



الأكاديمية المالية  
THE FINANCIAL ACADEMY

# MONEY EXCHANGE AND TRANSFER

A learning curriculum issued  
by the Financial Academy

Third Edition – November 2023

This learning curriculum includes 7 chapters and  
constitutes the main reference to pass Money  
Exchange and Transfer Professional Exam



In the name of Allah,  
the Most Gracious, the Most Merciful



Welcome to the learning curriculum issued by the Financial Academy. This book is designed to qualify candidates for Money Exchange and Transfer Professional Exam authorized by the Financial Academy.

This book is a learning guide, and FA made an enormous effort to ensure the accuracy of the content. All rights are reserved to the Academy. Thus, it is prohibited to republish any part of this book, store through the information retrieval system, transmit it to any form, or any way either electronically, or photocopy, record, or otherwise without obtaining prior permission from the Financial Academy.

The curriculum mapping that is shown at the end of the book includes a detailed study plan, which can also be found on the Academy's website: [www.fa.org.sa](http://www.fa.org.sa) or by contacting the Academy through the phone number: +966 1 4662688 / Fax: +966 1 4662368.

Note that the exam is based on this plan, and we advise candidates of Money Exchange and Transfer Professional Exam to make sure to have the latest updates on this curriculum.

The questions in this book have been designed as a tool to assist the candidate in reviewing different information of the curriculum and to promote deep learning of all chapters. Candidates should not consider these questions as "Mock Exam" questions or view them as an indicator to questions' level that will come in the exam.

**Publisher:**

Financial Academy 2021.

P.O. Box: 10820, Riyadh 11434, Kingdom of Saudi Arabia.

Phone: +966 1 4662688

Fax: 966 1 4662368

All copyrights are reserved by the Financial Academy.

# Index

## Chapter One: Structure of Money Exchange and Transfer Centers

The book begins with an introduction to the banking sector in the Kingdom of Saudi Arabia, with a focus on money exchange and transfer centers and their role in the economic and financial fields, in addition to the main services provided by money exchange and transfer centers.

01

## Chapter Two: Foundations of Effective Customer Service in the Money Exchange and Transfer Centers

This chapter provides an overview of the basic principles of customer service. Then, it addresses in some detail different types of money exchange and transfer centers' customers, along with their different needs and expectations of customer service, and how money exchange and transfer centers' employees deal with customers to meet their needs.

14

## Chapter Three: Products and Services Provided by Money Exchange and Transfer Centers in the Kingdom of Saudi Arabia

This chapter explains the products and services provided in money exchange and transfer centers, types of technical services offered by money exchange and transfer centers in KSA, and how to deal with each of these types.

30

## Chapter Four: Compliance in Financial Institutions and Effective Governance

In this chapter, we take an in-depth look at the concept of Compliance and the importance of realizing compliance in money exchange and transfer centers, as well as monitoring role of Compliance Officers.

41

## Chapter Five: Identification and Description of Fraud and its Effect on Money Exchange and Transfer Centers

This chapter focuses on the concept of Fraud and its different types and forms in the banking sector in general and in money exchange and transfer centers in particular, with an introduction to methods of combating fraud, and modern technical means to prevent fraud in money exchange and transfer centers.

58

## Chapter Six: Anti-Money Laundering and Countering Terrorism in the Kingdom of Saudi Arabia

Familiarity with ML/TF laws, rules and instructions is essential for money exchange and transfer centers' employees. This chapter provides an overview of ML/TF operations at the international level. It also discusses KSA's initiatives as well as SAMA's efforts to combat MM/TF.

71

## Chapter Seven: Labor Rules and Practices

This chapter tackles the ethical and professional aspects of banking sector employees, and the impact of these aspects on money exchange and transfer centers.

94

## Glossary of Terms & Abbreviations

106

## Multiple-choice questions (MCQ)

113

## Curriculum Map

140

Studying this book may take up to 70 hours.

# Chapter One

## Structure of Money Exchange and Transfer Centers

This chapter includes 10 questions out of 100 questions in the exam



# Introduction:

This chapter examines the structure of the Saudi banking sector in general, with a focus on Money Exchange and Transfer Centers and their role in the economic and financial fields, the main services provided by Money Exchange and Transfer Centers, in addition to defining SAMA's role.

## 1.1 Structure of KSA Banking Sector:

### Learning Objective



To understand KSA's banking system, structure and components of that system, the parties involved and role of each party.

The Saudi banking system consists of the Saudi Central Bank (SAMA), commercial banks and money exchange and transfer centers. The banking sector was structured according to Banking Control Law, issued by virtue of Royal Decree No. M/5, dated 22/02/1386 AH (1966). The Saudi banking system is one of the safest and most efficient systems worldwide, as its modern approach began in line with the establishment of SAMA in 1952.

### 1.1.1 The Saudi Central Bank (SAMA):

According to the Saudi Central Bank Law issued by virtue of Royal Decree No. M/36 of 1442 AH, SAMA bears the responsibility for soundness and functionality of the banking system in KSA in general, and among the system users and contributors.

#### 1. SAMA Objectives:

According to Article 3 of the Saudi Central Bank Law, SAMA aims at:

- Maintaining monetary stability.
- Promoting the stability of, and enhancing confidence in, the financial sector.
- Supporting economic growth.

#### 2. SAMA's Functions, Powers and Competencies:

In accordance with Article 4 of the Saudi Central Bank Law, the Bank may exercise the following functions, powers and competencies:

- Issue and regulate cash (including minting, printing and issuance of the national currency, and offering, withdrawal, cancelation, management and protection of it) and other related works, without prejudice to the provisions of the Saudi Arabian monetary law.
- Control and supervise financial institutions in accordance with the relevant laws.
- Issue regulations and instructions related to financial institutions and their business.
- Develop and manage monetary policy and regulate the foreign exchange market.
- Manage and invest foreign exchange reserves.
- Serve as Government Bank and Government Adviser in Monetary, Banking and Financial Matters.
- Establish, develop and operate infrastructure for national payments, settlement and clearing systems, issue rules, instructions and licenses, and monitor and oversee payment, settlement and clearing systems within its area of competence.
- Establish, develop and operate financial technology platforms, issue rules, instructions, licenses, and monitor and supervise the same.

- Develop instructions and procedures to protect customers of financial institutions.
- Take appropriate procedures and measures to reduce the commission of offenses related to financial institutions.
- Develop and manage safeguard policies and take the necessary actions and measures for financial institutions, and take the necessary actions and measures to contribute to facing domestic, regional and global economic and financial turmoil and crises.
- Represent and participate in regional and international organizations, bodies, forums and conferences in which it participates as a member.
- Cooperate and exchange expertise with other central banks and their counterparts and regional and international organizations, as well as with specialized expertise inside and outside KSA.
- Develop professional tests and requirements relating to financial institutions and their work.
- Prepare research and studies and publish statistics in the field.
- Establish affiliates and contribute to the establishment of companies that perform activities related to the nature of its business.
- Propose draft laws relating to financial institutions and the financial sector, and propose amending existing ones.

### 3. SAMA Prohibited Activities:

In accordance with Article 6 of the Law of the Saudi Central Bank, SAMA shall not undertake any of the following actions:

1. Engaging in or contributing to business or having an interest in any commercial, industrial or agricultural project, except as necessary to achieve its objectives.
2. Buying or owning real estate except for what SAMA needs to conduct its business, or for the purpose of diversifying foreign investments.
3. Financing and lending government.
4. Financing or lending any person of a natural or legal capacity. Financial institutions are excluded for the purpose of managing liquidity or facing crises by a decision of the governor of SAMA, in accordance with the rules set by SAMA's Board of Directors.

#### 2.1.1 Commercial Banks:

SAMA defines the "Commercial Bank in Article 1 of the Banking Control Law as follows:

The "Bank" means any juristic person practicing any of the banking business in the Kingdom, and the "Banking Business" means the business of receiving money on current or fixed deposit account, opening of current accounts, opening of letters of credit, issuance of letters of guarantee, payment and collection of checks, payment orders, promissory notes and similar other papers of value, discounting of bills, bills of exchange, money exchange transactions and other banking business.

These definitions agree that the banking business or what a bank does is to accept deposits and retain them, settle commercial and personal payments by paying or collecting checks, and transfer money from one place to another place as requested. Banks are generally classified as follows:

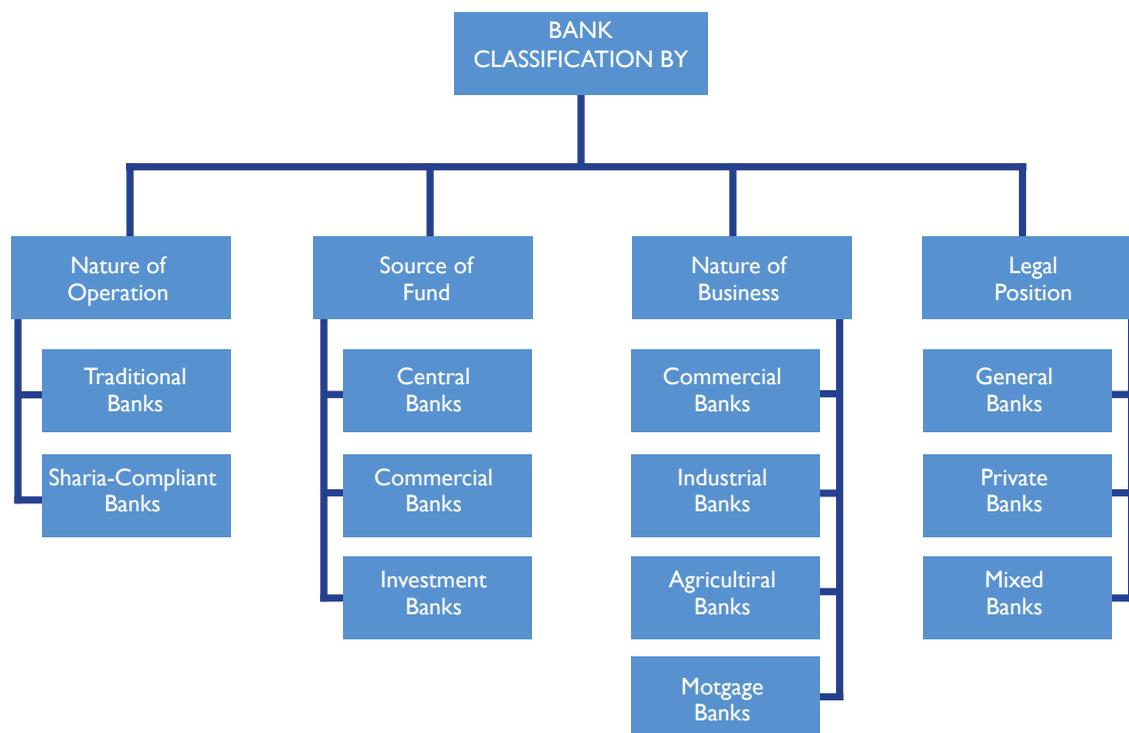


Figure (1.1) Classification of Banks

### 1.1.3 Money Exchange and Transfer Centers:

Money Exchange and Transfer Centers are defined in accordance with the Rules Regulating Money Exchange Business issued by the Decision of the Minister of Finance No. 4686 dated 21/11/1441 AH, as: “An establishment licensed by SAMA to conduct Money Changing Business in accordance with the provisions of the Rules. The Money Exchange and Transfer Center shall:

- Conduct Money Exchange Business in a suitable place according to the conditions and specifications set by SAMA.
- Not use the word “bank”, its derivatives, synonyms or any term similar thereto in any language in its documents, publications, commercial address, name or advertisements and shall be committed to use the term “money exchange institution” or “money exchange company”.
- Maintain effective oversight over the money exchange business and set appropriate controls, policies, and work procedures for the money exchange, including monitoring transactions to identify suspicious and fraudulent ones, to ensure compliance with relevant laws, regulations and instructions.
- Comply with the rules and regulations of the Saudi Central Bank relating to the anti-money laundering, combating terrorism, anti-fraud, and anti-embezzlement and requirements relating to information security.
- Ensure that its policies and procedures are comprehensive and reflect all SAMA regulatory requirements.
- Adhere to the regulations, operational manuals, and risk management policy documents necessary for providing services to Customers efficiently.
- Ensure systems’ effectiveness, reliability, and security to support its activities.
- Conduct a periodic independent test, at a minimum once a year, by an internal/external auditor to assess the money exchange center’s operations, including the systems.

- Record all transactions in the system and prohibit any transaction outside it.
- Provide adequate technical systems, as a minimum, to manage risks, protect Customers, and combat money laundering and terrorist financing.
- Maintain a record of all transactions, in accordance with the instructions issued by SAMA in this regard.
- Maintain and archive data and documents in accordance with the instructions issued by SAMA.
- For money exchange centers licensed to conduct money transfers inside and outside the Kingdom, maintain at all times a full cover for outstanding remittances drawn on their headquarters or correspondents inside and outside the Kingdom to allow payment of the remittance once the order is received.
- Comply with the safety and security requirements issued by SAMA.
- Place the license issued by SAMA in a visible place at its head office and branches.
- Associate the name of the money exchange centers with the license number in all of its publications, correspondence and all its statements.
- Maintain the confidentiality of any information obtained while conducting its business and refrain from disclosing or benefiting therefrom in any manner even after the end of its work except after obtaining SAMA's prior consent.
- Set a business continuity plan.

## 1.2 General Features of Money Exchange and Transfer Centers in KSA:

### Learning Objective



1. To learn the general features of Money Exchange and Transfer Centers and types of services they provide.
2. To learn the Rules Governing the Conduct of Money Exchange Business
3. To understand the main types of account holders and their entitlement to benefit from banking products and services

Rules Regulating Money Changing Business, issued by Minister of Finance Decree No. 4686 dated 21/11/1441 AH, aim at establishing a regulatory and supervisory framework for conducting exchange business, defining the activities permitted for the exchange centers, in addition to expanding the scope of the exchange business, facilitating its provision and promoting financial inclusion, as well as stimulating innovation, competition, use of technology in exchange services and protecting the rights of customers.

### 1.2.1 Permitted Money Exchange Activities:

In accordance with Article 11 of Rules Regulating Money Exchange Business issued by the Decision of the Minister of Finance No. 4686 dated 21/11/1441 AH, SAMA shall issue licenses for conducting Money Changing Business. The scope of which shall be limited to:

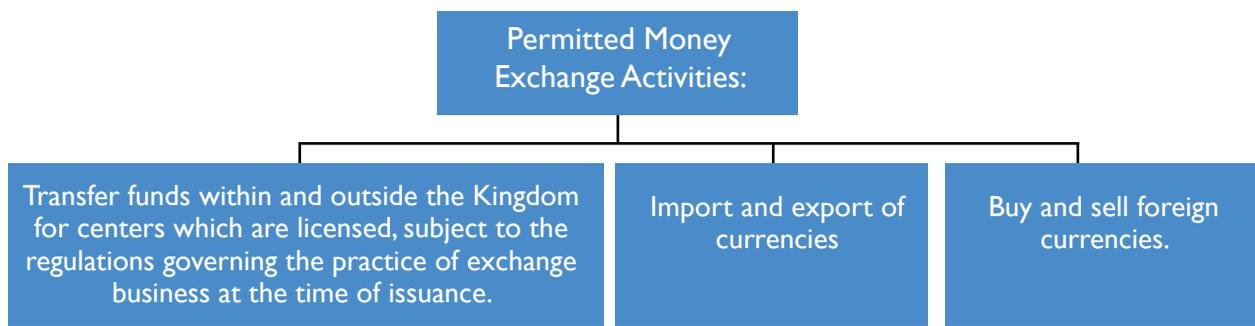


Figure (1.2) Permitted Money Exchange Activities

- 1- Purchase, sale and trading of foreign currencies inside the Kingdom.
- 2- Import and export of currencies for Money Changers that are companies or branches of a foreign money changer, provided that a license is obtained for the purchase, sale and trading of foreign currencies inside the Kingdom.
- 3- Carrying on money transfers inside and outside the Kingdom shall be permitted to the holders of valid licenses from SAMA at the time of the issuance of these Rules. The holders of these licenses are not allowed to open new branches to practice this activity. Any other activities may be determined from time to time by SAMA, while taking into account other activities that are limited to banks.

## 1.2.2 Money Exchange Business Licensing Conditions and Procedures:

### 1. Licensing Requirements:

The applicant requesting a license to conduct money exchange business shall be:

- Sole proprietor or a partnership, a joint stock company, a limited liability company, a partnership or a foreign company branch licensed to conduct Money Changing Business.
- Each founding member of the money exchange center must meet the eligibility requirements specified by SAMA and any conditions related to the proposed legal form of the money exchange center.
- Provision of comprehensive and detailed information and data and any documents specified by SAMA for the money exchange center to be established and to provide the following when applying:
  1. A feasibility study that includes the business plan, administrative structure, and exchange business' future plan.
  2. An irrevocable bank guarantee in favor of the Saudi Central Bank equivalent to the capital, and this guarantee will be released upon the issuance of the Central Bank's decision regarding the application.
  3. Memorandum of Association, articles of association, and proposed ownership structure for company licensing applications.

### 2. Capital:

- A. The capital must not be lower than the following:
  - Two million (2,000,000) riyals for paid-up capital.
  - Seven million (7,000,000) riyals for paid-up capital for money exchange center licensed to import and export cash.
  - Ten million (10,000,000) riyals for paid-up capital for money exchange center licensed to transfer money inside and outside the Kingdom.
  - The Invested Capital of the branches of foreign money exchange centers shall be determined by SAMA.

B. Maintain at all times a minimum cash reserve of 5 percent of its capital (10 percent for money exchange centers licensed to conduct money transfer activity). SAMA may amend this percentage whenever it deems necessary. The reserve shall be deposited with one of the licensed banks in the Kingdom to be at SAMA's disposal. The money exchange center or any other entity shall not be allowed to use this reserve in any manner without a written permission from SAMA.

C. The total value of assets should not exceed ten times the capital. SAMA may amend this limit whenever it deems appropriate.

D. Obtain SAMA's prior non-objection according to the conditions before offering its shares for public subscription.

### 3. License Term:

- The license shall be valid for a maximum of five years, renewable for a similar period or another period specified by SAMA.
- The money exchange center must submit an application to renew the license at least six months before its expiration, in accordance with renewal requirements set by SAMA.
- The money exchange center shall not conduct money exchange business if the license expires without renewal. If a month has passed since the expiration of the license without a renewal application from the money exchange center, or when such period has passed without meeting the renewal requirements, SAMA may revoke the license.

### 4. License Fees:

In accordance with Article 5 of the Saudi Central Bank Law issued by royal decree No. (m/36) dated 11/04/1442 AH, and Article 9 of Rules Regulating Money Changing Business issued by the decision of the ministry of finance No. 4686 dated 21/11/1441 AH, SAMA shall collect the following fees for issuing licenses:

A. Twenty thousand (20,000) riyals for issuing a license for the activity of purchasing, selling, and trading of foreign currencies inside the Kingdom.

B. Thirty-five thousand (35,000) riyals for issuing a license for one or more of the activities - including the activity of purchasing, selling, and trading of foreign currencies inside the Kingdom.

SAMA shall collect the following fees for renewing licenses:

A. five thousand (5,000) riyals for renewal of license for the activity of purchasing, selling and trading of foreign currencies inside the Kingdom.

B. Ten thousand (10,000) riyals for renewal of license for one or more of the activities - including the activity of purchasing, selling, and trading of foreign currencies inside the Kingdom.

C. Forty thousand (40,000) riyals for renewal of the license to conduct money transfer activity inside or outside the Kingdom.

	Purchasing and selling foreign currencies	Importing and exporting foreign currencies	Money transfer inside and outside the Kingdom
Paid capital	2,000,000 riyals	7,000,000 riyals	10,000,000 riyals
License issuance	20,000 riyals	35,000 riyals	
License renewal	5,000 riyals	10,000 riyals	40,000 riyals
The reserve	5%	5%	10%

Table (1-1): fees for exchange centers' activities

## 1.2.3 Violations and Revocation of License:

### 1. Cancellation of Approval and Non-Commencement of Money Exchange Business

- SAMA's approval shall be deemed cancelled in the event of non-completion of application procedures and not obtaining the license within six months from the date of the approval. SAMA may extend this period.
- SAMA's license shall be deemed cancelled if the Money Exchange Center fails to commence its business within three months from the date of license issuance. SAMA may extend this period.
- The fees collected are non-refundable in case the license was revoked.

### 2. Cessation of Money Exchange Business:

The Money Exchange Center shall not fully or partially suspend or end its business, whether in one or more branches, except after obtaining SAMA's written non-objection in accordance with the conditions it sets, provided that the period of suspension does not exceed three months, and SAMA may extend this period.

### 3. Revocation of License:

A. SAMA may terminate the license of any Money Exchange Center (in whole or in part) if it violates any of the provisions of these Rules, relevant instructions or decisions, or decisions issued in implementation thereof, including, without limitation, in the following cases:

- If the Money Exchange Center does not fulfill the requirements of the laws, regulations, rules or decisions, the application of which is supervised by SAMA.
- If the Money Exchange Center fails to maintain one of the license requirements.
- If SAMA finds that the license issued is based on false information.
- If SAMA finds that the Money Exchange Center's conduct of business has been detrimental to the interest of its Customers or to the public interest.
- If the Money Exchange Center prevents the inspection team assigned by SAMA from performing its duty.
- If the Money Exchange Center refuses to provide SAMA with the information and documents it requests, or if such information or documents were incorrect or forged.

B. SAMA may terminate the license of any Money Exchange Center if it fails to fulfill the business requirements, including, but not limited to:

- If SAMA finds that the Money Exchange Center is in a position that does not enable it to continue conducting its business.
- If the Money Exchange Center goes bankrupt or defaults on its debts for a period exceeding three months.
- If the Money Exchange Center's accumulated losses reach 50% or more of its capital.
- If the Money Exchange Center's business falls below the level that SAMA deems acceptable.
- Upon a request by the licensee to terminate its license if it is a sole proprietorship, or an agreement reached by the partners to dissolve the Money Exchange Center before the license expiry date.
- If any of the reasons for dissolution set forth in the Companies Law exist.
- Upon the death of the owner of the Money Exchange Center that takes the form of a sole proprietorship.

C. The Money Exchange Center shall be notified in writing when the license is revoked, and it shall perform the following:

- Immediately stop practicing the activity related to the license revoked.
- Announce the dissolution of the Money Exchange Center.
- Go into liquidation within a period not exceeding six months from the date the Money Exchange Center is notified of the license revocation, provided that this is done in accordance with the relevant laws and SAMA has the right to assign a liquidator to carry out the liquidation process.

- Maintain and keep records and data at the disposal of SAMA for the period it specifies without prejudice to the provisions of the relevant laws.

#### 4. Penalties and Corrective Actions:

SAMA may take one or more of the following actions against the licensed Money Exchange Center that violates the provisions of these Rules, instructions, or relevant decisions or decisions issued in implementation thereof:

- Notifying the Money Exchange Center of the irregularities in its business.
- Issuing a warning to the Money Exchange Center.
- Requiring the Money Exchange Center to take any actions to correct the existing situation in the form and time specified.
- Requiring the Money Exchange Center to close one of its branches or platforms.
- Suspending, restricting, or prohibiting specific services or products provided by the Money Exchange Center.
- Temporarily suspending the license.
- Revoking the license in whole or in part.
- Imposing a fine not exceeding ten thousand riyals.
- Applying the penalties stipulated in the relevant laws, as the case may be.

The penalties and decisions applied shall be published on SAMA's website.

#### 1.2.4 Activities Prohibited for Money Exchange Center:

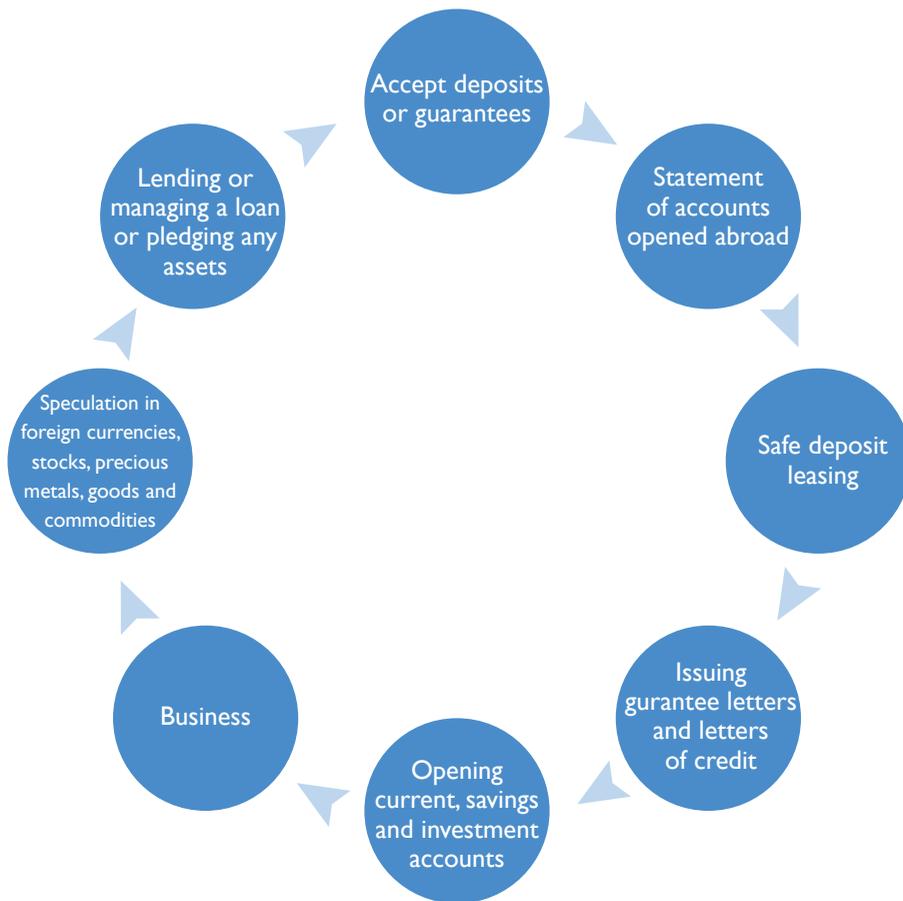


Figure (1-2):Activities that Exchange Centers are prohibited from practicing

Pursuant to Article 12 of the Rules Regulating Money Changing Business promulgated by the Minister of Finance Decision No. 4686 dated 21/11/1441 AH, money exchange centers shall not conduct any activities other than what is prescribed in the license, including, but not limited to, the following activities:

- Practicing any other commercial business not approved by SAMA under its capacity and commercial register that was issued for the purpose of conducting money exchange business.
- Opening current, investment, savings accounts or any other accounts for its customers or employees.
- Issuing letters of guarantees or opening letters of credit or collaterals in any form whatsoever inside and outside the Kingdom.
- Renting safe deposit lockers.
- Having an overdraft in its accounts abroad under any circumstances except for cases resulting from the difference in due payment.
- Accepting deposits or trusts in any form whatsoever whether in cash or in kind.
- Extending credit, managing a loan or participating in one of such practices or submitting its assets as a collateral.
- Speculation in foreign currencies, precious metals, stocks, goods, commodities, and the like.

## 1.3 SAMA and its Role in Control over Money Exchange and Transfer Centers:

### Learning Objective



To understand SAMA's role in controlling all operations conducted by Money Exchange and Transfer Centers in KSA

According to the Saudi Central Bank Law issued by virtue of Royal Decree No. M/36 of 1442 AH, SAMA bears the responsibility for soundness and functionality of the banking system across KSA in general, and among the system' users and contributors. The Central Bank is the regulatory and supervisory authority for commercial banks, exchange centers, insurance companies, financing companies, credit information companies, and payment companies and systems.

In accordance with Article 26 of Rules Regulating Money Exchange Business issued by the Decision of the Minister of Finance No. 4686 dated 21/11/1441 AH, SAMA shall supervise, and control money exchange center.

#### 1.3.1 On-Site Inspection

- SAMA has the right to conduct full and unrestricted inspections at any time and as it deems appropriate. This includes inspection of internal systems, documents, reports, records, employees, head offices, activity, financial conditions, information, data, and documents sent by the money exchange center to SAMA and other matters that SAMA deems necessary to review as well as taking copies thereof. SAMA may carry out the inspection through its employees or through designated bodies or persons.
- The money exchange center and its employees shall provide the records, data and documents requested by SAMA employees or designees in the form and time they specify. The money exchange center's employees must disclose the information they possess relating to money exchange business and any suspected violations.

### 1.3.2 Data and Reports

The exchange center shall provide the Saudi Central Bank, in the form and time specified by the central bank, with any data, records or documents requested by the central bank, in accordance with the following:

#### 1. External Auditor:

- Each money exchange center must appoint a licensed external auditor to examine the financial statements, audit and review its accounts, and evaluate internal control systems, provided that the total period of the auditor's appointment does not exceed five continuous years.
- If the money exchange center fails to assign an auditor within a period of three months from the beginning of the Financial Year, SAMA may appoint an external auditor at the expense of the money exchange center.

#### 2. Periodical Statements:

The money exchange center must provide SAMA with periodical data that have information on the money exchange center's business, including, but not limited to, the following: Data on the head office and branches, a list of names of senior position, and a list containing staff data. The money exchange center shall update the data provided to SAMA if a change occurs in the information provided.

#### 3. Annual Reporting:

The money exchange center shall provide SAMA with an approved annual report that includes information about its business as well as the following information, at a minimum:

- Nature, value, volume and geographical distribution of operations or transactions;
- Fraud, burglary and theft incidents; and
- Customer complaints, their nature and number, and the remedial measures taken to address them.

#### 4. Reports preparation:

The money exchange center shall maintain accounting records in which its transactions are registered promptly according to SAMA's specification. The money exchange center shall follow the accounting standards applied in Saudi Arabia. Moreover, the money exchange center must provide SAMA, upon its request and at the times it specifies, with data or reports including the following:

- The financial statements that are reviewed by the external auditor every three months starting from the beginning of the Financial Year.
- Audited final accounts including the external auditor's report, provided that the report includes any observations on such statements and the extent of their conformity with applicable laws and standards.
- A report on the evaluation of internal control systems, including any observations regarding compliance with the provisions of these Rules.
- A monthly statement of foreign currency sales and purchases according to the form specified by SAMA.
- A monthly report on currency import and export operations for those that are licensed to practice such activity.
- Data on outgoing and incoming remittances and purpose thereof on a monthly basis according to the format specified by SAMA.

## 1.4 Effect of International Rules, Standards and Agreements on Money Exchange and Transfer Centers:

### Learning Objective



To be familiar with Effect of International Rules, Standards and Agreements on Money Exchange and Transfer Centers.

### 1.4.1 Significance of International Rules and Standards in Regulating Money Exchange and Transfer Centers:

Money exchange and transfer centers in any State endeavor to comply with international regulations and legislation relating to banking business and to adopt international standards for the regulation of money exchange and transfer business. Below are some of the main drivers:

- Ensuring that there are established standards in areas of common interest: this includes setting capital standards, standards of investor protection, in addition to promoting market integrity.
- Facilitating cross-border commercial and financial business, which is the main objective of some commercial and financial agreements.

### 1.4.2 Role of Regulatory Authorities and International Agreements:

Given the lack of a specific international regulatory framework whereby international legislation and standards can be enforced, the signatory states of international initiatives and agreements are required to adopt and formally incorporate the agreed standards in their legal system so as to be in force.

### 1.4.3 International Agreements with KSA:

KSA has strengthened its economic position as one of the major players affecting the global economy by signing cooperation agreements with international organizations, including: the Gulf Cooperation Council (GCC), as well as accession to the World Trade Organization (WTO), in addition to trade agreements: (agreements for promotion and protection of investment, double taxation treaties, in addition to cooperation agreements in the commercial, economic and technical fields). SAMA is a member of the Bank for International Settlements (BIS). BIS's main function is to serve central banks in their quest for monetary and financial stability, to strengthen international cooperation in these areas and to act as a bank for central banks. BIS hosts the secretariat of the Basel Committee on Banking Supervision, with which it has played a key role in concluding of the Basel Conventions of 1988, the Basel II Framework of 2004 and, more recently, the Basel III Convention.

# Chapter one

## End - of - Chapter Questions

Answer the following questions and check your answer in the corresponding section:

1. What are the main functions and responsibilities of SAMA?  
**Answer Reference: Section 1.1.1**
2. How to define money exchange and transfer centers according to the Rules Regulating Money Exchange Business?  
**Answer Reference: Section 1.1.3**
3. What are the permitted money exchange activities in KSA?  
**Answer Reference: Section 1.2.1**
4. What are money exchange business licensing conditions and procedures?  
**Answer Reference: Section 1.2.2**
5. Mention the activities prohibited for money exchange center.  
**Answer Reference: Section 1.2.4**
6. Clarify SAMA's role in control over money exchange and transfer centers.  
**Answer Reference: Section 1.3**
7. Mention the most important SAMA issuances for regulating money exchange centers.  
**Answer Reference: Section 1.4**
8. Clarify the significance of international rules and standards in regulating money exchange and transfer centers.  
**Answer Reference: Section 1.5**
9. List some of the measures that the Saudi Central Bank takes against licensed Exchange Centers violating the Rules regulating transferring activities (5 at least)?  
**Answer Reference: Section 1.2.3**

# Chapter Two

## Foundations of Effective Customer Service in the Money Exchange and Transfer Centers

This chapter includes 20 questions out of 100 questions in the exam



## Introduction:

This chapter deals with the basic principles of customer service by identifying different types of exchange centers' customers, their different needs, and expectations from customer service. It also deals with how exchange centers' employees can deal with customers to meet these needs. Moreover, it discusses skills of effective communication with customers of all kinds and modern technologies for customers' retention. Moreover, it deals with provision of services and products in the best way possible and according to the best modern scientific methods to tackle problems and reach the best agreements for the benefit of customers. In addition, this chapter clarifies the need to work on increasing customers' financial awareness of the nature of services rendered by exchange centers.

## 2.1 Exchange Center Customers, their Different Needs and Methods of Dealing with Them:

Learning Objective:



To be familiar with different types of exchange centers' customers, consider their various needs and seek to render services that suit these needs.  
To lay down the general framework to meet customers' various needs and set appropriate standards to render such services to customers effectively.

Customers constitute the real assets of money exchange centers. Therefore, exchange centers are making enormous efforts to take care of them and develop the customer service field by qualifying employees of this sector and providing them with all instruments, skills and arts that enhance their loyalty to the center by levelling up customer's satisfaction with services provided. Customer service is the process by which customers' needs and expectations are met by providing high-quality service leading thereby to customers' satisfaction.

### 2.1.1 Definition of Customer:

The customer is the person, natural or legal, who carries out a financial transaction through an exchange center. This category includes citizens, residents and visitors (walk-in customers) holding a visa or temporary residence permit, as well as pilgrims and Umrah performers.

### 2.1.2 Types of Exchange Center Customers:

Exchange centers' customers can be classified according to the Rules Regulating Money Exchange Business Issued by SAMA dated February 2015 as follows:

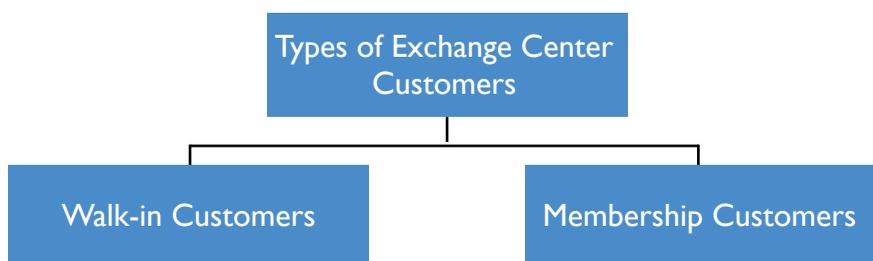


Figure (2.1) Types of Exchange Center Customers:

## 1. Membership Customers:

The natural persons (individuals) or legal persons (corporations, companies, bodies, etc.) that are members of money transfer or exchange services at the exchange center. The membership shall be registered with number and name of customer in records being in custody of the exchange center, with ID number for citizens, or number of a valid residence permit for expatriates. As for legal persons, in addition to number of membership and name of entity or company, the commercial register or license shall be registered by the competent authority.

Circular No. 67/63591 issued by SAMA on 23/10/1440 A.H. emphasized the need to obtain a copy of personal IDs only once when a membership is opened with the customer or when customer data is updated. All records and documents obtained by the Exchange and Transfer Center through due diligence procedures, account files, commercial correspondence and copies of personal IDs shall be kept for a period of not less than 10 years from the date of business relationship termination or after the completion of a transaction for a customer who does not have an existing business relationship with the center.

## 2. Walk-in Customers:

Only natural persons who are not members of money transfer or exchange services at the exchange center, as they need to deal with the exchange center through limited, non-recurring or occasional amounts. Tourists holding a visa or temporary residence permit, in addition to pilgrims and Umrah performers, are allowed to exchange banknotes, cash traveler's cheques, and receive money transfers delivered only to exchange centers authorized to do so. Taking into consideration that the exchange center shall retain a record of all transactions executed with customers of that category, containing detailed information about the transaction, in addition to linking such transactions necessarily with the passport number of pilgrims, Umrah performers and tourists. In addition, citizens and residents may exchange currencies without initiating a membership relationship, with the fulfillment of identity attachment requirements and financial transaction limits, it is essential to ensure the authenticity of the banknotes received from customers during currency exchange. The Central Bank issued Circular No. 18578/Akh/547 on 23-08-1423 H, in addition to the Interior Minister's Circular No. 16/36751/2Sh on 01-08-1423 H, regarding the controls and procedures to be followed when detecting counterfeit banknotes. The following steps are taken in such cases:

1. If a citizen or expatriate presents one to three counterfeit banknotes, and the source is unknown, complete details are recorded in the counterfeit banknote report. A copy of the person's ID is taken and sent to the Anti-Counterfeiting and Forgery Department at SAMA for further action.
2. If it is determined that the person knows the source, they are handed over with a counterfeit banknote report to the nearest security patrol or police department for further transfer to the Anti-Counterfeiting and Forgery Department to complete the necessary procedures.
3. If the counterfeit banknotes presented to the exchange center exceed three, the person is handed over with a counterfeit banknote report to the nearest security patrol or police department for further transfer to the Anti-Counterfeiting and Forgery Department to complete the necessary procedures.
4. The Currency Exchange Centers provide the Central Bank's Exchange Centers Supervision Department with a copy of the counterfeit banknote report.
5. Currency Exchange Centers must provide SAMA with a semi-annual report on cases where the controls and procedures have been applied.
6. Currency Exchange Centers are required to assign an employee to coordinate with the relevant security authorities.
7. Currency Exchange Centers must officially confiscate counterfeit banknotes before sending them to the Anti-Counterfeiting and Forgery Department.

In case of suspicious financial transactions related to money laundering and terrorist financing crimes, the exchange center should immediately report the transaction to SAFIU and attach a copy of passport, a description of transaction and adequate details about the walk-in customer.

