



A Guide for Real Estate Brokers
on Compliance with
Anti-Money Laundering, Counter-
Terrorist Financing, and Counter-
Proliferation Financing
Requirements



Table of Contents:

Introduction	3
The Purpose of the Guide:	3
Definition of Money Laundering:	3
Definition of Terrorist Financing:	5
Definition of Proliferation Financing:	5
Definition of Targeted Financial Sanctions (TFS)	6
Characteristics of the real estate sector that may make it attractive for money laundering, terrorist financing, and proliferation financing activities	6
Financial Crime Patterns Related to the Real Estate Sector	7
National Legal and Regulatory Provisions Governing Anti-Money Laundering, Counter-Terrorist Financing, and Counter-Proliferation Financing in the Real Estate Sector	8
Obligations of Real Estate Brokers	9
Non-Compliance with Requirements	32
Communication and Cooperation with the Real Estate General Authority	32
Terms and Definitions	34

Introduction

The real estate sector in the Kingdom of Saudi Arabia is witnessing rapid development and playing a pivotal role in supporting economic growth and achieving the objectives of Saudi Vision 2030, as it is considered one of the key pillars of social and economic development. With this growing expansion, there is an increasing need to establish the principles of integrity and transparency and to protect the sector from practices that may expose it to the risks of money laundering, terrorist financing, and the proliferation of weapons. This contributes to enhancing confidence in the real estate market and ensuring its effective contribution to the growth of the national economy. Based on the Authority's responsibility to regulate and protect real estate activities from misuse, this guide has been developed to raise awareness among real estate brokers and sector professionals of their statutory roles, compliance requirements, and the procedures that must be followed to maintain a safe and reliable real estate environment.

The Purpose of the Guide:

This guide aims to raise awareness among real estate brokers of the anti-money laundering, counter-terrorist financing, and counter-proliferation financing requirements related to their daily duties, and to enhance their ability to understand the risks associated with real estate transactions and to properly apply due diligence and compliance procedures. The guide also provides clear and practical guidance to help real estate brokers perform their roles efficiently and ensure compliance with applicable laws and regulations, thereby contributing to protecting the real estate market from misuse and promoting integrity and transparency in real estate practices.

This guide applies to licensed real estate brokers who perform roles related to dealing with customers or carrying out verification, reporting or compliance procedures.

Definition of Money Laundering:

Money laundering is the process of converting, transferring, concealing, or disguising the nature or source of funds or their proceeds derived from illegal activity, with the aim of legitimizing them and making them appear to originate from a lawful source According to the Anti-Money Laundering Law

issued by Royal Decree No. M/20 dated 05/02/1439 AH, anyone who commits any of the following acts is considered to have committed the crime of money laundering:

1. Converts or transfers or conduct any transaction on funds that the person knows are proceeds of crime for the purpose of disguising or concealing the illegitimate origin of the funds, or to help a person involved in the commission of the predicate offense that generated the funds to evade the legal consequences for his/her acts;
2. Acquires, possesses or uses funds that the person knows are proceeds of crime or from illegal source;
3. Conceals or disguises the true nature, source, movement, ownership, place, disposition, or manner of disposition, or rights with respect to funds that the person knows are proceeds of crime;
4. Attempts to conduct any of the acts specified in **the above paragraphs**, participates in by means of agreement, provides assistance, abets, or provides counseling, advice, or facilitation, or collusion, cover-up or conspiracy.

Money laundering is typically carried out through three main stages, as follows:

- I. Placement: Introducing illicit funds into the financial system. For example:
 - I. Using cash proceeds from criminal activities to purchase real estate.
 - II. Using front companies owned by criminals to facilitate real estate purchases.
2. Layering: Concealing the source of funds by conducting multiple complex transactions. For example:
 - I. Rapid resale of a property that was previously purchased using proceeds of crime, without any economic justification

- II. Transferring ownership of a property that was previously purchased with criminal proceeds between related companies or individuals.
- 3. Integration: Making the funds appear legitimate and usable, or reintroducing the funds into the economy in a manner that appears lawful. For example:
 - I. Benefiting from rental income generated from a property that was previously purchased using proceeds of crime.
 - II. Benefiting from bank loans secured by properties that were previously purchased using proceeds of crime.

Definition of Terrorist Financing:

Terrorist financing includes the solicitation, collection, or provision of funds with the intent that they be used to support terrorist acts or terrorist organizations. Such funds may be collected from legitimate sources or from the proceeds of crimes. Criminals often seek to place these funds into the financial system to facilitate the execution of terrorist activities, while applying layering methods to conceal the flow of funds and evade detection and regulatory oversight.

According to the Law of Combating Crimes of Terrorism and its Financing issued by Royal Decree No. (M/21) dated 12/02/1439 AH.

Terrorist Financing Crime: Providing funds for the commission of a terrorist act, or for the benefit of a terrorist entity or terrorist, in any form stipulated in the law, including financing a terrorist's travel or training.

Definition of Proliferation Financing:

Proliferation financing refers to the provision of funds or financial services used to support the proliferation of weapons of mass destruction and their means of delivery, which constitutes a violation of applicable laws or international obligations.

Definition of Targeted Financial Sanctions (TFS)

Economic or financial sanctions (collectively referred to as “sanctions”) are legally binding restrictions imposed by competent state authorities with the aim of financially isolating the designated persons or entities subject to such sanctions. Sanctions generally fall into the following categories:

- Targeted Sanctions: These sanctions specifically target individuals, such as terrorists listed on sanctions lists, proliferates of weapons of mass destruction, or major drug traffickers.
- Sectoral Sanctions: These sanctions are imposed on key industries or sectors of the economy in order to prohibit certain transactions with sectors that may hinder growth and serve as a pressure tool against a specific entity or state.
- Comprehensive sanctions are imposed due to human rights abuses or nuclear proliferation and prohibit all forms of trade, finance and technology.

