



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

## GUIDANCE ON PROLIFERATION FINANCING

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أمانة سر اللجنة الوطنية لمكافحة غسل الأموال وتمويل الإرهاب

بريد إلكتروني: [ncamlcft@kwfiu.gov.kw](mailto:ncamlcft@kwfiu.gov.kw)



## Table of Contents

<b><u>GUIDANCE ON PROLIFERATION FINANCING .....</u></b>	<b><u>1</u></b>
<b><u>PROLIFERATION FINANCING – THE CONCEPT .....</u></b>	<b><u>4</u></b>
<b><u>PF CONTEXT FOR KUWAIT .....</u></b>	<b><u>9</u></b>
<b><u>OBLIGATIONS PURSUANT TO TARGETED FINANCIAL SANCTIONS FOR THE DPRK</u></b>	<b><u>11</u></b>

# Proliferation Financing – The Concept

1. Proliferation financing (**PF**) has emerged as a significant global concern, with financial networks often exploited to fund the illicit development, acquisition, and transfer of weapons of mass destruction (**WMD**) and their delivery systems. Specifically for the Democratic People's Republic of Korea (**DPRK**), the United Nations Security Council (**UNSC**) through UN Security Council Resolution 1718 and successor resolutions requires countries to implement a wide range of targeted financial sanctions (**TFS**) to prevent the proliferation of WMD and its financing.
2. In the context of the DPRK, the proliferation of weapon of mass destruction refers to the development, acquisition, and spread of nuclear, chemical, or biological weapons, as well as their means of delivery (such as missiles or other weapon systems). It encompasses the transfer and export of technology, goods, software, services or expertise that could be used in nuclear, chemical, or biological weapon-related programmes.
3. Proliferation financing then means providing financial services for such programmes of the DPRK, or the trade in sensitive goods needed to support or maintain those programmes, even if those goods are not related to any nuclear, chemical or biological material – e.g., oil, coal, steel, military communication equipment. Proliferation financing includes also the financial support to individuals or entities only indirectly engaged in proliferation for the DPRK, even if they perform activities that are not directly related to a specific WMD programme. Examples are diplomats, vessel companies, fisheries, and companies trading in commodities that all cater to or further the DPRK's WMD programmes and efforts.
4. In Kuwait, addressing proliferation financing is a critical part of the country's broader anti-money laundering and countering the financing of terrorism (**AML/CFT**) strategy. The Proliferation Financing Sub-Committee of the National AML/CFT Committee (the **PF Sub-Committee of the NAMLC**) is the relevant coordination mechanism in the State of Kuwait for this task.
5. It is to be noted upfront that while Recommendation 7 of the FATF Standards requires countries to implement proliferation financing-related TFS against both the DPRK and Iran, for Iran the United Nations sanctions were lifted in October 2023 through UNSCR 2231. Accordingly, the scope also of Recommendation 7 and the scope of this guidance document is now limited to only the DPRK targeted financial sanctions regime.
6. This guidance document is issued by the Proliferation Financing Sub-Committee in collaboration with relevant Kuwaiti authorities and serves as an essential tool for all stakeholders in the financial and non-financial sectors to enhance their understanding and capabilities in preventing, identifying, and reporting PF activities related to the DPRK. It builds upon Kuwait's international obligations under UNSCR 1718 and its successor resolutions and aligns with the FATF's Recommendation 7. Kuwait has committed itself to stringent measures to detect and deter PF, and to ensure that its financial system is not exploited for illicit purposes. While PF shares similarities with money laundering and terrorist financing, its unique characteristics require tailored risk assessments, controls, and reporting mechanisms.
7. The guidance addresses financial institutions (FIs), designated non-financial businesses and professions (DNFBPs) in Kuwait and aims to empower these entities to develop effective internal

mechanisms to combat the threat of PF and contribute to the international efforts to curb the DPRK's WMD development and delivery.

