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# Path to Compliance

## Anti-Money Laundering (AML) & Combatting Financing of Terrorism (CFT)

Specific to Insurance Companies & Insurance related Professions



**Badri Management  
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The global financial system is susceptible to the money laundering and terrorist financing risk. To combat against these threats countries develop legislations based on the Financial Action Task Force (‘FATF’) recommendations and better industry practices. Accordingly, on the basis of the legislations issued by the government, supervisory authorities develop the regulations with an expectation that all the companies regulated by them shall demonstrate full compliance with the regulations.

## About this document

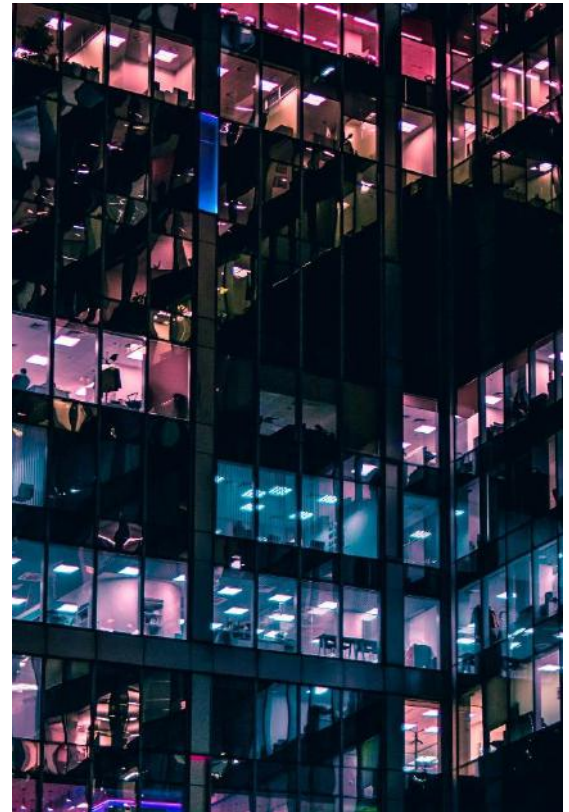
This document aims to provide high level overview of the AML requirements applicable to insurance companies and related professions within the UAE.

To ensure compliance with the requirements, insurance companies and related insurance businesses are required to establish a robust framework to combat against financial crime risk which is defined in the Cabinet Resolution No. 10 of 2019 (‘the Resolution’) for the Financial Institutions (FI) and Designated Non-Financial Business Providers (DNFBPs).

This paper is specific to insurance companies and insurance related professions. However, where relevant articles of the applicable laws are referred in this paper it is deemed that its applicability is on all FIs and DNFBPs in accordance with the scope defined in the Resolution.

We have only provided a synopsis/ brief summary of various articles of the applicable laws. Further, as per our understanding of the referred articles we have also set out implementation guidance notes and how practically such guidance can be adopted.

*Details regarding the key requirement and relevant guidance with regards to the Cabinet Resolution No. 10 of 2019 are set out in later slides.*



### Key AML / CFT Laws within UAE

- Federal Decree-Law No. (20) of 2018 concerning AML and Combatting Financing of Terrorism and Financing of Illicit Organizations.
- Cabinet Resolution No. (10) of 2019 Concerning the Implementation Regulation of the Federal Decree No. (20) of 2018 on AML and CFT and Financing of Illicit Organizations.
- Federal Cabinet Resolution No. (20) of 2019 on Terrorist Lists Regulations and Implementation of UN Resolutions concerning Preventing and Suppressing Terrorism and its Funding and Preventing Arming and its funding and the Related Decisions.
- Federal Law No. 7 of 2014 regarding Combatting Terrorist Crimes.

In accordance with the Circular No. (10) of 2019, all the financial institutions and DNFBPs are required to have a robust AML framework to combat against the financial crime risk. Based on this, we have highlighted the key requirements along with our guidance notes which may help the companies to ensure compliance with the requirements:

## Enterprise AML Risk Assessment

Requirement	Implementation Guidance
<p>As per the Article 16 of the Federal Decree No. (20) of 2018 and Article 4 of the Cabinet Resolution No. (10) of 2019, the Financial Institutions and DNFBPs are required to perform an Enterprise AML business risk assessment to identify, assess and understand the financial crime risk in accordance with their nature, size and scope of operations.</p>	<p>To comply with the requirements, insurance companies and insurance related professions should conduct a periodic financial crime risk assessment to identify, evaluate and respond to the risk of money laundering and terrorist financing risk in relation to their business.</p> <p>This assessment exercise should cover insurance products and services offered by the companies’, customers, geographic location, delivery channels, transactions and use of new technologies. As per the requirements, the regulator expects a detailed exercise where inherent risk are identified by the management along with the existing controls to measure residual risk and accordingly devise procedures for the treatment of residual risk.</p> <p>The management should also ensure that the risk assessment document should at least be updated on annual basis and depicts the most recent operations and practices of company.</p>

