

Outreach Session on UAE National Risk Assessment

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Objectives of the session:

- **Why 2024 NRA – Update to 2019 NRA and upcoming FATF Assessment – 2026-27**
- **Understand key risks from the 2024 UAE NRA**
- **Identify specific risks relevant to SCA-licensed entities**
- **Learn how to embed risk mitigation into internal policies**
- **Enhance alignment with regulatory expectations**

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Overview of the UAE NRA:

- National-level assessment of ML/TF threats and vulnerabilities
- Coordinated by the UAE National Committee for AML/CFT – participation from 80+ Authorities and Private Sector rep.
- Identifies sector-specific and cross-cutting risks

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THREATS ASSESSED IN NRA

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Key ML/TF Threats Identified - National level

- Fraud and cybercrime are the top predicate offences
- High exposure to international financial flows
- Use of legal persons and arrangements for illicit activity
- Risks from cash, crypto-assets, and trade-based ML

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ML/TF VULNERABILITIES

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Key ML/TF Vulnerabilities identified – National level across sectors

- **Inadequate Risk Assessments:** Many firms do not integrate NRA findings into BWRAs.
- **Limited UBO Verification:** Reliance on self-declared information.
- **Weak Due Diligence procedures** for high-risk clients and PEPs
- **Gaps in the risk-based approach application**
- **Manual Monitoring Tools:** These tools would lead to a failure to detect suspicious activities.
- **Weak Governance:** Limited board involvement and lack of independent AML audits.
- **Insufficient STR Quality:** STRs often lack context, typologies, or supporting documentation

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NRA's findings on SCA's Licensed Sectors

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Outcome of Risk Assessment :

Sub Sector	Residual Risk
Market Institutions and Brokers	Medium High
Investment Managers	Medium
Forex / Capital Market Intermediaries	Medium High
Advisors & Promoters	Medium

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Sector-specific vulnerabilities for SCA Licensed Financial Institutions (LFIs)

- Exposure to complex securities products
- Gaps in beneficial ownership identification
- Inconsistent transaction monitoring across firms
- Low STR reporting levels compared to risk exposure

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Key Risks for SCAs Licensed Financial Institutions (LFIs)

Abuse of Legal Persons

Use of shell/front companies for ML schemes.

Cross-Border Exposure

Involvement in international transactions with high-risk jurisdictions.

Product Complexity

Sophisticated securities, forex, and crypto instruments.

Customer Profiles

High-risk clients like PEPs and non-residents.

Weak Transaction Monitoring

Inadequate alert thresholds or outdated rule sets.

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Regulatory Expectations Post the UAE NRA

- Review the NRA
- Embed the NRA findings, threats, vulnerabilities, risks into FIs Compliance Framework
- Reassessment of institutional risk appetite
- Amend the controls that might no longer be proportionate to actual risk
- Updating Business-Wide Risk Assessments (BWRA)
- Tailored policies for onboarding, monitoring, and reporting
- Enhanced governance and board oversight
- Document the full process of assessing the impact of the NRA

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Step 1 – Update Your BWRA

- Conduct a gap analysis between existing BWRA and NRA findings.
- Align and update risk typologies with NRA findings
- Incorporate sector-specific risks like high-risk clients or cross-border risks
- Reassess inherent vs. residual risk levels
- Document rationale for the new risk Ratings and reassess them annually

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Step 2 – Enhance CDD and EDD Policies

- Strengthen UBO identification measures
- Enhance screening for foreign PEPs, sanctions, and adverse media
- Include triggers for clients from high-risk countries
- Transaction monitoring rules to flag flows to/from high-risk countries
- Determine source of wealth and funds for all high-risk clients.
- Escalation for approval of the establishment of an account or relationship.
- Increased levels of ongoing controls and frequency of reviews of relationships.
- Update the geographic risk scoring table

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How to apply enhanced CDD measures related to Nominee Structures or Shell companies: Example

If the entity is a broker

- Identify if a client is acting on behalf of others or linked to offshore jurisdictions.
- Collect documentary evidence of beneficial ownership and source of wealth.
- Apply EDD when onboarding investment vehicles registered in high-risk jurisdictions or with complex trust layers.

Step 3 – Revise Internal Controls

- Embed updated risk-based controls across business units
- Enhance transaction monitoring, taking into account NRA typologies
- Map alerts to risk indicators
- Segregation of duties and dual approval for high-risk clients.

Step 4 – Improve Suspicious Transaction Reporting

- Train staff on NRA-linked red flags
- Use workflow tools for STR generation, escalation, and tracking
- Implement automated alert-to-STR escalation
- Establish an internal review committee for STR quality assurance

Step 5 – Governance and Oversight

- Present NRA impact assessment to the board
- Approve the updated BWRA and risk mitigation plan
- Approve AML/CFT framework updates.
- Inclusion of above AML/CFT updates in the internal audit scope.
- Conduct periodic governance reviews

The Board should be aware of:

- The entity's sectoral risk rating
- How risks and compliance have changed post-NRA
- The inspection/enforcement risk if changes are not made

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Step 6 – Staff Training and Awareness

- Create a summary presentation of the key risks applicable to your institution
- Include NRA findings in annual AML/CFT training
- Conduct role-specific workshops for high-risk units
- Hold a compliance roundtable to discuss how internal policies are changing
- Improve STR writing and submission skills.
- Reinforce EDD procedures for complex clients
- Test understanding through assessments
- Update case studies with scenarios from the NRA

Step 7 – Monitor and Evaluate Changes

- Track the effectiveness of updated policies and procedures
- Conduct internal audits based on NRA themes
- Review transaction monitoring coverage vs. NRA risks
- Regularly risk Rating review and reassessment where needed

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Examples of documents that might require updating

- Risk policy and risk appetite
- Onboarding procedures (especially KYC checklists)
- Risk scoring tools
- EDD checklists for PEPs and complex clients
- STR escalation protocols
- Third-party reliance policies (to reflect national vulnerabilities like reliance on unregulated introducers)

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Terrorist Financing Risks

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As per the NRA, TF risks may be hidden in:

- **Charity-linked transactions to high-risk countries**
- **Use of cash or hawala-like patterns**
- **Crypto donations with emotional/religious motivations**

LFIs should ensure to:

- **Monitor for structured low-value remittances to high-risk zones.**
- **Scrutinize customer justifications for recurring crypto outflows. (for VASPs)**
- **Train frontline staff to flag suspicious fundraising or NGO-related abnormal activity.**

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Record Keeping

➤ Keep an audit trail of the NRA Assessment:

- A summary note showing which NRA risks were reviewed and how they were addressed
- The updated BWRA (clearly date-stamped post-2024 NRA)
- Keep version-controlled policies with highlighted changes and dates
- Maintain staff training logs covering NRA topics
- Document system or process changes (e.g., monitoring thresholds, new risk models)
- Keep record of actual case escalations or decisions influenced by NRA guidance
- Internal memos or board minutes where changes were approved

THANK YOU

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