

Knowing to Re-Knowing: The Critical Role of Re-KYC in Strengthening AML Compliance



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Dipali is an Associate Member of ICSI and has a Bachelor's in Commerce and a General Law degree. She has an overall experience of 8 years in the compliance domain, including Anti-Money Laundering, due diligence, secretarial audit, and managing scrutinizer functions.

She currently assists clients by advising and helping them navigate through all the legal and regulatory challenges of Anti-Money Laundering Law. She helps companies develop, implement, and maintain effective AML/CFT and sanctions programs. She knows Anti-money laundering rules and regulations prevailing in GCC countries and specializes in Enterprise-wide risk assessment, Customer Due Diligence, and ML/FT Risk Assessment.



AML Regulatory Framework in UAE



AML Regulatory Framework In UAE

Federal Decree-Law No. (20) of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organizations

Cabinet Decision No. (10) of 2019 concerning the Implementing Regulation of Decree-Law No. (20) of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Illegal Organizations

Cabinet Resolution No. 74 of 2020 Regarding Terrorism Lists Regulation and Implementation of UN Security Council Resolutions

AML and Sanctions Rules and Guidance issued by the Financial Services Regulatory Authority for units in ADGM

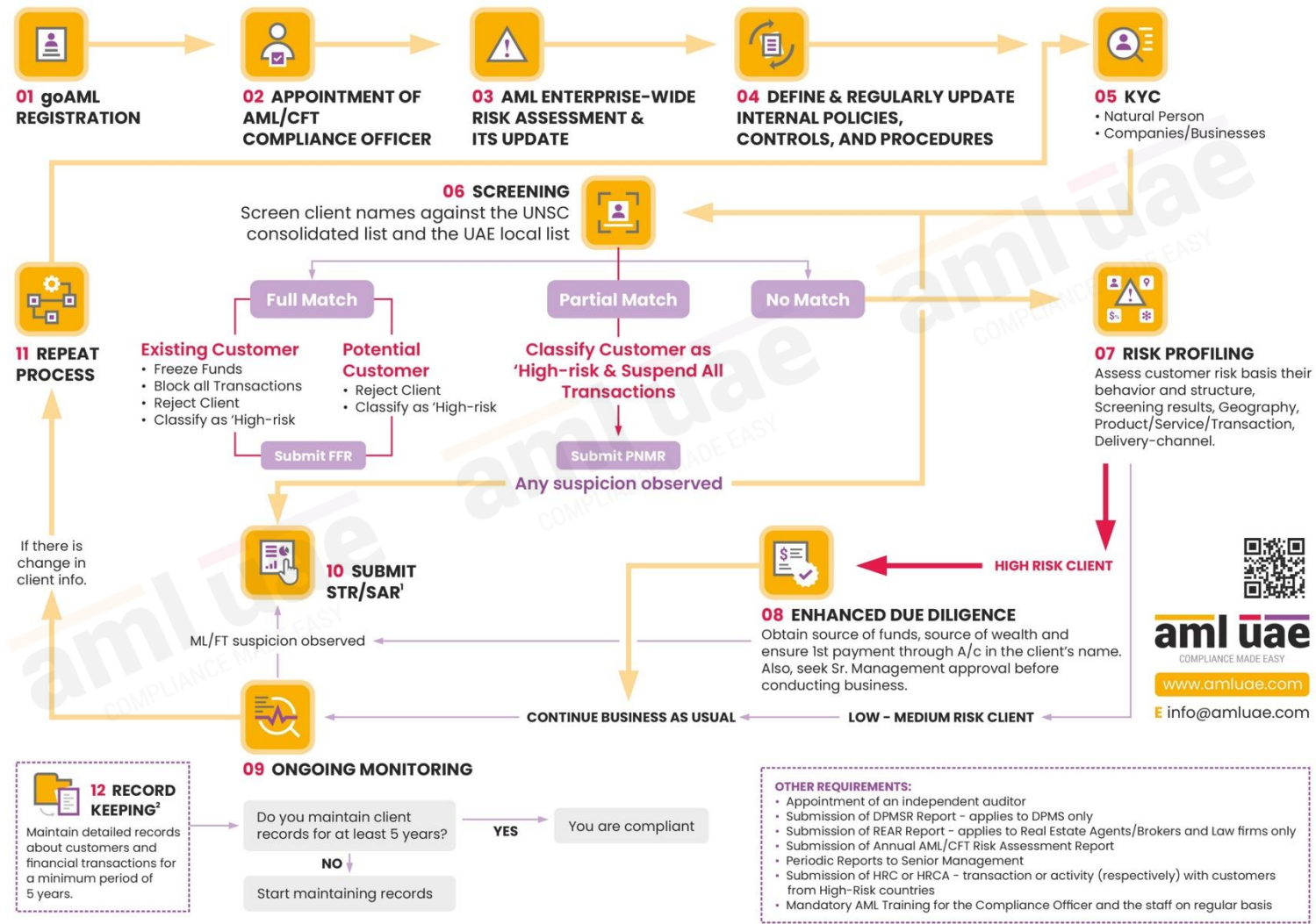
AML/CFT and Sanctions Module - Rulebook issued by the Dubai Financial Services Authority for units in DIFC