## 2.2 Customer Acceptance Policies and Procedures:

Policies and procedures for accepting customers include all customer-related factors as the person performing a financial transaction through an exchange center, as well as taking all procedures for verifying customer's ID, address, business, income, and sources of funds, in addition to defining the purpose of relationship between the exchange center and its customers and refraining from dealing with unknown or fictitious names. SAMA rules and instructions shall be strictly followed, together with AML/CTF instructions, KYC instructions and CDD procedures for all types and categories of customers, and setting classifications and requirements necessary to establish a business relationship with the customer.

### 2.2.1 Issuing Membership Card:

Exchange center's customer shall fill out the personal information in Individual Membership Initiation Form for individuals or Corporate Membership Initiation Form to get benefits from exchange center's services. The exchange center shall issue a membership card to the customer containing his/her unique number that is linked to the automated system, where his personal information and a copy of ID shall be stored. The exchange center shall also get a signature proving attendance of customer in person and validity of information filled out in the form and beneficiary data at exchange centers authorized by SAMA to run this business. The customer may provide membership number upon performing any financial transaction, together with original ID to ensure that s/he is the related member, and that ID is valid.

Membership shall be subject to statutory procedures in terms of updating information, freezing, seizing, and setting the allowed financial thresholds according to customers' status and incomes rates.

### 2.2.2 Membership Initiation Requirements:

According to Manual Regulating Money Exchange Business in KSA issued by SAMA on February 2015, It is required for a membership to fulfill applicable requirements for verification of ID and true user (beneficiary), including:

1. The applicant shall be 18 or older.
2. All KYC data and information in Membership Initiation Form shall be filled in and verified by way of signature thereon.
3. A valid true copy of citizens' ID shall be placed in customer's file, together with a copy of residence permit for expatriates. As for legal persons (legal person customers), a copy of commercial register or business license shall be retained in addition to mentioning the address, true owner and nature of business.
4. The exchange center shall be responsible for matching and verifying data against original documents furnished by the customer, as well as affixing stamp and setting date on each document and retaining so in the automated system.
5. There shall be an ID for the blinds and minors.
6. Expatriates holding temporary residence permits in their passports may be granted a membership based on this permit (for 3-month term). The membership shall be frozen after expiry and until issuance of a valid residence permit.
7. It is important to follow instructions for banned persons in accordance with Security Council's resolutions. Updated data can be acquired from UN website or through subscription in international companies' systems, such as (WORLD CHECK).
8. Number of beneficiaries outside KSA, together with their full information, such as name, ID, if any, account number or address shall be specified.
9. Membership relationship may neither be shared with more than one person nor be used for purposes inconsistent with the main purpose for which it was initiated.

### 2.2.3 Updating Information in Customer's Presence:

The exchange center shall update customer's information, in terms of his membership, in the following cases:

- Upon expiry of ID for individual customer or the commercial register for companies, or a maximum of 3 years, whichever is less.
- Upon suspicion of customer's ID documents and information, or nature of his financial transactions.
- Upon inconformity of customer's financial transactions with his/her information provided to the exchange center or change in the pattern and behavior of customer's financial transactions.
- Upon changing or adding a beneficiary of a funds transfer abroad at exchange centers licensed to render this service.

### 2.2.4 General Instructions on Acceptance of Customers:

- The exchange center shall, in all cases of dealing with natural or legal persons, identify the customer through valid identification documents.
- Nature of customers' business and activities shall be aligned with size, purpose and type of financial transactions executed. Moreover, it is important to know the true beneficiary and take necessary measures to verify the customer.
- Exchange Centers may not deal with legal persons such as (companies, organizations, establishments, associations, tourist offices, hotels, embassies, etc.) as a walk-in customer.
- Delegation or internal POAs issued by individuals, organizations, and companies and POAs executed on exchange centers' letterheads may never be used to carry out transactions.
- Money transfer (at category A exchange centers) or currency exchange may be carried out on behalf of natural or legal persons based on relation of membership with POA issued by Notary Public, provided that the attorney shall be a Saudi national. It is important to receive all information of member and attorney according to KYC and CDD and to be updated upon update of membership relation or expiry of POA.
- Validity of residence permit, visa, or temporary residence permit shall be considered when dealing with expatriates, pilgrims, Umrah performers and visitors.
- Information shall be obtained from legal documents, such as ID, residence permit or passport, together with and a copy thereof to be certified as matched with the true copy by the customer when initiating membership relation.
- No engagement with fake, numeric, or anonymous names shall be accepted.
- Number of memberships shall be linked to name and ID and to be considered as an automated reference of transactions executed upon initiation of relationship (creating customer's unique membership number). In accordance with Circular No. 41050726 issued by the Saudi Central Bank on 27/07/1441 AH, the Saudi Central Bank confirmed the acceptance of the two types of premium residency (permanent and fixed term) issued by the Premium Residency Center as an approved identity that entitles its holders to benefit from financial products and services provided by financial institutions, including exchange centers.
- KYC requirement, AML/CTF rules issued by SAMA and other relevant regulations and instructions shall be applied.
- Relationship with customer shall cease to exist when the exchange center is unable to verify sources of transactions, doubtful of validity or adequacy of customer's ID data or when the customer

continues to use transfer membership for purposes other than those for which it was created.

### 2.2.5 Know Your Customer (KYC) Principle:

KYC is implemented to enable the exchange center to form an appropriate perception of the true identity of each customer with an appropriate degree of confidence, in addition to being familiar with types of business and transactions that the customer is likely to conclude with the exchange center. To achieve KYC, exchange center's procedures shall include the following measures:

1. Identification and verification of all permanent and walk-in customers' IDs on an ongoing basis.

2. Identification and verification of true beneficiaries' IDs for all customers' transactions at the level that realizes complete understanding and knowledge of them.
3. Evaluation of risks associated with different types of customers and taking appropriate action to enhance requirements for identifying and verifying IDs of customers or true beneficiaries of their transactions by using Risk Based Approach.
4. Taking measures that would continuously update requirements for identifying and verifying IDs of all customers and true beneficiaries on an ongoing basis.
5. Following-up on changes in customers' and true beneficiaries' IDs and taking necessary actions on impact of such changes on control and supervision requirements.
6. Customers and true beneficiaries' IDs records shall be made available to the person in charge of compliance with AML/CFT criteria together with relevant competent officials.
7. Verification of customers and true beneficiaries' IDs from reliable and independent sources.

In order to promote KYC principle, the Saudi Central Bank issued circular No. (42031578) dated 13/05/1442 AH, concerning the verification of customers' IDs through a reliable source by the following procedures:

- Verify that the mobile number associated with the account or membership in the financial institution belongs to the same person, by matching the member's ID and the mobile owner's ID in a Verification Service.
- Assess the current situation and identify number of customers and membership with unmatched numbers that are registered with the financial institution.
- Provide the Saudi Central Bank with the results of the assessment, as well as financial institution's corrective plan to match the identity of the membership holder with the identity of the mobile number owner associated with membership.
- Approve the registration of customer's approved mobile number with "Verification Service" within the new membership opening procedures.

On the other hand, the Saudi Central Bank issued Circular No. (57/58728) dated 23/09/1440 A.H., concerning the exclusion of customers of exchange center branches in airport traveling outside the Kingdom only from submitting the national ID for carrying out transactions, and only submit the passport and boarding ticket, and match it with the name of the customer.

### 2.2.6 Customer Due Diligence Procedures (CDD):

CDD is intended for exchange centers to monitor customers' and true beneficiaries' financial transactions, ensure to be understood, and verify Membership Relation Initiation Data and ensure being reliable and clear. Instructions require exchange centers operating in KSA to apply basic CDD to all permanent and walk-in customers, including true beneficiaries; in addition to ensuring that CDD are ongoing and in line with the degree of risks associated with customers' business and transactions, as follows:

1. Following-up on activity of financial transactions and compatibility with information provided by customers.
2. CDD shall be implemented when establishing a business relationship, conducting casual transactions that exceed limits, which are disclosed for the first time or in combination with each other, as well as when suspecting that they are related to money laundering or terrorist financing transactions, regardless of exemptions or thresholds specified for amounts of transactions or when suspecting accuracy or adequacy of information previously obtained upon identification of customers.
3. Verifying whether any person (natural or legal) is acting on customer's behalf and ensuring legality thereof.
4. Determining natural and legal persons who has possession or control over the customer.
5. Application of CDD shall be extended in case of high-risk customers and business relationships. This may be attributed to customer's business activity, ownership structure, size or types of expected or existing transactions, including such transactions that involve high-risk countries,

transactions defined by Law or applicable instructions as being a high-risk source, such as relationships of correspondent banks and Politically Exposed Persons.

6. CDD requirements may be eased for relationships that fall within low-risk categories, based on risk assessment conducted by the exchange center, for example:

- Individuals whose main source of income is their main source of income, retirement salaries or social subsidies from known and appropriate sources, whose level of transactions is consistent with the source of funds.
- Small-amount transactions or specific transactions.

7. Not allowing absolute termination or restriction of business relationships with complete categories of customers in order to avoid risk management or due to limited financial returns (profits), without considering other measures to mitigate risks for individual customers within a certain sector, and dealing with risks of each case separately.

## 2.3 Principles of Protecting Exchange Center’s Customers:

Learning Objective:



To be familiar with the moral principles for retaining customers.

Protecting customers of banks and money exchange centers is a strategic goal that SAMA always aspires to realize by ensuring that banks and money exchange centers are fulfilling the required level of fair treatment, trustworthiness, and financial inclusion. Customer protection principles help to achieve the desired goal, given application of such principles to all SAMA-licensed activities. These principles are binding on exchange centers and complementary to SAMA instructions and controls. They shall be applied to all transactions with customers.

### 2.3.1 General Principles:

In 2011, G20 developed a set of high-level principles on customer’s financial protection. These principles are complementary to existing financial regulations, especially those regulations relevant to the protection of customers.

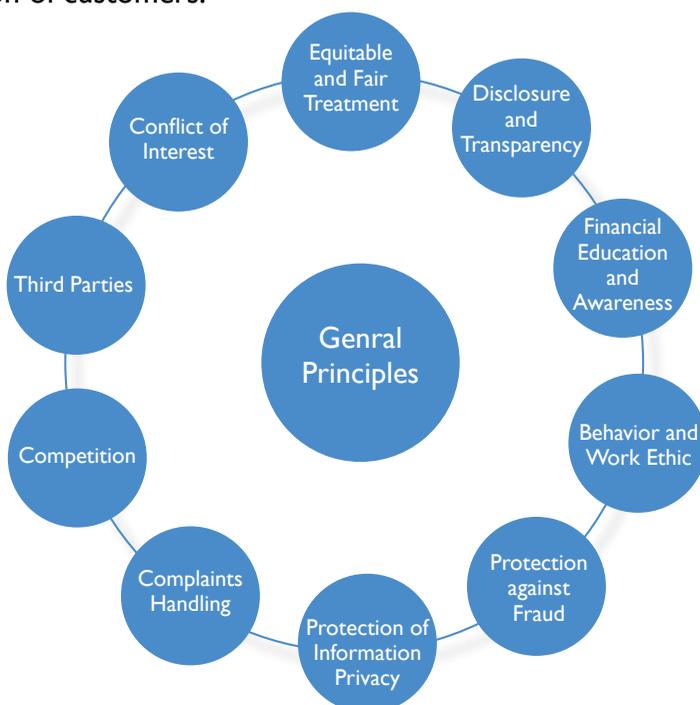


Figure (2.2) General Principles of Protecting Customers in Exchange centers

### Principle 1:

Equitable and Fair Treatment Exchange centers shall deal fairly and honestly with customers at all stages of their relationship. Care shall also be made, and special attention shall be given to low-income lower education customers, older people and those with special needs of both genders.

### Principle 2: Disclosure and Transparency:

Exchange centers shall update information about products and services provided to customers, so that they are clear and concise, easy to understand, accurate, not misleading, and easily accessible without unnecessary inconvenience, especially key terms, and features. This shall include clarification of rights and responsibilities of each party, details of prices and commissions charged by the exchange center, fines, risks, mechanism of relationship termination and consequences thereof; in addition to making available information on alternative products and services provided by the exchange center.

### Principle 3: Financial Education and Awareness:

Exchange centers shall develop programs and appropriate mechanisms to help existing and future customers develop the knowledge, skills, and confidence to raise their awareness and enable them to understand main risks, make informed and effective choices, and know where to go for assistance when they need it.

### Principle 4: Behavior and Work Ethic:

Exchange centers shall work in a professional manner for the benefit of customers during their relationship.

### Principle 5: Protection against Fraud:

Exchange centers shall develop control systems with a high level of efficiency and effectiveness to reduce fraud, embezzlement, or misuse.

### Principle 6: Information Privacy Protection:

Customers' financial and personal information should be protected by financing company through high-level control systems that include appropriate mechanisms that define the purposes for which the data may be collected and processed, in addition to compliance with requirements of SAMA's circulars.

### Principle 7: Complaints Handling:

Exchange centers shall provide customers with appropriate mechanisms to make their complaints. Such mechanism shall be fair, clear and effective, whereby complaints shall be followed-up and addressed within 5 working days without delay in accordance with SAMA's instructions.

### Principle 8: Competition:

Customers should be able to search, compare and where appropriate, switch between products, services and providers easily and clearly at a reasonable cost.

### Principle 9: Third Parties:

Exchange centers shall ensure that third parties entrusted with certain tasks comply with these principles, work in the best interest of their customers and be responsible for upholding financial consumer protection. Financial service providers shall also be responsible and accountable for actions taken on customers' behalf according to the Outsourcing Regulations issued by SAMA.

### Principle 10: Conflict of Interest:

Exchange centers shall have a written policy on conflict of interest and ensure that the policy will help to detect potential conflicts of interest. When the possibility of a conflict of interest arises between the exchange center and the third party, this shall be disclosed.

### 2.3.2 Customer Responsibilities:

Exchange centers shall promote customer responsibility by spreading continuous awareness and education programs provided by exchange centers collectively, as well as initiatives undertaken by each center for its customers. Customer responsibilities include the following:

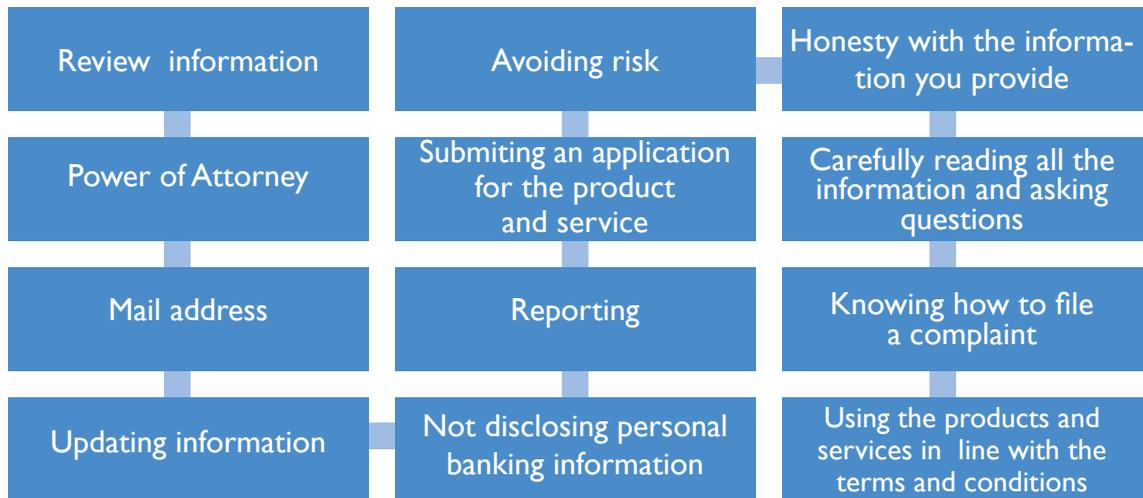


Figure (2-3): Customer Responsibilities

• **Be honest with the information you provide:**

Customer shall always give full and accurate information when filling in any exchange center's documents and shall not give false details or leave out important information.

• **Carefully read all information provided by exchange center:**

Consumers should read all details that highlight the obligations incurred in return for a financing product or service and make sure they understand such obligations and are able to commit to their conditions.

• **Ask questions:**

It is important for customers to ask questions to exchange center's employees about any clause that is unclear or a condition that the customer is unsure about. The staff will answer any questions in a professional manner to help you in your decision-making.

• **Know how to file a complaint:**

Exchange centers shall provide the customer with details on how to make a complaint and time-frame for response to such complaint. The customer may escalate the issue to higher levels, if necessary.

• **Use the product or service in line with the terms and conditions:**

Do not use the product or service, except in accordance with terms and conditions associated with them, and after making sure of your complete understanding.

• **Avoiding risk:**

Some financial products or services carry risks of different levels; exchange centers shall clearly explain these to the customer. Therefore, the customer shall not purchase any product or service where he feels that the risks do not suit his financial situation.

• **Apply for products and/or services that meet your needs:**

When making a request for a product or service, you should make sure that it suits your needs. You should disclose all financial obligations with all parties.

• **Report unauthorized transactions to exchange center:**

If the customer has discovered unauthorized transactions on his membership, he shall report so to the exchange center immediately.

• **Do not disclose your banking information:**

Under no circumstances should you provide any details on sensitive personal to any other party.

• **Update your information:**

Customer shall update his personal information, including contact information, so that it is updated continuously and when so requested by the exchange center.

- **Mail address:**

Customer shall provide exchange center with his/her mail (be it regular mail or an e-mail) and contacts when so requested by the exchange centers/he deals with. Accordingly, customer shall not use other addresses that do not belong to him, as this can lead to disclosure of his/her financial information.

- **Power of Attorney:**

Be careful when dealing with Power of Attorney in your financial transactions while keeping in mind that the Power of Attorney should be legitimate and for a Saudi Person.

- **Review all information:**

Customers shall review all information filled in on transactions forms to ensure no errors are made. The exchange center shall provide the customer with a copy of contracts and documents executed by him and retain so in a safe place.

## 2.4 Skills of Customer Service Employees at Money Exchange Centers:

### Learning Objective



To be familiar with skills of effective communication with customers and modern technologies to meet customers' needs, in addition to establishing robust business relationships.

Customer satisfaction can be achieved if an employee is able to fulfill certain conditions for quality service standards. Customers expect the service provider to have a good understanding of their job duties, mastery of its professional and behavioral skills as well as interpersonal skills including customers and beneficiaries. Therefore, exchange center's employee in charge of customer service shall be one of the highly selective employees after passing many interviews and specialized tests, not only in their knowledge of exchange center's business, activities, products, and technical information, but also in behavioral skills, so that the exchange center can ensure that the employee is an honorable person to deal with customers. Customer Service Employee is the mirror of exchange center in front of its customers, and the official ambassador and spokesman of the exchange center. If the employee's method and mission are in line with his own responsibility in representing the exchange center, this would be a positive indicator of exchange center's success, attracting more customers and retaining existing ones.

### 2.4.1 Skills of Rendering Quality Service to Customers:

Quality service is represented in integrity, honesty, courtesy, good treatment, accurate provision of information, speedy performance and achievement and maintaining customers' secrets. Therefore, Exchange Center's Employee shall master multiple skills to succeed in providing excellent services to customers. The most important skills are as follows:

#### 1. Technical skills:

Technical skills necessary to perform the work are to master the professional approach of work aspects, requirements, conditions, and duties, together with a good knowledge of nature of work in the exchange center such as procedures and conditions that fit nature of each customer.

The Exchange Center's Employee shall be familiar with Banking Supervision Law in force in KSA, SAMA Law and Rules Regulating Money Exchange Business in KSA, in addition to local economic, financial, and monetary conditions. Exchange Center's Employee shall keep pace with the global regulatory environment; especially that KSA ratified many international covenants and treaties governing the banking business, so that the employee can meet customers' inquiries in all work-related areas.

Below are some of basic issues that Exchange Center's Employee shall be familiar with:

- Prices.
- Conditions.
- Services and products provided by exchange centers, including their procedures, prices, and conditions.

In order for the employee to acquire professional knowledge, s/he shall have an urgent own desire to acquire knowledge and realize the following sources of knowledge:

- Senior Co-workers.
- Service Provision Policies & Procedures.
- Training Programs.
- Publications to Customers.
- Future Projects.
- Constant perusal of everything related to money exchange centers.

## 2. Behavioral Skills:

Behavioral skills of customer services' employees are represented in recognizing needs, desires and expectations of customers and beneficiaries. These skills start with how to receive and welcome customers and beneficiaries and choosing decent words when dealing with them, and listening carefully without interruption to the customer, in addition to smiling and being acquainted with them. Choosing decent phrases leaves a good impression on customers, smiling and cheerfulness while dealing with them attract them, however; the concept of Customer Care goes beyond and extends to knowing and meeting their needs quickly. The person who hesitates or is busy collecting his papers while ignoring customers or puts them on hold or the like makes customers upset. The employee shall make customers feel he is willing to help them, tackle their problems upon dealing with the exchange center and fulfill promises.

## 3. Understanding and Resolving Customers' Complaints Quickly and Effectively:

The employee shall tackle customers' complaints honestly, effectively, and accurately. For the employee to retain customer and gain his confidence, s/he shall be honest, understand and work to meet his/her needs and tackle his/her complaints quickly within the timeframe allocated to resolve it. Employees shall contact the customer to ensure that the complaint is resolved, and the customer is satisfied with employee's performance in tackling any problem that the customer may face throughout utilization of exchange center's services.

## 4. Being Patient and Restraint:

The employee shall be patient upon dealing with customers to be able to carry out his work well and satisfy his customers. Employees shall also control their emotions, and not be frustrated about customers' behavior.

### 2.4.2 Employee's Role towards Customer:

Employee's role towards customer or beneficiary is to:

- Welcome the customer.
- Observe customer's emotional aspect.
- Listen to customer and understand his/her need.
- Give customer accurate and sufficient information.
- Help the customer achieve what s/he wants.
- Provide alternatives if the employee was unable to fulfill customer's first request.
- Convince customer of the product or service appropriate with his needs.
- Employee to always put him/herself in the customer's shoes to estimate his/her position and feelings.
- Ensure customer satisfaction.
- Follow-up customer's request until completion.

## 2.5 Principles of Customers Retention:

### Learning Objective



To be familiar with the main elements of customer rights regarding products and services of money exchange centers.

In order to retain customers, the attention of exchange centers' officials should be paid to quality of services provided, as it has an important role in retaining existing customers and attracting new ones. To achieve so in providing exchange center services, the following steps shall be followed:

#### 2.5.1 Customers Care:

This can be realized through the following positive attitudes:

- Emotional and mind willingness of exchange center's employees to receive customers and their desire to provide service to them.
- Good appearance, smiling and positive spirit towards customers, regardless of their gender, age, and appearance.
- Full accuracy in mentioning specifications about the service without exaggeration.
- Reflecting the high-quality of the center through the communication style and customer care.
- Emphasizing that the exchange center's whole focus is on customers and providing services to them.

#### 2.5.2 Fulfilling Customers Desires According to Their Needs:

Creating a desire and determining customer's needs depend on service provider's skills. The relevant basic requirements are to:

- Properly present benefits of services rendered and focus on their characteristics.
- Provide customer with the opportunity to inquire about all matters he wants to know and service provider to be willing to reply to such inquiries objectively and accurately.
- Focus on the human aspects upon dealing with customers, such as welcoming customers, smiling and realizing importance of meeting customers' current and future needs.

#### 2.5.3 Convincing Customer and Addressing His Objections:

Convincing the customer requires the service provider to make customer persuaded when providing services as well as addressing objections raised by customer upon contracting. There is a set of rules that can be relied upon in responding to customer objections, the most important of which are:

- The service provider shall observe the rule that the customer is always right when dealing with customers.
- The service provider shall be a good listener to customer, show interest and write down customer's opinions and observations.
- The service provider shall not make customer feel defeated in the discussion, which could lead to failure of contracting.

#### 2.5.4 Ensuring Customers Will Continue Dealing with Exchange Center:

Customers' sustained engagement with the exchange center and customers' loyalty can be ensured through some marketing services, including:

- Continuous communication with customers, especially post-sale service.
- Paying attention to customer's complaints and comments and taking measures to address such complaints.
- Compensating customers for losses resulting from complaints.

### 2.5.5 Customer Waiting Time Management:

The amount of time that a customer spends waiting for a service or completion of his transactions negatively affects his assessment of actual performance and quality of services rendered by the exchange center. Therefore, the exchange center shall shorten the waiting time to the least time possible and work on investing customers' waiting time in a way that makes them busy with something useful over that period.

### 2.5.6 Addressing Mistakes in Service Performance:

Addressing service performance errors is an opportunity for exchange centers to provide services that exceed customer expectations. If the exchange center immediately addressed a mistake in providing the service, it would help the center convert negative points into positive ones to its benefit. Thus, the customer would become more interested in the service during the mistake addressing phase over his interest when the service was provided at first. Putting in place a good system to address service performance deficiencies makes customer feel satisfied and improves customer's awareness of quality of service itself. For putting in place a system for addressing service problems, the following components shall be available:

- Identify service issues by tracking customer complaints, analyzing them to avoid future recurrence, conducting customer-related research and following up service provision process and procedures.
- Tackle problems effectively and promptly by training employees and developing their skills and enhance the reasons for which mistakes take place.
- Learning through addressing mistakes, i.e., the exchange center shall learn from corrective-measures incidents to avoid making the same mistake again. This requires searching for causes of malfunction, working to rectify them, modifying service performance monitoring system and making an information system available in order to count and follow-up problems.

## 2.6 Mechanisms for Dealing with Customers' Complaints: Learning Objective

### Learning Objective



To be familiar with mechanisms for effective dealing with customers' complaints.

Exchange centers aim to satisfy their customers to gain their loyalty and avoid negative impacts of losing them. Therefore, it is necessary to identify the unsatisfied customers and reasons for dissatisfaction. Customers' complaints are among the instruments used to identify reason for customer's dissatisfaction with services provided, where the complaint is defined as:

“Every verbal, written, telephone communication, direct or via a medium, through which the customer shows dissatisfaction.”

According to this definition, we conclude that the customer uses several methods to express dissatisfaction according to the place where the matter takes place. The main reasons for customers' complaints are:

- Failure to provide the service as promised in terms of timing, behavior, or communication patterns, causing problems for the customer.
- Low credibility or confidence in exchange center as a result of employees' poor skills or inability to understand customer's needs.

- Customers' resist change, as exchange centers may change their policies, procedures, work regulations, or conditions and requirements for a service, that leads to causing problems for the customer, in addition to customer's refusal to such change.
- Emotional status of customer or service provider, as the customer or service provider may encounter undesirable circumstances that may affect his emotional status, thus affecting his response to the other side, leading to problems in dealing between both sides.
- Discrimination between customers in terms of time, method, or way of obtaining the service.
- Lack of customer's awareness and information.
- Failure of service offered to meet customer's expectations.

There are several suggested methods for dealing with customers' complaints, such as:

1. Identify customer's expectations on acceptable service levels.
2. Identify areas of complaints well while working to addressing them.
3. Develop work procedures, simplify requirements for obtaining service and use advanced technological methods.
4. Provide enabling-solutions and safety in dealing with exchange centers and eliminate risks associated with services provided.
5. Carry out the service properly from the first time.
6. Contact customers effectively.
7. Turn issues into opportunities to attract new customers and maintain existing ones.
8. Exceed customer's expectations and excel in service providing.
9. Attract and recruit the most efficient employees.
10. Set necessary guidelines for dealing with customer's complaints in accordance with SAMA's instructions.
11. Develop organizational culture across exchange centers to support quality.

Some customers may refuse to file complaints to the exchange center despite being unsatisfied with services provided for the following reasons:

- Customer's belief that complaints do not change anything.
- Customer's belief that he will waste time.
- Customer's belief that his culture and nurturing do not allow him to disclose his thoughts, especially when concerned persons are around.
- Customer's belief that this behavior will make others feel that he is arrogant, or it is just a capricious.
- Customer's belief that changing the exchange center is easier than filing a complaint.

## 2.7 Effective Customer Relationship Management:

### Learning Objective



To be familiar with modern techniques and methods to effectively solve problems facing customers in different situations.  
Enhance customer's awareness of services provided by money exchange centers.

Given the development of modern technologies, means of communication, information industry and e-business solution services, and in a market where customer's loyalty is a challenge to customer service employees due to the variety of options available; the challenge has expanded not only in searching for new customers, but also in understanding and realizing requirements of and retaining existing customers. This gave rise to modern technologies that aim to provide complete

solutions to manage exchange centers employees' efforts and implement decisions that depend on current and potential customers and their response to services offered by these centers. Many banking products and services are of a similar nature but differ in nature of its management and list of goals that they seek to achieve. Customers are one of the important factors and main pillars in every commercial or service business. Without customer, there are neither goals to achieve nor ideas and strategies to apply. In order to promote, expand and maintain customers' base, strategies must be developed to realize this goal by incorporating an administrative branch that cares for customers called Customer Relationship Management.

Moreover, there is no doubt that competition and its ferocity became the prominent feature in the business world nowadays. Hence, it was necessary for exchange centers to search for advantages and strengths that help them win this competition while developing a competitive advantage. Accordingly, exchange centers' knowledge of their customers and their preferences is one of the most important competitive advantages that banks can own. Hence, the importance of customer relationship management is recognized.

Customer Relationship Management is defined as: "A comprehensive strategy and integrated system to identify the most profitable customers, understand their requirements, desires and priorities, and work on satisfying so through effective communication with them and analyze their data in order to enhance their loyalty and profitability".

**Below are the most important CRM objectives:**

- Increase rates of customers' retention, loyalty, and profitability.
- Provide information and inputs for marketing research and strategic plan by studying customer's trends and making assumptions about their future transactions.
- Attract new customers.
- Standardize money exchange center's marketing vision and approve points of agreement on bank's important strategic concepts.

### 2.7.1 Initial Contact with Customer:

The initial contact with customers represents the starting point of actual service. In many cases, this may only take a few seconds while offering the service, but it is very important as success in offering the existing service may depend on that stage.

The initial contact stage is to be acquainted with customer and draw customer's attention to provide the service he requests or offered to him. Accordingly, it forms customer's first impression about the exchange center and its services in general, and about service provider personally. Most customers at this stage and before requesting the service may focus on the following:

- Service Provider's appearance, self-confidence, personal hygiene, elegance, and etiquette in his communication.
- Service Provider's way of meeting customers, and extent of desire to offer the service with solid grasp of the product.
- Service Provider's method of drawing customer's attention.

The employee should know: What does the customer want? What does the customer need? What are the customer's thoughts? How does the customer feel? Is the customer satisfied? Is the customer happy? If the call happened through an identified list of the center, the employee needs to have basic information about the customer, such as name, age, and place of work.

To attain the highest levels of quality provided to customer, the service provider shall observe the following principles:

#### A. Use of Body Language in Communication:

Service Provider's body language plays an important role in successful communication between service provider and customer. For instance, when the service provider places one hand behind his back, this may mean that he is tired or unwilling to provide the service to customer. In contrast, if the employee is standing upright and active, this means willingness to offer the service. In case

the service provider is sitting with a customer to conclude a transaction, then sitting face-to-face with the customer is much better than sitting a side. Most of our customers prefer to sit with them humbly; they may get this idea by not crossing hands or legs while we sit. In addition, service provider's tilt toward customer would implies to customer that the service provider wishes him to keep talking, unlike tilting lazily backwards, which may make customer feel that service provider is exhausted and unwilling to provide the service or even respond to inquiries. The service provider shall always keep his head up, with normal movement of his arms and relaxed facial muscles together with calm smile. In return, we shall understand what customer's body language means while talking with the service provider, as it may mean for the service provider a specific and important, but implied request.

#### B. Voice:

Service provider may tend to raise or lower his voice in response to the course of conversation with customer, or even speed up or slow down speaking to clarify topic or enhance customer's understanding. Service provider shall use the tone aspect to support content of his speech and highlight what he means. Meanwhile, the service provider shall understand the customer's tone, as tone of voice and style of speech convey a more important message than the words used. There are many vocabularies that can be used, the most important of which are:

- Clear, pure language and voice that do not express pain, anger, or nervousness.
- Talking to people with words appropriate to their minds and culture.
- Refraining from technical terms that are difficult to understand.
- Refraining from words with exaggerated meanings.
- Refraining from using technical English acronyms.

#### C. Phone:

Although the customer talking with employee on the phone cannot know his emotions, yet he can feel so through the way of speaking. Therefore, the employee shall:

- Never leave the person on the phone waiting while the employee does other things.
- Keep calm even if the other person is rude.
- Know that employee's voice is a message conveyed from his center to the speaker; thus, reflect a good image through your tone.

#### D. Gestures:

Gestures such as when the service provider's nods, conveying to his customer to continue talking, facial expressions that would indicate service provider's satisfaction with customer's requests or silence to give customer the opportunity to explain his message freely.

While service provider's gestures mean something to customer, customer's gestures are very meaningful, whereon service provider may develop method and strategy of presenting and offering service to customer.

#### E. Vigor and Vitality:

- Provide customer with your service while smiling and without showing tiredness and exhaustion, no matter how difficult it is.
- Allah loves for you to perfect a good deed when you perform it.

### 2.7.2 Knowing Customer's Requirements and Needs:

Knowing customers' needs is one of the most important processes that we shall pay attention while dealing with customers. It helps service provider to present his services in line with these needs; thus, becomes an approach to the concept of Distinguished Service while ensuring to effectively managing time.

How to Learn and Identify Customers' Needs:

The following points should be observed in order to identify customers' needs:

- Professional questions are the best way to identify customers' needs; you will thereby discover customers' benefits from service or product.

- You should market yourself before marketing your service, if customer feels comfortable and accepted employee's personality, he will listen well to employee.
- Good listening and making customer feel importance of his words would make customer confident, thus being familiar with his needs.
- Use of open-ended questions for the customer to collect information that gives customer the opportunity to express his wishes and thoughts, which helps employee to make a dialogue that leads to knowing customer's clear and latent needs.
- Use closed-ended question to confirm the conclusion.
- 80-90% of dialogue shall be dedicated to the customer while ensuring not to interrupt the customer unless necessary, because you want to explore his wishes and needs, some of which are underlying.
- Service provider can discover motives of his customers through his experience with them. Since customer's repeated interactions with the exchange center identifies his behavior. Service Providers' experience in dealings with a customer may reveal customer's preference to complete the service as soon as possible; then, the service provider shall work on satisfying customer's expectations to ensure considering exchange center's services as distinguished ones.
- Many services providers resort to published data to find out customers' motives, and they may hence resort to the following:
  - Published research on theories of motivation and how to discover them.
  - Specialized scientific journals addressing customer behavior theories.
  - Research conducted by different organizations to understand customers' motivations.
  - Advertisements made by different organizations, which may clearly identify potential motives of many customers.

### 2.7.3 Services provided to persons with disabilities:

SAMA issued Circular No. 41039051 dated 03/06/1441 A.H., regarding the instructions of services provided to persons with disabilities in financial institutions with the aim of establishing the principle of justice among all groups of society without discrimination in any way in the rights of any group. Achieving financial inclusion and allowing all groups of society access to financial products and services. The circular provided the following definitions:

- **Person with disability:** Any person who has a prolonged deficiency in physical, mental, intellectual, or psychological functions that prevents him from effectively performing his/her daily tasks in the community on an equal basis with others.
- **Disability:** The presence of one or more visual, hearing, mental, physical, and motor disabilities, learning disabilities, speech and language disorders, and other disabilities requiring special care.

Instructions for services provided to persons with disabilities are as follows:

#### 1. Disabled Persons Care Unit:

The financial institution shall establish an administrative unit for persons with disabilities and ensure that adopted policies and procedures of the financial institution include the requirements and needs of persons with disabilities and that services are provided readily and easily.

#### 2. Built environment:

The financial institution shall provide the appropriate built environment for persons with disabilities at all headquarters and branches in a manner that allows access and use of buildings and facilities and use of services provided without any difficulties or complications.

#### 3. Disability verification:

The financial institution may use all available means to verify the existence of disability, such as access to approved medical reports or documents proving type and condition of the disability, or by examining the case only once.

#### 4. Products and Services:

The financial institution shall develop a policy and procedures to ensure equality of persons with disabilities with all groups of society by enabling them to access products and services and manage their financial affairs such as but not limited to printing agreements and contracts in Braille (numbers and raised letters) for people with visual disabilities, (as per instructions for services provided to people with disabilities in financial institutions, January 2020).

#### 5. Self-service and electronic services devices:

The financial institution shall allow persons with disabilities access to self-service and electronic services for as follows:

- Providing self-service devices with compatible tools for the use of persons with disabilities and announcing locations of such devices in available ways.
- Developing electronic services to accommodate use of persons with disabilities, including but not limited to awareness-raising materials for persons with hearing disabilities and the visually impaired.

#### 6. Transparency and fairness in dealing with persons with disabilities:

##### 1. Advertising and Marketing

- The financial institution shall update marketing policies to provide inclusion of persons with disabilities to benefit from provided products and services.
- The financial institution shall provide explanations appropriate to persons with disabilities regarding provided products and services.

##### 2. Commitment to justice and equality in dealing with persons with disabilities:

- The financial institution is prohibited from excluding or restricting persons with disabilities access to any financial services for any reason without the legal basis.
- The financial institution is prohibited from engaging in abusive practices with persons with disabilities and must treat them with respect and justice without discrimination.

#### 7. Education and financial awareness for persons with disabilities:

Financial Institutions shall develop appropriate programs and mechanisms to develop the knowledge and skills of persons with disabilities, raise their knowledge and awareness, and enable them to understand main risks of financial products and services, help them make informed decisions, as well as direct them to the right place to obtain information when they need.

#### 2.7.4 Solving Customers' Problems:

Complaints that may be received by an exchange center differ from one customer to another. At first, you should recognize that there are basic rules for rendering services, the most important of which are:

- Customer (Service Applicant) is always right.
- Excellence in providing services depends mainly on making customer fully satisfied.
- Complaints are normal and an opportunity to enhance the quality level of services provided to client and should not hence be resisted.
- Resolve the complaints in due course in accordance with SAMA's rules.

Accordingly, the service provider who maintains continuous relationships with his customers will have a significant opportunity that such customers will request this service again from him personally. Therefore, customers' feeling of satisfaction and friendliness is very valuable to service provider, as it is the guarantee of his continuous success.

Addressing customers' complaints requires identifying causes of customers' complaints and applying effective methods while addressing such complaints. There are many reasons for customers' complaints, some of which are attributed to exchange center, some are attributed to service provider, and others are attributed to customer himself/herself.

- Examples of First Type: Issues in relation to exchange center's procedures.

- Examples of Second Type: Service Provider's personal mistakes.
- Examples of Third Type: Customer is not aware of service's benefit realized after being provided, or effort exerted to completely provide such service in that way.

However, customers who feel lack of care do not always make their complaints publicly, as a small percentage of them are those who report their problems that may be addressed to their satisfaction, but they anticipate other problems to occur. Otherwise, if customers' problems are not tackled, they will join the majority of those who do not report their problems at all, which constitutes a serious problem. The sensitivity of services provided by an exchange center to a customer makes customers' complaints a nuisance for service provider; therefore, service provider works hardly not to listen "There Is a Complaint" from his superior.

