

# COMPLIANCE LENS

## What's inside?

MIDDLE EAST AML COMPLIANCES

IMPORTANCE AND CHALLENGES

INSIDER TRADING

IMPORTANCE GUIDELINES AND COMPLIANCES





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# EDITOR'S CORNER

The Middle East has emerged as a dynamic hub for global trade and investment, making it essential for the region to maintain high standards of financial regulation. AML compliance is at the heart of this effort, as the region works to combat the risks of money laundering and terrorism financing.

Countries such as the United Arab Emirates (UAE), Saudi Arabia, and Qatar have made significant progress in enhancing their AML frameworks, ensuring that their financial systems align with international standards set by the Financial Action Task Force (FATF). These efforts are not just about meeting regulatory obligations—they are about building trust. By reinforcing AML measures, the Middle East strengthens its position as a secure and transparent destination for global investors, fostering confidence in its markets and financial institutions.

Turning to India, the country has seen remarkable growth in its financial markets, attracting a diverse group of domestic and international investors. However, with this growth comes the challenge of ensuring that markets remain fair and transparent. Insider trading—where individuals misuse privileged information to gain unfair market advantages—undermines this fairness and can erode investor trust.

As we move forward, it is essential for businesses, investors, and regulatory bodies to work collaboratively in upholding these standards. By fostering trust and accountability, we ensure the long-term resilience and success of our financial systems.

Let us all remain committed to playing our part in this journey towards building safer, more transparent, and inclusive financial markets.



**Samta Ahuja**

Founder

CEO

Samta Corporate Consultancy

# Middle East - Anti-Money Laundering Compliance Its Importance

Anti-Money Laundering (AML) compliance has gained significant importance in the Middle East due to the region's growing role in global finance, increased scrutiny from international regulatory bodies, and the risk of being used for illicit financial activities. Here are the key reasons why AML compliance is crucial:

## 1. International Reputation and Global Cooperation:

- Countries in the Middle East, such as the UAE, Saudi Arabia, and Qatar, are key players in the global economy. Effective AML compliance enhances their international reputation and credibility in global financial markets.
- Compliance with AML standards, such as those set by the Financial Action Task Force (FATF), ensures that these countries remain part of the international financial system and avoid being listed as high-risk jurisdictions.

## 2. Prevention of Terrorist Financing:

- The Middle East has been a target for terrorist financing due to political instability in certain areas. Strengthened AML compliance helps in combating the financing of terrorism by monitoring suspicious transactions and reporting them to authorities.
- It ensures that financial institutions are not inadvertently used as conduits for funding illegal activities.

## 3. Protection of Financial Systems:

- Robust AML systems protect local financial institutions from being misused by criminals for money laundering. This helps in maintaining the integrity and stability of the financial sector.
- Ensuring that banks and other institutions are not used for laundering illicit funds prevents them from facing penalties, asset freezes, or loss of banking licenses.

## 4. Compliance with International Obligations:

- The Middle East is home to many multinational companies and investors. Being compliant with AML laws ensures these businesses can continue operating without facing sanctions from other countries or international bodies.

## 5. Avoiding Sanctions and Financial Penalties:

- Failing to implement AML measures can lead to sanctions from international organizations, including FATF and the European Union. Financial penalties can cripple financial institutions and lead to a loss of business.

# Middle East - Challenges faced in Compliance

The MENA region faces specific challenges, such as:

- The prevalence of cash-based economies and informal financial systems (e.g., hawala) that are vulnerable to money laundering.
- Political instability in some countries, making it harder to implement and enforce AML/CTF measures.
- The risks associated with terrorism financing, particularly in conflict zones, where terrorist organizations may use illicit funds to support their activities.

## Impact

- MENAFATF has had a significant impact in raising awareness, promoting compliance with international standards, and helping its members address both national and regional threats related to financial crimes. Through its mutual evaluations and training programs, MENAFATF helps build stronger AML/CTF regimes across the MENA region.



In summary, MENAFATF plays a critical role in the Middle East and North Africa, ensuring that member countries adopt and implement effective measures to combat financial crimes, contributing to both regional and global financial security.