8. As outlined above, the terms "proliferation" and "proliferation financing" refer to related but distinct concepts. While both terms are linked to the efforts to counter the threat posed by WMDs, key differences between the concepts of *proliferation* and *proliferation financing* are outlined in the table below:

	<b>Proliferation</b>	<b>Proliferation Financing</b>
<b>Definition and Scope</b>	<p><b>Proliferation</b> refers to the spread or increase in the number of nuclear, chemical, or biological weapons, as well as their means of delivery (such as missiles or other weapon systems). It includes the illegal or unauthorized transfer of the materials, technology, expertise, or equipment necessary to develop, produce, or deploy these weapons.</p> <p><b>Scope:</b> The concept of proliferation encompasses a wide range of activities involved in the creation, acquisition, possession, development, export, transshipment, brokering, transport, or stockpiling of WMDs. It also covers the transfer of dual-use goods (items that can be used for both civilian and military purposes) that may contribute to WMD programs.</p>	<p><b>Proliferation Financing</b> refers to the act of providing funds or financial services that are used, in whole or in part, to support the proliferation of WMDs. This includes the financing of the acquisition, production, or transportation of WMDs, their delivery systems, and related materials.</p> <p><b>Scope:</b> Proliferation financing focuses specifically on the financial and economic aspects of WMD proliferation. It involves the flow of money, credit, or financial resources that enable the development or acquisition of WMDs, either directly or indirectly. This may include funding for the purchase of dual-use technologies, materials, or expertise required for proliferation.</p>
<b>Nature of Activities</b>	<p><b>Physical Activities:</b> Proliferation involves the physical activities that contribute to the spread or development of WMDs. These activities include the design, manufacture, testing, or deployment of WMDs, the transfer of related technologies and knowledge, and the transportation or smuggling of WMD components or materials across borders.</p> <p><b>Key Actors:</b> Proliferation is typically driven by state actors, rogue states, or non-state actors such as terrorist organizations seeking to acquire or enhance their WMD capabilities. These actors are often involved in activities like procurement of materials, illicit</p>	<p><b>Financial Activities:</b> Proliferation financing involves the movement of funds or financial instruments that facilitate the process of proliferation. This can include transferring money through international banking systems, laundering money to hide its origin, or using informal financial networks to evade sanctions or detection.</p> <p><b>Key Actors:</b> The primary actors involved in proliferation financing include individuals, corporations, financial institutions, and sometimes states that provide or facilitate the financial resources needed to support proliferation activities. These actors might be knowingly complicit in</p>

	trade, or smuggling operations to obtain necessary components for WMDs.	financing proliferation, or they could be unwitting participants in complex schemes designed to obscure the true purpose of the financial transactions.
<b>Legal and Regulatory Focus</b>	<p><b>Control through Export and Trade Regulations:</b> The main efforts to combat proliferation focus on controlling the export and transfer of WMD-related technologies and materials. International frameworks like the Nuclear Non-Proliferation Treaty (NPT), the Chemical Weapons Convention (CWC), and the Biological Weapons Convention (BWC) set clear rules for state behaviour concerning WMDs. Additionally, countries enforce export controls on dual-use goods and technologies to prevent their misuse for WMD development.</p> <p><b>UN Sanctions and Inspections:</b> The United Nations (UN) and other international bodies such as the International Atomic Energy Agency (IAEA) monitor compliance with non-proliferation agreements and impose sanctions or conduct inspections to ensure that states are not engaging in proliferation activities.</p>	<p><b>Targeted Financial Sanctions (TFS):</b> Proliferation financing is addressed primarily through targeted financial sanctions and regulatory measures aimed at preventing the movement of funds related to WMD proliferation. Under United Nations Security Council Resolutions 1718, states are required to freeze the assets of individuals or entities involved in proliferation activities. Financial institutions are also required to screen transactions and customers against lists of designated individuals and organizations involved in proliferation.</p> <p><b>Financial Sector Regulations:</b> Proliferation financing is combated through stringent regulations in the financial sector, such as customer due diligence (CDD), reporting obligations, and the monitoring of suspicious financial transactions. These measures are reinforced by international bodies like the Financial Action Task Force (FATF), which issued Recommendation 7, calling for the implementation of targeted financial sanctions to prevent proliferation financing.</p>
<b>Objectives</b>	<p><b>Stopping the Spread of WMDs:</b> The primary objective of non-proliferation efforts is to prevent the increase in the number of states or non-state actors possessing WMDs. This includes efforts to stop the transfer of WMD-related technologies and materials, as well as efforts to dismantle existing WMD programs in non-compliant states.</p> <p><b>Ensuring Global Security:</b> Preventing proliferation is seen as critical to maintaining global peace and security. The unchecked spread of WMDs poses</p>	<p><b>Disrupting the Financial Networks Supporting WMDs:</b> The objective of combatting proliferation financing is to disrupt the financial networks that support WMD programs. By cutting off the financial resources necessary to acquire, produce, or transport WMDs, international efforts can limit the ability of proliferators to develop these weapons.</p> <p><b>Safeguarding the Financial System:</b> Another objective of addressing proliferation financing is to protect the integrity of the international financial</p>

