

FINCRIME COMPLIANCE SERIES: Q2 2023 – EVENT WRAP-UP REPORT



Q2 2023: The inaugural FinCrime Compliance Series hosted by the ADGM Academy Research Centre brought together the UAE's financial crime compliance ecosystem including government, banks, regulators, academics, training providers, consultants, technology providers and more. The event, the first in a regular series, aims to discuss common challenges and identify solutions to help make the UAE financial sector stronger and safer.

UAE FEDERAL OVERVIEW

To open the event Mr. Mohammed Shalo, Director of Communications and Strategic Partnerships at the Executive Office of Anti-Money Laundering and Counter Terrorism Financing (EO AML/CTF) and Chairman of UAE AML/CFT PPP Committee, gave a speech that set the scene for the afternoon. Mr. Shalo outlined the progress achieved by the UAE following the grey listing of the country by the Financial Action Task Force (FATF) as a jurisdiction under increased monitoring. Mr Shalo drew attention to the historic challenges presented by gaps in the national AML/CFT system due to the large number of different agencies involved in AML (anti-money laundering). He explained how the EO AMCTF's established in 2021 has strengthened the national system by increasing domestic coordination, introducing new policies, and providing a focal point for international and national partners. In addressing the issues faced by the UAE today, Mr. Shalo emphasized three key messages.

First, he outlined the significant capacity and capability building that has been undertaken to ensure that the UAE has a robust framework to counter AML. He outlined how a vision to be a world leading jurisdiction for AML/CFT sets the direction for a national strategy and action plan that not only meet the requirements of FATF but go beyond and creates long term and sustainable capabilities. As a result, he highlighted how the UAE now has the 3rd highest

confiscation rate as a percentage of estimated financial crime in the world according to research by the Global Coalition for the Fight Against Financial crime and is 5th for convictions. Second, he made it clear that the UAE was serious in its desire to meet the challenge. Of the 63 original actions identified from the FATF report, just 5 remained in requirement for further progress, with a clear plan in place to address them. To achieve this, Mr. Shalo finished by outlining the value of maintaining effective AML measures and advocated that public and private partnerships (PPP) are key to this. He highlighted how newly established committees, and events such as the FinCrime Compliance series, are a useful method to breakdown walls, help change culture and enhance engagement and cooperation within public and private partnerships. To conclude, Mr Shalo made a call to action to participants, explaining that the only way to truly be effective when fighting financial crime is through coalitions and partnerships that facilitate the sharing of expertise, best practice, and knowledge. He invited participants to engage with the EO AML/CTF through the UAE's PPP Sub Committee, through partnerships such as Memorandums of Understand (MoUs), and other means.

FINCRIME COMPLIANCE PROBLEM STATEMENTS

To set the scene, Dr. Eric Halford, Associate Researcher, Assistant Professor, Policing and Security Studies, Rabdan Academy, discussed the importance of remaining focused on the victims of FinCrime, and emphasized the need to concentrate on how, and what, stakeholders focused their efforts on to ensure their organisations remained equipped to do so. Dr. Halford highlighted how experiences in a variety of sectors all led to the same conclusion; that investing in employees and collaborative partnerships pay real world dividends in improving the capability of organisations, including those involved in fighting FinCrime. To achieve this, he advocated for greater research on the problems facing stakeholders within FinCrime, and more training for their employees.

The scene setting from Dr. Halford led to the main aim of his presentation, which was gathering the views of practitioners from both public and private sector entities regarding their research and training requirements in the area of FinCrime. To achieve this, he used a digital, interactive poll enabling attendees to answer three key questions.

First, how can academic and vocational experts assist the financial sector to tackle FinCrime?

In response to this issue, several clear themes that emerged. Most prominent was the desire for greater training, research, and knowledge sharing. Underpinning this was a clear desire for closer collaboration, both formally, and informally. Specifically, the need for practical guidance, and tools to help implement regulatory requirements was highlighted. One respondent identified this as “thought-ware”, which they described as real-world examples, or case studies, of FinCrime, for services that are specific to the financial crime risks evident in the UAE. They also highlighted the need for these to be clearly linked to the relevant laws and regulations of the country. In addition, access to, and awareness of effective, root cause, problem solving techniques is required, as financial institutions (FIs) do not always have knowledge of, or appropriate mechanisms to ensure focus is placed on addressing such issues.

Second, what are the most pressing questions stakeholders need answering, that you feel academic research can assist you with?

