

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ  
مؤسسة النقد العربي السعودي  
المركز الرئيسي



الإدارة العامة للرقابة على شركات التمويل

الرقم : .....

المرفقات : .....

تعميم

المحترمون

السادة/

السلام عليكم ورحمة الله وبركاته،

الموضوع: ضوابط السماح بقبول الودائع الأجلة

استناداً إلى الصلاحيات الممنوحة لمؤسسة النقد العربي السعودي بموجب نظام مراقبة شركات التمويل، الصادر بالمرسوم الملكي رقم (م/٥١) وتاريخ ١٣/٨/١٤٣٣هـ ولانحته التنفيذية الصادرة بقرار معالي المحافظ رقم (٢/م ش ت) وتاريخ ١٤/٤/١٤٣٤هـ. وبناءً على أحكام الفقرة (٧) من المادة الحادية عشرة من نظام مراقبة شركات التمويل والتي نصت على أنه "يحظر على شركة التمويل ما يأتي: ٧- قبول الودائع الأجلة، أو التسهيلات غير المصرفية، أو فتح الحسابات لعملائها بجميع أشكالها، ما لم ترخص لها المؤسسة بذلك"، وعلى أحكام المادة الخامسة والستين من اللائحة التنفيذية لنظام مراقبة شركات التمويل والتي نصت على أنه "لا يجوز لشركة التمويل قبول ودائع آجلة، أو تسهيلات غير مصرفية، أو ما شابهها، أو فتح حسابات من أي نوع لعملائها، إلا بعد الحصول على خطاب من المؤسسة يتضمن عدم ممانعتها على ذلك".

تجدون طيه نسخة من ضوابط السماح بقبول شركات التمويل للودائع الأجلة. وتؤكد المؤسسة على وجوب الالتزام بما ورد في الضوابط للشركات الراغبة بالحصول على عدم ممانعة المؤسسة في هذا الشأن، وذلك بعد استيفاء المتطلبات التالية:

١. أن يكون الحد الأدنى لرأس المال مليار ريال سعودي.
٢. ألا يقل إجمالي حقوق المساهمين عن رأس المال المدفوع كحد أدنى (لا يوجد خسائر متراكمة).
٣. ألا تزيد متعثرات الشركة (لأكثر من ٩٠ يوم) عن نسبة ٥%.
٤. أن تكون الشركة قد حققت أرباح مستقرة لأخر ثلاثة أعوام.
٥. أي متطلبات أخرى تراها المؤسسة.

وتقبلوا تحياتي،

فهد بن إبراهيم الشثري

وكيل المحافظ للرقابة

نطاق التوزيع:

- شركات التمويل العاملة بالمملكة

الفواز

Saudi Arabian Monetary Authority  
**Deposit Taking Finance Companies  
(DTFCs) Regulations 2020**

November 2020



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# 1 Part I: Approach and Corporate Governance

## Chapter 1: SAMA Approach to Deposit Taking Finance Companies (DTFC) Regulation

### Introduction

1. These SAMA regulations are applicable to all Deposit Taking Finance Companies (DTFCs) operating in the Kingdom of Saudi Arabia (KSA).
2. Subject to the provisions of Finance Companies Control law, promulgated by Royal Decree No. M/51 dated 13/8/1433H and its Implementing Regulation, these Rules determine the requirements of exercising deposit-taking activity, and shall govern finance companies that are authorized to mobilize savings and time deposits from non-individual customers and to grant loans, credits and advances out of such deposits.
3. In addition to these DTFC-specific prudential requirements, DTFCs are also required to comply with the Finance Companies Control Law, SAMA regulations for Finance Companies (FCs), and other relevant laws and regulations as applicable to all Finance Companies (FCs).

### Deposit Taking Activities / Products and Services

4. DTFCs are authorized to mobilize savings and time deposits from non-individual customers and to grant loans, credits and advances out of such deposits while observing liquidity ratios with regard to its liquid assets vis-à-vis total deposit liabilities and other prudential regulations as prescribed for DTFCs.
5. DTFCs shall maintain one or more records of specified particulars in the case of every depositor such as name, address of depositor, types of deposit, date of receipt/date or renewal, date of maturity and profit rate payable. The registers are required to be kept at the place of business and preserved in good order for five calendar years following the financial year in which the latest entry was made of the repayment or the renewal of the deposit.

## Chapter 2: SAMA Authorization of DTFCs

6. No Finance Company (FC) shall carry out deposit taking business without prior SAMA written approval to designate it as Deposit Taking Finance Company (DTFC).
7. An application for a SAMA approval to carry out deposit taking business shall be accompanied by the Feasibility study and three-year business plan of the proposed deposit-taking business, detailing the mission, vision, scope and nature of business operations, profitability analysis and internal controls and monitoring procedures, including but not limited to:
  - i. the proposed organizational structure;
  - ii. the market to be served by the FC;
  - iii. a schedule of all the preliminary expenses including the FC costs, all expenses relating to the establishment or transformation of the FC;

- iv. projected balance sheets, income and expenditure statements and cash flow for three years supported by:
- a. projected deposit mobilization and profit payable, stating separately anticipated sources of deposits;
  - b. forecasted lending and advances to be made and profit receivable, stating major areas of lending including the intended sectoral lending composition;
  - c. forecasted cash and other liquid assets to be maintained;
  - d. the required provision for bad and doubtful debts and loan write-offs, including the policy and procedures manual;
  - e. projected operating expenses including rents, salaries, employee benefits, and director's remuneration, etc.;
  - f. proposed levels of fixed assets, including business premises and equipment;
  - g. other income, including commissions, fees and discounts etc.
  - h. profit rate sensitivity analysis on the projections submitted or other similar analysis, providing necessary levels of scenario planning should economic conditions change or when business expectations fall short; assumptions underpinning the pro-forma financial statements, the sensitivity analysis and scenario planning must be fully elaborated;
  - i. statistical data and other market information, which may have been collected and analyzed covering economic activities and the planned areas of operation, where revenue and expenses will be incurred, including detailed competitive analysis; and
  - j. the planned scope of operations including services and products to be offered, the capability to provide these services, the projected demand for the services, and different groups of customers or market segments the FC wants to serve;
  - k. the FC's risk-management policies and internal control systems including, among others, board and senior management oversight, internal controls, physical infrastructure, use of information technology, including but not limited to the following: —
    - l. deposit mobilization strategies or plans and marketing methodologies;
  - m. lending and credit administration policy manual;
  - n. human resource development manual;
  - o. assets manual;
  - p. liquidity and funds management policies and procedures;
  - q. management information system and Information Security;
  - r. capital, planning and budgeting;
  - s. accounting procedures manual; and
  - t. internal audit and control manuals (including compliance and AML/CTF controls);
- v. evidence of sources and availability of capital including copies of bank statements, Treasury Bills, or other forms in which the capital is held.

## Chapter 3: Corporate Governance and Risk Management

### Introduction

8. These regulatory requirements are relevant to all DTFCs. It sets out SAMA's requirements for the internal governance and risk management of the DTFCs and how they should comply with these regulations. These regulations cover the following areas:
  - i. General requirements;
  - ii. Senior Management Function & Responsibilities;
  - iii. Segregation of Functions;

### General Requirements

9. SAMA requires that the governance and risk management arrangements, processes and mechanisms implemented by a DTFC should be proportionate to the nature, scale and complexity of the risks inherent in its business and its activities.

### Expectations in relation to the Senior Management and their responsibilities

10. SAMA requires a DTFC to have robust governance and risk management arrangements, which includes a clear organisational structure with well-defined, transparent and consistent lines of responsibility. All DTFCs are required to put in place a Job description (JD) for each member of the senior management. More specifically, JDs must:
  - i. Clearly set out the areas of the DTFC's activities for which the senior manager is responsible;
  - ii. Be included in every application to SAMA for pre-approval as a senior manager as per SAMA's fit and proper regulations; and
  - iii. Be updated and resubmitted if there is a significant change to the senior manager's responsibilities as per SAMA's fit and proper regulations.
11. A DTFC is also required to produce and maintain a Management Responsibilities Description Document (MRDD), which is a single, up-to-date document setting out the DTFC's management, governance and risk management arrangements. The MRDD should be proportionate and include information about the business relationship with the head office and the group.

### Board and Senior Management Responsibilities.

12. SAMA looks to the Board of the DTFC to oversee the activities of the DTFC, including matters of a corporate governance nature that relate to the DTFC. As such, SAMA requires that the Board will be accountable for the DTFC's operations.
13. While the Board may not conduct all responsibilities or activities directly, SAMA requires the Board to retain its overall accountability for the operations of the DTFC. Regardless of who conducts the various functions, SAMA requires the Board to:
  - i. Ensure that business objectives, strategies, and plans set for the DTFC are prudent in the context of the DTFC.
  - ii. Be satisfied that appropriate policies and procedures (i.e. control systems) are in place to manage the risks regardless of where the controls may reside;
  - iii. Receive sufficiently comprehensive and frequent reports to understand and monitor the business of the DTFC; and



- iv. Undertake or obtain, periodically, an independent assessment of the adequacy and effectiveness of the controls. Independent assessment may be obtained from individuals or groups designated with that role, such as internal audit or risk management (either at the DTFC or head office), or qualified third parties.
14. The Board is required to ensure that there are robust policies and procedures to manage the assets and liabilities recorded on the DTFC's books and records and related accounts (e.g. deposit, loan, investment, etc.).
15. The Board should ensure the DTFC is in compliance with all applicable legislation and regulations, and is conducting its business and affairs in a manner that is consistent with applicable SAMA requirements.
16. While the Board may delegate responsibility for day-to-day management to management, SAMA requires the Board to be in a position to oversee the DTFC's regulatory returns. Therefore, SAMA would expect the Board to have, or to ensure the individuals undertaking activities with respect to the DTFC have, a good understanding of applicable legislation, regulations and guidelines, as well as the activities and related records of the DTFC, including its assets, liabilities, revenues and expenses. SAMA would also expect the Board to be satisfied with any work performed by others (e.g., head office or another entity within the group) and should ensure any deficiencies are corrected.

#### Segregation of Functions

17. A DTFC should ensure that the performance of multiple functions by its relevant persons does not and is not likely to prevent those persons from discharging any particular functions soundly, honestly and professionally. The senior personnel within the DTFC should define arrangements concerning the segregation of duties within the DTFC and the prevention of conflicts.
18. A DTFC should ensure that no single individual has unrestricted authority to do all of the following:
  - i. Initiate a transaction;
  - ii. Bind the DTFC;
  - iii. Make payments; and
  - iv. Account for it.
19. Where a DTFC is unable to ensure the complete segregation of duties because the DTFC has a limited number of staff, it should ensure that there is adequate compensating controls in place such as frequent review of an area by relevant DTFC senior managers.

## 2 Part II: Prudential Regulations

### Chapter 4: Capital Requirements

#### Minimum Capital Requirements

20. Every DTFC shall, at all times-

- i. maintain records including balance sheets and periodic statements of income and expenditure to enable proper computation of the institution's capital adequacy of 20%; and
- ii. maintain the prescribed minimum capital requirements.

21. SAMA shall determine whether an institution is in compliance with the capital adequacy requirements in accordance with these Regulations.

#### Criteria for Higher Minimum Capital Ratios

22. SAMA may require higher minimum capital ratios for an individual DTFC based on, but not limited to the following criteria, if:

- i. a DTFC has losses resulting in a capital deficiency;
- ii. a DTFC has significant exposure to risk;
- iii. a DTFC has a high, or particularly severe, volume of poor asset quality;
- iv. a DTFC is growing rapidly without adequate capitalization and risk management system among other resource needs as may be determined by SAMA; or
- v. there is a likelihood a DTFC may be adversely affected by the activities or conditions of its holding company (where DTFC is wholly owned by another institution).