Real estate brokers are subject to obligations under targeted international financial sanctions and local regulations, in addition to relevant designations and directives related to terrorist financing and proliferation financing, as applicable. In the Kingdom of Saudi Arabia, both United Nations sanctions and national sanctions are applied. Real estate brokers must comply with these sanctions and take the necessary measures accordingly.

Characteristics of the real estate sector that may make it attractive for money laundering, terrorist financing, and proliferation financing activities

According to reports issued by the Financial Action Task Force (FATF), the real estate sector has several characteristics that may make it vulnerable to misuse in money laundering, terrorist financing, and proliferation financing crimes. These include the high value of real estate assets and their ability to absorb large sums of money, the potential use of complex legal structures to conceal the beneficial owner, varying levels of transparency in ownership information, flexibility in property valuation that may allow artificial inflation or deflation of values and the nature of real estate investment as a means of preserving value in the long term as well as the possibility of executing certain transactions without regulated brokers.

Financial Crime Patterns Related to the Real Estate Sector

According to the Financial Action Task Force (FATF) guidelines, the real estate sector may be exposed to several patterns of misuse related to money laundering, terrorist financing, and proliferation financing. The real estate assets can be exploited to integrate illicit funds into the legitimate economy through purchase, sale, or financing transactions, or through complex structures that conceal the true owner or the source of the funds. Accordingly, the real estate brokers shall be aware of these patterns and to establish appropriate controls and procedures to address them. Below are several activities that may be considered evidence, though not conclusive, of money laundering through the real estate sector, as documented by the Financial Action Task Force (FATF) in its guide "Money Laundering and Terrorist Financing through the Real Estate Sector," including but not limited to the following:

- Use of complex loans or credit financing, for example: Obtaining a mortgage through a front company using false information to purchase a property, then repaying the loan with illicit funds to make them appear legitimate, or repaying a mortgage through third-party accounts.
- Use of non-financial professions, for example: Engaging professionals such as lawyers or accountants to conduct transactions that conceal the parties involved or the origin of the funds.
- Use of institutional mechanisms or complex structures, for example: Establishing legal persons (where one legal person is owned by another legal person) to conceal the beneficial owner or complicate the tracing of ownership.
- Manipulation of property valuation or appraisal, for example: Artificially inflating or deflating property values to funnel illicit funds.
- Attempts to use cash instruments, for example: For example: Attempting to conduct purchases or make large payments using cash or other high-value instruments (such as precious metals or artworks) to avoid traceability.
- Construction and renovation of properties, for example: Customer attempts to purchase a property that requires renovation, then pays the renovation costs using illicit funds and

resells the property at a higher price in order to introduce the sale proceeds into the financial system.

- Use or purchase of commercial properties disproportionate to the business purpose, for example: A small company purchasing a large shopping center that is inconsistent with the scale of its business, with the aim of injecting illicit funds into real estate assets.

National Legal and Regulatory Provisions Governing Anti-Money Laundering, Counter-Terrorist Financing, and Counter-Proliferation Financing in the Real Estate Sector

The real estate sector in the Kingdom of Saudi Arabia is subject to a clear legislative framework governing anti-money laundering, counter-terrorist financing, and proliferation financing requirements. Foremost among these is the Anti-Money Laundering Law issued by Royal Decree No. (M/20) dated 05/02/1439 AH, which establishes the legal foundations for the obligations imposed on entities and persons subject to its provisions, including real estate brokers. These obligations include customer due diligence, reporting of suspicious transactions, and the prohibition of dealing with anonymous or unidentified entities or individuals. The Implementing Regulations of the Anti-Money Laundering Law, issued pursuant to the Presidency of State Security Decision No. (14525) dated 19/02/1439 AH, set out the detailed requirements for applying customer due diligence measures, verifying customer identity, and reporting suspicious transactions through the approved channels. In addition, the sector is subject to the provisions of the Law of Combating Crimes of Terrorism and its Financing issued by Royal Decree No. (M/21) dated 12/02/1439 AH and its Implementing Regulations issued pursuant to Council of Ministers Resolution No. (228) dated 02/05/1440 AH. This law defines the criminalized acts and the penalties associated therewith, including any use of real estate assets for the purpose of supporting or financing terrorist activities. In addition, the regulations and instructions issued by the relevant supervisory authorities, such as the Saudi Central Bank with regard to real estate financing and financial transactions related to real estate, the Ministry of Justice with regard to documentation and property transfer services, and the Real Estate General Authority with regard to activities covered by the Real Estate Brokerage Law issued by Royal Decree No. (M/130) dated 11/30/1443 AH and its implementing regulations issued by the Board of Directors of the Authority Resolution No. (132/Q) dated 6/24/1444 AH, contribute to completing the regulatory framework and ensuring the sector's adherence to the highest standards of compliance.

Obligations of Real Estate Brokers

Compliance by real estate brokers with statutory requirements related to anti-money laundering, counter-terrorist financing, and proliferation financing is a fundamental pillar for ensuring the integrity of real estate transactions and protecting the market from misuse. This section aims to clarify the key obligations that real estate brokers must comply with under the laws and regulations in force in the Kingdom. These include establishing appropriate policies and procedures, appointing designated responsible officers, implementing customer due diligence measures, maintaining records, conducting risk assessments, reporting suspicious transactions, and providing continuous training for staff within real estate brokerage offices. This framework is intended to enable real estate brokers to perform their professional roles efficiently and responsibly, and to ensure full compliance with requirements related to compliance, governance, and oversight.

