



MOCI SECTORAL RISK ASSESSMENT 2025 –

PRECIOUS METALS & STONES SECTOR

REAL ESTATE SECTOR

CURRENCY EXCHANGE SECTOR

Executive Summary

Introduction and goals of sectoral risk assessment

This document contains the Executive Summary of the Sectoral Risk Assessment for Money Laundering (ML) and Terrorist Financing (TF) risks in sectors under the supervision of the Ministry of Commerce and Industry (MOCI) of the State of Kuwait.

In 2024, the State of Kuwait underwent an external assessment of its entire regime for anti-money laundering, counter-terrorist financing and proliferation financing (AML/CFT/CPF) measures, under the fourth round of mutual evaluations by the Financial Action Task Force (FATF) and MENAFATF.

Under Immediate Outcome 3 of the mutual evaluation report (MER), focused on AML/CFT supervision, FATF & MENAFATF acknowledged that MOCI is in the process of implementing risk-based supervision and has achieved a developing understanding of ML/TF risk in the sectors under its supervision. However, the international evaluators also concluded that MOCI did not yet demonstrate a fully adequate understanding of risks and did not yet apply a sufficiently strong risk-based approach to supervision of the sectors under its remit. Therefore, FATF & MENAFATF recommended that: *"MOCI should enhance its understanding of ML/TF risk, especially TF risk, in the sectors it supervises. MOCI should apply this understanding to determine the entity-level ML/TF risk presented by its supervised population."*

In response to the evaluation, and in line with the dedicated efforts that all Kuwaiti authorities have made to implement all of the FATF/MENAFATF recommendations under the stewardship of the National AML/CFT Committee, MOCI has undertaken significant actions. Notably, MOCI has restructured its AML/CFT Department in order to build up and guarantee adequate resources and expertise for AML/CFT supervision. In order to enhance MOCI's understanding of ML/TF risk presented by its supervised population, one of the first main activities undertaken by the restructured AML Department has been the development of a 2025 Sectoral Risk Assessment (SRA) for the sectors under MOCI's AML/CFT supervision.

The results of the SRA inform the prioritisation and planning of MOCI AML/CFT activities, such as on-site inspections, off-site monitoring, outreach and guidance, and enhanced cooperation with other competent authorities under the umbrella of Kuwait's National AML/CFT Committee.

MOCI will ensure that its inspections and other supervisory activities target those subsets of the sectors and individual entities on a risk-sensitive basis, to ensure that supervisory resources are applied where they add most value. Going forward, the present SRA is an important source of information to guide MOCI's allocation of supervisory resources on the basis of risk.

It should be highlighted that the SRA focuses particularly on the risks in the sectors of Dealers in Precious Metals and Stones (DPMS) and Real Estate Brokers (REBs). As to Currency Exchange Organisations, since the time of the mutual evaluation, there have been major developments, whereby MOCI has been phasing out the existence of this sector. These developments are analysed and described in a separate section of this document and are being closely monitored by MOCI.

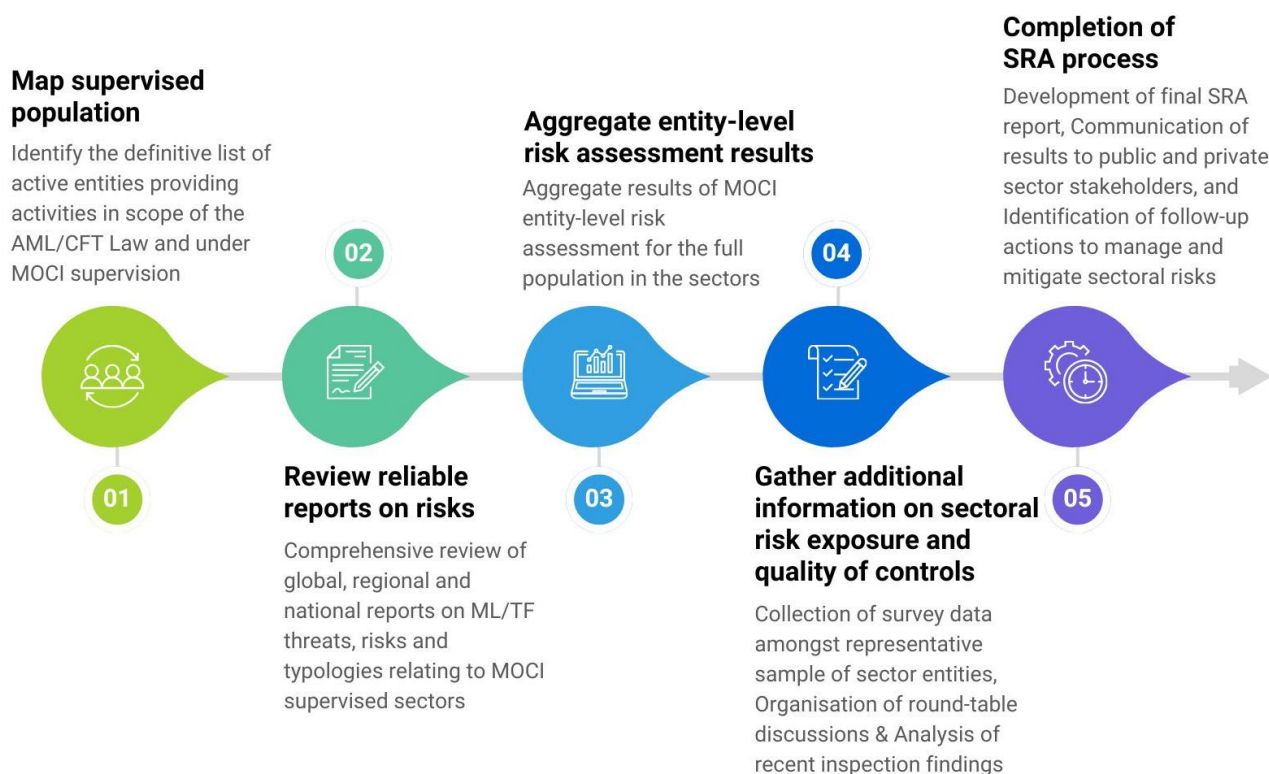


Methodology of sectoral risk assessment

The Risk and Data Analysis Team within MOCI's AML Department was responsible for coordinating the SRA process. The process was undertaken in close cooperation with other teams within the Department, other Departments within MOCI, and other authorities represented at the National AML/CFT Committee. Private sector input was organised through surveys and round-tables.

