



AML/CFT GUIDELINE FOR REAL ESTATE BROKERS

2025



1. Purpose and Scope

This Guideline is designed to assist real estate professionals in understanding and fulfilling their obligations under Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) laws. It provides sector-specific guidance on identifying, assessing, and mitigating ML/TF risks and implementing the necessary policies, procedures, and internal controls to comply with AML/CFT regulatory requirements and supervisory expectations. By following this Guideline, real estate professionals will be better equipped to:

- **Identify and assess ML/TF risks** specific to real estate transactions, including high-risk clients, jurisdictions, and transaction types.
- **Implement effective customer due diligence (CDD) measures**, including identifying beneficial owners and verifying the source of funds.
- **Recognize and report suspicious transactions** to KwFIU in a timely manner.
- **Strengthen internal controls and compliance frameworks** to ensure adherence to AML/CFT laws and regulatory obligations.
- **Enhance awareness and training** among employees to detect and prevent ML/TF activities within the real estate sector.

This Guideline aligns with international best practices, including recommendations from the Financial Action Task Force (FATF). It provides practical measures to promote a robust AML/CFT compliance culture within the real estate industry.

2. Applicability of the Guidelines

Given that real estate activity in Kuwait is a highly regulated sector, with operations generally requiring licensing, it is important to clarify that AML/CFT obligations apply specifically to real estate activities involving intermediation. This means that only real estate transactions where brokers, agents, or intermediaries facilitate property sales, purchases, or leases fall under AML/CFT regulatory requirements.

3. ML/TF Risks Associated with Real Estate Activity

Real estate transactions provide an opportunity to move large sums of money in a single transaction, eliminating the need for multiple smaller transfers that might attract scrutiny. In many jurisdictions, AML/CFT requirements in the real estate sector remain relatively minimal, making it an attractive avenue for illicit financial activities.

Unlike financial services sectors, where long-term customer relationships are established, real estate sales are generally conducted as occasional transactions rather than ongoing business relationships involving regular fund transfers. Most buyers typically purchase only one or two properties in their lifetime, meaning they do not establish a long-term relationship with their broker. As a result, ongoing monitoring is often less effective in identifying suspicious activity in real estate transactions.



Real estate purchases often involve large sums of money, providing criminals with an opportunity to blend illicit funds with legitimate sources, making it harder to trace the origin of funds. The real estate sector often lacks clear disclosure of beneficial ownership, allowing criminals to hide their identity behind shell companies, trusts, or nominee buyers. This opacity makes it challenging for regulators and law enforcement to determine the real parties behind transactions.

Given this context, greater emphasis should be placed on thoroughly assessing the purpose of the transaction and verifying the source of funds. By doing so, real estate brokers can develop a comprehensive understanding of the transaction and enhance their ability to identify potential red flags indicative of money laundering or terrorist financing.

Based on the National Risk Assessment of Kuwait, Real Estate sector has been assessed as having medium-high ML risk. Mainly due to the fictitious sales or investment in real estate outside the state of Kuwait.

Indicators for Real Estate Activity

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| Use of Complex Structures to Conceal Beneficial Ownership | Criminals use shell companies, trusts, nominees, and third parties to hide the true ownership of real estate assets. |
| | Use of lawyers, accountants, or real estate agents to facilitate transactions without proper due diligence. |
| Purchase of Property with Illicit Funds | Direct purchase using large amounts of cash or structured cash deposits. |
| | Use of third parties or family members to buy real estate on behalf of the criminal actor. |
| Property Flipping and Artificially Inflated Prices | Criminals buy and sell properties rapidly (flipping) to legitimize illicit funds. |
| | Over- or under-valuing of real estate to misrepresent the source and movement of funds. |
| Use of Loans, Mortgages, or Third-Party Financing | Criminals obtain mortgages with illicit funds and pay them off quickly or in irregular ways. |
| | Use of fraudulent or non-transparent lending arrangements to disguise the origin of funds. |
| Use of Real Estate for Terrorism Financing | Purchase of property to serve as a safe house or operational base for terrorist groups. |
| | Real estate used to generate rental income to fund terrorist activities. |
| Foreign Investment in Real Estate to Launder Money | Criminals purchase properties in highvalue real estate markets to move illicit proceeds across jurisdictions. |
| | Exploitation of weak AML controls in certain real estate markets. |
| Use of Real Estate for Sanctions Evasion and Proliferation Financing | Purchase of highvalue property in jurisdictions with lax AML/CFT regulations to move sanctioned funds. |
| | Use of front companies to obscure the involvement of sanctioned individuals or entities. |
| Lack of AML/CFT Compliance by Real Estate Professionals | Real estate agents, notaries, lawyers, and brokers may fail to conduct adequate customer due diligence (CDD) or report suspicious transactions. |
| | Inadequate beneficial ownership verification, especially for foreign buyers. |
| Structuring Transactions to Avoid AML Controls | Splitting large transactions into smaller ones to avoid reporting thresholds. |
| | Use of multiple intermediaries to create layers of transactions that obscure the true source of funds. |

Real estate can be exploited for **terrorism financing (TF)** and **proliferation financing (PF)** due to the high-value nature of transactions, the potential for anonymity through complex ownership structures, and the ability to store and transfer wealth in a relatively stable asset. Criminals, terrorist groups, and sanctioned entities may leverage real estate to obscure illicit financial flows, move funds across borders, or provide logistical support for illegal activities. Terrorist organizations and individuals may use real estate transactions to store, move, or generate funds that support their activities. Proliferation financing (PF) refers to the financial support of the proliferation of weapons of mass destruction (WMDs), often involving sanctioned entities, front companies, or state-sponsored actors seeking to evade restrictions.



