اللجنة الوطنية لمكافحة
غسل الأموال وتمويل الإرهاب
NATIONAL COMMITTEE
FOR AML&CFT

NRA

Cross-Border Money Laundering & Terrorist Financing Risks

National Risk Assessment

The State of Kuwait

July 2025

Executive Summary

1. The State of Kuwait acknowledges that cross-border money laundering poses significant threats to the global financial system. It allows criminals to move and disguise illicit funds across international borders, making it challenging for authorities to detect and prevent these activities effectively. As to terrorist financing, sources of funding for terrorists and terrorist organisations can be very diverse, ranging from both legal and illegal activities, and can be generated in other countries or transit through other countries than those jurisdictions where terrorists are located or plan their activities. Therefore, even countries with low terrorism risks themselves may be exposed to cross-border TF risks.

2. In response to the recent Mutual Evaluation of the State of Kuwait by the FATF and MENAFATF, Kuwait's National Committee has initiated a comprehensive update of the National Risk Assessment for Money Laundering (ML) and Terrorist Financing (TF) risks, which was last completed in 2022. This update includes a s**pecific assessment of risks associated to cross-border ML and TF, on the basis of a wide range of data and information** provided by all relevant authorities, ranging from KwFIU, law enforcement and customs to regulatory and supervisory authorities, as well as by the private sector.

3. In terms of the **overall approach and methodology** for the cross-border risk assessment, international guidance papers such as FATF's Terrorist Financing Risk Assessment Guidance (July 2019) and Money Laundering National Risk Assessment Guidance (November 2024) were used to guide the selection of the various ML and TF risks which should be considered as part of national-level risk assessments from the cross-border geographic perspective. In line with this guidance, cross-border risks are assessed from the perspective of threats as well as vulnerabilities which interact to create ML and TF risks. In this regard, inherent risk exposure as well as residual risk exposure following risk-mitigating measures is taken into account. From the ML perspective, cross-border risks relate to risks that criminal proceeds being generated domestically can be laundered outside of the country, as well as risks that illicit foreign proceeds are laundered within the country. From the TF perspective, cross-border TF risks generally relate to the physical transportation of funds (cash) or other assets (e.g. gold) across borders into or outside a country to support terrorist activities, including through smuggling of undeclared currency or goods; as well as other flows of funds or goods into or out of the jurisdiction, including via the financial sector. In line with recommended actions of FATF & MENAFATF in the MER, the cross-border risk assessment paid special attention to risks relating to cross-border movements of cash.

4. The cross-border risk assessment starts of by describing main findings on cross-border ML and TF threats, primarily on the basis of comprehensive statistics and case studies which were recently gathered for the purpose of the updated national-level ML Threat Assessment and TF Risk Assessment. Where necessary, authorities provided additional insights into the cross-border components and elements of these statistics and cases.

5. The recent ML Threat Assessment concluded that threats from fraud, bribery, corruption and other public funds offenses, as well as drug trafficking, are high. In terms of cross-border threats, the **ML threat** to Kuwait from domestic and overseas proceeds of crime is found to be mixed. Given that the analysis demonstrates that the largest threat emanates from offences conducted either wholly in Kuwait, or in Kuwait and overseas, it is considered that the threat from overseas proceeds of crime contributes to some extent to the overall threat of proceeds of crime. Statistics and case study analysis as well as private sector input suggest that KSA, UAE, Egypt, Türkiye, Jordan and Iraq contribute significantly to the ML threat to Kuwait, wheares the threat from, Iran, Syria and Lebanon also contributes to some extent. The assessment further indicates that firstly, persons committing criminal offences in Kuwait mostly launder their criminal proceeds in Kuwait, although there are also cases in which they remove their criminal funds from Kuwait for the purposes of laundering them overseas. Accordingly, it is concluded that criminal funds generated in Kuwait are laundered abroad to some extent, but not to a significant or predominant extent, since the laundering of domestically generated criminal funds within Kuwait is observed more frequently.

6. Finally, in terms of cross-border ML threats, the use of overseas registered legal persons or arrangements is found to contribute to a limited extent to the ML threat for Kuwait, since there is no information to suggest common involvement of overseas registered legal persons or arrangements in ML cases in Kuwait, whereas there is evidence to suggest that Kuwaiti registered companies are being used as vehicles for money laundering albeit also not in a widespread manner. Citizens from other countries are also concluded to contribute to a limited extent to the ML threat in Kuwait, since the highest ML threat in Kuwait is for domestic proceeds of crime to be laundered in Kuwait by Kuwaiti citizens.

