



STR Outreach & Awareness – Insurance Sector

11 March 2021



Overview of matters related to STRs by the FIU (Financial Intelligence Unit)

Presented by: FIU team

11 March 2021

Insurance Companies, Brokers and Agents

Introduction to Financial Intelligence Unit

Brief Introduction of FIU

- Establishment and Mandate of the FIU
- Structure of FIU
- Core Functions of the FIU



When to Report

- Article 15 Federal Decree-law No. (20) of 2018 ON ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM AND FINANCING OF ILLEGAL ORGANISATIONS
- Article 17 Cabinet Decision No. (10) of 2019 CONCERNING THE IMPLEMENTING REGULATION OF DECREE LAW NO. (20) OF 2018 ON ANTI- MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM AND ILLEGAL ORGANISATIONS



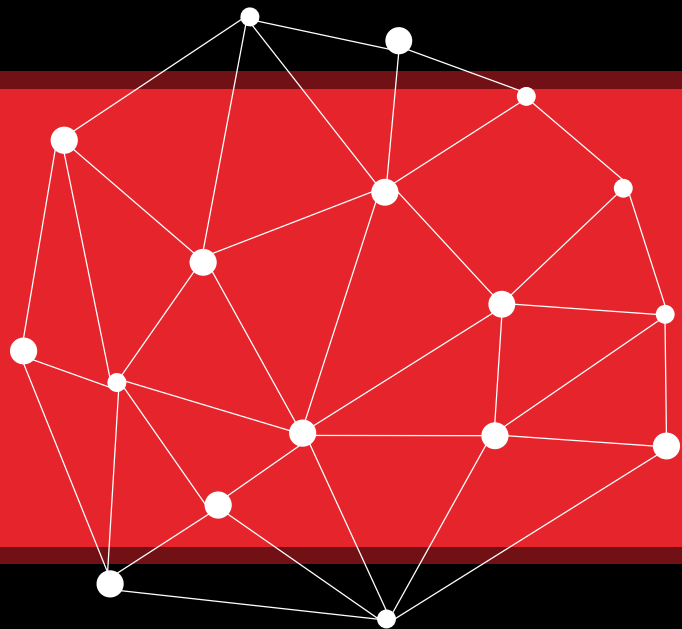
What to Report

As per article (15) Federal Decree-law No. (20) of 2018 On AML/CFT, all FIs and DNFBPs must file SAR/STR upon having reasonable grounds to SUSPECT a transaction or funds representing all or some proceeds, or suspicion of their relationship to the CRIME or that they will be used regardless of their value.

Sources of illicit funds:

- Fraud, Corruption, Arm Trafficking, Drug trafficking, Human trafficking, Smuggling. Etc.
- Suspicion of financing a terrorist act/ supporting terrorist organization
- Besides transaction(s), suspicion may arise by virtue of activities which are out of line of customer's profile or unusual behavior or information available which suggests negative background of the customer/client such as adverse media, inclusion in sanctions or Persona Non Grata Lists. Such instances must be reported as SAR(s)





Red Flags and Typologies

Insurance sector Red Flags

- Borrowing cash against the surrender value of an insurance product
- Opening account shortly after closing a previous account
- Purchase of insurance products through a single large premium payment
- Bearer insurance policies
- Paying for a policy using multiple payment methods
- Purchasing insurance products with unknown source of funds



