

EXECUTIVE SUMMARY OF CIRCULARS

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

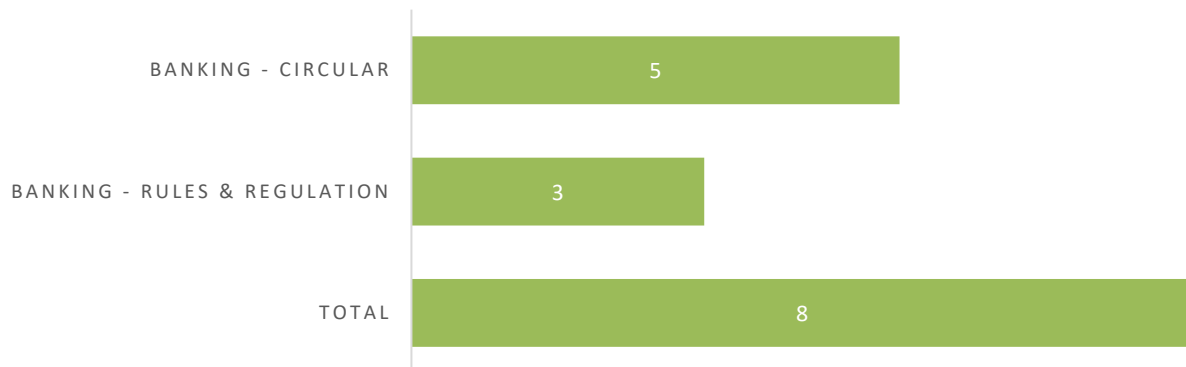
LOCATION: **SAUDI ARABIA**

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INTRODUCTION & SUMMARY

During the 1st April, 2021 to 30th June, 2021, Saudi Arabian Monetary Authority (SAMA) has issued a total of 08 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 2nd quarter of 2021 are summarized below:

BANKING RULES & REGULATIONS

The Bank Accounts Rules dated April 13, 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 mentioned 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. Freezing of accounts, Bank verification, International Multilateral Organizations etc.
- Correspondent accounts may be opened for non-resident commercial banks (including Gulf banks) with some condition as mentioned in guideline.
- Banks These rules also define the terms and expressions as use in banking.
- Guideline discuss the Rules for Remote Opening of Bank Accounts for Natural Persons/ Sole Proprietorships/Resident Corporations/Special Purpose Entities/Foreign Schools/E-Commerce Business/Joint Stock Companies/Licence Money Changers etc.
- The customer may have more than one account at the same bank, provided that all accounts bear one Customer Information File (CIF) number
- A bank account may be opened in Saudi riyal for an expatriate holding a government visit visa to carry out certain assignments for a government or quasi-government entity or for any other juristic entity contracting with a government or quasi-government entity in Saudi Arabia, for an expatriate holding a business visit visa after fulfilling the certain requirements as mentioned in rules.
- Opening bank accounts remotely for customers with existing accounts in the same bank is not allowed.
- Discontinue Bank must open an account for any blind or illiterate customers who request so.
- A bank account may be opened for a legally incompetent person by his/her legal representative who should be the one authorized to sign for and operate such account.
- All banks must establish an electronic registration system in accordance with the classification set forth in Appendix (C) of guidelines and its updates and based on the information provided in the approved IDs.

Executive Summary of Circulars

Saudi Arabian Monetary Authority

- Saudi citizens residing outside Saudi Arabia for study, medical treatment or official work (such as in embassies, consulates, or multilateral organizations) may open bank accounts according to rules.
- The bank may open bank accounts for freelancers upon completing the requirements as mentioned in rules.
- The bank may open accounts for licensed money changers upon completing the necessary formalities.
- Banks must maintain an electronic record for all GCC nationals.
- Banks must use an electronic search system to perform the routine search according to information required in the electronic records under each category.
- Banks must maintain an electronic record for all non-Saudi natural and juristic persons.
- Guideline also mention the rules for transactions regarding inoperative accounts, investment accounts, bank transfers etc.
- 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.
- Accounts shall be considered dormant after (24) calendar months from the date of the last recorded debit transaction carried out by a customer or his/her authorized agent or the last reliable and documented correspondence.
- 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.
- Banks shall freeze all accounts of legal person and non-Saudi natural persons after (90) days of the expiration of the documents. After (180) days of the expiration of the ID, the account balance shall be transferred to a unified account created by the bank for such cases.
- Banks must notify their customers regarding the date of freezing the account 30 days before.
- The bank must, before the age of (15) Hijri years, notify the guardian or guardian of the need to update.
- 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.
- The approval of the Ministry of Finance/ Cultural must obtain to open the account of Cultural, sports and social clubs.
- Bank accounts may be opened for prisoners if they approach banks escorted by officers of the General Directorate of Prisons.
- Banks shall not allow a customer or its authorized person to carry out transactions from his/her accounts after the expiration of his/her ID, unless upon renewal thereof or updating his/her KYC data.
- This guideline also provides instructions regarding Inquiring about and operation of a deceased and incompetent person's account.
- Identification cards and documents that are valid for more than five years shall be updated every 5 years or upon expiration, whichever comes first.

