

CHAPTER FOUR
INSTRUCTIONS ON ANTI-MONEY LAUNDERING
AND COMBATING THE FINANCING OF TERRORISM (AML/CFT)

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INSTRUCTIONS ON ANTI-MONEY LAUNDERING AND COMBATING
THE FINANCING OF TERRORISM (AML/CFT)

Subject	Date of Last Instructions
(1) Instructions (2/ES/310/2013) concerning Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT).	23/7/2013
(2) Circular to all Local Banks, Financing Companies and Exchange Companies attaching a copy of the Ministerial Resolution No. (5) of 2014 Concerning the Executive Bylaws for Implementation of Security Council Resolutions Issued Virtue of Chapter VII of the United Nations Charter Concerning Terrorism and Financing of Terrorism.	21/8/2014
(3) 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 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.	21/9/2014
(4) Circular to all Local Banks, Financing Companies, and Exchange Companies on the Forms designated for reporting suspicious Transactions to the KFIU, the Guidelines for filling out the Form, and the paper listing Indicators to help detect suspicious Transactions.	23/9/2014
(5) Circular to all Local Banks, Financing Companies and Exchange Companies concerning the Kuwait Financial Intelligence Unit's posting of all its circulars on its website.	8/2/2015
(6) Circular to all Local Banks, Financing Companies and Exchange Companies concerning the Foreign Ministry 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 designating an email address for all official correspondence.	9/4/2015
(7) 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.	4/10/2015

Subject	Date of Last Instructions
(8) Circular to all Local Banks, Financing Companies and Exchange Companies correcting a typographical error in the address of the Kuwait Financial Intelligence Unit (KFIU) webpage as in the circular dated 4/10/2015.	26/10/2015
(9) Circular to all Local Banks, Financing Companies and Exchange Companies accompanying the Resolution No. (35) of 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, replacing the Resolution No. (5) issued on April 08, 2014.	28/8/2019
(10) Circular to all Local Banks, Financing Companies and Exchange Companies issued 28/10/2019 attaching the mechanism to be followed for follow up on resolutions issued by sanctions committees in line with provisions of resolutions, issued as No (35) of 2019 on the executive bylaws for implementation of UNSC resolutions pursuant to Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD)	28/10/2019
(11) Instructions No. (2/ES/457/2020) concerning AML/CFT requirements.	9/6/2020
(12) Circular to all exchange companies dated 9/11/2020 concerning Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) due to the confusion over the interpretation of item (20/4).	9/11/2020
(13) Circular No. (2/ES/491/2021) to all Exchange Companies concerning the Protection of Rights of Exchange Companies' Customers', in particular Remittance Transactions issued to those Customers.	29/12/2021
(14) Instructions No. (2/ES/507/2023) Concerning Anti-Money Laundering & Combating the Financing of Terrorism	16/2/2023
(15) Circular to all Local Banks, Financing Companies and Exchange Companies" issued 17/7/2023 concerning Virtual-Assets Transactions Procedures.	17/7/2023

The Governor

*Ramadhan 14, 1434 H
July 23, 2013*

The Company's General Manager,

Circular to all Exchange Companies

In light of the issuance of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Law No. (106) of 2013 and its Executive Bylaws, the Board of Directors of the Central Bank of Kuwait (CBK) had in its meeting convened 23/7/2013 and approved the attached instructions (2/ES/310/2013) concerning combatting money laundering and the financing of terrorism, which are effective as of 18/8/2013, thereby replacing instructions (2/ES/95/2003) dated 9/3/2003 concerning combatting money laundering and financing of terrorism transactions and their amendments⁽¹⁾.

Great and sufficient care shall be taken to observe all that is included in the attached instructions, and most particularly the following:

- Ensuring that the company's higher management approves the required and suitable policies and measures in the area of combatting money laundering and the financing of terrorism in line with the requirements indicated in AML/CFT Law and its Executive Bylaws, as well as relevant ministerial decisions and instructions.
- Conducting the necessary studies to assess risks connected to money laundering and financing of terrorism and indicating factors that increase the risk level involved in a business relationship with the customer or in certain transactions, which would require enhanced due diligence measures.
- Sufficient care shall be given to the training of executive and supervisory management and general staff to ensure sufficient comprehension and knowledge concerning the requirements of the AML/CFT Law and its Executive Bylaws as well as relevant ministerial decisions and instructions, while also taking care to entrust specialized bodies with the training programs.

With my best wishes,

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

⁽¹⁾ These instructions have been revised by virtue of the circular dated 09/06/2020 to all exchange companies accompanying the instructions No. (2/ES/457/2020) regarding Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) included under Item (11) of this Chapter.

1- **Instructions (2/ES/310/2013) regarding Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT).**

**Instructions (No. 2/ES/310/2013)
Concerning Anti-Money Laundering and Financing of Terrorism Law⁽¹⁾**

Introduction

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

Combating Money laundering and Financing of Terrorism is an international requirement and the international community calls upon all countries to fulfill and ward off their devastating effects not only on economic but also social and political aspects. To urge countries to exert more efforts and to enhance and ingrain the required controls, the Financial Activity Task Force “FATF” has recently issued amendments to the international standards on combating money laundering and the financing of terrorism to curb the development of associated crimes and to stress compliance with all UN conventions on combating the financing of terrorism and fighting corruption to curb their repercussions for institutions, persons, and organizations in any country.

Within this context, the State of Kuwait had always tried to adopt policies and procedures to ensure serious and continuous efforts to counter the crimes connected with money laundering, financing of terrorism, and corruption through laws, ministerial decisions, and instructions issued in this regard. Accordingly, the Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) Law No. (106) of 2013 and its Executive Bylaws were issued.

Through CBK efforts to counter these crimes, and out of its commitment to its mandate of protecting the banking and financial systems against risks of exposure to such crimes, and in line with continuous monitoring of efforts toward off this phenomenon and its negative impact and serious repercussions for the reputation of the banking and financial system, and since financial institutions are top targets for those engaged in money laundering and financing of terrorism, and towards implementation of provisions of Anti-Money Laundering and Combatting the

⁽¹⁾ These instructions have been revised by virtue of the circular dated 09/06/2020 to all exchange companies accompanying the instructions No. (2/ES/457/2020) regarding Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) included under Item (11) of this Chapter.

1- **Instructions (2/ES/310/2013) regarding Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT).**

Financing of Terrorism (AML/CFT) Law No. (106) of 2013 and its Executive Bylaws and relevant ministerial decisions, the instructions are hereby comprehensively updated and amended based on the full comprehension of the risks associated with money laundering the financing of terrorism and of the urgent need to specify proper measures to be observed to ensure utilization of suitable tools to counter and limit the negative impact of these transactions.

Exchange companies shall therefore observe the following:

(When implementing provisions of these instructions, definitions provided in Article (1) of the Law concerning the Combating of Money Laundering and the Financing of Terrorism and those in its Executive Bylaws shall apply)

First: Policies and Procedures

1. Exchange companies shall have in place internal policies, working procedures, systems, and controls geared towards countering money laundering and financing of terrorism, which must include, at a minimum, the following measures and mechanisms:
 - a. Risk assessment of customers and transactions.
 - b. Ascertaining the identity of the customer, the actual beneficiary, and the Politically Exposed Person (PEP), as well as specifying the documents required for that purpose.
 - c. Maintaining records and information related to customers and transactions.
 - d. Implementation of due diligence measures for both the customer and actual beneficiary.
 - e. Reporting suspicious transactions to the Kuwait Financial Intelligence Unit (KFIU).
 - f. Periodical review and appraisal of internal policies, working procedures, systems, and controls.
 - g. Assignment of a compliance officer at the higher-management level who shall be responsible for verifying the level of the company's compliance with provisions of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Law No. (106) of 2013 and its Executive Bylaws, as well as these instructions.
 - h. Implementation of standards of integrity and suitable expertise when appointing staff, in line with item (XIV/9) of these instructions.
 - i. Implementation of continuous training programs for staff (current and new), supervisory management, and directors.
 - j. Observing any/all other requirements laid down by the Central Bank of Kuwait in this regard.

2. Internal policies, procedures, systems, and controls must be proportionate to the volume of the exchange company's activity and to the nature and scope of its transactions. These shall be approved by higher management and by all partners, and shall be observed by all local branches, as well as by foreign branches and subsidiary companies, should there be any.

Second: Risk Assessment

1. Exchange companies shall commit to assessing money laundering and financing of terrorism risks in connection with its business, including where development of new products or technology are concerned. They shall also conduct a risk assessment in written format and maintain information associated with it, as well as maintain its periodical updates, and shall provide a copy upon request.
2. When drafting appropriate procedures for assessment, monitoring, management, and curbing of risk of money laundering and financing of terrorism, exchange companies shall consider the following:
 - Risk associated with customers.
 - Risk associated with countries or geographic regions where customers conduct their business, or the source or destination of their transactions.
 - Risk associated with the nature of offered products and services.
 - Risk associated with the channels through which products and services are offered.
3. Exchange companies shall pinpoint factors that increase risk level, thus requiring enhanced due diligence measures, which include, for example:
 - a. Risk factors associated with customers:**
 - A business relationship established under unusual circumstances.
 - Customers who do not reside in the State.
 - Activities dealing with cash, or those vulnerable to money laundering and financing of terrorism.
 - Companies with unusual/irregular equity structures or extremely complex structures that do not have economic or clear objectives befitting the nature of their activity.
 - The business relationship and transactions are conducted without the customer's presence.
 - Business relationships established with or within countries indicated in item (3/b) below.
 - Politically Exposed Persons (PEPs) or those with connections to a PEP.
 - Customers with huge assets, or those with income or assets of unclear sources.

- b. Risk factors associated with geographic regions:**
- Countries classified as having insufficient systems to counter money laundering and the financing of terrorism by reliable sources such as FATF Mutual Evaluation Reports or its follow up reports.
 - Countries KFIU classifies under the “high-risk” category.
 - Countries upon which sanctions are imposed or facing risk of sanctions or like penalty by, for example, the UN.
 - Countries reliable sources classify as states where there are high levels of corruption or other illegal activity.
 - Countries or geographic regions reliable sources classify as countries/regions providing financing or support to terrorist activity, or where specific terrorist organizations operate.
- c. Risk associated with products, services, transactions, or channels through which these are offered:**
- Ambiguous transactions (which may include cash sums).
 - Transactions with a client who is not present in person for the purposes of ascertaining identity.
4. When deciding the bases for evaluating risks in line with what is listed in item (2/1) above, exchange companies shall observe the following measures for risk management:
- a. Evaluation of risk, including:
 - The purpose of executing the transaction.
 - The volume of the customer’s transactions.
 - The frequency of transactions or the duration of the business relationship.
 - b. Obtaining additional information on the transaction, the customer, the actual beneficiary, and the receiving party.
 - c. Drawing up specific customer and transaction classification risk patterns that rely on sufficient information on the customer, as well as the actual beneficiary where they are not the same person, and this includes expected business relationships with the exchange company and the source of the customer’s funds and assets where necessary.
 - d. Implementation of enhanced due diligence measures for high-risk customers.
 - e. Updating information for all customers regularly.
 - f. Implementing other measures recommended by the Central Bank of Kuwait and the KFIU.

Third: Customer identification requirements

1. Exchange companies may not establish a business relationship with customers of unknown identity or those who go by other than their real names.
2. Exchange companies shall identify and verify the identity of both customer and actual beneficiary in the following case:
 - a. Before executing any transaction with the customer.
 - b. Before executing a local or cross-border electronic fund transfer for a customer.
 - c. When there is suspicion of money laundering or financing of terrorism.
 - d. When there is doubt as to sufficiency of identification information obtained prior on the customer.
3. Exchange companies shall obtain copies of identification documents, which shall be valid, to include:
 - a. Civil ID for both Kuwaitis and residents.
 - b. Passport or travel documents for non-residents in the state of Kuwait.
 - c. Commercial/Trade License issued by the Ministry of Commerce and Industry for companies and corporations registered in Kuwait, as well as the signatories form. For foreign companies, similar documents issued by the concerned authorities in the country of incorporation or registration/listing shall be required, which shall be verified by the concerned authorities in the State of Kuwait.
 - d. Documents, papers, instruments, and court rulings to ascertain if an individual had indeed been appointed as a representative of the person concerned.
 - e. Official identification documents approved by the concerned official institutions shall be required for all customers not listed above.
4. CBK may demand exchange companies implement additional measures to ascertain and verify the identity of the customer.

Fourth: Politically Exposed Persons (PEPs)

1. Exchange companies shall have risk management systems in place, as well as measures to ascertain whether a customer or actual beneficiary is a (PEP), and the measures shall include, as a minimum, the following:
 - a. Request of relevant information from the customer.
 - b. Reference to information available on the customer.
 - c. Reference to the commercial information databases for PEPs, if available.

2. Should the company find the customer or the beneficiary a PEP, it shall implement the following additional due diligence measures:
 - a. For a foreign PEP:
 - Acquiring higher management approval before initiating or continuing a business relationship with the person.
 - Taking all necessary measures to identify the source of the funds and assets.
 - Closely and continuously monitoring of the business relationship.
 - b. For a local PEP or an individual who currently holds, or had in the past, a prominent position within an international organization, measures indicated in (a) above shall apply wherever the company finds money laundering and financing of terrorism risk in connection with this individual is high.

Fifth: Enhanced due diligence measures for high-risk customers

1. Exchange companies shall examine the background of irregular complex and big transactions as much as possible to ascertain their purpose, and shall examine all types of irregular transactions where there are no legitimate and clear economic purposes.
2. Exchange companies shall employ enhanced due diligence in proportion to identified risks in relation to PEPs and customers who do not execute transactions in person. They shall specifically enhance the degree and nature of supervision over the business relationship to determine whether the transactions or activities appear to be irregular or suspicious.
3. Enhanced due diligence measures that apply for high-risk business relationships include, for example:
 - a. Obtaining additional information on the customer, for example: profession, volume of assets and volume of transactions. Customer and actual beneficiary data shall be updated regularly.
 - b. Obtaining additional information on the expected nature of the business relationship with the customer.
 - c. Obtaining the necessary information on the source of the customer's funds and assets.
 - d. Ascertaining the purpose of transactions, both to be executed and those already executed.
 - e. Obtaining highest company administrative approval on initiating or continuing the business relationship.

- f. Closely monitoring the customer's transactions through increasing monitoring measures and frequency, as well as determining the types of transactions that require extra examination.
4. Enhanced due diligence measures shall be performed continuously throughout the stages of the due diligence process.
5. For business relationships with customers who are not present in person for identity confirmation, enhanced due diligence measures shall include:
 - a. Authentication of all documents in line with relevant laws and procedures.
 - b. Requesting any additional documents necessary for verifying the identity of the customer or for directly contacting the customers.

Sixth: Actual beneficiary identification requirements

1. The exchange company shall take whatever measures necessary to ascertain whether the customer is acting on behalf of an actual beneficiary, or more, through obtaining a certificate signed by the customer prior to executing the transaction stating he is not acting on behalf of or making the transaction for the benefit of another, or through other means/channels the company deems necessary.
2. If the company finds that the customer is acting on behalf of another actual beneficiary, or more, the actual beneficiary identity shall be ascertained through reference to relevant information and data obtained from a reliable source, and enhanced due diligence measures shall be imposed in such a case.

Seventh: Accepting new customers

The exchange company shall refrain from executing any transaction where ascertaining the identity of the customer or actual beneficiary is not possible. In such case, the company shall consider whether the situation merits sending a notification of the incident to KFIU.

Eighth: Maintaining customer information

Exchange companies shall gather information on customers and actual beneficiaries it executes transactions with on a regular basis and maintain the same throughout the duration of the business relationship. Documents, information, and data obtained earlier within the framework of due diligence shall also be updated, and the company shall verify their continued validity through checks performed at intervals it deems suitable.

Ninth: Maintaining customer information

Exchange companies shall monitor customer transactions and the business relationship continuously, if the transactions are found to be frequent and regular, and the monitoring shall include verification that the transactions involved are executed in the manner befitting the customer and the risk level with which he is associated, and, where need be, it shall also include looking into the source of the customer's funds and assets. This monitoring may include the pre-set limits for value, volume, and nature of transactions.

