PF National Risk Assessment

AML Permanent Committee

2025

Introduction:

Financing of proliferation is defined as the provision of funds, financial services, or economic resources that support or facilitate the development, production, acquisition, or transfer of weapons of mass destruction (WMD), and remains a significant global security challenge. The international community, led by the United Nations Security Council (UNSC) and the Financial Action Task Force (FATF), has underscored the critical role of financial measures in preventing proliferation activities by state and non-state actors. Given the complexity, sophistication, and transnational nature of proliferation financing (PF), jurisdictions around the world have been called upon to develop effective and evolving national frameworks to identify, assess, and mitigate their exposure to PF risks.

Saudi Arabia has conducted Proliferation Financing National Risk Assessment (PF NRA) as dedicated assessment of PF risks in Saudi Arabia, and a central step of a strategic response to evolving global security challenges. This initiative aligns explicitly with the FATF's updated Recommendations 1 and 7 as well as Immediate Outcome 11, which mandate jurisdictions to identify, assess, understand and mitigate their proliferation financing risks distinctly and separately from other illicit financial threats. In this regard, the Anti-Money Laundering Permanent Committee (AMLPC) carried out the PF NRA process through the establishment of the PF Coordination Working Group, which serves as the Kingdom's main mechanism for the assessment of PF risks, development and coordination of national risk-based CPF policies, timely exchange of PF related information amongst competent authorities, both proactively and upon request, and for operational and strategic cooperation amongst all competent authorities.

The PF NRA is intended to inform the development of national and sectoral strategies and will serve as a cornerstone for ongoing and future initiatives, directly shaping legislative enhancements, policy revisions, supervisory actions, institutional coordination mechanisms, and public-private sector outreach programs to mitigate proliferation financing risks.

Assessment Methodology:

The FATF Guidance on Proliferation Financing Risk Assessment and Mitigation 2021 (FATF Guidance on PF-RA) assists countries in conducting their PF-specific national risk assessments and explains that PF risks include the potential breach or non-implementation of TFS and the evasion of TFS. It states that "this risk may materialize when designated entities or individuals access financial services, and/or funds or other assets, as a result, for example, of a delay in communication of designations at the national level, a lack of clear obligations on private sector entities, or failure on the part of private sector entities to adopt adequate policies and procedures to address their proliferation financing" or "due to concerted efforts of designated persons and entities to circumvent targeted financial sanctions." The assessment is based on the analysis of two separate dimensions of PF risk, namely the country's direct and indirect exposure to proliferation financing risks.

Direct PF risk refers to the offering of services or the provision of funds or any asset directly to designated entities or individuals, or to the direct contribution to the development of prohibited WMD programs by selling, delivering, or providing goods or assets, including prohibited or restricted goods, such as commodities and dual-use goods. Indirect PF risk is the offering of services or provision of funds or any asset to designated entities or individuals or to the contribution to the development of the prohibited WMD program through a third party, or through persons with links to sanctioned parties or sanctioned programs. Indirect PF risk often entails using legal persons and various international transactions controlled or directed by people acting on behalf of or linked to a designated entity or individual. In line with this guidance by FATF, the PF risk assessment examines each component from an indirect and a direct PF risk perspective. Under the adopted methodology, the level of threats and inherent risks is assessed across four categories: low, medium-low, medium-high, and high. The effectiveness and quality of controls and risk mitigation measures are likewise assessed across four classification: weak, moderate, substantial, and strong. The level of residual risk is determined by assessing the level of inherent risk in light of the effectiveness of the controls in place.

The assessment relied on a combination of quantitative and qualitative data sources collected from the PF Risk Assessment Working Group. Furthermore, Public and Private Sector input was sourced and integrated into the analysis. A structured national PF Risk Survey was developed and disseminated to over 300 public and private sector stakeholders. Respondents included FIs, DNFBPs and trade companies, as well as a public official from a wider range of relevant authorities.

Threat Assessment:

The results of the PF NRA indicate the extent to which Saudi Arabia's exposed to actual, documented, or observed direct or indirect PF activity during the assessment period. The threat assessment focuses on historical evidence of sanctions breaches, PF criminal investigations, prosecutions, and suspicious transaction reporting (STRs), PF related enforcement actions taken, and foreign information and legal assistance requests received by Saudi Arabia involving PF elements.

Direct Threat:

No direct PF cases have occurred in Saudi Arabia during the review period. Saudi Arabia has not been exposed to any direct proliferation financing threats involving designated entities or individuals under PF related UNSCRs accessing financial services, and/or funds or other assets in contravention of the requirements and provisions of the Chapter VII mechanism. No assets were frozen in Saudi Arabia pursuant to PF related UNSCRs. Saudi Arabia has not identified any individuals or entities that were owned or controlled, directly or indirectly, by a designated person. No Saudi national or legal entity features on the UN's PF related list of designated persons and no sanctioned legal entity has ever been identified as having a physical presence, or accounts, assets, or business interests in Saudi Arabia. Therefore, direct PF threat exposure is low.

