



# STR Outreach & Awareness – Exchange Houses

10 March 2021





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

Presented by: FIU team

10 March 2021

# Exchange Houses

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)





# How to Report

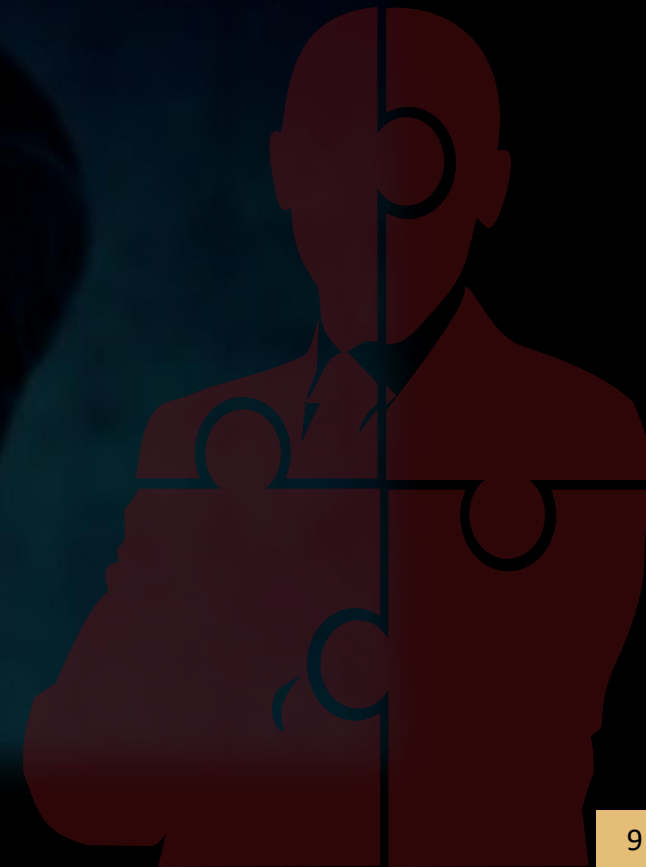
- goAML – THE ONLY CHANNEL
- Commensurate Report Type(s)
  - STR
  - SAR
  - AIF/AIFT
  - RFI/RFIT





# 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](mailto:FIUSTR@uaefiu.gov.ae)
  - [goAML@uaefiu.gov.ae](mailto:goAML@uaefiu.gov.ae)

