

Term of the Month

Pass-Through Sanctions Risk

The incorrect assumption is that the sanctions risks associated with a customer's affiliates or subsidiaries are simply a problem for the customer to assess and manage. Regulators in the United Kingdom and the United States require all parties within a transaction chain to check for possible sanctions risks. Financial institutions need to ask for and review information about a customer's affiliates and subsidiaries.

News Update

IntelleWings was a technology Partner at an event titled Customer Risk Assessment (CRA) For Exchange Houses and Corporate Service Providers, which was organized by AMLTool.com in Dubai on Saturday, 21st January 2023. Two corporate leaders were invited: Ms. Francesca D'Souza, Group Head of Finance House, spoke about Customer Risk Assessment (CRA) for Exchange Houses and Ms. Maansi Garg, the Founder of FinTax Consultants, spoke at the event and addressed CRA for Corporate Service Providers.

News from the AML world

[UK watchdog fines Guaranty Trust bank over money-laundering controls](#)

Britain's financial watchdog has fined the UK subsidiary of Nigeria's Guaranty Trust Bank 7.6 million pounds (\$9.3 million) for what it said were further failures in its anti-money laundering systems and controls. The Financial Conduct Authority (FCA) said it found "serious weaknesses" in systems aimed at preventing money laundering between October 2014 and July 2019." During the relevant period, GT Bank failed to undertake adequate customer risk assessments, often not assessing or documenting the money laundering risks posed by its customers," the FCA said in a statement. These weaknesses were repeatedly highlighted to GT Bank by internal and external sources, including the FCA, but GT Bank failed to take appropriate action to fix them, the watchdog said. Gbenga Alade, managing director of GT Bank UK, said the bank takes its anti-money laundering obligations extremely seriously and noted the FCA's findings with sincere regret, adding that the FCA found no instances of suspected money laundering.

[Pressure mounts on Kinahan cartel as EU places UAE on money-laundering 'blacklist'](#)

The Kinahan cartel's days in the sun appear to be drawing to a close after the EU placed the United Arab Emirates (UAE) on a money-laundering 'blacklist'. The European Commission added the Gulf State to its register of countries considered high risk for money laundering and terrorist financing. The move was announced by EU financial services commissioner Mairead McGuinness, who said the EU is targeting countries that have "deficiencies in their anti-money laundering and anti-terrorist financing frameworks". The rules impose severe restrictions on any financial dealings between individuals or businesses in the Middle Eastern country and the EU. The move comes after months of political pressure to stop criminals such as Christopher Kinahan Sr and his sons Daniel and Christy Jr using the tax haven. The extent of the Kinahans' business dealings in the desert kingdom was laid bare when it was announced they were being sanctioned by the US Office of Foreign Asset Control.

[Global anti-money laundering fines surge 50%](#)

Global fines for failing to prevent money laundering and other financial crime surged more than 50 percent last year, fueling warnings that such penalties are not curbing the behavior and systems flaws that allow criminals to channel money through the global financial system. Banks and other financial institutions were fined almost \$5bn for "anti-money laundering" infractions, breaching sanctions, and failings in their "know your customer" systems in 2022, bringing the total since the global financial crisis to almost \$55bn, data from compliance firm Fenargo shows.

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[UAE Proliferation Financing Task Force convenes first meeting](#)

The UAE Proliferation Financing Task Force convened for the first time in Abu Dhabi, chaired by the Executive Office of Anti-Money Laundering and Countering the Financing of Terrorism (EO AML/CFT), with 18 federal and local entities including law enforcement and supervisory authorities in attendance. The Proliferation Financing Task Force is part of an initiative to enhance the national compliance framework, with a particular focus on proliferation financing. The Task Force has five pillars focused on its strategic objectives: technical and national capacity building; enhanced proliferation financing coordination and cooperation; effective use of the FAWRI TICK system; expedited proliferation financing investigations; and the creation of typologies and case studies showcasing national efforts to combat proliferation financing.