Other guidelines issued by the regulatory authorities (like the Central Bank of UAE, Ministry of Economy, Ministry of Justice, VARA, etc.)

AML/CFT Compliance Requirements in UAE



AML/CFT Compliance Requirements in UAE



Additional AML compliance requirements for DIFC and ADGM • 1 Intimation to the Supervisory Authority about STR/SAR filed • 2 Documentation to be maintained for minimum 6 years

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What is KYC?



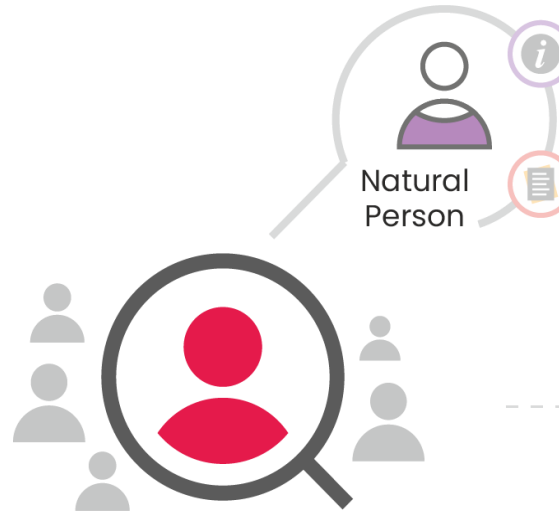
KYC is an abbreviated form of Know Your Customer.

It is a process used by DNFBPs, VASPs, and Financial Institutions to verify the identity of their customers.

Circumstances & Timing for Conducting KYC

To verify the identity of customer or UBO as part of CDD, **prior to or at the time** of following :

- 1** Opening an account in customer's name
- 2** Effecting any transaction in the customer's name or on their behalf
- 3** Providing any product or service to or on behalf of the customer
- 4** Signing any contract, agreement, etc., in relation to the performance of a transaction
- 5** Accepting any compensation or remuneration for products/services
- 6** Receiving funds or proceeds of any kind from or on behalf of the customer



KNOW YOUR CUSTOMER

Corporate/
Legal Entity

INFORMATION

- Personal details - Name, DOB, Birthplace, Nationality, Gender, Contact details, Address
- Details related to occupation, including employer name and address
- Tax Number (in case of foreign person)
- Purpose of transaction

DOCUMENTS

- **Identification:** Emirates ID / Passport / Driving License / Any other Govt. issued document having photograph
- **Address verification:** Utility Bill* / Municipal Tax Record / Property Purchase or Rent agreement / Bank Statement / Insurance Policy / Any other Govt. issued document capturing address

INFORMATION

- Organization details like Name, Date of incorporation, Nature of business, Address
- Info. pertaining to Directors, shareholders, Sr. Management

DOCUMENTS

- **Identification:** Certificate of Incorporation / Memorandum of Association / Articles of Association / Trade License / Certificate of Good Standing
- **Address verification:** Utility Bill* / Municipal Tax Record / Property Purchase or Rent agreement / Bank Statement / Insurance Policy
- **Others:** Register of Shareholders/Directors/UBO, Board Resolution appointing authorized signatory

