

Review Article

# An Evaluation of the Anti-Fraud Regime in Saudi Arabia from the Islamic Shariah Perspective

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**Abstract:** The purpose of this article was to look into Saudi anti-fraud legislation and regulations in order to see how consistent the Kingdom's legal system, which is predominantly found on Islamic principles, is with a wide range of criminal and economic infractions. The main laws relating to fraud were described, and numerous types of fraud were examined, in order to attain this purpose. The discourse also necessitated an examination of the Islamic perspective on deception and fraud. The analysis revealed that Shariah law, which is concerned with property protection, incriminates and punishes individuals who obtain wealth by illegal methods, the nature of the sanctions, however, is left to the discretion of rulers and judges. Based on this, Saudi legislators have enacted a set of anti-fraud measures. These laws were examined to see how well they addressed economic crimes in the Kingdom. Anti-fraud legislation establishes a legal and regulatory framework compatible with Islamic Shariah for dealing with fraud and economic crimes, with the goal of protecting the public interest, maintaining integrity, and regulating the Kingdom's economy. The primary goal of this study is to explore the challenges and risks associated with enforcing anti-fraud laws in the context of Islamic justice principles. In this study, a descriptive research design was adopted. The key objective of this study is to determine the nature of the problem and analyze the evidence collected. Because of the lack of secondary data and the rigorous restrictions governing the reporting of fraud incidents in Saudi Arabian financial institutions. The study's hypotheses could not be tested substantively because all assumptions concerning the research findings are far-fetched.

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## 1. Introduction

The moment we think of the Kingdom of Saudi Arabia, the images emerge of a country with severe punishments and many strict restrictions come to mind, making it difficult for anybody to imagine fraud and white-collar crimes. However, converse with this popular notion, we would be astonished to realize that Saudi Arabia is no exception to the rule.

Fraud has taken on a new dimension as fraudsters penetrate the world, employing a variety of methods and approaches to 'earn' money while exploiting individuals, businesses, and society as a whole [1]. Scammers always devise new ways to take your money. Fraudsters are always coming up with new methods of abuse of the most vulnerable victims [2]. Fraudsters use your personal information to open and use credit cards in your name, take out loans, use your health insurance to pay for medical expenses, and file a tax return to receive a refund. As a result, individuals in charge of governance are accountable for implementing appropriate protections to minimize the risk of fraud. The antifraud profession's response to prevention and deterrence is synonymous with the establishment of controls based on individual features of measures, constructs, and combinations of threats [3].

Due to the proliferation of information technology, social media, and the internet, fraud and white-collar crimes are on the rise in Saudi Arabia, as they are in other parts of the world. The perpetrators have an accessible platform to harm the common men. The usage of technology in the Kingdom is increasingly leveraged and added more sophistication to the crimes. It's no surprise that tens of thousands of people are constantly targeted and victimized throughout the country by a range of schemes, frauds, and deceptive practices that deprive them of their assets, money, valuables, and crucial information. Society accepts these practices, with all their accompanying excesses, just as many other evils have been admitted simply because people have accustomed to them - not because they are legitimate or rational. The *problem can* be recognized as *severe* and serious, and a staggering finding released by Norton Cybercrime Report, 2012 which states that cybercrime has cost Saudi Arabia SR 2.6 billion in a year [4]. The Attorney General's Office of the Kingdom of Saudi Arabia has revealed that based on investigations over the previous three years, at least \$100 billion has been misappropriated over several decades through systemic corruption and embezzlement [5]. Corrupt and fraudulent practices do occur every day and such practices do create disorder, manipulation, and fraud.

Reducing fraud is one of the most difficult aspects of today's financial system. Fraudsters are always fine-tuning their techniques and methods to gain access to highly secure financial systems. Payment systems are now more prone to pernicious threats, thus it's vital to understand how to defend the operational, legal, and regulatory environment from various threat techniques and behaviors in order to keep institutions secure from fraud.

This article examines the phenomenon of fraud in the context of Saudi Arabia's economic, legal, and regulatory environment. Financial fraud looks to be becoming more common across the Kingdom.

### **Significance of the Study**

In both the public and private sectors, Saudi Arabia is engaged in a serious fight against all forms of economic crime. Saudi Arabia's government has made significant changes to its laws, implemented key structural reforms to the legal system, and divided the state's authority into judicial, executive, and regulatory powers in recent years. To accord with the Islamic Shariah, concrete actions have been done to reform the judicial system and encourage the rule of law.

The laws have been modified and strengthened over time to combat fraud and other economic crimes that are rampant throughout the Kingdom. Anti-fraud legislation establishes a legal and regulatory framework compatible with Islamic Shariah for dealing with fraud and economic crimes, with the goal of protecting the public interest, maintaining integrity, and regulating its economy.

The focus of this research is to bring financial crime in Saudi Arabia into the mainstream of economic, legal, and regulatory discourse from an Islamic Shariah perspective.

The contemporary legal systems normally are attributed to common law or civil law jurisdictions. In common law, previous legal precedents or judicial rulings are used to decide cases, while under civil law, the statutes are enacted to establish the rule of law within the territorial limits. Unlike other types of legal systems, the Saudi Court system is based on a completely different model. The Saudi model is neither judicial precedent (common law) nor the national code (civil law) but the opinions of the scholars (jurist's law). This form of legal system serves two purposes: first, scholars and judges will formulate the body of knowledge; the opinions have drawn on the Hanbali School of thought but leaven it heavily with opinions from other fiqh schools and modern scholars, especially opinions already being followed by Saudi Courts. Secondly, this practice will not strictly binding on judges, but as presumptive. A judge would be able to deviate from the

code, but only on strong grounds that he could explain and defend the position. If on appeal his arguments were upheld by higher courts, they would become presumptively binding on judges; otherwise, they would be overturned [6].

Saudi Arabia's Islamic system has adopted several principles and practices from other systems to help fill the vacuum created by the traditional system. Some forms of modern business and commercial dealings are not practiced under Sharia law. Saudi Arabia has made substantial reforms to suit its economic needs, "where Islamic law did not provide for forms of business entities suitable for modern commerce, France's Code for example did, and Saudi Arabia has successfully adopted it" [7]. The existing laws are not strictly binding upon the judges rather presumptive. While judges must apply laws of the land, the country strictly adheres to Islamic law concerning crimes and criminal procedures. The Saudi Basic Law of Governance clearly states that "government in the Kingdom of Saudi Arabia derives its authority from Allah's Book (the Quran) and the Sunnah of the Prophet (Peace Be Upon Him), which are the ultimate sources of reference for the laws of the State." [8].

### 3. Literature Review

The paper reviews the literature on the existing anti-fraud mechanisms to prevent economic crimes and explores the magnitude of the problem and the effectiveness of the approach the institutions and their regulators are adopting to combat the problem.

The focus of the discussion will be on the subject, with an investigation of what constitutes fraud and why it must be prevented. Fraud can be motivated by a multitude of factors. Fraudster capitalizes on the opportunities and takes advantage of the weak control or system in place. Moreover, serious fundamental weaknesses exist in the financial markets, the banking sector, and the financial system that needs to be reformed. It necessitates complying with *legal, regulatory and supervisory standards and requirements* more demanding. This leads to a discussion of the system's legal, financial, and regulatory structure, composition, and architecture for dealing with the underlying difficulties.

Despite the negative consequences of fraud on governance, financial architecture, and social and economic growth, it has received little attention in the current literature. This is especially troubling given that the Islamic system is grounded on religious and ethical principles. As a result, the focus of this article is to explore the Islamic perspective on fraud, namely fraud as a common type of crime under Islamic criminal law.

To strengthen commitment and encourage self-control, Islam places a great emphasis on development and quality inside the individual. The emphasis is on applying Shariah guidelines to the higher-order choices described in the Qur'an and Sunnah. Both domestic and international legal systems can benefit from the Islamic legal system.

This article will demonstrate that a change has brought Western and Islamic law considerably closer together, as Shariah condemns fraud as a grave threat to environmental health, social justice, and economic well-being.

#### 3.1. Fraud, What is it?

Fraud is a broad legal term that applies to any intentional act perpetrated by one or more individuals, involving the use of deception as a modus operandi to secure an unjust or unlawful gain. The expression of fraud includes any deliberate false, misleading, or fraudulent means to deprive someone unlawfully of something of value or avoiding an obligation employing deception.

There are many numerous types of fraudulent activities, ranging from falsified financial records to sophisticated corporate frauds that are meticulously planned and intricate in their execution [9]. The fourth edition of the Black Law Dictionary, published in 1968,

fundamentally defines fraud as, "an intentional perversion of truth to induce another in reliance upon it to part with some valuable thing belonging to him or to surrender a legal right, a false representation of a matter of fact, in words or by conduct, by false or misleading allegations, or by concealment of the fact which should have been disclosed, that deceives and is intended to deceive another so that the individual will act upon it with the intent to cause a legal injury" [10].

The findings of empirical investigations have suggested that deceptive and corrupt practices can be perpetrated both inside and outside the organization [11], [12]. Internal fraud includes misappropriation of assets, financial statement fraud, bribery, and corruption, and is conducted by employees at all levels of the enterprise.

