

# Anti-Financial Crime Statement

August, 2024

## Introduction

The National Bank of Kuwait Group (NBK) is committed to maintaining the highest ethical standards and vigorously enforcing the integrity of its business practices and acting fairly in all its business dealings and relationships wherever it operates around the world. NBK adopts a zero-tolerance approach towards Financial Crime activities such as money laundering, terrorist financing, fraud, bribery, corruption, or tax evasion.

As part of NBK Anti-Financial Crime Program, NBK has developed and implemented comprehensive policies, procedures, and internal controls that are aligned with NBK's Compliance Risk Management Framework and reasonably designed to comply with laws and regulations related to Anti-Financial Crime. These policies and procedures are periodically reviewed and approved by the Board of Directors and are applicable to all NBK locations including overseas branches and subsidiaries.

The Anti-Financial Crime Program includes risk management processes (oversight, governance, and escalation); a risk assessment process; communication and training; review and pre-approval processes; due diligence on third party relationships, business transactions/deals, and new products; controls oversight and confidential reporting; financial controls and record keeping; and independent testing processes.

### Anti-Money Laundering & Counter Financing of Terrorism

The fight against money laundering and terrorism financing activities is a priority for NBK Group. From NBK's perspective, the prevention of money laundering has three objectives:

- **Ethical** – taking part in the fight against crime.
- **Professional** – ensuring that NBK is not involved in recycling the proceeds of crime that could call into question its reputation, integrity and if fraud is involved, its solvency.
- **Legal** – complying with Kuwaiti legislation and regulations as well as the international laws and regulations that impose a series of specific obligations on financial institutions and their employees.

NBK established a comprehensive Anti-Money Laundering and Counter Financing of Terrorism Policy ("AML & CFT Policy"). The objective of the AML & CFT Policy is to identify and appropriately manage money laundering risks identified by NBK and to prevent NBK's operations and activities from being used for unlawful purposes and effectively manage sanctions

The Central Bank of Kuwait (CBK) has issued comprehensive instructions (CBK Regulations No. 2/RB/RBA/507/2023 issued on 16/02/2023 for all local banks concerning anti money laundering and combating financing of terrorism) as well as detailed guidance notes that deal with the issue of anti-money laundering and terrorist financing based on the Law (106) of 2013 and its related resolutions.

NBK has issued internal circulars, publications, manuals, and conducted workshops and seminars for the implementation of CBK guidelines by all members of management and staff.

All NBK's overseas locations are subject to local regulations and are fully compliant with the requirements of the FATF. Both local and CBK regulations complement each other, and all overseas locations have a dedicated Anti-Money Laundering Reporting/Compliance Officer. NBK has also considered other international guidance about anti-money laundering and terrorist financing including (but not limited to) Basel Committee publication No. 85 – Customer due diligence for banks, United Nations guidance on the suppression of terrorist financing. The AML Program includes but not limited to the following:

- Designation of Head / Group Compliance Officer at Head Office as well as AML Compliance Officers who are responsible for coordinating and monitoring day-to-day compliance with AML Program for their respective

jurisdictions.

- Written policies and procedures and internal control systems designed to facilitate ongoing compliance with applicable AML laws and regulations.
- Know Your Customer (KYC) standards which includes customer identification and customer due diligence procedures reasonably designed to identify and verify all customers and where applicable beneficial owners, source of funds/wealth and the nature and intended purpose of the business relationship as required by regulations covering AML/CFT.
- AML/CFT risk assessments at customer, geography, product and service levels.
- The periodical update of the KYC is performed based on risk assessment of the customer (high, medium and low) or if there is a material change.
- Enhanced due-diligence on high-risk customers such as correspondent banking, services provided via modern technology (Online-Services) and those who are assessed to be politically exposed persons.
- Prohibition from conducting business with shell banks.
- No anonymous or numbered accounts are permitted.
- Risk based measures and systems for ongoing and post monitoring of transactions and activities through customers' accounts.
- A real-time automated sanctions screening system containing various sanctions lists such as US-OFAC, UN, HMT, EU and local lists is used by NBK. The system screens all swift messages/transactions (incoming and outgoing) as well as customers and applicants upon on boarding process and periodically against the lists mentioned.
- Monitoring of customer activities and relationships as well as the identification and reporting of suspicious transactions/activities to the appropriate regulatory authorities in accordance with the applicable laws and regulations.
- AML, Sanctions, and CFT training for all employees is provided at least on an annual basis. In addition to this specialized training and in-depth training for client facing staff and others in accordance with the job description.
- Board of Directors and Executive Management team receive a regular training covers financial crimes activities (Money Laundering, Sanctions and Terrorist Financing, Fraud, Bribery, Corruption, and Tax Evasion) from independent third party.
- Independent annual audit (internal and external) and compliance testing functions to review and assess the firm for compliance with the AML program and applicable laws.
- In addition to the external audit conducted, an A-rated audit firm (Big Four) is required to sign off on our internal controls, including anti money laundering on an annual basis.
- Record keeping and reporting requirements are maintained for at least 5 years after the termination of the customer relationship (including all customer identification and transaction, correspondence records).

