

AML/CFT

Compliance Frameworks and Controls

Observations & Expectations

(2023-2024)

هيئة اتحادية | Federal Authority

www.sca.gov.ae

Introduction

SCA and UAE
focus on combating
money laundering,
terrorist financing,
and illicit
organization
funding.

Priority

Establish internal
policies, controls,
and procedures.
Ensure compliance
with legal and
regulatory
standards.

Requirements

Approach: Risk-
Based (FATF, NRA
recommendations)
Goal: Identify risks
and evaluate
internal controls'
effectiveness.

**Annual Risk
Assessment**

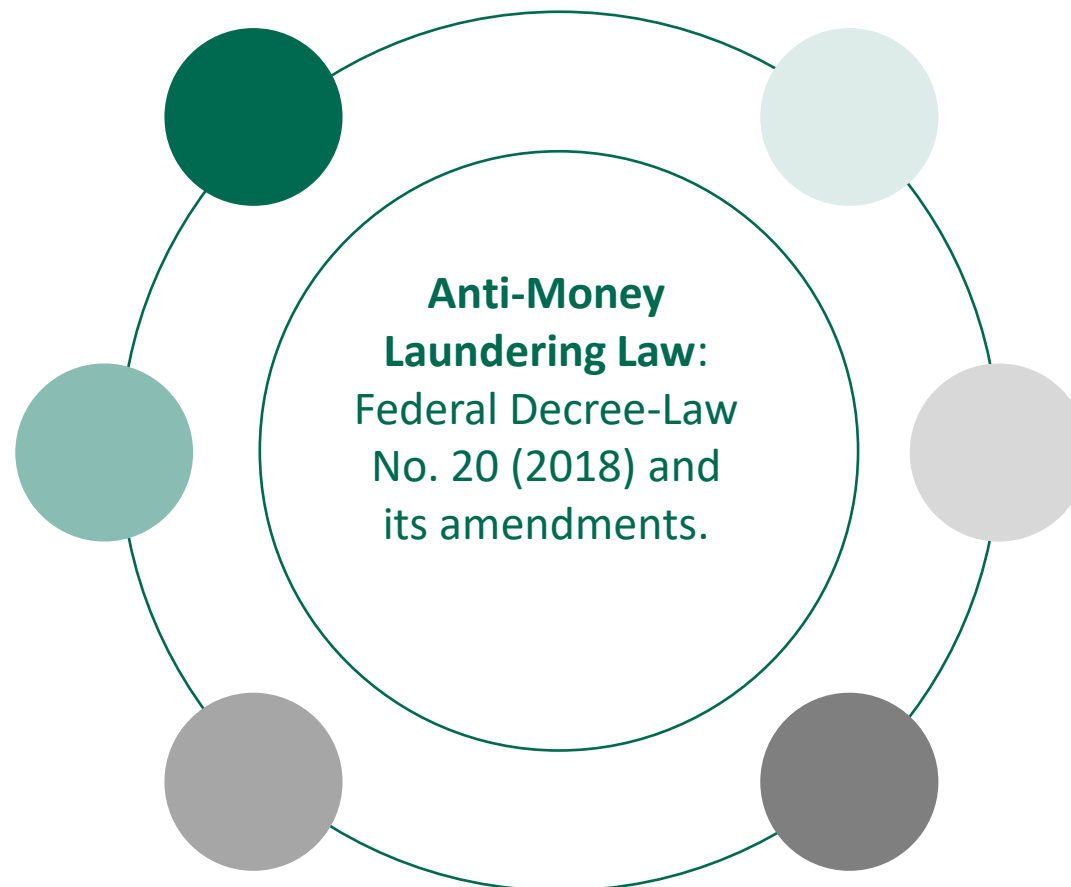
Field inspections
and desk-based
analyses.
Highlight recurring
non-compliance
issues in systems
and controls.

