the beneficiary, the above requirements may not be applied to transferor's information, provided that such remittances shall include the transferor's account number or remittance reference number, which allow the remittance tracking. Noting that the bundled package shall include the required and accurate information about the transferor and full information about beneficiary, so that it can be fully tracked within the country of the beneficiary's residence.
- 6) Banks should ensure that non-routine electronic remittances are not collected in bundled packages in the event of increased risk of money laundering or terrorist financing.
- 7) For cross-border wire transfers, banks processing an intermediary element of payment chains should retain all wire transfer information including the originator and beneficiary information.
- 8) The information relating the electronic transfers should be made available by the ordering banks within three business days of receiving the request either from the beneficiary financial institution, the CBK or the KFIU.
- 9) For domestic wire transfers, banks shall apply the IBAN requirements stated in the IBAN Manual issued by the CBK, without complying with the requirements provided for in paragraph (1) of this clause when conducting these transfers.
- 10) Where technical limitations preclude retaining the required originator or beneficiary information accompanying a cross-border wire transfer that should be attached to the related domestic wire transfer data, a record should be kept, for at least five years, by the receiving intermediary bank of all the information received from the ordering bank or another intermediary bank.
- 11) Banks shall set risk-based business procedures for determining the following:
 - a) Cases when to execute, reject, or suspend a wire transfer lacking required information of the originator or beneficiary and consider reporting them to KFIU.
 - b) The appropriate follow-up that may include restricting or terminating the business relationships.

Eighteenth: New Products and Business Practices

With regard to assessment and determination of the money laundering and financing of terrorism risks that may face the bank upon offering new products and services, the bank shall have to make a written study on each product, whether it is existing products under development, or a new practice offered by the bank, including using technology in the area of offering previously existing services or new products, before launching any of them, provided that it includes appropriate measures for risk management, and curbs their impacts, and such study shall be maintained and submitted upon request.

Nineteenth: Dealing with Exchange Companies that Provide Value or Money Transfer Services

- 1) Banks shall take measures to ensure that legal persons engaged in this activity are from licensed companies, and are registered with the Central Bank of Kuwait, and are therefore subject to the instructions issued and organized in this regard and their compliance therewith.
- 2) When dealing with exchange companies that provide value or money transfer services, it is necessary to apply the enhanced due diligence measures as they are involved in a high-risk activity. Therefore, additional information deemed necessary by the Bank shall be required, provided that the guiding paper of the FATF on De-Risking shall be taken into consideration.

Twentieth: Dealing with associations of public interest and charitable institutions

- 1) When dealing with public benefit associations or charitable institutions subject to the supervision of the Ministry of Social Affairs and Labor in accordance with the provisions of the Law No. 24 of 1962 concerning Clubs and Public Benefit Associations and its amendments, banks shall comply with instructions issued by the Central Bank of Kuwait in this regard. The necessary procedures shall be established to be followed in dealing with these charitable associations and institutions and the enhanced due diligence measures shall be applied as being high-risk customers.
- 2) The required papers and documents shall be completed should any public benefit associations or charitable institutions wish to make money transfers abroad, whether the association or the institution obtained a prior approval from the concerned authorities or obtained special approval for the required transfer, as required according to the compliance with the Council of Ministers Resolution No. (868) of 2001 issued on 14.10.2001.

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

L) Circular to all Local Banks No. (2/BS, IBS/432/2019) regarding Anti-Money Laundering And Combating the Financing of Terrorism (AML/CFT) to be applicable from 16/06/2019 superseding the Instructions previously issued on 23/07/2013.

Twenty First: Commitments to Reporting the Suspicious Transactions:

- 1) The bank shall conduct research, investigation and gather information in the event of suspecting a transaction that may constitute proceeds of crime or may be related to money laundering and financing of terrorism, including all parties related to the transaction, without informing or revealing such procedures to any of the parties. The results of the research and investigation shall be recorded in writing at the bank with the supporting documents to be submitted upon request.
- 2) Bank shall notify KFIU, within two business days, of any transaction or attempt to conduct a transaction (regardless of its value) if it is suspected to be conducted with money constituting proceeds of crime or funds related to money laundering and financing of terrorism or that it is conducted or required to be conducted in these transactions.
- 3) It is prohibited to disclose, by any of the bank staff, managers or any of the acquainted parties, either to the customer or the third party for any notice or any relevant information sent or to be sent to the KFIU or the suspicion of money laundering and financing of terrorism is verified in any of the transactions to be conducted or made to customers. This does not preclude disclosure or communication between the bank's managers and employees, lawyers, the competent authorities and the Public Prosecutor's Office with regard to these transactions.

Twenty Second: Record Keeping Requirements:

Banks shall maintain the following documents and records:

- a) All documents obtained through the due diligence process, including copies or records of official identification documents of the customer and the actual beneficiary, accounting files and business correspondence, for at least five years after the termination of business relationship or the date of executing the transaction in favor of a customer that has no business relationship with the bank.
- b) All records of domestic and international transactions already executed or attempted to be executed for a period of at least five years. Such records should be sufficiently in details to enable reproducing the steps of each transaction separately.
- c) Copies of the notices sent as well as related documents for a period of at least five years from the date of submitting the notices to KFIU, so that such documents would allow for the rearrangement of individual operations in such a way as to provide, if necessary, evidence of prosecution against criminal activity.

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

L) Circular to all Local Banks No. (2/BS, IBS/432/2019) regarding Anti-Money Laundering And Combating the Financing of Terrorism (AML/CFT) to be applicable from 16/06/2019 superseding the Instructions previously issued on 23/07/2013.

- d) Risk assessment study and any related information, if so required by the CBK, for five years from the date of conducting or updating the assessment.

Twenty Third: Requirements of Combating Terrorism

Pursuant to the provisions of Article (25) of Law No. (106) of 2013 on Anti-Money Laundering and Financing of Terrorism, all banks shall comply with all provisions of Resolution No. 5 of 2014 on the implementation of the Security Council resolutions issued under Chapter VII of the United Nations Charter on Terrorism and the Financing of Terrorism. The paper issued on the guidelines of the committee formed by the Ministry of Foreign Affairs (the Committee for the Implementation of Security Council Resolutions under Chapter VII of the United Nations Charter) shall be adhered to in implementation of the requirements of this resolution in terms of the following:

- Developing the required automated systems that fully comply with the requirements of the resolutions related to combating the financing of terrorism, with the possibility of considering using the services of companies specialized in this field in relation to the names of current customers and those who have the power to deal with the account by customers as well as the actual beneficiary of the account or applicants names to deal with the bank through any of the provided services,
- Freezing all funds and assets owned without delay or prior warning for the persons, entities or groups listed by the Security Council Sanctions Committee under the Security Council resolutions Nos. 1267/1999 and 1988/2011, and listed by the resolutions issued by a committee of implementing the Security Council resolutions established by the Ministry of Foreign Affairs, whether wholly owned or in conjunction with any person or entity and whether they were in their possession and under their direct or indirect control.
- Not to render any financial service or other related services to any of the persons, entities or groups listed in the above lists, once they are included in those lists.

For the domestic banking transfers, and in order to process such transactions using Straight Through Processing, it is the responsibility of the issuing bank to verify that the name of the one requesting the transfer is not included in the names listed in the freezing lists and not to deal with him, while it is the responsibility of the receiving bank to verify that the name of the beneficiary is not included the names listed in the freezing lists and not to deal with him.

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L) Circular to all Local Banks No. (2/BS, IBS/432/2019) regarding Anti-Money Laundering And Combating the Financing of Terrorism (AML/CFT) to be applicable from 16/06/2019 superseding the Instructions previously issued on 23/07/2013.

Twenty Fourth: AML/CFT Compliance Controller

- 1) The bank shall establish an independent department and appoint a competent Compliance Controller to verify the bank's compliance with the requirements of the provisions of the Law No. (106) of 2013 concerning combating of money laundering and financing of terrorism, its executive regulations, the relevant ministerial resolutions and instructions issued by the Central Bank of Kuwait in this regard.
- 2) The Compliance Controller and other personnel appointed at the department mentioned as stated in item (1) above, shall have the appropriate qualifications and experience in the field of combating money laundering and the financing of terrorism, in order to be qualified to carry out the tasks assigned to him. The bank shall provide the Central Bank of Kuwait with detailed data of the Compliance Controller and his deputy during holidays, including name, qualification, telephone / mobile number, e-mail address, taking into consideration that the Central Bank of Kuwait must be informed of any change related to these data.
- 3) A job description shall be prepared for each of the compliance controller and the personnel in the competent department. Such job description shall include the assigned tasks including the required reports to be submitted to the senior management periodically concerning the said department activities, provided that the job description related to each employee performing these tasks shall be signed.
- 4) The compliance controller shall have the authority to work independently, provided that the reporting line shall be subject to the bank's CEO (at minimum) and to the regional administration for branches of foreign banks in Kuwait. The controller and other relevant personnel shall have direct access to customer identification data and other information related to due diligence, transaction records and other relevant information.
- 5) The bank shall conduct independent audits and inspections to verify the compliance controller and the relevant department personnel's performance of their tasks in conformity with the bank's policies and controls in combating money laundering and the financing of terrorism, taking into consideration to include this within the internal audit annual plan.
- 6) Banks shall have to ensure that their external branches and their subsidiaries satisfy the requirements of combating money laundering and financing of terrorism, stipulated by the provisions of the law and the ministerial resolutions and these instructions, in case the requirements of combating money laundering and financing of terrorism at the hosting country are less stricter to the extent allowed by the laws and bylaws of the hosting country,

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L) Circular to all Local Banks No. (2/BS, IBS/432/2019) regarding Anti-Money Laundering And Combating the Financing of Terrorism (AML/CFT) to be applicable from 16/06/2019 superseding the Instructions previously issued on 23/07/2013.

provided that additional appropriate risk management measures for combating money laundering and financing of terrorism shall be applied in case the hosting country does not allow implementing the combating requirements applied in the mother country, provided that the Central Bank of Kuwait shall be advised of this case and the measures taken for risk management arising out of this position.

- 7) The board of directors and the regional administration of the foreign bank branches in Kuwait shall ensure that the bank complies with the requirements of the Law No. (106) of 2013 concerning combating money laundering and financing of terrorism through periodic reports (at least quarterly) in this regard. These reports shall include a statement of all suspicious transactions monitored, along with their impacts and the measures taken by the compliance control officers to enhance the bank's policies, procedures, regulations and controls in the framework of combating money laundering and financing of terrorism.
- 8) The board of directors and the regional administration of the foreign bank branches in Kuwait shall be informed with the findings of any onsite inspection tasks carried out by Central Bank of Kuwait concerning combating money laundering and financing of terrorism, including the corrective measures that should be applied by the bank and the previous procedures taken in this regard.

Twenty Fifth: Other Requirements

- 1) In line with the provisions of Article (13) of Law No. (106) of 2013 issued regarding Anti-Money Laundering and Combating Financing of Terrorism, and with regard to the disclosure of the relevant information in this regard, banks shall provide information and documents required by the concerned authorities (each within its jurisdiction). In this respect, banking information confidentiality stipulated by the law may not be used as an excuse in this case specifically the information required by KFIU and the Committee for the Implementation of Security Council Resolutions under Chapter VII of the United Nations Charter formed at the Ministry of Foreign Affairs.
- 2) External auditor's report on the assessment of internal control systems in the bank shall include the extent of the bank's compliance with applied local laws, ministerial resolutions and the CBK instructions relevant to combating money laundering and the financing of terrorism, in addition to the bank's compliance with its own applied policies, procedures, systems and controls.

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L) Circular to all Local Banks No. (2/BS, IBS/432/2019) regarding Anti-Money Laundering And Combating the Financing of Terrorism (AML/CFT) to be applicable from 16/06/2019 superseding the Instructions previously issued on 23/07/2013.

- 3) Upon appointing their staff, banks shall identify the integrity, experience and efficiency requirements and set the rules and measures for appropriate selection and qualifications to ensure the following:
 - a. Staff shall have a high efficiency level required for performing their functions.
 - b. Staff shall have the proper integrity to undertake the activities of the bank.
 - c. Potential conflicts of interest must be considered, including the employee's financial history.
 - d. The bank may not appoint persons who have been suspected or convicted in crimes of fraud and dishonesty or other similar crimes.
- 4) The conditions of the preceding paragraph (3) must be taken into consideration when nominating members of the board of directors and appointing members of the executive and supervisory departments and directors.
- 5) The bank shall have ongoing training plan with a program for training new and existing staff in the field of combating money laundering and financing of terrorism periodically, provided that members of the board of directors, members of executive and supervisory department and the directors shall attend similar programs so that they shall be acquainted with all updates and developments, including information on the prevailing patterns in the field of money laundering and financing of terrorism, in compliance with the obligations imposed on them by the law No. 106 of 2013 on combating money laundering and financing of terrorism and its executive regulations and by these instructions.

Twenty Sixth: Penalties and Legal Actions

Penalties stipulated under article (15) of the Law No. (106) of 2013 concerning combating money laundering and financing of terrorism shall be applied to any bank that violates these instructions.

THE GOVERNOR

*Thulhijah 27, 1440 H
August 28, 2019*

The Chairman,

Circular to all Local Banks, Financing Companies and Exchange Companies

Attached is a copy of Resolution No. (35) of 2019 published in the Official Gazette No. 1456 on August 4, 2019 regarding the Executive Bylaws of the Implementation of the Security Council Resolutions issued pursuant to Chapter VII of the United Nations Charter on Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction, to be enforced as of its date replacing the Resolution No. (5) issued on April 08, 2014 concerning the Executive Bylaw of the Implementation of the Security Council Resolutions issued pursuant to Chapter VII of the United Nations with respect to Terrorism and Financing of Terrorism, previously circulated by the Central Bank of Kuwait on August 31, 2014.