The Middle East and North Africa Financial Action Task Force (MENAFATF) is a regional organization established to combat money laundering, terrorist financing, and other related financial crimes in the Middle East and North Africa (MENA) region. It functions similarly to the Financial Action Task Force (FATF) but focuses specifically on the unique challenges and circumstances faced by MENA countries.

MIDDLE EAST AND  
NORTH AFRICA  
FINANCIAL ACTION TASK  
( MENAFATF )

# Recommendations by MENAFATF region-wise

The Middle East and North Africa Financial Action Task Force (MENAFATF) conducts Mutual Evaluation Reports (MERs) to assess the Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) measures in member countries. These evaluations gauge the countries' compliance with the FATF 40 Recommendations and their effectiveness in combating financial crimes.

Here is a region-wise overview of MENAFATF Mutual Evaluation Reports (MERs) for key countries in the Middle East and North Africa (MENA):

## Gulf Cooperation Council (GCC) Countries

### United Arab Emirates (UAE)

Date of MER: 2020

#### Findings:

- The UAE has made significant progress in enhancing its legal and institutional frameworks for AML/CTF.
- The country needs to improve its supervision of Designated Non-Financial Businesses and Professions (DNFBPs), such as real estate and jewelry sectors, and the transparency of beneficial ownership.
- Recommendations: Increase prosecutions and strengthen cross-border cooperation to tackle money laundering and terrorist financing.

### Saudi Arabia

Date of MER: 2018

#### Findings:

- Saudi Arabia has a robust system for preventing terrorist financing and has demonstrated strong political will to address AML/CTF risks.
- Weaknesses were identified in the risk-based supervision of DNFBPs and the enforcement of sanctions.
- Recommendations: Strengthen the supervision of high-risk sectors and improve prosecution efforts related to money laundering cases.

### Bahrain

Date of MER: 2018

#### Findings:

- Bahrain has established a comprehensive legal and regulatory framework for AML/CTF, but improvements are needed in the risk assessment and supervision of DNFBPs.
- The Financial Intelligence Unit (FIU) operates effectively, but the country could do more to increase prosecutions of financial crimes.
- Recommendations: Strengthen the effectiveness of customer due diligence (CDD) and improve the supervision of NPOs to prevent terrorist financing.

# Recommendations by MENAFATF region-wise

## Kuwait

Date of MER: 2019

### Findings:

- Kuwait has made progress in strengthening its AML/CTF framework, especially in terms of terrorist financing prevention.
- However, gaps were identified in the supervision of DNFBPs and monitoring of high-risk sectors like real estate and luxury goods.

Recommendations: Improve law enforcement capabilities and focus on the implementation of targeted financial sanctions.

## Qatar

Date of MER: 2020

### Findings:

- Qatar has established a strong foundation in terrorist financing prevention, but the supervision of DNFBPs and beneficial ownership transparency need improvement.
- The country's financial institutions generally comply with AML requirements, but prosecution rates for financial crimes are low.

Recommendations: Enhance law enforcement capabilities and focus on international cooperation to tackle cross-border money laundering.

## Levant Countries

### Jordan

Date of MER: 2019

### Findings:

- Jordan has made significant progress in combating terrorist financing, particularly through improved international cooperation. However, its risk-based supervision for certain financial sectors and DNFBPs remains weak.
- Improvements are needed in beneficial ownership transparency.

Recommendations: Strengthen the investigation and prosecution of financial crimes and improve the supervision of DNFBPs.

### Lebanon

Date of MER: 2019

### Findings:

- Lebanon has a relatively strong framework for AML/CTF, with a well-functioning FIU. However, the supervision of high-risk sectors, such as real estate and luxury goods, needs strengthening.
- Terrorism financing risks remain a major concern due to the country's geopolitical environment.

Recommendations: Enhance law enforcement capabilities and improve the supervision of DNFBPs and the implementation of targeted financial sanctions.

# Recommendations by MENAFATF region-wise

## Syria

Date of MER: 2006 (Older report due to regional instability)

### Findings:

- Syria faced significant challenges in implementing AML/CTF measures, particularly due to ongoing conflicts and the lack of a stable regulatory environment.
- Recommendations: At the time, recommendations focused on building legal and institutional frameworks to meet FATF standards, as the country lacked comprehensive AML/CTF measures.

