

## **16- COMBAT OF MONEY LAUNDERING AND TERROR FINANCING TRANSACTIONS**

- A) Instructions issued by Central Bank of Kuwait concerning money laundering and terror financing transactions.
- B) Circular concerning the establishment of the Kuwait Financial Intelligence Unit headed by the Governor of the Central Bank of Kuwait.
- C) Circular requiring banks to verify the identity of the persons who make deposit transactions in customers accounts with banks.
- D) Circular No.(2/BS, IBS/165/2004) on commencing the commissioning of the online system for daily transmission of cash transactions data.
- E) Circular dated 19/10/2004 regarding the unification of the form of replying to Central Bank's circulars concerning the freezing of the assets and funds of some entities and individuals.
- F) Circular No.(2/BS, IBS/188/2006) regarding the amendment of Item No. (10) of Central Bank of Kuwait Instructions issued to local banks with regard to combating money laundering and terror financing transactions.

***Instructions No. (2/IBS/103/2003)  
to Islamic Banks Concerning the combat of  
money Launderin and terror financing transactions***

***Introduction***

Money laundering and terror financing transactions are considered a major source of worrying concern for respective international institutions<sup>(\*)</sup>, and for all countries of the world. This is because such transactions have damaging effects on economic, social and political aspects- the issue that has driven the international community to exert huge efforts that aim at curbing such transactions and their effects. The outcome of these efforts has been the adoption of a set of criteria and recommendations. Moreover, the respective international institutions follow-up the efforts of various countries in this respect, so as to verify their compliance with these recommendations and criteria, and then take actions against non-compliant countries .

Banking and financial institutions are the most targeted areas for money laundering parties and terrorists, for the purpose of concealing their identities and the sources of their funds. Therefore, all units subject to Central Bank of Kuwait supervision must be aware of the risks associated with money laundering and terror financing transactions, and must take all necessary actions ensuring that such units are not misused in executing such transactions, while fully complying with relevant local and international requirements, so as to avoid any negative impacts on the State of Kuwait, on the one hand, and on Kuwaiti banking and financial institutions, on the other.

In the light of the above, and based on Law No. (32) of the year 1968 concerning Currency, Central Bank of Kuwait & the Organization of the Banking Business, Law No. (35) of the year 2002 concerning the Combat of Money Laundering, relevant ministerial resolutions and international resolutions regarding the combat of terror financing transactions, all banks operating in the State of Kuwait must comply with the following :

- 1) Financial institutions should not open or maintain anonymous accounts or accounts in fictitious names. Accounts within this context mean all types of accounts offered by banks , such as current accounts, savings accounts, trust accounts, deposits accounts of all types, investment and financial portfolio accounts and other types of accounts.

<sup>(\*)</sup> Such as the IMF, World Bank, Basel Committee and (FATF).

- 2) Each Bank should have a written policy approved by its board of directors, incorporating the minimum information and data to be obtained before approving the opening of accounts for customers, including the customer's identity, profession or business and sources of his income, the purpose of opening the account and other information.
- 3) Banks may not open any of the accounts mentioned in Item (1) above except after obtaining copies of the official documents proving the identity of the customer, as follows:
  - Valid Civil ID for Kuwaiti and non-Kuwaiti individuals residing in the State of Kuwait .
  - Valid passport for non-Kuwaiti individuals not residing in Kuwait.
  - Valid licence issued by Ministry of Commerce & Industry, in case of sole proprietorships, in addition to the valid civil ID of the owner.
  - Valid memorandum and articles of association authenticated by competent authorities in the State of Kuwait, in case of all types of companies.
  - Supporting documents certified by competent Kuwaiti authorities, in case of non-resident institutions and companies.

In case of customers not specifically mentioned above, banks must obtain the official identity documents certified by official competent authorities that issue such documents.

