



ANTI-MONEY LAUNDERING AND TERRORIST FINANCING POLICY

Yemen and Kuwait Bank's (YKB) policy manual of anti-money laundering and terrorist financing reflects a trend that must be applied by all the bank's employees at all administrative levels.

YEMEN KUWAIT BANK

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Anti-Money Laundering Manual

In light of the growing and multiplicity of the banking business procedures for the sake of promoting the level of banking services, means of fraud concurrently increased, utilizing the banking outlets in criminal and unlawful activities, legitimizing the money originated from criminal activities, or using money in terrorism and in destabilizing the social security.

Hence, the world has endeavored to find means to protect and prevent the utilization of banks and banking products in money laundering and terrorist financing. Few years ago, terrorism and terrorist crimes increased particularly in our country. Therefore, it was necessary for the banking sector, in particular, and the Yemeni Government, in general, to seek to establish laws, procedures and legislations to protect the banks against money laundering and terrorist financing, because banks are one of the most important pillars of building the national economy. The latest of those efforts was the issuance of the Law No. 17 of 2013 in respect of the amendment of some articles of the Law No.1 of 2010 .

In pursuit of protecting the bank and its staff against risks derived from money laundering, the Board of Directors has approved, within its strategic plan, that the best practices shall be used in applying procedures of anti-money laundering and anti-terrorist financing as a national and social duty, and in protecting the bank and its staff against any legal accountability and against facing non-compliance risks. Therefore, the Board is concerned about this issue, approving all the organizational and procedural requirements in accordance with the latest international practices .

Yemen & Kuwait Bank's Manual in respect of anti-money laundering and anti-terrorist financing reflects the trend that all the bank's officers, with their different administrative levels, should follow. In addition, it is taken into consideration that this manual must be written in a simplified and clear language making use of the previous experiences of the largest international banks in accordance with the Yemeni laws and legislations in this regard. Let this manual be a means to instruct all the bank's employees, and to improve their qualification in the field of anti-money laundering and anti-terrorist financing.

Mr. Hussein Al-Maswari
Chairman of Board of Directors

1 Chapter One: Money Laundering

1.1 Definition and Objectives

Law defines money laundering as follow: "whoever commits or refrains from doing an action involving the acquisition, possession, disposal, transfer, management , saving, replacement, depositing or investment of money, or manipulating the value or the movement of that money in order to hide or camouflage its source, actual nature or place, or how to conduct it, its ownership or the rights related to it, when such money was collected from any crime whether it occurred inside or outside the Republic, and in which knowledge and will should be realized and these can be concluded from the actual acts done by the perpetrator . "

The European Commission For Anti-Money Laundering issued in 1990 defined money laundering as follow "the process of transferring funds collected from criminal activities with the aim to hide or deny the illegal or prohibited source of such funds or to assist any person committed a crime to evade the legal liability for keeping the proceeds of this crime."

The United Nations Convention on Combating Cross-border crime in 2000, known as "Palermo Convention", defines Money laundering as follow:

- Converting or transferring property despite the fact that the source of the funds is a criminal offense and in order to hide its illegal source, or assisting any person involved in committing the crime to evade the legal consequences of his actions.
- Hide or disguise the true nature, source, location, proceedings, transfer and related rights or ownership of the property knowing its illegal source.
- The acquisition, possession or use of the property known at the time that it is generated from a criminal offense or from participation in the crime.

1.2 Stages of Money Laundering

Money laundering process consists of three stages

1.2.1 Placement

During this stage, the funds originated from a crime or an illegal act are placed, invested or entered into the financial system. This stage means to get rid of the suspected funds through depositing them in banks and financial firms or through purchasing estates, stocks, debentures or travelers cheques, and through investing those funds in projects that could be real or fake projects. Then such stocks are sold and funds are transferred outside the borders of the country in which depositing took place. Usually, it is resorted to commercial papers or payment orders through writing cash amounts on such papers and facilitating the movement of such papers or depositing them in commercial banks so that they melt in their overlapping transactions, or by using banks, financial institutions, loaning institutions and exchange firms which are used in the transfer process on the basis that these funds belong to Exchange Companies themselves.

1.2.2 Layering

During this stage, the relationship of the funds with their unlawful sources is hidden through a complicated series of financial and non-financial transactions. This stage takes place after the funds have been entered the banking sector in order to separate them from their original illegal activities through a set of complicated and consecutive transactions, and internal and external transfers to hide the source of the money. This stage is also characterized by the difficulty of detecting the sources of those funds, which is gone through paper securities which are easily transferable such as letters of guarantee, payment cheques, stocks and debentures, so that the process of the camouflage of illegal funds becomes difficult to be detected by the law enforcement personnel.

1.2.3 Integration

During this stage, the laundered money is integrated into the economy so that it becomes difficult to distinguish between it and the money originated from lawful sources. This stage is the last in the money laundering process. It is characterized by the publicity of their activities through the integration of these funds into the economic cycle and mixing them into the macroeconomic crucible so that it is difficult to distinguish between the wealth of lawful sources and that of illegal sources legitimizing their business, making it difficult to detect their affairs considering that they were subjected to many levels of cycling at different periods of time.

1.3 Important Justifications to Criminalize Money Laundering

- ✿ Threatening the economic, political and social aspects of the countries.
- ✿ These transactions may lead to the collapse of the financial institutions and banks.
- ✿ The crime breaks out in the society.
- ✿ It likes that the customers' accounts are involved in more than one crime such as fraud and scam crimes, terrorist financing and money laundering. All are factors increase the legal risks which are incurred by the bank, exposing the bank to penalties and fines.

To increase the bank's efficiency in combating these crimes, it has to ask the following questions:

- Who is conducting the account?
- What are the bank available products and services?
- When did the suspected activity begin?
- Where did the suspected activity begin?
- What are the reasons that enhanced the suspicion about the account?
- What type of crimes (money laundering, terrorist financing) in which the account is likely involved according to the indicators appearing on the account?

1.4 Red Flags

- ✿ Supplying the bank with wrong information or false documents attempting to mislead the bank.
- ✿ The customers who show upset of giving information or answering the ordinary questions that are asked by the bank's employee.
- ✿ The customers who supply the bank with a service-disconnected telephone line number.

- ❄ The customers who refuse to disclose any information related to the business (the location, owner's name, employees, scope of work, nature of activity, financial statements, etc.)
- ❄ The customers whose nature of work differs from their professional, educational and practical background.
- ❄ The customers who deal with fake companies' names.
- ❄ The customers who avoid direct dealing with the bank.
- ❄ The large transactions and the unusually complicated ones.
- ❄ Those whose accounts contain clearly or frequently false currency.
- ❄ The suspicious movements of transferring money from a bank to another that eventually return to the first bank.
- ❄ The customer who offers an amount of money or unjustifiable valuable gifts to the bank employee.
- ❄ The customer who closes his account then opens a new one in his own name or in the name of one of his family members.
- ❄ Indicators in respect of the behaviors of the bank's employee:
 - The employee's frequent complaints about the anti-money laundering procedures arguing that customers leave the bank and withdraw their money because of these procedures.
 - The sudden and unjustifiable change in the employees' behaviors of some banks towards the public.
 - The remarkable change in the appearance and luxurious signs appeared on the employee that is incompatible with his income.
 - The employee's unjustified avoidance of taking leaves for long periods.
 - The employee's failure to act under the applicable instructions and procedures.
 - The employee exaggerates in his reports submitted to the bank's administration, regarding the customer's credibility, ethics, and financial sources.

2 Chapter Two: Legislations and Acts

In Yemen, many legislations and instructions are issued to oblige all the official and governmental authorities, and the different economic sectors to fight money laundering and terrorist financing. In this regard, Central Bank of Yemen issued numerous instructions that the banks should apply, working hard to promote the financial institutions organizationally and administratively to be qualified enough to combat money laundering and terrorist financing.

