

**Kuwait: Report on Observance of Standards and Codes—FATF Recommendations for
Anti-Money Laundering and Combating the Financing of Terrorism**

This Report on the Observance of Standards and Codes on the FATF Recommendations for Anti-Money Laundering and Combating the Financing of Terrorism for Kuwait was prepared by a team of the International Monetary Fund using the assessment methodology adopted by the FATF in February 2004 and endorsed by the Executive Board of the IMF in March 2004. The views expressed in this document, as well as in the full assessment report, are those of the IMF team and do not necessarily reflect the views of the Government of Kuwait or the Executive Board of the IMF.

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KUWAIT

**Report on Observance of Standards and Codes (ROSC)—FATF Recommendations for
Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)**

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ACRONYMS

AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
CBK	Central Bank of Kuwait
CDD	Customer Due Diligence
DNFBP	Designated Non-Financial Businesses and Professions
FATF	Financial Action Task Force
FI	Financial Institution
ICSFT	International Convention for the Suppression of Terrorist Financing
KFIU	Kuwait Financial Intelligence Unit
KSE	Kuwait Stock Exchange
MOCI	Ministry of Commerce and Industry
ML	Money laundering
MLA	Mutual legal assistance
OEM	Other Enforceable Means
PEP	Politically-exposed person
PPO	Public Prosecutor's Office
SRO	Self-regulatory organization
STR	Suspicious Transaction Report
SSB	State Security Bureau
TF	Financing of Terrorism
UNSCR	United Nations Security Council Resolution

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A. Introduction

This Report on the Observance of Standards and Codes (ROSC) for the Financial Action Task Force (FATF) 40 Recommendations for Anti-Money Laundering (AML) and 9 Special Recommendations on Combating the Financing of Terrorism (CFT) was prepared by the IMF.¹ It provides a summary of the AML/CFT measures in place in Kuwait as well as of the level of compliance with the FATF 40+9 Recommendations, and contains recommendations on how the AML/CFT system could be strengthened. The Detailed Assessment Report (DAR) on which this document is based was prepared using the 2004 Assessment Methodology and the information available at the time of the mission from October 17, 2010 through November 1, 2010, or shortly thereafter. The DAR was adopted by the Middle East and North Africa Financial Action Task Force (MENAFATF) plenary on May 4, 2011 and by the FATF plenary on June 23, 2011. The views expressed here, as well as in the DAR, are those of the assessment team and do not necessarily reflect the views of the State of Kuwait or the Executive Board of the IMF.

B. Key Findings

1. **Although there is currently no evidence of significant ML in the country, Kuwait's financial sector is growing rapidly in terms of banking sector assets.** This development has the potential of creating a suitable environment for money launderers and terrorist financiers to exploit. No major terrorist activity has been recorded in the country. Less serious terrorist activity has been noted.
2. **The AML Law was introduced in 2002.** While it imposes obligations on a range of financial institutions (FIs), the AML Law does not criminalize the financing of terrorism (TF) and does not put in place a mechanism to implement the United Nations Security Council Resolutions (UNSCRs). A new draft AML/CFT law was sent before the National Assembly in 2007, but has not yet been adopted.
3. **The AML/CFT framework has many shortcomings,** such as (i) the fact that the predicate offenses for money laundering (ML) do not cover all the designated categories of offenses required by the FATF Recommendations; (ii) the weaknesses in the preventive measures for FIs and for designated non-financial businesses and professions (DNFBPs); (iii) the lack of adequate powers of some supervisors to monitor and ensure AML/CFT

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compliance by FIs and DNFBPs; and (iv) the failure to establish the Kuwait financial intelligence unit (KFIU) as an independent national centre responsible for the receipt, analysis, and dissemination of suspicious transactions reports (STRs) and other information regarding potential ML or TF.

C. Legal Systems and Related Institutional Measures

4. **ML is criminalized under the AML Law.** However, the smuggling of migrants and TF are not criminalized and are therefore not predicate offenses for ML. The AML Law also explicitly extends criminal liability for ML to companies. However, the notion of “companies” does not cover all other legal persons (e.g., associations, foundations).

5. **TF is not criminalized in Kuwait.** Kuwait is, however, a party to all the conventions listed in the Annex to the International Convention for the Suppression of the Financing of Terrorism (ICSFT).