Indirect Threat:

Equally, no cases of indirect PF activities have been detected in Saudi Arabia in the period subject to review. Since 2021, no suspicious transaction reports (STRs) that in any way involved transactions related to sensitive or dual-use goods, smuggling, the DPRK or Iran, or that pointed to any other indirect PF related fact patterns were filed. Also, no customs-related indirect PF threats involving illicit shipments of dual-use goods or sensitive materials, or PF-linked items attempted to smuggle goods through Saudi Arabia have so far been identified. No cases were escalated by Customs authorities to other national bodies for investigation or enforcement action. No prosecutions were filed in Saudi Arabia involving PF related fact patterns.

International cooperation is a key indicator of threat exposure as foreign jurisdictions may detect PF activity with linkages to Saudi Arabia. No requests from foreign counterparts were received relevant authorities since 2021 relating to PF fact patterns or indicators, confirming that foreign countries investigating PF cases did not trace existing proliferation financing schemes to Saudi Arabia. Accordingly, Saudi Arabia's indirect PF threat exposure is medium-low. Saudi Arabia's geographic and commercial integration into global financial and logistics networks introduces structural exposure to transnational PF threats that must be recognized even in the absence of detected cases to date. The complexity of indirect PF schemes further supports this rating.

Proliferation Financing Risk Scenarios:

Certain countries and entities continue to be global concern in relation to proliferation financing activities and and targeted financial sanctions violations, in accordance with the relevant United Nations Security Council, through (Resolution 1718, Resolution 2231, and their successor resolutions). Despite the very limited direct relations between Saudi Arabia with with countries designated on those lists, international global reporting documents that sophisticated PF sanctions evasion schemes almost always involving complex networks operating accros multiple jurisdictions through the exploitation of regional trade, corporate, and financial ecosystems, involving the usage of front companies, regional intermediaries, and legitimate commercial structures. Accordingly, the risk assessment examines Saudi Arabia's direct and indirect exposure to internationally documented PF typologies through a total of nine risk scenarios. Each risk scenario reflects methods through which proliferation networks may attempt to access financial services, trade systems, or logistical channels in Saudi Arabia (inherent risk), the quality of the mitigation measures in place, to result in a residual risk rating for each scenario.

The assessment draws upon extensive national data sources, including supervisory reporting, national survey responses, institutional consultations, international case studies, and intelligence derived from United Nations Security Council Panels of Experts and FATF publications. Collectively, these risk scenarios serve to operationalize Saudi Arabia's PF residual risk exposure into actionable risk mitigation priorities.

The national inherent PF risk exposure, defined as the likelihood of PF materializing in the future, is assessed as medium-low. Both the composite view resulting from the analysis of various PF risks scenarios and the sectorial analysis as outlined below substantiate this risk rating. For almost all risk scenarios and most sectors, inherent PF risks are driven by indirect risks associated with Saudi Arabia's integration in global financial and trading systems. Direct exposure to PF risks was shown to be much more limited in all respects. Of the nine PF risk scenarios examined, two were assigned a medium-high residual risk, namely the risks associated with cross-border goods movement, and trade financing activities. This is plausible in light of the trade focused nature of Saudi's economy and the naturally indirect resulting exposure to foreign actors and jurisdictions that may be involved in PF schemes. It is to be noted that these higher risk ratings would require national and international collaborative response.

From a sectorial perspective, banks are most exposed to PF risks despite the significant and effective risk mitigation measures in place. The sectors' risk ratings are drive again by indirect PF risks, in particular those associated with wire transfers and trade financing activities. All other sectors are found to face a low or medium-low PF risk exposure.

Conclusion:

Saudi Arabia's exposure to PF risk is indirect in nature, and associated with interactions with foreign actors. Saudi Arabia is exposed to transnational PF risks in the same way as many other major economies in the world. The significance and volume of regional and global trade activity creates pathways through which proliferation financers could indirectly exploit Saudi cross-border transactions or financial intermediaries, including transactions that may involve second or third-layer intermediaries obscuring the involvement of individuals or entities designated under United Nations sanctions lists. In contrast, direct PF risks arising for Saudi Arabia are more limited, given that the customer base of domestic FIs and DNFBPs as well as the control and ownership of domestic legal entities is almost exclusively domestic (nationals and residents) in nature. For some sectors, direct risks nevertheless exist through the cross-border nature of various products offered, such as wire transfers, and trade financing. The PF NRA shows that there is no confirmed domestic direct or indirect PF cases have been identified in Saudi Arabia during the assessment period. However, the absence of identified PF cases should not necessarily be taken to mean that no such cases exist. The complexity of PF cases identified globally forcefully illustrate detection and investigation challenges worldwide. In light of these considerations, the Kingdom's overall level of PF risk is assessed as **medium-low**.

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