The Central Bank of Kuwait (CBK) stresses on the necessity to abide by all the requirements in the aforementioned resolution, particularly those relating to:

- Immediate implementation, without any delay, of the resolutions issued by Security Council Sanctions Committee⁽¹⁾ by virtue of Chapter VII of the United Nations Charter in accordance with Resolutions 1267/1999 and 1988/2011.
- Immediate implementation of the resolutions issued by the Commission for implementing the Security Council Resolutions in accordance with the Resolution 1373/2001 that CBK shall inform you of after receiving it directly from the aforementioned Committee, through the e-mails previously provided by you to CBK for immediate implementation of those resolutions within a maximum period of three working days.
- Act in accordance with Resolution No. (35) of 2019 instead of Resolution No. (5) of 2014 previously circulated to you, regarding the executive bylaw of the implementation of the Security Council resolutions issued pursuant to Chapter VII of the United Nations with respect to terrorism of financing of terrorism issued on 31/08/2014.

⁽¹⁾ The Circular dated 28/10/2019 included under Item (10) of this Chapter was issued accompanying the mechanism to be followed in following up the resolutions issued by the Sanctions Committee.

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

M) Circular to all Local Banks, Financing Companies and Exchange Companies attaching the Ministerial Resolution No (35) of 2019 regarding the Executive Bylaws for Implementation of UN Security Council Resolutions issued by virtue of Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD) superseding the Resolution No (5) dated 08/04/2014.

- In the case of violating the obligations stated under this resolution, the measures and penalties stipulated under Article (15) of Law No. 06/2013 shall be applied.

With my best wishes,

The Governor
Dr. Mohammed Y. Al-Hashel

Ministry of Foreign Affairs

Ministerial Resolution No (35) of 2019 regarding the Executive Bylaws for Implementation of UN Security Council Resolutions issued by virtue of Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD)

Deputy Prime Minister and Minister of Foreign Affairs

Having perused:

- Article (25) of Law No. (106) of 2013 regarding Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT);
- Kuwait Council of Ministers Resolution No. 1396 issued on 11 November 2013 concerning the approval of the formation of a committee chaired by the Ministry of Foreign Affairs with membership of all concerned authorities for implementing Security Council resolutions on combating terrorism; and authorizing the Deputy Prime Minister and Minister of Foreign Affairs to issue a resolution with the Executive Bylaws concerning the terms of reference of the committee;
- Ministerial Resolution No. (4) of 2014 concerning the formation of a committee for implementing UN Security Council Resolutions issued pursuant to Chapter VII of the UN Charter regarding Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD) , amended by Resolution No. (31) of 2015;
- Ministerial Resolution No. (5) of 2014 concerning the executive bylaws for implementation of Security Council Resolutions issued pursuant to Chapter VII of the United Nations Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD);
- Ministerial Resolution No. (827) issued 23/06/2019 granting the Deputy Prime Minister and Minister of Foreign Affairs the authority to issue resolutions needed towards implementation of Security Council Resolutions issued pursuant to Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD) without referring to the Cabinet;

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

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We have approved the following:

Chapter One: Definitions

Article (1)

- 1) For the purpose of implementing this resolution, the definitions considered shall be those listed in the International Convention for the Suppression of the Financing of Terrorism issued in Law No. (85) of 2013 dated 14/02/2013, of the international resolutions issued by the Security Council related to terrorism, in the Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) Law No. (106) of 2013, and in Ministerial Resolution No. (37) of 2013 issuing the Executive Bylaws for implementation of (AML/CFT) Law No. (106) of 2013.
- 2) **UN Sanctions Committees:** the sanctions committees of the United Nations Security Council (UNSC) formed pursuant to UNSC Resolutions 1267 of (1999), 1988 of (2011), 1373 of (2001), 2253 of (2015), and any relevant subsequent resolutions.
- 3) **Relevant UNSC Resolutions:** UNSC Resolution issued pursuant to Chapter VII of the UN Charter concerning preventions and hindering of the financing of terrorism, including all resolutions related to the AlQaeda, Daish, and AlNusrah Front and all individuals, groups, establishments, and entities connected to these, as well as all individuals, groups, establishments, and entities connected to Taleban which compromise peace and stability in Afghanistan and any other terror groups or organizations that could subsequently be listed.
- 4) **Concerned Committee:** the committee formed pursuant to these Bylaws in Article (2).
- 5) **The National List:** the list drawn by the concerned committee including all individuals, groups, or entities regarding whom there is sufficient cause to believe that they had committed, initiated, or attempted an act of terrorism or had participated in, facilitated, or financed such act in view of the criteria set as cause for suspicion.
- 6) **The Law:** Law No. (106) of 2013 concerning countering money laundering and the financing of terrorism.
- 7) **Supervisory Authorities:** all authorities indicated in Law No. (106) of 2013 and its Executive Bylaws issued in Ministerial Resolution No. (37) of 2013.
- 8) **Cause for Suspicion:** criterial set as cause for suspicion or sufficient for belief that the entity or individual proposed to be designated meets designation criteria included in UNSC Resolution No. 1373 of (2001), which shall be indicated in a resolution issued by the Concerned Committee.

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Chapter Two: Committee Formation and Provisions

Article (2)

A Committee for Implementation of UNSC Resolutions issued pursuant to Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD) is formed presided by the Assistant Foreign Minister for International Development and Cooperation Affairs and the membership of the following:

- 1) Deputy Assistant Foreign Minister for International Development and Cooperation, to serve as Deputy Committee Chairman.
- 2) Representative of the Legal Department.
- 3) Representative of the Ministry of Justice.
- 4) Representative of Kuwait Financial Intelligence Unit (KFIU).
- 5) Representative of the Ministry of Finance.
- 6) Representative of the Central Bank of Kuwait.
- 7) Representative of the Ministry of Interior.
- 8) Representative of the Ministry of Defense.
- 9) Representative of the Public Prosecution.
- 10) Representative of the Ministry of Social Affairs and Labor.
- 11) Representative of the Ministry of Commerce and Industry.
- 12) Representative of the General Administration of Customs.
- 13) Representative of the Kuwaiti Capital Markets Authority.
- 14) Representative of the Ministry of Information.
- 15) Representative of the Ministry of Awqaf and Islamic Affairs.
- 16) Representative of the Directorate General of Civil Aviation.
- 17) Representative of the Fatwa and Legislation Authority.

Article (3)

The committee chairman appoints both the Rapporteur and Secretary.

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Article (4)

The Committee Rapporteur and Secretary have the following tasks:

- 1) Directing invitations to attend committee meetings.
- 2) Recording minutes of the committee's sessions and saving all records, resolutions, and other matters and material relevant to committee functions.
- 3) Notifying the committee chairman and members of a committee meeting 14 days prior to the date set for the session at least. This notice period may be reduced in case of urgency upon a request by the chairman and to the period the chairman specifies.
- 4) Providing all committee members with the agenda, listing the items and matters to be discussed and attaching all necessary documents and information.
- 5) Providing the chairman and members with the minutes of sessions for review and comment ahead of approval thereof in the subsequent meeting.
- 6) Providing the committee members with copies of all committee resolutions.
- 7) Communicating with members of the committee on all matters via electronic mail (email).

Article (5)

The chairman may seek assistance of parties he sees fit for handling committee business.

Article (6)

The committee shall serve as liaison between the Government of Kuwait and relevant foreign parties/entities.

Article (7)

Those assigned members must meet the following criteria:

- 1) Have Kuwaiti citizenship.
- 2) Have a nomination by the authority they are to represent, and may not continue to serve in the committee without an official letter of approval to that effect by the nominating authority.
- 3) Have sufficient knowledge of international resolutions of relevance to Kuwaiti national legislation and instructions issued concerning the combating terrorism and financing of proliferation of weapons of mass destruction.

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M) Circular to all Local Banks, Financing Companies and Exchange Companies attaching the Ministerial Resolution No (35) of 2019 regarding the Executive Bylaws for Implementation of UN Security Council Resolutions issued by virtue of Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD) superseding the Resolution No (5) dated 08/04/2014.

- 4) Must hold a supervisory position (not below Department Director) in order to have sufficient knowledge of the matters related to the authority they are to represent in the committee, particularly matters related to combating terrorism and financing of proliferation of weapons of mass destruction.
- 5) Have authority and powers granted by the authority to take suitable resolutions of relevance to combating terrorism and financing of proliferation of weapons of mass destruction.
- 6) Must be fully proficient in English, required in view of the nature of committee business, and especially that needed for communication and interaction with foreign authorities or to attend meetings held externally (abroad).
- 7) Have the willingness to take part in working teams set up by the committee.
- 8) Provide biannual reports to the committee indicating the measures taken by the authority they represent relevant to UNSC resolutions issued pursuant to Chapter VII of the UN Charter.

Article (8)

Members of the committee must abide by the following obligations:

- 1) Refrain from revealing information and data to which they have access pursuant to their membership, except within the restraints of relevant laws and instructions and other matters of relevance to their duties.
- 2) Refrain from making statements to all media or through social networking platforms on information and data to which they have access virtue of their membership, except as authorized by the committee chairman.
- 3) Attend all committee meetings for their whole duration on the set timing.
- 4) Accomplish all matters they are tasked with and providing all data and information they are requested to.
- 5) Constantly and continually commit to all restraints indicated in this resolution.
- 6) Follow up on all regional and international developments in this regard, and most specifically on all that is relevant to the specific competence of the authority they represent.

Article (9)

The committee convenes in line with the following mechanism:

- 1) Invitation to hold a session is issued upon the request of the chairman, his deputy, or of half committee members at least.

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- 2) The chairman presides the sessions, and the deputy chairman takes on that duty where the chairman is absent,
- 3) The committee may invite parties they see fit to attend their meeting and give counsel and specialized opinion on a specific matter. Such parties shall not have a vote on any matter.
- 4) Members are required to attend in person and may not delegate any individual to attend in their stead.
- 5) The committee convenes on quarterly basis or wherever need arise.
- 6) The sessions are held at the location and timing specified by the chairman, and should the session prove insufficient to finish discussion of all items on the agenda, a subsequent timing is set for that purpose at a timing decided by the chairman.
- 7) Communication with members of all levels is solely through their email, and may not go through staff at the members' offices. The accountability for perusal of confidential committee documents falls upon the members.
- 8) Committee members are liaisons between the committee and the authorities they represent and are addressed directly on all matters relevant to committee business.

Article (10)

Quorum is as follows:

1) Legal Quorum:

Quorum for a session to be convened requires attendance of half committee members, including the chairman or his deputy should he be absent.

2) Lack of Quorum:

- At the start of a session: if there is no quorum to start a session, it is postponed for half an hour. If there is still no quorum after the lapse of this time, the following required:
 - Cancellation of the session.
 - The Rapporteur communicates with all members to indicate the cancellation due to the lack of quorum and indicating a new timing.

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Article (11)

The voting mechanism for the committee is as follows:

- 1) The committee takes its decisions through a majority vote among members present, and where the vote is split equally, the vote of the chairman is the deciding one.
- 2) Members who fail to attend a committee meeting may not object to the decisions reached during that specific session.
- 3) The committee may issue some decisions without a majority approval within the following constraints:
 - A. The matters at hand must be deemed as urgent and sensitive, and the decision as to urgency is left to the chairman's judgment.
 - B. The decisions issued in such manner are reviewed in the subsequent committee meeting and documented/evidenced in the minutes.

Chapter Three: Committee Terms of Reference (Article 12)

The committee is concerned with the implementation of UNSC Resolutions issued pursuant to Chapter VII of the UN Charter in connection with Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD) and with presenting the required draft resolutions to the Deputy Prime Minister and Minister of Foreign Affairs for passing, in line with provisions of Cabinet Resolution No. (827) issued 23/6/2019 and with taking the appropriate decisions in this respect and following up on implementation and commitment with all specialized authorities on national level.

- This includes:

- 1) Taking the necessary decisions, measures, and precautions to freeze or hold funds and assets of individuals and any other measures indicated by UNSC resolutions issued pursuant to Chapter VII of the UN Charter concerning individuals, organizations, and entities designated in UNSC sanction committee lists pursuant to resolution No. (1267) of 1999.
- 2) Taking the necessary decisions, measures, and precautions to freeze or hold funds and assets of individuals, organizations, and entities which the committee finds to be connected with crimes of terror and listing designating them on the national list pursuant to resolution No. 1373 of (2001).

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M) Circular to all Local Banks, Financing Companies and Exchange Companies attaching the Ministerial Resolution No (35) of 2019 regarding the Executive Bylaws for Implementation of UN Security Council Resolutions issued by virtue of Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD) superseding the Resolution No (5) dated 08/04/2014.

- 3) Coordinating efforts by relevant state authorities towards implementation of commitments indicated in UNSC resolutions and UN resolutions concerned with Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD).
- 4) Taking part in conferences and committees on terrorism.
- 5) Requesting documents or data it deems necessary for committee business from all authorities/entities.
- 6) Issuing directives to authorities towards implementation of decisions taken, each within their area of competence.
- 7) Receiving complaints from individuals, organizations, or entities against who the committee had taken action, and presenting opinions and preparing replies to be presented to the competent courts of justice where lawsuits are made concerning such complaints.
- 8) Creating a database of all committee business, activities.
- 9) Imposing freeze of funds measures on returns created or begotten as the funds indicated above.
- 10) Presenting a report to the Deputy Prime Minister and Foreign Minister on committee business and activities and of its recommendations every six months, or upon request.

