

Indicators Related to Financing of Proliferation of Weapons

Preface

One of the most common methods used by criminal groups to finance and conceal transactions related to proliferation of weapons is through (front companies, use of third parties, correspondent banks, transfers, open accounts and other fraudulent methods), so as to conceal the actual beneficiaries. In high-risk cases, the state should demand its financial institutions and designated non-financial businesses and professions to adopt sufficient arrangements for risks management and mitigation. Hence, the State of Kuwait has promulgated domestic laws to combat the proliferation of weapons and set procedures to regulate the possession of weapons and explosives. This is in addition to Ministerial Resolution No. (35) of 2019 regarding the executive regulations of the Special Committee for the Implementation of Security Council Resolutions issued under Chapter VII of the United Nations Charter related to combating terrorism and financing the proliferation of weapons of mass destruction at the Ministry of Foreign Affairs. Indicators related to proliferation of weapons that may monitor ML/FT crimes are as follows:

Indicators Related to Customer:

1. Activities and transactions are not commensurate with the commercial profile of the financial transaction parties (high index).
2. Concerned persons or entities (e.g., suspected transaction parties or actual beneficiaries) or their details (e.g., addresses or telephone numbers) are similar to or may be associated with parties currently listed under ***Exports Control Regulations** related to sanctions pertaining to mass destruction weapons or parties with a history of involvement in export control violations (high index).

***Export Control Regulations:** Regulations that control exports of dual-use goods, services and technology, set by the State of Kuwait through domestic laws and circulars of the competent authorities. They are implemented and observed by the General Administration of Customs.

3. Customer provides vague or incomplete information, hesitates or refuses to provide additional information requested therefrom.
4. During later due diligence stages, the customer, particularly the commercial entity or its owners or senior managers, appears on sanctioned lists or negatively appears in social media, e.g., (linked to past money laundering schemes, fraud or other criminal activities) or has current or previous convictions, including appearing on the list of objectionable persons for the purposes of export control regulations.
5. Customer (whether a weapons trading entity or its owners or managers) participates in complex commercial transactions involving third parties in lines of business that are not compatible with the activity disclosed by the competent authority.
6. One of the commercial transaction parties announces that it is a commercial entity (may be a front company) and conducts commercial transactions to transfer funds through the accounts, so that the turnover of the accounts shall be rapid with huge amounts, where the balance decreases at the end of the day without logical commercial reasons.
7. Customer is an organization dedicated to research and trades in dual-use or export-controlled goods.
8. Customer is a military figure or a scientist associated with a geographical location with a high risk of weapons proliferation.
9. Financial transaction parties or their private address is similar to an address published in public lists or has a history of violating export control regulations.
10. Prior to approving the account, the customer requires a letter of credit for commercial transactions for the shipment of dual-use or export-controlled goods.
11. Complex structures are used to hide proliferation related transactions.

Indicators Related to Transaction:

1. Transaction includes financial institutions domiciled in states with vulnerable export control laws or poor enforcement of export control laws (high index).
2. Transaction's parties conduct transactions that are controlled under the ***dual use** or export control regulation or have previously violated the requirements of those regulations).
3. Accounts or transactions of companies linked to front companies through the existence of long periods of recession followed by many financial transactions.
4. Links exist among representatives of commercial entities dealing in the exchange of goods, such as the same management or owners, the geographical location of the commercial entity, user's IP address or phone number, in order to evade scrutiny of the exchanged goods.
5. Customers of factories and trading companies pay cash to conduct industrial or commercial transactions, such as sudden incoming cash deposits to the accounts of the commercial entity, followed by cash withdrawals.
6. Personal account is used to conduct industrial or commercial transactions that are subject to export control regulations or to conduct transactions that are not commensurate with the activities of the commercial entity.
7. Absence of companies' licensure for conducting transactions related to dual-use goods or military goods.
8. Existence of clear and unjustified time differences for conducting single commercial deal transactions.

**** Dual-Use Goods:** Products or service that "can be used for both civilian and military purposes", i.e., generally used in the civilian fields, such as industry, but can also be used to develop weapons or military equipment.

Indicators Related to Products, Services and Channels Used:

1. Shipping company is listed as the final destination of the product, so that the actual recipient or true destination is not known, e.g., from Amazon to Aramex (high index).
2. Shipping goods with characteristics that are not compatible with the technical level of the importing state, such as shipping manufacturing equipment (clarification: manufacturing equipment for weapons or spare parts) to a non-industrial state (high index).
3. Shipment of prohibited items that are controlled under the WMD Export Control Regulations regulated by The Special Committee for the Implementation of Security Council Resolutions issued under Chapter VII of the United Nations Charter related to combating terrorism and financing the proliferation of weapons of mass destruction at the Ministry of Foreign Affairs (high index).
4. Existence of discrepancies in the information included in the documents attached to the commercial transaction, such as the difference in invoice prices.
5. Shipping low value goods given the cost of shipping.
6. Goods are shipped to multiple destinations to conceal the route of the goods without an apparent commercial purpose.
7. Payment for the imported goods by another entity (fake or front company) other than the consignee entity, without a clear economic reason.
8. Using false documents and identities to import/export weapons.
9. Quantities are less than the minimum reporting threshold in the context of multiple transactions.
10. Influential persons are sought to ensure the transportation of goods without inspection.
11. Dealing with factories that produce dual-use goods, weapons' proliferation essentials or military goods.
12. Customer's secondary data is linked to a wanted person (address/phone number).

Indicators Related to Geographical Location:

1. Actual beneficiary of the transaction is a resident of a high-risk state, where weapons proliferation is significant, such as North Korea or Iran (high index).
2. Shipments are directed through a state that lacks the application of export and import control standards and laws, as well as AML/CFT rules.
3. Customer (whether a weapons commercial entity or its owners or managers) engages in business transactions with a company in a high-risk geographic location in terms of weapons proliferation.
4. Customer is involved in the process of exporting, selling or purchasing dual-use goods, goods subject to export control, complex equipment which technology is unknown to the customer, goods that are not compatible with the activity disclosed to the competent authority or military goods, especially in high-risk geographic locations in terms of weapons proliferation.