## Policies & Procedures

Requirement	Implementation Guidance
<p>As per the Article 20 of the Cabinet Resolution No. (10) of 2019, the FIs and DNFBPs should develop internal policies, procedures and controls to combat financing crime risk.</p>	<p>For an effective AML framework, insurance companies and related insurance professions should have well-documented policies and procedures in line with the requirements which can provide the guidance to the employees for demonstrating compliance with the regulations.</p> <p>As per the better corporate governance principles, the policy should be approved by the Board and accordingly procedures should be devised by the management to ensure that Board approved policies are complied in the day to day operation.</p>

## Appointment of Compliance Officer

### Requirement

As per the Article 21 of the Cabinet Resolution No. (10) of 2019, the FIs and DNFBPs are required to appoint a Compliance Officer. The person should have adequate competencies and experience to perform the task pertaining to financial crime prevention.

### Implementation Guidance

To comply with the requirement the insurance companies and insurance related professions should appoint an independent senior level person having adequate knowledge and experience to establish a robust financial crime framework across the company which includes development of policies and procedures in line with the local directives and better practices, system implementation, transaction monitoring system to detect potential fraudulent transactions, review and evaluate Suspicious Transaction/ Activity Reports and forward the reports to Financial Intelligence Unit ('FIU'). Also, develop AML & CFT work programs and create AML & CFT awareness across the organization and liaison with the Insurance Authority and FIU.

## Customer Due Diligence

### Requirement

As per the Article 5 of Cabinet Decision No. 10 of 2019, FIs and DNFBPs are required to undertake the Customer Due Diligence procedures to verify the identity of the customers and the Beneficial Owners before establishing a business relationship.

### Implementation Guidance

Relevant organizations should devise policy and procedure to conduct customer due diligence. The policy should provide the details of Simplified Due Diligence, Enhanced Due Diligence and On-going Due Diligence along with the details of its periodicity. As per the requirement, the insurance companies and related insurance professions are required to conduct the due-diligence and also based on the simplified due diligence result they will assess the need of enhanced due diligence and subsequently decide the timing of on-going due diligence in line with its policy. In addition to this, the companies should have adequate arrangements to conduct background screenings to identify that customer does not have any criminal history and in case of PEPs or high-risk classifications conducts the enhanced due diligence procedures.

### Third Party Due Diligence

Requirement	Implementation Guidance
<p>As per the Article 19 of Cabinet Decision No. 10 of 2019, the FIs and DNFBPs can rely on the third party to undertake the CDD measures as defined in the Customer Due Diligence Section of the Resolution. The Resolution also states that FIs and DNFBPs shall be responsible to obtain and validate such information.</p>	<p>Organizations should perform detailed exercise to assess the channels and arrangements from where clients are referred to them and whether they are relying on such arrangements and channels for CDD measures.</p> <p>Based on our understanding of the existing practices, we have observed many insurance companies are relying on the CDD arrangements and information obtained by them from insurance broker and/ or insurance agents. We understand that as per the requirements of the Resolution, the insurance company should also obtain such information from their brokers/ agents and also validates such information to ensure the accuracy of information received from them and if any further information is required to complete the CDD they should obtain such information.</p>

### Suspicious Activity Reporting / Suspicious Transactions Reporting

Requirement	Implementation Guidance
<p>As per the Article 17 of Cabinet Decision No. 10 of 2019, FI's and DNFBP's should deploy procedures to comply with the STR requirements. The procedures should be well defined and communicated to all employees so that in the event of any incident such activity should be timely reported to authorities.</p>	<p>As per the requirement pertaining to the reporting of STR, all insurance companies and related insurance professions are required to register their account on GoAML portal. This portal is developed by the United Nations Office on Drugs and Crime to curb organised crimes. This GoAML portal will help the Financial Information Unit (FIU –an independent unit within the central bank) to prevent money laundering, financing terrorism and illicit financial activities. The FIU will use this platform to gather and analyse intelligence submitted by reporting entities which will be later disseminated to law enforcement agencies.</p>

## Tipping Off

### Requirement

As per the Article 18 of Cabinet Decision No. 10 of 2019, FIs and DNFBPs shall not disclose directly or indirectly any information to the client that is reported to Authorities.

