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Ministry of Commerce and Investment

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KINGDOM OF SAUDI ARABIA

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*Guidelines on Combating Money Laundering and Terrorist Financing*

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*Rabi Al-Akhir 1438 H*

*Corresponding to January 2017 AD*

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*First: Purpose of these guidelines*

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- Raising the awareness of Designated Non-Financial Businesses and Professions (DNFBPs) about combating money laundering and operations that may involve money-laundering.
- Ensuring the compliance of DNFBPs with the Anti-Money Laundering Law promulgated by Royal Decree No. M / 31 dated on 11/5/1433 H, the Law for Crimes of Terrorism and its Financing promulgated by Royal Decree No. M / 16 dated on 24/2/1435 H and the Executive Regulations thereof, as well as ensure their compliance with the requirements of the regulations, bylaws and rules legally established for combating money laundering and the financing of terrorism.

*Second: Users of these guidelines*

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Below is a list of Designated Non-Financial Businesses and Professions (DNFBPs) that should comply with the Anti-Money Laundering Law and its executive regulations as well as with the content of these guidelines:

- Dealers in Precious Metals and Precious Stones
- Real Estate Agents (Real Estate Offices)
- Chartered Accountants

*Third: Basic Concepts related to Money Laundering Operations:*

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**a. What is Money Laundering?**

Committing or attempting to commit any act with the intention to conceal or disguise the true origin of funds acquired by means contrary to Sharia or Law in order to make such funds appear as if they were from a legitimate source.

**b. Objectives of the Money Laundering Operations**

The main objective behind money-laundering operations is to justify the origin of the enormous amount of funds generated from criminal and illicit activities in the world, for which owners cannot justify access thereto, reveal the real sources thereof and at the same time benefit therefrom, unless by cutting the link between the illicit origin of the money and the final form thereof after completing the money laundering operation, transforming the same into legal funds – from their point of view – and introducing the same in the financial sector using many methods and tricks.

**c. Stages of the Money Laundering Operation**

The money laundering operation usually goes through three main stages:

**1- Placement Phase (Deposit)**

This stage consists in the placement of funds. The main purpose thereof is to introduce the cash generated from illicit activities into the financial system in a manner that does not raise suspicions. This stage is conducted through various means: deposit of funds in banks or financial institutions, transfer of funds to foreign currencies, material transfer of cash across borders. This placement stage is the hardest for those wishing to launder money as it is subject to detection whereas it usually involves large sums of money.

**2- Layering Phase**

The purpose of this stage is to camouflage the illegal source of the funds deposited in banks by conducting several transactions between multiple accounts, transferring balances to accounts in international banks around the world or replacing the funds with tourist and bank cheques.

**3- Integration Phase**

The purpose of the this stage is to give funds legitimacy and legally introduce the same into the national or international economy in the form of direct investment whether in real estate, rare commodities, purchase of shares from companies or invest the same in the stock exchange and so on.

#### **d. Activities related to money laundering**

There are many acts that make a person a perpetrator of a money laundering crime. Article (2) of the law identifies such acts. There are also many illegal or irregular activities that generate funds used in money laundering operations and where the use of funds derived therefrom constitutes a money-laundering operation. Article (2) of the Executive Regulations of the Anti-Money Laundering Law specify twenty-five criminal activities as well as illegal and illegitimate sources where the use of funds derived therefrom constitutes a money-laundering operation, the most important ones are as follows:

1. Crimes stipulated in the Executive Regulation of the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic substances of 1988.
2. Crimes stipulated in the United Nations Convention against Transnational Organized Crime (Palermo Convention) issued in December 2000.
3. Crimes stipulated in the International Convention for the Suppression of the Financing of Terrorism of 1999, including the financing of terrorist acts, terrorists, terrorist organizations, directly or indirectly, through illicit and legitimate sources.
4. Smuggling, manufacturing, trading in or promoting intoxicants
5. Crimes of money counterfeiting stipulated in the Penal code applied in Counterfeit and Duplication of Currency
6. Forgery Crimes stipulated in the Anti-Forgery law
7. Bribery Crimes stipulated in the Anti-Bribery law
8. Smuggling, manufacturing or trading in weapons, ammunition and explosives
9. Procurement and preparation of brothels, debauchery, sexual exploitation including the sexual exploitation of children
10. Crimes stipulated in the United Nations Convention to Fight Human Trafficking
11. Piracy
12. Blackmailing
13. Kidnapping, illegal restraining and hostage taking
14. Murder, infliction of severe body injuries
15. Environmental Crimes
16. Plundering and armed robbery
17. Theft and illicit trade in stolen commodities and other commodities