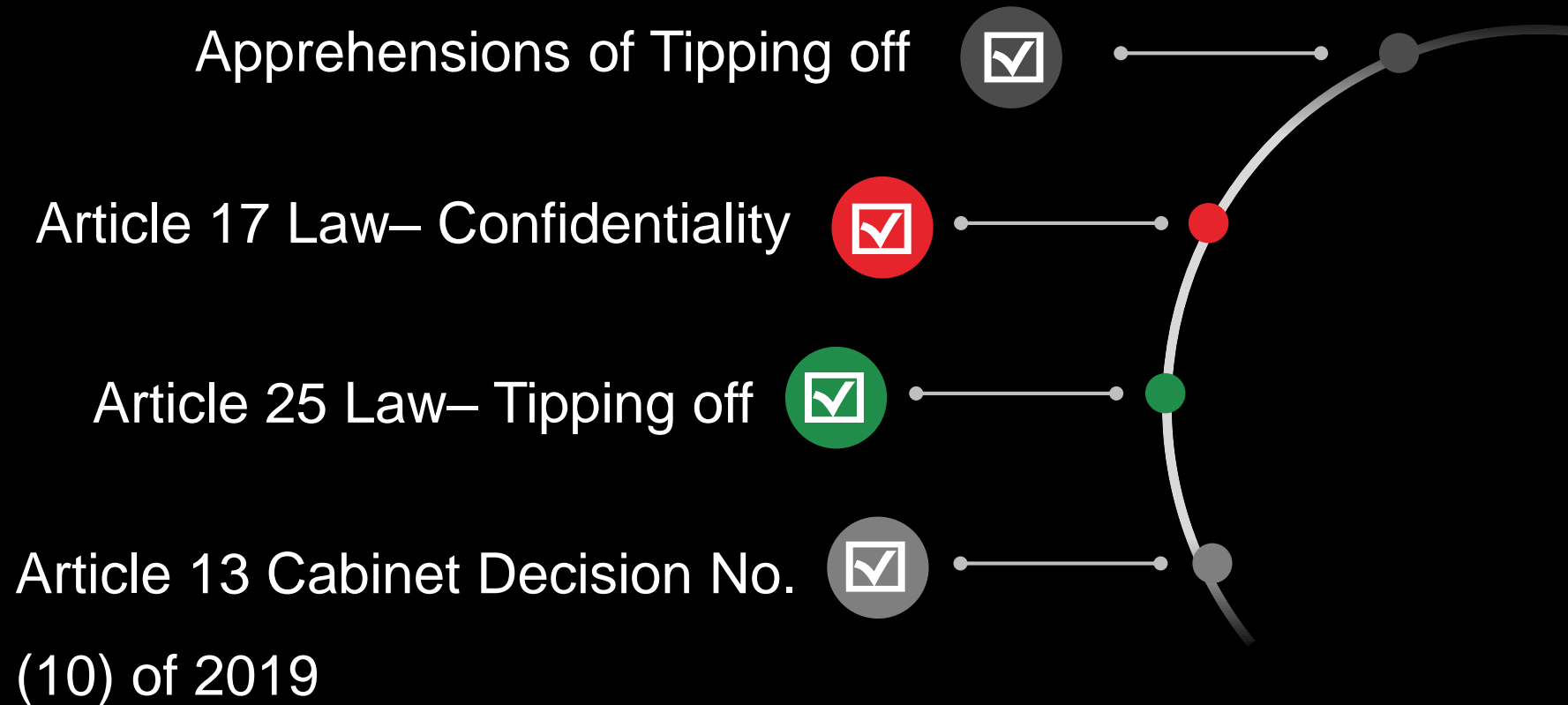


# Actions to be taken by FIs with respect to an account on which an STR/SAR is filed

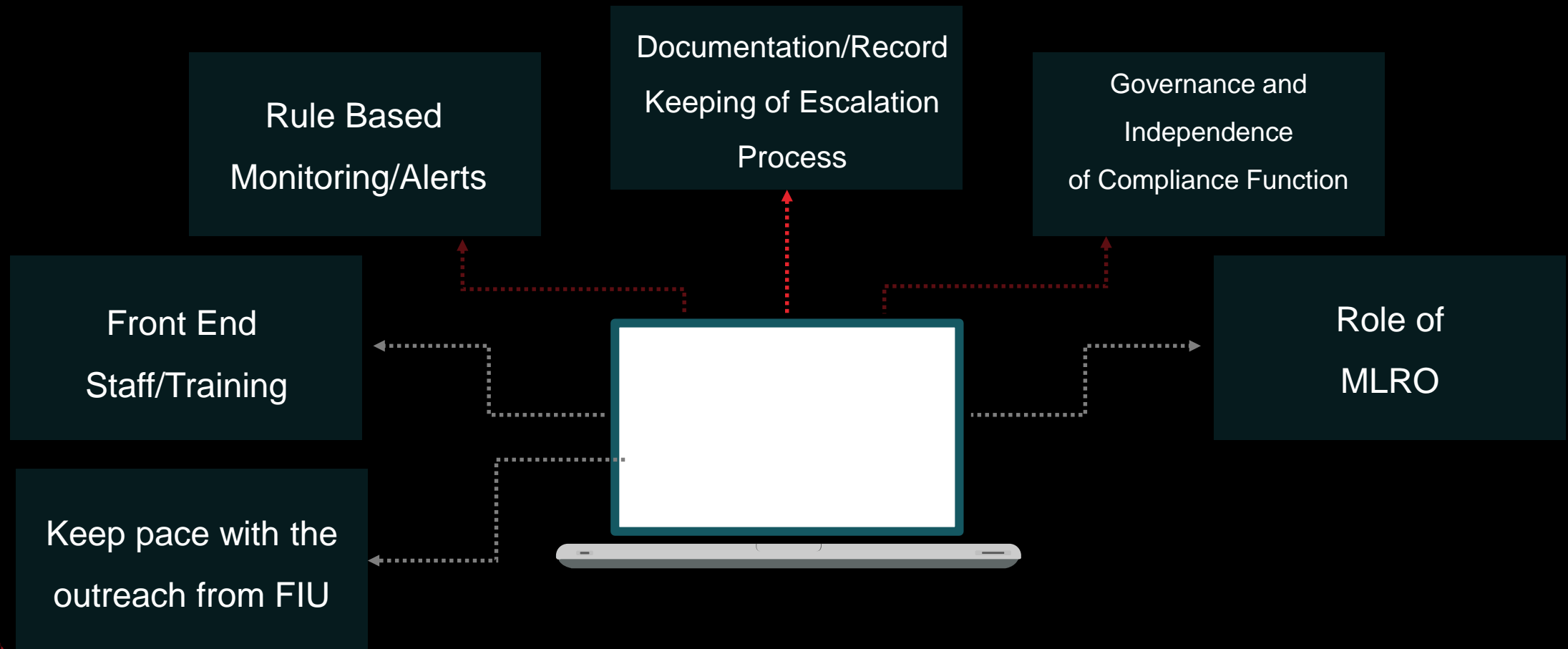
- Securing the funds
- Internal Policies, terms & Conditions



# 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

10 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.