2.1 Acts

- ✿ Act No. 1 of 2010 in respect of combating money laundering and terrorist financing.
- ✿ The executive regulations of Act No. 1 of 2010 enacted by the Republican Decree No. 226 of 2010.
- ✿ Act No. 17 of 2013 in respect of the amendment of some articles of Act No. 1 of 2010.

Pursuant to these Acts, Central Bank issued instructions and publications to the banks operating in Yemen. The Central Bank helped through Banks Control Sector and Financial Data Collection Unit to hold many workshops and meetings that contribute to improving the banks actions in the field of anti-money laundering and anti-terrorist financing.

2.2 Instructions

- ✿ The periodic publication No. 1 of 2013 issued by Central Bank of Yemen.
- ✿ The periodic publication No. 2 of 2013 issued by Central Bank of Yemen.

2.3 Penalties

According to Yemeni constitution, committing money laundering crime or any violation of the instructions issued by Law is a personal crime, i.e. any ordinary person and the institution where he is working should assume the responsibility for committing any violation. This reflects the strictness of the Yemeni Law for the sake of combating money laundering and terrorist financing. Hereunder is an explanation of these penalties, which range between imprisonment and financial fine:

- ✿ Article 41 clause (A) "shall be punished by imprisonment for a term not more than seven years whoever commits money laundering crime stated in Article 3 of Act No. 17 of the year 2013".
- ✿ Article 41 clause (B) " shall be punished by imprisonment for a term not more than ten years whoever commits terrorist financing crime stated in Article 4 of Act No. 17 of the year 2013".
- ✿ Article 43 clause (A) " shall be punished by imprisonment for a term not more than three years or by a fine not more than ten million rials whoever violates the provisions of articles (17, 15, 13, clause C , 17 repeated clause C, 25, 23, 20 and 18) of Act No. 17 of the year 2013".
- ✿ Article 43 clause (B) " shall be punished by imprisonment for a term not more than two years or by a fine of not more than five million rials whoever violates the provisions of articles (31 , 12 Clause C) of Act No. 17 of the year 2013".

- ❁ Article 43 clause (C) " shall be punished by imprisonment for a term not more than a year or by a fine not more than a million rials whoever violates the provisions of articles (7, 8, 9, 10 and 11) of Act No. 17 of the year 2013".
- ❁ Article 43 Clause (D) "In addition to the penalties stated in the clauses A, B and C of this article, the court may judge by one of the following penalties:
 1. Cancellation of the license.
 2. Prevention from practicing the profession.
 3. Changing the directors, or restricting their powers.
 4. Publishing the judgment rendered.
 5. Any other supplementary penalties.
- ❁ Article (44): " in the cases where the crime is committed by a corporate person, the ordinary person who is responsible for the actual management of the violator (the corporate person) shall be punished by the same penalties prescribed for the acts committed in violation of the rules of this law if it is proved that he knows about the violation or if the crime has occurred because of his violation of his duties, or if his lack of knowledge is because of the negligence of his duties. In addition, the corporate person shall be jointly responsible for the compensations if one of his employees for his benefit commits the crime, occurring in violation of the rules of this law.
- ❁ Article 44 repeated: "shall be punished by a fine no less than five million rials every corporate person for whom benefit money laundering or terrorist financing crimes are committed by an ordinary person occupying a leading position or having an authorization to take decisions on the behalf of the corporate person, or he is authorized to exercise power regardless of whether the ordinary person was found guilty or not.

3 Chapter Three: The Unit and Staff

3.1 Anti-Money Laundering and Anti-Terrorist Financing Unit

It is a separate unit within the administrative units of the Compliance Department, which is subordinate to the Head of the Board of Directors. The Head of the Anti-Money Laundering and Anti-Terrorist Financing Unit is assigned to notify the Financial Data Collection Unit in the Central Bank of Yemen about the transactions that are suspected to be money laundering, terrorist financing or fraud, and it shall be among his duties developing and updating the bank's procedures and policies for anti-money laundering. The unit undertakes the establishment of a suitable bylaw comprising the internal policies and procedures that should be in place to combat money laundering and terrorist financing operations. That system must include the following:

1. A clear policy for combating money laundering and terrorist financing transactions approved by the Head of the Board that should be updated continuously.
2. Written detailed procedures for combating money laundering and terrorist financing operations taking into account the accurate determination of the duties and responsibilities consistently with the approved policy and the instructions issued by Central Bank of Yemen in this regard.
3. A suitable mechanism to verify compliance with the instructions, policies and procedures established to combat money laundering and terrorist financing operations taking into account the coordination in the determination of the powers and responsibilities between the internal investigator (Liaison Officer) and the notifications officer in the unit.
4. Determine the terms of reference of the Unit Manager that shall cover the following:
 - Receiving and examining the information and reports on the unusual and suspected operations taking the suitable decision in respect of notifying the Financial Data Collection Unit or retaining them; decision of retaining shall be justifiable.
 - Notifying of the suspected operations.
 - Retaining all the documents and reports received by him.
 - Preparation of periodic reports on all the unusual and suspected operations to be submitted to the Board of Directors.
5. Assigning the powers of the Unit's Manager that shall cover those that enables him to undertake his powers independently ensuring confidentiality of information he receives, and his actions, such as accessing the records and data necessary to do the examination and review of the regulations and procedures developed by the bank for combating money laundering and terrorist financing operations.
6. Developing continuous training plans and programs for the staff engaged in the field of anti-money laundering and anti-terrorist financing operations.
7. Establishing the regulations necessary for the categorization of customers according to the degree of risk in light of the information and data available to the bank.
8. Establishing the regulations and procedures ensuring that the internal investigation organizations undertake their role represented in examining the internal control and monitoring systems to verify their efficiency in combating money laundering and terrorist financing operations suggesting what is necessary to treat any insufficiency, and to make any updating or improvement needed.

3.2 Anti-Money Laundering Control Officer

Staff have been appointed responsible for controlling anti-money laundering and anti-terrorist financing operations in the unit. Those officers are directly subordinate to the Head of the Anti-Money Laundering and Anti-Terrorist Financing Unit in the General Department. Moreover, they have been trained and qualified to be able to perfectly accomplish all the tasks required in combating money laundering and terrorist financing operations in line with the instructions, regulations, laws and procedures issued whether internally or by the control authorities. In this context, it is the responsibility of the manager and officers of the money laundering control in the unit to:

1. Design a program, circularize instructions and train the personnel in all different administrative levels for all the significances related to money laundering and to be always informed about all the legal and regulatory developments related thereto.
2. Monitor all cash operations, transfers and credit and investment transactions as well as to follow the internationally suspected names lists and any amendments made thereto.
3. Divide the bank's customers into risk accounts (extreme, high, moderate, ordinary) continuing monitoring the customers extreme, high and moderate-risk accounts attempting to cease dealing with those of high-risk accounts.
4. The Compliance Monitoring Officer shall notify the Compliance Manager of any additional risks related to the violation of the anti-money laundering and anti-terrorist financing instructions adding them to the risks status of the different units.
5. Verify that there are duly operative control procedures to control the risks of involvement in money laundering and terrorist financing activities.
6. Circularize the new legislations issued by the regulatory authorities in respect of anti-money laundering and anti-terrorist financing, locally and internationally, to all relevant units.

3.3 Liaison Officer in the Branches

It was agreed upon the selection of operation investigators as liaison officers at the branches to coordinate with the officers of the anti-money laundering unit about the transactions which are suspected to be money-laundering, terrorist financing or fraud, that is because they are in direct contact with the customer service, and they are concerned with noting the indicators, so the customer service is called RED FLAG ZONE.

