



# Cracking the code: Regulatory Compliance



7 March 2022

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KPMG Lower Gulf Limited



# With you today



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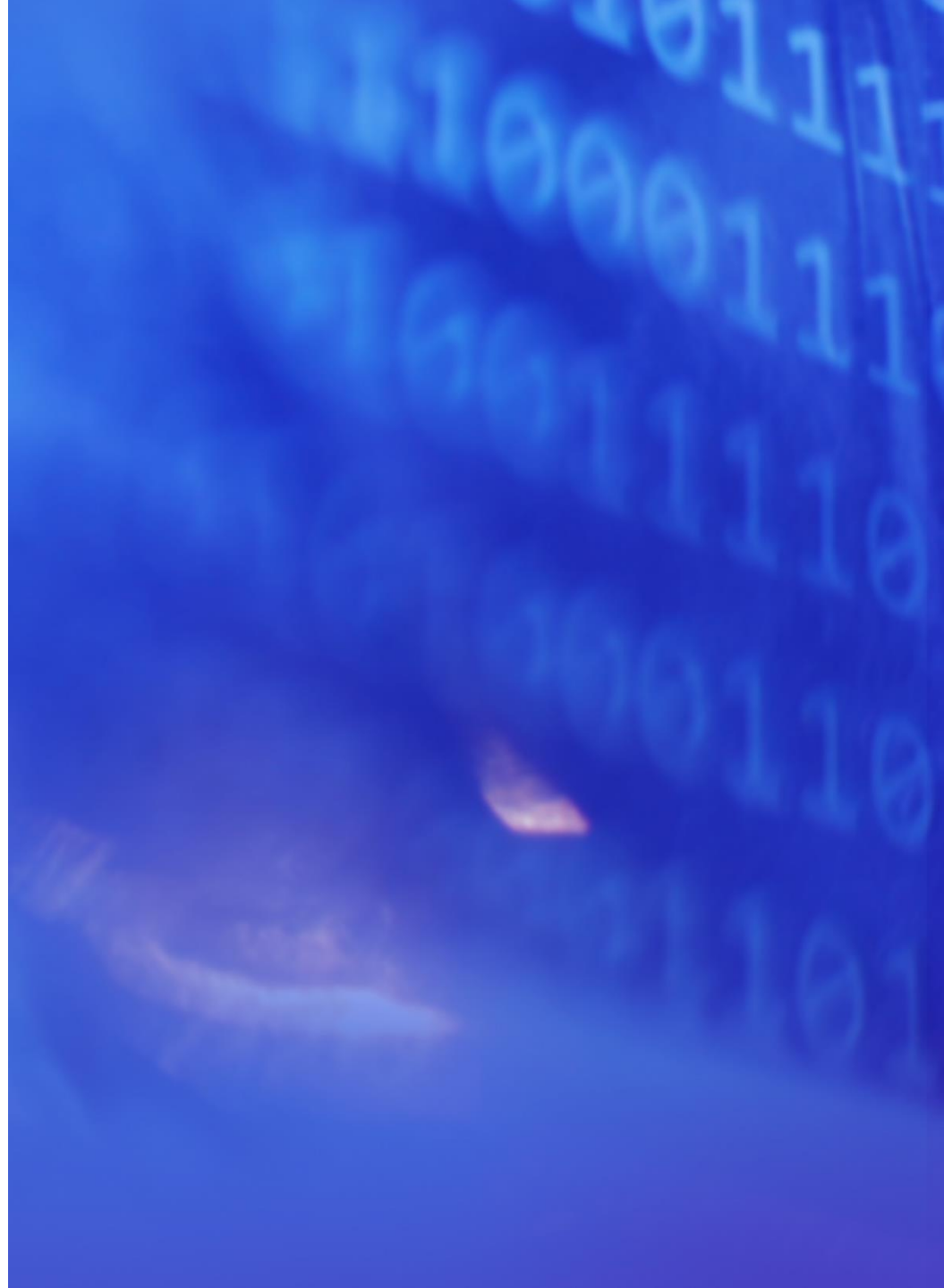
## **Neda Farzin**