Examples of Use of Real Estate for Terrorism Financing

Using Real Estate to Store and Move Illicit Funds

- **Laundering terrorist funds** through real estate purchases, disguising illicit proceeds as legitimate investments.
- **Using intermediaries, nominees, or third party buyers** to conceal ownership and the ultimate source of funds.
- **Purchasing properties in stable jurisdictions** preserve assets and avoid scrutiny in high risk regions.

Generating Income for Terrorist Activities

- **Rental income from real estate** can provide a steady stream of funding for terrorist organizations.
- **Using real estate as an operational front** (e.g., setting up businesses, guesthouses, or commercial spaces) to generate income that finances terrorist activities.

Safe Houses and Logistics for Terrorist Activities

- **Terrorists may purchase or rent property** for operational purposes, such as safe houses, recruitment centers, or meeting points.
- **Properties can be used to store weapons, explosives, or other illicit materials**
- **Real estate transactions** can facilitate the transfer of assets between terrorist organizations and their affiliates.

Examples of Use of Real Estate for Proliferation Financing

Concealing Assets for Sanctioned Entities

- **Proliferation networks may invest in real estate** using front companies or third parties to evade economic sanctions and hide illicit funds.
- **Sanctioned individuals or entities** may use proxies to purchase high value properties in jurisdictions with lax ownership disclosure requirements

Using Real Estate to Channel Illicit Proceeds

- Proliferators may **invest in real estate projects** to integrate illicit funds into the formal economy and fund WMD-related activities.
- **Overseas property investments** can facilitate the movement of funds across borders, making it harder for authorities to track financial flows.

Exploiting Loopholes in Real Estate Transactions

- **Cash-based property transactions** may allow proliferation financiers to avoid AML/CFT checks and move large sums undetected
- **Layering funds through multiple real estate transactions** helps disguise the illicit origins of financing.



4. Risk-Based Approach and Risk Assessment on Entity Level

Recommendation 1 of the FATF focuses on assessing risks and applying a risk-based approach. The implementation of a risk-based approach (RBA) is a dynamic process that involves identifying, assessing, and mitigating risks associated with money laundering (ML) and terrorist financing (TF). A risk-based approach necessitates the development of procedures that are proportionate to the assessed risk. Higher-risk areas should be subjected to enhanced procedures as determined through risk assessments. This involves implementing measures like enhanced customer due diligence and transaction monitoring. Areas identified as having a higher risk, such as specific customer segments such as politically exposed persons or high net worth individuals or types of transactions, should be subjected to enhanced measures and controls. This ensures that the level of scrutiny aligns with the identified risk level.

Real Estate Brokers must take a holistic approach to ML/TF risks, looking beyond individual clients to assess risks at a business-wide level. A Business Risk Assessment (BRA) is central to meeting AML/CFT obligations and should identify the most significant risks and corresponding measures to mitigate them.

Using insights from the BRA, Real Estate Brokers should develop AML/CFT policies and procedures tailored to address identified risks while ensuring compliance with legal and regulatory requirements.

The assessment should consider:

- Customers: Risk factors like client types (e.g., PEPs, High Net Wealth Individuals).
- Geographic areas: Jurisdictions with higher ML/TF/PF risks.
- Products and services: High-value luxury real estate, Cash purchases or purchase with cryptocurrencies
- Transactions: Unusual patterns or high-value activity.
- Delivery channels: Methods of delivery service, such as remote or non-face-to-face interactions.

The BRA must reflect the customer behaviors, transaction patterns, and potential exposure to ML/TF/PF risks. This ensures Real Estate Brokers can implement proportionate and effective risk-based controls to mitigate risks.



High-Level sources Real Estate Brokers can use for conducting Business Risk Assessment

- International guidance & typologies
- Country-level evaluation reports
- Black lists & grey lists
- Sanctions lists
- Topical risk assessments
- Kuwait National Risk Assessment
- Sectorial risk assessments
- Threat & risk assessments of other jurisdictions/
regions
- Communications by competent authorities
- Guidance published by MOCI
- Information from professional sectorial bodies
- Reports from media

Internal Sources for BRA

- Data on customers: numbers, residence, value of activity
- Data on beneficial ownership of customers
- Results of analyses of unusual & suspicious transactions
- Findings of internal or external auditors
- Volume of transactions
- Proportion of cash transactions
- Product range and characteristics
- Reports from compliance
- Exposure to customers active in higher-risk industries/sectors
- Size of the business
- Use of third parties
- Extent of non-face-to-face business



