



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

LAUNCH OF NEW BSD SUPERVISORY PROCESS TO TEST ADEQUACY AND EFFECTIVENESS OF SANCTIONS SCREENING SYSTEMS

NOVEMBER 18, 2019





Notice 79/2019 - Guidelines on Anti-Money Laundering and Combating the Financing of Terrorism and Illegal Organisations for Financial Institutions

10.4 Sanction Screening, Alert Management, Reporting

Manage their exposure to the risks associated with unilateral international financial sanctions programmes

FIs should take steps to ensure that they have adequate internal policies, procedures and controls

Commensurate with the nature and size of their businesses



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10.4 Sanction Screening, Alert Management, Reporting

Some of the factors to which supervised institutions should give consideration in this regard include, but are not limited to:

- **Information and operating systems, procedures and controls pertaining to customer and Business Relationship screening, alert management, escalation, and reporting** related to TFS and other international financial sanctions regimes and restrictive measures
- **Appropriate independent audit policies and testing procedures with respect to the operational and control framework for TFS** and other international financial sanctions regimes and restrictive measures



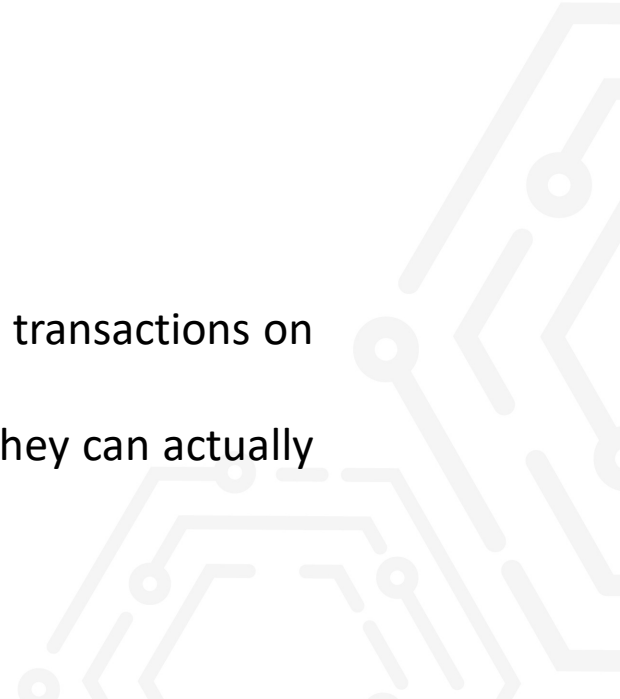
LETS TAKE STOCK – Q&A

- How many institutions do sanctions screening?
- How many of you have procured software from a leading provider?
- How many of you have IT teams that are responsible for managing this?
- Are those same IT personnel here amongst us today to gain all this expert knowledge?
- Is there proper governance around changes to the systems, matching rules and lists?
- Who has too many false positives?
- Do you have a list subscription that is periodically updated?
- Are you sure that update happens everyday?



LETS TAKE STOCK – Q&A

- How many Compliance Officers, MLCO's and Heads of Sanctions in the room?
- Do you know what fuzzy logic is?
- Can you explain to me whether it works or not?
- And how you have set your matching rules?
- Who decided and signed off on those matching rules?
- Who of you have slipped and found sanctioned names or transactions on your records?
- Have you ever tested your screening systems to check if they can actually identify all designated persons?