6. **With the exception of value-based confiscation, Kuwait has a comprehensive confiscation, freezing, and seizing framework.** However, there are no laws and procedures in Kuwait that provide for the freezing of terrorist assets in the context of UNSCRs 1267 and 1373, and their respective successor Resolutions.

7. **The KFIU does not have the legal and operational independence to carry out its core functions effectively.** According to the AML Law, the Public Prosecutor’s Office (PPO) is the sole body authorized to receive STRs. The powers of the KFIU to collect information, analyze, and disseminate STRs are derived solely from the powers extended to it from the PPO via “report-by-report” memoranda.

8. **Criminal financial investigations are directed and authorized by the PPO and are carried out by specialized divisions at the Ministry of Interior: the General Directorate for Criminal Investigations (CID) for ML-related cases and the State Security Bureau (SSB) for TF cases.** The CID concentrates its investigations solely on the predicate crimes and does not follow the proceeds of crime and examine potential ML activities. Even though the SSB is investigating TF cases as crimes against the State, there have been no convictions.

9. **Kuwait introduced a cross-border cash control regime in Article 4 of the AML Law.** However, the AML Law covers only inbound movements of currency and monetary instruments, severely limiting the usefulness of this provision.

D. Preventive Measures—Financial Institutions

10. **All financial activities covered by the FATF standard are conducted in Kuwait.** Some requirements that are currently set out in other enforceable means (OEM) should be covered in primary or secondary legislation.

11. **The AML Law, as well as Ministerial Resolution 9/2005, impose some customer due diligence (CDD) and record-keeping requirements on banks, investment companies, exchange companies, insurance companies, exchange organizations and brokerage companies.** Additional CDD and record-keeping provisions have been laid out in the sector-specific instructions and guidance and these vary markedly in depth and quality across sectors.

12. **The preventive measures for banks, investment companies, and exchange companies are more detailed and cover more aspects of the FATF recommendations, but are weaker for insurance companies, exchange organizations, and brokerage companies.** Nevertheless, there are still a number of deficiencies in the legal and regulatory framework that apply to all sectors, such as: (i) the timing for undertaking CDD measures; (ii) the verification of persons purporting to act on behalf of certain types of legal persons; (iii) the identification and verification of beneficial owners; (iv) the conduct of ongoing due diligence on the business relationship; and (vi) the review of existing records collected under the CDD process.

13. **There are no measures in place addressing politically-exposed persons (PEPs) for most FIs.** Moreover, the existing requirements for banks and investment companies do not conform to the FATF standard (i.e., lack of appropriate risk management systems; no requirement for senior management approval to continue a business relationship).

14. **The provisions to prevent the abuse of cross-border correspondent relationships and the misuse of new technologies, and to address the risks inherent to non face-to-face business relationships and transactions, are insufficient.** The requirements to gather sufficient information about the respondent FIs and to document the respective AML/CFT responsibilities of each institution are not in line with the standard. There are no requirements in place for FIs to address any specific risks associated with non face-to-face business relationships and transactions and most FIs are not required to have policies in place to prevent the misuse of new technologies.

15. **There is no legal and regulatory framework explicitly addressing the issue of FIs relying on intermediaries or other third parties to perform elements of the CDD process.** While in practice a number of FIs rely on third parties to perform some CDD measures, there is no requirement that regulates the conditions of such reliance.

16. **The implementing regulation for the AML Law includes requirements for training and internal controls.** However, not all FIs are required to have AML programs with adequate internal controls, including a compliance officer and an annual audit.

17. **Appropriate guidance (e.g., on the purpose of transaction monitoring) and feedback has not been provided to FIs and DNFBPs to assist them in complying with AML/CFT obligations.** In addition, there is a lack of understanding primarily among non-bank FIs regarding the distinction between requirements to monitor transactions and those to

report suspicious transactions. There are no requirements for various types of FIs to pay special attention to complex and unusual transactions. Guidance for ensuring that foreign branches and subsidiaries of FIs observe AML/CFT measures consistent with home country requirements and FATF Recommendations is also not provided.