Product Features Red Flags

Flexibility of payments



Ease of access to accumulated funds



Anonymity



Negotiability



Distribution Channel/ Intermediaries Red Flags



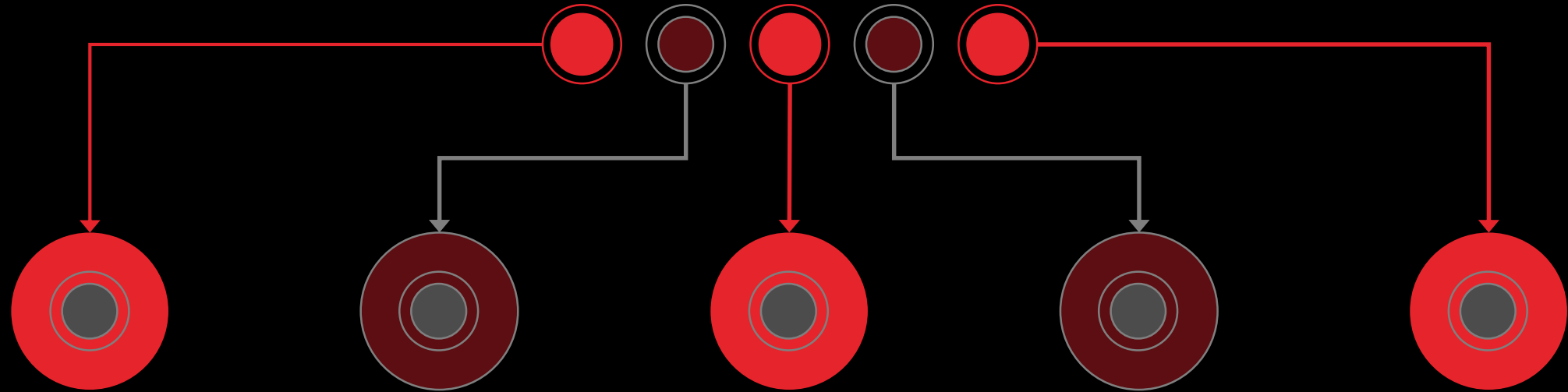
Non-face to face sales

The intermediary is involved in the management of claims

Long chain of intermediaries

Use of intermediaries in unusual circumstances

Customer's Red Flag



Policy holder and the beneficiary of the contract are companies with nominee shareholders in bearer forms

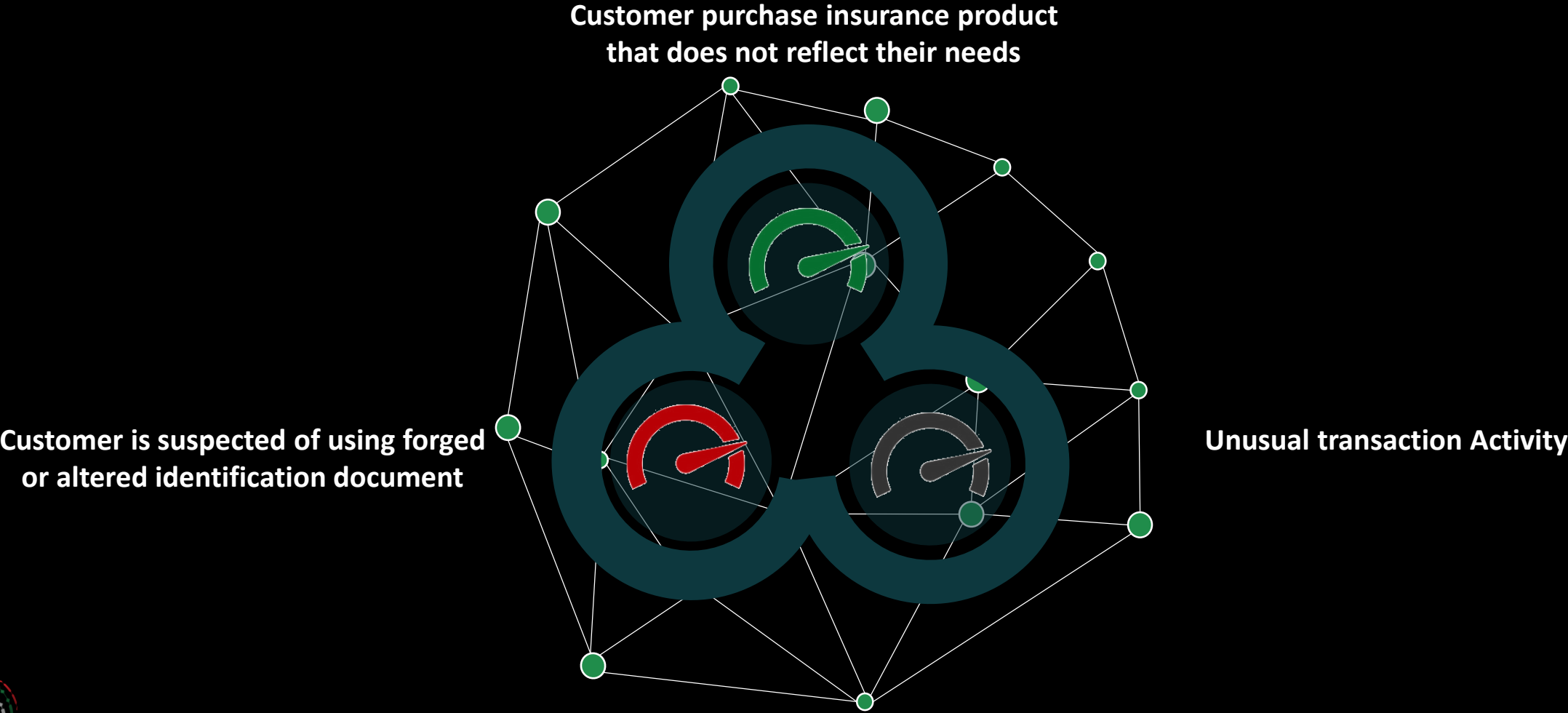
Customer's occupation

Reluctant customers

Sudden change or increase of the sum insured

Customers that are legal entities whose structure makes it difficult to identify the ultimate beneficial owner or controlling interest