3.4 The Role of the Internal Scrutiny and Inspection

The job in terms of its scope, details and deepness is subjected to periodic review by the internal scrutiny and inspection department, i.e. the monitoring role that reviews the anti-money-laundering programs and evaluates the unit's performance, and the sufficiency and efficiency of these programs prepared for this purpose and the means and tools used in the application thereof, where these programs should be put under continuous monitoring and regularly evaluating the extent of their success to verify their efficiency. The scrutiny shall be independent to make sure that the results and conclusions achieved are authentic and reliable. Regulations and procedures shall be developed ensuring that the internal scrutiny authorities assume their role represented in examining the internal control and monitoring regulations to make sure of their efficiency in combating money laundering and terrorist financing operations, and to suggest what is necessary to treat any insufficiency therein or to

make any updating and development needed to increase the efficiency and sufficiency thereof.

3.5 Role of the Bank's Staff

It is important that the bank and all the employees, regardless of their job positions, understand, comply with the instructions, and be fully aware of their responsibilities toward protecting the bank from money laundering and terrorist financing operations. They have to be aware that the failure to apply the instructions, procedures and the assistance in financing terrorism exposes the bank and all its employees to legal accountability and fines by the control authorities, and it may later on exposes the bank to cease its business and subsequently the employees to lose their jobs.

Moreover, whereas banks are considered the most important circles in which the illegal funds can circulate and due to the divergence, speed and inference of the banking operations of banks, they have the most prominent role in separating the illegal funds from their illegal sources, and in legitimizing them. It is unnecessary that banks are aware of the sources of such funds but the degree of the awareness and knowledge of the bank's employees is the most important characteristics of the bank's success in preventing such crimes.

4 Chapter Four: Policies and Procedures

4.1 Anti-Money Laundering & Anti-Terrorist Financing Policy

As on the obligations upon the bank to combat money laundering and terrorist financing operations, we have developed and approved procedures designed to comprise the application of and compliance with the legislations in respect of combating money laundering and terrorist financing operations in Yemen in addition to reflecting the best practices in the banking industry.

4.2 Definition

The general framework defines the grounds, procedures and rules applied in the bank to cover all the aspects related to money laundering and terrorist financing operations. Yemen & Kuwait Bank's policy is summarized in the compliance with combating money laundering and terrorist financing crimes, using all the regulatory controls in respect thereof.

It is also worth mentioning that all the work procedures in the bank should be ascertained that they take into account everything related to anti-money laundering instructions.

4.3 Updating of Anti-Money Laundering & Anti-Terrorist Financing Policy

Anti-Money Laundering & Anti-Terrorist Financing Policy is updated whenever there is a change in the instructions, laws and legislations pertaining to the combat of money laundering and terrorist financing operations. The Bank Board of Directors of such amendments commences amendment of the Bank's procedures related to money laundering and terrorist financing operations in a manner that harmonizes with such changes and after obtaining the approval.

4.4 Policy of Anti-Money Laundering & Anti-Terrorist Financing Objectives

Under its objectives for anti-money laundering, Yemen & Kuwait Bank complies with three main hubs in the scope of its combat of money laundering and terrorist financing operations as follows:

✿ Legal and regulatory aspects:

Compliance with the application of the laws and instructions issued by the regulatory authorities in Yemen and the international standards that impose a set of obligations on the banks and the staff working in.

✿ Application of the element of professionalism

Making sure that it is directly or indirectly contributing effectively in the treatment and presentation of the money laundering and terrorist financing crimes, which can jeopardize its reputation, honesty and cash liquidity.

✿ Ethical aspects:

The bank has an effective role in combating money laundering crimes and other crimes related, and in reporting on these crimes to the concerned authorities.

4.5 "Know Your Customer" Policy

The responsibility of applying the rules of "know your customer" originates from the compliance of Yemen & Kuwait Bank with the laws, procedures and legislations issued by the regulatory authorities on anti-money laundering operations ensuring that the bank is not interjected, whether directly or indirectly, in any suspected transactions of money laundering or terrorist financing that subsequently exposing the bank to legal accountability and thereby jeopardizing its reputation and consequently to the lack of the customers' trust in the bank and the loss of a lot of business. It also exposes the bank to the imposition of fines upon it by the regulatory authorities. It is of the bank's policy in identifying the customer as follows:

1. It is prevented to maintain unknown accounts with fake names.
2. It is prohibited to open accounts by correspondence and without the customer's or his assignees' face-to-face meeting with an employee of Yemen & Kuwait Bank.

4.6 Identifying the Customer Requirements

The customers' files are periodically reviewed that allows amending or adding information arising from any changes occurring to the customer's status. The full identification of the customer is realized by the following:

- ✳ Verifying that the customers were not involved in any illegal activities such as scam, fraud, forgery, money laundering and organized crime.
- ✳ Obtaining the legal and valid identification documents.
- ✳ Retaining records and evidences on that the bank has taken the necessary steps to identify its customer.
- ✳ Making sure that the customer is not listed in any of the ban lists relevant to the crimes of terrorism, money laundering, fraud or the organized crimes and other illegal activities.

4.7 Application Scope

The bank applies "know your customer" policy to its customers in all the branches. It is also applied to the correspondent banks. Yemen & Kuwait Bank endeavors also to apply "Know Your Customer's Customer (KYCC)" as one of the customer identification tools.

4.8 Customer Identification Policy Objectives

- ✳ Preventing all customers of criminal intentions from using the bank to carry out activities relevant to money laundering and financial crimes.
- ✳ Enabling the bank to better know, understand and trace the financial operations to protect the bank from any potential risks, as a result.
- ✳ Establishing regulatory procedures and controls to minimize the suspected operations, and to provide a mechanism of reporting thereon in line with the procedures applicable in the bank.
- ✳ Compliance with the laws, regulations, legislations and policies whether issued by regulatory authorities (local and international) or by the bank.
- ✳ Taking actions and steps necessary to ensure that all the bank's staff members have been trained on the procedures and rules of "know your customer" and money

laundering operations. in the scope of Yemen & Kuwait Bank's efforts raising awareness among the staff, and in ensuring that they are informed about the instructions of the Central Bank of Yemen in respect of identifying the customer, these steps were summarized in a chart demonstrating the most important requirements of identifying the customers as follows:

1. Role of the Customer Service Officers and Cashiers:

The Customer Service Officers and Cashiers play an essential role in the procedures of identifying the customer, and in the success or failure of applying this policy depends upon them, being the officers responsible for direct dealing with the customers, and they represent the channel that conveys the customer's image to the administration. Therefore, the bank is keen to make the officers familiarized, and to provide them with the work procedures related to the rules and the policy of "know your customer" and the rules of accepting him to deal with the bank, and to make sure that they are capable of applying these procedures and that they are sufficiently aware of all the indicators that may exhibit suspicion of the customer's activity.

2. Identifying the customer and the true beneficiary of the account.

The bank exerts all efforts to identify the actual beneficiary of the account. The bank has to pay attention to some signs that indicate the difference of the actual beneficiary from the account owner. The most important of these indicators are the following:

- i. The bank cannot obtain sufficient documents or information to identify the actual beneficiary.
- ii. The nature of the ongoing movement of the account differs from the nature of the customer's activity.
- iii. The customer who is controlled by another person at the time of his appearance in the bank where the customer is unaware of what he is doing, or he is of old age accompanied at the time of carrying out the financial operation by somebody who is not related to him.
- iv. The customer's request to make operations on the account for the benefit of another beneficiary not related to the original account's owner without giving justifiable reasons.
- v. The customer issues transfers to a country that is not related to the customer or his activity.

