

To the Senior Executive Officers
of DFSA Authorised Firms and Ancillary Service Providers

6 September 2007

Dear SEO:

RE: AML/CTF and UN Sanctions Theme Review in the DIFC – July 2007

During July 2007, the DFSA conducted a theme review testing the experience of Authorised Firms (AFs) and Ancillary Service Providers (ASPs) in relation to their implementation and management of Anti-Money Laundering (AML)/Counter-Terrorism Financing (CTF) procedures and controls with particular emphasis on:

- Know Your Customer (KYC) processes;
- Suspicious Transaction Reporting (STR) processes; and
- Training for AML/CTF.

As part of this review, the DFSA also reviewed the level of compliance with United Nation (UN) Security Council Resolutions 1737, 1747 and 1267 (the relevant resolutions). From January 2007, the DFSA has requested all AFs and ASPs to confirm their observance and adherence to certain UN Security Council Resolutions passed under Chapter VII of the Charter of the United Nations. Three such requests were issued by the DFSA in January, March and April 2007, requesting Firms to make written confirmations in respect of a number of matters.

The Objective

In summary, the objective of the review was *“to gauge the level of compliance with the relevant AML/CTF requirements as well as the adherence to the relevant resolutions.”*

In order to minimise the regulatory burden and in accordance to the DFSA’s risk-based approach to supervision, only those AFs and ASPs that have not had a recent risk review nor been recently authorised were selected for the review.

The Findings

In general, the results were highly satisfactory with most Firms reviewed being found to be in compliance with the required AML/CTF policies and procedures. All Firms were found to be adhering to the requirements of the relevant resolutions. These findings are consistent with the findings of our 64 on-site risk assessments conducted this year.



However, the review did disclose weaknesses in two areas of AML/CTF policies and procedures for a few Firms, namely KYC and STR policies and procedures. The Firms that were found to have weaknesses have been contacted separately, with the view of having them carry out appropriate remedial action.

On-going Need for Vigilance

AML/CTF compliance is accorded a high priority by the DFSA and consequently will be vigorously monitored by the DFSA to ensure AML/CTF systems are effective and established and maintained in accordance with DFSA's standards.

Notwithstanding the favourable results, the DFSA believes Firms should not become complacent with their current systems and controls for AML/CTF. We expect all Firms to have implemented periodic reviews to ensure ongoing adequacy of programs and that changes in legislation as well as notifications from relevant authorities are taken into account and implemented.

DFSA Seminars

One way of keeping up-to-date is by attending the bi-annual AML/CTF Information Sessions presented by the DFSA. The next session is scheduled for November 2007 and invitations will be forwarded to all MLROs/AMLOs. Further, the Supervision Department of the DFSA has commenced a regular Outreach Programme on current supervision topics which may include further lectures on AML/CTF and UN sanctions.

2008 Review Programme

Given the high priority to the DFSA of AML/CTF and the continued adherence to the relevant resolutions, the DFSA in 2008 will be conducting a more focused review on how Firms apply:

- (a) their KYC procedures;
- (b) identification and reporting of suspicious transactions (both internally and externally); and
- (c) on-going compliance with the relevant resolutions.

Firms that have been the subject of the recent review or a recent risk assessment will still be included in the population, from which an appropriate sample size will be drawn.

Should you have any questions please do not hesitate to contact your Relationship Manager.

Yours sincerely,



Michael Zamorski
Managing Director, Supervision