#### On-Balance Sheet Items.

23. Every DTFC shall assess and provide for risks in the evaluation of their respective capital adequacy measurement.

24. Every DTFC shall classify and assign risk weight to credit exposures into four categories according to their relative risk exposures, in the following manner –

- i. zero weight should be assigned to the on-balance sheet items including cash, balances with SAMA, claims on the government of KSA by way of investments in government of KSA securities, loans fully secured by cash and loans duly guaranteed by government;
- ii. 20% weight, where deposits and balances due from commercial banks, financial institutions, DTFCs and claims (loans and advances) guaranteed by a multilateral development bank (MDB), a Regional Development Bank, or a development agencies;
- iii. 50% weight where loans are fully secured by a residential property located within cities and municipalities in KSA that are either occupied by the borrower or rented and;
- iv. 100% weight shall apply to all other claims on the public and private sector, which are not covered under the other categories and include- deposits in banks, financial institutions, mortgage finance companies and deposit-taking finance companies that are under statutory management; premises and other fixed assets, loans and advances, bills discounted and all other assets of these institutions.



## Off-Balance Sheet Items

25. Every DTFC shall ensure that:

- i. off-balance sheet items fully secured by cash or cash equivalent and those that are guaranteed by government of KSA shall be assigned 0% risk weight; and
- ii. off balance sheet items with the maturity exceeding a year are assigned a risk weight of 50%, including performance bonds and bid bonds.

## Returns to SAMA

26. Every DTFC shall prepare and submit to SAMA at the end of every month to be received by the 15th business day of the following month, returns on Capital to Risk Weighted Assets in the form set out in **Appendix A** to these Regulations.

## Chapter 5: Liquidity Requirements

### Liquidity Risk Management Plan

27. Every DTFC shall plan and fund its liquidity requirement over specific time periods as set by the DTFC.
28. Every DTFC is required to put in place a Board (or its delegated authority) approved liquidity risk management plan. A liquidity risk management plan shall, as a minimum, address the following:
  - i. management structures and information systems;
  - ii. measuring and monitoring net funding requirements;
  - iii. contingency funding planning; and
  - iv. internal controls for liquidity management.

### Statutory minimum.

29. Every DTFC shall maintain a minimum holding of liquid assets of twenty per cent (20%) of all its deposit liabilities, matured and short-term liabilities.
30. Every DTFC shall also maintain with SAMA at all times a statutory deposits of a sum not less than 4% of deposit liabilities. SAMA may, if it deems it to be in the public interest, vary the aforesaid percentage.
31. The deposit liabilities of a DTFC shall not exceed 15 times its total capital. If the deposits liabilities exceeds this limit, the DTFC must within one month of the date of submission of its liquidity information as per Appendix B, either increase its total capital to the prescribed limit or deposit 50% of the excess deposits with SAMA.

### Returns

32. Every DTFC shall prepare and submit to SAMA at the end of every month to be received by the 15th business day of the following month, liquidity information to SAMA as set out in **Appendix B** to these Regulations.
33. Where the date of submission falls on a weekend or a holiday, the deadline shall be the Thursday or the day before the holiday.

## Chapter 6: Asset Quality

### Loan review function of DTFCs.

34. Every DTFC's loan review function shall ensure that:
- i. the loan portfolio and lending function conforms to a sound written lending policy, which has been approved and adopted by the board or its delegated authority;
  - ii. management and the board are adequately informed regarding credit risk, among other risks and risk management control effectiveness;
  - iii. problem accounts are identified properly and on a timely basis and internally classified in accordance with the classification criteria in these regulations; and
  - iv. appropriate and adequate level of provisions for potential loss are made and maintained at all times.

### Review and classification of Loans.

35. Every DTFC shall review, classify and appropriately make provisions for its loan portfolio at least once every three months.
36. Every DTFC shall classify loans and advances in the manner set out in Appendix C to these Regulations.
37. Where a DTFC has granted multiple loans to a single borrower, and any one of such loans is non-performing, the DTFC shall evaluate every other loan to that borrower and place such loans on non-performing status accordingly.

### Classification of Renegotiated or Restructured Loans

38. Every DTFC shall classify a renegotiated or restructured loan in the Substandard category unless-
- i. all past due principal and profit is repaid in full at the time of renegotiation, in which case it may revert to 'Normal' classification.
  - ii. All past due profit is repaid in full at the time of renegotiation in which case it may revert to 'Watch' classification.
39. A renegotiated or restructured loan classified as doubtful or loss shall continue to be classified as doubtful or loss unless –
- i. all past due principal and profit is repaid in full at the time of renegotiation, in which case it may revert to 'Watch' classification or;
  - ii. all past due profit is repaid in full at the time of renegotiation in which case it may revert to 'Substandard' classification; and
  - iii. all past due principal and profit is repaid in full at the time of renegotiation and there has been consistent repayment of three instalments in which case it may revert to 'Normal' classification.
40. No DTFC shall restructure or renegotiate any loan or credit facility more than twice over the life of the original loan or credit facility.

41. Any loan or credit facility restructured for the second time shall be classified as substandard if all past due principal and profit is repaid in full at the time of renegotiation: Provided that if all past due profit is repaid in full at the time of renegotiation, the loan or credit facility shall be classified as doubtful.
42. Where a loan is classified as non- performing every DTFC shall suspend any profit on such loans and advances and - (a) the profit in suspense shall not be treated as income; and (b) all profit in suspense shall be taken into account in the computation of provisions for non-performing accounts; and (c) reverse any profit on non-performing loans or credit facilities accrued into income but uncollected and credit into the profit in suspense account until paid in cash by the borrower.
43. Every DTFC shall ensure that a non-performing loan or credit facility is returned to accrual basis only when all outstanding dues and unpaid obligations have been paid up to date.
44. Every DTFC shall ensure that all profit on nonperforming loan or credit facilities previously accrued into income but uncollected is reversed and credited into the profit in suspense account until paid in cash by the borrower.
45. In determining the amount of potential loss in specific loans or in the aggregate loan portfolio, every DTFC shall be guided by the following minimum provisioning percentages:
  - i. For loans classified "Normal", 1%;
  - ii. For loans classified "Watch", 5%;
  - iii. For loans classified "Substandard", 25%;
  - iv. For loans classified "Doubtful", 75%; and
  - v. For loans classified "Loss", 100%.
46. Where the impairment charges computed under International Financial Reporting Standards (IFRS) are lower than provisions required under these Regulations, the excess provisions shall be treated as an appropriation of retained earnings.
47. Where the impairment charges computed under IFRS are higher than provisions required under these Regulations, the IFRS impairment charges shall be considered adequate for the purposes of these Regulations.
48. The DTFC shall comply with SAMA provisioning rules, requirements specifying regulatory credit risk exposure and any changes thereof.

#### Write-off of loans.

49. A DTFC shall write-off a loan or a portion of a loan from its balance sheet when-
  - i. the institution loses control of the contractual rights over the loan;
  - ii. all or part of a loan is deemed uncollectible or there is no realistic prospect of recovery;
  - iii. the borrower becomes bankrupt; or
  - iv. efforts to collect debt are abandoned for any other reason.
50. Every DTFC shall, at least every year, review its assets and make necessary provisions as need arises, if an actual loss of an asset occurs or when the recoverable amount of the asset is less than it's carrying value.
51. Every DTFC shall submit a copy of the review report to SAMA within fifteen business days from the date of review.

## Appendix A: Capital to Risk Weighted Assets Return

Name of DTFC	.....	
Period	.....	
	<b>CAPITAL COMPONENTS</b>	<b>Amounts (all amounts in SAR)</b>
<b>1.</b>	<b>CORE CAPITAL (TIER 1)</b>	
<b>1.1.1</b>	Paid-up ordinary share capital	
<b>1.1.2</b>	Non-repayable share premium	
<b>1.1.3</b>	Retained earnings/Accumulated losses	
<b>1.1.4</b>	Net after tax profits, current year to-date (50% only)	
<b>1.1.5</b>	Capital Grants	
<b>1.1.6</b>	Non-cumulative irredeemable preference shares	
<b>1.1.7</b>	Other reserves	
<b>1.1.8</b>	<b>Sub-Total (1.1.1 to 1.1.7)</b>	
	<b>LESS DEDUCTIONS</b>	
<b>1.1.9</b>	Investment in subsidiary institution	
<b>1.1.10</b>	Goodwill	
<b>1.1.11</b>	Intangible assets	
<b>1.1.12</b>	Total Deductions (1.1.9 to 1.1.11)	
<b>1.1.13</b>	<b>CORE CAPITAL (1.1.8 Less 1.1.12)</b>	
<b>1.2</b>	<b>SUPPLEMENTARY CAPITAL (TIER 2)</b>	
<b>1.2.1</b>	Revaluation reserves (25%)	
<b>1.2.2</b>	Cumulative irredeemable preference shares	
<b>1.2.3</b>	Convertible notes and similar capital investments	
<b>1.2.4</b>	Perpetual subordinated debt	
<b>1.2.5</b>	Limited life redeemable preference shares	
<b>1.2.6</b>	Term subordinated debt	
<b>1.2.7</b>	Statutory Loan Loss Reserve	
<b>1.2.8</b>	<b>Total supplementary capital (1.2.1 to 1.2.7)</b>	
<b>1.2.9</b>	<b>Supplementary Capital/Core Capital (%)</b>	
<b>1.3</b>	<b>TOTAL CAPITAL (1.1.13 + 1.2.8)</b>	
<b>1.4</b>	<b>Total shareholder's funds</b>	
<b>1.5</b>	<b>Difference (1.4 Less 1.3)</b>	

<b>2.</b>	<b>ON - BALANCE SHEET ASSETS</b>	<b>Amount</b> <i>(all amounts in SAR)</i>	<b>Weight</b>	<b>Weighted Asset Value</b>
<b>2.1</b>	Cash in domestic currency		<b>0</b>	
<b>2.2</b>	Balances with SAMA		<b>0</b>	
<b>2.1</b>	KSA Government Treasury Bills		<b>0</b>	
<b>2.2</b>	KSA Government Treasury Bonds		<b>0</b>	
<b>2.3</b>	Lending fully secured by cash		<b>0</b>	
<b>2.4</b>	Advances guaranteed by the Government of KSA		<b>0</b>	
<b>2.7</b>	Cash in foreign currency		<b>0</b>	
<b>2.8</b>	Deposits & balances Due from local institutions		<b>0.2</b>	
<b>2.9</b>	Deposits & balances Due from foreign institutions		<b>0.2</b>	
<b>2.10</b>	Foreign Treasury Bills and Bonds		<b>0.2</b>	
<b>2.11</b>	Claims guaranteed by Multilateral Development Banks		<b>0.2</b>	
<b>2.12</b>	Loans & advances secured by residential property		<b>0.5</b>	
<b>2.13</b>	Other Loans and Advances ( net of provisions)		<b>1.0</b>	
<b>2.14</b>	Other Investments		<b>1.0</b>	
<b>2.15</b>	Fixed Assets ( Net of Depreciation)		<b>1.0</b>	
<b>2.16</b>	Other Assets		<b>1.0</b>	
<b>2.17</b>	<b>TOTAL (2.1 to 2.16)</b>			
<b>2.18</b>	<b>Total Assets</b>			
<b>3.</b>	<b>OFF-BALANCE SHEET ASSETS</b>			
	<b>Counterparty/Security</b>	<b>Credit Risk Equivalent</b>	<b>Weight</b>	<b>Weighted Asset Value</b>
<b>3.1</b>	Transaction secured by cash			
<b>3.2</b>	Government of KSA			
<b>3.3</b>	Local financial institutions			
<b>3.4</b>	Foreign banks and foreign governments			
<b>3.5</b>	Performance Bonds, Bid Bonds, Standby letters of credit, and other commitments with an original maturity exceeding one year			
<b>3.6</b>	3.6 Others			
<b>3.7</b>	<b>3.7 TOTAL (3.1 to 3.6)</b>			