Tenth: Termination of the business relationship with a customer

Where the exchange company is unable to impose the required due diligence measures towards a customer, it shall terminate the business relationship and consider whether the situation merits sending a notification of the incident to KFIU.

Eleventh: Relationships with correspondents abroad (cross-border)

1. Exchange companies shall, prior to initiating a business relationship with correspondents abroad (cross-border) or other such relationships, take the following measures, in addition to what it already applies out of due diligence:
 - a. Gather sufficient information on the financial correspondent institution.
 - b. Understand the nature of the financial correspondent institution.
 - c. Evaluate the reputation of the financial correspondent institution and the type of supervision to which it is subject, including whether it is under any investigation or subjected to regulatory measures related to money laundering or financing of terrorism.
 - d. Evaluate the controls implemented by the financial correspondent institution to counter money laundering and financing of terrorism.
 - e. Sign contracts with any institutions with which the company establishes a new correspondence relationship.
 - f. Clearly indicate and document the responsibilities of each financial institution in the area of countering money laundering and financing of terrorism.
2. Requirements in light of items (a) through (f) of paragraph (1) above shall be implemented for all business relationships with cross-border correspondents and other such relationships that had been established prior to the Law entering effect and issue of its Executive Bylaws and the issue of these instructions.

Twelfth: Policies and measures for electronic transfers

1. Exchange companies executing cross-border electronic transfers shall obtain accurate information on the party requesting the transfer, the beneficiary, and all relevant communication. They shall ensure the information remains attached to the transfer and relevant communication throughout all stages of the payment chain. Attached information shall include the following:
 - a. Full name of party requesting the transfer.
 - b. Account number of the party requesting the transfer, where this is the account used for the transaction.
 - c. The address of the party requesting the transfer and the customer's Civil ID number or place and date of birth.
 - d. The name of the beneficiary and his/her account number where this is the account used for the transaction.
2. Where the exchange company is unable to commit to these requirements, it shall abstain from executing the transaction.
3. Exchange companies executing local electronic transfers shall include the information related to the party requesting the transfer as required in (1) from (a) through (c) above.
4. Exchange companies shall have in place risk-weighted work processes to determine:
 - a. Cases where an electronic transfer is executed, denied, or put on hold due to insufficient information relating to the requestor or the beneficiary, and considering whether the KFIU should be notified.
 - b. Suitable follow up, which may include restriction or termination of the business relationship.

Thirteenth: Notifying KFIU of suspicious transactions

1. Exchange companies shall notify the KFIU, within a maximum of two business days, of any transaction or attempted transaction, of whatever value, where there is suspicion of illegally obtained funds or funds connected to money laundering operations or financing of terrorism, or which could be used for that purpose.
2. Exchange companies, directors, and employees are prohibited from disclosing to a customer or any other person that a notification or relevant information had been sent to KFIU in line with the above, nor virtue to the above, nor reveal any ongoing investigation into possible money laundering or financing of terrorism. 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.

1- Instructions (2/ES/310/2013) regarding Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT).

Fourteenth: Maintaining customer information

1. Exchange companies may not accept any cash sums above KD 3,000 or its equivalent in foreign currency to execute one single transaction or several transactions for a single customer in a single day. Whatever is in excess of this sum shall be paid from customers' bank accounts, through cheques, or through other non-cash means of payment allowed by the CBK.
2. When deducting the value of the transaction from the requesting customer account, through any of the instruments indicated above, the exchange company shall verify that the account is indeed in the name of the customer requesting the transaction.
3. The compliance officer shall have power to operate independently, while still accountable before higher management. He and other concerned staff shall have license of direct access to customer identification data and other information connected with due diligence measures, records, and other relevant information. The compliance officer shall have appropriate qualification and expertise in the field of countering money laundering and the financing of terrorism.
4. The exchange company shall provide CBK with detailed data on the compliance officer, which includes the name, qualifications, contact information, and email address, and shall immediately notify CBK of any change where the compliance officer is concerned.
5. The exchange company's higher management shall make an effort to ensure the company's compliance with provisions of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Law No. (106) of 2013 on a regular basis. Periodic review reports presented to higher management shall include a statement of all suspicious transactions detected and their impact, as well as measures taking by the compliance officer to support the company's internal policies, working procedures, systems, and controls in the area of countering money laundering and the financing of terrorism. Partners shall be informed of the findings of any on-site CBK inspection in connection with money laundering and financing of terrorism, in addition to the remedial measures to be taken by the company.
6. Exchange companies shall conduct independent auditing and inspection operations (and this includes selecting samples) to verify compliance with the company's internal policies, working procedures, systems, and controls. The exchange company may, with CBK's consent, seek services of a third party for auditing purposes, such as the company's external auditor.

7. The external auditor's closing account report must include an assessment of the company's compliance with local laws in effect and with ministerial decisions, as well as CBK instructions in connection with countering money laundering and the financing of terrorism, as well as its compliance with its set internal policies, working procedures, systems, and controls.
8. Exchange companies shall implement a continuous training program for all staff (current and new), executive management, and managers to ensure they are on top of all developments and aware of information on common patterns in money laundering and financing of terrorism in compliance with provisions of Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) Law No. (106) of 2013 and its Executive Bylaws, as well as these instructions.
9. When appointing new staff, exchange companies shall specify integrity and expertise requirements and draw up guidelines and procedures concerning selection and appropriate qualifications to ensure that:
 - a. All staff have sufficient competence to fulfill their tasks.
 - b. All staff have integrity befitting the tasks that their positions involve.
 - c. Possible conflicts of interest are taken into consideration, and this may involve an employee's financial background.
 - d. No individuals may be appointed who were accused or convicted of crimes including fraud, breach of trust, or similar infringements.
10. Provisions in items (a) through (d) above also apply where executive management, supervisory management, managers, and directors' appointments are concerned, as well as selection of members of the board, whenever feasible.

Fifteenth: Record keeping requirements

Exchange companies shall maintain the following records and documents:

- a. Copies of all documents obtained through due diligence, including those related to identification of customers and actual beneficiaries, as well as accounting records and business correspondence covering a period of five years, minimum, from termination of the business relationship or execution of a transaction for a customer who does not have a business relationship with the exchange company.
- b. All documents related to local and international transactions, whether executed or attempted, covering a period of five years, minimum, from execution of or attempt at a transaction; the documents must be sufficiently detailed to allow for recreation of all the steps of each transaction individually.

1- Instructions (2/ES/310/2013) regarding Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT).

- c. Copies of all notices addressed to KFIU and all connected documents covering a period of five years, minimum, from date of notification.
- d. The risk assessment study required by the CBK, as well as all other information stated upon in these instructions covering a period of five years from date of assessment or its update.

Sixteenth: Compliance with other decisions

The exchange company shall draw up internal policies, working procedures, systems, and controls to ensure compliance with all and any decisions issued and connected to Article (25) of Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) Law No. (106) of 2013.

Seventeenth: Penalties and legal actions

All penalties indicated in Article (15) of Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) Law No. (106) of 2013 shall apply wherever an exchange company violates any of these instructions.

23/07/2013

The Governor

August 31, 2014

The Chairman of the Board of Directors,

Circular to all Local Banks, Financing Companies Exchange Companies⁽¹⁾

Attached is a copy of the Ministerial Resolution No. (5) of 2014 Concerning the Executive Bylaws for Implementation of Security Council Resolutions Issued Virtue of Chapter VII of the United Nations Charter Concerning Terrorism and Financing of Terrorism, which was published in the State's official gazette on 8/4/2014, effective as of the date of publication.

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 a guidelines 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 28/08/2016 included under Item (9) of this Chapter was issued to replace this Resolution.

2- **Circular to all Local Banks, Financing Companies and Exchange Companies attaching a copy of the Ministerial Resolution No. (5) of 2014 Concerning the Executive Bylaws for Implementation of Security Council Resolutions Issued Virtue of Chapter VII of the United Nations Charter Concerning Terrorism and 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 23/7/2013 concerning countering money laundering and financing of terrorism.

With my best wishes,

The Governor
Dr. Mohammad Y. Al-Hashel

2- Circular to all Local Banks, Financing Companies and Exchange Companies attaching a copy of the Ministerial Resolution No. (5) of 2014 Concerning the Executive Bylaws for Implementation of Security Council Resolutions Issued Virtue of Chapter VII of the United Nations Charter Concerning Terrorism and Financing of Terrorism.

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

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:

Ministry of Finance,

Central Bank of Kuwait,

Ministry of Defense,

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- 2- Circular to all Local Banks, Financing Companies and Exchange Companies attaching a copy of the Ministerial Resolution No. (5) of 2014 Concerning the Executive Bylaws for Implementation of Security Council Resolutions Issued Virtue of Chapter VII of the United Nations Charter Concerning Terrorism and Financing of Terrorism.

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:

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- Circular to all Local Banks, Financing Companies and Exchange Companies attaching a copy of the Ministerial Resolution No. (5) of 2014 Concerning the Executive Bylaws for Implementation of Security Council Resolutions Issued Virtue of Chapter VII of the United Nations Charter Concerning Terrorism and Financing of Terrorism.

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).

2- Circular to all Local Banks, Financing Companies and Exchange Companies attaching a copy of the Ministerial Resolution No. (5) of 2014 Concerning the Executive Bylaws for Implementation of Security Council Resolutions Issued Virtue of Chapter VII of the United Nations Charter Concerning Terrorism and Financing of Terrorism.

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 state 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.

2- Circular to all Local Banks, Financing Companies and Exchange Companies attaching a copy of the Ministerial Resolution No. (5) of 2014 Concerning the Executive Bylaws for Implementation of Security Council Resolutions Issued Virtue of Chapter VII of the United Nations Charter Concerning Terrorism and Financing of Terrorism.

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.

2- Circular to all Local Banks, Financing Companies and Exchange Companies attaching a copy of the Ministerial Resolution No. (5) of 2014 Concerning the Executive Bylaws for Implementation of Security Council Resolutions Issued Virtue of Chapter VII of the United Nations Charter Concerning Terrorism and 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 state 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.

2- Circular to all Local Banks, Financing Companies and Exchange Companies attaching a copy of the Ministerial Resolution No. (5) of 2014 Concerning the Executive Bylaws for Implementation of Security Council Resolutions Issued Virtue of Chapter VII of the United Nations Charter Concerning Terrorism and Financing of Terrorism.

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.

2- Circular to all Local Banks, Financing Companies and Exchange Companies attaching a copy of the Ministerial Resolution No. (5) of 2014 Concerning the Executive Bylaws for Implementation of Security Council Resolutions Issued Virtue of Chapter VII of the United Nations Charter Concerning Terrorism and Financing of Terrorism.

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.

2- Circular to all Local Banks, Financing Companies and Exchange Companies attaching a copy of the Ministerial Resolution No. (5) of 2014 Concerning the Executive Bylaws for Implementation of Security Council Resolutions Issued Virtue of Chapter VII of the United Nations Charter Concerning Terrorism and Financing of Terrorism.

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 state 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

2- Circular to all Local Banks, Financing Companies and Exchange Companies attaching a copy of the Ministerial Resolution No. (5) of 2014 Concerning the Executive Bylaws for Implementation of Security Council Resolutions Issued Virtue of Chapter VII of the United Nations Charter Concerning Terrorism and Financing of Terrorism.

The Governor

Thul-Qi'da 26, 1435 H
September 21, 2014

The Chairman of the Board of Directors,

Circular to all Local Banks, Financing Companies and Exchange Companies

Further to our circular dated 31/8/2014 attaching a copy of Council of Ministers Resolution No. (5) of 2014 concerning the Executive Bylaws 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, published in the official state gazette on 8/4/2014, effective as of same date,

You may find here 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, 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 state 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.

3- 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 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 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

3- 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 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 Guidelines issued to Entities required to implement the Requirements of the 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

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,

3- 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 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.

- 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. 1989 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. 1989 of (2011) concerning Al-Qaeda organization and persons and entities associated with it.

3- 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 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.

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 state 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.”

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

3- 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 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.

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 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.

3- 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 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.

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 state 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.
- 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.

3- 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 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.

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 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.

3- 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 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.

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 state 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 state gazette.

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,

3- 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 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.

group, or entity from the list of designated parties, it shall inform all financial institutions and publish its decision in the official state 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;
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;

3- 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 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.

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

3- 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 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 Governor

Thul-Qi'da 28, 1435 H
September 23, 2014

The Chairman of the Board of Directors,

Circular to all Local Banks, Financing Companies and Exchange Companies

With reference to provisions of Anti-Money Laundering and Combating 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.

With my best wishes,

On-Site Supervision Director
Abdulhameed Dawoud Al-Awadh

4- Circular to all Local Banks, Financing Companies, and Exchange Companies on the Forms designated for reporting suspicious Transactions to the KFIU, the Guidelines for filling out the Form, and the paper listing Indicators to help detect suspicious Transactions.

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.
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:

4- Circular to all Local Banks, Financing Companies, and Exchange Companies on the Forms designated for reporting suspicious Transactions to the KFIU, the Guidelines for filling out the Form, and the paper listing Indicators to help detect suspicious Transactions.

- 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**

*Thul-Qi'da 06, 1435 H
September 01, 2014*

4- Circular to all Local Banks, Financing Companies, and Exchange Companies on the Forms designated for reporting suspicious Transactions to the KFIU, the Guidelines for filling out the Form, and the paper listing Indicators to help detect suspicious Transactions.

The Governor

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

The Chairman of the Board of Directors,

Circular to all Local Banks, Financing Companies and Exchange Companies

You may find attached the letter from Kuwait Financial Intelligence Unit (KFIU) dated 16/11/2014 and its attachments, as well as the letter dated 22/12/2014 concerning the KFIU circular No. (FI/2/2014), and the KFIU notice that it has provided access through its webpage (www.kwfiu.gov.kw) all the circulars it issued to financial institutions and designated non-financial businesses and professions, aiming for more transparency and communication among all concerned parties. The KFIU had in their notice 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**

5- Circular to all Local Banks, Financing Companies and Exchange Companies concerning the Kuwait Financial Intelligence Unit's posting of all its circulars on its website.

16/11/2014

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

Greetings,

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. (37) 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

22/12/2014

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

Greetings,

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 country.

Best Regards,

**President
Talal Ali Al-Sayegh**

5- Circular to all Local Banks, Financing Companies and Exchange Companies concerning the Kuwait Financial Intelligence Unit's posting of all its circulars on its website.

The Manager

*Jumada Alakhirah 20, 1436 H
April 09, 2014*

The General Manager,

Circular to all Local Banks, Financing Companies and Exchange Companies

Further to our circular dated 21/9/2014 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 Director
Abdulhameed Dawood Al-Awadh**

6- Circular to all Local Banks, Financing Companies and Exchange Companies concerning the Foreign Ministry 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 designating an email address for all official correspondence.

The Governor

*Thulhija 20, 1436 H
October 04, 2015*

The Chairman of the Board of Directors,

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 15/9/2015 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 (8) of this chapter.

7- **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.**

September 15, 2015

Your Excellency, Dr. Mohammad Y. Al-Hashel

Greetings,

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 (8) of this chapter.

7- 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.

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 DNFBPs 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.
 - 2.1.2 Verifying the nature and purpose of the business relationship.
 - 2.1.3 Verifying the customer’s source of funds and assets.

7- 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.

- 2.1.4 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

15/09/2015
Thulhija 02, 1436 H

⁽¹⁾ The web address of Kuwait Financial Intelligence Unit was changed according to the circular dated 26/10/2015, listed as item (8) of this chapter.

7- 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.

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 4/10/2015 attaching a copy of Kuwait Financial Intelligence Unit (KFIU) circular No. (FI/2/2015) dated 15/9/2015 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 Dawood Al-Awadh**

8- Circular to all Local Banks, Financing Companies and Exchange Companies correcting a typographical error in the address of the Kuwait Financial Intelligence Unit (KFIU) webpage as in the circular dated 4/10/2015.

05/10/2015

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

Greetings,

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**

8- Circular to all Local Banks, Financing Companies and Exchange Companies correcting a typographical error in the address of the Kuwait Financial Intelligence Unit (KFIU) webpage as in the circular dated 4/10/2015.

The Governor

*Thulhijah 27, 1440 H
August 28, 2019*

The Chairman of the Board of Directors,

**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 31/8/2014.

⁽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.