## North African Countries

### Egypt

Date of MER: 2021

### Findings:

- Egypt has strengthened its AML/CTF framework, particularly in preventing terrorist financing. However, the country has challenges with beneficial ownership transparency and investigation of large-scale financial crimes.
- DNFBPs require better supervision and more frequent inspections.

Recommendations: Improve international cooperation in cross-border cases and increase the focus on high-risk sectors like real estate.

## Morocco

Date of MER: 2019

### Findings:

- Morocco has improved its AML/CTF system, particularly in financial sectors, but weaknesses remain in the implementation of targeted financial sanctions and monitoring of non-financial sectors.
- The prosecution of money laundering cases has been limited.

Recommendations: Strengthen the supervision of high-risk sectors and increase efforts to prosecute money laundering cases.

## Tunisia

Date of MER: 2016

### Findings:

- Tunisia has made progress in building its AML/CTF legal framework, but there are gaps in the implementation of sanctions and supervision of DNFBPs.
- The FIU has been active, but there is a lack of prosecution and conviction in money laundering cases.

Recommendations: Enhance law enforcement capabilities and improve the supervision of high-risk sectors like real estate and legal services.

## Conclusion

AML compliance is vital for maintaining the integrity of financial systems, preventing illegal activities, and ensuring that Middle Eastern countries remain integrated into the global economy.



# Insider Trading - Overview on Guidelines

Insider Trading in India is regulated under the SEBI (Prohibition of Insider Trading) Regulations, 2015. The Securities and Exchange Board of India (SEBI) has established a strict framework to prevent misuse of non-public, price-sensitive information.

Here's an overview of the key compliances and regulations:

## 1. Definitions and Scope:

- **Insider:** Any person connected to the company or having access to unpublished price-sensitive information (UPSI). This includes directors, employees, and even those with indirect access, like consultants or relatives.
- **Unpublished Price Sensitive Information (UPSI):** Information related to financial results, mergers, acquisitions, or any other significant business event that has not been made public but could affect a company's stock price.

## 2. Prohibition of Insider Trading:

- Insiders are prohibited from dealing in securities of a listed company while in possession of UPSI.
- Both direct and indirect transactions are covered under this prohibition.

## 3. Disclosure Obligations:

- **Initial Disclosure:** Promoters, directors, and key managerial personnel (KMP) are required to disclose their holdings in the company within seven days of appointment.

- **Continual Disclosure:** Any trading by insiders amounting to 2% or more of the total shareholding or voting rights must be disclosed to SEBI.
- **Event-based Disclosure:** Any transaction over ₹10 lakh in value (or as prescribed) must be reported within two working days.

## 4. Trading Plans:

- Insiders can adopt a pre-determined trading plan which allows them to trade even while in possession of UPSI, provided the plan has been approved by the compliance officer and disclosed to the stock exchanges.

## 5. Code of Conduct:

- Every listed company and market intermediary must formulate a code of conduct to regulate, monitor, and report insider trading.
- The code ensures that all employees, directors, and connected persons handle UPSI responsibly and maintain confidentiality.

## 6. Penalties for Violation:

- SEBI has the authority to impose heavy penalties, which can range up to ₹25 crore or three times the amount of profits made from insider trading, whichever is higher.
- In extreme cases, criminal prosecution, imprisonment, and disqualification from holding key positions in companies can also be imposed.

## Glimpse of launch of our First Handbook on IFSC Banking Units



Privileged to launch our First Handbook on IFSC registered Banking Units by  
Mr. Parth Shah (Secretary- ICSI WIRC Gandhinagar GIFT City Chapter)  
at the Annual Regional Conference 2024 hosted by WIRC Chapter of ICSI Ahmedabad and  
Gift City Gujarat.