<b>4.</b>	<b>CAPITAL RATIO CALCULATIONS</b>	
4.1	Core Capital as per 1.1.13 above	
4.2	Total Capital as per 1.3 above	
4.3	Total Risk Weighted Asset Value of on- balance sheet items as per 2.18 above	
4.4	Total Risk Weighted asset value of off-balance Sheet Items as per 3.7 Above	
4.5	Total Risk weighted assets (4.3 + 4.4)	
4.6	Total deposits	
4.7	Core capital to risk assets ratio (4.1/4.5)%	
4.8	Minimum core capital to risk assets requirement	
4.9	Excess (Deficiency) (4.7 less 4.8)	
4.10	Core capital to deposits ratio (4.1/4.6)%	
4.11	Minimum core capital to deposits requirement	
4.12	Excess/(Deficiency) (5.0 less 5.1)	
4.13	Total capital to risk assets ratio (4.2/4.5)%	
4.14	Minimum total capital to risk assets requirement	
4.15	Excess/(Deficiency) (5.3 less 5.4)	

## Completion Instructions on Capital to Risk Weighted Assets Return

### **1. Capital Components**

#### **1.1 Core Capital (Tier 1)**

##### **1.1.1 Paid-up Ordinary Share Capital**

This is the nominal value of the ordinary shares issued and fully paid.

##### **1.1.2 Non-repayable Share Premium/ (discount)**

This is the difference between the nominal price and purchase price of shares, which is not refundable/ recoverable.

##### **1.1.3 Retained Earnings/ Accumulated losses**

These are retained earnings or accumulated losses from the profits/losses of the prior years. They should however exclude reserves arising from revaluation of investment properties and cumulative unrealised gains and losses on financial instruments.

##### **1.1.4 Current Year 50% Un-audited After Tax Profits**

This is 50% of the current year to date un-audited after tax profits. The DTFC must have made adequate provisions for loans and advances, depreciation, amortization and other expenses. In arriving at the applicable figure, any proposed or interim dividends have to be taken into account. This should however exclude reserves arising from revaluation of investment properties and cumulative unrealised gains and losses on financial instruments. In case of a loss, full amount should be included.

##### **1.1.5 Capital Grants**

These are donations to be on lent to customers that are irredeemable or non-repayable.

##### **1.1.6 Non-cumulative irredeemable preference shares**

These are shares, which have a standing claim on the company every year, but the claim is not carried forward in event of not being paid and they are not redeemable.

##### **1.1.7 Other reserves**

These are all other reserves, which have not been included above. Such reserves should be permanent, unencumbered, uncallable and thus able to absorb losses. Further, the reserves should exclude cumulative unrealised gains and losses on available-for- sale-instruments.

##### **1.1.8 Sub-total**

Enter in this line the sub-total of all the items from 1.1.1 to 1.1.7.

**1.1.9 Investments in subsidiary institutions and equity instruments of other financial institutions**

To prevent multiple use of the same capital resources in different financial institutions, the DTFC should deduct any investment in subsidiaries conducting banking or FC business and equity instruments of other such institutions.

**1.1.10 Goodwill**

This is the difference between the value of the business as a whole and the aggregate of the fair values of its separable net assets at the time of acquisition.

**1.1.11 Other intangible assets**

These are assets without physical existence, e.g. patents, copyrights, formulae, trademarks, franchise etc. However, computer software should not be deducted.

**1.1.12 Total deductions**

This is the total of all the items from 1.1.9 to 1.1.11.

**1.1.13 Core Capital**

Core Capital is the deduction of line 1.1.12 from line 1.1.8.

**1.2 Supplementary Capital (Tier 2)**

**1.2.1 Revaluation reserves**

This is the revaluation reserves of fixed assets, land and buildings based on independent and professional appraisal as to the obtaining SAMA's approval.

**1.2.2 Cumulative irredeemable preference shares**

These are irredeemable shares with standing claim on the company and the claim is carried forward in event of it not being paid in the current year.

**1.2.3 Convertible notes and similar capital investments**

Convertible notes are instruments that evidence a company promise to pay a loan on maturity, which can be converted, into shares any time before maturity date. Other similar capital investments are convertible debentures, bonds, loans etc.

**1.2.4 Perpetual subordinated debt**

This is a debt equity or loan capital, which is not redeemable.

**1.2.5 Limited life redeemable preference shares**

These are preference shares with limited life of at least five years and are redeemable.

### **1.2.6 Term subordinated debt**

This refers to loan capital, bonds, commercial paper or debt equity with original maturity period of five years and above.

### **1.2.7 Statutory Loan Loss Reserve**

These are provisions that have been appropriated from retained earnings (revenue reserves). This will only apply if provisions computed under quality requirements is in excess of impairment losses computed under International Financial Reporting Standards.

However, loan loss reserve qualifying as supplementary capital should not exceed 1.25% of risk weighted assets total value.

### **1.2.8 Total supplementary capital**

This is the sub-total of the items in line 1.2.1 to 1.2.7.

### **1.2.9 Supplementary Capital/Core Capital (%)**

This is the percentage of the supplementary capital to core capital. Total supplementary capital should not exceed core capital. Where supplementary capital exceeds core capital, then qualifying supplementary capital is limited to the amount of core capital.

### **1.2.10 Total Capital**

Total capital is the sum of core capital and supplementary capital, i.e. Total of lines 1.1.13 and 1.2.8

### **1.2.11 Total Shareholders' funds**

The figure reported in this line should agree with the total shareholders funds as reported in the monthly balance sheet.

### **1.2.12 Difference**

Any difference between total capital and total shareholders' funds should be reported in this line and a reconciliation of the same be attached.

## **2. On-Balance Sheet Assets**

### **2.1 Cash**

Enter in this line cash at hand (domestic notes and coins).

### **2.2 Balances with SAMA**

This includes reverse repo with SAMA, reserve requirement and any other balances held by SAMA.

**2.3 KSA Government Treasury Bills**

These are Treasury bills issued by KSA Government.

**2.4 KSA Government Treasury bonds**

These refer to the Treasury Bonds issued by KSA Government.

**2.5 Lending fully secured by cash**

Enter here all other debts that are fully secured by cash.

**2.6 Advances guaranteed by KSA Government**

This refers to all loans and advances duly guaranteed by KSA Government.

**2.7 Cash in Foreign currencies**

Enter in this line cash at hand (foreign notes and coins).

**2.8 Deposits and balances due from Local Institutions**

These are deposits and balances held with local banks, financial companies and mortgage finance companies including overnight balances.

**2.9 Deposits and balances due from foreign institutions**

These are balances held with correspondent banks and financial institutions abroad.

**2.10 Foreign Treasury Bills and Bonds**

These are bills and bonds issued by foreign governments, banks and other multilateral institutions.

**2.11 Claims guaranteed by Multi-Lateral Development Banks (MDB's)**

These are loans, advances and capital market instruments such as commercial paper that are guaranteed by MDBs.

**2.12 Loans secured by Residential Property**

These are facilities secured by residential properties situated within cities and municipalities in KSA. Such facilities should only be those classified as normal under Asset Quality Return and are performing in accordance with the original terms and conditions specified in the letter of offer. In addition, the security should be perfected in all respects and its current forced sale value should, cover in full, the outstanding debt with at least a 20% margin. The 50% weight will not be specifically applied to loans to companies engaged in speculative residential building or property development.

**2.13 Other loans and advances**

These refer to loans and advances that are not guaranteed by KSA government and not secured by cash. These also include commercial paper and corporate bonds and should be reported net of provisions. Provisions must be computed in accordance with Asset Quality Return. However, provisions appropriated from retained earning should not be netted off from loans and advances.

**2.14 Other investments**

These are investments in other companies other than financial institutions.

**2.15 Fixed assets**

These are assets acquired for use in the operation of the business or for investment purposes, e.g. furniture, computers, freehold and leasehold land and buildings. They should be shown net of accumulated depreciation, amortized cost, or at fair value.

**2.16 Amount due from group companies**

This is the claim of the reporting institution from other group companies that are not financial institutions.

**2.17 Other assets**

These are other assets, which have not been dealt with above.

**2.18 Total on-balance sheet assets**

Enter in this line total on-balance sheet asset i.e. total of line 2.1 to 2.17. Total deductions from core capital should also be deducted from the assets for the purposes of computing the risk weighted asset values. All profit bearing assets should be reported inclusive of profit earned.

**2.19 Total Assets**

Total asset figure should be indicated in this line.

**2.20 Difference**

This is the difference between total on-balance sheet assets and total assets. The difference should be explained in the form of reconciliation.

**3. Off-Balance Sheet Items**

DTFCs should compute credit risk equivalents for different categories of off- balance sheet transactions. The resulting amounts should be assigned 100% risk weight. Under line 3.4 of the return, foreign banks include the Multi-lateral Development Banks specified under item 2.10 of the completion notes. Under line 3.5, DTFC should include undelivered spot transactions.



**3.1 Total weighted assets values**

Enter in this line the total weighted assets values, i.e. 2.18 + 3.7

**4. Capital Ratio Calculations**

Compute as per the formulae provided in the form.

**4.1 Total Deposits**

This refers to margins on letters of credit, local and foreign currency deposit liabilities plus accrued profit repayable on demand, after fixed period or after notice.

**4.2 General**

All reported items should agree with or capable of being derived from the figures reported by the DTFC under of the same period. This is a monthly return and should be submitted by the 15th business day of the following month.