Customer's Red Flag



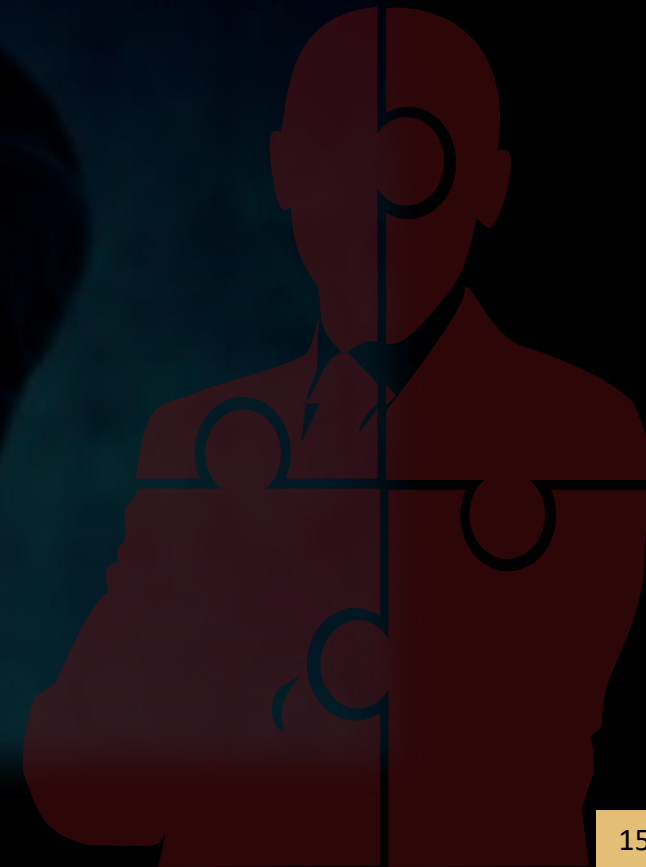
How to Report

- goAML – THE ONLY CHANNEL
- Commensurate Report Type(s)
 - STR
 - SAR
 - AIF/AIFT
 - RFI/RFIT



Compliance Officer Tasks

COMPLIANCE



Internal Procedures while filing

- Timeline of filing
- Data Backup for records
- Validity of drafts
- Acceptance/Rejection
- Prioritization/Recall
- Amendment of data
- Correspondence with FIU
 - goAML Message Board
 - FIUSTR@uaefiu.gov.ae
 - goAML@uaefiu.gov.ae

