

Indicators Related to Corruption

Preface

Crimes related to corruption are among the crimes closely related to ML/FT operations, where a public authority is abused to achieve personal interests or third party's interests, whether by (misuse of public funds, bribery, abuse of authority, forgery and counterfeiting, obstruction of justice, evasion of custom duties, tax evasion and offering commissions to award contracts and tenders).

Public employees include every person entrusted with a public service, who occupies a legislative, executive, administrative or judicial position, whether paid or unpaid, who performs a public function for a public agency or establishment. Public employees are classified into:

- Politically exposed persons, including members of public or local parliaments.
- Government officials and leaders.
- Employees, servants and workers in departments affiliated, supervised or controlled by government.
- Members of boards of directors, directors, employees and servants of institutions, companies, associations, organizations and establishments, if the state or a public authority holds shares in their capital in any capacity.

Corruption can be committed in many ways that vary according to the public employee's degree or the sector's type. Below risk indicators include specific aspects of corruption related to public employees' exploitation of various government procurement contracts (tenders), such as: infrastructure projects, tenders for the procurement of various goods and services for the various government sectors and commercial entities (legal arrangements) that trade in contracts.

Indicators Related to Customer:

1. Public employee receives or sends large amounts of money in different currencies.
2. Public employee's basic data is inconsistent, such as: professional history, age, and the declared wealth source.
3. Persons closely related to PEP hold senior management positions in private commercial entities without fulfilling the job requirements.
4. Improvement in the standard of living of a government official, a PEP, or persons closely associated with them immediately after the termination of their office term without a clear justification.
5. Commercial entity with limited experience is awarded contracts for complex projects or contracts that are not within the scope of its competence, and the

funds received under these contracts are not designated to implement the contract scope.

6. Common data are used for contractors during the contract implementation term, such as: address, phone number and the Internet protocol).
7. Publishing information about the financial activity of the government official, PEP or the legal representative of the commercial entity that is awarded government contracts, in media reports through open sources, as this indicates their involvement in corruption transactions or other financial crimes.

Indicators Related to Transaction:

1. Public employee receives financial deposits through checks issued by contracting companies or other parties that have previously benefited from government contracts.
2. Public employee receives deposit transactions from different branches of a financial institution.
3. Public employee buys a digital currency or movable assets, including expensive goods and luxuries, or immovable assets, in amounts that exceed the disclosed source of income, in exchange for providing services to other parties.
4. Public officials, PEP or persons closely associated with them engages in illegal transactions related to purchases/receipts of shares from commercial entities, including:
 - Providing services in return for shares acquisition.
 - Acquisition is funded by the seller.
 - The purchase price is less than the net asset value of the commercial entity.
 - Receiving dividends from the commercial entity that are not commensurate with the purchase price.
 - Receiving profits from shares purchase and sale over a short period of time.
 - A commercial entity is permitted to sell shares at a price higher than their market value or purchase price.
5. Incoming deposits and transfers by various sources to the account of the government official, PEP or persons closely associated with them, which are disbursed on online gambling sites, followed by credits refunded to the account from the same site.
6. Checks issued by a government authority is cashed, followed by deposit transactions into the bank accounts of government officials or other parties associated with them.

7. Funds are transferred through several different accounts, originating from the commercial entity's account, PEP's or government official's account, to other parties' account, a part of the amount is deducted with each transfer (as a commission).
8. Government officials, PEP or persons closely associated with them pays extraordinary sums (bribery/commission) to non-financial professions such as lawyers, accountants or others.
9. Purpose of transactions often includes words that indicate bribery, such as: commission, marketing fees, taxes).
10. Government officials, PEP or persons closely associated with them receives benefits from the contractor during the contract implementation term or immediately after the contract expiration.
11. Private contracting company receives government funding in huge amount from another state-owned contracting company, in exchange for low-cost services or products (compared to the market price), then the government officials get benefit from the government purchases' value.
12. Limited competition among commercial entities is observed during the period of receiving bids and evaluating and negotiating contracts.
13. The same commercial entities are repeatedly awarded the government purchase contract, which indicates conspiracy and agreement of several contracting parties to win the purchase contract (the bidding), so they rotationally get profits through limiting bidding to the same entities (bid rotation).
14. Winning bids are repeatedly made at the end of the bidding, which indicates complicity.
15. One of the auction parties (commercial entity) deliberately withdraws/refrains from participating in the bid/tender, to allow the other complicit party to win the bid (bid suppression).
16. Lack of competition between commercial entities, which indicates conspiracy and agreement between contracting parties to refrain from competition, so all parties win tenders in a row (market division).
17. One of the contracting parties makes simple and nominal bids to get the contract, thus increasing the bid's value (complementary bidding).
18. Commercial entity deliberately offers low price quotes to get the government purchase contract (the tender), and then increases prices by adding changes to a previously signed contract (subsequent change order).