18. **STR reporting is established broadly in both law and regulation, but fails to meet the FATF standard in several ways**, e.g., the STR regime is severely hindered by the lack of a requirement to file reports with the KFIU and the lack of criminalization of TF; brokerage companies, insurance companies and exchange organizations do not appear to understand the STR requirements or to whom they should be reporting. In addition, there is no requirement to file an STR for suspicious attempted transactions.

19. **Although the secrecy provisions of Kuwaiti law do not inhibit the implementation of most of the FATF Recommendations, they restrict the free and direct international sharing of information outside consolidated supervision.** Indeed, there is a need to go through the PPO to share information with foreign counterparts outside of the context of consolidated supervision, and that process is limited to criminal matters.

20. **The regime in place with regard to shell banks fails to meet the FATF standards.** In particular, it falls short of requiring the physical presence of an FI in a way that would encompass the concept of “mind and management” of the institution.

21. **Implementation and effectiveness of preventive measures vary widely across financial sectors.** There are more stringent AML requirements for entities supervised by the Central Bank of Kuwait (CBK) and less stringent requirements for those entities supervised by the Ministry of Commerce and Industry (MOCI) and the MC/Kuwait Stock Exchange (KSE). Concern exists with respect to the implementation of AML requirements by brokerage companies, insurance companies, and exchange organizations.

22. **The supervisory framework and powers of the supervisors are different across sectors.** The supervisory framework for the CBK over banks, investment companies, and exchange companies is generally adequate, but it is not for the MOCI and the KSE. The inspection and surveillance powers of the MOCI and the KSE are not adequate and lack a clear process. In particular, there is a lack of AML/CFT supervision by the KSE of brokerage companies and inadequate AML/CFT supervision by the MOCI of insurance companies and exchange organizations. Moreover, the MOCI and the KSE lack the resources to effectively conduct their AML/CFT tasks.

23. **The powers of enforcement and sanction against FIs are not appropriate.** There is a limited range of formal sanctions available to the MOCI and the KSE, and no monetary sanctions are available. Neither of these two supervisors have adequate powers. No sanction has yet been applied by the KSE for non-compliance with AML/CFT matters, and the sanctions applied by the MOCI are not effective. The data on the sanctions actually applied

by some regulators for AML/CFT deficiencies clearly indicate that the framework does not provide for effective, dissuasive, or proportionate measures.

24. **There are also general concerns about the adequacy of the licensing process of FIs.** There are no legal or regulatory measures to prevent criminals or their associates from holding or being the beneficial owner of a significant or controlling interest or holding a management function in a financial institution. In addition, there are no fit and proper requirements for directors and senior management of investment companies, exchange companies, exchange organizations, insurance companies and brokerage companies.

E. Preventive Measures—Designated Nonfinancial Businesses and Professions

25. **Of the six categories of DNFBPs, only three can operate in Kuwait under the FATF definition of DNFBP: real estate agents, dealers in precious metals and stones, and lawyers.** These DNFBPs are subject to the requirements of the AML Law and of Resolution 9/2005. However, the DNFBPs display an overall lack of awareness of AML requirements and ML risks.

26. **There is a lack of effective supervision of DNFBPs.** The supervision conducted by the MOCI of real estate agents and dealers in precious metals and stones is inadequate; there is currently no AML supervision of lawyers.

F. Legal Persons and Arrangements and Non-Profit Organizations

27. **Competent authorities are not able to obtain adequate, accurate, and current information on changes in ownership and control of legal persons.** Kuwait's legislation does not allow the use of bearer shares and does not provide for the creation of trusts or other similar legal arrangements.

28. **Measures have been adopted in the domestic sector to prevent the abuse of charities and foundations.** However, associations are treated differently and are not supervised and monitored effectively.

G. National and International Cooperation

29. **Two mechanisms were put in place to ensure cooperation among the relevant authorities in the fight against ML and TF, namely, the National AML/CFT Committee and the Committee on Combating Terrorism (CCT).** However, these Committees have not developed effective mechanisms to enable the relevant stakeholders to coordinate domestically on the development and implementation of policies and activities to combat ML and TF.

30. **Kuwait has ratified and implemented most of the provisions of the Vienna and Palermo Conventions.** However, it has not ratified or implemented the ICSFT.