- 4) In case of casual customers, who do not have existing accounts or relations with banks and who apply for a certain service or for any deal or transaction with banks (such as foreign exchange, foreign transfer, lease of safe deposit locker or any other service), banks must obtain, before carrying out such transactions or services, the official identity documents mentioned in Item (3) of these instructions. Banks will have to abstain from carrying out a transaction if a copy of the customer's identity document is not obtained.
- 5) Banks should ensure the following in relation to all types of new and existing accounts:
  - For individual customer, the bank must obtain a declaration from the customer at the time of opening the account, stating that the customer is the beneficiary of the account opened in his name.

- In case the customer opens an account on behalf of another party, the bank must obtain the documents evidencing the nature and scope of the legal representation. This rule applies to accounts opened by lawyers or law firms on behalf of their customers, where banks must obtain the names of customers who are the beneficiaries of such accounts, supported by necessary legal documents.
  - In case of legal persons, the bank must verify the existence of the institution / company, its head office and the names of its authorized directors. The bank must also ensure that the persons representing the company have a legal authorization under valid official documents, and must check the identity of those authorized persons.
  - In case of companies managing and / or keeping in custody third parties funds, the bank must take necessary actions to ensure that such companies are licensed to practice such business and that they are legally committed to verify the identities and activities of the customers they manage their funds or keep them in custody .
  - In case of suspicion that the customer is not operating the account for his own interest but on behalf of another person or party, and the customer does not respond to the request of the bank for providing it with legal documents which unveil the real beneficiary of that account, the bank must immediately close the account, while taking into account any legal commitments or procedures to be fulfilled by the bank.
- 6) Banks must periodically update the basic data on the customers and their activities, so as to identify any drastic changes that may occur in such data. It is also important that banks check the soundness of the data submitted by their customers, using the means banks deem appropriate. Banks must also have a written policy approved by their boards of directors as regards the mechanisms of data updating and checking.
- 7) Banks must maintain, for at least five years from the date of concluding the transaction, necessary records containing all documents on their transactions, both domestic and international, including copies of the identity documents of their customers and the documents supporting the transactions and correspondence. These records must also include all the basic information of the transactions, such as the amounts, types of currencies, related parties and type and purpose of the transaction.

As regards accounts, deals or contracts of all types, which have been closed, finalized or matured, banks must maintain the records therefore for five years from the date of their closure, maturity or finalization.

- 8) Sufficient attention must be paid in order to identify the risks involved in the use of advanced technological methods for money laundering and terror financing transactions, especially in concealing the concerned person's identity or the source of funds. Banks must also take the appropriate actions when the need arises to prevent utilization of such methods. In this respect, banks must comply with the following :
- For internal and foreign electronic transfers, the transfer documents must include the name of the transferring person or entity and the number of his / its account (in case of transfer from an account), or the identity card number (in case transfer is not made from an account), the amount of the transfer, name and address of the beneficiary person or entity and the number of his/its account (in case of transfer from an account). In case such data is not available, banks must abstain from carrying out the requested transfer.
  - For online or Internet transactions, these instructions must be observed, particularly in terms of the availability of customers identity and basic data .
- 9) When banks are executing transactions for their account or for the account of their customers through correspondents in other countries, such deals must be conducted only through correspondents licensed to execute such transactions from the official competent authorities in the countries where such correspondents operate.
- 10) Banks must pay special and exceptional attention to all complex and unusual large transactions, and to all unusual patterns of transactions which have no apparent economic or lawful purposes and objectives, or which are inconsistent with the customer's nature of business, or raise doubts on their essential nature, objectives or the source of their funds. We also particularly refer to the large or repeated sums of cash money which owners try to exchange, or internal and foreign transfers of large or repeated amounts.

In such cases, the banks must keep aside the amount of the transfer in an intermediate account for a period not exceeding two working days during which the bank must investigate the case and collect the data on the suspicious transaction and the parties having relation to the transaction, and must record the outcome in writing.

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

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

In all cases, the bank must prepare a report including all the details of the transaction and the bases on which the bank relied in passing the transaction or referring it to the Public Prosecution, while taking into account that the bank will be fully responsible for its decisions and their consequences, which may make the bank accountable before the competent authorities in case the bank is found to be negligent in taking the appropriate actions for ensuring the integrity of the subject transaction <sup>(1)</sup>.

