

Guidance for Licensed Financial Institutions on Suspicious Transaction Reporting

7 June 2021

The Central Bank of the United Arab Emirates (CBUAE) issued the ‘Guidance for Licensed Financial Institutions on Suspicious Transaction Reporting’ which aims to assist all Licensed Financial Institutions (LFIs) with their statutory obligation pertaining to the prompt reporting of suspicious actions and/or transactions, on the basis of reasonable grounds, 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

Three Lines of Defense Model

“In order for a LFI’s transaction monitoring (TM) and suspicious activity reporting program to be effective, it must be based on the foundation of a sound governance structure.”

Transaction Monitoring

“A LFI’s transaction monitoring systems and manual processes should be reviewed, assessed, and revised periodically, at least annually (...). This review should include both an evaluation of transaction monitoring system thresholds and a fine tuning of the LFI’s transaction monitoring system as well as an evaluation of its effectiveness.”

Sanctions Screening

“(...) Scenarios that warrant a Suspicious Activity Report (SAR) filing include, but are not limited to:

- *The customer is the subject of material adverse media.*
- *The customer alerts as a positive sanctions match.”*

Suspicious Patterns Identification

“(...) Previous investigations can be applied to inform and refine risk models (...) to customise monitoring for different business lines and customer types. These enhancements are focused on looking beyond single transactions or single customers to identify the wider network in which a customer operates.”

Suspicious Transaction Report (STR) Filing

“LFIs are ultimately responsible (...) to report suspicious activity without delay and should seek to file STRs and SARs (...) within 35 days from alert generation. As a result, the CBUAE considers defensive STRs or SARs as indicative of an inefficient transaction monitoring system and an LFI’s weak system of internal controls.”

How We Can Help

- Compliance program review design and enhancement
- Governance policy and process drafting
- KRI definition and monitoring
- Awareness and training development and delivery

- TM system review and gap analysis
- TM scenario optimisation
- Alert investigation review and backlog clearance
- Transaction intelligence
- TM model validation

- Sanction system review and testing
- Sanction scenario optimisation
- Sanctions alert backlog clearance

- Intelligence led transaction screening
- Customer behavior analytics
- AI / Machine learning predictive and prescriptive analytics
- Risk-based customer due diligence methodology

- GoAML usage training development and delivery
- STR drafting training development and delivery

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