
*The Opening Statement of the Conference on
Anti-Money Laundering and Combating
the Financing of Terrorism*

It pleases me to welcome you all on the occasion of this opening session of the conference on “Anti-Money Laundering and Combating the Financing of Terrorism”. This conference, which has been organized by the Central Bank of Kuwait, falls within the range of its continuing efforts to shed light on the most recent local and international developments and events relating to methods of combating the illicit activities of money laundering and the financing of terrorism.

I would like to state first that money laundering operations are among the oldest of crimes used by criminal individuals and organizations to hide their real identity or the sources of the funds they receive from their criminal activities. The spread of this phenomenon, with its developing techniques and the vast threats emanating from its continuation, has led the international community to exert necessary efforts to curtail its spread.

The Financial Action Task Force on Money Laundering (FATF) was established in 1989, incorporation recommendations for combating such operations, along with the standards of the Basle Committee on Banking Supervision for verifying customer identity and the resolutions issued by the United

Nations regarding the combating of terrorist finance, the initiatives of the IMF and the World Bank concerning the combating of this phenomenon. This is one illustration of the international community's initiatives to restrict money laundering and the financing of terrorism. Other regulatory efforts of the international community have been implemented through its different institutions as well; these will be explained in greater detail during the conference.

Although the operations of financing terrorism are not among the new phenomena, they have received great attention since the events of September 11, 2001, because their impact caused the concerned international institutions to exert extensive efforts to dry up the sources of terrorist finance. Several resolutions and recommendations have been issued by these institutions, and they will be discussed as an important dimension of this conference.

It is worth stating that the operations of money laundering and the financing of terrorism are in contravention of the provisions of our Islamic religion, since money laundering violates the principle of equal opportunity, leading to immediate and large-scale wealth without legitimate backing or sources. Thus, these operations impact negatively on the economy and on ethics, and mask numerous other crimes, including the drug trade and disturbances of public safety and security. Our religion encourages legal and rightful earnings, and prohibits corruption and illicit practices.

Now, permit me to share with you briefly the most important regulations which have been implemented by the State of Kuwait in the areas of legislation, resolutions and regulations relating to combating money laundering and the financing of terrorism, and what the Central Bank has done in this respect.

- 1- The National Committee for Anti-Money Laundering was established in June 1998 and restructured in December 2002 to include the function of “Combating the Financing of Terrorism”, demonstrating the significance which the State of Kuwait attaches to fighting these illicit operations. The committee established the basic foundation for dealing with these activities, through draft legislation criminalizing money laundering in the State of Kuwait, in coordination with the Central Bank of Kuwait and other relevant government bodies.

- 2- In March 2002, Law No. 35 of 2002 was issued, concerning the combating of money laundering operations. This law includes a definition of money laundering and its criminalization, specifying the obligations of the banking and financial institutions and government bodies, and the punishments for infractions.

It also includes aspects of international cooperation regarding the combating of these crimes, and the execution of provisions issued in this respect. The issuance of this law means that the State of Kuwait has set the legislative

framework which constitutes the reference on this subject for all concerned bodies, institutions and individuals.

- 3- The State of Kuwait is currently participating in meetings of the Financial Action Task Force on Money Laundering (FATF) through its membership in the GCC. The secretariat general of the GCC represents the membership of the Council's countries in this group.

Furthermore, the Central Bank of Kuwait participates in local, regional and international meetings and conferences which are held to combat this phenomenon.

- 4- I would like to emphasize the State of Kuwait's commitment to adhere to international resolutions to combat the operations of money laundering and the financing of terrorism by means of applying the Security Council's resolutions that are related to this subject, including the submission of periodic reports to the concerned committees in the Security Council about the State of Kuwait's efforts in this respect.

Now I would like to present the procedures that have been adopted by the Central Bank of Kuwait for the purpose of combating the operations of money laundering and the financing of terrorism, and the regulations which the Bank is carrying out through its supervisory role over the banking and financial system.