Respondents provided a wide array of research questions that they felt they would benefit from assistance in exploring:

- Research assisting FIs to develop typology assessments, specifically:

- The common typologies of fraud in the UAE
- The key indicators of terrorist financing in the UAE, and the groups that are active in the region
- Examining the creation of financial intelligence reports by exploiting customer and transactional data
- Identifying the key risks presented by virtual assets and decentralized finance (DeFi)
- Exploring risk mitigation, including how to avoid FinCrime and create sustainable solutions
- How can FIs leverage artificial intelligence to combat money laundering, specifically, by creating financial intelligence reports from exploiting customer and transactional data to prevent cybercrime?
- What works in terms of incentivizing FIs to more effectively respond to FinCrime risk?
- How can the private sector improve its application of technology to improve prevention?
- How can FIs access and manage data held by law enforcement authorities to improve their internal investigations to identify ML and FinCrime?
- What proportion of financial crime that takes place (and is investigated) is actually reported?
- How can technology be used to identify the criminal relationships and networks of money mules?
- How can we safely and securely share data between financial institutions, law enforcement and government to find and prevent fraud?
 - How can we do this domestically and globally?

Third, what are the most pressing training needs that stakeholders feel academic and vocational experts can assist them with?

The final question of the poll focused on training. The responses were varied and showed the significant appetite for increased vocational training across all FIs. Specific areas that further training was requested for included:

- Training on guidelines, standard operating procedures and methodologies for identifying and reporting to the FIU.
- Modern slavery and human trafficking.
- Training on how FIs can better interrogate data within and across the organization.
- Training on innovative techniques of AML compliance, including regulatory reporting, preventative measures, and identification of financial crimes.
- International and UAE financial compliance.
- Suspicious transaction and activity reports.
- The role of compliance officers, specifically, their responsibilities beyond reporting a suspicious case to the FIU.
- Generic cyber-crime training.
- Training that uses case studies and FinCrime scenarios relevant to their roles.
- A Master's degree program in financial crime compliance.
- How to meet regulatory requirements, for example, an illegal wildlife trade training toolkit.
- Training on the latest technology and innovations in AML/CFT, such as artificial intelligence and machine learning, blockchain, and digital identity verification.
- Suspicious transactions reporting in respect of virtual assets.

- Training that assists in ‘raising the bar’ by improving the generic standards of training within FIs to ensure that organisations achieve a benchmark which would assist the institution to tackle FinCrime effectively.

As a result of these polls, ADGM Academy Research Centre and their partners at Rabdan Academy and K2 Integrity will be considering how they can identify both capacity and capability to provide the requirements set out by industry.

UAE FINANCIAL SECTOR TRAINING NEEDS

During the third session of the seminar, Mr. Richard Hills, Managing Director at K2 Integrity, and Mr. Yasin Bhatti, Associate Director of Talent & Knowledge Development at ADGM Academy, engaged in a discussion on several key issues related to training, digital transformation, and public-private partnerships (PPPs) within the realm of financial crime compliance (FinCrime).

One significant point raised during the conversation was the challenge faced by institutions in the financial and FinCrime compliance sectors when it comes to creating and delivering training. Despite having highly qualified and experienced professionals, these institutions are often constrained in providing comprehensive training due to operational demands and training budgets. This underscores the need to address this issue and find solutions.

Digital transformation was identified as an opportunity for addressing some of the challenges in FinCrime compliance, but the introduction of new technologies is often found to be disruptive to the digital culture of organization, creating new training and development needs. It was emphasized that while introducing new technologies, it is crucial to consider the "people" element. Often, companies invest time and resources in developing new technology or software without fully understanding how people will interact with these innovations. This oversight can lead to implementation failures. Therefore, it was highlighted that careful consideration of the impact on people and their interaction with digital technology is essential for successful implementation.

Companies need to ensure that today’s training requirements also identify the needs for tomorrow. As process’ and technology are changing at such a rapid pace, training should not become obsolete, but part of the ongoing development plan for all individuals within an organisation. The UAE government mandate is to ensure digital learning is part of school (and beyond) curriculums in the ever-evolving lifelong learning journey plan. Children of tomorrow in the region will learn three languages - Arabic, English and coding - ensuring that whatever technology mandates are addressed, they will have the capability to meet them.

The discussion also highlighted the importance of public-private partnerships (PPPs) in overcoming industry challenges. Participants argued that businesses, governments, and academia should recognize their shared responsibility and collaborate to address these challenges. Breaking down traditional barriers and working together is key. Moreover, it was suggested that financial literacy should be prioritized at an earlier age, enabling preventive measures to be ingrained in society. There is also a case to be made for the development of technology that can benefit both public and private sectors of the financial industry by improving the exchange of information across traditional data boundaries, such as federated machine learning.

