

## **Guidance Manual for Anti Money Laundering and Counter Terrorist Financing**

### **First: Stages of money laundering:**

#### **- Stage 1: Placement:**

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

#### **- Stage 2: Layering**

During this stage, funds proceeded from unlawful sources are concealed and/or disguised by performing a series of complex financial and non financial transactions.

#### **- Stage 3: Integration**

During this stage, laundered funds are integrated into the economy, where distinguishing the laundered funds from the funds proceeded from lawful sources becomes difficult.

### **Second: Terrorist Financing**

The different methods used in money laundering are consistent with those basic techniques and methods used to conceal the sources and uses of terrorist financing, which could arise from legitimate sources or activities of criminal, or both.

### **Third: Techniques of Transactions Suspected to be Related to Money Laundering or Terrorist financing**

- 1- Through cash financial transactions, which can take any of the following forms:
  - Extraordinary large cash deposits made by a natural or legal person whose normal business activities are usually made through checks or other payment modes.
  - Huge increase in the cash deposits of any person with no justified reason, especially if the said deposits are transferred to a party with no obvious connection to said person and within a short period of time.
  - Depositing amounts of money over different periods where the value of each of the said amounts is less than the threshold set by the instructions but the sum of which exceeds that threshold.
  - Deposits of amounts of money over different periods so that such amounts constitute large sums of money.
  - Concentration on cash deposits and withdrawals instead of using banking transfers or other negotiable instruments without a clear justification.
  - Exchanging substantial amounts of small denomination bank notes with large ones without justification.
  - Depositing unusual substantial amounts of money using ATMs to avoid direct contact with the bank's staff, especially if said deposits are not in conformity with the business and/or ordinary income of the concerned customer or nature of business thereof.

- Performance of many large cash deposits by the customer in different branches of the bank or by many persons on behalf of the customer at the same day.
  - Large cash deposits in bundles sealed by other bank seals.
  - Customer retrieving a part of a deposited amount upon being informed of the due diligence procedures to be followed for extraordinary transactions according to these instructions.
  - Large amounts of cash deposits in the form of counterfeited, worn or old bank notes.
  - Sudden and prompt withdrawal of customer's balances without justification.
- 2- Through persons' accounts, which take any of the following forms:
- Keeping different accounts by the customer and depositing cash amounts in each one where the sum of which reaches a large amount that is inconsistent with the nature of business thereof, except for customers whose nature of business requires having more than one account.
  - The existence of accounts the transactions of which are inconsistent with the nature of customer's business. Said accounts are used to receive and/or distribute substantial amounts for ambiguous purpose or irrelevant to the holder of the account or to nature of business thereof.
  - Keeping various accounts with different banks within the same geographical area and transferring the balances of said accounts to one account then transferring the accumulated amount outside the kingdom.
  - Depositing third party checks with substantial amounts that are endorsed to the account holder but are inconsistent with the relation with the holder or nature of business thereof.
  - Effecting large cash withdrawals from an account that was previously dormant or withdrawals from which are relatively small, or from an account to which substantial amounts were unexpectedly transferred from the outside.
  - Depositing amounts by a large group of people in the same account with no rational explanation.
  - Presenting financial statements by the customer for his/her business activity that are clearly different from those of similar entities operating in the same field.
  - Presenting financial statements unaudited and unapproved by a chartered auditor by entities with relatively large businesses.
  - Inaction of entities that usually accept their customers' checks toward making any large cash withdrawals in return of depositing said checks, which indicate that there are other sources of income.
  - The occurrence of major change in manner of running the customer's account that is inconsistent with the data thereof.
  - Entities or companies whose accounts demonstrate small or irregular activity.

- 3- Through transfers, which take any of the following forms:
  - Directly transferring the amounts deposited in the account abroad, whether in one or several payments.
  - Transfers with similar amounts (on weekly or monthly basis), the total of which is large.
  - Effecting transfers to a person who has no account with the bank using various payment instruments all of which are below the threshold stipulated for in these instructions.
  - Incoming transfers accompanied by instructions to transfer the amount of which into checks and send them by mail to a person with no account with the bank.
  - Effecting transfers with substantial amounts to countries known for their havens of banking secrecy or tax.
  - Beneficiary using the amount of transfers credited his/her account for buying various cash instruments immediately upon receiving said transfers to pay another party.
  - An account receiving unprecedented transfers with substantial amounts that are inconsistent with customer's nature of business.
  - Frequently effecting external transfers of funds by the customer, claiming that they are from an international source.
  - Depositing bearer instruments by the customer into his/her account then transferring the same to a third or fourth party.
  - An account opened with an exchange company receiving cash deposits or transfers of amounts that are less than the threshold stipulated for in these instructions.
  - Performing extraordinary transfer within a set of ordinary transfers that are performed as one transfer.
  - Transfer of substantial amounts outside the Kingdom or receiving the same from abroad accompanied with instructions to be paid in cash.
  