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Legislation  
Anti Money Laundering Legislation  
Banking Regulations >  
Other Notices  
Pre 2012 Regulations



All documents regarding the Anti money laundering Legislation from the year 1987 & onwards



1

Procedures for Anti-Money Laundering and Combating the Financing of Terrorism and Illicit Organizations

2

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

3

Registered Hawala Providers Regulation

4

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

5

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



# International Standards For Reporting



**Recommendation 20**  
**Reporting of Suspicious Transactions**

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

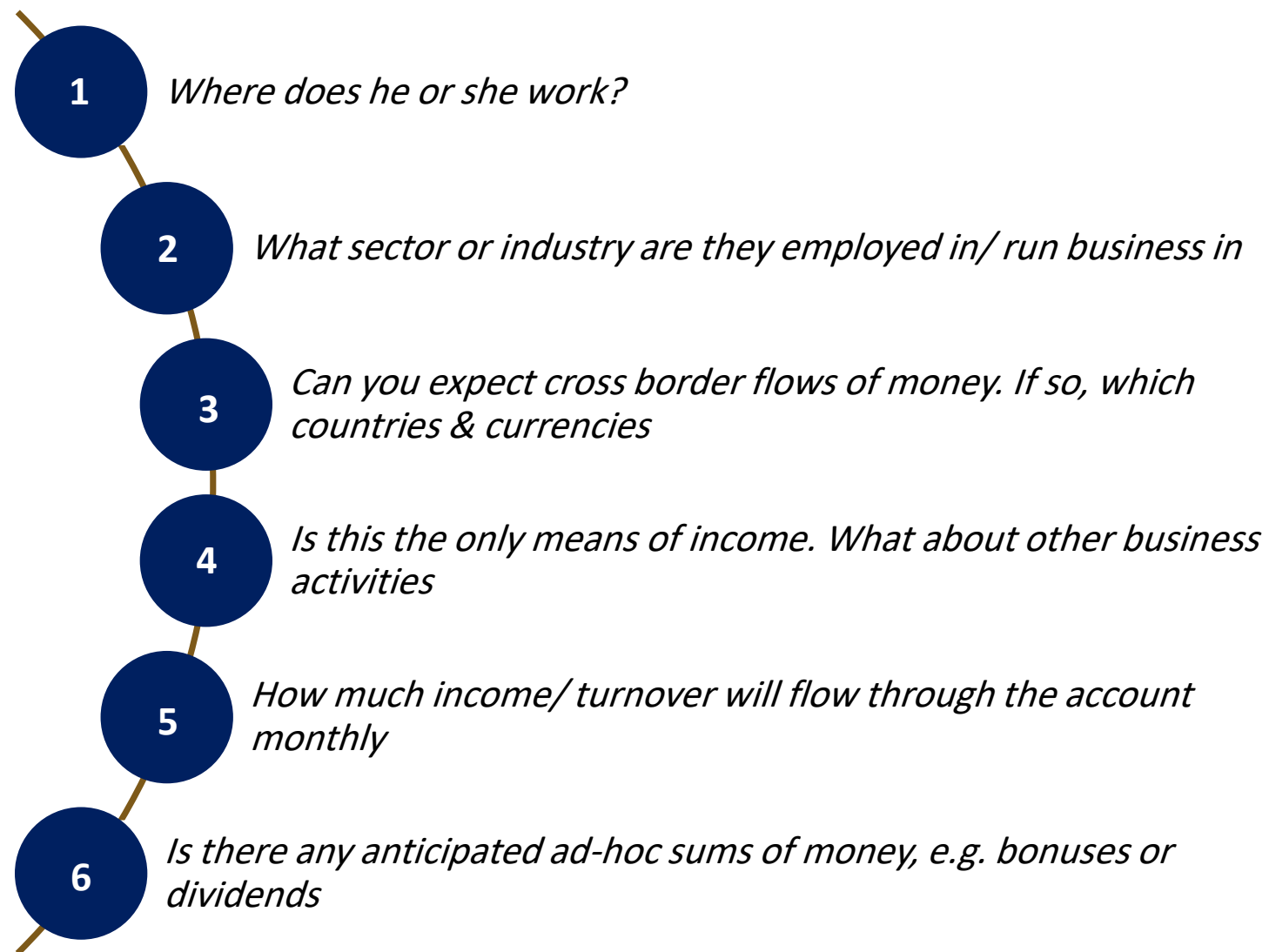
- funds are the proceeds of a criminal activity, or
- are related to terrorist financing,