While external fraud, frauds are perpetrated by persons outside of the *organization* [13]. Fraud may be a civil or criminal act in nature. The actions may constitute both a crime and a civil wrong. Fraud can be a civil wrong, allowing a victim of fraud to sue a party for deception and get monetary compensation for the loss caused as well as punitive damages to punish or deter the wrongdoing, whereas, in a criminal wrong, the fraud perpetrator may be prosecuted and imprisoned by the government authorities. In other words, criminal fraud is an offense against the state (people), while *civil fraud* is an *offense* against the litigant. In the context of the tax regime, fraud frequently involves two properties. Civil fraud is intentional, but not willful evasion of taxes. Criminal fraud, in contrast, is the deliberate evading of taxes, though the line between the two can be obscured at times [14].

### 3.2. Why should fraud be prevented?

Due to the high prevalence and the immense cost of fraud, there are important reasons to prevent fraud; making the effort is always rewarding. Fraud losses are frequently so substantial that they constitute a severe threat to our institutions, investors, and many individuals, and even a nation's progress is impeded. The dire consequences can impose financial, social, reputational, loyalty, and other brand-related costs. The Association of Certified Fraud Examiners, Inc. USA (ACFE) conducted a global survey and discovered that the "typical organization loses 5% of revenues each year to fraud," with a median loss of \$150,000 per case. In routine commercial life, fraud is not detected straightaway; it takes an average of 18 months to discover a fraud incidence. The losses tend to rise as the period increases, in the end, the schemes that lasted more than five years resulted in a median loss of \$850,000 [15].

Saudi Arabian Monetary Authority (SAMA) has disclosed that Financial fraud has amounted to SAR 214 million in 2017 versus SAR 520 million worth of fraudulent activities in 2016 [16]. In 2017, the Kingdom had 2,046 occurrences of financial and banking fraud, down from 4,275 cases in 2016. In addition, statistics reveal that financial fraud is on the decline. After results showed a considerable reduction in the number of reported instances in the Kingdom, Saudi banking institutions have been successful in combating financial crime.

The findings backed up anti-fraud implementation and enforcement efforts. In 2019, there were around 1,063 fraud cases worth a total of around SR49 million (\$13 million), down from 2,613 (SR170 million) in 2018 [17].

### 3.3. Saudi arabia – some facts

Saudi Arabia is formally known as the Kingdom of Saudi Arabia (KSA), and it is the largest Arab state in Western Asia, constituting the greater part of the Arabian Peninsula, and geographically the second-largest country in the Arab world after Algeria in terms of area. The population of Saudi Arabia was estimated to be 32.7 million people in January 2017 and it is projected to reach 33.4 million at the beginning of 2018. The Kingdom occupies a significant portion of around 80 percent of the region of the Arabian Peninsula. KSA

is commonly listed as the world's 14th largest state. Saudi Arabia is largely a petroleum-based economy and which accounts for its budget revenues by about 75% and 90% of export earnings derive from the oil industry. *The oil industry is composed of about 45% of the country's gross domestic product, in comparison with 40% of the private sector.* The Saudi banking sector has a leading assets portfolio consisting of Islamic and conventional banks among the Gulf Cooperation Council (GCC) countries [18]. Despite a considerable increase in oil earnings in the early 2000s, the Saudi government has faced serious long-term economic difficulties, including high unemployment and one of the world's fastest population growth rates (3.2 percent per year), and as a consequence, government spending has continued to rise. All the accompanying factors have put pressure on the oil revenue of the Kingdom. Besides, the Kingdom is also facing security threats. The government has ramped up expenditures on security as a result of the attacks, putting economic and material resources under tremendous strain. The economy has struggled with budget and trade imbalances for nearly two decades, and the 1990-1991 war with Iraq has culminated in total public debt of around \$175 billion. Despite financial difficulties, the Saudi government has extensive foreign assets (around \$110 billion) which can afford substantial fiscal relief.

This is even more essential to understand the implications of fraud on the entire economy. Enforcing anti-fraud measures can effectively reduce losses at various levels of the national economy, so improving the overall performance and profitability of the system, institution, and economy. This can be accomplished through adopting anti-fraud legislation and procedures, as well as international standards for preventing money laundering and fostering private-sector transparency and encouraging financial institutions to improve electronic and digital payment mechanisms to strengthen and protect the integrity of financial services.

### 3.4. Saudi legal system

In 1992, the *Basic Law of Governance* introduced meaningful changes or innovations in the governance practices and structures of the Kingdom along it laid down a Shura Council Law and a Law of Provinces [19]. "The Kingdom of Saudi Arabia is a sovereign Arab Islamic State with Islam as its religion," according to the Basic Law, which has been recognized as cornerstone legislation for the Kingdom of Saudi Arabia's governance. It is based on Almighty Allah's Book (the Holy Qur'an) and the Prophet's Sunnah (Traditions)" [20]. However, the doctrine of separation of powers was recognized for the first time in Saudi legal history in the Basic Law. Article 44 of the Basic Law stipulates, "The State Authorities consist of the Judicial Authority, the Executive Authority, and the Regulatory Authority."(Shown in Table 1)

**Table 1.** Legal System – At a Glance

Legal System	Islamic Law or the Shariah law
Political System	Monarchy
Head of State	King, the Saudi Arabian Basic Law has mandated that the kingship remains in the fold of the sons and descendants of the Kingdom founders.
Head of Government	King
Subnational entities	Saudi Arabia is geographically divided into 13 provinces. Each province is administered by a Prince or member of the Royal Family. The capital city of Riyadh is located in the province of Riyadh.

### 3.5. Sources of law

The Basic Law made the King, the supreme authority of the Kingdom responsible for the authority of appointing the Prime Minister, the Council of Minister, the Chief of the Supreme Judicial Council, and the head of other governmental bodies and agencies in the kingdom as set out in Article 58. The judicial system of Saudi Arabia is based on and regulated by Shariah (*Islamic law applicable to both civil and criminal proceedings and is derived primarily from the Quran and the Sunnah (the traditions) of the last Messenger Prophet Muhammad (PBUH)*). The Basic Law also made Shariah the basic fountainhead of all laws, rules, and regulations of the Kingdom of Saudi Arabia. Moreover, the state's code of Islamic law - Shariah – must be strictly followed by Muslim citizens. In terms of spirit, it occupies a unique position. All laws and regulations must conform to the Islamic Shariah, which has come directly from Allah, the Exalted. The four categories of Islamic law are the Quran, the Sunnah of the Sacred Prophet Muhammad (PBUH), Ijma (Consensus), and Qiyas (analogy). There are four significant educational institutions of law in Sunni Islamic law i.e. Maliki, Hanafi, Shafi, and Hanbali. Saudi Arabia follows the Hanbali Islamic school of jurisprudence (fiqh). It is named after the demise of the Iraqi Scholar Ahmed ibn Hanbal, who was died in 855 and was institutionalized by his disciples. Hanbali Islamic school of jurisprudence derived predominantly from the Quran, the Hadith (sayings and practices of Prophet Muhammad (PBUH)), and the views of the Prophet's companions. In situations where there is no clear explanation or remedy sought in the sacred scriptures of Islam, the Hanbali School does not recognize jurist discretion or community practices as a solid basis for deriving Islamic law; rather, it is entirely a traditionalist school of Islamic jurisprudence. Islamic law opens the doors for extensive opportunities and includes almost all avenues of individual domains such as agreements, torts, criminology, criminal and procedural law, management law, wills, and pre-emption, etc.

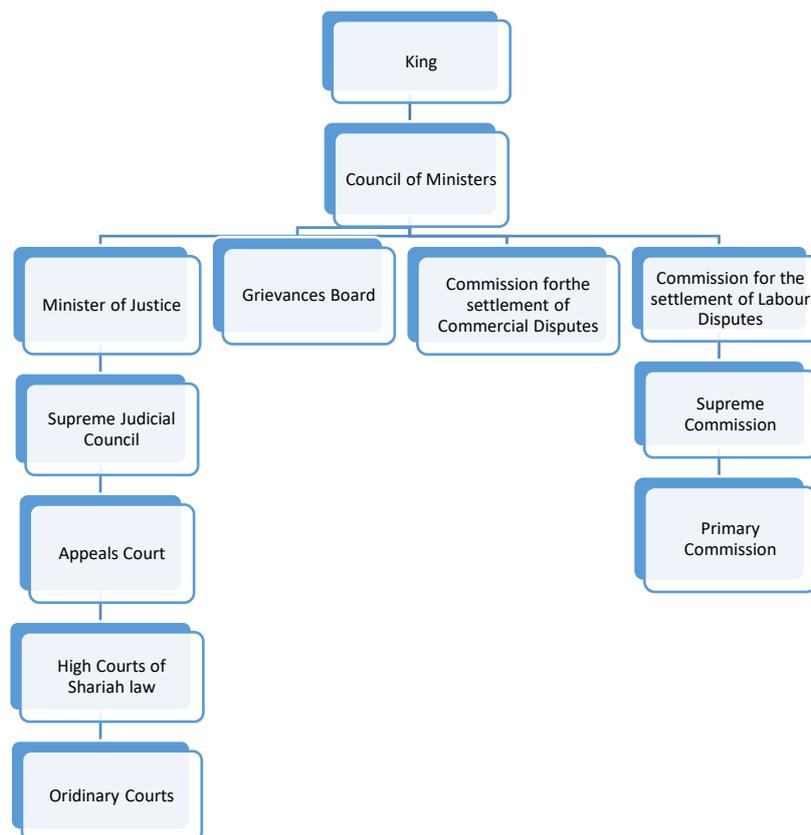
### 3.6. The legal framework of governance

