



ML National Risk Assessment

**AML Permanent Committee
2025**

Introduction:

The Kingdom of Saudi Arabia is committed to combating money laundering offences in line with the international standards issued by the Financial Action Task Force (FATF), which provide a comprehensive framework of measures that countries are required to implement to address money laundering risks. FATF Recommendation 1 and its Interpretive Note, emphasise countries to identify, assess, and understand money laundering risks and to apply proportionate mitigation measures under a risk-based approach. This includes designating a national authority responsible for coordinating efforts and actions related to risk assessment and mitigation on an ongoing and effective basis. In this context, the Kingdom continues to develop and strengthen its national legal, policy, and regulatory frameworks to ensure alignment with the FATF Standards and international best practices.

The Kingdom adopts a continuous approach to identifying, assessing, and understanding money laundering risks in order to maintain a comprehensive and up-to-date national understanding of such risks in light of rapid economic, regulatory, and technological developments. Saudi Arabia first conducted a national money laundering risk assessment in 2017, which served as the foundation for understanding money laundering risks at the national level. This was followed by subsequent updates to enhance the national understanding of money laundering risks and to strengthen the measures taken to mitigate them, including by enhancing coordination mechanisms among competent authorities, developing supervisory and oversight frameworks for financial institutions and designated non-financial businesses and professions (DNFBPs), improving the effectiveness of investigations and prosecutions, and embedding the application of the risk-based approach across relevant authorities.

Objectives:

The National Risk Assessment (NRA) aims to identify and analyse the money laundering threats facing the Kingdom, assess vulnerabilities, and examine the potential consequences, thereby enhancing the national understanding of risks, identifying national priorities, and supporting the development of policies and measures in line with the risk-based approach. The NRA serves as a key tool to support the development of legislative, regulatory, and supervisory frameworks, guide priorities and the allocation of resources related to anti-money laundering efforts, and assess the effectiveness of risk mitigation measures. It also provides a reference framework for FIs and DNFBPs when conducting their own risk assessments, ensuring alignment with national risk levels. In addition, the NRA serves as a reference point for relevant national authorities to monitor the evolution of risks and identify priority areas, while supporting reporting entities in aligning their preventive measures and controls with the nature and level of national and sectoral risks.

Methodology:

The 2025 NRA was based on the International Monetary Fund (IMF) methodology, which is structured around three main components: threats, vulnerabilities, and consequences, thereby providing a comprehensive framework for assessing money laundering risks at the national level. Threats are identified through estimating the proceeds generated from predicate offences and analysing illicit proceeds across borders, including proceeds generated domestically and transferred abroad, illicit proceeds originating from external sources, proceeds transiting through the Kingdom's financial or economic systems, and funds returning for the purpose of laundering. Vulnerabilities are assessed through an analysis of the sectors, products, services, and

institutional frameworks that may be exposed to money laundering risks, with a focus on the extent to which products, services, or institutional deficiencies may be exploited to conceal illicit proceeds and integrate them into the economy. Consequences are assessed by examining the potential impact of money laundering on the integrity of the financial system, economic stability, as well as social and geographic impacts.

For the purposes of preparing the NRA, a specialised technical team comprising representatives from relevant authorities was established to provide both quantitative and qualitative data, including national statistics, international reports, and case studies, in addition to expert input from both the public and private sectors gathered through questionnaires, meetings, and workshops. This contributed to the development of a comprehensive information base that supported the analysis and assessment of risks in accordance with the adopted methodology.

Sectoral and Other Assessments:

In addition to the NRA, the Kingdom relies on an integrated framework of sectoral, thematic, and other relevant assessments to strengthen and continuously update the national understanding of risks in line with economic, regulatory, and technological developments. This approach reflects the Kingdom's commitment to a comprehensive view of money laundering risks, which is not limited to the findings of the NRA alone, but is also informed by the outcomes of specialised assessments focusing on specific sectors, themes, or areas that may involve distinct risks, typologies, or challenges.

