

GULF REGION-WIDE STUDENT CASE STUDY COMPETITION

2020



Student-Authored Case Studies on:
Corporate Best Practices
in Accountability and Transparency

THE PEARL INITIATIVE SERIES ON GOOD CORPORATE PRACTICES IN ACCOUNTABILITY AND TRANSPARENCY

A CASE STUDY REPORT ON EXAMPLES OF COMMENDABLE CORPORATE PRACTICES ACROSS THE GULF REGION IN RELATION TO:

- Anti-corruption policies
- Third-party due diligence
- Ethical labour practices
- Anti-money laundering

CASE STUDIES EDITED BY:

- Yasmine Omari, Executive Director, Pearl Initiative
- Sanjay Salu, Junior Programme Assistant, Pearl Initiative

ACKNOWLEDGEMENTS:

We wish to extend our gratitude to Siemens for their support on this report and their commitment to promoting improved corporate integrity practices across the Gulf Region, and to our esteemed judging panel who kindly gave up their time to score and judge the case study submissions received, the members of the panel being:

Alia Busamra, Chief Sustainability Officer, ENOC
Christina Struller, Vice President of Public Affairs, UPS
Jeyapriya Partiban, Partner, KPMG

FURTHER WE WISH TO EXTEND OUR GRATITUDE TO:

All the participating universities.

- The faculty and staff for motivating and supporting the students and reviewing their work.
The students who participated in our competition.
- The organisations that assisted the students with their research and participated as case study subjects.

DISCLAIMERS AND REPORT LIMITATIONS:

The enclosed case studies are the outcome of student engagement initiatives with the mentioned companies, and does not necessarily represent or reflect the views of the Pearl Initiative, its Board of Governors, Partners staff or any other individuals referenced or acknowledged within the publication.

The Pearl Initiative does not guarantee the accuracy of the data in this publication, and accepts no responsibility for any consequences of its use.

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INTRODUCTION

As part of the Pearl Initiative's report series on corporate best practices in accountability and transparency, we are pleased to present the top case studies from the 2019-20 Pearl Initiative Gulf Region-wide Student Case Study Competition.

In line with the Pearl Initiative's mission and vision to promote accountability and transparency, our Student Case Study Competition was launched in 2013 with a mandate to engage students across the Gulf Region as the business leaders of tomorrow. The objective of this endeavour is to acquaint them with workplace corporate best practices and to supplement their academic knowledge on business ethics. It also aims to inspire students in the understanding of adhering to and applying principles of integrity, ethics, governance, transparency, and accountability in their workplace conduct.

These case studies are provided by the students and participating organisation on a voluntary basis, and to the best of our knowledge offer factual insights into how these organisations apply and implement best practices in accountability and transparency. By publishing these case studies, we hope to:

- Add to the regional body of knowledge about - and research into - the application of improved standards of corporate integrity,
- Enhance transparency about the way in which Gulf Region organisations operate and what

they do, providing guidance to regional businesses establishing, or considering the application of improved standards of corporate governance and integrity, and

- Provide a useful reference point for peer review among Gulf Region organisations on best practices in business ethics.

The 2019 iteration of the competition saw the participation of 270 students from 13 leading universities across the Gulf Region, who collectively submitted 90 case studies. To date, across four annual Gulf Region Wide Student Case Study Competitions, we have received a staggering total of 450 case studies engaging over 1,300 students and 25 universities. These statistics demonstrate the value that the competition has for both students and companies, and the utility of marrying these two groups in a union that celebrates achievement, growth, and development.

I would like to take this opportunity to thank all the participants of the competition as their submissions have been extremely valuable for documenting and increasing awareness of corporate accountability

and transparency practices across the Gulf Region. We would also like to take this opportunity to also extend our gratitude to the champions and professors at the participating universities, who guided their students through the process of building and writing these case studies on the organisational implementation of corporate best practices.

On a final note, I would like to take the opportunity to thank the Pearl Initiative's partners for being stalwart partners of the Pearl Initiative. We appreciate your continuous support of our organisational activities, as well as your commitment to our mission of promoting a robust culture of accountability and transparency in the business realms of the Gulf Region.

With the support of regional academic institutions, students and businesses, we look forward to hosting the fifth edition of the Gulf Region Wide Student Case Study Competition to be launched in September 2020.

Ranya Saadawi
Executive Director
Pearl Initiative



FOREWORD



Jeyapriya Partiban
Partner, Head of Risk Consulting
KPMG Bahrain

'Trust' is a term that tends to be a cliché with most corporate communication, but when an organisation's global history spans over two hundred years combined with their local and regional history, experience and partnerships, we tend to take pride in the fact that we are 'trusted' advisors.

For us, trust is built with a blend of integrity, ethics and quality, based on a knowledge platform that prioritises risk management, due diligence and compliance at the highest level. While we focus on all our stakeholders, we do not lose sight of the fact that we ourselves are a stakeholder for the government, marketplace, and communities we live and operate within.

With the world undergoing a rapid evolution of what was once believed as 'acceptable', it is critical for



students as our 'future generation of business leaders' to understand that standing up for 'what matters' does not impact their growth but defines who they are. As our future, the youth have a responsibility to not just build trust through their actions and initiatives, but will also have to understand the cost of 'inaction' within their organisations and communities.

The Pearl Initiative as an organisation drives the value of ethics, integrity, accountability, and transparency across the region in the Middle East. Businesses and leaders across the region are also increasing their emphasis on these critical values at an organisational level. Given the young minds I have had the opportunity to interact with in the course of my profession, I believe they have a strong moral compass, and they will need to understand the positive impact they could create within the marketplace if they remain true to these values.

Jeyapriya Partiban
Partner, Head of Risk Consulting
KPMG Bahrain

ABOUT THE COMPETITION

The Pearl Initiative Student Case Study Competition for 2019 was open to both undergraduate and postgraduate students enrolled at accredited universities across the Gulf Region.

Under the supervision of a faculty member, teams of up to 3 students were invited to submit case studies in Arabic or in English, documenting and showcasing Gulf based organisations that have implemented examples of best practices around one of the following integrity-related areas:

- Anti-corruption policies
- Third party due diligence
- Ethical labour practices
- Anti-money laundering

The case studies could showcase any corporate organisation based in the Gulf Region, including state-owned entities, listed companies, private companies, family businesses, and small to medium-sized enterprises.

As part of the process of building such case studies, student teams were expected to conduct primary and secondary research on the respective organisations. A key requirement for developing the case studies was that the studies directly contacted and liaised with their chosen companies to conduct interviews with executives in charge of particular integrity-related policies and practices within the organisation.

JUDGING THE CASE STUDIES

The Pearl Initiative provides a deadline for the submission of all case studies.

Once the Pearl Initiative has received all case study submissions, they internally rank them against a defined matrix shortlisting the top 10 case studies as per the guidelines.

The top ten 10 studies are then anonymously shared with a judging panel to objectively score and rank against a defined set of criteria.

THE COMPETITION JUDGING PANEL ON THIS OCCASION COMPRISED OF:

- Alia Busamra, Chief Sustainability Officer, ENOC
- Christina Struller, Vice President of Public Affairs, UPS
- Jeyapriya Partiban, Partner, KPMG

We would like to thank our judging panel for their key role in contributing to the competition and their support in encouraging the leaders of tomorrow by taking the time to go through and assess the submissions.

AWARD CEREMONY

In light of the COVID-19 pandemic, the Pearl Initiative hosted a virtual award ceremony to honour the winning case studies and their authors. It was unable to host an in-person event as it has done in previous years. The event was held on 23 April 2020 and was attended by students and faculty members from universities across the region, as well as executives from leading Gulf-based companies.

Dr. Waddah Ghanem, Senior Director - Sustainability, Operational & Business Excellence, ENOC delivered a keynote address to the students.

EXECUTIVE SUMMARY

OVERVIEW OF THE CASE STUDIES

This report showcases the five best case studies submitted during the 2019 Student Case Study Competition by students from leading universities across the Gulf Region. Please note that case study 4 & 5 both tied at 4th place in this year's competition as per the ranking of the judges.



| CASE STUDY | NAME OF STUDENTS | PROFESSOR & UNIVERSITY |
|---|---|---|
| Anti-Money Laundering at RAKBANK | Sowmya Raghavan Ishita Karamchandani Harshi Motwani | Mariam Aslam, Middlesex University Dubai |
| Ethical Labour Practices at PwC | Dhara Ramesh Modi Kateryna Kapyelova Jovina Mariam | Mariam Aslam, Middlesex University Dubai |
| Anti-Money Laundering at the National Bank of Oman | Abir Al Hatmi Maryam Al Ghaiithi | Dr. Alexandre Bachkirov, Sultan Qaboos University |
| Anti-Corruption Policies and Practices on Confidential | Sarah Fiona D'souza Ria Flora D'souza Sharol Vas | Mariam Aslam, Middlesex University Dubai |
| Anti-Money Laundering Practices at Bank of Sharjah | Anmol Fatima Mariyam Godil Urooj Shaikh | Mariam Aslam, Middlesex University Dubai |

KEY FINDINGS ON THE CASE STUDIES

CASE STUDY 1: Anti Money Laundering at RAKBANK

This case study focuses on RAKBANK's anti-money laundering policies. The policies require employees to have a basic understanding of policies surrounding Anti Money Laundering (AML) and Combating the Financing of Terrorism (CFT), as well as awareness surrounding procedures to detect, prevent and report money laundering and terrorism financing activities. This case study discusses RAKBANK's structured AML process, which is embedded within the organisation to ensure compliance with the AML and CFT regulations. The students also highlighted the difficulties encountered by RAKBANK in the process of embedding practices and steps taken to overcome it.