## Appendix B – Liquidity Statement

Liquidity Statement			Amount (all amounts in SAR)
1		<b>Notes And Coins</b>	
	(a).	Local Notes and Coins	
		Total	
2		<b>Balances With Finance Companies</b>	
	(a).	Balances with FCs	
		Less:	
	(b).	Time Deposits with FCs	
	(c).	Matured Loans/ Advances from FCs	
		Total	
3		<b>Balances With Domestic Commercial Bank</b>	
	(a).	Balances with Banks	
		Less:	
	(b).	Time Deposits with Banks	
	(c).	Overdrafts and Matured Loans/ Advances	
		Total	
4		<b>Balances With Financial Institutions</b>	
	(a).	Balances with Financial Institutions	
		Less:	
	(b).	Time Deposits with Financial Institutions	
	(c).	Balance due to Financial Institutions	
	(d).	Matured Loans/ Advances from Financial Institutions	
		Total	
5		<b>Balances With Mortgage Finance Companies</b>	
	(a).	Balances with Mortgage Finance Companies	
		Less:	
	(b).	Time Deposits with Mortgage Finance Companies	
	(c).	Balance due to Mortgage Finance Companies	
	(d).	Matured Loans / Advances from Mortgage Finance Companies	
		Total	
6		<b>Treasury Bills</b>	
	(a).	Treasury Bills	
	(b).	Treasury Bonds	

			Total	
7			Net Liquid Assets - 1-6	
8			<b>Deposit Balances</b>	
	(a).	i)	Deposits from Govt. Bodies & GREs including Accrued Profit	
		ii)	Deposits from all other Sources including Accrued Profit	
		iii)	Total Deposits	
	(b).		Less:	
		i)	Balances due to FCs	
		ii)	Balances due to Banks	
		iii)	Balances due to Financial Institutions	
		iv)	Balances due to Mortgage Finance Companies	
		v)	Total Deductions	
	(c).		Net Deposit Liabilities	
9			<b>Other Liabilities</b>	
	(a).		Matured	
	(b).		Maturing within 91 days	
	(c).		Total other liabilities	
10			<b>Liquidity Ratio</b>	
	(a).		Net Liquid Assets	
	(b).		Short Term Liabilities	
	(c).		Ratio $\{[(a)/ (b)] \times 100\%$	
<b>Notes 1 -For overdrafts include all overdrafts and any debit balances on savings accounts</b>				

#### Analysis of Balances due to/from Financial Institution

Institution	Amount Due To	Amount Due From	Net
FC's Total			
Banks Total			
Financial Institution Total			
Mortgage Finance Companies Total			

## Maturity Analysis of Assets and Liabilities

**Name of Institution:** .....

**Period Ending:** .....

*(all amounts in SAR)*

Assets	1	2	3	4	5	6	7	8	9
	Maturing in								
	Matured	> 1 month	< 1 month & > 3 months	< 3 months & > 6 months	< 6 months & > 1 year	< 1 year & > 3 years	< 3 years & > 5 years	< 5 years	Total
Cash Reserves									
Balances With SAMA									
Balances Due From Local Institutions									
Balances Due From Banks Abroad									
KSA Government Treasury Bills									
KSA Government Treasury Bonds									
Foreign Government Treasury Bills & Bonds									
Other Investments									
Other Foreign Assets									
Local Currency Loans And Advances (Net)									
Fixed Assets (Net)									
Balances Due From Group Companies									
Other Assets									
<b>Total Assets</b>									
Off Balance Sheet Assets									
<b>Liabilities</b>									
Balances Due to SAMA									
Balances Due to Local Institutions									
Balances Due to Banks abroad									
Local Currency Deposits									
Local Currency Borrowings									
Foreign Currency Deposits									
Foreign Currency Borrowings									
Other Foreign Liabilities									
Balance Due to Group Companies									
Other Liabilities									
Capital And Reserves									
<b>Total LIABILITIES</b>									
Off-Balancce Sheet Liabilities									
Net Position On – Balance Sheet Items (A14-B12)									
Net Position Off- Balance Sheet Items (A15-B13)									

## Completion Instructions

### Liquidity Statement

#### 1. Notes and Coins

##### a. Local

Enter all notes and coins on the DTFC's premises (including mobile units) which are legal tender in KSA.

#### 2. Balances with FCs

##### a. Balances with FCs

Enter the total of all balances (call and time deposits) placed with the institution, excluding uncleared effects but including accrued profit.

##### b. Time Deposits with FCs

Enter the amount of time deposits including accrued profit included 2(a) above whose maturities exceed 91 days.

##### c. Balances due to FCs

Enter the total of all balances including accrued profit (overnight borrowings, and call placements) received from FCs

This balance should agree with the total analysed in the table attached to the liquidity return.

##### d. Matured loans and advances from FCs

Enter the total of matured loans and advances including guarantees, bills discounted promissory notes and performance bonds received from FCs.

#### 3. Balances with Domestic Commercial Bank

##### a. Balances with banks

Enter the total of all balances (overnight, call and time) held at other domestic commercial banks excluding un-cleared effects.

These balances should include accrued profit and should agree with the total analysed in the schedule attached to liquidity return.

##### b. Time Deposits with Banks

Enter the amount of time deposits including accrued profit entered in 3(a) above whose maturities exceed 91 days.

##### c. Balances Due to banks

Enter the total of balances due to commercial banks including accrued profit. This balance should agree with the total analysed in the table attached to the liquidity return.

d. **Matured loans and advances from domestic banks**

Enter the total of all overdrafts and any other debit balances on matured loans and advances including guarantees and bonds issued by commercial banks.

**4. Balances with Financial Institutions**

a. **Balances with Financial Institutions**

Enter the total of all balances (overnight, call and time) placed with the institution, excluding uncleared effects. This should include accrued profits; and should agree with the total analysed in the table attached.

b. **Time Deposits with Financial Institutions**

Enter the amount of time deposits including accrued profits entered in 4(a) above whose maturities exceed 91 days.

c. **Balances due to Financial Institutions**

Enter the total of balances received from financial institutions including accrued profits.

This balance should agree with the total analysed in the table attached and should exclude balances with institutions with maturities period exceeding 91 days.

d. **Matured Loans and Advances Received from Financial Institutions**

Enter the total of matured loans and advances including guarantees, bills discounted, promissory notes and performance bonds received from financial institutions.

**5. Balances with Mortgage Finance Companies**

a. **Balances with Mortgage Finance Companies**

Enter the total of all balances (overnight, call and time deposits) placed with the institution, excluding uncleared effects but including accrued profits.

b. **Time Deposits with Mortgage Finance Companies**

Enter the amount of time deposits including accrued profits included in line 5(a) above whose maturities exceed 91 days.

c. **Balances due to Mortgage Finance Companies**

Enter the total of all balances including accrued profits (overnight borrowings, and call placements) received from mortgage finance companies.

This balance should agree with the total analysed in the table attached to the liquidity return.

d. **Matured loans and advances from Mortgage Finance Companies**

Enter the total of matured loans and advances including guarantees, bills discounted, promissory notes and performance bonds received from mortgage finance companies.



## 6. (a) KSA Government Treasury Bills

Enter the amortized cost of all KSA Government Treasury Bills investments by the reporting institution, net of encumbered Treasury Bills. Encumbered Treasury Bills are those pledged to secure any form of credit facility granted to the reporting institution.

## (b) KSA Government Treasury Bonds/ Bearer Bonds

Enter the amortized cost or fair value of all treasury bonds/bearer bonds acquired by DTFC directly from the government and its issuing agents and those discounted from third parties.

## 7. Total Liquid Assets

Enter the sum of items 1 to 6 above

## 8. Total Deposit Liabilities

a. Enter total deposits (Local and Foreign Currency) from all sources, including accrued profit, but excluding un-cleared effects.

b. **Less:**

i) Balances Due to banks

Enter the total of balances due to domestic and foreign commercial banks including accrued profit. This amount should agree with the sum of balances analysed in the attached table.

ii) Balances Due to FCs

Enter the total amount of balances due to FCs including accrued profit. This amount should agree with the sum of balances in the attached table.

iii) Balances Due to Financial Institutions.

Enter the total amount of balances due to domestic financial institutions including accrued profits. This amount should agree with the sum of balances in the attached table.

iv) Balances Due to Mortgage Finance Companies.

Enter the total amount of balances due to domestic mortgage finance companies including accrued profits. This amount should agree with the sum in the attached table.

v) Total Deductions

Enter the total of items b (i) to b (iv)

c. Net Deposit Liabilities

Enter the net amount of item 8 (a) less sum of 8 (b).

## 9. Other liabilities

a. **Matured:** Enter the sum of all matured liabilities (Including crystallized off- balance sheet commitments) that have cash flow implications and are due for payment.

## 10. Liquidity Ratio

- a. Total of items (7)
- b. Sum of Group 8(c) + 9(c)
- c. Ratio of [(a)/ (b)] x 100%

The liquidity statement should be completed as per the instructions contained in this guideline, and should be submitted by the 15th business day of each month.

## Appendix C: Asset Quality

### Risk Classification of Assets

In the determination of the classification for loans and advances, performance will be the primary consideration. The performance will generally show the repayment capability of the borrower. All loans and advances should be classified by institutions according to the following criteria:-	
Days at Risk (Number of days past due)	Classification
a) Current and up to date in payments of principal and profit	Normal
b) 1 to 30 days in arrears or where one instalments for either principal or profit is due and unpaid	Watch
c) 31 to 60 days in arrears or where two instalments for either the principal or profit are due and unpaid	Substandard
d) 61 to 90 days in arrears or where three instalments of either principal or profit are due and unpaid	Doubtful
e) More than 90 days in arrears or where four or more instalments of either principal or profit are due and remain unpaid	Loss

### RISK CLASSIFICATION OF ASSETS AND PROVISIONING

Portfolio Aging Report							
Classification	No of loans / ACs	Outstanding loan Portfolio	Required Provision	Required Provision Amount (SAR)	Security Held	Minimum provision %	Portfolio at Risk
Normal			1%				
Watch			5%				
Sub-standard			25%				
Doubtful			75%				
Loss			100%				
Other Non-performing Assets*							
<b>Total</b>							
Restructured/Rescheduled/ Renegotiated loans							
Normal			1%				
Watch			5%				
Sub-standard			25%				
Doubtful			75%				
Loss			100%				
<b>Grand Total</b>							

## Completion Instructions

### Appendix C: Asset Quality

#### **General**

This return should be completed strictly in accordance with the Regulation on Asset Quality.

1. Enter in column A the number of accounts under each classification.
2. Enter in column B the amount outstanding under each classification categories of Normal Risk; Watch; Sub-standard; Doubtful and Loss.
3. Enter in column C the minimum provisions requirement in percentages in each classification category.
4. Enter in column D provisions required in each classification category.
5. Enter in column E the amount of security held in each classification category.
6. Enter the difference between column D and E in column G.

### 3 Part III: Account Opening and Operating Rules and Regulations

#### Chapter 7: Definitions

##### General Account

52. A General Account is an accounting record maintained by a DTFC licensed to operate in the Kingdom, generated under a contract called "General Account Opening Agreement" signed by the DTFC and the account holder (the Customer). The agreement sets out the rights and obligations of each of the parties including accounting entries posted by the DTFC in accordance with the applicable regulations and the acceptable rules and practices agreed upon under the account opening agreement, other agreements signed by the two parties, and other instructions.

The purpose of a General Account is to facilitate operations of Deposit Accounts.

##### Deposit Account

53. A Deposit Account is an accounting record maintained by a DTFC license to operate in the Kingdom, generated to reflect the terms and status of the Deposit Deal. The purpose of the Deposit Account is hold the funds for an agreed period accruing profit at an agreed rate as per Deposit Deal.

##### Deposit Deal

54. A Deposit Deal is a transaction which is generated under a contract i.e. "Deposit Deal Agreement" signed / accepted by the DTFC and the account holder (the Customer), where an account holder agrees to leave funds with a DTFC for an agreed period accruing profit at an agreed rate. The agreement sets out the rights and obligations of each of the parties including accounting entries posted by the DTFC in accordance with the applicable regulations and the acceptable rules and practices agreed upon under the account opening agreement, other agreements signed by the two parties, and other instructions.

##### Natural Person

55. For the purpose of these regulations, Natural Person include:

- i. Saudi National (Male / Female / Minor),
- ii. GCC National (Male / Female / Minor),
- iii. Expatriates holding 5 years residence card (Male / Female / Minor),
- iv. Expatriates on visits (Male / Female / Minor), and
- v. Other Individuals not in above capacity

Resident Juristic Persons including commercial and other organizations:

56. These include:

- i. all private juristic entities, such as commercial firms, corporations and other organizations licensed by the Ministry of Commerce,
- ii. if it is a joint venture, or service firms licensed by the Ministry of Municipal and Rural Affairs, the Ministry of Pilgrimage and the like, and

- iii. financial institutions licensed by the Saudi Arabian Monetary Agency or by the Capital Market Authority, and
- iv. corporations licensed by the Saudi Arabian General Investment Authority (SAGIA);

including, all juristic parties owned by Saudi citizens or licensed individual expatriates.