Article (13)

Funds or assets subject to fund freeze are maintained virtue of this article as a precautionary measure.

Article (14)

It is prohibited for any individual to make funds available or provide financial services or other related services, directly or otherwise, solely or in partnership with others, to an individual, group, or entity designated on the national list and UNSC lists concerning countering terrorism or for their benefit.

Article (15)

Individuals who enforce a freeze on funds or ban access to and ban any administration thereof and refuse to provide a financial service in good faith and as part of their professional duty are exempt from administrative accountability.

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M) Circular to all Local Banks, Financing Companies and Exchange Companies attaching the Ministerial Resolution No (35) of 2019 regarding the Executive Bylaws for Implementation of UN Security Council Resolutions issued by virtue of Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD) superseding the Resolution No (5) dated 08/04/2014.

Chapter Four: Designation, delisting on the national list in implementation of UNSC resolution No. 1373 concerning precautionary measures to counter terrorism

Article (16)

- 1) The concerned committee shall consider requests presented virtue of this article on its own accord or upon request of a member or of any specialized local or foreign party/authority where all the cause for suspicion criteria it had set apply.
- 2) The concerned committee shall designate individuals, groups, and/or entities and include them on the national list and shall update and edit the list as it deems fit in view of these bylaws.
- 3) The concerned committee shall review the national list once a year at the least to ensure its accuracy and that sufficient grounds remain for keeping individuals, groups, or entities on the list, unless circumstances call for review of a designation before lapse of this period. Should the committee find that available information is no longer sufficient grounds for a designation, the name of the concerned individual, group, or entity may be removed from the list virtue of these bylaws.
- 4) The decision to designate an individual, group, or entity on the national list or to remove them shall be made without delay and without prior notice to the concerned individual, group, or entity. The decision shall be documented in the committee meeting's minutes and the party concerned is served an official notice of the committee's decision of designation.

Article (17)

- 1) Any individual, group, or entity who had been designated by the concerned committee, pursuant to Article (16) paragraph (2), may present a written request to be removed from the list within a month of receipt of the official committee notice of the designation, and the committee shall decide on the request within 30 days of its receipt. If no decision is reached within this period, the request is deemed denied, and should the committee decide to grant the request after taking the necessary measures, the name is removed from the list in line with paragraphs (3) and (4) of Article (16). The concerned committee shall notify the party that had presented the request of its decision in an official notice issued by the committee chairman.
- 2) Should the concerned committee deny the request, the requestor may file a petition with a Kuwaiti court of law within 60 days of receipt of the committee's notice of denial of the request.

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

M) Circular to all Local Banks, Financing Companies and Exchange Companies attaching the Ministerial Resolution No (35) of 2019 regarding the Executive Bylaws for Implementation of UN Security Council Resolutions issued by virtue of Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD) superseding the Resolution No (5) dated 08/04/2014.

- 3) Should no clear decision be reached within the committee within the specified period of 30 days mentioned in the first paragraph of this article, the requestor may lodge a petition with a Kuwaiti court of law within 60 days of lapse of this period.

Article (18)

- 1) Financial institutions and designated non-financial businesses and professions indicated in Law No. (106) of 2013 which are regulated by the supervisory authorities shall implement the resolutions issued by the UNSC, based on Resolution No. (1267) of 1999, and shall do so promptly without any delay or slack through regular follow up of updates on the UNSC website and shall update names and entities regularly. Regulatory authorities shall follow up and ensure these measures are implemented.
- 2) The committee secretariat shall provide members with decisions of designating individuals, groups, or entities and their inclusion on the national list or of their removal from the list immediately upon reaching such decisions and shall do so through official notices signed by the committee chairman. The members shall thereafter inform the authorities they represent of the decisions.
- 3) Regulatory authorities shall notify the financial institutions and designated non-financial businesses and professions they supervise of any committee decision taken by the committee concerned with combating terrorism and financing of proliferation of Weapons of Mass Destruction in the State of Kuwait.
- 4) Committee members shall notify the committee of the measures taken by the authorities they represent relevant to the committee decision within a period of five business days.
- 5) Regulatory authorities shall issue the necessary decisions for authorities they supervise, each befitting their field, in a manner that ensures implementation of UNSC resolutions issued pursuant to Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction No. (1276) of 1999 and (1373) of 2001 as well as all resolutions of the concerned committee in the State of Kuwait.

Article (19)

The committee shall notify individuals, groups, or entities of designation or of removal from terror lists in writing and the concerned authority, through its representative committee member, shall follow up on the notice and ensure its proper delivery.

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

M) Circular to all Local Banks, Financing Companies and Exchange Companies attaching the Ministerial Resolution No (35) of 2019 regarding the Executive Bylaws for Implementation of UN Security Council Resolutions issued by virtue of Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD) superseding the Resolution No (5) dated 08/04/2014.

Chapter Five
Funds that could be exempt from freeze measures
Article (20)

- 1) A written request may be put to the committee for license to administer the entirety of funds subject to a freeze or part thereof subject to designation on the national list. The concerned committee shall implement provisions of all articles of UNSC Resolution No. 1452 to take the appropriate decision in this regard.
- 2) Parties, entities whose names are designated on the UNSC list pursuant to Resolution No. (1267) of 1999 may address the UNSC sanctions committee directly and request license to administer the entirety of funds subject to a freeze or part thereof, or address the concerned committee, where the chairman has to take appropriate action to forward the request.

Chapter Six
Requesting designation or delisting from UNSC terror list
Article (21)

The concerned committee, through the appropriate measures taken by the committee chairman, may present a request to the UNSC sanctions committee to designate an individual, group, or entity in line with criteria stated in relevant UNSC resolutions once it has sufficient evidence that merit such request. The request is presented to the UNSC committee without prior notice to the individual, group, or entity concerned.

Article (22)

An individual, group, or entity designated by the UNSC sanctions committee may file grievance with said committee directly, or through the committee's email.

Chapter Seven: General Provisions

Article (23)

Financial institutions and designated non-financial businesses and professions must adopt specific measures to ensure compliance with this resolution.

Article (24)

Precautions and penalties stated upon in Article (15) of Law No. (106) of 2013 are applied where financial institutions and designated non-financial businesses and professions fail to comply with the provisions of this resolution.

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

M) Circular to all Local Banks, Financing Companies and Exchange Companies attaching the Ministerial Resolution No (35) of 2019 regarding the Executive Bylaws for Implementation of UN Security Council Resolutions issued by virtue of Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD) superseding the Resolution No (5) dated 08/04/2014.

Chapter Eight: Concluding Provisions

Article (25)

Resolution No. (5) of 2014 issued 08/04/2014 concerning the executive bylaws for implementation of UNSC resolutions issued pursuant to Chapter VII of the UN Charter on terrorism and financing terrorism is from now considered null.

Article (26)

Officials, each within their competence, shall implement this resolution, act according to its provisions, and report it to whatever parties necessary.

Article (27)

The resolution enters effect on date of its issue and shall be published in the state's official gazette.

**Deputy Prime Minister
Minister of Foreign Affairs
Sabah Khalid Al-Hamad Al-Sabah**

*Issued on Thul-Qi'da 22, 1440 H
Corresponding to July 25, 2019*

THE EXECUTIVE DIRECTOR

*Thul-Hijja 24, 1440 H
August 28, 2019*

The Executive Manager,

Further to our Circular No. (2/BS, IBS/432/2019) issued on 14/05/2019 regarding Anti-money Laundering and Combating the Financing of Terrorism (AML/CFT) and the provisions under Item (Third/1) thereof with respect to the procedures to be taken for reporting suspicious transactions and identifying the administrative levels whose approvals should be obtained for sending the notification to Kuwait Financial Intelligence Unit (KFIU) and the provisions of Item (Twenty First/1) stating that the results of the research and investigation shall be recorded in writing at the bank with the supporting documents to be submitted upon request,

And to the meeting held with the Chief Executive Officers (CEOs) of the local banks in this respect to stress on compliance with the above, and ensure that the procedures include the respective steps to be strictly followed by each bank,

A committee is to be formed in each bank with mandates to make decisions for reporting any suspicious transaction to KFIU. Membership of the said committee encompasses AML/CFT Compliance Officer, provided that all discussions on every suspicious transaction reported to the Committee, the opinion of each member thereon and the Committee's final decision should be recorded. A proof thereof should be maintained and submitted whenever requested.

Best Regards,

**The Executive Director of Supervision Sector
Waleed M. Al-Awadhi**

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

N) Circular to all Local Banks dated 28/08/2019 further to the Circular dated 14/05/2019 regarding Anti-Money Laundering And Combating the Financing of Terrorism (AML/CFT) obligating banks to form a committee assigned to decide on reporting any suspicious transaction of money laundry/terror finance to Kuwait Financial Intelligence Unit (KFIU).

THE GOVERNOR

*Safar 29, 1441 H
October 28, 2019*

The Chairman of the Board of Directors,

**“Circular to all Local Banks, Financing Companies
and Exchange Companies”**

In accordance to the circular issued 28/08/2019 accompanying a copy of resolution No. (35) of 2019 on the executive bylaws for implementation of UNSC resolutions issued pursuant to Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction,

You will find an attachment on the mechanism to be adopted in order to follow up on resolutions issued by sanctions committees pursuant to Chapter VII of the UN Charter, whether they are UNSC committees in accordance of Resolutions No. (1267) of 1999, No. (1988) of 2011, No. (2253) of 2015 and relevant resolutions or the committee formed at the Ministry of Foreign Affairs for the implementation of UNSC resolutions issued pursuant to Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction.

Local banks, financing companies, and exchange companies shall all commit to the following:

- Freeze all designated funds and refrain from providing services to any names included on the lists issue by:
 - Sanctions committees formed by UNSC Resolutions No. (1267) of 1999, No. (1988) of 2011, and No. (2253) of 2015 and subsequent connected resolutions.
 - The committee formed for the implementation of resolutions issued pursuant to Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction in implementation of Resolution No. (1373) of 2001.
- Prepare working procedures for ensuring compliance with all requirements of resolution No. (35) of 2019 as well as set up the needed automated systems to ensure no interaction or transaction is made in connection with any name included in the funds freeze lists issued by the committees mentioned above.

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

- O) Circular to all Local Banks, Financing Companies and Exchange Companies issued 28/10/2019 attaching the mechanism to be followed for follow up on the Resolutions issued by Sanctions Committees in line with the Provisions of the Resolutions issued under No. (35) of 2019 on the Executive Bylaws for Implementation of UN Security Council Resolutions by virtue of Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD).

- Provide the Central Bank of Kuwait, within three days of date of this circular, with the names of your establishment's specialists and their emails, phone numbers, and other information needed as detailed in the attached mechanism so that they be approved as the recipients for sending out resolutions issued by the local committee.

The Central Bank of Kuwait shall continuously ensure compliance by all units to the requirements of Resolution No. (35) of 2019. The bank shall also impose penalties and measures as stated in Article (15) of Law No. (106) of 2013 on Anti-Money Laundering and Combating the Financing of Terrorism on units violating requirements of this decision, or violating the attached mechanism for following up with resolutions issued by sanctions committees formed pursuant to Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction.

With my best wishes,

The Governor
Dr. Mohammed Y. Al-Hashel

Mechanism for Implementation of UNSC Resolutions Issued Pursuant to Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD)

Pursuant to Resolution No. (35) of 2019 on the executive bylaws for implementation of UNSC resolutions issued pursuant to Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction, already circulated and dated 28/8/2019 to all units regulated by the Central Bank of Kuwait,

Local banks, financing companies, and exchange companies shall abide by the following:

- Continuously follow up on resolutions issued by the UNSC sanctions committees established virtue of Resolutions No. (1267) of 1999, No. (1988) of 2017, and No. (2253) of 2015 as well as on any updates to funds freeze lists posted on the network. Units must take whatever measures or arrangements necessary to guarantee compliance with the requirements of these resolutions and to address all matter connected to names listed promptly and without delay.
- Commit to taking measures and arrangements to guarantee compliance with requirements of resolutions issued by the local committee formed by the Ministry of Foreign Affairs in line with Resolution No. (1373) of 2001 for the implementation of UNSC resolutions issued pursuant to Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction, and the requirements of the resolutions issued designating names for listing of individuals, groups or entities. Such measures shall be taken immediately upon receipt of the CBK notification to that effect addressed to the regulated institutions through (AML.CFT@cbk.ov.kw) and without any delay.
- Should there be any designated balances, current transactions, or previous transactions with individuals, groups, or entities listed by either UNSC sanctions committee or the local committee, the CBK shall be notified of action taken to address this within three business days at the most of issue of a decision of a funds freeze and/or ban on transactions.
- Where services of third parties are sought to update data on individuals, groups, or entities listed by UNSC sanctions committees, additional measures and arrangements shall be taken to ensure imposing a freeze on funds, assets, and accounts owned by individuals, groups, or entities regarding whom any resolutions are issued by the local committee within the framework of Resolution No. (1373) of 2001 and all future dealings with these names are banned.

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

- O) Circular to all Local Banks, Financing Companies and Exchange Companies issued 28/10/2019 attaching the mechanism to be followed for follow up on the Resolutions issued by Sanctions Committees in line with the Provisions of the Resolutions issued under No. (35) of 2019 on the Executive Bylaws for Implementation of UN Security Council Resolutions by virtue of Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD).

