

Chapter Five: Regulations for Combating Money Laundering Crimes, Countering Terrorism Financing, and Financing of Illicit Organizations.

هيئة اتحادية | Federal Authority

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Introduction:

Mandatory Standards: Aims to ensure that combating money laundering aligns with the applicable laws in the country.

Focus on Federal Legislation: Adherence to federal laws specific to combating money laundering.

Integration with Other Legislations: This chapter cannot be isolated from other relevant laws.

Compliance with International Best Practices: Consideration of developments in standards and best practices.

Impact on Daily Operations: The concerned party must consider the impact of these laws when implementing daily procedures.

Objectives of the AML Rulebook:

1. Identify federal AML regulatory requirements.
2. Establish a foundation for an effective AML compliance program.
3. Clarify Board and senior management's roles in crime prevention.
4. Guide the application of a risk-based approach.
5. Focus due diligence on high-risk clients.
6. Manage risks linked to criminals and terrorist groups.
7. Failure to report suspicious activities

Topics Covered :

- Chapter 1: Introduction
- Chapter 2: Risk Assessment
- Chapter 3: Customer Due Diligence and Ongoing Monitoring
- Chapter 4: Reliance on Third Parties and Outsourcing
- Chapter 5: Wire Transfers and Travel Rule
- Chapter 6: Internal Auditing
- Chapter 7: Compliance Officer and His Responsibilities
- Chapter 8: Targeted Financial Sanctions and Other International Obligations
- Chapter 9: Training and Awareness
- Chapter 10: Reporting Suspicious Activities and Transactions
- Chapter 11: Compliance Obligations
- Chapter 12: Final Provisions

Scope of Application:

1. The concerned person/party: This refers to the entity licensed by SCA to engage in any of the financial activities specified in the rulebook for financial activities—excluding credit rating agencies—as well as all licensed virtual asset service providers, whether licensed or registered by the SCA.
2. Members of the Board of Directors, senior management, and employees of the concerned party.
3. Any other party mentioned in this chapter.

The Basis of the Rule Book:

All federal legislation of the United Arab Emirates and executive regulations related to money laundering, terrorism financing, the financing of illicit organizations, and the financing of the proliferation of arms, as well as the joint guidance on combating money laundering and terrorism financing issued by regulatory authorities in the country, published on the Authority's official website, and any guides, circulars, or regulations issued by the Authority and the Executive Office for Control and Non-Proliferation.

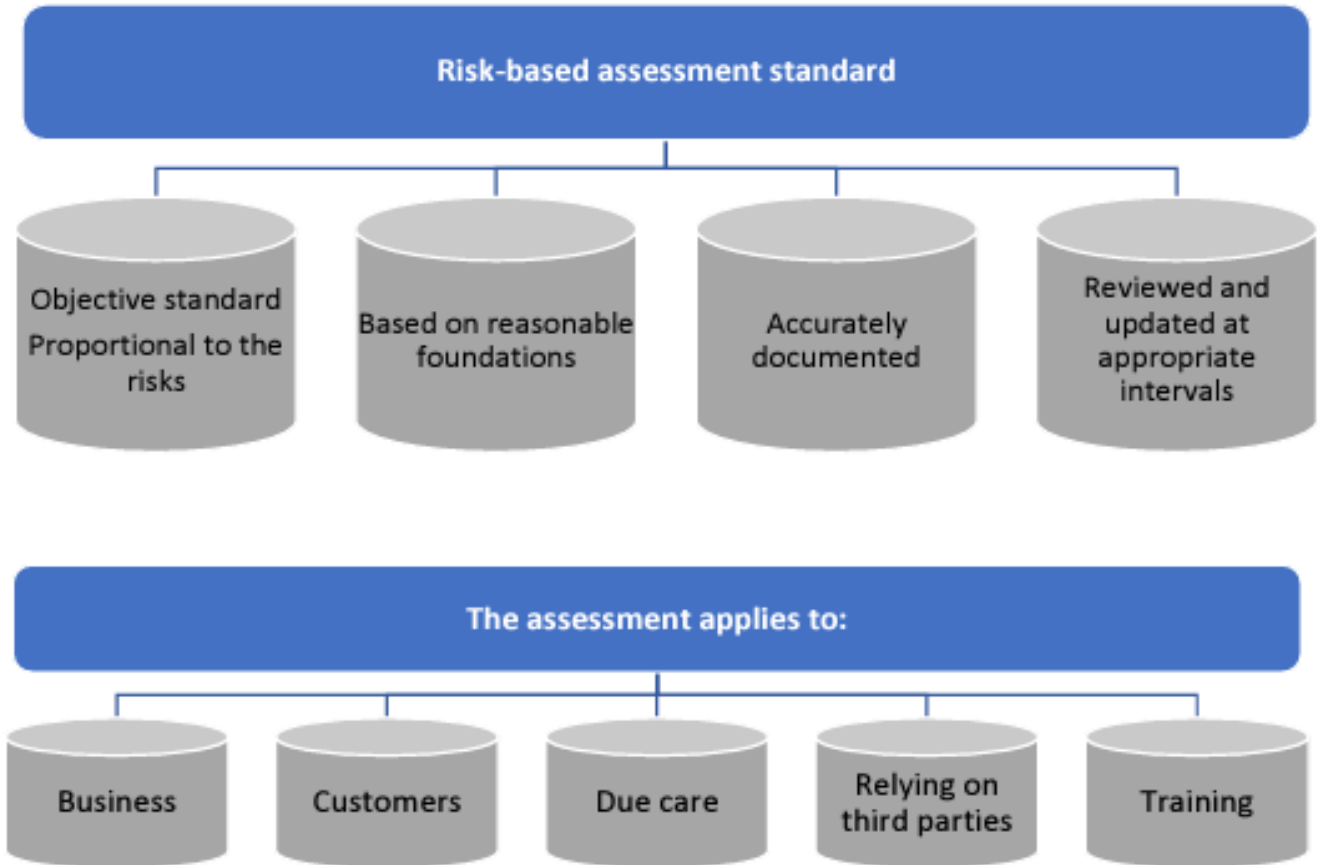
The provisions of Chapter Five are should not be considered an entity's procedures!