- The bank should give the optimum priority and care to customers with disabilities in a way that facilitates the procedures of providing banking services thereto.
- If the bank receives an official notice of, or becomes aware of, the death of an account holder, it should apply the measures as mentioned in regulation.
- Banks shall transfer the balance of the account within the month following the five-year period to the bank's suspense account created for unclaimed accounts. Banks shall completely conceal the customer signature and balance from the branch screens during this phase. Supervision on such accounts shall be limited to the Head Office.
- The communication policy and procedures should be implemented in accordance with the customer classification and legal nature.
- Banks should submit an annual report to SAMA at the end of March in accordance with the schedule sent by SAMA. The report shall cover all unclaimed and abandoned accounts, including the nature, type and number of the account as of the end of December of the previous year, without disclosing any personal information.
- Banks should have appropriate systems in place to monitor the customer's transactions and activities and identify any suspicious or wrong behavior.
- Banks should continuously assess internal risk-based controls in order to benefit from unusual activities that have been detected.
- Banks should not assign any teller or customer service staff before attending courses on KYC, AML/CFT measures, and ethical and professional behavior of bankers.
- Banks, at their discretion, may update identity information online for customers.
- 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.
- Banks are permitted to establish a relationship with non-resident legal persons.
- Bank should have a system to identify and verifying any suspicious behavior of customer.
- 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 behaviour.
- 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, 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.
 - Account opening requirement for the Non-Profit Sector, Donation Account, Hajji, 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 may open 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.
 - 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 NGOs account at the request of the developer, and no ATM or debit cards are allowed.
 - 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.
 - Banks 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.
 - The bank may open accounts for non-profit sector, Hajji and Umrah entities, and public entities upon fulfilling the requirements set forth for each activity as mentioned in rules.
 - Only residents in Saudi Arabia are allowed to operate the accounts of these licensed entities, with the exception of individuals authorized to operate Hajji and Umrah accounts as per Rule (300.1.5.1).
 - 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 account holder of non-Saudi resident natural persons.
- Subject to the provisions of the Anti-Money Laundering Law and its Implementing Regulations, the Law of Terrorism Crimes and Financing and its Implementing Regulations, and the guidelines issued thereunder concerning politically exposed persons, bank accounts may be opened for resident diplomats working at foreign embassies and consulates.
- The bank may open clearance accounts, which are designated for those wishing to discharge their liability toward public funds.
- 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, 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.
- Any update to the Rules will be published immediately on SAMA's website.
- These Rules shall supersede the Rules Governing the Opening of Bank Accounts and General Operational Guidelines in Saudi Arabia (4th Update) and any supplementary circulars.

Clarified Instructions for Banking Obligations and Transactions dated 19th May, 2021

Main purpose of these instructions is to clarify the obligations of banks and as accordance with the provisions of the Law and the Regulations in addition to facilitating banking transactions related to bankruptcy procedures.

- These instructions do not prejudice the provisions contained in the Law and Regulations, in addition to other relevant regulations and instructions Including - but not limited to the following:
 - Right Rules and guide for managing potential non-performing loans.
 - Bank accounts rules, notified by Central Bank
 - Rules regulating procedures for bankruptcy cases in commercial courts, issued by the Minister of Justice
 - Central Bank regarding the affirmation of not refraining Confiscation of the bank guarantee letter due to the opening of a bankruptcy procedure and the suspension of claims against the ordering customer issuing the letter.
 - Central Bank Circular regarding the importance of observing relevant regulations relationship to the commercial environment and credit transactions.

