

The role of the compliance function of the Bank is to ensure that the functioning of the Bank is in accordance with laws, regulations, rules and policies both internal and external. Compliance is an important facet of SAIB's culture and is instilled into employees at all levels. SAIB follows not merely the letter but also the spirit of the regulations.

The compliance function and all related procedures are set out in a compliance manual which is prepared by the Compliance Department and approved by the Board of Directors. It is based not only on the letter, but also of the spirit of the recommendations included in the Compliance Manual for Banks operating in the Kingdom of Saudi Arabia issued by Saudi Arabian Monetary Authority (SAMA) in December 2008 (Appendix – A). The responsibility for administering the Manual rests with the Head of Compliance (HOC). The Manual needs to be kept current taking into account changes in environment, both internal and external. Revisions may become necessary due to changes in laws and regulations, functions, activities and business processes of the Bank, changes in organisation/authority structures, and job roles.

Monitoring and action

The Bank has a Compliance Monitoring Programme in place to identify, assess, and monitor the risks of non-compliance with laws, regulations, and procedures. The Programme is overseen by the Compliance Committee (CC) and the HOC submits a quarterly report to the CC. The compliance function also develops an Annual Compliance Plan. This is based on the Compliance Risk Assessment Methodology included in the Compliance Monitoring Programme. It includes testing of significant risk products and activities at a frequency which is set by the level of the risks involved.

To ensure the effectiveness of compliance monitoring, the compliance function maintains a comprehensive Compliance Risk Register giving full details of all compliance risks including the nature and severity of risk, source reference, likelihood and potential impact, controls assessed, control score, and residual risk score.

A Compliance Issue Tracker has been developed for better monitoring of observations and exceptions having compliance implications and reducing the chance of errors.

Organisation structure

The Board of Directors does not exercise any executive function regarding compliance, but supervises compliance activities. This responsibility has formally been delegated to the Compliance Committee, and the BOD monitors and evaluates the compliance function through this Committee.



For further details on the compliance function of the Board as well as the composition and responsibilities of the Compliance Committee refer the online report at www.saib.com.sa/integratedreport2017/organisation-structure

Compliance initiatives of SAIB

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

Financial institutions such as SAIB are particularly vulnerable to being used for money laundering activities. Money laundering usually involves the placing of proceeds of illegal activities such as narcotics, fraud, corruption, organised crime and terrorism with financial institutions, disguising their source, so that they can flow into the economy as legitimate funds. Money laundering is criminalised in the Kingdom of Saudi Arabia and SAIB adheres to the Anti-Money Laundering Rules and Guidelines Law issued by Royal Decree No. M/31 dated 11/5/1433. SAIB employees are required to familiarise themselves with indicators of suspicious transactions and bring any such transactions to the notice of AML/CTF. The Bank also has a "Know Your Customer" policy in place, to safeguard the Bank from clients who may pose risks.

Cross-border issues

The Bank should comply with all laws and regulations in all jurisdictions within which it operates. The organisation, structure and processes of the compliance function should be aligned with the requirements of the respective jurisdictions. The Bank conducts business internationally through local subsidiaries or branches in other locations when they do not have a physical presence. The compliance function should ensure that operations in other locations are carried out by persons with local knowledge and expertise.

Human resources policy

As part of the recruitment process all prospective employees are screened for their past professional conduct. All supervisors monitor their direct reports to ensure compliance. Systems and procedures as well as employees are kept current with compliance requirements. The Head of Compliance (HOC) is responsible for implementing any new laws and regulations. The Compliance Department takes care to eliminate any conflicts of interest among the compliance staff or supporting staff of other departments.

Employee adherence to Bank's compliance policies and procedures will be an element of staff appraisals at all levels.

Customer complaints

All customer complaints are dealt with promptly and effectively at SAIB. Complaints may be submitted in any form and through any medium. Employees are required to strictly adhere to the procedures for dealing with customer complaints.

Notable activities during 2017

Compliance

The Compliance Department participated in the implementation of disaster recovery preparation plans as directed by SAMA. The existing processes for monitoring of transactions were also reviewed from a systemic perspective and identified gaps were closed. High risk accounts and transactions were also reviewed from a regulatory perspective. Coordination with business units was also improved through branch visits, participation in FTACA project and providing opinions on regulatory matters. All recommendations issued to compliance by audit were also implemented.

Internal audit

The Internal Control Project, mandated by SAMA was conducted in coordination with the Protiviti Team. The project involved a complete walk through of Bank-wide processes and controls. The risk and control matrices resulting from the exercise were documented and submitted to SAMA. They were also incorporated in the TeamMate system as the Bank's Risk Register and are used in audit programmes. Internal audit is also responsible for validating all SAMA observations and initiating any correcting action recommended by SAMA. Three investigations and live testing of disaster recovery procedures mandated by SAMA were conducted.

The Department was strengthened with additional manpower and rotation of staff was conducted between the Audit Department and the Treasury and Corporate Banking Group. A comprehensive Business and IT Audit Universe and Risk Assessment Framework was also drawn up.



**Investing in
sustainable community
activities in creating
a modern and
vibrant society**