31. **Provisions regulating international cooperation are contained in Law No. 5/2006 ratifying the Palermo Convention, in the other international conventions to which Kuwait is party, in a number of regional and bilateral agreements, and in the AML Law.** However, while the legal framework for Mutual Legal Assistance (MLA) is formally in place, the authorities have not provided, in most cases, rapid responses to foreign requests for assistance. The provisions of the Palermo Convention relating to MLA do not apply to TF *per se*, as the latter is not criminalized as such in Kuwait and is thus not a “serious offense” under Article 2.b of the Palermo Convention. This means that the authorities do not have a legal basis to provide MLA in TF cases. In addition, due to the limited number of cases of MLA relating to TF, it is not possible for the assessment team to assess the effectiveness of the system.

32. **ML is an extraditable offense.** Extradition of Kuwaiti nationals is not possible but in *lieu* of the extradition of its nationals, the judicial authorities can pursue legal action against a Kuwaiti national subject to an extradition request. The lack of a specific provision criminalizing TF prevents extradition in TF cases, where dual criminality is strictly applied.

33. **Non-judicial international cooperation is insufficient.** International cooperation with the CBK is limited to matters relating to consolidated supervision. The need to go through the PPO in certain situations is cumbersome and restrictive. There is an absence of clear gateways for information sharing on the part of the MOCI and the KSE. In addition, there is a lack of an established track record of information sharing between supervisors and their foreign counterparts. The KFIU cannot share information with its foreign counterparts. Finally, law enforcement agencies do not have sufficient controls and safeguards to ensure that information they receive is used only in an authorized manner.

H. Other Issues

34. **Statistics need to be substantially improved in Kuwait.** Moreover, the allocation of resources to AML/CFT appears to be uneven and there is a lack of specialist skills across competent authorities involved in combating ML/TF.

Summary Table of Observance and Key Recommendations

FATF 40+9 Recommendations ²	Recommended Action (in order of priority within each section)
Legal System and Related Institutional Measures	
Criminalization of ML R.1 - LC R.2 – LC	<ul style="list-style-type: none"> • Undertake prosecutions for ML also where there is no prior conviction for the predicate offense. • Criminalize smuggling of migrants and TF. • Extend criminal liability to all legal persons.
Criminalization of TF SR.II - NC	<ul style="list-style-type: none"> • Criminalize TF in accordance with SR.II.
Confiscation, freezing, and seizing of proceeds of crime R.3 - LC	<ul style="list-style-type: none"> • Allow confiscation of property of corresponding value. • Ensure that the AML confiscation regime is applied effectively and is frequently used to seize and confiscate criminal assets for ML and predicate crimes.
Freezing of funds used for terrorist financing SR.III - NC	<ul style="list-style-type: none"> • Adopt laws and procedures to comply with SR.III. • Ensure that the implementation of the freezing orders takes place in line with SR.III. • Ensure that the institutions which are not subject to the supervision of the CBK are aware about the implications of the notifications received under UNSCRs 1267 and 1373, and the manner in which they should be implemented. • Adopt specific provision criminalizing TF.
The FIU and its functions R.26 - PC	<ul style="list-style-type: none"> • Address the legal basis that establishes the KFIU as a national centre for receiving (and, as permitted, requesting), analyzing, and disseminating disclosures of STRs and other relevant information concerning suspected ML or TF activities. • Ensure that the KFIU provides reporting entities with guidance regarding the manner of reporting. • Reinforce the KFIU access, on a timely basis, to

² Compliant (C): the Recommendation is fully observed with respect to all essential criteria. Largely compliant (LC): there are only minor shortcomings, with a large majority of the essential criteria being fully met. Partially compliant (PC): the country has taken some substantive action and complies with some of the essential criteria. Non-compliant (NC): there are major shortcomings, with a large majority of the essential criteria not being met. Not applicable (NA): a requirement or part of a requirement does not apply, due to the structural, legal or institutional features of a country.

