



Country Report - Saudi Arabia

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Introduction

This report provides a comprehensive overview of the regulatory landscape in Saudi Arabia, focusing on the key requirements for Know Your Customer (KYC), Know Your Business (KYB), and Anti-Money Laundering (AML) compliance. It outlines the regulations and frameworks set by the Saudi Central Bank (SAMA), the Saudi Financial Intelligence Unit (SAFIU), and other relevant authorities to ensure the integrity of the financial system and prevent illicit activities such as money laundering and terrorism financing.

Regulatory Bodies in Saudi Arabia

- **Saudi Central Bank (SAMA):** The **Saudi Central Bank (SAMA)** is the primary regulatory authority for financial institutions in Saudi Arabia. It enforces compliance with AML/CFT regulations through its **Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Guide**, which sets the framework for KYC and AML procedures in the banking sector. SAMA provides guidelines for financial institutions to implement KYC measures and report suspicious transactions.
- **Saudi Financial Intelligence Unit (SAFIU):** [SAFIU](#) is responsible for receiving, analyzing, and disseminating financial intelligence related to money laundering and terrorist financing. It plays a crucial role in enforcing AML regulations by ensuring that suspicious transaction reports are properly handled and disseminated to the relevant authorities.
- **Capital Market Authority (CMA):** It regulates the capital markets in Saudi Arabia, ensuring that capital market participants, including securities firms and asset managers, comply with AML/CFT regulations.
- **Ministry of Commerce (MoC):** It is [responsible](#) for regulating business entities and ensuring transparency in corporate structures, which supports AML/KYC efforts. It oversees the registration and governance of businesses, ensuring that proper due diligence is conducted, particularly with regard to beneficial ownership.
- **Ministry of Justice (MoJ):** It is responsible for legal affairs and the judicial system. It provides guidance and legal interpretations regarding the application of AML laws and offers support to ensure that legal professionals comply with the country's AML and KYC regulations.

Regulatory Frameworks in Saudi Arabia

- **Anti-Money Laundering Law (AML Law):** This law mandates financial institutions to implement KYC and AML measures, including customer identity verification and suspicious transaction reporting. [Link](#)
- **Counter-Terrorism Financing Law (CTF Law):** The law requires enhanced due diligence for high-risk customers and the reporting of suspicious transactions related to terrorism financing. [Link](#)
- **SAMA AML/CTF Guide:** SAMA's guide outlines KYC/AML compliance requirements for financial institutions, ensuring that financial institutions adhere to regulatory standards.

KYC Requirements in Saudi Arabia

This report provides a comprehensive overview of the regulatory landscape in Saudi Arabia,

focusing on the key requirements for Know Your Customer (KYC), Know Your Business (KYB), and Anti-Money Laundering (AML) compliance. It outlines the regulations and frameworks set by the Saudi Central Bank (SAMA), the Saudi Financial Intelligence Unit (SAFIU), and other relevant authorities to ensure the integrity of the financial system and prevent illicit activities such as money laundering and terrorism financing.

- **Customer Identification:**
 - Financial institutions must collect and verify basic information such as the full name, date of birth, nationality, residential address, and identification number (e.g., Saudi National ID or passport for non-residents). [Link](#)
 - The verification process includes the collection of supporting documents, such as government-issued IDs, utility bills, and proof of address. These documents help establish the legitimacy of the identity.
 - The customer's identity must be verified using reliable and independent sources to reduce the risk of fraudulent activity.
- **Customer Due Diligence (CDD):**
 - CDD involves verifying the identity of the customer and understanding the nature of the business relationship. Financial institutions are required to perform checks based on the level of risk posed by the customer.
 - For individual customers, this process includes obtaining personal details and confirming their financial history.
 - For high-risk customers, such as politically exposed persons (PEPs), enhanced due diligence (EDD) must be applied, as detailed below.
- **Enhanced Due Diligence (EDD):**
 - EDD is required for higher-risk customers, such as PEPs or individuals from high-risk jurisdictions. This process involves obtaining more detailed information regarding the customer's financial activity and the source of their wealth.
 - EDD includes verifying the customer's background and understanding the purpose of their transactions. Enhanced monitoring and scrutiny are also required for these high-risk customers.
- **Ongoing Monitoring:**
 - Financial institutions must continuously monitor the transactions of their customers to detect suspicious activities that might indicate money laundering or terrorism financing.
 - Ongoing monitoring includes ensuring that the transactions are consistent with the customer's known profile, occupation, or source of funds.
 - If any suspicious activities are detected, institutions must report these to the Saudi Financial Intelligence Unit (SAFIU).
- **Record Keeping:**
 - Institutions are required to maintain customer records, including identification documents and transaction histories, for a minimum of five years after the termination of the business relationship. [Link](#)
 - These records must be accessible for review by the relevant regulatory bodies when needed.

KYB Requirements in Saudi Arabia

The Know Your Business (KYB) requirements are critical for financial institutions that deal with corporate clients. These regulations ensure that businesses are transparent and operate with clear ownership structures, which helps prevent the use of businesses for money laundering or other illicit activities.

- **Business Verification:**
 - Financial institutions must verify the legitimacy of the business by checking official documents such as the business registration certificate, trade licenses, and the commercial registration (CR) number issued by the Ministry of Commerce.
 - Verification also includes confirming the business's legal status and operational history.
- **Beneficial Ownership:**
 - Institutions must identify and verify the ultimate beneficial owners (UBOs) of a company. UBOs are the individuals who ultimately own or control the company, whether directly or indirectly.
 - Financial institutions are required to gather detailed information on these owners, including personal identification documents and background checks.
- **Risk Assessment:**
 - A risk-based approach must be adopted to assess the business client's exposure to money laundering and terrorism financing risks. [Link](#)
 - High-risk businesses, such as those operating in certain high-risk sectors or jurisdictions, may be subject to more stringent due diligence requirements and ongoing monitoring.
- **Ongoing Monitoring:**
 - Just like for individual clients, financial institutions must continuously monitor business clients' transactions and relationships to detect any suspicious activity.
 - This includes reviewing the consistency of the business's financial activities with its established risk profile and monitoring for changes in ownership or control.