The SRA process was initiated in Q4-2024 and finalised in Q2-2025, and was conducted in five main steps. The SRA process was closely linked to the development of entity-level risk assessment. Between step 2 and step 3, the SRA process was paused to allow for the development of new MOCI entity-level risk assessment models (MERAs) and surveys for each sector, informed by the enhanced identification and understanding of sectoral risks gained through the first steps. In turn, the aggregated results of the MERA models and survey exercise further enhanced the sectoral risk assessment. The image below summarises and visualises MOCI's SRA process:

MOCI SECTORAL RISK ASSESSMENT PROCESS



Mapping of the supervised population within the sectors

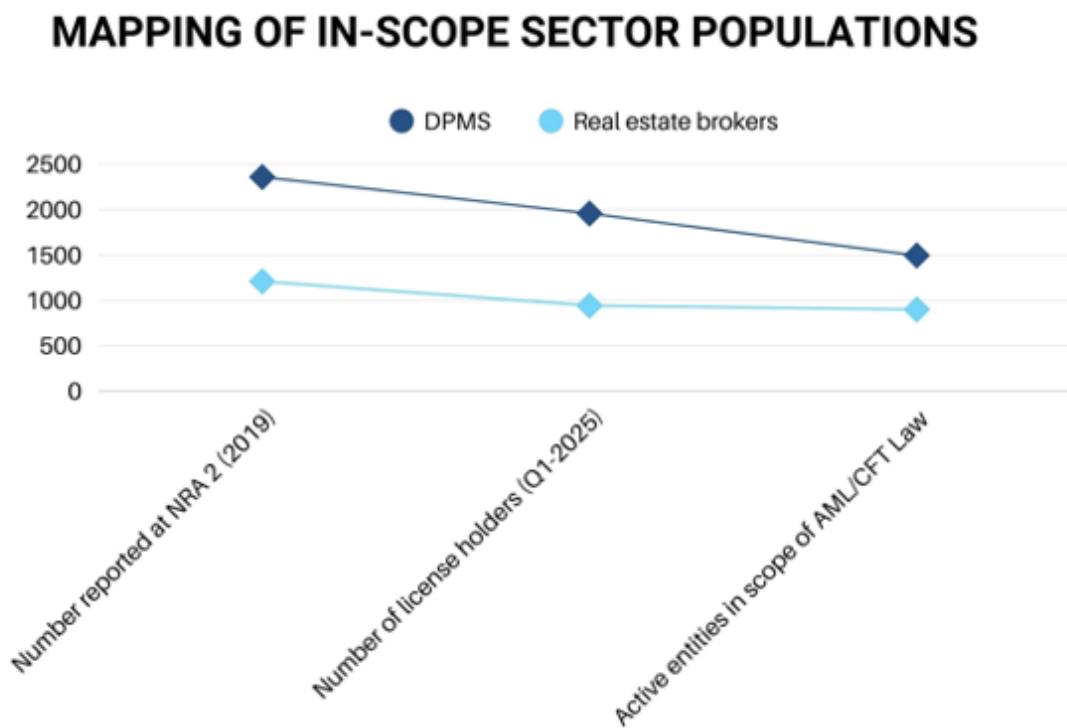
As a first step in the SRA process, MOCI carried out a comprehensive exercise to determine the exact size and composition of the populations in the sectors under its AML/CFT supervision following the time that has passed since NRA 2 (based on data up to 2019). The mapping is complicated by the fact that many entities in Kuwait have licenses for activities which they do not actually perform in practice. Therefore, the mapping made use of information from multiple sources, including the Commercial Register, Licensing Department, open-sources checks and insights from inspections of the AML Department and Commercial Control Department.

NRA 2 counted 1211 practitioners of the brokerage profession in terms of renting, lands, selling and buying lands and real estate. A large exercise recently took place whereby MOCI removed licenses of brokers which did not comply with the demands of the enhanced regulatory framework¹ or which had been inactive for this activity for a long time. These developments led to a decrease in the sector, whereby, as of April 2025, there are 944 license-holders with a license for real estate brokerage, out of which 901 entities are determined to active engage in brokerage activities for sales and purchase transactions, hence fall in scope of the AML/CFT Law and MOCI AML/CFT supervision.

As to the population of Dealers in Precious Metals and Stones, the sector has demonstrated mixed trends since the time of NRA 2. The number of DPMS companies and establishments decreased from 2361 to its lowest point of 1725 in 2022, whereafter an increasing trend occurred to 1960 license-holders as of the end of 2024. For the purpose of the SRA and the completion of the MOCI Entity-level Risk Assessment for DPMS (MERA-DPMS), MOCI mapped the actually active entities amongst the total number of 1960 license holders and arrived at the number of 1497.

¹ Ministerial Resolution No. 208 of 2024, amending Ministerial Resolution No. 164 of 2020.

The graphs below visually reflect these developments. MOCI will keep the composition of the population of real estate brokers and DPMS under close monitoring.