Resident Juristic Persons investing under the Foreign Investment Act. :

57. These include all private juristic persons such as companies and firms and subsidiaries, or similar entities, and natural persons of Non-Saudi nationality and their Saudi investing partners who are licensed to invest in the Kingdom pursuant to the Foreign Investment Act with license issued by the Saudi Arabia General Investment Authority (SAGIA).

Juristic Persons renting depository areas at Saudi Ports:

58. These include companies and firms authorized to sell and re-export at depository areas at Saudi Ports, whether renting is as per lease contract entered directly with Port.

Government Entities:

59. These include all governmental institutions, ministries, and local juristic entities, whose financing sources are provided by the Ministry of Finance, which open bank accounts for official purposes only.

Other Official Resident Juristic Entities:

60. These include foreign embassies, consulates, diplomatic representation offices, and schools and other affiliated institutions, and resident diplomats and foreign employees on temporary visits.

They also include regional, international and multilateral organizations, foreign airlines, Hajj missions, organizations and clubs affiliated, and charity and public welfare societies and committees as well as the Islamic Relief Organization and the World Assembly of Muslims Youth (WAMY) and other entities.

Under Establishment Companies:

61. As defined by the Companies Law applicable in Saudi Arabia.

Chambers of Commerce & Industry:

62. These are non-profit organizations that provide special services for licensed commercial entities and other business organizations. They also coordinate the relationship between the private and public sectors. They have their own boards of directors.

Non-resident:

63. These include all commercial corporations and other entities and organizations which are not mentioned in the above clauses, and do not have an existence in the Kingdom via commercial or professional license for business, or other official existence such as diplomats and international multilateral organizations.



#### Persons having Authority to Appoint Signatories:

64. Responsible officers at certain organizations (public/private) whom Financial Companies can, on a case by case basis, identify their powers based on approvals from the Ministry of Finance or SAMA; or based on their job positions or appointment decisions; or on approval from the regulatory bodies, board resolutions; entities owners or by virtue of the Articles of Association, Commercial Registration, job description (finance/human resources), notarized power of attorney, or contracts entered between banks and such organizations; or whom bank can identify through confirmation procedures, as they deem necessary, in addition to the official stamps or signature specimens.

(Responsibility of identification rests upon individual DTFCs).

#### Incompetent:

65. A person legally forbidden from control over his property due to mental incompetence or bankruptcy.

#### Freezing of Account:

66. This term refers to the temporary suspension of withdrawal from a General Account due to the:
- i. expiry of the validity of the of identification documents relating to account holder or authorized party acting on behalf of account holder OR
  - ii. failure to update addresses, income sources, signatures and other relevant data relating to account holder or authorized party acting on behalf of account holder OR
  - iii. violation of the provisions of the General Account Opening Agreement.

#### Blocking of Account:

67. This term refers to the suspension of withdrawal from a General Account due to instructions from the supervisory, regulatory or security authorities.

#### Foundations and private philanthropic (Charity) Funds:

68. These are non-profit private charity organizations licensed by the Ministry of Human Resources and Social Development. A person or a group of persons (natural or legal) establishes them. Their benefits are limited to providing social and charity services to individuals or specific entities. Their membership is restricted to persons appointed in accordance with their charter.

#### Philanthropic / Charitable Societies:

69. Organizations (juristic entities) licensed by local government agencies to provide religious, charitable and social services. They are dependent upon donations by benefactors.

#### Philanthropic / Charitable committees:

70. Special committees licensed by local government agencies to serve the disabled and indigent. They are dependent upon donations by benefactors.

Professional / vocational Organizations, Societies and Committees:

71. Societies and commissions licensed by official government agencies to assume professional / vocational specialized roles that serve the interests of their members. They are dependent upon contributions by members, or official government support.

Pilgrimage (Hajj) Missions:

Hajj missions are of two types:

72. Type 1: Official Hajj Missions representing their respective governments during the pilgrimage (Hajj) season.
73. Type 2: Individual pilgrims who come to perform Hajj with private foreign agencies (charitable societies, tourist offices or agencies etc...) that are officially authorized by their government to offer Hajj services with a minimum number of 50 pilgrims, and approved by the Saudi embassies and consulates in their home countries.

Cooperative Societies & Funds:

74. Co-operative Societies:

Every society formed by the members of a certain region, under the provisions of Societies Act to improve the conditions of its members in production or consumption through the joint efforts of the members using the standard cooperative principles.

75. Cooperative Funds:

These are funds instituted by the employees of a governmental organization or a company under the provisions of Cooperative Funds Act. Its funding source is originated by its members' contributions. Expenditure from such funds is mainly for the purposes of covering social, cultural and sport activities of the Fund's members.

Endowments:

There are two types of endowments:

76. Public Charity Endowment:

means a charity endowment for public utility such as mosques, orphans, Quran Memorization Schools, Way Farers, Mosque Imams and Moathens (Caller for Prayers) etc. The Ministry of Islamic Affairs Endowments, Call & Guidance acts as a supervisor on such endowment.

77. Private Endowments:

These facilities are endowed to certain descendants or group of people and have a trustee by virtue of a legal deed. Responsible for implementing the endowment terms. The role of the Ministry of Islamic Affairs, Call & Guidance is limited to supervising the activities of the trustee. In this type of

endowment, if the endowed persons cease to exist, the endowment becomes a public charity endowment.

#### Relief Committees and Campaigns

78. Organizations established under Royal directions and consisting of local governmental or private organizations whose objectives are to arrange for the provision of relief assistances in cash or in kind to certain country, people, or minority.

#### DTFC's Verification:

79. The DTFC's official certified seal on documents or identification card for certification in addition to the bank staff signature and seal. Only DTFC's seal on the copy is not sufficient to be consider as DTFC's verification.

## Chapter 8: General Requirements for Opening General Accounts

### Introduction

80. DTFCs are expected to receive fund from customers in its normal bank accounts maintain with the Bank(s) operating in KSA. Similarly, DTFCs will use its normal bank accounts when funds are remitted back to customers based on Customers' instructions. DTFCs are not required to open a separate bank accounts for purposing of receiving funds from or remitting funds to its customers. However, DTFCs may open a separate bank account for convenience purposes.
81. The requirements of opening and maintaining General and Term Deposit accounts relates to DTFCs internal books and records.

### Natural Person

82. DTFCs must NOT open General Accounts and Term Deposit Accounts in the name of Natural Persons.

### Juristic Persons:

83. DTFCs can only open General Accounts and Term Deposit Accounts for Juristic Persons in accordance with the rules stipulated in the Section 3 of the regulations.

### Minimum Information and Documents required opening a General Account:

84. DTFCs must obtain and record the following information / documents (at a minimum) before opening General Account:
- i. Copy of the identity document of the Juristic customer and ensure that they are in the conformity with the original document.
  - ii. Names, Nationalities, Identification Numbers, Identification Documentation Expiry Dates, National Addresses, Profession and means of communication of all Board members and senior managers of the Juristic Person.
  - iii. Names, Nationalities, Identification Numbers, Identification Documentation Expiry Dates, National Addresses, Profession, means of communication and signature forms (signatures, thumbprints, stamps etc.) of all authorized persons of the account.
  - iv. Copies of the Identity documents of all the Board members and Senior Managers of the account holder and authorized person of the account.
  - v. Financial information: source of income (primary / additional), the volume of expected financial transaction on the account (deposit / withdrawal)
  - vi. Verify and record the real beneficiary of the account if different from the account holder
  - vii. Verify and record the control structure and ownership of the Juristic person i.e. the account holder.

### Acknowledgement of Term and Conditions

85. DTFC must ensure that the account holder agrees to all the terms and conditions of the agreements of opening the General Account. In addition, terms and condition of opening the General Account should include following statements (at the minimum):
- i. Acknowledges and verifies that all the data provided by account holder is true and reliable.

- ii. Understands all the terms, conditions and provisions of the account opening agreement.
- iii. Acknowledges Account holder is responsible before the competent authorities for all the information provided at the time of opening and operating the account and all the activities of the account i.e. funds deposited and withdrawal by the account holder or by its authorized persons.
- iv. Acknowledges that the deposited funds are the result of legitimate activities and that it is responsible for their safety, and that if the DTFC receives any illegal or counterfeit money, account holder is not entitled to recover or compensation.
- v. Commits to update its and its authorized persons data as and when requested by the DTFC but not more than five years, as well as to provide a renewal of identity documents before the end of its effectiveness.
- vi. Acknowledges that the DTFC will freeze the account if account holder does not update or renew its data.
- vii. Acknowledges the right of the DTFC to freeze the account or any of the amounts credited to it in case the DTFC suspects the use of the account or the amounts are for financial fraud.
- viii. Acknowledges and verify that Account holder is the real beneficiary of the account.

#### Opening General Account remotely:

- 86. DTFCs cannot open its General Account remotely for its new customers. However DTFCs can facilitates its new customers to allow them to provide maximum information through electronic and/or digital channel. Upon completing the requirement information and uploading copies of the documents required, Customer must visit DTFCs office to provide Signature forms and Original Documents for verification purposes.
- 87. DTFCs can open additional General Accounts remotely provided Customer initiates the request through electronic and digital channels. It is responsibility of DTFCs to ensure all requirements relating to General Account Opening are complied with.

#### Account Identification Details:

- 88. DTFCs shall provide the customer (by any appropriate means) with account identification details showing the customer's name, account number, confirming the account opening.

#### Opening the account without deposit:

- 89. DTFCs can accept the request to open an account for any client without depositing any amount at the time of making the request. However, DTFCs must ensure that the client will eventually make deposits once account is open.

#### General and Term Deposits Accounts in Foreign Currency:

- 90. DTFCs are **NOT** allowed General Accounts in a foreign currency i.e. other Saudi Arabian Riyals

#### Additional General Accounts:

- 91. DTFCs can open Additional General Accounts in Saudi Riyal provided they are linked / managed under one identification code (CIF). DTFCs must not use the same account number for a new customer.

92. All requirements of opening Additional General Accounts are similar to the opening the General Account for the first time. However, copies of the identify documents relating to account holders, its board members, senior managers and authorized persons of the accounts does not requirement re-submission unless they are different from the documents submitted earlier.
93. All specific documents, relating to account opening such approvals, must be submitted for each new account opening application.

Client interview:

94. Subject to the provisions of these Rules, as a basic rule, it is not allowed to open accounts for new customers unless they are interviewed by the DTFC.

Visiting customers in their premises for exceptional circumstances:

95. In special and exceptional cases where it is difficult for a client to attend the DTFC Office (for the compelling circumstances of the client), the DTFC may assign two or more of its employees (different positions) to meet clients at their premises and collect the data and documents themselves according to these rules.

Time period for General Accounts:

96. DTFC shall open General Account for legal persons whose opening requirements do not include any special approvals from the concerned departments of the DTFC within one working day of completing the account opening requirements, and within two working days for those accounts for which special approvals are required. The applicant should be notified in writing (or any other means if customer agree i.e. through email or SMS) of any additional deficiencies or requirements within one day of submitting the application.

Electronic Record Keeping

97. For the purpose of establishing a unified automated database of General Accounts and Term Deposit Accounts. DTFCs shall establish an electronic (automated) registry system in accordance with the classification described in Appendix C and its updates based on the information contained in the approved identities.
98. In addition, the DTFC shall establish an electronic register of Juristic Persons, which shall include, at a minimum, the following data:
- i. The full official name of the legal person according to the official documents (both in Arabic and English),
  - ii. Commercial registration number or license number if the activity does not require a commercial register. (In case the account is for the purpose of the main commercial register, then main commercial register, but if the purpose of a branch of the commercial register, the sub-commercial registration number is registered provided that links the electronic record of accounts Sub Commercial Register with the main commercial register),
  - iii. Owners Names, Identity Numbers and percentage of ownership - The names mentioned in the Memorandum of Association in accordance with the latest amendments thereof - are authorized to manage accounts along with their Identify Numbers (the owners of the listed joint stock companies are excluded from writing down their identification numbers),

- iv. Names, Identity Numbers, Copies of IDs and Signature form for the authorized account manager(s),
- v. National address of the Juristic person,
- vi. Tax number (if applicable),
- vii. The Legal Entity Identifier ("LEI") number (if any) and
- viii. The reference number and date and the name of the issuing entity in case of the accounts opened pursuant to approvals or official requests.