	significant risks to international stability, as these weapons can cause mass casualties and escalate conflicts to catastrophic levels.	system from being exploited by illicit actors involved in WMD proliferation. Financial institutions are often the gatekeepers in detecting and reporting suspicious transactions linked to proliferation financing.
<b>Detection and Prevention Mechanisms</b>	<p><b>Export Control Systems:</b> One of the primary mechanisms for detecting and preventing proliferation is the use of export control regimes that monitor and regulate the transfer of goods and technologies that could contribute to WMD development. International organizations, such as the Wassenaar Arrangement and the Australia Group, provide guidance on which items require export licenses.</p> <p><b>Customs and Border Controls:</b> Physical inspections at borders, ports, and airports are critical to detecting attempts to smuggle WMD materials or components. These controls are designed to prevent the physical movement of proliferation-related goods across national borders.</p>	<p><b>Financial Transaction Monitoring:</b> Financial institutions play a critical role in detecting proliferation financing by monitoring transactions for red flags, such as unusual payments to or from high-risk jurisdictions, use of shell companies, or complex trade financing arrangements involving dual-use goods.</p> <p><b>Sanctions Compliance:</b> Proliferation financing is prevented through the enforcement of targeted financial sanctions. Banks and other financial institutions must ensure that they do not provide financial services to individuals or entities listed on international sanctions lists, such as those maintained by the United Nations and FATF.</p>
<b>Consequences</b>	<p><b>International Sanctions and Diplomatic Isolation:</b> States that engage in proliferation activities often face severe international sanctions, including economic penalties, arms embargoes, and diplomatic isolation. Non-compliance with international non-proliferation treaties can lead to punitive actions by the United Nations or individual states.</p> <p><b>Potential for Armed Conflict:</b> The unchecked proliferation of WMDs significantly raises the risk of armed conflict, particularly in regions where multiple states are vying for military superiority. The use or threat of using WMDs can destabilize entire regions and lead to large-scale casualties.</p>	<p><b>Asset Freezes and Fines:</b> Individuals or entities involved in proliferation financing are subject to asset freezes, fines, and other legal actions under international financial sanctions regimes. FIs and DNFBPs that fail to comply with regulations on proliferation financing can also face significant penalties, including fines and loss of business licenses.</p> <p><b>Reputational Damage:</b> For FIs and DNFBPs, failure to detect and report proliferation financing can result in significant reputational damage, loss of investor confidence, and regulatory sanctions.</p>



9. In summary, proliferation refers to the actual development, acquisition, and spread of WMDs and related materials, while proliferation financing focuses on the financial aspects of supporting such activities. Proliferation is a physical activity related to the movement and creation of WMDs, whereas proliferation financing involves the movement of funds or financial support that enables these activities. Both are critical concerns in global security, and while they are distinct, they are closely interconnected in the broader fight against WMDs.



## PF context for Kuwait

11. Kuwait has not had any PF related cases or TFS sanction evasion cases in the past but contextual factors suggest that some PF risks related to the DPRK exist and thus that Kuwait does have some risk exposure in this regard.

12. Kuwait's ties with the DPRK are very limited but exist. The DPRK maintains an embassy in Kuwait City. Kuwait has no embassy in Pyongyang. In the past, Kuwait hosted a significant number of North Korean laborers, primarily in the construction sector, with remittances from these workers contributing to DPRK's finances. In 2019, the UN imposed a ban on overseas North Korean workers under UN Security Council Resolution 2397 (2017), which Kuwait complied with by repatriating all North Korean laborers. This step closed a critical channel of funds for DPRK.