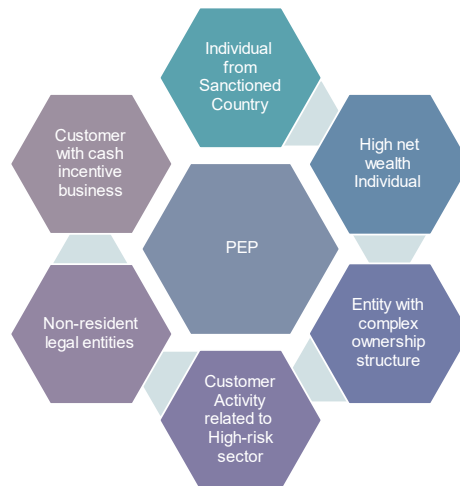
5. Customer Risk Assessment

Customer Risk Assessment (CRA) is a key part of the Risk-Based Approach. Real Estate Brokers must identify and manage risks arising from customer relationships, especially with higher-risk clients. A clear and categorical CRA helps classify customers by risk level and apply appropriate measures to reduce those risks. Key risk factors in a CRA include:

- **Geographic Risk:** Customers linked to higher-risk countries (e.g., through citizenship, residence, or business) may pose greater ML/TF risks.
- **Customer Risk:** Clients like Politically Exposed Persons (PEPs) or High Net Worth Individuals often require enhanced scrutiny.
- **Product Risk:** real estate products that are more vulnerable to misuse for money laundering or financing of terrorism.
- **Transaction Risk:** Cash payments, anonymous methods.

By categorizing customer risks effectively, Real Estate Brokers can focus resources on high-risk customers and apply appropriate controls to mitigate potential ML/TF/PF threats.

High Risk Customers Examples



Customer risk should be assessed for all customers with whom the Real Estate Broker establishes a business relationship or conducts transactions above the specified threshold KWD 3000. This threshold applies to either a single transaction or to several transactions which appear to be linked.



6. The Compliance Officer

Appointment of Key Officers Subject to the size and nature of their business, Real Estate Brokers are required to appoint a Compliance Officer (CO). The Real Estate Broker must ensure that the CO:

- (a) has timely and unrestricted access to the records of the agent;
- (b) has sufficient resources to perform his or her duties;
- (c) has the full co-operation of the agent's staff;
- (d) is fully aware of his or her obligations and those of the agent; and (e) reports directly to, and has regular contact with, the Board (where applicable).

7. Policies and Procedures

Real Estate Brokers should devise and implement a clear and well-articulated policy and procedure for ensuring that relevant employees are aware of their legal obligations with respect to the prevention of ML/TF. The policies and procedures should be approved by senior management. The policies should, at minimum, define:

- Real Estate Broker's Risk-Based Approach
- Customer Due Diligence measures
- Description of high-risk scenarios when EDD is required. Nature and extent of EDD measures to be taken
- Identification of Politically Exposed Persons
- Procedure to be followed when a customer is identified as high-risk
- How and when senior management approval in relation to high-risk customers will be sought and provided
- Identification and reporting of Suspicious Transactions
- Procedure for implementation of Targeted Financial Sanctions.

Furthermore, real estate brokers should be able to distinguish between different types of documents, as each serves a distinct purpose in ensuring effective compliance and AML/CFT Risk management.

- a) Procedures outline the step-by-step processes that govern the day-to-day operations of the business, providing detailed instructions on how tasks should be performed to ensure consistency and adherence to regulatory requirements.
- b) Policies establish the overall expectations, standards, and ethical principles that guide the business, defining the framework within which employees must operate to maintain integrity and compliance.
- c) Controls are mechanisms or tools implemented by management to enforce compliance with established policies and procedures, serving as safeguards to monitor, detect, and prevent deviations from regulatory and internal requirements.



Together, these elements form a structured compliance framework that enables real estate professionals to effectively manage risks, uphold AML/CFT obligations, and maintain a transparent and well-regulated operational environment.

8. Customer Due Diligence (CDD)

The outcome of the business risk assessment and customer risk assessment must be used by the Real Estate Broker sector to determine the extent of measures that are required for CDD purposes. CDD is a crucial element of AML/CFT compliance in the Real Estate Broker industry.

Customer Due Diligence (CDD) must be conducted at the appropriate level when an individual seeks to carry out an occasional transaction or activity. Similar to the requirements for establishing a business relationship, CDD must be performed on the customer, any beneficial owner associated with the customer, and any individual acting on their behalf. This ensures that all relevant parties involved in the transaction are properly identified and verified in accordance with regulatory obligations.

The Customer Due Diligence (CDD) process consists of two key stages: obtaining information and verifying information. The first step involves collecting specific details from the customer, which will vary based on the type of customer and whether simplified, standard, or enhanced CDD is required, as outlined in paragraph [51]. The second step requires verifying the information obtained, ensuring that appropriate measures are taken to confirm its accuracy. The depth of this verification process depends on the risk level associated with the customer or transaction. For low-risk customers, verification procedures may be less extensive, while for high-risk customers, transactions, or circumstances, a more rigorous and thorough verification process must be undertaken to mitigate potential risks effectively.