19. Commercial entity controlled by a government official, PEP or persons closely associated with them, changes the contract terms and intermediaries' fees to evade from the registration and supervision procedures adopted in other countries.
20. Many orders for goods and inventory are submitted, however, the government entity does not actually need them.
21. The quality of the ordered goods does not comply with the quality required by the government entity, which indicates the employee's collusion with the winning commercial entity.
22. Some orders and requirements meet only the specifications of the goods provided by a certain commercial entity, as the purchasing official sets the specifications according to the specifications of the product of the complicit commercial entity.
23. Many goods are deleted from records to submit new orders for the complicit commercial entities.
24. Only few companies respond to the purchase orders, and many commercial entities are unable to fulfill the bidding requirements, which indicates corruption committed by the public employee (related to the procurement contracts) within the government entity.
25. Lack of oversight over the bidding, which indicates the concerned employee's complicity.
26. Deliberate cancellation of the auction related to government procurement contracts, claiming that it is not valid and does not meet specifications.
27. Changing the deadline for bids' submission and approving offers submitted after the specified deadlines.
28. Government official (who is partially responsible for managing government procurement contracts) sets unusual specifications for contract, including:
 - Specific and challenging conditions for the location of contractor/commercial entity.
 - The materials needed to implement the contract are of unusual specifications.
 - The period specified for the contract implementation is unreasonably short.

Indicators Related to Products, Services and Channels Used:

1. Amounts deposited into the bank account of a government official, PEP or persons closely associated with them, from:
 - A shell company, owned by a government official, PEP or persons closely associated with them;
 - Or Investment activities, real estate purchases, which may indicate a conflict of interest.
2. PEP uses other parties to represent him (such as secretary, lawyer or accountant) in carrying out high-value transactions to avoid due diligence procedures.
3. Government official, PEP or persons closely associated with them receives credit guarantees from government corporations, or loans under special circumstances.
4. Government official, PEP or persons closely associated with them receives transfers, the sources of which are deposits and profits generated by the commercial entity for which he is responsible.
5. Intermediaries or ***subcontractors** enter into business deals which contracts have been previously agreed upon, without a clear economic reason.
6. One of the commercial entity's directors also manages subcontractors, or subcontractors have a common relationship with the contractor's management.
7. Awarding long-term contracts repeatedly to the same contractor without a clear economic justification.
8. Contractors' remunerations exceed the generally accepted rates for providing consultation services.

***Subcontractors:** Subcontractors are contractors who subcontract with the main contracting company to complete or implement the project works, which are supposed to be among the tasks of the main contracting company that has signed the basic contract with the project owner.

Indicators Related to Geographical Location:

1. Government officials, PEP or persons closely associated with them use ***alternative transfers** to transfer their money outside the state.
2. Incoming transfers from foreign countries to the accounts of a government official, PEP or persons closely associated with them, do not include sufficient information to clarify the purpose of the transaction and determine its actual source.
3. International transfers received from the treasury of a country by heads of political parties with authority, for the benefit of a commercial entity whose activity is consumer goods, so the actual beneficiary is a government official, PEP or persons closely associated with them.
4. Government official, PEP or persons closely associated with them purchases real estates in other countries to avoid being under the spot in its home country.
5. Commercial entity pays another commercial entity to carry out logistical tasks in countries with a high corruption index, rather than doing it by itself, so that the implementing company bears any possible risks.
6. Transactions carried out by the public employee involve unrelated foreign parties known to be active consultants or employees of high-risk countries.

7. Government employee/official (who is partially responsible for managing government procurement contracts) transfers high-value funds under the ***International Fund Transfer Instructions (IFTIs)** after receiving them from external commercial accounts or external individuals.

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).

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.