# Glimpse of our Editor's Visits



Our Editor Ms. Samta Ahuja shared her experience and knowledge on “Navigating the AML and KYC Regime in the evolving GIFT IFSC Environment” at the Annual Regional Conference 2024 hosted by WIRC Chapter of ICSI Ahmedabad and Gift City Gujarat

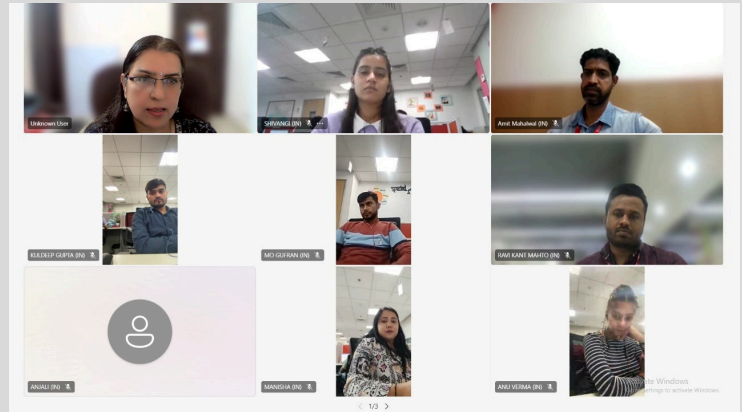
We are thankful to be honored by WIRC ICSI Gandhinagar GIFT City Chapter Team