# Chapter Two

## End - of - Chapter Questions

Answer the following questions and check your answer in the corresponding section:

1. Explain the conditions that shall be met by exchange center's customer to obtain membership card.  
**Answer Reference: Section 2.2.2**
2. What is the main purpose of applying KYC in money exchange centers? What are the necessary procedures for KYC application?  
**Answer reference: Section 2.2.5**
3. What does CDD means? How can CDD be applied in money exchange centers?  
**Answer reference: Section 2.2.6**
4. Mention the general principles to be applied to protect money exchange centers' customers.  
**Answer Reference: Section 2.3.1**
5. Which skills are necessary for money exchange centers' employees to provide excellent services to customers?  
**Answer reference: Section 2.4**
6. Explain how exchange centers may achieve their customers' expectations.  
**Answer Reference: Section 2.5**
7. Explain how the exchange center can retain its customers.  
**Answer reference: Section 2.4.1**
8. What are the foundations of excellent customer service?  
**Answer Reference: Section 2.7**
9. What does Customer Relationship Management mean? What are most important CRM objectives?  
**Answer Reference: Section 2.6**
10. Mention the rules to be followed upon addressing customers' complaints.  
**Answer Reference: Section 2.6**
11. Exchange centers must work with transparency and justice in dealing with customers with disabilities, please explain.  
**Answer Reference: Section 2.7.3**

# Chapter Three

## **Products and Services Provided from Money Exchange and Transfer Centers In the Kingdom of Saudi Arabia**

This chapter includes 10 questions out of 100 questions in the exam



## Introduction:

This chapter explains and clarifies certain products and services provided at money exchange and transfer centers, types of technical services in money exchange and transfer centers within KSA and how to deal with each.

### 3.1 Main Features of Products and Services in Money Exchange and Transfer Centers:

Learning Objective:



- To be familiar with how to enable money exchange and transfer centers' employees to understand main features of products and services provided by money exchange and transfer centers.
- To be familiar with benefits and limits of money exchange and transfer centers' products and services.
- To be familiar with sale and purchase of foreign currencies.

In accordance with Rules Regulating Money Exchange Business issued by the minister of finance decision No. 4686 dated 21/11/1441 AH, Money exchange and transfer centers carry out various work commonly known as "Exchange". It includes sale and purchase of foreign currencies and traveler's cheques, as well as money transfer inside and outside KSA for entities previously licensed to do so by Saudi Central Bank (SAMA).

#### 3.1.1 Sale and Purchase of Foreign Currencies:

Sale and purchase of foreign currencies is an activity that requires SAMA license. Currency exchange is the most prominent business activity of money exchange and transfer centers; therefore, all money exchange and transfer centers shall provide such service to customers. According to Rules Regulating Money Exchange Business issued by SAMA in 2015 AD, those parties involved in sale and purchase of foreign currencies (foreign exchange), whether natural persons (individuals) or legal persons (companies) shall comply with the following:

##### 1. Individuals (Natural Persons):

A. For currency exchange transactions of less than SAR 5,000 or its equivalent made by natural persons, it shall be sufficient to see customer's ID to ensure being legally valid. A receipt shall be provided for the transaction, indicating name of money exchange and transfer center, FX rate, amount in local and foreign currencies, date, and time of transaction only. The transaction shall be registered and kept in records.

B. For currency exchange transactions ranging from SAR 5,000 to SAR 50,000 or its equivalent made by residents, a copy of customer's ID shall be taken, and customer's information shall be registered in the automated system. A receipt shall be provided for the transaction, indicating name of money exchange and transfer center, FX rate, amount in local and foreign currencies, date, and time of transaction only. The transaction shall be registered and kept in records. For foreign visitors and pilgrims holding entry visa/temporary residence permit, passport information shall be reviewed, and a copy thereof shall be obtained including entry seal, visa, and its number, and to be authenticated as a true copy by the employee. Money exchange and transfer center shall retain passport number throughout this term as an automated reference for transactions carried out in the automated system.

C. For currency exchange transactions ranging from SAR 5,000 to SAR 100,000 or its equivalent made by Saudis, a copy of customer's ID shall be taken, and customer's information shall be registered in the automated system. A receipt shall be provided for the transaction, indicating name of money exchange and transfer center, FX rate, amount in local and foreign currencies, date, and time of transaction only. The transaction shall be registered and kept in records. GCC citizens shall be treated same as Saudi citizens and be identified by passport or national ID issued from their own country.

D. For currency exchange transactions of more than SAR 100,000 or its equivalent made by Saudi customers and those exceeding SAR 50,000 or its equivalent made by residents for high-income customers, through membership relation only, customer's income shall be compatible with his profession and business. Instructions of Know-Your-Customer (KYC) principles together with Customer Due Diligence (CDD) procedures shall be applied. A copy of customer's ID shall be taken, and customer's information shall be registered in the automated system. A receipt shall be provided for the transaction, indicating name of money exchange and transfer center, FX rate, amount in local and foreign currencies, date, and time of transaction only. The transaction shall be registered and kept in in the records.

## 2. Companies (Legal Persons):

It shall be permitted to execute currency exchange transactions for legal persons (companies) of no financial limits through a membership relation, and to apply KYC procedures and conduct Enhanced Due Diligence (EDD) procedures in accordance with membership requirements. A receipt containing all customer's information shall be issued while all financial transactions shall be kept and registered in the records. Moreover, the following procedures shall be verified:

- Verification of legal persons through original valid documents.
- Verification of the true beneficiary of membership or financial transaction by reviewing the original valid documents upon verifying ID.
- Exercise of continuous due diligence towards the customer and obtaining information on the purpose of establishing membership and nature of business according to customer's type, business relationship or transaction.
- Registration of complete information of transaction's executor or agent authorized to exchange the currency on behalf of the legal person.
- Continuous auditing and monitoring of all financial transactions throughout business relationship term to ensure that such transactions are consistent with customer's knowledge, data, source of his wealth and funds.

Saudi national and GCC nationals	Residents	Tourists, Umrah and Hajj tourists	Significant customers
Less than 5,000 riyals: checking national ID validity and issuing a receipt	Less than 5,000 riyals: Checking Iqama validity and issuing a receipt	Less than 5,000 riyals: Checking Passport, visa and Issuing a receipt.	Through membership only on all amounts
Between 5,000 riyals – 100,000 riyals: Copy of a national ID, and issuing a receipt.	Between 5,000 riyals –50,000 riyals: Copy of Iqama, and issuing a receipt	Exchange is not permitted for more than 5,000 Saudi Riyals.	
More than 100,000 riyals: Membership showing that client's income suits his profession Issuing a receipt KYC - CDD	More than 50,000 riyals: Membership showing that client's income suits his profession Issuing a receipt KYC - CDD		

Table (1-3): money exchange allowed limits.

### 3. General Rules for Sale and Purchase of Currencies to/from Individuals or Companies:

- There shall be a membership relation for permanent and recurring customers in currency exchange transactions. Their financial transactions for sale and purchase of currencies shall be registered and linked to membership records, which in turn is linked to IDs. Currency exchange transactions may be permitted only through membership relation.
- Nature of customers' business and activities shall be consistent with volume, purpose, and type of executed financial transactions in order to ensure that executed transactions are consistent with customer's volume of activity and annual income limits.
- When currency exchange transactions are repeated without a clear purpose, or upon carrying out a currency exchange transaction for a customer representing a high-risk legal person or customers occupying senior leadership positions and diplomats, money exchange and transfer center shall conduct CDD, evaluate the relationship with customer, consider restricting or ending such relationship or inform Saudi Arabia Financial Investigation Unit (SAFIU), if necessary.
- Ensuring that information provided by the customer is used for permitted purposes only to maintain terms and conditions of confidentiality and prevent use of such information for any other purposes.
- Verifying names of membership-relation customers against lists of individuals and entities whose assets shall be stopped or frozen according to instructions issued by supervisory authorities and international decisions. For example, United Nations Resolutions Nos. (1373 and 1267), while paying special consideration to warning statements issued by international organizations, including Financial Action Task Force (FATF). Information can be obtained via FATF's website <http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions/>. Ban lists issued by other countries and groups shall be followed up and necessary measures shall be taken.
- Supervising all transactions to monitor patterns of abnormal activities involving an ambiguous economic or legal purpose, as well as screening background and purpose of those transactions as much as possible and recording them in writing. Precautionary measures shall be taken when dealing with customers to avoid fraud transactions.
- Reporting any transaction that is reasonably suspected to be linked or related to criminal or illegal transactions and reporting such transaction to the competent security authorities (SAFIU upon suspicion of money laundering or financing of terrorists and local police stations in other cases, such as defalcation, counterfeiting, forgery, fraud, and other financial crimes).

### 4. Financial Institutions (FIs):

Upon involving in sale and purchase of foreign currencies with a local or foreign FI (a money exchange and transfer centers or a bank), the following rules shall apply:

- A. Dealing with entities operating under SAMA local license. As for foreign FIs, it is required to ensure that FIs are licensed by supervisory and regulatory agencies over banking sectors in such countries only and authorized to sell and purchase banknotes.
- B. Documenting all sales or purchases of banknotes and negotiable instruments and registering them in the money exchange and transfer center's records.
- C. Providing SAMA with a monthly statement including all sales or purchases of banknotes and negotiable instruments concluded with FIs (banks and money exchange and transfer center) internally and externally.
- D. Complete sale or purchase agreement procedures for cash transactions and negotiable instruments through usual banking procedures prior proceeding with transfer.
- E. Prior agreement on purchase or sale prices and determination of banking transaction-related party (sale or purchase of banknotes) with the other party to complete the transaction and avoid bargaining or auctioning banknotes in local and offshore markets.
- F. Local money exchange and transfer centers shall, and ensure their offshore entities dealing with them shall, be responsible for verifying integrity of banknotes and negotiable instruments purchased and sold, and legitimacy of source and uses of such banknotes and negotiable instruments.

G. Inspecting banknotes and negotiable instruments that have similar characteristics of banknotes, such as cheques, including traveler's cheques, and ensuring being free of counterfeiting or forgery.

### 5. Tasks Assigned to Exchange Employees in Money Exchange and Transfer Centers:

- Receiving national ID or passport.
- Selecting the user via the system if the customer has previously conducted sale or purchase of currencies or adding a new user.
- Inserting and verifying details into system.
- Receiving and verifying source-of-income documents upon exceeding the financial limits, in addition to referring to Operations Manager for approval.
- Providing customer with the transaction receipt.
- Printing customer's statement of account.
- Updating customers' data.
- Verifying whether the customer is blacklisted via the system.
- Reporting any suspicious transactions for investigation.

### 3.1.2 Import and export of currencies:

Import and export of currencies for exchange centers that are companies or branches of a foreign money exchange center, provided that a license is obtained for the purchase, sale, and trading of foreign currencies inside the Kingdom. In accordance with Article 18 of Rules Regulating Money Changing Business, the exchange center licensed to engage in the activity of currency import and export shall develop regulatory policies and procedures for importing and exporting the currencies, provided that such procedures include, at a minimum, the following:

- A. Notifying customs officers at border crossings of the imported and exported amounts of money.
- B. Maintaining documents of currency import and export.
- C. Preparing funds for their transfer properly.
- D. Complying with all the instructions issued by SAMA regarding currency import and export, including not dealing with the entities specified by SAMA.

### 3.1.3 Money Transfer inside and outside KSA:

#### Learning Objective



To be familiar with the terms and conditions for the transfer of funds inside and outside KSA.

Money transfer inside and outside KSA shall be permitted for entities having a valid SAMA license to transfer (money exchange and transfer centers, category A) at the time of Rules Regulating Money Exchange Business, issued by Minister of Finance Resolution No. 4686 dated 21/11/1441 AH. The holders of these licenses are not allowed to open new branches to practice this activity. Money exchange and transfer centers of this category may carry out internal and external transfer (send and receive) using modern money transfer systems such as SWIFT system and Saudi Arabian Riyal Interbank Express (SARIE) system). Immediate money transfer systems may also be used, or a contract may be concluded with money-transfer companies.

**1. Conditions and Procedures for Engaging in Money Transfer:**

Money transfer inside and outside KSA shall be permitted for SAMA-licensed entities according to the following conditions:

- A. The capital shall not be lower than SAR 10 million and may increase by at least SAR 2 million for each branch involved in the activity. SAMA may amend the regulatory requirements of capital whenever it deems appropriate.
- B. To maintain at all times 10% cash reserve of its capital and reserves. The reserve shall be deposited with one of the licensed banks in the Kingdom to be at SAMA’s disposal. The depositor or any other entity may not be allowed to use this reserve in any manner without a written permission from SAMA. The reserve shall be subject to the constraints and instructions issued by SAMA.

**2. Money transfer financial limits:**

According to the Rules Regulating Money Exchange Business issued by SAMA - money transfers for customers shall only be approved for membership relationships, and the following financial limits shall be adhered to:

- A. Financial limit for transfer to natural persons shall not exceed the amount of monthly salary or its equivalent, with a maximum of SAR (50,000) or its equivalent per month, with a proof of monthly income.
- B. Money transfers for businessmen shall not exceed SAR 500,000 or its equivalent per year, and CDD measures shall be taken to verify sources of wealth and purpose of money transfers.
- C. Money transfers for companies (legal persons) shall not exceed SAR 1,000,000 or its equivalent per year.
- D. Receipt of money transfers shall be permitted for walk-in customers (who are not allowed to initiate a membership relationship) such as visitors holding a visa/temporary residence permit, in addition to pilgrims and Umrah performers, provided that the amount of financial transaction does not exceed SAR 5,000 or its equivalent at one transaction, for a total of not more than SAR 50,000 or its equivalent within one year, while meeting the requirements for dealing with walk-in customers. A copy of the passport must be obtained, including the page showing the entry visa when performing the permitted operations. Other financial transfer requirements must be taken into account, including the availability of other details such as address in the home country, number of person or contact in Saudi Arabia and signature.

Natural Persons	Businessmen	Legal Persons (Companies)
A maximum of 50,000 riyals for a month’s salary with a pay slip as a proof.	Transaction amount should not exceed 500,000 riyals per year with the purpose of transfer CDD	Should not exceed 1,000,000 riyals a year.

Table (3-2): money exchange allowed limits.

Receiving money transfer for and walk-in customers (visitors, pilgrims and Umrah performers)  
 Not more than 5,000 riyals for one transaction and a total of 50,000 riyals per year  
 Attaching a copy of the passport containing the entry visa  
 The address in the home country  
 And the contact number of a person in Saudi Arabia

Table (3-3): Money exchange limit allowed for receiving (transient clients)

### 3. General Rules for Money Transfer:

- Taking into account that nature of customer's business and activities, i.e., both member and walk-in customers, as well as his sources of money and annual income are consistent with his volume of financial transactions, purpose and type of financial transactions executed.
- Knowing the true beneficiary who fully or partially controls membership or financial transactions executed by customers, taking necessary measures to apply customer identification procedures and fulfilling CDD requirements.
- Recording all money transfers carried out by customers in customer's membership register, provided that it includes detailed information on such transfers.
- Applying KYC principle and taking necessary steps to fulfill Customer EDD requirements for high-risk customers.
- Documenting all outgoing and incoming money transfers that were conducted for the customers and registering them in exchange center's records. These transfers shall contain names of remitters and beneficiaries, remittance amounts and dates in addition to linking these transactions to Customer's ID automatically.
- Providing SAMA (Banking Supervision Department) with a monthly statement containing all money transfers conducted with local and international FIs (banks and exchange centers).
- Prohibiting any transfer originating from a specific country to be received and passed through one of exchange centers operating in KSA to a beneficiary through an international bank or exchange center.
- Not to accept or receive any transfer to a beneficiary in a local bank unless the exchange center has full information on both remitter and beneficiary and to be passed with complete data.
- Money transfer requirements provided for in SAMA AML/CTF Rules shall be considered.

## 3.2 Outgoing and Incoming Transfers Rules:

Exchange centers authorized to transfer money shall obtain full and accurate remitter information for outgoing transfers, and keep such information in full in the transfer letter, provided that it shall include:

### 1. Necessary and accurate remitter information:

- Name of remitter.
- Number of remitter's membership at the time of the transaction.
- Address of remitter and it, if unavailable, can be replaced with official ID for Saudi citizens and number of residence permit for expatriates or both date and place of birth.
- Purpose of transfer shall be specified in detail, with an acknowledgment of full knowledge of the beneficiary.

### 2. Necessary information of true beneficiary:

- Name and address of beneficiary.
- Date of birth, if available
- Type of relationship with the beneficiary
- Number of beneficiary's bank account when used to carry out the transaction or when there is no account, a unique identification number shall be registered for the transaction, so that it can be easily tracked.

The following rules shall be considered:

- In case of sending cross-border wire transfers by one remitter as part of combined transfer to beneficiaries in another country, all information related to the remitter and accompanied with wire transfer should be inserted with the transfer for each cross-border wire transfer provided that the combined transfer file (in which individual wire transfers are grouped) should have full information about the remitter that can be tracked easily.

- In case of incoming transfers, taking into consideration the applicable procedures of countries and their financial institutions operating therein, full information must be obtained about the remitter to be attached fully to the transfer letter.
- In case of wire transfers which are not accompanied with full information of remitter, exchange centers operating in the Kingdom shall adopt effective measures as follows:
  - Obtain full information from the bank, correspondent exchange company or from the company providing transfer services. This shall apply to all local and international banks.
  - Reject the transaction and return the transfer in case correspondent bank does not respond.
  - In case of suspicious transaction and the correspondent bank did not respond, FIU shall be reported so.
  - Document decisions taken in writing, including reasons, and retaining these documentary and electronic records for ten years, according to SAMA's AML/CFT Rules.
  - Incoming transfer shall include name of the FI, originating country, correspondent bank, and the country. Correspondent banks shall comply therewith, and in case of a change in the remitter's information, the beneficiary exchange center should be notified thereof.
- Exercise EDD when processing transfers relating to Politicians Exposed Persons (PEPs) such as: holders of senior leadership positions and diplomats.
- Not to accept any incoming or outgoing transfers outside Saudi Arabia, for any charity or non-profit organizations, other than permitted entities in accordance with the rules for opening bank accounts and issued by SAMA.
- When implementing any new electronic money transfer and payment systems, ensure they are designed with capabilities for preventing and detecting money laundering and terrorist financing transactions.
- Comply with standards of transparency and ensure that the letters of transfers (enclosed with the transfer), include full information about the remitter and the beneficiary.
- Exercise continuous due diligence in respect of customers exporting and importing remittances and check transactions implemented during that relationship to ensure they are complete and compatible with the size of customers' activity, including the source of income. Conducting KYC/ due diligence on the remitter/ originator is the responsibility of the remitting bank or money exchanger, whether foreign or local.

### 3.3 Tasks Assigned to Exchange Employees in Money Transfer Centers:

- Receiving national ID or passport.
- Selecting the user via the system if the customer has previously transferred money or adding a new user.
- Inserting and verifying details into system.
- Receiving and verifying source-of-income documents upon exceeding the financial limits, in addition to referring to Operations Manager for approval.
- Providing customer with the transaction receipt.
- Transferring to beneficiaries' accounts outside KSA.
- Selling and buying currencies.
- Printing customer's statement of account.
- Updating and verifying customers' data and referring to Operations Manager for approval.
- Verifying whether the customer is blacklisted via the system.
- Reporting any suspicious transactions to Operations Manager to verify and, in turn, report to Compliance Officer.

## 3.4 Procedures and Regulations for Receiving Money Transfers from Customers Through Electronic Means of Payment:

### Learning Objective



To be familiar with the minimum procedures and regulations that the exchange center must comply with when receiving money transfers from customers through electronic means of payment.

On May 2020, SAMA issued the procedures and regulations that the exchange center must comply with when receiving money transfers from customers through electronic means of payment available for currency exchange purposes only. These procedures and regulations aim to develop the banking sector in the Kingdom, regulate monetary transactions, update some of the procedures related to its business, and reduce the reliance on cash circulation through continuous development with the aim of facilitating the transition to an electronic environment and towards a non-monetary society. These procedures and regulations are as follows:

1. The exchange center shall allocate a separate bank account to receive money transfers from customers for the purpose of currency exchange, provided that the transfer shall be made via one of the available electronic means of payment.
2. Only customers of exchange centers who hold membership shall receive remittances. Membership must have a unified reference number that is associated with the customer ID number, provided that amounts of the transfers received to the bank account must be in Saudi Riyals.
3. Money exchange centers are prohibited from receiving customer remittances coming from banks or transfer companies outside Saudi Arabia for currency exchange purposes.
4. Exchange centers shall verify the customer transferring to the bank account and record and retain all information. The currency exchange amount shall be delivered to or on behalf of the transferring customer pursuant to official documents expressly authorizing it to do so.
5. Exchange centers shall be prohibited from transferring to customer accounts, except in the case of canceling any operation carried out through transfer to the bank account. In this case, the exchange center shall be obligated to:
  - A. Not return any cash transferred amounts.
  - B. If the canceled operation was done through the available electronic payment methods, the amount is returned to the account of the payment method used, and if the canceled operation was done through the use of POSs; The amount shall be returned to the card account used.
  - C. Amounts resulting from canceled operations or not received by customers, as the case may be, shall be returned to the customer's account within a period not exceeding three working days. The exchange center shall develop a clear plan of action for the refund process in coordination with the bank that has the bank account of the exchange center.
6. Exchange centers must agree in advance with customers wishing to transfer to the exchange center's account on exchange rates before the transfer is completed, and documented the same.
7. Exchange centers shall make customers wishing to transfer to the bank account aware of the need to determine the amount of transaction and currency to be purchased during the transfer process, and that awareness shall be provided at a minimum through guidelines and membership items.

8. Exchange centers shall apply due diligence measures in accordance with the statutory requirements stated in the Anti-Money Laundering Law and Counter-Terrorism Crimes and Financing Law and their implementing regulations, as well as abide by all regulations and instructions and the relevant circulars of the Saudi Central Bank.

9. Exchange centers shall work to develop their internal procedures in this regard on a continuous basis and in a manner commensurate with the nature and size of their work in accordance with the best relevant practices.

# Chapter Three

## End - of - Chapter Questions

Answer the following questions and check your answer in the corresponding section:

1. Explain rules of purchase and sale of foreign currencies for natural persons.  
**Answer Reference: Section 3.1.1 paragraph 1**
2. Explain the differences between rules for currency exchange for companies and Fls.  
**Answer reference: Section 3.1.1 paragraphs 2 and 4**
3. List tasks of exchange employees upon exchange of foreign currencies.  
**Answer reference: Section 3.1.1 paragraph 5**
4. What are the minimum procedures that the exchange center must undertake to engage in the activity of importing and exporting currencies?  
**Answer Reference: Section 3.1.2**
5. Explain the conditions and procedures for running money transfer business within and outside KSA.  
**Answer reference: Section 3.1.3 paragraph 1**
6. Illustrate the financial limits of money transfer according to SAMA's instructions.  
**Answer Reference: Section 3.1.3 paragraph 2**
7. Explain the procedures and regulations for receiving money transfers from customers through electronic means of payment.  
**Answer Reference: Section 3.4**

# Chapter Four

## Compliance in financial institutions and effective governance

This chapter includes 15 questions out of 100 questions in the exam



## Introduction:

This Chapter deals with the concept of Compliance and the significance of realizing compliance in money exchange centers. In addition, it discusses the role of Compliance Director, the factors to be considered when taking a decision pertaining to the appropriate regulatory compliance structure as well as main operations and procedures of compliance.

### 4.1 Compliance in Financial Institutions:

Learning Objective:



- To be familiar with the concept of Compliance.
- To be familiar with the significance of Compliance in money exchange centers.

Compliance with laws, regulations and instructions is one of the most important factors for the success of FIs, including money exchange centers. Compliance protects the reputation and credibility of financial institutions, protects shareholders and depositors, as well as protecting them against legal sanctions. Failure to comply with the application of laws, regulations and instructions undermines the reputation and integrity of exchange center and makes it liable to penalties and fines, in addition to the potential loss of its customers and effect on its profits. Compliance is a comprehensive and multi-aspect responsibility involving all parties in FI. It starts with BOD and senior management and ends with all employees, each according to the powers and tasks entrusted to him.

To that end, Basel Committee on Banking Supervision released an agenda on Compliance and Compliance Function in Banks. It covered the main principles for compliance with laws and defined a framework for effectiveness of compliance, responsibility of those in charge, their independence, and duties, as well as the manner and limits of support to be provided by BOD and the Executive Management.

To support culture and applications of compliance in Saudi FIs, SAMA was keen to draft these frameworks into a general and comprehensive guideline issued in 2008 to help banks and exchange centers operating in KSA to cope with international applications aiming to establish a robust and effective compliance.

#### 4.1.1 Concept of Compliance:

Compliance refers to ensuring the application and implementation of financial instructions, procedures, and transactions in accordance with regulations, rules and instructions issued by regulatory and supervisory authorities in charge of the Financial Sector. Compliance requirements come from different sources and can take different forms, and be originated from legislation, supervisory and regulatory authorities such as (SAMA, CMA and Companies Law), Basel instructions, standards, practices and agreements between the exchange center and customers.

Implementation of Compliance requires regulation and arrangement, not only due to large and increasing number of laws and requirements issued by regulatory authorities, but also due to variety and complexity of such requirements. Accordingly, the comprehensive and optimal compliance management is based on supporting compliance in all documentary and transaction stages of all products and services provided by money exchange centers.

#### 4.1.2 Concept of Compliance Function:

An independent function that identifies, assesses, and provides advice, monitors, and reports on risks of exchange center's non-compliance related to its exposure to legal and administrative penalties, financial loss or what may undermine the exchange center's reputation due to its failure to abide by the regulations and controls or sound standards of conduct and professional practice. This function shall be applied by Compliance Departments. Given the significance of compliance function's responsibilities and requirements, it requires direct and full support from senior management, as well as assigning qualified and specialized human resources to perform such responsibilities.

#### 4.1.3 Significance of Compliance in Money Exchange Centers:

Success of FIs and exchange centers depends on credibility, integrity and respect for instructions, regulations, and ethical standards. Failure to comply with implementation of instructions, regulations and ethical standards leads to:

- Exchange center's reputational and integrity risk.
- Exchange center to be probably liable to legal penalties and fines.
- Probable loss of customers and effect on profits and sales as a result of such reputation being affected and to be liable to legal penalties and fines.

In order to maintain reputation and integrity, all exchange centers shall fully comply with implementation of all instructions, guidelines and regulations issued by regulatory and supervisory authorities, in addition to applying ethical standards throughout performance of their business, whether in KSA or in any of the countries where they operate.

Compliance function in exchange centers is one of the fundamentals and factors for their success due to the essential role it plays in maintaining their reputation, credibility, interests of shareholders and depositors, and protecting them from penalties as a result of performing or participating in the following:

- Accurate planning and organization in cooperation with senior management to establish the principles of Sound Management Concept in order to realize and create an environment of compliance in business management.
- Prevention of risks, especially regulatory, reputation and financial penalties risks.
- Advise on the risks of non-compliance within the exchange center and work with senior management to include compliance in policies, procedures and action steps for all products and services rendered.
- Establish mechanisms and frameworks to ensure prevention of crimes, in particular, its responsibility for combating money-laundering and terrorism financing operations.
- Consolidate relations with regulatory entities, and safeguard values and professional practices in banking work.

In order to reach the highest levels of compliance, all types of risks shall be primarily avoided by finding out and taking steps and procedures to ensure control of risks, upon occurrence, as well as implementation of corrective steps that would mitigate all probable risks and issues. This means protecting exchange center's shareholders, employees and customers against potential damage and entrenching values of ethics, integrity, accountability, and robust leadership, where culture of compliance plays a major role.

#### 4.1.4 Risks of Non-Compliance:

The expression "Risks of Non-Compliance" is defined as risks leading to legal sanctions and procedures, financial loss or damage to reputation an exchange center may suffer as a result of its failure to comply with all applicable laws, regulations, rules, circulars, instructions and codes of conduct applicable. Consequences and implications of non-compliance on exchange centers can be summed up as follows:

- Fines and financial losses.
- Reputational damage and lack of competitiveness.
- Loss of customers and market share.
- Legal proceedings with supervisory and regulatory authorities.
- Loss of professional license and failure to obtain licenses and approvals from supervisory and regulatory authorities.
- If regulatory authorities detected legal violations at any exchange center, non-financial implications may arise, such as:
  - Inability to obtain regulatory authorities’ approval for acquisition or merger with other FIs.
  - Regulatory and supervisory authorities’ inspection of all transactions at the exchange center, other than legal violations.
  - Reduction of share price of exchange center or company in financial markets.
- Failure to attract new customers or qualified employees due to deterioration or downgrade of the exchange center.

## 4.2 Compliance Department and Compliance Officer:

Learning Objective:



To be familiar with significance of FIs operations to follow up specific procedures for realization of compliance.  
 To be familiar with responsibilities of exchange center’s employees towards compliance.

Compliance Department is a supervisory department established in order to assure BOD that the executive management and all departments at the exchange center comply with all instructions issued by supervisory and regulatory authorities and exchange center’s management, in addition to exchange center’s compliance with rules and regulations governing its business and code of ethics and professional conduct.

### 4.2.1 Organizational Status of Compliance Department:

Compliance Department shall have a formal status within the exchange center to grant it the appropriate standing, and independence. Compliance Department shall report directly to BOD and shall have full powers, including for example: accessibility to all information and documents, no matter how confidential they are and appointing a senior management-wide Executive Director to discharge duties of Compliance Department, in addition to appointing qualified and certified human cadres to help the executive director ensure implementation of required duties, thus in addition to financial and technical support. This shall be set out in the exchange center’s compliance policy or any other official document, which shall be communicated to all staff throughout the exchange center.

It shall be noted that there will be a difference in organization of Compliance Department’s functions according to several considerations, including size and organizational structure of exchange center, quality of products and services provided, geographic activity and the number of branches and target segments of customers. Exchange centers which own extensive networks of branches, deal with large numbers of customers and provide diverse services are therefore exposed to greater risks compared to other exchange centers of smaller activities and number of branches. Whatever the difference, Compliance Department’s organization and functions shall be consistent with the strategy and structure of the exchange center’s risk management.

Compliance Department's regulatory document shall at least include the following items:

- A. Compliance Department's role and responsibilities.
- B. Standards and measures necessary to ensure independence.
- C. Compliance Department's relationship with other risk control departments and Internal Audit Department.
- D. Compliance Department's capability of obtaining the necessary information to assume its responsibilities.
- E. Compliance Department's authority to conduct necessary investigations for any potential violations of compliance policy.
- F. Compliance Department's adherence to report directly to BOD, Audit Committee and Senior Management.
- G. Direct accessibility to GM, CEO, BOD and Audit Committee.

#### 4.2.2 Principles of Compliance Department:

Given the significance of Compliance Department's responsibilities and requirements, there is a set of principles on which Compliance Department is based:

##### 1. Independence:

Compliance Department shall be completely independent from the executive management, i.e., "Compliance Department's independency from external interference of other departments in performing Compliance duties." The concept of Independence includes the following four inter-related elements:

- Compliance Department shall have a formal status and shall report to BOD or Audit Committee.
- Compliance Officer shall assume all responsibilities for coordinating with the exchange center's management on non-compliance risks.
- Duties of Compliance Department should be separated from other departments, i.e., Compliance Department's staff, especially Compliance Officer, should not be assigned functional tasks that expose them to a conflict of interest between such tasks and those of compliance function.
- In the context of performing his duties, the compliance officer should have direct access to all information, records, files, and personnel, regardless of their confidentiality.

##### 2. Resources:

Compliance Department's function requires that it shall have all resources necessary to carry out its responsibilities effectively. The specialized skills of compliance staff with respect to laws, rules and standards can be acquired through ongoing learning and training. Therefore, it is essential that resources of compliance function are adequate and suitable to ensure:

- Ideal control of risks that may emerge in exchange center.
- Compliance staff shall have the necessary qualifications, experience and personal qualities that enable them to carry out their compliance duties.
- Compliance staff should have a full understanding of compliance laws, rules and standards and their impact on the exchange center's operations.

Responsibility for providing necessary financial, human, and technical resources rests with the chairman of board or his deputy.

## 4.2.3 Compliance Officer:

### 1. Qualifications, Characteristics and Capabilities of Compliance Officer:

Compliance officer should be highly competent and have vast experience in banking business as well as the ability to understand compliance monitoring.

#### A. Qualifications:

Whoever is entrusted with the responsibility of a compliance department should have, as a minimum, the following qualifications:

- Hold a university degree or a relevant professional certificate.
- Extensive banking experience.
- Expert knowledge of all exchange center's related transactions, instructions, and laws.
- Experience and capability in developing and applying relevant policies and procedures, including the capacity to train employees in the area of compliance with regulations.
- Good command of Arabic and English.
- Experience in administrative supervision, control, and audit.
- Good knowledge of AML/CTF mechanisms.

#### B. Personal Characteristics:

Compliance officer must have the following personal characteristics:

- Integrity and honesty.
- Attentive mentality.
- Neutrality and autonomous opinion.
- Good conduct and courtesy.
- Persuasion and confrontation.

#### C. Personal Capabilities:

Compliance officer should have the following leadership and technical capabilities:

- Ability to deal with all departments of the exchange center, solve problems and take proper actions when issues arise from a conflict between practical plans and statutory restrictions, or a conflict with by-laws of the exchange center.
- Capacity to plan and organize in order to establish communication channels and provide advice necessary for the purposes of developing compliance plans.
- Exceptional communication capabilities to build and maintain good relations with the exchange center's departments and control and supervisory bodies.

### 2. Roles of Compliance Officer:

BOD shall appoint an executive director to perform compliance duties in order to assist BOD and senior management to ensure application of compliance rules and addressing of non-compliance issues. Compliance Director shall have sufficient powers and support to perform his duties and assume the following responsibilities:

- Provide advice and guidance on application and optimal interpretation of applicable laws and regulations.
- Develop regulatory compliance policy and provide guidance on development and implementation of internal policies and procedures covering controlled activities.
- Provide training and raise awareness for management and employees regarding applicable regulatory compliance requirements.
- Implement and maintain regulatory compliance monitoring program to provide senior management with reasonable assurance that relevant business departments are adequately managing the underlying control risks.
- Provide senior management with and report regular and accurate information to BOD, in addition to communicating critical matters, violations and concerns.
- Coordinate with other control and risk management functions such as Internal Control, as well as coordinating business carried out by those functions.

- Determine future aspects of development and change in the regulatory environment and their potential impact on exchange center's business.
- Support senior management in establishing and maintaining good relations with regulatory authorities. Compliance Director usually serves as the focal point of contact with regulatory authorities.
- Assist in the development of a robust internal compliance culture by promoting advantages of regulatory compliance function, ethical approach and robust cultural standards in all business conduct within the exchange center.
- Review all forms and contracts used by all exchange center's departments, as well as marketing and advertisements materials to ensure conformity with Compliance rules and instructions.
- Review all exchange center's existing and new products and services and ensure conformity with all SAMA's instructions.
- Cooperate with all exchange center's departments, external auditors and SAMA regarding rules and instructions contained in relevant reports and ensure that necessary corrective measures are taken.
- Coordinate on compliance between SAMA and exchange center and all exchange center's departments, internal and external auditors.
- Prepare and present a comprehensive annual report to Board Chairman, Audit Committee, Compliance Committee and SAMA.

### 4.3 Compliance Rules for Money Exchange Centers Operating in KSA:

Learning Objective:



To be familiar with the compliance rules, which exchange centers must ensure their application and compliance with.

According to Compliance Manual issued by SAMA, below are compliance rules which the bank or exchange center shall ensure application thereof and compliance therewith:

- I. Supervisory, controlling, and financial laws and regulations applicable to the banking sector and their rules of application, circulars and instructions, such as:
  - The Banking Control Law and Rules for its Enforcement.
  - Anti-Money Laundering Law and its Implementing Regulations.
  - Currency Law and Anti-Forgery Law
  - Guidelines and Instructions related to bank operations and financial statements.
  - Safety and Security Manual.
  - AML/CTF Manual
  - Anti-Fraud and Financial Embezzlement Law
  - Internal Control Guidance Manual
  - Guide of Secure Online Banking Services.
  - Requirements for Appointment in Senior Positions.
  - Controls for Addressing Complaints.
  - Currency Reproduction Controls in Saudi Arabia.
  - License Disclosure Instructions.
  - Minimum requirements to be met at the premises of exchange centers.

2. Laws, Regulations and Rules issued by other competent Government authorities such as Companies Law, Capital Market Law, Foreign Investments Law and Regulations and companies by-laws, etc.
3. Principles issued by the Basel Committee on Banking Supervision pertaining to Compliance, any other papers, reports, resolutions, or recommendations issued by the Financial Action Task Force (FATF).
4. Exchange centers' by-laws issued by BOD and Executive Management.
5. Code of Ethics and Professional Conduct.

It shall be recognized that Compliance Department may not be directly responsible for ensuring the application of all compliance rules indicated above; its role shall be confined to the application of rules related to non-compliance; and to inform the bank's departments of rules which have no connection with compliance risks and it shall ensure their inclusion in the policies and procedures of those departments, and monitor and report any breaches of such rules.

## 4.4 Compliance Responsibilities in Money Exchange Centers:

### Learning Objective



Be familiar with inspection of main operations and procedures which fall within regulatory compliance's responsibility.  
Provide examples of major compliance issues facing money exchange center's employees.

Compliance starts at top levels of the exchange center. Good compliance will be most effective when exchange center's BOD and senior management set good example in business and compliance. Good compliance requires constant emphasis by senior management that a culture based on high standards of honesty and integrity needs to prevail in the exchange center. It shall be observed that Compliance is not only confined to Compliance Department's employees, but it is the responsibility of every individual employee in the exchange center and must be an integral part of the exchange center's business and operational activities.

### 4.4.1 Responsibilities of BOD regarding Compliance:

#### 1. Supervision and Compliance Risks Management:

In pursuance of its responsibilities, exchange center's BOD is responsible for overseeing the management of exchange center's non-compliance risks. To that end, BOD shall do the following:

- A. Approve the exchange center's compliance policy.
- B. Approve a formal document establishing a permanent and effective compliance function.
- C. Assess the compliance program at least once a year to determine the effectiveness of the exchange centers on implementation of compliance.

#### 2. Effective Compliance Policy:

Compliance policy pursued by the exchange center will not be effective unless its articles includes promotion of compliance culture and staff responsibilities; and unless BOD undertakes the following:

- A. Supports values of honesty and integrity throughout the exchange center.
- B. Establishes overall and comprehensive commitment to compliance with all relevant laws, rules and standards, which shall be included in the core of the exchange center's policy.

