



بنك الكويت المركزي
CENTRAL BANK OF KUWAIT



Third Issue – May 2023

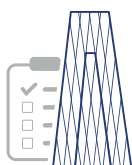
CBK Efforts on AML/CFT and Customer Protection

Index

I. Relating to AML/CFT	1
○ CBK’s Supervisory Role	1
○ CBK’s Efforts in the area of AML/CFT	2
○ National-level AML/CFT Cooperation among Relevant Authorities	3
II. Relating to Customer Protection	4
○ CBK’s Supervisory Role for Customers’ Protection	4
○ Stages of Addressing Individual Customer Complaints	5
○ CBK Efforts to Improve Services Provided to Customers	5
○ Statistical Data on Complaints and Grievances Filed by Customers of CBK-Regulated Banking and Finance Institutions	7
Central Banks’ Approach to Monetary Stability and Financial Stability	8



I. Relating to AML/CFT:



CBK's Supervisory Role

The Central Bank of Kuwait (CBK) is among the supervisory authorities entrusted with monitoring the compliance of the CBK-regulated units, namely banks, exchange companies, and financing companies, with the Law No. 106 of 2013 concerning Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT), as stated under Article (1) of the said law.

Article (14) of the Law specified the duties of supervisory authorities, including ensuring regulated units' compliance through on-site inspections, issue of binding AML/CFT instructions and decisions to be satisfied, as well as cooperation and exchange of information with other concerned authorities and foreign AML/CFT entities.

Article (15) also provided for the measures and penalties that could be imposed (one or more) where a regulated body (be it regulated by CBK or another supervisory authority) is found in violation of any of the instructions or decisions, or the provisions of this Law or its Executive Bylaws. The measures and penalties range from a written warning to fines of up to KWD 0.5 million per violation or even revoking license.



CBK's Efforts in the area of AML/CFT:

In line with the provisions of the Law No. 106 of 2013, CBK had achieved the following:

1

CBK issued instructions on AML/CFT requirements to local banks, exchange companies and financing companies on 23/07/2013. Instructions issued to banks had later been amended on 14/05/2019 and further updated on 16/02/2023. The aim was to keep abreast with requirements in recommendations and standards issued by the Financial Action Task Force (FATF) and the findings of CBK's previous follow ups in terms of what further explanation is needed on any of the requirements stated under the instructions. Amendments were also made on the instructions issued to exchange companies on 09/06/2020 and another update was issued on 16/02/2023 in view of the findings of CBK's previous follow ups (both on-site and off-site).

2

CBK developed an approach for risk-focused inspection, and prepared a mechanism, whereby a matrix is used to identify risks associated with activities of the CBK-regulated units, as well as to decide the type of follow up required in terms of supervisory requirements.

3

CBK conducted inspections on the regulated units (banks, exchange companies and financing companies) to ascertain the level of compliance with AML/CFT requirements according to an approved annual plan based on the risks associated with the activity of each unit.

4

CBK required all regulated units to have in place advanced technology systems that contribute towards the needed follow up on customers' transactions through automatic alerts according to multiple scenarios. This aims to point out transactions that require collection of information and investigation to allay ML/FT suspicion. In case of probable doubt, the Kuwait Financial Intelligence Unit (KwFIU) must be immediately alerted upon compiling of evidence that merits suspicion.

5

In terms of capacity building, CBK instructions stressed that all the regulated units must run continuous AML/CFT trainings as part of their training plans to prepare their staff to carry out their duties and stay abreast with the developments seen with money laundering and terror financing, as well as to enhance AML/CFT awareness among members of their boards of directors and higher management.

6

CBK had also held workshops regularly for those concerned with AML/CFT in the regulated entities in cooperation with KwFIU to enhance knowledge as well as know-how and capabilities among all staff at those entities.