- The Central Bank of Kuwait shall handle forwarding all resolutions issued by the committee for implementation of UNSC resolutions issued pursuant to Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction to all its regulated units immediately upon receipt from said committee [through the designated email of the Supervision Sector's AML/CFT section (AML.CFT@cbk.gov.kw)].
- All funds, assets, and accounts, be they owned directly or otherwise, wholly or in partnership by an individual, group, or entity on either UNSC sanctions committee lists or the local committee shall be subject to funds freeze measures.
- Funds may not be made available to and financial or other related services may be provided directly or otherwise to any individual, group, or entity listed by either UNSC sanctions committees or the local committee, and Article (20) of resolution No (35) of 2019 concerning licensing partial administration or disposal of funds in line with articles of Resolution No. (1452) shall be observed in the manner that the committee stipulates in this regard.
- All banks shall provide the CBK, within a maximum of three days as of date of this circular, with the names of two of their specialists and their emails, as well as designate an email to be accessed by those concerned with implementation of requirements of funds freeze resolutions and bans of interaction which are issued by the local committee so that they may be approved and used when sending out notifications on local committee resolutions. The phone numbers of the specialists must also be provided to enable contact when necessary. All financing companies and exchange companies shall also inform the CBK of their respective specialists to be in charge of receipt of such notifications and of acting towards implementation of the resolutions immediately upon their issue within a maximum of three days of date of the circular; the specialists' email addresses and phone numbers as well as those of the companies' director general shall also be provided for receipt of above mentioned resolutions. The parties concerned have to observe the following:
 - a. Confirm receipt of resolutions immediately upon receiving the CBK email in this regard, also confirm that implementation measures are in progress.
 - b. Apprising the Central Bank of Kuwait of measures taken by the regulated unit within a maximum of three business days, through the designated email (AML.CFT@cbk.gov.kw).
 - c. Should there be any change in staff or the email provided to the Central Bank of Kuwait for email communication at the time of receiving the mechanism, the CBK must be provided with the substitute's name and email address immediately to be approved and used for sending notifications of any resolutions in the future.

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

- O) Circular to all Local Banks, Financing Companies and Exchange Companies issued 28/10/2019 attaching the mechanism to be followed for follow up on the Resolutions issued by Sanctions Committees in line with the Provisions of the Resolutions issued under No. (35) of 2019 on the Executive Bylaws for Implementation of UN Security Council Resolutions by virtue of Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD).

- Through both on-site and off-site supervision, the Central Bank of Kuwait shall monitor compliance of its regulated units to requirements of Resolution No. (35) of 2019 and those indicated in this mechanism, and also assess internal measures the units take to ensure compliance with all resolutions as well as sufficiency of the automated systems they have in place for ensuring non-interaction with any listed names. Any unit found in violation shall be subject to the penalties and measures indicated in Article (15) of Law No. (106) of 2013 concerning combatting money laundering and the financing of terrorism.

28/10/2019

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

- O) Circular to all Local Banks, Financing Companies and Exchange Companies issued 28/10/2019 attaching the mechanism to be followed for follow up on the Resolutions issued by Sanctions Committees in line with the Provisions of the Resolutions issued under No. (35) of 2019 on the Executive Bylaws for Implementation of UN Security Council Resolutions by virtue of Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD).

THE GOVERNOR

*Rajab 25, 1444 H
February 16, 2023*

The Chairman,

“Circular to all Local Banks “

Within the scope of the continuous development pursued by the Central Bank of Kuwait for the requirements of Anti-money laundering and terrorist financing, and where previously, on the date of 14/5/2019 - Issuance of Instructions No. (2/RB, RBA/432/2019) to all Local Banks related to combating money laundering and terrorist financing, we would like to notify you that the Board of Directors of Central bank of Kuwait has approved, in its meeting held on 15/2/2023 amendments that were introduced to the aforementioned instructions.

Accordingly, you will find attached a statement explaining these amendments, as well as a copy of the new instructions, which include the amendments, No. (2/RB, RBA/507/2023), which are effective as of the date of the instruction.

With best regards,

**The Governor
Basel A. Al-Haroon**

**Instructions No. (2/BS/IBS/507/2023) Concerning
Anti-Money Laundering & Combating the Financing of Terrorism**

*N.B.: This English translation is prepared by the Central Bank of Kuwait for information purposes only.
In case of any variance between Arabic and English versions, Arabic text shall prevail.*

**16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND
COMBATING THE FINANCING OF TERRORISM (AML/CFT).**

P) Circular to all Local Banks, issued 16/2/2023 concerning Instructions No. (2/BS/IBS/507/2023) Concerning Anti-Money Laundering & Combating the Financing of Terrorism.

Instructions No. (2/BS/IBS/507/2023) Concerning Anti-Money Laundering & Combating the Financing of Terrorism

In the context of reinforcing Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) efforts, and in order to ensure the required compliance with the application of the international standards issued by the Financial Action Task Force “FATF” in this regard, and in line with the provisions of the Law No. (106) of 2013 Concerning Anti-Money Laundering and Combating the Financing of Terrorism, its Executive Regulations and the relevant promulgated ministerial resolutions, as well as the provisions of Articles No. (14) and (15) of the said Law, which provided that the regulatory authorities shall supervise and monitor compliance with the requirements of anti-money laundering and combating the financing of terrorism, and imposing the appropriate penalties and sanctions on the units subject to their supervision.

And, whereas the banking and financial institutions are the most targeted entities for money launderers and terrorism financiers, through which they endeavor for layering and concealing the illicit sources of their funds. As such, these institutions are always exposed to risks arising from such acts. And, in order to protect the banking and financial institutions from such illegitimate practices and to avoid any adverse impacts they may face due to these risks, it is necessary for all banking and financial institutions to take the measures which ensure that they are not manipulated by such operations, in addition to ensuring compliance with the full implementation of the requirements under the recommendations issued by FATF and the provisions of the said Law, while adopting the Risk-Based Approach in the preparation of such measures; and,

In light of the above, CBK has updated the instructions issued on 23rd July 2013 to all local banks under No. (2/BS/IBS/308/2013) concerning Anti-Money Laundering and Combating the financing of terrorism. This update has been introduced to enhance and clarify some of the requirements based on the CBK’s recent monitoring, to achieve the full compliance with these requirements by the CBK-regulated banking and financial institutions.

Accordingly, all banks operating in the State of Kuwait shall abide by the following:

First: Determining the Risks Associated with Money Laundering and Financing of Terrorism:

- 1) The bank should have risk-management systems in place, prepare a written study which shall be updated every two years, and which shall address all the risks associated with money laundering and financing of terrorism which the bank may be exposed to as a result of exercising its licensed business, provided that the study should determine at least the risks associated with the following elements:

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

P) Circular to all Local Banks, issued 16/2/2023 concerning Instructions No. (2/BS/IBS/507/2023) Concerning Anti-Money Laundering & Combating the Financing of Terrorism.

- a) Various types of customers with whom banks deal with, and those with whom banks prohibit dealing, if any.
 - b) Countries and geographical regions where any of the requested transactions are processed.
 - c) Products and services, whether the existing products and services or any other innovated service the bank intends to offer to its customers.
 - d) Furthermore, the study should address risk assessment levels to which the bank is exposed as per the said elements, and to divide the same into three levels (Low, Moderate, and High) while making the appropriate and necessary procedures to monitor and manage such risks to mitigate their impacts on the bank's business.
- 2) Within the scope of identification of the risks associated with the elements mentioned in paragraph (1) above, the study of these elements shall address the factors which may increase the risks associated with each element, and set the appropriate remedies for the same, such as the following:
- a) As for the various types of customers:**
 1. The nature of the customer's business.
 2. The unusual activities and associated risks.
 3. The legal form of the customer, in particular the companies that issue bearer shares.
 4. The ownership structure of the customer, clarity of ownership and whether there is any unusual ownership.
 5. The existence of an actual activity for the customer, with clear and lawful economic purposes consistent with the business they are authorized to exercise.
 6. The customer is resident in the State of Kuwait or a non-resident customer.
 7. The customer undertaking management of third-party's assets.
 8. The purpose of establishing a relationship between the customer and the bank and the purpose of opening the account.
 9. The volume of transactions (credits and debits) required by the customer's activity.
 10. Frequency of the transactions carried out for the customer.

11. The period prior to dealings with the customer (relationship with the customer).
12. Risks associated with Politically Exposed Persons (PEPs) and those related with them.
13. Customers who own large assets or those for whom no clear information are available about the source of income or owned assets.
14. The customer's business is mainly dependent on cash or a business which is associated with high risks related to money laundering or terrorism financing.
15. Customers whose transactions are carried out without need of attendance in person to any of them.
16. The customer's business having a business relationship between the customer and persons resident in high-risk countries.

b) As for Countries and Geographical Regions

1. The classification issued by the Financial Action Task Force (FATF) about countries whether in terms of their compliance with AML/CFT's international standards or the adequacy of the combating regulations applied in these countries, as per the findings of the reports of assessments conducted on such countries or the follow-up reports published, which reveals shortcomings in AML/CFT's combating requirements at these countries.
2. The list issued by Kuwait Financial Intelligence Unit (KFIU) for High-Risk countries as well as the amendments made by KFIU to this list as a result of the continued monitoring thereof.
3. The countries subject of resolutions passed by the United Nation's Security Council or countries subject to sanctions, ban of dealings or any other similar measures.
4. Classifications issued by trusted sources concerning corruption, criminal activities and the ranking of such countries in this regard.
5. Classifications issued by trusted sources which define the countries funding or supporting terrorist activities or where there are specific active terrorist organizations.

c) As for Products and Services

1. Requirements, and terms and conditions of providing the product or service.
2. Private banking services.

3. Services rendered through the use of various cards.
 4. Services or products whose process does not necessitate the attendance of the customer in person in order to confirm his identity.
 5. Transactions executed for customers through third parties, without the availability of information for the relationship which requires such transactions.
 6. Any new proposed product or service that will be offered by the bank to customers.
- 3) In light of the findings of the assessment and identification of risks to which the bank is exposed as required above, the type of due diligence applied with regard to the execution of transactions, shall be identified, taking into consideration the following measures as a minimum limit:
- a) Documents which will be collected based on the level of risks associated with transactions and customers.
 - b) Information required to be submitted by customers which shall be determined in accordance with the associated risks.
 - c) Due diligence procedures to be applied upon processing local transactions or transactions across any of the other countries, documents and information that shall be collected, and the procedures related to identifying the Beneficial Owner of the transaction, as per the level of risks associated with each of the countries.
 - d) Enhanced due diligence measures intended to be followed in case of high risks exist in transactions for customers, countries, or risks associated with the product or the service itself.
 - e) Follow up an approach to update customers' information and data on periodic basis commensurate with the degree of the associated risks (one year or less for high-risk customers, two years or less for medium-risk customers, and a maximum of three years for low-risk customers).
- 4) The study on risks associated with money-laundering and terrorism financing and its results shall be approved by the board of directors. With regard to branches of foreign banks operating in the State of Kuwait, the study shall be approved by a management level not less than the regional management of the branch. The prepared study as well as any update incorporated therein shall be maintained as per the requirement of documents and records keeping as stipulated under Item Twenty Two.

Second: AML/CFT Policy:

- 1) Each bank shall have in place a policy including the targets and scope of anti-money laundering and combating of terrorism financing to be followed, provided that this policy shall include at a minimum the following points:
 - a. Compliance with the provisions of the law (106) of 2013 regarding Anti-Money Laundering and Combating of Terrorism Financing, its Executive Regulations and all relevant ministerial resolutions as well as the CBK instructions issued in this regard.
 - b. Develop a manual for procedures and internal control systems which shall be followed in relation to the implementation of the required combating requirements.
 - c. Refer to risks associated with anti-money laundering and combating of financing terrorism and identify them within three levels (low- medium-high) in the implementation of the required combating requirements.
 - d. Apply the appropriate due diligence measures in accordance with the degree of associated risks upon the execution of the required transactions.
 - e. Follow up defined procedures to apply the principle of Know-Your-Customer (“KYC”) and use a form designated for this purpose, which requires the identification of information that shall be obtained and the periods required for updating thereof according to the risks associated with customers.
 - f. Comply with the freezing requirements and not to deal with any names included in the lists issued by the Security Council sanctions committees or pursuant to local resolutions issued by a committee of the Ministry of Foreign Affairs to execute the Security Council resolutions in accordance with the Chapter VII of United Nations Charter concerning Terrorism and Terrorism Financing.
 - g. Commitment to notify KFIU of any suspicious cases with regard to money laundering and terrorism financing which may be identified by the bank during the period defined for the same.
 - h. Procedures that shall be followed upon dealing with high-risk persons, especially Politically Exposed Persons (PEPs).
 - i. Adhering to keeping documents, records and information related to customers and executed transactions as per the legally defined periods.
 - j. Appointing a compliance officer to be responsible for verifying the bank’s compliance with the requirements of provisions of the Law No. 106 of 2013, its Executive Bylaw and the relevant ministerial resolutions.

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

P) Circular to all Local Banks, issued 16/2/2023 concerning Instructions No. (2/BS/IBS/507/2023) Concerning Anti-Money Laundering & Combating the Financing of Terrorism.