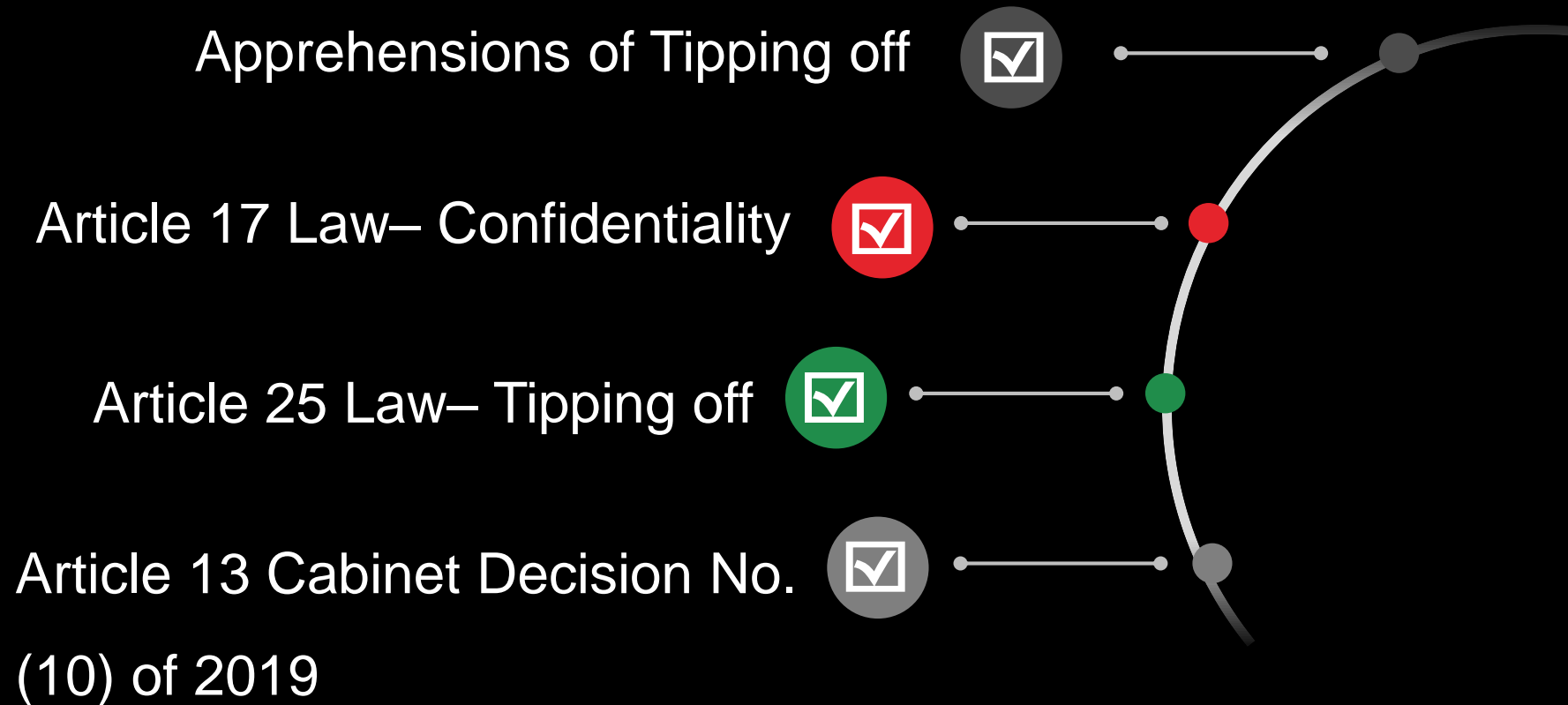


Actions to be taken by FIs with respect to an account on which an STR/SAR is filed

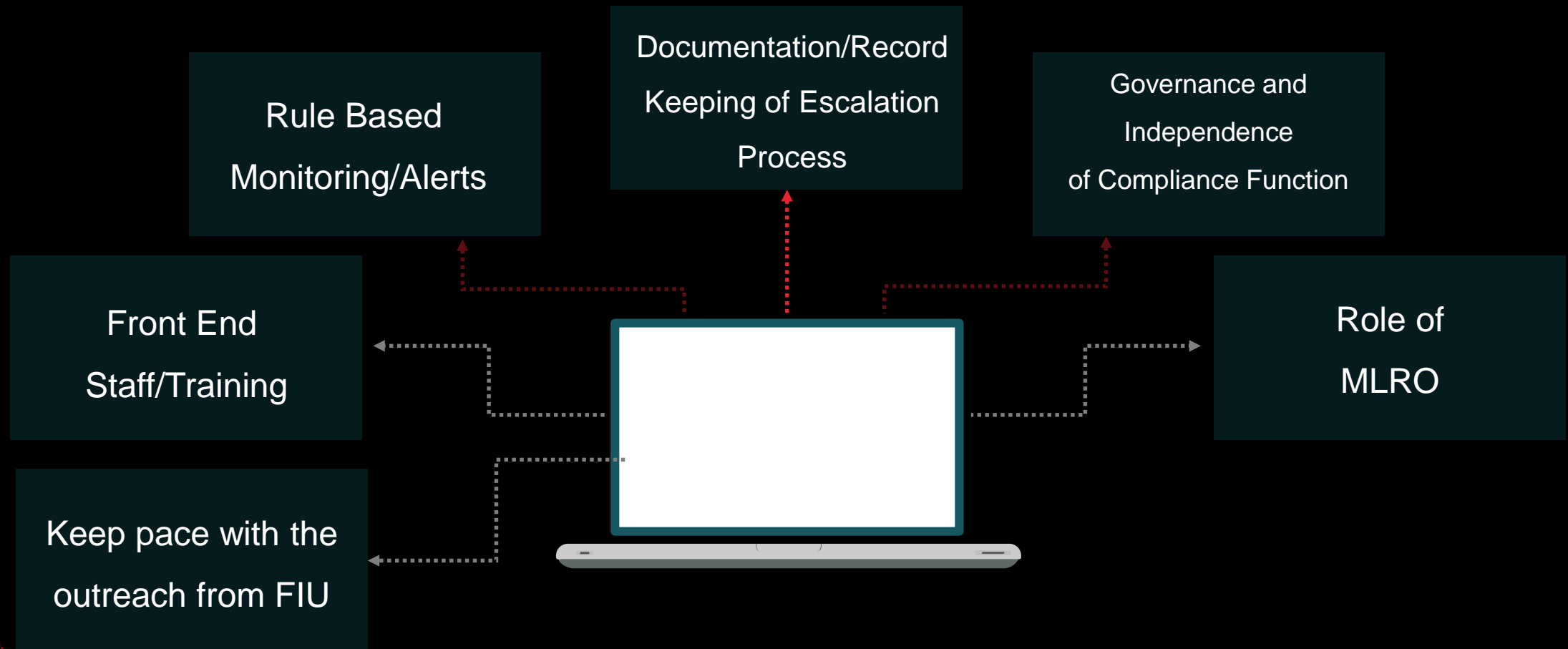
- Securing the funds
- Internal Policies, terms & Conditions



