

EXECUTIVE SUMMARY OF CIRCULARS

COVERAGE: **SAUDI ARABIAN MONETARY
AUTHORITY (SAMA)**

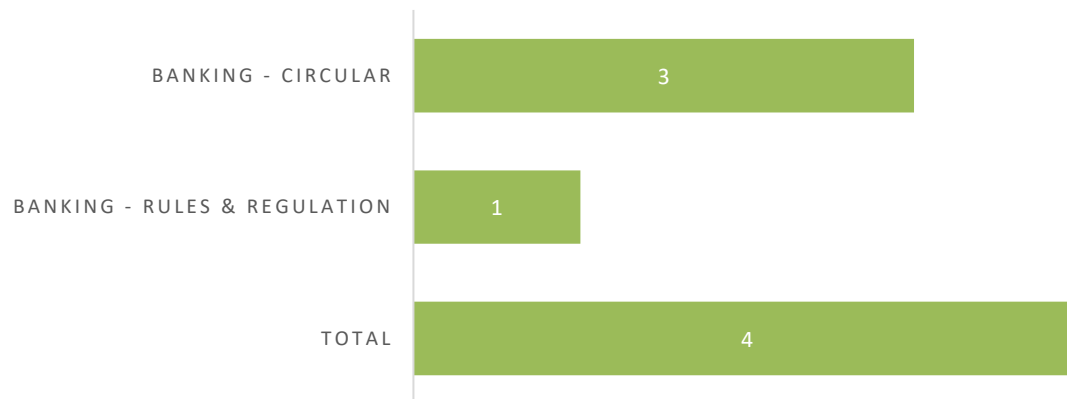
LOCATION: **SAUDI ARABIA**

ISSUE: **FIRST QUARTER 2021**



INTRODUCTION & SUMMARY

During the 1ST January, 2021 to 31st March, 2021, Saudi Arabian Monetary Authority (SAMA) has issued a total of 04 circulars/guidelines/rules on different matters. These regulatory instructions were predominantly in the areas of Banks.



DETAILS OF ISSUED/AMENDED REGULATIONS

Key instructions / regulations disseminated by SAMA during the 1st quarter of 2021 are summarized below:

BANKING RULES & REGULATIONS

The Bank Rules dated March 17, 2021

To strengthen the banking operation, SAMA has updated the bank accounts rules in Saudi Arabia. The rules are aimed to assist banks in better addressing their unique risk factors and dynamic environment by giving more discretion in business decisions. These rules also describe minimum prudential benchmarks in critical risk areas i.e. Anti-Money Laundering, Operational Risk etc. Important features of guideline are as below:

- Said rules mention the minimum actions/documents require for individual, legal person, Resident Personnel & Non Resident Personnel's Government Agencies, Foreign Bodies, Foreign Investor, Schools of foreign communities, Club Minors, unclaimed accounts, donation accounts, trust accounts, Chambers of Commerce and Industry, Escrow Account for Real Estate Development, Scientific societies, Special Purpose Establishments, Multilateral international organizations, Self-employed license holder etc.
- Bank accounts for the seminar must be opened after fulfilling the conditions and procedures as mentioned in guideline.
- Banks are not allowed to open any account for non-resident and non-bank (non-Gulf) commercial companies and establishments, except for intermediate accounts that are permitted in Rule No. (400).
- Correspondent accounts may be opened for non-resident commercial banks (including Gulf banks) with some condition as mentioned in guideline.
- It is forbidden for a customer to have multiple accounts with the bank, provided that they are under one identification code. These rules also define the terms and expressions as use in banking.
- These rules also define the terms and expressions as use in banking.
- Banks should choose or agree to correspondent banks which apply strong criteria for customer identification.
- Discontinue the relationship with correspondent bank accounts when not met the AML/KYC requirement.
- The correspondent bank accounts must update the data within every three years.
- The account of minor will be continued until the minor reaches the age of (eighteen) AH.
- Freezing all accounts and transactions of legal persons upon the expiration of (90) from the end of the validity of the necessary document.
- Banks must notify their customers regarding the date of freezing the account 30 days before.
- The joint account will be frozen by a joint or single signature in the event that the identity

document of one of the participants in the account expires.

- It is permissible to lift the freezing procedures on accounts that have been suspended due to the expiration of the validity of the identities other than the national identity document.
- All natural or legal persons are allowed to close their accounts or authorized accounts that have been frozen (only one transaction).
- The bank must obtain copies of the required documents and ensure that they are identical to the original.
- The bank must identify and verify who are authorized to sign bank accounts.
- Bank accounts for foreign schools are opened after approval of the Ministry of Education and fulfilling the required documentation.
- Money exchange accounts are maintained after the approval of the CEO / director.
- Banks are permitted to establish a relationship with non-resident legal persons.
- Banks must establish a clear and secure mechanism to activate the ATM card for the bank account.
- The bank must perform due diligence of customer data in view of risks of money laundering and terrorist financing, when information is outdated, change of customer's behavior.
- This document set the rules for monitoring the operational activities like keeping the records, freezing the accounts after expiry of documents, authentication of banker's signature etc.
- The accounts of minors must be frozen according to the family registry at the expiration of five years from the date of the opening.
- The bank must, before the age of (15) Hijri years, notify the guardian or guardian of the need to update.
- Accounts opened after official approvals or letters for accounts of government agencies and embassies or their equivalent and organizations, International organizations or their equivalent, or under open-ended licenses and records, such as associations, foundations, and private schools.
- The approval of the Ministry of Finance/ Cultural must obtain to open the account of Cultural, sports and social clubs.
- Bank accounts are opened for prison inmates upon their presentation to banks, accompanied by security experts from the General Administration of Prisons.
- Account opening requirement for the Non-Profit Sector, Donation Account, Hajj, Umrah, Charitable Organization and Public Institutions are given in this document.
- The trust account may be opened for a period of only six months and an extension of another six months is permitted according to an application addressed to the bank from the entity.
- Bank accounts are opened for Saudi individuals residing outside the Kingdom for study, treatment, or official work with terms and condition as mentioned in guideline.
- In case of Account open for expanding and constructing mosques, a letter from the Ministry of Islamic Affairs must be required.
- Escrow bank account for a project to sell or lease real estate units on a map, in which use for the amounts paid to the beneficiaries and deposited into the accounts.

