



■ **INDEPTH FEATURE** Reprint February 2021

ANTI-MONEY LAUNDERING

Financier Worldwide canvasses the opinions of leading professionals around the world on the latest trends in anti-money laundering.





UNITED ARAB EMIRATES

Corporate Research and Investigations Limited

Respondents



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Zafar Anjum is founder and group CEO at CRI Group, and its ABAC Center of Excellence. He uses his extensive knowledge and expertise in creating stable and secure networks across challenging global markets. For organisations needing large project management, security, safeguard and real-time compliance applications, Mr Anjum is the assurance expert of choice for industry professionals.



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Huma Khalid, as scheme manager, is responsible for leading ABAC. Ms Khalid's responsibilities include planning and overseeing all aspects of the ABAC programme, which include certification and training. Additionally, she oversees the compliance department for the implementation, management and internal audit of CRI Group's and ABAC compliance programmes.

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Q. Could you provide an insight into recent trends shaping financial crime in the UAE? How great a risk does financial crime, such as money laundering, now pose to companies?

A: Fraud and financial crime is a worldwide problem, and we are not immune to its impacts in the UAE. The UAE has taken a strong stance against corruption and consistently leads the Middle East in Transparency International's Corruption Perceptions Index for its efforts. The recent Anti-Commercial Fraud Law strengthened protections of intellectual property rights (IPR) and imposed stricter penalties on counterfeiters. However, certain crimes, such as money laundering, are causing increased concern in the region. The flow of illicit funds in Dubai is beginning to cast a shadow for international business conducted in the region and should urgently be addressed. Money laundering has been linked to major crimes and even terrorism, and no company in the UAE wants to be associated with high-level criminal conduct of that nature. That is why it is critical for organisations both public and private to have the highest level

of anti-money laundering (AML) controls in place and be fully AML compliant.

Q. In your experience, what are the main types of financial crime that organisations are encountering? What are the typical sources of such risks?

A: Along with money laundering risks, we are seeing an increase in cyber crime and data theft. Organisations in the UAE are finding cyber security to be an urgent need, as phishing schemes are being rolled out on a larger scale against company workforces to try to exploit vulnerabilities. If a phishing attack targets a large corporation, all it takes is one employee falling for the scheme to potentially expose the entire company and their data. When it comes to money laundering, a recent report from Carnegie Endowment found that there is a steady stream of illicit funds from corruption and crime flowing into the UAE. This should be alarming to organisations and regulators alike. The perpetrators take advantage of 'free trade zones' and often the money is funnelled through real estate deals, especially in luxurious properties in Dubai, for instance. This might be facilitated by foreign

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mobsters, gold smugglers, and even warlords. These are high-level criminal operations that can pose a risk to any legitimate organisation operating in the UAE and the Middle East as a whole.

Q. What legal and regulatory initiatives are set to have a significant bearing on this issue in the UAE? How would you describe the nature and extent of the demands being placed on companies to help reduce financial crime?

A: At least two laws in the UAE are the foundation for combatting money laundering and terrorist financing: Law No 4/2002, the Anti-Money Laundering law, and Law No. 1/2004, the Counter Terrorism Law. The Anti-Commercial Fraud Law strengthened other areas of combatting financial crime, including counterfeiting and intellectual property theft. The tools are largely in place, and now the issue comes down to enforcement. Fraud is not tolerated, and companies in the UAE face strong punishments for financial crimes. Money laundering, however, still represents a gap in enforcement, and organisations should not wait for government action to

put their own AML frameworks in place. Like many countries around the world, the UAE is experiencing an uptick of fraud and financial crimes during the COVID-19 pandemic.

Q. In the wake of enforcement action, do companies need to proactively review and revise their practices?

A: Organisations should always be reviewing and revising their business practices with risk management and fraud prevention in mind. Facing enforcement action just means they have likely already waited too long. Unfortunately, sometimes that is what it takes to initiate needed changes. Organisation leaders should sit down with risk management and fraud prevention experts to examine what went wrong, implement proven strategies to prevent future failures, and identify other vulnerabilities that add to the organisation's overall risk profile. Taking action, and communicating that action, demonstrates to regulators and stakeholders a commitment to compliance. Facing enforcement action for compliance failures should kick off a process that includes training, certification



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and evaluation at regular intervals. Enforcement action often arises from incidents of bribery and corruption. A training and certification programme for the world-recognised ISO 37001 Anti-Bribery Management Systems standard can set an organisation on the right track to addressing its challenges head-on.

Q. How important has technology become in the fight against financial crime? How are innovative AML solutions being used to enhance systems and processes?

A: For years, financial institutions have used technology to help detect and combat money laundering, and organisations should follow their example. The latest technological solutions can automate processes that would take far too long, and expend too many resources, for employees to conduct on their own. New software can quickly analyse billions of data records to spot potential money laundering activity. Artificial intelligence (AI) and machine learning are no longer sci-fi or futuristic concepts: the technology is here. The key is engaging experts, a third-party firm if needed, to tailor the right solutions to your organisation and



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implement them effectively. At a recent AML conference, case studies were presented that showed just how technology can really help ramp up the fight against this type of financial crime. The most successful elements included information sharing, such as a database of bad actors that is made accessible to organisations, and language and text analytics to sift through countless transactions and red flag potential criminal activity. Rolling out an AML strategy at your organisation should include technological solutions combined with employee training for preventing and detecting money laundering.

Q. Once a company suspects or confirms it has fallen victim to financial crime, what initial action should it take?

A: When financial crime is suspected or confirmed, owners or managers need to bring in experts to conduct a proper investigation. To not do so risks mishandling evidence or even violating certain laws, such those dealing with privacy, that can impact the case and company itself. If there is evidence of fraud, law enforcement or regulators should be contacted, and perpetrators


prosecuted. Some large corporations have teams of dedicated fraud prevention and detection experts on staff who are trained to handle financial crime cases. Many organisations, however, do not have such personnel on staff. When this is the case, it is imperative to reach out to a fraud investigation firm that is trained to provide expert help. Everything from interviewing witnesses to collecting and analysing evidence may be scrutinised later.

Q. What essential advice would you offer to companies looking to improve the way they manage financial crime risk? How much of a challenge is it to tailor new innovations to a company's operational realities?

A: When organisations implement AML and other fraud prevention solutions, they quickly learn that not only is it very feasible to tailor a programme to their own operations, it is also the only right way to do it. There is no 'one-size-fits-all' solution for compliance and risk management. By implementing best practices and resources that are known to be effective for the organisation's risk profile, leaders can rest easier knowing that they have



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the tools in place to prevent and detect financial crime. It is important that business leaders adopt the mindset that risk management and fraud prevention is a core business function, not apart from it. This is underscored by the fact that just one serious case of fraud can seriously damage or even ruin a company, whether through financial harm, reputational harm or both. Companies that are adaptable and forward thinking will embrace the opportunity to integrate risk management processes into their operations. They will likely see other benefits as well, such as increased efficiency, enhanced reputation and more partnering opportunities with other organisations that value ethics and transparency. 

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