The Risk-Based Approach guides CDD implementation, tailored to the customer's risk profile, business relationship, or transaction nature. Customers should be assessed by the Real Estate Broker to determine the appropriate level of due diligence to apply based on the risk profile of that customer. Therefore, customers may be subjected to various levels of due diligence checks depending on their risk profile. Higher risk customers should be subject to enhanced due diligence measures while low risk customers may be subject to lower due diligence measures.

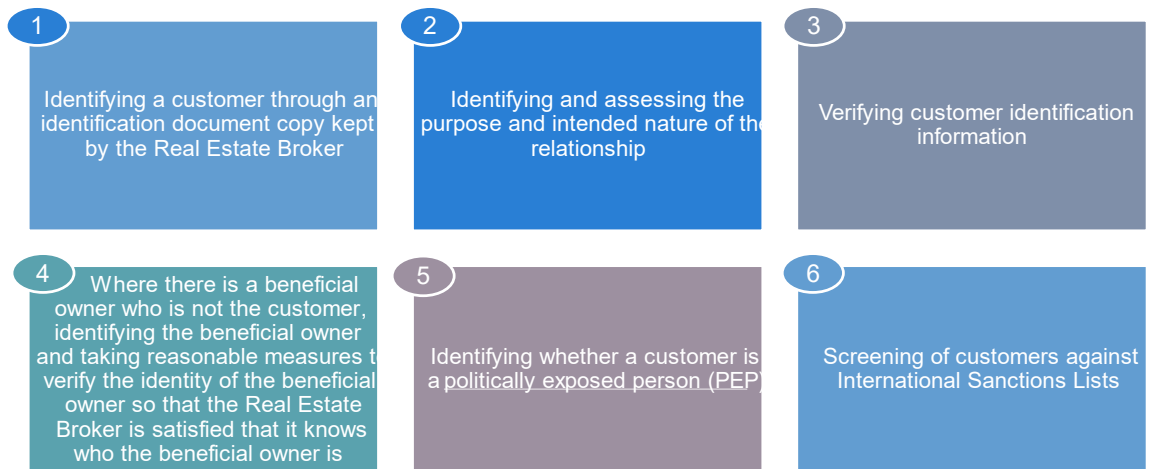


CDD is required in the following circumstances;

- ❖ When establishing a business relationship
- ❖ Where there is a suspicion of money laundering or terrorist financing
- ❖ Where there is a doubt regarding the veracity or adequacy of documents or information previously obtained for the purposes of identification or verification
- ❖ Where the customer undertakes occasional transactions exceeding 3,000 KWD, whether the transaction is executed in a single operation or in several operations that appear to be linked.

A business relationship for a Real Estate Broker refers to a relationship that extends beyond a single, isolated transaction. It involves multiple interactions where the agent provides real estate-related services over a period of time, requiring continued due diligence and monitoring under AML/CFT obligations.

List of CDD Measures for Real Estate Brokers



Identification information for a customer natural person includes

- ❖ Full name
- ❖ Residential address (including country of residence)
- ❖ Date of Birth, and
- ❖ Country of citizenship



Options for documentary verification include:

A government-issued ID with a photo showing their name and either their current residential address

A Real Estate Broker is expected to maintain copies of customer identification documentation.

Identification and Verification of Legal Entities and Legal Arrangements

To identify a legal entity, the following information is required:

1. Full name of the entity
2. Registered number (if applicable)
3. Registered address in the country of incorporation
4. Business address (if different from the registered address)
5. Names of all Executive Directors (e.g., Chairman, CEO, CFO, COO) and individuals exercising control over the management of the company
6. Names of individuals who own or control 25% or more of the shares or voting rights

Verification of a legal entity information

1. Obtain evidence of identification information from an independent and authoritative source (e.g., documentary proof of two directors or partners, including the person providing instructions).
2. Consider obtaining a certified copy of any corporate registration documents.
3. Use publicly available, professional, or trade information for well-known or long-established entities.

Control and Ownership

- If no Ultimate Beneficial Owners (UBOs) of 25% or more exist, Real Estate Brokers must still understand the entity's ownership and control structure.
- Obtain an understanding of the overall control and ownership structure and verify the information based on the risk level of the entity.

Identifying and assessing the purpose and intended nature of the relationship.



In case of sale/purchase of real estate, Real Estate Broker should seek to understand all aspects of the transaction, including undertaking appropriate due diligence on the parties involved in line with regulatory requirements, and understanding the source of funds/source of wealth used.