The AML Rulebook does not serve as an internal procedures manual for the LFI . The LFI is required to develop and implement its own Anti-Money Laundering (AML) compliance program tailored to the nature of its activities, the services it provides, its risk profiles, and compliance frameworks. This must be done while taking into consideration the principles (expectations) outlined in the AML Rulebook and the federal AML legislation. Furthermore, the LFI must ensure the continuous effectiveness of the Compliance program to meet regulatory requirements and expectations.

RBA

When conducting any risk-based assessment for compliance with the requirements of this chapter, it must be ensured that the evaluation is:

- Objective and proportional to the risks.
- Takes the NRA into account
- Based on reasonable grounds.
- Properly documented.
- Reviewed and updated at appropriate intervals.



BWRA

- 1- Identifying, Assessing, and Understanding Risks:
 - Taking into account the nature, size, and complexity of business activities.
- 2- Factors to Consider When Assessing Risks:
 - The type of clients and their activities.
 - The geographical areas where the business operates.
 - The products and services offered.
 - Distribution channels and business partners.
 - The complexity and volume of transactions.
 - Development of new products and practices, including delivery mechanisms and new partners.
 - The use of new or advanced technologies for both existing and new products.

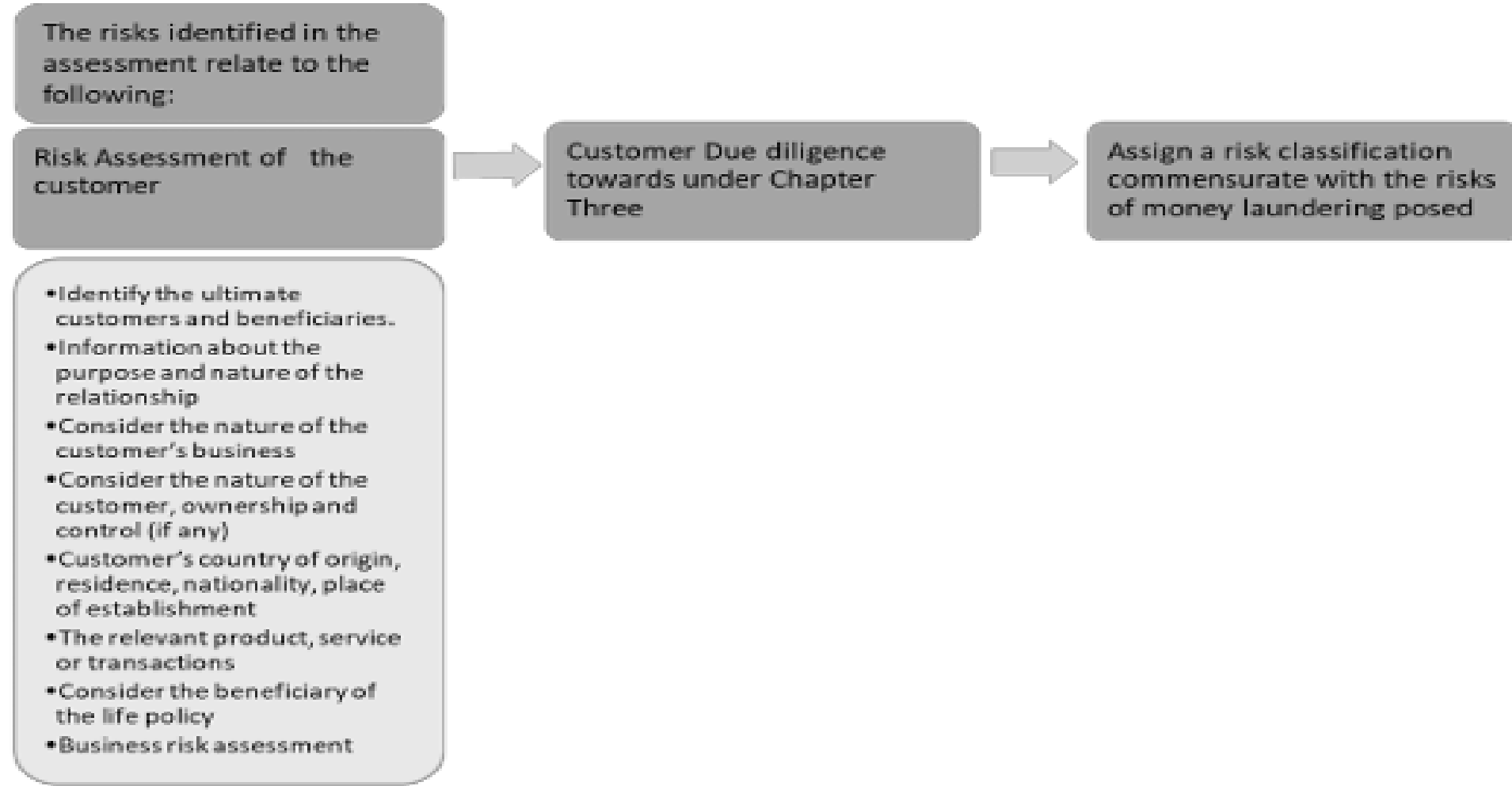
3- Considering Daily Operations When Assessing Risks:

- Developing new products and business practices.
- Acquiring new clients.
- Changes in the business profile.

4- Developing and Ensuring the Adequacy of the Program:

- Developing a comprehensive compliance program for combating money laundering.
- Ensuring the program is sufficient to mitigate risks associated with money laundering.

