

# Manual for Anti-Money Laundering and Combating the Financing of Terrorism

Raising awareness and protecting the AWQAF sector  
and its stakeholders from risks of money laundering  
and financing of terrorism

أوقاف

الهيئة العامة للأوقاف  
GENERAL AUTHORITY FOR AWQAF



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## Statement of the General Authority for AWQAF for AWQAF Governor

Money laundering and financing of terrorism crimes are prevalent types of economic crimes in our modern times in light of the changes accompanying great technological advancement, as well as the increase of terrorist attacks around the globe. Combating such crimes has received the interest of many countries due to their negative effects and the threat they pose to economic and social development. In the KSA's pursuit to enhance its efforts in combating money laundering and financing of terrorism, which have contributed to mitigate the risks of money laundering and financing of terrorism, the Council of Ministers Resolution No. (42) dated 15/1/1440 H was issued, approving the national strategic objectives for combating money laundering and financing of terrorism, which help mitigate the risks of money laundering and financing of terrorism in the KSA by enhancing local and international cooperation and coordination and boosting the effectiveness of relevant entities' work.

The AWQAF sector in the KSA plays a great role in achieving economic, social, and religious development in a manner that contributes to building a community where social solidarity can be achieved. Due to the sector's importance, the General Authority for AWQAF attaches great importance to combating financial crimes in general and money laundering and financing of terrorism in particular, and strives to seek all the modern mechanisms and professional methods for combating such crimes. The Authority works consistently on providing the necessary capabilities to develop its legislative, institutional, and professional ecosystem with regards to combating money laundering and financing of terrorism. In this context, and in an effort by the General Authority for AWQAF to promote the role of the AWQAF sector in economic and social development, the Authority adopted its own strategic objectives, with the aim of promoting, maintaining, and developing AWQAF in the community and protecting them from financial crimes, in order to enhance the AWQAF sector's contribution to economic and social development in line with Vision 2030.

## Introduction

The AWQAF sector in KSA is one of the key pillars of developing the community due to its great positive impact on encouraging volunteer work aiming to develop the sense of belonging and loyalty to the community, and to strengthening social solidarity between different community groups and consequently contributing to developing and enhancing the quality of life in the KSA. The Saudi AWQAF sector enjoys the state's interest, as it provides support to facilitate the sector's activities, as well as frameworks to protect the sector from malfeasance and offenses resulting from ill-intentioned persons.

To achieve this objective, the General Authority for AWQAF released its "Manual for Anti-Money Laundering and Combating the Financing of Terrorism", with the purpose of raising awareness in the AWQAF sector and its stakeholders of the risks of money laundering and financing of terrorism, and the transactions that could be harmful for the sector and its workers, which will in turn maintain the integrity and reputation of the sector, protect it and help it increase its readiness for facing challenges, threats and risks resulting from such crimes that could impact the sector and the Saudi economy.

## Manual Purpose

AWQAF play a great role in providing social service in different regions of the KSA and enhancing economic development. The AWQAF sector enjoys the community's trust and faith due to the good intentions and benevolence behind AWQAF works. The sector covers a wide range of social services related to different partnerships. Accordingly, the nature of financial transactions for these organizations may be complicated and include different activities and donation sources. Additionally, these organizations' abilities to establish controls to prevent and detect cases of money laundering and financing of terrorism as they arise vary based on their size, financial capabilities, and effectiveness of their management.

Given the nature of works and activities and the environment of the non-profit sector, this sector is at risk of exploitation by money launderers and terrorist entities that may target these non-profit organizations suffering from a weakness in controls, financial resources, or ability to effectively manage such risks.

This Manual aims to raise awareness of the risks of money laundering and financing of terrorism, as well as their nature, types, and mitigation methods. This Manual is also based on a number of relevant laws, regulations, rules, and instructions which organizations and their management should be aware of, including:

- General Authority for AWQAF Law issued by Royal Decree No. M/11 dated 26/2/1437H.
- Anti-Money Laundering Law issued by Royal Decree No. M/20 dated 5/2/1439H and its implementing regulations.
- Combating-Terrorism Crimes and its Financing Law issued by Royal Decree No. M/21 dated 12/2/1439H and its implementing regulations.
- Amended recommendations of The Financial Action Task Force (FATF) issued in 2012.
- Regulation of Fund-raising for Charitable Purposes issued by Council of Ministers Resolution No. 547 dated 30/3/1396 H.