13. Some very limited commercial trade continues to taken place between Kuwait and DPRK, with a total volume of commodities worth USD 28.000 of imports by Kuwait from the DPRKs and of USD 17.600 of exports from Kuwait to the DPRK in 2023. Exports related mostly to used vehicles, and imports involved goods mostly in the categories of eletronic equipment and essential oils/cosmetics/toiletries.

14. Kuwait has no DPRK financial institutions licensed in the country and no Kuwaiti financial institutions have a branch in DPRK. An analysis of CBK funds flow data for the years 2021, 2022 and 2023 revealed that no funds transfers to/from DPRK through the Kuwaiti banking system or through formal money transfer services have taken place. No work applications from citizens of the DPRK have been recorded in Kuwait.

15. Kuwait's location at the crossroads of major shipping routes that connect Europe, Africa, and Asia makes its ports and airports important logistical hubs for international trade. This harbors a certain risk for Kuwait to be used as a conduit for PF-related transactions and trade, especially through maritime routes that are difficult to monitor comprehensively. Goods, including dual-use items (those with both civilian and military applications), may be misdeclared or transhipped through Kuwait to obscure their final destination, entailing the possibility for its financial system to inadvertently facilitate PF-related transactions.

16. Businesses in Kuwait, particularly in the shipping and logistics sectors, may find it difficult to trace the end-users of the goods they are financing or facilitating, thereby increasing the risk of inadvertently supporting proliferation activities. The smuggling of goods across the desert border with Iraq also remains a PF concern for Kuwaiti authorities.

17. Kuwait's financial institutions, which include commercial banks, investment banks, and money service providers, engage in a significant volume of cross-border and international trade related transactions, especially with countries in the Middle East, Africa, and Asia. Kuwait's extensive network of suppliers and contractors in industries related to petrochemicals, machinery, and transport may unknowingly facilitate the trade of dual-use goods or technologies linked to proliferation. International trade financing mechanisms, such as letters of credit or documentary collections, may be used to facilitate the shipment of dual-use goods with an associated underlying proliferation financing risk.

18. Kuwait's free trade zones (FTZ) allow for duty-free export and import activities. While these zones boost economic activity by encouraging trade, they could also pose a heightened risk for PF, for UN sanctioned entities to operate, or for goods, including dual-use technologies, to be smuggled or misdeclared. So far, the volume of goods moving through Kuwait's FTZ is modest, which somewhat reduces its materiality in the context of PF risks and risks of proliferation-sensitive goods passing through.

# Obligations Pursuant to Targeted Financial Sanctions for the DPRK

20. The United Nations Security Council is empowered to impose sanctions under Chapter VII of the United Nations Charter to maintain or restore international peace and security. Article 41 of the Charter provides the Council with a broad range of measures that do not involve the use of armed force. The measures issued on the basis of Article 41 of the UN Charter are legally binding for all United Nations Member States.

21. In 2006, through UN Security Council Resolution 1718, the United Nations adopted targeted financial and other sanctions to prevent **the expansion and progression of the DPRK's nuclear-related, other weapons of mass destruction-related and ballistic missile-related programs**. By adopting targeted financial sanctions on persons and entities that were identified by the United Nations as being engaged in or providing support for proliferation-sensitive activities and programs of the DPRK, the international community sought to curtail the movement of funds related to proliferation. A number of successor resolutions were since adopted to progress, expand and further strengthen the DPRK's sanction regime.

22. Kuwait as a member of the United Nations is committed to implementing the above-mentioned UNSCRs. Kuwait's regulatory procedures to implement freezing measures in accordance with the United Nations Security Council Resolutions are set out in:

- Law on Combating Money Laundering and Terrorism Financing (Law No. 106/2013).
- Ministerial Resolution No. 8/2025 on the Executive Regulations of the Special Committee for the Implementation of Security Council Resolutions under Chapter VII of the United Nations Charter on combating terrorism and terrorism financing, and the financing of the proliferation of weapons of mass destruction.