- 11) In relation to Item (10) above, if the bank has doubts over the transactions, accounts, or activities of a particular customer, and such doubts require the bank to investigate the seriousness of such doubts and to provide the documents or evidences which support such doubts, while the customer shall not be informed of the investigation conducted by the bank until its completed, then the bank officers and employees must not alarm that customer and its related parties as to the steps taken by the bank.
- 12) The procedures set out in items (10) and (11) above shall apply to all transactions suspected to be involving money laundering or finance of terror, regardless of the size of the funds associated with the transaction.
- 13) Banks are required to effectively co-ordinate among themselves in relation to suspicious transactions received by any of them, and as to the manner of alarming other banks of these cases and of the parties involved therein. In this respect, banks must meet immediately upon receiving these instructions in order to arrange for the required co-ordination.
- 14) In order to enhance internal control systems, banks must comply with the following :
  - Banks must draw-up clear and accurate policies and procedures approved by the board of directors, incorporating the bank's policy in respect of money laundering and terror financing transactions, consistently with local legislations, relevant

(1) Item (10) was amended pursuant to circular No.(2/BS,IBS/188/2006) issued on 10/4/2006.

ministerial resolutions and Central Bank of Kuwait instructions in this regard. Banks must also clearly define such transactions, their various types and the manner of detecting and tracing them, and must initiate the minimum procedures that respective staff must take upon discovering any cases suspected to be one of the above-mentioned transactions.

- The external auditors report on the bank's internal control systems must contain a clear opinion on the extent of the bank's compliance with local laws, ministerial resolutions and Central Bank of Kuwait instructions concerning the combat of money laundering and terror financing transactions , as well as the bank's extent of compliance with its own policies and controls.
  - Banks must check on new applicants for jobs, so as to ensure that no suspicious applicant is recruited, as his recruitment may expose the bank to the risk of money laundering and terror financing transactions .
  - Banks must take necessary Legal actions and must impose appropriate penalties on any staff member, including the Chief Executive Officer, his deputies and assistants, as well the Chairman of the Board and the Board Members, who is proved to have committed negligence in performing his duties in relation to implementing the bank's policies and procedures relevant to the combat of money laundering and terror financing transactions. The bank must also notify Central Bank of Kuwait of the details of the incident attributed to the respective staff member or Board Member, and of the outcome of the bank's actions in this regard.
- 15) Each bank operating in the State of Kuwait must establish an independent and full-time engaged unit / department directly reporting to the Chairman and staffed with employees highly qualified and experienced in the fields of combating money laundering and terror financing transactions. The primary function of this unit / department will be to check the extent of the bank's compliance with Laws, ministerial resolutions, regulatory instructions and bank's own policies, controls and procedures concerning the combat of money laundering and terror financing transactions.
- 16) The bank must develop policies and training programs on the combat of money laundering and terror financing transactions, to include the following as a minimum :
- The Chairman and the Board Member must be fully aware of the risks of money laundering and terror financing transaction, and must adopt the policies, controls and procedures that ensure avoiding the abuse of the bank for conducting such transaction.

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**16- COMBAT OF MONEY LAUNDERING AND TERROR FINANCING TRANSACTIONS**

A) Instructions issued by Central Bank of Kuwait concerning money laundering and terror financing transactions.

