

Minimum Standards for Semi-Annual Anti-Money Laundering And Counter-Terrorism Financing Report Satisfactory Practices and Unsatisfactory Practices



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MLRO Report: Overview

Key tool demonstrating compliance with UAE's AML/CFT & TFS regulations.

Reviews firm's AML/CFT practices, highlighting challenges, breaches, or areas for improvement.

Covers:

- Internal controls
- Risk assessments
- Due diligence
- Reporting obligations
- Training.

Importance

- Vital for senior management & Board to gauge AML/CFT compliance status.
- Assesses effectiveness of policies and procedures.
- Confirms alignment with UAE's Federal Decree-Law No. 20 of 2018 and Cabinet Decision No. 10 of 2019 and its amendments.

Bi-Annual Compliance Reporting: Roles & Responsibilities

- **Scope:** Financial institutions in the UAE licensed by SCA.
- **Purpose:** Overview of AML/CFT activities for the past six months, ensuring transparency and regulatory adherence.
- **Key Points:**

Compliance Reports:

- Capture institution's AML/CFT compliance, emphasizing challenges/issues.
- Cover the 6-month periods ending 30th June & 31st December.
- Prepared by CO/MLRO.

- **Key Points:**

Review & Approval:

- Reports need vetting by senior management & Board of Directors (or Owner/Partners).
- Ensure accuracy and completeness.

Submission:

- To SCA within 2 months of each reporting period end.
- Include comments from Board of Directors or Owner/Partners.

SCA Feedback:

- Establish processes to address SCA's concerns on reviews.
- Promote swift resolution and open communication.

Record-keeping:

- Maintain all bi-annual reports and related SCA communications.
- Enables ongoing compliance assessment and historical referencing.

MLRO Report Structure

I. Executive Summary:

- **Purpose:** Provides a concise overview of the report's crucial points.
- **Components:**
 - **Key Findings:** Overview of AML/CFT and sanction compliance status.
 - **Identified Risks:** Pinpoints potential vulnerabilities, such as weak controls or high-risk areas.
 - **Recommended Action Points:** Advised changes based on findings & risks. Could include system enhancements, process alterations, or training needs.

MLRO Report Structure

II. Assessment of the AML/CFT and Sanction Compliance Program

- **Purpose:** To evaluate the program's efficacy in preventing money laundering & terrorist financing.

1. Governance Controls:

Oversight and program management.

Decision-making structures and responsibilities.

Regulatory compliance assessment.

2. Enterprise-Wide Risk Assessment (EWRA):

Evaluation of business-wide risks.

Influence on the AML/CFT program based on business scale, operations, and locations.

Assessment of the AML/CFT and Sanction Compliance Program

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3. Policies & Procedures:

Current compliance policies review.

Effectiveness, adherence, and regulatory updates.

4. Customer Risk Rating:

Consistency & accuracy in evaluating customer-associated risks.

5. Due Diligence Processes (SDD, CDD, EDD):

Assessment of risk identification for each customer.

Appropriateness of diligence levels

MLRO Report Structure

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6. Ongoing Monitoring:

Review of customer activity tracking.

Gaps in identifying suspicious activities.

7. Screening:

Efficiency of tools in risk identification.

Areas of potential enhancement.

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8. PEP Transition Monitoring:

Identification and tracking of Politically Exposed Persons.

Monitoring for potential risks.

9. Training and Awareness:

Quality & frequency of AML/CFT training.

Employee role-tailored training and understanding of obligations.

10. Record Keeping:

Compliance with legal and regulatory mandates.

MLRO Report Structure

III. Action Plan for AML/CFT & Sanction Compliance

Purpose: Address identified deficiencies and enhance compliance measures.

1. Proposed Actions:

Specific remediation steps with defined objectives.

Associated timelines for completion.

Examples: Policy updates, tech solutions, staff training.

2. Responsibilities:

Assignments for each action.

Ensures accountability and progress tracking.

III. Action Plan for AML/CFT & Sanction Compliance

3. Metrics for Success:

Quantitative & qualitative measures.

E.g., Number of trained staff, increased awareness.

4. Status Update on Previous Plan:

Progress of actions from prior MLRO report.

Completed, in-progress, delayed, or un-started actions.

Reasons for any deviations from the plan.

5. Risks & Challenges:

Potential hindrances to proposed actions.

