

# DFSA OUTREACH

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# **FINANCIAL CRIME RISKS**

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Overview of AML framework in the UAE

Red Flags & Suspicious Activity Reporting

AML Obligations for DNFBPs in the DIFC

Feedback on Annual AML Return



# Overview Of AML Framework In UAE

## UAE Federal Laws (DIFC has no criminal jurisdiction)

No. 4 of 2002 concerning Criminalisation of Money Laundering, amended by  
Fed Law No 9 of 2014

No 7 of 2014 concerning Combating Terrorism Offences

UAE Central Bank Regulation No 24/2000: Anti-Money Laundering  
dated 14 Nov 2000

Cabinet Resolution No 38 of 2014: AML

Cabinet Resolution 41 of 2014: Terrorist Organisations

UAE Ministry of Economy & Commerce  
Circular to Audit Firms dated 16 July 2002

Federal Law No. 8 of 2004 –  
Financial Free Zones

DFSA Regulatory  
Law

**DFSA AML  
Module**

# What Is A Designated Non-Financial Business or Profession (DNFBP)?

## DNFBP Categories

- A Real Estate Developer or agency which carries out transactions with a customer involving the buying or selling of real property;
- A Dealer in precious metals or precious stones;
- A Dealer in any saleable item of a price equal to or greater than \$15,000;
- A Law firm, Notary firm, or other Independent legal business;
- An Accounting firm, Audit firm or Insolvency firm;
- A Company Service Provider
- A Single Family Office



- Frauds
  - invoices, documentation, letters
  - Ponzi schemes
  - Too good to be true
- Adverse Media
  - wanted on Interpol,
  - allegations in the media
- Sanctions
  - funds coming from high risk jurisdictions
  - recent political turmoil
- Suspicious Transactions
  - dealing in cash
  - 3<sup>rd</sup> party payments
- Suspicious Customer Behaviour
  - not willing to provide identification documents
  - not clear on source of funds
  - complex business structures

# Suspicious Activity Reporting

## Internal SAR Process

- 1) Maintain a log of all suspicions
- 2) Investigate the suspicion
- 3) MLRO to decide whether an External SAR is required or not
- 4) Document either decisions

## External SAR

- 1) Complete the external SAR Form
- 2) Attach documents to support your suspicion
- 3) Make a decision as to whether you want to
- 4) Continue with this client
- 5) Submit all documents to the AMLSCU

# DNFBP – AML Obligations

- 1) Maintain AML systems and controls
- 2) Conduct business AML risk assessment
- 3) Conduct customer risk assessment
- 4) Complete CDD
- 5) Annual AML training
- 6) Suspicious Activity Reporting (SAR)
- 7) No tipping off
- 8) Be aware of UN Sanctions

*\*AML obligations are applicable inside and outside the DIFC. The UAE Central Bank has introduced the same requirements*



## Annual AML Return

- 1) Lawyers;
- 2) Accountants;
- 3) Company Service Providers; &
- 4) Real Estate Agents

## Annual Request for Information

- 1) A Dealer in precious metals or precious stones;
- 2) A Dealer in any saleable item of a price equal to or greater than \$15,000;
- 3) Single Family Office

# What is the Annual AML Return?

## Annual AML Return

- Introduced in July 2013
- During 2014: 279 submissions received: 84% Firms and 16% DNFBPs
- 90% of submissions received on time or with an agreed extension
- 37% of submissions required minimum or no follow up from the DFSA

# What Are The Key Findings And Observations?

## Senior Management

- failure to properly identify senior management
- failure to obtain senior management acknowledgement and sign off

## Business AML Risks

- need to tailor assessments specifically to the firm's business
- obtain buy-in from all areas of the firm

## Customer AML Risks

- need to consider associated product or service risks, and not only country risks
- need to properly document customer risks with all known information

# What Are The Key Findings And Observations?

## Customer Due Diligence

- need to conduct ongoing CDD including transaction monitoring
- need to be aware of alerts raised on transactions booked overseas

## Reliance and Outsourcing

- responses needed to differentiate between reliance and outsourcing from screening software

## Suspicious Activity Reports

- 54 internal notifications and 50 external SARs
- the DFSA expected a higher number of internal notifications

# DNFBP Specific Findings

## DNFBP's

- Late Submissions
- Outdated AML Policies and Procedures:
  - reference to ASP
  - reference to AMLO
- Customer Risk Assessments
- AML Training
  - Lack Sanctions Awareness

# DNFBP Specific Findings

## DNFBP's

- Generally answers were concise and straight forward
- DNFBP's were cooperative during the process
- Follow-up indicated CDD task being undertaken but not appropriately recorded
- Overall, DNFBPs responses were good, considering first time reporting



Thank You