FATF 40+9 Recommendations ²	Recommended Action (in order of priority within each section)
	<p>financial, administrative and law enforcement information; and request on regular basis additional information from reporting entities.</p> <ul style="list-style-type: none"> • Protect the security of the information held by the KFIU and disseminate it in accordance with the law. • Ensure that the KFIU publishes periodically reports, typologies and trends of ML/TF.
<p>Law enforcement, prosecution and other competent authorities R.27 - PC R.28 - PC</p>	<ul style="list-style-type: none"> • Take a more proactive approach to investigating and prosecuting ML and TF. • Ensure that LEAs keep comprehensive statistics.
<p>Cross-Border Declaration & Disclosure SR IX - PC</p>	<ul style="list-style-type: none"> • Amend the AML Law to provide a clear legal basis for a declaration system when leaving the country. • Take legislative steps to align the cross-border cash and bearer negotiable instruments powers to Customs to request and obtain further information from the carrier. • Provide Customs with the authority to stop or restrain cash or bearer negotiable instruments for a reasonable time, where there is a suspicion of ML or TF; or where there is a false declaration.
Preventive Measures–Financial Institutions	
<p>Customer due diligence, including enhanced or reduced measures R.5 - NC R.6 - NC R.7 - PC R.8 - NC</p>	<ul style="list-style-type: none"> • Clarify and make sure that no threshold is applied to undertake CDD measures regarding regular customers. • Establish, through primary or secondary legislation, clear requirements for FIs to: <ul style="list-style-type: none"> - Undertake customer due diligence (CDD) measures when: <ul style="list-style-type: none"> ○ carrying out occasional transactions that are wire transfers in the circumstances covered by the Interpretative Note to SR.VII; ○ there is a suspicion of ML or TF, regardless of any exemptions or thresholds; ○ the FI has doubts about the veracity or adequacy of previously obtained customer identification data. <ul style="list-style-type: none"> - Identify and verify the identity of all types of legal persons, not only companies and institutions, using reliable, independent, data or information (identification data). - Verify that any person purporting to act on behalf of

FATF 40+9 Recommendations ²	Recommended Action (in order of priority within each section)
	<p>a legal person (not only for companies and institutions) is so authorized, and identify and verify the identity of that person.</p> <ul style="list-style-type: none"> - Take reasonable measures to determine, for all customers, whether the customer is acting on behalf of another person; who are the natural persons that ultimately own or control the customer; and also those persons who exercise ultimate effective control over a legal person or arrangement. - Conduct ongoing due diligence on the business relationship. <ul style="list-style-type: none"> • Establish, through law, regulation, or other enforceable means, clear obligations/requirements for FIs to: <ul style="list-style-type: none"> - Understand the ownership and control structure of the customers. - Verify the legal status of all legal persons. - Obtain information on the purpose and intended nature of the business relationship with regard to insurance companies and exchange organizations. - Obtain information on the intended nature of the business relationship with regard to banks, investment companies and brokerage companies. - Include the scrutiny of transactions undertaken through the course of that relationship to ensure that the transactions being conducted are consistent with the institutions' knowledge of their customers, their business and risk profile, and where necessary, the source of funds. - Undertake reviews of existing records collected under the CDD process, particularly for higher-risk categories of customers or business relationships. - Ensure that documents, data, or information collected by insurance companies, exchange organizations, and brokerage companies under the CDD process are kept up-to-date and relevant. - Perform enhanced due diligence for higher-risk categories of customers, business relationships, or transactions. - Consider making a suspicious transaction report when FIs are unable to comply with Criteria 5.3 to

FATF 40+9 Recommendations ²	Recommended Action (in order of priority within each section)
	<p>5.6.</p> <ul style="list-style-type: none"> - Terminate the business relationship and make a suspicious transaction report when the business relationship has commenced and the FI is no longer satisfied with the veracity or adequacy of previously obtained identification data. - Require insurance companies, exchange organizations and brokerage companies to apply CDD requirements to existing customers on the basis of materiality and risk and to conduct due diligence on such existing relationships at appropriate times. <ul style="list-style-type: none"> • Ensure that the AML/CFT measures are effectively implemented by FIs. • Extend the requirements of Recommendations 6 to exchange companies, insurance companies, exchange organizations, and brokerage companies. Provide a definition of PEPs in line with the standards. Require banks and investment companies to fully implement Recommendation 6. • Require banks, exchange companies and investment companies to gather sufficient information about the respondent institution and document the respective AML/CFT responsibilities of each institution. • Fully extend the requirements regarding non-face-to-face transactions and new technologies to exchange companies, insurance companies, exchange organizations, and brokerage companies. • Required all FIs to have policies and procedures in place to address any specific risks associated with non-face-to-face business relationships or transactions.
<p>Third parties and introduced business R.9 - NC</p>	<ul style="list-style-type: none"> • Introduce in law, regulation, or OEM the requirements set out in FATF Recommendation 9. • Require KCC to provide copies of identification data and other relevant documentation relating to CDD requirements without delay to the brokerage companies upon request. • Introduce provisions for insurance companies in relation to business introduced by insurance brokers and agents.
<p>Financial institution secrecy or confidentiality</p>	<ul style="list-style-type: none"> • Permit sharing of information between CBK and foreign counterparts outside of the context of consolidated