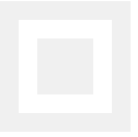
Associate Director - Governance, Risk  
and Compliance Services

KPMG Lower Gulf

# Agenda

- 01 **The compliance investment**
- 02 **Regulatory compliance and its importance to organizations**
- 03 **Recent changes in the regulatory landscape**
- 04 **The connected roles of internal audit and compliance**
- 05 **Leading practices – compliance audit**
- 06 **KMG global CCO survey 2021**





# Survey - Link



<https://forms.office.com/r/M3vzTBkMif>



# Survey questions

1. Does your organization have a dedicated “Ethics & Compliance Officer” or a function responsible for the compliance mandate?

- Yes
- No

2. In the past 3 years, have you conducted an internal audit of the Compliance function?

- Yes
- No

3. Does your organization have a comprehensive list of all applicable regulations and have the obligations been mapped to process owners to ensure continuous compliance?

- Yes
- No

4. In addition to periodic risk assessments conducted by the internal audit function, does your organization conduct compliance risk assessments?

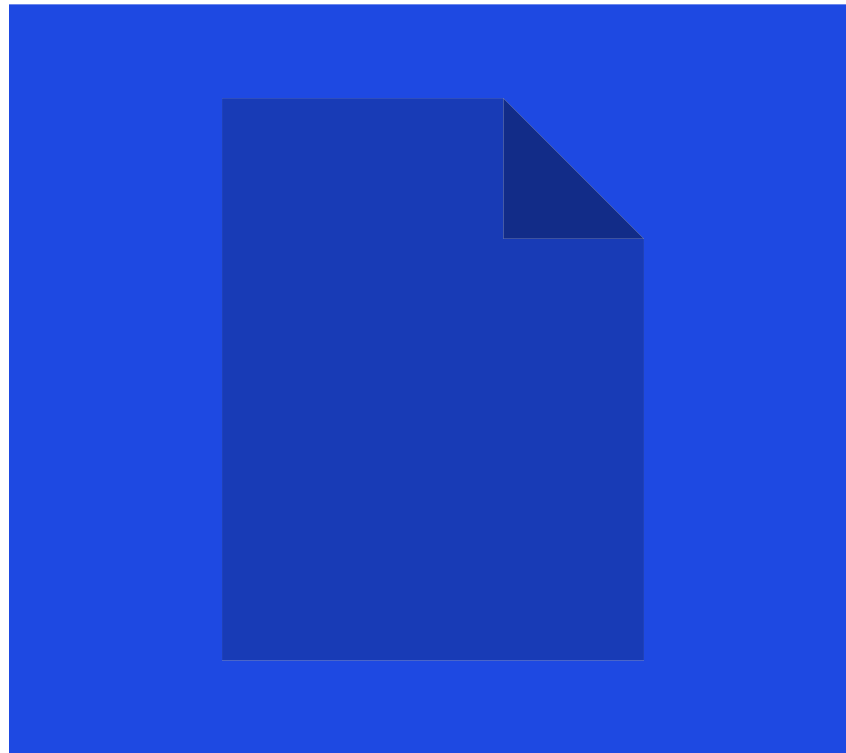
- Yes
- No

5. What is the level of collaboration between your organization’s internal audit and compliance function (if separate)?

- a) Strong collaboration (e.g. combined risk assessments, sharing of audit and compliance plans, sharing of audit results, avoiding duplication of efforts, etc.)
- b) Average level of collaboration
- c) Minimal level of collaboration



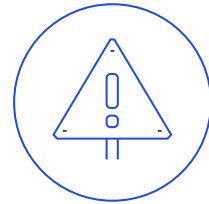
# Survey responses



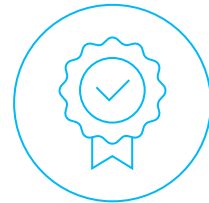


# 01 - The compliance investment

- The pace of regulatory change, convergence in global regulation, and new regulatory challenges heightens the need to invest in compliance.
- Organizations are now viewing compliance as an investment and not simply as a cost.