Based on these principles, the following provisions set out the detailed requirements that real estate brokers must comply with:

I. Establishing Policies on Anti-Money Laundering, Counter-Terrorist Financing, and Counter-Proliferation Financing

Real estate brokers are required to establish and adopt comprehensive written policies on anti-money laundering, counter-terrorist financing, and counter-proliferation financing, in accordance with applicable legislative and regulatory requirements. These policies must clearly define mechanisms for risk identification, customer identity verification processes, procedures for reporting suspicious transactions, and the internal controls adopted to ensure compliance. The internal policies of real estate brokers shall set out the overall framework for managing money laundering, terrorist financing, and proliferation financing risks, and must include the followings:

- Identification of money laundering, terrorist financing, and proliferation financing risks.
- Define roles and responsibilities, including those of Compliance Officer.
- Establish mechanisms to monitor the effectiveness of the procedures in place.
- Train employees to recognize risks and understand their obligations.

- Mandatory reporting of any suspicious activity to the Compliance Officer.
- Maintain accurate and up-to-date records and ensure their proper retention.
- Periodic review and update of policies and procedures.
- Develop an audit program to test the level of compliance with relevant procedures and legislation.

These policies must demonstrate the real estate broker's commitment to an institutional culture based on the detection and prevention of money laundering, terrorist financing, and proliferation financing crimes, regardless of any resulting commercial impact. These policies must also be made available to all employees, enabling them to access them easily and fully understand their content. All employees must review, read, understand, and fully commit to implementing these policies within the scope of their responsibilities. Policies and procedures should be reviewed and updated periodically in line with evolving risks and changes in the regulatory environment, with emphasis on communicating updates to employees and documenting internal communication and awareness activities.

2. Establishing procedures on Anti-Money Laundering, Counter-Terrorist Financing, and Counter-Proliferation Financing

Real estate brokers must establish clear and detailed operational procedures that translate approved policies into practical steps. These procedures should include mechanisms for customer screening and identity verification, collection of supporting data and documents, risk assessment for each real estate transaction, and procedures for handling suspicious cases and reporting them to the relevant authorities within specified time. The procedures

must cover the following aspects:

- Basic due diligence measures.
- Due diligence measures.
- Enhanced due diligence measures.

- Procedures for examining unusual transactions and unusual customer behavior in order to assess whether there are reasonable grounds to suspect that criminal conduct may or has occurred.
- Independent audit procedures.
- Record Retention Period.
- Reporting procedures.
- Training procedures.

The procedures should also be documented in a manner that enables all employees to understand and apply them without ambiguity, and they should be made available in the workplace or through internal systems in an easily accessible manner. Employees must also be trained on these procedures on a regular basis to ensure compliance. These procedures must be reviewed and updated periodically and on an ongoing basis, and revised when necessary to keep pace with any changes in the regulatory environment or in the nature of risks within the real estate sector.

Clear and comprehensive procedures constitute an effective foundation for strengthening internal controls and ensuring that real estate brokers comply with anti-money laundering, counter-terrorist financing, and counter-proliferation financing requirements.

3. Appointment of a Compliance Officer

Real estate brokers are required to appoint a qualified Compliance Officer with sufficient experience and knowledge of anti-money laundering, counter-terrorist financing, and counter-proliferation financing requirements. The Compliance Officer shall be the party responsible for overseeing the implementation of approved policies and procedures, monitoring employees' compliance therewith, identifying any transactions or activities that raise suspicion, and submitting the necessary reports in accordance with the applicable regulatory frameworks.

The Compliance Officer must also have appropriate powers to perform his duties, including the ability to access relevant information, documents and records, and the freedom to communicate with supervisory authorities when necessary. The Compliance Officer should also be provided with operational independence to ensure the effective performance of their role without influence or

conflict of interest, in addition to receiving periodic training programs to enhance his knowledge and keep up with regulatory updates.

The Compliance Officer must also have the necessary knowledge, experience, and understanding of the followings:

- The risks of money laundering, terrorist financing, and proliferation financing to which real estate activities may be exposed, and their assessment and effective management.
- The legal and regulatory framework in force in the Kingdom related to anti-money laundering, counter-terrorist financing, and counter-proliferation financing, which facilitates the implementation of the required policies, procedures, and controls in this area.
- The relevant laws, regulations, and related instruments.

The responsibilities of the Compliance Officer include the following:

- Monitoring the effectiveness of internally approved procedures.
- Ensuring employee training and raising awareness of relevant risks and procedures.
- Maintaining accurate and up-to-date records and ensuring their proper retention.
- Periodically reviewing and updating anti-money laundering, counter-terrorist financing, and counter-proliferation financing procedures.
- Coordinating and cooperating with the Authority and external entities on matters related to anti-money laundering, counter-terrorist financing, and counter-proliferation financing.

The presence of an efficient and duly authorized Compliance Officer is considered one of the fundamental elements for strengthening internal governance and achieving full compliance with anti-money laundering, counter-terrorist financing, and counter-proliferation financing requirements.

In the event that the real estate broker operates individually without employees, the broker shall be deemed the Compliance Officer and shall perform the related duties, including reporting suspicious activities to the General Directorate of Financial Investigations.

