PRAESIDIUM

General Market Update. September 2018.

DFSA and Japan FSA sign Fin-Tech Agreement ***27th September 2018***	**DFSA signs FinTech Agreement with Japan's Financial Services Agency** • Dubai Financial Services Authority (DFSA) entered into an Exchange of Letters with the Financial Services Agency of Japan (FSA) to cooperate in the development of financial technology (FinTech). The cooperation framework reflects efforts by both authorities to foster innovation in the Dubai International Financial Centre (DIFC) as well as in Japan. • The purpose of this cooperation is to provide a regulatory framework for discussion and a referral mechanism, which will enable the authorities to refer financial innovators between their respective innovation functions. It also sets out how the Authorities plan to share and use relevant information in their respective markets. • A series of other initiatives took place in Japan during the same week to support FinTech developments. A delegation of senior DFSA executives, led by Peter Smith, Managing Director, Policy and Strategy, met with FSA counterparts in Tokyo to initiate collaboration between the DFSA and Japan's FSA on FinTech and crypto-asset developments. The visit also included participation in FIN/SUM, the largest FinTech summit in Japan, connecting the global financial and technology industries and promoting disruptive innovation across the globe. Mr Smith also spoke on international cooperation in the oversight of crypto-assets at a roundtable co-hosted by the FSA and by the International Organization of Securities Commissions (IOSCO).
FATF Assessment-Saudi Arabia ***24th September 2018***	**Saudi Arabia FATF Report** Saudi Arabia was part of a FATF assessment. A brief summary is provided: • Inter-agency policy coordination and cooperation is a significant strength of the Saudi system.

- Saudi Arabia has developed a good understanding of its ML and TF risks through its national risk assessments, using a robust process and a wide range of information. Saudi authorities have introduced a number of measures to address specific risks identified prior to the recent NRAs.

- The FIU is not conducting sophisticated financial analysis to effectively support Of complex investigations,

  Saudi Arabia is not effectively investigating and prosecuting individuals involved in larger scale or professional ML activity.

  Investigations are often reactive, and tend to be straightforward, unsophisticated, and single-layered.

  Prosecutions are mostly for the self-laundering offence, with individuals convicted when they are unable to prove the source of funds. ML investigations have significantly increased in recent years, but remain too low.

- Saudi Arabia is not effectively confiscating the proceeds of crime. Authorities are not routinely attempting to trace and confiscate the instrumentalities and proceeds of crime, and have not been able to repatriate any criminal proceeds from another country over the period 2013-16, despite the large majority of proceeds generated in Saudi Arabia are estimated to leave the country. The amounts of proceeds of crime seized and confiscated domestically within Saudi Arabia have been increasing, but are still low.

- Saudi Arabia has demonstrated an ability to respond to the dynamic terrorism threat it faces in country. Saudi Arabian authorities have the training, experience and willingness to pursue terrorist financing investigations in conjunction with and alongside terrorism cases. Financial investigations are routinely carried out, and TF cases are generally identified during terrorism-related investigations conducted by Mabaheth, leading to an exceptional number of investigations and Convictions.

- Saudi Arabia has an established legal framework and co-ordination process for implementing UN targeted financial sanctions (TFS) on terrorism without delay,