National-level AML/CFT Cooperation among Relevant Authorities:

Towards the required level of cooperation among all authorities concerned with AML/CFT requirements, and pursuant to the Ministerial Resolution No. 37/2013 concerning the Executive Bylaws for the Money Laundering and Combating the Financing of Terrorism (AML/CFT) Law No. 106 of 2013 and its amendments, a National Committee for Anti-Money Laundering and Combating the Financing of Terrorism has been formed and entrusted with the following tasks, among others:

- Drawing out a national strategy to counter the crimes of money laundering and financing of terrorism in coordination with relevant authorities and to follow up implementation thereof.
- Assessing risks in areas of money laundering, terror financing, and financing of activity related to mass destruction weapons on the national level.
- Staying abreast with the regional and international AML/CFT developments and presenting recommendations regarding general policy and guidelines, as well as suggesting amendments to current legislation.

CBK took part in regular meetings of the said committee and was keen to join members of the technical teams set up by the committee to carry out tasks in this area, including the team set up to evaluate money laundering and financing of terrorism risk on the national level. Efforts of said team yielded the national report on this topic.

CBK held membership with the committee formed by the Ministry of Foreign Affairs concerned with implementation of UN Security Council Resolutions issued by virtue of Chapter VII of the UN Charter on Countering Terrorism and the Financing of Weapons of Mass Destruction, which is tasked to specify measures to be complied with by all financial and non-financial institutions specified in counter-terrorism requirements as in Article (25) of the Law No. 106 of 2013.

CBK meanwhile signed bilateral agreements with the Ministry of Commerce & Industry, Capital Markets Authority, and KwFIU in the areas of AML/CFT cooperation.

It is notable here to mention that when it comes to international cooperation, CBK took part in the meetings held by regional organizations (MENAFATF), international organizations (FATF) or the joint committees formed in some regions.



II. Relating to Customer Protection:



CBK's Supervisory Role for Customer Protection:

Within its continued efforts for protection of individual customers, most especially consumer and installment (housing) loans customers, CBK issued a circular on 19/01/2011 to all banks and investment companies operating in the State of Kuwait urging them to set up units to address and respond to customers' complaints.

Stages of Addressing Individual Customer Complaints:

First Stage

(individual) customers of banking and financing institutions lodge their complaints with CBK-regulated entities (banks and financing companies) as well as with investment companies concerning loans of financing using the designated Complaint Form made available at all branches. Upon receipt of the complaint made against it, the concerned entity, in line with the relevant instructions, shall respond in writing within 15 working days of filing, specifying whether corrective measures had been taken regarding the subject matter or indicating the propriety of measures taken regarding the incident indicated in the complaint.

Second Stage

In case the customer is not satisfied with the response given by the entity concerned, he may lodge an appeal with CBK attaching a copy of the response and all necessary documents for assessment of correctness of the entity's measures or lack thereof.

CBK also receives complaints from customers directly in the following cases:

- ▶ The complaint is filed by an institution or company against a CBK-regulated entity.
- ▶ The complaint is filed against exchange company/companies.
- ▶ Appeals regarding entities failing to respond to customers' complaints within the specified 15 working day period or where entities fail to facilitate filing of a complaint by customers.



CBK's Efforts to Improve Services Provided to Customers:

CBK launched an electronic system to receive complaints and grievance by customers of local banks so that there is no need for them to visit the CBK headquarters in person. Customers are to fill out a designated "Complaint" Form, which is available on the CBK's website (www.cbk.gov.kw) in case the bank in question fails to provide a complaint form or in case it fails to respond to the complaint within the specified 15 working day period from date of receipt of the complaint. The electronic appeal form is used if the customer finds the bank's response unsatisfactory, in which case all related documents should be uploaded in electronic format so that the soundness of the concerned bank's actions and measures may be assessed.