99. DTFC must identify and record the Names and Identity Numbers of ultimate beneficiaries of the account, which may be different to the owners of the account i.e. in the case of group companies. Only following persons are considered as Ultimate Beneficiaries:

- i. Natural Persons or
- ii. Listed Jointed Stock Entities or
- iii. Government Entities or
- iv. Ultimate owners / shareholders (i.e. any of the above three) of any other entity

Requirements for Inspection Purposes:

100. For the purposes of inspection by SAMA or upon the request of concerned security departments for investigation purposes, DTFCs must maintain an electronic inspection system to perform routine searches on the electronic records maintained for each type of account holders; provided that this search inspection system is part of the main system.



## Chapter 9: Specific Rules for opening General Accounts for Juristic persons:

### Licensed Businesses, Establishments and Shops:

101. DTFCs must obtain following documents before opening General Account in the name of Licensed Business, Establishments and Shops:
- i. Copy of the commercial register of the establishment or the shop.
  - ii. A copy of the license to practice the activity if it is required for the activity of the establishment alone without the need for a commercial register.
  - iii. Identifying and verifying the identity of the owners of the establishment according to the name mentioned in the commercial register or license, and verifying the identity data and its validity.
  - iv. Identities of persons authorized to manage and operate accounts.

### Special Purpose Vehicles:

102. DTFCs must obtain following documents before opening General Account in the name of Special Purpose Vehicles:
- i. Copy of the license of the Special Purpose Vehicles issued by the Capital Market Authority.
  - ii. Copy of license (if any) or commercial registration of the sponsor issued by the competent authority.
  - iii. Status of the establishment.
  - iv. Identify and verify the personal identities (natural persons) / licenses or business records (legal persons) of the registered directors.
  - v. Confirmation to authorize the persons concerned to manage and operate accounts from the owner(s) of the Special Purpose Vehicles.
  - vi. Identities of persons authorized to manage and operate accounts.
  - vii. Identification and verification of personal identities (natural persons) / licenses or commercial records (legal persons) of the owners of the Special Purpose Vehicles named in the Articles of Association and its amendments.

### Institutions that practice e-commerce and have no official headquarters:

103. In addition to the requirements stated for the Licensed Business, Establishments and Shops, DTFCs should perform following additional procedures when opening General Account in the name of an institution that practices e-commerce and have no official headquarters:
- i. Classify the account type as e-commerce.
  - ii. Verify the electronic platform of the Institution through the documentation of electronic stores licensed by the Ministry of Commerce.
  - iii. Complete the national address of the institution or its owner.
  - iv. Classify these accounts are classified as high-risk accounts and review every two years.

### Holders of self-employment licenses:

104. DTFCs must comply with the following conditions before opening General Account in the name of Holder of self-employment license:
- i. Obtain a copy of the self-employment license issued by the Ministry of Human Resource and Social Development.



- ii. Obtain a copy of the national identity of the holder of the self-employment license.
- iii. Obtain and record national address of the holder of the self-employment license.
- iv. Record the name of the account similar to the holder of the self-employment license.
- v. Do not open joint account or authorized by it.
- vi. Link the validity of the account to the date of validity of the self-employment license.

Licensed Exchange Practitioners:

105. DTFCs must comply with the following conditions before opening General Account in the name of a License Exchange Practitioner:

- i. Obtain a copy of the license issued by SAMA.
- ii. Link the validity of the account to the validity of the license issued by SAMA.
- iii. Obtain a copy of the commercial register.
- iv. Ensure the information contained in the commercial register or the license issued by SAMA matches with the information contained in the owner's identity document.
- v. Obtain a copy of the owner's identity document.
- vi. A copy of the identities of persons authorized to manage and operate accounts.

Resident Companies including Joint Stock Companies, Limited Liability Companies, General Partnership and Limited Partnership Companies:

106. DTFCs must comply with the following conditions before opening General Account in the name of a Resident Company:

- i. Obtain a copy of the commercial register.
- ii. Obtain a copy of the Articles of Association and its annexes. (if any)
- iii. Obtain a copy of the identity of the manager in charge.
- iv. Identify and verify the identities of the members of the Board of Directors.
- v. Obtain a power of attorney issued by an authorized notary or notary, or authorization prepared within the bank by the person (s) who, by virtue of the Memorandum of Association, the partners' decision or a decision of the members of the Board of Directors, has the power to authorize natural persons to sign and operate accounts.
- vi. Obtain a copy of the identity of persons authorized to sign and operate accounts.
- vii. Identify and verify the identities of the owners of the company named in the Memorandum of Association in accordance with the latest amendments, except for the listed joint stock companies.

Companies under incorporation:

107. DTFCs shall not open General Account if a company is under incorporation.

Gulf non-bank commercial companies residing in the Kingdom:

108. In the case of a Gulf company incorporated in the Kingdom of Saudi Arabia (without an investment license from the Saudi Arabian General Investment Authority), the Gulf company become a resident company thus DTFCs must apply similar conditions as of a resident company.

Residents Investment Companies under Foreign Investment Law (Mixed Ownership by National Investor and Foreign Investor):

109. DTFCs must comply with the following requirements before opening General Account in the name of a Resident Investment Company under Foreign Investment Law (Mixed Ownership by National and Foreign Investors):
- i. Obtain a copy of the license issued by the General Authority for Investment.
  - ii. Obtain a copy of the commercial register and match the name of the activity, investor(s) name(s) and ID number(s) stated in the commercial register with the license.
  - iii. Obtain copy of the professional license and / or commercial registration of the Saudi companies and institutions for the national investor.
  - iv. Identify and verify the personal identities of all the investors, except in the case of listed joint stock companies.
  - v. Obtain copy of the national identity document of the national investor if he/she is a natural person.
  - vi. Obtain a copy of the professional license and / or commercial register of the foreign companies and institutions of the foreign investor in the country of origin or its equivalent approved by the Saudi Embassy.
  - vii. Obtain copy of the residency document if the foreign investor is a natural person and ensure his/her residency document indicate that he/she is a foreign investor by profession, and a copy of his/her passport.
  - viii. Copy of the Memorandum of Association and its annexes for the invested foreign partner, approved by the Saudi Embassy.
  - ix. Record the addresses of foreign invested enterprises in their countries (if any).
  - x. In case of the presence of agents or commissioners in the management of the investing establishment and its bank accounts, a copy of the agency containing the name and identity of the agent or the commissioner and the name of the partner or other partners certified by a notary if issued in the Kingdom or the Saudi Embassy if issued outside the Kingdom. If the authorization to manage the account is prepared on the forms of the bank, it must be prepared by an authorized person and his presence in the bank or stipulated in the agency or the authorization above.
  - xi. A copy of the identity of the agent or the commissioner (national identity document for Saudis or Gulf nationals and / or residence document for foreigners) and a clear address for him locally and in his country if he is a foreigner.

Residents Investment Companies under Foreign Investment Law (Entities wholly owned by a Foreign Investor):

110. Requirements as stated for the Residents Investment Companies under Foreign Investment Law (Mixed Ownership by National Investor and Foreign Investor) above after excluding requirements related to the National Investor
111. In case of Branches of Foreign Institutions, all above will apply. In addition, obtain a copy of a letter of authorization from the head office of the company or institution in the country of origin, which nominates persons authorized to sign on behalf of the company in the Kingdom in respect of all financial transactions. This copy should be certified by the Saudi Embassy

Public companies and public sector institutions:

112. DTFCs must comply with the following requirements before opening General Account in the name of a Public Companies or a Public Sector Institutions (for further guidance on those entities and their names, see Appendix B):
- i. Obtain a copy of the decision resolution to form the Board of Directors issued by the Council of Ministers.
  - ii. Obtain a copy of the decision resolution by the Board of Directors authorizing person or persons authorized to open and operate these accounts, along with identification documents and a form of their signatures.

Gulf resident – KSA non-resident Non-banking companies:

113. DTFCs must comply with the following requirements before opening General Account in the name of a Gulf resident - KSA non-resident non-banking companies not resident in the Kingdom:
- i. Obtain a copy of the license / commercial registration issued by the governmental authority in the country of origin (residence) in the GCC countries.
  - ii. Verify and identify the national identity of the owner(s) of the company (excluding listed joint stock companies) and retain the copy of such identity documents.
  - iii. Obtain a copy of the Memorandum of Association and its annexes, which clearly indicate the composition of both the capital and the management of the company.
  - iv. Identify and verify the identities of the members of the Board of Directors and retain the copy of such identity documents.
  - v. Obtain copies of the identities and nationalities of the authorized managers.
  - vi. Obtain a copy of the authorization letter issued by the board of directors authorizing persons to manage the bank account unless specified in the Memorandum of Association.
  - vii. Obtain an approval of the Saudi Embassy in the Gulf country by the Company for all the above requirements.
  - viii. DTFC's employee must complete the documentation through physically interviewing the client personally (authorized). The final responsibility for the customer's data lies with the DTFCs operating in the Kingdom.
  - ix. After the availability of the above documents and requirements, the DTFC will fulfill and apply the KYC rules.
  - x. CEO / General Manager and the Head of Compliance Department of the DTFC must approve the opening of the account relating to the Company.
  - xi. Allowing the opening of accounts includes all types of Gulf companies, as well as those engaged in commercial, industrial, service, agricultural, and real estate activities.
  - xii. DTFCs must NOT open accounts for Gulf resident - KSA non-resident banks, money exchangers, financial investment companies, financial institutions, independent or subsidiary investment funds, insurance companies, individual institutions and licensed shops.

Non-GCC Non-Resident Commercial Companies and Institutions with no Contracts or Projects in the Kingdom:

114. DTFCs must NOT open General Account for these companies

Non-resident companies and non-bank commercial establishments with contracts or projects in the Kingdom:

115. In case of a commercial establishment or a non-resident company has a contract or project in the Kingdom, DTFCs may open a General Account for the duration of the project or contract in accordance with the following conditions:
- i. Obtain an approval from the Ministry of Commerce and / or a temporary license from the General Authority for Investment, the approval of the company's head office and the approval of the Saudi Embassy in the country of origin.
  - ii. Obtain a copy of the company's memorandum of association certified by the Saudi Embassy in the country of the company.
  - iii. Obtain a recommendation from a bank classified by an accredited rating agency dealing with it in the country of origin.
  - iv. Obtain a copy of the contracts demonstrating that the Company is engaged in the contract in a contract in the Kingdom
  - v. Obtain a copy of the authorization issued by the head office of the company endorsed by the Saudi Embassy, which specifies the persons authorized to sign in the Kingdom on behalf of the company in respect of all financial transactions, including opening and operating accounts and copies of the identification documents of the authorized persons.
  - vi. CEO / General Manager and the Head of Compliance Department of the DTFC must approve the opening of the account relating to the Company.
  - vii. DTFCs should close all these accounts at the expiry of the contract period unless the contract period is extended. In case of extension, DTFCs must obtain a copy of the Contract extension.
  - viii. DTFCs must classify these accounts high-risk.