When Real Estate Brokers assist in setting up a company, Real Estate Brokers must gather sufficient information to understand why the company is being formed and how it will operate. Steps to Identify the Nature and Purpose of the Business:

1. Understand the Client's Intent
 - o Ask the client about the reason for setting up the company (e.g., trading, holding assets, investments).
 - o Document the intended business activity, operations, and objectives.
2. Collect Company Details
 - o Verify the proposed company name, type (e.g., LLC, partnership), and jurisdiction.
 - o Obtain the company's Articles of Association or other formation documents to confirm its stated purpose and governance structure.
3. Assess the Source of Funds
 - o Request details on the origin of the funds used to set up the company and its initial capital.
 - o Ensure the funds are legitimate and proportionate to the client's profile.

Inability to Conduct CDD

When CDD cannot be completed, the attempts to obtain CDD should be duly documented, as should the reasons for the inability to complete the processes, such as the customer's lack of answer to information requests. Where the Real Estate Broker is unable to complete or apply the required CDD measures in relation to a particular customer, Real Estate Brokers should not provide services until CDD is completed or act in accordance with AML/CFT law.

The Real Estate Broker should note that a customer's non-cooperation during the CDD process could potentially indicate ML. Therefore, in each such case, the Real Estate Broker's staff, particularly the frontline operational teams, should assess whether red flags are present. If the indication exists for filing an STR, an STR should be filed even in case of refusal of further services.



9. Enhanced Customer Due Diligence

In higher risk situations, Real Estate Brokers are required to implement enhanced customer due diligence (EDD) and ongoing monitoring measures to address money laundering and terrorist financing risks. In line with the risk-based approach, EDD consist of additional measures which the Real Estate Broker undertakes to address any heightened customer risk factors. It should be noted that EDD is not a substitution for the CDD process. It is applied in addition to CDD measures. Enhanced measures are mandated in specific cases, as provided for in AML/CFT Law and Instructions **but also** where the Real Estate Broker has assessed that the risk of ML or TF is higher including, for example:

- High-Risk Countries: In any business relationship with a customer from a high-risk country or related transactions involving parties residing in such countries.
- Politically Exposed Persons (PEPs): When a customer is identified as a PEP or associated with a PEP.
- Complex or Unusually Large Transactions: In transactions with complexities, unusual size, patterns, or no apparent economic purpose.

Enhanced Due Diligence

EDD on Customer

- Objective is to gain a deeper understanding of the client's profile, transaction patterns, and risk factors

EDD on Transaction

- Objective is to establish the purpose of the transaction, economic rationale, and consistency with declared activity

For **high-risk countries**, enhanced measures include obtaining additional information on customers, details about the business relationship, sources of funds/wealth, and negative media screening. Approval from senior management is required, along with intensified monitoring.

PEP Customers

In relation to Politically exposed persons, Real Estate Brokers are required, on a risk-sensitive basis, to:



- a) Have in place appropriate risk management systems and procedures to determine whether a customer (or the beneficial owner of a customer) is a PEP, or a family member or known close associate of a PEP
- b) Have approval for establishing or continuing a business relationship with such persons
- c) Take adequate measures to establish the source of wealth and source of funds that are involved in the proposed business relationship or transaction with such persons
- d) Where a business relationship is entered into, conduct enhanced ongoing monitoring of the business relationship with such persons.

The PEP regime in Kuwait applies to all PEPs, both domestic and foreign.

Pursuant to the AML/CFT Law 106/2013, a PEP is defined as an individual who currently holds or has previously held prominent public positions, who has been entrusted with high-level responsibilities in the State of Kuwait or a foreign country, or who has held senior administrative positions in international organizations, including their family members.

These are individuals who have or had a high political profile or have held political positions that give them the potential to be exposed to corruption. As such, politically exposed clients are classified as high-risk individuals from an anti-money laundering and counter-terrorism financing (AML/CFT) perspective. Real estate brokers should note that the PEP could be a customer or the beneficial owner of a legal entity that is the customer. There is a risk that corrupt PEPs may use legal entities to obscure their identity by being the beneficial owner of the client in order to distance themselves from transactions, and to access the financial system undetected.

In line with the FATF standards and AML/CFT Law, real estate brokers are required to implement appropriate **risk management systems** to determine whether a customer, beneficial owner, beneficiary or controlling person is a PEP. In this respect, and in line with the nature and size of their business, real estate brokers should take the following (non-exhaustive) measures:

- a) Ensure the customer completes an identification questionnaire, which requires customers to identify themselves or their beneficial owners if they meet (or cease) the definition of a PEP. Entities should note however, that this self-declaration form is only intended to assist the entities in identifying PEPs, and it does not in itself fulfil the obligations on real estate brokers in relation to PEPs.



- b) Implement AML/CFT screening systems which screen customer and transaction information for matches with known PEPs. Depending on the nature, size and complexity of the financial institution, such screening systems should be automated.
- c) Conduct background checks as part of CDD procedures using tools such as manual internet search protocols; public or private databases; publicly accessible or subscription information services; commercially available background investigation services.

Classification of a customer as a PEP should take place at the customer onboarding stage and prior to the commencement of the business relationship. Under Article 17 of the AML/CFT Law, real estate brokers are required to have effective risk management systems (as outlined above) in place to determine whether a customer or beneficial owner is a PEP.