	and regularly makes use of TFS domestically. However, Saudi Arabia makes far greater use of financial restrictions imposed on a person through criminal procedures and watch-list mechanisms, which lack legal safeguards and are not publicly available. On proliferation financing, the mechanisms in place to implement TFS and prevent sanctions evasion are weak. • Saudi Arabia conducts comparatively intensive supervision of the higher-risk sectors in accordance with a risk-based approach, and has done a great deal of outreach with regulated entities to communicate their new obligations. These efforts have resulted in a significant improvement in compliance with the AML/ CFT requirements. • AML/CFT preventive measures in the financial sector are strong and well Established. Major FIs including banks, securities and financing companies, have a solid understanding of the ML/TF risks they face, and a good level of implementation of the risk-based approach; although the level of implementation is not so strong among smaller DNFBPs, and STR reporting remains a concern for all sectors. • Saudi Arabia can and does respond to incoming requests for mutual legal assistance, but does not effectively seek international co-operation from other countries to pursue money laundering and the proceeds of crime. On terrorist financing, Mabaheth clearly does prioritise international co-operation, both inbound and outbound, and provided good examples of using international law enforcement co-operation
Danske Bank- Money Laundering Scandal ***20th September 2018***	**Danske Bank - Money Laundering Scandal** Danske Bank hit the media in September indicating that billions may have been laundered at a single branch. • On 19th September, Danske Bank said that its headquarters and its Estonian branch failed for years to prevent suspected money laundering involving thousands of customers. The lender said it was unable to estimate the total amount of the suspicious transactions, but its **nonresident operation in the Baltic nation improbably had total flows of 200 billion euros, or $234 billion** — nearly equivalent to the size of the Danish economy.

	• In a report commissioned by Danske Bank, a Danish law firm, Bruun & Hjejle, found that misconduct took place at the lender's Estonian branch from 2007 to 2015, involving "**objectionable**" **omissions**, inaction and faulty processes at all levels of the bank. • According to the bank, its Estonian branch was serving many nonresident customers, though it should not have done so. Danske Bank said it suspected that **some of its employees in Estonia may have helped those customers**. At least eight bank employees have been reported to the police. In all, some 6,200 customers have been investigated so far, many of them Russian individuals and Russian-owned companies based abroad, "the vast majority" of which "have been found to be suspicious," the bank said. • In a statement, the head of Estonia's financial regulatory agency, Kilvar Kessler, said the report "describes serious shortcomings in the organization of Danske Bank, where risk appetite and risk control were not in balance." Denmark's financial regulator said it would use the law firm's report in its own inquiries. Please refer to the below link: https://www.cnbc.com/2018/09/20/danske-bank-says-billions-may-have-been-laundered-at-single-branch.html?&qsearchterm=Danske%20Bank
Bryan Stirewalt as new DFSA CEO ***12th September 2018***	**DFSA Board Appoints Bryan Stirewalt as Next Chief Executive** • The Board of Directors ("Board") of the Dubai Financial Services Authority ("DFSA") have announced, following a global search, the appointment of Bryan Stirewalt as the next Chief Executive of the DFSA. Bryan will succeed Ian Johnston, who in late 2017 announced his intention to retire from the DFSA. The appointment will take effect from 1 October 2018.
FATF Assessment-Bahrain ***4th September 2018***	**Bahrain FATF Report** Bahrain was subject to an FATF assessment. A brief summary of the findings were as follows: • The FATF and the Middle East and North Africa Financial Action Task Force (MENAFATF) jointly conducted an assessment of Bahrain's anti-money

laundering and counter-terrorist financing (AML/CFT) system. The assessment is a comprehensive review of the effectiveness of the country's AML/CFT system and its level of compliance with the FATF Recommendations.

- The country demonstrated a **moderate level of understanding of its money laundering and terrorist financing risks,** it should use the risk assessment, incorporating information from outside Bahrain, to further strengthen its measures. This includes amending the terrorism offence, which is currently inconsistent with the Terrorist Financing Convention, and pursuing both money laundering and terrorist financing in line with the country's risk profile.

- Bahrain has identified a subset of non-profit organizations for potential terrorism abuse. However, the country currently applies restrictive obligations on all non-profit organizations operating in Bahrain. In line with the FATF's requirements, the country should implement mitigation measures that are commensurate to the risks.

- Banks, money value transfer services, insurance and securities sectors have a good understanding of money laundering and terrorist financing risks. Financial institutions are able to implement targeted financial sanctions without delay. However, designated non-financial businesses have a fragmented understanding of ML/TF risks and the majority do not implement targeted financial sanctions without delay.

- Bahrain demonstrated a high level of domestic co-operation and information exchange. The country has also demonstrated that it co-operates well with counterparts in other countries, responding to formal requests for mutual legal assistance and informal requests for information.