TRADITIONALLY SUPERVISION HAS COVERED

Aspects of
effective
sanctions risk
management

Policies and
procedures

Adequacy of
training on
sanctions for
staff

Sanctions
breaches

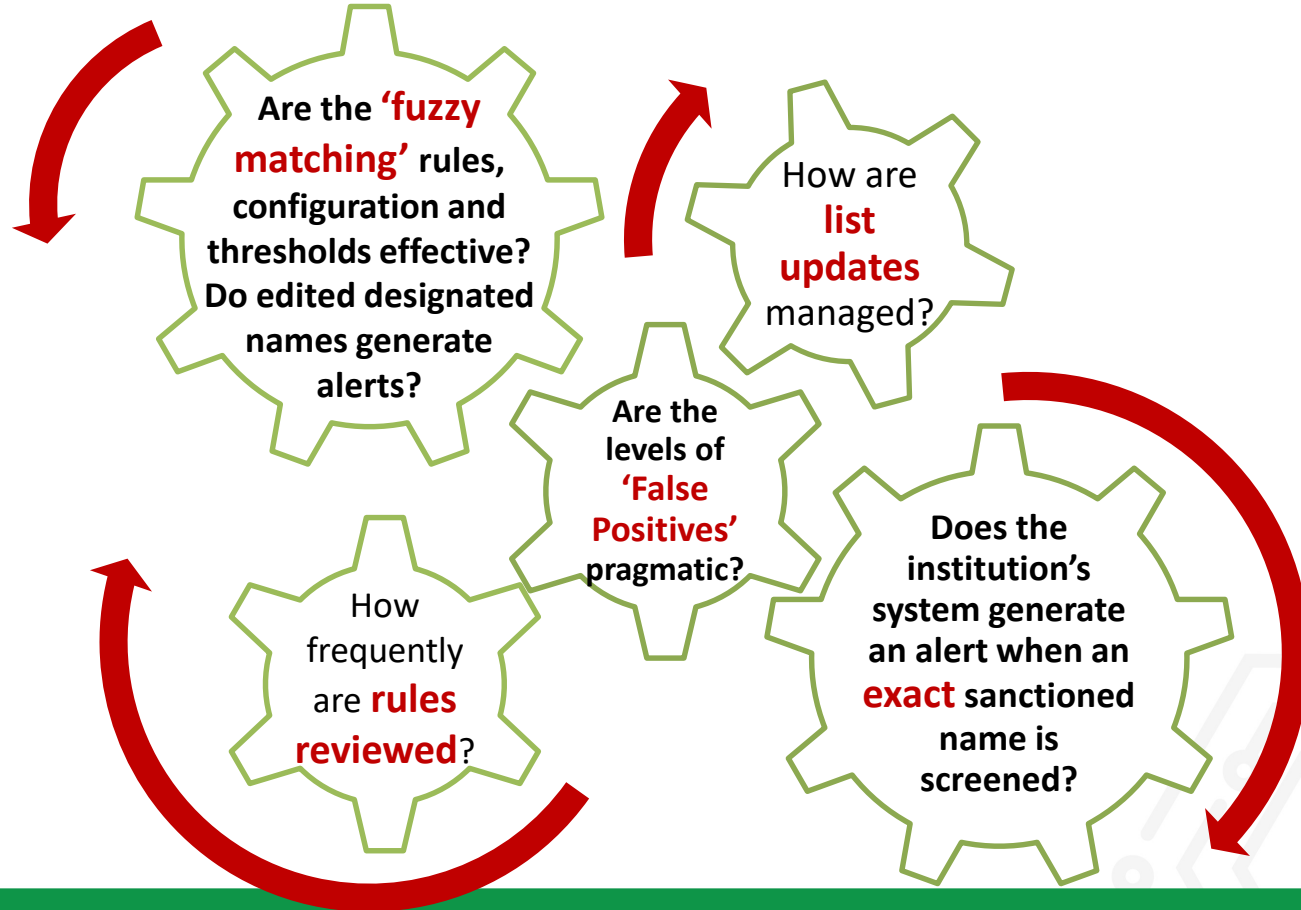
The quality of
data input/ KYC
(for
completeness
and accuracy)

The quality of the
data output (how
matches are being
investigated and
escalation handled)

Governance
around
sanctions
decision making



CBUAE AIMS TO UNDERSTAND EFFECTIVENESS AND EFFICIENCY



The aim of the CBUAE's new process is to understand the effectiveness and efficiency of each of the financial institutions' screening systems