CASE STUDY 2: Ethical Labour Practices at PwC

This case study sheds light on PwC's labour practices and policies, which have enhanced the performance, satisfaction and happiness of the employees, and which in turn benefits PwC by improving the work environment and quality of their services. To ensure PwC employees have access to quality resources to diversify their skill sets, PwC introduced the 'Internal Quality Control System' for employees to better develop their potential. The case study also discusses 'PwC Professional', a global leadership framework that establishes a set of expectations to guide employee behaviour and conduct and in turn, build trust among clients and colleagues.

CASE STUDY 3: Anti-Money Laundering at the National Bank of Oman

This case study focuses on National Bank of Oman's AML and CTF policies as issued as a decree by the Central Bank of Oman. The report details the process of implementing the policies using tools that identify, analyse, and expose risks of money laundering by curating data. The crux of the report is focused on how these procedures converge to form a cohesive AML policy.

CASE STUDY 4: Anti-Corruption Policies and Practices at Confidential¹

This case study discusses how anti-corruption policies and practices are a vital part of operational ethics. The case study notes that the policies are mandatory and applicable to all business functions in the organisation, and are enforced as a set of stringent guidelines for all employees to ensure compliance with the anti-corruption regulations and the ethical standards of the company. The report also discusses the policy development at the company, which is aligned with the Foreign Corrupt Practices Act (FCPA) and the UK Anti-Bribery Act.

CASE STUDY 5: Anti-Money Laundering Practices at Bank of Sharjah

This report highlights the numerous approaches taken by Bank of Sharjah to mitigate and identify money laundering within the organisation. The case study focuses on the AML policy that is being practiced in line with the rules and regulations of the AML regulations as enforced across the UAE. The case study also describes the processes in place and the drivers for the development of the policy, as well as how it is embedded within the organisation, and details the challenges the organisation faces in implementing and subsequently enforcing the respective policies.

¹ We are unfortunately unable to disclose the name of this organisation as we were unable to obtain the approval of the relevant organisation; however, have chosen to issue the case study given the quality of information and to recognise the efforts of the student team who undertook the research.

CASE STUDY 1 ANTI-MONEY LAUNDERING CASE STUDY AT RAKBANK

| | |
|-----------------------------------|----------------------|
| COMPANY NAME | RAKBANK |
| HEADQUARTERS | Ras Al Khaimah |
| SECTOR | Banking & Investment |
| NUMBER OF EMPLOYEES (2016) | 3417 |
| ANNUAL REVENUE | 1.1 billion |



COMPANY DESCRIPTION

The National Bank of Ras Al Khaimah, also known as RAKBANK, is one of the top ten banks in the United Arab Emirates (UAE) providing a wide range of banking products and services to individuals and businesses. These products and services range from personal banking, business banking, wholesale banking and treasury to financial institutions services, insurance and Islamic banking.

RAKBANK's vision is to offer 'Simply Better' banking solutions for all its customers. Furthermore, RAKBANK aims to become a leading customer-focused bank in the UAE. In view of its mission and vision, it provides

innovative and competitive financial products to its customers and also aims to ensure that its customers can access these products at their convenience. In order to ensure the convenience of its customers, RAKBANK operates not only from 38 branches and 288 ATMs across all the seven emirates of the UAE but has also digitally transformed itself by including a portfolio of electronic and web-based banking solutions such as instant remittances, contactless payments, and online and mobile banking. Headquartered in the emirate of Ras Al Khaimah, RAKBANK is a public joint-stock company and is listed on the Abu Dhabi Securities Exchange (ADX). The Government of Ras Al Khaimah owns 52.76% of RAKBANK. The remaining shares in RAKBANK are held by UAE nationals, GCC nationals and foreigners. The figure below depicts the ownership structure of the bank.

Ownership Structure

- Government of Ras Al Khaimah
- UAE Nationals
- GCC Nationals
- Foreigners

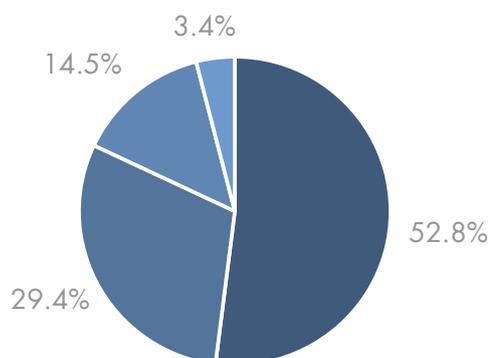


Figure 1: Ownership Structure of RAKBANK (Source: RAKBANK, 2019)

RAKBANK is one of the oldest banks in the UAE and was established in 1976, only four years after the formation of the UAE itself. The year 2001 marked a major transformation in the history of the bank. Originally formed purely as a corporate bank, the bank shifted its focus in 2001 to serve personal banking customers' and small businesses' banking needs.

RAKBANK is a dynamic and customer-centric bank, and this has been demonstrated by the bank time and again. In January 2013, the bank launched RAK Islamic, the Islamic banking unit of the bank and in late 2013, increased its presence in the Commercial Banking and the SME segment. As a part of its diversification strategy, RAKBANK acquired a majority stake in RAK Insurance Company and rolled out a new Personal Remittance service in 2015. In line with its strategy to adapt to changing customer needs and diversify its product offering, the bank re-entered the Corporate Banking segment recently. In addition to customer satisfaction, these strategies have helped the bank expand during the international economic downturn.

The bank has shown tremendous growth in the past five years, and this has been demonstrated by its accolades. RAKBANK is a multi-award-winning bank and has been bestowed with awards such as the Best SME Customer Service Provider, Best Digital Banking and Best Automation Initiative Awards in the UAE, to name a few.

In order to continue on the same growth trajectory, RAKBANK's future strategy involves focusing on its undeserved product areas and segments by extending its Retail and Business Banking. In addition to the above strategy, the bank also aims to selectively grow its Wholesale and Treasury Business.

In line with its objective of providing the best-in-class services to its clients, RAKBANK intends to enhance and deliver a differentiated value proposition by improving their client-facing and back-office competencies along with innovation and developing capabilities such as data analytics. To achieve this, the bank also emphasises on the training and

development of its employees. RAKBANK's constantly evolving strategies, policies, customer centricity and dynamism are what give the bank an edge over their competitors. RAKBANK's adherence to their values of accountability, transparency, collaboration and integrity are also truly noteworthy.



DESCRIPTION OF THE INTEGRITY-RELATED PRACTICE

Criminal proceeds are often masked to disguise their illegal origin. This is known as money laundering. The illegal origin of these proceeds is concealed by changing the form of the proceeds, disguising the sources or moving the funds to a place where they are less likely to attract attention (Financial Action Task Force – FATF, no date).

Financial institutions are vulnerable to abuse, and money laundering offences are one of these abuses. The products offered by financial institutions make it easy for people to disguise the proceeds of crime and integrate them into the legitimate financial system. Hundreds of billions of dollars of criminally derived money is regularly laundered through these institutions. Therefore, it is crucial for financial institutions to have policies and procedures to detect and report suspicious activities, have a risk-based customer identification programme (CIP), and provide ongoing training to appropriate personnel. Further, anti-money laundering (AML) rules compel financial institutions to proactively monitor clients and transactions in order to prevent money laundering, terrorist financing, securities fraud and money manipulation and necessitate them to report any financial crime they find.

RAKBANK is a financial institution that proactively ensures its adherence to AML, Countering of Terrorist Financing (CTF) and Sanctions policies.



Figure 2: AML, CTF and Sanctions Policies established by RAKBANK.

It has a wide range of policies concerning AML, CTF and Sanctions, including Know Your Customer (KYC), Customer Onboarding Policy, Risk-based Assessments, an Ongoing Transaction Monitoring Policy, and a Sanctions programme (RAKBANK, 2019). The KYC programme further consists of Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD).

The reasoning behind RAKBANK's compliance with its established AML, CTF and Sanctions policies is four-fold. First, it is a mandatory requirement of the UAE Central Bank for banks to have policies and procedures concerning AML, CTF and Sanctions. Second, these are the primary requirements that need to be fulfilled by RAKBANK while dealing with intermediary or correspondent banks. Third, RAKBANK also believes that adherence to these policies is a measure to safeguard the society at large by not only identifying but also avoiding criminal proceeds. Finally, compliance with the AML policies

is reflective of RAKBANK's commitment to its values and its stakeholders.