Non-resident and non-banking commercial companies and institutions leased in the depository areas in the Kingdom:

116. DTFCs can open General Accounts for companies and institutions authorized to sell and re-export in the depository areas in the local ports in the Kingdom, whether leasing directly from the General Authority for Ports or through the owners of lease concession contracts, for the duration of the lease contract after obtain/meeting the following documents/requirements:
- i. A copy of a lease contract in the deposit area certified by the Chamber of Commerce and Industry and the Port Administration.
  - ii. A copy of the commercial register of the leased establishment issued in the country of origin and certified by the Saudi Embassy with a clear address of the establishment.
  - iii. Recommendation from a bank in the country of origin of the leased company or institution.
  - iv. The list of persons authorized to manage the accounts of the leased establishment with copies of residency permits.
  - v. DTFCs shall close the account immediately unless lease period is extended. In case of extension, DTFCs must obtain a copy of the lease period extension.

Legal persons (companies, institutions and licensed shops) owned by resident foreigners who are authorized to do business and are not covered by the system of foreign investment:

117. DTFCs can open General Accounts for legal persons (companies, institutions and licensed shops) owned by resident foreigners who are authorized to do business and are not covered by the system of foreign investment companies after obtain/meeting the following documents/requirements:
- i. Copy of the commercial register issued by the Ministry of Commerce.
  - ii. Copy of the Memorandum of Association and its annexes, if any.
  - iii. A list of the owners of the establishment mentioned in the Memorandum of Association and its amendments, if any, and a copy of each of them.

Ministries and government Agencies listed in Annex A and their equivalent:

118. DTFCs can open General Accounts for ministries and government agencies listed in Annex A and their equivalent after obtain/meeting the following documents / requirements :
- i. Ministries and Government agency should send the request of opening the General Account in a DTFC to the Ministry of Finance. After examining the application, the Ministry of Finance shall inform SAMA of opening the account with the DTFC.
  - ii. DTFC must obtain an approval letter from SAMA authorizing DTFC to open an account in the name of Ministry or Government Agency.
  - iii. The General Account shall be in the name of the government entity or administration and not in the name of a natural person, its position or its function.
  - iv. DTFCs must obtain names and forms of the signatures of the authorized persons and their IDs from the Ministry / Government Agencies as an official letter.
  - v. In case the Ministry or Government Agency wishes to amend the name of the account, Ministry / Government Agency shall submit a request to the Ministry of Finance for approval. Ministry of Finance will inform SAMA of its decision and SAMA will inform the DTFC.

## Chapter 10: General Requirements for Opening Term Deposit Accounts:

119. DTFCs can open a Term Deposit Account for its customer provided following requirements are met:
  - i. A General Deposit Account of the same customer is already open and active.
  - ii. The customer has agreed with a Term Deposit Deal by signing or accepting the term of Term Deal Agreement.
120. DTFC must linked Term Deposit Account to a General Account upon its initiation. (Term Deposit Account will only receive credits from the same General Account to which it is linked upon its initiation.)
121. The name/title of the Term Deposit Account should be same to the General Account it is linked to with addition of identification that it is a Term Deposit Account.
122. DTFCs must not de-link the Term Deposit Account with the General Account to which it was linked to upon its initiation and re-linked with another General Account.
123. DTFC can open a new Term Deposit Account where related account is frozen or is dormant provided Customer has agreed to an automatic rollover of Term Deposit Deal is agreed at the time of accepting or signing the Term Deposit Agreement.
124. DTFCs can link a General Account to more than one Term Deposit Accounts based on the number of the Term Deposit Deals however, DTFCs can link a Term Deposit Account to only one General Account
125. A Term Deposit Account represents one Term Deposit Deal only and cannot be recycled for another Term Deposit Deal.



## Chapter 11: Freezing and Updating of the Accounts

### Freezing of General Account at the expiration of validity of Identification Document(s):

126. As a rule, dealings between DTFCs and their customers and their relationship must start and continue in all aspects under valid ID documents, including dealings covered under the account definition or other contractual dealings or account related services.
127. All DTFCs must freeze all General Accounts of juristic entities after 90 days from the expiration date of the respective authorization to practice their activity (license, commercial registration, etc.) unless the customer provides a renewed authorization or any document.
128. All DTFCs must freeze all General Accounts of juristic persons whose documents of opening their accounts do not contain a validity date as of the date of opening the account or as of the date of last updating made on such accounts.
129. The validity of the ID cards of the directors and authorized signatories of the accounts of such persons and entities must be monitored, and their powers to operate the account only shall suspend, depending on their position as Saudis/non-Saudis, until renewal of their IDs. This requirement shall also be applicable to owners of private establishments and companies except Listed Joint Stock Companies and Government entities.

### Specific General Account Freezing Rules:

130. In the account opening form and contractual relationships and services, DTFCs must document that the DTFCs has the right to freeze the account upon the expiration of the customer's ID or when the account holder's data and information, addresses, incomes sources and signatures etc. are not updated.
131. All DTFCs must notify their customers of the date of freezing their respective accounts at least one month prior to the date of freezing, and must have adequate programs and processes in place to ensure the same with respect separately to each customer or authorized person acting on his behalf and that such policy and processes are documented.
132. Juristic persons and organizations (official and private) are allowed to close their own accounts, or any frozen accounts they are authorized to operate, by reason of the expiration of the validity of their IDs or failure to update them, provided that a written request for this purpose is submitted by the customer and the implementation related to closing accounts.
133. Transferring the account to unclaimed balances means transferring it to a special database without closing it. Each DTFCs can follow its own policies and procedures that fit to its own operational needs and fulfill this requirement.

### Term Deposit Account Freezing Rules:

134. In case of a Term Deposit Account linked to a frozen General Account, DTFCs should continue the deal until maturity. Upon maturity, DTFCs must credit the full principle and profit amount (separately) to the frozen General Deposit Account.

135. DTFCs can book a new Term Deposit Deal or an automatic rollover Term Deposit from a frozen General Account based upon the instruction of the account holder keeping in mind that DTFCs will always credit the funds to the frozen General Account upon maturity of the Term Account.

#### Freezing Exceptions:

DTFCs must not allow an account holder or its authorized managers to withdraw from the relevant frozen accounts in any form whatsoever except for the following conditions:

136. The customer existing obligations already effected by the DTFC in term of charges before the expiration of the ID (of account holder/ authorized representative).
137. Standing instructions from SAMA or Department of Justice relating to settlement of a case.

#### Updating Account Data:

138. DTFCs must establish customer identification at the outset of relationship.
139. As a measure of control, DTFCs must require all their customers to update the database of their General Accounts with the DTFCs periodically based on the risk rating policies established with a maximum limit of five years.
140. Updating of the General Account must include personal information, address, signatures specimen and (major and additional) income sources of those who act on behalf of a customer or as his agent. DTFCs must establish procedures and policies in order to achieve the objectives relating to updating of the General Account.
141. For accounts opened under official approvals or letters, such as government accounts updating period must not exceed max. 5 years.
142. In case, there is any suspicion of money laundering or terrorist financing in any time relating to account holder or authorized persons, DTFCs must update the General Account with such information



## Chapter 12: Inactive and Dormant Accounts:

143. If a General Account completes an one year period with no movement whatsoever by the account holder, DTFCs must consider such General Account as "Inactive" and should be subjected to dual control for activation thereof. This measure has no relation with the rules of account freezing due to expiration of the account holder's identification document.
144. If a General Account is linked with, a live Term Account then such period will not be counted a period of moment.
145. If a General Account completes another one-year period (i.e. two full years in total) with no movement therein by the customer, the account will be considered as "Dormant" and should be subjected to a higher authority dual control for activation thereof.
146. DTFCs shall not allow any transaction of withdrawal from a Dormant General Account except in the presence of the person duly authorized to deal in the account.
147. DTFCs shall set the policies and procedures that ensure appropriate supervision on the customer dormant accounts with a higher level than that applied on other. Dormant accounts files also must be isolated and the security tools must be available to prevent the archiving risk.
148. This rule must be applied on all customers without exceptions including the customers who have other active accounts.
149. The DTFCs must set policies and procedures approved by the Board of Directors to contact the dormant accounts' holders on the level of branches and head office including the communication procedures, responsibilities, documentations, account categories, periodical reports, efforts exerted and the results.
150. Inactive and Dormant accounts must be subject to the internal audit program at least once in the year and the report must be submitted to the audit committee.
151. At the end of March on yearly bases, DTFCs must report a softcopy statement of inactive and dormant accounts to SAMA on a Microsoft Excel program according to the schedule reported by SAMA that includes accounts according to their nature, category and balances without mentioning personal information as at the end of December of the previous year.

## Chapter 13: Know Your Customer (KYC)

### General Standards

152. To ensure effective implementation of a KYC program, DTFCs should apply high ethical and professional standards and policies that all employees must follow. They must determine the types of accounts that are acceptable, in such a way that will prevent DTFCs from being used, intentionally or unintentionally, by criminal elements.
153. DTFCs should include certain key elements in the design of their KYC programs, including customer acceptance policy, customer identification as set in these Rules (at minimum), on-going monitoring of high-risk accounts, and risk management.
154. DTFCs should deal with the clients by virtue of the names mentioned in their official identification documents accepted according to these guidelines.
155. DTFCs must NOT deal, open, operate or maintain any anonymous account, or with vague, counterfeited or incorrect name.
156. DTFCs must NOT deal, open, operate or maintain any numeric account without full details.
157. If the client requested opening an account or ask for a relationship but it is not possible to open that account because of some suspicions related to KYC in regard to the accuracy, correctness, non-sufficient data or the client not complying the requirements, the DTFCs shall not allow to open the account, start the relationship or execute any transactions. DTFCs must information Financial Investigation Unit at SAMA about the suspicions.
158. DTFCs should not only establish the identity of their customers, but should also acknowledge the purpose of opening any account or the relationship and its nature. DTFCs also shall monitor account activity to determine unusual transaction and should continue to exert due diligence toward the business relationship and operation pattern.
159. KYC must be a core feature of bank's risk management and internal audit procedures. Intensity of KYC programs beyond these essential elements should be tailored to the degree of risk involved.
160. DTFCs operating in KSA are fully responsible for the final recognition of customers' identity, their agents, authorized persons and the beneficiary owners. DTFCs also shall ensure that the identification documents are safe and sound.
161. DTFCs should verify the ownership structure for the juristic persons to recognize the ultimate beneficiaries (beneficiary owners) who hold the final power, recognize their identities (at minimum the natural owner who has 5% according to the organization by laws and its attachments or according to available data) and recognize the identities of the managers.
162. DTFCs should give special attention to the accounts opened and operated in virtue of delegation.
163. Instructions given in SAMA's Money Laundering Control, Financing of Terrorism and Fraud Prevention Manual must be implemented.
164. For fulfilling due diligence measures for customers residing outside the kingdom by depending on a third party, DTFCs must obtain from that party an undertaking that it would provide the

supervisory authorities in the Kingdom with any requested information about customers immediately.

#### Role of Regulatory Supervisor/Compliance Officer:

165. To establish review and updating of ethical and professional standards and determination of acceptable accounts under KYC program should be started by the Supervisory Authority (Compliance Officer) in coordination with the Internal Audit.
166. Ensure that the policies and procedures at least conform with local statutory and regulatory requirements with respect to money laundering and terrorism finance prevention.
167. The Regulatory Supervisor/Compliance Officer shall have the authority and right to access, at any time, customers' identification information and other information needed toward customers, transaction records and other related information.

#### Trustees, Nominees Sponsors and Authorized Representatives (natural or juristic):

168. DTFCs should understand the true relationship of individual customers who open accounts as sponsors, nominees, trustees or authorized representatives, and ensure that such sponsors, nominees, trustees or authorized representatives do not act only as a "front" for other individuals or as intermediaries or on their behalf.