Assessment of ML/TF threats associated to the real estate and DPMS sectors

Recalling NRA 2 results

NRA 2 assigned a Medium-Low ML threat rating to the DPMS sector and a Medium-High ML threat ratings to the real estate sector.² The Medium-Low ML threat rating for the DPMS sector was mainly justified on the basis that there were a relatively limited number of law enforcement procedures (4 trials and 2 convictions for money laundering) involving transactions through the precious metals and stones sector during the period under review. In comparison, the real estate sector featured in a relatively high number of ML cases, namely 25 investigations, 12 trials and 7 convictions.

As to TF threats, Kuwait has assessed its TF risk in NRA 2 to be low, primarily on the basis of the low number of TF prosecutions and convictions in Kuwait. Although there was no sector-by-sector rating of TF threats, it is noted that the real estate sector and DPMS sector did not feature amongst the main sectors identified by the authorities as vulnerable to TF risk. Exchange companies under MOCI's supervision were however flagged, due to the fact that some owners of exchange institutions, whose sole function should be exchange of currencies, add another activity, namely hawala, whereby some cases were identified of defendants exploiting this activity to illegally transfer money to terrorist organizations in return for a financial benefit.

The ML threat assessment of Kuwait's NRA faced a number of criticisms from the international experts of FATF and MENAFATF, including the fact that threat levels were determined based largely on prosecution and conviction data. The evaluators also feared that the NRA underestimated the overall TF risks the country faces, including in relation to cross-border threats.

² Based on a 5-point rating scale of Low; Medium-Low; Medium; Medium-High; High.



In response, Kuwait's National AML/CFT Committee has coordinated updates to NRA 2 in the course of 2024-2025, including an updated ML Threat Assessment, an updated TF Risk Assessment, and a specific cross-border ML/TF Risk Assessment.

Updated findings on ML threats faced by the sectors, including cross-border threats

The updated 2025 ML Threat Assessment (ML TA), based on a wide range of sources, assessed Kuwait's overall domestic threat level for ML as High and cross-border threat level as Medium-Low. In terms of predicate offenses generating proceeds, the ML TA assessed that the highest ML threats emanate from fraud and bribery, corruption and other public funds offences, and drug trafficking. Cross-border threats mostly emanate from the Kingdom of Saudi Arabia (KSA), United Arab Emirates (UAE) and Egypt, following by Iraq, Türkiye and Jordan.

As to the sectors, the ML TA confirmed that the banking, remittances and real estate sectors are most exposed (rated at **High** level). Lesser but still substantial threats are posed by the acquisition of Jewellery/DPMS (rated at **Medium-Low** level).

The ML TA notes that luxury goods such as high-value watches are exactly the type of assets that criminals seek to acquire, and that it is thus not surprising that the purchase of items such as these do feature in ML cases, and are commonly seized and confiscated by the PPO.

For the real estate sector, statistics and case studies provided by the Kw|FIU and law enforcement authorities show that funds derived from actual or suspected criminal activity are frequently used to purchase real estate outright or to make improvements to or contribute to the maintenance of property. The ML TA further highlights that the property purchased by launderers does not necessarily need to be located in Kuwait, finding several case studies involving foreign purchases as well as cross-border fund transfers which may have led to property investments abroad.

Participants in private sector outreach conducted for the ML TA (November 2024) also rated the real estate sector as one of the most commonly exploited for ML purposes, after the banking sector and equal to the remittance sector. Additionally, when asked what type of assets were most regularly purchased with criminal proceeds, participants responded that real estate was the most common, followed by jewellery as well as vehicles and other high-value goods.

Updated findings on TF threats faced by the sectors, including cross-border threats

Compared to NRA 2, the updated 2025 TF National Risk Assessment (TF NRA) placed more emphasis on threats emanating from Kuwait's context. While detected terrorism and TF activities in Kuwait are still relatively limited, improvements to the counter-terrorist financing framework in Kuwait following the 2024 mutual evaluation are expected to soon result in a rise in the number of cases detected. For the moment, Kuwait's TF Threat level is determined to be at a Medium-High level despite the low number of cases, based on the country's geographic and domestic context.

The TF NRA highlights in particular the cross-border threats resulting from Kuwait's close proximity to Iraq, Syria and Yemen. The large expatriate population in Kuwait, which includes individuals from countries ranked high on the Global Terrorism Index, further creates some potential TF risk drivers. Furthermore, a Mosque bombing in 2015, claimed by ISIS, highlighted the existence of radical elements within society. No attack has occurred on Kuwaiti soil since 2015.

The vast majority of TF cases identified so far contains cross-border elements. Funds related to terrorist financing were generally found to be sent abroad from Kuwait (outgoing flows) through banks and MEEs and physical transportation of cash. Other methods identified albeit on a less frequent basis are the use of illegal hawala operators and virtual assets. While the TF NRA does not assign TF threat ratings per sector, MOCI notes that it contains no indications that the DPMS or real estate sectors featured in any of the TF cases identified so far. However, the TF NRA flags that, given the cross-border context, there is a risk that cases involving the cross-border smuggling of cash and high-value goods such as PMS do exist yet have remained undetected so far.

For these reasons, MOCI determines that, on the basis of the updated TF NRA, provisional TF threat ratings can be assigned of **Low** for the real estate sector and **Medium-Low** for the DPMS sector. MOCI also takes into account in this respect that there exist international resources pointing at TF risks associated to PMS products yet no such resources for real estate properties as means to finance terrorism.

The below image visually represents the current threat levels that MOCI considers to be associated to the REB and DPMS sectors.

Threat levels - REB sector



Threat levels - DPMS sector



Assessment of inherent risk exposure of the real estate and DPMS sectors

Inherent risks are ML/TF risks intrinsic to a sector or an entity's business activities before any AML/CFT controls are applied. Inherent risks are associated with features of a business or a sector (including their nature, scale and complexity) or characteristics of their business activities with respect to customers, products and services, transactions, geographic regions and delivery channels. Under its internal Risk Assessment Methodology, MOCI assesses sectoral risk exposure under five categories of risks: structural risk, products, services & transactional risk, customer risk, geographic risk and distribution channel risk. The below sections describe the sectoral results and risk ratings³ assigned to inherent risk exposure, for each of the risk categories.

