



COMPLIANCE

Compliance is the function that ensures that the Bank adheres to all applicable laws, regulations, policies and rules, both internal and external. It therefore plays an essential role in safeguarding the reputation and integrity of the Bank. Compliance is ingrained into SAIB's culture and it is something we seek to instil into employees at all levels. Thus, compliance is a function that is given the highest priority by the Board of Directors and the Executive Management as it concerns the adherence of all the existing rules and regulations which ensures the Bank's pedestal stature.

The Compliance Manual describes in detail the compliance functions and all related procedures as approved by the Board of Directors. It was derived from the Compliance Manual for Banks operating in the Kingdom of Saudi Arabia issued by the Saudi Arabian Monetary Authority (SAMA) in December 2008. The Head of Compliance (HOC) bears the responsibility for administering the manual. The manual requires periodic revision due to changes in laws and regulations, changes in functions and business processes, changes in organisation structure and changes in job roles.

Compliance Group

Organisationally the compliance function is spearheaded by the Compliance Group. The Group has a number of broad roles and responsibilities. The first is the detection and advisory role. One aspect of this is to identify risks that the Bank faces and provide advice to overcome them. There is also the reactive aspect of resolving compliance issues as they arise and helping business units to overcome them.

The second major responsibility is that of designing and implementing controls to protect the Bank from compliance-related risks. The risks include administrative and legal penalties, financial losses, and damage to reputation. This will in turn help safeguard depositors' and investors' interests. Some of the specific functions under this are:

- Safeguarding against violations of laws, rules, or regulations and ensuring that appropriate changes are made whenever there are any changes made to the foregoing or their interpretation.
- Strengthening relationships with regulators.
- Preventing any banking channels from being used to commit crimes such as money laundering and terrorist financing; ensuring the Bank abides by all international sanctions.

- Screening the standard operating and accounting procedures, products, services, forms, contracts and agreements, to ensure they are in compliance with all relevant laws and regulations.
- Circulating new laws and regulations, providing guidance on their implications and implementation, and advising business units on compliance matters.
- Reporting on non-compliance issues and recommending processes to resolve the identified issues.

The Compliance Group is also responsible for monitoring and reporting on the effectiveness of controls. In addition, it also handles communication with regulatory bodies, thereby building a positive image of the Bank in the eyes of the regulators.

Monitoring and action

The Bank has a Compliance Monitoring Programme in place to identify, assess, and monitor the risks of non-compliances. This programme includes a Compliance Risk Assessment Methodology. The compliance function also develops an Annual Compliance Plan which is based on the methodology. As part of the Plan, products and services that carry significant risks are tested at a frequency which depends on the degree of risk. A comprehensive Compliance Risk Register is also maintained which gives full details of all risks.

Compliance initiatives of SAIB

Anti-Money Laundering/Counter Terrorism Financing (AML/CTF)

Money laundering is the mechanism where proceeds of illegal activities are made to flow into the legal economy disguising their source. The banking industry is a prime target of such operations. The sources of the funds may be narcotics, fraud, bribery, organised crime, and terrorism. Money laundering is a criminal activity in the Kingdom and SAIB adheres to the Anti-Money Laundering Rules and Guidelines Law issued by Royal Decree No. M/31 dated 11/5/1433. The Bank has a "Know Your Customer" policy to safeguard against potentially risky customers. Employees are also trained to identify suspicious transactions and are expected to bring any such cases to the notice of AML/CTF.



Cross-border issues

As an institution whose transactions spread far beyond the Kingdom, SAIB has a responsibility, to observe all laws and regulations of all jurisdictions within which it operates. The compliance function needs to align its structure and processes to cater to this need. When the Bank does not have a physical presence in a particular international location it conducts business through local subsidiaries or branches in other locations. In such a situation, compliance should ensure that operations are carried out by persons who have the appropriate skills and expertise.

Human resources policy

Since integrity of employees plays a vital part in ensuring compliance, all prospective employees are screened for their past professional conduct during the recruitment process. All supervisors pay attention to compliance issues when monitoring their direct reports. Those who develop and maintain systems and procedures, as well as other employees, are kept updated on compliance requirements. The Head of Compliance (HOC) is responsible for implementing any new laws and regulations. Conflicts of interest among compliance staff or those of other departments is an issue the compliance function needs to be vigilant about.

Employee adherence to the Bank's compliance policies is a consideration in staff appraisals at all levels.

