

## EXECUTIVE SUMMARY OF CIRCULARS

COVERAGE: **SAUDI ARABIAN MONETARY  
AUTHORITY (SAMA)**

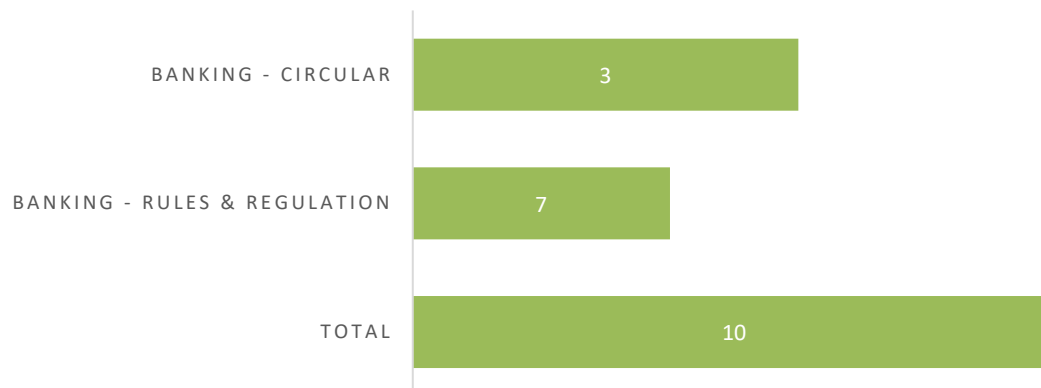
LOCATION: **SAUDI ARABIA**

ISSUE: **FORTH QUARTER 2021**



## INTRODUCTION & SUMMARY

During the 1<sup>st</sup> October 2021 to 31<sup>st</sup> December 2021, Saudi Arabian Monetary Authority (SAMA) has issued a total of 10 circulars/guidelines/rules on different matters. These regulatory instructions were predominantly in the areas of Banks.



## DETAILS OF ISSUED/AMENDED REGULATIONS

Key instructions / regulations disseminated by SAMA during the 4<sup>th</sup> quarter of 2021 are summarized below:

### BANKING RULES & REGULATIONS

#### Guidelines for Standing Orders dated November 30, 2021

Important features of guideline are as below:

- A standing order is an instruction a bank account holder gives to their bank to pay a set amount at regular intervals to another's account. The instruction is sometimes known as a banker's order. They are typically used to pay rent, mortgage or any other fixed regular payments.
- They are typically used to pay rent, mortgage or any other fixed regular payments. Because the amounts paid are fixed, a standing order is not usually suitable for paying variable bills such as credit cards or gas and electricity bills.
- Standing orders are distinct from direct debits; both are methods of setting up repeated transfers of money from one account to another, but they operate in different ways.
- This guideline explains the Collection procedures for customers and fix the responsibility of individuals and controls
  - A standing order can be set up and modified only by the payer, and is for amounts specified by the payer to be paid at specified times (usually a fixed amount at a specified interval examples). The amount can be paid into any bank account, which need not belong to an organization vetted by the payer's bank
  - A direct debit requires the payer authorize the payee take a direct debit for any amount at any time, or to instruct the bank to honour direct debit requests from a specified payee. The payee has full control over the payments. They can vary the amount and frequency of payments without further authorization from the customer (subject to providing the customer with the required advance notice) The payer has no direct control over these payments, but can cancel the direct debit at any time, with no reason required, and require the return of disputed payments. It is not possible to authorize an individual to take direct debits only organizations that have a contract with the payer's bank, or have been vetted by it, can do this

#### Principals of Audit for Local Operating Banks in KSA dated 31 December, 2021

The Central Bank issued these principles based on its mandate under the following regulations:

- SAMA The Saudi Central Bank Regulations, issued by Royal Decree No. (M/36), dated 04/11/1442 AH.
- Banking Control Law, issued by Royal Decree No. (M/5) dated 02/22/1386 AH.
- These principles, in their content and context, consist of three chapters: Chapter One: clarifies

the terms used and the general provisions. Chapter Two: includes a reference to the competencies, roles and responsibilities of the Board, the Audit Committee and Executive Management towards Internal Auditing & Chapter Three, the activity, work, roles and tasks.

#### Internal Audit Functions:

An independent evaluation activity that provides objective assurance and advisory services and independent of the quality, adequacy and effectiveness of the bank's internal control system, from by adopting an organized and systematic method for reviewing the accounting and financial operations operational, and others, and to evaluate and improve the effectiveness of governance and risk management processes and oversight.