18. Defraud and swindling
19. Embezzlement of public funds from government bodies or that which the state contributed to, as well as private funds of companies, commercial establishments and the like.
20. Engaging in banking activities illegally, as stipulated in Article (2) of the Banking Monitoring Law
21. Mediation without a license and trading pursuant to internal information as stipulated in the capital market law
22. Mediation in the insurance business as stipulated in the cooperative insurance companies control law
23. Crimes related to commercial activities such as frauds in brands, weights and prices, as well as imitation of goods and commercial concealment stipulated in the Anti-Commercial Concealment Law.
24. Smuggling stipulated in the Unified Customs Law of the GCC Member States.
25. Tax evasion

*Fourth: General instructions to meet the AML/CFT requirements:*

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Designated Non-financial Businesses and Professions (DNFBPs) shall implement the precautionary measures stipulated in the AML/CFT law. Said procedures should include at least the following:

1. Customer Due Diligence
2. Record-Keeping
3. Reporting unusual and suspicious operations
4. Establishing training programs
5. Adopting appropriate compliance measures and appointing an independent compliance officer to ensure compliance with the AML standards at the management level.

Furthermore, the bodies specified by the Ministry shall abide by the following:

6. Adopting policies, procedures, internal controls and audit system to combat money laundering and terrorist financing, ensuring the efficiency and adequacy thereof as well as implementing the same to all branches of the licensed body.
7. Periodically reviewing the AML/CFT policies and procedures to ensure the efficiency thereof.

### *Fifth: Customer Due Diligence*

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#### **1. What is Customer Due Diligence?**

Know Your Customer refers to the steps taken by the institution for:

- a. Establishing and verifying the identity of the client and ensuring that the sources of their funds are legitimate.
- b. Verifying the legal status of all natural persons owning or controlling a client or on whose behalf a transaction is being conducted prior to the initiation of a transaction with the institution.
- c. Continuously verifying the identity of all permanent or occasional clients of the institution against valid officially certified original documents proving their identity.

#### **2. When are DNFBPs required to implement KYC principle and CDD measures?**

DNFBPs shall implement the KYC principle and CDD measures towards clients when:

- a. Establishing business relations with them
- b. Conducting cash transactions that exceed the ceiling set by the Ministry (currently 50,000 Riyals) including transactions conducted in one movement or multiple movements that seem to be related to each other.
- c. Suspecting the occurrence of ML/TF operations
- d. Suspecting the accuracy of the data previously acquire by the merchant regarding the identity of the clients and the efficiency thereof.

#### **3. KYC and CDD requirements**

KYC and CDD requirements shall at least include the following:

- 1- Establishing the identity of the client and continuously verifying the identity of all dealers against valid officially certified original documents proving their identity as follows:
  - a. **Saudi nationals:**
    - National identification card or family record.
    - Address of the person, place of residence and place of work.
  - b. **Individual expatriates:**
    - Residence permit (*Iqamah*) or a five-year special residence permit or a passport or National identification for GCC nationals or a diplomatic identification card for diplomats.
    - Address of the person, place of residence and place of work.



**c. Corporate persons:**

1) Licensed companies, establishments and stores:

- Commercial register issued by the Ministry of Commerce and Industry.
- License issued by the Ministry of Municipal and Rural Affairs for service establishments and private stores.
- Articles of association, if any.
- National identification card for the Saudi national who owns the commercial firm or the licensed service company to ensure that the merchant's name in the commercial register or the license is identical to his name and other details in the national identification card and that such card is valid.
- A list of the persons who own the firm whose names are provided in the articles of association and their amendments, if any, and a copy of the identification cards of each of them.
- A list of the persons authorized by the owner who are qualified to deal with the accounts, pursuant to what is provided for in the commercial register or according to a power of attorney issued by a notary public, or an authorization made at the bank and a copy of the identification card of each.

