

## Guidance for Licensed Financial Institutions on the Risks Relating to Payments

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The Central Bank of the United Arab Emirates (CBUAE) issued the ‘Guidance for Licensed Financial Institutions on the Risks Relating to Payments’ which aims to assist all Licensed Financial Institutions (LFIs) with their statutory obligation under the legal and regulatory framework in force in the UAE. Below, we have identified the key takeaways from the CBUAE guidance note.

CBUAE Guidance

### Compliance Program Governance

*“(…) Payment Sector participants and LFIs providing them services should endeavor to incorporate the following considerations into the design of their governance frameworks (...) Clear allocation of AML/CFT responsibilities among LFIs. (...) Allocating responsibilities is particularly important when some LFIs involved in a payment will not form a relationship with the ultimate customer or beneficiary.”*

### Risk Assessments

*“(…) LFIs are required to identify, assess, and understand the ML/FT risks to which they are exposed and how they may be affected by those risks, (...). An appropriate risk assessment should consider all the PPS that an LFI provides, and the LFI’s direct relationships to Payment Sector participants, both domestic and foreign.”*

### Customer Due Diligence (CDD)

*“Payment Sector participants, (...) generally establish relationships with their customers rather than treat all customers as occasional or walk-in customers. In these scenarios, LFIs must perform, no matter the customer type, all the elements of CDD (...) which include customer identification and verification, beneficial owner identification, understanding of the nature of the customer’s business and purpose of the business relationship, and ongoing monitoring.”*

### Transaction Monitoring (TM)

*“in the case of extended, intermediated transaction chains such as those frequently seen in the Payment Sector, each LFI involved is ultimately responsible for monitoring all transactions processed or conducted through the LFI, using the information available to it. Although LFIs cannot outsource their responsibility to report suspicious activity, they can outsource certain aspects of transaction monitoring.”*

### Training

*“Where a payment service or product relies on the use of agents for delivery, it is critical that they are appropriately trained to recognize red flags for illicit activity, and to carry out the elements of the AML/CFT program for which they are responsible. (...) the AML/CFT training program should ensure that employees are aware of the risks of PPS, familiar with the obligations of the LFI, and equipped to apply appropriate risk-based controls.”*

How we can help

- Compliance program review design and enhancement
- Governance policy and process drafting
- Compliance program governance review and validation

- Risk assessment methodology design and enhancement
- Conducting risk assessment
- Risk assessment findings review and validation
- Risk assessment model development and automation

- CDD remediation (including AI and automation)
- Risk-based CDD process/procedures review and/or enhancement
- Omnichannel customer data management

- TM system review and gap analysis
- TM scenario optimisation
- Transaction intelligence
- Trigger event approach design
- NextGen TM tools e.g. AI, ML

*Please refer to ‘Guidance for Licensed Financial Institutions on Transaction Monitoring and Sanctions Screening’ for our additional TM value proposition.*

- Role-specific training development
- Role-specific training delivery

### Contact

**Muzi Ebrahim**

Partner

+971 52 883 5537

muebrahim@deloitte.com

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