4. Adoption of Risk-Based Approach

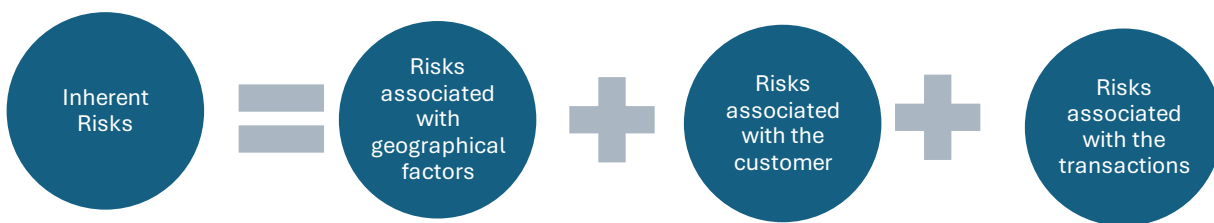
The application of the risk-based approach in the field of anti-money laundering and counter-terrorist financing means that the measures taken to mitigate money laundering, terrorist financing, and proliferation financing risks are proportionate to the level of risk. Real estate brokers should have a clear understanding of the money laundering, terrorist financing, and proliferation financing risks. They shall also improve the effectiveness of oversight by allocating resources to areas with high risks of money laundering, terrorist financing, and proliferation financing, in accordance with the applicable regulatory framework and risk-based approach.

a. Business Risk Assessment (Money Laundering, Terrorist Financing, and Proliferation Financing)

It is a systematic process aimed at identifying, understanding, and analyzing the risks that a real estate broker may face as a result of the misuse of its products or services in money laundering, terrorist financing, or proliferation financing activities. This assessment is based on a risk-based approach, whereby key factors are identified, such as the nature of customers, the products and services offered, the channels used, and the geographic areas in which the entity operates. Once the risks are identified, they are classified according to their level of risk such as: (low, medium, or high), and appropriate policies and controls are then established to mitigate them.

These may include enhanced due diligence measures, transaction monitoring, and employee training. The ultimate objective is to ensure compliance with regulatory requirements and to protect the supervised entity from financial, regulatory, and reputational risks.

When conducting a business risk assessment related to money laundering, terrorist financing, and proliferation financing risks, it is necessary to take into account the following three main factors:



Core Content of Business Risk Assessment (Money Laundering, Terrorist Financing, and Proliferation Financing)

The assessment of money laundering, terrorist financing, and proliferation financing risks must include an accurate description and analysis of the risks that may affect your activities as a real estate broker, taking into account the following:

- **Risks associated with the customer**

Real estate brokers must consider the level of risk associated with their customers, particularly in cases of high risks, such as:

- Whether the seller or buyer is from a high-risk country, as classified by reliable sources (including but not limited to, the Financial Action Task Force (FATF), the World Bank, and the United Nations), where corruption crimes, organized crime, fraud, terrorist financing, or support for terrorist activities are prevalent, or where designated terrorist organizations operate within the territory.
- Whether the customer is listed on any targeted financial sanctions lists, or is subject to sanctions, prohibitions, or similar measures issued by international organizations such as the United Nations.
- Whether the customer has links to a sector or sectors associated with money laundering, terrorist financing, or proliferation financing risks.

- The existence of an unexplained or unusual source of funds, with the inability to verify the source.
- How the business relationship begins and proceeds thereafter, including any inconsistencies in the customer's behavior, and avoiding face-to-face interactions in unusual circumstances.
- The use of other brokers or legal persons to protect an individual's identity or conceal their involvement.
- The use of foreign companies to purchase real estate.
- Unjustified pressure or haste on the part of the customer to expedite the transaction.
- The customer's profile is not suitable for the transaction, particularly regarding the property's value.
- The purchase executed by a group of buyers with similar profiles of newly developed buildings or off-plan properties.
- Where the customer refuses, appears reluctant to provide customer due diligence information or documentation, or provides false or inaccurate information (such as incomplete addresses, use of work addresses, or similar practices).
- A sudden change in the customer's behavioral pattern, or the introduction of unknown third parties during the course of the transaction, or the involvement of third parties such as lawyers, notaries, or financial institutions in circumstances where their involvement is unusual or unjustified.

- **Risks associated with geographical factors**

When identifying risks associated with geographic areas and foreign countries, including the domiciles of both legal persons and natural persons, real estate brokers should assess whether a high level of risk exists by examining the following geographic factors, including but not limited to:

- The effectiveness of the anti-money laundering, counter-terrorist financing, and counter-proliferation financing framework in the relevant country, and whether such framework is characterized by deficiencies or gaps.
- The level and nature of threats and vulnerabilities related to real estate activities within a specific geographic area.
- The level of transparency and compliance with existing legal frameworks in countries identified as lacking adequate laws and regulations to combat money laundering, terrorist financing, and proliferation financing.
- Whether the country is subject to sanctions or similar measures imposed by international organizations, such as the United Nations.
- The place of residence of the buyer and the seller, the nature of the business relationship within the country, and the purpose of such relationship.

- **Risks associated with the transactions**

Real estate brokers should ensure that their risk assessments are tailored to their specific business practices and take into account the following financing-related factors, which may indicate that a transaction carries a high risk:

- The use of third parties, foreign accounts, or natural or legal persons in countries classified as high-risk for sending or receiving funds on behalf of the buyer or seller.
- The use of complex loans or other unconventional means of financing.
- The use of promissory notes, bills of exchange, credit instruments, negotiable bonds, securities, or any other commercial instruments outside the formal financial system.
- Unexplained or sudden changes in financing arrangements, for example, a customer changing the source of financing at the last minute, such as switching from self-financing to financing from an unknown or unrelated third party without providing a clear justification for this change.

- Attempts to use cash, including foreign currency, in sales, purchases, or rental transactions
- The buyer's non-disclosure of the source of funds when executing high-value (and unusual) transactions, and the use of cash or foreign currency.

5. Customer Due Diligence (CDD) Implementation

Real estate brokers are required to implement customer due diligence measures before executing any transaction. In high-risk cases, enhanced due diligence measures must be taken, such as requesting additional documentation, obtaining higher internal approvals, or conducting deeper checks on the customer's background and the nature of his activities. Additionally, the business relationship should be continuously monitored, customer information updated as necessary, and any unusual transactions or behaviors closely observed. Customer due diligence is a fundamental pillar of the compliance framework and is essential to protect the real estate sector from the risks of money laundering, terrorism financing, and proliferation financing.

