



Regulatory Financial Crime Implementations Across the UAE Financial Sector



## UAE's FATF Mutual Evaluation outcomes

- The FATF Mutual Evaluation report of the UAE was adopted at the FATF plenary meeting in Paris on 20 February 2020
- The final ratings assigned are as follows:

### Effectiveness & Technical Compliance Ratings

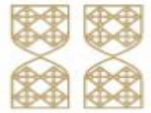
#### Effectiveness Ratings (High, Substantial, Moderate, Low)

IO.1	IO.2	IO.3	IO.4	IO.5	IO.6	IO.7	IO.8	IO.9	IO.10	IO.11
Moderate	Low	Moderate	Moderate	Low	Moderate	Low	Moderate	Substantial	Moderate	Low

#### Technical Compliance Ratings (C – compliant, LC – largely compliant, PC – partially compliant, NC – non compliant)

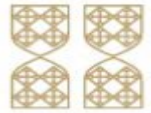
R.1	R.2	R.3	R.4	R.5	R.6	R.7	R.8	R.9	R.10
PC	LC	LC	LC	LC	PC	PC	LC	C	LC
R.11	R.12	R.13	R.14	R.15	R.16	R.17	R.18	R.19	R.20
LC	LC	C	LC	LC	C	LC	LC	PC	C
R.21	R.22	R.23	R.24	R.25	R.26	R.27	R.28	R.29	R.30
LC	LC	LC	LC	PC	C	C	LC	PC	C
R.31	R.32	R.33	R.34	R.35	R.36	R.37	R.38	R.39	R.40
C	C	LC	LC	LC	C	LC	LC	C	LC

\*\* Recommendations relating to supervision & FI's are in bold



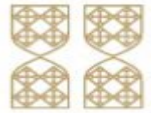
## Summary of key concerns on each of the 11 Immediate Outcomes

		Summary of primary findings
IO1	Risk, Policy & Coordination	The understanding of ML/TF risk among government and private sector was deemed inconsistent and requires improvement. Recent improvement and the NRA were highly recognized.
IO2	International Cooperation	Extradition has been minimal. Feedback from delegations highlighted significant issues in the provision of formal cooperation, including limited responses to requests or extended delays in execution with little or no feedback.
IO3	Supervision	RBA among FI supervisors needed to be embedded. Additionally, the weaknesses in DNFBP supervision, particularly real estate and precious metals/ stones requires strong focus. The UAE should particularly ensure that the full range of sanctions are appropriately used, ensuring that greater breaches of the requirements are subject to proportionate and dissuasive action – which should include particular focus on the use of fines and banning orders proportionate to the relevant breach.
IO4	Preventative Measures	In general, financial institutions (FIs) were applying a range of preventative measures but there are serious concerns in their application of targeted financial sanctions. Banks in the UAE have a good level of understanding of ML/TF risks
IO5	Legal Persons & Arrangements	The risk of criminals being able to misuse legal persons in the UAE for ML/TF remains high, particularly through concealment of beneficial ownership information via complex structures
IO6	Financial Intelligence	A strong feature of the UAE's financial intelligence framework is that authorities have access to a broad range of financial information sources. However, financial intelligence is not fully exploited in response to significant risks, including ML, or in relation to tracing proceeds of crime.



## Summary of key concerns on each of the 11 Immediate Outcomes

		Summary of primary findings
IO7	ML Investigation & Prosecution	Although there are various opportunities to detect ML (including FIU disseminations, FCA data, open and covert source reporting and international cooperation), LEAs are not routinely identifying and targeting significant ML cases in line with the UAE's risk profile.
IO8	Confiscation	UAE has not demonstrated there is systematic or consistent confiscation work following formal international requests involving the proceeds of foreign predicate offences, which is acknowledged as a key crime risk.
IO9	TF Investigation & Prosecution	UAE secures TF convictions to a large extent (securing an 82% conviction rate in recent years). There are few complex cases, cases involving domestic use of funds or fundraising, or cases involving legal persons. But in general, authorities have investigated and identified a large amount of TF activity.
IO10	TF Preventative Measures & Financial Sanctions	The UAE is implementing TF-related TFS to some extent, but not without delay. Awareness of the Local List (UNCR 1373) is especially low amongst the private sector, and general awareness of freezing and reporting obligations for all TFS was minimal. The UAE has applied focused and proportionate measures to NPOs identified as vulnerable to TF to a large extent.
IO11	Proliferations Financial Sanctions	The UAE is implementing PF-related TFS to a limited extent and not without delay. Both the private sector and authorities evidence a limited understanding of how to identify and combat illicit financial activity of those potentially acting for or on behalf of designated entities.