OUTLINE OF THE SANCTIONS SCREENING TESTING SCOPE AND OBJECTIVES

- Scope: customer and transaction screening systems

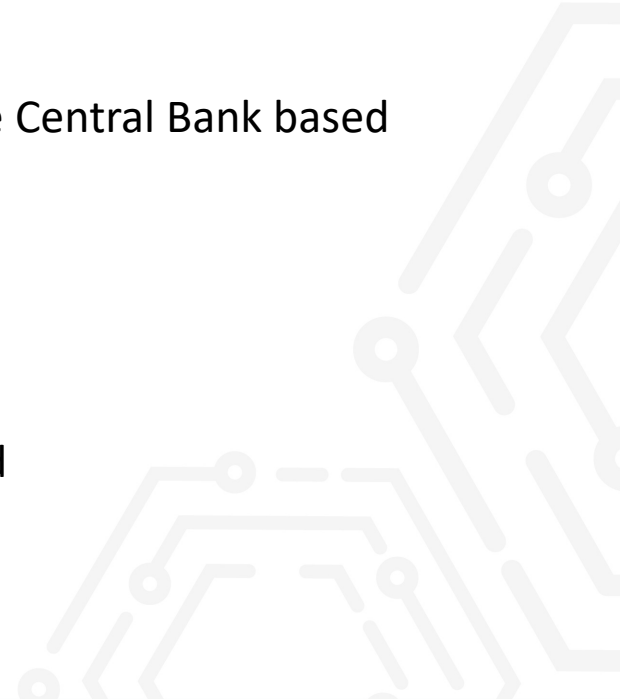
Tests will include:

- names of designated sanctions persons (copy and paste from lists)
 - edited names of designated sanctions persons (eg. Kate or Cate)
 - unsanctioned names
- A single test file containing the same data set will be used for each institution in scope
 - This will allow for peer analysis and industry comparison across the sector
 - If you have multiple screening systems..... We will test all systems
 - We will build capability to test onsite or offsite



