

Guidance on the Implementation of an Effective Sanctions Compliance Programme

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GLOSSARY OF TERMS

AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
DNFBP	Designated Non-Financial Businesses and Professions
DTSP	Designated Token Service Provider
ESS	Electronic Submission System
FI	Financial Institution
FCC	Financial Crime Compliance Programme
FIRM	A Financial Institution, DNFBP, or DTSP operating in the Qatar Financial Centre
NAMLC	National Anti-Money Laundering and Terrorism Financing Committee
NCTC	National Counter Terrorism Committee
PPO	Public Prosecutors Office
PPSC	Policies, Procedures, Systems and Controls
QFC	Qatar Financial Centre
QFCRA	Qatar Financial Centre Regulatory Authority
QFIU	Qatar Financial Information Unit
STR	Suspicious Transaction Report
UNSC	United Nations Security Council
UNSCR	United Nations Security Council Resolutions

OVERVIEW

Purpose

1. This paper provides guidance to assist firms in developing, enhancing, or implementing a Sanctions Compliance Programme. Firms must have appropriate policies, procedures, systems, and controls (PPSC) to identify sanctions risks and obligations, screen customers and transactions, and implement measures to mitigate identified risks.
2. The guidance does not address every possible scenario and should not be interpreted as legal advice. Firms must develop their own sanctions programme and PPSC that are appropriate to the nature, scale, and complexity of their business and operations. It is recognised that this will vary across the QFC regulated population as not all firms will have correspondent banking arrangements, hold foreign funds or assets, or transact with persons or entities outside Qatar.

Background

3. Sanctions compliance is critically important to ensure QFCRA Financial Institutions (FIs), Designated Non-Financial Businesses or Professions (DNFBPs), and Designated Token Service Providers (DTSPs) (collectively referred to as 'firms') meet both international and domestic sanctions obligations.
4. Qatar is committed to enforcing United Nations Security Council Resolutions¹ (UNSCR) to combat terrorism, terrorism financing, and the proliferation of weapons of mass destruction. Additionally, Qatar has a domestic terrorist, terrorist financing, and sanctions list (Domestic Sanctions List). All QFCRA firms **must** comply with the Domestic and UNSC sanctions lists.
5. This guidance supplements previous guidance and should be read in conjunction with the QFCRA's published guidance on the ["Effective Implementation of Targeted Financial Sanctions"](#), ["Guidance for Countering Proliferation Financing"](#), and ["Guidance on the Risk Base- Approach"](#).

¹ Targeted financial sanctions related to terrorism and terrorist financing refer to designations made under the UNSCRs 1267(1999), 1988(2011), including any future successors, and UNSCR 1373(2001). Targeted financial sanctions related to proliferation refer to designations made under the UNSCR 2231(2015) and UNSCRs 1718(2006), including any future successors.

6. In addition to these sanctions' obligations, globally, many jurisdictions have introduced bespoke sanctions regimes² with restrictions, embargos, asset freezing, and other measures on persons or entities that **may** impact QFCRA firms, particularly when QFCRA firms **engage** with or **transact** with customers, entities, persons, currencies, funds and assets from or with those jurisdictions. Therefore, all QFCRA firms must undertake a sanctions risk assessment and have appropriate PPSC to identify and manage their sanctions risks, regardless of the nature, scale and complexity of the firm's business and operations.
- For example, unilateral sanctions by the United States (US) in some cases impose secondary sanctions on third-country firms transacting with sanctioned parties or otherwise conducting business that would be subject to the sanctions requirements if undertaken by US entities, noting US Dollar-denominated correspondent banking relationships can be particularly relevant. The European Union (EU) and the United Kingdom (UK) have imposed similar regimes that could impact firms when transacting in euros or pounds or with persons and entities listed by those jurisdictions.

Regulatory Framework

7. The regulatory framework for UNSC and UNSCR is published in the QFCRA's guidance on the ["Effective Implementation of Targeted Financial Sanctions"](#) and ["Guidance for Countering Proliferation Financing"](#). The National Counter Terrorism Committee (NCTC) has also established and published a ["Domestic Sanctions List."](#)³ . In addition, the Public Prosecutors Office (PPO) may issue alerts or freeze orders from time to time. All firms **must** comply with the UNSC sanctions list, Qatar's domestic sanctions list and any PPO alerts or freezing orders.
8. The regulatory frameworks for **'other'** international or **'global'** sanctions obligations depend on the relevant jurisdictions' obligations and are **not** explicitly regulated by the QFCRA. The QFCRA **cannot** advise which customers, entities, persons, currencies, funds and assets from or with those jurisdictions firms can transact or conduct business with, except those mandated by the UNSC and Qatar's domestic sanctions lists. However, breaching another jurisdiction's sanctions regime⁴ may result in a penalty that may impact the

² For example; US Consolidated Sanctions (US Sanctions Lists), OFAC—Specially Designated Nationals (SDN), Bureau of Industry and Security (US), Department of State, Non-proliferation Sanctions (US), EU Financial Sanctions and UK Financial Sanctions (HMT) to name a few.