The AML, CTF and Sanctions policies of RAKBANK adhere to the AML and CTF requirements as noted in:

- UAE Central Bank – Circular No. 24/2000 dated 14/11/2000 "Regulations Concerning Procedures for Anti-Money Laundering" and subsequent amendments
- UAE Federal Law – Law No. 4/2002 regarding Criminalization of Money Laundering and its amendments
- International Standards such as the Financial Action Task Force (FATF) recommendations, Wolfsberg Group Principles and Recommendations by the Basel Committee on Banking Supervision. (RAKBANK, 2019)

In addition to the above requirements, RAKBANK also compares its policies and procedures against US and EU Standards and retains records of the results.



POLICY DEVELOPMENT

In order to mitigate AML, CTF and Sanctions risks, financial institutions need to develop, implement and update their internal policies and procedures.

RAKBANK's policies have been developed and drafted over a period of time on the basis of local and international regulatory and legal requirements.

Further, these policies have also been developed with reference to corresponding bank requirements.

The Group Compliance Unit at RAKBANK was primarily involved in the policy development process and is the prime point of control for AML suspicious activities. These policies are subject to the approval of the Board. The bank also faced certain difficulties during the policy development process. In the event of a new regulation or law, in the initial stages, certain grey areas needed further interpretation and clarification. However, this challenge was successfully overcome by the bank through several clarifications with the Central Bank of UAE.

In line with the legal and regulatory requirements, RAKBANK has developed the following policies:

Customer Onboarding Policy:

All customers of RAKBANK undergo a client-onboarding process that includes identification, risk rating, and monitoring measures (RAKBANK, 2019). The bank prohibits the opening of an account for a new customer if reliable information is not available.

Risk-Based Assessment:

The bank's risk-based assessment is applied so as to cover all their clients, products, channels and geographical locations. This assessment is an ongoing and dynamic process and is hence subject to regular review.

Ongoing Transaction Monitoring Policy:

RAKBANK's ongoing transaction monitoring policy ensures consistency between the transactions or activities conducted and the customer information that has been gathered. It also ensures that the customer information is up to date in order to accurately predict their expected behaviour. RAKBANK also has policies and procedures to adhere to the regulatory requirements to report currency transactions. (RAKBANK,2019).

Know Your Customer (KYC) Programme:

The bank utilises a risk-based approach for the KYC process. This approach requires RAKBANK to determine a model that outlines a method for assigning weights to the risk factors, classifying risks into various categories, and the ranking of risks, at both the customer and enterprise levels.

RAKBANK undertakes an identity verification of the customer by collecting and retaining details about the customer such as the ownership structure, nature of business and employment, nature of activity, purpose and nature of the relationship, source of funds and wealth and the like. The ultimate beneficial owners (UBOs) and key controllers are identified. Based on this due diligence process, the customers receive a risk classification. Both quantitative and qualitative factors are indicative of the risk. Criteria used to determine customers risk classification include product usage, geography, business type / industry, legal entity type, adverse information and the like. These factors aid the bank in determining a risk score which then decides the level of due diligence of the customer. If the customer is classified as high risk, then Enhanced Due Diligence (EDD) is undertaken. RAKBANK also has a process to update customer information, during KYC renewal and trigger events. The bank can terminate an existing relationship with a customer, depending on the KYC programme.

RAKBANK also has policies and processes to identify Politically Exposed Persons (PEPs) and evaluate the risks of relationships with them as well as their family and close associates.

Sanctions Programme:

The bank screens its current and potential customers before onboarding and continuously based on its sanctions policies and procedures. It uses an automated method to screen its customers. The sanctions policy within RAKBANK is approved by the management regularly.

In addition to the above, RAKBANK also has a set of stringent policies and procedures regarding AML, CTF and Sanctions. The bank prohibits the opening and keeping of anonymous accounts, fictitiously named accounts, accounts for unlicensed banks and Non-Bank Financial Institutions (NBFIs) and accounts for shell banks. In addition to this, the bank will also not deal with entities that provide banking services to unlicensed banks and shell banks. Further, the bank also forbids the opening and keeping of accounts for Section 311-designated entities and any unlicensed or unregulated remittance agents, exchange houses, casa de Cambio, bureaux de change or money transfer agents.

RAKBANK also adheres to the Wolfsberg Group Payment Transparency Standards.

RAKBANK has a programme that sets minimum AML, CTF and Sanctions standards regarding Cash Reporting, CDD, EDD, Beneficial Ownership, Independent Testing, Periodic Review, Policies and Procedures, Risk Assessment, Sanctions, Politically Exposed Person (PEP) Screening, Adverse Information Screening, Suspicious Activity Reporting, Training and Education and Transaction Monitoring.

(RAKBANK, 2019).

The status of the AML, CTF and Sanctions Programme is reviewed by the Board or equivalent Senior Management Committee, and they receive regular reporting regarding the same. Furthermore, the Board approves the AML, CTF and Sanctions Policy on an annual basis. These policies and procedures are updated at least annually. Finally, the staff of the compliance unit are qualified professionals and are required to attend workshops periodically to ensure a certain level of compliance discipline.



PROCESS FOR EMBEDDING THE PRACTICE WITHIN THE ORGANISATION

As an organisation with a multitude of policies for AML, CTF and Sanctions, RAKBANK has detailed processes for the implementation of these policies. RAKBANK employs several methods to integrate the AML, CTF and Sanctions policies into the working of the organisation. The bank follows an elaborate, yet methodical and meticulous, process comprising of several steps to embed the practice into the organisation.

RAKBANK has a unit that is specifically dedicated to overseeing the compliance requirements of the bank with the AML, CTF and Sanctions policies. This unit further branches out into three specialised units, namely the AML Compliance, Sanctions Compliance and Regulatory Compliance. Collectively, these three units take various measures to ensure RAKBANK's compliance with the AML and CTF guidelines issued by the Central Bank of UAE.

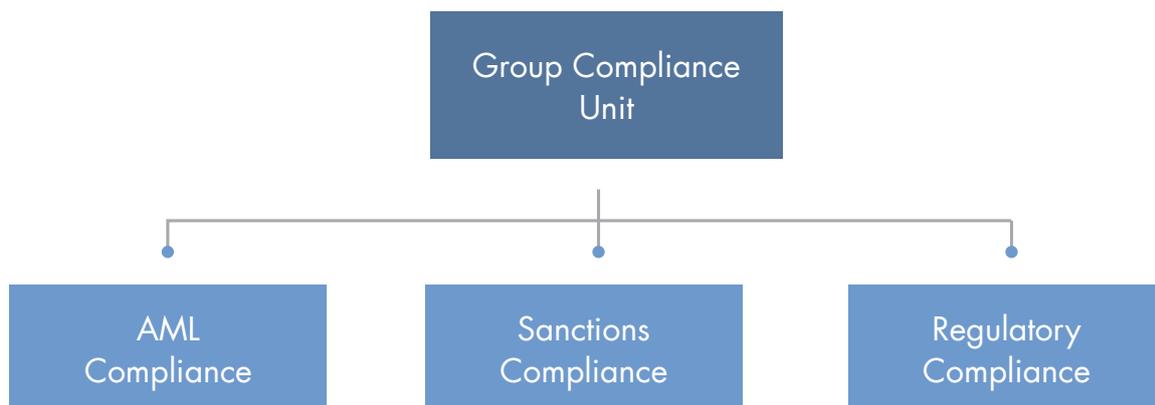


Figure 3: Group Compliance Unit Structure

The KYC (including CDD and EDD), Transactions Monitoring, Suspicious Activity Reporting, PEP Screening, Adverse Information Screening and Risk Assessment policies are embedded in the organisation through documented processes. The Internal Controls team documents these processes.

As a part of RAKBANK’s efforts to embed AML, CTF and Sanctions policies, they provide mandatory training to all their employees. This training is conducted once a year, and any new updates are circulated to all the staff via circulars. The regular internal training is provided to employees through online training tools such as an e-learning portal. The bank follows a structured mechanism to provide training to their employees. During the training, employees learn to identify and report transactions to the suitable government authorities. The employees are provided with examples of the various forms of money laundering, terrorist financing and sanctions that could occur for the specific types of products and services that are offered by the bank. Further,

the employees are also informed and trained on the bank’s internal policies on AML, CTF and Sanctions. In order to provide an in-depth understanding of the bank’s policies and to ensure holistic training, the employees are also made abreast of the new regulations or laws that are mandated to be followed. Lastly, the employees are also trained in the conduct and culture of the bank that they are required to follow.

This mandatory training is provided throughout the organisation to all the staff. From the Board and Senior Management Committee, first line of defense, second line of defense to the third line of defense, non-employed workers such as consultants and contractors, are all subject to this training. AML, CTF and Sanctions staff undergo customised training to develop further specialisation in the respective areas. However, third parties to which specific Financial Crime Compliance (FCC) activities have been outsourced are not subject to the training.



RAKBANK gives utmost priority to the adherence of the AML, CTF and Sanctions policies, and this is seen in the practice of these policies throughout its supply chain. The entire supply chain has to follow the steps laid down in the Standard Operating Procedures (SOPs) to ensure they follow the required measures.