- The unit / department referred to under Item (15) above must submit periodic reports to the Board of Directors reflecting the extent of the bank's compliance with domestic and international requirements in the area of money laundering and terror financing transactions, in addition to a statement on all suspicious cases that have been detected, their consequences, developments and the actions taken in connection therewith, so that the Board would follow-up such cases and take necessary actions.
  - Newly recruited respective bank staff must join training courses so as to get familiar with all matters associated with money laundering and terror financing transactions , as well as with the methods of combating such transactions.
  - Ongoing and periodic training programs must be provided, in order to educate the respective staff members on all developments in the areas of money laundering and terror financing transactions, and the methods of combating such transactions, so as to enhance staff abilities and competence in identifying, tracing and confronting them such transactions.
  - All banks officers and employee, including the Chief Executive Officer, his deputies and assistants and department managers should be informed of all domestic and international requirements on the combat of money laundering and terror financing transactions, including domestic legislations, regulatory instructions and penalties associated therewith. They must also be informed on the actions to be taken in case of detecting any transaction suspected to involve money laundering or finance of terror.
  - Banks are required to use the attached guidelines directory, as a minimum, for detecting patterns of money laundering and terror financing transactions, and for developing the precautionary actions for combating such transactions. The bank must have its own methods for detecting patterns of such transactions, taking into account the size of the bank's activity and the diversity of its products and services. Such methods should be periodically updated.
- 17) While taking into account the rules of article (14) of Law No. (35) of the year 2002 concerning the combat of money laundering transactions, which provides for pardoning the natural persons who inform of suspicious transactions in good faith, the Central Bank confirms that no action whatsoever may be taken against bank staff members who inform the respective authority of such transactions in good faith, even if its find out later that the subject transaction is sound.

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**16- COMBAT OF MONEY LAUNDERING AND TERROR FINANCING TRANSACTIONS**

A) Instructions issued by Central Bank of Kuwait concerning money laundering and terror financing transactions.



- 18) All banks should require all their branches and subsidiaries operating outside the country to implement these instructions, and should ensure such implementation, particularly if such branches and companies operate in the countries which do not adhere to these instructions. Banks are also required to ensure, through the means they deem appropriate, such branches and companies compliance with these instructions.

Within the same context, special and exceptional attention must be paid to any transaction with any person or party from the above mentioned countries, so as to ensure the soundness of such transaction. Banks must draw up written policies approved by the boards on the manner of dealing with persons and parties from the said countries, and on the additional precautionary actions that must be implemented in this regard.

- 19) The rules of these instructions apply to the Chairman of the Board and to Board Members, as well as to all bank staff of various levels.
- 20) Banks must provide Central Bank of Kuwait with a statement on all cash transaction equivalent to or exceeding KD 3,000/-, whether the transactions have been executed in KD or in a foreign currency, using the attached form. Needless to say that a cash transaction means any transaction involving the receipt of cash funds by the bank.

Such transactions conducted by domestic official authorities are exempted from reporting. Banks may also apply to Central Bank of Kuwait requesting its approval for exempting any other party from reporting its transaction, provided that the reasons and justifications of the required exemption are submitted to Central Bank of Kuwait in writing. Such an exemption shall not be valid unless the respective bank obtains Central Bank of Kuwait's approval in writing.

The attached statement form must be supplied to Central Bank of Kuwait on a quarterly basis, not later than 15 days from the date taken as a basis for preparing the statement .

The subject statement must be submitted on the bank's official letter-head signed by the Chief Executive Officer and supported by a floppy disk including the said statement .

- 21) All banks must pay adequate care and attention to ensure the absence of any suspicious over cash transactions, whether those equivalent to or exceeding KD 3,000 or those less than that limit. It goes without saying that banks must ascertain the absence of any suspicion regarding those transactions, particularly if it is found out that such transactions are inconsistent with the customer's activity and the size of his previous transactions, or if such transactions are repeated during close periods.
- 22) Banks must provide Central Bank of Kuwait, within three months from the effective date of these instructions, with copy of their policies approved by their board on combating money laundering and terror financing transactions, particularly the policies referred to under items (2) , (6) and (13) of these instructions. Banks must also provide Central Bank of Kuwait with any amendments to those policies immediately upon introducing such amendments.
- 23) These instructions shall be in force from the date of notification.