**Lack of compliance investment may expose organizations to regulatory, financial, and reputational risks.**



Organizations are realizing that business and operational value, such as better quality data and an improved customer experience, can be derived from anticipating risks and meeting regulatory requirements.



# 01 Penalties collected by UAE Authorities in 2021

Executive office has announced that the UAE Authorities collected **\$1.048** Billion worth of AML, TF penalties collected in **2021**

- Asset seizures – **\$625k**
- Fines for non-compliance with AML and TF regulations – **\$64M**
- Penalties on major financial institutions in UAE – **\$5.3M**
- ML and Tax Evasion fines on individuals – **\$10.8M**
- Confiscations valued at – **\$109M**
- Preventative measures to address TF and collective actions amounting to **\$324M** against 48 defendants and companies convicted in one case by the AD courts for ML and Fraud

Source: Khaleej Times





# 02 - Regulatory compliance and its importance to organizations

**High surge in regulatory enactments and developments will require entities within UAE to establish an agile regulatory framework.**

- Major Regulatory Changes and developments in UAE.
- Major Regulatory Changes and developments in Saudi Arabia.

**The internal audit and Compliance function work collectively to leverage on each others' resources and overall efficiencies.**

- The importance of this collaborative effort is underlined by the issuance of Securities and Commodities Authority Regulation – Article 69 of SCA Corporate Governance Guide



# 03 - Recent changes in the regulatory landscape

## 1. UAE - Federal Data Protection Law No. 45 of 2021

**UAE Data office**

**Cross Border data transfer – Jurisdiction with adequate level of protection**

**Notification of personal data breach**

## 2. Saudi Personal Data Protection Law - Effective 2022

**NDMO Data Management And Protection**

**Saudi Data & Artificial Intelligence Authority “SDAIA”**

**Personal Data Protection Standards**

Source: <https://u.ae/en/about-the-uae/digital-uae/data/data-protection-laws>; <https://laws.boe.gov.sa/BoeLaws/Laws/LawDetails/b7cfae89-828e-4994-b167-adaa00e37188/1>;



# 03 - Recent changes in the regulatory landscape

## 3. UAE - ESG Compliance and Sustainable Development

UAE vision 2021

DUBAI 2040 Urban Master Plan

UAE Green Agenda 2015-2030

SCA Decision No. 3/2000 – Annual Sustainability Report on Long Term Strategy

## 4. Saudi Exchange (formerly the Saudi Stock Exchange 'Tadawul') ESG Guidelines for listed Companies- Effective 2021

UN Sustainable Stock Exchanges

Help Advance ESG

Growth of Saudi Capital Market

Source: <https://www.vision2021.ae/en/national-agenda-2021/list/environment-circle>; <https://u.ae/en/about-the-uae/strategies-initiatives-and-awards/local-governments-strategies-and-plans/dubai-2040-urban-master-plan>; <https://www.moccae.gov.ae/en/about-ministry/about-the-ministry/sustainability-development-goals.aspx>; <https://www.sca.gov.ae/en/regulations/regulations-listing.aspx#page=1>, <https://www.saudiexchange.sa/wps/portal/tadawul/knowledge-center/about/esg?locale=en>



# 03 - Recent changes in the regulatory landscape

## 5. UAE - Employment Law Federal Decree Law 33 of 2021 – Effective February 2nd, 2022

Important initiative to protect employees rights, promote fairness and encourage principals of integrity in the workplace

Fixed term Contracts

Flexible working patterns

Maternity

Annual Leave

End of Service Gratuity

## 6. UAE - Commercial Companies Law Federal Decree-Law 32 of 2021 – Effective 2nd January 2022

Majority Shareholder can be Foreign Investor

Protecting rights of Minority shareholders:

- *Involvement in decision making process*
- *Access to information*
- *Litigation right*
- *Equal treatment right*

Emergency Capital Increase

Digital Economic Solutions – Facilitate sharing of info between Companies and MOE

Source: <https://www.mohre.gov.ae/en/laws-and-regulations/laws.aspx>; ; <https://www.moec.gov.ae/en/laws>

# 03 - Recent changes in the regulatory landscape

## 7. UAE - Corporate Income Tax

9% corporate tax

Applicability

### Exemptions:

- *Extraction of natural resources*
- *Income related to employment*
- *Real Estate*
- *Savings*
- *Dividends*
- *Investment return earned by foreign investment*
- *Offshore entities with no activity onshore*

## 8. KSA - CMA Corporate Governance Regulations- Effective 2021

Facilitating the exercise of Shareholders to their rights

Effective legal framework to govern the Companies

Outlining Roles & Responsibilities

Enhancing the role of the Board committees

Enhance the company's decision making mechanisms

Effective and balanced tools to deal with conflicts of interest

Source: <https://www.tax.gov.ae/en/Corporate%20Tax/vat%20topics%20Corporate%20Tax%20TOPICS/What-is-Corporate-Tax>

# 03 - Recent changes in the regulatory landscape

## 09. KSA - National Cybersecurity Authority Guideline and Mandate - Effective 2021

**Comprehensive Cybersecurity System**

**Safer Digital Environment**

**Greater Digital Capabilities**

**Enhance Remote working**

**Across all sectors and the whole Country**

## 10. KSA - National Risk Unit

**CoG instructing for Public Sector Entities**

**Crisis Management and Business Continuity**

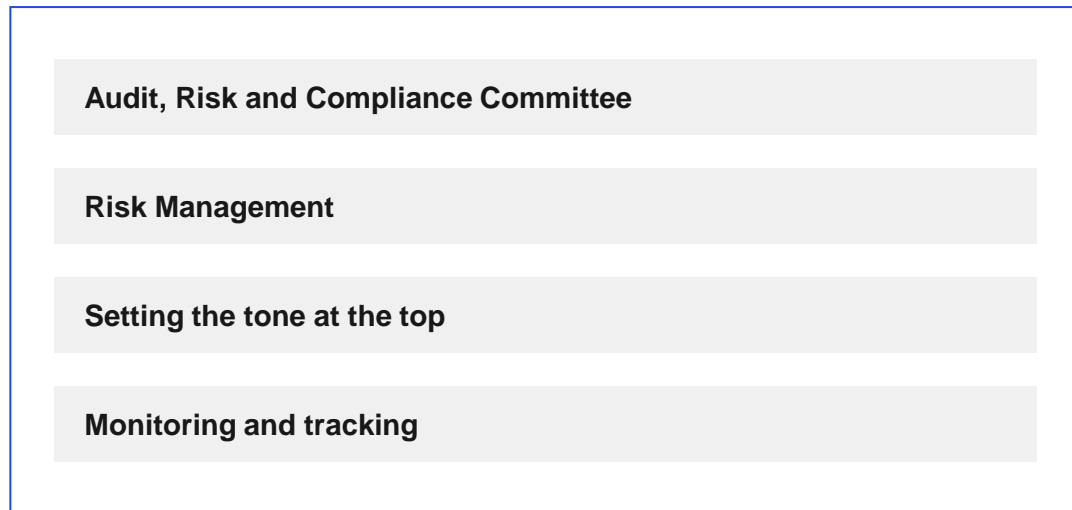
**GRC Alignment**

**Comprehensive Risk management framework**

Source: <https://www.citc.gov.sa/en/RulesandSystems/CyberSecurity/Pages/default.aspx>



# 04 - The connected roles of internal audit and compliance



**Internal audit and compliance functions are double layers of assurance to ensure the entity is in compliance with regulatory requirements and internal policies and procedures.**



# 05 - Compliance framework - Governance and culture

Interviews with key individuals and review of key corporate documents will set the stage for the compliance audit approach.