How to deal with the client enquiries/orders post filing of STR



Best Practices for identification and submission of STRs/SARs to FIU



Feedback on STRs/SARs received

Feedback Expectations

Types of Feedback

STR/SAR
Feedback

Query on Feedback

Type of deficiencies noted by the FIU

- Timeliness
- Accuracy of:
 - Data input in goAML fields
 - The relevant RFR(s)
 - Attachments along with reports



How to register on goAML

- Web pre-registration Guide
- Web registration Guide
- Web Submission Guide



Thank You



Overview of AML/CFT and STR by the CBUAE

Presented by: AML/CFT team

11 March 2021



AML LAWS, REGULATIONS AND GUIDANCE

Under the Procedures for Anti Money Laundering and Combating the Financing of Terrorism and Illicit Organizations, the below Articles include:

Article (2)

Financial Institution and its concerned persons **must comply with the requirements mentioned in the Decree Federal Law , The Executive Regulation, instructions, guidelines and notices issued by the Central Bank** relating to implementation of the Decree Federal Law and the Executive Regulation.

Article (3)

The Central Bank shall **supervise and examine periodically or unexpectedly**, without prior notice to the Financial Institution’s **compliance with the Decree Federal Law , The Executive Regulation, instructions, guidelines and notices** issued by the Central Bank and shall identify any violations resulting from the examination.





مصرف الإمارات العربية المتحدة المركزي
CENTRAL BANK OF THE U.A.E.

عربي



About Us

Laws and Regulations

Bank Guidelines

Statistics

Publications

Financial Institutions

Consumer Protection

Services



Legislation

Anti Money Laundering Legislation

Banking Regulations



Other Notices

Pre 2012 Regulations



All documents regarding the Anti money laundering Legislation



1

Federal Decree-law
No. (20) of 2018 on
Anti-money
Laundering and
Combating the
Financing Of
Terrorism And
Financing Of Illegal
Organisations

2

Cabinet Decision
No. (10) of 2019-
Concerning the
implementing
regulation of decree
law no. (20) of 2018
on anti- money
laundering and
combating the
financing of
terrorism and illegal
organisations

3

Anti-Money
Laundering and
Combating the
Financing of
Terrorism and Illegal
Organisations
Guidelines for
Financial
Institutions