FATF 40+9 Recommendations ²	Recommended Action (in order of priority within each section)
R.4 - LC	<p>supervision and criminal cases.</p> <ul style="list-style-type: none"> • Provide for an efficient and effective mechanism by which all domestic authorities can share, on a timely basis, the information necessary to perform their functions in combating ML and TF.
<p>Record keeping and wire transfer rules</p> <p>R.10 - LC</p> <p>SR.VII - LC</p>	<ul style="list-style-type: none"> • Establish, by law or regulation, the requirement to maintain records of the identification data, account files, and business correspondence for at least five years following the termination of an account or business relationship. • Require FIs to extend the record-keeping requirement if requested by a competent authority in specific cases upon proper authority. • Require FIs to ensure that all customer and transaction records and information are available on a timely basis to domestic competent authorities upon appropriate authority.
<p>Monitoring of transactions and relationships</p> <p>R.11 - PC</p> <p>R.21 - NC</p>	<ul style="list-style-type: none"> • Extend the requirements of Recommendations 11 to insurance companies, exchange organizations, and brokerage companies. • Fully extend the requirements of Recommendations 21 to exchange companies, insurance companies, exchange organizations and brokerage companies. • Establish effective measures to ensure that FIs are advised of concerns about the weaknesses of the AML/CFT systems of other countries. • Require FIs to examine transactions involving noncompliant countries that have no apparent economic or visible lawful purpose. • Apply appropriate counter measures to countries that continue not to apply or continue to insufficiently apply the FATF Recommendations.
<p>Suspicious transaction reports and other reporting</p> <p>R.13 - NC</p> <p>R.14 - PC</p> <p>R.19 - C</p> <p>R.25 - NC</p> <p>SR.IV - NC</p>	<ul style="list-style-type: none"> • Establish in law or regulation that STRs be filed with the FIU. • Extend the requirement in law or regulation to file an STR with the FIU when the funds are suspected or have reasonable ground to be suspected to be linked or to be related to, or to be used for terrorism, terrorist acts, or by a terrorist organization or those who finance terrorism. • Extend the requirement in law or regulation to file an

FATF 40+9 Recommendations ²	Recommended Action (in order of priority within each section)
	<p>STR with the FIU to explicitly apply to attempted transactions.</p> <ul style="list-style-type: none"> • Issue additional guidance on STR reporting. • Prohibit brokerage companies, insurance companies, and exchange organizations from disclosing the fact that an STR or related information is being, or has been, provided to the competent authorities. • Issue clear guidance on STR reporting, and provide both specific and general feedback on STRs.
<p>3.8 Internal controls, compliance, audit and foreign branches R.15 - PC R.22 - NC</p>	<ul style="list-style-type: none"> • Require FIs to communicate their internal procedures, policies, and controls to their employees. • Extend the requirement to establish internal procedures to brokerage companies. • Require banks and investment companies to ensure that the compliance officer be at the management level. • Require exchange companies, brokerage companies, insurance companies, and exchange organizations to develop appropriate compliance management arrangements. • Require all FIs to ensure that the AML/CFT compliance officer has timely access to relevant information. • Require that the audit function of FIs is adequately resourced and independent. • Require all FIs to put in place screening procedures to ensure high standards when hiring new employees. • Ensure effective implementation by brokerage companies, insurance companies, and exchange organizations of requirements to: <ul style="list-style-type: none"> - establish and maintain internal procedures, policies and controls to prevent ML and TF; and - establish ongoing employees' training to ensure that they are kept informed of new developments. • Fully extend the requirements of Recommendation 22 to exchange companies, insurance companies, exchange organizations, and brokerage companies. • Require banks and investment companies to ensure that their foreign branches and subsidiaries observe AML/CFT measures consistent with the Kuwaiti requirements and the FATF Recommendations, to the