The bank has surveillance technology and customer and name screening modules in order to ensure compliance to AML, CTF and Sanctions practices. Wherever possible, the core banking system generates exception reports to monitor adherence to the policies and where there are system constraints the manual maker - checker principle is applied.

Furthermore, RAKBANK has a set of standard operating procedures (SOPs) which is used to document all the processes through which the policies are implemented throughout the bank.

There were certain difficulties encountered in the process of embedding the practice in the organisation. One of the major challenges was the communication of new developments to the impacted units as it is an elaborate process. To overcome this difficulty, the bank applied various methods of ensuring

proper communication depending on the nature of change. These methods included email notifications, the issuance of circulars to all the employees, and the organisation of training sessions to guide all the impacted staff.



IDENTIFYING AND REPORTING OF ISSUES

RAKBANK gives importance not only to policy development and implementation, but also to the timely detection and reporting of any AML, CTF and Sanctions issues. There are various mechanisms in place for the same.

The bank has a Group Compliance Unit which consists of 10 to 50 employees, in addition to the Money Laundering Reporting Officer (MLRO). The Compliance Unit performs continuous monitoring. The MLRO is entrusted with all the AML functions, including the identification and detection of suspicious transactions.

RAKBANK also has a combination of automated and manual monitoring policies, procedures and processes in place for identification and reporting of suspicious activities. Suspicious activities are detected using the Statistical Analysis System (SAS) Anti-Money Laundering software. In addition to the AML alerts from SAS, manual red flag reports adhering to specific scenarios are generated (RAKBANK, 2019). As an organisation that has received accolades in employee empowerment, RAKBANK ensures that employees can also help the organisation by reporting suspicious activities. In 2015, the Bank introduced an independently managed whistleblower policy that provides 24/7 access for employees to report incidents and issues across a wide range of anonymous channels (RAKBANK, 2015). A functional risk management system is also in place to record and report the identified risk. This system allows anyone to report a risk event. Once a risk has been reported, it is then centrally reviewed by the risk team, and appropriate measures are taken. This mechanism generates a report, and this information is reported to the Chief Risk Officer of the bank.

There are a set of standard protocols that are followed in the event of problem detection. If an employee identifies, inspects or reports any suspicion to the MLRO or the Compliance Unit, they must avoid



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disclosing this information to the customer or any other parties. Once the bank identifies and confirms a suspicious transaction, it can decide to either notify the Financial Intelligence Unit (FIU) or to maintain the transaction with the reasons for maintaining while keeping complete confidentiality.

RAKBANK takes reasonable steps to ensure the information and data reported are protected from access by any unauthorised person. Any employee that violates this prohibition is liable to penalty and imprisonment as it is a federal crime to tip-off the concerned customer. It is essential to have strict control over the confidentiality of the investigations to ensure that the customer is not alerted and does not have the opportunity to erase the evidence and manipulate documentation to save himself or herself. The bank also has policies that describe the process for maintenance of internal “watchlists” (RAKBANK, 2019).



ENFORCEMENT

The enforcement of RAKABNK’s AML, CTF and Sanctions Policies is overseen by the internal audit department and external third party on an annual basis. In addition to the internal and audit, the UAE Central Bank conducts an audit on a periodic basis. The Board Audit Committee has a role to play in the internal audits as well as the external audit function. The Internal Audit function, also known as the third line of defense, is independent of the management. The Chief Internal Auditor reports his/her findings after the inspection of the AML, CTF and Sanctions Functions to the Board Audit Committee.



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This committee also approves the terms of engagement of External Auditors and reviews regulatory inspection reports from the UAE Central Bank and other such regulators (RAKBANK, 2018). The external third party that audits RAKBANK’s AML, CTF and Sanctions Programme is PricewaterhouseCoopers (PwC). The adverse findings from the internal and external audit are then assessed for inadequacies, which are then rectified or amended.

In addition to these annual audits, there are continuous checks conducted by the Compliance Unit. These checks are undertaken for high-risk transactions on a sampling basis in order to measure the effectiveness of the policies and procedures.

The bank has a compliance testing function separate to the Independent Audit function. The bank’s processes and documents are subject to this testing for quality assurance. The bank ensures proper record keeping and retention of all its policies and procedures.

RAKBANK has a zero-tolerance policy to corruption, and thus in case of breach of policy, the employee is sacked. In case the employee breaches the confidentiality policy, they would be penalized and sent to jail for a particular time period, depending on the extent of the breach.

Thus, RAKBANK has a detailed process for the enforcement of the AML, CTF and Sanctions Policies.



LESSONS LEARNED

The lessons learned from RAKBANK's Anti-Money Laundering practices are as follows:

1. Financial institutions have AML monitoring policies and procedures in place to identify and secure themselves from money laundering and terrorist financing transactions. While the development of and adherence to AML, CTF and Sanctions Policy is an elaborate and dynamic process, it is essential in order to ensure the prevention of illegal activities in the society.

2. The presence of a Compliance Unit is essential to every organisation that could be a channel for money laundering and terrorism financing. Furthermore, the creation of specific roles for AML to ensure company-wide identification, recording, mitigation and compliance serves to be extremely advantageous to an organisation.

3. Training and education of all bank staff is crucial to the success of AML, CTF and Sanctions policies.

4. The review and updating of AML, CTF and Sanctions policies and procedures should be an ongoing process that is necessary to gauge intra- and inter-company performance with respect to compliance.

5. There are various methods to measure a customer's risk rating and to detect fraudulent activities. The most common technique used by organisations involves giving consumers a risk score and the consumers are subject to different levels of due diligence based on that score.

WRITTEN BY:
*Sowmya Raghavan
Ishita Karamchandani
Harshi Motwani*

PROFESSOR:
Mariam Aslam

UNIVERSITY:
Middlesex University Dubai

CASE STUDY 2 ETHICAL LABOUR PRACTICES AT PwC

| | |
|----------------------------|------------------------|
| COMPANY NAME | PricewaterhouseCoopers |
| HEADQUARTERS | London, UK |
| SECTOR | Professional Services |
| NUMBER OF EMPLOYEES (2016) | 284,000 |
| ANNUAL REVENUE | 40 billion |



COMPANY DESCRIPTION

PricewaterhouseCoopers International Limited (PwC) is one of the world's largest firms providing professional services to various industries. The PwC ranks the second position among the Big Four accounting firms. The professional services offered by PwC across the different industries include audit and assurance, tax advisory and management consulting services.

PricewaterhouseCoopers International Limited has got a long and rich history. In 1849, Samuel Price Lowell started an accounting firm. Later, in London in the year 1854, William Cooper established his own company, which later became the Cooper Brothers (PwC, 2019). After many years when Price Waterhouse and Coopers & Lybrand merged in 1998, PricewaterhouseCoopers had formed as a firm (Companieshistory.com, 2019).

The year 2010 saw PricewaterhouseCoopers shorten its brand name to PwC. Over the years, PwC has provided assurance, advisory, and consulting services to almost 26 industries around the world. PwC has been operating in the Middle East for more than 40 years. In the United Arab Emirates (UAE), the PwC has offices in Dubai, Sharjah and Abu Dhabi to provide professional services to numerous clients.

The vision of PwC is "to build trust in the society and solve the important problems" (Comparably, 2019). The mission statement of PwC states that its mission is "to provide an unrivalled level of service and to contribute to the sustained growth of the economy through the execution of vigorous, fair, and high-quality audits based on clear leadership and creative teamwork" (Mission Statement Academy, 2019).

The five core values of PwC are integrity, work together, care, reimagine the possible and make a difference. These values ensure that the operations remain streamlined (Mission Statement Academy, 2019). The vision, mission and core values of PwC not only outline the performance standards but provide the employees specific goals to achieve which increases their efficiency and productivity.



DESCRIPTION OF THE INTEGRITY-RELATED PRACTICE:

PwC Dubai follows various ethical labour practices which are in accordance with regional laws. PwC's main aim is to nurture local talent and provide unique opportunities to their employees while equipping them with sufficient knowledge to accomplish their tasks.

The objectives of PwC - Move fast, Think forward, and Return - incorporate the company's employees' adaptability to the accelerated digital and technological progress in the industry and on the global level. PwC has designed certain talent practices such as secondments, rotations, learning and development opportunities to nurture the employee adaptability and agility (PwC, 2019).

As PwC is forward-looking, the company aims to increase performance efficiency and achieve the expected results. Hence the ethical labour practices and policies adopted by PwC helps in the better performance, satisfaction and happiness of the employees which in turn helps in improving the work environment and quality of the services provided.

The 'people strategy' policy of PwC developed as part of the internal quality control system highlights two components, 'People experience' and 'Digital upskilling' to enhance and nurture the human capital (PwC, 2019). PwC has developed the policies as they highly value 'human' skills. PwC as a firm even rewards the qualities of employees such as leadership, creativity, empathy, and curiosity as part of their ethical labour practices and policies.

"Our goal is to empower all our people to be the best they can be, seeking to ensure they can all fulfil their potential, whatever their background" (PwC, 2019). PwC believes that a diverse workforce is critical to the success of their business.