- Banks, in their capacity as practitioners of banking business or as creditors of the debtor, must abide by the following:
 - Enabling the trustee or the committee, as the case may be, with any information or procedure related to the debtor's transactions subject to a return procedure Financial regulation, liquidation procedure, small debtor financial reorganization procedure, small debtor liquidation procedure, or conducting administrative liquidation, through various channels.
 - Adherence to the suspension of claims against the debtor as soon as the bank receives evidence of the issuance of the competent court's decision to suspend the claims.
- Bank accounts based on judgments and decisions issued by the competent courts after suspending claims, taking into account the following:
 - Commitment to what the bank has to offer.
 - Suspension of claims according to the specified periods for each procedure in the system, or until the cancellation of the suspension Claims, taking into account the extensions that may occur to the periods based on the judgment of the competent court.
- The effect of the suspension of claims does not extend to seizure orders, deductions from bank accounts, and prohibition of dealings based on Judgments and decisions issued prior to suspending claims, unless otherwise issued by the competent court.
- Not to violate the relevant statutory provisions regarding enforcement of guarantees during the period of suspension of claims.
- Compliance with submitting the bank's claims to the trustee or the committee - as the case may be within the time period specified for their submission, with Clarify its nature and attach what supports it.
- Verify the powers and duties of the trustee, and each trustee separately if there are more, based on the judgment of the competent court.
- Ensure that the employees of the concerned departments and branches are familiar with these instructions.
- Opening a bank account for the debtor who is subject to one of the bankruptcy procedures stipulated in guideline in accordance with the requirements the following:
 - A request submitted by the Secretary or the Committee - as the case may be - with the purpose.
- The decision of the competent court containing any of the following:
 - Opening the liquidation or liquidation procedure for small debtors to a natural or legal person and appointing.
 - Opening the liquidation or liquidation procedure for small debtors and appointing more than one trustee with defining tasks and powers.
 - Opening the administrative liquidation procedure and appointing a bankruptcy committee to administer the procedure.
 - A copy of the national identity card of the trustee, or a letter from the

committee that includes the data of the person authorized to manage the account.

- A copy of the commercial register, memorandum of association and its attachments for the legal person subject to the bankruptcy procedure, or identity Nationality/residency for a natural person.
- For the execution or submission of the transactions as described in guideline should not take the periods more than as specified in the schedule.

Requirements for appointment to Leadership Position in Financial Institutions dated 29th June, 2021

SAMA has described the requirements for appointment to leadership positions in financial institutions subject to the supervision in guideline.

- In case of a non-Saudi candidate in a leadership position; Clarify the justifications, and prove the unavailability of a qualified Saudi to fill the position and develop an approved plan to replace a qualified Saudi person in the application for the Central Bank's written no-objection.
- Appointment or assignment to the following positions and the like is restricted to Saudis only:
 - Director of Human Resources.
 - Information Security/Cybersecurity Manager.
 - Manager of Information Technology. Commitment Manager.
 - Director of Anti-Money Laundering and Terrorist Financing.
 - Financial Crimes Control Manager.
 - Anti-fraud manager.
 - Legal Director.
 - Governance Director / Secretary of the Board of Directors.
 - Director of the department concerned with providing information or implementing decisions issued against customers, received through the Central Bank (Financial Execution Department).
 - Director of customer care in insurance companies.
 - Sales Manager for Individuals in Insurance Companies.
- The financial institution shall set a policy approved by the Board of Directors as follows:
 - Job substitution, identifying senior management positions in the financial institution that are filled by non-Saudi employees and qualify Saudi employees to fill it through training and development within a specified period of time.
 - Qualifying Saudi employees through training and development to fill these positions as soon as they become vacant at the institution.
 - Specialized training programs and courses that will be implemented by the financial institution to train and qualify its Saudi employees.