- The internal audit unit is responsible for independently evaluating and confirming the adequacy and effectiveness of governance, risk management and control. policies and procedures implemented from the first and second lines of defence.
- The internal auditors are employees of the unit who are responsible for performing the functions and responsibilities of the internal audit.
- The main purpose of these principles is to achieve the following main objectives:
  - Protecting the bank's assets, and constantly ensuring the safety, adequacy and effectiveness of operations, accuracy and reliability
  - Enhancing compliance with the requirements of the regulatory and supervisory authorities, and the commitment of the bank and its employees to the rules and regulations
  - Regular and continuous review of evaluating and confirming the adequacy and effectiveness of governance processes, risk management and controls
  - These principles do not prejudice the requirements imposed on banks under other relevant laws, regulations, and instructions
  - The internal audit function is to implement the international interest; A number of international bodies and organizations issued instructions
- These bodies and organizations include the following:
  - Protecting Basel Committee on Banking Supervision (BCBS)
  - The Institute of Internal Auditors (IIA)
  - Committee of Sponsoring Institutions (COSO) for the National Committee for Distorted Financial Reporting (Trade way)
- Audit Committee is responsible to act according to instructions issued by central bank.
- The unit must have the authority to perform its tasks in all areas of the bank's work and its business units, without any restriction
- The unit shall have the right to request a meeting with the audit committee at any time whenever there is a need.
- The unit's responsibility before the audit committee for all matters related to the performance of its duties and responsibilities.

- Obligation to carry out an independent external evaluation of the quality of the unit's work and its adherence to work behaviour and ethics and its commitment. The requirements of the principles of internal auditing for local banks in the Kingdom, at least once every five years
- Develop and prepare the internal audit policy and review it periodically whenever the need arises and with each session.
- Preparing an internal audit strategy in line with the bank's strategy and approved by the Audit Committee
- Monitoring the work of external service providers in the event that some or part of the internal audit tasks are assigned to them
- The bank must obtain a prior no-objection from the Central Bank in the event that the unit head leaves his position (resignation – change)
- Manuals of work procedures must be developed for the unit (independent or as a section within the audit manual); to guide its employees
- Copies of Risk Assessment methodology should be provided to Audit Unit
- The head of the unit is responsible for developing the annual internal audit plan and timetables for its implementation, and for working as approved by audit committee
- In implementing the annual audit plan, the audit work programs must include detailed audit procedures for each unit
- The unit must establish an internal work unit that has a chief follow-up to ensure of quality and good performance, so that they are provided with qualified, well-experienced and appropriate resources
- The audit unit must prepare periodic reports on its review and submit them to the audit committee, which submits to the Board directly and independently without any revision by the executive management
- The unit must put all the requirements of the regulatory framework for capital and liquidity within the scope of its activities
- Cooperating with the Compliance Unit when it follows up on the tasks, responsibilities and actions that the Central Bank requests from the unit

*Time Frame for Documents Issued dated 31st October, 2021*

These instructions are to specify the time periods that the financing agencies must abide by when receiving the customer's request to issue a disclaimer letter, account transfer, and debt transfer, to contribute to protecting customers and achieving fair transactions and enabling competition:

These instructions are without prejudice to the provisions contained in the relevant instructions and any subsequent updates thereto

- Not limited to the following:
  - Principles of protecting clients of notified banks according to Central Bank Circular No. (341000095960), dated 3/8/1434 AH
  - Consumer finance controls updated according to Central Bank Circular No.

(351000116619), dated 9/10/1435 AH

- Central Bank Circular No. (361000083199), dated 11/6/1436 AH regarding instructions for purchasing customers' debts
- Controls for the issuance and operation of credit cards and monthly debit cards notified under Central Bank Circular No (361000090389) and dated 06/26/1436 AH
- Principles for the protection of clients of notified finance companies according to Central Bank Circular No. (361000110320), dated 14/8/1436 AH
- Central Bank Circular No. (391000028242) dated 10/3/1439 AH regarding the transfer of mortgage debts
- Central Bank Circular No. (391000086876) dated 9/8/1439 AH regarding the purchase of mortgage debt

#### Processing times for customer requests

Financing agencies must implement the customer's request by issuing a letter of release - whatever its purpose, including transferring salary in the absence of any outstanding financial obligations owed by the client, within a period not exceeding one working day from the date of receiving the request, and seven working days for the customer holding the credit card and/or the monthly discount card

#### Account Transfer

The bank shall implement the customer's request to transfer the account within a period not exceeding one working day from the date of receiving the request