5.1 Who is the customer?

A customer is any natural or legal person with whom a relationship is established when executing or preparing to execute a real estate transaction. The customer may be either a seller or a buyer, and brokers must verify the identity of customers and ensure that they are who they claim to be.

5.2 The identity of customers must be verified to ensure that they match the information and documents provided.

The real estate broker must accurately determine the type and nature of the customer, whether the customer is a natural or legal person, and must also identify whether the customer is a politically exposed person (PEP), a resident of another country, or belongs to any category that may constitute a higher level of risk. Such identification contributes to assessing the level of risk and taking the appropriate procedures for each category.

a. Natural Persons as Customers

Identifying a natural person requires collecting relevant personal information, which is typically obtained by asking the customer directly. Some or all of this information may be verified through the examination of personal identification documents and/or through the use of designated electronic platforms or systems.

The real estate broker must ensure the verification and recording of the following:

- The customer's full name.
- Personal Identification Number (National ID / Residence Number)
- Date of Birth
- Nationality
- Permanent Residential Address
- The profession or source of funds used in the transaction

Identity can be verified through:

- National ID
- Residence permit
- Digital Identity

The document may be verified by referring to the National Identification System of the Ministry of Interior, where available. The real estate broker may, without prejudice to his primary responsibility, delegate the tasks of verification and record-keeping to a qualified third party, provided that such party is subject to regulation, supervision, and oversight by relevant government authorities.

b. Legal Persons as Customers

A legal person is a legal entity such as a company, establishment, enterprise, partnership, association, or any similar entity that is capable of establishing an ongoing relationship with a financial institution or owning real estate.

Verifying the identity of legal persons requires collecting the relevant basic information and data in order to confirm their legal existence, the nature of their activities, and their ownership and control

structure. Such information is obtained through official documents, commercial registries, government databases, or through direct request from the authorized representative of the legal person.

The real estate broker must verify and record the followings:

- Full legal name.
- Legal form (including but not limited to: joint stock company, limited liability company, establishment, association, etc.).
- Commercial registration number or any other official registration number.
- Place of incorporation and place of business activity.
- Registered head office address and operational addresses (if any).
- Nature of the business activity and the purpose of the real estate transaction.
- Identity of the authorized representative of the legal person and the scope of his authority
- Identify the beneficial owner and collect his details in accordance with customer due diligence requirements.

The above information may be verified through:

- The commercial registration issued by the competent authority.
- The certificate of incorporation and articles of association.
- National registry data or government electronic platforms for company licensing.
- Identity of the authorized representative through official personal documents (national ID, residence permit, etc.).

The real estate broker may, without prejudice to his primary responsibility, delegate the tasks of verification and record-keeping to a qualified third party, provided that such party is subject to regulation, supervision, and oversight by relevant government authorities.

c. Non-resident Individuals in the Kingdom of Saudi Arabia

If it is not possible to meet the customer face to face, enhanced due diligence (EDD) should be considered. Even in cases where a face-to-face meeting can be arranged with customers residing abroad, the real estate broker may determine that the transaction involves a higher level of risk.

If the documents are in a foreign language, it must be ensured that they provide reliable evidence of the customer's identity. In case of any doubt, an official certified translation should be prepared and attached to the original documents. If there are concerns regarding the authenticity of the identity document, the relevant embassy or consulate should be contacted to verify its validity.

d. Politically Exposed Persons (PEP)

Pursuant to Article (8) of the Implementing Regulations of the Anti-Money Laundering Law, a person entrusted with prominent public functions in the Kingdom, a foreign country, or holding senior administrative positions or roles within an international organization is considered a Politically Exposed Person (PEP). This includes but is not limited to the following positions or roles:

- a. Heads of state or government, senior politicians, senior government, judicial, or military officials, senior executives of state-owned enterprises, and prominent officials of political parties.
- b. Heads, directors, deputy heads, and members of boards of international organizations, or any equivalent positions.

The real estate broker must apply enhanced due diligence (EDD) measures to politically exposed persons. This obligation also applies to family members of the PEP and persons known to be close associates of the PEP.

Family members of a Politically Exposed Person (PEP) are any natural persons related to the PEP by blood or marriage up to the second degree of kinship.

A close associate of a politically exposed person is any natural person who shares a benefit with the politically exposed person through a real partnership with a legal entity or who has a close business relationship with them, or is a real beneficiary of a legal entity effectively owned or controlled by the politically exposed person.

e. Customer Risk Assessment:

Real estate brokers must take into account the level of risk associated with prospective customers. The process of customer identification and risk assessment must be conducted before entering into any business relationship or commencing the execution of any transaction. The results of this assessment shall be used to determine whether the business relationship should be established in the first place, identify the appropriate level of customer due diligence measures to be applied or refrain from establishing the relationship where necessary. Accordingly, the high-risk cases shall be considered, including but not limited to the following:

- Where the buyer or seller is from a high-risk country as identified by reliable sources (such as the Financial Action Task Force (FATF) or the World Bank), due to involvement in corruption, organized crime, or fraud, or for providing financing or support to terrorist activities or harboring terrorist organizations.
- Whether the customer is listed on any targeted financial sanctions lists, or is subject to sanctions, prohibitions, or similar measures issued by international organizations such as the United Nations. (In such cases, the business relationship must not be established and no transaction may be executed. In addition, the real estate broker must submit a Suspicious Transaction Report (STR) to the General Directorate of Financial Investigations.

