

Guidance for Licensed Exchange Houses

11 November 2021

The Central Bank of the United Arab Emirates (CBUAE) issued the ‘Guidance for Licensed Exchange Houses’ which aims to assist all Licensed Exchange Houses (LEH) with their statutory obligation pertaining to their efforts to manage and mitigate the Money Laundering (ML) and Financing of Terrorism (FT) risks. Below we have identified the key takeaways from the CBUAE guidance note:

CBUAE Guidance

Enterprise Wide Risk Assessment (EWRA)

“LEH must identify, assess and understand the ML/FT risks associated with their businesses and perform an enterprise-wide ML/FT risk assessment on a regular basis. It must develop a risk assessment in order to understand how and to what extent it is vulnerable to ML/FT and help determine the nature and extent of AML/Countering the Financing of Terrorism (CFT) resources necessary to mitigate and manage that risk. The risk assessment creates the basis for the LEH’s risk-based approach.”

Customer Risk Assessment (CRA)

“LEH should be able to determine whether a particular customer poses higher risk and the potential impact of any mitigating factors on that assessment. Such categorisation may be due to the occupation, behavior, or activity of customers. Accordingly, the LEH should assess the risk of key customer elements in order to generate an overall customer rating.”

Customer Due Diligence (CDD)

“The goal of the CDD process is to ensure that LEH understand who their customer is and the purpose for which the customer will use the LEH’s services. Where a LEH cannot satisfy itself that it understands a customer, then it must not accept the customer. If there is an existing business relationship, the LEH should not continue it.”

Ongoing Monitoring

“(…) LEH are required to ensure that the documents, data or information obtained under CDD measures are up-to-date and appropriate by reviewing the records, particularly those of high-risk customer categories. Ongoing monitoring allows the LEH to ensure that the exchange business is being used in accordance with the customer or relationship profile developed through Know Your Customer (KYC) during onboarding, and that transactions are normal, reasonable and legitimate.”

Training

“(…) LEH must provide comprehensive AML/CFT compliance training to all employees. The effective application of AML/CFT policies and procedures depends on the employees understanding not only of the processes they are required to follow, but also the risks these processes are designed to mitigate, and the possible consequences of those risks.”

How we can help

- EWRA methodology design and enhancement
- Conducting EWRA
- EWRA findings review and validation
- EWRA model development and automation

- CRA methodology design and enhancement
- Dynamic customer risk rating
- Risk assessment model development
- Customer profiling

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

- Policy and procedure review and enhancement
 - Intelligence led continuous monitoring and optimisation
 - Trigger event approach design
- Please refer to ‘Guidance for Licensed Financial Institutions on Suspicious Transaction Reporting’ for our additional ongoing monitoring value proposition.

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

Contact

Muzzi Ebrahim

Partner

+971 52 883 5537

muebrahim@deloitte.com

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication. Deloitte Professional Services (DIFC) Limited (DPSL) would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. DPSL accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.