## Manual Users

This Manual was prepared to be used in the Saudi AWQAF sector and by persons involved in AWQAF management, governance, and work. The Manual also covers several aspects related to external parties with which the AWQAF sector deals, such as beneficiaries, donors, volunteers, vendors, partners of the sector, and those informed of its work. It is important for AWQAF employees, especially AWQAF trustees, governance auditors, and financial specialists, to be familiar with the contents of this Manual, in order to raise aware

ness and knowledge of the risks of money laundering and financing of terrorism which the sector may face, and to keep such risks in mind while providing support in supervisory visits conducted by the General Authority for AWQAF.

## **Key Concepts of Money Laundering and Financing of Terrorism**

### **1- Definitions**

#### **Money Laundering:**

Money laundering is any actual or attempted act aimed at concealing or disguising the origin of illegally or illegitimately earned funds to make them look as proceeds from legal sources.

As per the Anti-Money Laundering Law issued by Royal Decree No. M/20 dated 5/2/1439H, "A person shall be considered to have committed a money laundering offence if he/she conducts any of the following acts:

- Converts or transfers or conducts any transaction on funds that the person knows are proceeds of crime for the purpose of disguising or concealing the illegitimate origin of the funds, or to help a person involved in the commission of the predicate offense that generated the funds to evade the legal consequences for his/her acts;
- Acquires, possesses or uses funds that the person knows are proceeds of crime or from illegal source;
- Conceals or disguises the true nature, source, movement, ownership, place, disposition, or manner of disposition, or rights with respect to funds that the person knows are proceeds of crime;
- Attempts to conduct any of acts stated in Paragraphs (1), (2), (3) in this Article, or participates in such acts by means of agreement, providing assistance, abetting, providing counseling or advice, facilitation, collusion, cover-up or conspiring."

The Financial Action Task Force (FATF) also mentions that a many criminal acts aim to generate benefits for the individual or group conducting such acts, and that money laundering also includes reprocessing such benefits (funds) to conceal their illegal sources. This process is of critical importance, as it enables criminals to benefit from such proceeds and protect their illegal sources. For example, illegal activities such as illegal sale of weapons, smuggling, organized crime and drug trafficking networks, theft, fraud, corruption, and electronic fraud, can generate huge amounts of funds, driving those who conduct these activities to legitimize such illegal gains by laundering money, concealing and reshaping its sources, or transferring money to locations where it is less likely to draw attention. The key motive for money laundering is to justify the origin or huge amounts of money resulting from criminal and illegal activities, and at the same time to benefit from such money, which is only possible through severing the connection between the origin of the illegal money and its final form after laundering and turning it into legal money (from their perspective) and introducing it in the financial sector through many methods and tricks. Money laundering usually happens in three key stages:

### **1. Placement:**

The placement or introduction stage, which aims mainly to introduce funds obtained from illegal activities into the financial system without attracting attention. This can be achieved through several methods, including deposits in banks or financial institutions, currency exchange, physical cross-border movement of cash. This is the most difficult stage for launderers, as it is still detectable, especially since it usually involves significant amounts of cash.

### **2. Layering:**

The purpose of this stage is to conceal the illegal origin of the funds deposited in banks, through transfers between accounts, wires to international bank accounts around the globe, or replacing funds with tourist or bank cheques.

### **3. Integration:**

The purpose of this stage is to legitimize laundered money and legally integrate in the national or international economy, in the form of direct investments, whether in real estate or rare goods, or by purchasing shares in companies or investing in the capital market, etc.

## **Terrorist Crime:**

Combating-Terrorism Crimes and its Financing Law issued by Royal Decree No. M/21 dated 12/2/1439H, stipulates that a terrorist crime is: “Any act, committed individually, directly or indirectly, by a perpetrator, with the intention to disturb public order, destabilize national security or state stability, threaten national unity, suspend the Basic Law of Governance or some of its provisions, cause damage to State facilities or natural or economic resources, attempt to coerce any of its authorities into a particular action or inaction, cause harm or death to any person, when the intention of such act, by its nature or context, is to terrorize people or force a Government or international organization to commit or refrain from committing a certain act, or threaten to carry out acts that would lead to or instigate any of the aforementioned intentions. It shall also refer to any act that constitutes a crime under international conventions or protocols on terrorism or terrorism financing, to which the Kingdom is party, or any of the acts listed in the Annex to the International Convention for the Suppression of the Financing of Terrorism.”

## **Terrorism Financing Crime:**

Combating-Terrorism Crimes and its Financing Law issued by Royal Decree No. M/21 dated 12/2/1439H, stipulates that a terrorism financing crime is: “Providing funds for committing a terrorist crime or for the benefit of a terrorist entity or a terrorist individual in any form stipulated in this Law, including financing the travel and training of a terrorist individual.”