FATF 40+9 Recommendations ²	Recommended Action (in order of priority within each section)
	<p>extent that host country laws and regulations permit.</p> <ul style="list-style-type: none"> • Require the branches and subsidiaries in host countries to apply the higher standards where the minimum AML/CFT requirements of the home and host countries differ. • Require investment companies to inform their home country supervisor when a foreign branch or subsidiary is unable to observe appropriate AML/CFT measures because it is prohibited by host country laws, regulations, or other measures.
<p>Shell banks R.18 - PC</p>	<ul style="list-style-type: none"> • Amend the CBK licensing requirements with a view to clearly prevent the establishment of shell banks in Kuwait. • Require that banks seeking a license have and maintain a physical presence in the country in accordance to the FATF standard. • Prohibit exchange companies from entering into, or continue correspondent relationships with shell banks.
<p>3.10 The supervisory and oversight system—competent authorities and SROs Role, functions, duties and powers (including sanctions) R.23 - PC R.29 - NC R.17 - NC R.25 - NC</p>	<ul style="list-style-type: none"> • Designate under the AML Law or its implementing regulation, the competent authorities with responsibility for ensuring that FIs adequately comply with the AML/CFT requirements and provide them with adequate powers of enforcement and sanction. • Provide for an adequate range of sanctions (MOCI, KSE). • Provide the legal basis for the MOCI to apply sanctions for non-compliance by the insurance sector and the exchange organizations with the AML/CFT provisions. • Establish sanctions for directors and senior management of insurance companies, exchange organizations, and brokerage companies that fail to comply with the AML/CFT requirements. • Provide the CBK with the sole power to revoke licenses for those FIs that fall under its supervision. • Ensure that the supervisors, especially the MOCI and the KSE, use their sanctioning powers effectively. • Ensure that licensing requirements or other legal or regulatory measures prevent criminals or their associates from owning or controlling FIs and provide supervisory authorities with the ability to establish prudential

FATF 40+9 Recommendations ²	Recommended Action (in order of priority within each section)
	<p>controls over the ownership structure of all FIs.</p> <ul style="list-style-type: none"> • Establish explicit “fit and proper” measures for directors and management of investment companies, exchange companies, insurance companies, exchange organizations, and brokerage companies. • Provide the legal basis for the MOCI to ensure compliance by the insurance companies and the exchange organizations with the AML legal framework. • Provide the MOCI and the KSE with adequate powers to monitor and ensure compliance by FIs with the AML/CFT requirements. • Ensure adequate and effective AML/CFT supervision of the securities sector, the exchange organizations and the insurance sector. • Conduct AML/CFT inspections on FIs subject to the supervision of the KSE. • Strengthen MOCI’s AML/CFT supervision, including through the development of standardized written procedures. • Issue guidelines concerning AML/CFT requirements to all FIs.
<p>Money value transfer services (MVTs) SR.VI - PC</p>	<ul style="list-style-type: none"> • Make efforts to determine the size and scope of the informal MVTs operating in Kuwait and to effectively monitor this sector.
Preventive Measures–Nonfinancial Businesses and Professions	
<p>Customer due diligence and record-keeping R.12 - NC</p>	<ul style="list-style-type: none"> • Introduce requirements for DNFBPs related to PEPs, payment technologies, introduced business and unusual transactions. • Address the shortcoming identified with respect to Recommendations 5 and 10 in Section 3 of the Detailed Assessment Report, as they also apply to DNFBPs.
<p>Suspicious transaction reporting R.16 - NC</p>	<ul style="list-style-type: none"> • Fully extend the requirements of Recommendations 13, 15, and 21 to all DNFBPs operating in Kuwait. • Prohibit DNFBPs from disclosing that an STR or related information is being provided to the competent authorities. • Ensure the effective implementation of the AML/CFT provisions by DNFBPs.