³ Article (32) of Law No. (27) of 2019 on Combating Terrorism.

⁴ For example; US Consolidated Sanctions (US Sanctions Lists), OFAC—Specially Designated Nationals (SDN), Bureau of Industry and Security (US), Department of State, Non-proliferation Sanctions (US), EU Financial Sanctions and UK Financial Sanctions (HMT) to name a few.

firm's business and operations in Qatar. Therefore, all firms must assess their sanctions risks and implement appropriate mitigation strategies.

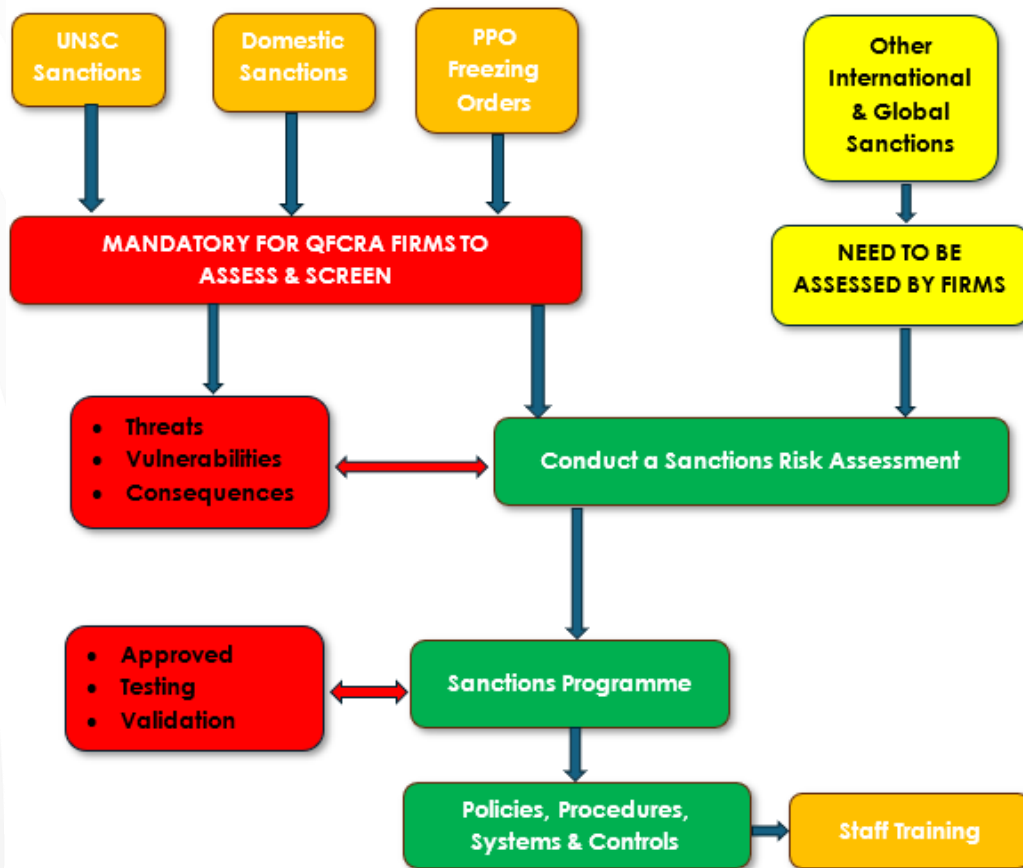
Sanctions Programme

Developing a Sanctions Programme

9. Many firms have developed an AML/CFT Programme to combat money laundering and terrorism financing risks, taking into account the QFCRA's "[Guidance on the Risk-Based Approach](#)". However, firms must ensure that sanctions risks are also considered part of the firm's broader '**operational risks**' or '**financial crime compliance (FCC)**' programme, as sanctions compliance is broader than AML/CFT obligations.
10. Whilst the QFCRA does not prescribe a particular methodology for assessing '**other**' international or '**global**' sanctions obligations (non-UNSC and Qatar's domestic sanctions list), firms should develop a '*sanctions programme*' as a control mechanism to identify, detect, prevent and manage sanctions risks. This should incorporate assessing the customers, entities, persons, currencies, funds, and assets from or with those jurisdictions that the firm transacts with and conducting screening to assist with identifying any sanctioned persons, entities or organisations. Firms should also assess whether any investments, funds or assets they may hold in their own right or in trust may breach international sanctions requirements and put in place appropriate mitigation strategies.
11. The sanctions risk assessment and sanctions programme, including the PPSC, should be documented and articulate the rationale for any decisions made. Whilst the QFCRA does not prescribe the methodology firms should adopt, firms may include the risk assessment and sanctions program within other policies and procedures⁵, or as a standalone document. The QFCRA's "[Guidance on the Risk-Based Approach](#)" may further assist firms with undertaking a risk assessment and developing a sanctions programme. Firms may also utilise '*group*' or '*head office*' policies and procedures, provided they cover Qatar's and the UNSC's sanctions obligations.

⁵ Eg: AML/CFT Policy, FCC programme or Operational Risk Policy, etc...

Diagram 1: Sanctions Compliance Programme Workflow

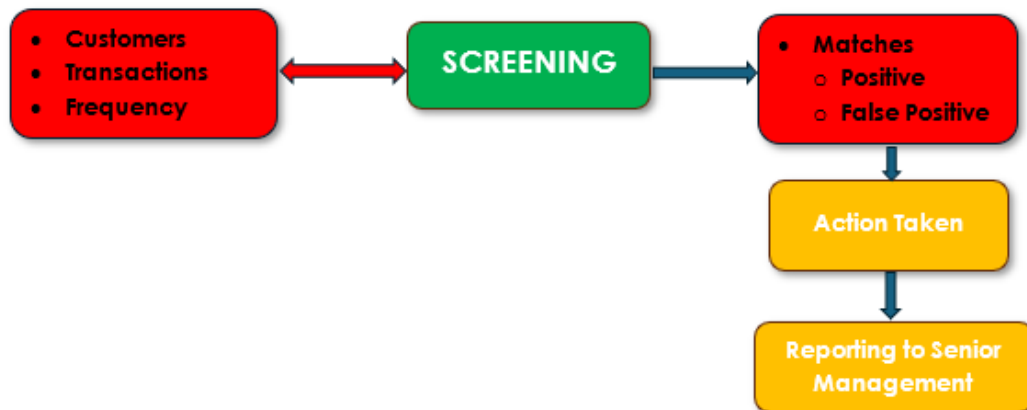


Sanctions Screening