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 client
- ❖ This information **should be kept up to date** at reasonable interactions with clients/ **on a defined periodic basis**
- ❖ This will **help in STR alert investigation** to make sense of suspicious activity



# MONITORING TRIGGERS & ALERTS IN THE BANKING SECTOR (1/3)

## RETAIL

- Value
- Volume
- Turnover
- Mules
- Smurfs
- Cash
- Stupid, illogical questions
- Rich children
- Too many zeros

## CORPORATE

- Offshore payments
- Back to back loans
- Cash
- Too much too soon
- Consultancy
- Too many zeros
- Too many payers
- Source Of Wealth
- Source Of Funds
- Illogical
- 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 BANKING SECTOR (2/3)

## CORRESPONDENT BANKING

- Concentration of transactions with a small number of parties
- Constantly missing customer information
- Constant round figure activity
- Multiple payment to/receipts from the same parties on the same day
- Illogical currency/geographical activity
- Products & services outside of key business
- Payments to high risk jurisdictions

## EQUITIES

- Backdated share options
- Churning
- Insider dealing
- Front-running
- Market manipulation
  - Too many zeros
  - Too many payers
  - Source Of Wealth
  - Source Of Funds
  - Illogical
  - inconsistent activity/business

## INTERNATIONAL BUSINESS

- Multi-national payments & receipts
- High value, high volume
- Rapid in & out movements of the same value
- Payments to far removed/unrelated third parties
- No public profile - against high value/volume
- Multiple round figure payments same parties
- Illogical activity
- Payments within
- complex structures



## MONITORING TRIGGERS & ALERTS IN THE BANKING SECTOR (3/3)

### POLITICIANS (PEPs/PIPs)

- Cash movements
- Deposits from 3<sup>rd</sup> parties
- Overseas transactions
- Round figures
- High values
- Undisclosed/ inconsistent with role
- From corporations with government contracts
- Expense reimbursements

### CORRUPTION

- Natural resources/ mining, wildlife
- Persons of Influence
- (cash for questions)
- Cash
- Third Parties
- Corporate entities with government contracts

# MODES OF PAYMENT & ASSOCIATED RISKS

- A refusal to use safer alternative products & services
- Self-handling of high value (no use of a security company)
- No audit trail
- Illogical given nature of business
- Volumes or value seem too high
- Used too often
- Used notes
- High value denomination notes

## CASH



- Three legs or more
- In and out
- High value
- Round figures
- Repeat activity/multiple wires to/from the same party
- Smurfing
- Missing information
- Close to sanction countries
- Offshore and UK companies/partnerships

## ELECTRONIC PAYMENTS



# METHODS OF MONITORING

## Manual Monitoring Processes

- Considered when volumes are low
- Dependent on thorough ongoing training & awareness
- Requires appropriate quality assurance
- Not suitable for growing businesses
- Not ideal for complex environments
- Although economical, resources & potential work may become expensive