The functions of crime control and criminal justice system in the Kingdom of Saudi Arabia are being performed and controlled by various types of Shariah Courts, the Ministry of Justice, and the Supreme Judicial Council besides there are several executives, legislative and independent agencies which have been created by the monarchy. On March 1<sup>st</sup>, 1992, it was for the first time, a written legal document that amounts to a new constitution promulgated in Saudi Arabia. The document was fundamentally characterized as the "Basic System of Governance" or "Basic Law" [19]. The document consists of nine chapters. The first chapter establishes broad principles, such as the notion that Saudi Arabia is an Islamic and Arab state, and that the state's core constitution is the Holy Quran and the Sunnah. Chapter two has formally declared that Saudi Arabia is a hereditary Islamic monarchy. The government of Saudi Arabia derives its decisive authority from the Quran and the Sunnah. The two primary sources accepted universally by all Muslims, are the Quran and Sunnah and are the ultimate sources of reference for this law and other laws of the State. Chapter 5 explains the rights and duties of the state. Chapter 6 elucidated the authorities and powers of the state. It states that the authorities of the state are composed, the Judicial Authority, the Executive Authority, and the Regulatory Authority. It further expanded that "the authorities will cooperate in the exercise of their objectives and functions, according to this law or other laws" [21]. The extensive governance reforms introduced by the Basic Law had a considerable impact on the functioning of the Shariah judicial and the criminal justice system.

### 3.7. Judicial authority

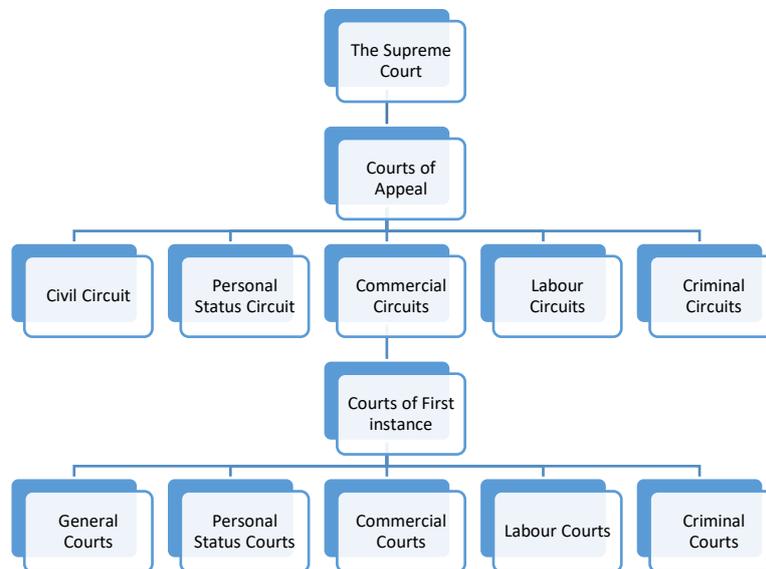
One of the three vital organs of the government of Saudi Arabia is the judiciary, which normally interprets and applies the existing laws of the Kingdom. The legal *system*

is based on the Islamic code of Shariah, contrary to the common law system (Shown in Figure 1), it does not acknowledge judicial precedent as a source of law, nor does it accept trial by jury [7]. The Grand Mufti is Saudi Arabia's oldest and most prestigious legal authority. The official position is appointed by the King and is the head of the justice system. The jurisdiction of the courts is allocated to domestic law, family law, civil law, and criminal law. In 1970, King Faisal has established the Ministry of Justice to standardize legal codes, to monitor the administration of justice and the courts [21]. The independence of the judiciary was protected by law and the reform has created a modern judicial system that is similar to the court system, in 1975, King Faisal has consented to a modern judiciary law [22]. This law has paved the way for establishing the Supreme Judicial Council to administer all Shariah courts [7]. On October 1, 2007, King Abdullah has mandated a Royal Decree empowering a new body of laws regulating the judiciary and the Board of Grievances- a high-level of the administrative judicial body [23]. The new laws, which replaced the old laws relating to the judiciary, were in effect for more than 30 years, and the Board of Grievances for about 25 years. The purpose was to modernize the judicial system (Judicial Law, Royal Decree No. M/64 (23, 1975), Umm al-Qura No: 2592). (Sep. 5, 1975). A clear line of demarcation is drawn by recognizing the existence of a separate judicial system.



**Figure 1.** The Judicial System – Saudi Arab (Source: [24]).

In general, Shariah Courts hear a range of claims, including civil, criminal, and domestic relations cases. Different matters are resolved as appeared in Figure 2. The Basic Law has reaffirmed that the Saudi judicial system is bifurcated into two systems, the Shariah courts and the Board of Grievances (administrative courts) [25]. The Shariah Courts have further divided into three levels that function under the supervision of the Saudi Supreme Judicial Council: the Courts of Appeal, the Courts of First Instance, and the Supreme Court.



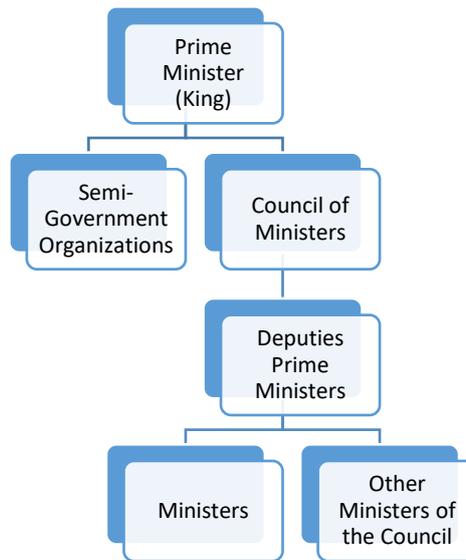
**Figure 2.** The Shariah Courts (Source: [26]).

The Board of Grievances was established in 1955 with the exclusive aim to receive complaints of grievances and injustice committed against the people. The Board consists of three levels: The Administrative Courts, the Administrative Courts of Appeal, and the Administrative Supreme Court. The Board is empowered to investigate the allegations of the miscarriage of justice, corruption, abuse of powers, and different cases reported by the people against the government. Its jurisdiction extends to the whole nation and the network of courts made it uniquely positioned as an important judicial body in the country.

### 3.8. Executive authority

The Basic Law made a distinction of the authority of the State and declared that all authorities will cooperate in the performance of their obligations and fulfilling the requirements under the law or laws of the Kingdom. The ultimate authority rests with the King and he is the arbiter for the vested authorities. Initially, in 1953, King Abdul Aziz issued a Royal Decree to establish a National Council of Ministers [27]. However, this council had no executive authority to act independently and the decisions were merely advisory and could only be effective when the King has given affirmation to the decisions. The process continued until 1958 when King Saud empowered the Council of Ministers with policymaking power according to Royal Decree No. 38 [7]. Many members of the royal family serve in the Cabinet, which is represented by the Council of Ministers, and members are not elected by ballot; rather, the monarchy bestows legitimacy. The power of the monarchy is necessarily hereditary.

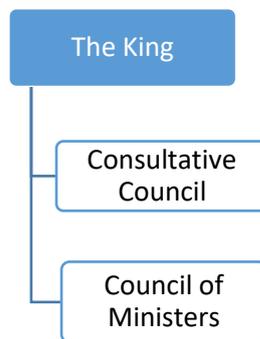
With the promulgation of the Basic Law in 1992, the executive authority was institutionalized by a Constitutional document [28]. According to the Basic Law, the Council of Ministers represents the executive branch of government, with the king serving as prime minister as illustrated in Figure 4. It specifies that “the Council shall have executive power and the ultimate decision in all budgetary and administrative matters affecting all ministries and other governmental entities.” [29]. (Shown in Figure 3)



**Figure 3.** The Executive Authority (Source: [26]).

**3.9. Legislative/ regulatory authority**

The legislative authorities in Saudi Arabia are comprised of three main bodies namely (i) the King (ii) the Council of Ministers and (iii) the Consultative Council (depicted in Figure 4).



**Figure 4.** The Legislative / Regulatory Authority (Source: [26]).

**3.10. Investigative authority**

The chief responsibility of criminal investigation in the country is vested with the Bureau of Investigation and Prosecution (BIP) which was established in 1989. The organization is functioning under the Saudi Ministry of the Interior and is headquartered in the capital city of Riyadh and has sprawling branches or circuits across all the provinces of the Kingdom. The BIP is in operation with dual responsibilities as a law enforcement and intelligence agency. As a national security organization, it focuses on a wide spectrum of threats. The principal function is to safeguard and defend the Kingdom's citizens, uphold and enforce the country's criminal laws, and providing direction to different administrative levels and agencies in terms of leadership and criminal justice services. The bureau is headed by a Chairman appointed by the King. The body also includes a vice-chairman, some heads and deputy heads of different investigation and prosecution circuits, and several investigators of various ranks and categories.