2) Resident companies:

- A copy of the commercial register issued by the Ministry of Commerce and Industry.
- A copy of the articles of association and their annexes.
- A license activity.
- A copy of the identification card of the manager in charge
- A power of attorney issued by a notary public or a special authorization from the person(s), who, pursuant to the articles of association, have the power to authorize individuals to sign on their behalf.
- A copy of the identification cards of the firm owners whose names are provided in the articles of association and their amendments

- 2- Customer Due Diligence Measures shall be taken regularly and data related to the verification of identity shall be updated periodically or whenever there is a doubts about the accuracy or adequacy of the data obtained in advance at any stage of dealing with the actual client or true beneficiary, and whenever there is a suspicion of money laundering or terrorist financing regardless of the amounts limits of the process. Furthermore, the institution shall enhance its Customer Due diligence measures and procedures in terms of high risk clients, business relationships and transactions.

- 3- The identity of the real beneficiary shall be determined and reasonable measures shall be taken to verify such identity so as to feel reassured. With regard to moral persons and legal arrangements, this shall include an understanding of the ownership and control structure of the client.
- 4- The institution should undertake ongoing due diligence in terms of business relationships, understand the purpose and nature thereof, obtain, as appropriate, information related thereto, and audit the transactions carried out during the duration of the relationship to ensure consistency with the information made available to the institution about the client, his activity and his level of risk, including the source of funds if necessary. It is also necessary to ensure the consistency of the transactions with the information obtained from the client.

## *Sixth: Enhanced Customer Due Diligence*

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### **1. What is Enhanced Customer Due Diligence?**

Enhanced Customer Due Diligence consists in the acquisition of additional information from High Risk Clients.

### **2. When should DNFBPs should apply the Enhanced Customer Due Diligence Measures?**

Enhanced Customer Due Diligence Measures shall apply when:

- a. Building high-risk business relationships and conducting high-risk transactions
- b. Building business relationships and conducting transactions with natural and moral persons from high-risk countries as determined by FATF.

### **3. Enhanced Customer Due Diligence Measures**

The Enhanced Customer Due Diligence Measures shall at least include the following:

- 1- Acquiring additional information about the client such as his position, volume of his assets and periodically updating the identity and ownership information for companies
- 2- Understanding the purpose behind the business relationship, the nature thereof and acquiring additional information in this regard,
- 3- Acquiring information about the sources of the client's funds or wealth
- 4- Enhancing control in terms of the business relationships by increasing the number of audits in transactions made during the business relationship to ensure consistency with the information made available to the institution about the client, his activity and his level of risk.

### *Seventh: Record-keeping*

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Designated Non-Financial Businesses and Professions shall keep, for a period of not less than ten years from the date of completion of the transaction or closing of the account, all records and documents to show the financial dealings, commercial and cash transactions, whether domestic or foreign so as to meet the KYC and CDD requirements and, to retain copies of personal identification documents in order to submit the same, when necessary, as a proof when initiating legal action against a criminal activity. If Designated Non-Financial Businesses and Professions are required, pursuant to the provisions of the AML Law, to maintain any records or documents beyond the minimum time required by the law, they shall keep the same until the conclusion of the time specified in the request.

*Eighth: Additional measures regarding specific clients*

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## **1. Politically Exposed Persons**

Politically Exposed Persons (PEPs) are:

- a. Individuals who are or have been entrusted with prominent public functions inside the Kingdom of Saudi Arabia or in another country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials (in other countries), with family members or close associates thereof.
- b. Any natural person entrusted with a prominent function by an international organization, including Directors and deputy-directors, board members or equivalent, with family members or close associates thereof.

Family members are any member related to the PEP until second-degree relatives including, spouses, parents, siblings, children, grandparents, grandchildren, aunts, uncles, cousins and siblings through breastfeeding.

Close associates are any natural person known to have a joint beneficial ownership of legal entities and legal arrangements or any other close business relationship with the PEP or who has an interest with or works for the PEP.

Designated Non-Financial Businesses and Professions should, in relation to politically exposed persons from foreign countries (whether clients or beneficiary owners), in addition to performing normal due diligence measures:

- 1) Having appropriate risk management systems to determine whether the client, future client or real beneficiary is a politically exposed person.
- 2) Obtaining senior management approval for establishing business relationships with such clients. Measure that can be part of the risk management system can include the acquisition of information from the client or referral to publicly available information, or information about PEPs available in electronic commercial databases.
- 3) Taking reasonable measures to determine the source of the wealth and funds of the clients and real beneficiaries determined as PEPs.
- 4) Conducting enhanced ongoing monitoring of the business relationships.