SCA's Actions

Key Legislations for Compliance

Cabinet Resolutions:

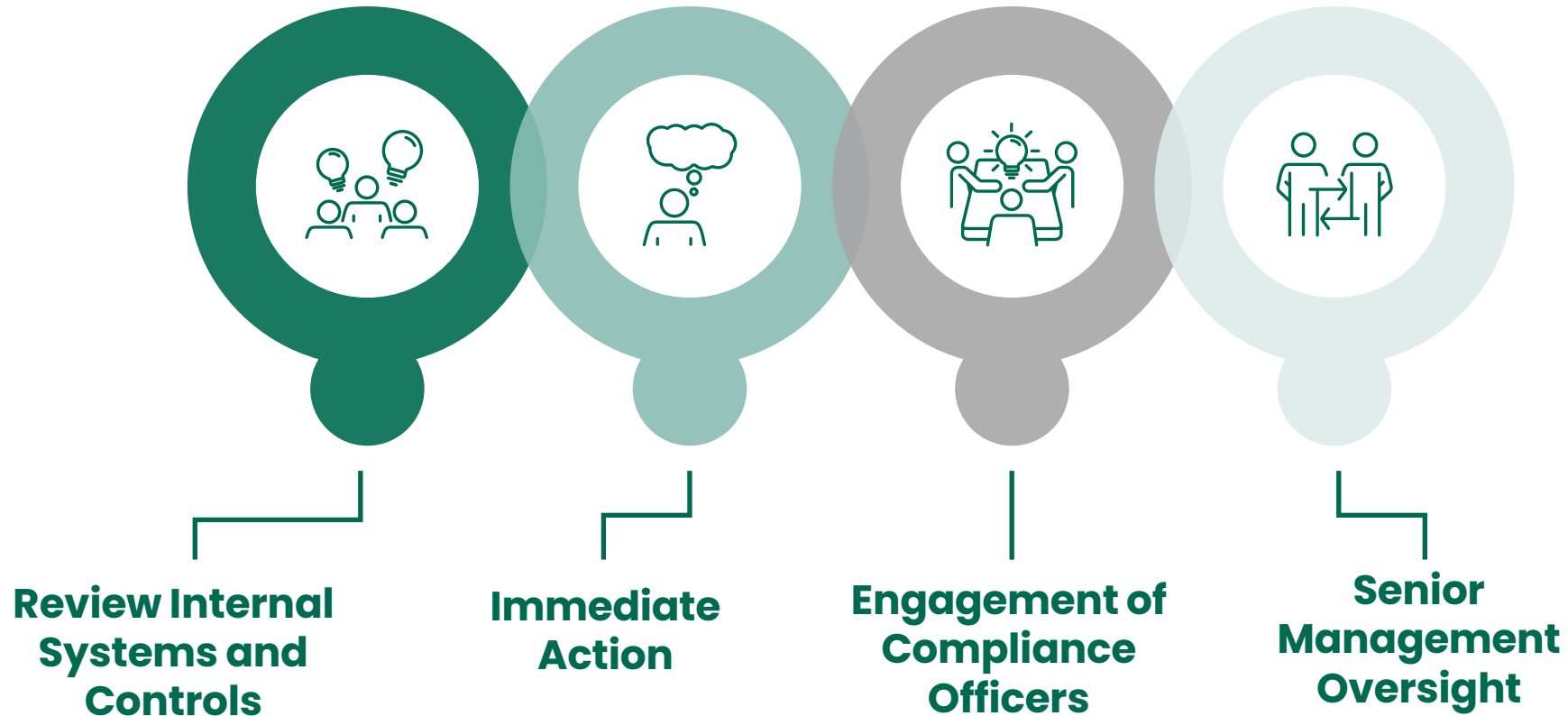
1. No. 10 (2019): Executive regulations of the AML Law.
2. No. 74 (2020): Terrorism Lists and Implementation of UN Security Council Resolutions.
3. No. 109 (2023): Regulation of Beneficial Owner Procedures.
4. No. 111 (2022): Regulation of Virtual Assets and Service Providers.