3. Indirect customer:

The bank should apply the policies and procedures necessary to avoid the risks related to the bad utilization of the indirect dealings with customers that take place without face-to-face meeting, particularly those that are carried out by the use of modern technologies such as ATM, banking services via telephone and Internet, taking into consideration the instructions issued in this regard.

4. Casual customers:

They are the customers whose account movement demonstrates that the account was opened for the purpose to carry out a single banking transaction or several transactions but not for the purposes of permanent banking dealing. The degree of risks for such account increases. Neither account should be opened,

banking facilities be given nor any banking services should be provided to customers whether they are permanent or casual without identifying the customer and obtaining all the documentation, instruments and certificates supporting the customer's identity and activity.

5. Accounts by proxy:

In case of a person dealing with the bank on behalf of the customer, the nature of the relation between the actual beneficiary and the agent and justification of the proxy should be verified, and such account should be carefully treated for being categorized under the moderate-risk accounts.

6. Categorization of customers as per the degree of their risks:

Customers are categorized as per several standards that take into consideration:

i. Nature of the customer's activity

The risks of accounts are categorized according to the nature of the activity, where the risks increase in the following businesses:

- Real estate brokerage
- Notary publics and notarization clerks.
- Practicing advocacy and accounting.
- Financial service companies - exempted companies.
- Precious stones and metals dealers – Weapon trade and industry.
- Casinos and nightclubs.
- Import and export companies.
- Non-governmental charitable organizations.
- Civil community organizations.

ii. Process of account opening

The accounts which are open in the presence of the customer are less risky than the ones which are opened by distance whether through correspondence or through a mediator – individuals/companies account.

The risks of the individuals' accounts differ from the risks of the companies accounts. The risks increase in respect of the customers having individual accounts, who are using their accounts for professional purposes not matching with individuals accounts but are more matching with companies accounts, or personal accounts are used as accounts for embassy business where the nature of the business does not match with the nature of the account of the purpose thereof. In addition, companies' accounts are of high risks with the existence of some indicators indicating that the account is of a fictitious company. The most important indicators are:

- Payments from and to the accounts are unjustifiable.
- The goods and services, in question, of the current operation on the account do not match with the nature of the company's activity.
- There is a conflict in the address or that the company is sharing the address with other companies or enterprises the ownership of which belongs to the same person.

- The purpose of the company or the nature of its activity is unknown or not clear.
- iii. Scope of activity (The geographical scope)

The more the customer's activity expands the more its risks increase. The customers operating within the country's borders and financial transactions on their accounts are going on within the borders have low risks and these risks increase whenever the scope of activity expands. There are external financial transactions being carried out on the account such as transfers issued for the benefit of persons or parties outside the borders and documentary credits and foreign cheques of the countries relevant to the financial transactions which are conducted on its account, where the countries to which and from which transfers are issued and received and the countries relevant to the overall transactions on the account are defined, and if there is an economic justification for dealing with these countries or there is a relation between the country and the customer's activity. The risks of the customers dealing with countries of high risks or which are categorized as non-cooperative countries by internationally accredited authorities or they are famous in criminal activities being a crossing point for drugs or weapons, or a domicile for terrorist organizations.
- iv. Nature of the transactions conducted on the account

The extent of the proportion of the banking transactions conducted by the customer to the nature of its activity, and the extent of the suitability of the account movement to the movement of the account similar thereto and the prevailing nature in the transactions being conducted on the account (where the risks increase in the accounts in which cash deposits and transfers prevail).
- v. Date of the customer's dealing with the bank:

Through making a time analysis of the customer's, account movement, in addition to the customer's reputation and previous dealings with the bank.
- vi. Nationality:

The customers of nationalities belonging to countries of high risks or the countries categorized as non-cooperative in anti-money laundering and anti-terrorist financing.
- vii. Services provided by the bank to the customer:

The more the customer's account is dominated by high-risk banking services the more customer's risks increase and of the most important examples of these services are (electronic transfer, cash deposits, sale, and purchase of foreign currencies ...etc.).



The below table demonstrates categorization of customers as per four main standards

Category	Type of customer	Nationality	Special relation + management by proxy	Other
Extreme risks	The individuals and persons listed in the ban lists	Foreigners, the citizens of the non-cooperative countries as per FATF categorization.	-	-
High risks	Politically exposed individuals and their relatives and agents.	Yemenis and non-Yemenis	Accounts managed by proxy by one of the Bank's officers. There is a relationship between the account owner and one of the Bank's officers	Loss of any of the documents or the requirements of control over the account. Example: Accounts without identification documents are automatically considered high-risk accounts.
	Customers belonging to foreign countries, which the bank has no previous experience of dealing with.	The countries that are still under monitoring and surveillance from FATE. Countries known as a shelter for tax evasion, political corruption and bribery and a crossing point for drugs, weapons or any illegal goods.		
	Charitable institutions, civil society organizations and non-profitable institutions excluding governmental institutions and bodies.	Yemeni or branches of foreign organizations or international or regional organizations		
	The Bank's staff	Yemenis and non-Yemenis		
	Companies having par shareholders or in the form of bearer shares			
	Financial institutions (exchange - insurance)	Correspondent banks maintaining payment accounts with all local financial institutions and us.		
	Financial institutions and trades concerned with the procedures of combat.	Yemeni and non-Yemeni		
Moderate risks	Joint accounts and family companies accounts	Foreigners Non-resident accounts	Accounts by proxy, friends, and acquaintances of the staff.	
Ordinary risks	Ordinary and corporate persons' accounts	Resident		

Depending on the customers classification based on risks, the periodic follow-up of these accounts is determined as follows:

Categorization	Approval before account opening	Periodic review
Extreme-risk	Prior approval by General Manager	Daily review
High-risk	Prior approval by General Manager	At least once per week
Moderate-risk	Prior approval by Branch Manager	Monthly review
Ordinary-risk	Approval by Branch Manager later on	Quarterly review

Some exceptional actions are taken in case that the customer is of the first or the second category (extremely and highly risky) such as follows:

- ✳ Obtaining additional information from the customer.
- ✳ Referring to information accessible to the public, databases or Internet.
- ✳ Taking reasonable actions to identify the sources of the wealth and funds of the customers and the actual beneficiaries.

Exceptional procedures for the accounts of Yemen & Kuwait Bank's staff members and their relatives:

1. The staff members of Yemen & Kuwait Bank, when dealing with their accounts, the accounts of their relatives of the accounts which they conduct on behalf of the actual account owners, have to comply with notifying Anti-money Laundering Unit, officially, in writing or via e-mail, of any of the following cases:
 - There are other accounts of the officer other than his main account and to which his payments are exported.
 - Other uses of his account in the bank that are not under the ordinary transactions in the accounts as an employee of the bank.
 - The accounts of the officer's relatives and acquaintances that the officer, one way or another, supervises or has the powers to access them or to follow up the movements thereof.
 - The account that the officer has an authorization or power of attorney to conduct them on behalf of the actual customers.
 - The accounts of ordinary and corporate persons to which the officer is partially or fully authorized.
 - Other uses of his account in the bank that are not under the ordinary transactions as an employee of the bank.
2. the precautionary control procedures also require that all the bank's employees particularly those having powers to carry out transactions on the accounts in the banking system not to conduct any financial transactions or to make any amendment to their accounts or the accounts to which the aforesaid procedures stated in clause (1) are applicable through the use of the powers granted to them in the system by virtue of their jobs.