*Ninth: Modern technologies*

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DNFBPs shall determine and evaluate ML/TF risks related to the following:

1. Developing new business products and practices including delivery mechanisms.
2. Using modern technologies for new or existing products.

*Tenth: Designated Non-Financial Businesses and Professions relying on mediators or third parties to implement Customer Due Diligence measures*

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Designated Non-Financial Businesses and Professions relying on mediators and third parties to implement Customer Due Diligence measure shall ensure the following:

1. DNFBPs should have the capacity to immediately obtain from the third party the necessary information concerning the CDD measures.
2. DNFBPs should take adequate steps to satisfy themselves that copies of identification data and other relevant documentation will be made available from the third party upon request without delay.
3. DNFBPs should satisfy themselves that the third party is regulated, supervised or monitored for, and has measures in place for compliance with, CDD and record-keeping requirements in line with Customer Due Diligence requirements.
4. DNFBPs should satisfy themselves that the countries in which said third party is based adequately implement the international AML requirements.
5. The third party shall be responsible for establishing and verifying the identities of clients.

*Eleventh: Policies and internal controls*

Designated Non-Financial Businesses and Professions as well as Non-Profit Organizations shall introduce programs to combat money laundering. Said programs shall at least include the following:

1. Setting policies, procedures and internal controls to combat money laundering and informing employees thereof including Customer Due Diligence measures, record-keeping, detection and reporting of unusual and suspicious transactions.
2. Taking appropriate measure to manage compliance and appointing an independent compliance officer to ensure compliance with the AML standards at the management level. Such officer shall have the right to communicate directly with senior management and timely access clients' identification documents, due diligence information and other relevant transaction records.
3. Establishing an independent audit unit equipped with adequate resources to verify compliance with said procedures, policies and controls as per the risk-based approach.
4. Setting ongoing training programs for concerned employees, to acquaint them with the AML systems and instructions and the latest developments in this field in a way that improves their abilities to identify such transactions, their patterns and ways of combating them.
5. Applying measures to ensure competence of staff upon appointment
  - a. The Board of Directors, executive management, general director, owner, or any other appointed person in the Designated Non-financial Businesses and Professions and Non-Profit Organizations shall be responsible for the implementation and development of policies, plans, procedures and internal controls to combat money laundering.
  - b. Designated Non-financial Businesses and Professions and Non-Profit Organizations shall entrust an employee or a department with the responsibility of reporting and contacting the Financial Information Unit provided for in Article 13 of these regulations. With regard to small individual non-financial institutions, reporting shall be made by the owner of the institution or any other appointed person.
  - c. Designated Non-Financial Businesses and Professions and Non-Profit Organizations shall establish a competent anti-money laundering supervisory unit and conduct relevant oversight and audit programs. The function of the external auditor, if present, shall include the development of a specific program on the extent of DNFBPs and non-profit organizations compliance with anti-money laundering policies.



- d. DNFBPS and non-profit organizations shall have recourse to the competent regulatory authorities when developing new means to verify compliance with the regulations, bylaws and rules legally prescribed to combat money laundering.
- e. DNFBPS and non-profit organizations shall establish financial plans, programs and budgets to train and qualify their employees in the field of combating money laundering according to size and activity thereof in coordination with the supervisory committees.
- f. Preparation, qualification and training programs in the field of combating money laundering can be conducted with the help of specialized local or foreign institutes. Training programs shall comprise the following:
  - a) Conventions, regulations, rules and instructions related to combating money laundering.
  - b) Regulator's policies and regulations in the field of combating money laundering.
  - c) Latest developments in money laundering and other suspicious transactions, as well as identification and management of transactions and patterns.
  - d) Criminal and civil liability of each employee under the relevant regulations, bylaws and instructions.

### *Twelfth: High Risk Countries*

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Designated Non-Financial Businesses and Professions should be required to apply enhanced due diligence measures to business relationships and transactions with natural and legal persons from countries for which this is called for by the FATF. The type of enhanced due diligence measures applied should be effective and proportionate to the risks.

At the end of February, June and October of each year, FATF issues a final statement stating the named of high risk countries.