Sectoral results for structural risks

Structural risks relate to the general features relating to the sector and the entities within the sector, including size of institutions, financial indicators such as turn-over, as well as ownership & control and branch structures. The overall structural risk exposure of both the DPMS and real estate sectors are assessed by MOCI as **Medium-High**.

Main risk drivers are the relatively large size of the sectors compared to other regulated sectors in Kuwait; as well as the importance of their markets in Kuwait's economy. Kuwait has a strong gold market in Kuwait. While a strong decrease was noted in precious metals imports in 2020 (due to

³ On a four-point rating scale: Low/Medium-Low/Medium-High/High.

COVID pandemic), in the most recent year, an increase in Kuwait's imports has been observed, which coincided with significant increases in gold prices. As to the real estate market, it is a major part of Kuwait's economy, and accounts for around 9% of the Gross Domestic Product (relatively stable figure since NRA 2). Transactions in residential, private housing, followed by investment properties, take up the majority of the approximately 4500-5000 transactions per year in Kuwait, for a combined value of around KWD 3 – 4 billion.

In relation to the persons controlling the licenses in the sector, the illegal practice of license-holders in the sectors subcontracting their license to different persons, on which there is limited visibility, means that there is a risk that the real beneficial owner is not known. This is generally done to circumvent prohibitions for foreigners to obtain licenses. This also creates terrorist financing risks, to the extent that MOCI cannot screen the actual concealed controllers against sanction lists.

At the same time, sectoral structural risks are moderated by the fact that most companies are small companies (fewer than 5 staff), with low complexity of operations, ownership structures and business models.

While both sectors have structural risk scores in the medium-high range, the DPMS sector is believed to be more on the higher end of the range than the REB sector. This difference is due to the DPMS sector counting more active entities than the REB sector (1497 versus 901) as well as based on the results of a survey exercise amongst representative samples of entities within both sectors. As per the survey answers, DPMS overall report higher annual turn-over, high staff members and more domestic branches than REBs.

Sectoral results for products, services & transactional risks

Products, services and transactional risk relate to the features of the services and products that the sectors offer, transactions that they engage in and payment methods that are used. For both sectors, products, services and transactional risks are rated as **Medium-High**.

Real estate properties and precious metals and stones are all, for various reasons, products which are inherently attractive for money laundering purposes. The REB sector receives relatively higher scores than DPMS within the Medium-High range for PST risks, bordering on High, since real estate properties feature much more frequently in ML cases than PMS products and real estate transactions appear one of the most popular investments for criminal proceeds in Kuwait. While DPMS face inherently higher PST risks from the TF perspective, no cases involving PMS have been detected yet in Kuwait, where terrorist financiers appear to prefer other channels and methods such as bank transfers, remittances and physical transportation of cash. Nonetheless, risks of failures to detect cases so far remain. Indeed, precious metals and stones are observed in international reports to have become attractive for use by worldwide terrorist groups and sponsors.⁴

Within the sectors, subsets of entities have been rated by MOCI in the MERA models as being exposed to products, services and transactional risks on the higher end of the rating scale for entity-level risk assessment. This includes REBs engaging in relatively high numbers of transactions per year, as well as DPMS which deal in higher-risk products and/or which are known to have violated prohibitions on cash transactions over the threshold of KWD 3000.

⁴ See for instance: [UN CTED 2022 trend alert on the use of natural resources for the purposes of terrorism financing](#); [Interpol 2021 report on illegal gold mining in Africa](#); <https://www.interpol.int/en/Crimes/Terrorism/Tracing-terrorist-finances>.

As per SRA survey results and round-table discussions with a representation of the sector, there are however relatively large subsets within each sector with relatively limited exposure to PST risks. Around half of the REBs surveyed did not report any transactions in 2024, and participants of the round-table believe this to be representative for the full population, for various reasons such as low levels of activity in the market, as well as the fact that brokerage is only an ancillary activity for many registered persons. PST risks are further alleviated by the fact that transactions, including downpayments, cannot take place in cash but must go through local banks, which is verified by the Ministry of Justice as part of the property registration process. At the same time, it should be kept in mind that real estate properties still form an inherently attractive product for criminals to invest their illicit proceeds in, as confirmed again in the recent ML Threat Assessment.

For DPMS, survey results point at relatively frequent involvement in higher-risk services (acquisition of second-hand gold from customers, which may be stolen or smuggled goods) and offering of higher-risk products (gold bullion). Jewellery also features relatively regularly in ML cases and this is a product type commonly proposed by the sector. Most DPMS engage in sales of high-value items only on an occasional basis – only 28% of DPMS surveyed report to have engaged in more than 10 sales of items over KWD 3000 in 2024. The proportion of transactions executed in cash remains quite high (36% when measured in total value for 2024). SRA round-table participants indicated uncertainty regarding the application of the cash limitation for PMS purchases, including from wholesale dealers (bulk trading) and from customers (“cash-for-gold”).

Sectoral results for customer risks

Customer risk relates to the characteristics of the sectors' customer base, including whether the customers are natural or legal persons or persons representing legal arrangements (e.g. trusts, Waqf), and whether there are specific categories of higher-risk customers (e.g. non-residents, Politically Exposed Persons (PEPs), high-net worth individuals (HNWIs)). Geographic features of the sectors' customer base are discussed in detail under Geographic risks. The overall customer risk exposure for the real estate sector is assessed as **Medium-High** and for the DPMS sector as **Medium-Low**.

