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

NRA

Legal Entities and Legal Arrangements National Risk Assessment

Risk Assessment Report

State of Kuwait

May 2025

I. Executive Summary

1. In 2023, the State of Kuwait adopted its second National Risk Assessment (NRA) to determine the levels and types of risks that the country faces in the area of money laundering (ML) and Terrorism Financing (TF). The document was analysed by the FATF/MENAFATF in the course of the 2024 Mutual Evaluation of Kuwait and received positive feedback overall. The FATF recommended, however, that Kuwait expands and deepens its analysis of risks for legal entities and legal arrangements to be misused for ML or TF. To address this recommendation, the National AML/CFT Committee, through its NRA team, led and coordinated this 2025 Legal Entities and Legal Arrangements National Risk Assessment.

Money Laundering

2. Criminal cases, STRs, intelligence, as well as incoming MLA and cooperation requests analyzed as part of the risk assessment reveal few instances of misuse of Kuwaiti legal entities for ML purposes in the past. For the reasons outlined below, the low levels of detected ML cases involving legal entities do not, however, necessarily allow for a conclusion of low risk. The historically restrictive approach to foreign ownership continues to define the risk landscape of the corporate sector in Kuwait. Foreigners may own only up to 49% of a Kuwaiti legal entity, and only jointly with a Kuwaiti national. The only exception to this cap is through an approval process of foreign investors by KDIPA.

3. On the one hand, this ownership cap has resulted in few Kuwaiti legal entities being directly owned or controlled by foreigners, or featuring in international corporate structuring schemes. Accordingly, the risk of misuse of legal entities through foreign direct ownership or control elements in Kuwait is lower than in most countries. Where such elements do exist, notably in relation to KDIPA approved foreign investors, they are well regulated and kept highly transparent. Bearer shares and corporate directors are not permitted.

4. At the same time, limitations on foreign ownership created an incentive for foreigners to conceal the extent of their involvement in the corporate sector. The use of local strawmen by foreigners residing in Kuwait to conceal existing beneficial ownership rights is commonly referred to as “commercial concealment”. The motivation for this practice could be either that a foreign resident who *de-facto* operates a business in Kuwait seeks to circumnavigate the maximum ownership thresholds, or that he/she is undocumented and cannot legally be registered as shareholder of a legal entity. Material levels of unregistered foreign ownership and control rights seem to exist.

5. Another key feature of Kuwait’s corporate sector is its primary use for commercial and trade activities, as evidenced by the high number of SMEs and active business licenses held by corporate entities. The main ML risks for Kuwaiti companies are thus concentrated in trade based ML schemes. Combined with commercial concealment practices, the detection of existing ML typologies is extremely difficult even for highly experienced investigators, which may help explain the low levels of ML cases detected so far.

6. For Awqaf, a review of FIU disclosures, criminal investigations, prosecutions, incoming MLA requests, and open sources did not reveal any cases of misuse despite their long-standing existence and

use. No ML cases were investigated or prosecuted involving a Kuwaiti Waqf, and no MLAs were received from abroad in relation to Kuwaiti Awqaf. Three STRs were received by the KwFIU but none of them constitutes sufficient grounds for a dissemination. The low levels of detected cases of misuse aligns with the profile of Waqf, for which commercial concealment is not a common practice and which are created and used almost exclusively by Kuwaiti nationals. Awqaf are exposed to only very low risks in regards to all risk factors examined.

Terrorism Financing

7. Between 2022 and mid 2024, there have been no cases where a legal entity incorporated in Kuwait or a Kuwaiti Waqf was suspected to have been involved in terrorism financing. The KwFIU received four TF related STRs involving domestic LLCs, which resulted in two disseminations to domestic law enforcement authoritites. Neither of those cases did however trigger a formal TF criminal investigation.

8. Nevertheless, Kuwait acknowledges that for legal entities, some risk exposure does exist in this regard despite the absence of any identified TF cases so far. The 2025 National Terrorism Risk Assessment concludes that Kuwait's national TF risks are centred around the outbound movement of terrorism related funds through MEEs, as well as the in-bound and out-bound movement of goods and cash through Kuwaiti territority. All of these tyologies are transnational in nature and typically involve foreign actors and cross-border activities. The movement of goods and cash is also associated with trade based schemes. While a low level of direct foreign participation in the corporate sector at first glance seems to reduce its TF risk exposure, the practice of commercial concealment leads to the conclusion that in reality, foreign participation is higher than visible and that in fact the corporate sector may be facing an elevated cross-border TF risk.

Risk Mitigation Measures

9. A wealth of risk mitigation measures apply to both legal entities and Awqaf. From the outset, Kuwaiti legal entities of all types are required to provide a large amount of information to incorporate a given entity, most of which is publicly available. The recent creation of the beneficial ownership register adds a mechanism for quick and public access to beneficial ownership information, and as of the time of the drafting of this report, 91% of all entities have already completed their registration. Additionally, a significant number of Kuwaiti legal persons undergo a client due diligence check with a regulated financial institution at the point of formation. The extent to which FIs/DNFBPs do however accurately and fully understand and correctly apply the concept of BO is subject to further verification by supervisory authorities. Understanding and awareness events have been delivered, and guidance has been issued and a positive effect has been achieved in this regard in recent months.

10. For Waqf, existing transparency measures are comprehensive and strong, and are continuously being enhanced. Access to information on Waqf is available to any person in Kuwait.

11. Based on a review of detected cases, of various inherent risk factors, and the strength of the transparency and risk mitigation measures in place, Kuwaiti **legal entities have a medium-high residual risk** of beign misused for ML or TF purposes, wheras the **Awqaf sector displays a low residual risk.**

	Legal Entities	Awqaf
Identified Threat	Medium-Low	Low
Direct Foreign Ownership and Control	Medium-Low	Low
Domestic Ownership and Control	High	Low
Manner of Creation	Low	Low
Economic Activities	Medium-High	Low
Risk Mitigation Measures	Moderate	Substantial
Residual Risk	**Medium-High**	**Low**