Insert Quote here Insert Quote here

The work opportunities are provided fairly and the criteria for hiring the employees depends on the talents, skills, and intellectual questioning of the candidates. The diversity in the workforce helps in better decision making and solving the problems of clients faster. The diversity and inclusion concepts at PwC even help to meet their corporate social responsibility and investor requirements.



POLICY DEVELOPMENT

Ethical labour practices are those practices and policies adopted by firms that specify a sound framework on the fair and ethical treatment of employees and staff associated with them. PwC has been able to demonstrate its values and fulfilment of Corporate Social Responsibility (CSR) by investing in the development of these policies within the company. These policies have been promoted as a part of their CSR strategy.

The senior partners and the board of directors at PwC played a vital role in introducing these policies at the company. The management and human resources department, along with each individual associated with PwC, are responsible for the progress and implementation of these policies. The community as a whole also influences the decisions taken by policymakers, and various factors are taken into consideration while developing policies that serve the diverse range of talent employed at the firm. Strategic and active implementation of the ethical labour policy has taken place in Dubai for the past 4-5 years.

As a part of PwC's Internal Quality Control System, the firm has developed policies to ensure that their employees have constant access to top quality resources and the opportunity to diversify their skill sets. The company has not restricted itself by emphasising on just a singular aspect; instead have provided its employees access to a variety of resources which helps them to develop their potential. PwC understands that innovation and continuous development are necessary to cater to a dynamic and ever-evolving world, and to do that, they must invest in their people who are the backbones of the company.



PROCESS FOR EMBEDDING THE PRACTICE WITHIN THE ORGANISATION

PwC employs various mechanisms for embedding these policies and practices within the organisation. The various concepts of PwC like their One Firm, Tomorrow, Today people strategy, enables their employees to thrive in the corporate environment. This strategy focuses on reducing the stressful impact of today's fast-paced and complex workplace. The firm want to support their people towards a path of greater well-being. Digital 'upskilling' is also one of the components of this strategy, which allows their staff to enhance their technical and technological skills and become experts on the latest developments in digital transformation topics.

The company provides brand new iPhones for every employee, including SIM cards, 700 local calls, 12 GB data, 200 international calls, as well as ThinkPad laptops (Lenovo), which are very fast and have all system updates, installed antivirus and security up to the best level. The employees even receive a 10% discount from the Apple store.

PwC requires its employees to install a free application called Digital Fitness App, which enables employees to remain "digitally fit" and up to date with the advancing technology and automation. It is interactive and enables the employees to stay motivated to learn IT skills and remain productive while being rewarded along the journey. For instance, the employees were offered two extra days of holiday for the New Year in the year 2019, if approximately 80% of employees complete the same set of tasks on the Digital Fitness App. Hence, the employees are obliged to install the app, and stay fit with digital skills.

Additionally, the employees have an opportunity to complete a digital accelerator program, which aims to enhance and deepen their digital acumen. It is accessible to every PwC staff member and has had applicants from different departments – human resources, marketing, assurance, etc. Approximately 800 people have applied for this program since its launch. An example of a successful outcome of completing this program was observed in the PwC Academy. A finance department executive, Mohammed Mishal, who became a digital accelerator, has significantly improved the finance department policies and procedures.

PwC Professional, which is their global leadership development framework, establishes a single set of expectations across the company's lines of services, regions and roles. Such internal and external expectations and requirements help to guide their behaviours and build trust among their clients and colleagues. PwC's culture and values are reflected excellently as they work with integrity and care to make a difference in society.

The framework provides transparency on the skills which are required to be relevant and to deliver quality content to their clients.

It includes assurance quality dimensions that guide the staff in building critical skills and essential behaviours related to delivering audit quality, such

as professional scepticism, review and supervision, auditing skills, issues management and even technical knowledge.

Recruitment and retention are two significant features of their policies. PwC Dubai aims to recruit candidates with intellectual curiosity and those who demonstrate courage and integrity. All candidates are considered according to multiple criteria while following the PwC framework. Similarly, the retention of their professionals is essential for the success of the company. Listening to their employees and providing them with the ability to accomplish their goals is vital according to their retention strategy.



IDENTIFICATION AND REPORTING OF ISSUES

The policies and procedures set and followed within the firm make a positive impact throughout it. However, it is essential to understand the importance of a system in place for all employees to report any concerns and provide feedback for overall improvement within the company.

PwC conducts frequent training for managers to increase the transparency in reporting between managers and subordinates, and communication through management to lower hierarchy levels. These training sessions encourage managers not to have direct perceptions, which lead to miscommunication but to consider various angles and perspectives of the circumstances and situations. An outcome of one such training session was the introduction of the anonymous feedback system for line managers, where employees can register their complaints without any hesitation. Such enforcements have

extreme importance in excelling in ethical labour practices as this encourages the different hierarchy levels to interact closely and to be fully transparent and honest in their decisions.

The managers also routinely aim to organise at least one individual “coffee catch up” with their subordinates. These informal meetings are necessary to enhance communication between different hierarchy levels. PwC also enable the employees to have a constructive relationship with the managers and ensure that everyone is comfortable at their workplace. These meet-ups also help to identify and report any issues or concerns faced by staff members. The managers of PwC are now aiming for frequent coffee meetings as they have brought exceptional results and a significant improvement in the efficiency of the staff.

A good example is that of the PwC Academy, which works under the Assurance department. However, it is more transparent as the hierarchy within the academy has fewer layers, and hence there is a very well-established communication network between the line managers and the employees. To maintain this communication, employees frequently have to attend the R&Q training.



ENFORCEMENT

Ethical and moral values are at the core of PwC. They ensure that their employees understand the significance of their duties towards the organisation, colleagues and subordinates. All members and staff associated with PwC are responsible for policy enforcement and must sincerely follow all necessary procedures as protocols.

PwC follows various strategies and techniques to enforce their policies within the company. The PwC Middle East Learning and Education is one of the most important initiatives at the PwC Dubai and at its other member firms. The delivery of quality assurance services requires PwC to provide its people with continuous and consistent training on all the aspects and areas of auditing.

Moreover, PwC Academy provides discounted CFA, ACCA, CMA and other professional qualifications training to their employees. Offering the various rewards and incentives, the firm aims to maximise the potential of its workforce. PwC targets empowerment and motivation of the employees to increase their productivity and eliminate the intentions of unethical behaviour.

For example, there has been a three days leap event at the end of 2019 in Abu Dhabi for the senior associates next in line to become managers. The external trainers from the UK were invited to the UAE to provide the senior associates specialised training. Additionally, the firm offers at least one training per annum for the staff with internal and the external trainers, organised by senior managers, associates and senior associates. These training sessions heavily accentuate the importance of ethical behaviour during the transition from one rank to another.

Another flexibility allowance implemented PwC routine is that the company believes in the individual approach to the employees. It focuses on diversity and inclusion and allows appropriate flexibility due to everyone having different schedules. Some departments managers can work from home; however, it depends on the nature of the job.

Previously, PwC was a very corporate company and required its employees to maintain the formal dress code continually. However, during the past 3-4 years, the PwC has changed significantly in this aspect – currently, the employees can decide what kind of garments are appropriate and comfortable for their workplace. The freedom of choice indicates the competent employees' empowerment within the organisation and allowance to personally judge the appropriateness and ethical approach to their respective positions.

A formal curriculum is followed, and the Network Leader considers the requirement for additional training. PwC has also received formal recognition from the broader learning community due to the innovative learning approaches and modular content applied in training.

The following points elucidate how PwC's employees are enabled to learn and develop their skills.

- Practical experience and coaching
- Formal learning
- Informal learning and personal responsibility
- Maintaining capabilities and technical competence
- Career development

The training materials cover the PwC audit approach and updates on auditing standards and implications, along with any areas of audit risk. One of their main objectives is also to emphasise the overall quality improvement of audit services.

PwC periodically measures the pride, advocacy, commitment, and overall satisfaction of their employees through their Global People Survey. Their global people engagement score is 75% which reflects the extent to which their employees feel passionate about their work and are committed to the organisation.



LESSONS LEARNED

All regional companies, regardless of the industry they operate in, can learn from PwC and adopt many features into their own practices. They can fulfil their ambition to strive for a stimulating and creative atmosphere in a corporate environment by gaining inspiration from PwC's various policies. These include:

- Ensuring mandatory compliance with all ethical labour policies and procedures by every staff member. Firms must also ensure adherence towards all statutory and regulatory requirements of UAE and company law.

- Making sure tolerance and respect for the employees is always required.
- Encourage employees to remain physically, mentally, and digitally fit.
- Investing in an individual employee's career development.
- Organising meetings and events to provide adequate training on upgrading digital and professional skills.
- Providing relevant flexibility so that employees can attain expected results.
- Providing employees a fair chance to be involved in change within the organisation.
- Providing employees with a safe space where they can comfortably share any concerns or issues they are facing in their professional lives.
- Incentivising the employees for efficiency and for achieving desired results.