- C. Ensures that an appropriate policy is in place to manage compliance risks.
- D. Provision of adequate resources to the entity entrusted with compliance function.
- E. Granting the entity entrusted with compliance function enough independence.
- F. Periodically reviewing and independently monitoring the activities of the entity entrusted with compliance function by the Internal Audit Department.
- G. Ongoing supervision of the efforts made for the implementation of the provisions of the Compliance Manual and the level of performance that has been realized through periodic reports, and assessment of the activities of the compliance department, and identifying weaknesses, and efforts made in training.

### 3. Delegation of Responsibilities and Tasks:

The board may delegate these tasks to an appropriate committee of its members or to an existing committee in which one of its directors participates (e.g. Audit Committee).

#### 4.4.2 Responsibilities of senior Management Regarding Compliance:

The senior management of the exchange center means CEO, MD, General Manager and head of the branch for exchange center's branches.

##### 1. Effective Management of Non-Compliance Risks:

The exchange center's senior management is responsible for the effective management of the company's compliance risks. The senior management must confirm that all exchange center's employees are accountable for their actions, and that appropriate remedial or disciplinary actions will be taken in case of non-application of compliance policy.

##### 2. Support and Implementation of Compliance Policy:

The exchange center's senior management is responsible for supporting all compliance policies in terms of application and supervision, as well as reporting to the board of directors on how compliance risks are handled.

##### 3. Responsibility for Cascading Compliance Policy:

The exchange center's senior management is responsible for cascading compliance policy approved by the Board. Such policy should include the following:

- A. Compliance principles to be complied with by management and staff.
- B. Ample explanation of procedures and processes by which compliance risks are to be identified and managed at all levels of the exchange center.
- C. High level of transparency and clarity, making it possible to differentiate between general standards and procedures to be followed and applied by all personnel and special rules and procedures the application of which is confined only to a certain group of employees.

##### 4. Control and Reporting:

Senior management should, with assistance of compliance department, undertake the following:

- A. Identify and assess main compliance risks facing the exchange center and develop corrective plans in case of any shortcomings in applying compliance.
- B. Report to the board of directors or compliance committee of the board promptly on any material compliance failures or shortcomings.

##### 5. Support of Compliance Function (Department):

As a prerequisite for compliance, the senior management shall:

- A. Establish and support a permanent and effective Compliance Department enjoying appropriate powers and responsibilities to apply and monitor Compliance functions.
- B. Set all necessary measures to ensure that all levels and administrative functions in the exchange center can always rely on compliance department.
- C. Create a climate of confidence and consistency in the relationship between the compliance department and other departments within the exchange center, and to develop necessary procedures and coordinate to facilitate such objective.
- D. Select efficient compliance Director and staff and provide them with appropriate training.

Circular No. (42010693) issued by the Saudi Central Bank on 25/02/1442 A.H., emphasized the need for financial institutions to amend their internal policies in order to ensure that the holders of leadership positions must obtain the approval of the financial institution and obtain the Central Bank’s non-objection before accepting nomination, assignment, reassignment, appointment or reappointment with any public or private entity, or assuming any other responsibilities, such as membership in boards, committees or the like. The Central Bank explained that the scope of application of the instructions contained in the circular concerns holders of senior management positions only without the Board of Directors.

#### 4.4.3 Responsibilities of Compliance Department:

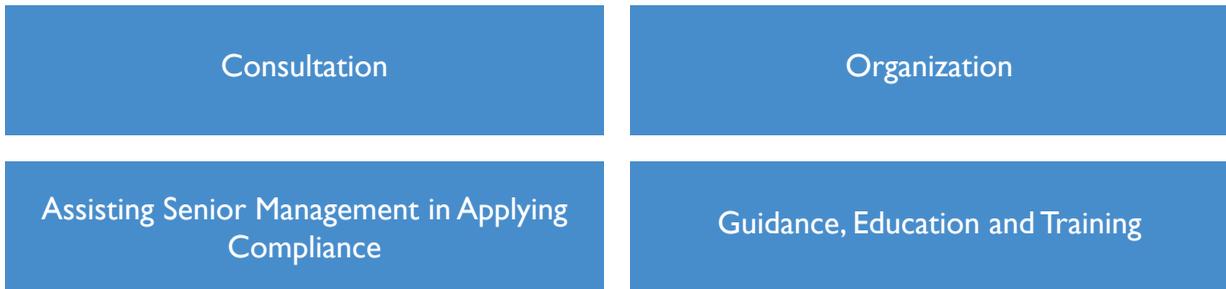


Figure (4-1): Compliance Department’s Responsibilities

According to Basel Committee’s instructions and Compliance Manual issued by SAMA, Compliance Department shall assume the following specific responsibilities:

##### 1. Assisting Senior Management in Applying Compliance:

The exchange center’s management shall be responsible for applying compliance. Therefore, Compliance Department’s responsibility is to assist the senior management in the effective management and dealing with non-compliance risks encountered by the exchange center through the following:

- Drafting a compliance policy and getting such policy approved by the Board of Directors.
- Prepare compliance program that details responsibilities and duties of compliance directors.
- Determining the organizational requirements for each department in the exchange center, creating a database for such requirements and classifying the same according to departments, products and services.
- Creating a database of all rules and regulations in force in all countries where it operates, classify and categorize them.
- Communicating with business administrations, senior and executive management and inform them of statutory requirements on an ongoing basis to ensure their understanding and comprehension of such rules and regulations as well as their readiness to implement the same.
- Prepare follow-up programs to ensure that exchange center’s departments implement such regulations and instructions.
- Detect, discuss violations and agree with the violating departments on corrective plans.
- Follow up on resolving all non-compliance issues detected by regulatory authorities and Audit Department.

##### 2. Organization:

Not all compliance responsibilities are necessarily carried out by “Compliance Department”. They may be carried out by employees from all departments of exchange center. Compliance Director shall supervise the work of such employees by providing training and awareness raising programs for all exchange center’s employees, in addition to training them on all manuals and instructions issued by regulatory authorities.

### 3. Consultations:

Compliance Department shall advise the senior management on compliance laws, rules and standards, and keep them informed of the latest developments in the country, region and internationally. This advisory function shall ordinarily involve Compliance personnel working closely with exchange center's departments and supporting them in the daily operations.

### 4. Guidance, Education and Training:

The creation and dissemination of a compliance culture within the exchange center is an essential pillar for efficient and effective application of compliance. Compliance Department shall therefore assist senior management in:

- Preparing an educational, awareness raising and training program on compliance for all senior management members, directors and employees who can be entrusted with application of compliance.
- Preparing a written manual to exchange center's employees on appropriate implementation of compliance laws, rules and standards.

### 5. Identification, Measurement, Assessment and Follow-up of Non-Compliance Risk:

Compliance Department shall, on a pro-active basis, identify, document and assess non-compliance risks associated with money exchange center's activities as follows:

#### A. Identification of Risks:

Compliance Department shall, on a pro-active basis, identify, document, and assess non-compliance risks associated with the exchange center's activities (legal, reputation and strategy risks or others). This includes the development of new products, services, business practices, new types of business or customer relationships or material changes in the nature of such relationships. This also includes preparing a log of potential risks resulting from failure to implement instructions and laws and define the probability of such occurrence and impact on the exchange center.

#### B. Measurement of Risks:

Compliance Department shall consider ways to measure compliance risk (e.g. performance indicators) in terms of quantity and quality and use such measurements to enhance non-compliance risk assessment. Data processing technology software can be used in developing performance indicators that may be indicative of potential compliance problems (e.g. an increasing number of customer complaints or a rise in fraudulent cases, etc.)

#### C. Assessment of Risks:

Compliance Department shall assess the appropriateness of the exchange center's compliance policy, as well as policies and procedures manuals, promptly follow up any identified shortcomings, and, where necessary, make proposals for amendments, and urge departments to make amendment proposals.

#### D. Monitoring Risks:

Compliance Department shall continuously monitor and test compliance by testing sufficient samples and submitting reports on quality and appropriateness.

## 2.5 Compliance Manual for Money Exchange Centers Operating in KSA:

Learning Objective:



To be familiar with what the Compliance Manual is and what aspects must be taken into account in the preparation of the Compliance Manual.

Compliance Manual is the manual prepared by Compliance Department in each exchange center with the objective of covering compliance issues, including all principles of compliance, and in line with SAMA's Compliance Manual. Upon preparation of Compliance Manual, it is required to take into account the following aspects:

- Compliance Manual should include compliance requirements set and approved by the exchange center in its internal policies. It defines responsibility for compliance, role and duties of Compliance Department in the exchange center, its relationship with other control units and business sectors of various exchange centers. The Manual also shows the method to be followed by the center to maintain its license.
- Compliance Manual should describe role of Compliance Department and scope of its organizational rules, together with the code of professional conduct to be followed by exchange center's employees at all times. This includes (dealing system, addressing conflicts of interest, addressing complaints, investment, confidentiality and inducements).
- Compliance Manual must be updated on an ongoing basis and be available online to all employees.
- All new employees must sign an undertaking that they have read and understood Compliance Manual and are willing to implement provisions thereof.

The "Compliance Manual" was issued according to Circular No. 56202/MAT/787, dated 19/12/1429 AH, corresponding to December 2008 AD, which established the minimum principles of compliance with laws and compliance function. The Manual includes that each FI operating in KSA shall set out policies and select methods and procedures to achieve the purposes and requirements that would establish compliant entities as well as a compliance environment compatible with laws. This shall include appropriate policies that aim to prevent any non-compliance risks so as to keep FI harmless against any risks, penalties or bad reputation. This shall include the following requirements to be fulfilled by each FI:

- Approve a formal and regulatory document establishing a permanent and effective Compliance Department.
- Issue and approve the compliance policy to be approved by the BOD.
- Prepare a regulatory document for Compliance Department that defines tasks and responsibilities of Compliance, Compliance officers and other related parties.
- Prepare an annual compliance program that aims to evaluate and identify non-compliance risks, including aspects of training and enlightening exchange center's employees in general and Compliance employees.
- Prepare a Compliance Manual for each exchange center, which must contain compliance rules as well as policies and procedures of Compliance Department.
- Other multiple requirements, such as reviewing policies and procedures of products and services, reviewing contracts, forms and SAMA publications.
- Describe principles of compliance and importance of such principles in terms of responsibility and duties of Compliance Department; in addition to defining rules and ethical principles of compliance.

## 4.6 FIs Governance in KSA:

Learning Objective:



To be familiar with principles of FIs governance, including money exchange centers operating in KSA.  
SAMA and CMA's role in promoting the general frameworks of effective governance for financial sectors in KSA.

SAMA published the key principles for governance in financial institutions under the control and supervision of SAMA in June 2021, in accordance with the best practices recognized internationally. The members of the Board of Directors of any bank must apply such Principles, in addition to understanding the related risks. They should ensure that capital adequacy ratios and provisions are commensurate with the size of risks and levels of liquidity and lending, thereby maintaining rights of depositors and other stakeholders.

### 4.6.1 Significance and Benefits of FIs Governance:

Corporate governance has become one of the most important concerns in the business world. Corporate governance is a key element in improving economic efficiency and growth, as well as enhancing investor confidence. Corporate governance involves a set of relationships between company management and its Board of Directors, shareholders and other stakeholders.

Corporate Governance, when applied to FIs and exchange centers, means that BOD and senior management shall necessarily carry out the following tasks:

- Setting exchange center's strategy and objectives.
- Maintaining the interests of clients, shareholders and investors.
- Promoting disclosure and transparency.
- Exchange center's activities should not contradict with applicable laws and regulations of controlling and supervisory entities.

FIs Board members, in banks or exchange centers, should realize that working in the banking sector is different from working in other sectors, due to the following reasons:

- 1- The financial sector involves more risks than other sectors, more complex and more difficult to be understood for investors and sometimes for board members.
- 2- The financial institution has obligations towards its customers, and the size of the institution's financial obligations and the risks it faces when combined with weak internal control systems can lead to financial crises.

Corporate Governance Principles of banks and FIs aim to assist banks as well as exchange centers in enhancing their general frameworks for effective governance and management, in addition to assisting Board members and senior management in supervising activities of FI, whether a bank or exchange center. Good governance principles bring many benefits, the most important of which are:

- Improving operational efficiency and assisting in decision-making process.
- Attracting foreign investments.
- Building or restoring confidence among key stakeholders.
- Enhancing relationships with borrowers.
- Increasing the financial markets stability and contributing to economic growth and employment.

#### 4.6.2 Key Principles of Governance in FIs:

According to SAMA's Key Principles of Governance for Financial Institutions subject to the control of the supervision of SAMA, issued in June 2021, Principles of Governance have gained international importance after the issuance of guidance instructions on corporate governance by a number of competent entities and organizations, which have been accepted as an international benchmark. These entities include:

- Basel Committee on Banking Supervision (BCBC).
- Organization for Economic Co-operation and Development (OECD)
- Islamic Financial Services Board (IFSB)
- The World Bank (WB)
- International Association of Insurance Supervisors (IAIS)
- Committee on Payments and Market Infrastructures (CPMI)

The main principles of governance can be briefly reviewed as follows:

##### 1. Qualifications of Board Members:

Board members should be qualified to perform the tasks entrusted to them. They should have a clear understanding of their required role and be able to exercise sound and objective judgment on all affairs of the exchange center. They "collectively" should have a mix of professional, practical and managerial skills, financial experience, high reputation and competence, integrity and ability to oversee, follow up and direct the exchange center to achieve its strategic goals.

Board members should possess a high level of knowledge, experience and skills, in addition to continuous desire to learn and develop. Qualifications of the members should include the following character traits:

- A. Leadership:** A member should have leadership skills and the ability to delegate powers, leading to enhancing the performance and applying the best practices in the field of effective management.
- B. Independence:** The ability of the member to be neutral and objective in decision-making without undue influence from management or from other external entities.
- C. Competence:** It is reflected by the level of education, training, skills and desire to continue learning, as well as diversified experience of no less than ten years in different areas related to management, economics, accounting and banking.
- D. Guidance:** The ability to provide strategic guidance, long-term planning and a clear future vision.
- E. Financial Knowledge:** The ability to read and understand financial statements and reports as well as ratios used to measure performance.
- F. Physical Fitness:** The member should be in good health and be able to carry out his duties.

##### 2. Composition, Appointment and Board Affairs:

The Board should set out and ensure clear lines of responsibility and accountability at all levels of the exchange center. There must be a strict separation of responsibilities at the level of the senior management. Board members shall choose a non-executive Director as the Chairman of the Board of Directors, who must ensure a fair representation of independent and non-independent Directors according to the exchange center's size and activities.

##### 3. BOD responsibilities:

BOD shall oversee the business of the exchange center, including approving and overseeing the implementation of the exchange center's strategic objectives, and approving risk strategy, corporate governance rules and principles of professional conduct. BOD is also responsible for supervision of senior management. Board members shall carry out the tasks and responsibilities entrusted to them by ensuring that adequate policies and procedures for supervision and control of the exchange center's performance are in place.

##### 4. BOD Committees:

BOD shall set up an appropriate number of committees according to FI size and activities, in order to be able to perform its duties in an effective manner and obtain opinions and advice from specialists in these committees. Among the special committees that BOD shall establish are:

A. Audit Committee: It is responsible for ensuring compliance with laws and overseeing the exchange center's transactions, and it should ensure that a control system is in place and the financial data reported are accurate and fair, and the committee assists the Board of Directors (or other supervisory authorities) in carrying out its responsibilities related to supervising the preparation and presentation of reports, internal control system for financial reporting preparation, auditing process, and institutional operations to ensure compliance with laws, regulations, and ethical standards.

B. Nomination and Compensation Committee: Shall be concerned with searching for and recommending nominees for selection as executive and non-executive Directors, determining an incentives system and approving of compensation.

C. Executive Committee: BOD shall determine powers and responsibilities of this committee.

D. Risk Management Committee: Shall be concerned with assisting BOD in supervising credit risk management and assuming other related responsibilities that may be assigned thereto by the Board.

### 5. Rights of Shareholders:

The corporate governance principles followed should protect and facilitate the exercise of shareholders' rights, contribute to providing effective channels for communication with shareholders and ensure the equitable treatment of all shareholders, including minority holdings, encourage greater shareholder participation at the meetings of the Ordinary General Assembly, and present proposals relating to the exchange center's performance and enhance the development of its operations.

### 6. Disclosure and Transparency:

The disclosure and transparency principle shall be applied on all operations and activities of the exchange center. BOD shall publish all financial and non-financial information which concerns depositors, shareholders, investors, market dealers; such information shall be provided to regulatory and supervisory entities and other concerned parties.

In addition to the aforementioned key principles, SAMA issued over the past years a set of guidelines and instructions related directly or indirectly to principles of corporate governance, including Internal Controls Guidelines, KYC principle, AML/CTF laws and rules, Anti-Fraud Regulation and a Code of Professional Conduct for employees. Board members and executive management should read and ensure compliance of the exchange center with all instructions and guidelines issued by SAMA and other relevant bodies, whether local or international.

#### 4.6.3 Exchange Sector Governance Controls:

The Key Principles of Governance in Financial Institutions, issued by the Saudi Central Bank in June 2021, provide for a set of controls for governance of the exchange sector as follows:

1. Exchange centers shall develop internal governance regulations to be approved by the center's owners or board of directors, as the case may be, and establish adequate policies and procedures to supervise and monitor the center's performance and ensure compliance of employees. Provide the Central Bank with a copy thereof after its adoption or when any amendments may be made thereto later, within 21 working days from the date of adoption or amendment of the regulations. Such regulations shall contain, as a minimum, the following controls:

- Description of the organizational structure, including all departments and functions along with their tasks and responsibilities;
- Policies and procedures that prevent or limit any activity or relationship that may affect the application of governance principles.
- Policy for reporting violations in accordance with the instructions of the Central Bank in this regard and providing the same to the Central Bank.
- Independence and separation of duties.
- Limitation of responsibility and accountability.

- Provisions concerning the prevention of expected or actual conflicts of interest, and the mechanism for dealing therewith when they occur.
  - Description of the compliance function.
  - Description of the internal oversight function.
  - Integrity and transparency controls.
  - Compliance with relevant laws, regulations and instructions.
  - Methods for securing confidentiality of information.
  - Provisions for fair dealings.
  - Controls to protect the assets of the exchange center.
  - Provisions concerning the compliance of exchange centers with the principles of fair competition and the prevention of monopoly.
  - Provisions on compliance with the Center's professional conduct and work ethics policies.
2. The exchange center shall monitor the risks related to the center's activity, such as currency risks, and follow up on currency movements and prepare reports thereon. Such reports shall be approved by the owners or the board of directors.
3. The owner or board shall inform the Central Bank of any sanctions imposed on the exchange center by any supervisory, regulatory or judicial body within a period of five working days from the imposition of such sanction.

# Chapter Four

## End - of - Chapter Questions

Answer the following questions and check your answer in the corresponding section:

1. What is the meaning of compliance in FIs and money exchange Centers?  
**Answer Reference: Section 1.1.4**
2. “Compliance function in exchange centers is one of the fundamentals and factors of success” Explain the Phrase and Clarify the Role of Compliance Function in Preserving Reputation of Exchange Centers and Interests of Customers and Shareholders.  
**Answer Reference: Section 4.1.3**
3. Explain in Brief Non-Compliance Risks and Their Implications on the Exchange Center.  
**Answer Reference: section 4.1.4**  
Which Principles to be complied with when establishing a Compliance Department in an exchange center?  
**Answer Reference: Section 2.2.4**
4. Explain the role of compliance officer to ensure application of compliance rules?  
**Answer reference: 4.2.3 paragraph 2**
5. List the responsibilities of the Board of Directors and the Executive Management regarding compliance?  
**Answer Reference: Sections 4.4.1 and 4.4.2**
6. Explain How Compliance Department Identifies, Measures, Evaluates and Follows-up Non-Compliance Risks in Exchange Centers.  
**Answer Reference: section 4.4.3**
7. Explain significance and benefits of corporate governance of money exchange centers.  
**Answer reference: Section 4.6.1**
8. Explain in brief the Main Principles of Governance in FIs.  
**Answer reference: Section 4.6.2**
9. Explain in brief the most important controls of governance of the exchange sector in accordance with the key principles of governance in financial institutions issued by the Saudi Central Bank in June 2021?  
**Answer Reference: section 4.6.3**

# Chapter FIVE

## Identification and Description of Fraud and its Effect on Money Exchange and Transfer Centers

This chapter includes 17 questions out of 100 questions in the exam



## Introduction:

Financial crimes, particularly financial fraud crimes, are among the most serious crimes being committed today. Such crimes have grave impact on the financial sector and the economy as a whole. Further, financial crimes committed through banks, money exchange and transfer centers targeting its products, services, distribution channels and other activities are considered one of the most serious crimes. Thus, employees, risk management and compliance officers at money exchange and transfer centers shall detect all potential financial crimes that may be committed by or through such centers to mitigate and manage the associated risks.

## 5.1 Basic Concepts of Financial Fraud in Money Exchange and Transfer Centers

### Learning Objective



To be familiar with the definition of fraud and its examples in the financial services sector.  
To understand fraud indicators and common misconceptions.

### 5.1.1 Definition of Financial Crimes:

There is no single internationally agreed upon definition of financial crime, and the term is defined differently in various countries. In some contexts, it is widely defined as any crime that results in financial loss, but it is more common to refer to crimes that have a special connection with the financial sector, for example:



Figure (5.1) Types of Financial Crimes in Banking Sector

The continuous development of banking services, expansion in technologies used and acceleration of technology development in the banking sector has provided a fertile ground for financial crime and its perpetrators. Along with this development, various types of financial crimes have grown. It is very clear, from the degree of fraud risks faced by exchange centers and their customers with regard to the financial cost and harm to their commercial integrity, that exchange centers shall make every appropriate effort to reduce their exposure to fraud.

### 5.1.2 Definition of Fraud:

Fraud is one of many challenges that confront money exchange and transfer centers as well as financial institutions. Fraud also hinders operations, wastes money and resources, and causes damage to the reputation and competitiveness of such entities.

Manual of Combating Embezzlement and Financial Fraud and Control Guidelines issued by SAMA defined financial fraud as “any act involving deceit to obtain a direct or indirect financial benefit by the perpetrator or by others with his help, causing a loss to the deceived party”.

The actual loss of banks and money exchange centers due to fraud is usually connected with liquid assets, such as cash and securities”. Fraud is not necessarily limited to obtaining cash money and tangible benefits.

Fraud definition as stated in the dictionary is “a deliberate distortion of a fact to entice someone to waive something valuable or a legal right”.

This definition includes a financial gain in addition to other benefits, such as the right to have access to or obtain information by deceit or any other dishonest conduct. Whether the loss is material or related to an intangible benefit such as intellectual property rights, fraud usually involves a loss to the money exchange center, its shareholders or customers and an attempt to hide this loss. Fraud can also be defined as “the act of deception with the intent to obtain an illegal benefit”. This definition includes:

- Theft or deliberate misuse of exchange centers’ assets.
- Any suspicious or fraudulent act.
- Miscalculation or generating false data to obtain a benefit (e.g. an employee asking for undue bonus, or a supplier providing false invoices for settlement).
- Giving or accepting gifts with the intent to influence decisions or actions of another person.
- Exploitation of the name or authority of an exchange center for personal benefits.
- Destruction, deletion or misuse of records.
- Unauthorized disclosure of information obtained during the course of work with the exchange center.

Types of fraud do not stop at monetary-related benefits, but extends to money, goods, information and even services. Benefits could be current or future, and may be obtained through another person such as relatives or friends.

Financial frauds may be committed by persons working outside (third parties), inside (employees) exchange centers, or through conspiracy, involving accomplices (employees) working in favor of others (third parties). Various surveys conducted over the past years have indicated that the main threat facing financial institutions, including exchange centers, come mostly through internal fraud, i.e. Well-informed persons, particularly employees or managers, as they have access and knowledge of systems.

### 5.1.3 Causes of Fraud:

There are many reasons behind prevalence of fraud, including but not limited to:

- Absence of religious ethics and morals of the perpetrator.
- Desire to gain easy money and high profitability through such acts.
- Weakness of sanctions law applicable to fraudsters.
- Lack of personnel qualified enough to detect fraud.
- Measures taken against commercial frauds take so long.
- Fragile oversight and inspection systems.
- Wrong justifications for fraud acts.
- Availability of computers and accessories in abundance and at low prices.

### 5.1.4 Seriousness of Financial Frauds and Importance of Combating:

Fraud is one of the most serious crimes on the financial and banking systems, especially after being committed in an organized manner through wide networks, threatening almost the economic and commercial relations among big businesses around the world. This urged European countries to call for necessity of respecting economic business ethics by officials and entrepreneurs, as well as the need to set an ethics charter to mitigate such crimes, particularly after the spread of corruption, bribery, material and managerial frauds. Fraud crimes are also attributed to the following:

- Rapid development of fraud techniques, as the rise of e-transactions in banks and exchange centers have increased fraud operations through computers.
- The increasing losses caused by fraud, as there are crimes that led to collapse of large financial institutions and caused heavy losses. Accordingly, most countries were forced to develop preventive policies to confront such crimes, since if such crimes are detected post facto, it is difficult to return the defrauded funds, which caused heavy losses.

## 5.2 Most Common Types of Fraud in Money Exchange and Transfer Centers:

Learning Objective:



To be familiar with all types and forms of fraud in money exchange and transfer centers.

Chapter  
Five

Financial fraud is one of the major risks facing societies in countries all over the world, though differing in unethical and illegal methods, techniques, results or practices (e.g. theft, bribery, fraud and manipulation) afflicting society in different ways. There are many types of fraud in exchange centers, which can be categorized as per many aspects as follows:

- Means used to commit fraud (material or electronic fraud).
- Fraudster (outside or inside exchange centers, conspiracy between employees and third parties).

### 5.2.1 Types of Fraud According to the Means Used:

#### 1. Material Fraud (Traditional):

Types, nature, and forms of fraud vary as per the provided service. An exchange center rendering various and numerous services to its customers may easily encounter fraudulent acts committed through material ways. Generally, all services and operations carried out by exchange centers may be exposed to fraud.

We touch on main services provided by exchange centers and common fraud operations it may encounter:

#### **A. Sale and Purchase of Foreign Currency**

Fraudulent operations may be committed when foreign currencies purchased or sold by a customer. The most common way of such fraud occurs when the customer furnishes incorrect documents. It is well known for a customer to exchange currencies, that his/her identity shall be checked (i.e. National ID issued by Civil Affairs for Saudi citizens or residence permit (Iqama) for foreigners). Customer may furnish incorrect, fake ID or of another one.

#### **B. Transfer of Money (Remittances):**

Here, fraudulent operations are usually utilized in transferring dirty or crime-generated money. Frequently, money exchange and transfer centers provide forging exchange services without recognizing the importance of knowing the source of transferred funds – especially for large

sums – or customer’s appearance and profession in relation to the transferred amount (despite SAMA circulars issued in this regard).

## 2. E-Fraud:

State-of-the-art technologies utilized in banking sector have improved performance and enhanced productivity. Simultaneously, such technologies triggered new forms of crimes arising from exploitation of such evolution, notably, manipulation and fraud in banking operations with the intent to misappropriate funds of certain persons who deal with banks or exchange centers.

It might be said that fraud has further been facilitated by the wide spread of cheap and easily obtained PCs and other relevant technologies of high capabilities. The current documents’ technologies, such as scanners, laser printers, different Xerox copying machines and programs, have allowed the commitment of forgery acts that are difficult to be detected. Using the internet for banking activity also exposes banks to new risks. Skillful fraudsters, who use latest technologies and deeply know the underlying deficiencies of internal control procedures at banks, represent an increasing danger of cybercrime.

### A. E-Transfer Interception Fraud:

Common e-transfer fraud activities include:

- **Dishonest Bank Employees:**

Authorized personnel who have access to validated account credentials can transfer funds in an illegal way, as well-informed staff can electronically transfer funds to themselves or to interested parties.

- **Cracking System Password:**

Authorized persons who have access to sensitive account credentials and daily codes for a specific period may conduct illegal transfers through unauthorized access.

- **Fake Authorization:**

Illegally obtaining or forging verbal and written authorization of exchange centers’ officials and customers, as perpetrators forge orders to transfer funds to their own accounts while the original recipient’s account is actually in the name of another person.

- **Unauthorized Access and Broadcast Signals Intrusions:**

Unauthorized persons gain access to e-transfer rooms and equipment, and may intercept and switch the actual broadcast.

### B. Prevent and Detect E-Transfer Fraud:

Exchange centers shall ensure application of the following preventive measures when transferring funds through e-transfer:

- Provide customers with unique keys as required to authorize or request completion of e-transfers.
- Maintain and update lists of employees authorized to carry out e-transfer transactions, especially when some employees are separated.
- Review audits for incoming and outgoing e-transfer transactions, and record details of officials responsible for each part of such transactions.
- Review all e-transfer transactions at the end of each day to ensure that main transfer instructions are properly followed.
- Ensure contacting the commercial banks to which funds have been transferred to validate request for balance transfer. If commercial banks are contacted over the phone, used phone numbers shall be the same as the original numbers that customers specify when opening their accounts, and not phone numbers specified by callers who request to complete transfers.
- Not to conduct e-transfer based only upon instructions sent by fax, but shall be verified again by calling the original phone numbers previously specified by customers when opening their accounts, and not numbers specified by callers who request to complete transfers.

- Match all accounts involved in e-transfer by bank employees who are not engaged in such e-transfer process.
- Ensure that internal e-transfers manual is only available to authorized persons, and is secured when not in use.
- Record all incoming and outgoing calls with respect to e-transfers instructions.
- Examine IDs of persons applying for e-transfer as well as relevant employees to assess risks accordingly.
- Ensure that exchange centers' employees do not disclose sensitive information over the phone except after validating caller identity and authorization based on customer's data file.
- Separate duties of e-transfer staff who send/receive balance requests, and they shall not validate the transactions. These employees also shall not verify the accuracy of the transactions.
- Train employees on appropriate internal control, fraud combating techniques and importance of information protection.

### 5.2.2 Types of Fraud According to Fraudsters:

Fraud operations vary based on fraudster, whether from inside or outside the exchange center, as follows:

- Frauds committed by persons from outside the exchange center.
- Frauds committed by persons working in exchange centers (employees).
- Conspiracy by exchange centers' staff in favor of third parties.

#### 1. External Fraud (Frauds Committed by Persons from Outside Exchange Centers):

External or as commonly referred to as "Consumer Fraud" is a fraud committed by individuals from outside exchange centers (usually professional criminals). There are several forms of external fraud:

- Counterfeiting or forging documents, including IDs, ATM or credit cards.
- Forging signatures and stamps.
- Forging cash money.
- Entering inappropriate directions and data in PCs.
- Transfer of money to illusory customers.
- Obtaining through fraud documents or benefits that a receiver has no right to obtain.

#### 2. Internal Fraud (Frauds Committed by Persons Working in Exchange Centers):

Such operations are carried out by employees of the exchange center, whether senior managers or subordinate staff. It was found that subordinate employees in most cases deceive for personal reasons such as the desire to gain money. On the other hand, senior employees or senior managers deceive in a more complex way and for reasons related to exchange centers. For instance, the centers may go through a difficult or critical period, so they try to change numbers in the balance sheet to better values so as to enhance the center's reputation to keep running center's business and save their jobs.

Frauds committed by exchange centers' employees may include the following:

- Robbing exchange centers' assets, commonly by embezzling from the petty cash.
- Using forged transfer orders through PCs and transfer of amounts from membership numbers to other membership numbers or partners and transferring amounts from customers' membership numbers to other membership numbers, whether their own or their partners'.
- Practicing non-delegated powers by a perpetrator (i.e., employee) by knowing signatures of all officials in the exchange center and exploiting such signatures to conduct some operations that do not fall within his/her powers in order to forge his/her officials' signatures.
- Accepting bribes, gifts, or secret commissions to provide benefits or ignore applicable measures.

- Misusing and leaking information available for an employee in an illegal form.
- Accounting fraud by intentionally making wrong entries every day or preparing forged financial statements, while the perpetrators are aware of such forgery.

### 3. Conspiracy of Exchange Centers' Employees with Third Parties.

Such conspiracy has many forms, but generally, it may be defined as any cooperation between exchange centers' employees and a third party, which enable the latter to know secrets or work-related information of such centers. Then, such third parties exploit such information to achieve a fraudulent objective against such centers.

## 5.3 Fraud Combating and Prevention Techniques:

Learning Objective:



To be familiar with techniques to combat fraud and the role of exchange centers to combat fraud.  
To look into modern tools and techniques to prevent fraud in exchange centers' operations.

It is necessary for every exchange center to set an integrated plan to combat fraud so as to address all aspects of the fraud problem. Manual of Combating Embezzlement and Financial Fraud and Control Guidelines issued by SAMA suggests nine basic requirements to develop an effective plan to combat fraud for Saudi banks and money exchange centers, by referring to and adopting the best international practices in this field. The nine conditions are:

1. The Strategy of Fraud Combating and Control Policy.
2. Regulatory Framework and Responsibility Structuring
3. Assessment of Fraud Risk
4. Promoting Awareness of Fraud
5. Control Procedures
6. Control & Follow-up Process
7. System of Notification of Fraud
8. Investigation Standards
9. Code of Conduct and Disciplinary Measures

The exchange center shall bear the responsibility of developing and following up procedures, standards, systems and operations necessary to meet such requirements properly, as a part of continuous operation for such centers to combat fraud. The following parts briefly address and set specific guidelines for each requirement:

### 5.3.1 The Strategy of Fraud Combating and Control Policy:

Each exchange center shall have a comprehensive and integrated written policy for fraud combat and control. This policy shall draw all procedures and measures appropriate for exchange center concerned, along with a wide range of complementary anti-fraud procedures. The policy must adopt the risk management method to combat and control fraud. The main purpose of the policy is to promote awareness and compliance among employees, determine exchange center's departments in charge of combating and controlling fraud, and applying the various aspects of combating and controlling fraud plan.

Application Guidelines:

- The exchange center must lay down and promulgate a written policy for fraud combat and control; and it should be circulated to its staff.

- This policy must clarify objectives behind fraud and corruption combat, policies and procedures thereof.
- The policy can be presented in one document or in a set of booklets, instructions, circulars, and guidelines which generally explain the elements of exchange center's strategy.
- The policy must be based on exchange center's risk analysis in terms of its internal and external environment and it should adopt the method of risk management.
- The policy must be comprehensive and integrated to cover exchange center's essential functions and activities without any conflict between independent elements.
- The policy of fraud combat must define in details the members of the fraud combat committee, its business scope and purposes. The committee consists of senior officers from exchange center's various departments.
- Executive officials must set a good example of integrity regarding compliance with the essence and provisions of the policy of combating and controlling fraud. They must also realize that they are responsible and accountable that would help in thwarting fraud and encouraging notification of any violation of acceptable standards.
- The bank must designate sufficient staff members and resources to ensure the success of the policy of combating and controlling fraud.
- All employees must be aware of their responsibilities regarding the combat, detection, and notification of fraud.
- It is necessary that the operational levels participate in drafting the policy of fraud combat to determine potential areas where corruption may take place and how it can be minimized.
- The policy of combating and preventing fraud must be updated in so far as to reflect developments in the exchange center and its operational environment. For this purpose, the policy must be periodically reviewed, at least every two years; or whenever changes occur in the operational environment which may weaken the capacity of such policy to combat and control fraud.

### 5.3.2 Regulatory Framework and Responsibility Structuring

A comprehensive and effective regulatory framework as well as a structure of responsibilities must be developed to execute the comprehensive policy of fraud control approved by exchange center, partially by application of sound domestic control systems. A fraud control committee must be formed to lay down the policy, coordinate and follow up its application, and provide the necessary support to its chief executive. All levels of management must be involved in the implementation of this policy.

#### **Application Guidelines:**

- The regulatory responsibility for adopting the exchange center's comprehensive fraud-combat strategy and each of its elements must be clearly determined and exchange center's management and employees must be informed so.
- There must be an independent committee concerned with fraud combat and control in exchange centers, to undertake the following:
  - Lay down, coordinate and follow up the policy of fraud detection and investigation.
  - Clearly define responsibilities for fraud control process.
  - Apply a straightforward mechanism for notification of fraudulent acts.
- Roles and responsibilities of all employees must be documented clearly in the policy for combating and controlling fraud, together with procedures to be followed when suspecting a fraudulent act.

A comprehensive and effective regulatory framework to implement the policy of fraud combat and control shall consist of:

#### **A. Management Responsibilities**

The management is responsible for fraud combat. Therefore, it clearly bears the responsibility for laying down and determining the regulatory responsibility for fraud combat and prevention.

### **B. Fraud Control Committee:**

A fraud control committee plays a major role in setting a policy to combat fraud; and should ensure that policies, measures and procedures included in the comprehensive strategy for fraud control are applied effectively, provided that the mission of fraud combat and control shall not be confined to this committee. Rather, all levels of management and employees must be properly involved in developing and continually following up fraud-combat policy.

### **C. Fraud Investigation Unit:**

The Fraud Investigation unit's role shall be to investigate potential fraud cases against exchange center. This responsibility shall include collecting and presenting the necessary evidence to support administrative, disciplinary, or other measures such as prosecution and recovery of the funds subject of the fraud operation.

### **D. Combating and Detection:**

It should be ensured that an effective system is in place for controlling fraud, which should firmly control risks of fraud by detecting, tracking and controlling fraudulent acts to take prompt actions to reduce the potential fraud losses and maintain confidentiality.

### **E. Employees' Responsibilities:**

In compliance with exchange center's fraud-control policy, employees must familiarize themselves with the concepts and responsibilities of fraud control. The staff shall take sound financial, legal and ethical decisions during their daily duties and responsibilities and accept the responsibility of fraud control in their field of work.

### **5.3.3 Assessment of Fraud Risk:**

Fraud is part of the operational risk. To ensure whether the management has the necessary information to address fraud, a periodical structural review must be conducted to assess fraud risk, including all functions and operations of exchange center. This review must address both internal and external fraud risks, and determine the level and nature of exchange center's exposure to fraud risks. Thus, the management can decide the anti-fraud measures it deems necessary.

#### **Application Guidelines:**

The assessment of fraud risk must be reviewed periodically and it should include all functions and operational units in the exchange center, provided that this review should address both internal and external fraud risks to determine the level and nature of exchange center's exposure to such risks. The fraud risk assessment process usually goes through several stages, as follows:

- Determining the major jobs at the exchange center.
- Assessment and classification of the general nature of each work field and to what extent it is susceptible to fraud.
- Identification the specific forms of fraud risk in each field.
- Assessment of the possible occurrence of specific risks in light of the counter factors, such as internal controls.
- Assessment of the potential impact on exchange center as a result of the occurrence of specific risks.
- Suggestion and development of strategies to minimize or eliminate specific risks.
- Risk minimization can be decreased by assigning a certain person, committee or a specific group inside exchange center to be responsible for each strategy.
- Detailed timetable must be found for each item requiring a certain measure.
- Process of fraud risk assessment must be recorded and documented properly for future reference and accountability purposes.