## FATF/MENAFATF – Findings thematically: Financial Sector

### 1. Sanctions

- Greater focus and awareness on UNSCR Sanctions, freezing and reporting obligations for TFS is expected for the private sector
- Basic sanction screening controls across banks and Exchange Houses are deficient. The assessors highlight serious concerns in the application of TFS by financial institutions and expect meaningful enforcement action to be taken
- CBUAE will consider the issuance of further Sanctions related guidance for the sector

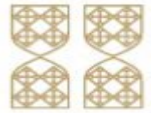
### 2. Supervision

- A more comprehensive and robust Risk Based Approach to understanding ML/TF risks and vulnerabilities at an individual firm level can be expected
- Hawaladars will receive greater focus and higher standards
- The banking sector and Exchange Houses remain a key strategic area and are considered the riskiest sectors in the country

### 3. Enforcement

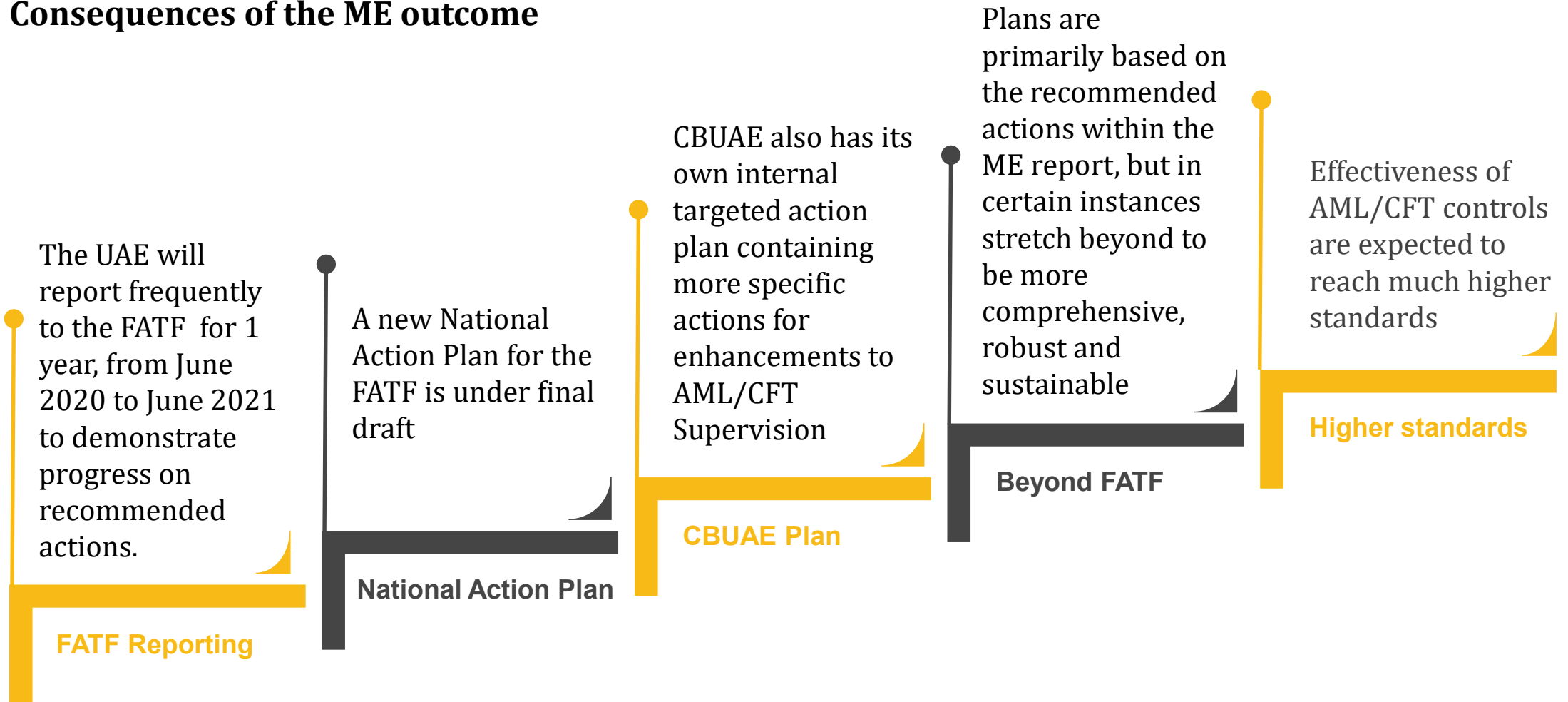
- More significant enforcement actions and penalties (particularly on serious and repeated breaches), that are proportionate or dissuasive in nature can be expected