More information about the relevant instructions issued by FATF for DNFBPs can be found on ([www.fatf-gafi.org](http://www.fatf-gafi.org)).

### *Thirteenth: Reporting suspicious transactions*

In the event where DNFBPs suspect or have reasonable grounds to suspect that the funds used in business transactions are proceeds of a criminal activity or are linked to terrorist acts or in the event where they identify unordinary or unusual business transactions or business transactions with no economic objectives, they shall take the following procedures:

- 1- Reporting the suspicious transaction directly to the FIU
- 2- Providing all information related to the reported transaction including sufficient documents, data as per the FIU's approved reporting form. The report shall include at least the following information:
  - a. Names of the suspects, addresses and phone numbers
  - b. Statement of the suspected transaction, parties thereto, circumstances that lead to the discovery thereof and current situation
  - c. Amount of money subject of the suspected transaction
  - d. Reasons behind the suspicions that made the employee report the transaction
- 3- In case of reporting, the institution shall not notify or warn the reported client about the report or suspicion.
- 4- DNFBPs shall submit their reports in this regard to the FIU upon request, within a period of ten days. The request may include the following:
  - a. Information about the reported party
  - b. Statement regarding the business or financial transactions of the reported party or related parties.
  - c. Justifications and indicators of the suspicion supported by documents

*Fourteenth: Management of AML/CFT risks in Designated Non –Financial Businesses and Professions*

Designated Non-Financial Businesses and Professions shall establish appropriate systems to manage risks, including in particular but without limitation the following:

1. Determining whether the existing or new client and real beneficiary has been, is or will possibly be a Politically Exposed Person.
2. Taking appropriate measures to determine the source of wealth of clients and real beneficiaries identified as Politically Exposed Persons.
3. Avoiding any act that can directly or indirectly warn the clients of any suspicion related to any transaction conducted by the client. DNFBNPs shall:
  - a. Accepting the suspected transaction in form and not rejecting the same.
  - b. Avoiding offering alternatives, recommendations or advices to clients to avoid implementing instructions related to their transactions
  - c. Keeping the secrecy of the reports or suspicious transactions as well as the information related thereto submitted to the FIU.
  - d. Avoiding raising suspicions when contacting clients or external parties to inquire about the nature of the operations.
  - e. Refraining from informing clients that their transactions are being reviewed or monitored.

### *Fifteenth: Indicators of unusual or suspicious operations in DNFBPs*

There is no doubt that many risks and adverse effects are linked to money laundering and terrorist financing, whether done through the financial sector or through Designated Non-Financial Businesses and Professions. There are also risks associated with the exploitation of Designated Non-Financial Businesses and Professions in money-laundering and terrorist financing operations, thus the numerous indicators of unusual operations or operations suspected of being linked to money laundering or terrorist financing. This part of the guidelines lists such indicators - depending on the type of business activity – showing activities that are likely to be audited. This list does not include all indicators, as Designated Non-Financial Businesses and Professions must endeavor and seek to monitor any unusual or suspicious operations or activities. The presence of one of the following indicators during the course of a business transaction means that more attention should be given to the business operation, but does not necessarily mean that the operation is suspicious.

#### **1. Precious Metals and Precious Stones**

The risk of exploiting precious metals and precious stones in money laundering resides in the fact that they are of high real value and are available in relatively small sizes, making it easy to transport, buy and sell them in many parts of the world. Gold preserves its value regardless of its shape, whether in the form of alloys or jewelry, drawing the attention of traders more than precious stones because it can be melted down and reshaped while preserving its value. Diamonds can also be traded around the world without any difficulties. It is easy to conceal and transfer diamonds due to their small size and high value, making them one of the precious stones and jewelry most likely to be used as a money laundering tool.

#### **Indicators of unusual or suspicious operations in dealing with precious metals and precious stones**

- a. Client's purchase of precious metals or precious stones of high value without selecting any particular specifications.
- b. Client's purchase of precious metals or precious stones whose high value does not correspond to what is expected from him (upon the identification of his profession or the nature of his business), or comparing to the size of the previous transactions, while suspecting that these operations are conducted on behalf of other persons.
- c. Attempt to return and recover the amount of new purchases without a satisfactory explanation.