FATF defines terrorist financing as “the financing of terrorist acts, and of terrorists and terrorist organizations.”

## **2- Examples**

This section includes examples of money laundering and financing of terrorism crimes. For additional examples, please refer to: FATF Report – Risk of Terrorist Abuse in Non-Profit Organizations. As follows we provide some example money laundering and financing of terrorism crimes in the non-profit sector that took place in other countries.

## **Money Laundering Crimes:**

Money laundering crimes involve committing any act or activity aiming to disguise or conceal funds obtained through illegitimate or illegal activities and making them look like legally obtained funds.

For example, proceeds from the following offences are often laundered to be used as legally obtained funds: drug trafficking, trade in weapons, smuggling, trafficking human organs, theft, fraud, and embezzlement.

Examples of money laundering through non-profit organizations include attempts to launder money through donating significant amounts of money to a non-profit organization, provided that specific companies or institutions (working as a front for laundering) provide services to the organization. This aims to legitimize the transactions of such companies or institutions, and the illegally obtained funds are transferred by a non-profit organization to a company or institution in a form making them seem as payments for services or materials.

## **Terrorism Financing Crimes:**

Terrorism financing crimes involve providing financial or non-financial support, assistance or facilitation of any activity that serves terrorist groups. We have many real-life examples related to non-profit organizations outside the KSA, for example:

- Sending funds to a foreign terrorist group: In investigations carried by a state, a non-profit organization was found to be sympathetic to an organization supporting terrorism in a foreign country. Investigations, which included bank account audits, revealed that this organization had sent over USD 600 000 to a terrorist group listed as terrorist entity in several countries.
- Receiving fund from a foreign terrorist entity: Investigations by the competent authorities in one state found that a non-profit organization had received a significant amount of funds from a foreign non-profit organization (which had been operating in an area affected by an internal conflict). It was also found that the organization and an unassociated individual had withdrawn a significant part of these funds. Upon investigation, it was revealed that the

foreign organization that had transferred these funds was linked to an internationally wanted foreign terrorist agent. Additionally, investigations found a prominent figure in a foreign militant organization working in the non-profit organization that received such funds.

- Collecting donations to support an individual associated with a terrorist group: Investigations by the competent authorities in one state found that two individuals claiming to be representatives of a well-known domestic humanitarian aid organization were raising funds by way of public street collections. Once a sizeable amount of money had been collected, it was sent to a family member who was fighting alongside a listed terrorist organization instead of depositing the money at the legal organization. The two individuals were arrested and convicted of illegal fundraising and financing of terrorism and sentenced to jail. Several reasons make non-profit organizations vulnerable to abuse by terrorist groups and organizations, including:

- These organizations enjoy the public trust.
- They have significant sources of funds.
- They depend on significant amounts of funds to operate.
- Some enjoy global presence, giving them a framework for operation locally and internationally.
- In some countries the establishment of such organizations may not require many formalities.

### **3- Money Laundering and Financing of Terrorism Risk Indicators**

The management authority at the organization should be able to identify and focus on money laundering and financing of terrorism risk indicators to protect the organization from such risks.

Following are examples of indicators that may result from money laundering and financing of terrorism risks:

- Expenses not consistent with the organization's programs and activities.
- Organization's lack of precise knowledge of the final use of its resources

- Expenses not consistent with the organization's programs and activities.
- Organization's lack of precise knowledge of the final use of its resources and its spending efficiency.
- Organization's lack of knowledge of its sources of income.
- Discrepancies in accounts or financial reports.
- Use of forged and unofficial documents.
- Vague and unclear management and decision-making structure.
- Recurring loss of documents and records.
- Mingling of organization funds and personal funds.
- Disappearance of some bank statements for accounts allocated for some programs or activities.
- Organization's transfer of funds to entities unassociated with declared activities or programs.
- Organization's receipt of funds from entities suspected to be sympathetic with terrorist activities.
- Organization's sharing of some of its assets with entities believed to be sympathetic with terrorist activities or to have illegal activities.
- Organization representatives' repeated travels to areas known to have terrorist entities present.

The foregoing list includes only some examples and should not be taken as a comprehensive list. It may apply in varying degrees based on the type, activity, and size of the organization. Accordingly, organizations should be able to identify these indicators among others based on the nature of their works.