12. Sanctions screening is crucial to any sanctions programme, including for AML/CFT purposes. It is vital to note that sanctions screening should incorporate two main screening controls, transaction screening and customer screening, including connected parties of the customer. While transaction screening helps identify transactions involving targeted individuals or entities, customer screening (or name screening) is equally crucial during customer onboarding and the lifecycle of the customer and business relationship. This screening should be designed to establish an effective control for identifying sanctions targets.
13. Firms must adopt and implement a robust sanction screening methodology, noting that many firms use external vendors and/or a combination of external and internal systems to fulfil this function. Whilst the QFCRA does not endorse any specific vendor or screening system, we discourage firms from relying only on manual systems as sanctions lists are dynamic and constantly changing.

14. Firms must have an effective and appropriate screening system to check their customers and their financial transactions against the database of the persons and entities subject to UNSC sanctions, the State of Qatar domestic sanctions list and any 'other' sanctions lists identified by the firm as part of their sanctions risk assessment. Furthermore, firms must be able to screen customers against any PPO alerts or freezing orders.

Diagram 2: Sanctions Screening Workflow



Screening frequency

15. Firms should screen customers and connected parties such as directors, controllers, major shareholders, beneficial owners, authorised signatories, managers, trustees, settlors, powers of attorney, any individual or entity that exercises control over the customer, etc... against the relevant sanctions lists before the commencement of a business relationship and throughout the business relationship, including real-time screening of customer transactions and the counterparties to those transactions. If real-time screening is not carried out, firms should articulate why this is not conducted and the risks posed by not undertaking the screening. Mitigation strategies need to be applied to address any gaps.
16. The screening should be carried out immediately after the publication of any UNSC sanctions, NCTC domestic sanctions alerts, or PPO orders regarding local designations or imposing any freezing measures.
17. Further screening should occur at trigger events, e.g. when there are changes to the customer and connected parties such as directors, controllers, major shareholders, company name, jurisdiction, or as dictated by global events, etc.
18. Identification information of a customer, a connected party of the customer, a natural person appointed to act on behalf of the customer and beneficial owners of the customer should also be entered into the firm's customer database for ongoing name screening purposes. This will assist the firm in

promptly identifying any existing customers and connected parties who may become subject to sanctions after the commencement of the business relationship.