Customer Risk Rating



Customer Due Diligence Measures and Ongoing Monitoring - Timing of Customer Due Diligence

- When establishing a **business relationship**, the concerned entity is required to implement appropriate **due diligence measures**, including: applying due diligence immediately upon establishing the relationship in accordance with the relevant sections.
- After the relationship is **established**, the entity must continuously adhere to due diligence measures.
- Due diligence should be conducted **at any time** in the following situations:
 - Doubts arise regarding the validity or adequacy of the documents.
 - Suspicion of money laundering.
 - A change occurs in the client's risk classification.



Customer Due Diligence Measures and Ongoing Monitoring - Timing of Customer Due Diligence

- A business relationship with the client can be established before completing the verification process, provided that the following conditions are met:
 - Essential documents are obtained.
 - The delay does not hinder normal business operations.
 - Risks are effectively managed.
- Ensuring that the account is not closed or any financial transactions are made before completing the verification.
- Terminate the relationship if verification cannot be completed within a reasonable time, with reasons documented and recorded in the semi-annual anti-money laundering report.
- Ensure that the compliance program includes policies for managing risks related to establishing relationships before completing verification.



Customer Due Diligence Measures:

1- Customer Due Diligence Requirements:

- Identify the client and verify their identity.
- Identify the beneficial owner and take reasonable steps to verify their identity.
- Understand the nature of the client, their business, ownership structure, and control (for legal entities or arrangements).
- Conduct ongoing due diligence and continuous monitoring of the client.

