

## **Muhammad Al-Jasser: Compliance and combating money laundering**

Speech by His Excellency Dr Muhammad Al-Jasser, Governor of the Saudi Arabian Monetary Agency (SAMA), at the Symposium on Compliance and Anti-Money Laundering, Institute of Banking, Riyadh, 23–24 March 2010.

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In the name of Allah the Merciful, and blessings and peace be upon His Prophet and Messenger,

### **Dear audience,**

I am pleased to welcome you to this symposium, which is organized by the Institute of Banking (IOB) and deals with two important and interrelated issues: compliance and combating money laundering.

Decision-makers and legislators have paid increasing attention to the issue of compliance with regulations, criteria and guidelines because of its importance to financial institutions in achieving better performance, avoiding risks and enhancing their success. At the same time, compliance maintains the reputation and credibility of financial institutions and protects them against regulatory sanctions. It also protects the interests of shareholders and depositors. Compliance is a comprehensive and multifaceted responsibility, and achieving compliance is a duty that all employees in any financial institution have to undertake, each according to entrusted powers and tasks.

Recognizing the importance of compliance, the Basel Committee on Banking Supervision, with the participation of the Saudi Arabian Monetary Agency (SAMA), approved and issued the paper pertaining to principles of compliance and its function at banks, in April 2005. The paper was designed in the form of fundamental principles of compliance with the regulations, covering a number of areas, the most important of which are the responsibilities of the board of directors and senior management, controls on the independence of compliance function at banks, support of compliance department and its work program, and the relationship of compliance department with internal audit department.

In May 2005, SAMA directed banks operating in the Kingdom to adopt the principles stated in this paper and incorporate them with the procedures and programs regarding risks of non-compliance that have already been applied and developed by banks under the instructions of SAMA.

### **Dear audience,**

You are also dealing in this symposium with an important topic, which is combating money laundering. As you know, money laundering is one of the most serious crimes at the security, economic and moral levels. This heinous crime is carried out by organized networks practicing crime as a profession and having a high potential for coordination, planning and deployment throughout the world. These networks take advantage of the globalization of capital markets and technological developments in the banking industry.

Because of the negative impacts of money laundering and the large scale of this activity, which is estimated by the International Monetary Fund (IMF) at 2 to 5 percent of global GDP, there have been international and regional concerted efforts to combat it. The Financial Action Task Force (FATF) was established by the end of the eighties of the last century and the Financial Action Task Force for the Middle East and North Africa (MENAFATF) was founded in the middle of this decade. The Kingdom is an active member in these two groups.

In 2003, the Anti-Money Laundering Law, which provided for criminalizing offenses related to money laundering was issued, followed by its Executive Regulations. The issuing of this Law and its Executive Regulations has helped government organs and their subordinate entities concerned with combating money laundering to develop necessary mechanisms and procedures to implement the Anti-Money Laundering Law and related rules and ensure that they are fully complied with. These organs have established specialized departments responsible for implementing these rules (compliance function), appointed qualified human resources (compliance officers), and allocated human and financial resources necessary to enable them to perform their functions properly. At the same time, each supervisory government authority has enacted rules and regulations derived from the provisions of the Anti-Money Laundering Law and its Executive Regulations and included them in its by-laws in a way commensurate with the work of those organs.

Within the framework of the kingdom's efforts to combat money laundering, I would like to highlight the following:

1. The Permanent Committee for Combating Money Laundering, which consists of representatives from seven ministries and government departments, has been established at SAMA to deal with issues related to money laundering.
2. The Kingdom has hosted numerous domestic and international conferences and symposiums, and offered training courses on anti-money-laundering issues. The first meeting of the FATF outside Paris was held in the Institute of Banking (IOB) in 1994. In addition, there has been effective participation of the Kingdom in the membership of the Financial Action Task Force (FATF) and permanent participation in the FATF's meetings.
3. The Anti-Money Laundering Unit was established at SAMA and is provided with highly qualified and trained staff. Since 1995, commercial banks have been obliged to set up similar units to cooperate with each other, with SAMA's Unit and with the concerned security authorities.
4. In 1995, SAMA issued guidelines to all banks operating in the Kingdom on preventing and combating money-laundering operations. These guidelines are derived from the Forty Recommendations and the subsequent recommendations, in particular applying the principle of "Know Your Customer", monitoring suspicious transactions, and informing competent security authorities (Financial Investigation Unit) of suspicious activities. These guidelines were updated once in 2003 and again in 2008.
5. For the past ten years, SAMA has collected information on the methods and techniques of money laundering, and provided banks operating in the Kingdom with such information for the purpose of building a database in this regard to be linked automatically with the goal of tracking money laundering activities.
6. SAMA's inspection team makes periodical inspection visits to banks to insure their proper application of instructions and regulations. Any irregularities are detected and reported to concerned authorities to take actions for continually checking that they are corrected.
7. SAMA has established a permanent committee for regular monitoring of financial crimes in general and money laundering crimes in particular. The committee is made up of members from SAMA and banks to review the instructions and procedures taken in this regard so as to be applied as required.
8. SAMA has attached great importance to training in the field of combating money laundering. SAMA's IOB held 47 training courses benefiting 800 trainees during 2009. Several government authorities, which are concerned with anti-money laundering issues, have also made great efforts to train their employees. A number of conferences and symposiums at the domestic and regional levels have been

hosted to raise awareness of the issue of money laundering and strengthen human and technical capabilities to combat it. Your meeting today in this symposium is only part of SAMA's efforts to raise the level of compliance and anti-money laundering.

**Dear audience,**

Despite considerable efforts made to promote the principle of compliance and anti-money laundering that have had a significant positive impact, money laundering criminal activities always seek new techniques to be able to continue. Hence, we always need to be alert and cautious, and we should enhance our capabilities and do our utmost to fulfill the tasks entrusted to us. Achieving success also requires cooperation among all concerned authorities and exchange of information that would help achieve our goal of dealing positively and effectively with the challenges we face.

**Dear audience,**

I have looked into the program of this symposium and found it packed with a range of important and useful topics which will be presented by an elite of specialists in this area, and I call on everyone to benefit most from this symposium which will in my view, be reflected positively on our efforts to enhance the principle of compliance and anti money-laundering.

I welcome you again to the Institute of Banking, wishing you a pleasant stay in Riyadh.

Wassalam Alaikum Warhmatullah Wabarakatuh.