



Rising trend of KYC/AML compliance in GCC countries



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Introduction

The Gulf region is one of the rapidly growing economies in the world. The [World bank](#) predicted that the economy of Gulf countries will grow during 2020-21. The Gulf Cooperation Region (GCC) is the political and economic alliance of six middle eastern countries including Saudi Arabia, UAE, Kuwait, Qatar, Bahrain, Oman. These countries are recognized for their construction market, tourism, and oil industry.

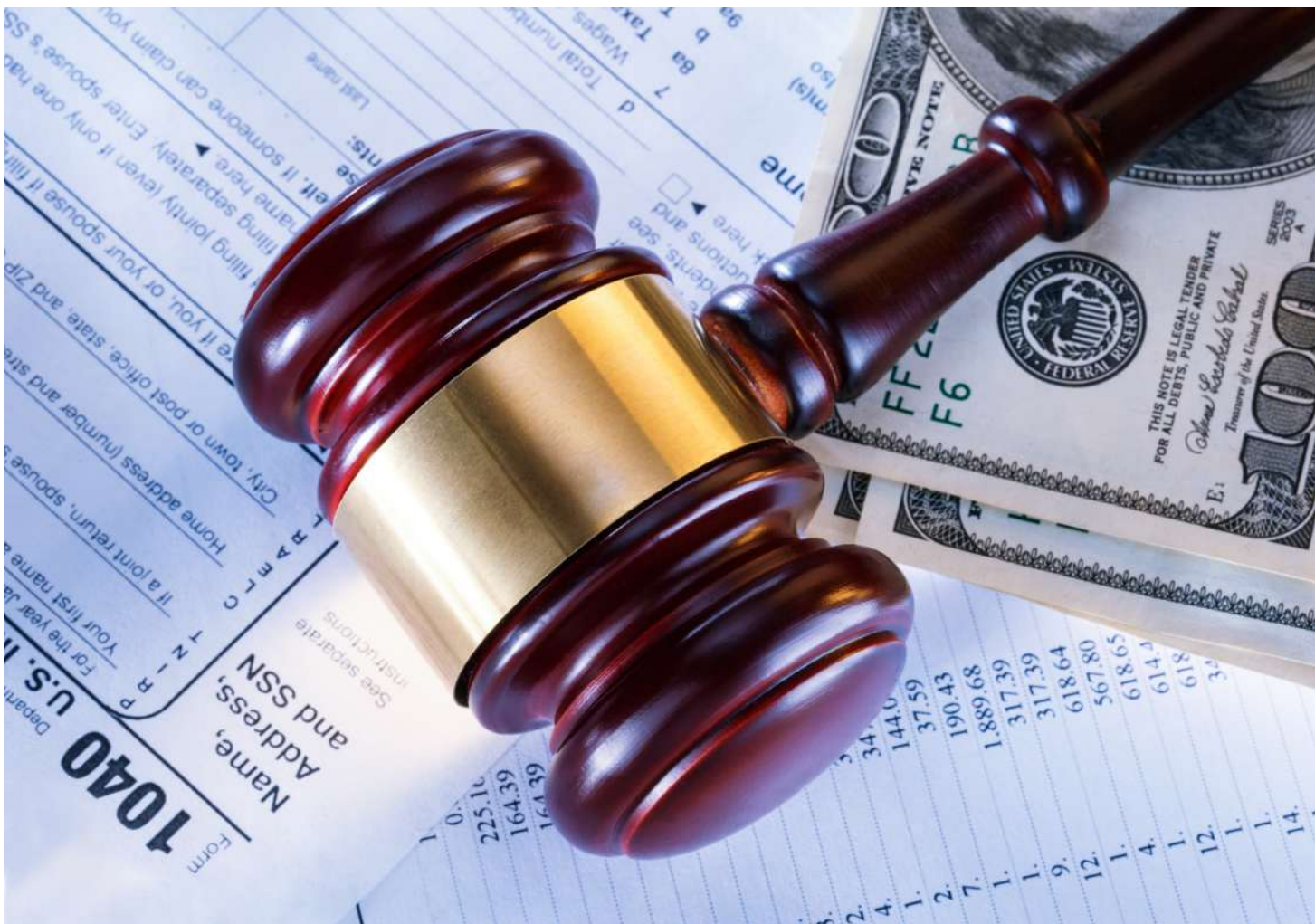
The GCC members are praised for their joint efforts of regional well-being and economic growth, which is not possible without proper mitigation of financial crimes. As per a [survey](#), 47% of the organizations in the Middle East reported customer fraud in the past two years.