2- Acting on Behalf of the Client:

- Verify the identity of the person acting on behalf of the client.
- Ensure that the person is authorized to act on behalf of the client.
- Ensure the person is not listed on any local or international sanctions lists.

3- Reliable Sources:

- Ensure that the required documents and information are derived from independent and reliable sources.



Trusts

Individual client



Legal
arrangements

Due Diligence
measures

Legal entity



Politically
Exposed Persons

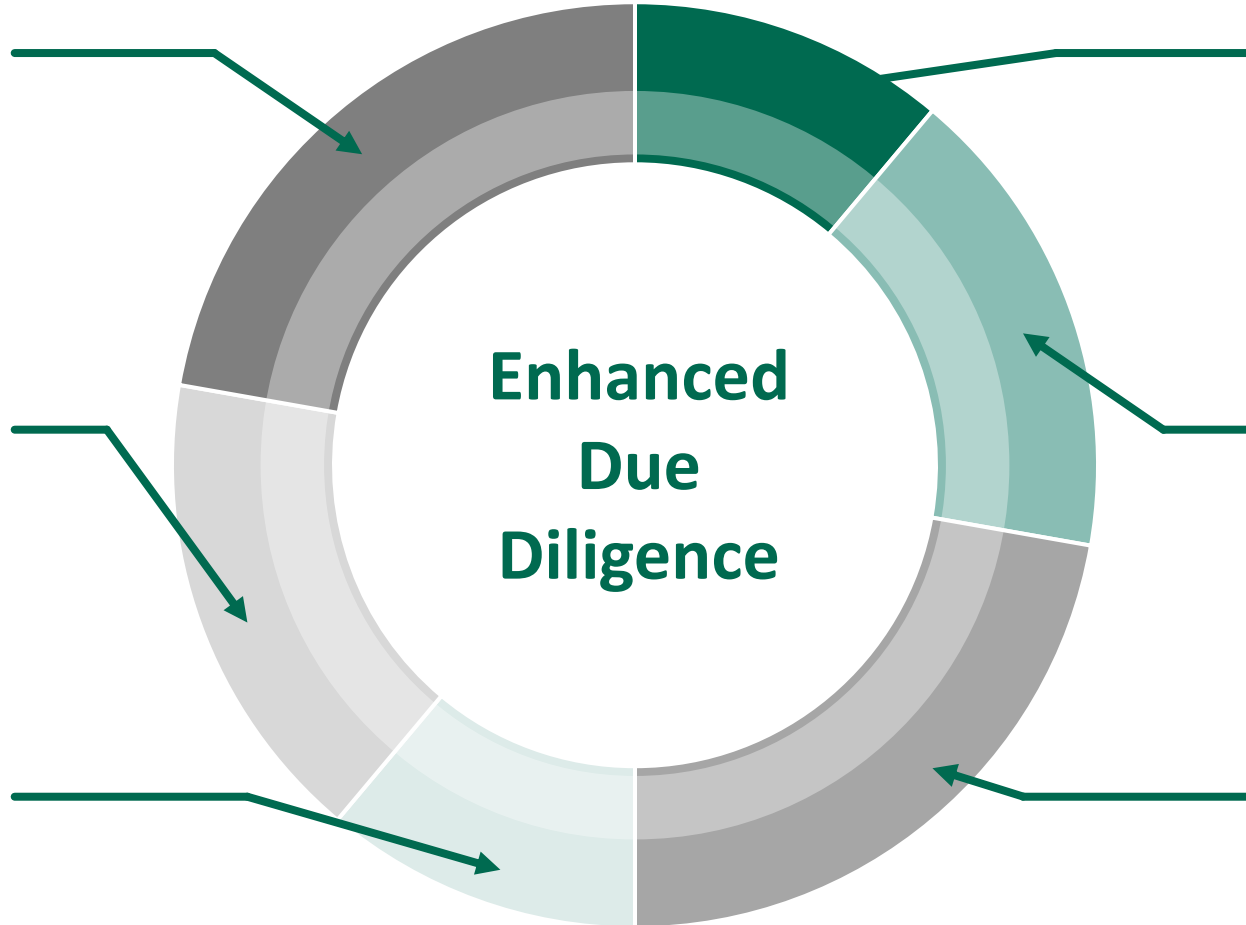
Non-profit
organizations



