

Indicators Related to Politically Exposed Persons

Preface

Politically Exposed persons (PEPs) constitute a category of risky customers due to the nature of the authority entrusted to them, which may burden them with pressures, and at the same time provide them with opportunities that enable them to get financial returns through illegal means. Financial institutions, and designated non-financial business or professions may be exposed to ML/FT risks related to transactions, services, or channels used by PEPs or persons closely related to them. PEPs are defined in the Anti-Money Laundering and Combating Financing of Terrorism Law No. (106) of 2013, as amended, as follows:

- **Politically Exposed Person is:**
 - “Any natural person (national or foreigner) who is or has been entrusted with a prominent public function, for example: Heads of state or of government, senior politicians, judicial or military officials, and senior executives of state-owned corporations”; or
 - “Any natural person (national or foreigner) who is or has been entrusted with senior managerial positions in international organizations, for example: directors, deputy directors and members of the board of directors.
- **Individuals who are closely connected to a PEP, or close associates:** Either direct social connections as close family members up to the second degree, or professional connection through business partnerships.

Indicators Related to Customer:

1. Politically exposed customer’s information (including his property and salary) does not conform to the information disclosed to the public.
2. Politically exposed customer is reluctant to provide any information related to the source of his wealth or funds or provides incomplete and inaccurate information.
3. Politically exposed customer does not disclose all the positions he holds.
4. Politically exposed customer seeks to underestimate the public position he holds.
5. Politically exposed customer uses third parties (either a natural person or a commercial entity) to conceal his identity, property or the involved sectors or countries.
6. Politically exposed customer uses intermediaries (such as lawyers, accountants, real estate agents, etc.), which is an unusual practice to his activity, to conceal his identity.

7. Politically exposed customer registers one of his properties in the name of a family member or close partner to conceal his identity.
8. Politically exposed customer inquiries about the internal policies and control systems related to PEPs.
9. Politically exposed customer owns many assets that are easy convertible into cash.
10. Politically exposed customer's standard of living is higher than his known legal income.
11. Politically exposed customer's association with financial or non-financial institutions has already been terminated.
12. Financial or non-financial institutions have previously been subjected to legal actions due to politically exposed customers.

Indicators Related to Transaction:

1. Politically exposed customer is reluctant to disclose the purpose of the transaction or business.
2. Politically exposed customer's financial activity and expected activity do not commensurate with his data kept by financial and non-financial institutions.
3. Sudden activity of an account that has been frozen for a long time.
4. Politically exposed customer's account has large cash inflows and outflows, such as (deposit transactions, withdrawals, transfers, incoming and outgoing checks in large amounts).
5. Politically exposed customer's personal financial flows are intermingled with those of his commercial activity.
6. Politically exposed customer has transactions with commercial entities not related to him and are not commensurate with his activity.
7. Politically exposed customer does business with a large segment of foreign customers.

Indicators Related to Products, Services and Channels Used:

1. PEP uses services of private financial or non-financial institutions that are usually unfamiliar to foreigners or wealthy people.
2. PEP pays for transactions in cash to conceal their source.
3. PEP uses amounts rounded, not whole amounts, without a clear economic reason.
4. PEP receives incoming payments from unrelated third parties.
5. PEP uses multiple bank accounts for no clear economic purpose.
6. PEP uses cross-border interbank correspondent accounts to complete transactions, and these *correspondent banks are fictitious, or PEP has control over the correspondent bank or holds shares therein.
7. PEP uses cash-intensive industries, services and channels, which are more commonly exploited for ML/FT operations. They include:
 - Dealers in gold, precious metals and luxury goods.
 - Dealers in luxury means of transportation such as all kinds cars, ships, and aircraft.
 - Luxury real estate dealers.
 - Arms trade and defense sector.
 - Banking and financial sector.
 - Construction and infrastructure sector.
 - Development sector.
 - Health sector.
 - Exploration and drilling sector.
 - Public services sector.
 - Sectors subject to privatization.
 - Companies that have a working relationship with the government (government procurement / tenders).

* **Correspondent Banks:** A network of foreign banks and financial institutions, with which local banks deal to provide money transfer services, foreign trade financing, documentary credits and other financial services for the benefit of its local customers or for the benefit of the bank's international investment activities. Therefore, the nature of transactions involves a transboundary mutual relationship, involving use of several currencies. Transactions of these banks are under the control and supervision of local banks and the Central Bank of Kuwait.

Indicators Related to Geographical Location:

1. Repeated transfer of funds to and from countries that are not related to the concerned PEP.
2. Foreign PEP who was not allowed to enter the state for reasons related to entry visa.
3. Foreign PEP shall be from the following countries:
 - Countries rated by reliable sources as being exposed to ML/FT high risks.
 - Countries rated by reliable sources as having a high level of corruption, or that do not implement anti-corruption agreements.
 - Countries rated by reliable sources as having a high crime rate.
 - Countries that export illegal goods, such as drugs.
 - Weak countries in terms of governance, accountability and law enforcement.