FATF 40+9 Recommendations ²	Recommended Action (in order of priority within each section)
Regulation, supervision, monitoring, and sanctions R.17 - NC R.24 - NC R.25 - NC	<ul style="list-style-type: none"> • Ensure that real estate agents, dealers in precious metals and stones, and lawyers are subject to effective systems for monitoring and ensuring compliance with AML/CFT requirements. • Designate a competent authority or a self-regulatory organization (SRO) responsible for monitoring and ensuring compliance of real estate agents and dealers in precious metals and stones. • Establish guidelines to assist DNFBPs in implementing and complying with their AML/CFT obligations.
Other designated non-financial businesses and professions R.20 - PC	<ul style="list-style-type: none"> • Consider conducting a risk assessment as to the extent to which NFBPs are at risk of being misused for ML and TF. • Consider applying Recommendations 5, 6, 8-11, 13-15, 17, and 21 to non-financial businesses and professions (other than DNFBPs) that are at risk of being misused for ML and TF. • Continue to take measures to encourage the development and use of modern and secure techniques for conducting financial transactions that are less vulnerable to money laundering.
Legal Persons and Arrangements & Non-profit Organizations	
Legal Persons–Access to beneficial ownership and control information R.33 - NC	<ul style="list-style-type: none"> • Update and respond to requests from competent authorities in a timely fashion and include adequate, accurate, and current information on the beneficial ownership and control of legal persons.
Legal Arrangements–Access to beneficial ownership and control information R.34 - NA	<i>N/A.</i>
Non-profit organizations SR.VIII - PC	<ul style="list-style-type: none"> • Apply AML/CFT requirements to foundations and associations. • Conduct systematic on-site inspections of international projects to ensure that funds have been spent in a manner consistent with the purpose and objectives of the charities. Focus outreach on the risks of terrorist abuse, and the measures available to protect against such abuses, to the entire Non-Profit Organisations sector, including associations and foundations. • Strengthen the sanctions for noncompliance with

FATF 40+9 Recommendations ²	Recommended Action (in order of priority within each section)
	registration requirements to ensure that they are effective and dissuasive.
National and International Cooperation	
National cooperation and coordination R.31 - PC	<ul style="list-style-type: none"> • Put in place effective mechanisms to enable the concerned authorities to cooperate, and where appropriate, coordinate domestically with each other concerning the development and implementation of policies and activities to combat ML and TF.
The Conventions and UN Special Resolutions R.35 - PC SR.I - NC	<ul style="list-style-type: none"> • Fully implement the Vienna and Palermo Conventions. • Sign, ratify, and fully implement the 1999 International Convention for the Suppression of Terrorism Financing. • Take the necessary measures to comply with and fully implement UNSCRs 1267 and 1373 (and their successor resolutions) as provided by SR.III.
Mutual Legal Assistance R.36 - LC R.37 - LC R.38 - LC SR.V - NC	<ul style="list-style-type: none"> • Ensure that cooperation in the AML/CFT area relating to search or seizure of property, proceeds, or instrumentalities can occur even when requests are issued from a competent authority in another country which is not a judicial authority. • Ensure the handling of MLA requests in ML/TF cases in a rapid, constructive, and effective manner. • Adopt legislation which allows for value-based confiscation. • Adopt legislation that specifically criminalizes TF. •
Extradition R. 39 - LC R.37 - LC SR.V - NC	<ul style="list-style-type: none"> • The effectiveness of the extradition regime cannot be properly assessed. • The lack of an explicit provision criminalizing TF is an obstacle to an effective extradition regime in the CFT area.
Other Forms of Cooperation R. 40 - PC SR.V - NC	<ul style="list-style-type: none"> • Empower the FIU to exchange information with its counterparts. • Establish controls and safeguards to ensure that information received by LEAs is used only in an authorized manner. • Provide for an efficient and effective mechanism by which the CBK, the MOCI and the KSE can share ML and TF information with international counterparts.

FATF 40+9 Recommendations ²	Recommended Action (in order of priority within each section)
	Maintain statistics on the number of requests for assistance made or received by law enforcement authorities, the FIU and supervisors.
Other Issues	
Resources and statistics R.30 - NC R.32 - NC	<ul style="list-style-type: none"> • Allocate more resources to the competent authorities. • Develop professional standards, including confidentiality standards, to control and safeguard the information. • Provide specialized training to the staff of competent authorities. • Develop comprehensive statistics in all relevant areas of the fight against ML and TF. • Regularly review the effectiveness of the AML/CFT system.