- k. Preparing periodic reports to be presented to the board of directors or the regional management of foreign banks' branches, including efforts exerted by the compliance officer in respect of compliance with the requirements of anti-money laundering and combating of terrorism.
 - l. Mandating all branches of local or foreign banks as well as subsidiaries of banking groups to satisfy the requirements and provisions of the law and the ministerial resolutions and these instructions and the recommendations issued by the Financial Action Task Force (FATF) standards applicable in this regard, as a minimum limit, and to confirm the necessity of cooperation between these branches and subsidiaries in respect of exchange of information and maintaining their confidentiality, along with development of the most appropriate methods to realize this commitment.
 - m. Implementation of integrity standards and the appropriate experience upon the appointment of new staff at the bank.
 - n. There must be an ongoing training programs, to be prepared on periodic basis, so that the staff (new and current ones) will be able to attend training programs on anti-money laundering and combating terrorism financing.
 - o. There must be procedures to monitor the bank staff's accounts by AML/CFT Department, and any other measures the bank deems appropriate for assisting other departments to ensure that:
 - There is no suspicion of money laundering or terrorist financing in transactions of bank employees' accounts..
 - There are no transactions between the accounts of the bank's employees and any of the bank's customers, except for the accounts linked to the employee's account, with which he acknowledges that he has a relationship, whether family, or other permitted and approved by the bank, after verifying and completing the supporting documents..
 - p. Updating the policy on ongoing basis (every two years at most) by reviewing it periodically to keep pace with any developments by the combating efforts exerted in this regard.
- 2) It must be taken into account that the policy adopted by the Bank is consistent with the size of the activity practiced and the nature and scope of the operations carried out by it, and work to update the policy continuously (and a maximum of once every two years) by reviewing it at periodic intervals to keep pace with any developments in the control efforts exerted in this regard.

- 3) The bank shall endorse the policy prepared by the board of directors. For branches of foreign banks operating in the State of Kuwait, such policy shall be approved by a management level not less than the regional management of the branch to which the branch is reporting.
- 4) Yet, foreign banks branches operating in the State of Kuwait may follow up the policy certified by the bank's board of directors abroad, which is applicable to its foreign branches, provided that such policy shall comprise all regulatory requirements concerning money laundering and terrorism financing applicable in the State of Kuwait and a copy of such certified policy must be available at the branch and a copy of the documents indicating such certification from the board of directors.

Third: Applicable Procedures and Internal Control Systems:

- 1) The bank shall develop written procedures including steps to be followed and applied on the execution of transactions as per the bank's activity and its applicable internal controls, which satisfy the bank's compliance with the requirements of anti-money laundering and combating terrorism financing, provided that such steps shall be reviewed on a periodic basis consistent with the periods of reviewing the bank's policies in this regard, and shall include the following, at minimum:
 - a. Steps to be applied with regard to the application of due diligence requirements as per associated risks, whether the ordinary, enhanced or the simplified due diligence.
 - b. Nature and type of documents required to be collected from customers in accordance with the risks relevant to each of them.
 - c. Nature of information to be collected from customers for ordinary due diligence and information required for high-risk customers, especially politically exposed persons for whom strict due diligence requirements shall be applied upon dealing with them.
 - d. Steps to be followed for application of "KYC" principle and using the designated form, taking into consideration the customers' associated risks, information and data to be collected and the appropriate periodicity to update such information based on the associate risks.
 - e. Procedures to be followed to identify the Beneficial Owner (natural persons, legal persons and legal arrangements), and procedures necessary to understand the equity of persons dealt with.

- f. Procedures necessary to identify whether the customer is the Beneficial Owner of the required transaction or he is acting on behalf of one or more other beneficiaries.
 - g. Steps to be followed and applied concerning the continued monitoring of customers' transactions.
 - h. Steps to be applied regarding presenting services or products to customers as per the risks associated with money laundering and terrorism financing, especially for the following:
 - i. Opening accounts for customers.
 - ii. Foreign remittances whether inward or outward transactions.
 - iii. Banking cheques issued to non-bank customers.
 - iv. Transactions required by customers which are processed without the customer's presence.
 - i. Steps to be applied with regard to verification of the bank's compliance with freezing balances of accounts of any customers and persons related to it, as well as the adequate procedures to ensure non-dealing with them in future, with regard to names included in the freezing lists issued by the Security Council sanction committees or pursuant to local resolutions issued by a committee of the Ministry of Foreign Affairs to implement the Security Council resolutions.
 - j. Procedures to be followed to monitor the bank staff's accounts by AML/CFT Department, and any other measures the bank deems appropriate for assisting other departments based on the responsibilities assigned to each department in this regard.
 - k. Applied Programs and techniques to identify suspicious transactions and activities in relation to money laundering and terrorism financing, and the ensuing measures to be taken in case of confirmation of suspicious transactions, to report it to KFIU during the determined period, and determination of the measures to be taken concerning preparing the suspicious reports or not, and determination of the management levels required to obtain their approvals for sending the report to KFIU.
- 2) The written procedures of the bank shall be consistent with the size of the activity, nature and scope of the bank transactions, taking into consideration the provisions stated in the guideline manual prepared at the bank to identify patterns of money laundering & terrorism financing activities, based on the guideline manual issued by KFIU regarding the patterns of money laundering & terrorism financing activities.

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- 3) The business procedures of the bank shall be approved by the board of directors and for branches of foreign owned banks operating in the State of Kuwait, they shall be approved at least by the regional management of the branch.

Fourth: Customer Identification Requirements:

Banks shall identify and verify the identities of the customer and the Beneficial Owner upon dealing with them and shall understand the purpose of the dealing and its nature, and, if necessary, obtain supporting information, in the following cases:

- a. Opening an account with the bank or initiating a business relationship.
- b. Upon presenting any service or execution of any transaction exceeding three thousand KD or its equivalent in foreign currency (whether for a single transaction or frequent transactions), for dealers who have no open account or ongoing business relationship with the bank, for example:
 - v. Upon processing local or overseas electronic fund transfer.
 - vi. Upon issuing a bank cheque to be paid in cash.
 - vii. Upon issuing prepaid card to non-bank customers, who have open accounts.
- c. Upon suspicion of the validity of the identification data previously received from the customer.
- d. Upon suspecting a transaction required to be executed – to non-bank customers – that it is related to money laundering and terrorism financing.

Fifth: Due diligence measures towards customers:

1. Due diligence measures towards customers, whether natural persons, legal persons and legal arrangements, based on the risk-based approach are represented in the following:
 - a. Verifying the customer's identity using documents or recognized tools from reliable and independent sources.
 - b. Identifying the Beneficial Owner and taking reasonable measures so that the bank will be fully aware of and knows the actual beneficiary.
 - c. Understand the purpose and nature of the business relationship through obtaining evidence for the bank.
 - d. Exert ongoing due diligence in respect of the business relationships and review the transactions undertaken to ensure that they are commensurate with the information about the customer, activities and associated risks.

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2. Banks may not open or keep anonymous accounts or accounts in fictitious names or only numeric names or maintain such accounts with them.
3. Banks should review the legal documents proving the customer's identity and validity of such identity, and obtain a copy thereof. Such copy must be signed and acknowledged by the concerned officer as a true copy of the original, and approved by a higher authority, as follows:

a) For natural persons:

1. The Civil ID for citizens or non-citizens (residents), whether the actual Civil ID or the second level of Kuwait Mobile ID application.
2. The passport or travel document by which the customer entered to Kuwait for non-residents in the State of Kuwait.
3. Official identity document issued and certified from the concerned government authority, or the concerned official authority, for customers not classified under the above two items.
4. Official document issued by the customer authorizing the person in dealing with the bank on his/her behalf, certifying the authenticity of the signature appearing on the authorization deed submitted with the customer signature specimen maintained by the Bank, and viewing the identity supporting documents of the person authorized to carry out the transaction and retaining a copy thereof.

b) For Legal Persons or Legal Arrangements:

1. Completing the full name of the legal person or legal arrangement, the date of incorporation, the headquarter business address and the names of the key management personnel and the authorized signatories.
2. Collecting the documentation evidencing incorporation of the legal person or legal arrangement, and ensuring that it is entitled to exercise business according to the documents issued by the concerned authorities, and completion of documents indicating the names of the management's personnel so that the bank can understand the equity and control structure.
3. The existence of official authorization according to legal documents issued for the person acting on behalf of the institution / company in dealing with the bank, provided that the supporting documents for the authorized person must be verified and a copy thereof to be maintained.

4. For companies and institutions that are established outside the State of Kuwait, certificates of incorporation shall be documented by the concerned authorities in Kuwait.

Excluded from the above, the supporting documents that evidence the incorporation of the company or the institution abroad which were presented by the customer to one of the bank branches abroad, which exercise its business in the country where the company or institution has been established, provided that these documents must be certified by the branch officers to the effect that they have previously perused these documents and that they are true copies.

5. For a person's representation of an institution/ company in front of the bank, it is necessary to submit the legal documents and judicial judgments issued in this regard which evidence the same.
6. Names of the major shareholders or those holding 25% or more (individually and in total), for the shareholding companies.
7. Disclosing the accounts opened with other banks for the same customer and naming these banks.

Sixth: Identifying Beneficial Owner:

1. The bank shall take the necessary measures to identify whether the customer (natural person) is the Beneficial Owner or acting on behalf of a Beneficial Owner or more, through obtaining a certificate signed by the customer on opening the account stating that the customer is the Beneficial Owner of the account or through any other means deemed necessary by the bank.
2. If the bank determines that a customer (natural person) is acting on behalf of another beneficiary or beneficiaries, the bank should verify the identity of the beneficiary owner(s), through obtaining the relevant information from a reliable source to ensure the identity(s) of the beneficiary owner(s) and the bank shall apply due diligence measures on beneficiary owner(s) that commensurate with the risks associated with the beneficiary owner(s) in this case.
3. Where the customer is a company listed on Kuwait Stock Exchange, the bank is not required to verify the identity of shareholders or beneficiary owners of such companies, provided that the company must be subject to the appropriate disclosure requirements identifying the actual beneficiary. Banks may only obtain copies of the required documents to verify the company's identity as stated in item "Fifth" above.

4. If the customer is a legal person or legal arrangement, banks must take the appropriate measures to understand the equity and control structure for such customers till the ultimate person in possession or in control of the customer. if there is any doubt whether this natural person controls or is responsible for managing the legal person, the bank should take gradual cascading steps to identify the Beneficial Owner (to be followed according to a cascading approach, so that each following step is taken in case the previous one was insufficient in verifying the actual beneficiary), as follows:
 - a. verify the identities of natural persons who possess controlling interests of over 25% of a legal person or legal arrangement (or both).
 - b. If the natural person, who practices control through the said equity stakes is not identified, any other available means shall be used to identify the natural persons practicing control over the management.
 - c. If the natural person is not identified by following the previous steps (a, b), the bank shall define the necessary procedures to reach the natural person(s), who hold senior management positions through which the management of the legal person or legal arrangement is controlled.
5. For legal arrangements, banks shall verify the identity of the person acting on behalf of the customer, the custodian, the beneficiary or any other person entrusted with these functions.

Seventh: Postponing customer identification:

1. Banks may establish business relationships before completing the verification process of the customer's identity referred to in Item "Fourth" of these instructions, in case of satisfaction of the below mentioned conditions:
 - a) Completing the verification process **as soon as practicably possible** following the establishment of the business relationship.
 - b) Such postponement is necessary for non-suspension of the normal business processes; and,
 - c) Effectively controlling the risks of money laundering and terrorism financing.
2. When postponing verification process of the customer identity, banks should determine the related risk management measures, by means of laying down a set of minimum procedures in this regard, such as identifying the satisfaction of the measures requirements within 90 days at most, a follow up for these accounts and determination of the number of transactions that the customer can execute, define the type of transactions that can be executed, and defining the maximum limit for the value of transactions.

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Eighth: Abstention from accepting new customers:

1. Banks shall abstain from opening an account or establishing a business relationship or executing a transaction in case verification of the customer identity or the Beneficial Owner is impossible. In this case, banks should consider the possibility of reporting the case to the KFIU.
2. As for transactions to be executed but the bank has suspicion of money laundering or terrorist financing thereon, and believes based on logical reasons that the application of the due diligence process will alert the customer, the bank may not continue in completing the due diligence requirements for the customer while executing the transaction. In such case, the bank shall report the suspicious transaction to the KFIU.

Ninth: Enhanced due diligence measures for high-risk customers and when providing specific services or performing certain operations

1. The bank shall take additional measures to apply enhanced due diligence for: customers classified as high risk, customers whose transactions are not performed face-to-face and politically exposed persons who deal with the Bank. This specifically includes increasing the degree and nature of supervision on the business relationship in order to determine whether the transactions executed or to be executed appear unusual or suspicious.
2. In this regard, banks shall examine all complex and unusual large transactions to identify the purposes, and verify all unusual patterns of transactions which have no clear economic or lawful purposes and objectives.
3. Enhanced due diligence measures should be applied on the following services and transactions:
 - Cross-border correspondent banking relationships.
 - Money or value transfer.
 - Wire transfer.
 - Services provided via modern technologies (Online Services).
4. Enhanced due diligence measures applied on high-risk business relationships include the following:
 - a. Obtaining additional information on the customer (natural person), sources of his funds and wealth.
 - b. Reasoning the rationale behind the transactions executed or expected to be executed.

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- c. Obtaining additional information on the customer (legal person), the nature of the expected business relationship with the customer, the volume of business and obtaining the latest available financial statements.
 - d. Obtaining the senior management approval for establishing or continuing the business relationships.
 - e. Conducting enhanced ongoing monitoring of the customer's transactions through enhancing monitoring measures and their periodicity as well as identifying transactions patterns that require additional examination.
 - f. Taking into consideration that the first amount credited upon opening the customer account should be from a known source and via banking platform.
5. Conducting ongoing enhanced due diligence measures for customers stated in paragraph (1) on each stage of the due diligence process.
 6. For customer identification purposes, enhanced due diligence measures should include the following for business relationships with a customer that does not deal face to face:
 - a. Authenticating the documents as per relevant laws and procedures.
 - b. Obtaining customer contact details whether via email or telephone numbers through which communications can be established.