Obtaining and accurately
verifying additional
information

Regularly and
periodically updating

Identifying the sources
of funds and wealth



Enhancing the monitoring

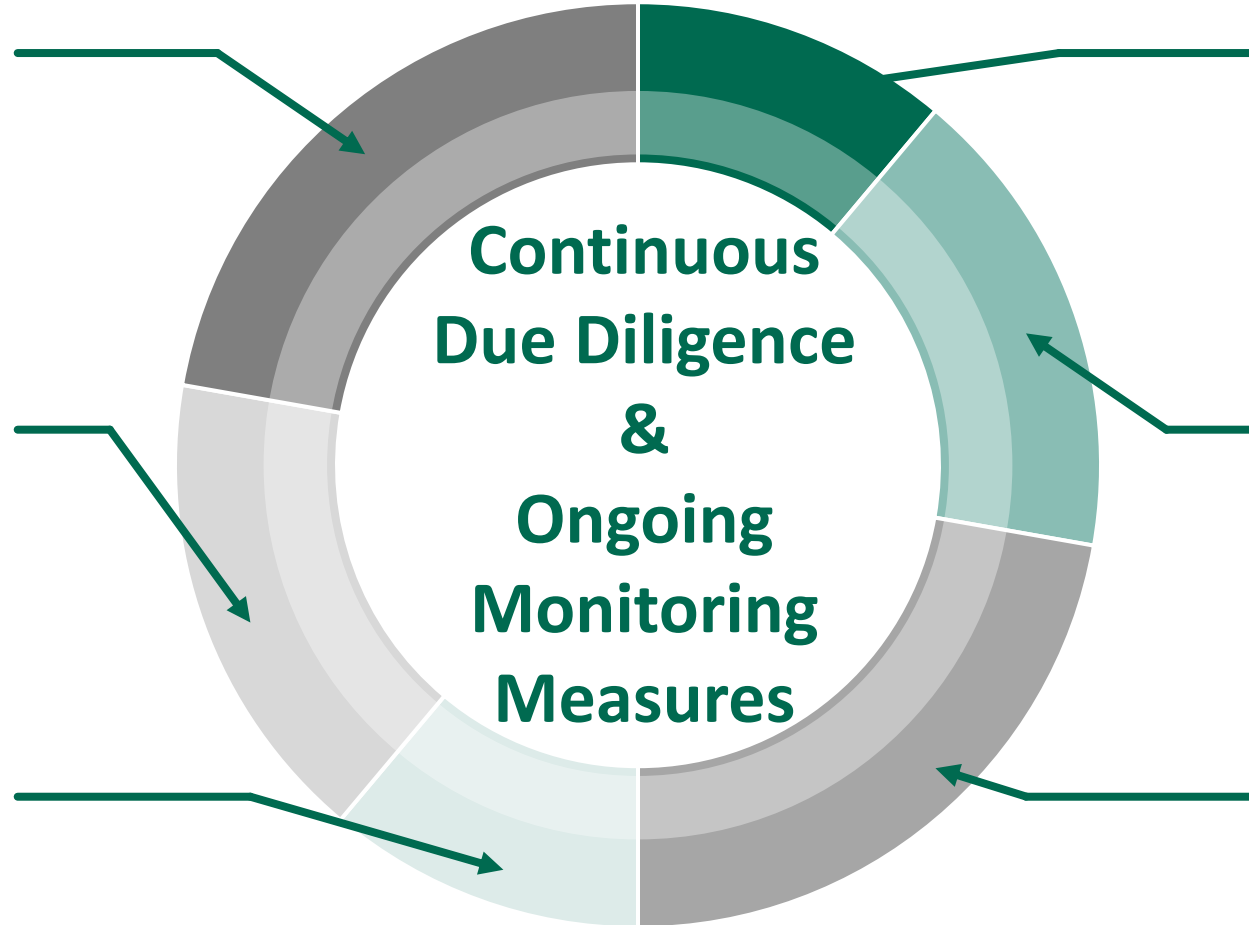
Obtaining senior
management approval

The initial deposit to
open an account

Periodically update due diligence information

Updating the client's risk profile

TFS screening



Transactions should be aligned with the available information about the client

Special attention must be paid to any unusually large or complex transactions or irregular transaction patterns