23. The combined provisions of those two legal instruments impose comprehensive targeted financial sanctions in relation to all persons – natural and legal, including individuals, groups, and entities – that were designated pursuant to UNSCR 1718 or a successor resolution either directly by the UN Security Council or its 1718 Sanctions Committee.

24. The lists of designated persons, groups and entities under the DPRK regime can be accessed under the following website:

<https://main.un.org/securitycouncil/en/sanctions/1718/materials/summaries>.

25. The list of designated vessels under the DPRK regime are available here:

[https://main.un.org/securitycouncil/sites/default/files/1718\\_designated\\_vessels\\_list\\_final.pdf](https://main.un.org/securitycouncil/sites/default/files/1718_designated_vessels_list_final.pdf)

## Obligations applicable to All Persons in Kuwait

26. The relevant targeted financial sanctions for the DPRK impose three main obligations for all persons in Kuwait, whether natural or legal, and including FIs and DNFBPs, as follows:

### **General Obligation Nr. 1 – Freeze Funds and Economic Resources**

**Freeze immediately (i.e. without delay, and in any case within 24 hours and without prior notice) all funds and economic resources:**

- 1. Belonging to, wholly or jointly owned, held, or controlled, directly or indirectly by the designated (listed) person, group, or entity; and/or**
- 2. Derived or generated from the funds or economic resources mentioned above.**

The obligation to freeze also extends to funds or other assets of persons and entities acting on behalf of, or at the direction of, designated persons or entities.

27. Ministerial Resolution No. 8/2025 mandates that any person in Kuwait has the duty to freeze funds and economic resources and must undertake such freezing measures within 24 hours after a person is designated by the 1718 United Nations Sanctions Committee or the UN Security Council pursuant to a successor resolution to UNSCR 1718. This freezing obligation also prohibits the person implementing the freezing measures from notifying the targeted person or entity.

28. Targeted financial sanctions require the freezing of “all funds and other financial assets and economic resources”. The following constitutes a non-exhaustive list of what funds and other financial assets include:

- Virtual and electronic currency, cheques, and other payment instruments, including virtual assets.
- Insurance & re-insurance.
- Financial commitments (e.g. credit, guarantees, performance bonds).
- Debt instruments (e.g. stocks and shares) and securities.
- Interest, dividends or other income on or value accruing from or generated by assets.
- Equity and other financial interest in a sole trader or partnership.
- Letters of credit, bills of lading, bills of sale; notes receivable and other documents evidencing an interest in funds or financial resources and any other instruments of export – financing.

29. Economic resources, on the other hand, are assets of any kind, whether tangible or intangible, movable or immovable, which are not funds, but may be used to obtain funds, goods or services. Examples could include:

- Land, buildings or other real estate.
- Inventories of goods.
- Artworks, precious stones, precious metals or jewelry.
- Arms and related materials.
- Motor vehicles, vessels or aircrafts.
- Furniture and equipment.
- Natural resources of any kind.

### **General Obligation Nr. 2 – Do not Make Funds and/or Economic Resources Available**

**No person shall make funds or economic resources available, or provide financial or other related services, directly or indirectly, wholly or jointly, to or for the benefit of the designated (listed) person, group or entity<sup>1</sup>.**

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<sup>1</sup> Please note that when referring to ‘entities’, this includes their directors and beneficial owners.

The same applies to persons and entities acting on behalf of, or at the direction of, designated persons or entities, unless licensed, authorized or otherwise notified in accordance with the relevant UNSCRs.

30. Freezing measures as well as the prohibition of making funds available apply not only to assets that are directly owned by designated persons, groups or entities, but to all assets that, either directly or indirectly, are owned or controlled by them or by persons acting on their behalf and also includes any funds or negotiable benefits arising from these properties.

### **General Obligation Nr. 3 – Notifying the Special Committee**

All persons, natural and legal, must **notify the Special Committee within 24 hours** from when a freezing measure is taken.

31. The obligations to freeze measure and the prohibition to provide funds or financial service to apply automatically and as soon as a person has been designated by the UN pursuant to UNSCR 1718 or a successor resolution. No further decision or notification by any Kuwaiti authority or the Special Committee is required. As soon as the UN designates a person, the above three obligations apply to and thus must immediately be implemented by any person in Kuwait.