## **DIRECTORY GUIDE ON PATTERNS OF SUSPICIOUS TRANSACTIONS**

### **First: Money laundering through cash transactions:**

- 1) Unusually huge cash deposits from individuals or companies of activities normally generated through cheques and other instruments.
- 2) Substantial increases in cash deposits of any individual or companies without apparent reasons, particularly if such deposits are transferred from the account shortly after their deposit to a destination not normally associated with that customer's business.
- 3) Customers making cash deposits by using many deposit slips, so that each deposit will be separate and unnoticeable, or attracting no attention, but their total constitutes big sum of money.
- 4) Companies accounts whose deposit/withdrawal transactions are mainly in cash rather than other forms of credit and debit transactions normally associated with trading business (such as: cheques, L/C's, promissory notes, bills of exchange) etc.
- 5) Customers continuously depositing cash funds to cover requests for bank drafts, money transfers or negotiable and marketable instruments.
- 6) Customers requesting the exchange of large quantities of low denomination notes for those of higher denomination.
- 7) Frequent transfer of cash amounts from one currency to another, where the nature of the customer's business does not require such transactions.
- 8) Branches with cash transactions exceeding the normal level, while the head office statistics show a recession in cash transactions.
- 9) Customers whose cash deposits include forged currency notes and documents.
- 10) Customers transfer large amounts to or from abroad under instructions for cash payments.
- 11) Large cash deposits through automated teller machines (ATMs) in order to avoid direct communication with bank staff or officers.

**Second: Money laundering through banking accounts:**

- 1) Customers maintaining numerous ordinary accounts or trust accounts, which do not seem to be in harmony with their business activities.
- 2) Customers maintaining numerous accounts in each of which they deposit cash amounts, with the total credits being a large amount.
- 3) Individuals or companies whose accounts do not show practical normal banking activities or economic activities which require banking services, but are used to deposit or disburse large sums which have no obvious specific purpose or relationship to the account holder and/or his activities or business.
- 4) Reluctance to provide normal information when opening the account, by providing minimum or fictitious information, or information which the bank can not verify at the time of opening the account, or the relevant investigation procedures are very expensive.
- 5) Customers having accounts with several banks in the same locality/region.
- 6) Cash settlement of foreign payments (payment orders, transfers) by debit to customer's balances on the same day or the preceding day.
- 7) Deposit of cheques for large amounts issued by third parties and endorsed in the customer's favour.
- 8) Big cash withdrawals from an account which used to be dormant account, or from an account to which large amounts have been credited unexpectedly from abroad.
- 9) Excessive use of ATMs in a certain account and sudden increase of movement in such accounts.
- 10) Avoidance by the companies representatives of the contact with the officers of the bank.
- 11) Substantial increases in deposits of cash or negotiable instruments by firms and companies, using their customers accounts or trust accounts, especially if the deposits are directly transferred from the accounts they are deposited in, to other accounts.

- 12) The customer's insufficient use of credit balances of his accounts or the available banking services in order to attain a benefit for himself (such as avoiding the high commissions or high margins on large financing transactions despite the availability of credit balances for the customer).
- 13) Large number of individuals making payments into the same account, without specific explanations or clarifications.

**Third: Money laundering through financial transactions related to investment activities:**

- 1) Purchase of securities and keeping them in the (**Safe Custody**) of the bank at the time when it does not seem to be consistent with the customer's apparent position.
- 2) Financing transactions/Loans against back to (**Back Deposits**) with subsidiaries or affiliates of overseas financial institutions in areas known for drug trafficking.
- 3) Requests by customers/portfolios managers to purchase or sell investment services or instruments (whether FCs or securities), where the source of funds is not identified, or the sources of the funds are not commensurate with the customer's known activity.
- 4) Big cash settlements in respect of selling and buying of securities.
- 5) Purchasing and selling transactions of securities with no specific objectives, or in abnormal circumstances.

**Forth: Money laundering through international activities executed abroad:**

- 1) Introduction of a customer from foreign institutions situated in a country which is known for production or marketing of drugs.
- 2) Use of letters of credit and other methods of trade finance to move money between countries, whilst the purpose of the L/C's does not relate to the customer's usual business.
- 3) Customers pay/receive large amounts regularly, through cash payment or through fax or telex transfers, which legitimacy is difficult to identify, and which relate to countries associated with the production or marketing of drugs, or related to terrorist organizations, or tax haven countries.

