

Indicators Related to Banking Sector

Preface

Despite all strict laws and regulations, subject to which are various banks in the Banking Sector, yet it is deemed one of the main exploited and used sectors in FT operations and during all ML phases, as follows:

- Phase of entering funds into the financial system
- Phase of concealing the source of funds
- Phase of merging funds to appear legitimate

The different customers segment that the Banking Sector serves is deemed a large and multiple segment, such as: Politically exposed persons, closely related persons, government leaders, legal-commercial entities and individuals, i.e., citizens, residents and foreigners, in addition to many organizations that may be illegal, i.e., those performing various criminal activities as financing of terrorism, as well as other customers who perform huge volume of daily transactions, through using banking channels and various mechanisms to introduce, conceal or transfer their illegal money to various directions or states.

Indicators Related to Customer:

1. Customer does not show any interest in the transaction amount or commission.
2. Unexpected or repeated change of the beneficial owner.
3. Unexpected or unjustified change of bank.
4. Unexpected or repeated change of contact information.
5. Customer uses the same address but frequently changes the names associated therewith.
6. Customer provides false, misleading, incomplete or unclear information that does not reflect his actual sources of income, actual activities or actual commercial transactions.
7. Customer clearly avoids direct contact with the bank.
8. Customer refuses to send any documents from the bank to his home address.
9. Customer goes to the bank accompanied by other parties whose relationship therewith is not clarified yet they have an influential role in formulating the transaction.
10. Customer requests discretion beyond the usual range.
11. Customer is known to be involved in criminal activities.

12. Customer shows unusual curiosity about internal systems, policies and control and monitoring mechanisms.
13. Customer appears nervous in a way that is not commensurate with the nature of the transaction.
14. Customer tries to build a close relationship with the bank's employees.
15. Customer uses pseudonyms and a set of similar but different addresses.
16. Customer offers money, rewards or unusual services in order to secure services that may appear unusual or suspicious.
17. Foreign customer who does not work regularly in Kuwait and yet obtains unusual financial or professional services.
18. Customer is considered a politically exposed person or a closely related person.
19. Customer under the legal age (minor) conducts financial transactions that are not commensurate with his age.
20. Customer submits documents that appear to be forged, altered or inaccurate, or documents that do not belong thereto, making it difficult for the bank to verify his identity.
21. Basic personal data required in "Know Your Customer" form is not filled in, such as phone number.
22. Customer is greatly delayed in submitting the company's documents (whether documents proving ownership of the company, powers of attorney or authorizations issued by the company).
23. All documents submitted are in a foreign language that is difficult to verify.
24. All personal documents submitted appear to be recent or recently issued.
25. Customer's failure to cooperate in identifying or determining the actual beneficiary.
26. Customer presents fiat money wrapped or wrapped in a way unlike him.
27. Customer attempts to make transfers to another bank without providing all details about the beneficiary, especially in electronic transfer transactions.
28. Customer's association with third parties to conduct transactions, whether those transactions are between individuals, commercial entities or the state in which the customer's bank is located, where the commercial activity or economic relationship between them is vague.
29. It is not possible to obtain official certificates for commercial entities or they are not listed in public records or official databases.

30. Commercial entity could not be located on the internet or social networking sites.
31. Commercial entity's name is registered under a name that does not reflect its actual activity.
32. Commercial entity's registered name is similar to the name of another commercial entity, especially the names of prominent international commercial entities.
33. Commercial entity uses an unofficial email address, such as (Yahoo, Gmail, Hotmail).
34. Commercial entity's physical address does not match the address mentioned in its file.
35. Commercial entity's address registered in the KYC form is used by many other commercial entities.
36. Low level balance in the customer's accounts, despite the heavy transactions undertaken thereby.
37. Requesting to expedite implementing the transactions without paying attention to the risks or additional costs involved, such as: high amount of commission.
38. Inflation in the volume of amounts received from sale of asset between commercial entities (A, B), which economic benefits go to the same beneficiary.
39. Resignation and replacement of principals or major shareholders shortly after incorporation is observable.
40. Frequent change of officials or members of the Board of Directors without a clear justification.
41. Frequent change of work location without economic justification.
42. Commercial entity's organizational structure is unjustifiably complex where that level of complexity is not required, compared to similar commercial entities.
43. Absence of operating expenses such as (rents, salaries and value of goods), the number of employees of the commercial entity is very limited or non-existent or the commercial entity does not carry out any actual commercial activities, which may indicate the existence of a fake or camouflage company.
44. Customer owns several commercial entities that have the same business activity related to trading in gold and precious metals and cash-intensive businesses.