4.9 Financial Institutions

The bank has to apply the due care requirements at the time of establishing banking relation with an external bank or opening an account for a financial institution (company – an individual firm) including the accounts of exchangers and insurance companies, by taking the following actions:

- ✿ The nature and the financial reputation of the financial institution in the field of anti-money laundering and anti-terrorist financing shall be scrutinized.
- ✿ The bank may not enter into a banking relation with a fake financial institution.
- ✿ General Manager's approval shall be obtained for establishing a dealing relation with a financial institution.
- ✿ The bank shall make sure that the financial institution is subjected to an efficient regulatory control by the regulatory authority in the native country if it is a foreign one.
- ✿ It shall be verified that there are sufficient anti-money laundering and anti-terrorist financing regulations available in the financial institution.
- ✿ The bank shall make sure that the financial institution has implemented the due care procedures in respect of its customers who have powers to use the accounts and that the financial institution has the capability to provide the information related to those customers and the transactions carried out on such accounts when necessary, and that the bank shall send the financial institution's inquiry as one of the preparatory procedures for opening the account, and some questions can be added to the questionnaire form to inquire about some information (the list of owners' names, the list of the names of the Board members, the list of the names of the executive managers, the authority authorized to control and regulate the banking system in the country where the bank is operating, the bank's address, summary CVs' of the executive managers, the reason for requesting the account opening, the main activity etc...).
- ✿ The information and documents obtained and written agreement with the financial institution or the correspondent banks shall be certified and made available to the concerned authority when necessary.

4.10 Shell Banks

Yemeni laws prohibit banks dealing with shell banks and shell financial institutions or maintaining account for them. Our bank, therefore, refuses establishing relation or continuing a relation with a bank not having an actual place of business with the exception of the banks affiliated to authentic banks having actual and known place of business. In addition, the bank refuses dealing with the banks that provide poor information or adopt inefficient procedures in anti-money laundering and anti-terrorist financing.

4.11 Exemptions and Exceptions

The bank must undertake a periodic and continuous review of the accounts exempted from filling up "know your customer" forms with the aim to make sure that they are still in a status suitable to the exemption and do not violate the bank's regulatory policies and instructions, as well as to verify the continuity of the circumstances associated to the accounts and on the basis of which they were exempted. This would be achieved by verifying that there is no suspicion of money laundering or terrorist financing risks and this shall be temporarily and for not more than fifteen days and after this period it shall be prohibited to conduct or carry out any transactions in these accounts and Money Laundering Control Unit shall be informed and the accounts shall be monitored continuously.

4.12 Updating the Customers' Information

Yemen & Kuwait Bank complies with making the necessary updating to the information, data and documents particularly for the extremely and high-risk customers, such updating is done as follows:

1. Updating the data and information in respect of "know your customer" policy every five years.
2. When the bank has a doubt about the correctness or accuracy of the information and data already registered.
3. Updating the national ID card, family card and passports three months before their expiry if their expiry is less than five years at the time of opening.
4. Updating the residence permits of the foreign customers.
5. At the expiry of the business licenses, commercial register or the statutes in respect of the corporate persons.
6. Updating the data related to the correspondent banks and financial institutions every three years or whenever is necessary.

5 Chapter Five

5.1 Financial Transactions Monitoring

This is done through verifying the nature of the transaction, the source of funds and the destination for each financial transaction:

- ✿ Exceeding ten million Yemeni rials, or the multiple transactions in amounts of less than ten million Yemeni rials and seem to be connected and the total thereof exceeds ten million Yemeni rials or the equivalent thereof in other currencies which is called "Financial Transaction Structuring"
- ✿ A financial transaction carried out in accordance with complicated and unusual procedures.
- ✿ A transaction having neither an economic justification nor a legal objective and does not match with the nature of the customer's activity and abilities, and not rising of the provision of goods or services. The control process is also done through reviewing the financial transactions, and identifying the indicators and the methods of money laundering operations via the different banking services.
- ✿ When there is a transaction for a casual customer the value of which exceeds one million rials or the equivalent thereof in other currencies and the transactions which seem to be connected and that exceed one million rials.
- ✿ When causal transactions are carried out for a casual customer in the form of telegraphic transfers exceeding two hundred thousand rials or the equivalent thereof.

5.2 Methods of Money Laundering Transactions through Different Banking Services

5.2.1 Account Opening

- ✿ Customers requesting to open an account in a branch remote from their place of work or residence without a justification although there is another branch closer to the customer.
- ✿ Customers requesting to open an account for temporary use.
- ✿ Customers opening accounts and disclosing other name than that of the actual beneficiary of the account.
- ✿ Customers showing financial statements not matching with the financial statements commonly known for the activities similar to the customer's activity.
- ✿ Customers approaching to the bank as representatives of companies operating in regions known by hosting illegal activities or are classified as non-cooperative countries in anti-money laundering and anti-terrorist financing.
- ✿ Customers requesting to be excluded from the requirements of identifying the customer.

5.2.2 Dealing on Account

- ✿ A customer maintaining several accounts and depositing cash amounts in each thereof so that such accounts in aggregate constitute a huge amount which is disproportionate to the nature of its activity, except for the customers whose nature of activity requires maintaining more than one account.

- ❄ The existence of accounts through which the nature of the movements carried out does not seem to be consistent with the nature of the customer's activity, so that such accounts are used to receive and/or distribute huge amounts for unclear purpose or having nothing to do with the account holder or the nature of his activity.
- ❄ If the elements of the banking operation indicate an illegal intention such as ambiguity or illogicality. Maintaining accounts with many banks located within one geographic area and transferring the funds of such accounts to one account then the aggregated amount to outside the Republic.
- ❄ Depositing cheques of a third party of huge amounts, endorsed in favor of the account holder, and not consistent with the relationship with the account holder or the nature of his work.
- ❄ The accounts whose movement is not in proportion to the nature of the customer's activity or to accounts similar thereto in the nature of the activity.
- ❄ Carrying out huge cash drawings from an account previously not active or the drawings made through are relatively small, or from an account in which unexpected huge amounts were deposited from abroad.
- ❄ A big number of persons depositing amounts in one account without an acceptable explanation.
- ❄ A customer providing financial information about his commercial activity clearly differ from similar companies engaged in the same sector.
- ❄ Companies of relatively big activity providing financial statements not audited and certified by a legal auditor.
- ❄ Companies, accepting cheques from their customers, do not make any huge cash drawings from their accounts against depositing such cheques whereby indicating the possibility of the existence of other income sources.
- ❄ Occurrence of a substantial change in the method of the customer's account management in a manner not marching with its respective data.
- ❄ The accounts of companies or corporations that show a little or irregular activity in the form of miscellaneous.

5.2.3 Transfers

- ❄ Transfer of the deposits in the account directly to outside the country whether all at once or by installments.
- ❄ Transfers in similar amounts (daily, weekly) which are collectively huge amounts.
- ❄ Making transfers to a person has no account in the bank by the use of many different payments each of which is less than the limit stated in the instructions.
- ❄ Incoming transfers accompanied by instructions to convert their value to cheques sending them by mail to a person has no account in the bank.
- ❄ The customers whose transactions are mainly cash deposits and transfers.
- ❄ Customers making movements on the accounts in favor of a beneficiary in a country known by the existence of illegal activities or is classified as high-risk or non-cooperative or characterized as shelters for bank or tax secrecy.
- ❄ Account sending or receiving transfers without any economic justification or knowing the purpose of these transfers. Received transfers without legal contracts proving providing any goods or services. Funds reach the same account from different resources or that exported to several accounts from one account without any justification.
- ❄ Transfers made on the accounts involving sale and purchase of currency.
- ❄ Transfers made on the account for the benefit of a third party.

- ✿ Issuing transfers of huge amounts leading the beneficiary to use the values of the transfers deposited in his account to purchase different cash tools immediately after receiving their value with the aim to make payment to another party.
- ✿ An account receiving transfers of huge amounts, which had never been received, by this account before that is disproportionate to the nature of the customer's activity.
- ✿ A customer frequently make external transfer of funds claiming that these funds are of an international external origin.
- ✿ A customer deposit tools to the bearer in his account and then transfer them to a third or a fourth party.
- ✿ An opened account of an exchange company receiving cash deposits or transfers in amounts less than the limit stated in the instructions.
- ✿ Carrying out a non-routine transfer under a package of routine transfers that are carried out as one transfer.
- ✿ Transferring huge amounts abroad or receiving incoming transfers from abroad accompanied by cash payment instructions.