- A written undertaking must obtain from the real estate developer to agree to amend the agreement signed between him and the bank in case of issuing or modifying any related system.
- NGOs accounts only be open after obtaining licensed from the Ministry of Labor and Social Development in all its activities.
- Cheque books are issued to this account at the request of the developer, and no ATM or debit cards are allowed.
- For the purpose of creating a unified automated database for bank accounts, banks should establish an automatic electronic record system.
- The bank establishes a register of Saudi citizens and Gulf Cooperation Council that includes national identity document, family record of minors, or birth certificate, expiry date of documents etc.
- Must set priority of the language Arabic - English - Latin letters.
- Banks should provide an automated search system to conduct routine searches within banks, according to the information required in each electronic record.
- It is not allowed to accept any withdrawal or transfer movement on a dormant account (Dormant) except in the presence of the customer (the natural person).
- When the customer wishes to terminate his dealings with the bank, he must submit a request to close his account and return the check book and card.
- Banks are allowed to enable their customers to receive the salaries of their employees through prepaid electronic records.
- Banker is responsible for the presence of the client at the time of activation of dormant account.
- A statement must be submitted at the end of March of each year to the SAMA, regarding the inventory of accounts, Unclaimed and abandoned accounts whose owners have been disconnected from the bank, according to the nature, category of accounts and account numbers.
- Bank must complete the AML/KYC requirements and obtain all necessary documents from customer.
- Bank should have a system to identify and verifying any suspicious behavior of customer.
- Compliance department should have the authority and right to have timely access to customer identification data and other information.
- The bank establishes a register of non-Saudi resident natural persons.
- Banks must verify the authenticity of identity documents, using documents, data, or information from a reliable, independent source and document.
- Bank must give service to disable person on priority basis.
- Issuing guarantee letters at banks in the Kingdom, and banks must observe the provisions of Article (eleven) of the Anti-Money Laundering Law.
- Banks are not allowed to provide any loans or facilities or allow overdraft to any government agency that exceeds the amounts withdrawn.
- Banks are allowed to issue smart energies that are used for cash deposit via the issuing bank's automated teller machines, with the password.

BANKING RULES & REGULATIONS

Amendment of Bank Rules Circular No. 42053614 dated March 16, 2021

SAMA has informed to amend the rule number (1-1-300) pertaining to licensed institutions, organizations and shops, and to amend rule number (3-1-300) pertaining to resident companies.

Non-Requirement of Companies and Institutions to Reacquire Commercial Registries After They Had Been Revoked in Order to Receive Due Payment Circular No. 42033072 dated January 03, 2021

With regard to banks and financial institutions requiring companies and institutions (whose commercial registrations have been revoked) to reacquire their commercial registrations in order to receive their due payment, the SAMA has crossed out this requirement and assure that banks and financial institutions can no longer require companies and institutions to reacquire their commercial registrations in order to receive due payment while maintaining the following standards:

- In the case that the beneficiary is a company, the due payment is delivered to an agent entrusted by the associates after investigating the names of the associates and the Memorandum of Association through the services provided by (Watheq) portal.
- In the case that the beneficiary is an institution, the due payment is delivered to the owner after investigating him/her through the services provided by (Watheq) portal.

Trade Repository Reporting and Risk Mitigation Requirements for Over-the-Counter (OTC) Derivatives Contracts Circular No.42056371 dated March 23, 2021

SAMA has issued requirement for trade repository reporting and risk mitigation requirement for OTC derivative contracts. These requirements are divided into two Sections:

- Section A sets out the requirements for the reporting of over-the-counter (OTC) derivative transactions to the SAMA authorized Trade Repository (TR) Operator.
- Section B requires banks, which enter into non-centrally cleared OTC derivative transactions to implement specified risk mitigation requirements. These risk mitigation requirements will apply to a bank, which is a contracting party to OTC derivative transactions that are not centrally cleared, irrespective of the bank's outstanding notional amount of non-centrally cleared OTC derivatives or whether or not the transaction is executed for hedging purposes
- These updated requirements shall supersede SAMA circular No. 16278/67 dated 13- 03- 1441AH. The changes from the previous version are underlined. Reporting requirements for Equity, Credit and Commodity along with the updated requirements will take effect by June 1st 2021. (Guideline is available with circular.)

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