Tenth: Politically Exposed Persons (PEPs):

1. Banks shall set appropriate procedures to determine whether the customer or the Beneficial Owner is a Politically Exposed Person (PEP). Such procedures should include, the following, at minimum:
 - a. The information required to be obtained from customers to determine whether he is a political person posing risk or a person assigned or previously assigned with a key position by an international organization.
 - b. Continuous follow-up to update customer information.
 - c. Use of electronic databases provided by specialized companies for PEPs in order to collect information and data.
2. In case the bank finds that the customer or the Beneficial Owner is a PEP, the following additional measures shall be applied:
 - a. Obtaining approval from any one of the top management levels as specified under the bank's policy, before establishing a business relationship with that person.

- b. Having in place the procedures which determine how to deal with the accounts opened to those customers, periodic update of data, and the required follow-up for executed transactions.
 - c. Taking all appropriate measures to determine the source of funds and wealth.
 - d. Application of strict and continuous monitoring of the business relationship.
3. The same requirements as in paragraphs (1) and (2) above shall be applicable to family members of PEPs up to second-degree relatives and close partners.

Eleventh: Reduced due diligence procedures for low-risk customers:

1. In dealing with the following customer segments, reduced due diligence measures may be applied, in consistence with the results of the risk assessment study, which should be low, provided that the Central Bank of Kuwait's prior approval shall be obtained in this regard:
 - a. Targeted group of individuals and institutions within the financial inclusion scope of application, aimed at promoting the right of every citizen to open a bank account in his/her name, unless a legal, banking or financial impediment exists, because the activities exercise by those persons are mostly not associated with high risks. Noting that specific controls should be set for transactions made on those accounts, for example: specifying the nature of transactions that can be dealt in, amount of money that can be credited to the account, limits on the number of transactions that can be executed during certain timelines, estimated limits on the volume of balances that can be held in such accounts, means and tools of credit and debit to the account. In addition, such accounts should be monitored on continued basis to identify any irregularities and to verify that they are not used in suspicious transactions, whether for money laundering or terrorist financing.
 - b. Other financial institutions subject to AML/CFT requirements, which conform to the FATF recommendations and apply them effectively, and controlled or supervised to ensure effective compliance with those requirements.
 - c. Companies listed on stock exchanges subject to disclosure requirements (under the law, stock exchange regulations or other binding instructions), which define requirements to ensure identification of the actual beneficiary.
 - d. Government entities.

- e. Private or limited financial products or services offered to a particular segment of customers, offered for the purpose of providing appropriate financial services.
2. Reduced due diligence measures should be consistent with risk factors listed in item First (2) above. These measures include, for example not for limitation the following:
 - a. The ability to verify the customer identity and the Beneficial Owner after establishment of the business relationship.
 - b. Update the customer data at longer intervals than those specified for the standard usual due diligence measures.
 - c. Following reduced measures for periodic monitoring and verification.
 - d. Non-commitment with collection of detailed information or taking specific actions to understand the purpose and nature of the business relationship, in that it is sufficient to understand the objective and nature of this relationship in light of the type of the transactions or existing business relationships.
 3. Banks may not apply reduced due diligence measures in case of suspicious money laundering or financing of terrorism transactions, or when the customer's activity is associated with a business relationship in high-risk countries.

Twelfth: Keeping Customer Information (Know Your Customer “KYC”)

In opening accounts for customers and in collecting information about the customer and actual (real) beneficiary of the account, **the bank shall use a form designated for the same**, and keep the documents, data and information collected under due diligence measures updated on continued basis and verify their validity by reviewing the records on appropriate periods consistent with the risks associated with the customer and maintain them throughout the dealing period, represented in the following data as minimum:

a. For Natural Persons:

1. Full name, address, Civil ID number and birth date.
2. Purpose of dealing on the account (salary, saving, business transactions, business proceeds, etc.).
3. Number of transactions expected on the account (monthly, annually).
4. Value of transactions expected on the account (monthly, annually).

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5. Nature and pattern of transactions expected to be executed on the account (cash deposits, cheques, local/foreign remittances, etc.).
6. Average annual income and its sources.
7. Obtaining information on the customer occupation of political or international public positions at present or in the past, and the essence of this position, if any.
8. Disclosing the accounts opened with other banks for the same customer and naming these banks.

b. For Legal Persons:

In addition to the aforementioned, the following information shall be collected:

1. legal form and date of incorporation.
2. Management right.
3. Nature and type of activity.
4. The registered capital and the working capital.
5. Names of related parties, subsidiaries and affiliates.
6. Names of the major shareholders or those holding 25% or more, for the shareholding companies.

Thirteenth: Continuous monitoring of customer's transactions:

1. The Bank shall use automated systems to monitor customer transactions on a continued basis, including a mechanism to verify that the transactions are conducted as per the bank's knowledge of the customer and the pattern of risks relevant to his transactions, and that the transactions are consistent with sources of funds and wealth. Monitoring may include also placing pre-set restrictions to trace the transaction and its value and type.
2. In addition, the bank shall pay special and exceptional attention to complex and large transactions or deals and all patterns of unusual transactions that do not have clear economic objectives, or those which are not commensurate with the customer's activity and the amounts of the past debit and credit transactions on his account, and obtain the supporting documents, if available. A written report should be prepared explaining the reasons for the decision on whether to report the case to Kuwait Financial Investigation Unit (KFIU) in case of suspicion or not.

Fourteenth: Terminating the Relationship with the Customer

The bank shall terminate the business relationship with the customer and consider whether the matter requires reporting the matter to the KFIU or not, in the following cases:

- Inability to implement the due diligence measures required for the bank's existing customers.
- The customer failure to provide any clarifications or information required from him regarding any transactions required to be executed which are not commensurate with the volume of previous transactions or information previously obtained about his activity.

Fifteenth: Outsourcing

1. Banks may engage other local parties to implement certain due diligence measures, such as identification of customer and the actual (real) beneficiary and understanding the nature of activity. Banks may also engage any external party reporting to the bank (within the financial group), taking into consideration the level of risk in the country it operates therein. In this case, the CBK prior approval shall be obtained, provided that the following conditions shall be satisfied:
 - a. The bank must immediately obtain all information required from the engaged party under due diligence measures.
 - b. Ensuring that the engaged party provides, upon request and without delay, copies of identification documents and other documents associated with the due diligence measures obtained from customers.
 - c. Ensuring that the engaged party is regulated, supervised or controlled in order to comply with due diligence and record keeping requirements, and the due diligence measures shall be adopted to comply with these requirements.
 - d. Taking the necessary measures to adequately reduce the high risk of countries where the bank's external party operates through its AML/CFT policy and procedures, which are adopted by the bank and binding for all its subsidiaries.
 - e. Providing adequate guarantees concerning the confidentiality required with regard to exchanged information.

- f. Signing a contract between the bank and the engaged party (other than the external party reporting to the bank) which includes clear provisions for the responsibilities and functions to be performed by the other party and the types of transactions and services for which it will be required to meet the required due diligence requirements.
2. In all cases, the ultimate responsibility for customer identification and verification shall remain with banks.

Sixteenth: Shell banks and foreign banking relations (cross-border) with correspondent banks:

1. Banks may not establish or maintain correspondent or business relationships with shell banks. It is also prohibited to do so with any correspondent financial institution in any foreign country allowing the use of its accounts by a shell bank.
2. Prior to entering into a banking relationship with correspondent banks abroad or other similar relationships, banks shall take additional measures to usual due diligence measures through the following:
 - a. Collect sufficient information about the respondent bank through the published information.
 - b. Understand the nature of the respondent bank.
 - c. Assessing the reputation of the respondent bank and the level of supervision to which it is subject, and whether it has previously been involved in investigations or supervisory measures in the area of anti-money laundering or combating the financing of terrorism.
 - d. Evaluate the controls applied by the respondent bank in the area of anti-money laundering and combating the financing of terrorism and taking the necessary measures in order to clearly identify the adequacy of the regulations in place with regard to AML/CFT.
 - e. Obtain the approval of top management before establishing a banking relationship with correspondent banks abroad or other similar relationships.
3. In the event that the bank offers the payment service by correspondence, it shall ensure that the respondent bank applies due diligence measures to its customers who are entitled to use correspondent accounts, and that the respondent bank can provide related due diligence information to the sender bank.

4. All requirements mentioned in paragraph (2) above shall be documented and applied to external banking relationships (cross-border) and all similar relationships, be they the new relationships, the relationships due to be established, or the already established ones, before the Law comes into effect and the Executive Regulations and these Instructions are issued.

Seventeenth: Banking transactions related to remittances:

1. With regard to the outward external remittances, banks shall have full and accurate information about the transferor, the beneficiary and the related messages, the purpose of the transfer and ensure that such information are attached to the electronic transfer or related messages within the payment chain at all stages. In addition, a unique identification number should be used for each transaction, and the information attached to all electronic transfers shall always include the following:
 - a. Full name of the transferor (as mentioned in the identification evidencing document of the inquired party).
 - b. Account number of the transferor in case the account is used for the transaction.
 - c. The Civil ID number, address of the transferor or birth place and date.
 - d. Name of beneficiary, not less than the first name and family name, and account number, in case the account is used for depositing the transferred funds based on the transaction.
2. For inward external remittances, the bank shall verify that all information required in paragraph (1) above are available in the data and information sent in the transfer, and for those who do not include such information, such transfers shall be monitored. In addition, customer identity shall be verified in case the same has not been previously verified, and such information shall be kept in the transaction supporting documents.
3. If the bank is unable to comply with these requirements, it shall refrain from executing the electronic remittance.
4. The bank shall comply with all freezing requirements and prohibition of dealing with any persons, entities or groups whose names are included in the lists of Sanctions Committees under Security Council Resolutions under Chapter VII of the United Nations Charter Concerning Terrorism and Terrorist financing within the scope of transactions related to electronic remittances.

5. If there is a set of cross-border electronic remittances issued severally by one transferor in a bundled package to be transferred to the beneficiary, the above requirements may not be applied to transferor's information, provided that such remittances shall include the transferor's account number or remittance reference number, which allow the remittance tracking. Noting that the bundled package shall include the required and accurate information about the transferor and full information about beneficiary, so that it can be fully tracked within the country of the beneficiary's residence.
6. Banks should ensure that non-routine electronic remittances are not collected in bundled packages in the event of increased risk of money laundering or terrorist financing.
7. For cross-border wire transfers, banks processing an intermediary element of payment chains should retain all wire transfer information including the originator and beneficiary information.
8. The information relating the electronic transfers should be made available by the ordering banks within three business days of receiving the request either from the beneficiary financial institution, CBK or KFIU.
9. For domestic wire transfers, banks shall apply the IBAN requirements stated in the IBAN Manual issued by CBK, in addition to complying with the requirements provided for in paragraph (1), when conducting these transfers.

Moreover, banks shall adhere to paragraph (2) of article "Twenty Three" concerning requirements of combating terrorism in terms of banking transfers via Straight Through Processing (STP).

10. Where technical limitations preclude retaining the required originator or beneficiary information accompanying a cross-border wire transfer that should be attached to the related domestic wire transfer data, a record should be kept, for at least five years, by the receiving intermediary bank of all the information received from the ordering bank or another intermediary bank.
11. Banks shall set risk-based business procedures for determining the following:
 - a. Cases when to execute, reject, or suspend a wire transfer lacking required information of the originator or beneficiary and consider reporting them to KFIU.
 - b. The appropriate follow-up that may include restricting or terminating the business relationships.

Eighteenth: New Products and Business Practices

Upon offering new products and services, the bank should conduct a written study for each product, whether an existing product being developed or a new practice offered by the bank, including usage of technology in offering previously existing services or new products to assess and identify ML/FT risks that the bank may face, before launching such services or products. The study should include appropriate measures manage any risks, and reduce their impact, and such study shall be maintained and submitted upon request.

Nineteenth: Dealing with Exchange Companies that Provide Value or Money Transfer Services

1. Banks shall take measures to ensure that legal persons engaged in this activity are from licensed companies, and are registered with the Central Bank of Kuwait, and are therefore subject to the instructions issued and organized in this regard and their compliance therewith.
2. When dealing with exchange companies that provide value or money transfer services, it is necessary to apply the enhanced due diligence measures as they are involved in a high-risk activity. Therefore, additional information deemed necessary by the Bank shall be required, provided that the guiding paper of the FATF on **De-Risking** shall be taken into consideration.

Twentieth: Dealing with associations of public interest and charitable institutions

1. When dealing with public benefit associations or charitable institutions subject to the supervision of the Ministry of Social Affairs and Labor in accordance with the provisions of the Law No. 24 of 1962 concerning Clubs and Public Benefit Associations and its amendments, banks shall comply with instructions issued by the Central Bank of Kuwait in this regard. The necessary procedures shall be established to be followed in dealing with these charitable associations and institutions and the enhanced due diligence measures shall be applied as being high-risk customers.
2. The required papers and documents shall be completed should any public benefit associations or charitable institutions wish to make money transfers abroad, whether the association or the institution obtained a prior approval from the concerned authorities or obtained special approval for the required transfer, as required according to the compliance with the Council of Ministers Resolution No. (868) of 2001 issued on 14/10/2001.