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- 1- After the FATF issued its forty recommendations in 1990, and before the issuance of Kuwaiti legislation that criminalized money laundering operations, the Central Bank of Kuwait initiated in 1993 directives to banks and financial institutions which are subject to its supervision. These directives included controls for combating money laundering operations by means of applying related recommendations issued by the FATF concerning the role of the financial system in combating money laundering. These directives included a detailed guide to patterns of illicit transactions.

For the Central Bank of Kuwait to have faced the phenomenon of money laundering operations at such an early stage demonstrates our recognition of the urgency of our responsibility toward the banking and financial system. We must alert all those working in our banking and financial institutions about these illegal operations, which could damage the reputation of our banking and financial institutions and individuals, and ultimately our economy and society.

- 2- The Central Bank of Kuwait continually follows the international community's efforts to combat money laundering and the financing of terrorism, especially through the standards and recommendations issued in this respect by the FATF, the Basle Committee on Banking Supervision, the methodology of the IMF and the World

Bank in combating this phenomenon. The Central Bank has revised its directives to units of the banking system for the purpose of adding to them the comprehensiveness necessary to counter money laundering and the financing of terrorism, taking into consideration the ongoing developments in international efforts, especially following the terrorist events of September 11, 2001.

- 3- I feel it necessary to point out the latest revision of the Central Bank of Kuwait directives to banks in this respect in October 2002, i.e., after the issuance of Law No. 35 of 2002 concerning money laundering operations. This revision enhanced the comprehensiveness of the directives by specifying the punishments to be imposed on those banks that fall short of meeting their responsibilities in setting and applying the policies and regulations necessary for the control of money laundering and the financing of terrorism.

It is useful also to indicate that these directives have made it obligatory for each bank to set clear and precise policies and regulations, which are approved by the board of directors, with respect to these illegal operations, and which are in conformity with Kuwaiti laws and the resolutions and directives of the Central Bank of Kuwait.

Our directives have also required banks to establish independent units or departments to carry out the different tasks and responsibilities regarding their obligations to

adhere to laws, regulations, supervisory directives, policies, and controls imposed by the Central Bank to combat money laundering and the financing of terrorism. Our directives also require the external auditor of each bank to include in his report a clear opinion about the extent of each bank's compliance with all laws, resolutions, directives, policies and regulations related to these illegal activities.

- 4- In accordance with the guidance of the Basle Committee on Banking Supervision, the Central Bank directives to banks, issued in October 2003 and concerning proper practices for managing and supervising operational risks, included clear definitions of these risks and their different patterns, including the risks of money laundering and illegal activities. The directives also emphasized the importance of banks' applying policies and regulations for managing operational risks in coordination with other banking units, informing all employees about their responsibilities in the management of these risks.
- 5- Exchange companies represent potential avenues for money laundering, and thus the Central Bank updated its directives for these companies in March 2003, which were later revised in order to increase their effectiveness.
- 6- Concerning the Central Bank itself, I would like to outline the regulations which we have implemented, and those now in the process of implementation, regarding anti-money laundering :

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- 1st - In May 2002, we established a section in the Supervision Sector to carry out the tasks of combating money laundering operations; this shows our emphasis on the importance of dealing with the threats posed by these operations, and of preparing the technical personnel required to monitor the progress of international regulations and standards, and to assess the requirements for their implementation locally.
- 2nd - The Central Bank established in June 2003 the Kuwait Financial Intelligence Unit (KFIU), an independent unit headed by the Governor of the Central Bank. It receives reports on suspicious operations, forwarded from the Public Prosecutor's Office, analyzes the data and information in these reports, and submits to the Public Prosecutor's Office its technical, professional opinion, drawn up using a standard methodology and suitable instruments of analysis. The KFIU is also responsible for establishing a database and collecting related information and statistics; it participates in programs related to training and promoting awareness, and works in coordination with the Public Prosecutor's Office regarding the dissemination of information locally and internationally.
- 3rd - I would like to mention another important matter, which is the greater attention we are giving to the examination of banks and financial institutions subject to our supervision. This is essential in order to ensure that these institutions are applying the laws and supervisory directives related

to anti-money laundering and combating the financing of terrorism. We will certainly deal seriously with any cases of violation which we discover through these inspections.