## Questions for internal audit to consider:

1. How do you move your compliance program beyond what is required to what is expected for an organization of your size and complexity?
2. What should the target state be for your compliance program across people, process, and technology?
3. How can you help ensure that the changes made will be demonstrable and sustainable?
4. Do the Board and Senior Management set forth a compliance culture, consistent with actions, values and expectations?
5. Are all employees accountable for compliance, with known consequences as well as associated incentives?





# 05 - Compliance framework - Prevent

Does the organization's compliance efforts address the prevention of compliance issues?

This will be a multi-element approach ranging from people and communication to policies and risk assessments.



## Questions for internal audit to consider:

1. Do you have a centralized regulatory compendium and obligation register mapped to your policies and procedures?
2. Does the compliance function have written policies and procedures documenting its key framework elements, systems, and controls?
3. How do you track regulatory and operational or business changes and the impact on your compliance controls and activities?
4. Are there approved job descriptions for the compliance function's employees?
5. How are third-party relationships monitored for regulatory and compliance risk?
6. Do you offer compliance Induction training at the time of employment and refresher or annual training to all employees?
7. Are subject matter training tailored to the specific needs of the business functions within the organization?



# 05 - Compliance framework - Detect

What does the organization do once it has detected a potential compliance issue?

Incorporating audit steps to measure what the organization has in place as it relates to compliance issue detection techniques may help to determine the strength of detective controls.



## Questions for internal audit to consider:

1. Is there an automated system to keep track of Compliance activities/obligations?
2. Is there a mechanism to monitor, test, and report on Compliance obligations within the system?
3. Does the Compliance Function have a robust mechanism in place to monitor and test the various compliance activities to measure the effectiveness of the controls?
4. What monitoring activities does the Compliance Function undertake?
5. Is there a documented monitoring and testing process?
6. Is there a formal monitoring plan detailing the monitoring objectives, scope, frequency and related details, approved by the Board/Board Committee?



# 05 - Compliance framework - Respond

Stakeholders will most certainly place significant importance on how the organization responds when incidents arise.

Incorporating the framework elements into audit activities may help to assess the strength of the organization's response to compliance issues.



## Questions for internal audit to consider:

1. What is the process to remediate any gaps/issues identified during investigations, testing or self-assessment?
2. Is there a tracking document or system used to track deficiencies identified, mitigation/remediation action plans and current status of actions?
3. Do you have clear management standards for investigations management and case resolution?
4. Is there a formal reporting mechanism to capture key reporting obligations and associated roles, responsibilities, authorities, and accountabilities?
5. Are periodic reports submitted to the Audit Committee/Compliance Committee, CEO, and/or Senior Management?
6. How are your compliance issues tracked, prioritized, remediated, and reported?
7. Is there a Record Keeping and Data Retention Mechanism available at your organization?



# KPMG 2021 Global CCO Survey

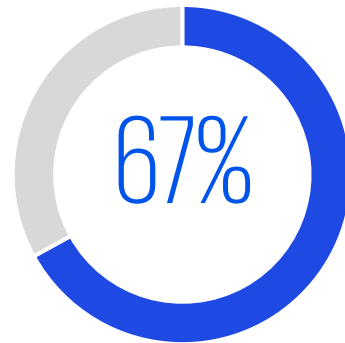
Sharing client perspectives on  
compliance imperatives



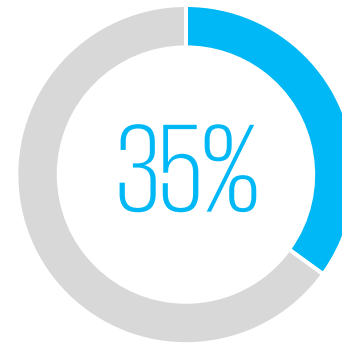
# 06. Evolving risks

The 2021 CCO Survey focused on identifying activities and obligations that compliance function expect to enhance, review and update across the organization in the next several years.