4

AML/CFT
Frequently Asked
Questions

5

Related Links
FATF, MENA FATF ,
UN Sanction List ,

International Standards For Reporting



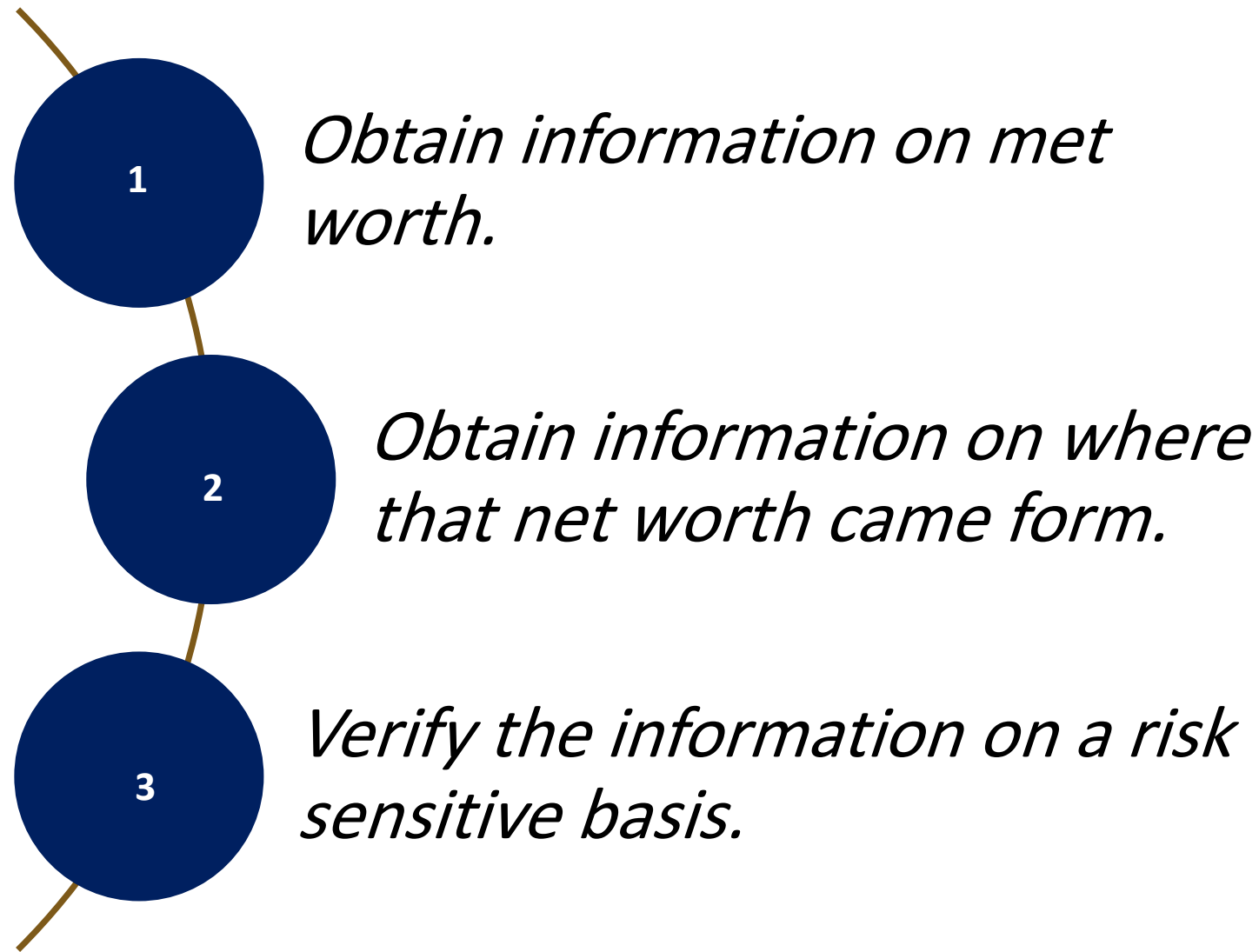
Recommendation 20 Reporting of Suspicious Transactions

If a financial institution suspects or has reasonable grounds to suspect that:

- funds are the proceeds of a criminal activity, or
 - are related to terrorist financing,
- it should be required, by law, to report promptly its suspicions to the financial intelligence unit (FIU)".

The reporting of suspicious and unusual transactions and activities is regarded as an essential element of the anti-money laundering and combating the financing of terrorism regime for every country

USING SOURCE OF FUNDS OR WEALTH INFORMATION



- ❖ It is critical to obtain **meaningful, comprehensive & accurate source of funds / wealth information** about a policy holders / beneficiaries
- ❖ This information **should be kept up to date** at reasonable interactions with Policy holder / beneficiaries **on a defined periodic basis “ like renewal and paying the premiums and claims”**
- ❖ This will **help in STR alert investigation** to make sense of suspicious activity

MONITORING “RED FLAGS” IN THE INSURANCE SECTOR (1/3)

1. Transactions Which Do Not Make Economic Sense

- A customer relationship which does not appear to make economic sense.
 - Offshore payment
 - Back-to-back loans
 - Cash
 - Too much too soon
 - Consultancy
- Transactions in which policies are cancelled shortly after premiums have been paid, resulting in the return of premiums.
- Transactions that are incompatible with the normal activities of the customer, for example, taking out a policy loan soon after the inception of the policy.
 - Too many payers
 - Source Of Wealth
 - Source Of Funds
- Transactions that are not commensurate with the customer's apparent financial means, for example, where customers without reasonable financial standing purchase large single premium policies for a large assured sum.
 - Multiple transactions to/from same party
- Transactions where the nature, size or frequency appears unusual

MONITORING “RED FLAGS” IN THE INSURANCE SECTOR (2/3)

2. Transactions Involving Large Sums

- **Frequent taking out of policy loans that are repaid with large amounts of cash.**
 - Offshore payments
 - Back to back loans
 - Cash
- **Transactions in which funds are received from or paid to a customer's account in a financial haven, or in foreign currency especially when such transactions are not consistent with the customer's transaction history.**
 - Too many zeros
 - Too many payers
 - Source Of Wealth
 - Source Of Funds
- **Overpayment of premium with a request to refund the excess to a third party or an account held in a different country or jurisdiction.**
 - Inconsistent activity/business

