Grant Thornton

From box-ticking to real impact: The new AML effectiveness agenda

Content

Across the UAE, AML supervision has moved beyond a narrow assessment of policies, procedures and technical compliance.

While those foundations remain essential, supervisors are increasingly focused on a more demanding question: **is the AML programmes demonstrably reducing financial crime risk in practice?** This shift is visible across the CBUAE, FSRA, DFSA and VARA, and is consistent with the broader global direction set by the Financial Action Task Force (FATF), whose assessment methodology places significant weight on effectiveness and outcomes. The UAE's FATF assessment journey further reinforces the need for firms to demonstrate that controls are operating effectively, rather than simply proving they exist.

Strong programmes are not designed around satisfying regulatory requirements alone. Compliance leaders should view this as an opportunity to build AML frameworks that are more targeted, intelligence-led and commercially sustainable, enabling businesses to identify, manage and mitigate financial crime risks in a way that is proportionate to the firm's business model, customer base and risk appetite.

Moving beyond paper controls

Historically, AML programmes were often assessed through documentation and firms demonstrated compliance through policies, risk assessments, procedures, governance structures and training records.

Today, supervisory focus is increasingly centered around quality of judgement, evidence and outcomes of controls.

A transaction monitoring system does not prove its value simply by generating alerts, just as training cannot be judged by attendance rates alone, and governance is not strengthened merely because committees meet on schedule. What matters is whether these controls identify relevant risks, support informed decisions, enable timely escalation and ultimately reduce exposure to financial crime. Firms are therefore expected to show how their control environment performs in practice and how it adapts as risks evolve.

What AML effectiveness looks like in practice

An effective AML programme is not necessarily the one with the largest compliance function or the most sophisticated technology. It is one that consistently identifies, assesses and manages risk in line with the firm's business model and risk profile.

Supervisors are increasingly challenging organisations to evidence effectiveness, not activity. Organisations should be able to answer practical questions such as:

- How do you know your transaction monitoring scenarios are working as intended?
- Is your customer risk-rating methodology identifying the right customers as high risk?
- How do you assess the quality and consistency of investigations?
- What evidence demonstrates that governance committees are providing effective oversight?
- What information enables senior management and boards to understand AML risks and control performance?

These questions reflect a clear move away from process validation and towards evidence-based assessment of outcomes.

Measuring what matters

A common observation during AML reviews and regulatory assessments is that firms still over-rely on activity metrics. Volumes of alerts generated, cases reviewed or customers onboarded may be operationally useful, but they rarely explain whether the AML framework is identifying and managing risk well. More meaningful reporting distinguishes between activity indicators, performance indicators and risk or outcome indicators. For example, alert volumes should be assessed alongside alert quality, false-positive rates, scenario performance, investigation quality, escalation timeliness, quality assurance findings and trends in high-risk customer populations. Taken together, these measures provide a clearer view of control performance and help management identify where recalibration, investment or remediation is required.

What boards should be seeing

The effectiveness agenda has important implications for governance and board reporting. Many board packs still contain significant volumes of operational data but relatively little analysis of risk outcomes, control performance or areas requiring challenge. This can make it difficult for boards to determine whether the AML programme is operating as intended.

Board and senior management should receive information that helps answer three critical questions:

1. **What are our most significant financial crime risks?**

   Boards and senior management need a clear understanding of the organisation's evolving risk profile, emerging threats and areas of heightened exposure.

2. **How effective are our controls?**

   Reporting should provide insight into control performance, testing results, significant weaknesses and remediation progress.

3. **Where is intervention required?**

   Boards and senior management should have visibility over matters requiring challenge, investment, strategic decisions or management action.

The most effective reporting frameworks combine quantitative metrics with qualitative analysis, enabling meaningful oversight rather than passive review.

The growing importance of independent testing

As supervisory expectations continue to evolve, firms are expected to validate the effectiveness of their controls rather than assume they are working as intended. Areas that should be regularly tested include:

- Customer risk assessment methodologies
- Transaction monitoring scenarios and thresholds
- Sanctions screening controls
- Alert and case management processes
- Enhanced due diligence measures
- Governance and escalation frameworks
- Data quality and systems integrity

Importantly, testing should assess both design and operating performance. The objective is not simply to confirm adherence to documented procedures, but to understand whether controls are producing the outcomes they were designed to achieve. Independent reviews, assurance activities and control assessments are therefore becoming core components of a sustainable AML framework, particularly where firms are relying on complex systems, judgement-based investigations or rapidly evolving customer and product risk profiles.

Building sustainable AML programmes

Many firms begin their effectiveness journey following a regulatory review, internal audit finding or remediation programme. However, supervisory expectations increasingly extend beyond the successful closure of issues. The focus is on sustainability: whether controls will continue to perform as business models evolve, customer populations change and financial crime threats become more complex. This requires continuous monitoring, ongoing testing, robust governance and a culture in which financial crime risk management is understood as a business responsibility, not solely a compliance function. The strongest AML programmes continuously assess, challenge and improve their control environment rather than waiting for the next regulatory review or audit cycle.

Looking ahead

For Heads of Compliance and Heads of Financial Crime, the agenda is increasingly strategic. Organisations that can demonstrate measurable and sustainable control performance will be better positioned to meet supervisory expectations, support responsible business growth and protect themselves against more sophisticated financial crime threats. For many firms, this means moving beyond remediation-led compliance and taking a more holistic view of the AML framework: reassessing risk coverage, simplifying fragmented controls, improving management information and considering where technology can genuinely enhance detection, decision-making and assurance. The most mature firms are not treating effectiveness as a one-off regulatory exercise; they are embedding it as a core discipline of financial crime risk management.

Three actionable takeaways

Challenge your metrics

Review management information and board reporting to ensure it explains control performance, risk trends and decision points.

Test critical controls

Prioritise independent testing of areas that matter most, including transaction monitoring, sanctions screening, customer risk assessment, enhanced due diligence and investigation quality.

Focus on sustainability

Move beyond issue closure and establish ongoing monitoring, testing and governance frameworks that keep the AML programme responsive to changing risks, products and customer behaviours.

How Grant Thornton can help

Grant Thornton UAE combines deep financial crime compliance expertise with a practical and hands-on approach to help organisations assess, remediate and strengthen their AML/CFT/CPF and Sanctions frameworks. Our support includes independent framework assessment and validation, performance system effectiveness testing, development of MI dashboards to monitor KPI/KRIs in addition to wider financial crime compliance advisory services. Please feel free to reach out to us to discuss this further.

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