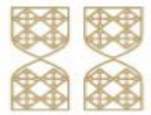




## UAE's FATF Mutual Evaluation outcomes

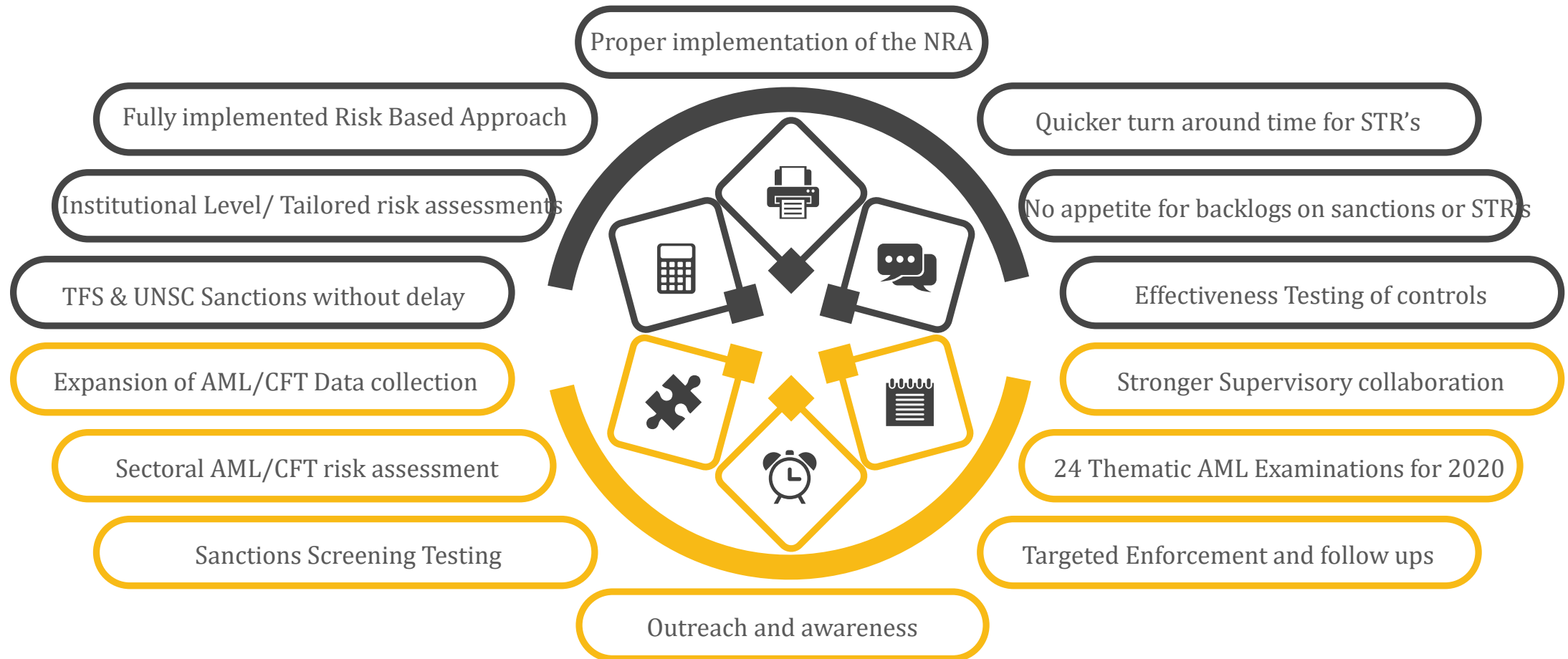
### Consequences of the ME outcome

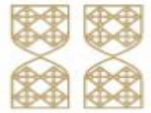




## UAE's FATF Mutual Evaluation outcomes – Central Bank

### Central Bank – Expectations of the sector in relation to the FATF recommended actions





## Launch of New BSD Supervisory Process

# To test adequacy and effectiveness of Sanctions Screening systems

The aim of the CBUAE's new process is to understand the effectiveness and efficiency of each of the financial institutions' screening systems

### CBUAE will consider:

- Effectiveness issues
- Low matching capability
- Disparity in settings where multiple systems are used
- Weaknesses in matching rules and settings
- Efficiency issues
- High volumes of false positives

- A single test file containing the same data set will be used for each institution in scope
- This will allow for peer analysis and industry comparison across the sector
- If you have multiple screening systems..... We will test all systems
- We will build capability to test onsite or offsite

### Tests will include:

- names of designated sanctions persons (copy and paste from lists)
- edited names of designated sanctions persons (eg. Kate or Cate)
- unsanctioned names

- Scope: customer and transaction screening systems
- CBUAE has selected a vendor to enable this testing approach
- We plan to roll out the sanctions screening testing capability in Q2 – Q3 2020
- Further details and clarity on the testing criteria, process and timelines will be communicated from July 2020





## KYC and Risk Assessment Issues as a focus for 2020

### Poor KYC results in an inadequate understanding of ML/TF risks



Number of FIs have KYC data quality issues

- Capturing incorrect information and not updating outdated customer information/ documents
- Incomplete/ blank data fields on key information pieces used for customer risk rating



Key challenges

- COVID-19 movement restrictions
- Uncooperative customers