For **complex or large transactions**, EDD measures include:

- a) Examining the background and purpose of the transaction
- b) Increasing the degree and nature of monitoring the business relationship in which the transaction is made to determine whether the transaction or relationship appears suspicious.

Identification of the source of funds and source of wealth

When dealing with high-risk customers or high-risk transactions, real estate brokers must verify both the source of funds (SoF) and the source of wealth (SoW), recognizing that these are distinct concepts essential for effective due diligence and risk assessment. The source of funds refers to the specific origin of the money used for a particular transaction, such as purchasing real estate. It is a narrower concept, focused solely on the immediate source of the funds, and goes beyond simply identifying the financial institution handling the transaction. Brokers must assess how and from where the client obtained the money, whether from a bank loan, personal savings, an investment liquidation, or a business transaction. On the other hand, the source of wealth is a broader concept that encompasses the overall origins of a client's total assets or net worth. It involves understanding the economic, business, or investment activities that contributed to the accumulation of wealth, which may evolve over time. Brokers should assess income streams that built the client's financial standing, such as whether wealth was accumulated through successful business operations, long-term investments, real estate holdings, or inherited assets.



This distinction is critical because in high-risk cases, merely verifying where the money for a specific transaction came from (SoF) is not sufficient; it is equally important to assess the legitimacy of the client's overall financial standing (SoW). By understanding both SoF and SoW, brokers can detect potential financial crime risks, ensure compliance with AML/CFT regulations, and strengthen transparency in real estate transactions.



Difference Between Source of Funds and Source of Wealth

Source of Funds

Activity that generated the particular funds for a business relationship or occasional transaction.

Amount being invested/deposited/or wired as part of Business Relationship

Establishment should cover the provenance of such funds and not only Institution from which the funds will be received

Source of Wealth

Size of wealth of the customer

Picture of how the individual acquired such wealth

How the total net wealth of the customer or beneficial owner has been generated

In lower risk cases it may be sufficient to obtain information regarding the source of wealth from the customer directly. However, in high-risk scenarios verification proportionate to the risks posed by the client, transaction, or business relationship is required. Verification should involve obtaining evidence from the client and/or independent sources, assessing whether the wealth aligns with the client's profile, and documenting all actions, findings, and rationale. In complex cases where original sources of wealth are unclear, reasonable efforts must be made to gather and review relevant information, including jurisdictional risk, adverse media, or PEP status.

Obtaining documents such as bank statements, wills, complete pay slips, audited financial accounts detailing disbursed funds, sales or purchase agreements, transaction receipts, or similar records can assist in verifying the source of funds. Identifying income derived from share capital, business activities, inheritance, or gifts can be used to obtain information regarding source of funds and wealth.



10. Ongoing Monitoring

Real Estate Brokers must continuously monitor customer relationships and transactions beyond the initial identification. Ongoing monitoring serves a dual purpose: firstly, to ensure the information and documents are up-to-date; secondly, to scrutinize transactions throughout the relationship, aligning them with the Real Estate Broker's understanding of the customer's risk profile.

Through monitoring client transactions and activities, Real Estate Brokers can:

- Identify behaviors or transactions that deviate from the usual pattern, do not match the client's profile, or are inconsistent with what is normally expected.
- Detect suspicious activity that may require filing a Suspicious Transaction Report (STR) with the relevant authority.
- Assess whether the initial client risk assessment needs to be updated based on new information or unusual activity.

Ongoing Monitoring Examples



Making further enquiries to obtain any further information required to enable a determination as to whether the activity/transaction has a rational explanation and;



Considering the activity or transaction in the context of any other relationship connected with the client.



Updating CDD information to record the results of the enquiries made.



Reviewing the appropriateness of the client risk assessment in light of the unusual activity and/or additional CDD information obtained.



Applying increased levels of monitoring to particular relationships .



Where the activity or transaction does not have a rational explanation considering whether the circumstances require a suspicious activity report.



11. Suspicious Transaction Reporting

Real estate brokers have a critical responsibility in identifying and reporting suspicious transactions as part of their AML/CFT compliance obligations. They must remain vigilant in detecting potential money laundering (ML), terrorism financing (TF), and proliferation financing (PF) risks by conducting thorough customer due diligence (CDD), verifying source of funds and source of wealth, and assessing unusual transaction patterns that may indicate illicit activity. If a transaction appears suspicious—such as a complex ownership structure, rapid flipping of properties, use of large cash payments, or transactions involving high-risk jurisdictions—brokers are required to file a Suspicious Transaction Report (STR) with KwFIU. This process must be conducted promptly and confidentially, ensuring that the client is not tipped off (tipping-off prohibition) about the report. Additionally, brokers must maintain records of suspicious transactions, including supporting documents, to facilitate potential investigations. They are also expected to cooperate with authorities, provide further information when required, and stay informed about emerging ML/TF typologies through regular training. Key Responsibilities include:

- a) Identify Suspicious activities. Monitor client transactions for anomalies, such as unexpected large transfers, rapid movement of funds, or activities that don't align with the client's stated business or financial situation.
- b) File Suspicious Transaction Reports (STRs) - When a transaction raises suspicion, promptly file an STR with the KwFIU.
- c) Ensure that the report is detailed, accurate, and submitted within the required timeframe.
- d) Avoid informing the client or any third party about the report to prevent "tipping off," which is prohibited by law.
- e) Keep comprehensive records of all transactions, client communications, and the rationale for filing or not filing an STR.
- f) Retain these records for 5 years.