DIRECTORS/UBO/ PARTNERS/SHAREHOLDERS

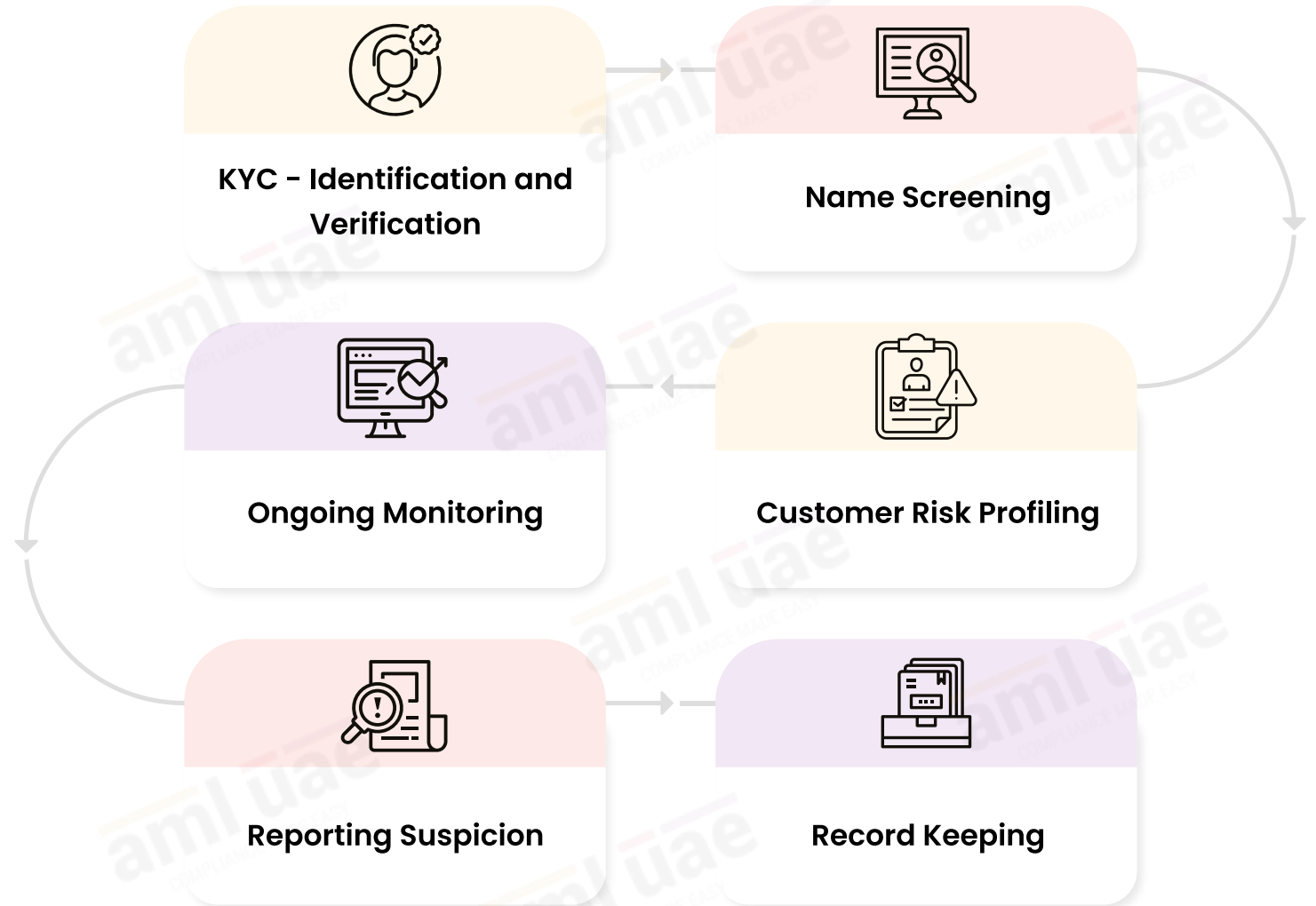
- **Information & Document:** Same as Natural Person
- **Directors/Senior Management:** Designation
- **Partners/Shareholders:** % of shareholding
- **UBO:** Reason for qualifying as UBO