9- **Circular to all Local Banks, Financing Companies and Exchange Companies accompanying Ministerial Resolution No (35) of 2019 regarding the Executive Bylaws for 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) replacing resolution No (5) dated 8/4/2014.**

- 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

9- Circular to all Local Banks, Financing Companies and Exchange Companies accompanying Ministerial Resolution No (35) of 2019 regarding the Executive Bylaws for 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) replacing resolution No (5) dated 8/4/2014.

Ministry of Foreign Affairs

Ministerial Resolution No (35) of 2019 Regarding the Executive Bylaws for 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)

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 23/6/2019 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;

We have approved the following

9- Circular to all Local Banks, Financing Companies and Exchange Companies accompanying Ministerial Resolution No (35) of 2019 regarding the Executive Bylaws for 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) replacing resolution No (5) dated 8/4/2014.

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 14/2/2013, of the international resolutions issued by the Security Council related to terrorism, in the Anti-Money Laundering and Combating 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:** criteria 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.

9- Circular to all Local Banks, Financing Companies and Exchange Companies accompanying Ministerial Resolution No (35) of 2019 regarding the Executive Bylaws for 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) replacing resolution No (5) dated 8/4/2014.

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.

9- Circular to all Local Banks, Financing Companies and Exchange Companies accompanying Ministerial Resolution No (35) of 2019 regarding the Executive Bylaws for 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) replacing resolution No (5) dated 8/4/2014.

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.

9- Circular to all Local Banks, Financing Companies and Exchange Companies accompanying Ministerial Resolution No (35) of 2019 regarding the Executive Bylaws for 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) replacing resolution No (5) dated 8/4/2014.

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.

9- Circular to all Local Banks, Financing Companies and Exchange Companies accompanying Ministerial Resolution No (35) of 2019 regarding the Executive Bylaws for 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) replacing resolution No (5) dated 8/4/2014.

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.

9- Circular to all Local Banks, Financing Companies and Exchange Companies accompanying Ministerial Resolution No (35) of 2019 regarding the Executive Bylaws for 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) replacing resolution No (5) dated 8/4/2014.

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).

9- Circular to all Local Banks, Financing Companies and Exchange Companies accompanying Ministerial Resolution No (35) of 2019 regarding the Executive Bylaws for 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) replacing resolution No (5) dated 8/4/2014.

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.

9- Circular to all Local Banks, Financing Companies and Exchange Companies accompanying Ministerial Resolution No (35) of 2019 regarding the Executive Bylaws for 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) replacing resolution No (5) dated 8/4/2014.

**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.

9- Circular to all Local Banks, Financing Companies and Exchange Companies accompanying Ministerial Resolution No (35) of 2019 regarding the Executive Bylaws for 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) replacing resolution No (5) dated 8/4/2014.

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.

9- Circular to all Local Banks, Financing Companies and Exchange Companies accompanying Ministerial Resolution No (35) of 2019 regarding the Executive Bylaws for 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) replacing resolution No (5) dated 8/4/2014.

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.

9- Circular to all Local Banks, Financing Companies and Exchange Companies accompanying Ministerial Resolution No (35) of 2019 regarding the Executive Bylaws for 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) replacing resolution No (5) dated 8/4/2014.

**Chapter Eight:
Concluding Provisions
Article (25)**

Resolution No. (5) of 2014 issued 8/4/2014 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-Hijja 22 1440 H, corresponding to July 25, 2019

9- Circular to all Local Banks, Financing Companies and Exchange Companies accompanying Ministerial Resolution No (35) of 2019 regarding the Executive Bylaws for 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) replacing resolution No (5) dated 8/4/2014.

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 28/8/2019 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.

10- Circular to all Local Banks, Financing Companies and Exchange Companies issued 28/10/2019 attaching the mechanism to be followed for follow up on resolutions issued by sanctions committees in line with provisions of resolutions, issued as No (35) of 2019 on the executive bylaws for implementation of UNSC resolutions pursuant to 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

10- Circular to all Local Banks, Financing Companies and Exchange Companies issued 28/10/2019 attaching the mechanism to be followed for follow up on resolutions issued by sanctions committees in line with provisions of resolutions, issued as No (35) of 2019 on the executive bylaws for implementation of UNSC resolutions pursuant to Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD).

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, as well as requirements of 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 sent to regulated establishments through the designated email (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.

10- Circular to all Local Banks, Financing Companies and Exchange Companies issued 28/10/2019 attaching the mechanism to be followed for follow up on resolutions issued by sanctions committees in line with provisions of resolutions, issued as No (35) of 2019 on the executive bylaws for implementation of UNSC resolutions pursuant to 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.

10- Circular to all Local Banks, Financing Companies and Exchange Companies issued 28/10/2019 attaching the mechanism to be followed for follow up on resolutions issued by sanctions committees in line with provisions of resolutions, issued as No (35) of 2019 on the executive bylaws for implementation of UNSC resolutions pursuant to 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

10- Circular to all Local Banks, Financing Companies and Exchange Companies issued 28/10/2019 attaching the mechanism to be followed for follow up on resolutions issued by sanctions committees in line with provisions of resolutions, issued as No (35) of 2019 on the executive bylaws for implementation of UNSC resolutions pursuant to Chapter VII of the UN Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD).

The Governor

*Shawwal 17, 1441
June 09, 2020*

The General Manager,

Circular to Exchange Companies No. (2/ES/457/2020)

In line with the Central Bank of Kuwait (CBK) policy of continuous updates regarding the requirements for Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) efforts, and with CBK's close follow up on updates and amendments to the provisions in this area by the Financial Action Task Force (FATF) in view of issued standards (FATF 40 Recommendations) to keep up with developments in global economic conditions, and aiming to reduce risks related to crimes of money laundering and the financing of terrorism that all countries face due to the constant developments in methods used in executing these crimes,

Previously, the CBK had issued instructions on 23/7/2013 that included requirements related to combatting money laundering and the financing of terrorism, which were issued in view of Law No. (106) of 2013 concerning combatting money laundering and the financing of terrorism, issued 8/5/2013, and its bylaws issued on 13/6/2013,

Taking into account the on-site and off-site supervision of exchange companies supervised and regulated by the CBK, and aiming to provide a comprehensive understanding of all desired requirements to ensure compliance with the provisions of issued instructions. The CBK Board of Directors has approved, in its meeting on 9/6/2020, the attached instructions No. (2/ES/457/2020). Amidst the current exceptional circumstances caused by the Covid-19 pandemic, your company is required to prepare the procedures and systems needed in this regard, where the instructions are to be effective as of 4/10/2020.

With my best wishes,

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

Instructions No. (2/ES/457/2020) On Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)

Aiming to strengthen efforts towards anti-money laundering and combating the financing of terrorism (AML/CFT), and to bolster compliance to international requirements in this regard issued by the Financial Action Task Force (FATF), and in line with provisions of Law No. (106) of 2013 on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), its executive regulations, and relevant Ministerial Decisions, and the provisions under Articles (14) and (15) of said law indicating that regulatory authorities have the responsibility of supervising and following up compliance with the requirements related to AML/CFT and of imposing the appropriate penalties and sanctions on units subject to its supervision, these instructions are issued.

Since banking and financial institutions are the entities that those engaged in money laundering and financing of terrorism wish to deal with and through them to hide and to disguise the illegal sources of their funds, rendering them most vulnerable to risk of such activity, and aiming to avoid any negative impact they might face due to this risk, it is imperative banking and financial institutions take measures to guarantee they are not abused for such activity through complete compliance with the requirements stated in view of the FATF recommendations and the provisions of the above-mentioned law.

In view of the above, the instructions issued 23/7/2013 to all exchange companies (No. 2/ES/310/2013) concerning Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) have been updated to stress and further clarify some requirements in view of CBK's recent monitoring and follow up with the aim of ensuring optimum compliance of exchange companies regulated by the CBK.

Accordingly, all exchange companies regulated by the Central Bank of Kuwait that operate in the State of Kuwait shall comply with what follows:

First: Defining and Assessing Money Laundering and Financing of Terrorism Risk:

- 1) The exchange company shall prepare a written study, updated every two years, addressing all risks associated with money laundering and the financing of terrorism that it may be exposed to as it operates within its mandate that befits the scale of its activity and the nature of its transactions. As a minimum, the study shall address risks associated with:
 - a) The different types of customers the company deals with and the customers the company is prohibited to deal with (if any).
 - b) The countries and geographical regions where transactions are executed.
 - c) The products and services, whether currently provided to customers or those under development.

The level of risk the exchange company is exposed to in terms of the clauses mentioned above shall be assessed within a three-level rating of (low, medium, high) and the measures appropriate and necessary to monitor and manage each level shall be put in place to mitigate risks to the company's activities.

2) Within the assessment of risks associated with elements mentioned above, the study prepared shall consider the factors that increase risk level for each clause and put the appropriate measures in place, such as:

a) For Different Types of Customers:

1. The nature of the customer's activity.
2. The unusual activities of customers and the risk associated with them.
3. The legal form of the customer.
4. The customer's equity structure and its transparency, and if any atypical ownership structure exists.
5. Existence of actual activity for the customer that serves clear and legitimate economic purposes that are in line with his/her mandate.
6. Whether the customer resides in the State of Kuwait or not.
7. The purpose of the transactions to be executed for the customer.
8. The volume of the customer's annual transactions.
9. The frequency of transactions executed for the customer.
10. The period prior to the transactions with the customer (the period the relationship with the customer was established).
11. The risks associated with Politically Exposed Persons (PEPs) and individuals connected to them.
12. The customers who own large assets or those regarding which there is no clear information in terms of source of income or owned assets.
13. The customer is engaged in an activity that is based primarily on cash transactions or an activity with high risk of money laundering and/or financing of terrorism.

14. Customers for whom transactions are executed without the requirement of their physical presence.
15. The customer has business relations with individuals residing in high-risk countries.

b) In Terms of Countries and Geographical Regions:

1. The FATF classification of the countries concerned, whether in terms of level of compliance with international AML/CFT standards, or in terms of sufficiency of the counter-measures they have in place according to the published assessment reports, where such reports may indicate inadequacies in this respect.
2. The list issued by Kuwait Financial Intelligence Unit (KFIU) on high-risk countries and the unit's updates of said list in view of its continuous monitoring.
3. The countries concerning which United Nations Security Council (UNSC) resolutions are issued, or those currently subject to UN sanctions, boycotts, or similar measures.
4. Classifications issued by reliable sources concerning corruption, criminal activities, and country rankings in this regard.
5. Classifications issued by reliable sources identifying countries which are funding or supporting terrorist activities or where specific terrorist organizations are active.

c) In Terms of Products and Services:

1. Requirements and conditions for provision of product or service.
2. The services provided through various bank cards.
3. Transactions where the execution of which does not require the presence of the customer for identity confirmation purposes.
4. Transactions processed in an unusual manner or those that result in payment of cash sums.
5. Any new product or service being developed and to be offered to customers.

- 3) In light of the findings of the assessment and identification of risks to which the exchange company is exposed as required above, the type of due diligence to be applied towards execution of transactions shall be specified and shall address, as a minimum, the following:
- A. The Documents to be collected based on the level of risks associated with transactions and customers.
 - B. The information customers shall be requested to submit, identified in view of the level of associated risks.
 - C. The documents and information to be collected regarding the transaction to be executed, verification of the actual beneficiary customer (actual requester of the transaction), and obtaining the full name of the party to receive the funds (party benefiting from the transaction).
 - D. Procedures that shall be applied upon execution of transactions across any other countries, in accordance with the level of risks associated with each.
 - E. Enhanced due diligence measures that shall be followed in case of high risk, whether related to customers, to countries, or to products/services.
 - F. Updating of customers' information and data periodically, where frequency of update befits the level of risk (an interval of one year or less for high-risk customers, two years or less for medium-risk customers, and 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 all partners as well as the Managing Director. Further, the study and all updates shall be saved according to the requirements relating to the saving of documents and records mentioned in article 17.

Second: AML/CFT Policy:

- A. Each company shall have in place a policy covering the goals and scope of AML/CFT requirements to be observed, and the policy shall, at a minimum, stress the following:
1. Full compliance with all provisions of Law No. (106) of 2013 concerning Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) and its executive regulations, as well as all relevant ministerial decisions and CBK instructions.
 2. Developing a manual for procedures and internal control systems that shall be followed concerning the implementation of the required counter measures.
 3. Assessing risks the company is vulnerable to while operating, whether related to customers, the nature of the company's services and operations, or those related to correspondents and countries it deals with. Risks are to be classified within three levels (low, medium, and high) to help determine the counter measures the company needs to employ.
 4. Having in place due diligence measures proportionate to the level of risk, which shall be satisfied before executing requested transactions.
 5. Following specific Know Your Customer (KYC) measures, which specify the information that shall be obtained and the intervals for their update in view of customer-related risks.
 6. Complying with the requirements relative to freezing or to abstaining from all dealings with names included in the lists issued by the UN Security Council (UNSC) sanctions committees or pursuant to local resolutions issued by the Ministry of Foreign Affairs' committee overseeing the implementation of UNSC resolutions in view of Chapter VII of the UN Charter concerning financing of terrorism and of proliferation of Weapons of Mass Destruction (WMD).
 7. Commitment to notifying the FIU of any suspected money laundering or terrorism financing cases identified by the company during the period defined for that purpose.
 8. Having in place procedures for dealing with high-risk persons, especially Politically Exposed Persons (PEPs).
 9. Saving and maintaining documents, records, and information pertaining to customers and the transactions executed for the legally specified period.

10. Commitment to appointment of a compliance officer entrusted with verifying the level of the exchange company's compliance with provisions of Law No. (106) of 2013, its executive regulations, and relevant ministerial decisions.
 11. Preparing quarterly reports that are to be presented to company's managing director and all partners, and address the efforts of the compliance officer towards verifying compliance with (AML/CFT) requirements.
 12. Ensuring that all company branches comply with all requirements and provisions of the law, ministerial decisions, and instructions and recommendations issued regarding FATF (AML/CFT) standards at a minimum, as well as stressing the importance of cooperation regarding the exchange of information while safeguarding confidentiality thereof, along with putting in place the appropriate methods to ensure compliance.
 13. Commitment to compliance with standards of integrity and appropriate experience when appointing new staff at exchange companies.
 14. Taking into consideration that all staff of the company are familiar with suspicious patterns of activities that constantly communicated and updated by the Kuwait Financial Intelligence Unit, and a proof thereof should be maintained.
 15. Having in place a continuous training plan, prepared at appropriate periodic intervals, where staff (new recruits as well as current) take part in training programs addressing issues of countering money laundering and combatting the financing of terrorism.
- B. Care shall be taken to ensure the policy drafted by the company is compatible with the volume of its activity and the nature and scope of the transactions it executes, and said policy shall be continuously updated (every two years at least) in view of periodic review thereof to stay abreast with any developments in AML/CFT-related efforts.
- C. The exchange company's policy shall be approved by the official in charge of its management (the General Manager or the Board of Directors, where there is one) and all partners.

Third: Implementation of Procedures and Internal Control Systems:

- A. The company shall develop written procedures including steps that shall be followed and applied for the execution of transactions in view of its activity and the internal supervision controls it has in place to ensure full compliance with AML/CFT requirements. The procedures shall also be reviewed at regular intervals in parallel with the revision of the related policy (once every two years at least), and it shall, at a minimum, address the following:
1. Steps that shall be applied to meet due diligence requirements as per associated risks, be that ordinary or enhanced due diligence.
 2. Nature and type of documents that shall be collected from customers in view of the risk associated with each customer.
 3. Nature of information that shall be collected from customers in line with regular due diligence, as well as that to be collected from high-risk customers, especially PEPs and individuals dealing with whom requires enhanced due diligence.
 4. Steps that shall be followed in implementation of the KYC principle, taking into account customers' associated risks, information and data to be collected, and the appropriate intervals for the update of information in line with level of risk.
 5. Procedures necessary to fully understand customers' equity, be they legal personalities/entities or legal arrangements.
 6. Procedures necessary to ascertain whether the customer is the actual beneficiary of the required transaction or acting on behalf of one or more other beneficiaries.
 7. Steps that shall be followed for the continued monitoring of customers' transactions.
 8. Steps that shall be followed for offering services or products to customers in view of risk of money laundering and financing of terrorism, especially for the following:
 - Buying and selling cash foreign currency, and buying and selling of precious metals.
 - Inwards as well as outward foreign remittances.
 - Transactions customers require the company to execute through a proxy without their presence.

