



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

**NATIONAL SUMMIT ON COUNTER-TERRORIST  
FINANCING AND SANCTIONS**

# Sanctions Screening Testing Outcomes & Lessons Learned

AML/CFT Supervision

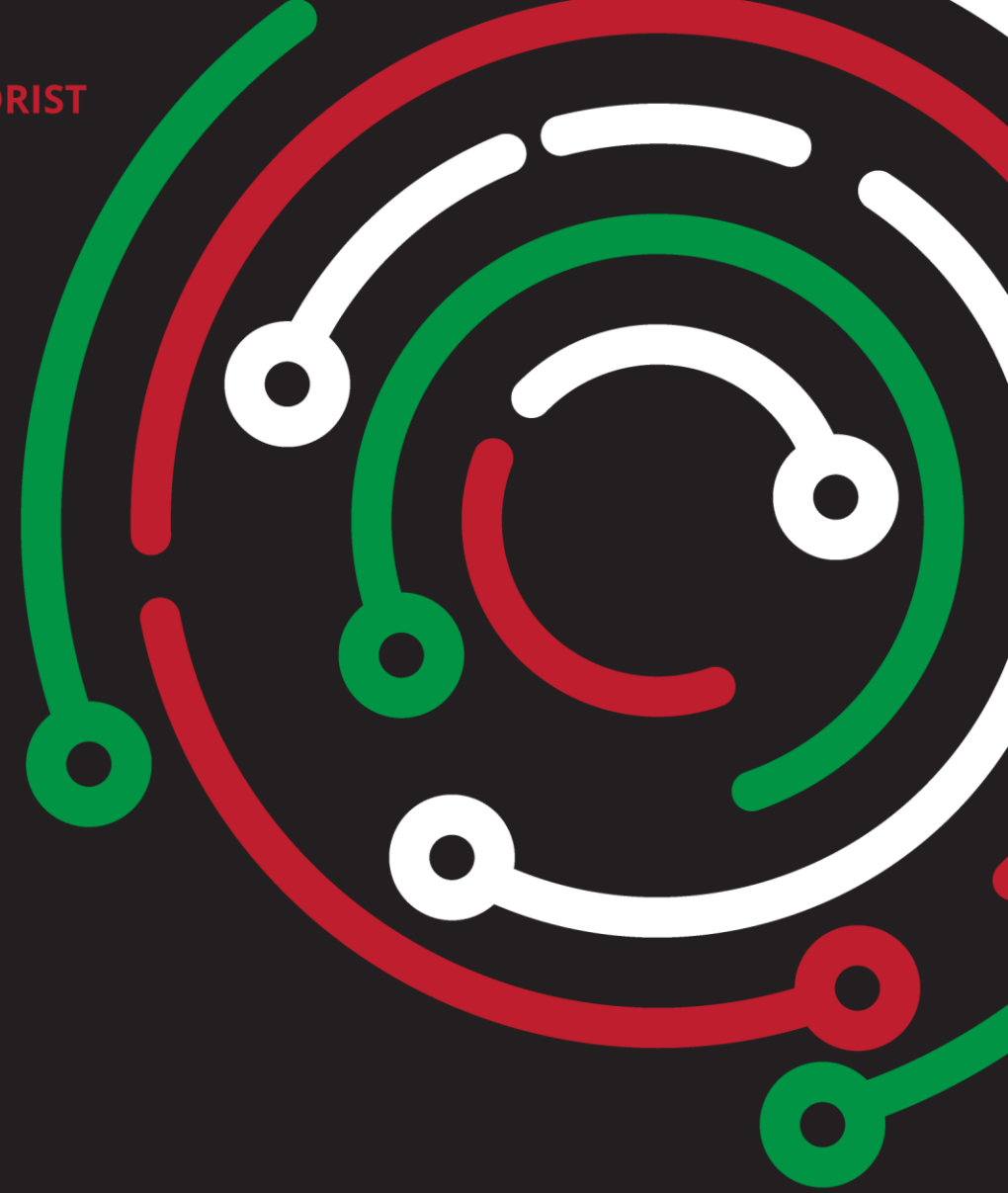
July 15, 2021



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# Sanctions Screening Thematic Review