The KYC and AML laws are in place to prevent fraud, but compliance comes with many challenges, such as high costs, affects customer experience, lack of harmony in cross-border laws, and technical evolution of cyber crimes.

In this report, we'll explore the legal framework of KYC and AML in the GCC region, challenges of compliance, and how Shufti Pro can help your business convert those challenges to competitive edge with AI-based KYC/AML screening solutions.

KYC/AML laws in the GCC region

GCC is a full member of the Financial Action Task Force (FATF) and it practices robust control to mitigate financial crimes in this region by following the forty recommendations of FATF. The KYC/AML laws of all countries are not fully aligned with recommendations of FATF but frequent regulatory updates are witnessed in the recent few years to cover the loopholes in financial infrastructure.



Summary of FATF's recommendations

- The [FATF recommendations](#) require the countries to identify financial crime threats and to draft policies and procedures to mitigate these risks.
- Design risk preventive measures for financial institutions and other reporting entities to comply with. These preventive measures include record keeping, transaction monitoring, customer due diligence, AML screening of customers, etc.
- The concerned law enforcement entity of the country must be equipped with powers and authority to implement laws and keep an eye on the reporting entities while taking risk prevention measures.
- To practice accountability at all levels within a system. To maintain a fair judiciary in the country.

Global economies are joining forces with FATF by aligning their Know Your Customers (KYC) and Anti Money Laundering (AML) regulations with FATF's recommendations. The GCC countries are also taking measures to align their KYC/AML laws with international regulations as it will enhance their trade and economy.

This shift in the financial regulatory infrastructure of the GCC region and inclination towards FATF recommendations will guarantee growth in international trade and financial collaborations of this region with other countries. But it also means that the financial and non-financial businesses in the Gulf countries will have to align their customer due diligence practices with the recommendations of FATF and their national laws, to prevent frauds, and non-compliance fines.

KYC/AML in Gulf Cooperation Region (GCC)

60% of banks globally experienced an increase in fraud in 2019

47% of businesses in the middle east experienced customer fraud in the last two years

50% of banks globally experienced an increase in fraud value

45% of officials in the middle east uncovered cases of bribery in the last two years Organizations with anti-fraud programs spent **42%** less on response and **17%** less on remediation costs than those with no program

A regulatory shift in GCC region

- GCC is a full member of FATF
- GCC countries are motivated to follow FATF recommendations
- Saudi Arabia is the only GCC country which is a full member of FATF
- Saudi Arabia, Kuwait and Bahrain are among the world's top 10 business climate improvers.

Challenges for businesses

- Changing AML/KYC laws
- Evolving financial sector
- High-compliance costs
- Lack of public records

Experience seamless user experience and robust risk screening along with reliable data protection with Shufti Pro.



Global coverage



OCR data extraction



Verify within 15-30 seconds



GDPR compliant



1700+ AML databases



150+ languages supported

References

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Saudi Arabia

Saudi Arabia seems to be setting standards for the member countries in the GCC region by becoming a full-time member of FATF in 2019. It was practicing the global AML and CFT regulations for the last four years and closely missed FATF blacklisting in March 2019. Compliance with KYC/AML laws will help businesses in Saudi Arabia to expand globally, improving international trade and financial cooperation.

Saudi Arabia Monetary Agency ([SAMA](#)) and Capital Market Authority (CMA) are the regulatory authorities that design and implement KYC and AML laws for the financial sector and business in the UK.