12. Targeted Financial Sanctions

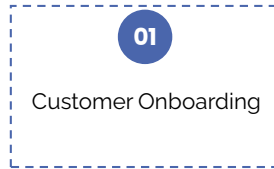
Real estate brokers, as Designated Non-Financial

Businesses and Professions (DNFBPs), are required to implement Targeted Financial Sanctions (TFS) measures in accordance with legal and regulatory obligations. These measures are essential in preventing the misuse of real estate transactions for money laundering (ML), terrorism financing (TF), and proliferation financing (PF). To ensure compliance with Article 35 of the Ministerial Decision 8 of 2025, real estate brokers must undertake the following key actions:

- a) Real estate brokers must regularly and continuously monitor updates to designation lists issued by the Special Committee, the United Nations Security Council (UNSC), and its Sanctions Committees. This includes screening their customer databases, beneficial owners, business relationships, and transactions against designated persons and entities whenever new listings or updates are issued. Any match identified during the screening process must be promptly reported to the Special Committee, particularly if a current or former client, business associate, or any party attempting to engage in a transaction is found to be a designated person or linked to frozen funds or economic resources under Article 20 of the Ministerial Decision 8 of 2025. Brokers must strictly adhere to the prohibition on tipping off, ensuring that the designated person or any third party is not informed of the freezing measures being implemented. They must fully cooperate with the Special Committee in providing information or clarifications required for verifying designation matches.
- b) To ensure ongoing compliance, brokers must develop and implement internal policies, procedures, and controls that align with TFS obligations, including automated or manual screening protocols, employee training, and escalation procedures for potential designation matches. Furthermore, brokers are encouraged to subscribe to the Special Committee's automatic alert system to receive real-time updates on designation changes, ensuring immediate action when new sanctions are imposed.



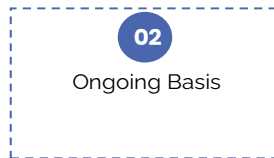
Screening Process



Customer Screening Should Include

- Screening of the full name of the natural person
- In legal entities: Name of the beneficial owners, directors, intermediary entities within the Ownership Structure, Counterparties, any third persons (agents, representatives, etc).
- **Sanctioned** – If the customer is an UN -sanctioned person or entity.
- **Entities owned by UN -sanctioned persons** – During the CDD process, UBO of such entities and screen them against the TFS lists is mandatory.
- **Customer business activities** – Customers producing proliferation -sensitive goods can pose PF risk.
- **Geographic** – customers' locations (residence and business place).

Screening Process



- Additional Designations
- Screening of customer base against updated lists
- Update of lists – manual/automatic

Screening against the relevant sanctions lists should be done during the client onboarding process, on an ongoing basis, and when the UNSC adopts new TFS measures or expands existing ones—including adopting a new sanction regime under Chapter VII of the UNSC



13. Record Keeping

Real Estate Brokers should maintain records for 5 years in compliance with AML/CFT law. Record-keeping involves creating full and accurate records and storing and managing them. The records subject to record-keeping requirements include:

- a) Customer identification and verification information and supporting records regarding business relationships should be maintained. This also includes screening logs to identify whether the customer is a PEP or screening against International Sanctions Lists. Any negative information identified regarding the customer through internet-based searches, communication with the customer, and information/documents provided by the customer should also be maintained as part of the customer KYC file.
- b) Information or other material concerning possible ML/TF not acted upon by the Real Estate Broker, with reason for no further action.
- c) Transaction Records.
- d) Suspicious Transactions Reported and internal analyses related to the transaction.
- e) Employee training records.
- f) Contact between the Real Estate Broker and the relevant authorities.

14. Training

Real Estate Brokers must ensure that all pertinent employees undergo AML/CFT training commensurate with their responsibilities. The training should impart awareness of ML/TF risks in the legal Sector in general and internal procedures specific to fulfilling AML/CFT obligations. Key training topics include:

- a. The vulnerabilities of the legal sector to ML and TF.
- b. Specific requirements related to CDD, circumstances which CDD is required, and the information which should be requested from a customer.
- c. Existing procedure for identification of PEPs.
- d. Description of EDD measures applicable to high-risk customers
- e. Identifying unusual transactions and red flags to consider when detecting and reporting suspicious activities.