- d. Client's payment of a large cash deposit then refusing to complete the purchase and requesting the value of the deposit in cheque.
- e. Client's payment of the necessary deposit to buy precious materials or precious stones by virtue of a cheque issued by a third person who does not have a clear relation with the client or who is not an ascendant or descendant of the client.
- f. Client's lack of interest in inspecting the precious metals or precious stones and verifying the specifications, weight and value thereof prior to completing the purchase.
- g. Purchase of precious metals or precious stones where banknotes with unusual denominations are used.
- h. Attempt to sell high value precious metals or precious stones at a price much less than their actual or market value.
- i. Client's willingness to pay any price to obtain jewels of extravagant amounts without any attempt to reduce or negotiate the price.
- j. Client's registration of the precious metals or precious stones in the name of another person to hide his ownership thereof.
- k. Client's selling of the precious metals or precious stones at a price lower than their actual while agreeing with the seller on paying the difference outside the commercial store.
- l. Client's purchase of the precious metals or precious stones at a price higher than their actual while agreeing with the purchaser on returning the difference to the client outside the commercial store.
- m. Client's reliance on cash when purchasing precious metals or precious stones of high value and avoiding the use of bank accounts to facilitate the money laundering operation and evading identification procedures.
- n. Client's performance of complicated operations with regard to a certain precious metal or precious stone by purchasing them and then reselling, exchanging or trading them off.
- o. Replacement of the purchaser's name shortly prior to the completion of the operation without sufficient or clear justification.
- p. Client's arrangement to partially or totally finance the purchase of precious metals or precious stones through an unusual resource or foreign bank.

- q. Client's use of a credit card issued by a foreign bank that has no branch in the country of residence of the client while he does not reside or work in the country that issued said card.
- r. Client's comprehensive and unusual knowledge of matters related to money laundering and terrorist financing as well as the means of combating the same, as if he is directly or indirectly expressing his wish to avoid being reported.
- s. Client's unjustified offer of money or expensive gifts to the store's employee and his attempt to convince him not to verify his identification papers and other documents.

**Client's behavior when selling and purchasing precious metals and stones:**

- a. The client is reserved, anxious or reluctant during the selling or purchase.
- b. The client uses different names and addresses.
- c. The client requests or seeks to carry out the transactions without disclosing his identity.
- d. The client refuses to submit original documentation particularly those related to his identification as well as confusing, suspicious unclear, unreal or falsified information.
- e. The client intentionally conceals certain important information like his address (actually place of residence), telephone number or gives a non-existent or disconnected telephone number.
- f. The client talks about the operation being "clean" and does not involve money laundering or shown unusual interest in policies, internal regulations, controls and supervisory procedures.
- g. The client irregularly requests the purchase or selling of precious metals or precious stone for unusually high amounts that do not match his situation.
- h. The client refuses to reveal details of the activities related to his work or data, information or other documents related to his institution or company.

## 2. Real Estate

Money laundering through real estate is considered as a traditional mean namely used in societies that resort to cash dealings. Money laundering through real estate can be made using various means depending on the method and nature of the purchase and selling operations in this sector.

### Indicators of unusual or suspicious operations in dealing with real estate:

- a. Client's purchase or selling of a real estate at a price not commensurate with its actual value, whether by increase or decrease, in comparison with the market prices or the prices of similar real estates in the same area.
- b. Client's repeated purchase of real estate properties whose prices do not suit the buyer's usual capacity according to the information available on him or suspecting that he is carrying out these transactions for other persons.
- c. Client's purchase of a personal real estate (family house) and registering the same in the name of a company owned by the client.
- d. Client's request the redesign of the real estate that the client intends to purchase and making big improvements thereto while paying for the value of the redesign or the improvements in cash for the purpose of reselling the real estate at an additional value.
- e. Client's payment of a large cash deposit then refusing to complete the purchase and requesting the value of the deposit in cheque.
- f. Client's payment of the necessary deposit to buy the real estate by virtue of a cheque issued by a third person who does not have a clear relation or have a suspicious relation with the client or who is not a ascendants or descendant of the client
- g. Client's disinterest in inspecting the real estate to check its structural condition prior to the completion of the purchase operation
- h. Client's purchase of a number of real estate properties in a short period of time without expressing any interest in their location, condition, costs of repair and otherwise
- i. Client's selling of a real estate without being interested in the price.
- j. Client's registration or mortgage of the real estate in the name of another person to conceal his ownership of the real estate.



