

## **Commercial Bank of Kuwait** **Policy Statement on AML & CFT**

Money laundering and the financing of terrorism are financial crimes with serious economic effects against which the international community has reacted positively and adopted measure and precautions to fight and curb such crimes. Given the negative effects this phenomena may leave on the international community , Financial Action Task Force on money laundering (FATF) has been established in 1989 with primary efforts for developing worldwide standards for AML and CFT and which have lead to the issuance of the forty recommendation that provide a complete set of counter measure against AML & CFT and which serve as a charter and approach that should be applied by all countries all over the globe to achieve the objectives of such recommendations. However, and as applied by other countries in this respect, the competent and regulatory authorities in Kuwait have issued necessary legislations and the appropriate resolutions to ensure compliance with the aforesaid forty recommendations. A part from the above, the regulatory instructions issued by the Central Bank of Kuwait serve as the cornerstone and the basics for fighting the said crimes within banking system in Kuwait.

Commercial Bank of Kuwait is regulated and falls under the supervision of the Central Bank of Kuwait that monitors and supervise all activities of local banks on off-site and on-site level to verify and ensure their full compliance with the relevant legislations & regulatory instructions including those pertaining to AML & CFT with the Central Bank of Kuwait taking exceptional strict measures and imposing severe penalties against any bank that violates AML & CFT legislations and instructions.

Commercial Bank of Kuwait recognizes that adherence to the legislations & regulatory instructions pertinent to AML & CFT will not only result in the Bank's being in compliance with the local legislation, mitigate the risks the Bank may be exposed to but it will also serve as platform within an important cycle of measures adopted by all public & private institutions across the globe which all endeavor to fight and curb the devastating impacts of money laundering and financing of terrorism.

As such, the Bank has established a dedicated unit for AML & CFT (the Unit) which function with direct reporting line to the Chairman of the Board and headed by a senior official appointed to oversee and supervise the business of the Unit with a view to verify and ensure that it assumes its responsibilities and realizes it goals and objectives. The Unit is basically designated to take the required procedures to ensure the Bank's compliance with the following:

1. Law 106/2013 on AML & CFT and its Executive directives and any other related laws.

2. Instructions no. (2/BS/IBS/308/2013) issued by the Central Bank of Kuwait in respect of AML & CFT.
3. Issued Ministerial Resolutions on AML & CFT transactions.

Furthermore, and the Board of Directors, in assuming its responsibilities, has approved the required policies and procedures relevant to AML & CFT and is monitoring the implementation of the same through the periodic reports submitted by the Unit to the Board of Directors.

The policies and procedures approved by the Bank's Board of Directors with the objective of complying with the related legal requirements have taken into account the international recommendations and standards issued by the concerned international institutions, particularly the aforesaid 40 recommendations. A brief analysis of the Bank's policies and procedures in relation to AML & CFT is presented below:

1. The Unit works to verify and ensure that the Bank, its domestic, overseas branches and subsidiaries compliance with the procedures required to fight money laundering and terrorism financing to ensure full adherence with the legislation and regulatory instructions in place and to mitigate any associated risks.
2. Conducting risk-based analysis and assessment with regard to diverse customers for those maintaining a customer relationship with the Bank or walk-in customers. Such assessment and analysis must also include country and territories associated risks as identified and classified by the reliable sources. This may include countries and territories that do not maintain appropriate systems & procedures in relation to AML & CFT.
3. Verifying and ensuring that the Bank is not dealing with customers included in the sanction lists of the United Nations (UN), European Union (EU), Office of Foreign Assets Control (OFAC) and United Kingdom (UK Treasury) and other official lists given the fact that the Bank counts on database prepared & updated by major institutions specialized in this area.
4. Retaining records and documents for all the Bank's operations and customers over a minimum period of five years.
5. Training & getting all the Bank's staff members aware of the requirements & risks related to money laundering and financing of terrorism. Training is arranged for all the Bank staff in addition to the Board Members and Executive Management Team.
6. Reporting any suspicious operation to Kuwait Financial Intelligence Unit as per the law and resolutions issued in this regard.

### **Know Your Customer**

The Bank has in place clear and precise procedures on "Know Your Customer" where all information and data on customers are available. This helps in classifying customers and transactions they conduct under various risk grades as applicable with the Bank. These procedures include the following:

- Determining the customer's identity under supporting official documents.
- Determining whether the customer is classified as politically exposed person with special due diligence to be applied on such customers.
- Verifying and monitoring the true beneficial owner of the account and related transactions.
- Using automated system in monitoring all customers' transactions to verify their authenticity and ascertaining that their transactions do not involve any unusual cases.
- Applying extreme due diligence on all customers classified as high risks in relation to AML & CFT.

### **Shell Banks**

Commercial Bank of Kuwait does not deal with shell banks nor does it deal with any financial institution that allows shell banks to use its accounts.

### **Wire Transfers**

The Bank shall not process any transfer without including name of party effecting the transfer transaction, his account number and address & civil ID number in addition to the name of the beneficiary and his account number and address. However, and before processing transfer transaction, the Bank also verifies that the name of any of transfer's parties is not included in the sanction lists.

### **Internal Controls**

1. The person in charge of AML Unit at the Bank works with full independence and he may access any data and information at the Bank in order to assume the duties entrusted to him.
2. AML Unit's business and customers' transactions classified under high risks in the area of AML are subject to continued internal audit which includes verification of compliance with related legislations and regulatory instructions.
3. The Bank's compliance with legislations and instructions pertaining to AML & CFT is verified by the External Auditor on an annual basis as report prepared by the external auditors in this regard are referred to the Central Bank of Kuwait.