CBK provided a phone service through (1864444) to respond to queries by customers of financial and banking institutions concerning their products and services. The service aims to provide sufficient information to customers of banking and finance institutions (banks, financing companies and investment companies practicing lending and/or financing activity), in line with the CBK instructions regulating products and services provided to customers, most specifically those related to consumer loans, housing loans, credit cards, and fees and commissions, and also in line with the conditions and provisions under these instructions that are to be upheld in customer's dealings with those entities. The ultimate aim is to increase awareness among customers.

CBK prepared and published several Infographic concerning the complaint/appeal process against the CBK-regulated entities through social media platforms, including the CBK's website (www.cbk.gov.kw), out of keenness to care for customers of the regulated entities and enhancing awareness among this segment.

Complaint filing process against Investment and Financing Companies
(Regulated by the CBK)

Follow the steps below:

1. File a written complaint to the company on the designated form available with that company, and receive a dated receipt.
2. The company must give the customer a dated receipt of the complaint, and respond within 15 business days of the filing date.
3. If the company did not respond or if the customer was not satisfied with the response, the customer may file a complaint or an appeal to the CBK along with the company's response and the supporting documents.

Consumers' Protection Unit 1864444 | www.cbk.gov.kw

For further information about the complaint filing process, please contact **Consumers' Protection Unit through 1864444** during the official business hours (08:00 a.m. to 02:00 p.m.)

We receive customers' inquiries about the regulatory instructions governing the operations of CBK-regulated entities.

Bank, Investment Company, Financing Company, Exchange Company

Consumers' Protection Unit 1864444 | www.cbk.gov.kw

Complaint filing process against the CBK-regulated entities

If the entity did not provide the customer with the designated form of complaint

The customer may visit the Banking Hall at CBK Headquarters to submit a complaint on a designated form.

Consumers' Protection Unit 1864444 | www.cbk.gov.kw

Complaint filing process against Exchange Companies
(Regulated by the CBK)

Should the customer opt to file a complaint against an Exchange Company

The customer may visit the Banking Hall at CBK Headquarters to submit a complaint on a designated form.

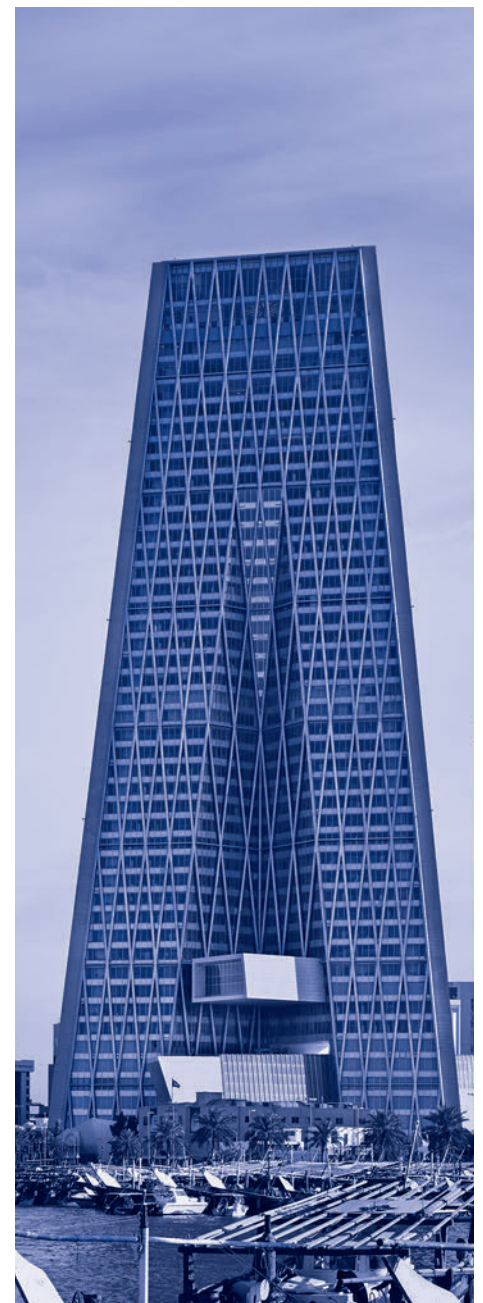
Consumers' Protection Unit 1864444 | www.cbk.gov.kw

Complaint filing process against the CBK-regulated entities

If the entity did not respond within 15 business days,

The customer may visit the Banking Hall at CBK Headquarters to submit a complaint on a designated form.