To conclude the session, the audience was asked to propose success factors for improving the response to FinCrime compliance. The suggestions included trust, relationships, openness, and effective legal frameworks, emphasizing their significance for future success.

Overall, the session shed light on the need to prioritize training, consider the human aspect in technology implementation, foster collaboration through PPPs, and emphasize vital factors such as trust and effective legal frameworks to enhance the response to financial crime.

INCREASING COMPLEXITY OF SANCTIONS COMPLIANCE

A Chief Financial Sanctions Officer from a large international bank presented on the present challenges FIs faced in respect of imposing government sanctions. He described how he was yet to see a piece of new technology that “a nefarious person could not defeat”. As a result, he concurred with other presenters by emphasizing the importance of staff training, which he accepted remained a huge issue for FIs, despite what could be argued to be a seemingly limitless budget to support it.

In describing the challenges that FIs face today, a number of key priorities were outlined. First, the pace and scope of sanctions imposed upon Russia was outlined, as this was creating significant challenges. Most notable is the difficulty faced in screening the large number of financial transactions. Secondly, the issue of transaction volume is compounded by a lack of clarity and consistency between states regarding the nature of their sanctions, creating significant conflicts in laws. As a result, it is increasingly common for FIs to be obligated to act in one way by one nation, but not obligated by a second. This vagueness is further accentuated by the absence of information on the tangible action required by banks, such as transaction screening, which again, is mandated by some nations but not others. This is especially complicated when sanctions are placed upon industries, and not just individuals or organisations. The consequence of these issues is that it creates a significant mismatch between expectations and reality in the application of financial sanctions, creating an ever-increasing need for closer liaison between public and private FIs to ensure requirements can be met. The third issue is investigatory, highlighting that the ever-changing nature and scope of sanctions, along with the increasing volume, meant that there was no longer room for lengthy investigations. This presents significant potential issues, both legally, and ethically, as the speed of imposition of sanctions creates a new set of problems for FIs to respond to.

A REGULATOR’S PERSPECTIVE

The final session of the conference was delivered by Maha AL Bejairmi, Associate Director - Financial & Cyber Crime Prevention (Tax), ADGM Financial Services Regulatory Authority (FSRA), who described the issues presented by the changing nature of FinCrime. Echoing the themes of the day Ms. AL Bejairmi outlined how FinCrime Compliance is constantly evolving, creating difficulty for regulatory bodies. She stressed that although coordination has been strengthened, improvement needs to remain continuous.

Ms. AL Bejairmi outlined the issues government regulators are facing including complexities in monitoring commercial free zones, and virtual assets, which are the ‘new kids on the block’, are creating significant challenges. A further issue that underpinned the need for better training on the subject, was the low quality of suspicious activity reports (SARs) generated within the FIs. In addition, Ms. AL Bejairmi shared her awareness of the difficulties faced by private sectors in meeting regulatory changes, and further supported what earlier speakers had outlined, that there is a general lack of knowledge and awareness of FinCrime within

many sectors. Ms. Al Bejairmi emphasized the significance of the Financial & Cyber Crime Prevention Department (FCCPD) initiatives in promoting financial stability both at the UAE level and internally. She provided an overview of the initiatives undertaken by the FCCPD to strengthen its Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) framework, including Introducing a comprehensive risk-based approach to AML/CFT supervision, establishing a dedicated AML/CFT supervisory team to conduct on-site examinations, requiring regulated institutions to adopt enhanced measures for high-risk clients and transactions, and offering tailored training and guidance to regulated institutions.

CONCLUSION AND WAY FORWARD

The first FinCrime Compliance Series event was a great success, bringing together different organisations involved in the fight against financial crime. Discussions clearly highlighted the obvious importance of collaboration across the financial sector. The sector welcomes (and in many cases desperately needs) training and research insights supporting greater use of modern technologies, understanding new regulations, better utilization of data while complying with data privacy laws, and the impact of virtual assets, to name but a few.

We are on a continuous journey, and it is only together that we will continue to be stronger.

Our thanks to our event partners and all those who participated, including the Executive Office of Anti-Money Laundering and Counter Terrorism Financing (EO AML/CTF), Rabdan Academy, K2 Integrity and ADGM FSRA.

Look out for more FinCrime Compliance Series events later in the year.

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