WRITTEN BY:

*Dhara Ramesh Modi
Kateryna Kapyelova
Jovina Mariam*

PROFESSOR:

Mariam Aslam

UNIVERSITY:

Middlesex University Dubai

CASE STUDY 3

ANTI-MONEY LAUNDERING AT THE NATIONAL BANK OF OMAN

| | |
|----------------------------|-----------------------|
| COMPANY NAME | National Bank of Oman |
| HEADQUARTERS | Muscat, Oman |
| SECTOR | Banking & Investments |
| NUMBER OF EMPLOYEES (2016) | 1,500 |
| ANNUAL REVENUE | 172 million |



INTRODUCTION OF NATIONAL BANK OF OMAN (NBO)

The first incorporated bank in Oman was Bank of Oman (NBO), which was established in 1973 as a joint stock company. It is providing conventional and Islamic banking services. The shares of the bank are listed in Muscat Security Market (MSM). NBO operates in five main areas: retail banking, corporate banking, investment banking, treasury and international banking and Islamic banking. National Bank of Oman was established with the capital of 500,000 OMR and started operations in two branches in 1973.

NBO makes special efforts to make banking more accessible, enjoyable and convenient for all their customers. NBO provides cutting-edge financial solutions, designed to keep pace with the needs of individuals and businesses. Its Retail Banking Division offers accounts, loans, and insurance and investment opportunities. In addition, its Investment Banking Division has a respected Corporate Banking

Group. The Corporate Banking Group delivers a comprehensive group of products and services that permit companies and corporations based in Oman to conduct business within the country and abroad. Since the National Bank of Oman is the only Omani bank licensed to operate in UAE (Dubai and Abu Dhabi), it has a significant competitive advantage to develop its international operations. NBO's vision is "The bank of choice". NBO has more than 60 branches and 173 ATMs and cash deposit machines across Oman and two international branches in Dubai and Abu Dhabi. The shareholders of NBO shown in figure below:

“ Insert Quote here ”



DESCRIPTION OF MONEY LAUNDERING

Money laundering has been defined as “the use of money derived from illegal activity by concealing the identity of the individuals who obtained the money and converting it to assets that appear to have come from a legitimate source.” We can simplify things by saying that money laundering is a process to make dirty money appear to be clean. Some laws have been specially written to facilitate the discovery of money laundering. Among these, laws related to reporting transactions in currencies, or requiring banks to report suspicious financial transactions. Other laws impose a criminal sanction on money laundering, which increases the risk factor for illegal transactions. The problem of money launderers is historical, and it relates to the methods people use to exchange goods and services. During the ‘barter system’ era, people traded things they did not need for

other things that they did. This system worked up to a point, but it was replaced by the invention of money. This cash transaction system worked well, but it isn’t perfect. The attempts to improve it have taken the form of financial institutions, banks, checks, records, accounting, and lots of paperwork. The result is a financial or business transaction system that is safer, generates detailed records and is widely used in businesses everywhere around the world. Financial or business system of conducting transactions was not set up for concealing things so criminals cannot hide ill-gotten gains.



POLICY DEVELOPMENT

Anti-money laundering greatly affects the country’s assessment, trust and transparency; therefore, a royal decree was issued to reduce it.

Royal Decree No. 30/2016 issued the Anti-Money Laundering and Terrorist Financing Law. After that, a circular from the Central Bank of Oman appeared regarding the royal decree and that every institution or company must work to eliminate money laundering which is inspected by the Central Bank of Oman. National Bank of Oman placed policies, process, Risk Management, monitoring and electronic systems to eliminate money laundering. The policy that NBO followed is know your customer (KYC) and Due diligence. Know your Customer is the process of a business verifying the identity of the clients and assessing their suitability, along with the potential risks of illegal intentions towards the business relationship. The bank gains many advantages of KYC which they are:

- combating criminal acts (money laundering)
- ensuring safety of investors' assets
- avoiding legal, tax and reputational issues
- establishing credibility with bank

Know Your Customer (KYC) helps the bank discover any suspicious activities such as a transaction of money laundering. There are several indicators of money laundering, such as unusual transactions or activity compared to their normal dealings, unjustified large cash deposits, unwillingness or avoidance of providing information about their business and complex financial transactions that are designed to conceal the source and ownership of the funds. If the bank notices or suspects one of the transactions as money laundering, the bank will initially try to assess the situation, analyse it and monitor the customer's behavior for further reporting, if required. NBO has a system that monitors all transaction for all employees. Also, it offers training for the employees to eliminate the money laundering.



IDENTIFICATION AND REPORTING OF ISSUES

NBO continues to detect cases of money laundering cases over the years. They apply the aforementioned four-step process to deal with these cases.



ENFORCEMENT

The AML policy implementation process is applied in a very efficient and effective way in all NBO branches. The Anti-Money Laundering department (AML) have excellent systems to fight and prevent all the types of the financial crimes and they are the responsible department which are providing the training courses for the employees about financial crimes, in particular, crimes relating to money laundering. The bank ensures that all the employees inside all the branches are provided with high quality training programs from time to time related to money laundering and ways to discover it, deal with it, and solve it. Also, NBO is subject to a periodic inspection by a group from Central Bank of Oman. This group is inspecting the efforts taken by NBO in contributing to their anti-money laundering practices and evaluating their performance in the anti-money laundering activities. NBO follows laws and regulations that are issued by Central Bank of Oman and follow the recommendations of FATF.



LESSONS LEARNED

Money laundering is a crime that affects society negatively. Therefore, all financial institutions need to take action against this problem as part of their work practices. In this case study, we have learnt how to deal with the issue of money laundering and the importance to audit and ensure that all action of the company in accordance with the laws and regulations. Additionally, we learned how to develop strategies considered by the management

of the company to avoid these problems within the company, how to abide by the laws of the country, how to not manipulate the funds entering and leaving the company and how to choose investors through the criteria conditioned by the management of the company.

Finally, we learnt it is critically important for all companies to put a system in place that makes it hard for money laundering crimes to occur.

WRITTEN BY:
Abir Al Hatmi
Maryam Al Ghaithi

PROFESSOR:
Dr. Naglaa El Dessouky

UNIVERSITY:
University of Bahrain

CASE STUDY 4 ANTI-CORRUPTION POLICIES AND PRACTICES AT CONFIDENTIAL

| | |
|----------------------------|-----|
| COMPANY NAME | N/A |
| HEADQUARTERS | N/A |
| SECTOR | N/A |
| NUMBER OF EMPLOYEES (2016) | N/A |
| ANNUAL REVENUE | N/A |

*The organisation will be referred to as 'Confidential' as it wishes to remain anonymous



DESCRIPTION OF THE INTEGRITY-RELATED PRACTICE

Confidential carries out the responsibility to undertake ethical practices with the compliance to the anti-bribery and anti-corruption laws applicable in all countries where the organisation operates (collectively, the anti-corruption Laws).

The guidelines of the anti-bribery and anti-corruption policy apply to all business activities of the organisation. The organisation strongly believes that business relationships are built on integrity, fairness, and quality of products and services and not by misconduct. The policy sets strict guidelines for all employees and counterparties to enforce compliance with the anti-corruption laws along with the ethical standards and objectives of the organisation.

According to the policy, the organisation should not make or permit any facilitating payment but

are allowed in specific scenarios in which the payment is considered lawful and unavoidable. The Chairman or President must approve all the facilitating payments. Thereafter, all payments must be recorded and accounted for fairly and accurately. Expenses incurred for any business entertainment or hospitality services are to be correctly recorded in the organisation's member's books.

The policy is intended to be disseminated to all business partners in relation to the integrity of Confidential. Hence, any reputational or legal risks made to the company due to the business partner's actions will not be accepted. Business partners may only be engaged according to the provisions of the Authorities Manual. It is the responsibility of the concerned business manager to ensure any and every "red flag" has been removed and reviewed. It is strictly forbidden to receive or give gifts of cash. The implementation and awareness of this policy is the responsibility of the local management. Any enquires regarding the anti-corruption and anti-bribery policy can be discussed with the management.



POLICY DEVELOPMENT

The policy was developed based on acclaimed international practices considered suitable for Confidential. The policy complies with international practices, which are regulations such as the Foreign Corrupt Practices Act (FCPA) of the United States and the Anti-Bribery Act of the United Kingdom. Further research was conducted to understand the local sensitives as it can have an impact on the company since its business activities are operated in Confidential's jurisdictions. Therefore, the anti-corruption and anti-bribery policy was created to avoid unethical practices within the organisation. The principal parties responsible for the development of the policy are the legal department and the internal audit department of the organisation.



PROCESS FOR EMBEDDING THE PRACTICE WITHIN THE ORGANISATION

Confidential holds extensive awareness campaigns. These campaigns help in reminding employees of their responsibilities concerning the anti-corruption and bribery policy. In order to effectively communicate

and promote the best practices about the policy, news alerts are sent to employees from the internal communications department. In this way, employees can understand the nature of policy in order to avoid any form of corruption or bribery practices in the organisation.

The challenge arises when it comes to effectively communicating the best practices and the policy to employees of the organisation. Another critical challenge is that not all jurisdictions are the same as some are more complex in nature. Hence, the understanding of these complicated jurisdictions whenever an issue arises can be challenging to comprehend, and some of these jurisdictions are ranked highly based on global corruption indices.