### **5.3.4 Promoting Awareness of Fraud:**

The management must realize that the employee's participation in fraud combat is essential, and that most fraud cases will not be detected or controlled without employees' cooperation. In order to

increase awareness of employees and emphasize exchange center's commitment to combat fraud, the need arises for a series of continuous initiatives to raise issues of fraud combat, detection and notification thereof before all employees. The training for fraud combat and control must be an obligatory element of employees' training. As for the public, there is also a need to inform customers and raise their awareness of the fact that fraud against exchange centers is forbidden, and fraudsters will be referred to competent authorities.

#### Application Guidelines:

##### A. Promotion of Employee's Awareness

To draw the attention of all employees to the issue of combating, controlling and notifying of fraud, a cohesive awareness program should be established. Such program shall consist of mind-sets to promote awareness of fraud. It shall utilize, as possible, real-life examples from actual cases, whether in exchange or other centers.

##### B. Promotion of Customer's Awareness

A customer plays an important role in helping detect and combat external fraud. To this end, he should support and provide information on fraudulence acts by promptly notifying of such crimes. Annual reports and newsletters would help the customer to be always informed of the status quo. Periodical information and advertising campaigns can also be used to inform the public of the types of fraud against exchange centers and the ways of detecting them, with the use of all means and methods to reach out to the customer's awareness, such as e-mail and SMS (Awareness Campaign - Guide to Combating Financial Fraud in Banks and Banks Operating in Saudi Arabia, August 2020).

##### C. Promoting Awareness of Concerned Parties:

Money exchange and transfer centers should always enhance the understanding of concerned parties with whom contracts are made that code of conduct, exchange center's policy of combating and controlling fraud and other exchange center's policies and standards regarding fraud and corruption are instruments used to promote justice, integrity.

#### 5.3.5 Internal Control Procedures:

Internal controls are the main instrument for combating fraud. Therefore, sound internal control regulations should be set within a framework of a written documented comprehensive policy and rules of procedure to lessen opportunities for committing fraud acts. The strategy for combating and controlling fraud should also be integrated with the inclusion of operational procedures and rules governing activities of all departments, cash handling facilities, jobs and employees.

Controls are measures used to minimize risks at work to the lowest level. They are designed to prevent, detect and redress mistakes in due course through applying the instructions related to the following:



Figure (2.5) Elements of internal control procedures application

Controls can be classified as follows:

- A. Preventive controls: to prevent the occurrence of unfavorable incidents: passwords.
- B. Detection controls: to detect and remedy unfavorable incidents which have already occurred.
- C. Guidance controls: to urge and encourage occurrence of preferred measures (e.g. Policies, procedures and code of conduct).

#### **Application Guidelines:**

Implementation of internal control systems documented in a written policy and the existence of clear and comprehensive procedural data reduce the fraud opportunities. The strategy of comprehensive internal control should be closely integrated into the operational documents governing all departments. The following guidelines aim at emphasizing information on internal control procedures:

##### **A. Principles of Effective Internal Control:**

Written effective internal controls shall govern the following:

- Restricted and monitored access to risky areas.
- Actual maintenance and safeguarding of valuable assets.
- Proper authorization and definition of levels of approval for all employees.
- Efficient separation of duties, especially in financial and accounting areas, and delivery and taking-over of cash or securities.
- Record of all transactions, incidents, suspected transactions and findings of investigation.
- Extraordinary or unexpected findings of investigation.
- Notification methods.
- Accountability for results at all levels.

##### **B. Recruitment practices:**

Statistics show that the greatest risk of fraud faced by a bank is usually posed by its employees, either in or without cooperation with outsiders. An employee's integrity should be considered a precondition for the success of any control system. Test of integrity before contracting with an employee should be strictly made so as to have reliable and trustworthy employees. Before contracting with a new employee, it is important to ensure that he has not already been involved in fraud or embezzlement acts in a financial firm inside or outside the Kingdom, by reviewing information presented by the applicant, and making sure of its validity.

It is necessary to follow honest and ethical behaviors regularly. The following behavioral and social attitudes may be considered to detect individuals who may conduct fraudulent acts:

- Unjustified enrichment and sudden change in the style of living.
- An employee who always works after the official work hours.
- Loss of original documents and substituting them with their copies.
- Overuse of correction fluids.
- Hesitation about leave-taking.
- Refusal of promotion
- Rapid resignation of a new employee.
- Insistence of some suppliers, contractors or customers on dealing with a certain employee.

Follow-up and control methods should include the following:

- Confidentiality agreements
- Obligatory leaves
- Change of an employee's duties schedules and tasks at unexpected intervals.
- Checking accounts of an employee who is on leave.
- Employees who are relatives should not be allowed to work together, particularly in financial, accounting, cash handling or securities areas.

##### **C. Separation of Duties:**

This principle basically requires that jobs entailing performance of operational tasks must be separated from those entailing the enforcement of controls and supervision. Similarly, control of assets must be separated from control of documents related to these assets. The following examples are collected from different areas of work to clarify the principle of duty separation:

- The task of payroll must be separated from the other tasks of personnel affairs.
- Trading transactions at the front offices must be separated from those at the back offices. Although traders are required, for instance, to observe limits, they must be strictly controlled by the back or the middle office.
- The tasks of ordering purchase of consumable materials and equipment, and storage control must be separated from the task of keeping records and authorization to pay.

#### **D. Dual Control:**

As security measures (such as the use of keys, warning systems and security of cash locations) must be subject to strict dual control technologies. There must be a procedure to recover keys and other methods of entry on a periodical basis. Measures must be made on a periodical basis to ensure the replacement of keys, passwords and other instruments of dual watch.

#### **E. The Policy of Gifts:**

Since an employee is prone to bribery by the gifts, a written policy must be set for preventing this. This policy shall generally prohibit the employee from the following:

- Accepting any gifts, enticement or inappropriate entertainment for providing lawful or unlawful service.
- Revealing confidential or restricted official information for any enticement.
- Abusing his previous and current jobs to get differential prices for private transactions.

#### **F. Cash Handling (Delivery and Taking over):**

There is a number of risk exposure cases in the area of cash handling which are governed by a set of procedures. Exposure to cash risks includes activities that are related to the following:

- The cash handling procedure to tellers at the exchange center's branches, and to other employees working in the field of cash handling must be clear and consistent.
- The guidelines related to the seals of the teller, keys and access controls shall be followed up and evaluated regularly to ensure their ongoing effectiveness.
- Places designated for tellers shall be closed, and persons authorized to enter those areas shall be specified.

Circular No. 42052701, issued by SAMA on 17/07/1442 AH, emphasized the need to strengthen the procedures for examination of banknotes, and emphasizing that all specialists are exercising utmost care to verify their integrity, to immediately inform security authorities in the event of suspicion of any banknote and to notify SAMA accordingly.

SAMA also confirmed through circular No. 67/55896 dated 06/09/1440 AH, the need for banks and exchange centers to be informed of and abide by the regulations and instructions on the movement of cash, as well as the provisions of the Security and Safety Manual and the requirements for vehicles to transport cash and valuable items that exceeding SAR 200,000. Those found to have transferred funds or receiving cash transferred in an irregular manner would be subject to the application of legal penalties.

#### **G. Conflict of Interests Management:**

Exchange centers shall set and implement policies and measures to prevent and solve conflict of interests. These measures shall be documented in the employee's booklet and code of conduct. Conflict of interest arises when the exchange centers' employees fall or seem to have fallen under the influence of personal interests during their work. Areas of potential conflict of interests shall be determined as part of assessing the risk of fraud. Areas of work at the exchange center where conflict of interest can occur include the following:

- Appointment of employees.
- Bids and purchases.
- Work without payment and part-time jobs.
- Gifts, benefits and entertainment.
- Dealing in securities.

## **H. Protection of Intellectual Property:**

Exchange centers and its customers' data shall be protected. The places in which these data are stored shall be protected against any internal or external risks, and only those who need such data shall be permitted to have access to them. In addition, access to those data shall be controlled by entry systems via keys, cards and secret numbers.

For security reasons, data and contingency policies stored on back-up discs and other hardware media must be stored in safe locations.

## **I. Information Systems Security:**

The policy of combating and controlling fraud shall include a methodology or code of conduct for using computers. This security policy shall determine the standards of using computer hardware and software at exchange centers, and it shall include instructions about using exchange centers' internet, e-mail and permission to have access to the internet.

Proper instruments shall be used for security management to ensure integrity and confidentiality of information. "Integrity" means, in this context, that the information is accurate and protected against accidental or deliberate modification. "Confidentiality" means that the information is only accessible to those who are authorized to know it.

### **5.3.6 Follow-up Process:**

The management should ensure that an independent and reliable follow-up process is in place. Internal follow-up and control activities should be enhanced by regular support from independent external evaluators, such as external auditors.

#### **Guidelines:**

The management must observe notes in the reports of external auditors to fix deficiencies of the control, follow-up and ensure its implementation.

**The below guidelines aim at raising awareness of follow-up procedures:**

#### **A. Internal Follow-up:**

Following up the internal controls shall begin immediately when the board of directors, managers and supervisors start their daily activities in the areas of supervision, inspection, control and guidance. Internal auditing represents a point of continuous focus on internal controls and periodical control of all aspects of work in exchange centers. The internal auditor should review the adherence of the exchange center to approved policies and regulations and laws in force. The more the size of business, its risk, its complexity, or its geographical expansion, the more is the need for experienced, professional and skillful internal auditors with technical capabilities at the level of the relevant sectors. It should be noted that the internal auditors could not automatically prevent fraud. They principally work as supervisors responsible for ensuring that accounting standards are being applied, the administrative procedures are implemented properly, and the exchange center complies with local regulations and laws. Therefore, the task of developing the work plans and operational procedures to deal with potential fraud must be entrusted to the risk management, with the help of Internal Audit and other concerned departments such as Compliance Unit. Compliance Officer is expected to give directions regarding compliance with laws and regulations related to fraud to be followed in the exchange center's business and procedures.

#### **B. External Follow-up**

External audit offices shall undertake the responsibility of evaluating the effectiveness of exchange center's internal controls, while SAMA assesses the effectiveness of internal control systems at exchange centers as part of its examination program. Evaluation by external evaluators is essential to provide an independent and neutral confirmation of the effectiveness of the internal operational controls, validity of management systems, accounting controls and correctness of financial information.

#### **C. The Policy of Following up Control and Combat of Fraud:**

The fraud control committee must follow up implementation of the policy of combating and controlling fraud. The results of this follow-up must be reported to the senior management and the

board of directors. The following performance measures represent examples of major statistical indicators, which can be used to follow up the effectiveness of exchange centers' measures to control fraud:

- Extent of the difference between risks assessed by exchange centers and risks assessed by external bodies.
- The difference between the effectiveness of controls evaluated by exchange centers and those evaluated by external bodies.
- Number of big-suspected fraud cases and the number of such cases that have not arisen during the assessment of fraud.
- Number of working days from the beginning of addressing fraud cases to the time when the addressing has ended.
- Number of times of recovery of funds in comparison to the number and value of alleged fraud cases referred to investigation.

Fraud Control Committee shall provide the executive management with regular reports on statistical operations listed above and update this information at least on a quarterly basis.

### 5.3.7 Notification of Fraud System:

An official system shall be put into effect for internal notification of actual or suspected fraud. All staff must be clearly informed of the structure of the system and procedures for dealing with the notification of fraudulent acts. Mechanisms should be developed to facilitate and encourage customers or the public in general to notify about cases of suspected fraud internally and externally. An official policy must be applied to external notification of certain authorities such as SAMA and competent security authorities.

#### Guidelines:

Arrangements required will be affected by the size and structure of the exchange center (e.g. number and locations of branches). An accurate concentrated summary on arrangements of fraud notification should be prepared for distribution to all staff and should be published regularly on bulletin boards and in internal newsletters. Staff must be trained on the following:

- How should they act if misconduct is seen at the work site?
- What are the available internal notification mechanisms and how they work?
- What are the preventive measures to protect those using notification mechanisms?
- What are the available external notification channels?

The following guidelines aim to enhance fraud notification procedures:

#### A. Channels for Notification:

Employees' complaints and notification reports must be submitted, in general, to their immediate superior. The superior, on his part, shall submit it directly to the senior management. If the superior is the complainant, there should be an alternative channel to raise a secret report directly to the concerned member of the senior management.

#### B. Protection of Notification

Proper mechanisms and policies must be developed for supporting reporters and protecting them against reprisals as a result of their notification of fraudulent activities. This message must be delivered to employees clearly and regularly through newsletters and other means of internal communication with continuous reminding that their reporting is confidential.

#### C. External Notification

Each exchange center needs to set a clear official policy and detailed procedures for notification of fraudulent acts and corruption to SAMA and concerned security authorities. Notification of SAMA by an exchange center does not lessen its responsibility to refer fraud cases to the police or other competent security authorities such as the Saudi Arabia Financial Investigation Unit (SAFIU), if necessary.

In accordance with Circular No. 41/27210 issued by the Saudi Central Bank dated 01/05/1440 AH, regarding the obligation to report embezzlement and financial fraud, the security authorities

and the Central Bank must be notified in the event of any fraud or embezzlement, to ensure that appropriate measures are taken as soon as possible to avoid any financial losses, in addition to apply the principle of transparency in dealings between exchange institutions and centers and the relevant authorities, as well as filling out the fraud reporting form and providing a copy thereof to exchange centers control division at the Central Bank.

#### **D. Receipt of Customers' Reports:**

Mechanisms must be developed to facilitate and encourage customers and the public in general to notify of suspected fraud cases, and external fraud. Exchange centers shall consider the best method of how to receive complaints and reports on fraud from customers. To this end, exchange centers can make use of their web sites.

### **5.3.8 Investigation Standards:**

Staff at operation departments and those responsible for internal investigation must be provided with clear formal guidelines and procedures to ensure treatment and investigation of fraud efficiently once detected. The roles and duties of the investigation organ shall be clearly defined and explained. The standards set in force in this connection by exchange centers must ensure rapid and efficient investigations so that in every case of suspected fraud, a decision can be taken quickly.

#### **Guidelines:**

The management should maintain a record of all known cases of fraud discovered and investigations conducted. The management must develop systems to follow up investigation, report its current status and results of its progress, and continuously update such systems. The management shall use reports to follow up the investigations. It is supposed that the senior management or the Fraud Control Committee should receive programmed and regular reports on status and progress of the investigations.

**The following guidelines aim at enhancing investigations standards:**

#### **A. Receiving a Notification of Alleged Fraud:**

The responsibilities of the person who receives a notification of suspected or discovered fraud should be defined clearly in exchange centers' guidelines for controlling and combating fraud. All details of the notification or suspicion shall be recorded as soon as possible. Details to be registered shall include the following:

- Date and time of the notification, incident or suspicion.
- Name of the notifier, incident or suspicion.
- Nature of the notification.
- Circumstances and location of the alleged crime as well as name(s) of the accused.
- Amount of money subject of the alleged fraud.

#### **B. Initial Evaluation of fraud:**

The purpose of the initial evaluation of suspected fraud is to determine whether there is a ground for the notification or suspicion and the best measures to be taken. Based on the information available, necessary decision must be taken regarding the measures to be taken. The decision shall be one of the following conclusions:

- The complaint is groundless and no further measure is needed.
- The case must be referred to the Unit for Investigating Fraud Acts at exchange centers for further investigation.
- The case needs SAMA advice, the police or any competent legal authority to judge whether the crime has been committed or not.

#### **C. Updating of Case Reports:**

Report on a particular case must be updated if any significant change occurs in the case or on a quarterly basis, whichever is earlier. Exchange centers shall be responsible for updating reports of the case. Exchange centers are not required to conduct any subsequent updating when the file is closed. Reports of the closed case must be kept for a period of five years at offices of exchange

centers. SAMA must be informed of the closure of any case.

#### **D. Application of the Investigation Plan:**

Effective and efficient investigation in an act of significant fraud is a complex one, requiring specialized expertise and resources. It may need a working team of several specializations, such as information technology, accounting and law, to cooperate with the police. It is therefore important that the investigation be conducted by officials with required skills and knowledge whose skills must be continuously enhanced through training and professional development.

#### **H. Evidence Protection:**

It is very crucial to make sure that any form of evidence must not be lost or destroyed during the early stages of investigation. A record of locations and entities from which evidence is obtained must be maintained. The original documents must be protected and maintained in a safe place; such important documents must be replaced with copies thereof and kept in official files. When assessing aspects of computer fraud, priorities of the investigation team must be to protect the hardware and the network, which may have been accessed by the accused, in order to ensure continuity of operations and services, protect storage media, codes and other items that may be used as evidence.

#### **I. Recovery of Proceeds of Fraud**

Recovering proceeds of fraud and other losses can be pursued through criminal prosecution or through other channels, such as administrative or disciplinary measures. Control systems must be reassessed after the fraudulent act to avoid its recurrence.

### **9.3.5 Code of Conduct and Disciplinary Measures**

Exchange centers shall develop an appropriate code of conduct and circulate it to employees and customers. A clear message must be sent that fraud will not be tolerated with and its perpetrators shall be subject to disciplinary measures. In this regard, the code of conduct will constitute a starting point, supported by specific standards and policies, which cover all employees and create a climate of ethical conduct inside exchange centers.

#### **Guidelines:**

Different codes of conduct or minimum codes of conduct and disciplinary procedures can be set to cover the exchange center as a whole. However, such codes of conduct must be applicable to particular situations in certain departments or sections.

**The following guidelines aim to promote codes of conduct and disciplinary measures:**

#### **A. Codes of Conduct:**

Setting and distributing codes of conduct could help in identifying the behavioral and ethical standards required at exchange centers. They must reflect and describe the integrity of exchange centers' employees, their ethical values, and competence; personal and professional behavior expected of all staff; philosophy of exchange centers and its operational system, the means on basis of which the management of exchange centers determine powers and responsibilities, and the way in which it develops the competence of its members; attention paid by the board of directors to these standards and its guidance thereto.

#### **B. Disciplinary Standards:**

The employee's booklet must specify disciplinary measures to be taken by exchange centers against employees who are convicted of fraud.

#### **C. Standards Applicable to Temporary Staff and Employees of External Outsourcing Entities:**

The same standards applicable to exchange center's management and staff must apply to temporary staff and other employees of external entities with which exchange centers are outsourcing. When it depends on external human and technical resources to perform certain services, the exchange center shall make sure to monitor employees of contracted firms and evaluate their performance to determine if there is a risk of fraud, and take necessary measures to combat and detect such fraud. Therefore, in outsourcing with external parties, Legal Department at exchange centers must ensure

# Chapter Five

## End - of - Chapter Questions

Answer the following questions and check your answer in the corresponding section:

1. What is meant by fraud in money exchange and transfer centers?  
**Answer Reference: section 5.1.2**
2. Mention some reasons behind widespread of fraud.  
**Answer reference: section 5.1.3**
3. “State-of-the-art technologies utilized in banking sector have improved performance, enhanced productivity and increased electronic fraud” Do you agree with that statement? Clarifying the difference between material and electronic fraud.  
**Answer Reference: Section 1.2.5 paragraph 2**
4. Explain how to prevent and detect electronic fraud in funds’ transfer field.  
**Answer Reference: Section 5.2.1 paragraph b**
5. What is the difference between external and internal fraud in exchange centers? Give examples.  
**Answer Reference: Section 2.2.5**
6. Explain how to develop and apply a strategy to combat fraud in money exchange and transfer centers?  
**Answer Reference: Section 5.3.1**
7. Explain guidelines for developing comprehensive, effective regulatory framework to combat fraud in money exchange centers.  
**Answer reference: section 5.3.2**
8. Explain how to promote awareness of fraud in exchange centers?  
**Answer Reference: section 5.3.4**
9. “Internal controls are the main instrument for combating fraud” Do you agree with that statement? Explaining how to implement internal control systems to reduce possibility of fraud activities.  
**Answer Reference: Section 5.3.5**

# Chapter Six

## **Anti-Money Laundering and Countering Terrorism in the Kingdom of Saudi Arabia**

This chapter includes 20 questions out of 100 questions in the exam



## Introduction:

This chapter deals with Money Laundering and Terrorist Financing as one of the most critical issues that pose a real threat to banks and money exchange and transfer centers, given increasing rates of crime and resulting funds. SAMA is responsible for integrity and effectiveness of banking system in discharging duties towards system's users and contributors.

## 6.1 Money Laundering and Terrorist Financing Operations:

### Learning Objective



Understanding the nature of money laundering operations, stages, risks and methods of combating them in Customers centers.

### 6.1.1 Definition of Money Laundering:

Money laundering is defined as:

“The commission or attempt to commit any act intended to conceal or disguise the real source of funds acquired by means contrary to Shariah or Law, thus making the funds appear as if they had come from a legitimate source”.

Article (1) of Money Laundering Law issued by virtue of royal decree No. (M/20) dated 05/02/1439 AH. Defines funds as: Assets, economic resources or properties of any value or type, however acquired, whether material or immaterial, tangible or intangible, movable or immovable, along with documents, deeds, instruments, transfers and letter of credits and of any form. This includes electronic or digital systems.

This law defines proceeds of crime as: The funds directly or indirectly obtained or acquired from or through the commission of a sanctioned offense, whether within or outside the Kingdom, in accordance with sharia or laws in the Kingdom, including any funds transferred or converted wholly or partially into properties or investment proceeds.

Financial Institution (FI): Any KSA-located establishment conducts one or more of the financial activities or transactions. The Implementing Regulations of this Law specifies financial activities carried out by this establishment for the benefit of or on behalf of a customer.

In accordance with Article (2) of Saudi AML Law, it shall be considered to have committed a money laundering offence who conduct any of the following acts:

1. Converts, transfers or conducts any transaction on funds that the person knows being proceeds of crime or from illegitimate or illegal source.
2. Acquires, possesses or uses funds that the person knows are proceeds of crime or from illegal source.
3. Conceals or disguises the true nature, source, movement, ownership, place, or manner of disposition of funds or proceeds that the person knows being proceeds of crime or illegal or illegitimate source.
4. Participation by means of agreement, or providing assistance, or abetting, or providing counseling, advice, or facilitation, or collusion, cover-up or the attempt to commit any of the acts provided for in this Article.

According to Article 3 of Anti-Money Laundering Law, the legal person (establishment) shall be criminally liable for money laundering if any of acts mentioned in Article 2 were committed.

Criminal liability of a legal person shall not exclude criminal liability of FI and NFI's chairmen, members of boards of directors, owners, employees, auditors, or any other natural person who acted in the name or for the credit of the legal person.

Examples of criminal, money-related activities resulting from money laundering are:

- Crimes stipulated in the Executive Regulations of the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988.
- Organized crimes included in the United Nations Convention against Transnational Organized Crime (Palermo Convention) issued in December 2000.
- Crimes stipulated in the International Convention for the Suppression of the Financing of Terrorism of 1999.
- Smuggling, manufacturing, trading, or promoting alcohol.
- Crimes of counterfeiting and counterfeiting money and forgery crimes stipulated in the anti-counterfeiting system.
- Smuggling, manufacturing, or trading in weapons, ammunition, or explosives.

Crimes stipulated in the United Nations Convention against Human Trafficking.

- Crimes of bribery, fraud, fraud, and embezzlement of public funds belonging to government agencies.
- Illegal practicing banking business stipulated in Article Two of the Banking Control Law.
- Crimes of tax evasion and customs smuggling included in the unified customs system of the Gulf Cooperation Council countries.

### 6.1.2 Objectives of Money Laundering:

By laundering funds acquired in an illegal way, criminals aimed at:

- Changing original nature of these funds.
- Making it more difficult to know source of funds.
- Making it more difficult for Security Authorities to track such funds.
- Re-utilizing such funds to make them seem as legitimate and acquired from legal source.
- Reintegrating and investing such funds in legitimate economic business.

### 6.1.3 Stages of Money Laundering Processes:

ML often involves a series of operations that are usually difficult to separate from each other. However, ML operations usually go through three stages as follows:



Figure (6.1) Stages of Money Laundering Processes

#### Stage I: Placement

This stage is confined to placing funds acquired from an illicit source into the financial system, usually through banks and money exchange and transfer centers. This is achieved through cash deposits, purchase of monetary instruments for cash, currency exchange, purchase of insurance contract, cheque cashing services, the retail economy (through cash purchases), and smuggling of cash between countries.

This stage may include the following procedures or processes:

- Fragmenting a large amount into smaller amounts and depositing them directly into bank accounts.
- Transferring cash across borders and depositing it in foreign financial institutions or using it to purchase expensive goods, e.g. (high-value artworks, antiques and precious stones) that can be resold against checks or bank transfer.
- Establishing cash-based businesses and using them as a cover for dealing in illegal funds.

### **Stage 2: Layering**

Layering is the stage of concealing the illicit source of funds in order to block tracing of funds by conducting complex transactions to be concealed. These transactions are often a complex series of movements that transfer funds across several countries, making it difficult to identify the original source of funds. This stage consists of a set of processes, such as:

- Bank transfers of funds from one account to another, sometimes from other financial institutions.
- Transfer of deposited cash into monetary instruments (e.g. traveler's cheques, resale of valuable goods and prepaid products, investment in real estate and legitimate business).
- Placing money into investments e.g. stocks, bonds, or life insurance; with the aim of hiding or concealing the ownership of assets.
- Using shell companies or other entities and E-transfers.
- Wire transfers, including cross-country payments.
- Opening multiple current and deposit accounts and move funds between them.

### **Stage 3: Integration**

Integration is the final stage of Money Laundering processes, whereby laundered money is integrated back into the legitimate economic system, making it appear to be legitimate assets, through the reintroduction of funds into the economy cycle through what appears to be natural acts or personal processes. This stage requires:

- Utilizing laundered money in seemingly normal operations to suggest the legitimacy of such money, for example: A money launderer may choose to invest his money in real estate, financial projects, or luxury related assets.
- In integration, it becomes more difficult to distinguish between legitimate and illegitimate fund, with a favorable opportunity for a money launderer to increase his wealth gained from crime and illegal sources.
- In general, it is difficult to determine the integration of illicit funds into the normal economic cycle unless there is a clear discrepancy between the volume of employment and business or investments of person or company and wealth, assets and income of such person or company.
- Early cancellation of insurance policies or recovery of payments related to a specific investment.
- Placing real estate purchased with illegal money as collateral for loans.

## 6.1.4 Methods (Types) Used in Money laundering:

### Learning Objective



To be familiar with various types, applicable ML methods and ways together with its examples in Money Exchange and Transfer Centers.

Various ML/TF techniques or methods are usually referred to as typologies. Study of Typologies is a useful instrument for in-depth research on a particular issue in order to provide overview and knowledge of overlapping risks arising from ML and how to address them. ML-Related Typologies include but not limited to:

- **Alternative Transfer Services (Remittance, Promissory Note, Etc.):** Informal means of fund transfer that rely on trust-based fund transfer networks. These are illegal transfer means that may be utilized for ML/TF to transfer funds without tracing, as well as to obscure identity of those controlling the funds.
- **Smurfing (Composition and Breaking Up):** Smurfing involves numerous transactions (deposits, withdrawals and transfers), and often includes various people, large numbers of low-value transactions and sometimes numerous accounts as such to avoid FI obligations of reporting financial transactions that exceed a certain threshold.
- **Currency Exchanges:** This method is utilized to assist smuggling funds among countries or to exploit poor reporting requirements applicable by currency exchange houses and to minimize risk of detecting such transaction, including purchase of traveler's cheques to transfer funds between countries.
- **Currency Smuggling (Transportation):** This is realized through moving currencies in a covert way across borders to avoid transaction or cash disclosure procedures.
- **Use of Credit Card:** Credit cards are widely used as a secure means of indirect spending of funds acquired from criminal source. Credit cards can be obtained in the name of individuals or institutions, and can be used only based on signature matching, or increasingly on an indirect basis without face-to-face interview, such as via telephone or online without verifying the identity at a point of usage. Credit card bills can therefore be paid using funds generated from crime proceeds deposited in banks other than card issuers.
- **Purchase of High-Value Assets, such as (Property, cars, shares... etc.):** Proceeds of criminal activities are invested in high-value easily negotiable goods to take advantage of low reporting requirements in a manner that obscures source of crime proceeds.
- **Use of Wire Transfers (Electronic):** This can be realized by transferring funds electronically between banks and often to another country to avoid detection and confiscation.
- **Trade-based Money Laundering:** This usually involves manipulation of invoice and use of trade finance methods and commodities to avoid financial transparency laws and regulations.
- **Abuse of Non-Profit Organizations (NPOs):** This can be realized by raising funds for terrorism purpose, obscuring source and nature of funds to finance terrorism.
- **Investment in Capital Markets:** This can be realized by obscuring source of crime proceeds through purchase of negotiable instruments, while relatively low reporting requirements are often leveraged.
- **Use of Shell Companies/Corporations:** This is a technique to obscure identity of persons controlling the funds and to leverage relatively low reporting requirements.
- **Use of Offshore Business:** Including Trust Service Providers to obscure identity of persons controlling the funds and to keep monies away from control procedures applicable by domestic authorities.

- **Identity Theft / Fake IDs:** in order to obscure identity of those involved in ML/TF.
- **Leveraging of Professional Services (Lawyers, Accountants, Brokers... etc.):** in order to obscure identity of beneficiaries and source of illicit funds. Such Services may also include corrupt professionals who offer specialized money laundering services to criminals.

## 6.1.5 Risks of Money Laundering:

### Learning Objective



To be familiar with ML Risks and Negative Effects.

### 1. Economic Effects:

#### A. National Economy:

- Weaken the ability of government authorities to implement economic policies efficiently.
- Weaken the stability of foreign exchange market given severe fluctuations in money movement as well as cash inflows and outflows.
- Cause distortions in distribution of resources and wealth into economy.
- Impede State's economic development in addition to decreasing real investment opportunities. Money launderers aim to incorporate shell economic entities in order to conceal their crimes.
- Cause damage to privatization and control of money launderers -criminal organizations over public institutions because of their large financial capacity.
- Decline of State's tax revenues due to tax evasion by money launderers.
- Have negative impact on state's reputation from international community perspective, reflecting on its international financial relations.

#### B. Banking:

ML processes threaten financial and banking stability given that financial and banking institutions are at a risk of lack of confidence and loss of reputation, as well as possible crash of financial markets that receive illicit funds.

#### C. Money Exchange and Transfer Centers:

- Bad reputation of money exchange and transfer centers.
- Legal liability and associated high costs and compensation.
- Losses incurred as a result of fines and penalties.
- Depriving money exchange and transfer centers of involving in its business in addition to revocation of license.

### 2. Social Effects:

#### • Higher Unemployment Rates:

ML operations are closely related to the spread of unemployment in society; The smuggling of funds abroad through banking and other channels and their laundering leads to the transfer of part of national income to other countries, and then the countries from which the capital transferred are unable to spend on investments necessary to provide job opportunities for citizens, and thus face the risk of unemployment.

- **Lower Standard of Living:**

ML operations affect the distribution of income on members of society, increase poor people, widen the gap between them and the rich, causing shrinking of the middle class, which leads to negative social effects as a result of poor income distribution, which leads to an imbalance in the social structure and exacerbates the problem of poverty and a low standard of living.

- **Higher Crime and Corruption Rate:**

- Weakening of financial institutions (Collapse of the European Union Bank, the Bank of Credit and Commerce scandal, collapse of Barings Bank in 1995).
- Risks to state's reputation (Limiting global legitimate investment opportunities, depriving state of donor support).
- Corruption of society morals (Drugs, prostitution, bribery, illegal arms trafficking, etc.), and thus raising social costs (Treatment of addicts, etc.).

- **Emergence of ML-Specialized Gangs:**

The spread of ML operations in a specific area leads to formation of a specialized criminal gang that produces other gangs and buys and recruits the weak-spirited. This could lead to formation of a criminal organization that destabilizes security and tranquility and increases the crime rate in general.

### 3. ML Political Risk

- **Breaching and Corrupting Government Structures:**

This illegally acquired money may also affect the political structure and its representatives, especially in countries with economic and political instability, where it finances electoral propaganda aimed at taking over parliamentary functions, which pushes money launderers to parliaments whose main job is to lay down legislation and monitor government actions. They influence the work of such councils to serve their interests, and gain parliamentary immunity, so they are safe from criminal accountability.

### 6.1.6 Penalties for ML Offenses:

- **Article (25) of the Anti-Money Laundering Law stipulates that:**

If the supervisory authority finds that FIs, DNFBPs, and NPOs or any of their directors, board members, executive or supervisory management members failed to comply with any provision of this Law, its Implementing Regulation or relevant decisions or circulars, or any violation referred from other competent authority, the supervisory authority may impose one or more of the following measures:

1. Issue a written warning.
2. Issue an order to comply with a specific instruction.
3. Issue an order to provide regular reports on the measures taken to address the identified violation.
4. Impose a monetary fine of up to SAR 5.000.000 per violation.
5. Ban individuals from employment within the sectors for which the supervisory authority has competences for a period to be determined by the supervisory authority.
6. Restrict the powers of directors, board members, executive or supervisory management members, and controlling owners, including appointing one or more temporary controllers.
7. Dismiss or replace the directors, members of the Board of Directors or of executive or supervisory management.
8. Suspend, restrict or prohibit the continuation of the activity, business or profession or of certain business activities or products.
9. Suspend, restrict or revoke the license; The supervisory authority should inform the General Director of Financial Intelligence about the actions taken or imposed sanction.

- Article (26) of the Law states that “Whoever committing a crime of money laundering shall be subject to imprisonment for a period up to ten years and no less than two years, as well as a fine not exceeding five million riyals or both”.
- Article (31) of the Law states that “...any legal person that commits a money laundering offense shall be punished by a fine of no more than 50 million riyals and no less than the equivalent of the double of full value of the funds that were the objects of the offense. A legal person may also be prohibited permanently or temporarily from engaging in certain licensed activities or by closing its offices whose use is associated with the commission of the offense or an order be made to liquidate the business.”

## 6.2 Terrorist Financing Processes:

### Learning Objective



Getting familiar with the nature, stages and risks of terrorist financing operations and difference between terrorist financing and money laundering.

#### 6.2.1 Definition of Terrorist Financing:

The Anti-Money Laundering System defines the crime of financing terrorism as:

“Any act that involves collecting, providing, taking, allocating, transferring, or transferring funds, in whole or in part, for any individual or collective terrorist activity, organized or unorganized, at home or abroad, whether directly or indirectly. From a legitimate or illegitimate source, or carrying out for the benefit of this activity or its elements any banking, financial, or commercial operation, or obtaining directly or through mediation funds to exploit them for its benefit, or to advocate and promote its principles, or to arrange places for training, or to shelter its members and provide them with any kind of weapons or forged documents, or providing any other means of support or financing with knowledge of this, and every act constitutes a crime within the scope of the International Convention against the Financing of Terrorism.”

#### 6.2.2 Stages of Terrorism Financing:

Typically, TF operations go through three stages, as follows:

##### 1. Collection of funds:

Collect funds to support and finance terrorist operations or persons to carry out terrorist acts. At this stage, charities and non-profit organizations may be abused by terrorists to collect and launder funds destined for terrorism.

##### 2. Transfer of funds:

Transfer of funds to terrorists within or outside the fund collection area. At this stage, banks, finance companies, or the alternative transfer method may be used to move funds across borders .... etc.

##### 3. Use of funds:

Place funds at the terrorists’ disposal to cover operational expenses, subsistence, personal and medical expenses, purchase of travel tickets, purchase of weapons and ammunition, combat training, etc..

### 6.2.3 Why terrorist Financing is dangerous:

- It contradicts with the principles of religion, customs, and the values of truth and goodness.
- Security destabilization that may lead to mass destruction.
- Displacement and political asylum, economic sabotage and impeding economic growth.
- Inciting strife between sects (religious, tribal, partisan, etc.)
- Spread of murder and violence and increased crime rates.

### 6.2.4 CTF Requirements:

In accordance with the Law of Combating Crimes of Terrorism and its Finance, financial institutions, DNFBP and non-profit organizations shall:

- Identify and understand its terrorist financing risks, assess, document and update them regularly, and provide their assessment of risks to the competent regulatory authorities upon request.
- Apply due diligence measures, and define their scope based on the level of terrorist financing risks associated with customers and business relationships, and they shall also have in place strict customer due diligence measures in cases of high terrorist financing risks. Particularly, financial institutions, DNFBP and non-profit organizations are required to:
  - Maintain all records, documents, papers and data, including customer due diligence measures documents for all financial, commercial and monetary transactions, whether local or foreign, for a period of no less than ten years from the end of the transaction or closing of the account:
  - The Public Prosecution may, where it deems necessary, require financial institutions to extend the period of retention of records, documents, papers and data to the extent necessary for the purposes of criminal investigation or prosecution.
  - The records and documents maintained shall be sufficient to allow analyzing data and tracking financial transactions, and shall be kept and made available to the competent authorities upon request.
  - Apply enhanced due diligence to business relationships and transactions with any person who comes from or resides in a country that has been identified as a high-risk country by the financial institution or by the Permanent Committee for Combating Terrorism and its Financing. Financial institutions shall follow measures that mitigate high risks identified by regulatory authorities.
  - Develop and effectively implement policies, procedures and controls to combat the terrorist financing in order to manage and reduce any identified risks.

## 6.3 ML/TF Difference:

Methods and techniques used for finance of terrorism are essentially similar to those used to conceal sources and uses of ML process; however, the main differences between both processes are as follows:

- 1- Funds required to commit individual terrorist acts are often a little, making it difficult to track funds of terrorist operations.
- 2- Terrorism can be financed utilizing legitimately acquired funds, thus, it is difficult to determine the stage at which legitimate funds have become terrorist funds. Terrorists can acquire funds from a variety of sources, which often combine financing from legitimate and illegitimate sources.

TF Sources can be classified as follows:

- Financial Subsidy: This funding can be acquired in the form of charitable donations and request for community members' aids, or utilizing other means of raising funds from institutions or individuals.

- Illicit sources: This funding can be often acquired through criminal activities, such as: ML, fraud and other financial crimes.
- Legitimate sources: This type of financing can be wholly or partially generated through legitimate activities or acts.

3- Purposes and objectives, as profit is the purpose of ML; however, TF does not aim to profit, but rather to pressure or violence to realize political or other purposes.

In accordance with Article 32 of Rules Regulating Money Exchange Business issued by the Minister of Finance Decision No. 4686 dated 21/11/1441 AH, the exchange center shall comply with the provisions of the Anti-money laundering Law and its Implementing Regulations; the Law of Terrorism Crimes and Financing and its Implementing Regulations; the circulars, controls and instructions issued in this regard; and the Guideline for the Implementation Mechanism of the Security Council's Resolutions related to the Proliferation and Financing of Weapons of Mass Destruction.

## 6.4 Suspicious ML/TF Transactions:

### Learning Objective



To be familiar with international bodies' initiatives and role in AML/CTF.  
To look into internal control laws procedures that can help protect exchange centers against ML/TF risks.

A suspicious financial transaction is a transaction entailing procedures that are very similar to operations that have been conducted and proven to involve ML/TF, or procedures that an exchange center's employee believes being illogical, unjustified, unconvincing, contradicting customer's normal behavior, or the nature of normal accounts transactions.