#### Debt Transfer

- Consumer Finance: Financing agencies (debt sellers) must implement the request of the customer wishing to transfer the debt by completing the special forms. Transferring the consumer finance indebtedness within a period not exceeding one working day from the date of receiving the request
- Mortgage Finance:
  - The financing agencies (debt sellers) must implement the request of the customer wishing to transfer the debt by completing the special forms. Transfer the mortgage debt within a period not exceeding three working days from the date of receiving the request
  - The financing agencies (debt sellers) must complete the processing of the customer's request within a period not exceeding five working days
  - Receiving the approval of the financing authority (who wants to buy the debt) to transfer the debt
- Final Provisions:
  - Financing Excluded from these instructions are cases in which judicial decisions have been issued, as well as cases pending before the authorities competent.
  - Financing agencies must take all measures and procedures that ensure compliance with the time periods specified in these instructions
  - Technical systems and electronic services should be used to process the customer's request, including the issuance of documents and verification
  - The time periods mentioned in these instructions shall replace the time periods

mentioned in other relevant Central Bank instructions

## BANKING CIRCULARS

### Guidelines for Timelines of Issuing Disclaimers and Account and Obligations Transfers Circular No. 43023350 dated October 01, 2021

The SAMA issued guidelines for above noted subject which cover definition, general guidelines, disclaimer notice, rules regarding account transfer, obligations of transfer regarding consumer financing, real estate financing.

- The cases that are relieved of these guidelines are the cases which received court orders and cases awaiting orders by relevant authorities
- Financing Bodies are obliged to take all necessary processes and precautions to including compliance with the timelines assigned to these guidelines. It is also necessary to make use of technology and electronic services to process the Client's requests
- The timelines within these guidelines replace any timelines in other guidelines of relevance by the Central Bank

### Flow of Reports to Responsible Units Through Direct Phone Lines According to Province Circular No. 43033258 dated November 18, 2021

This circular mentioned the province wise direct telephone numbers of different units

### An Update to The Standards of Permanent Payment Orders to Real Estate Financers Circular No. 43033273 dated November 18, 2021

The Central Bank is issuing new standards in place of previous standards to establish the following changes:

- Inclusion of all financial products regardless of Real Estate Finance
- Widening the range of financing bodies to include Banks and all Funds (Including all funds pertaining to the Social Development)
- Standard for permanent payment order to financers are attached with circular

### The Use of Fair Value or Revaluation of Real Estate or Real Estate Investments Circular No. 43034916 dated November 23, 2021

The Central Bank would like to stress the importance and responsibility of all Banks and exchanges listed in the Saudi Market (Tadawul) to pre-coordinate with the Central Bank in the case that it wishes to switch to the use of fair value or re-evaluation of Real Estate or Real Estate investments.

### Principles of internal auditing for local banks operating in the Kingdom of Saudi Arabia. Circular No. 43037826 dated November 23, 2021

Based on the supervisory role of the central bank, in order to strengthen the establishment of audit units, the internal affairs system is systematically carried out with an independent and objective evaluation process to assure the adequacy and effectiveness of the governance and management processes for risks, controls, policies and procedures implemented based on the powers vested of his royal verdict. Issued by Royal Decree No. (M/37), dated 11/04/1442 AH, and other relevant regulations. This principal is effective from 01/01/2022 AD.

*SAMA stresses the importance of these Covid-19 precautions Circular No. 42042820*

- Compliance with all guidelines and necessary precautions stated by the ministry of health and other related sources
- Upgrading readiness plans of business continuity with the inclusion of all possible scenarios, testing them and ensuring their efficiency
- Pursuit of defining all weakness points discovered throughout the last period, gained lessons and implementing all required solutions and precautions
- Ensuring efficiency and readiness of electronic services and any related systems
- Upgrading readiness and level of cyber-monitoring pertaining to Internal and external systems

*Standard instructions for the amounts excluded from seizure under judicial orders. Circular No. 43043372 dated December 13, 2021*

The central's bank circular number (42073079) dated on 1442/10/21 H, containing the list of all investments excluded from quarantine under court orders, and referred for the central bank to receive the booklet to his excellency, the Deputy Minister of Justice number (439351559) and dated 1443/04/23 H, regarding making an exception to the transferred funds from the ministry of health to those deserving of a substitute residing outside of the city to get treatment from quarantine under court orders; this will enter under subject (21) from the system to be conducted from those not required to quarantine or to pay pending amounts revolving the original debt owners.

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