The law consists of 30 articles organized into five parts: Bureau Establishment, Composition, and Jurisdiction, Bureau Members and Staff, Bureau Member Discipline, and General Provisions. The Bureau is mandated by law to undertake criminal investigations and public prosecutions.

According to Article 3 of the Law of Regulations of the Bureau of Investigation and Prosecution, the body is assigned jurisdiction over criminal investigations, criminal prosecutions before judicial bodies, the appeal of judgments, supervision of the execution of criminal sentences, monitoring prison and detention centers, supervising the legality of imprisonment and detentions, releasing those who are imprisoned and detained illegally, and reporting to the Ministry of the Interior for every six months regarding the conditions of prisons and detention centers across the Kingdom.

The investigative functions of the Bureau are independent of any external influence and it must work within the Shariah law. Article 5 of the Law and Regulations of the Bureau dictates, "The members of the Bureau are completely independent, and they shall not be subject to interference in conducting their work except to the provisions of the Islamic Shariah and its relevant laws and no one shall be allowed to interfere in its operations". It is understandable in the law that all members of the Bureau must be educated, skilled, and trained in Islamic Shariah law.

### ***3.11. Anti-fraud regime***

Islamic law principles dominate the Saudi Arabian legal system, it is hard to conceive any law except the Islamic law – the primary source of *law* is the Islamic Sharia and all other supplemental Saudi government laws are formally called regulations. Chiefly, there are various aspects of management and governance of modern life; the objective of these regulations is to remain consistent with or subservient to Islamic principles. This study is focused on approaching fiscal control from various perspectives, namely the organization, enforcement, and explanation of legal accountability. This research explores the purpose, scope, and relevance of the key laws and regulations in effect in Saudi Arabia.

### ***3.12. The monetary and banking laws and regulations***

The Monetary and Banking Laws and Regulations provide the charter for the Saudi Arabian Monetary Agency (SAMA), which is designed to serve the *central banking roles* in an Islamic framework. SAMA has a pivotal role in accomplishing the objectives of issuing and strengthening the Saudi currency and stabilizing its internal and external value, dealing with the banking affairs of the Government, and regulating commercial banks and exchange dealers within the country. The Banking Control Law provides the regulatory framework for banking operations and fulfilling the licensing requirements to operate Banks in Saudi Arabia, it also ordains the requirements related to deposit liabilities and statutory deposits, limits related to the provision of loans and guarantees, the scope of operations, audit and reporting requirements, penal provisions for contravention of the law and others matters have extensively dealt with currency, forgery, and money laundering.

### ***3.13. Anti-money laundering law***

Money laundering in Saudi Arabia has been a major problem and the country continues to take numerous measures to fight money laundering and focused its efforts to combat terrorist financing. The Kingdom has implemented numerous provisions of the FATF forty plus nine recommendations. The country *has* supported many *international* and regional *efforts* in combating terrorism and countering money laundering and other allied activities.

Saudi Arabia has implemented an anti-money laundering/counter-terrorist financing (AML/CFT) framework. The Anti-Money Laundering Statute was passed in 2003, and the

Anti-Money Laundering Regulations were adopted in 2005. The implementation of these laws has provided a statutory foundation for the criminalization of the proceeds of money laundering and terrorist financing activities. Money laundering jeopardizes the integrity of financial markets and completely undermines the stability of the financial system. Saudi Arabian Financial Intelligence Unit (FIU) was created under Article 11 of the Anti-Money Laundering Law. The FIU is charged with the task of fighting money laundering within its jurisdiction. The FIU is responsible for receiving, analyzing, and preparing all suspicious transactions and operations in its remit. In addition to FIU, certain government authorities have been made responsible for combating money laundering within its specific jurisdiction. In March 2004 an independent administrative unit was established and also formed a separate Ministry for Anti-Money Laundering. The country in its pursuit to strengthen the anti-money laundering regime with the collaboration and participation of certain member countries of the FATF has decided to intensify its efforts to fight money laundering at three levels, local, regional, and international. Such actions to prevent and fight money laundering and terrorist financing have led to effective responses not only to the moral imperative but also to the tough economic needs.

### ***3.14. The global-view of money laundering***

The purpose of money laundering is to conceal the source of illicit funds obtained through illegal means, and due to its covert nature; intrinsically difficult or impossible to measure the total amount of money that flows through the laundry cycle. In 1998, the Managing Director of the 'International Monetary Fund' (IMF), Michel Camdessus, disclosed at the plenary meeting of the 'Financial Action Task Force' (FATF) on money laundering, "It is likely to be in a consensus range of 2-5 %, which would roughly equate to 1.5 trillion US dollars of money laundered globally" [30]. In 2011, the 'United Nations Office on Drugs and Crime' (UNODC) researched to estimate the magnitude of illicit revenues generated in the global economy [31]. The report is consistent with the estimates of money laundering each year previously established by the IMF on a global scale. The figure indicates the scale of money laundering of around \$800 billion - \$2 trillion in US dollars.

In 2018, UNODC estimated the annual value of money laundering as initially *established* by the IMF that between 2 and 5% of global GDP estimated the scale of *money* laundering. This is an upper bound of \$2.08 trillion, or an economic size of Italy- a member of the Group of Eight (G8). This is deemed reliable that the UN's estimate was conservative. Some experts predict that the actual annual figure of money laundering could be 40% higher than the UN's estimate – which would constitute the size of the *United Kingdom's* economy [32].

### ***3.15. Money laundering: emerging threats***

In Feb-2019, the European Commission (EC) included Saudi Arabia in the original dirty-money blacklist; the jurisdictions have posed a threat to the global community for lax controls against terrorism financing and low sanctions on money laundering. EC has put in place stringent anti-money laundering standards and by enforcing its rules, the list of countries was prepared following the new assessment model for improving and equipping substantially the financial systems of the European Union (EU). Following the latest in a string of scandals affecting multiple European banks, ongoing measures to counter money laundering and terrorist financing have been maintained. Saudi Arabia was placed on the blacklist, and the EU later struck it down for attempting to alleviate the dire situation. Saudi Arabia has the determination to *take* substantive actions, implement effective *anti-money laundering* measures, and display its commitment to mitigating the menace of money laundering and terror financing is a strategic objective of the Kingdom.

### ***3.16. Anti-commercial fraud law***

The anti-commercial fraud law in the Kingdom of Saudi Arabia is intended to suppress fraud, forgery, and deception in commercial transactions, safeguard consumers and regulate the Kingdom's market. A key feature of the law is to increase enforcement mechanisms in respect of commercial transactions. In terms of the law, any act of selling, displaying, and possessing for sale any counterfeit goods is defined as an act of commercial fraud. The law proscribed to possess, import, export, manufacture, store, rent, or sell counterfeit goods.

Anti-commercial fraud law was enacted by the Royal Decree No: M/19 (April 29, 2008), and the regulations and their implementation were issued by Ministerial Decree No: 155 to discover and prosecute violations against corrupted and fake commodities, commodities inconsistent with Saudi Standards and Specifications, fraud and deception and to the monitoring of sales and commercial competitions.

The Anti-Commercial Fraud Law regulates and empowers the Ministry of Commerce (MOC). It confers the main responsibility of dealing with all kinds of consumer-related commercial fraud. MOC is in charge of the implementation and enforcement of the law. This law has empowered the Ministry of Municipalities and Rural Affairs (MOMRA) the assignment of controlling the expiration dates of foods in the marketplace. Following the law, six commissions were set up scattered over different areas in the Kingdom. A nodal commission, called the National Commission for Consumer Protection, has taken the lead is responsible for leading numerous commissions, planning, monitoring, and execution of the consumer protection awareness programs.

Concerning fraud law, pecuniary penalties, shutting down the business, imprisonment, and compensation can be applied to everyone who aids, abets, or directly commits scamming, misleading, fraudulent, tricking, or cheating consumers in any manner. It was considered that to deal with violations concerning the content of the message, in particular, fraudulent and misleading advertisements, the Anti-Commercial Fraud Law can be used as a reference to determine if the message's content is illegal, and if it is, legal action based on the law's sanctions can be pursued. Therefore, there must be a mechanism in place to combat fraud, forgeries, and embezzlement in addition to imposing strict criminal penalties on offenders, uncovering their tracks, divulging their tricks, preventing the unscrupulous elements from practicing any business in the future, naming their names on the newspapers and permanently putting them on the blacklist. Unfortunately, the case examination process is inordinately slow and the enforcement is facing difficulties in taking necessary legal actions against the accused parties of fraud. Mechanisms are being designed to ensure rigorous anti-counterfeiting, anti-forgery, and anti-fraud procedures.

### ***3.17. Electronic transactions act***

Electronic Transactions Act empowers the Ministry of Communications and Information Technology (MCIT) and vests with the key responsibility to deal with regulating, monitoring, and implementing the law. This legislation provides a legal framework for electronic transactions. The main objectives of the Act are to set unified regulatory standards to streamline, use electronic transactions, and facilitate signatures. It aims to enhance confidence in the soundness and validity of electronic transactions, signatures, and records. It also facilitates the usage of electronic transactions locally and internationally in the fields such as e-government, trading, medicine, education, and e-payments. It further aims to eliminate barriers in using electronic transactions and prevent the misappropriation of public revenues, fraudulent schemes, electronic transactions, and signatures related to fraud.