#### On-Going Monitoring of Accounts and Transactions:

169. DTFCs should always monitor the accounts and their transactions and activity, identify any suspicious transactions, report these to the Financial Investigation Unit, and inform SAMA accordingly. They should implement formal procedures to identify unusual or suspicious activities, such as accounts exceeding certain limits, transactions of no economic or commercial purpose.
170. DTFCs must classify accounts and transactions according to the risk level.
171. DTFCs must only all high-risk accounts open after obtain senior management approval. In addition, DTFCs can process all high-risk transactions after obtaining approval from the high management.
172. DTFCs should have intensified monitoring over high-risk accounts. DTFCs should set key indicators for such accounts based on the country of origin, source of funds and the type of transactions involved, etc. The senior management should pay great attention to management information systems and high-risk transactions. Such transactions should be reviewed regularly (at least annually), especially with regard to high-risk clients.
173. DTFCs should include in its internal procedures those related to the e-services provided to the clients to enable monitoring the electronic transactions, risks in general and clients of high-risks according to indicators that enable acknowledging and measuring the risks extent and criminal suspicions through these services.
174. Monitoring accounts of all existing customers (whether before or after the issue of the Anti-Money Laundry Law) and their operations must be carried out based on materiality and risks.

Training as a Key Principle for these Rules:

175. DTFCs should not assign staff in the process of account opening, maintaining, updating, monitoring and processing of the transactions before attending courses on KYC, anti-money laundering measures, and ethical and professional behavior of Financial Institution.
176. DTFCs should put in place continued training programs to provide on-job training to employees in these areas.
177. DTFCs should include in their training programs, extensive training on the contents of these Rules and their applications.

## Chapter 14: Disclosing of account data and blocking balances:

### Disclosing and blocking at the request of official authorities

178. As a basic rule, for the purposes of disclosing of accounts and balances and blocking thereof pursuant to an order by the concerned official authorities, communications between these official authorities and the DTFCs should be made through SAMA only.

### Disclosing of account data and balances pursuant to SAMA request:

179. For the purpose of disclosing of account and balances upon SAMA instructions, in accordance with the applicable regulations, DTFCs should include in their search disclosing of all relations between the DTFC and the customer, including the existing accounts and all active, closed, suspense, inactive, dormant General Accounts and Term Deposit accounts etc. DTFCs should ensure that their reply to SAMA indicates that search made in this respect covered all categories of accounts and transactions.

### Blocking balances pursuant to SAMA request:

180. For purposes of blocking accounts and balances pursuant to SAMA request according to the applicable rules, DTFCs should observe that:
- i. Blocking shall include the outstanding balance and all suspended withdrawals at and after the time of blocking. DTFCs cannot open new accounts unless SAMA's request demands blockage of specific balances and/or specific accounts. In this case, blockage shall be restricted to the specifically demand.
  - ii. Blocking shall include all accounts and transactions stated in the above paragraph 182.i with the exception of the customer's participation in companies (in which he is shareholder) accounts unless otherwise stated in SAMA request.
  - iii. DTFCs must continue to block the account effective and valid until the DTFCs receives a notice from SAMA for lifting the blockage and allowing dealing on such accounts.

### Blocking in the event of death, bankruptcy or loss of legal competence:

#### **Official notice on blocking due to bankruptcy:**

181. If a DTFC becomes aware of, or receives an official notification of declaration of bankruptcy or of a restriction on its legal competence requested by an authorized party; the DTFC should stop all dealings related to the account and block the balance unless, the Companies Law or the Company's Articles of Associations (in regard to corporate bodies) allows the continuation of such accounts.

#### **Disclosure of Accounts of Bankrupt and Insolvent:**

182. In case any person contacts a DTFC to inquire about or disclose transactions, accounts balances or banking relationships related to his debtors or his clients because of bankruptcy or insolvency, the DTFC should direct him to submit a request of that to the competent judicial authority.

## Chapter 15: Accounts Operating Rules

### General rules for the operation of Accounts

183. The operation of the accounts shall be primarily the responsibility of the Account Holder and persons authorized by the Account Holder.
184. Account holders and its authorized person can operate the accounts either passing through written instructions duly signed and stamps or through digital mean.
185. DTFCs must facilitate its customer by availing standard forms and agreements to pass written instructions to operate accounts such as Forms use to initiate, cancel and/or roll over a Term Deposit Deal or deposit or withdraw funds from General Account etc.
186. DTFCs must verify the authenticity and validity of signatures provided on the form by comparing the specimen signatures in the signature form.
187. DTFCs must verify the identity of account holder and/or authorized person at the time receiving written instructions to operate General Account by obtaining a copy of his / her identity documents.
188. DTFCs should facilitate its customers to operate their accounts remotely i.e. through digital channels. In case DTFCs provides such facility, DTFCs must ensure the account holder or its authorized person goes through dual sign-in verification process before access to view and operate the accounts are provided.
189. In addition, DTFCs must provide maker / checker functionality to the account holder relating to juristic person on its digital channels before DTFCs receives the request to process. Maker / Checker means that two different individuals are required (one to initiate the request and other to approve). Both these individuals must go through dual sign-in verification process.
190. DTFCs must NOT accept physical cash to deposit funds to or disburse cash to withdraw fund from the General Account.
191. Persons authorized to operate bank accounts of juristic persons shall be authorized by authorized individuals, which are authorized by public or private approval, such as by the Board of Directors, Partners, Employer or any person designated by the Owner or by Officials of the establishment or entity.
192. The sole purpose of the General Account is to facilitate operations of Term Deposit Accounts therefore DTFCs should not allow usage of the account for any other purpose such as making payments to third parties i.e. a payment where beneficiary is not the DTFC where General Account is held or Account Holder itself.
193. DTFCs shall not allow General Account to be used receive funds from third parties.
194. Under no circumstances, DTFCs will overdraw any General Account or any Term Deposit Account.

## General Account

195. As stated in Section 1.1, the sole purpose of the General Account is to facilitate operations of Term Deposit Accounts.

### Credit Entries Rules

#### General rules

196. General Account can ONLY be funded i.e. credited through the following operations:

- i. Funds received directly from accountholder's Bank Account(s).
- ii. Funds received from the account holders' Term Deposit Account

#### Funds received directly from accountholder's Bank account(s)

197. DTFC must match the name of remitter with the name on General Account before crediting the funds to the General Account. In case of difference, DTFC must return the funds back to the remitter.

198. DTFCs must record the name of the remitter, IBAN number of the remitter and value date as part of posting the credit entry to the General Account.

199. DTFC may receive funds from multiple accountholder's bank accounts to fund a General Account. In this case, DTFC should proceed with credit the General Account provided conditions laid down in 9.2.3.1 and 9.2.3.2 are satisfied.

#### Funds received from the account holders' Term Deposit Account(s)

200. Upon maturity of Term Deposit Account, DTFC must credit the principle and profit amount separately to the General Account from which Term Deposit Account was funded in the first place.

201. DTFCs must record the details of the credit i.e. whether it is Principle or Profit, account number of Term Deposit Account / Term Deposit deal number, profit rate, currency, deal date, start date, maturity date and amount part of posting the credit entry to the General Deposit Account. In case of Islamic Term Deposit Account, details of underlying commodity, quantity and price sold & bought of the commodity must be recorded.

202. Upon cancellation of the Term Deposit Account, DTFC must credit principle amount only to the General Account from which Term Deposit Account was funded in the first place.

203. DTFC can credit the General Account from multiple Term Deposit Accounts (upon cancellation or maturity), provided conditions laid down in 9.2.4.1, 9.2.4.2 and 9.2.4.3 are met.

### Debit Entries Rules

#### General Rules

204. Funds from General Account can only be withdrawn i.e. debited through the following operations:

- i. Funds withdrawn by accountholder of the General Account.
- ii. Funds remitted to the Term Deposit Account
- iii. Deductible charges



205. Funds can only be withdrawn from General Account based on the instructions or agreement of the accountholder.

#### **Funds withdrawn by accountholder of the General Account**

206. From time to time accountholder may wish to withdraw the funds from General Account. Finance must remit the funds back to the same Bank account of the account holder from which General Account was initially funded i.e. the source.

207. In case, General Account was initially funded from multiple accounts belong to the accountholder, DTFCs can remit the funds back to any of the accounts from which General Account was initially funded as per the instructions or agreement of the account holder.

#### **Transfers between General Accounts**

208. If account holder have more than one General Accounts in a DTFC, then transfers between these accounts within the DTFC is permissible provided all General Accounts are held under the same name.

#### **Term Deposit Account**

209. The minimum tenor for the deposits is six months.

210. As stated in section 1.2., the purpose of the Term Deposit Account is hold the funds for an agreed period accruing profit at an agreed rate as per Term Deposit Deal, therefore a Term Deposit Account only reflects term and status of one only Term Deal.

211. Term Deposit Account must hold and record all the information relating to the terms of the related Term Deposit Deal, which should include, at the minimum, identification of Currency, Deal Capture date, Deal Trade Date, Deal Start Date, Deal Maturity Date, Days convention (30/360, Actual/360, etc.), Principle amount, Profit rate, Total profit amount at maturity and total profit amount accrued up to date of the inquiry, status of the deal (active, cancelled, matured etc.).

212. In case of Sharia Compliant Term Deposit Deal, DTFCs must hold and record the related commodity information such as, at the minimum, the identification of commodity, quantity of the commodity, selling and buying prices, names and statuses (principal / agent) of parties/broker involved etc.

213. Upon start date of Term Deposit Deal, Finance must debit Principle amount from General Amount and credit the Principle amount to Term Deposit account.

214. Upon maturity or cancellation of the Term Deposit Account, DTFCs must return the funds held in Term Deposit Accounts back to the same linked General Deposit Account.

215. DTFCs must NOT facilitate Currency Conversion or Currency Translation to its Account Holders.



## Term Deposit Deal

216. DTFCs must ensure it has evidence that its Account Holders agreed to the terms of the Term Deposit Deal through a sign Term Deposit Deal Agreement.
217. DTFCs must send confirmation to its Account Holders stating all terms of the Term Deposit Deal and ensure its Account holder agrees to terms through signing and having account holders seal on the confirmation.

## Chapter 16: Closing of the Account:

218. If the account holder wishes to terminate his dealings with the DTFCs, the account holder must submit a request to close his account.
219. The DTFCs must reject the client's request to close the account in case the account is frozen or blocked by SAMA or a Judicial Order.
220. In the event that the account is exposed to an unresolvable problem(s) of verification, the DTFC must lock the account and return the money / balance to the source.
221. In connection with a suspicion of customer transactions (money laundering, terrorist financing, etc.), the Financial must apply anti-money laundering and terrorist financing rules, including reporting.
222. In case of opening, the account and the customer deposited into it and then withdraw from it and the balance became zero and continued without balance or deal for 4 years; DTFCs must send the notification of closing to account holder.
223. DTFCs must save all documentation and notices relating to the closure of the account in the client's file.
224. DTFCs shall add the items related to the closure of the account within the terms of the account opening agreement or in a paper attached to the agreement.

## Chapter 17: Statement and Audit Confirmation

225. DTFCs shall provide at least once in year the statements of accounts of all the accounts (General and Term Deposit Accounts) to its accountholders.
226. DTFCs shall also provide Audit Confirmation to accountholders Auditors based on the held add the items related to the closure of the account within the terms of the account opening agreement or in a paper attached to the agreement.

## Chapter 18: Final Provisions

227. These Rules thereto shall be effective as of the date of its issuance.