9. Steps that shall be followed for ascertaining the abstaining from all dealings with any persons included in sanction lists issued by UNSC sanctions committees or those issued by the Ministry of Foreign Affairs' committee overseeing the implementation of UNSC resolutions in view of local decisions issued in this regard.
 10. Measures and methods for identifying the deals and transactions that warrant suspicion of money laundering or financing of terrorism, where the KFIU is to be notified within the legally specified period in case that suspicion is confirmed. The steps that shall be followed for preparing reports on suspicious cases and for determining administrative levels to approve notification to the KFIU.
- B. Written procedures must be proportionate to the volume of the company's activity as well as the nature and scope of its transactions while taking into account guidelines stated in the guidebook prepared by the KFIU concerning the identification of types of money laundering and financing of terrorism.
- C. The exchange company shall get the approval of the person in charge of management (general manager or Board of Directors, where there is one) on the procedures, as well as that of all partners.

Fourth: Customer Identification Requirements:

- 1) The exchange company may not establish any business relations with any customer without the verification of his/her full name, and may not execute any transactions under names of unknown identity or dummy names.
- 2) The exchange company shall identify and ascertain the identity of the customer and the actual beneficiary in the following case:
 - A. Before executing any transaction with any customer.
 - B. When delivering a service or executing a transaction, whether in Kuwaiti Dinar or in foreign currency (be that a single transaction or a series of connected transactions), specifically in relation to the following:
 - Buying and selling cash foreign currency, and buying and selling of precious metals.
 - Local or external (inward as well as outward) electronic transfer.
 - Issuing a prepaid card in cooperation with any local bank.
 - C. If the company desires to ascertain validity of the identification information previously obtained from the customer.
 - D. If there is suspicion of money laundering or financing of terrorism in connection with a transaction requested for any customer, regardless of the value of said transaction.

Fifth: Customer Due Diligence Measures:

- 1) Customer due diligence measures, in view of the risk-based methodology, are realized through the following:
 - A. Verifying the identity of the customer based on documents, data, or information obtained from trusted and independent sources.
 - B. Ascertaining the actual beneficiary of the requested transaction – the true requestor of the transaction – and employing the required due diligence measures to ascertain his/her identity in such a manner that he/she is fully identified/known to the exchange company.
 - C. Understanding the purpose of the customer’s transactions with the company as well as the type and nature of the requested transactions through obtaining the information the exchange company needs for this purpose.
 - D. Exerting continuous due diligence in connection with business relations and closely examining transactions executed during the period of such relations to ensure transactions executed are in harmony with what the company knows about the customer, his/her activity, and the level of associated risk.
- 2) The exchange company shall review identity confirmation documents, which must be valid, and obtain a copy thereof that shall be signed by the concerned staff to attest it is an exact copy of the original that had been presented and reviewed where the following is required:

A) For Natural Persons:

1. Civil ID card for both nationals and residents.
2. Passport or travel documents used to enter the country for non-residents.
3. Official identification document issued and certified by the relevant official authority or body for customers who do not fall under the previous two clauses.
4. The official document issued to authorize a proxy for the customer’s dealings with the company in line with the following:
 - A. A power of attorney issued from the Ministry of Justice by the customer appointing the person to deal with the exchange company on his/her behalf.

- B. A previous authorization by the customer to the proxy, issued by the customer, which is to be signed in actual presence of the customer at exchange company's premises. The exchange company - when executing any transaction under the customer's name – shall require a request for the transaction issued by said customer indicating his/her proxy for the transaction and his/her Civil ID number. The company shall ascertain authenticity of the customer signature on the request through comparison to that obtained in a previous authorization issued by the customer, and ascertain authenticity of documents relating to the authorized proxy named in the request for the transaction, where a copy of which is to be saved along with/attached to the document ascertaining the identity of the customer.

B) For Legal Persons:

1. Full name of the legal person, date of incorporation, the headquarter business address, and the names of the authorized signatories.
2. 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.
3. Official authorization according to legal documents issued for the person acting on behalf of the institution/company in dealing with the exchange company, provided that the supporting documents for the authorized person are verified and a copy thereof is included in the documents evidencing execution of the transaction.
4. Where a person is to represent an institution/company before the exchange company, legal documents or legal verdicts issued in this regard shall be submitted as proof.

Sixth: Identifying the Actual Beneficiary (actual requester of the transaction):

1. Whatever necessary measures required must be taken to ascertain whether the customer is the actual beneficiary of the required transaction or acting on behalf of one or more other beneficiaries. This shall be achieved through obtaining a certificate signed by the customer stating that he/she is not acting or executing the transaction on another party's behalf and that he/she is the actual beneficiary of said transaction, or obtaining other documents proving the same.

2. If the exchange company detects that the customer is acting on behalf of another beneficiary or more, it shall do what is necessary to ascertain the identity of the true beneficiary through obtaining related information or data from a reliable source in a manner that enables the company to be confident of the identity of the true beneficiary (true requester of the transaction). It must meanwhile implement due diligence measures proportionate to the risk associated with the true beneficiary.
3. Where the beneficiary is a legal person, the company must take appropriate measures to fully understand the equity structure and control of that customer to enable the exchange company to identify the final natural person holding authority over the legal person, and this shall be done through determining the identity of each natural person:
 - a) With possession of or control (direct and indirect) over more than 50% of legal person equity.
 - b) With a responsibility to manage the legal person.

Seventh: Abstention from Accepting New Customers:

Exchange companies shall refrain from initiating a business relation or executing a transaction where it is not possible to ascertain the identity of the customer or the true beneficiary (true requester of the transaction), and consideration shall also be given to whether the situation merits notifying the KFIU and proof in relation to that shall be maintained.

Eighth: Enhanced Due Diligence Measures for High-risk Customers and upon Providing Specific Services or Executing Specific Transactions:

1. The exchange company shall take extra enhanced due diligence measures for customers classified as “high-risk”, and for those for whom transactions are executed without their physical presence, as well as for PEPs the exchange company has business with. This shall most specifically include the enhancing of the level as well as nature of monitoring of the business relationship to assess whether the transactions executed or requested seem unusual or suspicious.

In this regard, whatever measures necessary shall be taken towards examination of the background and surrounding circumstances of unusual complex and large transactions to identify their purpose and to verify all types of unusual transactions where there are no clear and legitimate economic purposes.

2. Enhanced due diligence measures shall be taken for business relations with correspondents across borders, especially those operating in countries previously classified “high-risk” or that do not fully comply with Financial Action Task Force (FATF) global AML/CFT standards.

3. Enhanced due diligence measures shall also be applied for:
 - a) Money transfer services,
 - b) Services provided through modern technology (online services).
4. Enhanced due diligence measures include, for example, the following:
 - a) Obtaining additional information about the (natural person) customer and the source of his/her income and fortune.
 - b) Ascertaining the purpose for transactions already executed and those requested.
 - c) Obtaining additional information about the (legal person) customer and about the nature of the expected business relationship and volume of activity, as well as obtaining a copy of the latest budget available on customer activity.
 - d) Obtaining the approval of the company's general manager to initiate or to continue the business relationship.
 - e) Close monitoring of the customer's transactions through strengthened and periodic monitoring, as well as determining whether certain types of transactions merit additional scrutiny.
5. Enhanced due diligence measures for customers referred to in paragraph (1) shall be implemented constantly during all stages of due diligence processes.
6. Enhanced due diligence measures concerning business relationships with customers who are not present in person shall include the obtaining of the customer's contact information, be that personal email or phone numbers through which they could be reached.

Ninth: Politically Exposed Persons (PEPs):

1. The exchange company shall take appropriate measures to determine whether the customer or the actual beneficiary (true transaction requestor) is a Politically Exposed Person (PEP), or is kin of (up to a second degree relative) with a PEP, and the measures shall at a minimum guarantee the following:
 - a) Customer information, provided by the customer, needed to determine whether he is a PEP or someone who had previously held a prominent position in an international institution, or whether he/she is related to any such person and, if so, what degree is that kinship.
 - b) Continuous follow up to update information available on customers.

- c) The exchange company shall have a list drawn of posts and positions that render those assuming them PEPs, or seek such information – where possible – through electronic databases provided by specialist companies concerning PEPs.
2. Should the exchange company determine that the customer or actual beneficiary is a PEP, the additional following measures shall be taken:
 - a) The preapproval of the company manager on dealing with the PEP shall be obtained prior to initiating a business relationship with said person.
 - b) Specific procedures must be drawn on dealing with transactions such customers request, information must be updated routinely, and follow up on the transactions shall be maintained.
 - c) Measures shall be taken to determine sources of funds and fortunes.
 - d) Enhanced and continuous monitoring of the business relationship shall be maintained.

Tenth: Maintaining Customer Information (Know Your Customer “KYC”):

Exchange companies, for the purpose of gathering information on customer and on actual beneficiary prior to executing any transaction, shall use a template specified for this and shall constantly update the documents, data, and information gathered as part of due diligence measures and verify their validity through reviewing records on regular intervals proportionate to the level of risk associated with the customer and shall maintain said information throughout the period of the business relationship. Said template shall cover, at a minimum, the following:

1. The nature and type of activity.
2. The nature of the transactions requested to be executed for the customer by the company (purchase of foreign currency, external remittances, etc.)
3. The expected number of transactions (monthly, annually).
4. The expected value of transactions (monthly, annually).
5. Average annual income and sources thereof.
6. Asking for customer clarification whether he/she currently holds a political or international post, whether he/she did so in the past, the nature of such post, if any, and whether he/she has kin currently in such posts and the degree of kinship.
7. For legal persons, clarification is requested as to volume of registered capital and of working capital.

8. All relevant parties shall be named/specified, as well as the beneficiaries on whose behalf the customer requests transactions to be executed.
9. For shareholding companies, all shareholders with 25% and above of the company's shares shall be named/specified.

Eleventh: Continuous Monitoring of Customer Transactions:

The exchange company shall use automated systems to constantly monitor the customer's transactions, where possible, or have a mechanism to verify that transactions are executed in harmony with the information it has available on the customer and the type of risk identified in connection to his/her transactions, and shall specify the procedures the company adopts to adhere to the above as well as the person(s) assigned to this task as part of the company's approved business procedures.

Exchange companies shall also take special and exceptional care regarding complex, large, or frequent transactions or deals. Such care is also required for all types of unusual transactions that serve no clear economic goals and purposes, or those incongruent with the customer's activity or with the average sums seen in previous transactions where the company is required to obtain supporting documents, where possible. The compliance officer shall write a report indicating the justification for decision taken, be that executing the requested transaction or notifying the KFIU where the transaction is deemed suspicious.

Twelfth: Terminating the Relationship with the Customer:

The exchange company shall terminate the relationship with the customer and consider whether there is a need to notify the KFIU of any specific case in the following situations:

- a) Inability to execute due diligence measures required for the specific customer.
- b) In cases where the customer fails to provide any clarifications or information requested from him/her concerning any of the transactions requested which do not match the volume of previous dealings or information obtained earlier regarding his/her activity.

Thirteenth: Relationship with Foreign Correspondent Institutions (Cross-Border Transactions):

1. The exchange company is prohibited from establishing 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 shell banks.

2. Prior to initiating a business relationship with foreign correspondents or any other relationship, it shall take extra precautions, beyond due diligence, through the following:
 - a) Gathering sufficient information about the correspondent financial institution.
 - b) Understanding the nature of the operation of the correspondent financial institution to be engaged with.
 - c) Evaluating the reputation of the correspondent financial institution to be engaged with, the type and level of supervision it is subjected to, and whether it had previously been subjected to investigations or regulatory measures in connection with money laundering and financing of terrorism.
 - d) Evaluating the controls imposed by the financial institution the company intends to be engaged, with its correspondents in the areas of AML/CFT efforts and taking the necessary procedures to clearly ascertain sufficiency of their systems in this regard.
 - e) Signing contracts with all/any correspondent institution, including those dealt with previously without a contract, prior to initiating the business relationship that specify the responsibilities of each party (financial institution) concerning compliance with AML/CFT requirements.

A contract signed for this purpose shall state that each party is to commit to provide a copy of transaction execution documents or any information regarding a remittance executed within three business days of receiving the request from the other party.

3. All requirements stated in paragraph (2) above shall be documented and implemented for cross-border relations and all similar business relations, those to be initiated as well as those already initiated prior to these instructions coming into effect.

Fourteenth: Transactions Related to Remittances:

1. For outward cross-border remittances, the exchange company shall have full and accurate information on the party requesting the transfer, the beneficiary, and the purpose of the remittances. Such information shall remain attached to all electronic money transfers and related messages throughout the stages of the payment cycle. Unique serial identification numbers shall be used for each transaction executed, which shall aid in saving and maintaining the documents related to such transactions where attached information includes, always, the following:

- a) Full name of the transferor (as identified in the identification evidencing document he/she provides).
 - b) Account number of the transferor, if it is the account used for the transaction.
 - c) The Civil ID number and address of the transferor.
 - d) The name of the transferee, at a minimum first name and family name, as well as his/her account number, if it is the account into which the transferred sum is to be deposited.
2. For inward cross-border remittances, the exchange company shall verify that all information required in paragraph (1) above is included within data and information attached with the remittance. Remittances that do not attach said information shall be monitored and the identity of the beneficiary ascertained, if that had not been checked before. Such information shall be saved and maintained within the documents evidencing the transaction.
 3. If the exchange company fail to comply with these requirements, it shall abstain from executing the requested remittance.
 4. The exchange company shall comply with all requirements relative to freezing or prohibition of dealing with any persons, entities, or groups named in UN sanctions lists in line with UNSC resolutions issued virtue of Chapter VII of the United Nations Charter concerning Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction, within the scope of addressing electronic money transfers.
 5. In case of several cross-border remittances, issued as separate transactions requested through a single order and to be collectively paid to one beneficiary, it is permissible not to apply all above-mentioned requirements for every single remittance where the transferor is concerned, on condition that the remittances show the transferor's account number or the remittance reference number that allows its tracking. The bundled remittances shall meanwhile include all required and accurate information concerning the transferor and full information on the transferee that allows for full tracking within the country where the beneficiary resides.
 6. For cross-border remittances where the exchange companies is an intermediary, it shall save and maintain all data of the electronic money transfer including information on both the transferor and the transferee.
 7. The exchange company ordering the remittance shall make available all information of the electronic money transfer within three business days of receiving the request for obtaining the same information from the CBK or Kuwait Financial Intelligence Unit (KFIU).

8. The exchange company shall have in place risk-based business procedures to identify the following:
 - a) Cases for executing, refusing to execute, or postponing the execution of an electronic remittance due to insufficiency of information attached concerning the transferor or the transferee, and the company shall consider whether there is need to notify the KFIU.
 - b) The appropriate follow-up action, which might include restricting or terminating the business relationship.
9. The exchange company shall follow up remittances processed through its correspondents abroad and verify the transferee's receipt of the value of the remittance within a maximum of five business days, and inform the transferor of the justifications where a remittance cannot be processed.⁽¹⁾

Fifteenth: Dealings with Public Welfare and Charitable Institutions:

1. When dealing with public welfare and charitable institutions subject to the supervision of the Ministry of Social Affairs and Labor virtue of Law No. (24) of 1962 issued concerning clubs and public welfare associations and amendments thereof, the exchange company shall comply with CBK instructions in this regard and have specific procedures to be followed when dealing with these institutions. Enhanced due diligence measures are also to be implemented since the collection of donations and transfer of sums thus obtained to other parties is considered a high-risk activity.
2. All paperwork and documents shall be provided if a public welfare institution or a charity wants to execute an out-ward cross-border remittance in compliance with Cabinet of Ministers Resolution No. 868 of 2001, issued on 14/10/2001.

Sixteenth: Commitments Concerning Reporting Suspicious Transactions:

1. The exchange company shall background check, investigate, and gather information wherever there is suspicion a specific transaction could be connected to criminal proceeds, or money laundering or financing of terrorism, and this shall apply to all parties involved with the transaction; care shall be taken none of the parties gets to know of such procedures, and the company may not hint of such procedure to any of said parties. The findings of these investigations shall be documented in printed form and the supporting documents shall be maintained and presented when requested.

