

## Indicators Related to Exchange Institutions

## Preface

For many years, the role of specialized financial institutions has been to provide services, foreign currency exchange (purchasing and selling), as it is a cash-intensive business, which may enable criminals to launder their illegal money through exchange institutions or to carry out other illegal actions, such as conducting \*alternative transfers. Hence, the following are the indicators that may monitor the commonly used patterns:

**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 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. 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.
  - Customer refuses to reveal the source of the cash.
  - Transactions are conducted before or after business hours.
  - 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 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 or commission.
  - Customer seems unaware of the exact amount being exchanged.
  - 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.
6. Customer is suspected to be acting on behalf of or receiving instructions from a third party but does not disclose that information.

7. Customer makes unusual or threatening inquiries or attempts to persuade employees to carry out the transaction.
8. 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. Customer purchases a currency that is not commensurate with the destination to which he intends to travel.
2. Customer offers a bribe or is willing to pay extraordinary fees to carry out the transaction.
3. 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.
4. Extremely complex transactions without a clear economic purpose.
5. Using two or more exchange locations on the same day to divide a single transaction into multiple transactions.
6. Exchanging large sums of fiat money consisting of small denominations for larger denominations.
7. Carrying out frequent purchasing and selling transactions of foreign currencies, in amounts slightly less than the minimum allowed, within a short period of time.
8. Purchasing coins with large amounts of cash.
9. Carrying out large currency exchange transactions that exist between foreign currencies that need to be exchanged.
10. Carrying out frequent currency exchange transactions with cash amounts into other currencies.
11. Exchanging one particular type of currency.
12. Exchanged currency amounts are much higher than usual.
13. There is no link between the amount of currency exchanged and periods of vacations.
14. High frequency of currency exchange transactions over a certain period of time.
15. Request to exchange large amounts of a foreign currency that cannot be exchanged or traded for/by another foreign currency.

## 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 exchanged.