

Guidelines of Anti Money Laundering and Counter Terrorist Financing Transactions for Entities Exercising any of the Financial Activities Stipulated in Item (5) of Paragraph (a) of Article (13) of the Anti Money Laundering and Counter Terrorist Financing Law in force Excluding the Financial Leasing

First: Stages of money laundering operation:

The money laundering operation passes through three stages:

- First Stage: Placement

During this stage, the funds proceeded by a crime or an unlawful act are placed, invested or entered into the financial system.

- Second Stage: Layering

During this stage, the connection between the funds and its illegal sources is being concealed and/or disguised through performing a complex series of financial and non-financial transactions.

- Third Stage: Integration

The laundered money is being integrated into the economy whereby it will become difficult to differentiate between such laundered money and the funds generated from legitimate sources.

Second: Terrorist Financing:

The various methods used in money laundering comply primarily with such techniques and methods utilized for concealing the sources of terrorist financing and its uses which may be generated from legitimate sources, criminal activities or both. The terrorist financing operation passes through the same three stages of money laundering operation, however, the third stage (Integration Stage) the funds is being distributed for the purpose of using such funds for financing terrorist activities.

Third: Techniques of Transactions Suspected to be Related to Money Laundering or Terrorist Financing:

1- Through credit facilities, which may takes any of the following forms:-

- Applying for obtaining facilities for offshore companies or companies operating in offshore zones or facilities guaranteed by abroad financial institutions or offshore banks commitments.

- The customer repays a huge indebtedness unexpectedly without an explicit and credible justification of the repayment resource.
- The customer purchasing depositing certificates and uses such certificates later on as a guarantee to repay his facilities.
- Obtaining credit facilities against cash deposits guarantee.
- Obtaining credit facilities against an abroad cash guarantee without an explicit reason.
- The customer transfers the value of the facilities, which was obtained unexpectedly, abroad.
- The customer repays indebtedness classified as (inactive debt) before the expected time for repaying and with amounts bigger than what is expected.
- Applying for obtaining facilities against mortgaging assets owned by a third party whereby the source of such assets is unknown to the company or the volume of such assets is inconsistent with the financial status of the customer.
- The customer applies for obtaining facilities or organizing a financing for him with third parties whereby the source of the customer/customers financial contribution in such financing is unknown.
- Applying for obtaining credit facilities against seizing a company's deposits or the deposits of subsidiaries abroad in specific if those subsidiaries are in countries known with specific crimes such as trading or cultivating drugs or countries known for not having an effective anti money laundering or counter terrorist financing regimes.
- The existence of surrounding circumstances related to the application for obtaining credit facilities which cause the company's refusal to grant such facilities due to the existence of suspicions on the validity and authenticity of the submitted guarantees against the facilities.
- The customer's early repayment of the facilities amount unexpectedly and without an explicit and credible justification for the source of the repayment.

2- Through dealings relevant to investment, which takes any of the following forms:-

- Purchasing securities to keep such in the trust funds at the company, although such act is inconsistent with the customer's activity or his financial status.

- The customer neglecting the ordinary decisions which shall be taken with regard to investments accounts such as fees or the proper investment instruments by the customer.
- The customer liquidating a large financial position through a series of small cash transactions.
- The customer liquidating a long-term investment after a short period of time.
- The customer makes cash deposits, payment orders, traveler's checks or counter checks with amounts less than the threshold stipulated for within the instructions to finance an investment account.
- The customer uses investments accounts as a means of transferring funds for external parties, especially offshores.
- Entering substantial amounts of money from abroad to be invested in foreign currencies or securities, when said investment is inconsistent with the customer's nature of business.
- Attempting to present the financial transactions in more complex manner than it requires by using sophisticated terms such as (Arbitrage Hedging, Prime Bank Notes, Standby commitments, Contracts).

3- Through credit cards, which takes any of the following forms:-

- Reimbursing transactions without an explicit justification with amounts above the granted limit or the used balance by the customer.
- The customer repetition of spending the entire credit card limit then repaying the whole debit balance.
- The customer repetition of withdrawing the maximum limit for the scheduled daily cash withdrawal of the credit card.

4- Through International Banking and Financial Transactions, which takes any of the following forms:-

- Acknowledge the identification of a person by external bodies existing in countries known for being producers and/or traffickers of drugs.
- Requesting the issuance of traveler checks in foreign currency on regular basis with a threshold exceeding the one stipulated for in the instructions for repaying the investment accounts.

- Conducting banking transactions with offshore banking units whose names are similar to legitimate and reputable financial institutions.

Forth: Customer Behaviors:

The following behaviors by the customer constitute an indicator of his/her involvement in unlawful transactions:

- Customer inquiring the company on information about records, systems, regulations and the threshold stipulated for in the instructions in order to be acquainted with sufficient information about the money laundering transactions and to avoid legal violations related thereto.
- Customer discomfort and unwillingness to go through a certain financial transaction procedures when he/she is informed that the said transaction is required to be reported in details to the competent authorities.
- Customer acting in an odd manner such as not exploiting the chance of receiving high interest on his/her large balance account, in addition to being ignorant about the basic details of the financial transaction.
- A temperamental customer who refuses to provide the company with the necessary identification documents.
- Customer who is still studying at school and requesting to issue and receive wire transfers and exchange currencies irregularly in large amounts, unusually and inconsistent with his/her status.
- Customer who, at the time of visiting the company, is controlled by someone else and is unaware of his/her actions or is an old aged and accompanied, at the time of conducting the financial transaction, by someone who is not in any way related to him/her.
- Customer offering unjustified substantial amounts or precious gifts to the company staff to persuade the same to neglect verifying the identification documents and other documents.
- Customer providing suspicious particulars on his/her identification documents and refusing to provide the company with his/her personal information.
- There is no mentioning for the customer's current or previous position on the facilities application.
- Customer who face difficulty in describing his/her nature of activity or lacks general information on such activity.
- Customer who provides information which specifies his/her source of information and turns out to be false or misleading.

- Customer providing the company with his/her permanent address that is outside the area of the financial institutions' services or outside the Kingdom.
- Customer refusing to disclose his/her activities details related to his business or data, information or documents concerned his/her institution or company.
- Customer whose home, business, or mobile phones are disconnected.

Fifth: The Company Employee's Behavior:

The following behaviors by the company's staff constitute an indicator of his/her involvement in unlawful transactions:

- An increasing in the living standards and level of expenditures of the company's staff in a noticeable and sudden manner that is inconsistent with his/her monthly income.
- Company's staff assisting in the effecting transactions where the ultimate beneficiary or corresponding party is fully unknown.
- Company's staff frequently violating regulatory procedures and adopting a manipulative policy during his performance of work.
- Company's staff overestimating the credibility, ethics, capability and financial sources of a customer in his/her reports referred to the company's management.
- Company's staff avoiding any vacations.

Sixth: General Guidance:

1. Using all available means to monitor suspicious transactions through regulatory reports, lists of non-cooperative countries and lists of all internationally wanted persons and entities.
2. Following-up the global updates concerning patterns of money laundering and terrorist financing and procedures of combating the same, especially those issued by the Financial Action Task Force (FATF), International Monetary Fund, World Bank, Basel Committee and other international organizations.
3. Knowing the source of the deposited funds when dealing with the customer, especially in the case of large cash amounts