Indicators Related to Transaction:

1. Sudden return of activity to the account of the normal customer or the commercial entity, without any logical explanation, such as (repeated deposit transactions in huge amounts or frequent transfer transactions that do not match the usual pattern of transactions for that customer).
2. Volume of financial transactions is not commensurate with the disclosed income of the customer, his usual pattern of activities or his job, such as (large deposit transactions by a student or unemployed person).
3. Transactions of the commercial entity appear outside the normal framework of business practices in similar sectors.
4. Transactions carried out by the customer seem complicated without having a clear purpose or supporting documents.
5. Customer carries out transactions for a large project financed by unspecified investors.
6. Customer requests to transfer some payments through the accounts of the commercial entity instead of his personal accounts.
7. Existence of evidence or indications that point to acts committed by the customer that are punishable by law in Kuwait or in other states.
8. Customer exaggerates in explaining and justifying the transaction and submitting documents proving its validity.
9. Customer's acquisition of a large number of assets and then liquidate them quickly without clear economic reasons.
10. Customer's possessing a lot of assets and mortgaging them without a clear economic reason.
11. Conducting financial transactions between commercial entities owned by the same customer.
12. Carrying out repeated cash transactions with huge amounts, inconsistent with previous transactions.
13. Customer is carrying out huge transactions that are not commensurate with his expected activity while opening the account or his sources of income, or that he does not have any job.
14. Customer performs transactions that do not correspond to his personal data mentioned in the KYC form, or to his personal file with the bank.

15. Income disclosed by the customer is not commensurate with the assets owned thereby, his lifestyle and his transactions.
16. Customer uses fiat money with denominations different from what he usually prefers, or the denominations used are much larger or much smaller than the denominations used in the sector in which he works.
17. Pattern of transactions carried out by the customer is regular and in cash, for sums with whole numbers that do not contain fractions.
18. Customer undertakes withdrawals of large amounts of cash, followed by cash deposits over a short period.
19. Customer requests to transfer an amount abroad without a clear rationale.
20. Customer often makes deposits in the account of another party, unrelated thereto, as he is not a business owner and does not represent a member of his family.
21. Recurring deposit transactions justified as “proceeds from sale of assets”, where their true source cannot be identified.
22. The relationship between the transaction parties raises doubts is suspicious that the customer cannot find an adequate explanation thereto.
23. Commercial transaction between one or more parties of one family, without a clear economic justification.
24. Customer carries out personal transactions by exploiting the commercial entity’s account, such as: transactions for the purchase of personal assets or personal items.
25. Customer repays the loan or mortgage before the specified deadline, thus incurring financial losses.
26. Carrying out a large number of transactions with a small number of beneficiaries.
27. Carrying out a few high-value transactions with a small number of beneficiaries.
28. Customer conducts regular transactions with international commercial entities, without clarity of the economic relationship between them.
29. Commercial entity’s records indicate a long period of stagnation after incorporation, followed by a sudden and unexplained increase in financial activities.
30. Customer receives transfers from third parties unknown to other banks, where the name of the transferor is not identified.

31. Conducting multiple transactions on the same day while trying to resort to different employees at the same branch or to resort to different other branches in remote areas.
32. Customer pays a larger amount when conducting real estate transactions with installment payments, such as (ownership by lease), despite the ability to pay the total amount in a single payment.
33. Regular cash deposits less than the minimum amount in the customer's account, followed by withdrawals by transfer or bank check to the ***legal practitioner's trust account**.
34. Cash transfers from gold and precious stones stores to beneficiaries in areas known for illegal gold mining.
35. Customer conducts transactions that do not bring him economic benefits, such as transferring funds between or from his accounts through the accounts of companies linked to one of his family members or persons close to him.

Indicators Related to Products, Services and Channels Used:

1. Opening bank accounts by other parties to use them as an interface to deal with the bank.
2. Opening bank accounts using names very close to the names of other existing commercial entities.
3. Opening bank accounts using false and unreal names.
4. Creating multiple accounts without a logical need.
5. Using large amounts of cash to carry out deposit/withdrawal transactions in the account of the commercial entity in a way that is not commensurate with its activity.
6. The outgoing and incoming transactions are similar in size and are sent/received from/to the same accounts, indicating that the outgoing funds are returned with part of the loss.

*** Legal Practitioner Trust Account:**

It means the mediating account between the parties to a transaction carried out by the legal practitioner by collecting sums of money from the (first party) and keeping them as a trust in the Trust Account for the purpose of handing them over to the (second party), with the aim of completing the transaction legally, until the purpose of collection is over.

7. A large number of cash deposits in the account exists, in small amounts, with a few cash withdrawals in large amounts.
8. Customer uses loan facilities in a manner that may seem normal during international trade operations, but it does not correspond to his commercial activities.
9. Nature of the customer's commercial relationship with banks does not reflect a clear economic purpose, such as (having several accounts in the same bank, having many currencies in the account, frequent transfers between accounts, having large liquidity in the account, etc.).
10. Third parties unrelated to the customer provide guarantees for the loan facilities.
11. Multiple deposits in one account by a large number of different parties.
12. Customer uses the name of another party to conduct commercial transactions for commercial or industrial projects.
13. Closing accounts and opening new accounts in the name of the customer.
14. Multiple deposit transactions in the account of the natural person, followed by cash withdrawals in a very short period, so that the account is used as a temporary deposit station.
15. The account of the commercial entity is used as a temporary deposit station for the passage of funds to disguise the actual beneficiary, which may indicate the existence of a shell company.
16. Loans in favor of foreign companies in Kuwait, with the difficulty of verifying the actual activity or existence of these companies.
17. Customer receives deposits in large amounts from an obscure source, which are sent or guaranteed by an offshore bank.
18. Customer has transactions related to an offshore bank that is likely to be fictitious due to the similarity of his name to the name of a major financial institution.
19. Customer has loans linked to obligations from offshore banks, where it is difficult to verify the truth of those obligations.
20. Customer uses financial means that do not match his activity, such as:
 - Using letters of guarantee and other means of trade finance to move funds between states.