The background and purpose of such transactions

Reliance on Third Parties and Outsourcing



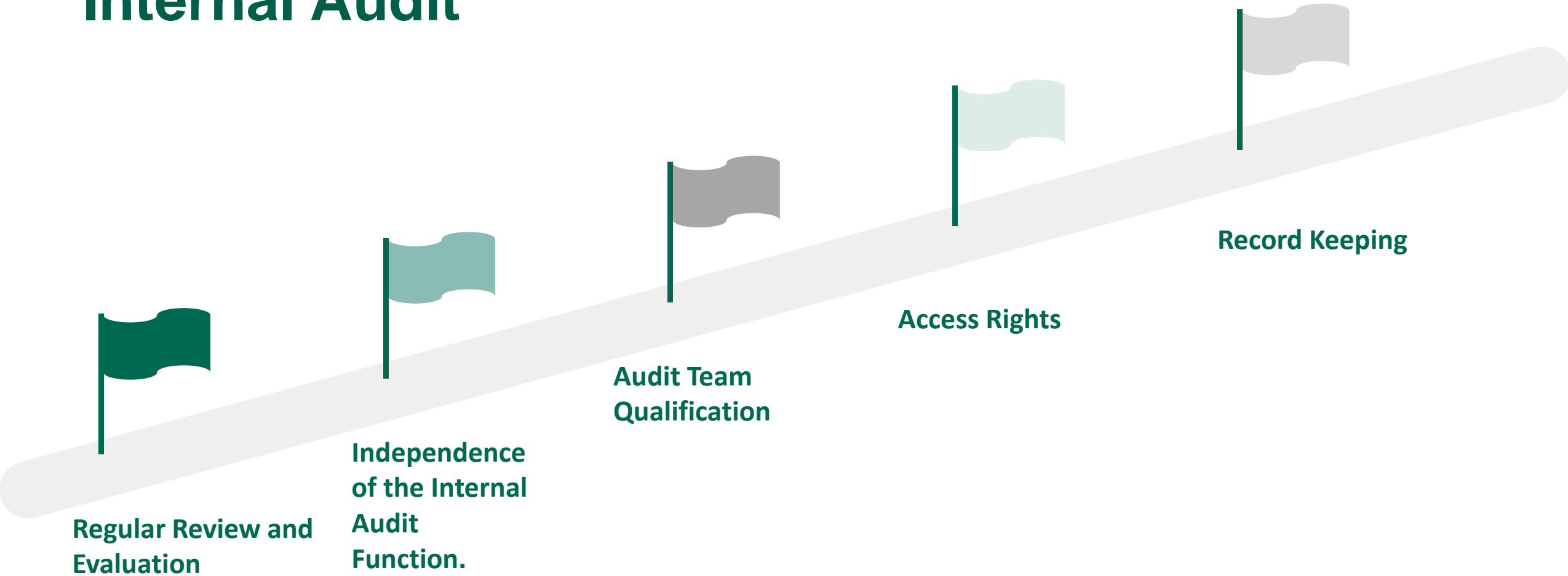
If the third party is any of the following:

- A licensed entity by SCA or a regulatory body equivalent to SCA **domestically or internationally**.
- A law firm, accounting firm, or audit firm licensed by **the competent authorities** in the country and specializing in anti-money laundering.
- A member within the **financial group** of the concerned entity

Are the following conditions met?

- Conduct thorough **risk assessment** before third-party reliance.
- Apply AML standards without **exemption**.
- Obtain and maintain **necessary due diligence** info.
- Ensure due diligence files are **readily available**.
- Confirm third-party regulation **aligns with FATF** standards.
- Keep information **up to date**.
- Address all **due diligence gaps**.

Internal Audit



Audit Scope

- The internal audit function must conduct a full and comprehensive review of (AML) compliance program at least once every **two years**. This review should cover:
 - Risk assessment
 - Policies, systems, controls, and procedures
 - Customer due diligence (CDD) measures and enhanced due diligence (EDD) measures
 - Ongoing due diligence and continuous monitoring
 - Suspicious activity and transaction reports
 - Information technology systems that support the AML compliance program
 - Management information system reports
 - Professional training
 - Record-keeping
 - Applicable legal and regulatory requirements
 - This ensures the AML compliance program remains effective and up-to-date.