**Not older than 3 months*

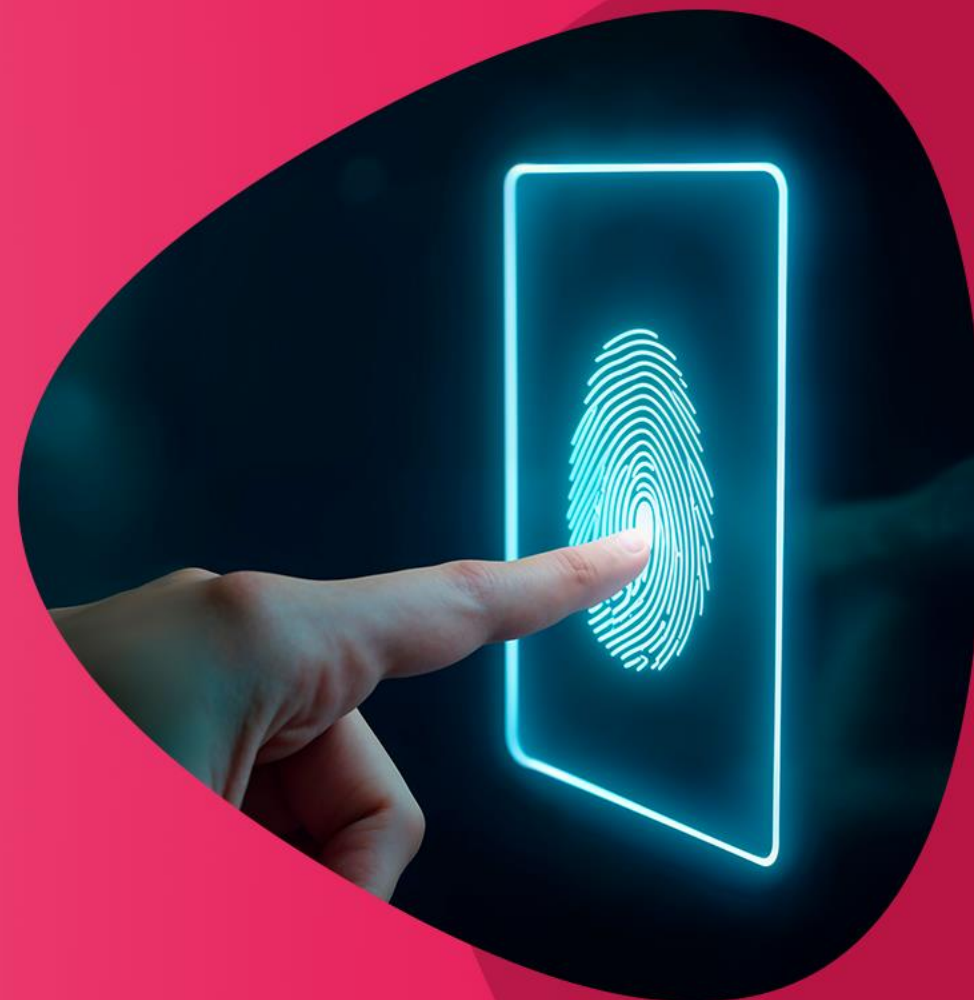


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Step-to-Step CDD Process



What is Re-KYC?



Re-KYC is a process aimed at updating customers' KYC information
periodically.


Regulated entities must adopt a risk-based approach and develop policies, procedures, and controls in relation to periodic or event driven review and updating of KYC/CDD information.