Developing a Sanctions List

19. Firms need to develop and implement their bespoke '**sanctions list**' based on their risk assessment, noting that it is **mandatory** to include the UNSC sanctions and Qatar's domestic sanctions list of persons and entities within any list. Based on the firm's sanctions risk assessment, it must identify which 'other' international and 'global' sanctions it will apply. Senior Management should sign off on the firm's approved sanctions list.
20. Where firms rely on external vendor screening systems or service providers, the firm must ensure that the screening system is accurate and current and reflects the firm's agreed screening list. It will be labour-intensive for firms using manual systems to maintain up-to-date sanctions lists, so firms need to ensure they have sufficient resources to manage this function and document the procedures for collating, updating and maintaining their sanctions list.

Diagram 3: Developing a Sanctions list workflow



Configuration of the system and spelling criteria

21. Generally, exact name searches should be avoided, and consideration should be given to different name variants and partial matches of names of the customers, entities and their branches, particularly if written in foreign languages. Firms should consider screening protocols such as "fuzzy

*matching*⁶ to identify non-exact matches. The fuzzy matching process should be calibrated to the risk profile of the firm's business. As the application of fuzzy matching processes is likely to result in the generation of an increased number of alerts, these must be checked, and the firm's relevant employees should have access to CDD information to enable them to exercise their judgment in identifying potential matches. Records of all screening alerts and actions should be kept, including clearing false positives.

Internal Policies, Procedures, Systems and Controls

22. Firms must develop and implement internal PPSC for their sanctions programme. The PPSC should be documented and articulate the methodology used by the firm. Any PPSC must be approved and signed off by Senior Management and/or the Board. Whilst the QFCRA do not prescribe the approach firms should adopt, firms may include their Sanctions PPSC in other policies and procedures⁷ or as a standalone document.
23. When formulating and documenting PPSCs, firms must ensure the following key requirements are addressed. This list is not exhaustive; firms should tailor any PPSC to the nature, scale, and complexity of their operations and the outcome of the sanctions risk assessment.

Key requirements to consider (Check List):		
No.	Item	Yes/No
1.	Identifying the firm's sanctions risks (including UNSC, Qatar's domestic sanctions list and 'other' international and 'global' sanctions lists)	
2.	Developing a Sanctions Programme	
3.	Preparing a Sanctions List (including UNSC, Qatar's domestic sanctions list and 'other' international and 'global' sanctions lists)	
4.	Updating the sanctions list (including the frequency)	
5.	Registration with the NCTC (for UNSC and Domestic sanctions)	
6.	Procedures to screen, action and respond to NCTC alerts	

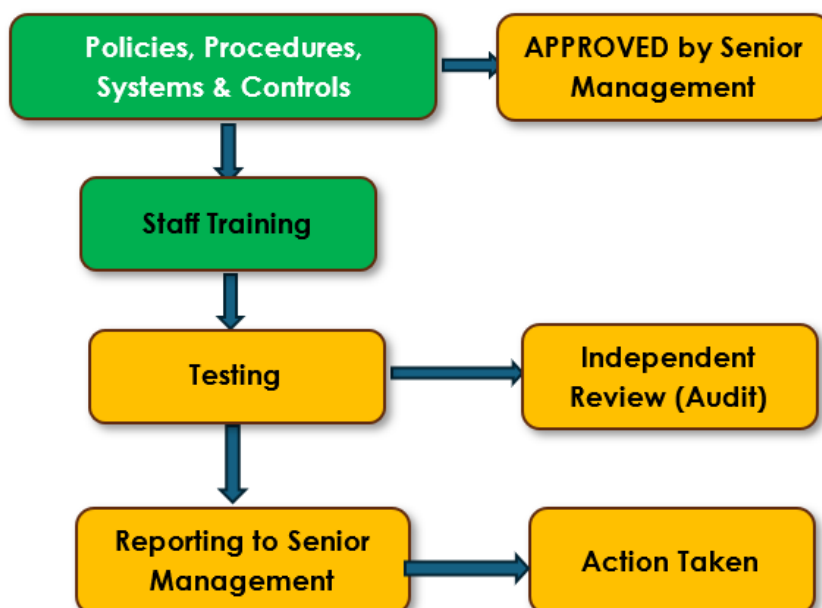
⁶ **Fuzzy Matching** is a varied and algorithm-based technique to match one name (a string of words), where the contents of the information being screened is not identical, but its spelling, pattern or sound is a close match to the contents contained on a list used for screening (The Wolfsberg Group – Guidance on Sanctions Screening, 2019, pg14).