Consumers' Protection Unit 1864444 | www.cbk.gov.kw





Statistical Data on Complaints and Grievances Filed by Customers of CBK-Regulated Banking and Finance Institutions:

The tasks the CBK Customer Protection Unit has handled in 2022 can be summarized as follows:

The unit received 227 complaints; corrective measures had been taken in response to 22 complaints, whereas an examination of another 113 complaints found that the concerned entity's measures had been "sound". A total of 92 complaints were discarded due to the customer/s' failure to follow proper complaints procedures.

The unit received 236 appeals; corrective action was taken regarding 38 and it was found that the concerned entity's measures were "sound" in another 182. Another 16 appeals were discarded due to the customer/s' failure to follow proper appeals procedures.

The total of calls received by the unit came to 2,915 phone calls.



Central Banks' Approach to Monetary Stability and Financial Stability

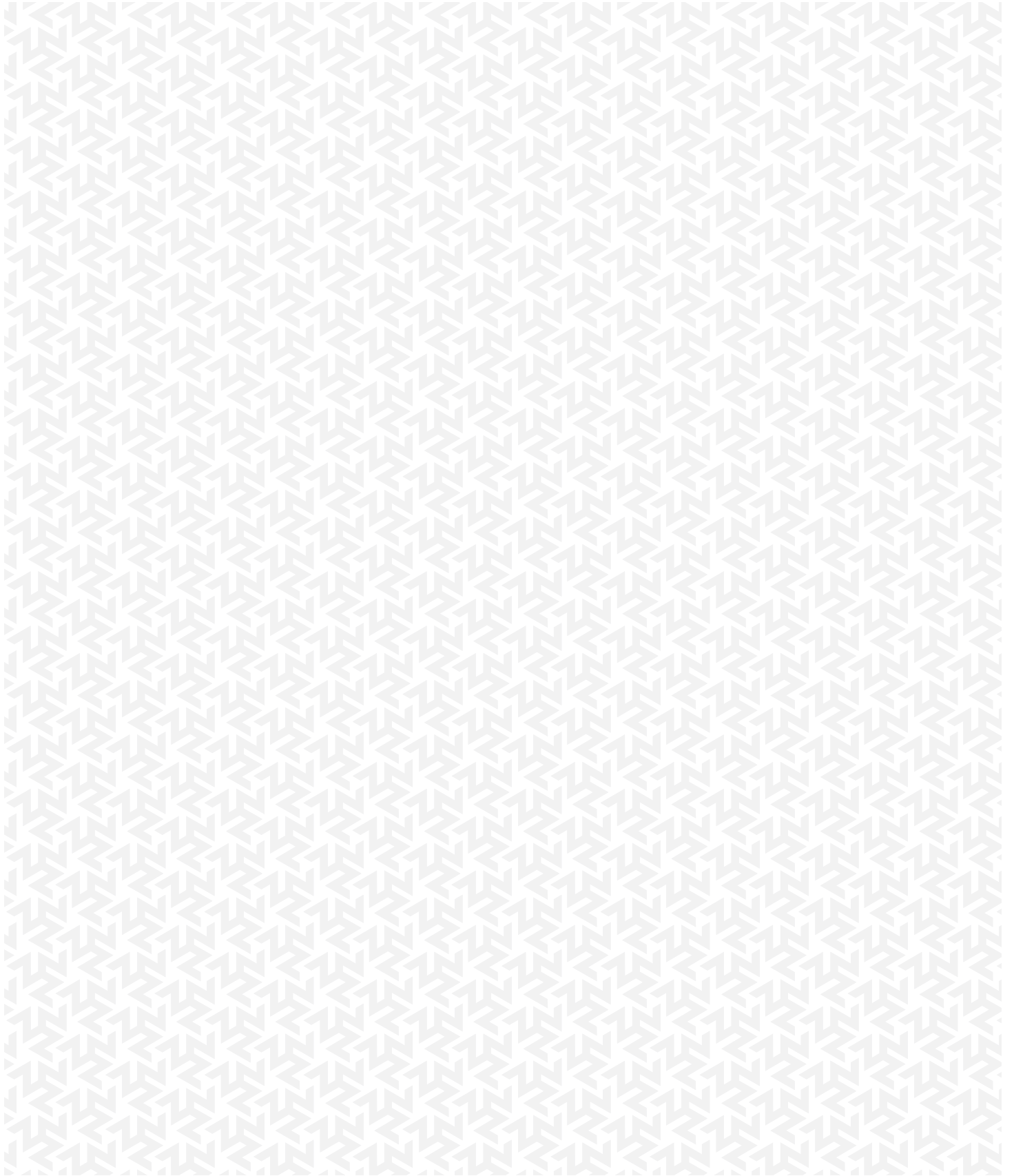
Financial stability as a concept refers to the state where the financial sector is able to buffer against both internal and external crises and, in the event of a crisis, to efficiently direct financial resources to investment opportunities as well as continue to efficiently process payments. This goes hand in hand with upholding mechanisms of reducing risks in connection with extending credit and financing facilities, market risk and operating risk, while ensuring that the growth in financial asset value is proportionate to growth in the real economy and growth in sustainable job opportunities.

