

Guidance for Licensed Financial Institutions Providing Services to Registered Hawala Providers

15 August 2021

The Central Bank of the United Arab Emirates (CBUAE) issued the 'Guidance for Licensed Financial Institutions Providing Services to Registered Hawala Providers' which aims to assist all Registered Hawala Providers (RHPs) and Licensed Financial Institutions (LFIs) with their statutory obligation pertaining to their efforts to manage and mitigate the Money Laundering (ML) and Financing of Terrorism (FT) risks posed by that providing accounts or financial services to RHP. Below we have identified the key takeaways, pertaining to LFIs only, from the CBUAE guidance note:

CBUAE Guidance

Customer Due Diligence (CDD)

"For all customer types [including RHPs], LFIs are required to understand the purpose for which the account or other financial services will be used, and the nature of the customer's business. This element of CDD will have important implications for the customer risk rating. This is particularly true of the purpose of the account, which will likely be an essential determinant of risk for hawala provider customers."

Customer Risk Assessment

"The LFI should assess the risk of each customer to identify those that require EDD and to support its entity risk assessment. (...) [LFIs should consider] the regulatory environment and illicit finance risks in the jurisdictions in which they do business, the products and services they provide and its customer base, are critical determinants of a hawala provider's inherent risk. In assessing the risks of a hawala provider customer (...)"

Enterprise-Wide Risk Assessment

"(...) the enterprise risk assessment should reflect the presence of higher-risk customers, including hawala providers, in an LFI's customer base. These assessments should in turn be reflected in the LFI's inherent risk rating. In addition, the LFI's controls risk assessment should take into consideration the strength of the controls that the LFI has in place to mitigate the risks posed by its hawala providers customers, including the preventive measures (...)"

Transaction Monitoring (TM)

"The transaction monitoring system used by LFIs should also be equipped to identify RHPs that are using the LFI's accounts to conduct their business and to move funds on behalf of customers while attempting to conceal this activity from the LFI."

Ongoing Monitoring

"Ongoing monitoring is particularly important in the context of business relationships with hawala providers, where the risks these relationships create for the LFI can change significantly based on the hawala provider's business activities. LFIs are required to ensure that the CDD information they hold on all customers is accurate, complete, and up-to-date."

How we can help

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

- Customer risk assessment methodology design and enhancement
- Dynamic customer risk rating
- Risk assessment model development
- Training development and delivery

- Enterprise risk assessment methodology design and enhancement
- Conducting enterprise risk Assessments
- Training development and delivery

- TM system review and gap analysis
- Intelligence led transaction screening
- TM scenario optimisation
- Alert investigation review and backlog clearance
- TM model validation

- 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.

Contact

Muzzi Ebrahim

Partner

+971 52 883 5537

muebrahim@deloitte.com

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