# Phase 1- Scope Demographics

## 35 licensed financial institutions (LFIs)

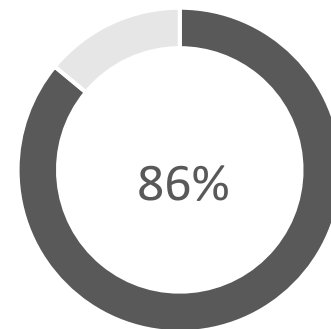
- 17 Banks
- 16 Exchange Houses
- 2 Finance Companies

## Over 90 screening filters

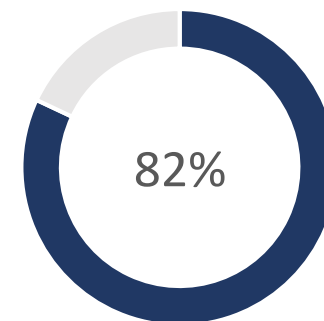
- Across customer and transaction Screening controls
- Focus on effectiveness and efficiency of the screening systems
- Test packs included ~3000 listed names, clean names, as well as manipulated data

## Duration

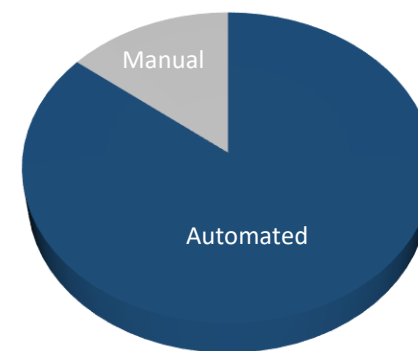
- On-boarding and format verification - June-August 2020
- Actual full testing – 2Sep-4Sep 2020
- Feedback discussions with LFIs – October 2020
- Observations and recommendations – November 2020



Customer Base Coverage (Ref – Data  
Survey 2020)



Outward Remittances Coverage (Ref  
– BRF Returns June 2021)



More than 14% of the tested LFIs use manual screening

# Phase 2 - Scope Demographics

- Includes thematic review as well as BAU testing as part of RBS reviews
- Focus on corrective action plans implemented by Phase 1 participants
- Re-assessment of UAE domestic average vis-à-vis global standards
- Commenced in June 2021. Thematic review completed and performances are being analyzed to identify LFI specific observations and recommendations.

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- Number of participants in scope of follow-up thematic review
- Selection is driven by systemic importance and poor performance in Phase 1 testing

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- Number of participants in scope of BAU testing as part of RBS reviews

# Key Thematic Learnings

## Sanctions Screening Risk Appetite

- No clear understanding of applicable sanctions obligations and how they translate into screening risk appetite
- Lack of or inadequately documented positions on key screening aspects – E.g. aliases, vessels, single names, message types, exclusions, tuning rules etc.

## Senior Management Oversight

- Limited involvement of senior management in establishing sanctions screening programs
- Insufficient understanding and acknowledgement of risks emanating from sanctions screening risk appetite and exclusions

## Data Quality

- No clear understanding of data lineage and data governance
- Inadequate customer onboarding and management systems impacting accuracy and quality of sanctions screening

## Fit-for-purpose Screening Systems

- Over reliance on manual screening controls – especially for on-boarding screening
- Inadequate understanding of system configurations and filter behaviors
- Deficiencies in system capability of fuzzy logic

## Periodic Testing & Tuning

- Absence of regular risk assessments and control testing to ensure systems are configured and behaving as per screening risk appetite
- Lack of periodic testing and tuning to assess effectiveness of sanctions screening systems
- Inadequately documented tuning rules and logics including exclusions

## Balancing Effectiveness vs Efficiency

- Inconsistent alerts vis-à-vis hits generation
- Lack of commitment to investing in innovative techniques to improve screening effectiveness and achieve efficiency

\*Detailed document is available on CBUAE site as part of Best Practices and Awareness under AML Laws and Regulations section.