- 4- Through trust funds, which take any of the following forms:
  - Keeping several trust funds by the customer with no justified reason.
  - Using trust funds recurrently; a fact which indicates that the customer keeps substantial amounts of money in the said trust funds.
  - Visiting the trust funds repeatedly by the customer before or after making cash deposits less than the threshold stated for in these instructions.
  
- 5- Through investment-related transactions, which take any of the following forms:
  - Purchasing securities to keep in the trust funds at the bank although such act is inconsistent with the customer's business or his financial status.
  - Neglecting the ordinary decisions to be made with regard to investment accounts such as, fees or proper investment instruments by the customer.

- Liquidating a large financial position by the customer through a series of small cash transactions.
  - Making cash deposits, payment orders, traveler's checks or counter checks by the customer with amounts less than the threshold stipulated for in these instructions to finance an investment account.
  - Using investment accounts by the customer as a means of transferring funds to external parties, especially off-shores.
  - Entering substantial amounts of money from abroad to be invested in foreign currencies or securities, when said investment is inconsistent with the customer's nature of business.
  - Attempting to present the financial transactions in more complex manner than it requires by using sophisticated terms such as, hedging, prime bank notes stand by commitment, contracts, and arbitrage.
- 6- Through credit facilities, which take any of the following forms:
- Applying to obtain facilities for external or off-shore companies or applying for facilities guaranteed by external or off-shore banks.
  - Sudden settling of a personal large debt by the customer without a clear and reasonable explanation of the source.
  - Purchasing deposit certificates by the customer and using them later as a guarantee to repay the facilities.
  - Obtaining credit facilities guaranteed by cash deposits.
  - Obtaining credit facilities substitute a cash guarantee abroad.
  - Transferring the amount of facilities obtained by the customer in an unexpected manner abroad.
  - Settling a debt classified as dormant debt by the customer before maturity and with amounts larger than anticipated.
  - Applying for facilities in return of pleading assets owned by a third party where the source of said assets is unknown to the bank or the size of the same is inconsistent with the customer's financial position.
  - Applying for facilities or a financing arrangement by the customer with third parties where the customer or customers financial contribution source in said financing is unknown.
  - Applying for credit facilities in return of withholding the deposits of a company or off-shore affiliates, especially if they were in countries known for being producers and/or traffickers of drugs.
  - Circumstances surrounding the application for credit facilities that lead to the bank's rejection of granting said facilities because of suspecting the validity and authenticity of the guarantees.
  - Presenting financial statements by the customer, which are inconsistent with the accounting standards.

- 7- Through financing commercial transactions and letter of credits, which take any of the following forms:
- Requesting commercial financing by the customer, whether to export or import basic goods with quoted prices that are clearly and substantially different from those existing in a similar market.
  - Issuing letters of credit or guarantee letters for tenders according to customer's request without having contracts for existing projects or for the interest of an extraordinary beneficiary.
  - Changing the name of the beneficiary for the letter of credit by the customer within a short period of time before the payment.
  - Changing the place of payment in the letter of credit by the customer to an account in a country other than that of the beneficiary's.
  - The beneficiary from the letters of credit to be companies owned by the customer or the shipping companies are owned by the same customer.
  - Amounts stated in the letters of credit submitted by the customer to the bank or customs department do not match the original documents.
- 8- International banking and financial transactions, which take any of the following forms:
- Acknowledge the identification of a person by external bodies existing in countries known for being producers and/or traffickers of drugs.
  - Having large balances inconsistent with the size of business activities of the customer in addition to frequent transfer to account(s) abroad.
  - Requesting the issuance of traveler's checks in foreign currency or other negotiable instruments on regular basis with a threshold exceeding the one stipulated for in these instructions.
  - Depositing traveler's checks frequently by the customer in foreign currencies with amounts exceeding the threshold stipulated for in these instructions.
  - Conducting banking transactions with off-shore banking units whose names are similar to legitimate and reputable financial institutions.
- 9- Electronic financial services, which take any of the following forms:
- An account receiving small electronic financial transfers then making large transfers in the same manner to another country.
  - Depositing substantial amounts regularly in different means including electronic deposit, or receiving substantial amounts regularly from countries known for being producers and/or traffickers of drugs.
  - Requesting to open an account via the internet by the customer and refusing to provide the required information to complete the process or refusing to provide information that usually grants the customer access to services and facilities, which the ordinary customer considers a plus.