Both sectors often service occasional customers, which makes it challenging to build up solid knowledge of customer behaviour and transactional patterns allowing to identify suspicions. For both sectors, MOCI frequently identifies gaps in customer risk understanding and risk profiling, which creates risks that exposure to higher-risk customers remains undetected. This also creates terrorist financing risks, to the extent that REBs and DPMS do not adequately screen customers against sanction lists. For the REB sector, occasional exposure to legal person customers is another contributor to risk. Combined with identified difficulties to identify beneficial owners, this raises their rating one category higher than DPMS, although they are placed on the lower end of the medium-high range, since legal person ownership of properties remains limited in Kuwait (<5% as per official Ministry of Justice statistics).

Based on the MERA risk models, entities which receive customer risk scores in the medium-high and high-risk segment, include entities which are known to service higher-risk customers on an occasional or frequent basis, such as non-residents, PEPs or HNWIs.

As per SRA survey results, in line with what could be expected given the features of the markets, the customer base reported by DPMS is much larger than for REBs. The vast majority of customers is formed by natural persons resident in Kuwait. Round-table participants provided various explanations for the lack of attractiveness of both the Kuwaiti real estate market and gold market for non-residents (see under Geographic risks).



In both the DPMS and REB sector, survey results indicate failures to detect exposure to PEPs as reported numbers are much lower than would be inspected in the context of Kuwait with its large political elite. This means that corruption-related money laundering risks, which form one of the major ML threats for Kuwait as per the results of the recent ML National Threat Assessment, are not yet sufficiently acknowledged and mitigated by the sectors.

MOCI has also noted lax implementation of Targeted Financial Sanctions (e.g. United Nations list, domestic list) by DPMS and REBs. This creates a risk that customers with links to terrorist organizations are not detected and blocked from investing in real estate properties or purchasing precious metals and stones. In this respect, it should also be noted that designated individuals can be go to great lengths to evade sanctions, using elaborate networks of frontmen and front companies which they beneficially own, as evident from international typologies⁵.

Sectoral results for geographic risks

Geographic risks relate to the footprint of the sectors' operations both domestically and internationally, including where funds are received from/sent to, where clients are based and which markets are served, including levels of corruption, crime or terrorism for the associated foreign jurisdictions. The geographic risk exposure of the DPMS sector is assessed at **Medium-High** and for the REB sector at **Medium-Low** level.

The DPMS sector receives a higher sectoral rating due to their heavy reliance on imports, meaning they frequently engage in cross-border transactions with their counterparty traders. The United National Emirates is the main trading partner from where gold is imported into Kuwait, and this jurisdiction has been associated to trade involving risky gold and diamonds from the perspective of illegal mining activities and terrorist financing activities.

DPMS can also be exposed to non-resident, high-net worth customers who visit Kuwait as luxury tourists or business visitors. Survey results further indicate that DPMS have relevant, albeit limited exposure to customers with links to higher-risk jurisdictions (less than 2% of total customer base). Moreover, DPMS can service non-resident customers through the online channels that they use to sell products (see under Delivery channel risks). At the same time, private sector participants in the SRA round-tables emphasised that Kuwaiti gold or diamond markets are not particularly attractive to non-residents due to the fact that Kuwait is not a source country and import duties are passed on in the pricing levels for customers.

As for the real estate sector, geographic risks are medium-low, and mostly limited to the possibilities of having Gulf customers acquiring property in Kuwait. Although GCC ownership of Kuwaiti properties is showing a rising trend as per official Ministry of Justice statistics, it remains relatively rare (around 300 deals in 2024) and subject to strict legal conditions. None of the Gulf countries currently feature on higher-risk country lists. Nonetheless, it is noted that KSA, which is the main nationality of Gulf citizens acquiring real estate in Kuwait, is also one of the main jurisdictions posing external ML threats to Kuwait as per the updated ML Threat Assessment. Foreign ownership of real estate by non-GCC nationals in Kuwait is very rare and subject to Council of Ministers approval.

⁵ See for example <https://www.justice.gov/archives/opa/pr/ofac-designated-hezbollah-financier-and-eight-associates-charged-multiple-crimes-arising-out>.

Also, Kuwaiti brokers may have arrangements with foreign brokers whereby they refer domestic clients interested in foreign real estate to such foreign partner brokers. This is not a commonly noted phenomenon, but where it occurs, it may lead to the facilitation by the Kuwait brokers of Kuwaitis laundering money abroad through foreign real estate purchases and investment. REBs who participated in the SRA round-table emphasised that, in the past, more brokers may have proposed such investments, yet the adoption of stricter legislation in 2015 on foreign exhibitions, in response to irregularities and fraud schemes which were detected for foreign properties, have decreased interest in this market. REBs do not expect this to change in the near future.

Entities which are active in border regions may be exposed to higher cross-border threats, whereby it is recalled that both Iraq and KSA represent high ML threats in relation to cross-border ML and Iraq also represents TF threats.

Sectoral results for delivery channel risks

Delivery channel risks relate to the features of delivery channels used in the sector, which may include: the ability to reliably identify/verify customers through remote or digital onboarding, products or services delivered exclusively by post, telephone, internet etc., or the use of introducers or intermediaries. The delivery channel risk exposure of the DPMS sector is assessed as **Medium-Low** and for the real estate sector as **Low**.

In both sectors, entities often use online channels such as social media accounts and advertising to find and service their customers. This may cause risks of being exposed to non-resident customers, finding customers committing identify fraud and finding customers secretly acting on behalf of hidden beneficial owners who evade sanctions (creating terrorist financing risks) or seek to avoid scrutiny over their transactions, for instance due to their political profile, criminal enterprises or affiliation to a terrorist organisation.