A documented methodology for assessing customer risk, based on the risk-based approach, must be developed. This assessment should be documented before the transaction begins, and ongoing monitoring should be identified where appropriate, with updates provided whenever any changes occur. The assessment should also be included within the overall customer risk framework for real

estate brokers' business risk assessment. The real estate broker must maintain a list of customers, with each customer clearly classified according to their respective risk rating.

The risk assessment must be retained within the customer's file, ensuring that all employees involved in dealing with the customer are aware thereof, without disclosing the assessment itself. Employees are expected to inform the Compliance Officer when new factors arise that may affect the risk assessment, or if they disagree with the assessment, providing clear reasons. The real estate broker must take the following procedures:

- Conduct due diligence towards all customers, even if you "know" them before they become customers.
- Apply enhanced due diligence (EDD) in high-risk cases.
- Apply simplified due diligence only when both the customer and the transaction are assessed as low risk.

5.3 Due Diligence

a. **When should customer due diligence be conducted?**

Business relationships must only be established after customer due diligence has been completed. Accordingly, customer due diligence must be completed at the commencement of the relationship with the seller or buyer, before or at the time of signing the brokerage agreement, and before taking any step to execute the transaction. However, customer due diligence may be conducted after the commencement of the relationship and during its course, provided that:

- This is necessary to avoid interrupting the normal course of business,
- The risks of money laundering, terrorist financing, or proliferation financing must be low.
- The real estate broker must be able to manage the risks until customer due diligence measures are fully completed.

To use this exception, the real estate broker must document a valid reason for considering the business relationship to be low risk within the AML/CFT/CPF risk assessment. This exception must not be used solely because it is difficult to verify the identity of the customer or the beneficial owner. In all cases, customer due diligence must be completed before accepting any funds or executing the transaction.

If it is not possible to comply with customer due diligence measures, the transaction must not be completed for or on behalf of the customer, and a Suspicious Activity Report must be submitted accordingly.

b. How to Conduct Customer Due Diligence

The customer identification process consists of two main stages: The first is to identify the customer (the real estate broker may rely on a Know Your Customer (KYC) form to collect the data and information required to complete the customer identification process). The second is to verify the customer's identity. Customer identification is an integral part of customer due diligence (CDD); however, the concept of due diligence is broader, as it includes a deeper understanding of the customer and the reasons behind their transactions. It may be necessary to demonstrate to the Authority that the number and extent of checks performed were proportionate to the level of risk. The extent of any additional due diligence measures applied must be based on the risk profile associated with the customer, even where tasks are delegated to a third party, while the real estate broker remains fully responsible before the Authority.

c. Types of Due Diligence

- **Simplified Due Diligence (SDD)**

A simplified form of customer due diligence may sometimes be applied. However, it must be ensured that the customer is low risk, which requires collecting and verifying certain information from a reliable and independent source (such as the customer's identity, residential address or national address, date of birth, and nationality), and recording the risk assessment.

- **Due Diligence**

Due diligence measures include identifying and verifying the customer identity using documents, data, or information obtained from a reliable and independent source. The source should be well-known, reputable, and trusted by real estate brokers for the purpose of verifying customer information. In all cases, neither the real estate broker nor the customer themselves may be the source of the information or data. The source must be independent. For example, information and documents issued by government authorities are considered reliable and independent sources.

- **Enhanced Due Diligence (EDD)**

There are categories of customers, types of transactions, services, and products that may involve higher levels of risk. If a relationship or transaction is assessed as high risk, enhanced due diligence (EDD) must be applied. The nature of the measures to be applied shall be determined in proportion to the level of risk. Enhanced due diligence measures may include but are not limited to the following:

- Verifying the customer's identity using additional documents, data, or information.
- Taking additional measures to verify the submitted documents, reviewing assets, or requiring a higher standard of authentication (e.g., from a bank, financial institution, attorney, or notary).
- Requiring review and approval by senior personnel, such as the Compliance Officer, and/or approval of the nature and scope of the enhanced due diligence measures to be applied.
- Obtaining an independent opinion on risks
- Seeking legal advice
- Obtaining an independent due diligence report.
- Verifying from the source of funds used in the transaction
- Requiring that all payments be made through a designated bank account in the customer's name

- d. Continuous monitoring and management of risks related to money laundering, terrorist financing, and proliferation financing.

Continuous monitoring is important in long-term relationships. Relationships between real estate brokers and customers are not established months or years before funds are provided or a real estate transaction is completed, as brokers often deal with one-off, single transactions. Even if there are recurring transactions, they are sufficiently spaced out in time to apply the requirements on a transaction-by-transaction basis.

Managing money laundering and terrorist financing risks is a continuous process, not a one-time or annual exercise. Accordingly, the real estate broker shall take the following procedures:

- Document risk assessment procedures and internal reviews of AML/CFT policies and procedures.
- Establish a mechanism to monitor the effectiveness of AML/CFT policies and procedures and identify areas for improvement, including the cases where changes occur in the business environment, a new business model is adopted, or new attorneys or representatives are appointed.

Below are examples of unusual activities that may indicate suspicious activity. This list is not exhaustive, and these indicators are not always a proof of suspicion, as this depends on the circumstances of each case:

New customers:

- Difficulty in verifying the customer's identity.
- The customer's reluctance to provide identity details or submission of forged or falsified documents
- The customer's attempts to use attorneys to conceal their identity or involvement.
- Partial or full settlement in cash or foreign currency without reasonable justification

- Refusal by the customer or another party to take advantage of beneficial services.
- The property value is inconsistent with the customer's known financial position or behavioral status
- The customer has not personally inspected the property, or has viewed it only online.
- Customer similarities, such as a group of buyers with identical profiles purchasing new properties, which may indicate organized mortgage or real estate financing fraud.
- The current transaction differs from the nature of the customer's previous business activities.
- A change in the type of transaction since the beginning of the business relationship.
- A sudden or unjustified improvement in the customer's financial situation, without explaining the source of funds.
- The customer's refusal to visit the Kingdom in person without a reasonable justification.

