

Indicators Related to Exchange Companies

Preface

The role of specialized financial companies has increased over several years in providing certain types of services, including money transfer, foreign exchange and the issuance of various means of payment. With the development of information technology, the movement of funds around the world has become easier, thus stimulating the growth of those specialized financial services and the diversity of distribution channels, in addition to high transfer speed. These are cash-intensive businesses, which may provide greater opportunities for criminals wishing to launder money and finance terrorism. That is why indicators have been developed that may monitor used common patterns, as follows:

Indicators Related to Customer:

1. Customer intentionally provides wrong, misleading, incomplete or unclear information, or refuses to provide the necessary information and documents that show his activity, source of funds, purpose of transaction and the nature of the commercial relationship.
2. Customer provides excessive justification or explanation of the transaction or exaggerates in providing documents proving its validity.
3. Customer provides a false ID or the identity document does not match the customer, such as using identity cards or documents with different names without a reasonable explanation.
4. Identity documents are dirty, rendering it difficult to read the necessary information.
5. Unexpected or frequent change of customer contact details.
6. Customer changes the address frequently, the address is not found in the KNC form or he gives contact details that do not match the contact data (address, phone number, etc.) of his permanent residence; e.g., a general address as a post office box (DHL) or the telecommunications company address, which renders it difficult to verify the customer's address information.
7. A group of customers use shared contact information, such as address, telephone or email, where such sharing is not natural or reasonable to be explained.
8. Customer performs unusual actions or his body language raises suspicion, for example:

- Customer shows an uncommon curiosity about control systems and mechanisms, internal policies and monitoring.
 - The form is filled out in advance.
 - Customer refuses to reveal the source of the cash.
 - Transactions are performed before or after business hours.
 - Customer expresses his desire to pay fees that exceed the fees approved by the exchange company to conduct his transactions.
 - Customer appears to be tense in a way that is not commensurate with the nature of the transaction.
 - Customer attempts to build a close relationship with the staff.
 - Customer clearly attempts to evade or reject exchange company's attempts to build a personal relationship therewith.
 - Customer inspects the place or what is going on around him all the time, instead of observing counting of the money.
 - Customer is satisfied despite obtaining an inappropriate exchange rate.
 - Customer is not interested in the transaction amount, its commission or transportation costs.
 - Customer seems unaware of the exact amount being exchanged.
 - Customer does not make direct contact (face to face) to conceal actual identification.
 - Customer is in a hurry to expedite the transaction, with promises to provide supporting information later.
 - Customer is accompanied by other people, yet they remain unnoticed or outside.
9. Actual beneficiary of the customer is a politically exposed person, or any of his family members or close associates are politically exposed persons.
 10. One of the transaction's parties includes charities and other non-profit organizations.
 11. Customer is suspected to be acting on behalf of or receiving instructions from a third party, yet he does not disclose that information. For example, the customer transfers money and immediately delivers it to another person or another person speaks on behalf of the customer but places the transaction in his name.

12. Beneficial owners of the transactions are several natural parties or commercial entities that do not have a clear family or economic relationship with the customer.
13. Unexpected or repeated change of beneficial owner.
14. Customer has a limited knowledge of the beneficiary or is reluctant to disclose his details.
15. Customer stated that another party will receive the transferred funds on behalf of the beneficiary.
16. Customer uses agents or partners to conceal the actual beneficiary.
17. Customer has information about the beneficiary but, if asked, he is reluctant whether or not to state the purpose of the payment.
18. Customer owns or manages a cash-based company that appears to be a front or fictitious company, which is revealed after reviewing transactions that are not commensurate with the financial or professional status, where illegal and legitimate proceeds are mixed.
19. Customer represents a commercial activity but appears to have no commercial experience.
20. Customer submits an unusual request for collection or delivery.
21. Customer is a company which name and purpose do not correspond to its dealings.
22. A sudden change occurs in the customer's lifestyle, such as the customer driving luxurious cars or leasing expensive assets (such as real estate or vehicles) that do not correspond to his income status.
23. Customer makes unusual or threatening inquiries or attempts to persuade employees to carry out the transaction.
24. Customer's actions are punishable by law in the State of Kuwait or in other states, or he is known to be involved in criminal activities.