At the same time, the difference in sectoral risk rating is believed to be justified by the fact that REBs, even where they find their clients initially through online channels, do generally meet with the customer at least once during the process of preparing a real estate transaction. DPMS on the other hand, when using online channels to find customers, are more likely never to meet with such customers face-to-face since they can also sell their products by shipping it to the customer, as also identified in NRA 2. Survey data for the present SRA also confirmed that DPMS use such remote channels for conducting business, which is not the case for the survey data reported by REBs. Nonetheless, risks also for DPMS remain in the medium-low range, since the use of this channel still concerns a minority of entities and transactions.

Risks associated to illegal, unlicensed PMS online sales and auctioning platforms hosted in Kuwait have decreased since the end of the pandemic, following effective actions by MOCI and CITRA.

Conclusions on sectoral inherent risk exposure

As apparent from the above analyses and below graphs visualising SRA results, the DPMS sector receives Medium-High scores for Structural risks, PST risks and Geographic risks; and Medium-Low scores for Customer Risks and Delivery channel risks. Main risk drivers are formed by the large size of the sector, the attractiveness of PMS products for both ML and TF purposes, and high prevalence of cross-border transactions due to heavy reliance on imports. Customer and delivery channel risks are moderated on account of the sector's more limited exposure to legal person customers compared to the real estate sector, and the fact that only a minority of transactions with customers is conducted remotely, using online channels and shipping deliveries.

The REB sector received Medium-High scores for Structural risks, PST risks and Customer risks; and Medium-Low scores for Geographic risks and Delivery channel risks. Main risk drivers are formed by the large size of the sector (albeit smaller than the DPMS sector, hence results are on the lower end of the medium-high spectrum), the high attractiveness of real estate properties in ML cases as confirmed by the recent ML National Threat Assessment, and exposure to legal person customers whereby beneficial ownership requirements are not yet well understood and implemented in the sector. At the same time, this sector has more limited exposure to foreign clientele and cross-border transactions than the DPMS sector, and does not complete the provision of their services remotely, hence geographic risks and delivery channel risks are alleviated.

Inherent risk exposure - REB sector



Inherent risk exposure - DPMS sector



Assessment of controls applicable to the DPMS and real estate sectors

The SRA also considered the controls that are applicable to the sectors supervised by MOCI and analyses the quality of their implementation. In this respect, the SRA considers and assigns ratings⁶ the general legal, regulatory and supervisory frameworks applicable to the sectors; the overall AML/CFT legal, regulatory and supervisory framework applicable to the sector; the compliance culture and overall AML/CFT compliance within the sectors; and the level and quality of specific AML/CFT controls. Special attention is paid to trends and developments since the time of NRA 2.

General legal, regulatory and supervisory frameworks applicable to the sectors

The overall legal, regulatory and supervisory frameworks for both the DPMS and the real estate sectors are assessed as **Substantial**, albeit just over the threshold from Moderate due to the relatively recent implementation of some notable improvements since NRA 2.

⁶ On a four-point rating scale: Weak/Moderate/Substantial/Strong.

The comprehensive legal frameworks governing both sectors, including for market entry, quality controls on PMS and centralised registration of real estate transactions, as well as the existence of dedicated expert Departments within MOCI with sufficient number of staff members and adequate inspection powers, are main strengths of the framework.

Moreover, since NRA 2, some important improvements have been introduced, including better electronic systems (such as the electronic brokerage system), enhancements of licensing procedures (in particular in relation to beneficial ownership checks) and improvements in internal cooperation, e.g. between the MOCI AML/CFT Department and Sectoral Departments, and effective cooperation between MOCI and CITRA to take down illegal DPMS platforms. For REBs, a large exercise has been completed by MOCI whereby many licenses of unprofessional brokers or inactive entities have been removed. No such exercise has been undertaken yet for the DPMS sector, hence their score lags somewhat behind the REB sector's score.

MOCI expects that the controls rating for the General legal and regulatory framework can be upgraded to the higher end of Substantial, or even Strong, once all the intended effects of the above-described developments will come to full maturity. Also, MOCI shall make further efforts to ensure more efficient, electronic access to data held by external partners, notably the Ministry of Justice for the real estate sector and Customs for the DPMS sector.

AML/CFT legal, regulatory and supervisory framework applicable to the sectors

The AML/CFT legal, regulatory and supervisory frameworks for both the DPMS and the real estate sectors are assessed as **Moderate**, with the potential of improving to Substantial in the near future. While the AML/CFT legal and regulatory framework in Kuwait is largely compliant with the FATF's international standards, the supervisory framework has lagged behind both in terms of technical compliance and effectiveness, due to the fact that MOCI had not yet completed the development of its risk-based supervision framework by the time of the FATF/MENAFATF mutual evaluation, in spite of this being a clear recommendation stemming from NRA 2.

Since the mutual evaluation, progress on AML/CFT supervision within MOCI has sped up enormously in the year prior to completion of the SRA. A restructuring of the AML/CFT Department took place in order to ensure the existence and cooperation of specialised functions in line with international standards and good practices, including clearer responsibilities for sectoral and entity-level risk assessments and more resources for on-site controls. MOCI has adopted all necessary internal decisions, strategy documents and procedures that it needs to effectively implement risk-based supervision, including new inspection procedures which clearly mandate the scoping of the inspection on the basis of the entities' risk profiles and the selection of specific themes for thematic inspections in line with risks identified at national and sectoral level.

Nonetheless, it should be noted that these changes are relatively recent (and most of them more recent than the changes implemented in the general regulatory framework outlined under the previous section), since they were all adopted since the end of 2024. Therefore, for the time being, a conservative rating of Moderate is maintained, on the threshold just below Substantial, with the expectation that this can be upgraded within the range of Substantial, as MOCI continues implementing and further enhancing the new risk-based supervisory AML/framework in practice.