Rulebooks and Guidelines:

1. Dubai VARA Compliance and Risk Management Rulebook.
2. SCA Rulebook (Chapter 5): AML/CFT Controls.
3. AML/CFT Guidelines (Joint Manual).
4. Targeted Financial Sanctions Guidelines (Executive Office).

Required Actions for Companies



Enforcement Actions by the SCA

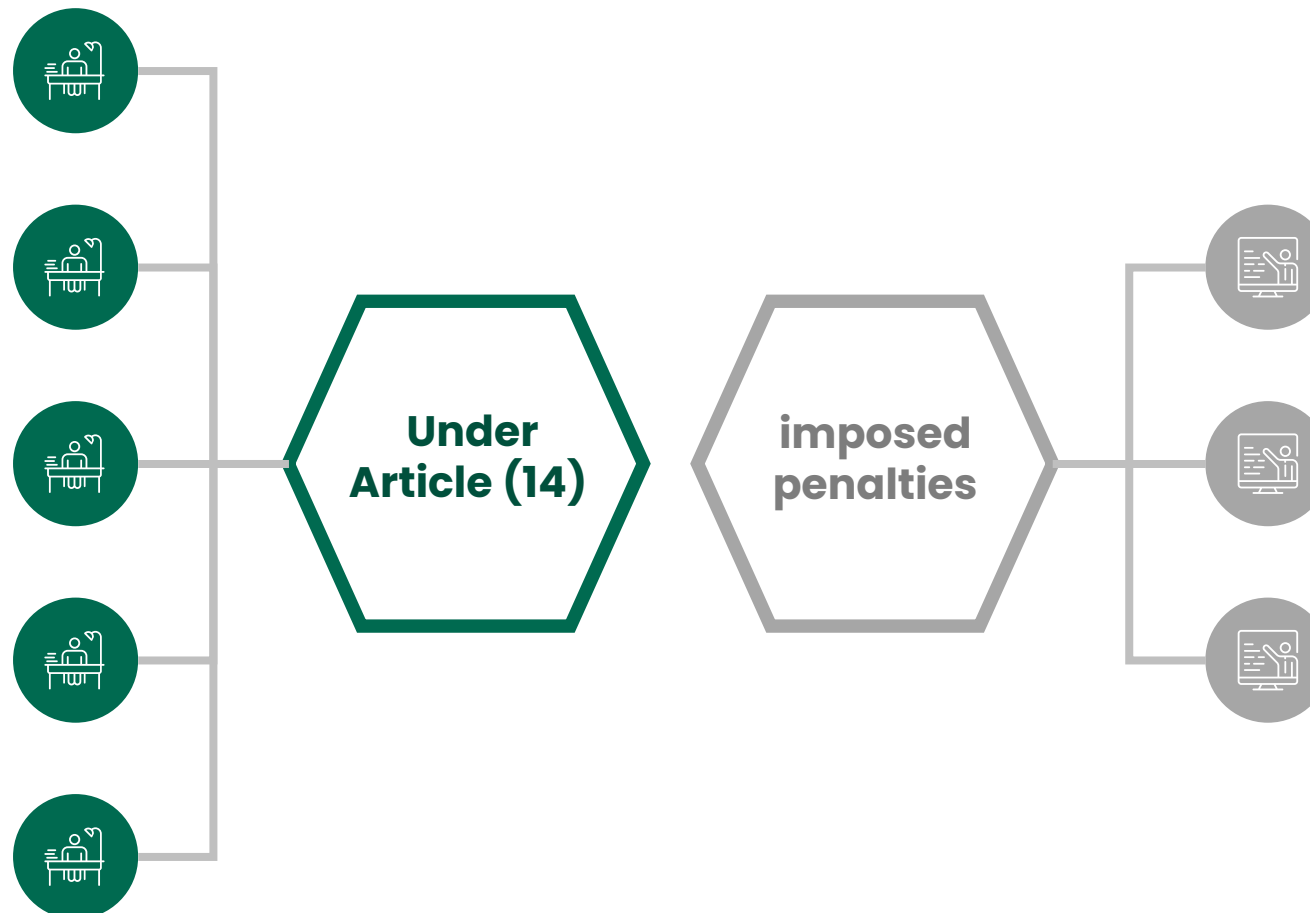
Warnings.