⁽¹⁾ The Circular dated 29/12/2021 listed under Item 13 of this chapter assures that the Exchange Companies must comply with the provisions under this Item.

2. The exchange company shall notify KFIU, within two business days, of any transaction or attempted transaction (of whatever value) that is suspected to involve funds resulting from criminal activity or funds connected to money laundering or financing of terrorism, or where there is suspicion the transaction was executed or requested towards such activity.
3. All staff, directors, and other parties within the exchange company with access to information are prohibited from reporting, whether to the customer or to others, that such notice had been sent and from releasing any information forwarded or to be forwarded to the KFIU. They are also prohibited from revealing that there is an ongoing investigation over suspicion of money laundering or financing of terrorism in connection with transactions executed or were to be executed for customers. This prohibition does not apply to revealing and exchanging information between company manager and staff or with attorneys, specialized authorities, and the Public Prosecution regarding these transactions.

Seventeenth: Requirements of Keeping Records:

The exchange company shall maintain the following documents and records:

- a) All documents obtained in line with due diligence processes, including copies of the documents evidencing identities of customers and actual beneficiaries, and the accounting files and business correspondences, and these shall all be maintained for a minimum of five years after the termination/end of the business relationship or the execution of the transaction for any customer.
- b) All documents related to local or cross-border transactions, whether those executed or those attempted, which shall be maintained for a minimum of five years after the execution or attempted execution of the transaction, and the records shall be sufficiently detailed to allow for re-creation of all steps of each transaction individually.
- c) Copies of the notices sent to the KFIU and connected documents for a minimum of five years since presentation of the notice to the KFIU, so that said documents allow for re-arrangement of the individual transactions in a manner that would enable – should need arise – evidence to be gathered to file suit against criminal activity.
- d) The study conducted to identify and assess risks and all connected information for a minimum of five years since the conducting or the updating of said assessment.

Eighteenth: Requirements of Countering Terrorism:

Virtue of provisions of Article No. (25) of Law No. (106) of 2013 concerning countering money laundering and combatting the financing of terrorism, all exchange companies shall comply with all requirements included in the decision issued regarding implementation of UNSC resolutions virtue of Chapter VII of the UN Charter, in connection to Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD). They shall also comply with the mechanism issued concerning the procedures to be followed towards implementation of said decision. This shall involve the following:

1. Formulating automated systems to ensure full compliance with requirements of decisions issued in connection to Combating Terrorism and Financing of Proliferation of Weapons of Mass Destruction (WMD). Companies may consider seeking the services of specialized companies in connection with names of customers, names of those granted power of agent by customers to deal with the company, as well as names of actual beneficiaries of requested transactions.
2. No financial or other connected service shall be provided to any individual, entity, or group included in lists issued by the UN Security Council (UNSC) sanctions committee virtue of UNSC Resolutions 1267/1991 and 1988/2011, as well as those named in resolutions issued by the Ministry of Foreign Affairs' committee overseeing the implementation of UNSC resolutions. This shall apply immediately upon the inclusion of any party in any such list.

Nineteenth: Compliance Officer for AML/CFT Requirements:

1. The exchange company shall appoint a compliance officer with the mandate to verify the company complies with requirements of provisions of Law No. (106) of 2013 concerning Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) and its executive regulations, as well as all relevant ministerial decisions and CBK instructions.
2. The compliance officer and his/her assistants within the company shall have the appropriate qualifications and expertise in the areas of AML/CFT. The company shall provide the CBK with detailed information of the compliance officer and of those serving in his/her stead during his/her absence, and this shall include the name, qualifications, landline and mobile numbers, and email address. The CBK is to be apprised of any change in the above immediately.
3. A job description shall be drawn for the compliance officer and for his/her assistants and it shall cover their tasks, including the periodical reports required for the review of the company manager and partners to follow up on developments. The job description for each employee shall be initialed in an indication that he/she is fully aware of all the tasks required of him/her.

4. The compliance officer must have the authority to work independently, while subordinate to company manager administratively. He/she and other concerned staff shall have direct access to data indicating customer identity and other information connected to due diligence measures, records of transactions, and other relevant information.
5. Exchange companies shall conduct independent audits and examinations to ascertain that the compliance officer and his/her assistants perform their tasks in harmony with company policies and controls in connection with countering money laundering and the financing of terrorism, and this shall be included in the company's annual internal audit.
6. The compliance officer must draw up a report to be presented to the company manager or board of directors, should there be one, as well as to all partners concerning efforts exerted to ensure company compliance with provisions of Law No. (106) of 2013 concerning Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) on a quarterly basis at least. Said report shall state all suspicious transactions detected along with their implications and the measures taken by compliance staff to enhance policies, business processes, and company systems and controls with respect to countering money laundering and the financing of terrorism.

Twentieth: Other Requirements:

1. The exchange company shall have in place an automated audit system to evidence all its transaction, which enables it to prepare its financial position statements accurately. It shall also adopt internal audit systems befitting the volume of its activity and use serial numbers for all transactions requested by customer, fully executed or otherwise.
2. The exchange company shall commit to implementation of all due diligence measures as indicated in these instructions when dealing with exchange companies/institutions operating in the State of Kuwait but not regulated by the CBK, where such companies/institutions are to be included among the company's customers.
3. When dealing with other exchange companies within the State of Kuwait, the exchange company regulated by the CBK shall comply with the requirements indicated for the signing of contracts in line with requirements for transactions with correspondents. Contracts signed shall specify the types of transactions to be covered and the mutually agreed procedures in this regard.

4. The exchange company may not accept cash sums from customers as payment for execution of transactions valued above KD 3,000 or an equal value in foreign currency within one day. Payments above that sum shall be deducted from the customer's account with any bank or settled by other payment methods allowed by the CBK (cheques, ATM card).⁽¹⁾
5. There is no maximum transactions value the company can make payment for to its customers using foreign currency or Kuwaiti Dinar within one day, without breach of what is stated in paragraph (4) above for purchases of foreign currency where payment is made in Kuwaiti Dinar. The exchange company shall also issue a bill of sale in the customer's name after implementing all due diligence measures required, and the bill shall indicate the currency sold and the total value of banknotes sold.
6. Where ATM cards are used to pay for a transaction through deduction from a bank account, the exchange company shall verify that the card is issued under the name of the customer requesting the transaction, and where there is discrepancy, an authorization from the person whose name is on the card is required approving payment for the transaction. The company shall also verify that the actual beneficiary is the person requesting the transaction.
7. In line with provisions of Article (13) of Law No. (106) of 2013 on countering money laundering and the financing of terrorism, and in connection with declaring information in this regard, the exchange company shall present all information and documents requested by specialized authorities, each befitting its mandate. This most especially applies to information requested by both the KFIU and the Ministry of Foreign Affairs' committee overseeing the implementation of UNSC resolutions in view of Chapter VII of the UN Charter.
8. The auditors' report prepared for assessment of the internal control system in an exchange company should include an item on his/her assessment of compliance by the company with locally applicable laws, and the relevant ministerial resolutions and CBK instructions promulgated with respect to AML/CFT, and with the company's approved policies and procedures as well as all the internal controls.
9. The partners should be informed of the findings of any on-site inspection conducted by CBK in terms of AML/CFT, including the corrective measures that should be undertaken by the company, and the actions taken by the company in this respect.

⁽¹⁾ Circular dated 9/11/2020 included under Item 10 hereof regarding Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) due to the confusion over the interpretation of item (Twentieth/4).

10. In recruiting its staff, the company shall identify the requirements of integrity, experience and efficiency, and set the rules and procedures to ensure that:
- a) Staff have the expertise necessary for conducting their duties.
 - b) Staff have the integrity required for carrying out the various activities of an exchange company.
 - c) Potential conflict of interests, including the staff's financial background, should be considered.
 - d) No person convicted of crimes involving fraud, dishonesty and the like shall be appointed by the company.
11. The exchange company should have an approved training plan that considers periodic training programs for the new and existing staff in the area of AML/CFT. All the company's partners and the general manager should attend similar programs to stay abreast of the new developments including those relating to the prevailing patterns in AML/CFT, in accordance with the obligations under the Law No. (106) of 2013 regarding Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) and its executive regulations, and these instructions.

Twenty-First: Penalties and Legal Actions

The penalties stated under Article (15) of the Law No. (106) of 2013 regarding Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) shall be applicable to any exchange company violating these instructions.

The Executive Director

*Rabi-ul-Awwal 23, 1442 H
November 09, 2020*

The General Manager

Circular to all exchange companies

With reference to CBK instructions dated 9/6/2020 concerning Anti-Money Laundering and Combating the Financing of Terrorism for exchange companies, confusion had been noted over the interpretation of item (20/4) which states “Exchange companies may not receive cash sums from customers to pay for execution of a transaction/transactions of a value exceeding KD 3,000 or an equivalent value in foreign currency within one working day. Payment for transactions of this value and above shall be settled through billing a customer’s bank account or other means of payment approved by the Central Bank of Kuwait (Cheques, ATM cards)”. This circular is issued in light of inquiries received from some companies as to whether they may still allow cash transactions valued at KD 3,000, above or equivalent sum in foreign currency from exchange companies regulated by the CBK.

We would like to inform you that your establishment shall implement the abovementioned article on transactions for all customers, including transactions conducted between several CBK-regulated exchange companies, and shall rely on banking payment methods for transactions exceeding the value of KD 3,000 to avoid risks associated with cash transactions among exchange companies.

Best Regards,

**Executive Director, Supervision Sector
Waleed M. Al-Awadhi**

The Executive Director

*Jumada Al-Awwal 25, 1443 H
December 29, 2021*

The General Manager

Circular No. (2/ES/491/2021) to all Exchange Companies

With the aim to strengthen the role of the Central Bank of Kuwait (CBK) for the protection of the rights of exchange companies' customers, in particular the remittance transactions issued to those customers, your company must consider the following:

1. Customers' remittances must be processed through correspondent banks or international electronic transfer networks on the next working day at latest. In case of failure to process the same within the above period, the customer must be informed. If the customer expressed his/her wish not to proceed, the company must immediately refund the transfer value to the customer including the remittance charge/fee. In addition, the company must comply with (Item Fourteenth/9) of the instructions issued on 09/06/2020 concerning Anti-money Laundering and Combating the Financing of Terrorism.
2. Your company's account balance with any of the correspondents or international electronic transfer networks must not be less than the total value of cheques and remittances drawn on these accounts.

Best Regards,

**The Executive Director, Supervision Sector
Waleed Mahmoud Al-Awadhi**

The Governor

*Rajab 25, 1445 H
February 16, 2023*

The General Manager,

Circular to all Exchange Companies

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 9/6/2020- Issuance of Instructions No.(2/RS/457/2020) to all exchange companies 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, including the amendments, No. (2/RS/508/2023), which are effective as of the date of the instruction.

With best regards,

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

**Instructions No. (2/ES/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.

Instructions No. (2/ES/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, for the purpose of concealing and disguising the illegal 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, and,

In view of the above, CBK has updated the instructions issued on 23rd July 2013 to all exchange companies under No. (2/ES/310/2013) concerning Anti-Money Laundering and Combating the financing of terrorism. This update has been introduced to enhance and clarify some of the needed requirements revealed by CBK during its recent monitoring to achieve the full and optimal compliance with these requirements by the CBK-regulated exchange companies.

Accordingly, all exchange companies subject to CBK supervision and operate in the State of Kuwait shall comply with the requirements of anti-money laundering and combating the financing of terrorism as follows:

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

1. The exchange company shall prepare a written study, updated every two years, addressing all risks associated with money laundering and the financing of terrorism that it may be exposed to as it operates within its mandate that befits the scale of its activity and the nature of its transactions. As a minimum, the study shall address risks associated with:

- a) The different types of customers the company interacts with and types of customers it may not interact with (should there be any).
- b) The countries and geographical regions where any of the requested transactions are processed.
- c) The products and services, whether currently provided to customers or those being developed.

The level of risk the exchange company is exposed to in terms of the items mentioned above shall be assessed within a three-level scale of (Low, Moderate, High) and the measures appropriate and necessary to monitor and manage each level shall be put in place to reduce impact on company activity.

2. Within the scope of identification of the risks associated with the elements mentioned in paragraph (1) above, the study of these elements shall consider the factors that may increase the risks associated with each element, and put the appropriate measures in place, such as:

a) As for the different types of customers:

1. The nature of the customer's business/activity.
2. The unusual activities and risks associated related thereto.
3. The legal form of the customer.
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 lawful economic purposes consistent with the business he/she is authorized to exercise.
6. The customer is resident in the State of Kuwait or a non-resident customer.
7. The purpose of transactions to be executed for the customer.
8. The volume of annual transactions executed by the customer.
9. Frequency of transactions executed for the customer.
10. The period prior to the transactions with the customer (how long since relationship was established with the customer).

11. Risks associated with Politically Exposed Persons (PEPs) and individuals connected to them.
12. Customers who own massive assets.
13. Customers for whom no clear information are available about the source of income or owned assets.
14. The customer's business associated with high risks related to money laundering or terrorism financing.
15. Customers for whom transactions are executed without the requirement of their physical presence.
16. Customer has business/social relationship with individuals residing in high-risk countries.

b) As for Countries and Geographical Regions

1. The Financial Action Task Force (FATF) classification of the countries concerned, whether in terms of level of compliance with international AML/CFT standards, or in terms of sufficiency of the counter-measures they have in place according to the published assessment reports, where such reports may indicate inadequacies in this respect.
2. The list issued by Kuwait Financial Intelligence Unit (KFIU) on high-risk countries and the amendments made by the Unit to this list in view of its continuous monitoring.
3. The countries concerning which United Nations Security Council (UNSC) resolutions are issued, or those currently subject to UN sanctions, boycotts, or like measures.
4. Classifications issued by reliable sources concerning corruption, criminal activities, and country rankings in this regard.
5. Classifications issued by reliable sources identifying countries which are funding or supporting terrorist activities or where specific terrorist organizations are active.

c) As for Products and Services

1. Requirements and conditions for provision of product or service.
2. Services rendered through various cards.
3. Services or products whose execution does not require the presence of the customer for identity confirmation purposes.

4. Unusual patterns of transactions.
 5. Any new product or service being developed and to be offered to customers.
3. In light of the findings of the assessment and identification of risks to which the exchange company 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 to be collected based on the level of risks associated with transactions and customers.
 - b) Information customers shall be required to be submitted, identified in view of the level of associated risks.
 - c) Documents and information to be collected regarding the transaction to be executed, verification of the beneficial owner customer (actual requester of the transaction), and obtaining the full name of the party to receive the funds (party benefiting from the transaction).
 - d) Procedures to be applied upon execution of transactions across any of the other countries, in accordance with the level of risks associated with each.
 - e) Enhanced due diligence measures that shall be followed in case of high risks, whether related to customers, to countries, or to product/service.
 - f) Updating 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, three years at most for low-risk customers).
4. The study on risks associated with money laundering and terrorism financing and its results shall be approved by all partners and the Managing Director (whether the company's manager or the board of directors, where there is one). The prepared study and all updates incorporated therein shall be maintained according to the requirement of documents and records keeping mentioned in Item Seventeenth.

Second: AML/CFT Policy:

1. Each company shall have in place a policy covering the targets and scope of anti-money laundering and combating of terrorism financing requirements to be observed, and the policy shall, at a minimum, stress the following:

- a. Complete compliance with provisions of Law No. (106) of 2013 concerning countering money laundering and combatting the financing of terrorism and its executive regulations, as well as all relevant ministerial decisions and CBK instructions.
- b. Refer to developed and approved procedures including steps to be followed to achieve compliance with the requirements of anti-money laundering and combating of terrorism financing and develop internal control systems which shall be followed in order to implement the required combating requirements.
- c. Develop procedures to be followed upon dealing with high-risk persons, especially Politically Exposed Persons (PEPs).
- d. Identify and assess the risks the company is vulnerable to while operating, whether related to customers, the nature of the company's services and operations, or those related to correspondents and countries it deals with. Risks are classified within three levels (low, medium, and high) to help determine the counter measures the company needs to employ.
- e. Apply due diligence measures proportionate to the level of risk, which shall be satisfied before executing requested transactions.
- f. Follow specific procedures to apply the principle of "Know Your Customer" and use a form designated for this purpose, which specify the information that shall be obtained and the intervals for their update in view of customer-related risks.
- g. Comply with the requirements relative to freezing or to abstaining from all dealings with names included in the lists issued by the UN Security Council (UNSC) sanctions committees or pursuant to local resolutions issued by the Ministry of Foreign Affairs' committee overseeing the implementation of UNSC resolutions in view of Chapter VII of the UN Charter concerning financing of terrorism and of proliferation of Weapons of Mass Destruction (WMD).
- h. Commitment to notifying the FIU of any suspected money laundering or terrorism financing cases identified by the company during the period defined for that purpose.
- i. Have procedures for dealing with high-risk persons, especially Politically Exposed Persons (PEPs).
- j. Save and maintain documents, records, and information pertaining to customers and the transactions executed for the legally specified period.