### 6.4.1 Indicators of Suspicious ML Transaction:

Existence of one or more of these indicators does not necessarily imply ML/TF. However, such indicators should raise concerns, and require further investigation and inspection. Below are some of the main indicators in money exchange and transfer field:

- Customer refrains from providing moneychanger with the necessary data according to Know Your Customer (KYC) guidelines, or provides false or misleading information.
- Customer asks moneychanger about laws, instructions and limitations contained therein to obtain adequate information and to avoid legal violations regarding ML.
- Customer breaks the whole or a part of the deal once being informed that due diligence procedures and KYC rule should be followed if such deal exceeds a specific financial limit.
- Customer submits suspicious ID documents.
- Customer prepares to buy a deal at a price higher than market price, or to sell it at a price lower than market price, and does not pay attention to commissions deducted by the exchange center.
- Customer offers money or precious gifts to the exchange center' employees and attempts to convince them not to verify IDs and other documents.
- Customer provides moneychanger with a permanent address located outside the region where exchange center services are provided, or not under the control of the State.
- Customer cannot be reached through contact information provided by him/her.

- Customer brings to the moneychanger, a person controlled by another, or an elderly person accompanied by someone who has no relation thereto when making the transaction.
- Transactions and value thereof are not commensurate with the financial condition or nature of customer's business.
- Transactions that involve individuals or institutions with a history of ML activities or other criminal acts.
- Transactions that are anonymized or cannot be validated.
- Unjustified large amounts of cash are disbursed to customers whose business activity usually involve cheques and other payment methods.
- Small denominations are exchanged with large denominations without convincing reasons.
- Several big cash transactions are carried out within a short time by the customer personally or through another person on his/her behalf at the exchange center or its branches.
- Customer offers big cash involving counterfeit or obsolete banknotes.
- Amounts, which in total constitute big cash, are transferred (daily or weekly).
- Remittances received that include instructions from the sender to convert its value into cheques and to be posted to a particular person.
- Remittances of large amounts are received or transferred from/to States that do not fully apply FATF recommendations or have fragile AML/CTF Laws.

#### 6.4.2 Procedures of Reporting Suspicious Transactions:

The reporting of suspicious transaction or activity is critical to the competent authorities' ability to utilize financial information to combat money laundering, terrorist financing and other financial crimes. The Saudi AML Law, Bylaws and SAMA Rules require banks and exchange centers to file Suspicious Transactions Reports to Financial Intelligence Unit (FIU). AML Law also requires exchange centers to prepare a detailed report including all available data and information on such transactions and involved parties as well as to provide such report to FIU. To that end, the following shall be taken into account:

- A. If an employee detects or suspects that a money laundering or terrorist financing transaction is taking place, he/she should immediately report it to exchange center's internal MLCU or designated Compliance Officer.
- B. Exchange centers shall report to FIU in accordance with the form adopted by FIU. Such reports shall at least include the following information:
  - Names of suspected individuals/entities, their identifications, addresses and phone numbers.
  - Statement with respect to the suspicious transaction, the involved parties, how it was discovered and present condition.
- C. Amount of the suspicious transaction and related banking or investment accounts shall be determined.
- D. Reasons of suspicion upon which the reporting officer has depended.

Exchange centers shall submit a technical report on the reported cases to FIU, including the following:

1. Completion of all data and filling out all fields in the reporting form pertaining to suspected operations related to money laundering.
2. Sending the original report to the Saudi Arabia Financial Investigation Unit along with a six-month statement of account, attachments to the account, and a technical report with an investigation of the account.
3. Exchange centers shall take the following actions after the reporting stage:
  1. Retain a copy and records of the report and technical report together with its attachments for future reference.
  2. Monitor the reported customer's activity. If the suspicious activity persists, and no data is

from the FIU within two months from the reporting date, an additional report shall be filed to FIU.

3. Follow up FIU request for obtaining data on all reports after the lapse of six months from the reporting date.

It is prohibited to disclose to the customer, the beneficiary, or to anyone other than the authorities and entities competent to implement the provisions of the anti-money laundering system, any reporting procedures taken regarding financial transactions suspected of involving money laundering or terrorist financing, or the data related to them.

The Saudi Central Bank issued Circular No. 67/39504 dated 26/06/1440 AH, on the confirmation of the reporting of accounts whose movements do not correspond to the income and wages of their owners, with the aim of obliging banks to monitor and report the movements of bank accounts of foreign workers, in accordance with the rules and procedures established by the Central Bank. Therefore, the Central Bank emphasizes that all banks and exchange institutions and companies must constantly notify FIU at the Presidency of State Security when there is any financial suspicion, in accordance with the Central Bank's Anti-Money Laundering and Counter-Terrorism Financing Rules for Banks and Exchange Centers, as well as monitor customer operations on a continuous basis.

#### 6.4.3 Procedures of Dealing with Suspected Customers:

Some of the main actions to be taken against the suspected customers are:

##### 1. Internal control procedures in exchange centers concerning "KYC" principle:

Rules Governing Anti-Money Laundering & Combating Terrorist Financing of banks, exchange centers and branches of foreign banks operating in KSA issued by SAMA, set "KYC" rules as follows: KYC principle is intended to enable banks and/or exchange centers to form a reasonable view to know the true identity of each customer with an appropriate degree of confidence, and to know the types of business and transactions the customer is likely to undertake with the bank or exchange center. There are three types of data that shall be collected and verified in establishing a new banking relationship with any customer, which are:

- Personal Information: Such as, name, age, DOB, POB, nationality, ID type, number and expiration date, actual address, P.O box, key contacts, email address and academic qualifications.
- Job Information: Employment status, specialization, employer, profession, job title, date of employment, address, phone number, fax and email.
- Financial Information: Source of income, monthly income, additional income, and ways of receiving income.

##### 2. Tipping Off Suspected Customers:

AML Law and its implementing regulation prohibit exchange centers and their employees from alerting customers involving suspicious transactions or activities. Pursuant to AML Law, if a suspicious transaction is sent to FIU and further inquiries concerning the customer are required, extreme caution should be exercised so as not to tip off the customer about the report. The employee shall continue dealing with the reported customer in the usual manner and not to alert customers or other parties related to the suspicious transactions. Otherwise, such employee will be deemed committing a crime that may promote to imprisonment (not exceeding two years), and/or a fine (not exceeding SAR 500,000).

##### 3. Failure to Report Suspicion:

Employees at exchange centers shall also be aware that, pursuant to KSA's laws and regulations, failure to report suspicious transactions is a crime punishable by imprisonment (not exceeding two years) and/or a fine (not exceeding SAR 500,000).

However, this does not mean that every opinion or small transaction shall be reported, as ML/TF reporting officer at exchange center shall be responsible for conducting a full investigation against all circumstances of transactions before sending a suspicious transaction report to authorities.

In accordance with Article 17 of Rules Regulating Money Exchange Business issued by the Minister of Finance Decision No. 4686 dated 21/11/1441 AH, prior to entering into a foreign correspondent relationship or currency import and export contracts, the exchange center shall inform SAMA in writing and adhere to the following measures in order to mitigate the risks associated with such relationships and contracts:

- Collecting sufficient information about the contracted financial institution to fully understand the nature of its work and assess its reputation and the type of supervision to which the institution is subject based on the information available to the exchange center, including whether it has previously been subject to a money laundering or terrorist financing investigation or regulatory action.
- Evaluating the controls applied by the contracted financial institution to combat money laundering and terrorist financing.
- Clearly understanding the responsibilities of each financial institution in combating money laundering and terrorist financing.
- Being sufficiently satisfied that the financial institution does not allow its accounts to be used by shell banks.
- Complying with all instructions issued by SAMA from time to time.

#### 6.4.4 AML/CTF Department (Unit):

Banks and exchange centers, in accordance with AML Law and Rules, shall establish an independent and dedicated ML/TF Control and Reporting Unit (MLCU), with adequate staff who shall be trained, familiar with compliance function and shall be all Saudis.

MLCU and its staff shall have sufficient authority, necessary independence to discharge its functions effectively, including access to customer information, such as identification data, transaction records and other relevant data that enable the officer to discharge his/her functions effectively. MLCU, or Compliance Officer in exchange centers, will have the following functions and responsibilities:

- Monitoring all transactions for the purpose of detecting suspicious activities.
- Receiving and examining suspicious transactions reports from all departments at exchange centers, as well as collecting and analyzing information to take the appropriate action.
- Reporting to FIU when suspicions have been determined, supported by a detailed technical report on any suspected case.
- Developing automated programs for controlling transactions to detect suspicious transactions that may involve ML/TF activities.
- Developing internal policies, plans, procedures and controls through submission of proposals for facilitating application of the same, as well as creating a state-of-the art automated system in the area of anti-money laundering.
- Supporting Compliance Department in its task of verifying that the established rules and regulations related to AML/CTF requirements are applied.
- Providing MLCU with qualified and trained staff and ensuring ongoing training with the aim of enhancing their knowledge to latest information on ML/TF.
- Preparing periodic reports regarding MLCU activities supported by statistical data for those activities, recommendations and proposals made for their development.
- Responding to all SAMA's circulars and requests relating to customer accounts statements and developing the appropriate mechanism to ensure that the required information is prepared in the proper timeframe.

- Building a database comprising all data relating to money laundering and terrorist financing matters, such as the suspicious cases reported.
- Engaging in operations of the Banking Committee against Financial Crimes and Money Laundering.
- Assisting in promotion of awareness and training of exchange center's staff, as well as raising awareness of various customers.

## 6.5 Role of Internal Control in Protecting Money Exchange and Transfer Centers against ML:

### Learning Objective



Role of Internal Control in Protecting Money Exchange and Transfer Centers against ML.

#### 6.5.1 Internal Control Procedures:

AML Law, Banking Control Law, and Rules Regulating Money Exchange Business require Financial Institutions (FIs) to establish and maintain internal control procedures to prevent their institutions from being used for purposes of money laundering and terrorist financing.

In order to have an effective risk-based approach of control, AML/CTF Internal Control Procedures must be imbedded within policies, plans and procedures of the exchange centers. In Addition to an effective internal control system, including monitoring and reporting suspicious activities.

Senior management at exchange centers is responsible for ensuring availability of an effective internal control structure, including suspicious activity monitoring and reporting. Senior management must create a culture of compliance regarding AML, ensuring that all employees adhere to exchange center's policies, procedures and processes designed to limit and control risks.

In addition to internal controls of compliance, the nature and extent of AML/CTF controls shall depend upon a number of factors, including:

- Nature, scale and complexity of exchange center's business.
- Diversity of exchange center's operations, including geographical diversity.
- Exchange centers' customers, products and activity profile and distribution channels of the provided services.
- Volume and size of transactions.
- Degree of risk associated with each area and operations of exchange centers.
- Extent to which exchange center is dealing directly with the customer or through third parties.

The framework of internal control procedures should:

1. Provide increased focus on exchange center's operations (products, services, customers and geographic locations) that are more vulnerable to abuse by money launderers and other criminals.
2. Provide for regular review and management of the risk assessment processes, taking into account the environment within which the exchange center operates and the activity in the market place.
3. Provide for an AML/CTF compliance function and designate an individual at a high management level responsible for managing such function.
4. Ensure that adequate controls are in place before new products or services are offered.
5. Inform senior management of compliance initiatives, identified compliance deficiencies, corrective action taken, and suspicious activity reports filed.

6. Focus on meeting all regulatory record keeping and reporting requirements, recommendations for AML/CTF compliance and provide for timely updates in response to changes in regulations.
7. Implement risk-based due diligence policies, procedures and processes.
8. Provide for adequate controls for higher risk customers, transactions and services, as necessary, such as transaction limits or management approvals.
9. Enable timely identification of reportable transactions and ensure accurate filing of required reports.
10. Include AML/CTF compliance in job descriptions and performance evaluations of appropriate personnel.
11. Provide for appropriate continuous training to be given to all relevant staff.

### 6.5.2 Assessment of Internal Controls:

The exchange center shall establish means of independently and periodically assessing the effectiveness of the internal controls and the adequacy of the overall AML/CTF programs. The assessment shall include validating the operation of the risk assessment and management processes and related internal controls, and obtaining appropriate comfort that the adopted risk based approach reflects the risk profile of the exchange center.

Internal Audit Department of the exchange center, which should be separate from Compliance Function, should conduct independent testing to assure adequacy of the overall compliance function. Results of testing should be documented and filed to the senior management for appropriate action.

## 6.6 KSA's AML/CTF Initiatives:

### Learning Objective



To understand operations and procedures to be conducted by exchange centers' specialists, as well as compliance with AML/CTF legislations.

The past few years have seen rapid and far-reaching developments in the financial sector involving a comprehensive and coordinated fight against money laundering and terrorist financing. Consequently, KSA has adopted a variety of initiatives involving legislative and other measures that are responsive to international developments in this concern. The most important among these initiatives may be summed up as follows:

- Issuing the Anti-Money Laundering Law and Implementing Regulations thereof, under Royal Decree #M/39 dated 20/06/1424 AH. Then issuing a new AML Law and Implementing Regulations thereof under Royal Decree #M/31 dated 11/05/1433 AH. Then this law was updated again in 1439 AH.
- Issuing a Combating Terrorism and Financing of Terrorism Law promulgated under Royal Decree #M/16 dated 24/02/1435 AH.
- Establishing the Financial Intelligence Unit (FIU) at the Ministry of Interior: FIU was established in accordance with Article 11 of Saudi AML Law issued under Royal Decree #M/39 dated 20/06/1424 AH, the Financial Intelligence Unit (FIU) began its work on 06/08/1426 AH, with its headquarters in Riyadh. Currently, it is an administrative unit affiliated with the Presidency of State Security and reports to His Excellency the President of State Security. Then, the unit's name was changed to the General Directorate of Financial Intelligence under the Anti-Money Laundering Law of 1439 AH.

- Establishment of units to combat money laundering in the Saudi Central Bank, the Capital Market Authority, and all local and investment banks with the mission of ensuring that the financial system is not exploited in money laundering operations, and to inform the competent authorities in the event of suspicion.
- Formation of the Anti-Money Laundering Permanent Committee: The committee comprises representatives of a number of government agencies to study all issues related to money laundering in order to overcome them and develop the necessary steps to implement FATF recommendations and follow up the implementation thereof. This committee shall be based at SAMA's headquarters in Riyadh and shall be chaired by His Excellency the Governor of the Saudi Central Bank (SAMA).
- A mechanism has been developed to implement the international resolutions issued by the Security Council in connection with AML/CTF.
- Circulating UN lists to freeze financial assets, and taking immediate measures to freeze the assets of those who are on the lists, in case that there are any accounts or balances of those persons /organizations.
- Adopting the FATF 40 recommendations related to AML/CTF, provided that the application of these recommendation is in accordance with the regulations in force in the Kingdom.
- Organizing and permanent participation by the Kingdom in international conferences and forums related to AML.

### 6.6.1 Issuance of Anti-Money Laundering Law:

Below are some of the main points addressed in AML Law:

The Law criminalizes money-laundering acts and has defined offenses, responsibilities and penalties for violation, aimed at preventing these crimes.

AML Law and Implementing Regulations thereof, is applicable to all banks and requires all FIs to have adequate policies, systems, measures and controls in place, relating to customer identification, KYC principle, due diligence, risk assessment, establishing and appointing AML/CTF qualified and specialized staff and an executive officer in MLCU so as to monitor big cash and complex transactions, reporting suspicions, conducting ongoing and specialized training together with record keeping to deter and prevent money laundering activities.

In accordance with AML Law, FIs including exchange centers may neither carry out any financial, commercial or similar operations under anonymous or fictitious names, nor open or deal with fictitious accounts. They must regularly verify the identity of the client, on the basis of official documents of juristic person at the beginning of dealing with such clients or when conducting any transaction with them directly or on their behalf. Such institutions must verify the official documents of legal entities, that indicate name and address of the entity, name of its owners, managing directors, and should apply CDD and other actions as stated in the Implementation of the Regulations. FIs, Designated Non-Financial Businesses, Professions (DNFBPs) and Non-profit Organizations (NPOs) shall fully comply with instructions issued by regulators concerning application of KYC principle and CDD, which shall include as a minimum:

- Ongoing verification of all permanent or walk-in customers dealing with FIs, DNFBPs and NPOs by accessing valid IDs originals approved under the law, as follows:

#### 1. Saudi Nationals:

- Customer's National Identification Card or family record.
- Customer's residential address (national address) & place of work and work address.

#### 2. Individual Expatriates:

- A residence permits (Iqamah) or a five-year special residence permit or a passport, or a National Identification for Gulf Cooperation Council (GCC) nationals or a diplomatic identification card for diplomats.

– Customer’s residential address (national address) & place of work and work address.

### 3. Legal Persons: licensed companies, institutions and stores:

– Commercial register issued by MCI.

– Licenses issued by MOMRA for service enterprises and private stores.

– Articles of Association, if any

– ID card of the Saudi owner of the licensed business or service enterprise to make sure that the dealer name recorded in the Commercial Register or license is matching his/her name, and to check other details and validity of ID card.

– A list of business owners, whose names listed in the AOA and amendments thereto, if any, and a copy of their IDs.

– A list of persons authorized by the owner who are qualified to operate accounts as provided for in the Commercial Register, or through a POA issued by the notary public, or by a proxy prepared by the bank to manage the account after it is opened by the authorized individuals as per the articles of Association in addition to a copy of their IDs.

### 4. Resident Companies:

– A copy of commercial register issued by MCI.

– A copy of the AOA and annexes thereto.

– A copy of commercial activity license.

– A copy of the identification card of the manager in charge.

– A POA issued by the notary public or a private authorization by the person(s) who, under AOA, has the power to authorize signatories.

– A copy of business owners’ IDs, whose names are listed in AOA and amendments thereto.

• Applying Customer Due Diligence (CDD):

Fls, DNFBPs and NPOs shall apply CDD measures in accordance with relative importance and risks.

• Applying Enhanced Due Diligence (EDD) to Customers and Operations:

– Promoting EDD measures and procedures for customers, business relations and high-risk operations, as weak due diligence measures are inadmissible in case of suspicious ML/TF activities or high-risk circumstances.

– Identifying customers and beneficial owner, verifying their legal status for all natural persons (customers) who have the ultimate ownership or control, or who conduct transactions through proxies before opening the account or starting business with any of Fls, DNFBPs and NPOs.

– Determining natural persons who have an actual ownership or control on the customer, including persons exercising full control over legal persons.

– Updating and verifying customer data and applying in place due diligence procedures when doubts arise against accuracy or adequacy of previously obtained data at any stage throughout the deal with a customer or beneficial owner, or in case of suspicious ML/TF activity, regardless of the limit of transaction value.

– Verifying whether the customer is acting on behalf of another person, and taking necessary measures to identify and verify such person, paying particular attention to accounts and business relations conducted through proxies. Fls, DNFBPs and NPOs should develop appropriate risk management systems, and determine whether the current/new customer or beneficial owner were, are or may pose a political risk in the future. They should also act appropriately to determine source of funds of customers and beneficial owners who are classified as political risk individuals, and should classify such relations under high-risk relations that require approval of the senior management, as well as continuous and intensive follow-up on such business relations.

- FIs, DNFBPs and NPOs, dependent on intermediaries or third parties, shall apply specific elements of due diligence to be able to obtain the necessary due diligence information immediately from third parties. They should also take adequate steps to ensure that third parties will provide, upon request and without delay, copies of identification data and other relevant documents, and a proof that such parties are regulated, controlled, have due diligence procedures in place, and their States adequately apply AML international requirements. Moreover, they shall be ultimately responsible for identifying and verifying customers' ID. Agents such as lawyers, accountants, brokers, or the like, shall not invoke non-disclosure of customers' secrets upon completeness of ID data as referred to above.

### 6.6.2 Role of FIU:

FIU receives suspicious transactions reports relating to ML/CT issues. FIU analyzes and redirects these transactions and prepares reports to the relevant authorities to take appropriate actions against money laundering, terrorist financing and other financial crimes. FIU is an independent unit that carries out the following:

- Receive reports from FIs, DNFBPs, NPOs and other government entities with respect to suspicious ML transactions.
- Analyze and publish reports and send suspicious transaction reports and other information relating to ML activities.
- Build databases including all received reports and information. Such databases are respectively updated while maintaining confidentiality of information.
- Request and exchange information with the relevant authorities and take the necessary actions for compacting ML.
- Request, exchange and share information with foreign FIUs with regard to compacting ML.
- Prepare forms used by FIs and NPOs to report suspicious transactions.
- Collect and analyze information around suspicious transactions reports. FIU may also hire experts and specialists from the relevant authorities, as it deems appropriate.
- Notify FIs and NPOs of the feedback on the final decision regarding the report.
- Participate in preparing awareness-raising programs concerning AML in coordination with Anti-Money Laundering Permanent Committee.
- Coordinate with FIs regulators to set the proper means for ensuring compliance of such FIs with applicable laws, regulations and instructions with respect to AML.

### 6.6.3 Cooperation among Competent Authorities, Banks and Money Exchange Centers:

Cooperation among banks/exchange centers and various competent authorities, in the exchange and sharing of relevant information, is very vital in AML/CTF initiatives. However, such exchange and sharing among exchange centers and the competent authorities should be coordinated and achieved only through SAMA, due to importance and sensitivity of maintaining banking and financial transactions' confidentiality in addition to strengthening confidence of customers within the Saudi banking system.

#### 1. Cooperation with Local Authorities:

Under Saudi AML Law, FIs are authorized and required to cooperate and share relevant information with local competent authorities, such as FIU and law enforcement authorities, for matters relating to money laundering, terrorist financing and other financial crimes. Therefore, exchange centers should have in place appropriate policies and procedures, as follows:

- Establishing MLCU or designating a Compliance Officer within the exchange center, responsible for internal receipt of reports (from branches and other departments within the exchange center) and informing FIU when money laundering or terrorist financing activities are suspected.

- Specifying the manner and method in which MLCU/designated Compliance Officer of the exchange center should contact the authorities and pass relevant transactional information thereto.
- Selecting records, receipt and forms to be used for providing and receiving information by MLCU/designated Compliance Officer, where records are to be provided to the authorities.
- When information is to be provided verbally to authorities, establishing the manner and form of such information.
- In some instances, depending upon the case, a different procedure may need to be developed. For instance, in the event of a large cash transfer, telephone notification may be quicker than filing a report especially if immediate decision to prevent the transfer is required.

## 2. Cooperation between Banks and Money Exchange Centers:

Banks and money exchange centers should cooperate locally and externally through their representatives in the Financial Crimes & Money Laundering Committee (FCML) for AML/ CTF matters. Exchange of information with banks' exchange centers' officers, and SAMA, about cases and transactions that may be discovered, or suspected to be of money laundering or terrorist financing nature, is a key requisite as required by Saudi AML Law and Implementing Regulations thereof. However, at the same time they must strictly follow the legal and regulatory procedures that aim to protect customer confidentiality and banking secrecy. If banks and money exchange centers agree to mutually assist or exchange information, they should first coordinate with SAMA.

## 3. International Cooperation:

Recognizing the need to cooperate with international community in the fight and prevention of money laundering, terrorist financing and other financial crimes, Saudi Arabia has provided for this provision in the AML Law Any sharing of information with a foreign party whether with another bank or a foreign governmental authority should not be done without the prior approval of SAMA and in coordination with SAMA, to ensure full compliance with the legal and regulatory procedures that aim to protect customer confidentiality and banking secrecy.

## 4. Staff Training & Hiring at Money Exchange Centers:

AML Law and Implementing Regulations thereof mandate all FIs to develop regular training programs to educate their employees and enhance their understanding of due diligence and KYC procedures, and keep them updated of money laundering and terrorist financing, as well as to enhance their ability to recognize such operations, typologies and preventive methods As employees become familiar with such activity, they can play an effective role in combating money laundering and terrorist financing through prevention and detection measures. Money exchange centers should review its own workforce and implement training programs that provide appropriate AML/ CTF information as follows:

- The programs must be specific to the responsibility of the employees concerned. (For example: employees who deal directly with customers, compliance employees, or employees in the customer relations department).
- Considering the smallest details (For example, products complexity, new products, services, and styles).
- All employees must be educated before starting work about the importance of anti-money laundering and terrorist financing policies, while employees must be regularly and continuously retrained to ensure they are reminded of their responsibilities and are constantly informed of new developments.
- Conduct tests to evaluate employees' knowledge regarding the details of the information being provided.
- The training programs should include various levels of employees in the exchange center, including members of the board of directors and executive managers.

Exchange centers should put in place adequate background screening procedures to ensure high standards when hiring employees. In addition, money exchange centers should comply with the provisions stipulated in SAMA's Directive, relating to Qualification Requirements for Appointment to Senior Positions in exchange centers, including notifying SAMA of each senior appointment and the annual submission of a list of senior positions.

#### 5. Record Keeping & Retention:

Exchange centers must keep all records (documents, instructions, transactions, files and reports) relating to their operations in accordance with normal business practices, for ease of reference in their own use, and for use by supervisory/ regulatory authorities, and for internal and external auditors. The records should be adequate to offer a complete audit trail of all financial transactions, in particular cash transactions and funds transfer.

The Saudi AML Law requires FIs to maintain, for a minimum of ten years following the conclusion of an operation/transaction or termination of an account/relationship, all records and documents that explain the financial, commercial and monetary transactions, whether local or foreign, the files of account documentation, related correspondence and copies of the identification documents. Taking into consideration the local law by which customer's transaction documents and records, such as agreements, checks, etc., should be retained for an unspecified period.

# Chapter Six

## End - of - Chapter Questions

Answer the following questions and check your answer in the corresponding section:

1. What is meant by money laundering?  
**Answer reference: Section 1.1.6**
2. What are the stages of money laundering?  
**Answer Reference: Section 6.1.3**
3. Clarify some of methods used in money laundering operations.  
**Answer Reference: section 4.1.6**
4. Explain in brief the economic and social impact of money laundering.  
**Answer Reference: Section5.1.6**
5. Clarify some of suspicious money laundering transactions indicators, and does the existence of one or more of these indicators necessarily mean existence of money laundering activity?  
**Answer Reference: section 6.4.1**
6. Explain in brief reporting procedures of suspicious money laundering transactions.  
**Answer Reference: Section 6.4.2**
7. What are functions and responsibilities of MLCU in exchange centers?  
**Answer Reference: section6.4.4**
8. Explain ML/TF Difference.  
**Answer Reference: Section6.3**
9. Explain KSA's AML/CTF Efforts and Initiatives?  
**Answer Reference: Section 6.6**

# Chapter Seven

## Labor Rules and Practices

This chapter includes 8 questions out of 100 questions in the exam



## Introduction:

The Conduct is the activity expressed by the individual through his relations with the persons around him. Rules of Conduct are a set of principles and standards designed to ensure integrity, transparency and accountability in all matters which pertain to money exchange and transfer activities and transactions, including employees and customers. Such ethical aspects in the banking field are a common factor among all money exchange centers and reflect the good reputation of such money exchange centers. In case of any failure to implement these ethical aspects, this failure shall definitely lead to damage of money exchange center's reputation.

### 7.1 Code of Conduct Objective:

#### Learning Objective



To be familiar with objective and general Framework of the Code of Conduct.

Code of Conduct is a set of ethical standards and controls governing employee's behavior in implementation of their works. Business ethics were needed due to interaction of many parties (Shareholders – Stakeholders – Chiefs– Employees– Customers) in the business process, provision of various services and products along with conflict of their interests, goals and requirements. Therefore, it was necessary to set a number of ethical criteria to regulate such relationship in order to meet all parties' needs, maintain their rights and define their duties and responsibilities. Code of Conduct in the banking field defines the manner in how business runs on a daily basis and focuses on the ethical aspects of banks' and money exchange centers' employees, and these aspects regulate relationships with customers. The main purpose of Code of Conduct is to protect customers and maintain the financial system reputation in the Kingdom. Money exchange centers shall therefore force all employees to be characterized by these ethical and professional aspects while violation of such aspects may lead to dismissal of the violating employee.

On the other hand, rules of job conduct aim to establish job discipline, transparency, integrity, objectivity, efficiency, loyalty and effectiveness in the conduct of money exchange center's employees in the course of performing their assigned duties and job tasks. The rules also aim to instill the morals in the employee and incite the employee to distance himself from suspicions that could cause damage job's dignity and prestige. These rules also aim at directing the employee to the necessity of rendering quick and high-quality services to customers as well as investors at the highest standard of professionalism and neutrality, and in such a manner that does not prevent encouraging beneficiaries of money exchange center's services to report any violations of these rules by money exchange centers' employees. Consolidation of these behavioral and ethical rules would realize the vision and mission of the money exchange center and consolidate the concept of rational management and enhance employees' job performance and behavior and reward the diligent and hardworking employee in addition to holding the defaulting employee accountable and improving image of money exchange and transfer centers' employees.

## 7.2 Code of Conduct and Work Ethics in Financial Institutions:

### Learning Objective



To be familiar with Code of Conduct and Work Ethics in Financial Institutions.  
To be familiar with the description of policies involved in the Code of Conduct at exchange centers.

The purpose of the Code of Ethics and Professional Conduct in Financial Institutions issued by SAMA in August 2019, is to enhance the ethical values and principles in the Financial Institutions and promote discipline, integrity, transparency, objectivity, efficiency and loyalty in employees when performing their duties and tasks. Promoting ethical principles will help achieving the vision and mission of the Financial Institution, protecting its reputation, ensuring staff compliance with the principles of prudent behavior, achieving the concept of good governance, enhancing staff performance and professional behavior, dealing with good and poor performance of employees, and improving the image of the Financial Institution in general.

According to Code of Conduct and Work Ethics in Financial Institutions, some terms can be defined as follows:

- **Work Ethics:** A set of ethical standards, rules and behavior that an employee has to comply with and show toward his/her work, colleagues and the society as a whole.
- **Professional Behavior:** Carrying out job duties with honesty, objectivity and integrity and working continuously to achieve the objectives of the Financial Institution. It also means that practices conducted by employees shall be within their entrusted powers. Employees shall perform their duties in a manner that is free from negligence, and shall not violate laws and instructions, jeopardize the public interest or seek to achieve personal interest.
- **Stakeholders:** Any person with an interest in the Financial Institution, such as shareholders, creditors, customers, suppliers and any third party.
- **Insider Information:** Any information, data, figures or statistics, whether verbal, written or electronic, obtained or accessed by any of the Financial Institution Staff by virtue of his/her work nature or because of being an employee at the Financial Institution and which is/are not available to the public.
- **Conflicts of Interest:** A situation in which the objectivity and independence of any of the Financial Institution Staff are adversely affected when performing his/her tasks by a personal, actual or potential, material or non-material interest that may relate to him/her personally or to one of his/her personal relationships. This situation also includes when the employee's performance is negatively influenced, directly or indirectly, by his/her personal considerations or after obtaining information related to a decision.

Code of Conduct and Work Ethics in Financial Institutions issued by SAMA covered the following:

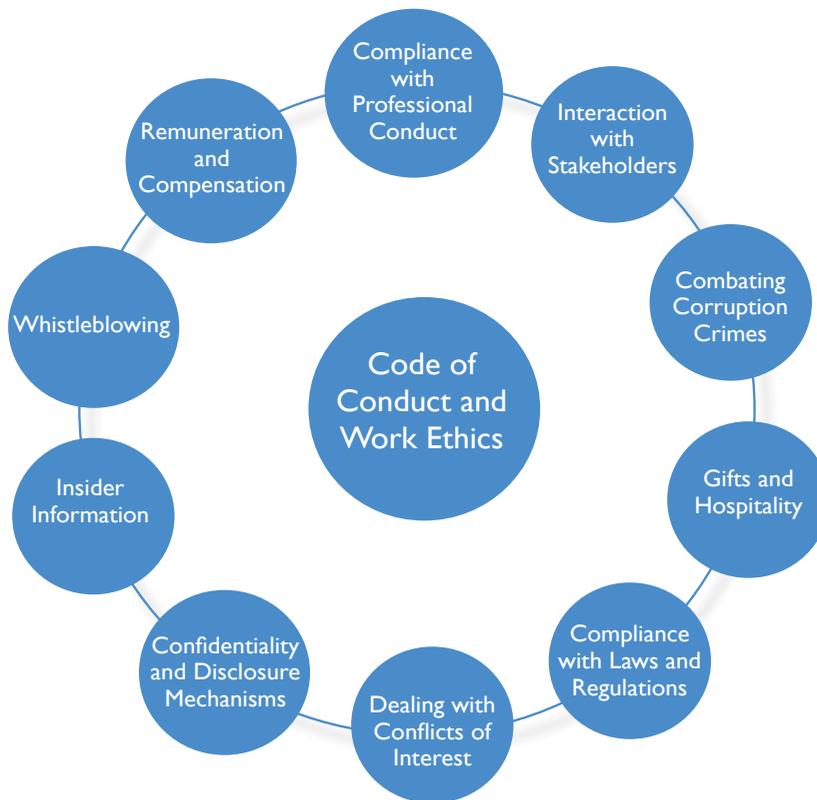


Figure (7.1) Code of Conduct and Work Ethics

### 7.2.1 Compliance with Professional Conduct and Public Decency Laws:

The Financial Institution Staff shall:

- Demonstrate and have the highest ethical standards and characteristics, including, transparency, integrity, honesty and good morals in all dealings with colleagues and Stakeholders.
- Avoid any conduct that discredits the profession inside or outside the workplace, during or not during working hours, avoid any conduct that violates public decency or morals, avoid discussions on politics, religion and sectarianism and avoid incitement and all forms of racism.
- Not hinder work progress, strike or incite such actions.
- Perform duties accurately and objectively in a manner that serves the business interests, and improve the required skills through continuous learning and training.
- Protect and not damage the reputation of the Financial Institution by publishing information, statements or comments of its own using different media channels or communication means.
- Not waste time at work during official working hours, additional hours or official tasks and dedicate it for performing and completing tasks.
- Maintain the confidentiality of business information and not disclose any information that may damage the interests of the Financial Institution if disclosed, whether during working at the institution or after leaving the job.
- Understand and adhere to the laws and not bypass, violate or neglect them.
- Maintain an appropriate standard of dress and comply with the public decency laws in accordance with the Saudi laws during official working hours, training courses and all events in which the employee represents the Institution.
- Obtain a prior approval from the Financial Institution to publish information, statements or comments of its own using different media channels or communication means.
- Commit to optimal and permitted use of the IT infrastructure and technical resources owned by the Financial Institution without hindering the workflow.

### 7.2.2 Interaction with Stakeholders:

Stakeholders are of great importance to the Financial Institution and must be treated in a manner that achieves transparency, integrity and cooperation using the highest professional standards. The stakeholder policy developed by the Financial Institution sets out the general principles and guidelines for its relationships with Stakeholders through:

1. **Ultimate Objective:** The Financial Institution should be the Stakeholder's most trusted partner, and provide the best experience by making the business easy and fast.
2. **Engagement:** The Financial Institution should be a constructive partner for Stakeholders by providing clear and honest advice and giving the necessary information about products and services to make sound decisions.
3. **Response:** The Financial Institution should deal with the complaints and feedback received from Stakeholders immediately, effectively and fairly in accordance with the applicable laws and regulations to achieve the highest professional standards.
4. **Enhanced Trust:** The Financial Institution shall provide Stakeholders with clear, understandable, accurate and updated information within the framework of mutual trust in all the services and dealings, and ensure timely delivery of stakeholder services.

### 7.2.3 Combating Financial and Administrative Corruption

To combat money laundering, terrorist financing and suspicious transactions, financial institution staff must abide by the following:

- Commit to the implementation of the Anti-Money Laundering Law and the Law on Terrorism Crimes and Financing, and SAMA's relevant instructions.
- Perform the duties and tasks with honesty, integrity, accuracy and professionalism.
- Not engage in any criminal, money laundering or terrorist financing activities.
- Immediately report all suspicious transactions carried out by Stakeholders or the Financial Institution Staff by the concerned department to the AML/CTF department, which in turn reports such transactions to the Saudi Arabia Financial Investigation Unit at the Presidency of State Security.
- Not carry implication to inform Stakeholders or staff that their activities that have been reported, will be reported to competent authorities or under investigation by the Financial Institution are suspected.

As for bribery and corruption, the financial institution staff must abide by the following:

- Report any suspicion of corruption or bribery to the competent directors or departments in the financial institution.
- Not exercise nepotism, cronyism or any forms of favoritism at work, which may adversely affect the confidence of the financial institution's clients.
- Not show any sign of moral or administrative corruption whatsoever, or use any suspected or illegal means to accomplish tasks.
- Not abuse job powers and report any abuse to the competent departments in the Financial Institution.

### 7.2.4 Gifts and Hospitality:

The Financial Institution Staff shall:

1. Not request or accept any gifts, invitation, service, or anything of material or non-material value whether for himself/herself or his/her personal relationships from natural or legal persons that have or seek to have a relation with the Financial Institution, which may directly or indirectly affect the objectivity of the Financial Institution Staff in implementing their tasks.
2. Understand that any employee violating, participating or assisting in violating the laws related to requesting or accepting gifts and invitations will be held accountable for such actions.

3. The acceptance of the gift shall be subject to the following:
  - The gift shall not be cash, loan, share or financial derivative.
  - The gift and its value shall be according to the usual practices followed in a particular event, such as trophies.
  - If the gift is a fee discount or exemption, it shall be related to an invitation to attend a conference or meeting that enhances knowledge, positively reflects on the business of the Financial Institution and does not result in a conflict of interest.
  - The gift shall not be presented due to the recipient's position or work at the Financial Institution.
  - The person presenting the gift shall not have private or public interest that he/she wishes to get from the Financial Institution or one of its staff.
4. The gift recipient shall submit a written disclosure form to the compliance department directly after receiving the gift in the following cases:
  - If the gift has a value and can be sold.
  - If the gift is perishable and of a value exceeding SAR 1000.
5. The Financial Institution Staff shall not offer gifts, grants or invitations to those who personally have business relationships with the Financial Institution, unless offered by the competent department as per the approved policy on this regard.
6. Gifts and grants that may damage the reputation of the Financial Institution shall not be accepted or requested.

### 7.2.5 Compliance with Laws, Regulations, Instructions and Policies

Adherence to rules, regulations, instructions and policies is one of the most important bases and factors of success for the Financial Institution that helps maintaining its reputation and credibility. The Financial Institution Staff shall be aware of, comply with and understand the applicable laws, regulations, instructions and policies related to the work and tasks assigned, which shall also be applied without violation or negligence. In addition, any dealing that may violate such laws, regulations, instructions or policies shall not be carried out in the name of the Financial Institution.

### 7.2.6 Dealing with Conflicts of Interest:

To protect the Financial Institution and Stakeholders, the staff shall be responsible for identifying any potential or actual conflict of interest that may adversely affect the Financial Institution and/or Stakeholders. In cases where a conflict of interest is not possible to be prevented, the Financial Institution shall properly manage such conflict through a set of controls, policies and procedures.

### 7.2.7 Confidentiality and Disclosure Mechanisms

Information is an important asset to the businesses of the Financial Institution and information protection is an important factor for its success and continuity. In addition, all information related to the Financial Institution's Stakeholders or Staff shall be the property of the institution. The Financial Institution shall prepare a set of controls and procedures for the destruction of unused or damaged documents and devices.