### 3.18. ANTI-e-CRIME ACT

The Anti-e-Crime Act bestows the Ministry of Communications and Information Technology (MCIT) the main responsibility to deal with regulating, monitoring, and enforcing the law. The Anti-e-Crime Act is aimed at creating legal and regulatory standards to combat information, computer, and internet crimes through determining the relevant crimes and to take punitive actions for each crime or violation, to achieve and maintain information security, to preserve the rights associated with legitimate use of computers and networks, defend the public interests and uphold morals, and communal values. The law supports the protection of the national economy, while Anti-e-Crime Act does not permit publication of such content, which is considered injurious to the Kingdom's economy or security, offensive to its religion, denomination, and values, or contrary to the *privacy, dignity, and confidentiality of the people*. The law does not allow using information networks, a computer, or similar means to access unlawfully and unrightfully to bank accounts, or credit card information, or alike, apply such information to gain access to the personal data, funds, or services.

Article 5 of the Anti-e-Crime Act stipulated that any person who commits any of the violations shall be punished by imprisonment for a maximum of 4 years and a fine of a maximum of SR 3 million or either one of them, who have unauthorized access to a site or information system, to delete, destroy, divulging, damaging, altering or re-publishing personal information. It also does not access information via an information network, a computer, or any other similar means such as applications, software, which may disrupt or interrupt the information network, or damage, delete, erase, manipulate or alter software or data utilized by or securely stored in the network. It cannot, under any circumstances, intentionally and maliciously interrupt, disrupt, or interfere with the information network, a computer, or any similar means, access to services, hardware, and software, or information sources.

Article 7 of the Anti-e-Crime Act stipulated that it is a crime to have deliberately accessed and unlawfully to any site or system, directly or through an information network, a computer, program, or electronic means for gaining access to data and information that impair the country's internal or external security or national economy. If access is for deleting, damage or destroy the underlying data or information, or transmit harmful ideas or thought, the minimum limit of punishment will be imprisonment for 3 years.

### 3.19. Anti-forgery law

The crimes of forgery and counterfeiting of money are regulated by Royal Decree No: 114 dated 26/11/1380 H. signed into the Anti-Forgery Law and also ratified the Penal Regulations. The penal code of 2014, which was ratified by the Council of Ministers, was used to update the law. The law is consisting of 28 articles that incriminate and penalize the individuals who intentionally imitate, forge, or bring fraudulent documents into the Kingdom. The law identifies forgery as creating a fake signature, seal, marks, or a real signature that was acquired illegally, in addition to changing a document, adding or omitting a signature, and altering or partially mutilating or destructing a document. Under the amended law, crimes are grouped into three categories: regular, minor, and severe offenses. The perpetrator and his accomplice will be held accountable for all losses incurred by the Treasury, businesses, banks, entities, or individuals and may face up varying imprisonment terms anywhere between one and 10 years and liable to a combination of penalties, to the tune of SR1 million in fines will be imposed.

### 3.20. Anti-bribery law

In 1930, the Kingdom of Saudi Arabia adopted its first anti-bribery law, when the General Civil Servants' Law was enacted to criminalize bribery and abuse of authority among civil servants. The prevailing anti-bribery law was issued in 1992 by Royal Decree

No: M/36. According to the law, bribery is criminal conduct that can be perpetrated by public officials or private individuals. It covers everyone who holds a public position that involves the trusteeship of cash, movable property, stamps, or valuables.

The statute specifies the penalties for any employee found convicted of misappropriating assets, committing defalcation, abuse of public authority, or squander public property. The law envisages penalizing the offering of any promise or gift to a public official to perform, cease to execute, or neglect any of the public official's responsibilities, or even where the legislation has permitted the act to be lawful or to use the powers of the public office or authority for an order, decision, commitment, supply contract, employment, service or any kind of privilege, or to use the public office corruptly for private gain. The law forbids the act of a public official refusing to undertake an act, regardless of whether they intend to do so.

Bribery of foreign public officials by Saudi nationals is forbidden under the legislation, which draws no distinction between foreign and domestic public officials. For the benefit of foreign businesses, the courts are unlikely to recognize jurisdiction over a foreign corporation if the bribery takes place entirely outside of Saudi Arabia. For all those companies doing business in Saudi Arabia, whether the company is physically present or not in the country, the law applies to the actions within the country. Sanctions against individual perpetrators (including public officials and principals of companies) vary depending on the case and may extend up to 10 years of imprisonment and penalties of up to SAR 1 million.

The Saudi National Anti-Corruption Commission is a government agency tasked with combating bribery and corruption in the Kingdom of Saudi Arabia. The institution was established by Royal Order A/65, issued by King Abdullah bin Abdul Aziz Al-Saud on 04/13/1432 AH, 19/3/2012. The Commission, according to Article 1 of the Royal Order, is an autonomous agency that reports directly and exclusively to the King. Article 4 of the Royal Order maintains the Commission's functions as embracing all public sectors without exception and empowers the institution to combat economic and administrative corruption [33].

### ***3.21. Snapshot of corruption in Saudi Arabia***

Corruption remains a major concern for society, institutions, and government functionaries. Corruption represents the failure of certain elements of society to curb corrupt practices and their devastating impact. The companies operating in the country confront the high risk of corruption, abuse of powers, nepotism, and patronage system. The government has taken several measures to curb bribery and enforced laws that have criminalized many types of corruption, but due to a lack of or selective application of the legislation, the desired outcomes were not realized. There is currently no legislation in the process to regulate conflicts of interest, which gives public officials unrestrained possibilities to participate in corrupt practices with impunity. Members of the royal family and the top crust of society have enormous clout in the oil and petrochemical industries. Certain types of gifts and gratuities are regulated under the law. However, payment of small bribes known as facilitation or grease payments has altogether been disregarded. There are badges of corruption in the Saudi Justice System. It denotes a moderate risk of *corruption* in the judiciary. Two judicial authorities are empowered in Saudi Arabia to dealing with *corruption* matters: the Grievance Board and the General Courts. Judicial corruption is manifested mainly in issues related to land registration and land disputes. The law has overwhelmingly declared judges' independence, but the integrity, impartiality, and credibility are sometimes tainted, as the decision of a judge is perceived with external pressure or influence.

Transparency International (TI) released its annual Corruption Perception Index (CPI) on a scale from 0 (highly corrupt) to 10 (clean). The index scores and ranks as to how countries perceive the level of corruption in public sectors. It uses a combination of surveys and assessments of corruption made by independent institutions. In 2016, the CPI has ranked 176 countries in the world. The least corrupt country was Denmark (9.1 out of 10 scales) while *Somalia* has held the undesirable title as the *world's most corrupt country*, earned (0.1 out of 10) with a lower score indicate a higher level of corruption. The global average score was calculated at 4.3 (40% of countries below 50 out of 120). The Kingdom of Saudi Arabia ranked 55 among 175 countries. The country's score averaged 62 from 2003 until 2016. Surprisingly, in 2016, 121 nations around the world were ranked as corrupt – their score was below 50. Saudi Arabia has achieved a significant decline from 2015 to 2016. However, TI has revealed that the Kingdom lacks a functional transparent mechanism that ensures accountability [34]. The country is ranked 51 out of 180 countries in TI's 2019 Corruption Perceptions Index with a score of 53 out of 100, indicating a slight improvement from the previous year's score of 49 [35].

### 3.22. *Anti-corruption drive*

The government launched an unprecedented crackdown in November 2017, summoning 381 people for investigation of corruption-related wrongdoings. At the commencement of the campaign, many members of the kingdom's social, political, and economic elite were detained at the Ritz-Carlton Hotel in Riyadh, which was turned into a five-star prison. Under the guidance of the Public Prosecutor, a comprehensive review was individually conducted for its detailed scrutiny.

The Saudi government locked up hundreds of the country's richest and most powerful businessmen and royals who were detained at the *Ritz Carlton* in *Riyadh*. The anti-corruption campaign continued for almost 15 months. In Feb-2019, the kingdom's *anti-corruption commission* declared that it has successfully retrieved more than SR 400 billion (\$107 billion) - a mix of cash, real estate, companies, and securities, has been recovered from 87 people, who confessed to the charges against them and ultimately surrendered to the state. The recovery campaign has been reckoned as shock therapy. The leadership is unwavering in its anti-corruption endeavors, curb nepotism, and efforts made to overhaul the top nation in the Arab world, ameliorate the largest economy, and transform into a viable society.

It is estimated that systemic corruption and embezzlement have resulted in misappropriation of funds or abuse of authority over several decades. However, the emergence of an *industrial* economy with wide-scale business dealings was *characterized* in the Kingdom rife with graft and corruption and the prevailing campaign against corruption is widely viewed as the reform agenda of the crown prince to stamp out corruption.