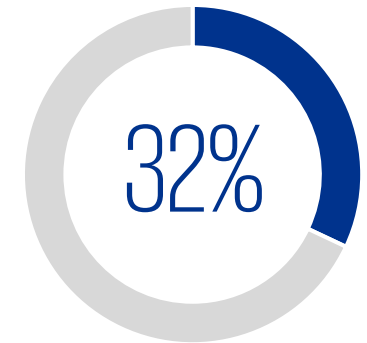
## Top ethics and compliance activities to enhance:



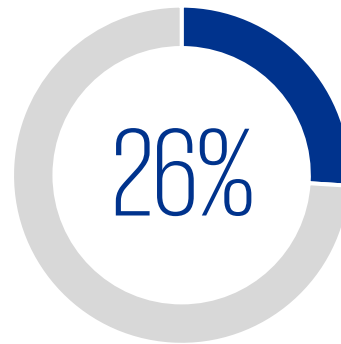
Use of automation and technology



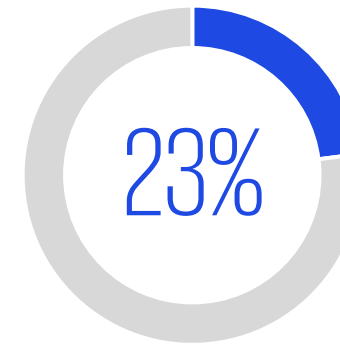
Data analytics



Regulatory change management



Risk assessments

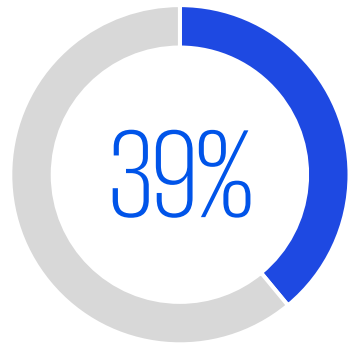


Monitoring and testing

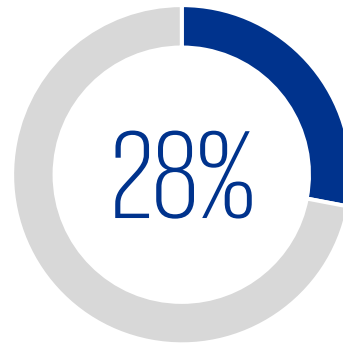


# 06. Evolving risks (Contd.)

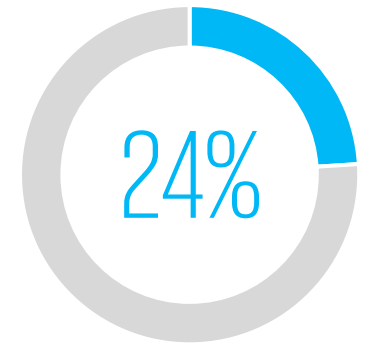
Top regulatory and compliance obligations to review and update:



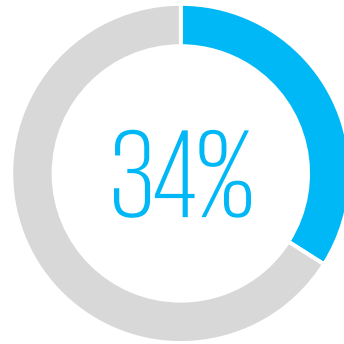
Industry - specific regulations



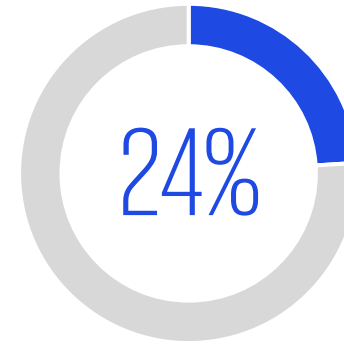
Cyber / Information protection



ESG



Consumer protection

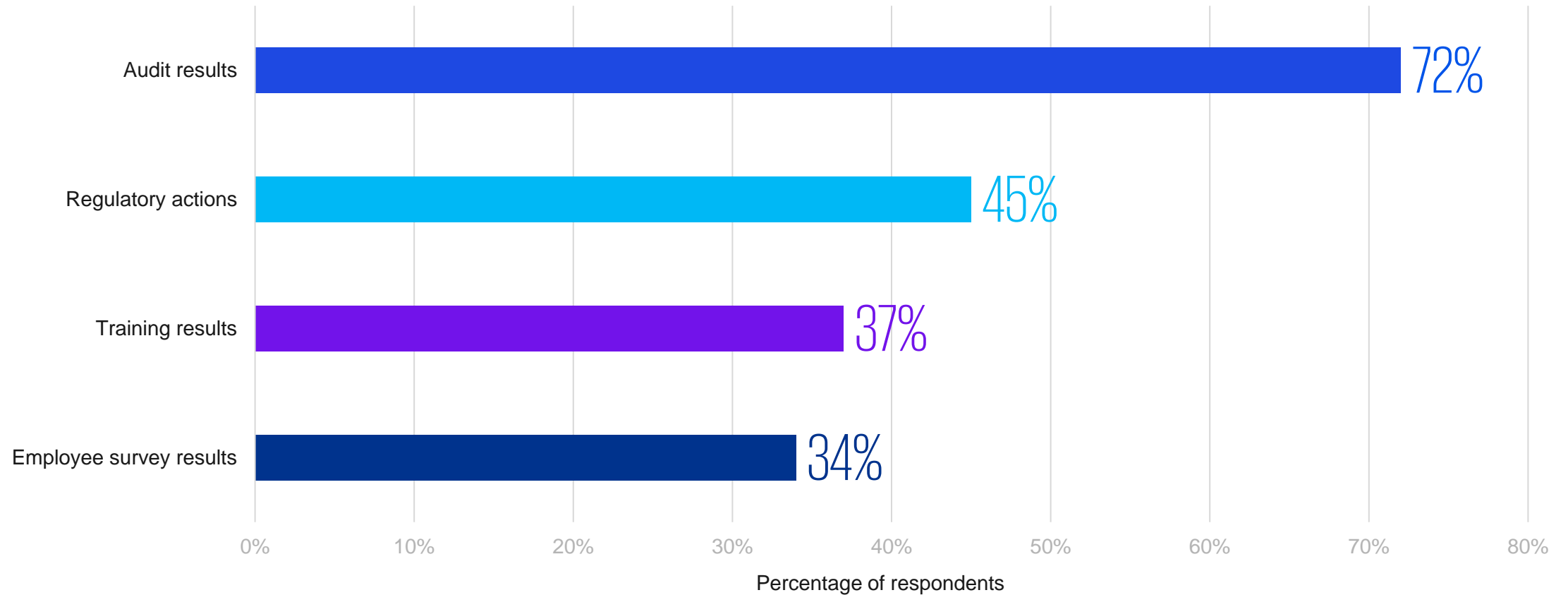


Licensing and permits



# 06. Investments in compliance

## Top metrics used to assess the effectiveness of the compliance program





# 06. Investments in compliance (Contd.)

## Takeaways

1

Develop/Enhance compliance policies and procedures which documents the key framework elements, systems, and controls including: AML/CTF; Anti-Bribery and Corruption; Sanctions; Third-Party Due Diligence, Code of Business Conduct, Investigation Management and Case Resolution, and Record Keeping and Document Retention, etc.

2

Develop a list of applicable laws and regulations (Regulatory Compendium) and Obligation registers.

3

Develop a consistent set of key performance indicators (KPIs) for purposes of measuring and reporting on the success of the compliance program to key stakeholders.

4

Leverage increased investments in compliance technology to prioritize automation of key compliance areas, including regulatory obligation register, mapping, compliance monitoring and testing; change management etc.





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