### 7.2.8 Use and Leakage of Insider Information for Market Manipulation:

Financial Institution staff shall not engage in any act, or participate in or encourage the performance of any conduct that may give false idea of any investment, price or value of something by using or leaking Insider Information to obtain personal benefits for their own or for third parties.

### 7.2.9 Whistleblowing

The Financial Institution shall provide effective methods of communication to receive reports of actual or potential violations. Financial Institution Staff shall report any suspicious activities carried out by employees who have Insider or Confidential Information. In addition, cases of fraud or attempted fraud, money or business paper loss, potential violation of the laws, regulations, instructions or policies of the Financial Institution or unusual transactions that the reporting employee believes that they do not conform with the financial status of Stakeholders shall be reported as well through the different reporting lines provided.

### 7.2.10 Remuneration and Compensation

The Financial Institution may provide benefits to employees outside the scope of the official job contract concluded in order to incentivize them to achieve the best results in accordance with the remuneration and compensation policy prepared by the institution, taking into consideration the following:

- Ensure sound and effective risk management through an effective management structure to set objectives and share them with employees.
- Ensure effective remuneration and compensation risk management by developing a policy to ensure that remuneration and compensation are not only given to specific category of employees.
- Comply with the Financial Institution business strategy, values, priorities and long term objectives.

Consequences of Non-Compliance with the Code of Conduct and Work Ethics:

- The Financial Institution shall ensure the application of the Code of Conduct and Work Ethics in the institution, monitor and control any violation thereof, develop and update the Code according to these principles and impose penalties for violations according to the relevant rules and instructions, and under the work organization law and penalties of each Financial Institution.

## 7.3 Money Exchange Centers' and its Employees' Commitment towards Customers:

### Learning Objective



To be familiar with the practical responsibilities within the professional practice of duties entrusted to Money Exchange and Transfer Centers' employees.

Interest of money exchange center's customers shall be put in an advanced and prime place and money exchange center shall provide customers with distinguished services, and act always with the highest standards of probity and integrity.

#### 7.3.1. Confidential Nature of Customer Information

Money Exchange Centers shall protect the personal and secret information of their customers and to use such information in an appropriate manner to achieve that end. Money exchange centers are keen on updating their systems and technology and training their staff on a permanent basis. Money exchanger centers strive to protect the personal and confidential information of their customers in such a way that allows them to choose appropriate services in a better manner that meets their requirements and financial objectives. All employees have to protect all personal and confidential information of customers and make sure that only authorized persons would have access to customers' information.

#### 7.3.2. Fair Treatment

Money exchange centers shall provide customers with all its services in a fair manner and take decisions on fair criteria, without any discrimination based on race, gender, religion, or any other factors.

#### 7.3.3 Combating Money Laundering and Terrorist Financing

Money exchange centers and their employees have to seriously act in manner to prevent use of their transactions and services to help in laundering operations and to detect reservations related therein and to report such operations in order to achieve this end. Anti-money laundering international organizations have developed certain standards to protect the financial institutions from using money-laundering operations of revenues originating from prohibited activities. SAMA plays a key role in adopting and promoting principles of anti-money-laundering, and to bring to explain the role that can be played by the financial institutions to prevent the terrorist financing.

#### 7.3.4 Gifts and Entertainment

Money exchange centers' employees must not take advantage of their jobs to accept any gifts, hospitality or any benefits of any type, either directly or through an intermediary, which may have a direct or an indirect impact on employee's objectivity in the implementation of his job functions or that would affect his decisions, or may otherwise force him to get engaged or committed with something in return for accepting such gifts.

## 7.4 Employees' Commitment towards Each Other

The employee must respect his directors and colleagues at work, and to act in tactful, diplomatic, wise, objective neutral and impartial manner during addressing them orally, thus in conformity with requirements of social tradition and professional practices.

#### 7.4.1 Dealing with Directors and Officials

- Adhere to the implementation of directors' orders, directives and instructions in accordance with the administrative hierarchy, and if those orders and instructions were in violation to laws and regulations, then the employee shall inform his director in writing about such violation, and shall not implement these orders and instructions unless they are confirmed by the director in writing, and in such case, employee must inform CEO about the violation. In all cases, the employee should refuse to carry out instructions if their violation constitutes an offense or a misdemeanor or a felony punishable by the Penal Code or any other legislation, and inform the Director so.
- To deal with directors and superiors with respect and not to try to gain any preferential treatment through the methods of flattery or deception or through mediation and nepotism.
- Not to deceive or mislead the directors and to refrain from hiding any information related to his work in order to influence the decisions or to obstruct the work. Employee must cooperate and provide his directors with his opinion, advice and expertise in all objectively and honestly and to put at their disposal the information in his possession for the benefit of work.
- Inform the director of any violation or breach, or difficulties encountered within the scope of work.
- Inform the immediate director/superior, who was recently appointed, in a complete and accurate manner of all subjects and documents, including the outstanding matters to ensure continuity and progress of business.

#### 7.4.2 Dealing with Colleagues:

- Deal with respect, courtesy and sincerity with co-workers, and maintain proper and friendly relations with the colleagues without discrimination, and respect their privacy and refrain from exploiting any information about their private lives with a view to harm them.
- Cooperate with his colleagues and to let them share his opinions in a professional and objective manner, and to provide colleagues with assistance wherever possible to solve the problems they are facing within the scope of work and try to instill the positive trends among colleagues to help promoting the performance of work and improving the environment
- Refrain from any unethical acts or practices which violate public morals and proper conduct and the man respects the "woman" as a colleague and business partner and vice versa.

#### 7.4.3 Dealing with Subordinate

The Head of the Department shall:

- Develop the capacities of his subordinates and help and motivate them to improve their performance and to be a good example for his subordinates by complying with the prevailing laws, regulations and instructions.
- Transfer knowledge and experience which the Head gained through his career to his subordinates and to encourage subordinates to increase exchange of information and transfer of knowledge among them.
- Supervise subordinates and hold them accountable for their actions and objectively and impartially evaluate their performance, and seek to provide training and development opportunities to the subordinates in accordance with the relative regulations and instructions.
- Reject any pressures from a third party that may result in dealing with his subordinates in a preferential manner.
- Respect the rights of his subordinates and to cooperate with them in a professional manner without any discrimination.
- Observe that the directives addressed to subordinates shall be in writing in case the Head of Department receives a written note from his subordinates indicating that his orders or directives are in violation to the regulations.

## 7.5 Money Exchanger's Commitment towards Employees:

Money exchanger shall create a proper working environment that provide all employees with all requirements that enable them to achieve their job ambitions, in conformity with the following:

- Train employees and empower them to perform their tasks properly.
- Inform the staff and be familiar with the rules of job behavior and its core values and inform the staff that the correct and proper moral conduct is a duty and obligation and is considered as a part of the way by which they carry out their work.
- Deal with the employees in fairness and equity without any unjustified discrimination.
- Create safe, fair and proper working conditions for the employees to meet the basic needs and their personal and practical requirements.
- Promote the spirit of initiative and innovation among the employees, and provide the mechanisms that encourage employees to submit the proposals pertaining to the improvement and development of the various aspects of work in the exchange center.
- Encourage the employees for connections and communications open for meaningful discussion that focus on the positive sides to solve the related issues that attract their attention while performing their job functions and to try to find the adequate solutions for them.

### 7.5.1 Disciplinary Sanctions:

If the employee committed a violation to the applicable laws, rules, instructions and decisions at the money exchanger and this Code of Conduct or in respect of their application, or if the employee embarked on an act or action the nature of which is to prejudice the responsibilities and powers entrusted thereto or obstructing or disrupting his or her duties, employee would be punished by the sanctions set forth in the applicable HR Manual of Policies and Procedures.

### 7.5.2 Reporting and Inquiry:

If the employee got any suspicion that there is something illegal or was requested to do anything which the employee believes to be illegal and inappropriate or may lead to conflict of interest in a direct or indirect manner, or use funds for illegal purpose or suspicion of money laundering or terrorist financing and conflicts with the content and document of the Code of Conduct in the money exchanger, and it involves violation of the laws, regulations, decisions and procedures applied in the bank, employee shall raise this issue as quickly as possible with the immediate director, and if not possible, submit the matter to the concerned Head of Department or to the CEO, who in turn takes appropriate action, either by referring the matter to the Legal Affairs or the relevant committee to investigate the matter, and this is done confidentially and without delay. The employee who knows about an issue even though it is not related to the employee, employee shall raise this issue, provided that:

1. Employee should have a proof (or proofs) about to the issue raised, whether criminal or prohibited activities.
2. Employee believes that there is abuse or promiscuous behavior or an obvious violation.
3. Such matters would be raised in good faith.

If it were found that there is bad faith involved in such reporting, then the employee who made the report shall assume all the responsibilities arising from such action.

Department should encourage all staff at all administrative levels to do not hesitate to inquire and ask for advice with regard to the application of Code of Conduct and work performance and deal with others from Immediate Director or Senior Director.

### 7.5.3 Agreement with the Customer:

Sale transaction involves six main phases and the employee in the exchange center should understand such phases and be well prepared for each phase requirements along with information and skills. These phases are as follows:

#### 1. Searching for Prospective Customers:

This is the start point of sale transaction. Three conditions shall be met for the customer to be a Prospective Customer:

- Need to purchase the banking service.
- Able to pay.
- Has the power to take the purchase decision.

Contact, friends and others shall be considered an important source that helping the exchange center to reach prospective customers.

#### 2. Reach and Meet the Customer:

Upon reaching the Customer, the main objective or the service provider is to:

- Attract attention.
- Highlight benefits arising from the service.
- Complete the sale transaction.

Employees of the exchange center shall be required to previously prepare to obtain information about the customer's main information, banking services expected to be needed. In addition to providing certain booklets, information and brochures used during rendering the service to the customer while ensuring that the employee understands all the information and conditions of the product or service.

#### 3. Present the banking services to the Customer:

Actually, customers did not purchase the banking services itself, but they purchase benefit and solutions for their financial and banking issues. Therefore, marketing managers in the money exchanger should link the characteristics and specifications of banking service with the consequent advantages and benefits.

#### 4. Answer the Customers' inquiries:

Employee of the money exchanger shall be precise and courteous and try to follow a positive way to answer the Customers' inquiries, as well as asking questions in a manner that cause the customer answers his/her questions.

#### 5. Complete sale transaction

When the banking service is well-presented and rendered, customer shall be convinced of the answers to any questions raised concerning this service, which will lead to complete the sale transaction in order to obtain the banking service.

#### 6. Follow-up:

This considers a necessary phase if the employee desires to ensure the customers satisfaction and repeat transaction with the money exchanger: this phase includes completion of aspects related to working hours and contract terms.

# Chapter Seven

## End - of - Chapter Questions

Answer the following questions and check your answer in the corresponding section:

1. What is the objective of Business Conduct Rules?  
**Answer Reference: Section 7.1**
2. Explain in brief Code of Conduct and Work Ethics in Financial Institutions.  
**Answer Reference: Section 7.2**
3. “Rules of the job conduct provide for the necessity that all employees of the bank would enjoy high professional efficiency”. Discuss this phrase and explain the Values of Professionalism to the Conduct Rules.  
**Answer Reference: Section 1.2.7**
4. Explain in brief how to Combat Financial and Administrative Corruption.  
**Answer Reference: Section 7.2.3**
5. “Interest of the money exchanger’s customers shall be put in an advanced and prime place and money exchanger shall provide the customers with excellent services” discuss this phrase and explain how the money exchanger commit towards the employees and customers.  
**Answer Reference: Section7.3**
6. Explain how the employee deals with the immediate directors and officials?  
**Answer Reference: Section 7.4.1**
7. Explain how the money exchangers can provide proper work environment for the employees to achieve their job ambitious.  
**Answer Reference: Section7.5**

## Glossary of Terms & Abbreviations



## Glossary of Terms & Abbreviations

### Banking System

Means such banks where the banking transactions are exercised.

### Saudi Central Bank (SAMA)

It is the bank that is responsible for the integrity of the banking system and aims to maintain monetary stability, stabilize the financial sector, enhance confidence in it, and support economic growth.

### Commercial Banks

Bank means any legal person mainly practices any of the banking business; Banking means receipt of funds as current or fixed deposit, opening current accounts, opening letters of credit, issuing letter of guarantees, paying and collecting cheques, orders or cash vouchers and any other valuable instruments, as well as deducting bonds, bills and foreign money exchange and other banking operations.

### Money Exchange and Transfer Centers

Any establishment licensed by SAMA to engage in exchange business in accordance with Rules Regulating Money Changing Business.

### Customer

A natural or legal person who execute a financial transaction through currency exchange center.

### Membership Customers

The natural persons (individuals) or legal persons (corporations, companies, bodies, etc.) persons who are members of money transfer or currency exchange services with money exchange center.

### Walk-in Customers

Only natural persons who are not members of money transfer or exchange services at the exchange center, as they need to deal with the exchange center through limited, non-recurring or occasional amounts.

### Know Your Customer (KYC)

Enable the exchange center to form an appropriate perception of the true identity of each customer with an appropriate degree of confidence.

### Customer Due Diligence (CDD)

CDD is intended for exchange centers to monitor customers' and true beneficiaries' financial transactions, ensure to be understood, and verify Membership Relation Initiation Data and ensure being reliable and clear.

### Complaint

Every verbal, written, telephone communication, direct or via a medium, through which the customer shows dissatisfaction.

### Customer Relationship Management

A comprehensive strategy and integrated system to define the most profitable customers, understand their requirements, desires and priorities and try to satisfy so via efficient communications and analysis of their data in order to enhance their loyalty and profitability.

### Person with disability

Any person who has a prolonged deficiency in physical, mental, intellectual or psychological functions that prevents him from effectively performing his/her daily tasks in the community on an equal basis with others.

### Disability

The presence of one or more visual, hearing, mental, physical and motor disabilities, learning disabilities, speech and language disorders, and other disabilities requiring special care.

### Disabled Persons Care Unit

An administrative unit for persons with disabilities and ensure that adopted policies and procedures of the financial institution include the requirements and needs of persons with disabilities and that services are provided readily and easily.

### Compliance

Compliance refers to ensuring application and implementation of financial instructions, procedures and transactions in accordance with regulations, rules and instructions issued by regulatory and supervisory authorities in charge of the Financial Sector.

### Compliance function

An independent function that identifies, assesses and provides advice, monitors and reports on risks of exchange center's non-compliance related to its exposure to legal and administrative penalties, financial loss or what may undermine the exchange center's reputation due to its failure to abide by the regulations and controls or sound standards of conduct and professional practice.

### Non-compliance risk

Risks leading to legal sanctions and procedures, financial loss or damage to the exchange center's reputation that may suffer as a result of its failure to comply with all applicable laws, regulations, rules, circulars, instructions and codes of conduct applicable.

### Compliance Department

is a supervisory department established in order to assure BOD that the executive management and all departments at the exchange center comply with all instructions issued by supervisory and regulatory authorities and exchange center's management, in addition to exchange center's compliance with rules and regulations governing its business and code of ethics and professional conduct.

### Compliance Manual

Compliance Manual is the manual prepared by Compliance Department in each exchange center with the objective of covering compliance issues, including all principles of compliance, and in line with SAMA's Compliance Manual.

### Fraud

A deliberate distortion of a fact to entice someone to waive something valuable or a legal right.

### Financial Fraud

Any act involving deceit to obtain a direct or indirect financial benefit by the perpetrator or by others with his help, causing a loss to the deceived party.

### External Fraud

is a fraud committed by individuals from outside exchange center (usually professional criminals). Internal fraud is a fraud committed by employees of the exchange center, whether senior managers or subordinate staff.

### Money laundering

Commit or initiate any act meant to conceal or camouflage the original source of money obtained in a manner incompatible with Sharia or law and make such monies appear to be legitimate.

### Funds

Assets, economic resources or properties of any value or type, however acquired, whether material or immaterial, tangible or intangible, movable or immovable, along with documents, deeds, transfers, letter of credits of any form. This include electronic or digital systems and bank credits that evidence ownership or interest therein, also all types of commercial papers, securities, bonds and bills, or any interest, profit or other income generated from such funds.

### Proceeds of Crime

The funds directly or indirectly obtained or acquired from or through the commission of a sanctioned offense, whether within or outside the Kingdom, in accordance with sharia or laws in the Kingdom, including any funds transferred or converted wholly or partially into properties or investment proceeds.

### Financial Institutions

Any KSA-based establishment that executes one or more of the banking activities, money transfer, currency exchange, securities-related business, insurance and finance.

### Placement

Placement involves the introduction of illegally obtained funds into the financial system, usually through banks, money exchangers and money transfer centers. This is achieved through cash deposits, purchase of monetary instruments for cash, currency exchange, purchase of insurance contract, cheque cashing services, the retail economy (through cash purchases), and smuggling of cash between countries.

### Layering

Concealing the illicit source of funds in order to block tracing of funds by conducting complex transactions to be concealed. This stage consists of a set of processes, such as sending wire transfers to other banks, purchasing and selling of shares, bonds, insurance contracts and fraudulent investments, or transferring those funds to offshore accounts.

### Integration

laundered money is integrated back into the legitimate economic system, making it appear to be legitimate assets. This can be realized utilizing funds in other activities that could generate sustainable income that may be used to finance other crimes, or to be utilized later.

### Terrorism financing

Any act involves raising, offering, getting, allotting, transporting, or transferring funds wholly or partially for any organized or unorganized individual or collective terrorist activity, inside KSA or offshore, directly or indirectly from a legitimate or illicit source. or to engage in any banking, financial or commercial transaction in favor of such activity or involved individuals, or obtain, directly or through an intermediary, funds for its use, advocacy and promotion of its principles, to secure training places, shelter and provide involved individuals with any kind of weapons or counterfeited documents, or to provide any other means of support and financing intentionally. Furthermore, any act that constitutes a crime subject to the International Convention for the Suppression of the Financing of Terrorism.

### Collection of funds

Collect funds to support and finance terrorist operations or persons to carry out terrorist acts. At this stage, charities and non-profit organizations may be abused by terrorists to collect and launder funds destined for terrorism.

### Transfer of funds

Transfer of funds to terrorists within or outside the fund collection area. At this stage, banks, finance companies, or the alternative transfer method may be used to move funds across borders .... etc.

### Use of funds

Place funds at the terrorists' disposal to cover operational expenses, (subsistence, personal and medical expenses, purchase of travel tickets, purchase of weapons and ammunition, combat training, etc...).

### Suspicious Financial Transaction

A suspicious financial transaction is a transaction entailing procedures that are very similar to operations that have been conducted and proven to involve ML/TF, or procedures that an exchange center's employee believes being illogical, unjustified, unconvincing, contradicting customer's normal behavior, or the nature of normal accounts transactions.

### AML/CFT Department (Unit)

an independent and dedicated ML/TF Control and Reporting Unit (MLCU), with adequate staff who shall be trained, familiar with compliance function and shall be all Saudis.

### FIU

FIU receives suspicious transactions reports relating to ML/CT issues. FIU analyzes and redirects these transactions and prepares reports to the relevant authorities to take appropriate actions against money laundering, terrorist financing and other financial crimes.

### Business Conduct Rules

Code of Conduct is a set of ethical standards and controls governing employee's behavior in implementation of their works. Business ethics were needed due to interaction of many parties (Shareholders – Stakeholders – Chiefs– Employees– Customers) in the business process, provision of various services and products along with conflict of their interests, goals and requirements.

### Code of Ethics

The higher values that ensure that exchange centers can honestly and objectively practice their operations and perform their roles and enhance trust of all third parties relevant to bank activities and in order to recognize this proper purpose.

### Work Ethics

A set of ethical standards, rules and behavior that an employee has to comply with and show toward his/her work, colleagues and the society as a whole.

### Professional Behavior

Carrying out job duties with honesty, objectivity and integrity and working continuously to achieve the objectives of the Financial Institution. It also means that practices conducted by employees shall be within their entrusted powers. Employees shall perform their duties in a manner that is free from negligence, and shall not violate laws and instructions, jeopardize the public interest or seek to achieve personal interest.

### Stakeholders

Any person with an interest in the Financial Institution, such as shareholders, creditors, customers, suppliers and any third party.

### Insider Information

Any information, data, figures or statistics, whether verbal, written or electronic, obtained or accessed by any of the Financial Institution Staff by virtue of his/her work nature or because of being an employee at the Financial Institution and which is/are not available to the public.

### Conflicts of Interest

A situation in which the objectivity and independence of any of the Financial Institution Staff are adversely affected when performing his/her tasks by a personal, actual or potential, material or non-material interest that may relate to him/her personally or to one of his/her personal relationships. This situation also includes when the employee's performance is negatively influenced, directly or indirectly, by his/her personal considerations or after obtaining information related to a decision.

### Ultimate Objective

The Financial Institution should be the Stakeholder's most trusted partner, and provide the best experience by making the business easy and fast.

### Engagement

The Financial Institution should be a constructive partner for Stakeholders by providing clear and honest advice and giving the necessary information about products and services to make sound decisions.

### Response

The Financial Institution should deal with the complaints and feedback received from Stakeholders immediately, effectively and fairly in accordance with the applicable laws and regulations to achieve the highest professional standards.

### Enhanced Trust

The Financial Institution shall provide Stakeholders with clear, understandable, accurate and updated information within the framework of mutual trust in all the services and dealings, and ensure timely delivery of stakeholder services.

## Abbreviations:

KYC	Know Your Customer
CDD	Customer Due Diligence
EDD	Enhanced Due Diligence
FATF	Financial Action Task Force
GCC	Gulf Cooperation Council
WTO	World Trade Organization
BCBS	Basel Committee on Banking Supervision
OECD	Organization for Economic Co-operation and Development
IFSB	Islamic Financial Services Board
SAMA	The Saudi Central Bank
SADAD	SADAD Payment System

## Multiple Choice Questions



## Multiple Choice Questions

The questions are developed to give students an overview sample of test questions. Kindly be aware that these are not the actual questions approved for Money Exchange and Transfer Professional Exam.

Kindly choose one answer for each question. Then check the answers at the end of this section.

1. SAMA's main duty is:

- A. Receive customer deposits in current and time deposit accounts.
- B. Formulate and manage monetary policy and regulate the foreign exchange market.
- C. Purchase and sale of foreign currency.
- D. Provide loans for project finance.

2. Which of the following activities is prohibited for exchange centers?

- A. Import and export of currencies.
- B. Purchase and sale of foreign currency.
- C. Accepting deposits and trusts, whether in cash or in kind.
- D. Carrying out fund transfers inside and outside KSA to the holders of licenses therefor from SAMA.

3. For those practicing money exchange business, the capital paid up must not be lower than:

- A. SAR 2 million
- B. SAR 5 million
- C. SAR 500.000
- D. SAR 4 million

4. Which of the following is a permissible business for exchange centers?

- A. Issuing letters of guarantees or opening letters of credit.
- B. Opening current or investment accounts for its customers or employees.
- C. Import and export of currencies.
- D. Extending credit and managing loans.

5. SAMA collects license renewal fees from exchange centers' at:

- A. SAR 5.000
- B. SAR 10.000
- C. SAR 25.000
- D. SAR 40.000

6. Money exchange business shall be valid for:

- A. 5 years from the date of license issuance.
- B. 4 years from the date of license issuance.
- C. 3 years from the date of license issuance.
- D. 2 years starting from license issuance date.

7. "Walk-in Customers" of exchange centers means:

- A. Natural or legal customers who do not maintain any type of relationship with the exchange center.
- B. Natural customers who do not maintain any type of relationship with the exchange center.
- C. Legal customers who do not maintain any type of relationship with the exchange center.
- D. Institutions, companies and organizations that do not maintain any type of relationship with the exchange center.

8. Enabling the exchange center to verify the valid identity of each customer is an application of:

- A. Conflict of interest
- B. Protection of privacy
- C. Know Your Customer (KYC)
- D. Disclosure and transparency

9. Developing appropriate programs and mechanisms to enhance customer knowledge and skills shall be according to principle of:

- A. Disclosure and transparency
- B. Financial education and awareness
- C. Complaints handling
- D. Equitable and fair treatment

10. Providing an exchange center customer with an invoice containing prices and commissions charged by the center shall be according to principle of:

- A. Protection of privacy
- B. Equitable and fair treatment
- C. Disclosure and transparency
- D. Know Your Customer (KYC)

11. Responsibilities of exchange centers' customers include:

- A. Establish a control system to combat fraud.
- B. Develop awareness and education programs regularly.
- C. Set appropriate complaint mechanisms.
- D. Provide reliable information.

12. Which of the following is one of the required technical skills for customer service at exchange centers?

- A. To be patient and self-controlled.
- B. To be aware of prices and terms of services and products offered at the exchange center.
- C. To be subtle and fulfil needs.
- D. To be mindful of customers' needs and expectations.

13. Reviewing customer ID in currency exchanges for natural persons is sufficient at the amounts that are:

- A. Less than SAR 5,000 or equivalent
- B. From SAR 5,000 to 50,000 or equivalent
- C. From SAR 50,000 to 100,000 or equivalent
- D. In excess of SAR 100,000 or equivalent

14. There should be a relationship with natural customers in currency exchanges at the amounts:

- A. Less than SAR 5,000 or equivalent
- B. From SAR 5,000 to 50,000 or equivalent for residents.
- C. From SAR 50,000 to 100,000 or equivalent for Saudi nationals.
- D. More than SAR 50,000 for residents, and in excess of SAR 100,000 or equivalent for Saudi nationals.

15. Legal customers (companies) are allowed to carry out currency exchanges at amounts:

- A. Less than SAR 5,000 or equivalent
- B. From SAR 5,000 to 50,000 or equivalent
- C. From SAR 50,000 to 100,000 or equivalent
- D. Without threshold limits under an established relationship

16. For an exchange center to license a money transfer business, its capital must not be less than:

- A. SAR 5 million
- B. SAR 10 million
- C. SAR 15 million
- D. SAR 20 million

17. For an exchange center to conduct money transfer business, it shall maintain at all times a cash reserve of:

- A. 2% of its capital
- B. 5% of its capital
- C. 10% of its capital
- D. 20% of its capital

18. Total money transfers of natural persons per month shall not exceed:

- A. Less than SAR 5,000 or equivalent
- B. Less than SAR 50,000 or equivalent
- C. Less than SAR 100,000 or equivalent
- D. Less than SAR 500,000 or equivalent

19. Total money transfers of businessmen per year shall not exceed:

- A. Less than SAR 5,000 or equivalent
- B. Less than SAR 50,000 or equivalent
- C. Less than SAR 100,000 or equivalent
- D. Less than SAR 500,000 or equivalent

20. Total money transfers of legal customers per year shall not exceed:

- A. Less than SAR 50,000 or equivalent
- B. Less than SAR 100,000 or equivalent
- C. Less than SAR 500,000 or equivalent
- D. Less than SAR 1,000,000 or equivalent

21. Total money transfers of walk-in customers per year shall not exceed:

- A. Less than SAR 5,000 or equivalent
- B. Less than SAR 50,000 or equivalent
- C. Less than SAR 100,000 or equivalent
- D. Less than SAR 500,000 or equivalent

22. In accordance with Rules Regulating Money Exchange Business, any of the following activities shall be limited to centers in the form of a company or branch of a foreign exchange center:

- A. Purchase and sale of foreign currency
- B. Import and export of currencies
- C. Transfer money outside the Kingdom
- D. Transfer money inside the Kingdom

23. Walk-in customers are permitted to exchange foreign currency bank notes up to \_\_\_\_\_ per transaction.

- A. Less than SAR 5,000 or equivalent
- B. Less than SAR 50,000 or equivalent
- C. Less than SAR 100,000 or equivalent
- D. Less than SAR 500,000 or equivalent

24. Types of exchange centers' customers include:

- A. Bank deposits customers
- B. Member customers who exchange currencies and transfer money
- C. Investment funds customers
- D. Current accounts customers

25. Exchange centers are permitted to exchange currencies for pilgrims as:

- A. Member customers
- B. Bank deposits customers
- C. Walk-in Customers
- D. Investment funds customers

26. Walk-in customers are permitted to transfer funds through:

- A. Sending remittances issued only by authorized exchange centers.
- B. Receiving remittances issued only by authorized exchange centers.
- C. Sending and receiving remittances issued only by authorized exchange centers.
- D. Sending remittances issued by any exchange center.

27. Exchange centers are permitted to grant a membership to an expatriate who obtains a temporary residence permit valid for:

- A. 3 months
- B. 6 months
- C. 9 months
- D. 12 months

28. Ensuring application and enforcement of instructions and procedures in accordance with laws, rules and instructions issued by regulatory and supervisory authorities is an application of:

- A. Know Your Customer (KYC)
- B. Compliance
- C. CDD
- D. Fraud

29. Approving compliance policy in exchange centers is the responsibility of:

- A. Board of Directors.
- B. Senior Management.
- C. Compliance Management
- D. Compliance Officer.

30. Which of the following a Compliance Management duty?

- A. Approve a formal document establishing a permanent and effective compliance function.
- B. Provision of adequate resources to the entity entrusted with compliance function.
- C. Assisting the Senior Management to handle risks of non-compliance.
- D. Reviewing activities of compliance function regularly.

31. Any practice involving deception to, directly or indirectly, obtain financial benefit is deemed:

- A. Money laundering.
- B. Financial fraud.
- C. Terrorist financing.
- D. Money smuggling.

32. Which of the following is an example of external fraud:

- A. Manipulation of exchange center's staff in customer accounts.
- B. Failure to record transactions.
- C. A customer impersonates another.
- D. Non-compliance with the rules regulating work.

33. Which of the following is considered an internal fraud?

- A. Customer uses a false ID.
- B. Customer enters incorrect data via a computer.
- C. Customer attempts to exchange counterfeit currency.
- D. Exchange center accountant intentionally made wrong daily entries.

34. Manipulation of exchange center accountant while recording financial transactions is a type of:

- A. Internal Fraud
- B. External Fraud
- C. Money Laundering
- D. Violation of Compliance Policies

35. Committing any act intended to conceal or disguise the truth of acquired funds in order to appear as if they are from a legitimate source, is considered a type of:

- A. Financial Fraud
- B. Money Laundering
- C. Terrorism Financing
- D. Violation of Compliance Policies

36. Money laundering operations include the process of entering funds generated from an illegal source into the financial system, which is called \_\_\_\_\_ stage:

- A. Layering
- B. Integration
- C. Placement
- D. Control

37. The process of concealing the illegal source of funds in order to block tracing of such funds is called:

- A. Integration
- B. Layering
- C. Integration
- D. Placement

38. The process of re-entering laundered money back into the legitimate economic system so that it appears as legitimate assets is called:

- A. Integration
- B. Layering
- C. Integration
- D. Placement

39. Every act involves collecting and providing funds for any terrorist activity, whether directly or indirectly, shall be considered as:

- A. Money laundering
- B. Financial fraud
- C. Terrorist financing
- D. Violation of Compliance Policies

40. Using the proceeds of criminal activities to purchase high-value goods that can be easily traded, is among the methods of:

- A. Internal Fraud
- B. Money Laundering
- C. External Fraud
- D. Violation of Compliance Policies

41. Which of the following represents patterns related to money laundering and terrorist financing:

- A. Failure to record transactions
- B. Manipulation of exchange center's staff in customer accounts
- C. Use of non-profit organizations to raise funds and hide their source
- D. Staff's non-compliance with Rules Regulating Money Exchange Business

42. Which of the following is an indicator of money laundering suspicion:

- A. The customer's willingness to initiate deals at a price above the market price or sell them at a price below the market price.
- B. The customer provides information necessary for requirements of Know Your Customer policy.
- C. The customer provides valid ID documents.
- D. Being able to communicate with the customer on a permanent basis through the contact information provided by the customer.

43. To be able to combat fraud, exchange center staff shall:

- A. Record financial transactions properly
- B. Report suspicious transactions and behaviors
- C. Confiscate suspicious funds
- D. Plan personal goals in line with the organizational objectives

44. After reporting suspicious money laundering activity, exchange center shall:

- A. Inform the customer or beneficiary of reporting procedures
- B. Maintain records, copies of notices, the technical report and attachments thereof
- C. Destroy report files after the end of the process
- D. Alert and notify the customer not to repeat such activities

45. Duties of exchange center's ML/TF Control Unit include:

- A. Alert customers not to conduct suspicious transactions any more
- B. Destroy report files after the end of the process
- C. Receive reports on suspicious transactions from exchange center's departments
- D. Develop programs to raise awareness and educate customers

46. According to Anti-Money Laundering Law, alerting customers about suspicions of their activities

would carry a punishment of:

- A. Imprisonment of not more than three years.
- B. Fine of not more than SAR 5,000,000.
- C. Imprisonment of not more than two years, and/or fine of not more than SAR 500,000.
- D. Imprisonment of more than two years, and/or fine of more than SAR 500,000.

47. Creating a database that include all issues related to money laundering and terrorist financing for all suspicious and reported cases, is the duty of:

- A. Senior Management
- B. AML/CTF Department
- C. Board of Directors
- D. Compliance Management

48. Money Laundering Control Unit (MLCU) at exchange centers is responsible for:

- A. Approve the exchange center's compliance policy.
- B. Identifying main risks of non-compliance facing exchange centers and developing corrective plans.
- C. Reporting to FIU when suspicions have been determined, supported by a detailed technical report on any suspected case.
- D. Determining, documenting and evaluating non-compliance risks related to the exchange center's activities.

49. Which of the following tasks is the responsibility of the Saudi Arabia Financial Investigation Unit:

- A. Developing a compliance-related education, awareness and training program for all senior management, department managers and employees.
- B. Receiving reports from financial institutions about transactions suspected to be money laundering crime.
- C. Drafting a compliance policy and getting such policy approved by the Board of Directors.
- D. Provision of adequate resources to the entity entrusted with compliance function.

50. Which of the following is one of key objectives of money laundering operations:

- A. Obtaining documents or benefits that a receiver has no right to obtain.
- B. Supporting and promoting the values of honesty and integrity.
- C. Making it more difficult for Security Authorities to track such funds.
- D. Theft or deliberate misuse of exchange centers' assets.

51. Which of the following is considered one of the negative effects of money laundering operations on the national economy:

- A. The spread of political and administrative corruption and the exploitation of influence.
- B. Impeding economic development in the country and reducing real investment opportunities.
- C. The rise of lower social groups to the top of the social pyramid.
- D. Depriving the exchange center of practicing the profession and canceling its license.

52. Which of the following is considered one of the negative effects of money laundering operations at the exchange center level:

- A. Weakening the ability of government authorities to implement economic policies efficiently.
- B. Failure to create real job opportunities, which exacerbates the unemployment problem.
- C. Depriving the exchange center of practicing the profession and canceling its license.
- D. Create distortions in the distribution of resources and wealth within the economy.

53. Which of the following reflects the purpose of developing a Code of Business Conduct?

- A. Interpreting procedures and processes for managing non-compliance risks.
- B. Identifying and verifying legal status of principal customers and beneficiaries.
- C. Identifying main risks of non-compliance facing exchange centers.
- D. Establishing principles of discipline, transparency, integrity and objectivity in behaviors of exchange center's staff.

54. Which of the following is considered one of the professional values of the Code of Conduct:

- A. Continuous learning and self-qualification.
- B. Avoiding conflicts of interest.
- C. faithfulness and loyalty to the country.
- D. Respect the customs and traditions of society.

55. Which of the following shall be provided by exchange centers to their employees?

- A. Maintain customer information confidential.
- B. Provide all services to customers fairly and equally.
- C. Provide safe, fair and proper work environment that meet staff's basic requirements and needs.
- D. Combat money laundering and terrorist financing.

56. The capital paid to exchange centers licensed to engage in the import and export of cash shall not be less than:

- A. SAR 2.000.000
- B. SAR 5.000.000
- C. SAR 4.000.000
- D. SAR 7.000.000

57. Purpose of “Verify” service is to:

- A. Verify that the mobile number associated with the account or membership in the financial institution belongs to the same person.
- B. Verify compliance officer qualifications and skills.
- C. Verify disability of a person with disabilities.
- D. Verify Suspicious ML/TF Transactions.

63. Exchange centers shall be prohibited from transferring to customer accounts, except in the case of canceling any operation carried out through transfer to the bank account. In this case, the exchange center shall:

- A. Not return any cash transferred amounts.
- B. Not return any cash transferred amounts.
- C. Return amounts resulting from canceled operations to the customer account within a period not exceeding three weeks.
- D. Return amounts resulting from canceled operations to the customer account within a period not exceeding three months.

59. Banks and exchange centers shall abide by the regulations and instructions pertaining to the movement of cash, for transferring money and valuable items that exceeding the amount of:

- A. SAR 20,000
- B. SAR 40.000
- C. SAR 100.000
- D. SAR 200.000

60. A set of ethical standards, rules and behavior that an employee has to comply with and show toward his/her work, colleagues and the society as a whole, called:

- A. Work Ethics
- B. Insider Information
- C. Integrative relationship
- D. Feedback

61. Employees of financial institution may accept the gift on the condition that:

- A. The gift is in cash, or in the form of loans.
- B. The gift shall be in the form of shares or financial derivatives.
- C. The gift and its value shall be according to the usual practices followed, depending on the occasion of its presentation and its nature.
- D. The person presenting the gift shall not have private or public interest that he/she wishes to get from the Financial Institution or one of its staff.

62. Any person with an interest in the Financial Institution, such as shareholders, creditors, customers, suppliers and any third party, called:

- A. Applicants for a license to engage in exchange business
- B. Stakeholders
- C. Membership Customers
- D. Walk-in Customers

63. The applicant requesting a license to conduct money exchange business shall be:

- A. Sole proprietor or a partnership, a joint stock company, a limited liability company, a partnership or a foreign company branch.
- B. The applicant or founders must be 35 years old at least.
- C. The capital paid up must not be lower than SAR 5 million.
- D. If the money changer does not commence its business within 6 months from the license issuance date.

64. Carrying out field inspections on local banks, exchange institutions and foreign banks branches, is the duty of:

- A. Financial Intelligence Unit (FIU)
- B. SAMA
- C. Anti-Money Laundering Unit
- D. Compliance Management

65. Each exchange center shall keep regular accounting records and provide SAMA with:

- A. A copy of the financial statements audited by exchange center's internal auditor.
- B. Balance sheet audited by the external auditor every three months commencing from the beginning of the fiscal year.
- C. Annual statement of foreign currency sales and purchases.
- D. Annual Statement of travelers' checks purchases and draft checks on an annual basis.