[Dutch Banks introduce new fees as AML/CFT Compliance costs increase](#)

The Netherlands is facing new financial challenges as banks are introducing fees to cover costs associated with anti-money laundering and combatting terrorist financing (AML/CFT) compliance. In the Netherlands, financial institutions including ABN Amro, ING, SNS, and Rabobank are imposing additional banking fees on companies, foundations, and churches to cover the expenses of money laundering investigations. The banks claim that the monthly charge is necessary to fund the extra measures they must take to detect money laundering and terrorism financing. A report by McKinsey for the Dutch payment association estimated that money laundering checks cost banks over €700 million per year. As banks bear the brunt of the cost of preventing money laundering, it's becoming increasingly important to understand why these fees are necessary and how they will affect the banking industry in the Netherlands.

[FCA fines bank £7.6 million for anti-money laundering failures](#)

The FCA has fined Guaranty Trust Bank (UK) £7,671,800 for "serious weaknesses" in its anti-money laundering (AML) systems and controls between October 2014 and July 2019. Guaranty Trust is a multinational financial services group, that offers retail and investment banking, pension management, asset management, and payments services, headquartered in Lagos, Nigeria. The FCA says GT Bank failed to undertake adequate customer risk assessments, often not assessing or documenting the money laundering risks posed by its customers. The bank also failed to monitor customer transactions and business relationships to the required standard. These weaknesses were repeatedly highlighted to GT Bank by internal and external sources, including the FCA, but despite this, GT Bank failed to take appropriate action to fix them.

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[Dubai's DFSA slams fines on firms for repeated money laundering breaches](#)

The Dubai Financial Services Authority (DFSA) has imposed fines of \$14,000 on two companies for lapses related to anti-money laundering (AML) regulations. The two unidentified businesses have been asked to pay financial penalties of \$5,600 and \$8,400, respectively, for their “repeated” failure to submit annual AML returns despite several reminders. “The DFSA expects all authorized firms to submit AML returns within the set deadlines and will look to escalate fines against recalcitrant firms,” said Ian Johnston, CEO of DFSA. “The DFSA will continue to take all the necessary actions to ensure strict compliance with AML-related requirements in the DIFC.” the DFSA said the two companies were granted a discount on their financial penalties. Were it not for the settlement, the total fines for the two firms would have reached \$20,000.

[Executive Office of Anti-Money Laundering organizes roundtable on partnership between public, private sectors](#)

The Executive Office of Anti-Money Laundering and Countering the Financing of Terrorism (EO AML/CFT), in partnership with the Future of Financial Intelligence Sharing program of the Royal United Services Institute (RUSI), organized a roundtable on public-private partnerships and ways to enhance collaboration to combat financial crime. Officials from public-private partnership committees in partner countries in Europe and Asia delivered virtual presentations on cooperation initiatives to confront financial crime, with the participation of senior members of the UAE’s Public-Private Partnership Sub-Committee (PPSPC) and UAE Financial Intelligence Unit (FIU). More than 40 compliance and risk professionals representing financial institutions and Designated Non-Financial Businesses and Professions (DNFBPs) based in the UAE participated in the roundtable.

[Coinbase reaches \\$100 million settlement with New York regulator](#)

Coinbase, one of the most popular US crypto-trading platforms, agreed to a \$100 million settlement after New York regulators found “significant failures” to comply with the state’s anti-money laundering laws. The settlement includes a \$50 million penalty Coinbase must pay to the New York Department of Financial Services and a pledge to spend \$50 million to strengthen the company’s compliance program over the next two years. Coinbase’s less-than-adequate compliance practices left it vulnerable for bad actors to leverage it for “serious criminal conduct,” NYDFS said in a statement Wednesday, including “possible money laundering, suspected child sexual abuse material-related activity, and potential narcotics trafficking.”

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[‘Very clear’ cryptocurrencies have to be regulated to guard against money laundering: S’pore senior minister](#)

Cryptocurrency has to be regulated to guard against money laundering and other financial crimes, said a panel of regulators and bankers at the World Economic Forum on Wednesday. Singapore’s Senior Minister Tharman Shanmugaratnam, who was on the panel, said it is “very clear” that the cryptocurrency space has to be regulated for things like money laundering, similar to traditional finance. But when it comes to regulating cryptocurrency the same way as banks and insurance companies for financial stability reasons, there is a need to take a step back and ask a basic philosophical question, he said during the discussion on banking.