- k. Commitment to appoint a compliance controller/officer entrusted with verifying the level of the exchange company's compliance with provisions of Law No. (106) of 2013, its executive regulations, and relevant ministerial decisions.
 - l. Prepare quarterly reports by the compliance controller/officer to be presented to the company's manager and all partners, including the efforts of the compliance officer towards verifying compliance with (AML/CFT) requirements.
 - m. Ensuring that all company branches comply with all requirements and provisions of the law and ministerial decisions and these instructions and recommendations issued regarding FATF (AML/CFT) standards in effect at a minimum, as well as stressing the importance of cooperation on the exchange of information and safeguarding confidentiality thereof, along with putting in place the appropriate methods to ensure compliance.
 - n. Commitment to compliance with standards of integrity and appropriate experience when appointing new staff at exchange companies.
 - o. All company's staff should be aware of suspicious patterns which are published and updated continuously by KFIU, and records on this regard shall be documented.
 - p. Having in place a continuous training plan, prepared at appropriate periodic intervals, where staff (new recruits as well as current) take part in training programs addressing issues of countering money laundering and combatting the financing of terrorism.
2. The company's policy shall be compatible with the size, nature and scope of transactions it executes and said policy shall be continuously updated (every two years at least) in view of periodic review thereof to stay abreast with any developments in AML/CFT-related efforts.
 3. The exchange company's policy shall be approved by the official in charge of its management (the General Manager or the Board of Directors, where there is one) and all partners.

Third: Applicable Procedures and Internal Control Systems:

1. The company shall develop **written procedures** including steps to be followed and applied for the execution of transactions in view of its activity and the internal supervision controls it has in place to ensure full compliance with (AML/CFT) requirements. The procedures shall also be reviewed at regular intervals parallel to the revision of the policy in place in this area (once every two years at least), and it shall, at a minimum, address the following:

- a. Steps to be applied to meet due diligence requirements as per associated risks, be that ordinary or enhanced due diligence.
- b. Nature and type of documents required to be collected from customers in view of risk associated with to each of them.
- c. Nature of information to be collected from customers in line with regular due diligence, as well as that to be collected from high-risk customers, especially Politically Exposed Persons (PEPs) and individuals dealing with whom requires enhanced due diligence.
- d. Steps to be followed in implementation of the (KYC) principle and completion of a form designated for this purpose, taking into consideration customers' associated risks, information and data to be collected and the appropriate intervals for the update of information in line with level of risk.
- e. Procedures to be followed to identify the beneficial owner (real) (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. Using a form (with a serial number) to prove the request to implement any transaction for any of the company's customers, and keeping it within the documents whether the transaction was executed or not.
- h. Steps to be followed for the continued monitoring of customers' transactions.
- i. Steps to be applied for offering services or products to customers in view of risk of money laundering and financing of terrorism, especially for the following:
 - 1) Buying and selling cash foreign currency, and buying and selling of precious metals.
 - 2) Foreign remittances whether inward or outward transactions.
 - 3) Transactions required by a customer to be executed through a proxy to another person(s) without the customer's presence.
- j. Steps to be followed to verify the commitment not to deal with any of the 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 in accordance with the Chapter VII of United Nations Charter related to combating terrorism and financing the spread of mass destruction weapons.

- k. Measures to be followed for detecting operations and transactions that warrant suspicion of money laundering or financing of terrorism, where the KFIU is to be notified of any confirmation of grounds for suspicion within the legally specified period. The steps that shall be followed for preparing reports on suspicious cases and for determining administrative levels that shall grant approval on notifying the KFIU must also be determined.
2. Written procedures must be proportionate to the volume of the company's activity as well as the nature and scope of its transactions while taking into account guidelines stated in the guidebook prepared by the KFIU concerning the identification of types of money laundering and financing of terrorism.
3. The exchange company shall get the approval of the person in charge of management (general manager or Board of Directors, where there is one) on the procedures, as well as that of all partners.

Fourth: Customer Identification Requirements:

1. Exchange company shall not establish any business relations with any customer without verifying his full name, and identifying whether the service requester is the beneficial owner of the required transaction or he is acting on behalf of another beneficiary based on a legal document proving that. Also, exchange companies may not execute any transactions under names of unknown identity or dummy names.
2. Exchange company shall identify and verify the identity of the customer and the beneficial owner in the following case:
 - a. Prior to executing any transaction with any customer.
 - b. When delivering a service or executing a transaction, whether in Kuwaiti Dinar or in foreign currency (be that a single transaction or a series of connected transactions), specifically in relation to the following:
 - 1) Buying and selling cash foreign currency, and buying and selling of precious metals.
 - 2) Local or overseas electronic fund transfer.
 - 3) Issuing a prepaid card in cooperation with any local bank.
 - c. Where the company desires to ascertain the validity of the identification data previously obtained from the customer.
 - d. Where there is suspicion of money laundering or financing of terrorism in connection with a transaction requested for any customer, regardless of the value of said transaction.

Fifth: Due diligence measures towards customers:

1. Due diligence measures towards customers, whether natural persons, legal persons and legal arrangements, in view of the risk-based approach, are realized through the following:
 - a. Verifying the identity of the customer using documents or recognized tools obtained from trusted and independent sources.
 - b. Identifying the beneficial owner of the requested transaction – the real requestor of the transaction – and employing reasonable measures to ascertain his/her identity in such a manner that he/she is fully identified/known to the exchange company.
 - c. Understanding the purpose of the customer’s transactions with the company as well as the type and nature of the requested transactions through obtaining the information the company needs for this purpose.
 - d. Exerting continuous due diligence in connection with business relations and closely examining transactions executed during the period of such relations to ensure transactions executed are in harmony with what the company knows about the customer, his/her activity, and the level of associated risk.
2. The exchange company shall review identity confirmation documents or legal tools, which must be valid, and obtain a copy thereof that shall be signed by the concerned staff to attest it is an exact copy of the original that had been presented and reviewed where the following is required:
 - a) For natural persons:**
 1. Civil ID card for citizens or non-citizens (residents), whether the actual Civil ID card or by using the second level of Kuwait Mobile ID application.
 2. Passport or travel documents used to enter the country for non-residents.
 3. Official identification document issued and certified by the relevant official authority or body for customers who do not fall under the previous two items.
 4. The official document issued by the requester of the transaction authorizing the person dealing with the company on his behalf, as follows:
 - A power of attorney issued from the Ministry of Justice by the customer requesting the transaction to the person dealing with the exchange company on his/her behalf.

- A previous authorization by the customer to the proxy, issued by the customer, which is to be signed in actual presence of the customer at company premises after verifying his/her identity.

The company - when executing any transaction under the customer's name – shall require a request for the transaction issued by said customer indicating his/her proxy for the transaction and his/her Civil ID number. The company shall ascertain authenticity of the customer signature on the request through comparison to that obtained in a previous authorization issued by the customer, and shall ascertain authenticity of documents relating to the authorized proxy named in the request for the transaction, where a copy of which is to be saved along with/attached to the document ascertaining the identity of the customer.

b) For Legal Persons or Legal Arrangements:

1. Full name of the legal person, date of incorporation, the headquarter business address and the names of the authorized signatories.
2. Documents evidencing incorporation of the legal person or legal arrangement and that it is entitled to exercise business according to the documents issued by the concerned authorities.
3. Legal documents indicating the names of the authorized signatory/signatories on behalf of the legal person or legal arrangement, and documents indicating the names of the management's personnel, provided that copies thereof are included in the documents evidencing execution of the transaction.
4. Where a person is to represent an institution/company for dealing with the exchange company, legal documents or legal verdicts issued in this regard shall be submitted as proof.

Sixth: Identifying the Beneficial Owner (actual requester of the transaction):

1. The company shall take the necessary measures to identify whether the customer (natural person) is the beneficial owner (real) or acting on behalf of an beneficial owner (real) or more, through obtaining a certificate signed by the customer stating that the customer is the beneficial owner and not acting or executing the transaction on another party's behalf.
2. If the exchange company detects that the customer is acting on behalf of another beneficiary or more, it shall do what is necessary to ascertain the identity of the true beneficiary through obtaining related information or data from a reliable source in a manner that enables the company to be confident of the identity of the true beneficiary (true requester of the transaction). It must meanwhile implement due diligence measures proportionate to the risk associated with the true beneficiary.

3. If the customer is a legal person or legal arrangement, the company should be required to take the appropriate measures to understand the equity and control structure for such customer, to reach the ultimate person in possession or in control of the customer, if there is a doubt whether this natural person controls or is responsible for managing the legal person, the company should take cascading steps to reach the beneficial owner (real) (to be followed according to a cascading approach, so that each following step is taken in case the previous one was not sufficient in verifying the beneficial owner (real) as follows:
 - a. Verify the identity of natural person who possesses and controls interest of over 25% of a legal person or legal arrangement (of one or both).
 - b. If the natural person who possesses and controls interest is not identified by the aforementioned ownership shares, any other available means shall be used to identify the natural persons who control the management.
 - c. If the natural person is not identified by following the previous clauses (a, b), the company shall develop procedures in order to reach the natural person(s) who hold senior management position and through which the management of the legal person or legal arrangement is controlled.
4. For legal arrangements, company 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: Abstention from accepting new customers:

Exchange companies shall refrain from initiating a business relation or executing a transaction where it is not possible to ascertain the identity of the customer or the true beneficiary (true requester of the transaction), and consideration shall also be given to whether the situation merits notifying the KFIU and proof in relation to that shall be maintained.

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

1. Exchange companies shall take additional measures to apply enhanced due diligence for customers classified as high risk, customers for whom transactions are executed without their physical presence and politically exposed persons the company has business with. 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, exchange companies shall examine all complex and unusual 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 shall be taken for business relations with correspondents across borders, especially those operating in countries previously classified “high-risk” or that do not fully comply with Financial Action Task Force (FATF) global (AML/CFT) standards mentioned in the issued lists.
3. Enhanced due diligence measures shall also be applied for services provided via modern technologies (Online Services).
4. Enhanced due diligence measures include, for example, the following:
 - a. Obtaining additional information on the customer (natural person), the purpose of the transactions executed or expected to be executed, and the sources of his funds and wealth.
 - b. 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.
 - c. Obtaining approval of the company’s manager for establishing or continuing the business relationships.
 - d. Conducting monitoring of the customer’s transactions through strengthened and periodic monitoring, as well as determining whether certain types of transactions merit additional scrutiny.
5. Enhanced due diligence measures for customers referred to in paragraph (1) shall be implemented constantly during all stages of due diligence processes.
6. Enhanced due diligence measures concerning business relationships with customers who are not present in person shall include the obtaining of the customer’s contact information, be that personal email or phone numbers through which they could be reached.

Ninth: Politically Exposed Persons (PEPs):

1. Exchange companies shall take appropriate measures to determine whether the customer or the beneficial owner (real transaction requestor) is a Politically Exposed Person (PEP), or is kin of (up to a second degree relative) with a PEP, and the measures shall at a minimum guarantee the following:
 - a) Develop a list of jobs and positions whose occupants are considered to be politically exposed persons, or use electronic databases - if possible - provided by specialized companies for PEPs to collect information and data.

- b) 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 or is kin of with a PEP, if so, what degree is that kinship.
 - c) Continuous follow-up to update customer information.
2. Should the exchange company determine that the customer or beneficial owner is a PEP, the additional following measures shall be taken:
- a) the preapproval of the company manager on dealing with the PEP shall be obtained prior to initiating a business relationship with said person.
 - b) Specific procedures must be drawn on dealing with transactions such customers request, information must be updated routinely, and follow up on the transactions shall be maintained.
 - c) Measures shall be taken to determine sources of funds and wealth.
 - d) Enhanced and continuous monitoring of the business relationship shall be maintained.

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

Exchange companies, for the purpose of gathering information on customer and on beneficial owner (real) prior to executing any transaction, **shall use a form designated for the same**, and keep the documents, data and information collected updated on continued basis and verify their validity through reviewing records on regular intervals proportionate to the level of risk associated with the customer and shall maintain said information throughout the period of the business relationship. Said template shall cover, at a minimum, the following:

a. For Natural Persons:

1. Personal information (name, profession or job, identity document number, nationality and birth date).
2. Average annual income and its sources.
3. Number of transactions expected (monthly, annually).
4. Value of transactions expected (monthly, annually).
5. Nature of transactions requested to be executed for the customer by the company (purchase of foreign currency, external remittances, etc.)
6. All relevant parties shall be named/specified, as well as the beneficiaries on whose behalf the customer requests transactions to be executed.

7. Asking for customer clarification whether he/she currently holds a political or international post, whether he/she did so in the past, the nature of such post, if any, and whether he/she has kin currently in such posts and the degree of kinship, if any.

b. For Legal Persons:

In addition to the aforementioned in (a), the following information shall be collected:

1. Nature and type of activity.
2. Legal form and the commercial registration number.
3. Clarifying and mentioning the name of the authorized manager and all partners.
4. Clarifying and mentioning the volume of the registered capital and the working capital.
5. For shareholding companies, clarifying the names of main owners or shareholders holding 25% or more of the capital.

Eleventh: Continuous monitoring of customer's transactions:

Exchange company shall use automated systems to constantly monitor the customer's transactions, where possible, or have a mechanism to verify that transactions are executed in harmony with the information it has available on the customer and the type of risk identified in connection to his/her transactions, and shall specify the procedures the company adopts to adhere to the above as well as the person(s) assigned to this task as part of the company's approved business procedures.

In addition, the exchange companies shall also take special and exceptional care regarding complex, large, or frequent transactions or deals. Such care is also required for all types of unusual transactions that serve no clear economic goals and purposes, or those incongruent with the customer's activity or with the average sums seen in previous transactions where the company is required to obtain supporting documents, where possible. The compliance officer shall write a report indicating the justification for decision taken, be that executing the requested transaction or notifying the KFIU where the transaction is deemed suspicious.

Twelfth: Terminating the Relationship with the Customer:

The exchange company shall terminate the relationship with the customer and consider whether there is a need to notify the KFIU of any specific case in the following situations:

1. Inability to implement the due diligence measures required for the specific customers.
2. In cases where the customer fails to provide any clarifications or information requested from him/her concerning any of the transactions requested which do not match the volume of previous dealings or information obtained earlier regarding his/her activity.

Thirteenth: Relationship with Foreign Correspondent Institutions (Cross-Border Transactions):

1. Exchange company may not establish 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 shell banks.
2. Exchange companies shall not deal with any correspondent institution without being subject to an authority or regulatory body entrusted with supervising this correspondent to verify its compliance with all the requirements contained in the recommendations issued by FATF.
3. Prior to initiating a business relationship with foreign correspondents or any other relationship, it shall take extra precautions, beyond due diligence, through the following:
 - a. Gathering sufficient information about the correspondent financial institution.
 - b. Understanding the nature of the operation of the correspondent financial institution to be engaged with.
 - c. Evaluating the reputation of the correspondent financial institution to be engaged with, the type and level of supervision it is subjected to, and whether it had previously been subjected to investigations or regulatory measures in connection with money laundering and financing of terrorism.
 - d. Evaluating the controls imposed by the financial institutions the company intends to engaged with as correspondents in the areas of (AML/CFT) efforts and taking the necessary procedures to clearly ascertain that their systems in this regard are consistent with the requirements that must be adhered to in accordance with the provisions of all relevant instructions issued by CBK.