IDENTIFICATION AND REPORTING OF ISSUES

The Anti-Corruption and Bribery Policy applies to all group personnel, including the partners. If any individual violates this policy, disciplinary action, including termination, will be taken. Confidential strongly believes that the organisation personnel should never engage in any misconduct. If this situation arises, the supervisor/head of the business unit needs to be approached promptly or is to be reported to the Internal Audit department.

Confidential has implemented a variety of platforms to identify and report issues effectively. The internal whistleblowing policy is used to report on an anonymous basis to stay alert of any corruption within the organisation and the parties dealing with the organisation. By the continuous encouragement of whistleblowing policy, Confidential facilitates effective and transparent communication. Internal audit has no restriction but has full power to check the reporting systems and interview people based on the anonymous tip. This is later reported to the appropriate senior authority.



ENFORCEMENT

Confidential desires honesty among its employees. The existence of integrity helps full commitment to the mission and progress of the organisation. Effective enforcement of the Policy protects the company's integrity and prestige, safeguards the employees and mitigates shortfalls and financial loss. As mentioned earlier, any breach of this Policy will result in disciplinary action, including termination and/or referral to national law enforcement authorities. Moreover, the individual who committed the violation will face substantial fines and potentially lengthy imprisonment.

There are many actions taken by Confidential to ensure the enforcement and maintenance of the Anti-Corruption policy. Extensive awareness campaigns and news alerts are published in the internal communications across the organisation to regularly remind employees of their responsibilities with regards to compliance with the Policy.

Confidential does not believe in offering incentives to employees to come forward to report any misconduct. It is the utmost responsibility of the employees to convey honesty and integrity. Executives believe that fraud could happen at any level, so they encourage managers to reach workers at all levels and engage them in mitigating fraud. This is initiated by the internal audit to spot the warning signs and red flags of bribery and corruption that they may encounter in their work. Once the areas that are prone to fraud are identified, the auditors recommend the top management for corrective action.

All bank employees should be trained in anti-money laundering. It is the responsibility of each business group, subsidiary, and overseas branch to include AML, compliance and sanction training in its overall business-training plan.



LESSONS LEARNED

At Confidential, there is effective communication in conveying the policy and its best practices to its employees through news alerts from internal communication.

The organisation has thoughtfully implemented its policy by taking note of best international practices such as FCPA and the Bribery Act as well as its impact on its operations locally and internationally. Employees to the executives of the organisation are more openly aware of such policy through the various levels of the business.

Confidential takes a zero-tolerance approach to corruption and bribery. The organisation uses various platforms such as internal whistleblowing.

Managers are motivated to engage with employees at all levels to ensure enforcement of Anti-Corruption and Bribery policy.

The Internal Audit identifies red flags through the internal process and is the responsibility of the employees to be honest and fair.

WRITTEN BY:

*Sarah Fiona D'souza
Ria Flora D'souza
Sharol Vas*

PROFESSOR:

Mariam Aslam

UNIVERSITY:

Middlesex University Dubai

CASE STUDY 5 ANTI-MONEY LAUNDERING AT BANK OF SHARJAH

| | |
|-----------------------------------|-----------------------|
| COMPANY NAME | Bank of Sharjah |
| HEADQUARTERS | Sharjah, UAE |
| SECTOR | Banking & Investments |
| NUMBER OF EMPLOYEES (2016) | 215 |
| ANNUAL REVENUE | 48 million |



COMPANY DESCRIPTION

Bank of Sharjah (BOS) was the first commercial bank established in Sharjah and the fifth in the UAE in 1973. The bank, since its inauguration, has played a significant role in the economic development of Sharjah in particular, and the UAE in general.

The bank is headquartered in Sharjah and is listed on the Abu Dhabi Securities Exchange as a financial institution. Emirates Lebanon Bank S.A.L., Lebanon, is a fully owned subsidiary.

The bank is very keen in maintaining its relations with its stakeholders as it states: "Our mission is to achieve strong and sustainable performance for our shareholders, operating to the benefit of our customers and personnel with high ethics offering and expecting full transparency, adopting innovative initiatives to help customers achieve their aspirations and objectives, assuring them of our unwavering commitment to supporting their businesses through waves of economic cycles with a pristine subscription to quality of service." (Corporate Governance, 2018).

The bank celebrated its 45th anniversary on the 13th of December 2018 at the Jumeirah Beach Hotel. They celebrated by highlighting their key achievements over the last half-decade. To mark a legacy the bank devoted to being customer-centric in its approach.



DESCRIPTION OF THE INTEGRITY-RELATED PRACTICE

Anti-corruption and anti-bribery are topics of siAnti-Money Laundering (AML) or Counter Terrorist Financing (CTF) policies and procedures refers to all internal policies and procedures that enable financial corporations to monitor their clients, and their clients' transactions, so as to combat money laundering and terrorism finance. These policies also require businesses to report any financial crimes and breach of policies and procedures, and take preventive measures to tackle such situations. AML laws were unveiled right after the establishment of the Financial Action Task Force (FATF) that recommended the AML framework for the member countries to follow.



As these corporations play an essential role in the economic sectors, innovative technologies must be used to detect potential illegal conduct, and to ensure the employees are well trained to identify and report such cases to the senior management and compliance department.

These practices are mainly enacted because:

- They help prevent banking services being misused by criminals routing funds generated by illegal activities such as drug trafficking, terrorism financing, tax evasion and other criminal activities.
- They are good corporate governance practices.
- It is part of the regulatory requirements prescribed by the Central Bank of UAE.
- It improves the reputation of the bank and secures good relations with the international banking industry.
- It prohibits relationships with shell banks (banks incorporated in a jurisdiction in which they are not physically present and are not supervised by a regulated financial group).



POLICY DEVELOPMENT

The Compliance Policy of BOS underlines that Compliance is of central importance in an employee's daily work and Compliance is his/ her commitment to the Bank. The AML policy of BOS is put in place to ensure compliance with AML regulations and internal Bank policies related to AML policy. The UAE is a member of the MENAFATF which, like the FATF, requires organizations to adopt the FATF 40 Recommendations on combating money laundering and terrorist financing and also comply with related standards set in the MENA region. The Central Bank of the UAE (CBUAE) sets regulation for Anti-Money Laundering (AML) and for Combatting Terrorist Financing (CTF). These regulations require banks to establish policies and procedures to combat money laundering and terrorism finance. . All suspicious activity reports filed by the banks are received and analyzed by the Financial Intelligence Unit (FUI) at the CBUAE.

The regulatory reporting framework is reviewed by the Management Regulatory Reporting Compliance Committee (RRCC) across the bank. It aims to accomplish the accuracy and consistency demanded by the government bodies. The Head of Compliance develops and puts in place the AML-CTF policy and procedures framework under the supervision of senior management and the Board of Directors, certifying that all rules are up-to-date with the legal, regulatory requirements. The compliance department also trains the Bank's personnel on these policies

by using online systems, in addition to providing customized classroom training.

BOS also complies with international regulatory requirements and is compliant with requirements of correspondent banks in USA, Europe and across the world. One such important requirement is known as the USA Patriot Act that was passed after September 11, 2001 terrorist events. The act enforces money-laundering deterrence and compliance with sanctions.

“ We certify that our Bank and our subsidiaries cannot be deemed a shell bank within the meaning given to these terms under US legislation (USA PATRIOT Act), and those relationships with other banks comply with this legislation

(AML-Bank of Sharjah, 2019)

“ Bank of Sharjah reserves the right not to execute any transactions which might constitute a breach of UN, US, EU and UAE laws, regulations, policies and rules which may vary from time to time, to prevent money laundering, terrorist financing, sanctioned and prohibited business activities. ”

(AML-Bank of Sharjah, 2019)

BOS has also partnered with Financial Integrity Network (FIN), which is based in Washington DC, for strategic advisory services. FIN is a leading strategic advisory organization that facilitates strengthening its clients' financial crime compliance framework in boosting the financial reliability obliged by the modern international security environment and new global ethics. The affiliation with FIN is not just limited to risk management, but also expands to corporate governance and other internal regulations. The Central Bank of the UAE mandated, via their circular 13-5/320/2017 dated 16th April 2017 that the AML and Sanctions Compliance framework should be assessed by an external firm.

M/s Financial Integrity Network (FIN), Washington DC, USA filed their report in this regard on 28th. December 2017. The report states as follows: "Based on FIN's extensive work undertaken in preparing the Report, it is clear that Bank of Sharjah (BOS) meets and exceeds the AML and sanctions related requirements of the UAE (primarily contained in Notice 24/2000 dated 14/11/2000 and Notice 2922/2008, dated 17/6/2008 issued by the CBUAE). BOS's clear compliance with UAE requirements is also evident in the explanation of BOS policies, programs, systems, controls, and practices." (Corporate Governance, 2018)



PROCESS FOR EMBEDDING THE PRACTICE WITHIN THE ORGANIZATION

To ensure adherence to the AML and KYC policies and comply with the applicable laws and systems, BOS has adapted procedures for fighting money laundering, terrorism financing, and for fighting other criminal activities.