[UAE foreign trade minister announces crypto will shape country’s global trade](#)

Thani Al-Zeyoudi, Minister of State for Foreign Trade in the United Arab Emirates (UAE), recently announced that cryptocurrency would significantly influence global trade within his country’s borders in years to come. At the 2023 World Economic Forum in Davos, Switzerland, he spoke with Bloomberg about this statement and revealed details about the UAE’s trade deals and policies for the upcoming year. Recently, the UAE Cabinet has implemented stringent regulations on entities engaged in cryptocurrency activities.

[Monaco’s anti-money laundering system inadequate, risks name-and-shame](#)

A Council of Europe report published on Monday and seen by EURACTIV highlights key vulnerabilities in Monaco’s measures against money laundering and the country risks being placed under intense scrutiny by the international Financial Action Task Force (FATF) watchdog. The report insists Monaco faces significant money laundering risks, mostly due to the “internationally oriented financial activities” that are being offered – and the Principality is a “prime target” for illicit cross-border financial flows.

[EBA publishes peer review on authorization under the Payment Services Directive](#)

The European Banking Authority (EBA) today published its peer review on the authorization of payment institutions and e-money institutions under the revised Payment Services Directive (PSD2). The review generally found increased transparency and consistency of the information required in the authorization process. However, it also identified significant divergences in competent authorities’ assessment and the degree of scrutiny of applications.

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[Two banks fined £11.6m for AML failings](#)

The UK's Financial Conduct Authority has fined two banks a total of £11.6m for anti-money laundering failings. Guaranty Trust Bank UK Ltd was fined £7.6 million for serious weaknesses in its AML systems and controls. Among other things, it failed to conduct adequate customer risk assessments and due diligence on high-risk customers, or establish the source of funds and wealth. Since it was not a first-time offense for the bank, the fine was substantially increased.

[FCA fines Al Rayan Bank nearly \\$5M for AML failings](#)

The U.K.'s financial regulator fined Al Rayan Bank more than 4 million pounds (U.S. \$4.9 million) for its lack of adequate anti-money laundering controls. Between April 2015 and November 2017, Al Rayan—a subsidiary of Masraf Al Rayan, a Qatar-based Islamic bank—allowed money to pass through the bank without adequately checking customers' source of wealth or source of funds—two basic requirements to ensure money is not connected to financial crime. The Financial Conduct Authority (FCA) also found an increased possibility of money laundering and financial crime risk because the staff was not properly trained about the risks associated with accepting large deposits.

[Executive Office of Anti-Money Laundering and Counter-Terrorism Financing, Moroccan Financial Intelligence Unit discuss enhanced cooperation](#)

Hamid Al Zaabi, Director-General of the Executive Office of Anti-Money Laundering and Counter-Terrorism Financing (EO AML/CTF) met with Dr. Jawhar Al-Nafisi, Chairman of the Moroccan Financial Intelligence Unit (FIU), on the sidelines of the Middle East and North Africa Financial Action Task Force (MENAFATF) meeting, which was held in Rabat, Morocco between 9th - 18th January 2023. The meeting agenda included a review of current cooperation between the UAE and Morocco and a discussion on ways to further promote collaboration.

[Federal Reserve fines bank over AML breaches on Covid-19 loans](#)

The US Federal Reserve Board announced it had fined Popular Bank \$2.3 million US dollars on January 24, for failing to follow anti-money laundering policies. The Fed said Popular Bank, based in New York City, processed six loans regardless of knowledge of “significant indications of potential fraud”. The six loans, made under a law allowing emergency loans to small businesses during the Covid-19 pandemic, were for a cumulative \$1.1 million dollars.