7. In relation to the **TF threat**, the recent TF National Risk Assessment determined Kuwait's TF threat level is determined by the TF NRA to be at a Medium-High level despite the low number of cases, based on the risk that there may be undetected cases and taking into account the geographic risk context. Cross-border threats are believed to contribute predominantly to the overall TF threat level, compared to purely domestic threats. In this respect, it is taken into account that the vast majority of TF STRs which were filed and disseminated in 2022-2024 involved cross-border elements. It is also taken into account that the MOI receives and sent relatively high numbers of TF cooperation requests with foreign counterparties, whereby funds implicated in the requests are generally sent from the State of Kuwait abroad. Outside of the context of formal cases reaching the investigation phase, MOI/SSD confirmed that in TF cases which are preventively disrupted, persons in Kuwait generally seek to send funds abroad. While they did not necessarily involve fund flows, it is further remarkable that all of the new terrorism investigations initiated by law enforcement in 2022-2024 involved cross-border elements.

8. The cross-border risk assessment further assessed the national-level cross-border ML and TF risks. In this respect, **inherent characteristics (or vulnerabilities) of the State of Kuwait** are considered which can be exploited by criminals or terrorists seeking to move funds across borders, either from the incoming or outgoing perspective. It is concluded that several inherent characteristics of the country, in combination with the observed ML/TF threats, create national-level risks for illicit cross-border fund flows. This includes the geographic position of Kuwait, bordering on high-risk jurisdictions, as well as the fact that cash remains a dominant payment mechanism in Kuwait. Relevant inherent vulnerabilities also concern the large expatriate population, which drives cross-border ML/TF risks to the extent that individuals from this population may support foreign terrorists or commit proceeds-generating crimes. Migrants can also be exploited by human traffickers and, given that such cases often remain undetected, there is no clear visibility on the fund flows, including the extent to which they go across borders.

9. The assessment of risks at the national level further assessed to what extent deficiencies in Kuwait's **national AML/CFT framework** may provide critical vulnerabilities for criminals and terrorists to exploit when they seek to move criminal proceeds or terrorism-related funds across borders. The most relevant and pertinent national-level vulnerabilities which are believed to have prevented Kuwait to mitigate cross-border ML/TF risks as effectively as possible so far, relate to weaknesses in the provision of international cooperation as well as the still limited transparency of the beneficial ownership over Kuwaiti legal persons and legal arrangements. This latter issue means that whereby potential foreign beneficial owners could remain concealed, and weaknesses in the pursuit of terrorist financing cases and implementation of targeted financial sanctions, which are relevant from the perspective of cross-border TF risks. Since the time of the mutual evaluation, which concluded that Kuwait has achieved low to moderate levels of effectiveness in these areas, Kuwait has taken significant actions to improve the performance of the AML/CFT regime in these areas, as well as in other areas such as in relation to financial intelligence and the pursuit of ML cases. Nonetheless, it is acknowledged that the actions are still fairly recent by the time of completion of the present risk assessment and that their effects cannot yet be fully measured.

10. A special analysis has been undertaken to assess **national-level ML/TF risks in relation to cross-border movements of cash**, following a specific recommendation in the recent FATF/MENAFATF MER. First of all, it is noted that large sums of cash are imported into Kuwait on an annual basis to meet the foreign currency demands of both nationals and the country's large expatriate population. Second, the analysis finds that the detection of cases of false or non-declarations at Kuwait's borders by customs authorities appears to be very small and not in line with the risks that Kuwait faces. There is close correlation between the countries from which cash is imported and those countries from whom a significant ML threat emanates as per the results of the cross-border ML threat assessment. Similarly, the fact that there were no detections at all outbound is not commensurate with the threat from cash exports, particularly to Iraq, Lebanon and Syria. Moreover, the assessment identifies considerable

uncertainty surrounding the whereabouts of approximately KWD 500m in foreign currency imported into Kuwait between 2022 and 2024, suggesting that there is a realistic possibility that a large value has subsequently been exported undeclared. The ML risks for Kuwait formed by cash movements across its borders is rated as high for both imports and exports in the recent ML Threat Assessment, and, by its nature, this is a pure cross-border risk.

11. As to TF risks relating to cross-border movements of cash, considering Kuwait's geographic context, it is determined that the country faces a high risk of being used as a transit point for cash smuggling related to terrorism. This makes risks associated to movements of cash through Kuwait one of the main contributors to the overall TF risks that the country faces as per the conclusions of the TF NRA, and this is again a pure cross-border risk. The current risk mitigation measures in place are not yet sufficient to have a clear impact to reduce the inherent high risks associated to cross-border movements of cash from both the ML and TF perspective. In this respect, it is also taken into account that the recent MER found that efforts of the authorities to pursue cross-border movements related to ML and TF are not yet in line with the risk profile. While significant efforts are being made to improve the effective implementation of relevant controls, including through special border check operations, it is still too early to conclude that these are now adequately addressing most of the risks as of today.