- 4) Building up of large balances inconsistent with the known turnover of the customer's business, and subsequent transfer to account(s) held overseas by others.
- 5) Outward and inward transfer transactions to the customer without passing through any of his accounts with the bank.
- 6) Frequent and regular request for traveller cheques or demand (**Drafts**) in foreign currencies.
- 7) Frequent and regular deposit of traveller cheques or demand (**Drafts**) in foreign currency, to the customer's account.

**Fifth: Money laundering which involves staff & agents of financial institutions:**

- 1) Changes in the characteristics of staff and their distinctive features (such as: the change of the standard of their living toward lavish spending, or avoidance to enjoy vacations or holidays).
- 2) Sudden changes in business of staff or performance of the agents (such as: the expansion of the agent's business noticeably or unexpectedly).
- 3) Dealings with an agent in which the identity of the ultimate beneficiary or the counter-party is not identified, contrary to common practices in such a business.

**Sixth: Money laundering through secured and insecured lending:**

- 1) Customers unexpectedly repay loans which were in the past the subject of complicated problems.
- 2) Borrowing applications against assets retained another financial institutions or a third party, with unexplained source thereof, or such assets being inconsistent with the customer's known position.
- 3) Applications submitted by the customers on behalf of their financial institutions to arrange for the finance of business deals in which the customer's financial participation is unclear or unspecified, particularly if real-estates or private properties are included within the deal.

**Seventh: Money Laundering Through Electronic Means of Payment :**

Repeated withdrawal of large cash amounts through the use of plastic cards (such as credit cards), despite the cash withdrawal high fees, and settlement of existing obligations in cash.

**Central Bank of Kuwait  
Supervision Sector**

**Statement of Cash Transactions equivalent to or Exceeding KD 3,000  
For the Quarter Ending on \_\_\_\_\_**

**Bank's Name :** \_\_\_\_\_

Serial No.	Customer's Name (1)	Nationality (2)	Personal ID No. (3)	Type of Personal ID (4)	Type of The Transaction (5)	Type of The Currency Purchased (6)	Amount of Transaction in KD (7)	Type of Counter Currency (8)
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								

- 1- Data for columns (1), (2), (3) and (4) is to be completed according to Item (3) of this instructions.
- 2- Column(5) : Purpose of transaction, whether a deposit, cable transfer, foreign exchange, purchase of travellers cheques, cash repayment of existing liabilities to the bank, or any other type of transactions.
- 3- Column (7): The amount of the cash transaction in KD is to be reported in column (7) based on the average rate of exchange announced by Central Bank of Kuwait.
- 4- The code (-) shall be reported in column (8) if there is no counter currency.

**DEPUTY GOVERNOR**

*Jumada Al-Aula 20, 1424 H  
July 20, 2003*

**THE CHAIRMAN,**

**CIRCULAR TO ALL LOCAL BANKS,  
INVESTMENT COMPANIES AND EXCHANGE COMPANIES**

Within the framework of the State of Kuwait's compliance with all criteria and recommendations issued by the international bodies concerned with combating money laundering transactions, including Financial Action Task Force (FATF), and based on Law No. (35) of the year 2002 regarding the Combat of Money Laundering Transactions, as well as the relevant ministerial resolutions passed in this regards.

We would like to advise you that the Central Bank of Kuwait passed on 23/6/2003 a resolution on the establishment of the Kuwait Financial Intelligence Unit headed by the Governor of the Central Bank of Kuwait. This unit will be in charge of receiving the notifications from the Public Prosecution on the money laundering transactions, for its review and technical opinion, consistently with the rules of law No. (35) of the year 2002 concerning the Combat of Money Laundering Transactions, and the ministerial resolutions passed in relation to its execution.