Indicators Related to Transaction:

1. Transactions volume is not commensurate with the financial situation or profession.
2. Customer hides the actual beneficiary, either by using different names for the same address or the same actual beneficiary is linked to a group of close but different addresses.
3. Replacement of large or frequent amounts that are not commensurate with the customer's usual activity.
4. Customer purchases a currency that is not commensurate with the destination to which he intends to travel.
5. Customer offers a bribe or is willing to pay extraordinary fees to carry out the transaction.
6. Customer attempts to conduct the transaction, yet, considering that he is likely to be subject to due diligence requirements, he cancels it, such as the customer cancels the transaction after knowing that he must show the ID card.
7. Extremely complex transactions without a clear economic purpose.
8. Transaction that appears outside the normal framework of commercial practices in the concerned sector or that does not appear to be economically feasible for the customer.
9. Customers doing business or transactions in unusual circumstances.
10. Using two or more exchange locations on the same day to divide a single transaction into multiple transactions.
11. Transactions are carried out by the customer on behalf of third parties without an apparent economic relationship.
12. Customer gives orders to conduct repeated transactions.
13. Sudden increases in the volume of customer's transactions without a clear economic purpose.
14. Minor person (actual beneficiary) receives sums from several natural persons or commercial entities with different locations.
15. Customer sends money internationally and then expects to receive a transfer of an equal sum, or vice versa.
16. Performing incoming and outgoing transfers for the customer from/to different parties, without a clear economic reason for that process.

17. Sending small and frequent amounts to a beneficiary outside the State of Kuwait from several different persons (denotes drug trade, where the amounts are transferred outside Kuwait through exchange companies and then the drugs are sold by a person in Kuwait via social media (WhatsApp)).
18. Customer requests a transfer transaction at an exchange rate higher than the rate approved by the exchange company.
19. Customer transfers money and requests large denomination fiat money of foreign currency.
20. Customer requests to convert a large amount of one foreign currency into another.
21. Making transfers of large sums to or from locations outside Kuwait, with instructions to pay in cash.
22. Making large or frequent transfers between the commercial entity's account and a private account, especially if the former is not a resident in Kuwait.
23. Making large or frequent transfers without a clear economic reason.
24. Making transfers paid in large amounts of cash within a short period of time.
25. Exchanging large sums of fiat money consisting of small denominations for larger denominations.
26. Carrying out frequent purchasing and selling transactions of foreign currencies, in amounts slightly less than the minimum allowed, within a short period of time.
27. Purchasing coins with large amounts of cash.
28. Carrying out large currency exchange transactions that exist between foreign currencies that need to be exchanged.
29. Carrying out frequent currency exchange transactions with cash amounts into other currencies.
30. Exchanging one particular type of currency.
31. Exchanged currency amounts are much higher than usual.
32. There is no link between the amount of currency exchanged and periods of vacations.
33. High frequency of currency exchange transactions over a certain period of time.
34. Request to exchange large amounts of a foreign currency that cannot be exchanged or traded for/by another foreign currency.

35. Conducting multiple sending and receiving transactions from/to the customer from states with high criminal activity.
36. Carrying out real estate transactions through cash payments or by means of negotiable instruments, where actual payment party has not been declared, such as (bank transfers).

Indicators Related to Products, Services and Channels Used:

1. A specific group of people conducting transactions at several locations on the same day or within a short period of time.
2. Customer whose transaction patterns seem to be compatible with the growing season of drugs, drug trafficking, illegal immigration, human trafficking, etc., based on the information available to exchange companies.
3. Offering money, rewards or unusual services in order to secure services that may appear suspicious.
4. Noting that the fiat money brought by the customer are unusual or suspicious, as in the following cases:
 - Consisting of small and dirty denominations.
 - There are stains on the fiat money, indicating that they were carried or hidden.
 - Fiat money smell musty.
 - Fiat money are carried carelessly when funds are disbursed.
 - There is a big difference between the actual amount of fiat money and the amount indicated by the customer (more or less).
 - Detection of counterfeit fiat money within the amount to be transferred or replaced.
 - Currencies purchased or payment arrangements are not in accordance with regular practice for the relevant type of activity of the commercial entity.
5. The instructions regarding the method of payment change suddenly just before the transaction goes through.
6. Sending money in a period not related to the payment of salaries for expatriate workers.

7. Customer has many newly established companies or companies outside the State of Kuwait that are not commensurate with the customer's activity.
8. Unusually large cash payments in circumstances where payment would normally be made by check, wire transfer, etc.

Indicators Related to Geographical Location:

1. Related transactions in states subject to sanctions, embargoes or similar measures issued by international organizations, such as the United Nations.
2. Related transactions in states with vulnerable AML/CFT systems, financial institutions should pay special attention to commercial relationships and transactions.
3. Incoming and outgoing transfers to/from states known for their high crime rates (for example, the spread of corruption or terrorism, or a high rate of drug production) or considered among the high-risk states.
4. Customers or parties that have no clear links with the actual beneficiary in the state of destination.