### Implementation Guidance

As per the requirements, in case of any reportable information of customers or potential customers to the Authorities, companies shall ensure that such information shall not be shared with the client/ any other party directly or indirectly. This act may be considered as tipping-off which is a serious offense. In case of any involvement of funds/ transactions companies should have procedures to vigilantly act to manage the situation and Compliance Officer should always be aware of such situation and circulation of such information internally should also be limited. Further, Compliance Officer should ensure that all the employees are aware of the tipping-off condition and must not be involved in any situation that may arise the risk.

## Periodic Reporting

### Requirement

As per the Insurance Authority Decision No. 19 of 2020 “Concerning the Guidance Manual for Insurance Companies And Related Insurance Professions to Submitting the Data Information & Supervisory Reports”, the Compliance Officer shall be responsible to provide the periodic compliance reports to the Insurance Authority along with the Suspicious Activity Reporting and Suspicious Transaction Reporting on periodic basis.

Also, with respect to regulatory reporting in accordance with the above stated decision, Compliance Officer shall be responsible to liaison with the respective departments and teams to ensure timely submission of reports/ information to the regulator.

### Implementation Guidance

Organizations are required to provide various reports to the insurance authorities which includes annual audited financial statements, self-assessment forms, annual governance report, internal audit reports, risk management reports and semi-annual compliance reports.

As per the requirements, the Compliance Officer is required to submit the bi-annual self-assessment report by 15 August and annual self-assessment report by 15 February of the following year.

During the self-assessment exercise, the Compliance Officer is required to carry out the fair assessment of the over AML framework of the Company, as statutory auditors are required to submit an independent AML report to the insurance authorities along with the audited financial statements.

## New Products & Technologies

Requirement	Implementation Guidance
<p>As per the Article 23 of the Cabinet Resolution No. 10 of 2019, the FIs and DNFBPs are required to identify and assess the risks of money laundering and terrorist financing pertaining to new products and new or under-developed technologies.</p>	<p>To comply with the requirements, the senior management and Compliance Officer should identify the inherent risk of money laundering and terrorist financing that may arise due to introduction of new products and technologies offer by the company.</p> <p>The Compliance Officer should conduct the detailed assessment to identify the inherent risk and accordingly devise controls to manage such risk and also during the periodic review such risk should be assessed to ensure identified risk is adequately treated.</p>

## Record Retention

Requirement	Implementation Guidance
<p>As per the Article 24 of the Cabinet Resolution No. 10 of 2019, the FIs and DNFBPs are required to maintain the records of all the necessary information for at least 5 years from the date of completion of transaction or termination of business relationship with the customer.</p>	<p>The formal procedures should also be documented and approved by the senior management to ensure that an adequate practice is put in place. The management should also ensure that electronic copies should also be maintained which can easily be retrieved at the time of need.</p>



## Path to Compliance

**Risk-based AML Framework** – Devise a risk-based approach to deploy AML and terrorist financing risk framework across the company.

**Policies and procedures** – adequate policies and procedures should be made available that can provide the policy statement of the Board, roles and responsibilities of the senior management, departments and all employees that can demonstrate the details of task to prevent applicable AML / CFT Compliance risks.

**Due diligence procedures** – an effective AML framework requires adequate due-diligence procedures where procedures should be well-defined to perform simplified due-diligence, enhanced due-diligence and on-going monitoring.

**Systems and controls** – the insurance companies and related insurance professionals should implement effective systems that can help them to conduct due-diligence on risk based approach and



also help them to conduct the screenings as per the United Nations Security Council “UNSC” consolidated list and UAE National list.

**Compliance Officer** – an independent senior resource having adequate knowledge and experience of regulatory compliance and AML requirements should be assigned by the insurance companies and related insurance professionals who will assist the company to devise adequate controls and liaison with the regulators and external stakeholders.

**Compliance Monitoring Program** – a detailed compliance monitoring plan should be developed by the Compliance Officer in accordance with UAE Insurance Authority reporting requirements. The plan should provide reporting due dates and person responsible to complete the respective task.

**Training & Awareness** – Regular and customized training & awareness sessions should be held for the staff.







## About Limitless Consulting

Limitless Consulting was established in 2018 in UAE. The extensive international and local knowledge of the promoters through the years has supported the development of their service reputation for providing a distinctive client service to its local, national and international client base.

## About Badri Management Consultancy

Founded in 2014, Badri Management Consultancy is one of the fastest growing boutique actuarial consulting firms in the MENA Region.

## Our Partnership

In order to expand our service offering in the rapidly changing landscape, Badri Management Consultancy and Limitless Consulting FZ LLC have signed a Memorandum in October 2020 to offer range of services

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## HOW WE CAN HELP

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