Purpose of KYC/CDD Review




Managing
ML/TF Risks

1



Reputation
Management

2



Maintaining
Transparency

3



Early Detection of
Suspicious Activities

4



Compliance with
Regulatory
Requirements

5



Adaptation to
Evolving Threats

6



Timely Reporting

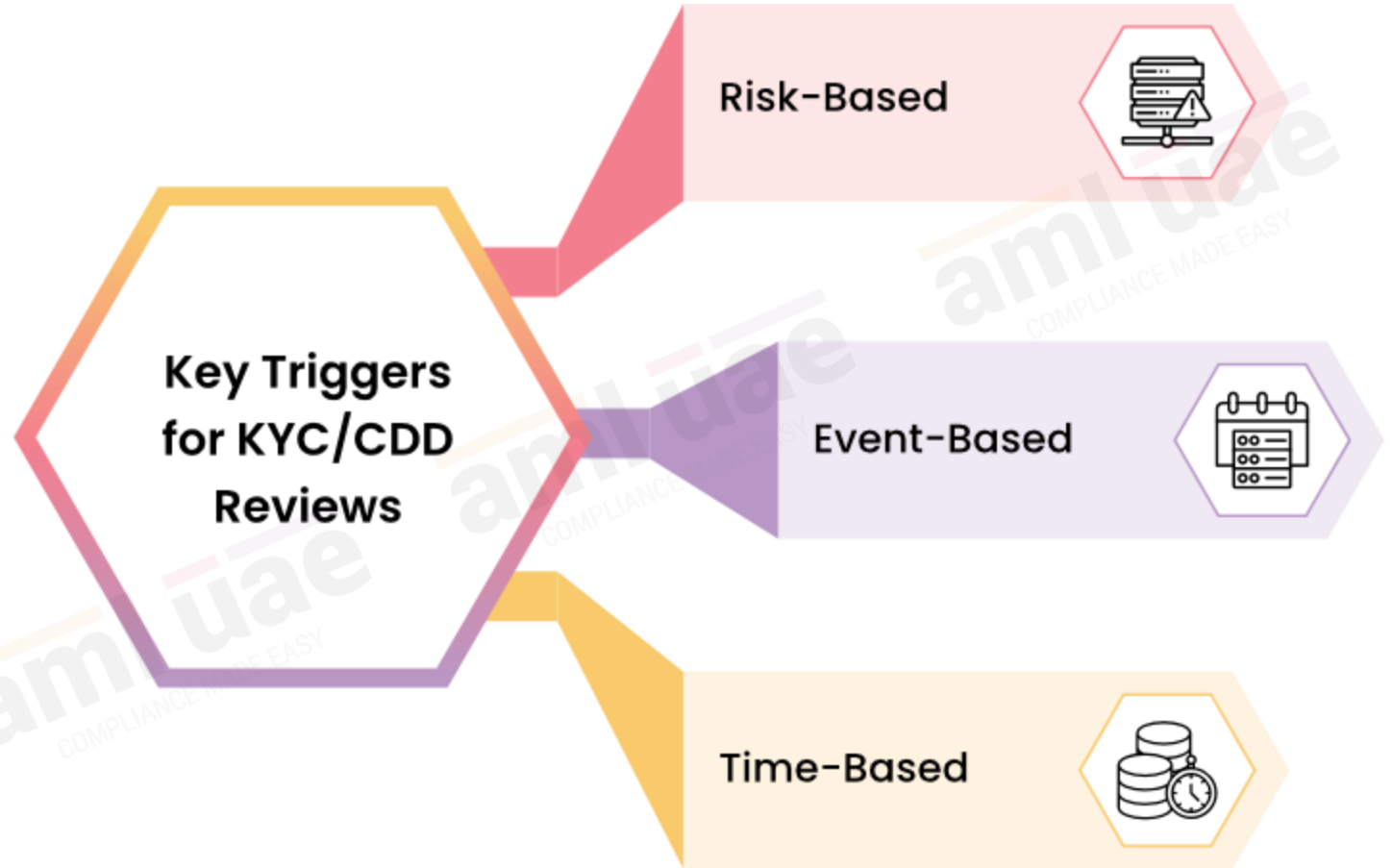
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Strategic
Decision-Making

