

Al Rajhi Bank Anti-Money Laundry Compliance Program 2024

Introduction

Considering the fact that the Kingdom of Saudi Arabia has become an independent member of Financial Action Task Force (FATF), the KSA and financial institutions operating in the Kingdom are committed to adopt international standards and guidance relating to fighting financial crime, including Anti-Money Laundering, WMD, Combatting Terrorist Financing, Anti-Bribery and Corruption.

Compliance risk is defined as risks leading to statutory, legal sanctions, material financial loss, or damage to reputation a bank may suffer as a result of its failure to comply with all applicable laws, regulations, rules, circulars, instructions and codes of conduct applicable to its banking activities (as a whole, representing “compliance risks”).

Compliance function is an independent function that identifies, assesses and provides advice, monitors and reports on risks of a bank’s non-compliance related to its exposure to legal and administrative penalties, financial loss, or what may undermine the bank's reputation due to its failure to abide by the regulations and controls or sound standards of conduct and professional practice.

Compliance with laws and regulations is already instilled in the Bank’s culture and is viewed as an integral part of its business activities. It is the responsibility of all ARB employees, starting at the top, to observe high ethical standards of honesty and integrity that will strengthen the Bank’s relationship with its customers and consequently enhance its reputation.

Governance

The Board of Directors through the Board Audit and Compliance Committee holds the ultimate responsibility for compliance by the Bank with applicable laws, regulations and ethical standards, thereby having oversight over the management of the Bank’s compliance risks. Its responsibilities include approving the Bank’s Compliance Manual, establishing an independent Compliance Group, ensuring it is fulfilling its responsibilities and assessing on a yearly basis the effectiveness of the Compliance program, thereby evaluating the extent to which the Bank is managing its compliance risk effectively.

Senior Management holds the responsibility for the development, implementation of and adherence to compliance policies, supported and advised by the Compliance Group.

The Compliance Group, which is managed by the Group Chief Compliance Officer, is responsible in assisting Senior Management to achieve effective management of compliance risks and to enforce the compliance culture across the Bank. Consequently, the Compliance Group responsibilities include:

- Providing advice, guidance and education;
- Identification, measurement and assessment of compliance risk; and
- Monitoring, testing and reporting.

The Bank’s Board of Directors and Senior Management lead by example and promote values of honesty and integrity throughout the Bank by their commitment to compliance with all applicable laws, rules, and standards.

In order to manage compliance risks, key initiatives implemented include:

Al Rajhi Bank Anti-Money Laundry Compliance Program 2024

- **Compliance Policy and other related Policies:**

The Bank has developed integrated policies and procedures that set out guidelines for internal standards of the bank. These include, but are not limited to the Compliance Policy, Code of Conduct, and AML/CTF Policy, Sanction Policy, KYC and Client acceptance Policy, Anti-Bribery and Corruption Policy, and Whistleblowing Policy. All Compliance policies are approved by the Board of Directors As per ARB protocol. Furthermore, AML/CTF Policy updated annually as SAMA rules.

- **Risk Assessment:**

At the on-boarding stage, customer is being risk-rated based on specified parameters that define the customer's profile. At the Bank, these risk parameters include Customer type, products and services, service delivery channels and geographical area of operation.

The Bank has developed a risk scoring methodology by which customers are risk rated into High Medium or Low Risk based on their profile.

The Bank also performs Risk Assessment of Products and Services and Geographical Risk on an annual basis.

- **Customer Due Diligence (CDD):**

ARB has adopted a Risk based Approach for conducting customer due diligence to ensure that the procedures taken are adequate and proportionate to the risk of the customer. Detailed customer acceptance standards, including identification and verification measures are addressed.

- **Enhanced Due Diligence (EDD):**

In addition to the basic Know-your-Customer requirements and CDD, Enhanced Due Diligence is required where a business relationship entails a greater risk of money laundering and/or terrorist financing. EDD is the additional examination and scrutiny performed on the customer relationship aimed at identifying customers and confirming that their activities and funds are legitimate.

- **Sanction Screening:**

Customer and their Beneficiary's Name screening is an integral part of the Bank's processes and helps identify those customers whom pose a higher risk of financial crime. The Bank has put in place an effective process to ensure that customer and beneficiary names are screened against relevant sanctions list prior to opening an account, establishing a relationship or conducting a transaction. The Bank screen Customer, Beneficiaries and transactions against lists issued by Saudi Arabian Monetary Authority ('SAMA'), Saudi Arabian Ministry of Interior, United Nations (UN), United States (OFAC lists), European Union (EU), United Kingdom (HMT), Switzerland (SWISS list) and Al Rajhi Bank's internal lists.

- **Customers Monitoring:**

The Bank is committed to verifying, on an on-going basis, the identity of its customers and ensuring that information and documentation is kept up to date, complete.

Al Rajhi Bank Anti-Money Laundry Compliance Program 2024

- Customers Transaction Monitoring:

Customer's transactions are being monitored through AML transaction monitoring system that has been upgraded and enhanced by adding more sophisticated tools and techniques. Monitoring is based on certain rules/scenarios that trigger alerts which are reviewed by AML-CTF Department staff. Compliance Group implemented an automated state-of-the-art SAS AML Monitoring System.

- Suspicious Transaction Reporting:

All suspected cases of money laundering and terrorist financing, are reported to Saudi Financial Investigation Unit ('SAFIU'). ARB has established detailed policies and procedures to identify, investigate and report suspicious transactions., including the record keeping policies.

- Education and Training:

All staff during 2023 (including Board of Directors and Senior Management) were subject to compliance and AML trainings and awareness sessions.

- Independent Compliance Review:

Compliance Group conducts independent reviews of respective business functions, products, and services to ensure compliance with all applicable laws and regulations. The review scope also considers international branches and subsidiaries.

- FATCA and CRS:

ARB has implemented Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS) policies which intended to report of all ARB customers, business, and employees to provide an outline of the legislative and regulatory obligations which ARB must adhere in order to protect the reputation and financial position of ARB and its stakeholders by ensuring the fullest extent possible of complying with the specific provisions of FATCA & CRS.

Please see FATCA GIIN No: 5JRS81.00000.LE.682

Hamad I. Alwashmi
Chief Compliance Officer


Signature:
Date: 15.1.2024