AML Obligations in Saudi Arabia

Saudi Arabia's AML obligations are designed to prevent money laundering and terrorist financing by implementing a series of preventive measures in line with international standards such as those set by the Financial Action Task Force (FATF).

- **Suspicious Transaction Reporting:**
 - Financial institutions must report any suspicious transactions to the Saudi Financial Intelligence Unit (SAFIU). These include transactions that may involve illicit activities such as money laundering or terrorism financing.
 - Suspicious activity can include unusual transaction patterns, transactions involving high-risk countries, or those not aligned with the customer's known business profile.
- **Internal Controls:**
 - Institutions are required to have internal policies and procedures in place to detect and prevent money laundering and terrorism financing. These controls should include:
 - Staff training on AML/CFT regulations and red flags.
 - Appointing compliance officers to oversee AML activities.
 - Developing robust reporting mechanisms for suspicious activities.
- **Compliance Function:**
 - Financial institutions must appoint a designated compliance officer responsible for overseeing and implementing AML policies.
 - The compliance officer ensures that the institution adheres to local and international AML regulations and oversees the reporting of suspicious activities to SAFIU.
- **Training Programs:**
 - Institutions must regularly train their staff on AML and counter-terrorism financing

regulations, helping them identify suspicious activities and adhere to the institution's AML procedures.

- **Independent Audit:**
 - An independent audit of the AML program must be conducted periodically to ensure that the measures in place are effective and compliant with regulatory requirements.
 - The audit process ensures that the institution's policies are up-to-date and capable of detecting and preventing financial crimes.
- **Customer and Transaction Monitoring:**
 - Institutions must implement systems for ongoing monitoring of customer activities and transactions to detect patterns that may indicate money laundering or terrorism financing.
 - These monitoring systems must include transaction reporting and ensuring that the business relationship is consistent with the client's profile.

Shufti's Adherence to KYC Requirements in Saudi Arabia

Shufti ensures full compliance with Saudi Arabia's [KYC regulations](#), which are primarily governed by the Saudi Central Bank (SAMA) and the Financial Intelligence Unit (SAFIU). Shufti's solutions are designed to support financial institutions in Saudi Arabia by offering AI-powered identity verification that complies with the **Anti-Money Laundering (AML)** and **Counter-Terrorism Financing (CTF)** regulations.

- **Customer Identification:** Shufti provides efficient document verification, ensuring that customers' identities are authentic by verifying official documents such as national IDs, passports, and utility bills.
- **Customer Due Diligence (CDD):** Shufti helps financial institutions gather essential data to assess the customer's identity and the nature of their business relationship, aligning with SAMA's KYC requirements.
- **Enhanced Due Diligence (EDD):** For high-risk customers, such as Politically Exposed Persons (PEPs), Shufti's solutions enable deeper verification and monitoring, ensuring that businesses comply with enhanced KYC measures.
- **Ongoing Monitoring:** Shufti continuously monitors transactions to detect and report suspicious activities in real-time, fulfilling the AML requirements of Saudi regulations.

Shufti's Adherence to KYB Requirements in Saudi Arabia

Shufti offers robust [Know Your Business \(KYB\) services](#) tailored to Saudi Arabia's regulatory requirements, ensuring that businesses comply with anti-money laundering laws and the corporate transparency guidelines set by SAMA.

- **Business Verification:** Shufti helps financial institutions verify the legal status of businesses through authentic documents such as business registration certificates, trade licenses, and incorporation documents, complying with Saudi Arabia's regulations.
- **Beneficial Ownership Identification:** Shufti verifies the ultimate beneficial owners (UBOs) of businesses, ensuring full transparency and helping financial institutions prevent the misuse of corporate structures.
- **Risk Assessment:** Shufti uses a risk-based approach to evaluate businesses, aligning

with Saudi Arabia's focus on assessing the potential for money laundering and terrorist financing.

- **Ongoing Monitoring:** Continuous monitoring of business relationships ensures compliance with Saudi AML/CFT regulations, detecting any changes in ownership or transaction patterns that may indicate suspicious activity.

Shufti's AML Obligations

Shufti's [AML](#) solutions are fully aligned with Saudi Arabia's regulatory framework, particularly the guidelines set by SAMA and the Saudi Financial Intelligence Unit (SAFIU). These solutions help financial institutions comply with Saudi Arabia's Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF) laws.

- **Suspicious Transaction Reporting:** Shufti's solutions ensure that suspicious transactions are detected and reported in real-time, as required by Saudi Arabia's regulations.
- **Sanctions and PEP Screening:** Shufti screens customers against over 1,700 global sanctions lists, including FATF, OFAC, and Interpol, ensuring compliance with AML regulations.
- **Transaction Monitoring:** Shufti continuously monitors financial transactions, enabling businesses to flag and report any activities that deviate from expected patterns, in accordance with Saudi AML requirements.
- **Compliance with FATF Standards:** Shufti helps businesses align with global AML standards, ensuring that Saudi institutions meet international guidelines set by the Financial Action Task Force (FATF).

Conclusion

Shufti's comprehensive KYC, KYB, and AML solutions are designed to ensure full compliance with Saudi Arabia's regulatory requirements. By offering advanced AI-powered identity verification, risk-based customer due diligence, and real-time transaction monitoring, Shufti supports financial institutions in maintaining security and adhering to Saudi AML and KYC regulation