- Using internet banking by the customer to transfer between his own accounts for many times and for unjustified reasons.

#### **Forth: Customer Behaviors**

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

- Customer inquiring the bank information about records, systems, regulations and the threshold stipulated for in the instructions in order to be acquainted with sufficient information about the money laundering transactions and to avoid legal violations related thereto.
- Customer discomfort and unwillingness to go through a certain financial transaction when he/she is informed that said transaction is required to be reported in details to the competent bodies.
- Customer acting in an odd manner such as not exploiting the chance of receiving high interest on a large balance in addition to being ignorant about the basic details of a financial transaction.
- A temperamental customer who refuses to provide the bank with the necessary identification documents.
- Customer who is still a student and irregularly sends or receives transfers or exchanges substantial amounts of currencies that are inconsistent with his status.
- Customer who, at the time of visiting the Bank, is controlled by someone else and is unaware of his/her actions or is an old aged and accompanied, at the time of the relevant transaction, by someone who is not in any way related to him/her.
- Customer offering unjustified substantial amounts or precious gifts to the bank staff to persuade the same to neglect verifying the identification documents and other documents.
- Customer providing suspicious identification documents and refusing to provide the bank with his/her personal information.
- Customer providing the bank with a permanent address that is outside the area of banks' services or outside the Kingdom.
- Customer refusing to disclose the details of his/her business activities or the data, information or documents related to his/ her institution or company.
- Customer whose home, business, or mobile phones are disconnected.

#### **Fifth: the Bank employee's behavior**

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

- An increasing in the living standards and level of expenditures of the bank's staff in a noticeable and sudden manner that is inconsistent with his/her monthly income.
- Bank's staff assisting in the effecting transactions where the ultimate beneficiary or corresponding party is fully unknown.

- Bank's staff frequently violating regulatory procedures and adopting a manipulative policy during his performance of work.
- Bank's staff overestimating the credibility, ethics, capability and financial sources of a customer in his/her reports referred to the bank's management.
- Bank's staff avoiding any vacations.

### **Sixth: General Guidance**

- 1- Use of all available means to monitor suspicious transactions and deals through regulatory reports, lists of non-cooperative countries and lists of all internationally wanted persons and entities.
- 2- Following-up the global updates concerning typologies of money laundering and terrorist financing and methods of combating the same, especially those issued by the Financial Action Task Force (FATF), International Monetary Fund, World Bank, Basel Committee and other international organizations.
- 3- Knowing the source of deposited funds upon opening the account, especially with large cash deposits.
- 4- Considering the following points when running dormant accounts:
  - Determine a specified period of time for dormant accounts and after the end of that period of time the said accounts should be transferred to the general management.
  - Non-effecting any payments to the said accounts except by the branch manager or deputy thereof.
  - Auditing and cautiousness in monitoring checks withdrawn thereon.
  - Non-payment from said accounts except under checks.
- 5- Programming an automatic reporting system that helps in increasing the effectiveness and efficiency of the bank's internal procedures in the area of anti-money laundering and counter terrorist financing. Suggested reports shall include:
  - Reports about the movements and balances of current accounts.  
They include all accounts, whether for customers or employees where they include all movements of accounts during a specified period (monthly or quarterly) and account balances by the end of each month, balance average, number of executed transactions and anything that identifies any extraordinary activity.
  - Transfers reports:  
They include outgoing or incoming transfers, internally or externally, the amount of the same, currency used and mode of payment, whether in cash or by check for each customer.

- Reports about the movements and balances of external banks:  
They include all transfers executed by any means and shall determine the amount and currency of the same, name of the bank and the beneficiary and clarifies the number and size of transactions with each external bank in addition to any changes thereof.