8

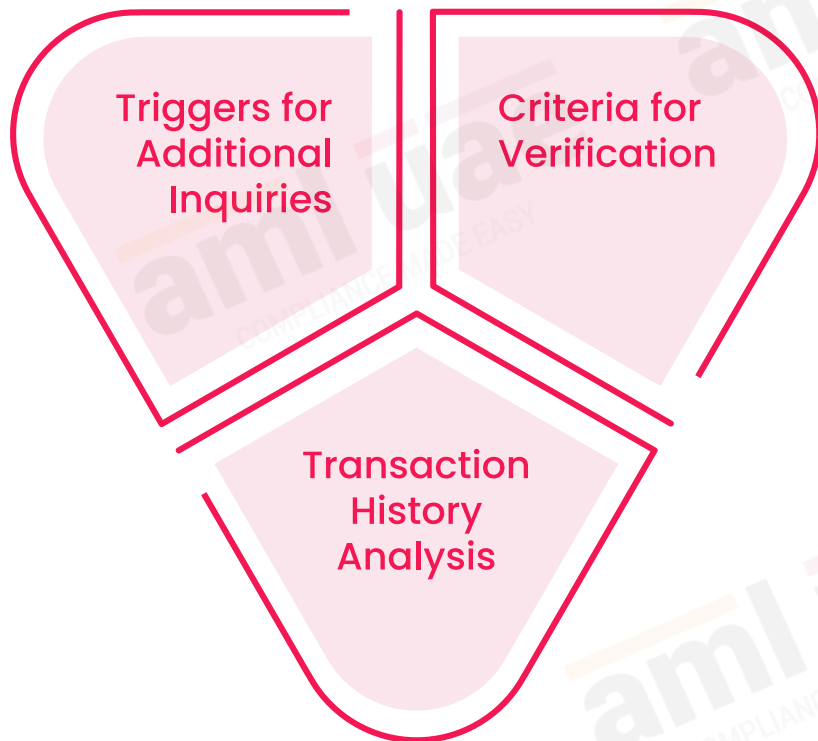
Key Triggers for KYC/CDD Reviews



Circumstances & Timing for Conducting KYC/CDD Reviews

<p>Risk category Wise</p> <p>Low Risk: Once in 2 Years Medium Risk: Annually High Risk – Semi-Annually</p>	<p>Expired Documents of Customer/Beneficial Owner</p> <p>RBA and timelines defined</p>	<p>Changes in legislation or internal procedures</p> <p>Legal requirement, RBA, and timelines defined</p>	<p>Doubts as to risk classification of a customer or veracity of previously obtained KYC information</p> <p>RBA and timelines defined</p>	<p>Material change in ownership structure, legal structure</p> <p>RBA and timelines defined</p>
<p>Initiation of legal or judicial proceedings against a customer or beneficial owner</p> <p>RBA and timelines defined</p>	<p>Adverse media information about the customer or beneficial owner</p> <p>RBA and timelines defined</p>	<p>Qualified opinion from an independent auditor on the financial statements of the customer</p> <p>RBA and timelines defined</p>	<p>Unusual or suspicious Transactions</p> <p>RBA and timelines defined</p>	<p>Changes in High-Risk Jurisdictions</p> <p>FATF Greylisting or blacklisting of a country/delisting</p>

Determining Components and Extent of KYC/CDD Reviews



Triggers for Additional Inquiries

Define specific scenarios necessitating further investigation into the nature of the customer's business, the purpose of the business relationship, or the rationale behind a transaction.