- 7- The Central Bank has also imposed regulations appropriate to the challenges of combating these illegal operations. In this respect I would like to indicate that the domination of cash usage in the transactions of these operations represents a common phenomenon to many countries through which money laundering operations can take place. For this reason, the Central Bank encourages banks to develop substitute paying instruments. We noticed an increase in the operations of the point of sales which achieved an annual average percentage increase exceeding 35% during the period from the end of 1998 to the end of 2002; in addition, we observed increasing uses of plastic cards.

About the ways to face the challenges of money laundering operations which take place through e-banking and the internet, I would like to add that our directives to banks and financial institutions have included a guide of the patterns of suspicious transactions, among which are the uses of electronic payments. We have asked the banks to set programs for carefully examining and tracing these operations.

Also, I see it necessary to indicate the Central Bank's special efforts to train the employees of both the

Supervision Sector in the Central Bank and the banking and financial units, in order to acquaint them with the threats of money laundering operations, and to enable them to trace suspicious patterns, as well as understand the latest technology and instruments which are being used by money launderers to carry out their criminal activities. Training programs on these operations, and their discovery and tracing, are becoming permanent programs at the Institute of Banking Studies in the State of Kuwait.

- 8- To extend the coverage of our directives to institutions which are not subject to the supervision of the Central Bank of Kuwait, the Minister of Commerce and Industry issued on October 19, 2003, the Ministerial Resolution No. 252, concerning regulations that should be followed to combat money laundering and the financing of terrorist operations by all investment companies, insurance companies, insurance representatives and agents, exchange and jewelry companies, and all other financial institutions that are not subject to the supervision of the Central Bank.

In light of what I have said about the laws, systems, and supervisory directives issued in the State of Kuwait concerning the combating of money laundering and the financing of terrorist operations, I can conclude that we have reached an advanced stage in the area of completing the regulatory and legislative framework to combat these operations. It is appropriate to commend efforts exerted by all who have parti-

icipated in drafting these laws and systems, and contributed to their implementation. I would also like to register my thanks and appreciation to all members of the Economic and Financial Affairs Committee of the National Assembly for their speedy study of Law No. 35 of 2002 concerning the combating of money laundering operations. Furthermore, my thanks and appreciation go to the respected Council of Ministers and the National Assembly for their diligence in discussing and adopting this law so promptly. Also, I wish to thank the members of the Public Prosecutor's Office for their sincere efforts and cooperation with us in the establishment of the Kuwait Financial Intelligence Unit (KFIU) of the Central Bank.

Now permit me before I end my opening statement to urge all those who are working in our banking and financial systems, whether in different managerial positions or in direct dealings with the public on a daily basis, to take time to review the supervisory laws, systems and directives concerning the combating of money laundering and the financing of terrorist operations, especially the directives issued by the Central Bank. They should study the controls and guidance for the prevention of crimes emanating from these operations and thus limit these crimes by discovering them before they can be executed. I urge all the employees in these institutions to work diligently for the protection of our country from these crimes, on the basis of our belief in Islam, and our duty to protect our institutions, economy and society from corrupting persons, with emphasis on our stance as a civilized nation, cooperating with the international community in facing these crimes and combating them.

Finally, I wish this conference all success, and hope that the diversity of its subjects will enrich the dialogue among us and enhance our knowledge and acquaintance with the threats of money laundering and the financing of terrorism. I hope that this conference will strengthen all means necessary to combat this illicit phenomenon. In closing, I would like to express my sincere thanks and appreciation to all those who have shared in the preparation of this important conference, and to its participants and distinguished speakers.