# Glimpse of Sessions held

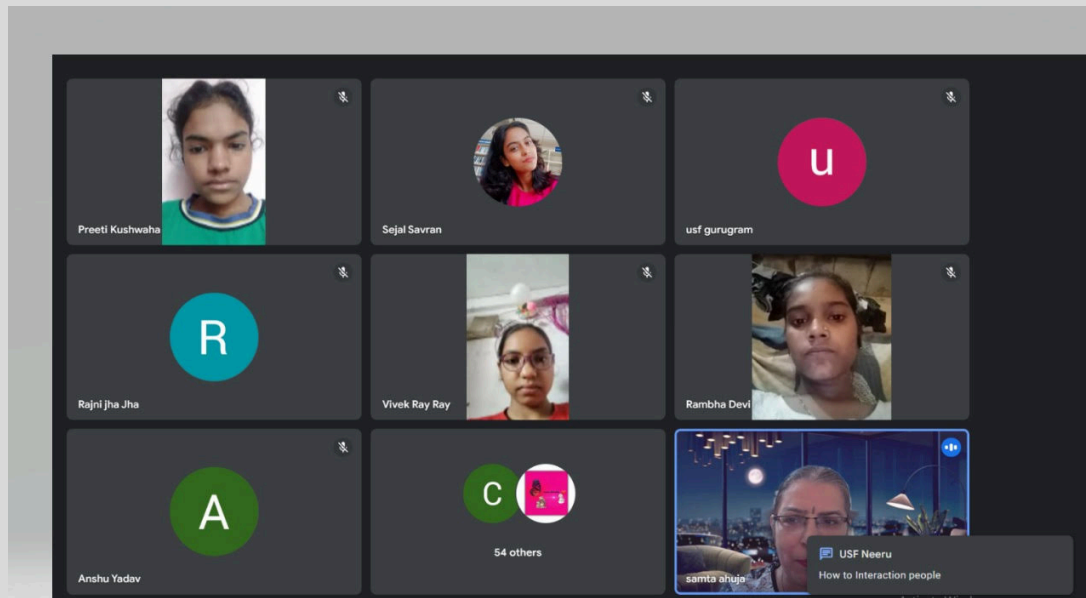


**Our Editor conducted session on Unconscious Biasness for senior management of RHI Magnesita at Gurugram Office.**

# Glimpse of Sessions held

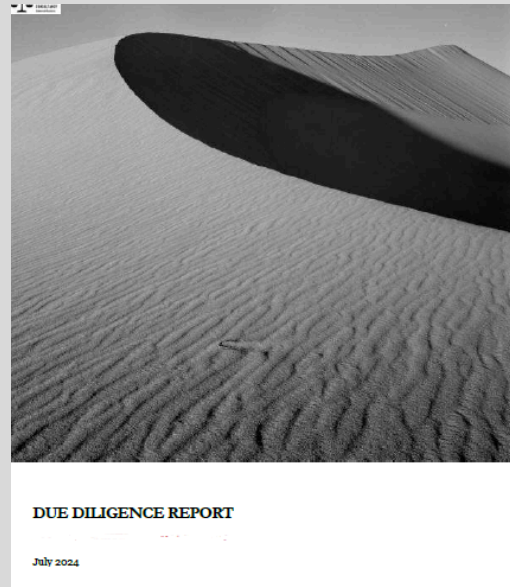
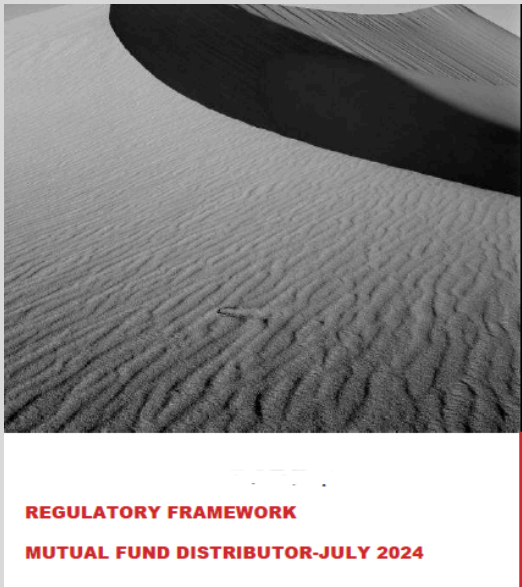
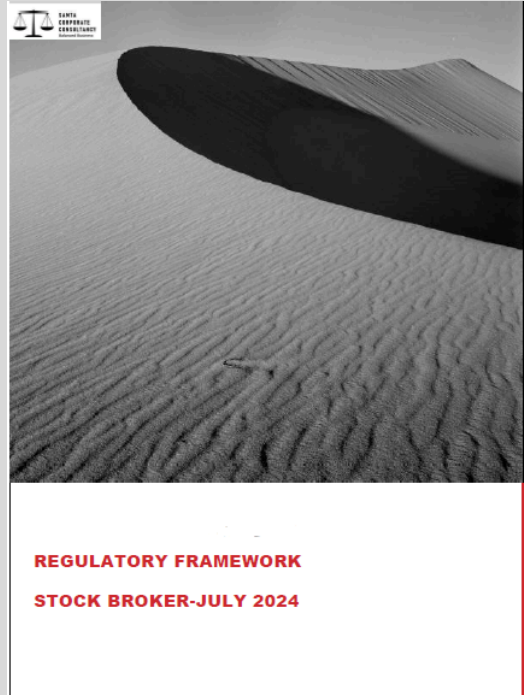
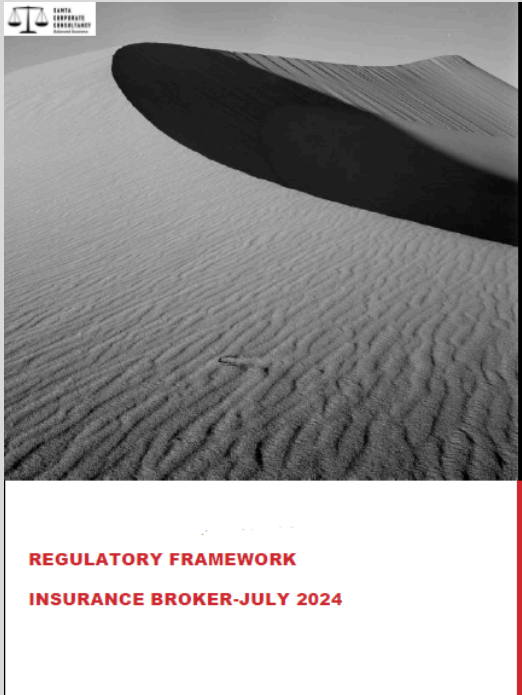


Our Editor conducted Session for employees of Home Credit Gurugram spreading awareness on workplace safety and awareness.



Our Editor conducted Session for Gurugram Chapter of Udayan Shalinis on Mental Health

# Sample of our services



# OUR SPREAD OF CLIENTS

INDIA

SINGAPORE

RUSSIA

UNITED KINGDOM

GIFT CITY

DUBAI

ESTONIA

## OUR PRESENCE

### SAMTA CORPORATE CONSULTANCY



### READERS FEEDBACK

The Editor has sought for reader's feedback on the edition. Our compliance team would welcome the ideas and suggestions from our readers in respect of regulatory compliance to be covered and comments on the latest developments. We want readers to share what they think about our monthly newsletter and how we can highlight the regulatory framework they wish to read about.

Drop a mail and help us improve at  
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