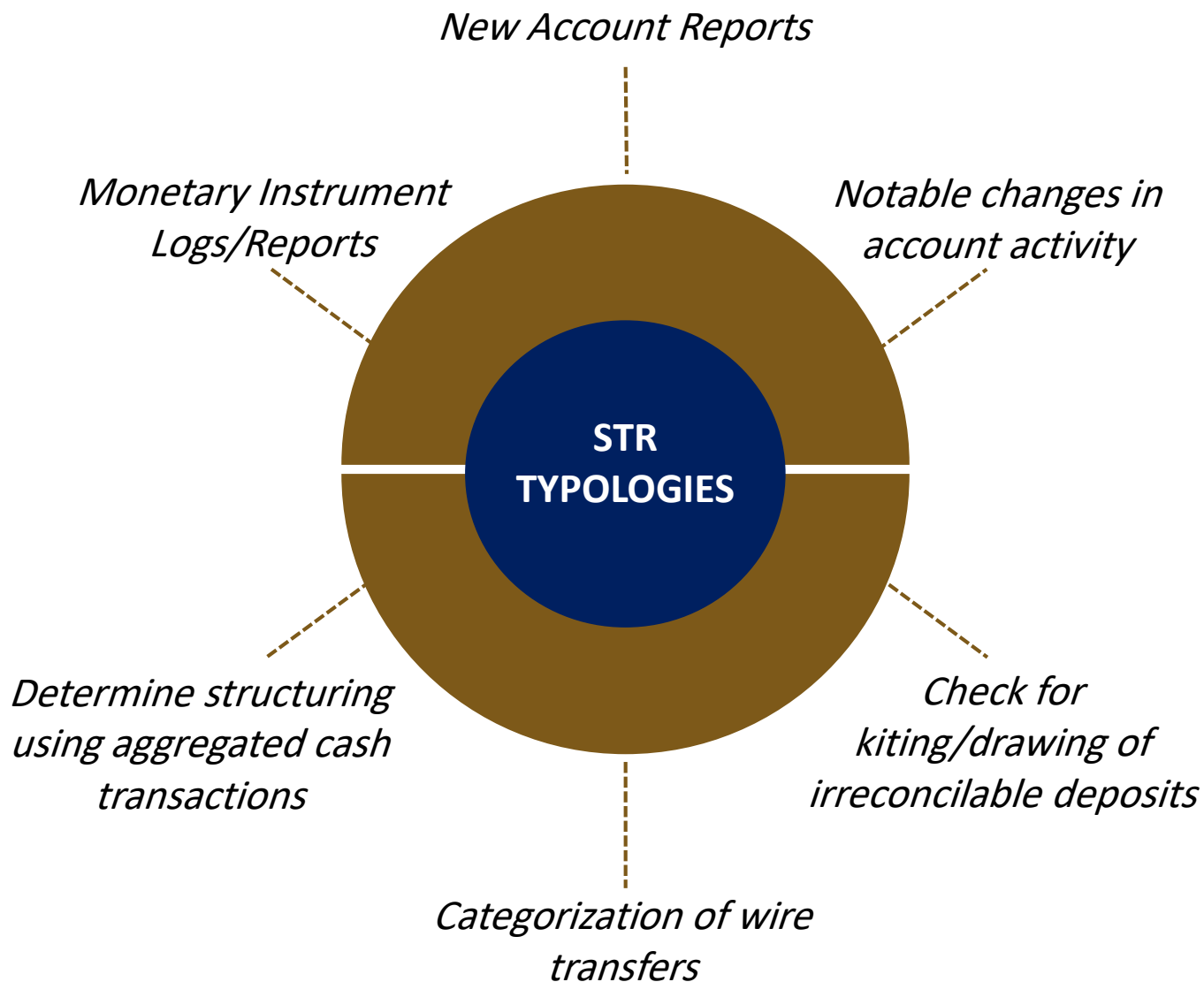
## Automated Monitoring Processes

- Expensive & complex to implement
- Ensures consistency in monitoring logic
- Reduces human dependency and room for error
- Customizable commensurate with evolving business risks
- Requires rigorous governance & control
- Should be business-wide otherwise ineffective

VS



# 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** (some of which did not define **SLAs and investigation timeframes**)
  - Lack of an automated **risk scoring model** for the prioritization of alerts
- Weak **controls** (including for **mapping across TMS**) to detect money laundering & terrorism financing activities
- Insufficient **product coverage and scenario tuning** in TMS
- **KYC data quality & completeness** issues which impacted the quality of TMS output

## STRs



- Inadequate or poor **AML/CFT training**
- Weaknesses in **Policies & Procedures**
- **Defensive STR reporting**
- **Multiple profiles for the same customer** impacting quality of TMS output, as well as detection and reporting of STRs to the FIU
- **Manual identification** of unusual/suspicious transactions for certain activities
- **Delays in alerts closure and/or reporting STRs**
- **Hibernation strategy** (*hibernation low/medium risk cases*) adopted post backlog issues leading to potentially unreported unusual/suspicious activity
- **Lack of clear justifications and articulation of investigations** to address the underlying STs





# End of Presentation

Thank you



# Cases related to ML & Recommendations by the MOI (Ministry of Interior)

Presented by: MOI team

10 March 2021

## The Ministry of Interior (MOI)

### 2020 Statistics

- 264 Accounts involved in narcotics trafficking or money laundering or both crimes.
- 128 natural or legal persons.

## The Ministry of Interior (MOI)

# Red Flags

- Credit Turnover not in line with customer profile.
- Deposit times through CDM & internal transfers.
- Amounts repetition.

## The Ministry of Interior (MOI)

# Recommendations

- Intensification of monitoring.
- Design a system which serves the discovery process.



# End of Presentation

Thank you



# Open Questions & Remarks