Criteria for Verification

Establish clear guidelines for identifying high-risk situations that require verification of the Source of Funds and Source of Wealth.

Transaction History Analysis

Outline the approach for reviewing transaction history, including the number and types of transactions to be assessed based on their nature.

Define Roles and Responsibilities for KYC/CDD Reviews

KYC/CDD Reviews

1

- Assign roles for conducting and overseeing KYC and CDD reviews to ensure thoroughness and compliance.

Escalation Protocols

2

- Establish procedures for addressing changes in customer risk classification.
- Define clear steps for escalating cases where a business relationship requires suspension or termination.
- Implement a structured approach for reviewing and escalating suspicious activities or transactions.
- Set out protocols for managing high-risk customers, including the decision-making process for acceptance or rejection.

CDD File Remediation

3

- Specify responsibilities for identifying and resolving discrepancies in CDD documentation.

Quality Audits

4

- Specify responsibilities for identifying and resolving discrepancies in CDD documentation.

Record-Keeping

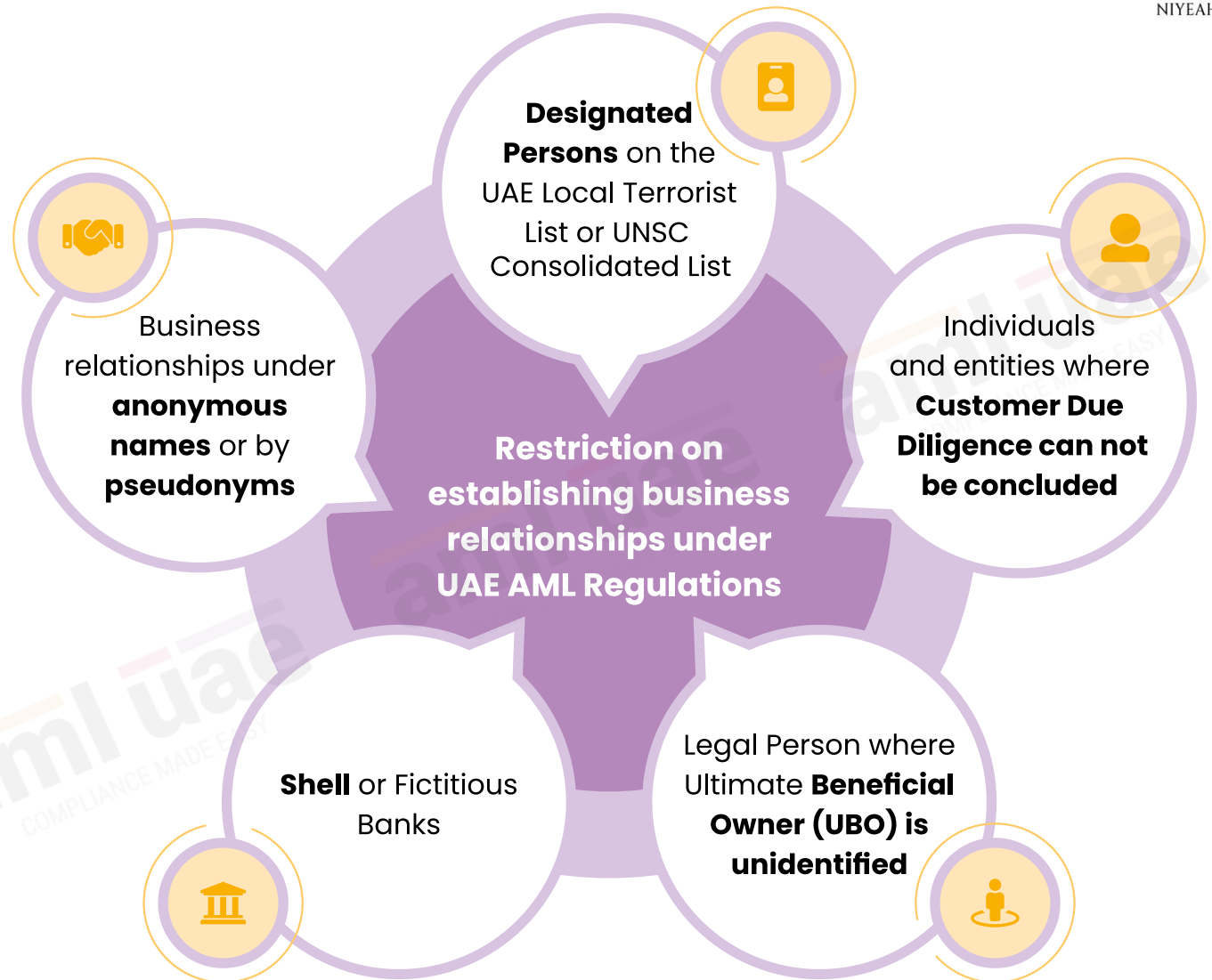
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- Assign accountability for maintaining complete and accurate records in line with regulatory requirements.