The United Arab Emirates

The UAE's financial system has adopted the recommendations of FATF (although it's not a full member of FATF). The regulatory authorities for KYC and AML laws in the region are the Central Bank of UAE (CBUAE) and the Dubai Financial Services Authority (DFSA). CUBAE mentioned the AML laws in its circular [24/2000](#).

The Articles 15 and 16 of UAE Federal Law No 4 of 20026 stated the penalties for reporting entities that fail to report any act related to money laundering offence. Non-compliance fines are imposed ranging from 10,000 to 1 million dirhams and imprisonment.

Bahrain

The Anti Money Laundering & Terrorist Financing Unit (“AMLTFU”) was established in July 2002 and it’s responsible for the collection and analysis of information related to money laundering and related crimes. The Central Bank of Bahrain (CBB) is the regulatory authority for the implementation of AML/CFT laws of [Bahrain](#).

The reporting entities are required to follow a risk-based approach for customers due diligence and enhanced due diligence. The law states that financial and even non-financial institutions should report any suspicious activity, regardless of the amount of transaction.





Kuwait

Kuwait passed the laws for AML in 2013, and concerned regulatory authorities are the Central Bank of Kuwait and the Anti-Corruption Authority. All financial institutions are required to collect and verify the identity information of their customer under KYC and enhanced due diligence including PEP (Politically Exposed Person) screening is necessary under all circumstances. It's data protection regulations for KYC and AML purposes are quite stringent as well.

Last FATF evaluation of Kuwait held in 2010, didn't reveal any satisfactory findings and stated that it lacked comprehensive measures to combat financial crime. Since then it has taken robust measures to control financial crime and implemented strict data protection regulations as well.

Qatar

The Qatar Financial Centre Regulatory Authority and The Qatar Central Bank are the regulatory authorities for KYC/AML compliance in the country. The Anti-Money Laundering and Combating Terrorist Financing Rules 2010 are currently practiced in the [country](#). Customer due diligence is mandatory for financial and non-financial institutions as the KYC/AML laws of the country are evolving to fulfill the recommendations of FATF. It might be because the last [FATF review \(2008\)](#) of Qatar highlighted some loopholes in the financial regulatory system of the country.





Oman

Anti-Money Laundering Law (Royal Decree 34 of 2002) and Executive Regulation (Royal Decree 72 of 2004) are implemented in [Oman](#) for KYC and AML practices in the country. Oman is taking diligent steps to align its laws with forty recommendations of FATF. The regulatory authorities for AML/KYC implementation and supervision are the central bank of Oman, and the Financial Intelligence Unit (FIU).

Oman's latest [FATF evaluation](#) was conducted in 2011. The evaluation report was quite satisfactory and stated that Oman has set up a financial system that is in line with international standards, and its legal compliance with FATF recommendation is high.

Common AML/KYC practices in GCC countries

All countries follow the risk-based approach for customer due diligence and background screening.

Strict non-compliance penalties are defined, which includes financial and non-financial penalties such as (cancellation of license, imprisonment, etc.)

All GCC countries are changing their KYC/AML regulations to align their laws with FATF recommendations.

They have strict laws for PEPs, non-residential citizens and non-face to face transactions. Require enhanced or additional due diligence in such cases.



Challenges of KYC and AML compliance in the GCC region

Evolution of financial law in GCC

The financial laws of the GCC countries are going through an evolution that will result in better trade and increased international financial cooperation with other countries. But this revolution is also changing one of the major aspects of financial and non-financial industries in the GCC region, i.e. customer due diligence and KYC/AML compliance. Many businesses will be added in reporting entities list for the first time and they'll have to invest in regulatory compliance to avoid non-compliance fines.

International KYC/AML laws (compliance)

Businesses and financial institutions need to expand globally to enhance their scope and to explore new growth ventures. But this expansion comes with international laws for KYC/AML, data protection, etc. Due to a rise in fraud, GCC countries are considered high-risk regions, and countries that follow a risk-based approach avoid doing business in high-risk countries.

Businesses in the GCC region are in dire need to meet international KYC/AML laws to grow, and for that their authorities are aligning their regional laws with FATF recommendations.