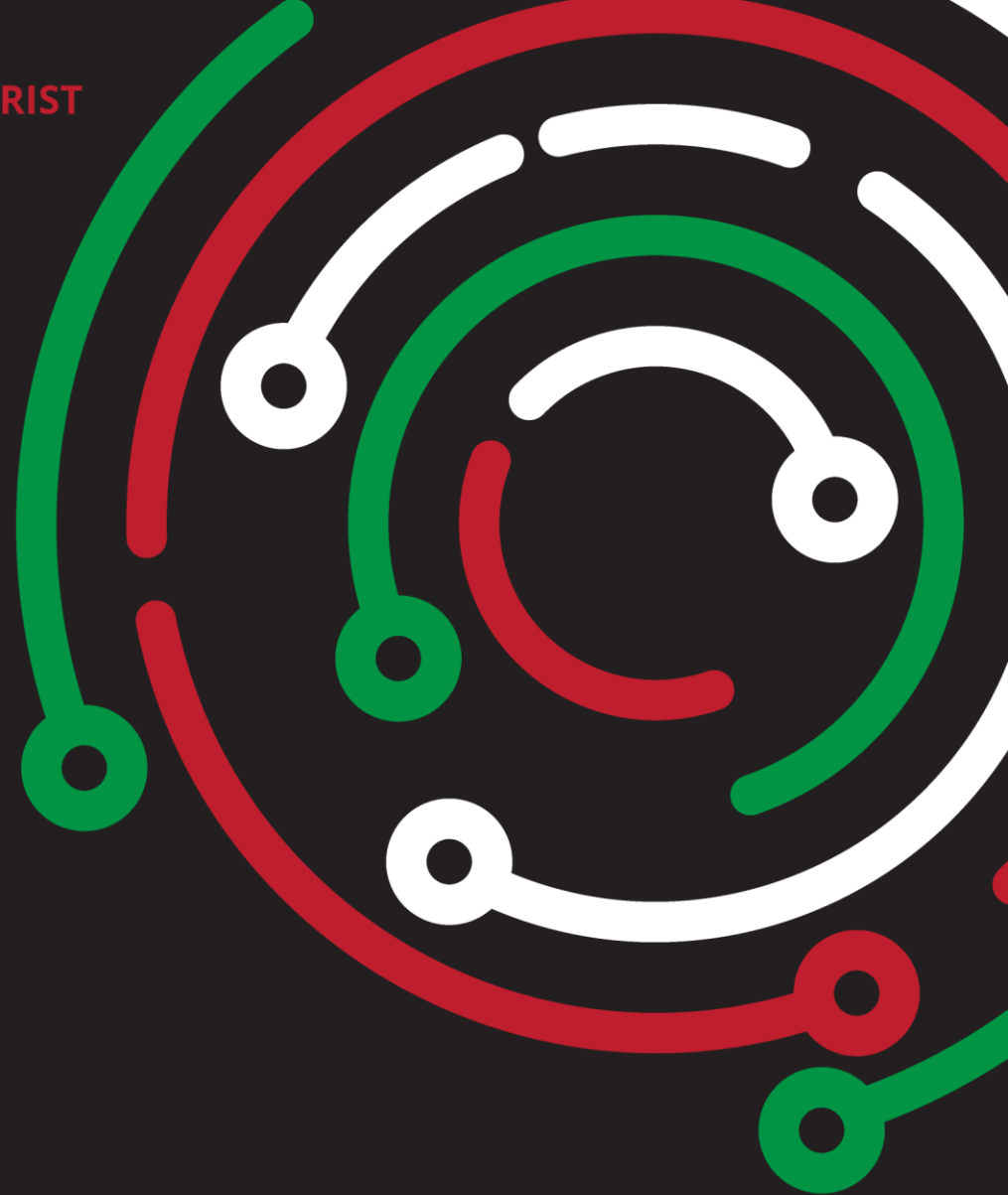
Corrective action plans have been obtained from the individual LFIs for Phase 1 testing and progress by each is being monitored by the CBUAE on an ongoing basis.