OUTLINE OF THE SANCTIONS SCREENING TESTING SCOPE AND OBJECTIVES

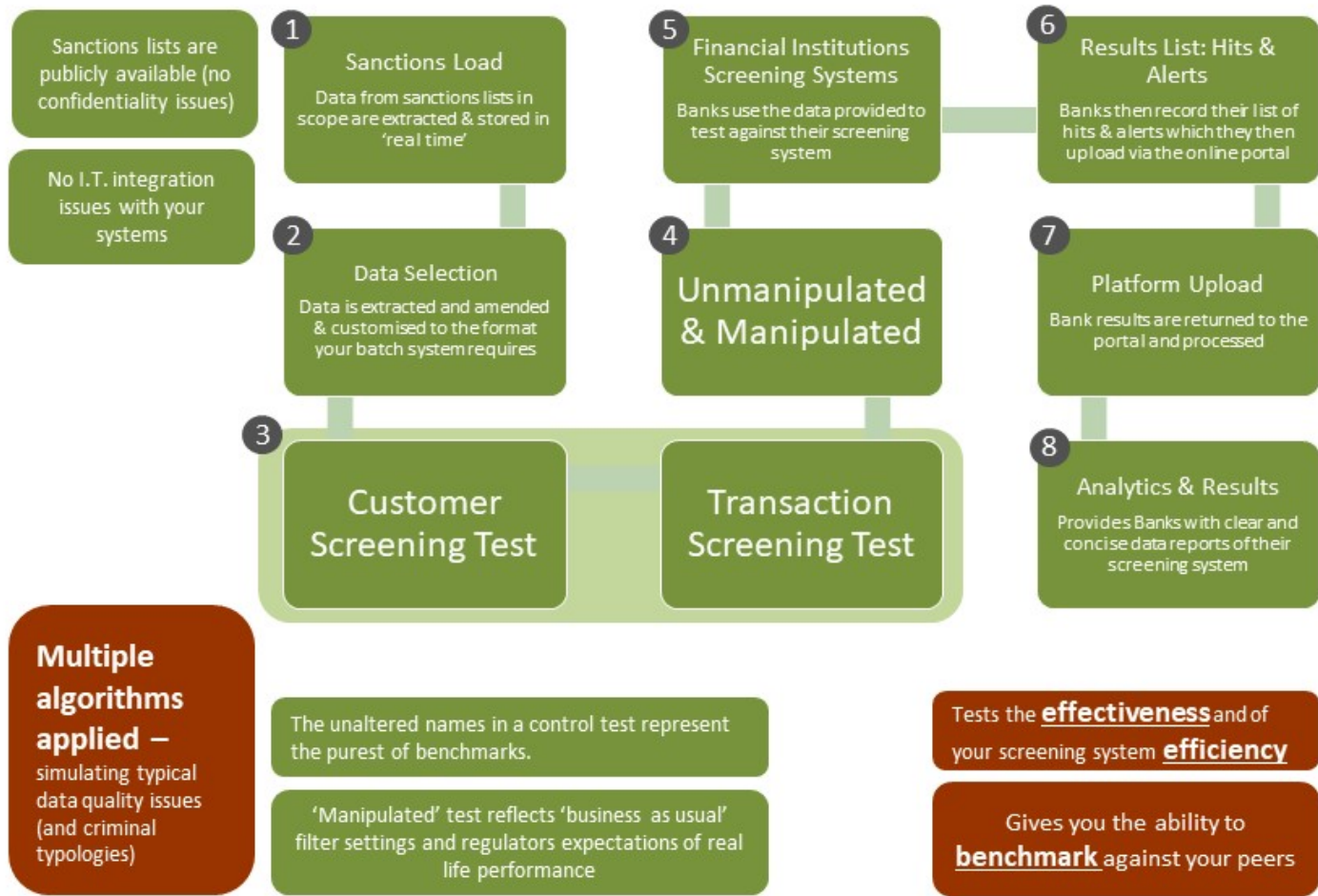
- Central Bank will deploy the test to you
- Individual feedback will be provided to institutions by The Central Bank based on testing results
- CBUAE will consider:
 - Effectiveness issues
 - Low matching capability
 - Disparity in settings where multiple systems are used
 - Weaknesses in matching rules and settings
 - Efficiency issues
 - High volumes of false positives





OUTLINE OF THE SANCTIONS SCREENING TESTING SCOPE AND OBJECTIVES

- CBUAE will deploy tests to its institutions as part of ordinary supervisory processes
- CBUAE will create single test files for multiple entities in order to build comparative peer analysis
- We may conduct thematic tests of multiple institutions simultaneously, or once off tests for a single institution





BASICS YOU SHOULD HAVE IN PLACE

- Clear and demonstrable understanding of screening system rules and configuration of the technology
- Employing and equipping staff with the skills and knowledge to support system deployment
- Clarity around ownership and accountability of risk
- Monitoring of suppression / good guy / white lists
- Monitoring levels of false positives
- Demonstrating reasoning for rules or threshold changes implemented to deal with levels of false alerts
 - In line with the institution's business requirements and risk appetite
- Institutions should be able to demonstrate a proven methodology for determining system settings and performance



NEXT STEPS

- CBUAE is finalizing its research to identify the suitable software or third party to enable this testing approach
- We plan to roll out the sanctions screening testing capability in Q1 2020
- Further details and clarity on the testing criteria, process and timelines will be communicated in due time



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ANY QUESTIONS

A graphic where the words 'ANY QUESTIONS' are formed by large, red, 3D block letters. Each letter is held up by one or more hands of various skin tones, suggesting a diverse group of people. The background is white, and the overall composition is clean and modern.