The laws and guidelines of Saudi Arabia are centered on Islamic law (Shariah), which forbids everything that leads to corruption. Eventually, corruption damages an individual and the ethos of society. Therefore, the political will of the leadership to fight corruption in Saudi Arabia is evident in all of its anti-corruption policies and measures. It has gained the number one priority and support of the media and civil society. Strong leadership coupled with support from all sectors of society would ensure the success of Saudi Arabia's anti-corruption plans, strategies, and measures [36].

(I) *Saudi Arabia* Monetary Authority (SAMA) was established on 4 October 1952 to supervise the banking and financial institutions within the confines of Islamic legislation. The banking sector is organized under the regulations passed by SAMA. The authority is tasked with carrying out a wide range of activities under many laws and regulations. SAMA has been primarily responsible for securing monetary *stability*, promoting growth,

and ensuring the stability of the Kingdom of Saudi Arabia's financial system. The authority has been instrumental in passing and enforcing several laws to protect the financial system of the Kingdom.

Since the kingdom established a robust legal and regulatory framework that regulates modern laws, rules, and standards, the SAMA has jurisdiction over the prevention, detection, and investigation of corruption, embezzlement, money laundering, and financial crime.

SAMA has significant difficulties enacting and enforcing anti-corruption, anti-embezzlement, and anti-financial-fraud laws, norms, and guidelines, and the nature of the challenges varies by sector. The clients related to financial institutions complain against the cumbersome paperwork and time-consuming processes and regulations. Employees of banks and financial institutions claim that there is no effective customer complaint redressal system in place to resolve consumer grievances.

This is a formidable obstacle because a considerable number of law enforcement officers lack the specialized skills, technological expertise, and trained in forensics necessary to prosecute corruption, embezzlement, and financial fraud. Because Saudi Arabia lacks a codified criminal penal code, the mandated disciplines and punishments are up to the judge's or competent committee's discretion, and are ordinarily subject to review and discussion.

The prevailing laws on bribery and corruption are considered complicated because they are governed by several distinct and overlapping laws. The Anti-Bribery Law was enacted by Royal Decree M/36 dated 29/12/1412H. Bribery of public servants is legally forbidden in the Kingdom.

The Bribery regulations have prohibited public servants from misusing their positions or using influence, in connection with accepting redressal, but these regulations do not impose any penalties on anyone other than the public servants.

The Anti-bribery Law and regulations initially did not cover bribery concerning the private sector, but the legislation chiefly covered the public officials. However, in April 2020, Saudi Arabia Royal Decree 4 of 1440 has approved the Anti-Bribery Law, which explicitly made bribing in the private sector a punishable offence. Private sector bribery refers to bribery from any person's functions at private or private organizations, or companies, private establishments, or professional bodies in any capacity.

There is no separate statute dealing with bribery of foreign public officials in the anti-bribery and anti-fraud laws prohibiting or regulating the corruption of public officials of other countries and the laws have not explicitly prohibited commercial bribery. Within the purview of the Anti-bribery Law, the Saudi royal family will not be considered public officials. A member of the royal family is classified as a public official if they hold a legally recognized role.

The Saudi Arabian Monetary Agency has adopted a number of preventive measures in response to financial crimes that have affected the Kingdom's primary stakeholders. SAMA was granted more authority as a result of the economy's banking troubles, and it has taken rigorous action against individuals who violate financial guidelines and regulations.

*Saudi Arabia* is governed by the tough application of *laws* while defining and implementing anti-fraud *laws, guidelines, and rules*, the results of the adherence have been overwhelmingly positive. *Implementing* the measures to *limit* the amounts of *cash*, proceeds of crime *have not been* able to repatriate to other jurisdictions, the ceiling imposed for sending

money abroad was strictly enforced to fight money laundering and counter-terrorist financing. The Kingdom has imposed stiff penalties aimed at *money laundering* and other illicit transfer of funds.

SAMA was assigned broad authority to regulate and supervise Saudi banks, as well as protect banking transactions, manage transaction risks, and maintain financial system stability. *SAMA has judiciously exercised its regulatory powers and paved the way for the development of payment systems with the active collaboration of banks in the Kingdom. The Kingdom has effectively implemented a robust business-to-business (B2B) e-payments infrastructure, installed the bank security system for e-transactions, and provides safety to depositors for safeguarding from electronic theft. SAMA has complete authority and oversight roles supervising the overall payment systems in the Kingdom, including ATM, credit card, and EFTPOS transactions; equity trading and settlement; credit transfers and direct debits; securities trading and settlement; and the custody of all government securities. There are other specific systems in operation, such as electronic funds transfer, ATMs, credit cards, and internet banking are ensured to preserve the availability, credibility, and privacy of the systems. The moneychangers as a special-purpose financial institution were allowed to change foreign currencies into local currency. The function of currency exchange can be accomplished in either way and can facilitate the limited funds' transfer services. The moneychanger institutions are not permitted to perform any banking functions and cannot participate directly in the payment and settlement systems of the Kingdom. Banks and financial institutions, notably foreign exchange entities, are rigorously monitored and must adhere to Kingdom's laws and regulations. The Association of Bankers of Saudi Arabia claims that the kingdom has one of the world's lowest rates of financial fraud [37].*

(II) Anti-fraud and anti-corruption laws were enacted and amended from time to time for combating fraudulent and corrupt practices prevalent in the Kingdom. There are several laws such as anti-bribery law, anti-forgery law, anti-money-laundering law, etc. that define and criminalize many fraudulent and corrupt activities. The laws represent certain loopholes, lacunae, and weaknesses. The shortcomings cannot be attributed exclusively to the regulations; other aspects of the legal framework may impede the proper application of the laws.

Saudi Arabia is a country with a Shariah-based legal system (Islamic law), it's critical to look at the Islamic perspective on fraudulent and corrupt practices. That examination demonstrated that Islamic norms and principles forbid common fraudulent and corrupt practices, and there is no denying that those practices are clearly prohibited by Shariah.

The lack of provisions concerning weaknesses aggravates the challenge of fighting the practice. Saudi legal and institutional structures bear responsibility for the prevalence of weaknesses in the system. The complexity of procedures and the flaws in legal frameworks sway individual decisions, overcome hurdles, and find solutions to problems.

In 2015, a survey was conducted by the National Anti-Corruption Commission, (Nazaha), to measure corruption in the Kingdom of Saudi Arabia. The survey results found around 81 percent of respondents attributed the prevalence of corrupt practices in the Kingdom due to the complex procedures and outdated and inadequate essence of the law.

The **Saudi National Anti-Corruption Commission** (Nazaha) has revealed to have received 15,591 complaints of financial misconduct in 2018 as compared with 10,402 complaints in 2017, indicates the corruption cases **went up by 50% in 2018. In this respect, the commission has concluded investigations into 59 percent of the complaints it has received.** The institution of Nazaha was recognized as a distinct body by royal decree in

2011, to provide an amicable environment for the successful implementation of antifraud laws and for raising awareness on maintaining the *integrity* and combating corruption.

Saudi Arabia has taken financial crimes seriously in recent years, most visibly with its high-profile anti-corruption drive from November 2017 to February 2018 and the national reform strategy known as the "Vision 2030." The measures have caused recovered assets worth more than \$107bn in an anti-corruption crackdown. Crown prince Mohammed bin Salman was the architect of the drive.

The governments have been vulnerable to fraud and corruption, crown prince, Mohammed bin Salman has attributed to an estimate by experts that "since the 1980s around 10% of all Saudi government spending is siphoned off by corruption each year from the top level to the bottom." [38]. The Kingdom has taken the initiative of setting up an office to monitor public spending in order to spruce up the fight against economic crimes.

(III) When effectively applied, e-government has the potential to prevent corruption by significantly reducing discretionary powers; it purportedly slams the door on arbitrary decision-making. The system of e-government is to maintain and secure detailed data on transactions, making it possible for transparency. It facilitates the investigation and tracking of corrupt practices, which increases the likelihood of being detected.

Many studies have suggested that the governments in numerous countries have adopted e-government, which are being considered an efficient and effective means to improve public transparency, reduce corruption and minimize costs [39], [40], [41].

E-government is aimed to provide public services to citizens and a wide range of services involving contemporary technology, for delivery of improving service quality and optimizing the governance of the state machinery more robust. E-Government is the process of designing, deploying, and enforcing policies, laws, and regulations that enable an eGovernment to function [42].

The aim to establish e-government in the Kingdom of Saudi Arabia is to encourage governmental agencies in achieving sustainable progress, making the methodology more robust, but in reality, some e-government processes remain slower and could not achieve the desired results. In general, it helps the government accountable by making its operations simple and transparent. It empowers citizens and organizations to contest arbitrary procedures and their methods and means. Thus, it contributes to reduce the incidence of corruption.

A survey was carried out by the Doha, Qatar-based Arab Center for Research and Policy Studies. For the period covered last four months of 2016, gathered opinions of over 18,000 respondents from 12 Arab countries including Saudi Arabia. The respondents were surveyed on their credibility in government institutions, their trust in the rule of law, their perceptions of corruption levels, and the effectiveness of government in combating corruption.