32. Freezing measures have no time limit. This means that the funds and/or economic resources must remain frozen until the person, group or entity is no longer designated by the UN or until the UN lifts the freezing measure.

### **Additional Obligations applicable to FIs and DNFBPs**

33. In addition to the three obligations listed above, all FIs and DNFBPs in Kuwait have the following 6 obligations:

#### **FI/DNFBP Additional Obligation Nr. 1**

Periodically (preferably **daily**), and in any case immediately following any changes to the lists, **screen the databases of customers and beneficial owners, business relationships and transactions against the lists of persons, groups and entities designated** by the United Nations pursuant to UNSCR 1718 or its successor resolutions.

34. FIs and DNFBPs must undertake regular and ongoing screening exercises on the latest Local List and UN Consolidated List. Such exercise must be initiated when either of the following scenarios occurs:

- a. When there are any updates to the Local List or UN Consolidated List. In such cases, screening must be conducted immediately and without delay to ensure compliance with the obligation of implementing freezing measures without delay (within 24 hours).
- b. Before a new customer is onboarded.
- c. When KYC reviews occur.
- d. When changes are made to a customer's information.
- e. Prior to processing any type of transaction.

35. In addition to the scenarios above, best practice calls for FIs and DNFBPs to ensure existing customers and third parties are screened on a regular basis to maintain compliance against the dynamic and ever-changing financial and trade sanctions landscape. An FI's or DNFBP's policies and procedures should clearly define when screening takes place.

36. As a general principle, screening should be done when establishing a new relationship, to ensure the relationship is permissible, and then at regular intervals, either upon a trigger event or as customer and/or list information changes, to validate that the relationships remain permissible. Where either internal or external data sets change frequently, periodic screening may be as often as daily, but longer intervals between periodic rescreening may be acceptable in situations where change is less frequent or the risk of a potential sanctions' exposure is low.

37. In case either of the above five scenarios occurs, FIs and DNFBPs are required to check all of the following databases to help them identify possible matches with names listed in either the UN List or the National List:

- a. Existing customer databases.
- b. Names of parties to any transactions (this includes buyers, sellers, agents, etc.)
- c. Beneficial owners.
- d. Names of persons or entities with direct or indirect relationships with designated persons.
- e. Customers, before conducting any transactions or entering any serious business relationship with them.
- f. Directors and/or agents acting on behalf of customers (including individuals with power of attorney).

38. The Special Committee has provided the public with a service to subscribe to the alert system on its website, whereby the system sends an email notification to those registered for every new listing or update to both the Local List, or the UN List. FIs and DNFBPs are encouraged to subscribe to the Special Committee's Email Notification System. The purpose is for FIs and DNFBPs to receive automated email notifications on any updates to the United Nations Consolidated List.

#### **FI/DNFBP Additional Obligation Nr. 2**

**Inform the *Special Committee*** as soon as they know or suspect that a former or current customer or beneficial owner, or any person with whom they have or had dealings in any way, or any person that attempted to deal with them, is a person designated on the national list and/or the UNSC Consolidated List.

39. When an FI or DNFBP identifies a confirmed or potential match during their screening exercise, they are required to report such match(es) to the Special Committee within 24 hours following the freezing or suspension measures they have taken.

40. The reporting of any freezing measures or attempted transaction by a designated individual, entity, or group must be communicated directly by email to the Special Committee via email at [ctc@mofa.gov.kw](mailto:ctc@mofa.gov.kw) within 24 hours from implementing any freezing measures.

#### **FI/DNFBP Additional Obligation Nr. 3**

**Provide the *Special Committee* with all information** available to on the status of funds and economic resources of the persons designated, and any action taken with respect to such, the nature and quantity of frozen funds or economic resources, and any other information that is relevant, or that would facilitate compliance with procedures established under the TFS Regulation.

The Special Committee will verify the accuracy and validity of the information provided in the way it deems appropriate. The Special Committee shall send this information to competent authorities to take necessary procedures in that regard.

41. When contacting the Special Committee to report a freezing measure that has been implemented, FIs and DNFBPs are required to include the following information in the email:

- a. Full name of the confirmed or potential name match.
- b. ID documents of the confirmed or potential match (travel document, trade license, etc.)
- c. The type of funds and/or assets frozen.
- d. The value of funds and/or assets frozen, broken down by type of funds and/or assets frozen.
- e. The relevant UNSCR under which the person is designated.

