

**Market Director's Decision No. (31) For the year 2003 concerning anti-money
laundering and terrorist financing**

After perusal of the amended Amiri Decree issued on 14/8/1983 organizing the Kuwait Stock Exchange.

And the Minister of Commerce's Resolution No. (35) Of 1983 promulgating the Kuwait stock Exchange by-Law.

And the Decree issued on 8/8/1984 concerning listing of brokers and their assistants in Kuwait Stock Exchange.

And the Amiri Decree issued on 28/12/1986 organizing liquidation of trading transactions and Clearing Chamber in Kuwait Stock Exchange

And the resolution of the Market Committee No. (3) for year 2000 concerning stocks trading controls through the companies that manage others' portfolios.

And the resolution of the Market Committee No.(1) for year 2001 concerning the amendment of stocks dealing controls through the companies that manage others' portfolios.

And law No. (35) for year 2002 concerning anti- money laundering and terrorist financing

And upon the requirements of business interest in the market

The following has been decided:

Article (1)

Brokerage firms and companies managing others portfolios are not permitted to deal with any person who has reasons to doubt him or his source of funds. And these companies are to inform the concerned authorities.

Kuwait Clearing Company (KCC) is prohibited to open trading accounts for unidentified individuals or open accounts under symbolic or false names.

Article (2)

The request form to open the account and the attached forms must include adequate information for the name of the owner and identification number or profession, activity and purpose of the account and other information, attached to the request form photocopies of the following documents which must be valid:

- Copy of the Civil ID of the Kuwaiti citizens and other residents in Kuwait.
- Copy of passport for non-Kuwaitis.
- Copy of the license issued by the Ministry of Commerce for enterprises and Kuwaiti companies and the Memorandum of Association and the statute.
- Copy of the Establishment and the Statute of the non-Kuwaiti companies or the establishment script to be authenticated by the concerned authority.

Article (3)

Brokerage firms and companies managing others portfolios must make sure of their clients whether the accounts they are dealing with belongs to them or to other beneficiaries and to make sure the names of those beneficiaries exist, also find out the reason for not dealing with their own names in the market.

Article (4)

Companies that manage others portfolios must require their customers to provide copies of the documents and representations referred to in previous articles.

Article (5)

Companies that manage others portfolios must submit an endorsement to the brokers who deal through them that they do not deal on behalf of unknown individuals and that the transactions being conducted by the owners of the accounts are the sole beneficiaries from it.

Article (6)

In the case of an account was opened on behalf of a non-Kuwaiti individual, it must have an approved statement in the KCC by the concerned authority which states the location of its headquarters in or outside Kuwait and those who represent this person or entity are empowered by law from the account holder .

Article (7)

Brokerage firms, KCC, and companies managing others portfolios must inform the Market Committee immediately if they notice any documents submitted by the owner of the account are incorrect or dubious. If it is found to be so after opening the account, the account's balance of the shares or cash may not be delivered to the account holder or his agent, only after obtaining an approval from the market management.

Article (8)

KCC, brokerage firms, and companies managing others portfolios must preserve records which include complete data of the names of its customers, residential address and self-employed transactions and the names of those to be delivered account balances to, for a period of five years as of the date of closing the accounts.

Article (9)

If a broker has reasonable grounds indicating that the account holder or whoever is managing it may request a deal which does not fit with past transactions in terms of volume and value or large amounts that exceed its potential effects or do not fit with the conditions prevailing in the market, he will inform the KCC and the market's management. The stock or money replacing the deal shall be delivered after confirming the identity of the account holder and the sources of funding which covered, unless the attorney general was informed of the incident.

Article (10)

If the account holder is not issuing the order to the broker, the broker then has to obtain the order's source of which proves that the same source is authorized by the account's holder and he shall obtain by a written document all the related details to the source as well as copies of the documents which proves source's identity.

Article (11)

The brokerage companies and the companies managing other's portfolio shall exchange information among each others in regards of the doubtful dealers who the market's administration had decided upon them and it is totally prohibited to disclose such deals apart of the relevant framework.

Article (12)

The brokerage companies and the companies managing other's portfolio should do all its best when choosing its employees and setting the regulatory system among them for their job performance and the same companies should report the market's administration the names of those who were dismissed from the service or those who were signed by the penalties for reasons related to the execution of this article beside the disclosure of such reasons.

Article (13)

The brokerage companies, the companies managing other's portfolio and KCC should build the necessary policies for improving its employee performance in detecting the money laundry transactions and financing terrorism within the framework of the rules and regulations in force for such matter.

Article (14)

It is not permitted to take any action, signature or any administrative action against any of the employees of the market nor the brokerage companies nor the companies managing other's portfolio nor KCC as a result of his good faith disclosure on transactions related to money laundering or financing terrorism that he may have suspected at where it appeared later that this suspicion was misplaced.

Article (15)

The brokerage companies, the companies managing other's portfolio and KCC are prohibited to accept any cash payments for the services of its clients and shall only adhere within the adopted payment means by the local banks provided that both names are matching – the dealing account holder and the bank's account.

Article (16)

The charge d'affaires organization for the brokerage companies, the companies managing other's portfolio and KCC should submit to the market's administration – within 30 days from the date of this resolution an admission includes the following:

- a- It is aware of all the provisions of the law 35 for the year 2002 concerning the anti money laundering and financing terrorism and its implemented decisions and that such organization is obliged of implementing the same.

- b- It had set the necessary rules and regulations to ensure their implementation and that it had identified the persons to do so and declaring such rules and the names of persons.
- c- It will prepare the necessary training programs for its employees at all different levels to improve and progress their performance in the anti money laundry and financing terrorism fields.
- d- That it will apply on the special trading accounts of its employees – if exist-, the same rules applied on its client's accounts concerning anti money laundry and financing terrorism.

Article (17)

These rules shall be enforced from the date of its issuance and the deputy manager of trading affairs shall implement the same.

Issued on: 9th Jamadi Al Awal, 1424
9th July, 2003

Dr. Safaq Al Rukaibi

Memorandum
Attachment of Special Decision Concerning Rules of Anti Money Laundry and
Financing Terrorism

These instructions represents the minimum duties which the brokerage companies, the companies managing other's portfolio and KCC take into consideration either at the time of opening securities trading accounts for companies listed in the market or for its own business deals. And such instructions may urge the staff of such companies on taking the necessary accuracy and caution in order to limit the money laundry and financing terrorism transactions through trading in the market and to develop the staff's ability in assisting in exploring any such transactions and limit its adverse effects on the market and its traders as well as participating in protecting the economic security of the state and miss the opportunities on whoever designed to prejudice the economic interests of the state.

These instructions should be used in place and appropriate time and within its purpose limits so as to achieve its goal without impeding the transactions or destruct the law-abiding dealers and whoever applied by the provisions of this decision and to apply in cases in which they possess reasonable grounds or justified to doubt in those trading accounts managed for the purpose of money laundry and financing terrorism.