Twenty First: Commitments to Reporting the Suspicious Transactions:

1. The bank shall conduct research, investigation and gather information in the event of suspecting a transaction that may constitute proceeds of crime or may be related to money laundering and financing of terrorism, including all parties related to the transaction, without informing or revealing such procedures to any of the parties. The results of the research and investigation shall be recorded in writing at the bank with the supporting documents to be submitted upon request.
2. Bank shall notify KFIU, within two business days, of any transaction or attempt to conduct a transaction (regardless of its value) if it is suspected to be conducted with money constituting proceeds of crime or funds related to money laundering and financing of terrorism or that it is conducted or required to be conducted in these transactions.
3. Within the scope of paragraph (2), the bank shall form a tripartite committee composed of members of the bank's senior management, concerned with taking decisions on reporting KFIU or not of suspicious cases. Committee members should include the AML/CFT Compliance Officer. All discussions regarding each suspected case, opinion of each member, and the final measure taken, shall be recorded, documented and submitted upon request.
4. It is prohibited to disclose, by any of the bank staff, managers or any of the acquainted parties, either to the customer or the third party for any notice or any relevant information sent or to be sent to KFIU or the suspicion of money laundering and financing of terrorism is verified in any of the transactions to be conducted or made to customers. This does not preclude disclosure or communication between the bank's managers and employees, lawyers, the competent authorities and the Public Prosecutor's Office with regard to these transactions.

Twenty Second: Record Keeping Requirements:

Banks shall maintain the following documents and records:

- a. All documents obtained through the due diligence process, including copies or records of official identification documents of the customer and the actual beneficiary, accounting files and business correspondence, for at least five years after the termination of business relationship or the date of executing the transaction in favor of a customer that has no business relationship with the bank.

- b. All records of domestic and international transactions already executed or attempted to be executed for a period of at least five years. Such records should be sufficiently in details to enable reproducing the steps of each transaction separately.
- c. Copies of the notices sent as well as related documents for a period of at least five years from the date of submitting the notices to KFIU, so that such documents would allow for the rearrangement of individual operations in such a way as to provide, if necessary, evidence of prosecution against criminal activity.
- d. Risk assessment study and any related information, if so required by CBK, for five years from the date of conducting or updating the assessment.

Twenty Third: Requirements of Combating Terrorism

- 1. Pursuant to the provisions of Article (25) of Law No. (106) of 2013 on Anti-Money Laundering and Financing of Terrorism, all banks shall comply with all provisions of Resolution No. 35 of 2019 issued on 4/8/2019 by the committee formed by the Ministry of Foreign Affairs (the Committee for the Implementation of Security Council Resolutions under Chapter VII of the United Nations Charter on Terrorism and the Financing of Terrorism) regarding the regulations of implementation of Security Council Resolutions under Chapter VII of the United Nations Charter related to terrorism and financing of the proliferation of weapons of mass destruction. Banks shall adhere to implementation of the requirements of this resolution in terms of the following:
 - a. Developing the required automated systems that fully comply with the requirements of the resolutions related to combating the financing of terrorism, with the possibility of considering using the services of companies specialized in this field in relation to the names of current customers and those who have the power to deal with the account by customers as well as the Beneficial Owner of the account or applicants names to deal with the bank through any of the provided services,
 - b. Freezing all funds and assets owned without delay or prior warning for the persons, entities or groups listed by the Security Council Sanctions Committee under the Security Council resolutions Nos. 1267/1999 and 1988/2011, and listed by the resolutions issued by a committee of implementing the Security Council resolutions established by the Ministry of Foreign Affairs, pursuant to the decision No. 1373/2001, whether wholly owned or in conjunction with any person or entity and whether they were in their possession and under their direct or indirect control.

- c. Not to render any financial service or other related services to any of the persons, entities or groups listed in the above lists, once they are included in those lists.
2. For the domestic banking transfers, and in order to process such transactions using “(STP) Straight Through Processing”, it is the responsibility of the issuing bank to verify that the name of the one requesting the transfer is not included in the names listed in the freezing lists and not to deal with him, while it is the responsibility of the receiving bank to verify that the name of the beneficiary is not included the names listed in the freezing lists and not to deal with him.

Twenty Fourth: AML/CFT Compliance officer

1. The bank shall establish an independent department and appoint a competent Compliance Controller to verify the bank's compliance with the requirements of the provisions of the Law No. (106) of 2013 concerning combating of money laundering and financing of terrorism, its executive regulations, the relevant ministerial resolutions and instructions issued by the Central Bank of Kuwait in this regard.
2. The Compliance Controller and other personnel appointed at the department mentioned as stated in item (1) above, shall have the appropriate qualifications and experience in the field of combating money laundering and the financing of terrorism, in order to be qualified to carry out the tasks assigned to him. The bank shall provide the Central Bank of Kuwait with detailed data of the Compliance Controller and his deputy during holidays, including name, qualification, telephone / mobile number, e-mail address, taking into consideration that the Central Bank of Kuwait must be informed of any change related to these data.
3. A job description shall be prepared for each of the compliance controller and the personnel in the competent department. Such job description shall include the assigned tasks including the required reports to be submitted to the senior management periodically concerning the said department activities, provided that the job description related to each employee performing these tasks shall be signed.
4. The compliance controller shall have the authority to work independently, provided that the reporting line shall be subject to the bank's CEO (at minimum) and to the regional administration for branches of foreign banks in Kuwait. The controller and other relevant personnel shall have direct access to customer identification data and other information related to due diligence, transaction records and other relevant information.

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

P) Circular to all Local Banks, issued 16/2/2023 concerning Instructions No. (2/BS/IBS/507/2023) Concerning Anti-Money Laundering & Combating the Financing of Terrorism.

5. The bank shall conduct independent audits and inspections to verify the compliance controller and the relevant department personnel's performance of their tasks in conformity with the bank's policies and controls in combating money laundering and the financing of terrorism, taking into consideration to include this within the internal audit annual plan.
6. Banks shall have to ensure that their external branches and their subsidiaries satisfy the requirements of combating money laundering and financing of terrorism, stipulated by the provisions of the law and the ministerial resolutions and these instructions, in case the requirements of combating money laundering and financing of terrorism at the hosting country are less stricter to the extent allowed by the laws and bylaws of the hosting country, provided that additional appropriate risk management measures for combating money laundering and financing of terrorism shall be applied in case the hosting country does not allow implementing the combating requirements applied in the mother country, provided that the Central Bank of Kuwait shall be advised of this case and the measures taken for risk management arising out of this position.
7. The board of directors and the regional administration of the foreign bank branches in Kuwait shall ensure that the bank complies with the requirements of the Law No. (106) of 2013 concerning combating money laundering and financing of terrorism through periodic reports (at least quarterly) in this regard. These reports shall include a statement of all suspicious transactions monitored, along with their impacts and the measures taken by the compliance control officers to enhance the bank's policies, procedures, regulations and controls in the framework of combating money laundering and financing of terrorism.
8. The board of directors and the regional administration of the foreign bank branches in Kuwait shall be informed with the findings of any onsite inspection tasks carried out by Central Bank of Kuwait concerning combating money laundering and financing of terrorism, including the corrective measures that should be applied by the bank and the previous procedures taken in this regard.

Twenty Fifth: Other Requirements

1. In line with the provisions of Article (13) of Law No. (106) of 2013 issued regarding Anti-Money Laundering and Combating Financing of Terrorism, and with regard to the disclosure of the relevant information in this regard, banks shall provide information and documents required by the concerned authorities (each within its jurisdiction). In this respect, banking information confidentiality stipulated by the law may not be used as an excuse in this case specifically the information required by KFIU and the Committee for the Implementation of Security Council Resolutions under Chapter VII of the United Nations Charter formed at the Ministry of Foreign Affairs.

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

P) Circular to all Local Banks, issued 16/2/2023 concerning Instructions No. (2/BS/IBS/507/2023) Concerning Anti-Money Laundering & Combating the Financing of Terrorism.

2. External auditor's report on the assessment of internal control systems in the bank shall include the extent of the bank's compliance with applied local laws, ministerial resolutions and the CBK instructions relevant to combating money laundering and the financing of terrorism, in addition to the bank's compliance with its own applied policies, procedures, systems and controls.
3. Upon appointing their staff, banks shall identify the integrity, experience and efficiency requirements and set the rules and measures for appropriate selection and qualifications to ensure the following:
 - a. Staff shall have a high efficiency level required for performing their functions.
 - b. Staff shall have the proper integrity to undertake the activities of the bank.
 - c. Potential conflicts of interest must be considered, including the employee's financial history.
 - d. The bank may not appoint persons who have been suspected or convicted in crimes of fraud and dishonesty or other similar crimes.
4. The conditions of the preceding paragraph (3) must be taken into consideration when nominating members of the board of directors and appointing members of the executive and supervisory departments and directors.
5. The bank shall have ongoing training plan with a program for training new and existing staff in the field of combating money laundering and financing of terrorism periodically, provided that members of the board of directors, members of executive and supervisory department and the directors shall attend similar programs so that they shall be acquainted with all updates and developments, including information on the prevailing patterns in the field of money laundering and financing of terrorism, in compliance with the obligations imposed on them by the law No. 106 of 2013 on combating money laundering and financing of terrorism and its executive regulations and by all instructions issued by the CBK in this regard.

Twenty Sixth: Penalties and Legal Actions

Penalties stipulated under article (15) of the Law No. (106) of 2013 concerning combating money laundering and financing of terrorism shall be applied to any bank that violates these instructions.

**Amendments to the instructions issued to all local banks
No. (2/RP, RB/432/2019) on Anti-Money Laundering and Combating
the Financing of Terrorism**

• **First: Reformulated or amended words or phrases**

Page Number (From the instructions issued on 14/5/2019)	Statement (item/point/paragraph) Text according to the instructions previously issued on 14/5/2019	Amended statement (item/point/paragraph) Amended text
1	Second paragraph "... to conceal and disguise the illicit sources of their funds,..."	Second paragraph "... through which they endeavor for layering and concealing the illicit sources of their funds.."
1	Third paragraph "... To reinforce and clarify some of the requirements that the follow-up carried out by the Central Bank of Kuwait during the previous period revealed the need for them,..."	Third paragraph to enhance and clarify some of the requirements based on the CBK's recent monitoring..."
4	Item I.2/b/Second paragraph "... and the adjustments made as a result of the continuous follow-up to this list."	Item I.2/b/Point 2 "... amendments made by KFIU to this list as a result of the continued monitoring thereof."
5	Item I/3/Third paragraph "... Executing transactions across any of the other countries according to the level of risk associated with each of them."	Item I.3/c "... applied upon processing local transactions or transactions across any of the other countries, documents and information that shall be collected, and the procedures related to identifying the Beneficial Owner of the transaction, as per the level of risks associated with each of the countries
5	Item I/3/Fifth paragraph "... Associated risks (... Three years for low-risk clients)."	Item I.3/e "... Associated risks (...a maximum of three years for low-risk customers)."
6	Item II/1/Fourth paragraph "Follow due diligence..."	Item II.1/d " Apply the appropriate due diligence."
6	Item II/1/Fifth paragraph "... to apply the principle of "know your customer" as it entails..."	Item II.1/e to apply the principle of Know-Your-Customer ("KYC") and use a form designated for this purpose, which requires..."

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

P) Circular to all Local Banks, issued 16/2/2023 concerning Instructions No. (2/BS/IBS/507/2023) Concerning Anti-Money Laundering & Combating the Financing of Terrorism.

8	Item II.2 "The Bank's policy must be consistent with the size of the activity practiced and the nature and scope of the operations carried out by it."	Item II.2 "It must be taken into account that the policy adopted by the Bank is consistent with the size of the activity practiced and the nature and scope of the operations carried out by it, and work to update the policy continuously (and a maximum of once every two years) by reviewing it at periodic intervals to keep pace with any developments in the control efforts exerted in this regard."
9	Item III/1/Fourth paragraph "Steps to be followed in implementing the concept of 'Know Your Customer' taking into account the risks associated with customers,..."	Item III.1/d " Steps to be followed for application of "KYC" principle and using the designated form, taking into consideration the customers' associated risks,"
10	Item IV.1 "The identity of the customer and the actual beneficiary shall be identified and verified,"	Item IV / first paragraph "Banks shall identify and verify the identities of the customer and the Beneficial Owner upon dealing with them and shall understand the purpose of the dealing and its nature, and, if necessary, obtain supporting information,"
11	Item IV.1/a "Opening an account with the bank or establishing a business relationship, where personal attendance must be verified... on the provision of the service."	Item IV (a) "Opening an account with the bank or establishing a business relationship."
11	Item V.1 "Customer due diligence measures based on a risk-based methodology,"	Item V.1 " Due diligence measures towards customers, whether natural persons, legal persons and legal arrangements, based on the risk-based approach..."
11	Item V.1/a "Verifying the identity of the customer using documents, data or information from reliable and independent sources."	Item V.1/a " Verifying the customer's identity using documents or recognized tools from reliable and independent sources
12	Item V.1/b "Identification of the actual beneficiary and reasonable measures to verify his identity, ..."	Item V.1/b " Identifying the Beneficial Owner and taking reasonable measures so that the bank will be fully aware of and knows the actual beneficiary,"
12	Item V.1/c "Understand the purpose and nature of an employment relationship..."	Item V.1/c " Understand the purpose and nature of the business relationship ..."

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

P) Circular to all Local Banks, issued 16/2/2023 concerning Instructions No. (2/BS/IBS/507/2023) Concerning Anti-Money Laundering & Combating the Financing of Terrorism.