## Anti-Bribery and Corruption

Our commitment to Anti-Bribery and Corruption (ABC) builds on our corporate responsibility to our customers, shareholders and colleagues to deter, prevent, detect and respond to those who would seek to use the Group to facilitate any form of financial crime.

According to the best practice for countering bribery and corruption, NBK has clearly defined its ABC Policy, effective controlling processes, internal mechanisms for promoting integrity, a well-defined management of conflicts of interest and accountability rules. The ABC Policy sets out the key principles and minimum control requirements that enable NBK to mitigate bribery and corruption risks and comply with all laws and regulations.

NBK prohibits any form of bribery and corruption, including but not limited to accepting, offering, paying, giving, soliciting or authorizing bribes, by promoting internal integrity and fulfilling the obligation towards the stakeholders of NBK. Any forms of bribery and corruption are prohibited criminal offences, and undermine the trust of customers, regulators, international organizations and other stakeholders' trust in NBK.

## ABC Policy Details

- **Prohibition of Bribery**

Bribery is an act which involves the receiving or offering of a financial or other advantages by, or to, any person in order to influence that person, or another, to perform a duty improperly. Bribery is a serious criminal offence and is prohibited by the ABC Policy.

- **Corruption**

It is the abuse of entrusted power for private gain, and the misuse of the authority held due to the position for the purpose of gaining advantage directly or indirectly.

- **Gifts and Hospitality**

Our policy strictly regulates the giving and receiving of gifts, hospitality, and entrapment. Employees must report any gifts or hospitality offered or received that exceed modest value, and all such instances are subject to approval and scrutiny to avoid any potential conflicts of interest.

- **Facilitation Payments**

NBK expressly prohibits facilitation payments, which are small payments made to expedite or secure the performance of a routine governmental action to which the payer is legally entitled. Employees must not offer or make facilitation payments under any circumstances.

- **Dealing with Third Parties**

NBK conducts thorough due diligence on all third parties with whom NBK engages, including agents, consultants, and business partners to ensure they share our commitment to ethical conduct.

- **Conflicts of Interest**

Employees of NBK are required to avoid situations where personal interests conflict, or appear to conflict, with the interest of the bank or its clients. Employees must disclose any personal, financial, or other interest that might influence or appear to influence, their decisions in the course of their duties. We take all necessary steps to manage or eliminate conflicts of interest to ensure the decisions are made in the best interest of the bank and its stakeholders.

- **Political Contributions**

NBK does not make donations to any political parties or organizations, and it is prohibited to make any kind of political

donation on behalf of the Group. All charitable donations when the recipient is connected to Politically Exposed Persons (PEP), political parties, public officials, organizations or individuals engaged in politics must be approved by the Board.

## **Anti-Fraud**

The Anti-Fraud Policy of the NBK Group has been established to facilitate the development of controls that aid in the detection and prevention of fraud against NBK or its customers. It is the intent of NBK to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and the conducting of investigations.

This policy applies to any irregularity, or suspected irregularity, involving employees, as well as shareholders, consultants, vendors, contractors, external agencies, and/or any other parties with a business relationship with NBK. Any investigative activity required is conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to NBK.

Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another person to act upon it to his injury. Each member of the management team is required to be familiar with the types of improprieties that might occur within his area of responsibility and be alert for any indication of irregularity.

## **Reporting**

Employees are required to report any financial crimes that come to their attention involving NBK, its employees, agents or other companies or entities in NBK. Any suspicions are reported to NBK Compliance and Governance. Alternatively, staff can use NBK's Whistleblowing Procedure and report to the email address: [Whistleblowing@nbk.com](mailto:Whistleblowing@nbk.com).

NBK encourages openness and support anyone who raises genuine concerns in good faith, even if such suspicions turn out to be mistaken.

The same principles set out in NBK's Whistleblowing Policy apply to reporting suspicious financial crimes.

## **Training and Development**

The Compliance and Human Resources Departments work together to ensure that appropriate training and awareness, reflecting the requirements of Anti-Financial Crimes policies, US person policy, CRS policy are established. The training is rolled out for new and existing employees at all levels of NBK.

The training enables NBK employees to recognize, report and avoid financial crimes by themselves and by others and endeavor to maintain the ethical standards NBK is committed to.

## **Tax Evasion**

Our Group Tax Compliance team has built a strong reputation over the past decade for ensuring excellent tax compliance and governance. This involves overseeing NBK group's compliance with FATCA, CRS, and other Global Information Reporting (GIR) frameworks across the Bank, overseas branches, and subsidiaries. FATCA (Foreign Account Tax Compliance Act) and CRS (Common Reporting Standard) aim to combat tax evasion, increase tax transparency, and lessen tax evasion by enhancing visibility of offshore financial assets.

FATCA and CRS are significant strides towards a more transparent global financial system, making it harder for individuals to evade taxes by concealing assets in foreign accounts. These regulations have been incorporated into local laws in Kuwait No. 109 of 2015 and No. 4 of 2024.

Key decisions made under the FATCA and CRS policies, aside from the bank's compliance with legal requirements, indicate that NBK Group identifies the tax residency of all customers. This is to ensure compliance with legal requirements and safeguard customers against unintentional global tax withholding or interruptions to global services when dealing with international partners. While NBK Group will continue to engage and onboard US persons and CRS customers, it will not accept or maintain relationships with uncooperative customers.