The sectoral assessments covered FIs and DNFBPs, with the relevant supervisory and regulatory authorities conducting risk assessments of the sectors under their supervision. These assessments examined inherent risks, customer profiles, products and services, delivery

channels, and geographic exposure, in addition to assessing the effectiveness of the controls and preventive measures in place and their ability to mitigate risks. These assessments contributed to a deeper understanding of the nature of risks facing each sector, the factors influencing risk levels, and the differences across sectors in terms of the degree and nature of their exposure to risks. In addition, a number of other assessments were conducted covering areas with potential exposure to money laundering risks, such as legal arrangements (Awqaf), legal persons (companies), virtual assets and virtual asset service providers (VASPs), and the risks associated with the use of cash in the Kingdom.

Overview of Threats:

Proceeds generated from predicate offences constitute the primary driver of money laundering. These offences vary significantly in scale, frequency, economic impact, and the methods through which their illicit proceeds are introduced into the financial system. Accordingly, understanding the nature and scale of each offence is essential to assessing the overall money laundering threat facing the Kingdom. The assessment findings indicate that Illicit trafficking in narcotic drugs and psychotropic substances, corruption, smuggling across borders, and fraud represent the highest threat sources associated with money laundering, and are typically carried out by organised groups (three or more persons). The remaining predicate offences were assessed based on their respective characteristics and the extent of their impact in generating illicit proceeds. The assessment also found that the largest share of criminal proceeds is generated in cash, while the remaining share is divided between financial assets and physical assets. The offences most prominently associated with the generation of cash proceeds include drug trafficking and psychotropic substances offences, corruption, and smuggling across borders. The channels that may be used to move proceeds outside the Kingdom include the financial sector,

illegal transfer activities, smuggling, and trade channels . The NRA findings further indicate that criminal proceeds are generally generated domestically and transferred abroad at later stages, rather than the Kingdom serving primarily as a final destination for laundering proceeds from abroad or as a transit jurisdiction.

Overview of Vulnerabilities:

The assessment adopted a comprehensive framework for evaluating vulnerabilities associated with money laundering. Vulnerabilities were not viewed as isolated deficiencies; rather, the assessment examined the extent to which structural, institutional, supervisory, and criminal justice features could be exploited across the different stages of money laundering. This approach is based on the premise that money laundering opportunities are linked to the scale and complexity of the available economic and financial channels, as well as to the effectiveness of the preventive, supervisory, and enforcement measures applied to them. The assessment drew on statistical data, the findings of sectoral assessments, the outcomes of supervisory and regulatory activities, analysis of suspicious transaction reports, and data relating to investigations, convictions, and confiscations, in addition to meetings and workshops held with competent authorities. The assessment also focused on three key events associated with money laundering risks:

First: Likelihood that Money Laundering May Be Attempted

This event focuses on the level of structural exposure to risk by examining the extent to which the characteristics of the economy, geographic location, financial system, and governance environment create opportunities for criminal proceeds to be introduced, retained, or transferred. The analysis was informed by a number of factors, most notably the anti-crime environment,

international factors, border security, the judicial environment, economic channels, and corruption risks.

Second: Likelihood that ML, Once Attempted, Remains Undetected

This event assesses the extent to which money laundering activities may continue in or through the Kingdom without being identified and disrupted, whether through preventive measures, supervisory and regulatory activities, financial analysis, or actions taken by law enforcement authorities.

Third: Likelihood that ML Does Not Result in Effective Sanctions

This event assesses the effectiveness of the national framework in dealing with detected money laundering cases by measuring the ability of competent authorities to investigate, prosecute, impose appropriate sanctions, and deprive criminals of their illicit proceeds.