Evolving financial crime

Financial crime is evolving with the digital evolution. Fintech solutions are the new normal even in the GCC countries. Many digital currency platforms and online payment solutions are prevailing in these countries. But lack of proper KYC/AML laws has increased the risk of cyber frauds. Identity theft, data breaches, account take over fraud, crypto frauds, phishing, etc. are common cyber frauds. As per the PWC [survey](#), corruption and procurement frauds are also common in the middle east organizations.

Background screening is not easy

ID card screening is the primary method for basic customer due diligence, but it is not that easy in their region due to complex language, and commonly used names. Arabic is one of the complex languages which can not be translated or extracted by software easily. And manual verification is not feasible due to recurring names, thousands of people have the same name. Enhanced due diligence measures need to be taken in the form of ID card number screening or biometric authentication.

Researchers at the **University of Bradford** found that OCR is a highly accurate method to detect Arabic manuscripts written in different font styles and colors. AI-based solutions equipped with OCR are the safest and accurate method to verify Arabic identity documents automatically without the fear of false positives.

Shufti Pro OCR can detect text in 150 languages and with an accuracy rate of 90+%

Compliance costs

Due to lack of experience with KYC/AML compliance businesses invest a fortune to prevent non-compliance fines. These costs include the development of compliance department, hiring employees for KYC, record keeping, and data protection. All these efforts are destroyed if a customer is not verified properly due to human error or AML screening is not performed against updated watchlists.

How can Shufti Pro help in compliance that aligns with the local and international KYC/AML laws?

Shufti Pro provides online KYC and AML screening services all over the world. We utilize Artificial Intelligence(AI) and Human Intelligence (HI) to deliver 98.67% accurate results. Shufti Pro can verify over 3000 identity documents in 150+ languages and have already verified people in more than 230 countries and territories.

Other services include [video KYC](#), [KYB \(Know Your Business\)](#), [touchless airport security kiosk](#), and [biometric authentication](#).



No need to worry about international KYC/AML laws

Now you can verify your international customers and expand your business beyond borders by performing KYC/AML on your customers using Shufti Pro's solutions. Our solutions are trusted for KYC and AML screening aligned with laws. Real-time verification results are updated in the back office that can be used as proof of verification. Shufti Pro has verified people in over 230 countries and territories and can verify identity documents in 150 languages.

Robust data protection

Our solutions are compliant with GDPR (General Data Protection Regulation) which is considered as one of the stringent data protection laws. Also, Shufti Pro is PCI DSS certified. The data of your customers is in safe hands.

Easy integration

Simple API integration will enable you to verify customers online from any corner of the world. On-demand Hosted Verification Page (HVP) can also be developed with a customized interface and URL.

Cost-effective

Shufti Pro's solutions are designed for businesses of all sizes and types. It provides economical solutions and flexible pricing models. Two pricing models, pay-as-you-go, and monthly commitment are available where customers can design their customized solutions.

With Shufti Pro's KYC and AML compliance solutions you can share a major part of your compliance burden. No need to hire KYC experts, or worry about customer data collection and management. A simple integration will become your competitive edge and a futuristic investment.

**Ready to combat money laundering and
keep your compliance game up?**

Contact our experts

Apply for a no-commitment free trial

Get non-discriminatory access to all features of
the selective service of Shufti Pro for 15 days.

Get a free trial

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envisioned playing a pivotal role in creating cyberspace where every transaction is verifiable and secure. With enough experience in technologies like machine learning (ML), OCR, artificial intelligence, and Natural Language Processing (NLP), Shufti Pro strives to provide the best identity verification services to verify customers and

Shufti Pro's cost-effective solutions help businesses to prevent fraud and illicit crimes that can ruin the integrity and brand reputation of your business. Our perfect solution suite consisting of KYC verification, AML screening, ID verification, Facial Recognition, Biometric Authentication, Video KYC, OCR, and KYB helps to improve your company's fraud prevention, Know your Customer (KYC) and Anti Money Laundering (AML) regulatory efforts by automating the workflow. With single API integration, Shufti Pro empowers you to verify customers with document checks from [3000+ ID](#) templates and business entities from [200 million](#) companies data.

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