- Data sources – FID must use a variety of independent and credible sources to source customer data
- Inadequate management focus and information



Focus of 2020 AML/CTF Examinations will be on status of KYC remediation, KYC refresh, and ongoing monitoring of the business relationship



Expect FI's to continue to meet the customer due diligence obligations in order to mitigation financial crime risk.

- Traditional methods are being compromised, FIs are urged to adopt alternate and non-traditional means to meet their obligations under AML Legislation.
- Encourage the use of technology and digital/ eKYC applications



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سوق أبوظبي العالمي

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Insurance Authority



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MINISTRY OF ECONOMY



UNITED ARAB EMIRATES  
MINISTRY OF JUSTICE

هيئة الأوراق المالية والسلع  
SECURITIES & COMMODITIES AUTHORITY



### JOINT GUIDANCE ON THE TREATMENT OF FINANCIAL CRIME RISKS AND OBLIGATIONS IN THE UAE IN THE CONTEXT OF THE COVID-19 CRISIS

5 May 2020

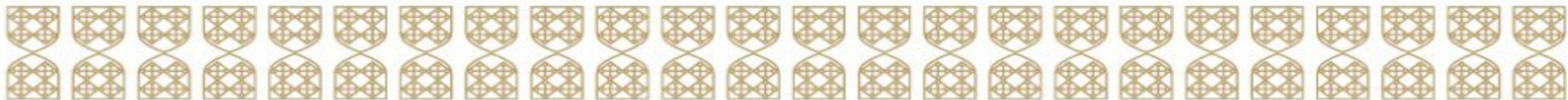
The content of this Joint Guidance is in line with the statement published by the Financial Action Task Force (FATF) on 1 April 2020, encouraging Governments and Supervisory Authorities to work with Financial Institutions (FIs) and Designated Non-Financial Businesses and Professions (DNFBPs) in support of COVID-19 aid and containment efforts whilst remaining vigilant to new and emerging financial crime risks.

This Joint Guidance is issued pursuant to the Decree Federal Law No. (20) of 2018 on Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) and Illegal Organisations; and the powers vested, respectively, in:

- (i) the Central Bank of the UAE under the Central Bank Law, Decretal Federal Law No. (14) of 2018 Regarding the Central Bank & Organization of Financial Institutions and Activities ("Central Bank Law");



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# Questions