Overall level of AML/CFT preventive measures and compliance culture

The overall level of AML/CFT compliance and compliance culture for both the DPMS and the real estate sectors are assessed as **Moderate**. Further serious efforts from the sectors are needed



before this assessment could potentially be upgraded to Substantial in the future. The REB sector is rated slightly better than the DPMS sector (albeit still within the Moderate range), since a recent license review exercise by MOCI mentioned above has ensured that many of the past bad players exhibiting a culture of non-compliance have been removed from the sector.

When deciding on the rating of Moderate, MOCI took into account that NRA 2 assessed the sectoral vulnerabilities for both sectors as Medium-High. Also, it is taken into account that in Kuwait's mutual evaluation, preventive measures by the private sector were rated as overall "Moderately effective", whereby FATF/MENAFATF concluded that non-financial sectors, i.e. DPMS and REBs, generally comply less effectively with AML/CFT obligations than financial sectors.

MOCI is seeing some improvements in the overall implementation of AML/CFT controls and the compliance culture in recent months prior to completion of the SRA. This is mostly thanks to sustained efforts by the supervisor as well as other authorities such as the KwFIU and the National Committee which also organise outreach and guidance. At the same time, attendance levels of training in both sectors remain relatively low, since business-as-usual generally gets priority.

Enforcement data shows that around 40% of entities in the DPMS sector and 20% of entities in the REB sector⁷ have been subject to measures and sanctions such as written warnings and fines due to breaches of AML/CFT requirements. However, as highlighted also in the recent mutual evaluation, these sanctions have not yet had their desired dissuasive effects. MOCI expects that compliance will further improve significantly once MOCI starts applying more dissuasive sanctions in case of breaches of obligations, under the recently amended Enforcement Framework, including for systematic failures to attend training and awareness-raising sessions.

Implementation of specific AML/CFT controls

The implementation of specific AML/CFT preventive measures for both the DPMS and the real estate sectors is assessed as **Moderate**. Further serious efforts from the sectors are needed before this assessment could potentially be upgraded to Substantial in the future.

Both NRA 2 and the FATF/MENAFATF MER have found shortcomings across all specific areas of controls, ranging from the implementation of the risk-based approach, to filing of suspicious transaction reports. While recent MOCI inspections also identified entities which have relatively good controls in place nowadays, it is too early to conclude that the overall sectoral performance has been raised to substantial since the time of NRA 2 and since the mutual evaluation.

The relative strongest area within the sector, based on MERA risk models and SRA survey results, appears to be the internal controls framework, in particular the appointment of a compliance officer/AML/CFT responsible person. This specific control is also supported by MOCI's sustained efforts to train and test the staff appointed by the entities. However, inspections still reveal deficiencies in internal controls in the majority of cases.

In relation to the risk-based approach to AML/CFT, DPMS perform comparatively better on Business Risk Assessment (BRA) than REBs. Over 90% of DPMS confirmed in the SRA surveys that they had conducted a BRA, against only half of the REBs. However, the majority of inspections still find deficiencies in BRAs, also for DPMS (e.g. limited scope, unrealistic or unjustified conclusions).

⁷ This difference is likely a result of the fact that, as mentioned, MOCI has recently withdrawn licenses of many REBs due to sustained non-compliance with legal obligations or inactivity, which also included entities with an enforcement history for AML/CFT matters. Hence, the remaining license-holders have more clean track records than the DPMS sector for which no such large-scale exercise has taken place yet.



As to Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD), it is no longer the case that the majority of inspections identify CDD/EDD violations as was noted in Kuwait's mutual evaluation report. However, material CDD/EDD breaches are still identified for some entities. Also, as noted under *Inherent risk: Customer risk*, SRA survey results indicate that exposure to high-risk customers such as PEPs is underreported in both sectors; and no effective EDD can be applied when entities fail to identify customers posing heightened risk exposure in the first place.

SRA survey results further indicate continuing lack of awareness in the sectors about the new alert system for Targeted Financial Sanctions (TFS) which was recently launched by Kuwait's Special Committee for TFS. Finally, suspicious transaction reporting remains far too low in light of the sectors' risk profiles. Recent sectoral guides developed with the KwFIU which include sector-specific typologies and red flag indicators will hopefully bring about improvements, but these could not yet be measured at the time of completion of the SRA.

Conclusions on sectoral inherent risk exposure

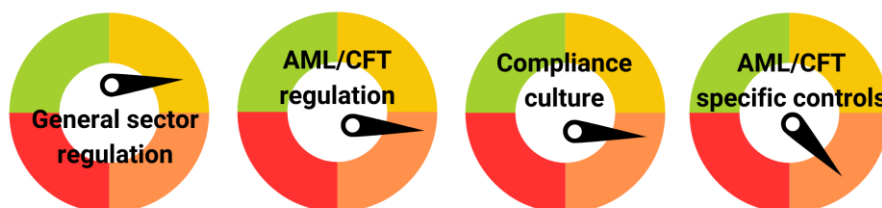
As apparent from the above analyses and below graphs visualising SRA results, both the REB sector and the DPMS sector receive Moderate controls scores across most of the different control categories which were analysed.

The general sectoral legal, regulatory & supervisory frameworks are the only area rated as Substantial, thanks to the completion of recent positive reforms such as removal of inactive licenses and the implementation of electronic brokerage platforms in the real estate sector, and effective cooperation between MOCI and CITRA to take down illegal DPMS platforms.

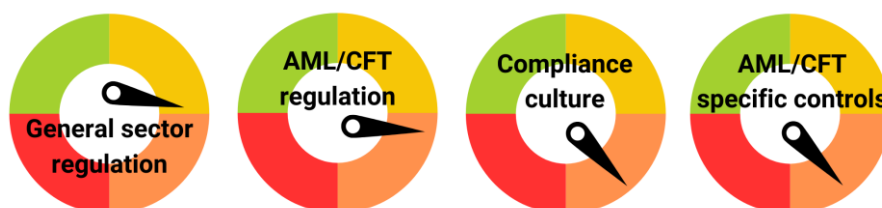
Out of the areas rated moderate, the AML/CFT legal, regulatory & supervisory frameworks show greatest potential for being upgraded to Substantial in the near future for both sectors, once recent important reforms within MOCI's AML Department to implement risk-based supervision and stricter enforcement measures have had time to bring about effects. For the REB sector, the compliance culture is also nearing the Substantial rating, following the removal of many bad players from the market due to recent licensing and registration reforms.