5.2.4 Cash

- ✿ Huge cash deposits that do not seem to be usual carried out by an ordinary person or a corporate body whose business activity is usually carried out through cheques or other payment instruments.
- ✿ A huge increase in the number of the cash deposits of any person without a clear reason, especially if these deposits are transferred from the account to an entity that does not seem to have a clear connection with that person and within a short period.
- ✿ Depositing of cash amounts in many phases so that the value of the amount deposited in each time is less than the limit set forth in the instructions, but taken together they constitute amounts beyond such limit.
- ✿ Depositing cash amounts in several phases so that in the aggregate they constitute huge amounts.
- ✿ Concentrating on cash drawings and deposits instead of using banking transfers or other negotiable instruments without a clear reason.
- ✿ Change of huge amounts of currency notes from small denominations to big denominations without clear reasons.
- ✿ A customer carrying out several huge cash transactions in many branches of the bank or many other persons doing it on behalf of the customer in the same day.
- ✿ Huge cash deposits containing cash bundles stamped by the seals of other banks.
- ✿ A customer taking back a portion of the amounts intended to be deposited when he knows that it is necessary to follow the special care procedures prescribed for unusual transactions as stated in the instructions.
- ✿ The cash bundles that are not identical in number and denominations.
- ✿ Cash deposits containing counterfeit, damaged or old currency notes and in huge averages.
- ✿ A customer suddenly and speedily drawing his funds without a satisfactory or acceptable reason.
- ✿ Deposits which are made through the different branches of the bank in short and consecutive time intervals.
- ✿ Customers making cash deposits in different accounts through different persons that seem as if they are not related or connected accounts.

5.2.5 Credit Facilities

- ✿ A borrower showing no concern with the payment of the installments of a loan granted under guarantee by cash insurances.
- ✿ Loans granted to the benefit of a third party other than the borrower without a justification or satisfactory reasons.
- ✿ Loans lacking lawful commercial or professional reasons.
- ✿ Loans that are sold to a third party unreasonably.
- ✿ Applying for obtaining facilities for external companies or for companies operating in offshore areas or facilities guaranteed by the obligations of external banks or offshore banks.
- ✿ A customer discharging a huge indebtedness unexpectedly without a clear and reasonable explanation of the source of such discharge.
- ✿ A customer purchasing deposit certificates and using them later on as a guarantee for the payment of facilities.
- ✿ Obtaining credit facilities under deposit guarantee.
- ✿ Obtaining credit facilities against a cash guarantee abroad.
- ✿ A customer transferring the value of the facilities obtained unexpectedly to abroad.
- ✿ A customer discharging an indebtedness classified (as an inoperative debt) before the expected time and in amounts bigger than the expected.
- ✿ Seeking to obtain facilities against mortgaging assets owned by a third, party not related to the borrower, in such a manner that the source of such assets is unknown to the bank or that the size of such assets does not match with the customer's financial position.
- ✿ A customer seeking to obtain facilities or arrangement for getting financing from a third party where the source of the customer's or customer's financial contribution in such financing is unknown.
- ✿ Obtaining credit facilities against detaining the deposits of companies or subsidiaries located abroad, particularly if they are in countries known as producers and/or marketers of drugs.
- ✿ Existence of circumstances surrounding the request for obtaining credit facilities leading to the bank's refusal to grant such facilities for the existence of doubts about the validity and correctness of the guarantees for such facilities.

5.2.6 ATM Machines

Unusually huge cash deposits by the use of ATMs in order to avoid the direct contact with the bank's officer, especially if such deposits are not consistent with the business and/or the ordinary income of the relevant customer and the nature of his activity.

5.2.7 Safety Deposit Boxes

- ✿ A customer maintaining many safe deposit boxes without a clear reason.
- ✿ Use of safe deposit boxes considerably that can indicate the possibility of the customer is keeping of large quantities of cash in such boxes.
- ✿ A customer frequently visiting the safe boxes before and after he makes cash deposits less than the limit stated under the instructions.

5.2.8 Transactions Relevant to Investment

- ✿ Purchase of securities to keep them in the safe boxes in the bank with the lack of consistency with the customer's activity and financial position.

- ✿ A customer not paying attention to the usual decisions that must be taken about investment accounts, such as, charges or the appropriate investment means.
- ✿ A customer liquidating a considerable financial position through a series of small cash operations.
- ✿ A customer depositing cash payments, payment orders, tourist cheques or counter cheques in amounts less than the limited stated under the instructions to finance an investment account.
- ✿ A customer using investment accounts as a tool to transfer funds to external destinations, particularly offshore areas.
- ✿ Bringing in huge financial amounts from aboard for investment in foreign currencies or securities when the size of investment is not proportionate to the nature of the customer's financial position.
- ✿ Attempting to exhibit the financial operation more complicated than they are through the use of influencing terms such as (Bank Notes Stand by Commitment Prime, Hedging Contracts Arbitrage).

5.2.9 Financing of Commercial Transactions and Documentary Credits

- ✿ A customer requesting a commercial financing whether for exportation or importation of essential goods whose declared prices substantially and are clearly different from the prices in a similar market.
- ✿ Issuance of documentary credits or letters of guarantee pursuant to the customer request of tenders without the existence of contracts of existing projects or in favor of an unusual beneficiary.
- ✿ A customer changes the beneficiary's name in the documentary credit shortly before the payment process.
- ✿ A customer changes the place of payment in the documentary credit into an account in another country other than the beneficiary's country.
- ✿ That the beneficiary of the documentary credit is companies owned by the customer or that the shipping companies are owned by the same customer.
- ✿ That the amounts indicated in the documentary credit documents presented by the customer to the bank or to customs department are not in conformity with the original.
- ✿ That the goods shipped or agreed upon in the credit are not consistent with the nature of the customer's activity.
- ✿ Customers dealing with high-risk countries.
- ✿ The shipping port or the destination port is located in regions classified as non-cooperative, highly risky or famous by the existence of illegal activities.

5.2.10 International Banking and Financial Transactions

- ✿ Acknowledgment of the identification of a person by external entities located in counties known as producers and/or marketers of drugs.
- ✿ Structuring of huge funds not proportionate to the size of the usual activity of the customer and consecutive transfer to the account or accounts maintained aboard.
- ✿ Frequently requesting the issuance of tourist cheques in foreign currency or other negotiable instruments in an amount exceeding the limit stated under the instructions.
- ✿ A customer resorts to consecutive deposits of tourist cheques in foreign currencies in amounts exceeding the limit stated under the instructions.
- ✿ Carrying out banking operations connected with offshore banking units whose names resemble the names of lawful banking institutions of good reputation.

5.2.11 Electronic Banking Services

- ✿ An account receiving several small financial transfers electronically and then making huge transfers by the same manner to another country.
- ✿ Depositing huge payments regularly by different means including electronic depositing or receiving of huge payments regularly from countries known as producers and/or marketers of drugs.
- ✿ A customer requests to open an account through Internet and refuses to provide the information necessary to finalize the account opening or refuses to provide information usually entitling him to obtain services and facilities which are considered by the ordinary customer as an additional advantage.
- ✿ A customer uses the banking service through Internet to transfer between its accounts many times without clear reasons therefor.

5.2.12 Closed Accounts

- ✿ The closed accounts on which no financial movements are being conducted and suddenly movements appear thereon.
- ✿ The sudden and inflated movement on an account classified as a frozen account.