- Develop an organizational framework for this policy, provided that it includes measures to help implement it.
 - The board of directors of the financial institution and the CEO/MD/General Manager shall follow up the commitment to implement.
- The financial institution must verify the scientific and professional certificates of holders of leadership positions and candidates for them, and they should follow as below:
 - Verification of the authentication of academic certificates issued from outside the Kingdom.
 - Verify the authentication of professional certificates via the website or mail to the issuers of professional certificates, Verification by intermediary bodies that verify the credibility of documents and academic certificates.
 - The financial institutions must obtain the Central Bank's prior written no-objection to the nomination of members of the board of directors.
 - Leadership positions that require obtaining a prior written no-objection by the Central Bank in companies Finance, real estate refinancing companies, microfinance companies, and consumer finance, Microfinance, debt crowdfunding, contract registration companies, Money changers operating in the Kingdom. Payments and financial technologies operating in the Kingdom.
 - It is prohibited for persons nominated for leadership positions to assume the responsibilities entrusted to those positions or to begin exercising their roles without prior approval of central bank.
 - The financial institution must obtain a prior written no-objection from the Central Bank before assigning any person to carry out tasks. The assignment period shall not exceed six months, subject to extension with the approval of the Central Bank for one period.
 - The financial institution must obtain prior NOC from Central Bank's to the nomination of board members, appointment, assignment or extension.
 - The financial institution verifies the validity and accuracy of information submitted by candidates for leadership positions from independent sources.
 - The financial institution must explain the suitability form to the candidates and verify its completeness and correctness of what is stated in it, and it must disclose it to the bank.
 - It is the responsibility of the board of directors of the financial institution to ensure that the candidates are suitable for positions that do not require No objection from the Central Bank.
 - All assessments made by the financial institution of candidates must be supported with information and related data must properly documented.
- Leadership positions that require a prior written central bank no-objection in banks operating in the Kingdom are:
 - Member of the Board of Directors.

- Chairs and members of committees.
 - Chief Executive Officer/ Managing Director/ General Manager.
 - Financial manager.
 - Risk manager.
 - Internal Audit Manager.
 - Commitment Manager.
 - Customer Care Manager.
 - Director of Anti-Money Laundering.
 - Financial Crimes Control Manager.
 - Anti-fraud Manager.
 - Credit Manager.
 - Operation Manager.
 - Legal Director.
 - Governance Director / Secretary of the Board of Directors.
 - Information Security Manager/Cyber Security Manager.
 - Manager of Information Technology.
 - Treasury Manager.
 - Director of Human Resources.
 - Retail Banking Manager.
 - Corporate Banking Manager.
 - The Manager of Assets and Liabilities.
 - Director department providing information to SAMA.
 - Any executive position held by Non-Saudi.
- The financial institution, when submitting an application for a prior written no-objection letter to the Central Bank for positions, should require to follow the mechanism set out in Annex (C) as mentioned in guideline.

BANKING CIRCULARS

Amendment of Bank Rules Circular No. 42060703 dated April 04, 2021

SAMA has informed to amend the rule number (6-6-1-300) regarding the accounts of the relief committees & campaigns.

- SAMA advise to amend the requirements of the rule referred above to be in accordance with the accompanying form. So to include its scope in accordance of the King Salman Humanitarian Aid and Relief Center for the purposes of managing its relief campaigns.

Removing the visual identity of the Kingdom's G20 Presidency Circular No. 42061580 dated April 11, 2021

The Saudi Central Bank received a letter from the secretary-general of the Saudi Secretariat for the G20 for the G20 Presidency.

- SAMA has instructed to those who are required to remove the visual identity indicated by the kingdom's G20 Presidency. This shall be circulated to all entities subject to the supervision of the Central Bank.
- SAMA advise to remove the visual identity pertaining to the kingdom's G20 Presidency from all facilities and financial means that pertains to you if existing.

Updating the requirements for appointment to leadership positions in financial institutions subject to the supervision of the central bank Circular No. 42064776 dated April 25, 2021

SAMA refer to the second version of the requirements for appointment to leadership positions in financial institutions subject to the supervision of the central bank of Saudi Arabia, notified under Circular No. 1994/67 dated H 1441/1/10:

- SAMA inform that the requirements referred above has been updated to include "Financial Activities for financial sectors" and the updated version can be found on the Central Bank of Saudi Arabia website.

Enablement of Mothers to Create Branch Accounts for Their Children Circular No. 42068294 dated May 06, 2021

Out of SAMAs precautions to include variety in the services offered by banks in order to fulfil clients' needs as well as the enablement of mothers to manage their children's affairs, SAMA would like to ensure the option of opening branch accounts to the main accounts of mothers with the ability to name the accounts after the minor children. It shall be enforced as of its date.

Provision of Back-Up Generators for Branches Circular No. 42069605 dated May 25, 2021

SAMA advise the banks to be obliged to take precautionary measures and standards to ensure that all of their branches and ATMs must provide with back-up power generators to ensure continuity in the case of power outages. Furthermore, necessary precautions and regular maintenance must be conducted to ensure that these generators are in good working condition as well as coordination with the national electric company.

- It is noted that this circular will be applied at the start of the first of January, 2022 with the application of providing SAMA with all the information regarding application of this circular by the bank within a three-month period.

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