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Regulatory Information from the **AML world**

[CBUAE issues new guidance on anti-money laundering and combatting the financing of terrorism](#)

The Central Bank of the UAE (CBUAE) has issued new guidance on anti-money laundering and combatting the financing of terrorism (AML/CFT) for licensed financial institutions (LFIs) including banks, finance companies, exchange houses and insurance companies, agents and brokers. It focuses on the Digital ID mechanisms that LFIs should employ to perform CDD on an ongoing basis in relation to natural persons. The guidance specifically discusses identity proofing, enrollment, and authentication mechanisms in relation to LFIs' use of digital ID systems. LFIs are also required to utilize technology best practices, adequate governance, and well-defined policies and procedures.

[New AML Law Seen as a “Game Changer” in Fight Against Russian Corruption](#)

The Anti-Money Laundering (AML) Whistleblower Improvement Act was signed into law by President Biden on December 29. The law has been described as “the most important transnational anti-corruption whistleblower law.” In a new article in Reuters, a leading whistleblower attorney explains how the law will in particular “have a direct impact on the ability of U.S. law enforcement agencies to track down assets held by Russian oligarchs and sanctioned entities.” The AML Whistleblower Improvement Act offers mandatory whistleblower awards and anti-retaliation protections to individuals who disclose money laundering and sanctions violations. While the AML of Act of 2020 established an AML whistleblower program, loopholes in the legislation undermined the program. The AML Whistleblower Improvement Act addresses these problems.

[UK's FCA Issues Advice for Crypto Firms After Only 41 of 300 Applicants Win Regulatory Approval](#)

The U.K.'s financial watchdog published advice for crypto companies after just 14% of the firms looking to win regulatory approval in the country passed muster. The extensive list of tips covers what applicants need to consider before, during, and after submitting their applications for registration to the Financial Conduct Authority (FCA). In the post, the regulator said only 41 of the 300 crypto companies applying for registration since it opened its registration regime two years ago managed to win full approval. Of the applications considered, 195 companies were either refused or withdrew their application and 29 were rejected, the regulator said. The regulator came under fire from the industry and even some lawmakers who felt it was not handling the process well, leading to an exodus of crypto companies.

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[European Union: EU AML Legislative Package – Council Mandate Reached On The AMLR And AMLD6](#)

A political agreement at the Council level has been reached on the proposed Anti-Money Laundering Regulation (AMLR) and the new 6th Anti-Money Laundering Directive (AMLD6) pending the first reading of such legislative texts at the European Parliament. The Council is now in a position to commence negotiations with the European Parliament, for the eventual agreement and adoption of the final version of the legislative texts.

[United Arab Emirates Regulators Anticipating Issuance of Full Market Product License in 2023](#)

Regulators in the United Arab Emirates have not commenced issuing Full Market Product Licenses (FMP). The regulators confirmed that the investors failed to fully comply with the main four requirements of the Virtual Assets Regulatory Authority (VARA). A statement by the UAE Minister for Digital Assets, Omar Sultan Al Olama, at the World Economic Forum confirms that leading crypto exchanges such as Binance fail to meet VARA requirements. The test to protect consumers and investors from bad players in the crypto market has influenced UAE regulators to be stricter with the crypto licensing process. The process has four main stages that traders are encouraged to comply with before engaging in any crypto-related activity in the UAE. At the initial stage, the trader obtains a provisional permit that allows the firm to proceed with operations. Before issuing the provisional permit, the regulators exercise a background check to analyze the firm's suitability in the service industry.

[India: KYC mandatory for buying health, auto, and other insurance from 1 Jan](#)

From today onwards, policyholders will have to provide Know Your Customer (KYC) documents for buying all insurance policies. The Insurance Regulator and Development Authority of India (IRDAI) has made KYC norms mandatory for buying health, auto, home, etc for the purchase of all new insurance policies. The rule applies to all types of insurance--life, general, and health insurance. Until now, sharing KYC documents was a voluntary choice while purchasing a policy. However, from today onwards, the insurers will have to collect KYC documents from their respective customers. With this new rule, experts believe that the claim process may become faster and more seamless as the insurers will have a detailed profile of customers. For insurance companies, the KYC details can help to improve the accuracy of risk assessment and pricing, and it may reduce the risks of fraudulent claims.

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