Private Banking Asset Management

Tax planning – avoidance – evasion

Offshore vs onshore

Back-to-back loans

Corporate funds redirected
Nominees used

Consultancy payments

Unusual requests

Too many zeros

Multiple transactions

to/from same

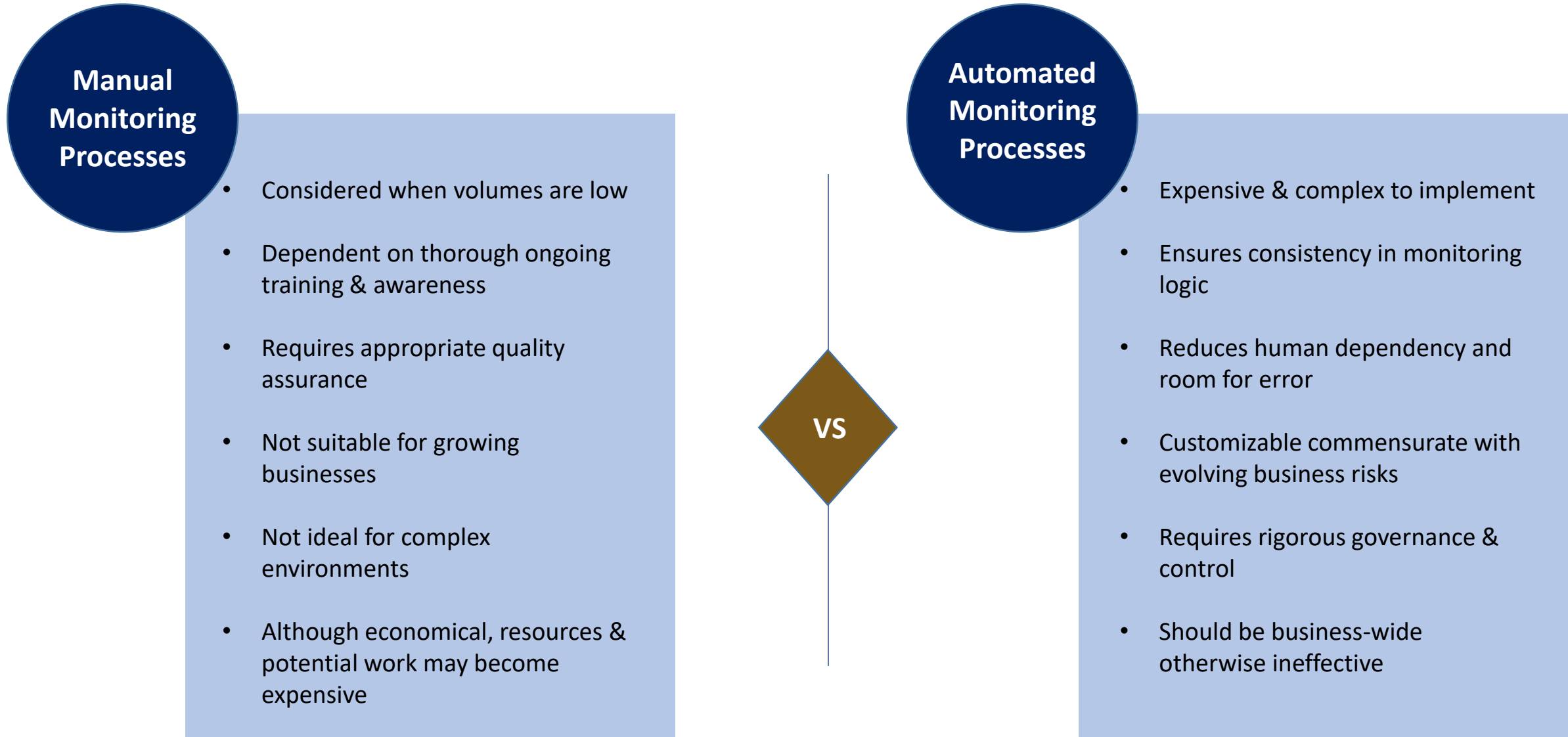
party

MONITORING TRIGGERS & ALERTS IN THE INSURANCE SECTOR (3/3)