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Way Forward





# Way Forward

## 1 Next Round of Thematic Testing

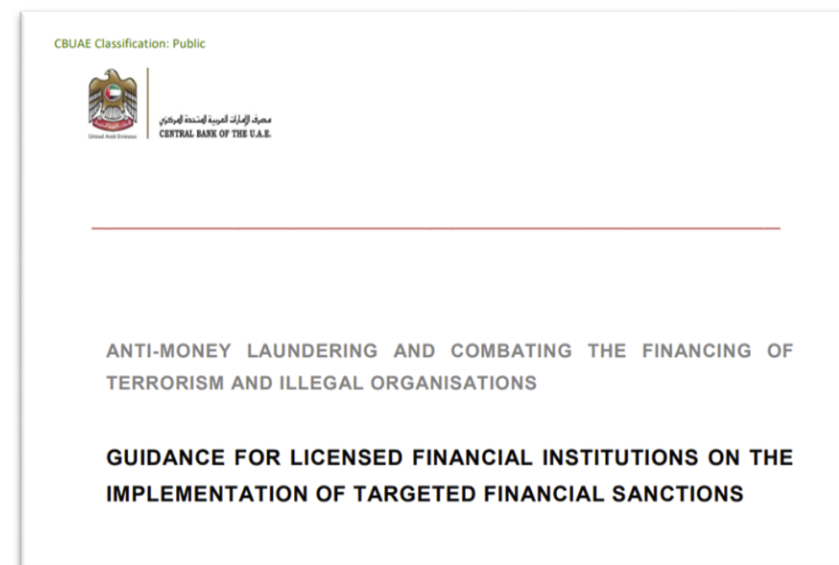
To be commenced in August-September 2021

Will include LFIs that were not part of the earlier two phases – significant population of branches of foreign institutions

Will include insurance companies in addition to banks, exchange houses, and finance companies

## 2 Issuance of Industry Guidance

- The CBUAE published a detailed guidance to LFIs on 4<sup>th</sup> July on the implementation of targeted financial sanctions, which complement the one published by the Executive Office
- Focuses on operational aspects of the Sanctions Compliance Program
- Sets out the expectations of the CBUAE for LFIs to be able to demonstrate compliance with these requirements
- Comes into effect immediately upon its issuance by the CBUAE with LFIs expected to demonstrate compliance with its requirements within one month from its coming into effect



\*Guidance document is available on CBUAE site as part of Targeted Financial Sanctions under AML Laws and Regulations section.



# CBUAE Guidance – Key Considerations 1/3

## Sanctions Compliance Program

- Should comply with all applicable rules and regulations in UAE and that of the CBUAE
- Should be proportionate to the LFI's risk profile, tailored to the nature, scale, and complexity, appropriate for products and services it offers, customers, clients, and partner relationships it maintains, and the geographic regions it operates

## Senior Management Commitment

- Includes senior leadership, board of directors, and executives
- Should be accountable to review and approve sanctions compliance program including risk assessments and risk appetite
- Should appoint designated person for effective implementation, compliance with statutory obligations, and day-to-day operations
- Should ensure sanctions compliance program is fully integrated into the organization's daily operations and is allocated adequate resources – including human capital, expertise, systems and technologies etc. as appropriate to the sanctions compliance program





# Key Considerations 2/3

## Risk Assessment

- Should be performed annually, however, should be driven by particular circumstances such as a change to the LFI's risk profile, regulatory or law enforcement advisories, or global trends in terrorism financing or proliferation financing
- Methodologies should be thoroughly developed, documented, and updated to reflect any conduct and root cause of any systemic deficiencies identified
- Outcomes of risk assessments should be integral to informing the sanctions compliance program related policies, procedures, internal controls etc. to effectively manage the identified risks

## Risk Appetite

- Should be comprehensive to reflect applicable sanctions statutory obligations as well as risk profile of the LFI
- Should be prescriptive to articulate specific approaches such as screening lists, aliases, vessels, variance tolerances to matches with country name, date or year of birth, gender etc., exclusions or suppressions
- Should be integral to informing the sanctions compliance program related policies, procedures, internal controls including screening systems' configurational parameters etc. to effectively manage the identified risks



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# Key Considerations 3/3

## Name Screening - Ownership/Control

- Sets out requirement to screen Individuals or legal entities that are directly or indirectly owned or controlled mainly or fully by one or more Listed Person
- Provides descriptive guidance on criteria to be considered for identification of ownership and control

## Sanctions Evasion

- Sets out requirement to monitor not only for sanctions violations but for red flags of potential evasion risks, and prohibit activity that aims to evade or circumvent sanctions prohibitions



# Coming up soon..

## 3 Guidance on Screening Systems

- The CBUAE will be issuing further guidance for LFIs regarding the design and implementation of sanctions screening systems and processes

## 4 Thematic Review of TFS Framework

- The CBUAE will be launching a thematic review of compliance frameworks implemented by LFIs around targeted financial sanctions





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Thank You