In this context, A specific time period is fixed for the frozen accounts and at the end of the said period, these accounts are referred to the Head Office, and the branches do not conduct any movement on such accounts except through the Branch Manager or his deputy and by bi-control, and scrutiny and care shall be observed in monitoring cheques drawn on the frozen accounts and no payment shall be made therefrom except by cheques.

5.2.13 Financial Operation Structuring

Structuring of the financial operation means finalizing thereof in a way that keeps the customer away from notifying or following requirements of special care procedures for the unusual operations as stated under the instructions, that is through causing the bank fails to obtain the correct information and papers, and this is known as (a person individually or jointly with natural persons or legal acting for his own benefit and for the benefit of others conducts one or more financial operations in any currency through one or more financial institutions in one day or several days with the purpose to avoid reporting and hindering the bank of keeping the documents or causing the bank to keep false documents or incorrect information.). Such operation are avoided by conducting a historical study of the account in a period and linking the financial operations, which seem to be relevant. One of the methods taken in the financial operation structuring and the most spread is dividing the huge transfers into more than one transfer. Hereunder are the indicators that assist to identify such transfers:

- ✿ Making two or more transfers in the same day.
- ✿ Matching of the sender's name and beneficiary's name in more than one transfers.
- ✿ Same sender and several beneficiaries of the transfer.
- ✿ Same beneficiaries and several senders (Transfer source)
- ✿ The aggregate total of these transfers is greater than the amount specified by the instructions for taking the special care procedures.

5.2.14 Tax and Customs Evasion

Some countries do not classify tax and customs evasion as one of the money laundering crimes, however, the profits derived from tax and customs evasions are illegal funds, and, subsequently, the entry of such funds into the banks as legal funds is one of the money laundering forms. It is observed that some customers excuse themselves by tax and customs evasion to dissuade banks from reporting the suspected operations. Money laundering crimes also cause the depression of the activity of an economic sector or specific industry because of the existence of shell companies or factories which leading to the waste of resources and destabilization of the national economy and giving means for tax evasion. Therefore, banks have to report every suspected operations they encounter, letting the authorities determine whether the account is involved in money laundering crimes or not. Examples thereto are:

- ✿ A customer refuses or procrastinates to submit the tax card.
- ✿ The volume of the paid tax, as per the customer's information, does not consistent with the volume of the customer's operation and activity.
- ✿ A customer is requesting to approve the credit invoices and documents not inconformity with the original invoices and documents.

5.2.15 High-Risk Countries

- ✿ The countries that are a place for the production of or a passage for drugs.
- ✿ The countries imposing strict instructions and laws for banking secrecy.
- ✿ The developing countries soliciting investments without taking precautionary procedures. The countries that are famous as a shelter for money laundering due to the weak instructions and laws regulating thereto.
- ✿ The countries listed in FinCEN Financial Crimes Enforcement reports.

6 Chapter Six

6.1 Procedures to be taken against High- Risk Customers

6.1.1 Politicians Risk Representatives

1. The bank have to establish a system to manage risks in respect of the politicians – risk representatives or the actual beneficiaries who belong to this category.
2. The approval of the Bank General Manager or his assignee shall be obtained for establishing a relation with such customers, and this approval must also be obtained when it is detected that one of the customers or the actual beneficiaries have become listed under this category.
3. The bank should take adequate procedures to verify the sources of the customers' or the actual beneficiaries' wealth listed under this category.
4. The bank should precisely and continuously follow up its transactions with such customers.

6.1.2 High-risk customers in Respect of Money Laundering and Terrorist Financing Operations

The bank has to categorize all its customers as per the degree of risks related to money laundering and terrorist financing taking into consideration the following:

1. The extent of the proportionality of the banking operations conducted by the customer to the nature of his activity.
2. The extent of the divergence of the accounts opened in the bank and the interference among them and the degree of their activity.
3. Nonresidents and the customers of special banking operations are deemed among the high-risk customers.

6.1.3 Customers Belonging to Countries where no Appropriate Regulation for Anti-Money Laundering and Anti-Terrorist Financing

The bank has to pay special attention to the operations carried out with persons staying in countries having no appropriate regulations for anti-money laundering and anti-terrorist financing in place. If it turns out that the aforesaid operations are not based upon clear economic reasons, the bank must take necessary procedures to detect the background associating with such operations and their purposes, noting down the results in its records.

6.1.4 Accounts of Foreign Organizations and Consultants

- ✿ The bank should verify that the account activity consistent with its purpose and the nature of the organization's activity and that there are no abnormal movements on the account contradicting with its purpose, as an example that such accounts cover the expenses of a foreign citizen without a proper control or regulation or cover tuition expenses or costs.
- ✿ The bank should verify the sources of the funds coming into such accounts.

6.2 Retaining of Papers and Documents

Article (12): Financial and non-financial institutions undertake to retain the following documents:

- i. The records, information and documents related to the identity of the customer and the actual beneficiary and their activities for at least five years after the expiry of their relation with the institution.
- ii. The records and written information, data and reports obtained in accordance with the rules of this section about the financial operations for at least five years from the date of operation implementation or the commencement of implementing it.
- iii. Any other records or data that must be retained in accordance with the rules of law.

Secondly: The bank shall retain the records and evidences supporting the continuing relations and banking operations, which are obtained implementing the obligations stated in Article (12) of Act No. 1 of 2010 and article 24 of the executive regulation of Anti-Money Laundering & Anti-Terrorist Financing law. Such records shall comprise the original documents or their copies, which are acceptable to the courts pursuant to the applicable legislations in the Republic for at least five years from the date on which the operation was achieved or the relation is terminated as the case may be.

Thirdly: The bank shall develop an integrated data system for retaining records and documents in a manner that enables it to completely and speedily meet the request of the unit and the concerned official authorities for any data or information, particularly any data demonstrating whether the bank has a continuing relation with a specific person during the previous five years with the provision of information about the nature of such relation. Yemen & Kuwait Bank is keen on that the records and documents being retained shall essentially contain the following information:

- ✿ Name of the customer / beneficiary.
- ✿ Address and telephone number.
- ✿ Date and type of the banking operation.
- ✿ Type of currency and the value of the banking operation.
- ✿ Type and number of the account on which the movement was conducted.
- ✿ Any other relevant information found by the Compliance Manager to be necessary for the purposes of explanation, clarification and documentation.

6.3 Reporting about the Suspicious Operations

If a staff member of the bank has a doubt that the operation intended to be carried out is a suspected operation, then one of the anti-money laundering officers shall be notified, who, in return, and in consistence with the reporting requirements provided for by the instructions and law, shall do the following:

- ✿ Notify the Data Collection Unit of Central Bank of Yemen immediately about the suspected operations whether such operations were carried out or not in the form approved by the unit.
- ✿ Providing the Data Collection Unit of Central Bank of Yemen with the information facilitating their access to the records and data.
- ✿ That no one of the bank's employees disclose the customer or the actual beneficiary, directly or indirectly or by any means whatsoever, any of the notification actions to be taken in respect of the suspected operations or the data related to it.
- ✿ The bank shall prepare a special files for the suspected operations in which the copies of the notifications about these operations and the information related thereto shall be

retained. These files shall be kept for not less than five years or until the issuance of a final decision or a judgment in respect of the operation, whichever is later.

7 Chapter Seven: The International Efforts for Anti-Money Laundering

7.1 Vienna Agreement of 1998

This agreement concerns the illegal trading in drugs and psychotropic substances. It obligates its parties to criminalize the compilation of acts target to hide the criminal source of funds and connive their movement, status and owner, and to facilitate judicial and administrative cooperation and to exchange the accused persons between the member states. This agreement shapes the international community's certainty of the importance of cooperation in combating money derived from such crimes.