Fines: AED 50,000
to AED 5,000,000
per violation.

Employment
Restrictions

Management
Restrictions

Suspensions &
License
Revocation..



Issuing warnings.

Levying fines.

Requiring corrective
actions, like risk
mitigation plans.

Risk Assessment and Management



Ineffective Risk Assessments: Generic and misaligned with company activities, systems, and customer profiles.



Lack of Integrated Frameworks: No flexible, adaptable approach to manage changing business models and risks.



Disregard for Risk Results:

Risk assessment findings are not used to develop strategies or allocate resources.



Regularly assess and update ML/TF/PF risks to align with operations, customer types, and geographic scope.






Develop strategies and action plans based on risk assessment results.






Allocate sufficient resources to address identified risks.

Internal Controls and Auditing






-  **Weak Internal Controls:** Inadequate segregation of duties within lines of defense.
-  **Weak Internal Controls:** Absence of independent audits.
-  **Lack of Qualified Audit Teams:** Insufficient expertise and experience in internal audit teams for AML and TF compliance.






-  **Ensure clear separation within lines of defense to avoid conflicts of interest.**
Regularly evaluate the effectiveness of controls.
-  **Conduct regular, independent audits to assess internal control effectiveness.**
-  **Employ qualified personnel for compliance tasks.**

Oversight by Senior Management






-  **Lack of Engagement:** Senior management and governance officials are not actively involved in AML measures.
-  **Resource Allocation Issues:** Insufficient resources allocated to compliance units, affecting efficiency.
-  **Neglect of Compliance Information Systems:** No effective system for managing compliance-related regulatory information..






-  **Active participation from the board and senior management in strategy and system development.**
-  **Develop a compliance information management system to provide accurate data for decision-making.**
-  **Ensure systems support AML/TF strategies and measures.**

CDD- EDD- Ongoing Monitoring






-  **Outdated Customer Files:** Customer files are not regularly updated, even for active accounts.
-  **Deficient Enhanced Due Diligence:** Inadequate procedures for high-risk customers.
-  **Weak Monitoring Systems:** Ineffective systems for detecting changes in customer risk profiles or unusual transaction patterns.






-  **Update customer files regularly to maintain accurate and complete due diligence.**
-  **Define and apply EDD for high-risk customers. Establish clear criteria for SDD based on risk levels.**
-  **Improve systems to identify and report suspicious activities and changes in risk profiles.**

Compliance Program for TFS






-  **Outdated Training Programs:** Training does not reflect recent legislative developments or practical scenarios.
-  **Outdated Training Programs:** Limited understanding of TFS compliance complexities.
-  **Lack of Reporting Procedures:** No approved processes for reporting TFS-related cases. Employees lack awareness of reporting steps, authorities, and verification.



-  **Regular training programs to enhance understanding of TFS compliance and reporting.**
-  **Establish defined timelines and ensure staff are well-trained to implement them.**
-  **Audit TFS procedures, including records of screening, review, and reporting, with timelines.**

SAR-STR



-  **Inconsistent Reporting Procedures:** Employees in different departments follow varying processes for reporting suspicious activities and transactions.
-  **Lack of Training:** Insufficient training on identifying and handling complex transactions.
-  **Lack of Training:** Oversight of scenarios like aggregated transactions or those involving shell companies.



-  **Establish standardized procedures for all employees on how to handle and report suspicious activities.**
-  **Offer specialized and regular training focusing on identifying and addressing complex scenarios.**
-  **Ensure reports are accurate, timely, and accessible for audits or regulatory reviews.**



THANK YOU