The implementation of specific AML/CFT controls (BRA, CDD/EDD, TFS, etc.) remains clearly in the Moderate category, and more serious efforts by the private sector will be needed before this can be upgraded to Substantial.

Controls - REB sector



Controls - DPMS sector



Assessment of risks associated to the recently dissolved currency exchange sector

At the time of Kuwait's Mutual Evaluation by FATF/MENAFATF (2024), in addition to DPMS and REBs, MOCI also conducted AML/CFT/CPF supervision over the sector of currency exchange organisations (CEOs). This sector was rated as exposed to Medium-Low risks in Kuwait's NRA 2.

However, the currency exchange sector has been subject to a massive recent overhaul whereby all existing licenses were withdrawn as of April 1st, 2025. Hence, the major risk which now remains for this dissolved sector is that some of entities which saw their licenses withdrawn will continue their operations underground. MOCI has conducted a special analysis of these risks in the context of its SRA, mainly informed by national risk assessments, information from public external partners and internal information from within MOCI.

On the basis of analysis of these sources, MOCI assigns a **Medium-Low** inherent risk rating to the scenario of CEOs continuing their activities underground. To arrive at this rating, MOCI takes into account the sectoral risk rating of the sector when it was operating in a regulated manner as per NRA 2 results, as well as insights from the recently updated National ML Threat Assessment and TF National Risk Assessments which indicate that money launderers and terrorist financiers in Kuwait generally prefer to use other conduits (banks, MEEs, cash smuggling) in the context of their illegal activities. MOCI also takes into account that all former license-holders have already been followed up on by MOCI's special inspection teams, and that only one was found to have breached its license withdrawal. Nonetheless, risks of underground activity do exist, as witnessed by some former license-holders in the sector with a history of unlicensed hawala activities, which represents ML as well as TF risks.

Mitigation measures are in place to mitigate these risks, including deployment of emergency inspection teams by MOCI which conduct inspections to ensure that former license-holders have ceased their currency exchange activities. However, at the time of completion of this SRA, these measures were not yet implemented in a risk-based manner and other risk-mitigating strategies (whistleblower line, public awareness campaign, enhanced monitoring of Customs data) are not yet



fully implemented. Hence for the time being, MOCI assigns a **Moderate** rating to the controls to mitigate the risks.

SRA conclusions and residual risk exposure of the sectors

Given that AML/CFT controls implemented in the sectors remain at Moderate levels for the time being, it can be concluded that the residual risks in the DPMS and real estate sectors across all assessed risk categories are at the same level as the inherent risk ratings reflected above. The same goes for the residual risks relating to underground activities in the recently dissolved currency exchange sector.

It is recalled that the real estate sector received an overall Medium-High sectoral risk rating and the DPMS sector an overall Medium sectoral risk rating in Kuwait's NRA 2. The goal of the present sectoral risk assessment was not to arrive at new overall sectoral risk ratings, since that is an exercise which should be undertaken and decided at the national strategic level, allowing for comparisons between all regulated sectors, and depending on the exact methodology and rating scale to be used for the next full iteration of the NRA process. Rather, it was the goal of the SRA to enhance MOCI's understanding on ML versus TF risks compared to the NRA 2 results, as well as the exact risk drivers and risk alleviating or mitigating factors for each sector, which have been outlined under the above analyses.

Nonetheless, based on the SRA results, the overall sectoral risk ratings assigned at national level also appear to remain appropriate. Hence, they will also continue to inform MOCI's risk-based supervision, whereby, overall, more resources will be dedicated to the comparatively higher-risk real estate sector, in particular in light of their higher ML threat exposure as confirmed in the recent updated ML Threat Assessment.

In terms of ML versus TF risks, it is however determined through the SRA that the DPMS sector is more exposed to TF risks than the REB sector. Therefore, from a TF perspective, MOCI will focus more on the DPMS sector than the REB sector, e.g. through thematic inspections on TF TFS and TF scenarios in transaction monitoring and targeted outreach. TF risks are also associated to the currency exchange sector which was recently dissolved, due to the illegal practice of hawala.

Follow-up to the results of the SRA

MOCI has developed an internal action plan with follow-up measures to the SRA results, including themes and priorities for inspections, topics for outreach and publication of further instructions and guidance for both DPMS and real estate sectors. Policy measures, enhancing of internal and external cooperation as well as specific measures to monitor risks of underground activity in the recently dissolved currency exchange sector are also included amongst the follow-up actions.

MOCI has liaised extensively with the private sector in the process of conducting the SRA, through surveys, round-table discussions and requests for additional information. MOCI also makes sure that the sectors are informed of the main findings of the SRA, by sharing the present Executive Summary as well as through outreach.



MOCI expects that the private sector will take the results of the SRA into account in their internal training programmes, business risk assessments, customer risk assessments, review of internal policies and procedures and implementation of specific controls such as sanctions monitoring. MOCI will follow up on this through meetings and inspections, and will take enforcement actions where needed in case entities are found to disregard SRA findings which are relevant for them.

MOCI is committed to keep its sectoral risk understanding up-to-date. Upcoming mandatory survey returns for both sectors will ensure that all sectoral risks flagged in the present SRA can remain under close monitoring and that MOCI can keep adjusting their supervisory actions in line with risks.

-Director of the AML-CFT Department :

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وتحويل الارهاب

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