Examples: Resource limits, tech issues, regulatory shifts.

MLRO Report Structure

IV. Conclusion and Recommendations

- **Summary:**
 - Overview of the FI's AML/CFT and sanction compliance program.
 - Highlights strengths and areas of improvement.
- **Notable Gaps:**
 - Technological, staffing, and expertise constraints affecting effectiveness.
- **Recommendations:**
 - Proposed actions to fortify compliance.
 - Suggestions like policy revisions, new tools, training enhancement, and seeking external expertise.

V. Approval and Submission

- **Sign-off:**
 - Reviewed and endorsed by the FI's top authority: Board of Directors or Owner/Partners.
- **Submission to SCA:**

Report, along with feedback from the Board of Directors/Senior management, to be sent within two months post-reporting period.



Appendices: Key Compliance Indicators

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•Customer & Transaction Monitoring:

- High-risk customers & transactions identified.
- Customer complaints linked to AML/CFT.
- Unusual or complex transactions warranting further scrutiny.
- Identified cases of PEPs.

•Audit & Compliance Assessment:

- Internal and external AML/CFT audits.
- Instances of AML/CFT non-compliance.
- Regulatory breaches and their resolution.
- AML/CFT investigations by internal/external entities.

•Appendices: Key Compliance Indicators

•Reporting & Communication:

- SARs filed.
- Interactions with AML/CFT regulators and law enforcement.

•Training & Policy Management:

- Employees trained in AML/CFT.
- Updates to AML/CFT policies & procedures.
- AML/CFT software updates and audits.

Governance – Satisfactory\ Unsatisfactory Practices

1. Ensure senior management and the Board of Directors actively review, understand, and endorse MLRO reports.
2. Demonstrate clear accountability by assigning responsibilities for key AML/CFT tasks across teams.
3. Use governance tools (e.g., committees or working groups) to maintain oversight of MLRO activities.

1. Preparing reports without involving senior management and the Board in the review process.
2. Failing to update governance structures regularly, leading to fragmented oversight.

Timely and Accurate Reporting-Satisfactory\ Unsatisfactory Practices

1. Submit bi-annual MLRO reports within the required deadlines.
2. Review data carefully to ensure the report reflects all major developments in the reporting period (new risks, significant compliance issues, etc.).
3. Use key performance indicators (KPIs) and metrics to highlight compliance trends.

1. Submitting incomplete or late reports to SCA.
2. Using outdated data or ignoring significant events within the reporting period.



Risk Identification, Assessment, Action Plan and Follow-Up

1. Clearly identify new and existing risks, with a focus on high-risk areas and emerging threats.
2. Provide a gap analysis and recommendations to address identified risks.
3. Include a well-defined action plan with timelines, responsibilities, and success metrics.
4. Provide status updates on actions from previous reports, ensuring accountability.

1. Failing to update the report with recent risk developments.
2. Overlooking or underestimating key risks such as PEPs, new markets, or products.
3. Vague action plans with no clear timelines or responsibilities.
4. Failing to follow up on unresolved actions from prior reports.

Regulatory Alignment, Legal Compliance, Training and Awareness Insights

1. Align the MLRO report with relevant UAE laws .
2. Address any regulatory changes or SCA feedback in the report.
3. Include insights on AML/CFT training programs, participation rates, and areas for improvement.
4. Highlight efforts to increase employee awareness of key compliance risks and obligations.

1. Neglecting to reflect recent legislative updates or regulatory guidance.
2. Ignoring feedback or concerns raised by the SCA.
3. Failing to report on training activities or employee awareness levels.
4. Neglecting to address identified training gaps or compliance deficiencies.

Monitoring and Continuous Improvement- and Record-Keeping

1. Demonstrate how monitoring tools (e.g., transaction monitoring systems) are used to improve compliance.
2. Provide recommendations for continuous improvement and technology upgrades.
3. Maintain comprehensive records of all communications with regulators, including submission acknowledgments and responses.
4. Demonstrate transparent communication by addressing any previous compliance issues openly.

1. Ignoring system inefficiencies, such as high false positive rates in monitoring tools.
2. Failing to propose improvements to existing controls or processes.
3. Incomplete or disorganized record-keeping, leading to gaps in compliance history.
4. Avoiding disclosure of past compliance issues or delays in addressing regulator concerns.

هيئة الأوراق المالية والسلع
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Thank you

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