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| AML/CFT Policies and Procedures | <ul style="list-style-type: none">• Overview of internal controls, policies, and procedures designed to prevent money laundering and terrorist financing (ML/TF). |
| Key compliance measures, | <ul style="list-style-type: none">• Customer identification and due diligence (CDD/KYC) requirements.• Record-keeping obligations and data retention policies.• Recognition and reporting of suspicious transactions to relevant authorities. |
| Legal and Regulatory Requirements | <ul style="list-style-type: none">• Reporting obligations (Suspicious Transaction Reports–STRs).• Compliance with sanctions and asset freezing measures.• Obligations for Politically Exposed Persons (PEPs) and highrisk clients. |
| Understanding ML/TFPF Risks | <ul style="list-style-type: none">• Identifying sector-specific vulnerabilities that make real estate attractive for ML/TF.• Recognizing red flag indicators in property transactions for ML/TF/PF.• Assessing risk exposure of the business and implementing riskbased approaches. |
| Penalties and Consequences of Non-Compliance | <ul style="list-style-type: none">• Administrative, civil, and criminal penalties for AML violations.• Reputational damage and financial consequences of AML/CFT breaches. |
| Handling High Risk Clients and Transactions | <ul style="list-style-type: none">• How to identify and react to potentially suspicious behavior.• Steps to take when encountering unusual transactions or highrisk clients.• The process for escalating concerns and filing Suspicious Transaction Reports (STRs). |
| Roles, Responsibilities, and Accountability of Employees | <ul style="list-style-type: none">• Individual responsibilities of real estate brokers, compliance officers, and staff in preventing ML/TF.• Expectations regarding compliance with internal policies and regulatory obligations.• The importance of maintaining professional integrity and ethical conduct. |
| Emerging Trends and New Developments in ML/TF | <ul style="list-style-type: none">• Updates on current typologies, methods, and techniques used in money laundering and terrorist financing. |
| Emerging threats, such as: | <ul style="list-style-type: none">• Cryptocurrency-related real estate transactions.• Sanctions evasion tactics through real estate investments.• Use of complex corporate structures to obscure ownership |

Example
of Training
Program
Content

Key
Topics to
be
Covered



CDD Check List for Real Estate Brokers

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| Identification of a customer | Collect and verify the full name, address, and date of birth of the client (for individuals). Obtain and verify corporate details such as registration number, name, address, and directors (for entities). Check the ownership structure to identify beneficial owners (for legal entities and trusts). Determine the client's legal capacity to enter into contracts and transactions. |
| Verification of Identity of a Customer | Use reliable and independent sources to verify the information provided by the client 1. Individuals : Government-issued ID (passport, driver's license, national ID card). 2. Legal Entities: Certificate of incorporation, articles of association, and proof of address. Ensure the documents are valid and up to date. |
| Purpose and Nature of Business Relationship | 1. Identify the purpose and intended nature of the business relationship or transaction. 2. Understand the source of funds and source of wealth (especially for high-risk customers). 3. Document the expected activity or engagement. |
| Customer Screening | Screen the client, beneficial owners, and related parties against: 1. National and international sanctions lists. 2. Politically Exposed Persons (PEPs) databases. 3. Document the results and any additional steps if matches are found 4. Document date and time of Screening |
| Customer Risk Assessment | Evaluate the client's risk level Apply enhanced due diligence for high risk customers |
| Record-Keeping | Maintain copies of all documents obtained for CDD purposes for at least five years: 1. Identification documents . 2. Risk assessment records. 3. Transaction monitoring reports. 4. Any correspondence related to the client relationship |

EDD Check List for Real Estate Brokers

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| Obtain Information regarding the activity of the Customer | <ul style="list-style-type: none"> Determine the specific reason the client is engaging your legal services (e.g., setting up a company, managing a trust, property transactions, litigation). Identify the nature, scope, and scale of the client's intended activities within the relationship. Record the client's stated purpose for transparency and to establish a baseline for monitoring unusual activity. Collect details about the client's business operations, industries involved, and typical transaction patterns. Confirm the client's activity through supporting documentation, such as contracts, invoices, financial statements, or public records. |
| Obtain information about Source of Funds | <ul style="list-style-type: none"> Establish the origin of funds or the reason for the funds having been acquired. Establishing the origin of funds should not be limited to knowing from which financial institution the funds may have been transferred. Assess, on an ongoing basis, whether the business relationship is consistent with the customer's profile, the nature of the services provided, and the entity's understanding of the customer's and beneficial owner's source of wealth. |
| Obtain information about Source of Wealth | <ul style="list-style-type: none"> Understand a broad picture of the Customer's total wealth and how such wealth was acquired over time (information can be directly obtained from a customer or obtained via public sources) Request Documentary Evidence where there are doubts about the veracity of specific information provided by the Customer or where the risks are higher (e.g., PEP from Jurisdiction with high corruption risks.) Assess the legitimacy and reasonableness of the customer's wealth. |
| Verify SoF and SoW | <ul style="list-style-type: none"> Information from a reliable public or private third-party source Information from financial statements that have been prepared and audited in accordance with generally accepted accounting principles Documents issued by a government Authority or a court or local authorities Documents issued by entities/professionals subject to AML/CFT supervision |
| Perform Deeper Screening | <ul style="list-style-type: none"> Conduct enhanced screening against sanctions, watchlists, and adverse media. Investigate connections to known entities or individuals involved in financial crimes. |

Director of the AML-CFT Department :

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