Realizing sustainable economic stability requires, as an essential component, an advanced, stable financial sector that is capable of directing savings into financing for productive investment opportunities that would create more job opportunities and increase productivity level to the max. Achieving stability of the financial sector, therefore, could be considered a starting point towards realizing economic stability. Needless to say, tightening the monetary policy to curb inflation leads to further drop in market value of long-term securities presented in many banks' balance sheets.

If a financing liquidity crisis breaks out, at a time when inflation is higher than the target level, policy makers have to weigh and compare central banks' two main goals, viz. "Monetary Stability" and "Financial Stability". In such case, **financial stability has to come first**, since it is a pre-requisite to effectively working on achieving price stability. Also, central banks, as the last-resort lender and market maker, have to be ready to shoulder their responsibility regarding financial stability when shortage in liquidity becomes a systemic threat to the banking sector.

Financial stability hinges upon monetary stability seen as ability to realize stability of general price level at target levels, in addition to having a clear scale for interest rates, as well as suitable level of efficiency in regulating credit terms in volume and prices in a manner that supports economic growth and prevents concentration and accumulation of credit risk, specifically with sectors most prone to turbulence. The connection between monetary policy and financial stability is seen clearly in the impact of instruments used in monetary policy such as interest rate on companies in the economic sector in terms of their ability to serve their debts to banks, and also the impact of developments in interest rate on prices of financial assets and commodities. Furthermore, strengthening the role of monetary policy instruments to enhance economic growth by, for example, using interest rate and adopting an exchange rate policy would limit unjustified price turbulence, curb currency speculation and support efforts aiming to realize economic stability.

In conclusion, CBK's monetary policy balances the two objectives of monetary stability and financial stability, adopts a balanced and gradual approach to tightening monetary policy through the regulation of monetary variables and aggregates linked to growth in local demand, liquidity and credit in a manner that helps preserve accessible income without slowing down economic growth rates, jeopardizing the state's development plans, or hampering deposit growth.



بنك الكويت المركزي
CENTRAL BANK OF KUWAIT



T: +(965) 1814444 | P.O. Box: 526, Safat 13006, Kuwait
cbk@cbk.gov.kw | www.cbk.gov.kw

 @centralbank_kw |  Central Bank of Kuwait