Transactions:

- A property having multiple owners, or being owned by a proxy company (where the company is registered as the legal owner of the property while the actual control and benefit belong to another person, known as the beneficial owner).
- The sale price is significantly higher or lower than the market value.
- The appearance of an unknown third party at a late stage of the transaction.
- Unusual speed in executing the transaction or requests to expedite it without reasonable justification.
- A sudden or unjustified change in ownership.
- Immediate resale of the property at a value different from the original purchase price.

- A third party unrelated to the customer bearing the costs, settling invoices, or paying transaction-related expenses
- The customer requests payment to be made to a third party with no clear connection thereto.
- A large cash transaction or payment in foreign currency, with the customer refusing to disclose the source of funds.
- Unusual involvement of third parties, cash gifts, or large payments from personal funds, especially if the buyer appears to be of low income.
- The customer requests to retain a large amount in the real estate broker's customer account, then have it returned to the same account or a different account.
- Transfer of sale or rental proceeds to a high-risk country or to an unknown third party.
- Successive transactions, especially for the same property, with unjustified changes in value.
- Unusual source of funds, such as complex loans or unexplained fees.
- Failure of the owner, lessor, or contractor to meet legal obligations, possibly to reduce costs.
- Resale of a previously sold property after renovation without a clear source of funding.
- Offering bribes to employees, for example in property evaluations or planning requests.
- Receiving excessive or disproportionate commercial hospitality.
- Tenants' attempt to sell the properties they are renting
- Transactions that lack clear business logic.
- Difficulty in determining the source of funds used in the transaction.

6. Beneficial Owner

Beneficial Owner is a natural person who owns or exercises effective control, whether directly or indirectly, over the customer or the natural person on whose behalf the transaction is being conducted, or over financial institutions, designated non-financial businesses and professions, non-profit organizations, or any other legal person.

Accordingly, when dealing with any customer who is not a natural person, i.e. when dealing with a legal person such as a company, real estate brokers must take the necessary procedures to identify the beneficial owner and apply customer due diligence measures in respect of that beneficial owner. When dealing with individuals, real estate brokers must be aware that the person appearing in the transaction may be acting on behalf of others without disclosure, which requires ensuring that the transaction is with the beneficial owner or accurately identifying him before completing any real estate transaction.

In many cases, identifying the beneficial owner is a straightforward procedure, unless the customer is part of a complex structure that may result in a higher risk classification. The real estate broker must retain details of all natural persons who are beneficial owners, including:

- The customer's full name.
- Personal Identification Number (National ID / Residence Number)
- Date of Birth
- Nationality
- Permanent Residential Address
- The profession or source of funds used in the transaction

7. Suspicious Transaction Report (STR)

An internal report must be submitted whenever there is knowledge, suspicion, or reasonable grounds to suspect that a person may be involved in criminal conduct, money laundering, terrorist financing, or proliferation financing. The Compliance Officer must review all internal reports and submit a Suspicious Transaction Report (STR) to the General Directorate of Financial Investigations (GDFI) as

soon as possible, even if no transaction has been executed, if it is determined that there is knowledge, suspicion, or reasonable grounds to suspect that another person is involved in any form of criminal activity, including money laundering, terrorist financing, or proliferation financing.

The following procedures shall also be taken:

- Record all reasonable inquiries made regarding internal reports.
- Document the reasons on which the decision was based, whether to submit or not submit a Suspicious Transaction Report to the General Directorate of Financial Investigations.
- Record all communications sent to or received from the General Directorate of Financial Investigations relating to the Suspicious Transaction Report.

“Suspicion” means that the funds or property involved in a transaction are the proceeds of a crime, without the need to know the specific type of crime. One or more warning indicators of money laundering, terrorist financing, or proliferation financing that the customer cannot logically explain are sufficient.

The real estate broker is also obligated to submit a report if there are reasonable grounds for suspicion of money laundering or any other type of criminal conduct. This means that the facts available about the customer and/or the transaction are such that a reasonable person, working in the same field or position, would conclude or form a suspicion that another person is involved in criminal activity.

The same standards apply to reporting terrorist financing crimes. Accordingly, the real estate broker must submit a report if they know, suspect, or have reasonable grounds to suspect that another person has committed or attempted to commit a terrorist financing crime.

It is prohibited to hint, warn, or inform the customer under any circumstances of any of the following:

- That the transaction has been delayed or postponed due to the existence of suspicion.
- That the details of the transaction have been reported or will be reported to the General Directorate of Financial Investigation.

- That government authorities are conducting an investigation into the customer's status.

8. Training and Awareness

The real estate broker is responsible for ensuring the following:

- Subjecting employees in the real estate sector to adequate personal verification procedures, including screening employees before assuming their duties and during their employment, to ensure they possess the required skills, knowledge, and experience, and to identify any relevant training needs.
- Developing and implementing appropriate training programs in the field of anti-money laundering (AML), counter-terrorist financing (CTF), and counter-proliferation financing (CPF).
- Ensuring that all employees receive proper training on a regular basis, and that they have a sufficient understanding of the risks of money laundering, terrorist financing, and proliferation financing, as well as how to address and mitigate such risks.
- Maintaining written records proving the implementation of training and awareness programs provided to employees.

If these requirements are not met, and employees are not aware of compliance obligations, the real estate broker may be exposed to penalties and/or criminal liability.

Training must include employees who deal directly with customers, handle funds, or contribute to compliance procedures. This may include reception, administration, and finance staff, as each role has different compliance responsibilities and therefore different training needs.

