



# FRAUD & REGULATORY ENFORCEMENT

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## SAUDI ARABIA

Kevin T. Connor, Squire Sanders

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### **Have you seen a notable rise in the level of corporate fraud, bribery and corruption in Saudi Arabia in recent years?**

No, there has been no notable rise. In fact, in the Kingdom of Saudi Arabia, the opposite is true. Over the last few years the level of corruption has dropped with an accompanying rise in transparency. And the process of ever increasing transparency has actually gained strength following the events of the 'Arab Spring'. Indeed, endemic corruption was a major feature of the public discontentment underlying the Arab Spring. This fact was not lost on the Saudis, who created a National Anti-Corruption Commission at the height of the unrest.

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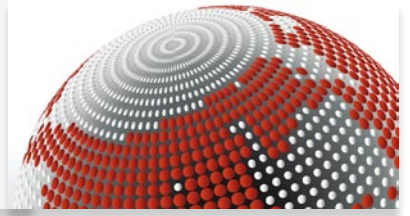
### **Are there any specific types of fraud that seem to be appearing more frequently in the current climate?**

I am not aware, anecdotally or otherwise, of any increase in fraud in Saudi Arabia. Or of certain types of fraud being more prevalent than others. In terms of corruption generally, the overall trend has been enhanced transparency with an active governmental objective being to reduce levels of corruption and fraud. This is being done through educational awareness, the empowerment of certain bodies charged with fighting corruption and increased enforcement of existing legislation.

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### **Have there been any regulatory changes implemented in your jurisdiction that are designed to combat fraud and corruption?**

The most important development in Saudi Arabia has been the recent establishment of the National Anti-Corruption Commission. The Commission was established by Royal Decree in March 2011, and is charged with upholding integrity, promoting transparency, and generally fighting against financial and administrative corruption. Importantly, the Commission was granted specific investigative powers in connection with any public works or public contracts. The Commission was also granted the authority to obtain the funds or proceeds of crimes of corruption.



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**Do regulators in Saudi Arabia have sufficient resources to enforce the law in this area? Are they making inroads?**

Sufficient recourses exist in Saudi Arabia to enforce anti-corruption legislation. And literally scores of cases have been brought to the attention of the authorities. Further, the Saudi government – acting through the Anti-Corruption Commission – has been actively working to increase public awareness that redress does exist. While more can be done to encourage the victims of fraud and corruption to come forward, the Commission has created a direct channel of communication with the public about wrongdoings, established procedures for investigating complaints, and has taken action to redress those wrongdoings.

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**Are companies more at risk of regulatory investigation and prosecution? What penalties could they face for failure to comply?**

Provided a company does not engage in any prohibited conduct, such as making a bribe, there is no enhanced risk of regulatory investigation or prosecution. Saudi anti-bribery legislation extends punitive measures to any person knowingly involved in any prohibited activity. Sanctions include fines of up to SAR 1m (£170,000) and penal sentences of up to 10 years.

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**What general steps can companies take to proactively prevent corruption and fraud within their organisation?**

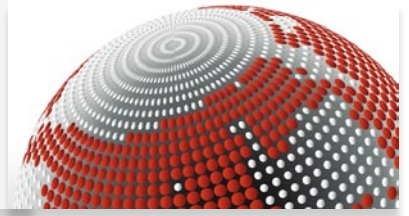
Companies can take many steps to prevent internal corruption and fraud, as well as to minimise the likelihood that one of their employees may run afoul of Saudi anti-corruption legislation. One of the most important considerations is to create a 'culture of compliance' and the desire to operate within established norms. This necessitates strong leadership from management and a true commitment at every level within the organisation. Of equal importance is for the company to have developed and implemented clear anti-corruption policies, corporate governance and

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ethics rules, as well as regular training programs, again, all designed with the overarching objective to prevent fraud and corruption.



## **KEVIN T. CONNOR**

Partner

Squire Sanders

+966 1 276 7372 ext 111

[kevin.connor@squiresanders.com](mailto:kevin.connor@squiresanders.com)

Kevin Connor serves as coordinating partner for Squire Sanders' Middle East and North Africa (MENA) practice. He is resident in Riyadh, Saudi Arabia, where he works in the offices of Squire Sanders' associated independent network firm, EK Partners & Al-Enezee Legal Counsel (EKP) and also spends a portion of his time in EKP's Beirut, Lebanon office. He advises on various aspects of international business law, particularly acquisition-related matters, energy, infrastructure projects, commercial disputes and finance.



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