42. Subsequent cooperation by the FI/DNFBP with the Special Committee is in all cases required to verify the accuracy and validity of the information provided.

#### **FI/DNFBP Additional Obligation Nr. 4**

**Immediately freeze the following payments or credits** made into and, where exceptionally permitted, from a frozen account:

1. Those due under contracts, agreements or obligations that have been concluded or that have arisen before the date the account was frozen.
2. Interest rates or returns due on the account.

The Special Committee must be notified in either of the above scenarios.

43. Financial institutions may credit frozen accounts with interest or other earnings on those accounts; or with payments due under contracts, agreements or obligations, provided that any additions to such accounts shall also be frozen. In cases where such transfers occur, FIs/DNFBPs have to inform the Special Committee without delay after the frozen account has been credited

#### **FI/DNFBP Additional Obligation Nr. 5**

Refrain from notifying or informing the person or others of their intention to implement freezing measures.

44. To avoid situations that enable designated persons to withdraw or move their funds or economic resources before they can be frozen, FIs and DNFBPs are strictly prohibited from notifying or informing a customer, beneficial owner, or any third party of the fact that a freezing measure is



being considered or will be applied. In all cases, the freezing measure must be applied and the movement of targeted funds be prevented prior to any person being informed of this measure.

#### **FI/DNFBP Additional Obligation Nr. 6**

Develop a robust sanction compliance program with the following minimum components: risk assessment, designated officer, internal control including policies and procedures, independent testing and training.

45. Competent supervisory authorities verify compliance by FIs and DNFBPs with Ministerial Resolution No. 8/2025. These checks form part of supervisory engagements and onsite inspections carried out under Law 106/2013. As part of the process, supervisory authorities may test the screening system in place for TFS compliance, check whether FIs/DNFBPs have a solid risk understanding in regard to PF, and whether any potential hits with the DPRK designation lists were adequately handled. Interviews with compliance and/or senior management staff may also include PF risk management and compliance procedures as a separate topic. Any violations by a supervisory authority in regard to PF compliance processes or implementation by a FI or DNFBP may result in the application of supervisory sanctions pursuant to Article 15 of Law 106/2013. In the case supervisory sanctions are issued, the Special Committee will be informed of this fact.

#### **Sanctions**

46. Failure by any natural or legal person in Kuwait to comply with any of the three main obligations listed under Chapter ‘Obligations Pursuant to Targeted Financial Sanctions for the DPRK’ will lead to the application sanctions.

47. FIs and DNFBPs that fail to comply with their additional obligations as set out above additionally are subject to administrative sanctions by their supervisory authorities, pursuant to Article 15 of Law No 106 of 2013, and may include one or more of the following measures:

- (1) Issue written warnings;
- (2) Issue an order to comply with specific instructions;
- (3) Issue an order to provide regular reports on the measures taken to address the identified violation;
- (4) Impose a fine on the violating financial institution not to exceed Dinars 500,000 per violation;
- (5) Ban individuals from employment within the relevant sectors for a period to be determined by the supervisory authority;
- (6) Restrict the powers of directors, board members, executive or supervisory management members, and controlling owners, including appointing a temporary controller;
- (7) Dismiss or replace the directors, members of the Board of Directors or of executive or supervisory management;
- (8) Suspend, restrict or prohibit the continuation of the activity, business or profession;
- (9) Revoke the license;
- (10) Withdraw the license;

48. The supervisory authority shall in such cases inform the Special Committee of the sanction(s) imposed.

49. To note is the fact that any person is exempt from criminal, civil or administrative liability for any loss or claim resulting from freezing funds or economic resources or refusing to make them available or to provide financial services thereto, where such an act is carried out in good faith and for the purpose of complying with the freezing measures and the prohibition of making funds available for the financing of proliferation of weapons of mass destruction, in compliance with the TFS Regulation.

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بريد إلكتروني: [ncamlcft@kwfiu.gov.kw](mailto:ncamlcft@kwfiu.gov.kw)