In Saudi Arabia, public opinion 94% of respondents have expressed high confidence in governments and government ministries. According to 95 percent of respondents, Saudi Arabia's judiciary has a high degree of trust, and 48 percent of respondents, the principle of a fair trial was believed to have been recognized, while 40 percent has not been upheld.

As for the rule of law, only 24 percent believed that it is invariably applied everywhere, 20 percent refused to accept the premise of the rule of law, and while 54 percent of the public holds that some groups receive favorable treatment.

Regarding governmental efficiency and delivery of services, 14 percent of respondents thought essential government services were very good, 34 percent good, 22 percent very bad, and 27 percent bad. Saudi Arabia was trending with an aggregate “good” and “very good” evaluation of 84 percent.

Of the respondents in the 2016 survey, an overwhelming majority (93 percent) have stated that corruption is widespread, and some thought it was rampant. Besides, there is a consensus that government is unwilling to fight the scourge of corruption, but can see the efforts of the government in the state's perspective and the ability to regulate public affairs, limit graft, and control corruption in subsequent years. Despite the government has stepped up its vigorous campaign, but unfortunately, the government is still unable to eradicate corruption and fraudulent activities from society as a whole [43].

#### **4. Methodology for Finding the Research Gaps**

The goal of methodology for identifying research gaps is to facilitate researchers in developing research questions and hypotheses based on the previously described considerations.

When using a research question, there must be a research problem. However, a research question cannot be scientifically and objectively resolved unless it is reduced to a hypothesis statement. A research question framed as a question is essentially a hypothesis. Hypotheses can be assumed as intelligent expectations, educated guesses, or predictions to arrive at as a proposed outcome to a problem by the researcher. It is frequently defined as a postulation of a research problem, a possible solution to the research, or an explanation of some phenomenon.

##### **4.1. Problem statement**

This paper aims to answer the following research questions:

(1) In the Kingdom of Saudi Arabia, there have been incidences of severe and sophisticated fraud, and economic crimes are on the rise, necessitating the interpretation and implementation of laws, regulations, guidelines, rules, rights, and obligations for SAMA to effectively detect, prevent, and investigate problems in the Kingdom.

(2) Given the socio-economic challenges posed by fraud, money laundering, and other economic crimes, is the SAMA capable of effectively and pragmatically enforcing the laws?

(3) What are the possible outcomes of SAMA's efforts to combat financial crime?

##### **4.2. Research approach**

To achieve the proposed objective and to further answer and search for answers to questions, a comprehensive methodology was developed, taking into account all of the relevant steps of a research approach: (i) Exploration, (ii) Analysis, and (iii) Hypothesis Development.

This section consists of leading questions that need to be answered:

- i. What are the laws, regulations, and guidelines over which SAMA has jurisdiction and control in the Kingdom of Saudi Arabia for the prevention, deterrence, and investigation of corruption, embezzlement, and financial fraud?
- ii. What are the main challenges that SAMA faces in implementing and enforcing the Kingdom of Saudi Arabia's anti-fraud, anti-corruption, and anti-money-laundering laws, regulations, and guidelines?
- iii. What are the outcomes of SAMA's actions in combating financial crimes affecting major stakeholders in the Kingdom?

### 4.3. Hypotheses for research

The qualitative approach was used in this paper, with the objective of laying a conceptual foundation for hypotheses formulation. A hypothesis is a specific, substantive, and clear statement of what is intended to be explored specifically. It unequivocally describes the research questions and hypotheses, which serve as signposts for defining the study's goals and guiding the research [44].

H01: There are no laws, regulations, or guidelines in the Kingdom of Saudi Arabia that give SAMA authority over the prevention, detection, and investigation of corruption, embezzlement, and financial fraud.

Ha1: In accordance with the laws, regulations, and guidelines of the Kingdom of Saudi Arabia, SAMA is responsible for the prevention, detection, and investigation of corruption, embezzlement, and financial fraud.

H02: SAMA faces no challenges in implementing and enforcing anti-fraud and anti-corruption laws, rules, and guidelines in the Kingdom of Saudi Arabia.

Ha2: SAMA faces challenges in implementing and enforcing anti-fraud and anti-corruption laws, rules, and recommendations in the Kingdom of Saudi Arabia.

H03: SAMA's efforts to tackle financial crimes that harm the Kingdom's main stakeholders have yielded no results.

Ha3: SAMA's efforts to combat financial crimes that harm the Kingdom's main stakeholders have generated positive results.

**Design/methodology/approach:** According to this article, secondary data analysis of source information is an effective strategy. It embraces a thorough evaluation of the literature, an analysis of pertinent incidents of fraud, corruption, and money laundering, and a review of existing anti-fraud policies.

### 4.4. Research design

In this research, a descriptive research design was adopted. To figure out "what is," descriptive research is performed. Descriptive research is collecting data that describes occurrences, then organizing, tabulating, depicting, and describing the data gathered [45]. This method entails gathering and measuring a large amount of data in order to perform extensive analysis.

This study employed a descriptive design. The literature review, however, does not properly cover the subject since there are just a few research articles on the issue or because it is a lesser-known topic.

### 4.5. Research Instrument

The study's research instrument is collecting and analysis of legal documentation of fraud and economic crime incidents.

### 4.6. Data collection method

Legal and policy documents from government websites served as primary data for this study, while secondary source materials included books, magazines, journals, reports, newspapers, and court cases on related topics.

### 4.7. The research's challenges

A key gap in undertaking this research is a lack of public resources. It included:

- i. A lack of publicly available official documentation on fraud, corruption, and economic crimes;

- ii. A lack of publicly available official documentation about anti-fraud and anti-corruption cases;
- iii. There are a lack of publicly known policy procedures or measures, nor is there a record of the remedial initiatives' outcomes.

## 5. Discussion and Analysis of the Problems

Answering the research questions helps in resolving the research issues. The research questions are significant in identifying the challenges and providing appropriate solutions in the context of this study.

The Saudi Arabian Monetary Authority (SAMA) has played a significant role in enacting and executing a number of laws aimed at safeguarding the Kingdom's financial system. In response to the first question, the SAMA has jurisdiction over the prevention, detection, and investigation of corruption, embezzlement, money laundering, and financial crimes in the Kingdom of Saudi Arabia. Appendix - A contains a compilation of legislation and regulations for reference purposes.

In response to the second question, SAMA faces a number of problems in enacting and enforcing Saudi Arabia's anti-corruption, anti-embezzlement, and anti-financial-fraud laws, rules, and guidelines:

- i. The type of implementation challenges, as well as the barriers to the Kingdom's implementation of anti-embezzlement, anti-corruption, and anti-financial-fraud laws, rules, and recommendations, varies by sector.
- ii. Clients of financial institutions have expressed dissatisfaction with the time-consuming processes and restrictions, as well as the burdensome paperwork.
- iii. Financial organizations and bank employees believe that client complaints do not adequately address the difficulties of bank and money exchange customers.

Due to the absence of a codified criminal legal system in Saudi Arabia, the required disciplines and punishments are at the discretion of the court or competent committee and must be reviewed and considered.

The Bribery Regulations prohibit public servants from misusing their positions or exerting influence in the acceptance of bribes, but they do not apply to anybody other than public servants. Bribery of public officials is prohibited in Saudi Arabia by the Regulations for Combating Bribery, which was adopted under Royal Decree M/36 dated 29/12/1412H.

- i. The Anti-bribery Laws and Regulations do not apply to bribery in the private sector; rather, the legislation primarily applies to public officials. However, the Anti-Bribery Law was adopted by Saudi Arabia Royal Decree 4 of 1440 in April 2020, making bribery in the private sector an offense. Bribery in the private sector is described as bribing perpetrated by a private or private organization, a company, a private facility, or a professional body in any capacity.
- ii. In anti-bribery and anti-fraud laws preventing or regulating the corruption of foreign public officials, there is no distinct statute dealing with bribery of foreign public officials, and laws do not specifically prohibit commercial bribery.
- iii. The Anti-bribery Law does not apply to members of the Saudi royal family. If a member of the royal family has a role that is defined by law, they are termed a public official.

In response to the third question, SAMA's initiatives in countering financial crimes impacting important stakeholders in the Kingdom have yielded certain outcomes. Saudi Arabia is regulated by strict adherence to laws while creating and implementing anti-fraud legislation, guidelines, regulations, rights, and obligations, with overwhelmingly

good results. The implementation of measures to limit the sums of cash, proceeds of crime has been unable to repatriate to other countries, and the ceiling imposed for transferring money overseas has been severely enforced in order to combat money laundering and counter-terrorist financing. In the Kingdom, money laundering and other unlawful financial transfers are harshly penalized. SAMA was given broad powers to regulate and supervise Saudi banks, as well as protect banking transactions, manage transaction risks, and stabilize the financial system.

### **The Study's Findings**

Due to a limitation of available secondary data and restrictive legislation governing the reporting of fraud incidents in Saudi Arabia's banking institutions, the hypothesis formulated in the study could not be evaluated. The research findings are particularly harder to find due to a lack of original records and court case results.

### **Conclusion**

This investigation looks examined anti-fraud legislation in Saudi Arabia's legal system, where Islamic Sharia is the fundamental basis of law, and all other supplemental Saudi government laws are formally called regulations. The current attempt is to assess within this framework whether anti-fraud laws and regulations are compatible with the legal system of the Kingdom.