## Requirements

Waqf entities should seek to do the following:

- Maintain information on the purpose and objectives of its declared activities, and the identity of the person or persons who own, manage, control, or direct its activities, including senior executives, board members and trustees.
- Issue annual financial statements with detailed data on revenues and expenses.
- Have controls to ensure all funds are fully accounted for and spent in line with the purpose for which the entity was established.
- Be licensed or registered.
- Follow the rule “be familiar with beneficiaries and their associated non-profit organizations”.
- Maintain records of local and international operations.

## Risk Assessment

The organization’s self-assessment of money laundering and financing of terrorism risks is an important procedure that aims to identify such risks and assess their impact and likelihood, to enable the organization to set up an oversight structure based on an awareness and knowledge of the key risks it faces, and to develop suitable controls and processes in line with the size of risks and threats and mitigate the risks of money laundering and financing of terrorism to which the organization may be vulnerable. Assessment should be continuous and updated whenever necessary, or annually at the very least. The General Authority of AwqafGeneral Authority for AWQAF will assess through regular supervisory rounds over the AwqafAWQAF sector the organi

zation's vulnerability to money laundering and financing of terrorism risks, and will help organizations by outlining suitable mechanisms and methods to facilitate risk assessment, taking into account the nature and size of the Waqf.

## **Reporting Suspicions**

All non-profit organizations should report to the Saudi Arabia Financial Investigation Unit (SAFIU) any suspicion of any transaction's association with money laundering and financing of terrorism crimes, including attempts to conduct such transactions regardless of the amounts, in line with the provisions of Article 15 of the Anti-Money Laundering Law: "Financial institutions, designated non-financial business and professions, and non-profit organizations, including any person providing legal or accounting services, that suspects or has reasonable grounds to suspect that funds or parts thereof, are proceeds of crime or are related to money laundering or that such funds will be used in acts of money laundering, including attempts to initiate such a transaction, shall take the following measures: - Promptly and directly report such transaction to the Saudi Arabia Financial Investigation Unit; and provide a detailed report including all available data and information on such transaction and relevant parties.

- Respond to all requests from the Saudi Arabia Financial Investigation Unit for additional information."

## **Compliance with Laws & Regulations**

Roles and responsibilities relevant to monitoring adherence and compliance with laws and regulations, including those relevant to money laundering and financing of terrorism, should be identified in line with the relevant laws and regulations:

- General Authority of AwqafGeneral Authority for AWQAF Law issued by Royal Decree No. M/11 dated 26/2/1437H.
- Anti-Money Laundering Law issued by Royal Decree No. M/20 dated 5/2/1439H and its implementing regulations.
- Combating-Terrorism Crimes and its Financing Law issued by Royal Decree No. M/21 dated 12/2/1439H and its implementing regulations.
- Regulation of Fund-raising for Charitable Purposes issued by Council of Ministers Resolution No. 547 dated 30/3/1396 H.

Adherence to the foregoing national laws and regulations and any instructions or regulations issued by the General Authority of AwqafGeneral Authority for AWQAF as the supervisory and regulatory authority over the AwqafAWQAF sector in the KSA is important. The organization's administrative authority should ensure adherence to such laws and regulations, as well as ensure the understanding, skills, and full awareness of all relevant laws and regulations. If the organization does not possess sufficient knowledge of requirements listed in such laws and regulations regarding combating money laundering and financing of terrorism, the organization should seek the advice of specialists to ensure full adherence and mitigate risks of money laundering and financing of terrorism.

Adherence to relevant laws and regulations protect the organization from risks of money laundering and financing of terrorism, due to its great impact on protecting the reputation and integrity of the AwqafAWQAF sector, which in turn has a great impact on its sustainability and prosperity.

## **Revenues, Donations and Controls**

A clear plan for collecting donations should be developed, including a clear policy for fund-raising as well as a description of its methods and the objectives of this plan to mitigate the organization's vulnerability to money laundering and financing of terrorism risks. It is also important to adhere to the Regulation of Fund-raising and decisions issued by the official entities in the KSA in this regard. Additionally, it is recommended to conduct a periodic review of revenue and donation records by the administrative authority to ensure their integrity.

## **Awareness and Training**

Organizations should continuously train their workers and raise their awareness of the risks of money laundering and financing of terrorism, especially staff occupying sensitive positions, such as: staff of the department of finance, staff supervising projects and activities, and staff supervising collection of donations, among others. The General Authority of AwqafGeneral Authority for AWQAF, in accordance with its supervisory and regulatory authorities over the AwqafAWQAF sector and work of trustees in the KSA, will provide assistance to contribute to raising awareness and training workers in the AwqafAWQAF sector and its stakeholders.



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