12	Item V.2 "Banks are prohibited from opening or keeping accounts for customers with fictitious, anonymous or numerical names only, and banks are prohibited from opening accounts for customers..."	Item V.2 " Banks may not open or keep anonymous accounts or accounts in fictitious names or only numeric names or maintain such accounts with them."
12	Item V.3 "Banks shall examine the identification documents, provided that they are valid, and obtain a copy appended with the signature of the competent officer as a copy identical to the submitted original that has been examined, according to the following..."	Item V.3 "Banks should review the legal documents proving the customer's identity and validity of such identity, and obtain a copy thereof. Such copy must be signed and acknowledged by the concerned officer as a true copy of the original, and approved by a higher authority, as follows."
12	Item V/3/a/first paragraph "Civil ID issued to citizens or non-citizens (residents)."	Item V.3/A/Point 1 " The Civil ID for citizens or non-citizens (residents), whether the actual Civil ID or the second level of Kuwait Mobile ID application."
13	Item V.3/A/Fourth paragraph "The official document issued authorizing the person on whose behalf he deals with the bank, subject to the authentication of the authenticity of the signature contained in the document submitted..."	Item V.3/a/Point 4 " Official document issued by the customer authorizing the person in dealing with the bank on his/her behalf, certifying the authenticity of the signature appearing on the authorization deed submitted."
13	Item V.3/b "For legal persons"	Item V.3/b " For Legal Persons or Legal Arrangements "
13	Item V/3/b/first paragraph "Fulfillment of the full name of the legal person, date of incorporation and address of the principal place of business..."	Item V.3/b/point 1 " Completing the full name of the legal person or legal arrangement, the date of incorporation, the headquarter business address..."
13	Item V/3/b/second paragraph "Documents proving the incorporation of the institution / company and that it is entitled to practice the activity under the documents issued by the concerned authorities."	Item V.3/b/Point 2 " Collecting the documentation evidencing incorporation of the legal person or legal arrangement, and ensuring that it is entitled to exercise business according to the documents issued by the concerned authorities, and completion of documents indicating the names of the management's personnel so that the bank can understand the equity and control structure."

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

P) Circular to all Local Banks, issued 16/2/2023 concerning Instructions No. (2/BS/IBS/507/2023) Concerning Anti-Money Laundering & Combating the Financing of Terrorism.

14	Item VI.1 "Necessary measures shall be taken to determine whether the customer is the actual beneficiary or acting on behalf of one or more other beneficial beneficiaries,"	Item VI.1 " The bank shall take the necessary measures to identify whether the customer (natural person) is the Beneficial Owner or acting on behalf of a Beneficial Owner or more."
14	Item VI.2 "If the bank determines that the customer is acting on behalf of one or more other actual beneficiaries,"	Item VI.2 " If the bank determines that a customer (natural person) is acting on behalf of another beneficiary or beneficiaries..."
15	Item VI.4/b "For legal arrangements, the identity of the administrator, trustee, beneficiary or any other person entrusted with such functions must be ascertained."	Item VI.5 " For legal arrangements, banks shall verify the identity of the person acting on behalf of the customer, the custodian, the beneficiary or any other person entrusted with these functions.."
20	Item XII/first paragraph "When opening accounts for customers, the bank must... The actual beneficiary of the requested account, Work to keep the documents, data and information collected under due diligence measures up to date on an ongoing basis, while verifying their validity by reviewing existing records at appropriate periodic intervals... Subject to the form that is used contains the items..."	Item XII/first paragraph "When opening accounts for customers, the bank must... The actual (real) beneficiary of the requested account, ... And work to keep the data and information that are updated on an ongoing basis, taking into account that this is done according to appropriate periodic intervals... represented in the following data as minimum..."
21	Item XII/point 11 "Inquire about the existence of accounts opened with other banks for the same customer, and name these banks."	Item XII/A/8 " Disclosing the accounts opened with other banks for the same customer and naming these banks."
21	Item XIII/second paragraph "The bank also has to... Obtaining supporting documents, if possible, provided that a written report is prepared explaining the reasons for the decision taken in this regard, whether to carry out the requested operation or notify the Kuwait Financial Intelligence Unit thereof in case of suspicion of the operation."	Regulation XIII.2 "The bank also has to... obtain the supporting documents, if available. A written report should be prepared explaining the reasons for the decision on whether to report the case to Kuwait Financial Investigation Unit (KFIU) in case of suspicion or not."

16- INSTRUCTIONS ISSUED BY THE CENTRAL BANK OF KUWAIT REGARDING ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT).

P) Circular to all Local Banks, issued 16/2/2023 concerning Instructions No. (2/BS/IBS/507/2023) Concerning Anti-Money Laundering & Combating the Financing of Terrorism.

22	Item XV.1/a "The Bank may immediately obtain from the party to be retained all the information required under the due diligence measures."	Item XV.1/a " The bank must immediately obtain all information required from the engaged party under due diligence measures."
24	Item XVII.1 "Banks shall, in respect of outward transfers, obtain complete and accurate information about the remittance orderer, the beneficiary and the relevant letters,"	Item XVII.1 " With regard to the outward external remittances, banks shall have full and accurate information about the transferor, the beneficiary and the related messages, the purpose of the transfer..."
26	Item XVII.9 "For domestic electronic transfers, banks shall apply the requirements of the IBAN under the IBAN Guidelines issued by the Central Bank of Kuwait, without complying with the requirements contained in paragraph (1) of this item when making such transfers."	Item XVII.9 "For domestic wire transfers, banks shall apply the IBAN requirements stated in the IBAN Manual issued by CBK, in addition to complying with the requirements provided for in paragraph (1), when conducting these transfers
26	Item XVIII/first paragraph "In order to assess and determine the magnitude of the risks of money laundering and terrorist financing that it may face if it provides new products and services..."	Item XVIII/first paragraph "Upon offering new products and services, the bank should conduct a written study for each product, whether an existing product being developed or a new practice offered by the bank, including usage of technology in offering previously existing services or new products to assess and identify ML/FT risks that may face the bank, before launching such services or products. the study should include appropriate measures for risk management, and curbs their impacts, and such study shall be maintained and submitted upon request."
33	Item XXV.5 "... In accordance with Law No. (106) of 2013 on Anti-Money Laundering and Combating the Financing of Terrorism, and its Executive Regulations, and these instructions."	Item XXV.5 "... obligations imposed on them by the law No. 106 of 2013 on combating money laundering and financing of terrorism and its executive regulations and by all instructions issued by the CBK in this regard."

• **Second: Amended items and paragraphs:**

- Item II/1/paragraph 15 of the instructions previously issued on 14/5/2019, related to the policy on combating money laundering and terrorist financing, and stating that "the accounts of the bank's employees shall be subject to control procedures to verify the absence of movement..."
- Item II/1/o "Commitment to the existence of procedures for monitoring and following up the accounts of the Bank's employees by the Anti-Money Laundering and Terrorism Financing Department, and whoever the Bank deems appropriate to assist by any of the other departments, to ensure the following:
 - There is no suspicion of money laundering or terrorist financing in transactions of bank employees' accounts.
 - There are no transactions between the accounts of the bank's employees and any of the bank's customers, except for the accounts linked to the employee's account, with which he acknowledges that he has a relationship, whether family, or other permitted and approved by the bank, after verifying and completing the supporting documents."
- Item III/1/fifth paragraph of the instructions previously issued on 14/5/2019, related to work procedures and systems of internal controls applied, and stipulated "the necessary procedures to understand the ownership of customers from legal persons or from legal arrangements.
- Replace with item III/1/e "the procedures to be followed in order to determine the actual and real beneficiary of persons (natural, legal and legal arrangements), and those required to be followed in order to understand the true ownership of the persons to be dealt with".
- Merging paragraphs (b) and (c) with item IV of the instructions previously issued on 14/5/2019, which relates to the requirements for customer identification, to become item IV/b "When providing any service or executing a transaction worth more than KD 3,000 or its equivalent in foreign currency (whether for a single transaction or for a number of related transactions), for customers who do not have an open account or an ongoing relationship with the bank, for example:
 1. Make a local or overseas electronic transfer
 2. Issuance of a bank cheque to be paid in cash.
 3. Issuance of a prepaid card for non-bank customers who have open **accounts**

- **Clause VI/4** of the instructions previously issued on 14/5/2019, "In the event that the customer is a legal person or a legal arrangement, banks shall take appropriate measures to understand the ownership and control structure of that customer, up to the final natural person who exercises control over him, and in the event of doubts as to whether this natural person is the one who controls or is responsible for managing the legal person, the bank shall take successive and gradual steps to reach the actual beneficiary. Real (followed according to a sequential approach, so that each step is followed in the event that the previous step is insufficient to reach the identification of the real actual beneficiary), as follows:
 - a. verify the identities of natural persons who possess controlling interests of over 25% of a legal person or legal arrangement (or both).
 - b. If the natural person, who practices control through the said equity stakes is not identified, any other available means shall be used to identify the natural persons practicing control over the management.
 - c. If the natural person is not identified by following the previous steps (a, b), the bank shall define the necessary procedures to reach the natural person(s), who hold senior management positions through which the management of the legal person or legal arrangement is controlled.
- Item Twenty-three of the instructions previously issued on 14/5/2019, becomes item twenty-three / 1 "... , with all the provisions of Resolution No. (35) of 2019 issued on 4/8/2019 by the Committee formed at the Ministry of Foreign Affairs (Committee for the Implementation of Security Council Resolutions issued under Chapter VII of the Charter of the United Nations on Combating Terrorism and Financing the Proliferation of Weapons of Mass Destruction) regarding the Regulation on the Implementation of Security Council Resolutions issued under Chapter VII of the Charter of the United Nations on Combating Terrorism and Financing the Proliferation of Weapons of Mass Destruction in the field of implementing the **requirements** of this resolution..."
- **Third: Items and paragraphs that have been added:**
 - Item III of the instructions previously issued on 14/5/2019, which relates to work procedures and internal control systems and controls applied, item (j) has been added " Procedures to be followed to monitor the bank staff's accounts by AML/CFT Department, and any other measures the bank deems appropriate for assisting other departments based on the responsibilities assigned to each department in this regard.."

- Item 12 of the instructions previously issued on 14/5/2019, item "A. For natural persons: 1- Full name, address, civil ID number, date of birth."
- Item XII/9 of the instructions previously issued on 14/5/2019, item "b. For legal persons: In addition to the above, the following information is completed: 1- Legal form and date of establishment. 2. The right to manage. 3- The nature and type of activity. 6- Clarifying the names of the main owners or shareholders who own (individually or collectively) 25% or more for joint stock companies. .
- Item XVII/9 of the instructions previously issued on 14/5/2019, a paragraph was added, "In this regard, paragraph (2) of item "twenty-three" related to counter-terrorism requirements must be complied with for transfers made via electronic messages (STP)".
- Item Twenty-one of the instructions previously issued on 14/5/2019, item (3) was added: "Within the scope of paragraph (2), the bank shall form a tripartite committee composed of members of the bank's senior management, concerned with taking decisions on reporting KFIU or not of suspicious cases. Committee members should include the AML/CFT Compliance Officer. All discussions regarding each suspected case, opinion of each member, and the final measure taken, shall be recorded, documented and submitted upon request"
- Item Twenty-Three / Second Paragraph of the instructions previously issued on 14/5/2019, paragraph "B. Freezing all funds and assets owned ... As well as those included in accordance with the resolutions issued by the Committee for the Implementation of Security Council Resolutions formed at the Ministry of Foreign Affairs on the basis of resolution No. 1373/2001 immediately after the issuance of those resolutions, whether they are ..."

THE GOVERNOR

*Thulhija 29, 1444 H
July 17, 2023*

The Chairman,

“Circular to all Local Banks, Financing Companies and Exchange Companies”

Virtual-Assets Transactions Procedures

Within the scope of enhancing efforts to combat money laundering and financing of terrorism (AML/CFT) and the outcome of the study prepared by the National Committee for AML/CFT regarding the commitment required in the field of applying Recommendation (15) regarding the international standards issued by the Financial Action Task Force (FATF) related to dealing with virtual assets, which are defined as assets that have a digital representation of their value, which may be traded or digitally converted. They may also be used for payment or investment purposes, as Recommendation (15) requires that virtual assets be considered as: “property,” “proceeds,” “funds,” “funds or other assets,” or other “corresponding value”, noting that virtual assets do not include digital representations of fiat currencies, securities and other financial assets that were addressed in another part of the Financial Action Task Force (FATF) recommendations. In this context, we affirm the commitment to the following:

- Strict prohibition of using Virtual Assets as **a payment instrument/means** or recognizing them as a decentralized currency in the State of Kuwait. Therefore, you are required to refrain from conducting transactions whereby virtual currency is used as a payment instrument/means within the scope of this prohibition.
- It is prohibited to deal with virtual assets as **a means of investment**, thus it is necessary to refrain from providing this type of services to any customer.
- No natural or legal person in the State of Kuwait will be issued or granted a license to provide virtual asset services as a commercial work, whether for himself or on behalf of others (noting that no licenses have been previously issued in this regard).
- Securities regulated by the Central Bank of Kuwait and all other securities and financial instruments regulated by the Capital Markets Authority are excluded from this prohibition.
- Absolute prohibition of all virtual asset/currency mining activities.

In addition to the above, you are also required to constantly keep your customers aware of the risks that may result from dealing in virtual assets (which are carried out through customers transactions undertaken outside the State of Kuwait), especially cryptocurrencies, because they do not carry a legal status and are not issued or supported by any government. They are also not linked to any asset or issuer, and that the prices of those assets are always driven by speculation that exposes them to a sharp decline.

The measures and penalties stipulated in Article (15) of the Anti-Money Laundering and Financing of Terrorism Law No. (106) of 2013 shall be imposed on anyone who violates this circular, without prejudice to the penalties stipulated by each supervisory authority.

With best regards,

The Governor
Basel A. Al-Haroon