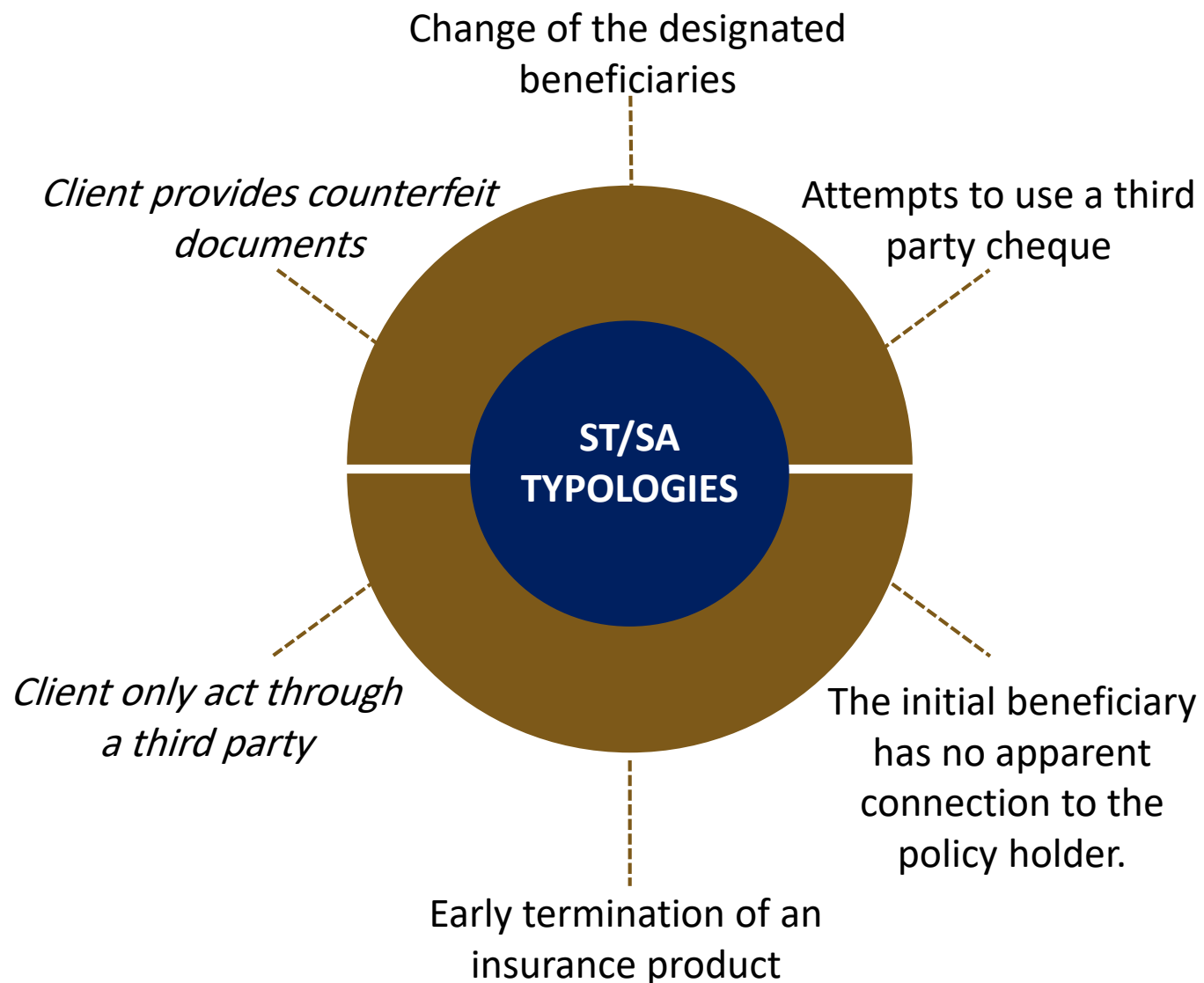
3. Transactions Involving Unidentified Parties and Other Matters

- Paying premiums in large third party cheques on behalf of the customer.
- Assignment of a policy to unidentified third parties and for which no plausible reasons can be ascertained.
- A number of policies taken out by the same insured for low premiums, each purchased with cash and then cancelled with return of premiums to a third party.
- Frequent changes to the address or where the customer is a non-natural person, frequent changes to authorized signatories.
- The use of an address that is not the customer's permanent address
- A policyholder may exercise cancellation rights or cooling off rights on life insurance products.

METHODS OF MONITORING



TYPOLOGIES IN STRs



A typical AML/CFT Program includes:

- Procedures for the identification of suspicious or unusual transactions and/or activity using information derived from TMS alerts, customer KYCs, etc.
- Documented assessments & investigations of STR instances
- Periodic reporting of STR filings to Senior Management and/or Board of Directors (BoD)
- Adequate & ongoing AML/CFT training programmes for personnel



KEY ISSUES ARISING FROM THE FINANCIAL INSTITUTION SECTOR

Transaction Monitoring System



- Deficiencies with **Customer Segmentation**
- Deficiencies or inadequacies with **typology assessments**
- Deficiencies in the **TMS alert workflow**, including:
 - Lack of or poor **training**
 - Poor **guidelines and procedures for alerts clearing**
 - Lack of an automated **risk scoring model** for the prioritization of alerts
- Weak **controls** to detect money laundering & terrorism financing activities
- **KYC data quality & completeness** issues

STRs



- Inadequate or poor **AML/CFT training**
- Weaknesses in **Policies & Procedures**
- **Manual identification** of unusual/suspicious transactions for certain activities
- **Delays in alerts closure and/or reporting STRs**
- **Lack of clear justifications and articulation of investigations** to address the underlying STs



End of Presentation

Thank you



Open Questions & Remarks