4. When an exchange company intends to engage in a contract with any correspondent institution abroad, an integrated written study should first be prepared including the need for such dealings, information collected on this correspondent in accordance with the measures mentioned in Clause (3) above, as well as the following information which shall be obtained from the correspondent:
 - a) A copy of the license issued to the correspondent to carry out financial transfers.
 - b) A document proving that the correspondent is under the supervision of an authority concerned with combating money laundering and terrorist financing.
 - c) An acknowledgment by the correspondent of his full compliance with the requirements of due diligence in accordance with the requirements of combating money laundering and terrorist financing when carrying out the required transactions at the request of the exchange company's customer.
 - d) An acknowledgment from the correspondent to carry out the transfers required by the exchange company at the request of its customers through familiar methods.
 - e) An acknowledgment by the correspondent, upon the company's request and within three business days of receiving the request, to submit a copy of all documents proving the implementation of the required transaction or any information related to the execution of a transfer, and a document proving that the beneficiary received the transferred amount, whether by depositing into his bank account or by receiving in cash from the correspondent.
5. Signing contracts with any correspondent institution abroad, including those dealt with previously without a contract, prior to initiating the business relationship that specify the responsibilities of each party (financial institution) concerning compliance with (AML/CFT) requirements in accordance to Item (4) above.
6. All requirements stated above shall be documented and applied to external relationships (cross-border relations) and all similar relations, those to be initiated as well as those already initiated prior to these instructions coming into effect.

Fourteenth: Transactions related to remittances:

1. With regard to the outward external remittances, companies shall have full and accurate information about the transferor, the beneficiary and the purpose of the remittances, 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 serial identification number should be used for each transaction executed, which shall aid in saving and maintaining the documents related to such transactions, 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 and address of the transferor.
 - d) Name of beneficiary, at a minimum the first name and family name, and his/her account number, if it is the account into which the transferred sum is to be deposited.
2. For inward cross-border remittances, the exchange company shall verify that all information required in paragraph (1) above is included within data and information attached with the remittance. Remittances that do not attach said information shall be monitored and the identity of the beneficiary ascertained, if that had not been checked before. Such information shall be saved and maintained within the documents evidencing the transaction.
 3. Should the exchange company fail to comply with these requirements, it shall abstain from executing the requested remittance.
 4. The exchange company shall comply with all requirements relative to freezing or prohibition of dealing with any persons, entities, or groups named in UN sanctions lists in line with UNSC resolutions issued virtue of Chapter VII of the United Nations Charter concerning the countering of terrorism and the financing of proliferation of Weapons of Mass Destruction (WMD), within the scope of addressing electronic money transfers.
 5. In case of several cross-border remittances, issued as separate transactions requested through a single order and to be collectively paid to one beneficiary, it is permissible not to apply all above-mentioned requirements for every single remittance where the transferor is concerned, on condition that the remittances show the transferor's account number or the remittance reference number that allows its tracking. The bundled remittances shall meanwhile include all required and accurate information concerning the transferor and full information on the transferee that allows for full tracking within the country where the beneficiary resides.

6. For cross-border remittances, exchange company processing an intermediary element of payment chains should retain all wire transfer information including the originator and beneficiary information.
7. All information and copies of documents relating the electronic transfers should be made available by the ordering exchange company within three business days of receiving the request either from CBK or KFIU, whether that information is available with the company or that is provided by previous correspondent who executed the transfer.
8. The exchange company shall have in place risk-based business procedures to identify the following:
 - a) Cases for executing, rejecting, or suspending the execution of an electronic remittance due to insufficiency of information attached concerning the transferor or the transferee, and the company shall consider whether there is need to notify the KFIU.
 - b) The appropriate follow-up action, which might include restricting or terminating the business relationship.
9. The exchange company must execute the transfer issued based on the customer request, within a maximum of the one business day following the date of receiving the request. In the event of non-implementation during this period, the customer must be informed of this, and if he expresses his desire not to continue the transfer, the company is obliged immediately to refund the value of the transfer including the fees to the customer. Moreover, the exchange company shall follow up remittances processed through its correspondents abroad and verify the beneficiary's receipt of the value of the remittance and inform the transferor, within a maximum of five business days, of the justifications where a remittance cannot be processed.

Fifteenth: 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 amendments thereof, the exchange company shall comply with instructions issued by the Central Bank of Kuwait in this regard, and have specific procedures to be followed when dealing with these institutions. Enhanced due diligence measures are also to be implemented since the collection of donations and transfer of sums thus obtained to other parties is considered a high-risk activity.

2. All paperwork and documents shall be provided if any public benefit associations or charitable institutions wants to execute an out-ward cross-border remittance in compliance with Cabinet of Ministers Resolution No. 868 of 2001, issued 14/10/2001.

Sixteenth: Commitments to Reporting the Suspicious Transactions:

1. The exchange company shall conduct background check, investigate, 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 findings of these investigations shall be documented in printed form and the supporting documents shall be maintained and presented when requested.
2. The exchange company shall notify KFIU, within two business days, of any transaction or attempted 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. All staff, directors, and other parties within the exchange company with access to information are prohibited from reporting, whether to the customer or to others, that such notice had been sent and from releasing any information forwarded or to be forwarded to the KFIU. They are also prohibited from revealing that there is an ongoing investigation over suspicion of money laundering or financing of terrorism in connection with transactions executed or were to be executed for customers. This prohibition does not apply to revealing and exchanging information between company manager and staff or with attorneys, specialized authorities, and the Public Prosecution regarding these transactions.

Seventeenth: Record Keeping Requirements:

The exchange company shall maintain the following documents and records:

1. All documents obtained in line with due diligence processes, including copies of the documents evidencing identities of customers and beneficiaries owner, and the accounting files and business correspondences, and these shall all be maintained for a minimum of five years after the termination/end of the business relationship or the execution of the transaction for any customer.
2. All documents related to local or cross-border transactions, whether those executed or those attempted, which shall be maintained for a minimum of five years after the execution or attempted execution of the transaction, and the records shall be sufficiently detailed to allow for re-creation of all steps of each transaction individually.

3. Copies of the notices sent to the KFIU and connected documents for a minimum of five years since presentation of the notice to the KFIU, so that said documents allow for re-arrangement of the individual transactions in a manner that would enable – should need arise – evidence to be gathered to file suit against criminal activity.
4. The study conducted to identify and assess risks and all connected information for a minimum of five years since the conducting or the updating of said assessment.

Eighteenth: 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 exchange companies shall comply with all provisions of Resolution No. 35 of 2019 issued on 04/08/2019 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. The exchange shall also comply with the mechanism issued concerning the procedures to be followed towards implementation of said decision. This shall involve the following:

- a) Developing automated systems to ensure full compliance with requirements of decisions issued in connection to countering terrorism and the financing of proliferation of Weapons of Mass Destruction (WMD). Companies may consider seeking the services of specialized companies in connection with names of customers, names of those granted power of agent by customers to deal with the company, as well as names of beneficiaries owner of requested transactions,
- b) No financial or other connected service shall be provided to any individual, entity, or group included listed by the UN 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. This shall apply immediately upon the inclusion of any party in any such list.

Nineteenth: AML/CFT Compliance Officer:

1. The exchange company shall appoint a competent Compliance Controller/officer with the mandate to verify the company complies with requirements of provisions of Law No. (106) of 2013 concerning countering money laundering and combatting the financing of terrorism and its executive regulations, as well as all relevant ministerial decisions and CBK instructions.

2. The compliance controller /officer and his/her assistants within the company shall have the appropriate qualifications and expertise in the areas of countering money laundering and financing of terrorism. The company shall provide the CBK with detailed information of the compliance officer and of those serving in his/her stead during his/her absence, and this shall include the name, qualifications, landline and mobile numbers, and email address. The CBK is to be apprised of any change in the above immediately.
3. A job description shall be drawn for the compliance controller /officer and for his/her assistants and it shall cover their tasks, including the periodical reports required for the review of the company manager and partners to follow up on developments. The job description for each employee shall be initialed in an indication that he/she is fully aware of all the tasks required of him/her.
4. The compliance controller/ officer shall have the authority to work independently, while subordinate to company manager administratively. He/she and other concerned staff shall have direct access to data indicating customer identity and other information connected to due diligence measures, records of transactions, and other relevant information.
5. The exchange companies shall conduct independent thorough scrutiny and examination to ascertain that the compliance officer and his/her assistants perform their tasks in harmony with company policies and controls in connection with countering money laundering and the financing of terrorism, and this shall be included in the company's annual internal audit.
6. The compliance officer must draw up a report to be presented to the company manager or board of directors, should there be one, as well as to all partners concerning efforts exerted to ensure company compliance with provisions of Law No. (106) of 2013 concerning countering money laundering and combatting the financing of terrorism on a quarterly basis at least. Said report shall state all suspicious transactions detected along with their implications and the measures taken by compliance staff to enhance policies, business processes, and company systems and controls with respect to countering money laundering and the financing of terrorism.

Twentieth: Other Requirements:

1. The exchange company shall have in place an automated audit system to evidence all its transaction, which enables it to prepare its financial position statements accurately. It shall also adopt internal audit systems befitting the volume of its activity and use serial numbers for all transactions requested by customer, fully executed or otherwise.

2. The exchange company shall commit to implementation of all due diligence measures as indicated in these instructions when dealing with exchange companies/institutions operating in the State of Kuwait but not regulated by the CBK, where such companies/institutions are to be included among the company's customers.
3. When dealing with other exchange companies within the State of Kuwait, the exchange company regulated by the CBK shall comply with the requirements indicated for the signing of contracts in line with requirements for transactions with correspondents. Contracts signed shall specify the types of transactions to be covered and the mutually agreed procedures in this regard.
4. The exchange company may not accept cash sums from customers as payment for execution of transactions valued above KD 3,000 or an equal value in foreign currency within one day. Payments above that sum shall be deducted from the customer's account with any bank or settled by other payment methods allowed by the CBK (cheques, ATM card).
5. There is no maximum transactions value the company can make payment for to its customers using foreign currency or Kuwaiti Dinar within one day, without breach of what is stated in paragraph (4) above for purchases of foreign currency where payment is made in Kuwaiti Dinar. The exchange company shall also issue a bill of sale in the customer's name after implementing all due diligence measures required, and the bill shall indicate the currency sold and the total value of banknotes sold.
6. Where ATM cards are used to pay for a transaction through deduction from a bank account, the exchange company shall verify that the card is issued under the name of the customer requesting the transaction, and where there is discrepancy, an authorization from the person whose name is on the card is required approving payment for the transaction. The company shall also verify that the beneficial owner is the person requesting the transaction.
7. In line with provisions of Article (13) of Law No. (106) of 2013 on countering money laundering and the financing of terrorism, and in connection with declaring information in this regard, the exchange company shall present all information and documents requested by specialized authorities, each befitting its mandate. This most especially applies to information requested by both the KFIU and the Ministry of Foreign Affairs' committee overseeing the implementation of UNSC resolutions in view of Chapter VII of the UN Charter.
8. The auditors' report prepared for assessment of the internal control system in an exchange company should include an item on his/her assessment of compliance by the company with locally applicable laws, and the relevant ministerial resolutions and CBK instructions promulgated with respect to AML/CFT, and with the company's approved policies and procedures as well as all the internal controls.

9. The partners should be informed of the findings of any on-site inspection conducted by CBK in terms of CML/CFT, including the corrective measures that should be undertaken by the company, and the actions taken by the company in this respect.
10. In recruiting its staff, the company shall identify the requirements of integrity, experience and efficiency, and set the rules and procedures to ensure that:
 - a. Staff have the expertise necessary for conducting their duties.
 - b. Staff have the integrity required for carrying out the various activities of an exchange company.
 - c. No person convicted of crimes involving fraud, dishonesty and the like shall not be appointed by the company.
11. The exchange company should have an approved training plan that considers periodic training programs for the new and existing staff in the area of AML/CFT. All the company's partners and the general manager should attend similar programs to stay abreast of the new developments including those relating to the prevailing patterns in AML/CFT, in accordance with the obligations under the Law No. 106 of 2013 regarding Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) and its executive regulations, and all related instructions issued by CBK.

Twenty First: Penalties and Legal Actions:

Penalties stated under article (15) of the Law No. (106) of 2013 concerning combating money laundering and financing of terrorism shall be applicable to any exchange company violating these instructions.

**Amendments to the Instructions Issued to Exchange Companies
Number (2/RS/457/2020) on combating money laundering
and terrorist financing**

• **First :Rephrased words or phrases:**

Page Number (From the instructions issued dated 9/6/2020)	Statement (item/point/paragraph) Text according to the instructions previously issued on 9/6/2020	Amended statement (item/point/paragraph) Amended text
1	Second Paragraph "... to conceal and disguise the illicit sources of their funds,"	Second Paragraph “for the purpose of concealing and disguising the illicit sources of their funds””
1	Third Paragraph .."..." to reinforce and clarify some of the requirements that have been revealed following the follow-up carried out by the Central Bank of Kuwait during the last period,..."	Third Paragraph ..."to enhance and clarify some of the needed requirements revealed by CBK during its recent monitoring,..."
2	First Paragraph Therefore, all exchange companies subject to the supervision of the Central Bank of Kuwait operating in the State of Kuwait shall comply with the following..."	First Paragraph Accordingly, all exchange companies subject to CBK supervision and operate in the State of Kuwait shall comply with the requirements of anti-money laundering and combating the financing of terrorism as follows..."
3	Item I.2/a/Point 13 "The customer is engaged in an activity based primarily on dealing in cash, or practicing an activity associated with high levels of money laundering or terrorist financing risks." (cash), or engage in activity associated with high levels of money laundering or terrorist financing risk."	Item I.2/a/Point 14 The customer’s business associated with high risks related to money laundering or terrorism financing.."
3	Item I.2/a/Point 15 "The client has business relationships with persons residing in high-risk countries"	Item I.2.a/Point 16 " Customer has business/social relationship with individuals residing in high-risk countries "
4	Item I.2/b/Point 2 "The list issued by the Kuwait Financial Intelligence Unit on high-risk countries and the amendments made by the Unit to this list as a result of continuous follow-up."	Item I.2/b/Point 2 " The list issued by Kuwait Financial Intelligence Unit (KFIU) on high-risk countries and the amendments made by the Unit to this list in view of its continuous monitoring

4	Item I.2/c/Point 4 "Transactions that are unusual or involve a request for cash payments based on them."	Item I.2/c/Point 4 " Unusual patterns of transactions."
55	Item I.3/c " ... verifying the actual beneficiary customer (the real applicant) and fulfilling the name of the person receiving the funds (the beneficiary of the transaction)."	Item I.3/c " ..., verification of the actual beneficiary customer (actual requester of the transaction), and obtaining the full name of the party to receive the funds (party benefiting from the transaction)
5	Item I.3/e "Strict due diligence procedures to be followed in the event of high risks, whether related to customers, countries or product/service."	Item I.3/e " Enhanced due diligence measures that shall be followed in case of high risks, whether related to customers, to countries, or to product/service."
5	Item I.3/f "..., at intervals commensurate with the degree of risk (... , three years for low-risk clients)."	Item I.3/f "..., at intervals commensurate with the degree of risk (... , a maximum of three years for low-risk clients)."
5	Item I.4 "The study prepared on the risks associated with money laundering and terrorist financing and its findings are based on all partners in the company and the manager responsible for management. The study and any update thereon are also saved..."	Item I.4 " The study on risks associated with money laundering and terrorism financing and its results shall be approved by all partners and the Managing Director (whether the company's manager or the board of directors, where there is one). The prepared study and all updates incorporated therein shall be maintained .."..."
5	Item II/a/2 "Preparation of a manual of work procedures and internal control systems to be followed to implement the required control."	Item II.1/b "Refer to developed and approved procedures including steps to be followed to achieve compliance with the requirements of anti-money laundering and combating of terrorism financing and develop internal control systems which shall be followed in order to implement the required combating requirements."
6	Item II/A/4 "Establish due diligence measures commensurate with the degree of risk, ..."	Item II.1/e " Apply due diligence measures proportionate to the level of risk, which shall be satisfied before executing requested transactions, ..."
6	Item II/a/5 "Follow specific procedures to apply the principle of 'know your customer' as this entails..."	Item II.1/f "Follow specific procedures to apply the principle of "Know Your Customer" and use a form designated for this purpose, which specify the information that shall be obtained and the intervals for their update in view of customer-related risks."