Overview of Consequences:

Consequences are assessed independently from threats and vulnerabilities. While threats focus on estimating the volume of criminal proceeds, and vulnerabilities focus on assessing the likelihood of successfully laundering those proceeds across the various stages or events associated with money laundering, the analysis of consequences assesses the scale of harm that the country may suffer if money laundering activities occur. This is examined through both short-term and long-term consequences.

Short-Term Consequences

Short-term consequences reflect the immediate scale of activities and financial transactions associated with successful money laundering operations over a period of up to twelve months. They are used as an indicator of the volume of illicit proceeds entering, circulating within,

or leaving the financial system. In this regard, the assessment took into account the estimated volume of transactions associated with money laundering, the potential misuse of FIs and DNFBP sectors for moving criminal proceeds, and the extent to which supervised and regulated entities may be exposed, directly or indirectly, to such activities.

Long-Term Consequences

Long-term consequences reflect the broader structural and systemic implications of the continued success of money laundering over time. Unlike short-term consequences, which focus on the volume of transactions, long-term consequences focus on the cumulative impact on institutional integrity, economic stability, and governance. Long-term consequences are assessed across four main dimensions: the social dimension, the economic dimension, the political dimension, and the geographic dimension.

Conclusion:

The NRA provides a comprehensive view of the nature of the money laundering risks facing the Kingdom and the effectiveness of the measures in place to combat them. It also supports decision-makers, competent authorities, and reporting entities in directing resources and efforts towards priority risks. The NRA findings indicate that the Kingdom has developed an understanding of risks at both the national and sectoral levels, including evolving risks and typologies associated with economic and financial activities. The findings also highlight the importance of the policies, laws, and measures in place, the role of competent authorities in managing risks within their respective mandates, and the importance of supervisory and regulatory frameworks and compliance with legal and regulatory requirements in reducing the opportunities for the misuse of different sectors for money laundering purposes.

The outputs of strategic analysis, thematic studies, and reports submitted to competent authorities have also contributed to enhancing the understanding of money laundering methods and emerging trends associated with them. Among the key typologies identified is the misuse of commercial entities as channels for moving funds, whereby such entities are used as financial fronts to receive illicit funds and subsequently transfer them to other domestic or foreign accounts without a clear economic rationale. Another typology involves the aggregation of funds from multiple parties followed by transfer abroad, whereby funds are received from a large number of individuals or different accounts into a single account or a group of accounts before being transferred overseas. The assessment also identified the use of intermediaries and third parties to conceal the identity of the beneficial owner, including the use of bank accounts or commercial entities registered in the names of other individuals, such as spouses, children, or nominee partners, while the effective control of the account or entity remains with another person. In addition, the recycling of funds between related accounts and entities was observed, involving the movement of funds through several linked bank accounts or commercial entities before being transferred abroad or converted into other assets. Finally, rapid international transfers without a commercial basis were also identified, whereby international transfers are executed shortly after cash deposits or following receipt of domestic transfers, often to multiple foreign jurisdictions. These outputs support the efforts of competent authorities and reporting entities in developing indicators of suspicion and strengthening risk-based preventive and supervisory measures.

The NRA also drew on the findings of sectoral and thematic assessments prepared by the relevant supervisory and regulatory authorities within their respective mandates, and benefited from the data, information, and analysis contained therein to strengthen the national understanding of risks. These assessments demonstrated variations in risk levels across sectors.

The findings showed that the banking sector and dealers in gold and precious metals are among the sectors most exposed to risk, while certain other sectors were assessed as presenting relatively lower levels of exposure, such as insurance, legal professions, and the financing sector.

Based on the findings of the NRA, including its analysis of threats, vulnerabilities, and consequences, as well as the results of relevant sectoral and thematic assessments, the overall level of money laundering risk in the Kingdom was assessed as **medium**. This rating reflects the existence of money laundering risks that require the continued implementation of risk-based preventive and supervisory measures, alongside the ongoing development and strengthening of national measures to mitigate these risks and address the evolving threats and typologies associated with them.

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