66. When the exchange center monitor financial transactions of customers and their principal beneficiaries and verify membership relationships' data, this is considered an application of:

- A. Due diligence
- B. Protection of privacy
- C. Know Your Customer (KYC)
- D. Disclosure and transparency

67. Caring about and paying attention to low-income and low-educated customers, the elderly and special needs is an application of:

- A. Disclosure and transparency
- B. Financial education and awareness
- C. Complaints handling
- D. Equitable and fair treatment

68. Establishing supervisory frameworks to protect customers' financial and personal information is an application of:

- A. Protection of privacy
- B. Equitable and fair treatment
- C. Disclosure and transparency
- D. Know Your Customer (KYC)

69. Customer ability to search, compare and easily switch between best services, products and providers is an application of:

- A. Conflict of interest
- B. Competition
- C. Know Your Customer (KYC)
- D. Disclosure and transparency

70. Which of the following can help exchange centers in assessing customer satisfaction?

- A. Verifying the identity of customers and beneficial owners.
- B. Patience and self-control of exchange center's staff.
- C. Regular contact with current and past customers.
- D. Following up the financial transactions and its compatibility with the information provided by customers.

71. Providing services that exceeds customer's expectations is called:

- A. Results-based management
- B. Effective service
- C. Performance indicator
- D. Self-management

72. One of the main reasons behind customers' complaints:

- A. Employee to always put himself in the customer's shoes to estimate his position and feelings.
- B. Listen to customer and understand his/her need.
- C. Discrimination between customers in terms of time, method or way of obtaining the service.
- D. Ensure customer satisfaction.

73. One of the available methods in handling customer complaints is:

- A. Failure to provide the service as promised in terms of timing and behavior.
- B. Lack of honesty and trust in exchange centers.
- C. Failure to provide information on alternative products and services rendered by the exchange center.
- D. Identify customer's expectations on acceptable service levels.

74. Increasing customer retention rate and attracting new customers is an objective of:

- A. Self-management
- B. Compliance Management
- C. Customer Relationship Management
- D. Results-based management

75. Responsibilities of the Board of Directors regarding compliance include:

- A. Identify and assess the main compliance risks facing the exchange center and develop corrective plans.
- B. Support and implement compliance policy and raise reports on the position of management of compliance risks.
- C. Assisting the Senior Management to handle risks of non-compliance.
- D. Approve a formal document establishing a permanent and effective compliance function.

76. Effective compliance policy shall include:

- A. Provision of adequate resources to the entity entrusted with compliance function.
- B. Granting the entity entrusted with compliance function enough independence.
- C. Exchange center to be probably liable to legal penalties and fines.
- D. Possibility that exchange centers may lose customers and suffer losses in respect of profits and sales due to reputational damage.

77. Which of the following committees is formed by the Board of Directors to ensure compliance with laws and accuracy of financial statements?
- A. Risk Management Committee
  - B. Nomination and Compensation Committee
  - C. Audit Committee
  - D. Executive Committee
78. One of the main qualifications of the Board members is the ability to be neutral and objective when making decisions, which is called:
- A. Leadership
  - B. Competence
  - C. Independence
  - D. Financial knowledge
79. In case an employee accepted bribe, gifts or secret commissions to provide benefits or ignore the applicable procedures, this is considered:
- A. External Fraud
  - B. Internal Fraud
  - C. Self-management
  - D. Results-based Management
80. Internet-related risks fluctuate with service level. Which of the following is involving higher risks?
- A. Information service
  - B. Information handling
  - C. Filling in account-related forms
  - D. Enabling customers to complete transactions
81. Customer's attempt to use counterfeit currency is deemed:
- A. External Fraud
  - B. Internal Fraud
  - C. Self-management
  - D. Results-based management
82. Money laundering differs from terrorist financing in the following:
- A. Funds required to commit terrorist acts are often small, which is easy to track.
  - B. Terrorism can be financed using legitimately obtained funds.
  - C. The objective of terrorist financing is profit, while the objective of money laundering is to reach certain objectives.
  - D. It is possible to launder legitimately obtained money.
83. In which case SAMA may revoke the exchange center's license:
- A. Exchange center failed to conduct its business within a year from the license issuance date.
  - B. SAMA found that the license was issued based on valid information.
  - C. If the Saudi Central Bank estimates that actions of the center have harmed its clients or the public interest.
  - D. Exchange Center deliberately refrained from running its licensed business for a period of more than a month.

84. The applicant requesting a license to conduct money exchange business shall not be:

- A. A sole proprietor or a partnership.
- B. The applicant or founders must be 25 years old at least.
- C. The applicant shall hold a university degree related to money exchange business.
- D. The applicant shall have a good reputation.

85. Which of the following is not among SAMA's duties?

- A. Minting and strengthening the Saudi currency
- B. Dealing with the banking affairs of the Government
- C. Supervising commercial banks and exchange dealers
- D. Issuing credit, debit, prepaid and other cards

86. Which of the following entities are permitted to issue letters of guarantees or open letters of credit?

- A. Exchange centers
- B. Commercial Banks
- C. SAMA
- D. Money transfer centers

87. Which of the following cases requires updating member customer's data in exchange centers?

- A. Congruity and consistency of customer's transactions with records at the exchange center.
- B. Fund transfers outside KSA to the same beneficiaries registered with the exchange center and licensed to provide such service.
- C. Expiration of customer's ID (individual) or commercial register (institution).
- D. Renewal of the exchange center license to conduct business.

88. Installing screens to monitor customers trading in securities, represents:

- A. Results-based management
- B. Self-management
- C. Managing customer waiting times
- D. Advertising

89. Compliance is the responsibility of ..... in the exchange center.

- A. Compliance Management only
- B. Board members
- C. Senior management staff
- D. Every individual employee in the exchange center

90. Which of the following cases requires updating investigation reports of detected fraud cases?

- A. Upon a significant change in the case or every three months, whichever is earlier
- B. Annually on a periodical basis
- C. After the closure of the case
- D. Five years after the closure of the case

91. Which of the following is a red flag indicator of money laundering?

- A. An employee passes certain transactions that are not of his/her competence by forging signature of his/her senior managers.
- B. An employee embezzles petty cash.
- C. Remittances received that include instructions from the sender to convert its value into cheques and to be posted to a particular person.
- D. Accounting fraud by deliberately making wrong daily entries or preparing false financial statements.

92. Once money laundering or terrorist financing activity is detected or suspected, the exchange

center shall notify:

- A. Internal Control Unit
- B. Compliance Officer
- C. Senior management staff
- D. Saudi Arabia Financial Investigation Unit (SAFIU)

93. When a customer carries out occasional transactions exceeding the previously disclosed limits, which principle shall be applied?

- A. Know Your Customer (KYC)
- B. Results-based management
- C. Due diligence procedures
- D. Self-management

94. Professional Secrecy, as a main value in the code of conduct, means that:

- A. Exchange centers' staff shall consider their appearance and public health standards inside and outside the center.
- B. All exchange centers' staff shall not disclose any information or data related to the exchange center's business.
- C. All exchange centers' staff shall adhere to laws, legislation, circulars and professional standards.
- D. All exchange centers' staff shall maintain all documents and papers in their custody.

95. The Kingdom of Saudi Arabia has strengthened its economic presence by signing cooperation agreements with international organizations, including:

- A- The World Trade Organization (WTO) and the Gulf Cooperation Council (GCC)
- B- Double taxation prevention agreements
- C- Joining UNICEF
- D- Trade cooperation agreements

96. Among the compliance rules that the exchange center must adhere to are those issued by competent government agencies, including:

- A- The monetary and anti-counterfeiting system
- B- Companies and Financial Market Authority regulations
- C- Guide to combating money laundering and terrorist financing
- D- Security and Safety Guide

97. Methods of preventive measures to prevent and detect electronic transfer fraud are:

- A- Review all electronic transfer transactions at the end of each month.
- B- Reconciling the accounts affected by electronic transfers by the transfer executors.
- C- Providing account and balance information to the customer over the phone.
- D- Training employees on appropriate internal control, awareness of fraud, and the importance of protecting information.

98. Exchange centers must provide excellent services to their customers according to the highest levels of honesty and integrity, including:

- A- Providing all services, giving priority to citizens first.
- B- Providing information to all customers upon request.
- C- Accepting gifts and hospitality from customers and not rejecting them.
- D- Work seriously and prevent the exploitation of exchange centers to carry out money laundering operations.

99. Anyone who commits a money laundering crime shall be punished with:

- A- Imprisonment for a period not less than three years and not exceeding ten years, or a fine not exceeding three million riyals, or both.
- B- Imprisonment for a period not less than two years and not exceeding ten years, or a fine not exceeding five million riyals, or both.
- C- Imprisonment for a period of not less than ten years.
- D- A fine not exceeding ten million riyals.

100. In currency exchange operations, exchange centers must apply due diligence procedures with individual customers and evaluate the relationship with them and reconsider or terminate it when:

- A- Exchanging currency in cash for amounts less than five thousand riyals.
- B- Exchanging currency for a legal entity through a membership relationship.
- C- Exchanging currency for cash for clients holding senior leadership positions and diplomats.
- D- Exchanging currency for pilgrims and Umrah pilgrims for an amount less than five thousand riyals.

## Question Answers



1. Answer: B reference: Chapter 1 section 1.1.1 paragraph 2

SAMA serves as the Central Bank of KSA. It has been entrusted with performing many functions, the most important of which is managing monetary policy to maintain price and exchange rate stability.

2. Answer: C reference: Chapter 1 section 1.1.1 paragraph 3

Pursuant to Article 13 of the Rules Governing the Conduct of Money Exchange Business, a money exchange center shall not conduct many activities including, accepting deposits or trusts in any form whatsoever, whether in cash or in kind.

3. Answer: A reference: Chapter 1 section 2.2.1 paragraph 2

For those practicing money exchange business, the capital paid up must not be lower than SAR 2 million.

4. Answer: C reference: Chapter 1 section 1.2.1

SAMA licenses money exchange business, that is limited to a range of activities, including the import and export of currencies.

5. Answer: D reference: Chapter 1 section 1.2.2 paragraph 4

SAMA shall collect a fee of forty thousand (40,000) riyals for renewal of the license to conduct money transfer activity inside or outside the Kingdom.

6. Answer: A reference: Chapter 1 section 2.2.1 paragraph 3

The license for money exchange business shall be valid for five years starting from its date of issue. SAMA may renew the license for one period or more when it ensures the money exchange center's compliance with the provisions of these Rules and relevant instructions.

7. Answer: B reference: Chapter 2 section 2.1.2 paragraph 2

Only natural persons who are not members of money transfer or exchange services at the exchange center, as they need to deal with the exchange center through limited, non-recurring or occasional amounts.

8. Answer: C reference: Chapter 2 section 5.2.2

KYC principle is intended to enable the exchange center to form an appropriate perception of the true identity of each customer with an appropriate degree of confidence.

9. Answer B reference: Chapter 2 section 2.3.1

Exchange centers shall develop programs and appropriate mechanisms to help existing and future customers develop the knowledge, skills and confidence and raise their awareness.

10. Answer: C reference: Chapter 2 section 2.3.1

This shall include clarification of rights and responsibilities of each party, details of prices and commissions charged by the exchange center.

11. Answer: D reference: Chapter 2 section 2.3.2

Customer shall always give full and accurate information when filling in any exchange center's documents.

**12. Answer: B reference: Chapter 2 section 2.4.1**

The technical skills for performance of work are to be aware of the prices and conditions of services and products provided by the exchange centers.

**13. Answer: A reference: Chapter 3 section 1.1.3**

For currency exchange transactions of less than SAR 5,000 or its equivalent made by natural persons, it shall be sufficient to see customer's ID to ensure being legally valid.

**14. Answer: D reference: Chapter 3 section 1.1.3 paragraph 1**

Currency exchange transactions of more than SAR 100,000 or its equivalent made by Saudi customers and those exceeding SAR 50,000 or its equivalent made by residents for high-income customers, shall be conducted through membership relation only.

**15. Answer: D reference: Chapter 3 section 1.1.3 paragraph 2**

It shall be permitted to execute currency exchange transactions for legal persons (companies) of no financial limits through a membership relation, and to apply KYC procedures and conduct Enhanced Due Diligence (EDD) procedures.

**16. Answer: B reference: Chapter 1 section 2.2.1**

Money transfer inside and outside KSA shall be permitted for SAMA-licensed entities, provided that the capital shall not be lower than SAR 10 million, and may increase by at least SAR 2 million for each branch involved in the activity.

**17. Answer: C reference: Chapter 1 section 1.2.2**

Money transfer inside and outside KSA shall be permitted for SAMA-licensed entities, provided that it shall maintain at all times 10% cash reserve of its capital and reserves.

**18. Answer: B reference: Chapter 3 section 3.1.3 paragraph 2**

Financial limit for transfer to natural persons shall not exceed the amount of monthly salary or its equivalent, with a maximum of SAR (50,000) or its equivalent per month.

**19. Answer: D reference: Chapter 3 section 3.1.3 paragraph 2**

Money transfers for businessmen shall not exceed SAR 500,000 or its equivalent per year.

**20. Answer: D reference: Chapter 3 section 3.1.3 paragraph 2**

Money transfers for companies (legal persons) shall not exceed SAR 1,000,000 or its equivalent per year.

**21. Answer: B reference: Chapter 3 section 3.1.3 paragraph 2**

Receipt of money transfers shall be permitted for walk-in customers, provided that the amount of financial transaction does not exceed SAR 5,000 or its equivalent at one transaction, and the total amounts shall not exceed SAR 50,000 or its equivalent within one year.

**22. Answer: B reference: Chapter 3 section 2.1.3**

According to Rules Regulating Money Exchange Business, exchange centers are not permitted to conduct transactions involving purchase of draft checks.

23. Answer: A reference: Chapter 3 section 3.1.3

Receipt of money transfers shall be permitted for walk-in customers, provided that the amount of financial transaction does not exceed SAR 5,000 or its equivalent at one transaction, and the total amounts shall not exceed SAR 50,000 or its equivalent within one year.

24. Answer: B reference: Chapter 3 section 3.1.3

Exchange centers' customers can be classified according to the Rules Regulating Money Exchange Business as Membership Customers and Walk-in Customers.

25. Answer: C reference: Chapter 3 section 3.1.3

Tourists holding a visa or temporary residence permit, in addition to pilgrims and Umrah performers are allowed, as Walk-in Customers, to exchange banknotes.

26. Answer: B reference: Chapter 3 section 3.1.3

Walk-in customers are allowed to exchange banknotes, cash traveler's cheques and receive money transfers delivered only to exchange centers authorized to do so.

27. Answer: A reference: Chapter 2 section 2.2.2

Expatriates holding temporary residence permits in their passports may be granted a membership based on this permit (for 3-month term). The membership shall be frozen after expiry and until issuance of a valid residence permit.

28. Answer: B reference: Chapter 4 section 1.1.4

Compliance refers to ensuring application and implementation of financial instructions, procedures and transactions in accordance with regulations, rules and instructions issued by regulatory and supervisory authorities in charge of the Financial Sector.

29. Answer: A reference: Chapter 4 section 4.4.1

The Board shall be responsible for supervising and managing risks of non-compliance, and to do so, the exchange center's policy of compliance should be adopted.

30. Answer: C reference: Chapter 4 section 3.4.4

Therefore, Compliance Department's responsibility is to assist the senior management in the effective management and dealing with non-compliance risks encountered by the exchange center.

31. Answer: B reference: Chapter 5 section 2.2.5

Manual of Combating Embezzlement and Financial Fraud and Control Guidelines issued by SAMA defined financial fraud as "any act involving deceit to obtain a direct or indirect financial benefit by the perpetrator...".

32. Answer: C reference: Chapter 5 section 5.2.2

External fraud is committed by individuals from outside exchange centers. There are several forms of external fraud such as counterfeiting or forging documents, including IDs, ATM or credit cards.

33. Answer: D reference: Chapter 5 section 5.2.2

Accounting fraud by intentionally making wrong entries every day is an internal fraud.

34. Answer: A reference: Chapter 5 section 5.2.2

Manipulation of exchange center's employee in recording financial transactions is an internal fraud.

35. Answer: B reference: Chapter 6 section 1.1.6

Money Laundering Law issued by SAMA defines money laundering as: The commission of any act intended to conceal or disguise the real source of funds acquired by means contrary to Shariah or Law, thus making the funds appear as if they had come from a legitimate source.

36. Answer: C reference: Chapter 6 section 3.1.6

The placement stage is confined to placing funds acquired from an illicit source into the financial system.

37. Answer: B reference: Chapter 6 section 3.1.6

Layering is the stage of concealing the illicit source of funds in order to block tracing of funds by conducting complex transactions to be concealed.

38. Answer: C reference: Chapter 6 section 3.1.6

Integration includes integration laundered money back into the legitimate economic system, making it appear to be legitimate assets.

39. Answer: C reference: Chapter 6 section 1.2.6

Terrorist financing can be defined as, any act involves raising, offering, getting, allotting, transporting, or transferring funds wholly or partially for any terrorist activity, directly or indirectly.

40. Answer: B reference: Chapter 6 section 4.1.6

Investing the proceeds of criminal activity in the purchase of high-value goods that can be easily traded to conceal the source of these proceeds is an example of ML/TF-related types.

41. Answer: C reference: Chapter 6 section 6.1.4

Use of non-profit organizations to raise funds and conceal their source is an example of ML/CTF transactions.

42. Answer: A reference: Chapter 6 section 6.4.1

Customer's willingness to buy a deal at a price higher than market price, or to sell the same at a price lower than market price, is considered an indicators of suspicious ml transaction.

43. Answer: B reference: Chapter 5 section 5.3.4

In order to prevent fraud, an official system shall be put into effect for internal notification of actual or suspected fraud.

44. Answer: B reference: Chapter 6 section 2.4.6

Exchange centers shall retain a copy and records of the report and technical report together with its attachments for future reference, after the reporting stage.

45. Answer: C reference: Chapter 6 section 4.6.6

Reporting to FIU when suspicions have been determined, supported by a detailed technical report on any suspected case, is one of MLCU functions.

46. Answer: C reference: Chapter 6 section 6.4.3

Exchange centers and their employees are prohibited from alerting customers involving suspicious transactions or activities. Otherwise, such employee will be deemed committing a crime that may promote to imprisonment (not exceeding two years), and/or a fine (not exceeding SAR 500,000).

47. Answer: B reference: Chapter 6 section 6.4.4

Establishing a database comprising all issues relating to money laundering and terrorist financing matters, such as the suspicious cases reported, is one of MLCU functions.

48. Answer: C reference: Chapter 6 section 6.4.4

Reporting to FIU when suspicions have been determined, supported by a detailed technical report on any suspected case, is one of MLCU functions.

49. Answer: B reference: Chapter 6 section 6.6.2

Receiving reports from financial institutions on ML suspicious operations is a function of the Financial Investigation Unit.

50. Answer: C reference: Chapter 6 section 6.1.2

One of the main objectives of money laundering is to increase the difficulty of tracing money by security agencies.

51. Answer: B reference: Chapter 6 section 6.1.5

AML negative effects on the national economy include impeding State's economic development in addition to decrease of real investment opportunities.

52. Answer: C reference: Chapter 6 section 6.1.5

One of AML negative effects on exchange centers is to deprive exchange centers of conducting its business in addition to revocation of license.

53. Answer: D reference: Chapter 7 section 7.1

Rules of job conduct aim to establish job discipline, transparency, integrity, objectivity in the conduct of the employees of the exchange center.

54. Answer: A. Chapter 7 section 7.2.1

Values of professionalism to the conduct rules include continuous learning and self-rehabilitation.

55. Answer: C reference: Chapter 7 section 7.5

Creating safe, fair and proper working conditions for the employees to meet the basic needs and their personal and practical requirements, is requirement that shall be considered by exchange centers towards their employees.

56. Answer: D reference: Chapter 1 section 1.2.2

The paid up capital of exchange centers licensed to engage in the import and export of cash shall not be less than SAR 7.000.000.

57. Answer: A reference: Chapter 2 section 2.2.5

The purpose of “Verify” service is to verify that the mobile number associated with the account or membership in the financial institution belongs to the same person.

58. Answer: B reference: Chapter 3 section 3.4

Exchange centers shall be prohibited from transferring to customer accounts, except in the case of canceling any operation carried out through transfer to the bank account. In this case, the exchange center shall not return any cash transferred amounts.

59. Answer: D reference: Chapter 5 section 5.3.5

Banks and exchange centers shall abide by the regulations and instructions pertaining to the movement of cash, for transferring money and valuable items that exceeding the amount of SAR 200.000.

60. Answer: A reference: Chapter 7 section 7.2

A set of ethical standards, rules and behavior that an employee has to comply with and show toward his/her work, colleagues and the society as a whole, called work Ethics.

61. Answer: C reference: Chapter 7 section 7.2.4

Employees of the financial institution may accept the gift on condition that the gift and its value shall be according to the usual practices followed, depending on the occasion of its presentation and its nature.

62. Answer: B reference: Chapter 7 section 7.2

The term stakeholder refers to any person with an interest in the Financial Institution, such as shareholders, creditors, customers, suppliers and any third party.

63. Answer: A reference: Chapter 1 section 1.2.2

The applicant requesting a license to conduct money exchange business shall be a sole proprietor or a partnership, a joint stock company, a limited liability company, a partnership or a foreign company branch.

64. Answer: B reference: Chapter 1 section 1.3.1

Exercising on-site inspection of domestic banks, money exchange and transfer centers and branches of foreign banks, is one of the functions and responsibilities of banking control department.

65. Answer: B reference: Chapter 1 section 1.3.2

The exchange center shall maintain regular accounting records and shall furnish a three-month financial position starting from the beginning of the fiscal year to SAMA.

66. Answer: A reference: Chapter 2 section 2.2.6

Exchange center’s monitoring of the financial transactions of customers and principal beneficiaries, ensuring understanding of such transactions as well as verifying the membership relations’ data, is an application of due diligence procedures.

67. Answer: D reference: Chapter 2 section 2.3.1

Care shall also be made and special attention shall be given to low-income lower education customers, older people and those with special needs of both genders.

68. Answer: A reference: Chapter 2 section 1.3.2

Establishing supervisory frameworks to protect customers' financial and personal information is an application of customer protection of privacy.

69. Answer: B reference: Chapter 2 section 2.3.1

Customers shall be able to search, compare and where appropriate, switch between products, services and providers is application of competition principle.

70. Answer: C reference: Chapter 2 section 2.5.2

Regular contact with current and old customers can help the exchange center in assessing customer satisfaction.

71. Answer: B reference: Chapter 2 section 2.7.2

Rendering services that exceed customer expectations is called Effective Service.

72. Answer: C reference: Chapter 2 section 2.6

The difference between customers in terms of time, method or way of obtaining service is one of the main reasons behind customer complaints.

73. Answer: D reference: Chapter 2 section 2.6

Identifying customer's expectations on acceptable service levels is a suggested method for handling customer complaints.

74. Answer: C reference: Chapter 2 section 2.7

Increasing customer retention rates and attracting new customers are among the key objectives of Customer Relations.

75. Answer: D reference: Chapter 4 section 4.4.1

Responsibilities of the Board of Directors regarding compliance include: Approve a formal document establishing a permanent and effective compliance function.

76. Answer: A Chapter 4 section 4.4.1

Effective compliance policy shall include: Providing adequate resources to the entity entrusted with compliance function.

77. Answer: C. Chapter 4 section 4.4.1

BOD shall form the Audit Committee to ensure compliance with laws and accuracy of financial statements.

78. Answer: C reference: Chapter 4 section 4.2.3

Independence: The ability of the member to be neutral and objective in decision-making without undue influence from management or from other external entities.

79. Answer: B reference: Chapter 5 section 5.2.2

When an employee accepts bribes, gifts or secret commissions to provide benefits or ignore applicable measures is considered an internal fraud.

80. Answer: D reference: Chapter 3 section 3.4.3

Delivery of service and enabling customers to complete their transactions promptly or directly with their exchange centers via websites is rated as High Risk.

81. Answer: A reference: Chapter 5 section 5.2.2

Customer's attempt to pass counterfeit currencies is a type of external fraud.

82. Answer: B reference: Chapter 6 section 6.3

Money-laundering differs from terrorist financing in terms of that it is possible to finance terrorism using legally obtained funds.

83. Answer: C reference: Chapter 1 section 1.2.3

SAMA may terminate the license of any exchange center if it estimates that the Center's business has harmed its clients or the public interest.

84. Answer C reference: Chapter 1 section 1.2.2

The applicant requesting a license to conduct money exchange business shall not be required to hold a university degree related to money exchange business.

85. Answer: D reference: Chapter 1 section 1.1.1

Issuing credit, debit, prepaid and other cards is not among SAMA's duties.

86. Answer: B reference: Chapter 1 section 1.1.2

Only commercial banks are permitted to issue letters of guarantees or open letters of credit.

87. Answer: C reference: Chapter 2 section 2.1.2

The exchange center shall update customer's information, in terms of his membership, upon expiry of ID for individual customer or the commercial register for financial institution.

88. Answer: C reference: Chapter 2 section 2.5.5

Customer Waiting Time Management can be achieved, for instance, by setting up screens to follow up securities trading for customers in the exchange center.

89. Answer: D reference: Chapter 4 section 4.1

Compliance is the responsibility of every individual employee in the exchange center.

90. Answer: A reference: Chapter 5 section 5.3.8

Report on a particular case must be updated if any significant change occurs in the case or on a quarterly basis, whichever is earlier.

91. Answer: C reference: Chapter 6 section 6.4.1

Remittances received that include instructions from the sender to convert its value into cheques and to be posted to a particular person, are considered a ML red flag indicator.

92. Answer: D reference: Chapter 6 section 6.4.6

Exchange center shall report to FIU, when any ML/TC suspicious transaction is detected or suspected.

93. Answer: C reference: Chapter 2 section 2.2.6

Due diligence procedures shall be applied when a customer carries out occasional transactions exceeding the previously disclosed limits.

94. Answer: B reference: Chapter 7 section 7.2.7

Professional Secrecy, as a main value in the code of conduct, means that: all exchange centers' staff shall not disclose any information or data related to the exchange center's business.

95. Answer: A reference: Chapter 1 section 1.4.3

International agreements that strengthen Saudi Arabia's economic positioning are those that were signed with the World Trade Organization (WTO) and the Gulf Cooperation Council (GCC).

96. Answer: B reference: Chapter 4 section 4.3

Corporate regulations as well as the Capital Market Authority (CMA), are among the specialized government agencies that issue compliance rules which exchange centers must adhere to.

97. Answer: D reference: Chapter 5 section 5.2.1 B

To prevent the detection of electronic transfer fraud, train employees on appropriate internal control, awareness of fraud, and the importance of protecting information.

98. Answer: D reference: Chapter 7 section 7.3

Exchange employees must work seriously and prevent exchange centers from being exploited to carry out money laundering operations.

99. Answer: B reference: Chapter 6 section 6.16

Article Twenty-Six stipulates that the money launderer shall be punished by imprisonment for a period not less than two years and not exceeding ten years, or a fine not exceeding five million, or both.

100. Answer: C reference: Chapter 3 section 3.1.1

Exchange centers should implement customer due diligence procedures when carrying out a currency exchange for a customer who represents a high-risk legal entity or who is a customer with senior leadership position or a diplomat.

## Curriculum Mapping:



Curriculum Unit/Item	Chapter/Section	
First element	Structure of Money Exchange and Transfer Centers	Chapter One
	Structure of Money Exchange and Transfer Centers Upon completing study of this section of the book, the examinee shall be familiar with:	
1	1.1 Structure of KSA Banking Sector 1.1.1 The Saudi Central Bank (SAMA) 1.1.2 Commercial Banks 1.1.3 Money Exchange and Transfer Centers	Section 1
2	1.2 General Features of Money Exchange and Transfer Centers in KSA 1.2.1 Permitted Money Exchange Activities 1.2.2 Money Exchange Business Licensing Conditions and Procedures <ul style="list-style-type: none"> <li>- Licensing Requirements</li> <li>- Capital</li> <li>- License Term</li> <li>- License Fees</li> </ul> 1.2.3 Violations and Revocation of License <ul style="list-style-type: none"> <li>- Cancellation of Approval and Non-Commencement of Money Exchange Business</li> <li>- Cessation of Money Exchange Business</li> <li>- Revocation of License</li> <li>- Penalties and Corrective Actions</li> </ul> 1.2.4 Activities Prohibited for Money Exchange Center	Section 2
3	1.3 SAMA and its Role in Control over Money Exchange and Transfer Centers: 1.3.1 On-Site Inspection 1.3.2 Data and Reports <ul style="list-style-type: none"> <li>- External Auditor</li> <li>- Periodical Statements</li> <li>- Annual Reporting</li> <li>- Preparing Reports</li> </ul>	Section 3
4	4.1 Effect of International Rules, Standards and Agreements on Money Exchange and Transfer Centers: 1.4.1 Significance of International Rules and Standards in Regulating Money Exchange and Transfer Centers	Section 4

	1.4.2 Role of Regulatory Authorities and International Agreements 1.4.3 International Agreements with KSA	
Second element	Foundations of Effective Customer Service in The Money Exchange and Transfer Sector.	Chapter Two
	Foundations of Effective Customer Service in The Money Exchange and Transfer Sector. Upon completing study of this section of the book, the examinee shall be familiar with:	
1	2.1 Exchange Center Customers, their Different Needs and Methods of Dealing with Them: 2.1.1 Definition of Customer 2.1.2 Types of Exchange Center Customers - Membership Customers - Walk-in Customers	Section 1
2	2.2 Customer Acceptance Policies and Procedures 2.2.1 Issuing Membership Card 2.2.2 Membership Initiation 2.2.3 Updating Information in Customer's Presence 2.2.4 General Instructions on Acceptance of Customers 2.2.5 Know Your Customer (KYC) 2.2.6 Customer Due Diligence Procedures (CDD)	Section 2
3	2.3 Principles of Protecting Exchange Center's Customers 2.3.1 General Principles 2.3.2 Customer Responsibilities	Section 3
4	2.4 Skills of Customer Service Employees at Money Exchange Centers 2.4.1 Skills of Rendering Quality Service to Customers 2.4.2 Employee's Role towards Customer	Section 4
5	2.5 Principles of Customers Retention 2.5.1 Customers Care 2.5.2 Fulfilling Customers Desires According to Their Needs 2.5.3 Convincing Customer and Addressing His Objections 2.5.4 Ensuring Customers Will Keep Dealing with Exchange Center 2.5.5 Customer Waiting Time Management 2.5.6 Addressing Errors in Service Performance	Section 5

6	2.6 Mechanisms for Dealing with Customers' Complaints	Section 6
7	2.7 Effective Customer Relationship Management 2.7.1 Initial Contact with Customer 2.7.2 Knowing Customer's Requirements and Needs 2.7.3 Services provided to persons with disabilities 2.7.4 Solving Customers' Problems	Section 7
Third element	Products and Services Provided from Money Exchange and Transfer Centers in The Kingdom of Saudi Arabia.	Chapter Three
	Products and Services Provided from Money Exchange and Transfer Centers in The Kingdom of Saudi Arabia. Upon completing study of this section of the book, the examinee shall be familiar with:	
1	3.1 Main Features of Products and Services in Money Exchange and Transfer Centers: 3.1.1 Sale and Purchase of Foreign Currencies - Individuals (Natural Persons) - Companies (Legal Persons) - General Rules for Sale and Purchase of Currencies to/from Individuals or Companies - Financial Institutions (FIs) - Tasks Assigned to Exchange Employees in Money Exchange and Transfer Centers 3.1.2 Import and export of currencies 3.1.3 Transfer funds to and from KSA - Conditions and Procedures for Engaging in Money Transfer - Money transfer financial limits - General Rules for Money Transfer - Outgoing and Incoming Transfers Rules - Tasks Assigned to Exchange Employees in Money Transfer Centers	Section 1
2	3.2 Outgoing and Incoming Transfers Rules	Section 2
3	3.3 Tasks Assigned to Exchange Employees in Money Transfer Centers	Section 3
4	3.4 Procedures and Regulations for Receiving Money Transfers from Customers Through Electronic Means of Payment	Section 4

Fourth element	Foundations of Effective Customer Service in The Money Exchange and Transfer Sector.	Chapter Four
	Compliance in Financial Institutions and Effective Governance. Upon completing study of this section of the book, the examinee shall be familiar with:	
1	4.1 Compliance in Financial Institutions 4.1.1 Concept of Compliance 4.1.2 Compliance Function Definition 4.1.3 Significance of Compliance in Money Exchange Centers 4.1.1 Non-compliance risk	Section 1
2	4.2 Compliance Department and Compliance Officer 4.2.1 Organizational Status of Compliance Department 4.2.2 Principles of Compliance Department - Independence - Resources 4.2.3 Compliance Officer - Compliance Officer Qualifications, Traits, and Capabilities - Roles of Compliance Officer	Section 2
3	4.3 Compliance Rules for Money Exchange Centers Operating in KSA	Section 3
4	4.4 Compliance Responsibilities in Money Exchange Centers 4.4.1 Responsibilities of the Board regarding Compliance - Supervision and Compliance Risks Management - Effective Compliance Policy - Delegation of Responsibilities and Tasks 4.4.2 Responsibilities of Senior Management Regarding Compliance - Effective Management of Non-Compliance Risks - Support and Implementation of Compliance Policy - Responsibility for Cascading Compliance Policy - Control and Reporting - Support of Compliance Function (Department) 4.4.3 Principles of Compliance Department - Assisting Senior Management in Applying Compliance - Organization - Consultations - Guidance, Education and Training - Identification, Measurement, Assessment and Follow-up of Non-Compliance Risk	Section 4

5	4.5 Compliance Manual for Money Exchange Centers Operating in KSA	Section 5
6	4.6 FIs Governance in KSA 4.6.1 Importance and Benefits of Financial Institutions Governance 4.6.2 Key Governance Principles in Financial Institutions - Qualifications of Board Members Composition, Appointment and Board Affairs - BOD responsibilities - BOD Committees - Shareholders' Equity - Disclosure and Transparency 4.6.3 Exchange Sector Governance Controls	Section 6
Fifth element	Identification and Description of Fraud and its Effect on Money Exchange and Transfer Centers	Chapter Five
	Identify and Describe Fraud and its Effect on Money Exchange and Transfer Centers Upon completing study of this section of the book, the examinee shall be familiar with:	
1	5.1 Basic Concepts of Financial Fraud in Money Exchange and Transfer Centers 5.1.1 Definition of Financial Crimes: 5.1.2 Definition of Fraud 5.1.3 Causes of Fraud 5.1.4 Seriousness of Financial Frauds and Importance of Combating	Section 1
2	5.2 Most Common Types of Fraud in Money Exchange and Transfer Centers 5.2.1 Types of Fraud According to the Means Used - Material Fraud (Traditional) - E-Fraud 5.2.2 Types of Fraud According to Fraudsters - External Fraud - Internal fraud - Conspiracy of Exchange Centers' Employees with Third Parties.	Section 2

3	<p>5.3 Fraud Combating and Prevention Techniques</p> <p>5.3.1 The Strategy of Fraud Combating and Control Policy</p> <p>5.3.2 Regulatory Framework and Responsibility Structuring</p> <p>5.3.3 Assessment of Fraud Risk</p> <p>5.3.4 Promoting Awareness of Fraud</p> <p>5.3.5 Internal Control Procedures</p> <p>5.3.6 Follow-up Process</p> <p>5.3.7 Notification of Fraud System</p> <p>5.3.8 Investigation Standards</p> <p>5.3.9 Code of Conduct and Disciplinary Measures</p>	Section 3
Sixth element	Anti-Money Laundering and Countering Terrorism in the Kingdom of Saudi Arabia	Chapter Six
	<p>Anti-Money Laundering and Countering Terrorism in the Kingdom of Saudi Arabia</p> <p>Upon completing study of this section of the book, the examinee shall:</p>	
1	<p>6.1 Money laundering:</p> <p>6.1.1 Definition of Money Laundering</p> <p>6.1.2 Objectives of Money Laundering Operations</p> <p>6.1.3 Stages of Money Laundering</p> <p>6.1.4 Methods (Types) Used in Money laundering</p> <p>6.1.5 Risks of Money Laundering</p> <ul style="list-style-type: none"> <li>- Economic Risk</li> <li>- Social Risk</li> <li>- Political Risk</li> </ul> <p>6.1.6 Penalties for money laundering crimes</p>	Section 1
2	<p>6.2 Terrorist Financing Processes</p> <p>6.2.1 Definition of Terrorist Financing</p> <p>6.2.2 Stages of Terrorist Financing</p> <p>6.2.3 Risks of Terrorist Financing Crimes</p> <p>6.2.4 Requirements for combating Terrorist Financing</p>	Section 2
3	6.3 ML/TF Difference	Section 3
4	<p>6.4 Suspicious ML/TF Transactions</p> <p>6.4.1 Indicators of Suspicious ML Transaction</p> <p>6.4.2 Procedures of Reporting Suspicious Transactions</p> <p>6.4.3 Procedures of Dealing with Suspected Customers</p> <ul style="list-style-type: none"> <li>- Internal control procedures in exchange centers concerning “KYC”</li> <li>- Tipping Off Suspected Customers</li> <li>- Failure to Report Suspicion</li> </ul> <p>6.4.4 AML/CTF Department (Unit)</p>	Section 4

5	6.5 Role of Internal Control in Protecting Money Exchange and Transfer Centers against ML 6.5.1 Internal Control Procedures 6.5.2 Assessment of Internal Controls	Section 5
6	6.6 KSA's AML/CTF Initiatives 6.6.1 Issuance of Anti-Money Laundering Law 6.6.2 Establishment of FIU 6.6.3 Cooperation among Competent Authorities, Banks and Money Exchange Centers	Section 6
Seventh element	Labor Rules and Practices	Chapter Seven
	Labor Rules and Practices Upon completing study of this section of the book, the examinee shall be familiar with:	
1	7.1 Code of Conduct Objective	Section 1
2	7.2 Code of Conduct and Work Ethics in Financial Institutions 7.2.1 Compliance with Professional Conduct and Public Decency Laws 7.2.2 Interaction with Stakeholders 7.2.3 Combating Financial and Administrative Corruption 7.2.4 Gifts and Hospitality 7.2.5 Compliance with Laws, Regulations, Instructions and Policies 7.2.6 Dealing with Conflicts of Interest 7.2.7 Confidentiality and Disclosure Mechanisms 7.2.8 Use and Leakage of Insider Information for Market Manipulation 7.2.9 Whistleblowing 7.2.10 Remuneration and Compensation	Section 2
3	7.3 Money Exchange Centers' and its Employees' Commitment towards Customers 7.3.1 Confidential Nature of Customer Information 7.3.2 Fair Treatment 7.3.3 Combating Money Laundering and Terrorist Financing 7.3.4 Gifts and Entertainment	Section 3
4	7.4 Employees' Commitment towards Each Other 7.4.1 Dealing with Directors and Officials 7.4.2 Dealing with Colleagues 7.4.3 Dealing with Subordinate	Section 4
5	7.5 Money Exchanger's Commitment towards Employees 7.5.1 Disciplinary Sanctions 7.5.2 Reporting and Inquiry 7.5.3 Agreement with the Customer	Section 5

Umm Salamah Al Ansari St. Al Mutamarat

Riyadh 12712, Saudi Arabia

Telephone: +966-11-466-2688

[cs@fa.gov.sa](mailto:cs@fa.gov.sa)

Fax: +966-11-466-2936 / 466-2966