To achieve this purpose, the nature of different laws relating to fraudulent and deceptive practices in the Kingdom were discussed and analyzed how to tackle the corrupt practices in the light of the Islamic perspective. How the prevailing legal system protects people from deceptive and fraudulent conduct.

The Sharia and the Saudi legal system's statutes are designed to prevent fraud, forgeries, and deception in all forms of deals and transactions, as well as to outlaw everything that contributes to corruption.

The analysis revealed that Shariah law, the legal system of the Kingdom is predominantly focused on protecting property rights, incriminates those accumulating money through illegal activities, or resorting to unlawful means, and imposes penalties or punitive damages on them, however, it is up to rulers and jurists to decide on the severity of the sanctions. To have a lasting effect, Saudi legislators have enacted several anti-fraud laws to thwart fraudulent and deceptive practices from the Kingdom. These laws were reviewed to evaluate the impacts and consequences of fraudulent and deceptive crimes in the Kingdom.

Saudi Arabia Monetary Authority (SAMA) is the monetary agency for enacting, enforcing, and regulating anti-fraud laws and regulations within the financial system of the Kingdom. Several related impediments present challenges to the implementation of laws that vary across various sectors against embezzlement, corruption, and financial fraud.

The discussion centered on laws dealing with financial fraud and economic crimes, there are still substantial gaps in the legislation regarding matters such as jurisdiction and enforcement mechanisms.

There are no distinct statutes that deal with bribery of foreign public officials, it also prohibits the corruption of public officials of other countries, but the law does not specifically proscribe commercial bribery.

Saudi Arabia is widely known to govern the stringent application of laws while defining, regulating, and implementing anti-fraud laws, and regulations. Since anti-fraud laws have developed an adequate legal and regulatory framework based on Islamic Shariah for dealing with fraud and economic crimes, they have tried to defend the citizens,

maintain the Kingdom's integrity, and manage the economy. Despite a range of difficulties, the outcomes of law enforcement and compliance have been positive. After findings revealed a considerable reduction in the number of registered occurrences in the Kingdom, Saudi banking institutions are winning the battle against financial crime. The Saudi Arabian Monetary Authority (SAMA), in collaboration with Saudi banks, has successfully reduced fraudulent activity and the number of fraud incidents during the span of three years from 2016 to 2018 [17].

What has been the effectiveness of the anti-corruption effort, what have been the benefits, and what are the economic implications of fraud, corruption, and money laundering for the Kingdom?

Crown Prince Mohammed said in an address to the advisory Shura Council in November 2020 that Anti-corruption drive has yielded 247 billion riyals (\$65.86 billion) in addition to assets, real estate, and stocks worth billions more in the last three years. Corruption was a "cancer" that was "endangering progress and prosperity," draining "5 to 15 percent" of the annual state budget [46]. Anti-fraud measures must place a greater emphasis on public education, awareness-raising activities, and campaigns about the devastating effects of financial fraud on the Saudi economy as a whole.

Increasing anti-fraud capabilities is knowing the risks. The characteristic that allows people to perform is referred to as capability. To demonstrate competence, accountants and auditors must possess (1) professional knowledge, (2) professional skills, and (3) professional values, ethics, and attitudes [47].

In a conclusion, capability improves individual workplace performance. As a result, the capability component of fraud has a direct impact on decision-making tasks through the establishment of fraud measures in the control structure, also known as fraud prevention [48-50].

The findings gave empirical evidence to substantiate the claim that the capability aspect of fraud connects with individual behavior development, which in turn motivates them to prevent fraud [48, 51].

To better comprehend fraudster's motivations and the anti-fraud community's ability to prevent, deter, detect, investigate, and remediate fraud, researchers and practitioners have recommended developing controls based on specific attributes of measures, constructs, and combinations of underlying risks [3].

The solution for corrupt and fraudulent practices is to reform societal values, anchor them in acceptable notions of social justice, and connect them to a broader worldview. This is the foundation of Islamic moral education. This program should be carried out in conformity with the norms set out in the Quran and embodied by Prophet Muhammad (PBUH) [52, 53].

Moral education can be applied to combat fraud and corruption by instilling a clear second-order preference for virtuous action in believers, which is reinforced by legal structures and administrative systems that reflect and support this position.

## Recommendations

Since financial fraud *affects* adversely and invariably a comprehensive range of *stakeholders* including companies, suppliers, investors, and the government. It is imperative to comprehend and discuss the overall impact of financial and economic crimes on institutions, intending to identify specific roles, responsibilities, and objectives of each stakeholder group in resolving the problem. So to speak, and to ensure that all stakeholders' interests are effectively protected. It complements with viable anti-corruption institutions

that should use financial intelligence to gather information, detect corrupt behaviors, combat fraudulent practices and fortify anti-money laundering outcomes at all tiers of the management, employees, and owners of the financial organizations. Anti-fraud efforts require an increased focus on promoting public education and awareness-raising activities and campaigns of the adverse influence of financial fraud on the economy and the Kingdom as a whole.

We cannot ensure an Islamic model until we establish a robust state with strong economic, social, and educational institutions. It must be a nation that generates enough to provide a good life for its people, free of poverty and economic crimes. It is also expected of enlightened religious leaders to address societal challenges and speak out against injustice, corrupt governments, and bureaucratic practices.

### Appendix A

The following list of laws, rules, and regulations against financial crimes is compiled from the official website of the Saudi Arabian Monetary Authority:

Banking Laws	Anti-Money Laundering Law
	Anti -Forgery Law
	Credit Information Law
	Currency Law
	Banking Control Law
Banking Rules and Regulations	Financial Entities Ethical Red Teaming Framework
	Regulation of Agent Banking in the Kingdom of Saudi Arabia
	SAMA Banking Licensing Guidelines and Minimum Criteria
	Implementing Regulation to the AML Law
	BCM framework
	SAMA Cyber Security Framework
	Regulations for Issuance And Operations of Credit and Charge Cards
	Rules Governing Money Changing Business Issued by Decision of the Minister of Finance No. 1357 dated 01/05/1432H
	Criteria for Systemically Important Payment Systems in Saudi Arabia
	Instructions for Outsourcing
	Regulations for Consumer Financing
	Principles of Corporate Governance for Banks Operating in Saudi Arabia - First Update - March 2014
	Requirements for Appointments to Senior Positions in Financial Institutions Supervised by the Saudi Arabian Monetary Agency
	Regulatory Rules for Prepaid Payment Services in the Kingdom of Saudi Arabia
	SAMA Rules on Compensation Practices
	Rules Governing Anti-Money Laundering & Combating Terrorist Financing (Third Update - February 2012)
	Anti-Money Laundering and Counter-Terrorism Financing Rules For Financing Companies (First Update – February 2012)
	Rules Governing the Opening of Bank Accounts in Saudi Arabia (Fourth update - 2012)
	E-banking Rules
	Compliance Manuel For Banks Working In Saudi Arabia

	The Management of Operational Risk Through Appropriate -Schemes
	Manual of Combating Embezzlement and Financial Fraud and Control Guidelines
	Internet Banking Security Guidelines
	Commercial Banks Accounting Standards
	Rules Governing the Reproduction of Currencies in Saudi Arabia
	Powers and Responsibilities of Members of the Board of Directors of Saudi Commercial Banks
	Regulations for Investment Funds
	Regulations for Money Changing Business
Finance Laws	Anti-Money Laundering Law
	Real Estate Finance Law
	Finance Lease Law
	Finance Companies Control Law
Finance Rules	Anti-fraud Rules for Finance Companies
	Implementing Regulation to the AML Law
	Rules of Engaging in Microfinance Activity
	Regulations for Issuance and Operations of Credit and Charge Cards
	Implementing Regulation of the Finance Companies Control Law
	Implementing Regulations of Finance Lease Law
	Implementing Regulations of The Real Estate Finance Law
Insurance Laws	Anti-Money Laundering Law
	Cooperative -Companies
Insurance Regulations	Rules for Licensing and Supervision of Branches of Foreign -and/or Re-insurance Companies in Saudi Arabia
	The Unified Compulsory Motor -Policy
	Implementing Regulation to the AML Law
	Rules on the Collection and Exchange of Motor -Information
	Regulations for Branches and Points of Sale Annual Expansion for -and/or Reinsurance, Brokerage and Agency Companies
	Actuarial Work Regulation for -and/or Re-Companies
	-Corporate Governance Regulations
	Audit Committee Regulation in -and/or Re-Companies
	Anti-money Laundering & Combating Terrorism Financing Rules
	Investment Regulations
	Online -Activities Regulation
	-Intermediaries Regulation
	Risk Management Regulation
	Anti-Fraud Regulation for the -companies
	-Market Code of conduct Regulations
	Implementing Regulations of The Cooperative -Companies Control Law
Consumer Protection Rules and Regulations	Banking Consumer Protection Principles
	Finance Consumer Protection Principles
	Responsible Lending Principles for Individual Customers
	Debt Collection Regulations and Procedures for Individual Customers
	-Consumer Protection Principles

Source: (<http://www.sama.gov.sa>, Sept 2019).

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