7.2 Financial Action Task Force (FATF)

This international framework established for anti-money laundering, what is called Group on International Finance Action. It is an organization originated from the Seven Industrial Countries Meeting and it granted the other countries the right to join it. FATF aims to define the money laundering activities; in fact, it had clear activities in this field. In its report for 2012, FATF published a list of the non-cooperative countries in the field of anti-money laundering, issuing forty recommendations pertaining anti-money laundering with the exception of nine recommendations concerning anti-terrorist financing. Of the most important contents of the recommendations issued by this organization are as follows:

- ✿ That every country shall take the necessary procedures including legislations to criminalize money laundering.
- ✿ Amendment of the provisions of the banking secrecy in a manner that allows chasing money-laundering crimes.
- ✿ Standardizing the descriptions of the financial institutions that can be used for money laundering.
- ✿ Applying the necessary arrangements to confiscate the laundered money and its tools.
- ✿ Compliance with non-opening of unidentified accounts and retaining records and entries for at least five years.
- ✿ Paying attention to the complicated banking operations that give rise to doubt.
- ✿ Obligating the financial institutions to prepare regular reports to the regulatory authorities about the operations that serve a ground for investigation.
- ✿ Giving the banks the option either to close the suspected account or to notify it.
- ✿ The bank is comply with establishing anti-money laundering programs and qualifying their personnel to do so.
- ✿ Studying the cash operations and reporting on them when they exceed a specific amount.
- ✿ Not to make customers informed about any doubts about their bank accounts notifying the authorities of them.
- ✿ Giving banks the power to freeze funds notified thereof by the concerned authorities.
- ✿ Strictness in the financial transfers control operations.
- ✿ International organizations collect and distribute information related to the development of money laundering operations.
- ✿ Exchange of information among the countries automatically or upon request.
- ✿ Taking necessary actions to prevent across borders movement of funds.

- ✿ Assigning the control committees in the banks to scrutinize using efficient system to control money laundering.
- ✿ Activating the role of the concerned authorities in the collection of information about the technical developments in the field of money laundering and providing banks therewith.
- ✿ It is necessity that the international cooperation to be based upon legal agreements and arrangements allowing extradition of criminals.

7.3 Strasbourg Statement

This statement issued in 1990 concerning the criminal inspection and control procedures in the European countries. A protection guide derived from this statement for protecting from the use of the financial system in money laundering activities for the year 1991 that constituted the framework upon which many European legislations are based such as the UK Criminal Justice Act of 1993.

7.4 Basel Statement of Principles

Basel Statement 1988 issued by the international committee on Banking Supervision and it includes a set of principles which shall be followed by the bankers to enable controlling money laundering phenomenon. The most important of these principals are:

- ✿ Know your customer.
- ✿ Trances Must Remain.
- ✿ Due Diligence.
- ✿ Compliance with laws.
- ✿ Active cooperation between banks and the police.
- ✿ Procedures Adequate Internal Control.
- ✿ Training programmers.

7.5 Basel New Initiative 2001

In the wake of September 11 events and the escalation of international calls for combating terrorism and money laundering especially those in respect of financing terrorist activities, Basel Committee launched its new initiative, which it is called "Due Diligence" that must be employed by banks. This initiative is based upon the necessity of expanding the concept of "know your customer" so as to cover the principles, policies and procedures necessary to establish the so called "the policy of acceptance and identification of customers" and continuous monitoring of high-risk accounts. The initiative focuses on the special banking services sector in the banking sector and which may jeopardize the bank's reputation, and it also focuses on the accounts whose holders should be known at least to the regulatory authorities within the bank.

7.6 Wolfsburg Group

It is a group of international banks that established an association in Switzerland consisting of twelve international banks:

- ✿ ABN Amro N.V.
- ✿ Santander Central Hispano S.A.
- ✿ Bank of Tokyo –Mitsubishi Ltd.

- * Barclays Bank
- * Citigroup
- * Credit Suisse Group
- * Deutsche bank A.G.
- * Goldman Sachs
- * HSBC
- * J.P.Morgan Chase Societe Generale

And it concerns with regulating the banking business globally through four main sets, namely"

- 1- Twelve principles for anti-money laundering.
- 2- Anti-Money Laundering Statement.
- 3- Principles of Anti-Money Laundering for Correspondent Banks.
- 4- Control, Audit and Scrutiny.

7.7 Risk Lists

7.7.1 UN Sanctions Lists

It is the first organization that assumed upon itself the establishment of actual steps to combat money-laundering crimes and it made lists to ban dealing with the entities under international dispute or those violating the charters issued by UN. Of these lists are:

- * UN Al Qaeda Sanctions List.
- * Countries lists (Sudan , Iran, Philippines, Zimbabwe, Mugabe)
- * The Security Council's Lists.
- * UN Terrorist Blacklists.
- * Punitive Sanction List.
- * Economic Sanction List

7.7.2 Ban Lists issued by OFAC :

- * SDN Specially Designated National List.
- * Anti-Terrorism Sanctions List.
- * Non-Proliferation List.
- * Diamond Trading Sanctions list.
- * Narcotics Trafficking Sanctions list.
- * Iraq, Sanctions, Iran, Syria, Cuba List.
- * NCCT Countries List.

Moreover, it is a changeable list as per special standards established by the International Financial Action Organization and based on which countries are entered or removed therefrom.

The requirements of international cooperation against money laundering and terrorist financing crimes:

In accordance with the international standards and principles in the instructions in respect of combating money laundering as issued by the international organizations, the countries

must apply these requirements to ensure an effective system for exchange information and cooperating in investigations. Hereunder are the most important agreed upon requirements:

- ✿ The authorities in every country should be able to officially provide the information required from them and within the period fixed in the official request.
- ✿ When it is aware that the information that is in its possession will be important and useful to the authorities of the requesting country, the first shall provide the later with the information available immediately and automatically.
- ✿ When the authorities in a country submit an official request to the authorities of another country requesting the records in respect of a particular events, applying necessary actions against them, continuing investigation, Filing a lawsuit or any of the legal disposal arising from the occurrence of money laundering or terrorist financing crimes, the later shall be able to perform the role required from it in this context, and the authorities assigned to take the necessary procedures have to do their duties and the requesting authorities have to provide the necessary assistance, adequate explanation and presentation of the reasons which are behind the submission of the official request.

8 Chapter Eight: Training Courses

It is the responsibility of the bank to train all its staff at the different administrative levels, to upgrade their awareness and culture about the principles of "know your customer", "money laundering" and "terrorist financing operations", and how to identify and deal with them, submission of reports thereon and monitoring of customers' accounts and the operations conducted on their accounts which involve doubts , and this should inevitably be realized through the following:

- ❁ Circularization of all instructions, laws, procedures and amendments thereto to the concerned staff in the bank.
- ❁ Bank's Compliance Control Unit shall organize training courses and workshops for all the staff to upgrade their awareness about the money laundering and terrorist financing operations and the principles of know your customer.
- ❁ Making use of national or foreign experiences from within Yemen or from abroad whether people is academic training agencies or institutes to train the concerned staff in this field.
- ❁ Use of Internet in communicating all information, laws and legislations relevant to money laundering and terrorist financing operations and the principles of "know your customer" and amendments made thereto in the first place to the bank's staff whether issued by local or external regulatory authorities such as the recommendations of the Financial Action Task Force (FATF) paying attention to that such program shall cover money laundering methods and how to detect and report them and how to deal with the suspected customers, and records shall be kept for all training courses that took place within five years and shall contain the names of the trainees and their qualifications and the entity that performed the training whether inside or outside the Republic. Yemeni & Kuwait Bank has worked out an internal training schedule in which the Compliance Control officers train the new and present personnel twice a year or whenever is required and in accordance with new developments occurring to the money laundering and terrorist financing instructions.