- k. Client's purchase of the real estate at a price higher than its actual while agreeing with the purchaser on returning the difference to the client outside the government departments.
- l. Client's selling of the real estate immediately after purchasing it at a lower price.
- m. Client's payment of the real estate price from funds coming from high-risk countries
- n. Client's request from the real estate office to transfer the price of the real estate to a high risk country.
- o. Client's performance of complicated operations with regard to a certain real estate properties by purchasing them and then reselling, exchanging or trading them off.
- p. Client's disinterest in putting his name on any file that may relate him to the property, or use of different names when submitting purchase offers
- q. Client's purchase of real estate properties in the name of another person who is not clearly or justifiably connected to the client
- r. Replacement of the buyer's name shortly before the completion of the transaction without sufficient or clear justification
- s. Client's arrangements to finance the purchase of transactions, partially or in full, through an unusual source or a foreign bank
- t. Execution of a series of operations to conceal the illegal source of the money, as part of the layering phase.
- u. Investment in tourist resorts for example to give a legal appearance to the money (integration phase)
- v. Purchase and selling of real estate using fictitious names.
- w. Purchase of a real estate for a price lower than its real value then reselling the same for its real price, as the money launderer looks for a real estate seller to cooperate with him and agree to acknowledge selling the real estate for a certain price (less than the real value thereof) and accept to take the difference in "secret".

#### **Client's behavior when dealing in real estate**

- a. The client is reserved, anxious or reluctant to have a personal meeting.
- b. The client uses different names and addresses.
- c. The client requests or seeks to carry out the transactions without disclosing his identity.

- d. The client refuses to submit original documentation particularly those related to his identification as well as confusing, suspicious unclear, unreal or falsified information.
- e. The client intentionally conceals certain important information like his address (actually place of residence), telephone number or gives a non-existent or disconnected telephone number.
- f. The client inquires about the real estate office's records, regulations and instructions in order to acquire sufficient information about money laundering and terrorist financing operations, avoid legal violations or unnecessarily taking too long to justify the operation
- g. The client gets upset or becomes unwilling to complete the selling or purchase procedures related to a certain real estate once informed about the necessity to notify the concerned authorities about the details thereof.
- h. The client irregularly requests the purchase or selling of precious metals or precious stones at unusually high prices that do not match his situation.
- i. The client is controlled by another person upon his visit to the office and has no idea what he is doing or the client is an elderly client accompanied when executing the purchase or selling operation by another person who is not related to him.
- j. The client offers unjustified money or expensive gifts to the office's employee and attempts to convince him not to verify his identification papers and other documents.
- k. The client refuses to reveal details of the activities related to his work or data, information or other documents related to his institution or company

### 3. Chartered Accountants

Risks related to chartered accountants as an independent profession in the field of money laundering and terrorist financing consist mainly in the possibility of exploiting this profession to conceal the identity of the real beneficiaries of the transactions. Thus, chartered accountants shall abide by the implementation of the AML/CFT law's provisions when preparing or conducting financial transactions for the benefit of the clients, namely in relation with the following:

- Buying and selling of real estate;
- Managing of client money, securities or other assets;
- Managing of bank, savings or securities accounts;
- Organizing contributions for the creation, operation or management of companies;
- Creating, operating or managing of legal persons or arrangements, and buying and selling of business entities

#### **Examples to help accountants identify unusual transactions:**

- a. Client's disinterest in incurring losses or realizing extremely low profits in comparison with persons engaged in the same business, persisting in pursuing his activities.
- b. High volume of foreign transfers from/to the client's accounts or the increase of the revenues and cash amounts he obtains in a sudden manner that is not commensurate with his usual incomes without any justification.
- c. Client's receipt of cash money or high value cheques, which do not suit the volume of his work or the nature of his activity, particularly if they come from certain people who are not clearly or justifiably connected to the client.
- d. Unjustified amounts or deposits in the client's accounts with origins or roots difficult to identify.
- e. Disproportionate amounts, frequency and nature of transactions carried out by the client that are not commensurate with the nature of his business, profession or known and declared activity, particularly if these transactions are carried out with suspicious countries that are not connected to his apparent business domain.

- f. Repeated large-amount cash transactions including foreign exchange transactions or cross-border fund movement when such types of transactions are not commensurate with the usual business activity of the client.