Compliance Officer Responsibilities

1. Program Implementation
2. Role Independence
3. Qualifications and Residency
4. Temporary Appointment



Compliance Officer Responsibilities

The relevant entity is required to empower the Compliance Officer to perform his/her duties effectively by providing the following:

- 1. Direct Access to Senior Management**
- 2. Adequate Resources**
- 3. Unrestricted Access to Information**



Compliance Officer Responsibilities

1. Overseeing Daily Operations
2. External Liaison.
3. Reporting Suspicious Transactions
4. Prompt Response to Requests
5. Receiving Feedback
6. Employee Training and Awareness
7. Semi-Annual Reporting



United Nations resolutions and related sanctions

1. **Develop and update** policies and systems.
2. **Immediate notification** to SCA and Executive Office “EOCN”.
3. **Ensure accuracy** of notifications and information.
4. **Comply** with Security Council resolutions and sanctions.
5. **Prevent dealings** with individuals involved in money laundering.
6. **Prevent facilitation** of fund collection for involved parties.
7. **Continuously verify** compliance with Security Council resolutions.



Training Policy and Needs Analysis

1. Implement a comprehensive AML training policy.
2. Include training types, frequency, and targeted employees.
3. Analyze and identify training needs based on roles, responsibilities, and risk exposure.

Training Obligations

1. Provide regular compliance program training.
2. Cover legislation, compliance, and suspicious transaction reporting.
3. Update on new money laundering techniques.
4. Tailor training to specific activities, products, and services.
5. Train new employees within 30 days before customer interaction.
6. Regularly assess and improve training effectiveness.

Suspicious Activity and Transaction Reports

1. Monitoring transactions to identify any potential activities related to money laundering or other financial crimes.
2. immediately informing the compliance officer upon knowledge or suspicion of money laundering activities.
3. Clearly defining roles and responsibilities, with reports and escalations made to senior management and the board of directors.
4. Establishing a process to identify, investigate, and report suspicious activities, while documenting decisions regarding the escalation or closure of transactions.

Suspicious Activity and Transaction Reports

Compliance Officer Procedures:

1. **Investigate and document** circumstances of the notification.
2. **Decide** on SAR submission to FIU and document the decision.
3. Document reasons for **not filing** an SAR, if applicable.
4. Ensure **independent decision-making** on filing SARs.
5. Avoid filing reports without **reasonable suspicion**.
6. Submit SARs to FIU **as per applicable legislation**.

General Compliance Obligations



1. **General Responsibility:** The responsibility for compliance with this section lies with the Board of Directors, senior management, and the compliance officer.
2. **Legal Commitment:** Senior management is committed to its duties in accordance with the principle of due diligence.
3. **Knowledge of Legislation:** All members must be familiar with federal legislation related to anti-money laundering.
4. **Responsibility to deal with financial crimes:** Criminal responsibility includes crimes such as money laundering, terrorism financing, and evasion of financial sanctions.
5. **Freezing of Assets:** The concerned person is obligated to freeze assets in accordance with federal legislation.

Financial Group Obligations



1. **Compliance Dissemination:** The anti-money laundering compliance program must be implemented across all branches and subsidiaries.
2. **Higher Standards:** If the country's legislation differs from another country's, the higher standard must be applied.
3. **Notifying the Authority:** If the implementation of federal legislation is not permitted in another country, the authority must be notified.
4. **Information Sharing:** Due diligence and risk information must be shared within the financial group while ensuring the confidentiality of information.
5. **Ongoing Assessment:** Compliance, audit, and risk assessment functions must be provided at the level of the financial group.

Record Keeping

1. The concerned person is obligated to retain records for 10 years in an organized manner that allows for data analysis and tracking of financial transactions. These records must be made immediately available to the authority, law enforcement, and competent authorities upon request.
2. At a minimum, the concerned person is required to retain the following:
 - A. Copies of all documents and information related to customer due diligence measures and the results of screening and verifications before starting a business relationship.

- B. Records related to the business relationship, including:
- Commercial correspondence and customer accounts
 - Transaction records to reconstruct individual transactions
 - Results of internal analyses related to suspicious transactions or activities
- C. Internal notifications sent to the compliance officer.
- D. Suspicious activity reports and their supporting documents.
- E. Communications with the Financial Intelligence Unit.
- F. Business risk assessment reports and the methodology used.
- G. Customer money laundering risk assessments and the results of their classification.
- H. Employee training and awareness records.
- I. Other required reports or any matters related to this section.
- J. Verification of any confidentiality or data protection legislation that prevents access to records without delay.

Thank you