KYC/CDD Review Steps



Restriction on establishing Business Relationship under UAE AML Law



Actions to Take When KYC/CDD Review Cannot Be Completed



Common Challenges in The Re-KYC Process



Common Challenges in the Re-KYC Process:

1

Customer Resistance

2

Resource Constraints

3

Resource Intensive

4

Lack of Documented
Trigger Events

5

In-effective implementation

6

Lack of Awareness

Inadequate KYC/CDD Reviews and AML/CFT Compliance Challenges

01



Compliance Risk

02



Ineffective Risk
Assessment

03



Increased Financial
Risks

04



Ineffective
Monitoring

05



Inaccurate Audit

06



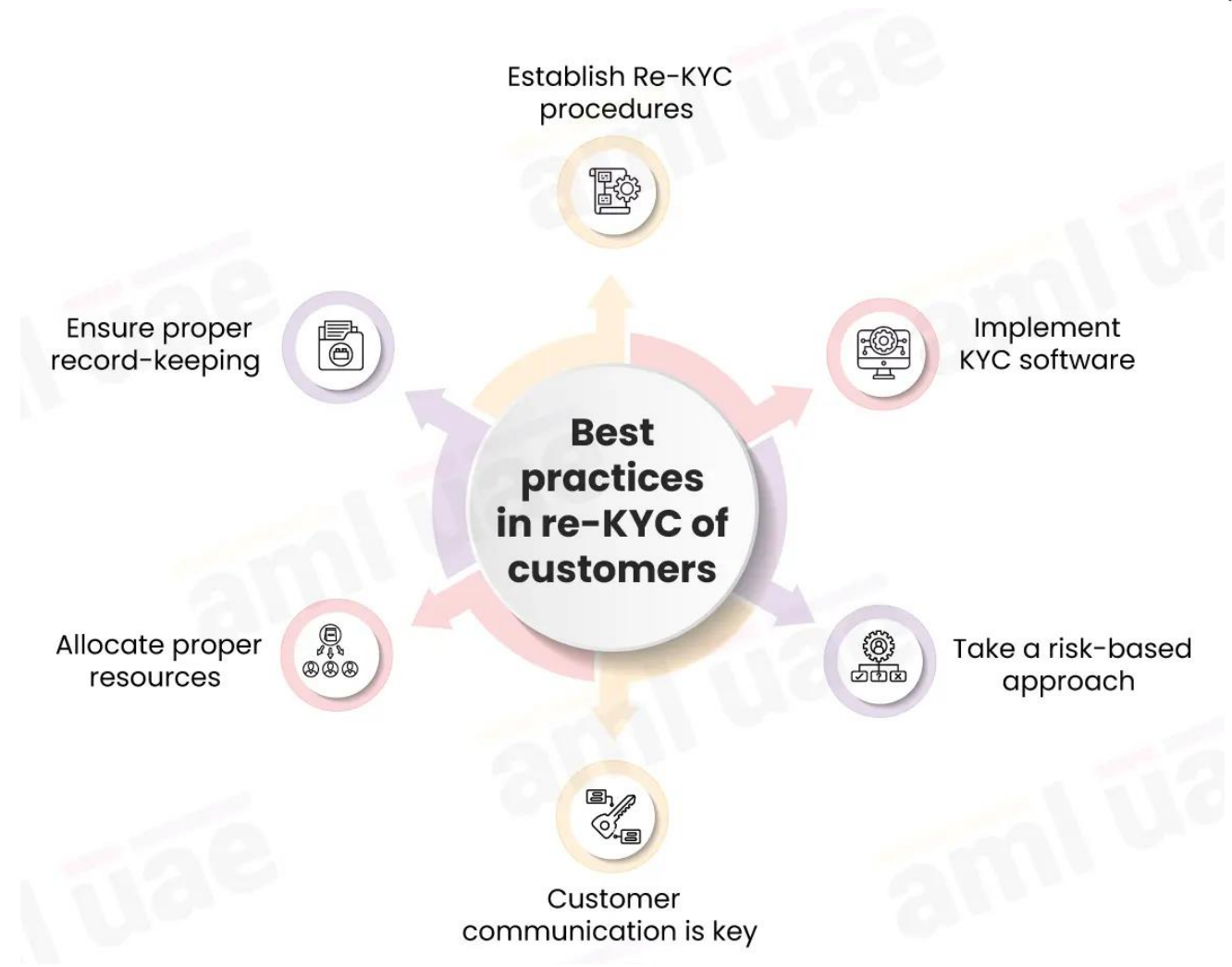
Increased Cost

07



Reputational
Damage

Best Practices in Re-KYC of Customers




Automating KYC/CDD Review Process




eKYC Software




Case Management Software



Screening Software



Transaction Monitoring Software



Customer Risk Assessment Software



Regulatory Reporting Software

Advantages of AML Software in Performing KYC/CDD Reviews



From Re-KYC to Perpetual KYC: The New Standard in Compliance

- 01 Proactive approach of Perpetual Know Your Customer (pKYC) identifies and notifies changes in KYC information in real-time, leading to better ML/TF risk management
- 02 pKYC Streamlines KYC Remediation by reducing factors necessitating KYC remediation
- 03 Enhanced Data Quality through pKYC as customer details are latest and up-to-date
- 04 Enhanced Operational Efficiency through automation of pKYC and removal of workflow overlaps
- 05 World Class Customer Experience through pKYC tools that embed compliance in the customer lifecycle
- 06 Compliance Cost Reduction through pKYC as it brings down compliance costs in the long run

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Useful Resources

This screenshot shows the 'AML Publications' section of the website. It features three featured articles:

- Independent Accountants & Auditors:** A Ready Reckoner to the UAE's AML Compliance. Published on 01/08/2024.
- Steering the AML Compliance for Dealers in Precious Metals and Stones:** AML Compliance eBook for DPMS. Published on 19/07/2024.
- goAML Registration Guide:** Published on 24/06/2024.

A red banner at the bottom of this section is labeled 'AML Publications'.

This screenshot shows the 'AML Infographics' section of the website. It features three featured infographics:

- Aligning Your Business with Global Sanctions Lists – Don't Get Caught Short:** Includes a diagram of various risks like Reputational Risk, Criminal Charges, and Financial Crime Risk.
- Role-Specific AML/CFT/CPF Compliance Training:** Lists roles such as Compliance Team and Manager with their respective responsibilities.
- Switching Sanctions Screening Software: Pain or Gain?:** Compares various software features like Efficiency, Global Coverage, and Scalability.

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This screenshot shows the 'AML Article' section of the website. It features three featured articles:

- AML Compliance Requirements for Jewellers in UAE:** Published on 30/07/2024.
- The Inter-Relationship of Money Laundering and Terrorist Financing:** Published on 23/07/2024.
- What is a White-Collar Crime and Its Inter-Relationship with ML/TF:** Published on 18/07/2024.

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This screenshot shows the 'AML Video' section of the website. It features three featured videos:

- Welcome to the Complete Guide on Identity Verification:** Published on 14/06/2024.
- When to file Suspicious Activity Report (SAR) under UAE AML law:** Published on 14/06/2024.
- Source of Funds & Source of Wealth: Essential Element of Customer Due Diligence:** Published on 14/06/2024.

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