The training process must cover the entire business cycle, starting from sales activities and receiving customer instructions, through valuation and negotiation of offers, and ending with the completion of the transaction.

In addition, the compliance officer, senior executives, and anyone involved in monitoring business relationships or internal controls must be fully aware of the requirements of their roles and understand how to implement them effectively.

Each employee must be prepared to deal with the risks associated with their role, and their level of training must be adequate and regularly updated to ensure the continuity of their knowledge and skills.

Training may be provided through:

- Face-to-face training sessions.
- Online training courses.
- Attending specialized conferences.
- Attending meetings discussing work procedures.
- Reading publications or circulars issued by the Compliance Officer.
- Periodic meetings to review issues and risks.

Mandatory training must be provided to new or existing employees before they begin dealing with customers or funds, or assisting with compliance activities for the first time without supervision.

All employees must also receive ongoing training, with the frequency determined based on the level of risk related to money laundering, terrorist financing, and proliferation financing, as well as any changes in the regulatory environment. However, it is generally recommended to provide periodic training at least once every 12 months.

Training records must include the following:

- Details of the training content delivered.
- Details of the training provider, if the training was delivered by an external party.

- A list of employees who completed the training, including training dates, or approved electronic records.
- An ongoing training plan that is regularly updated.

9. Record Retention

Real estate brokers must retain records for a period of no less than (10) years from the date of termination of the business relationship, contract, or transaction, or from the date of completion of the transaction for the beneficiary, and must comply with any instructions issued by the competent authority regarding the extension of the record retention period. Real estate brokers must establish approved internal procedures and controls for record retention and documentation, regularly review them, and ensure their effective implementation.

Non-Compliance with Requirements

Compliance with anti-money laundering, counter-terrorist financing, and counter-proliferation financing requirements is a statutory obligation for all real estate brokers. Failure to comply with these requirements exposes the real estate broker to legal accountability and the penalties prescribed under the relevant laws and regulations.

The supervisory authority, in accordance with its powers, may conduct periodic or unannounced inspection visits, request relevant documents, information, and records, and verify the extent to which real estate brokers subject to regulatory requirements comply with approved standards. The supervisory authority may exercise its discretionary power to determine the scope of inspections or any additional requirements

necessary to ensure that real estate brokers comply with the effective procedures to prevent the misuse of the real estate sector for money laundering, terrorist financing, and proliferation financing.

Communication and Cooperation with the Real Estate General Authority

The Real Estate General Authority provides official communication channels that enable real estate brokers to submit inquiries, request clarifications, and provide feedback related to compliance with anti-money laundering, counter-terrorist financing, and counter-proliferation financing

requirements. Communication can be made through the official website (www.REGA.gov.sa) by selecting the "Contact Us" link and choosing the type of inquiry:

Real estate brokers are encouraged to make use of these channels to enhance their understanding of regulatory requirements, improve the quality of internal practices, and ensure clarity regarding any matters related to supervisory or guidance procedures. Constructive cooperation and the exchange of information, when necessary, are also considered important factors in supporting a more transparent real estate environment and contributing to the development of the sector in accordance with the laws and regulations in force in the Kingdom.

Terms and Definitions

The following list includes the terms used in the guide along with their definitions.

#	Term	Definition
1	Authority	Real Estate General Authority (REGA)
2	Financial Action Task Force (FATF)	The Financial Action Task Force is an international organization responsible for setting standards and promoting the effective implementation of legal, regulatory, and operational measures for combating money laundering and terrorist financing.
3	Risk-based Approach	Identifying, assessing, and understanding the ML/TF and weapon proliferation risks, and taking appropriate measures to mitigate those risks in accordance with their level.
4	Due Diligence	A process of identifying and verifying the identity of the customer or beneficial owner, which enables the party conducting it to assess its exposure to risks and establish procedures to manage those risks.

5	Simplified Due Diligence (SDD)	It is a simplified form of due diligence, where verifying the identity of the customer or the beneficial owner is not required. However, it must be ensured that the customer is low-risk.
6	Enhanced Due Diligence (EDD)	A more rigorous level of due diligence applied when risks are high. Enhanced due diligence includes taking additional measures and procedures to identify and verify the customer or beneficial owner.
7	Real Estate Broker:	A natural or legal person licensed by the Real Estate General Authority to carry out real estate activities and services for customers.
8	Customer	A natural or legal person who engages with the licensed real estate licensee for the purpose of buying, selling, leasing, or renting a property, or for any other purpose related to real estate services. This includes individuals, companies, and institutions that benefit from the services of the real estate licensee to carry out real estate transactions.

9	Beneficial Owner	<p>A natural person who ultimately owns or exercises effective ultimate control, whether directly or indirectly, over the customer or the natural person on whose behalf a transaction is conducted, or over legal persons, financial institutions, designated non-financial businesses and professions (DNFBPs), non-profit organizations, or any other legal entity.</p>
10	Legal Person	<p>Legal person is a legal entity that possesses rights and obligations under the law applicable.</p> <p>This includes companies, institutions, associations, or any other entities established in accordance with relevant laws. These entities operate independently from the individuals who manage them, allowing them to enter into contracts, own, and litigate in their own name.</p>
11	Politically Exposed Person	<p>A person entrusted with a prominent public tasks in the Kingdom, a foreign country, or holding a senior administrative position or role in an international organization.</p>
12	Inherent Risks	

	<p>Inherent risk refers to the level of risk of money laundering, terrorist financing, and proliferation financing before taking into account the effect of controls and regulatory procedures. It is based on the nature of the products and services, the customers, the service delivery channels, geographical factors, and threats associated with the real estate sector.</p>
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