⁷ Eg; AML/CFT Policy, FCC programme or Operational Risk Policy, etc...

7.	QFCRA alerts (UNSC, Domestic sanctions and PPO freezing orders)	
8.	Procedures to screen, action and respond (including via ESS)	
9.	Screening protocols – customers and transactions <ul style="list-style-type: none"> • Frequency • Real-time • Automated versus manual 	
10.	Name matching protocols <ul style="list-style-type: none"> • Exact name • 'Fuzzy logic' • Other 	
11.	Results and Matches <ul style="list-style-type: none"> • Partial match • Positive match • False Positive match 	
12.	Actions to be taken <ul style="list-style-type: none"> • Who is responsible • Reporting to Senior Management • Decision on what action to be taken: <ul style="list-style-type: none"> ○ Close account ○ Block transaction ○ Freeze account ○ Reporting to QFCRA ○ Considerations on filing a Suspicious Transaction Report (STR) ○ What contact is to be made with the customer (if any), consistent with the regulatory requirements regarding 'tipping off' 	
13.	Staff training on the PPSC <ul style="list-style-type: none"> • Tailored for specific roles and responsibilities • Frequency of training 	

14.	<p>Testing</p> <ul style="list-style-type: none"> • PPSC • Screening list • Screening systems • Frequency • Actions to be taken if any failures are identified • Reporting results to Senior Management and/or the Board 	
15.	<p>Governance of oversight of the PPSC</p> <ul style="list-style-type: none"> • Who is responsible • Reporting to Senior Management and/or the Board • Breaches of PPSC • Frequency of reporting 	
16.	<p>Reviewing PPSC</p> <ul style="list-style-type: none"> • Sanctions risk assessment • Sanctions programme • PPSC • Frequency 	
17.	Any other requirements considered appropriate by the firm	

Diagram 4: Developing Sanctions PPSC Workflow



Other matters to consider

24. Firms must ensure that the people involved in the development, implementation, management and oversight of their sanctions programme and PPSC are appropriately trained and skilled to carry out their function and have the appropriate resources and support from Senior Management.
25. The firm's sanctions programme should have established roles and responsibilities, as well as reporting protocols to escalate matches or report on failures or breaches.
26. Firms must establish appropriate processes for managing their sanctions risks and obligations, adopting the risk-based approach. In this connection, the QFCRA recommends the following 'best practices', as a minimum:
 - Sanctions Risk Assessments must be conducted at least annually and reviewed when significant changes occur at the firm, e.g., in its customer base, products, services, distribution channels, or jurisdictions.
 - PPSC must be reviewed at least annually and aligned to the Sanctions Risk Assessment.
 - Reporting to senior management must occur whenever a trigger event occurs, for example, a positive name match, test failure, or breach. Reporting to the Board or governing body (where applicable) should be done regularly and at least annually.
 - Staff must be trained at least annually regarding the firm's sanctions obligations or whenever there is any material change to the PPSC.
 - Screening tools must be acquired and/or developed by the firm to ensure appropriate measures are in place to mitigate any sanctions risks.
 - The firm's screening systems must be tested regularly to ensure their effectiveness. The internal and/or external auditor should conduct independent testing at least annually.

REGULATORY AUTHORITY CONTACT DETAILS

27. If a firm has any questions regarding their sanctions obligations, including the UNSCR and Qatar's domestic sanctions list or any PPO alerts, you should contact the AML/CFT Department of the Regulatory Authority by email at aml@qfcra.com or by telephone at +974 4495 6888.

REFERENCE DOCUMENTS & LINKS

28. The QFCRA has published several guidance notes that firms should refer to when undertaking a sanctions risk assessment and developing a Sanctions Programme and PPSC, including the following:

["Effective Implementation of Targeted Financial Sanctions"](#)

["Guidance for Countering Proliferation Financing"](#)

NCTC ["Domestic Sanctions List"](#).

30. In addition, the following links may also be of assistance.

[United Nations Security Council Consolidated List](#)

[US Office of Foreign Assets Control](#)

[US Consolidated Sanctions List Search](#)

[The UK Sanctions List](#)

[UK financial sanctions general guidance](#)

[EU Sanctions Map](#)

[Overview of sanctions and related resources - European Commission](#)

[FATF "Black and grey" lists](#)

[Wolfsberg Guidance on Sanctions Screening](#)