- Purchase of foreign currencies or other negotiable instruments through cash payment.
 - Receipt of huge sums through checks.
21. Customer exchanges a large sum of money in fiat money with small (local / foreign) denominations for fiat money with large denominations.
 22. Customer requests the execution of payment orders while giving false details about the party to whom the transfer is made.
 23. Customer requests that debit cards or credit cards be sent to international or local addresses different from his address.
 24. Customer visits his safety deposit box directly before making cash deposits.
 25. Customer's visits to his safety deposit box are increasing in a way that seems odd compared to the rate of his previous visits.
 26. Third parties pay cash or deposit checks into the customer's credit card account.
 27. Transactions of large or recurring amounts are carried out by a person authorized to transact on the account but who does not own a stake or assets in the commercial entity.
 28. Customer pays cash in large amounts to pay off loans or mortgages, which may indicate the existence of excessive usury.
 29. Customer purchases high-value items.
 30. Customer has several accounts and deposits cash in each of them, amounting to a huge sum.
 31. Funds received from several accounts are collected in one account, and then transferred abroad.
 32. Customer makes huge financial payments to purchase precious goods, such as (gold, precious metals, precious stones, antiques and works of art), which are not commensurate with his sources of income or the nature and pattern of his transactions.

33. Incoming transfers to the account through alternative and non-traditional transfer systems, instead of using ***International Fund Transfer Instructions (IFTI)**.
34. Customer receives transfers from several sources related to gold, metals and precious stones, without clear economic links.

International Fund Transfer Instructions (IFTIs): Instructions for transferring funds or property that are sent/received by third parties (commercial entities/individuals) in another state in a legitimate manner by using financial institutions or money transfer service providers.

Alternative Transfer Concept: It is an alternative method for transferring funds across borders, in which several methods are used, so as to enable the delivery of funds to the beneficiary parties at the required destination within one day despite the presence of the funds in the state of origin. The danger in this process lies in the inability to identify the real sender of the funds or the real beneficiary thereof, nor the means used because some of them may be outside the framework of financial institutions.

- **Methods used for alternative transfer:** Funds are transferred using different methods, including communication between transaction parties (a party residing in Kuwait and another party in the state to which it is sent) through the use of social media, where the content of the message includes (the size of the specified amount and the beneficiary's name and phone number). The actual beneficiary receives the money on the same day, noting that the money obtained for that process is still in the state, or by using various other methods, e.g., the person transfers the money himself by carrying it therewith while traveling abroad by evading customs control, or using exchange institutions, which, in turn, transfer money through exchange companies.
- **Reasons for using alternative transfers:** Many natural persons or commercial entities use alternative transfers as an alternative method for transferring funds across borders, for various reasons, including: (political and economic instability in some states, evading the value of financial interest on transfers or taxes in the states to which the transfer is made or states to which transfers are prohibited due to precautionary considerations, or that the transfers are used by some extremist elements in financing terrorism operations outside the state).

Indicators Related to Geographical Location:

1. Transactions are related to states known for banking secrecy and states with weak legal controls over commercial entities.
2. Transactions are cycled through several states for no evident economic reason.
3. Existence of transactions related to states known to have a high rate of crimes, such as corruption or drugs, or high-risk states that lack Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) controls.
4. Customer has several accounts in different financial institutions, in the same geographic area without a clear economic reason.
5. Customer carries out multiple transfers of funds issued outside Kuwait, where he is the beneficiary thereof.
6. Customer performs deposit transactions, followed by electronic transfers to high-risk states.
7. The commercial entity makes transfers to accounts with other states after the huge accumulation of its balances, which are not commensurate with its commercial transactions.
8. Transfers issued by cash-intensive commercial entities are to beneficiaries in states known for illegal gold mining.
9. Multiple cash deposits exist in small amounts received for the account of non-profit organizations or associations followed by huge transfers to foreign accounts outside the state, which may indicate the existence of ***Crowd Funding** operations for the purpose of financing an illegal organization, such as ***Extreme Right Wing (ERW)** or other illegal purposes.

Crowd Funding: Collection of financial contributions by several persons (as donations, often through websites or social networking sites that were created with the aim of supporting a charitable call or project, where funds resulting from the donations are used for illegal activities or terrorist financing operations. They are often used by Extreme Right Wing.

Extreme Right Wing (ERW): Those organizations are characterized by tyrannical aspects and have extremist, hostile or racist views and tendencies, such as (ethnic cleansing, genocide against a group of people based on their religious, political or cultural orientations and other forms of organized criminal behavior).