7	Item II/A/11 "Commitment to prepare quarterly reports, to be presented to the director of the company and all its partners, ..."	Item II/1/L " Prepare quarterly reports by the compliance controller/officer to be presented to the company's manager and all partners, ..."
8	Item III/A/4 "Steps to be followed on the implementation of the concept of "Know Your Customer" taking into account the risks associated with customers, ..."	Item III.1/d " Steps to be followed in implementation of the (KYC) principle and completion of a form designated for this purpose, taking into consideration customers' associated risks, ..."
9	Item III/A/8/Point 3 "Operations that clients request to carry out from the company under a power of attorney issued by them to other persons and that are carried out without the client being present in person."	Item III.1/i/Point 3 " Transactions required by a customer to be executed through a proxy to another person(s) without the customer's presence."
9	Item III/A/9 "... Names included in the freeze lists, whether issued by the sanctions committees of the Security Council or by the Committee for the Implementation of Security Council resolutions established at the Ministry of Foreign Affairs with regard to domestic decisions issued in this regard."	Item III/1/j "... Steps to be followed to verify the commitment not to deal with any of the 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 in accordance with the Chapter VII of United Nations Charter related to combating terrorism and financing the spread of mass destruction weapons."
9	Item III/A/10 "Procedures and methods for monitoring operations and transactions suspected of being linked to money laundering or terrorist financing,"	Item III/1/k " Measures to be followed for detecting operations and transactions that warrant suspicion of money laundering or financing of terrorism,"
10	Item IV.1 "The exchange company is prohibited from establishing business relationships with any of the customers without verifying the customer's full name and it is forbidden to conduct any transaction..."	Item IV.1 " Exchange company shall not establish any business relations with any customer without verifying his full name, and identifying whether the service requester is the actual beneficiary of the required transaction or he is acting on behalf of another beneficiary based on a legal document proving that. Also, exchange companies may not execute any transactions"...
10	Item IV.2 "The exchange company shall identify and verify the identity of the customer and the actual beneficiary in the following cases..."	Item IV.2 " Exchange company shall identify and verify the identity of the customer and the actual beneficiary in the following case..."

10	Item IV.2/d "When a suspected act of money laundering or terrorist financing..."	Item IV.2/d " Where there is suspicion of money laundering or financing of terrorism..."
10	Item V.1 "Customer due diligence measures based on a risk-based approach are..."	Item V.1 " Due diligence measures towards customers, whether natural persons, legal persons and legal arrangements, in view of the risk-based approach, are realized through the following..."
10	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 identity of the customer using documents or recognized tools obtained from trusted and independent sources."
11	Item V.1/b "Identify the reality of the actual beneficiary of the transaction request – the genuine applicant – and take the required due diligence measures to verify his identity,..."	Item V.1/b " Identifying the actual beneficiary of the requested transaction – the real requestor of the transaction – and employing reasonable measures to ascertain his/her identity..."
11	Item V.2 "Exchange companies must review identity documents provided they are valid, ..."	Item V.2 "Exchange companies must have access to legal documents or instruments proving identity, provided that they are valid, ..."
11	Item V.2/a/Point 4 "The official document issued authorizing the person dealing on behalf of the customer with the exchange company, as follows: a.Under a power of attorney from the Ministry of Justice... b.Having a mandate... , drawn up by the customer and the signature appended to it was completed in the presence of the customer in person to the exchange company."	Item V.2/a/Point 4 "The official document issued by the requester of the transaction authorizing the person dealing with the company on his behalf, as follows: A power of attorney issued from the Ministry of Justice by the customer requesting the transaction to the person dealing with the exchange company on his/her behalf A previous authorization by the customer to the proxy, issued by the customer, which is to be signed in actual presence of the customer at company premises after verifying his/her identity t."

12	Item V.2/b "b. For legal persons	Item V.2/b "(b) For legal persons or legal arrangements:"
12	Item V.2/B/2 "Documents proving the establishment of the institution/company..."	Item V.2/B/2 " Documents evidencing incorporation of the legal person or legal arrangement and that it is entitled to exercise business according to the documents issued by the concerned authorities..."
12	Item V/2/b/point 3 "An official authorization according to legal documents issued to the person acting on behalf of the institution / company in dealing with the exchange company, provided that the identification papers of the authorized person are verified and a copy of them is kept among the documents proving the execution of the transaction."	Item V/2/b/point 3 "Legal documents indicating the names of the authorized signatory/ signatories on behalf of the legal person or legal arrangement, and documents indicating the names of the management's personnel, provided that copies thereof are included in the documents evidencing execution of the transaction."
12	Item V.2/b/Point 4 "For a person to represent the institution/company to deal with the exchange company, legal documents or judicial rulings issued in this regard proving this must be submitted."	Item V.2/b/Point 4 " Where a person is to represent an institution/company for dealing with the exchange company, legal documents or legal verdicts issued in this regard shall be submitted as proof."
12	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 actual beneficiaries, by obtaining a certificate signed by the customer stating that he is not acting or conducting the transaction on behalf of another person and that he is the actual beneficiary of the transaction, or by any other documents proving this."	Item VI.1 "The company shall take the necessary measures to identify whether the customer (natural person) is the actual (real) beneficiary or acting on behalf of an actual (real) beneficiary or more, through obtaining a certificate signed by the customer stating that the customer is the actual beneficiary and not acting or executing the transaction on another party's behalf."
13	Item VIII.1 "The exchange company should take additional measures to apply strict due diligence to high-risk customers, and also for politically exposed persons who are dealt with by the exchange company, provided that this includes..."	Item VIII.1 " Exchange companies shall take additional measures to apply enhanced due diligence for customers classified as high risk, customers for whom transactions are executed without their physical presence and politically exposed persons the company has business with. This specifically includes..."

14	Item VIII.2 "... Or those that do not fully comply with the application of international standards in the field of combating money laundering and terrorist financing through the Financial Action Task Force (FATF)."	Item VIII.2 "... especially those operating in countries previously classified "high-risk" or that do not fully comply with Financial Action Task Force (FATF) global (AML/CFT) standards mentioned in the issued lists."
14	Item VIII.3 "Strict due diligence measures must also be followed for: Money transfer services. Services provided through modern technologies (Online Services)."	Item VIII.3 " Enhanced due diligence measures shall also be applied for services provided via modern technologies (Online Services))."
14	Item VIII/4/c "Obtaining additional information for the client if he is a legal person ..."	Item VIII/4/b " Obtaining additional information on the customer (legal person),..."
15	Item IX.1 "The exchange company shall establish appropriate procedures to determine whether the customer ... , or that he is related – up to the second degree – to a politically exposed person, and it must include..."	Item IX.1 "Exchange companies shall take appropriate measures to determine whether the customer or the actual beneficiary (real transaction requestor) is a Politically Exposed Person (PEP), or is kin of (up to a second degree relative) with a PEP, and the measures shall at a minimum guarantee the following."
15	Item IX/1/c "Drawing up a list of jobs and positions in which the occupants are politically exposed, ..."	Item IX.1/a " Develop a list of jobs and positions whose occupants are considered to be politically exposed persons, ..."
15	Item IX.1/a "The information required to be provided ... , or that he is related to such persons and the degree of such kinship."	Item IX.1/b "The information required to be obtained ... , or a person assigned or previously assigned with a key position by an international organization or is kin of with a PEP, if so, what degree is that kinship."
15	Item IX.1/b "Continuous follow-up to update the information available about the customer."	Item IX/1/c " Continuous follow-up to update customer information."
16	Item IX.2/c "Take the necessary measures to determine the source of funds and wealth."	Item IX.2/c " Measures shall be taken to determine sources of funds and wealth."

16	Item X/first paragraph "Exchange companies within the scope of collecting the parameters of the customer and the actual beneficiary before executing any transaction, ... Information collected as part of due diligence measures on an ongoing basis, verifying its validity by reviewing existing records at periodic intervals ... and taking into account that the form contains, as a minimum, the following items with their fulfillment by the customer..."	Item X/first paragraph " Exchange companies, for the purpose of gathering information on customer and on actual (real) beneficiary prior to executing any transaction, ... updated on continued basis and verify their validity through reviewing records on regular intervals ... , Said template shall cover, at a minimum, the following..."
16	Item X.6 "To clarify from the client whether he currently holds or previously held a public political or international post, what such position is, if any, as well as whether the client has relatives holding such positions, and clarifying the degree of kinship."	Item X.a.7 "Asking for customer clarification whether he/she currently holds a political or international post, whether he/she did so in the past, the nature of such post, if any, and whether he/she has kin currently in such posts and the degree of kinship, if any."
17	Item XI/second paragraph "Exchange companies also have to... Obtaining supporting documents if possible, provided that the compliance controller prepares a written report explaining the reasons for the decision taken in this regard, whether to carry out the requested transaction or notify the Financial Intelligence Unit thereof in the event of suspicion of the transaction."	Item XI/second paragraph "Exchange companies also have to... required to obtain supporting documents, where possible. The compliance officer shall write a report indicating the justification for decision taken, be that executing the requested transaction or notifying the KFIU where the transaction is deemed suspicious."
18	Item XIII/2/d "Evaluation of the controls in place... Take the necessary measures to clearly determine the adequacy of their anti-money laundering and terrorist financing regulations."	a. Item XIII/3/d "Evaluation of the controls in place... taking the necessary procedures to clearly ascertain that their systems in this regard are consistent with the requirements that must be adhered to in accordance with the provisions of all relevant instructions issued by CBK."
18	Item XIII/2/E "Entering into contracts with any of the correspondent institutions... It includes a definition of the responsibilities of each party (financial institution) in the implementation of AML/CFT requirements."	Item XIII.5 "Entering into contracts with any of the correspondent institutions... that specify the responsibilities of each party (financial institution) concerning compliance with (AML/CFT) requirements in accordance to Item (4) above."

20	Item XIV.7 "The exchange company ordering the transfer must provide the information related to the electronic transfer within three working days of receiving the request for it from the Central Bank of Kuwait or the Kuwait Financial Intelligence Unit."	Item XIV.7 "All information and copies of documents relating the electronic transfers should be made available by the ordering exchange company within three business days of receiving the request either from CBK or KFIU, whether that information is available with the company or that is provided by previous correspondent who executed the transfer."
27	Item XX.11 "The exchange company must have... In implementation of the obligations imposed on them under Law No. (106) of 2013 on Anti-Money Laundering and Combating the Financing of Terrorism, and its Executive Regulations, and these instructions."	1) Item XX.11 "The exchange company must have... in accordance with the obligations under the Law No. 106 of 2013 regarding Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) and its executive regulations, and all related instructions issued by CBK.."

• **Second : The Items and Paragraphs that have been amended**

Item I/2/A/Point 12 of the instructions previously issued on 9/6/2020, becomes "12- Customers who own huge assets. 13. Customers about whom there is no clear information regarding the source of income or assets owned.

Item III/A/5 of the instructions previously issued on 9/6/2020, related to work procedures and internal control systems and controls applied, becomes "e. 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."

Item V/2/A/Point 1 of the instructions previously issued on 9/6/2020, related to due diligence measures towards customers, becomes "Civil ID issued to citizens or non-citizens (residents), whether the issued document or using the second level of the application of my identity."

Clause VI/3 of the instructions previously issued on 9/6/2020, related to the identification of the actual beneficiary (the real applicant for the execution of the transaction), becomes "In the event that the Client is a legal person or a legal arrangement, the Company shall take appropriate measures to understand the ownership and control structure of such Client, enabling the Company to identify the final natural person exercising control over the legal person, and in the event of doubts as to whether such natural person is in control or is responsible." As for the management of the legal person, the company must take successive and gradual steps to reach the actual real beneficiary (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. Identify the natural persons who own the control shares in the legal personality or legal arrangement who own (any of them or collectively) more than 25% of the ownership
- b. Mentioning, accessing, through the use of any other available means, the identity of natural persons who have control over the administration.
- c. In the event that the natural person is not identified through the preceding clauses (a) and b), the company shall determine the procedures by which it intends to reach the natural person(s) who occupy senior management positions and through whom the management of the legal person or the legal arrangement is controlled. "

Item 14/9 of the instructions previously issued on 9/6/2020, related to operations related to making transfers for the benefit of customers, becomes "The exchange company shall execute the outgoing transfer upon the request submitted by the customer, within a maximum of one working day following the date of receipt of the request, and in the event of non-implementation within this period, the customer must be informed of this, and if he expresses his desire not to continue making the transfer, the company is immediately obligated to refund the value of the transfer including the fees obtained by the company. The exchange company must also follow up the transfers carried out through its correspondents abroad to ensure that the value of the transferred funds has been received by the beneficiary, and taking into account the obligation to inform the transfer applicant within a maximum of 5 working days, of the reasons for not executing the transfer in the event of obstacles preventing its implementation.

Item 18 of the instructions previously issued on 9/6/2020, related to counter-terrorism requirements, becomes "Based on the provisions of Article (25) of the Anti-Money Laundering and Combating the Financing of Terrorism Law No. (106) of 2013, all exchange companies must comply with all the requirements contained in 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 the financing of proliferation). weapons of mass destruction) on the Regulation for the Implementation of Security Council Resolutions issued under Chapter VII of the Charter of the United Nations on Combating Terrorism and the Financing of the Proliferation of Weapons of Mass Destruction, and the mechanism issued in the field of procedures for implementing the requirements of this resolution shall be adhered to, in terms of the following..."

• **Third: Items and paragraphs that have been added:**

Item III of the instructions previously issued on 9/6/2020, related to work procedures and systems and controls of internal control applied, item "G. Using a form (sequential number) to prove the request to execute any transaction for any of the company's clients, is kept within the documents, whether the transaction was executed or not."

Clause VI of the instructions previously issued on 9/6/2020, related to the identification of the actual beneficiary (the real applicant for the execution of the transaction), item "4) has been added with regard to legal arrangements, the identity of the administrator, trustee, beneficiary or any other person entrusted with such tasks must be verified."

Item X of the instructions previously issued on 9/6/2020, related to the retention of customer information (know your customer), item "1) has been added for natural persons: a. personal data (name, profession or occupation, identity document number, nationality and date of birth)", and also item "2) For

Item thirteen of the instructions previously issued on 9/6/2020, related to relations with correspondents abroad (cross-border transactions), item "2) has been added, exchange companies are prohibited from dealing with any correspondent without being subject to an authority or supervisory authority entrusted with supervising this correspondent to verify his compliance with all the requirements contained in the recommendations issued by the Financial Action Task Force (FATF)", and also item "4) when the exchange company has a desire to contract with any of the correspondents. Abroad, it is necessary first to prepare an integrated written study dealing with: the extent of the need in the presence of such dealing, and to include the information that has been completed about this correspondent in accordance with the measures contained in item (3) above, with the study confirming that the following has been obtained from the correspondent:

- a. A copy of the license issued to him to practice the activity of executing financial transfers.
- b. The document indicating that the correspondent is subject to a supervisory authority in the field of combating money laundering and terrorist financing.
- c. An acknowledgment by the correspondent of his full compliance with the requirements of due diligence in accordance with the requirements of combating money laundering and terrorist financing when executing the required transactions at the request of the exchange company's customers.
- d. An acknowledgment from the correspondent of the execution of the required transfers by the exchange company at the request of its customers through the recognized methods in this regard.

- e. An acknowledgment from the correspondent to provide a copy of all documents indicating the implementation of the requested transaction or any information related to the implementation of a transfer and the document indicating that the beneficiary has received the transfer amount, whether in addition to his account with the bank or the receipt of cash from the correspondent, upon the company's request to provide it with this, and within three working days of receiving the request for such transfer.

Clause 18/2 of the instructions previously issued on 9/6/2020, related to the requirements of combating terrorism, becomes "not to provide any financial or other services ... As well as the names contained in the resolutions issued by the Committee for the Implementation of Security Council Resolutions established at the Ministry of Foreign Affairs on the basis of resolution No. 1373/2001, immediately after the issuance of those resolutions."

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.

15- Circular to all Local Banks, Financing Companies and Exchange Companies” issued 17/7/2023 concerning Virtual-Assets Transactions Procedures.

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