With my best wishes,

**DR. NABEEL AHMED AL MANAEI**



**DEPUTY GOVERNOR**

*Thu Alqi'da 1, 1424 H  
December 24, 2003*

**THE CHAIRMAN,**

**CIRCULAR TO ALL LOCAL BANKS**

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 bank do not verify the identity of the persons who make deposit transactions in customers accounts, kindly 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 thereof must be mentioned on the deposit slip. As for joint accounts and all forms 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,

**DR. NABEEL AHMED AL MANAEI**

**Executive Director**

*Rabi Al-Akhir 26, 1425 H  
June 14, 2004*

**THE GENERAL MANAGER,**

**CIRCULAR NO. (2/BS, IBS/165/2004)  
TO ALL LOCAL BANKS**

Further to Central Bank of Kuwait's circular No.(2/BS/165/2002) issued to local banks on 22/10/2002, and circular No.(2/IBS/103/2003) regarding Islamic Banks and relevant to combating money laundering and terror financing transactions.

I would like to specifically refer to Item No. (20) of the said circulars, by which the Central Bank requested local banks to supply it with a statement including all cash transactions equivalent to or exceeding KD 3000, whether the transaction is conducted in KD or in foreign currency, using the form attached to the subject circulars.

Taking into account the online system for electronically receiving those data, and which was tested with local banks during the period 30/9/2003 – 31/3/2004 pursuant to Central Bank of Kuwait circular of 27/8/2003, we would like to notify you as follows :

- 1) Discontinue supplying the statement of cash transactions with effect from the third quarter of the current year.
- 2) With effect from 1/7/2004, the cash transactions statement shall be supplied electronically (CSV File) on a daily basis.

As regards foreign currency transfers monitoring system, established according to our circular of 12/5/2002, and since the transfers notified to us do not include minimum limits for the amounts, it has been decided that, with effect from 1/7/2004, notification shall be limited to the amounts equivalent to or exceeding KD 3000 or its equivalent in foreign currency, on a daily basis.

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**16- COMBAT OF MONEY LAUNDERING AND TERROR FINANCING TRANSACTIONS**

D) Circular No.(2/BS, IBS/165/2004) on commencing the commissioning of the online system for daily transmission of cash transactions data.

In case you have any inquiries on the above, kindly do not hesitate to instruct your respective officers to directly contact the Head of Coordination & Information System Supervision Unit on Tel No. 2409738 or 814444 Ext: (2722).

Best Regards,

**Ibrahim A. Al-Qadhi**  
**Executive Director of the Supervision Sector**

**GOVERNOR**

*Ramadhan 5, 1425 H  
October 19, 2004*

**THE CHAIRMAN,**

**CIRCULAR TO ALL LOCAL BANKS,  
INVESTMENT COMPANIES & EXCHANGE COMPANIES**

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

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

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

With my best wishes,

**SALEM ABDUL AZIZ AL-SABAH**

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**16- COMBAT OF MONEY LAUNDERING AND TERROR FINANCING TRANSACTIONS**

- E) Circular dated 19/10/2004 regarding the unification of the form of replying to Central Bank's circulars concerning the freezing of the assets and funds of some entities and individuals.

**Executive Director of the Supervision Sector  
Central Bank of Kuwait**

Dear Sir,

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

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

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

Best Regards,

**General Manager**

\* Copy of the Identity documentation.

**Executive Director of the Supervision Sector  
Central Bank of Kuwait**

Dear Sir,

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

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

Best Regards,

**General Manager**

**GOVERNOR**

*Rabi Al-Awal 12, 1427 H  
April 10, 2006*

**THE CHAIRMAN,**

**CIRCULAR TO ALL LOCAL BANKS  
NO. (2/BS, IBS/188/2006)**

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

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

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

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

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

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**16- COMBAT OF MONEY LAUNDERING AND TERROR FINANCING TRANSACTIONS**

F) Circular No.(2/BS, IBS/188/2006) regarding the amendment of Item No. (10) of CBK Instructions issued to local banks with regard to combating money laundering and terror financing transactions.



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

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

With my best wishes,

**SALEM ABDUL AZIZ AL-SABAH**