BOS has schematized various training methods based on the branches' activities and its customer and investor relations. The Board meets four times every year to review the governance practices being performed in the corporation and authenticates the risk appetite while contemplating the long-term objectives. The Board Risk Committee is regulated by the Board of Directors and is governed as per the BOS Articles of Association, as well as the UAE Central Bank regulations. The committee members are appointed based on their skills and the assurance of no conflict of interests that may arise at a later stage.

The annual employee training is communicated face-to-face by the compliance committee, and the staff is required to complete an online training module to ensure that they are knowledgeable and capable of providing professional servicing to the customers. The in-person training content is modified and personalised as per the different departmental requirements.

A financial markets e-learning library called Intuition Know-how was launched in 2015, which was BOS's major investment in the instructing and advancement of its staff. Intuition Know-how is a platform which comprises of self-study courses which lead to enhanced proficiency of the employees within a wide variety of banking-related skills. The course is programmed in both English and Arabic. A brief test is designed at the end of the training course to evaluate the user's understanding of the information, making it a very structured and interactive training tool.

The training sessions ensure that the employees are knowledgeable about:

- BOS's internal policies and procedures regarding AML and KYC regulations and rules.
- The necessary information from the local regulatory environment and international best practices.
- Ensuring that the KYC forms are filled correctly by customers.
- The reporting of STRs (Suspicious Transaction Report) to the senior managers and Head of Compliance.
- Functions of the system Net Reveal; used to identify sanctions, entities on the watch list and black-listed entities.
- Determine the source of funds that are being processed and exclude associations with shell banks.

However, a challenge they face is the attitude of the customers who are hesitant to provide the bank with sufficient information. In addition, a whistleblowing policy has been implemented.

Whistleblowing policy

Whistleblowing policies in a bank refer to reporting suspected misconduct or any activity against the interest of the bank. It is an excellent policy encouraging employees or customers to raise their voice against any malpractices that they witness.



IDENTIFICATION AND REPORTING OF ISSUES

In the case of Bank of Sharjah (BOS), they follow a straightforward system of communication to report these issues. They report these suspicious transactions to the Central Bank if there is reasonable ground to suspect that the proceeds are from illegal activities or for terrorist financing. If such transactions are identified, the Compliance department files a Suspicious Transaction Report (STR) with the Central Bank of UAE through an online portal provided by CBUAE. All the employees of BOS are responsible for notifying such

transactions to the Compliance Department.

The process followed to report such incidents is quick and simple. The employees are empowered to raise their concerns against such transactions through an official e-mail or personally to report it to the Compliance Officer. The suspicious transactions are further reviewed by him; once the issue is approved and endorsed by the compliance head, the STR is filed with the Central Bank through their online portal along with the findings and proofs to support the report. The result of the STR presented is shared with senior management and with the Quarterly Board Audit Committee meeting from a governance perspective.





ENFORCEMENT

The Head of Compliance and senior management are primarily responsible for the enforcement process, with the Board of Directors being the final decision-makers. External auditors also play a crucial role in appraising the Compliance function quarterly and assuring the Board and the CEO That reputational and regulatory risks are well managed. They do frequent checks on the AML/KYC effectiveness across the branches, and the results are shared with the Board of directors for any control measures to be taken into account. Furthermore, considerations are done by the trade finance and corporate banking departments as well to ensure the continuous observance of the policies and procedures. The staff is responsible for reporting issues through emails and following KYC norms. The Head of Compliance uses a specific strategy to make sure the practice is being implemented efficiently. The two measures executed are known as preventive and detective.

The preventive approach is linked to the KYC policy,

which starts with building a better comprehension of customers and other entities. All appropriate data of the beneficiaries is attained by the system before handling a transaction. The system, offers risk exposure and analysis of the customers that are dealt with by the bank. Customer details are highlighted, along with the objective of the transaction and the relationship of the bank with the customer. If an individual fails to present adequate KYC data, the associated transaction is flagged, and the customer account is marked as high-risk. Such cases are reported to the compliance department for further examination and action. Moreover, the frequency of assessment of the high-risk customers is every 12 months, medium risk customers every 24 months and low-risk customers after every 36 months. Real-time screening makes sure the suspicious transactions are filtered spontaneously, aiding in the most excellent means of abiding by the KYC policy.

The next step is the detective attempt, which is performed by another software. The system monitors and screens all transactions that are being processed and alerts on any suspicious bank activities, which are then reported to the compliance unit. The consequences of any non-compliance can lead to termination of contracts.



LESSONS LEARNED

- Employee participation in the identification and highlighting of unreliable transactions and contracts. Their involvement is precious to the bank as it enriches the social duty, which fulfills the bank's mission to contribute ethically to the community by preventing Money Laundering, Terrorism Finance etc.
- The preventive measures adopted by the bank are instrumental and offer easy identification of concerns.
- Foreign bank dealings may be exposed to risk of money laundering and terrorist financing, so the Bank ensures that it complies with legal and regulatory requirements.



WRITTEN BY:
*Anmol Fatima
Mariyam Godil
Urooj Shaikh*

PROFESSOR:
Mariam Aslam

UNIVERSITY:
Middlesex University Dubai

HOW TO GET INVOLVED

The Pearl Initiative works tirelessly in its quest to promote a corporate culture of accountability and transparency for improved socio-economic outcomes across the Gulf Region.

It is a by-business, for-business organisation, and without the input and support of its partners, the Pearl Initiative would not be in a position to develop programmes that are relevant to and supportive of the businesses operating within the Gulf Region.

The Pearl Initiative's network of partners shares its vision and values and is growing with the recognition of the necessity for enhanced corporate governance standards and practices in the regional Private Sector.

By joining the Pearl Initiative as a partner, organisations can:

- Join the Integration Board and CEO Council to input into Pearl Initiative activities while networking with other partners.
- Publish joint thought leadership, opinion editorial articles, and press publications.
Receive upfront activity plans and invitations to events.
- Be associated with the preparation and publication of key reports.
Participate in annual Pearl Initiative conferences.
- Leverage speaking opportunities across regional events.
Be part of an alliance that is raising the bar on awareness of the value of corporate accountability and transparency in the Gulf Region.
Get privileged access to a community with the latest insights on best practices in corporate governance.
- Leave a legacy for the development of students, and leaders of tomorrow.

To engage with the Pearl Initiative and to explore partnership opportunities, contact: enquiries@pearlinitiative.org

To learn more about the Pearl Initiative...



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ABOUT THE PEARL INITIATIVE

OUR PURPOSE

FOSTERING A CORPORATE CULTURE OF ACCOUNTABILITY AND TRANSPARENCY IN THE GULF REGION

Founded in 2010, the Pearl Initiative serves the Private Sector across the Gulf Region to improve corporate accountability and transparency. It is a regionally—focused growing network of business leaders committed to driving joint action, exhibiting positive leadership and sharing knowledge and experiences, in order to positively influence the entire regional business and student community towards implementing higher standards.

STRATEGIC PARTNERSHIPS

ESTABLISHED IN COOPERATION WITH THE UNITED NATIONS OFFICE FOR PARTNERSHIPS

STRATEGIC PARTNERSHIP WITH THE UNITED NATIONS GLOBAL COMPACT

KEY CHARACTERISTICS

- ✓ Gulf Region Focus
- ✓ Drive for Competitiveness
- ✓ Non-Profit Independent Organisation
- ✓ Created by Gulf Business, for Gulf Business

WHAT WE DO

To reach and influence the business and student communities, the Pearl Initiative:



SHARES INSIGHTS

We develop and publish reports, insights and good practice references to help businesses independently enhance their capabilities.



CREATES NETWORKS

We bring together business, government and civil society decision makers to share best business practices and help maximise the economic opportunities available in the region.



BUILDS KNOWLEDGE

We help build knowledge by bringing experts together with businesses, and host a series of complimentary workshops, roundtables, focus groups, and training sessions.



INSPIRES ACTION

Our focus on impact and collective action guides what we do to ensure we are working together with the community to inspire action and expand opportunities for all.

KEY TOPICS OF INTEREST

SPECIFIC CORPORATE GOVERNANCE TOPICS INCLUDING



Anti-Corruption Best Practices



Diversity in Business Leadership



Corporate Reporting Best Practices

GOVERNANCE IN FOCUS



Corporate Governance in Micro, Small and Medium Enterprises (MSMEs)



Governance in Family Firms



Governance in the Philanthropic and Non-Profit Ecosystem



Corporate Governance in the Technology Sector

KNOWLEDGE TRANSFER



The Business pledge



Executive Education

OUR PARTNER COMPANIES (AS OF JULY 2019)

Please get in touch if you would like to become a partner company of the Pearl Initiative at enquiries@pearlinitiative.org



KEY ACHIEVEMENTS



31

Regional insight reports and publications



8,388

University students reached.



40

Universities engaged



222

Events and workshops across the Gulf Region



512

Prominent regional & international speakers



12,541

High-level participants across the Gulf Region

PRESENCE

The Pearl Initiative serves the Private Sector across the Gulf Region of the Middle East.





PO Box 26666, Sharjah, United Arab Emirates
Tel +971 6 515 4605 Fax +971 6 572 6000
enquiries@pearlinitiative.org www.pearlinitiative.org