

AML Transaction Monitoring Rule Calibration Methodology

To: Chief Compliance Officer / Audit Committee **From:** Sameer Basha, Senior Compliance Analyst
Date: November 24, 2025 **Subject:** Annual Calibration of Transaction Monitoring Scenarios (Version 2.0)

1. Executive Summary

This document outlines the rationale for the tuning of our automated monitoring scenarios. The objective is to reduce "False Positive" rates while maintaining full coverage of high-risk typologies identified in the UAE National Risk Assessment.

2. Scenario Logic & Thresholds

Scenario R01: Sanctions Screening (Real-Time)

- **Logic:** Exact match on Beneficiary Country against FATF Blacklist.
- **Threshold:** Zero Tolerance.
- **Rationale:** Immediate freezing of funds required by **Cabinet Decision No. 74 of 2020** regarding Terrorist Lists.

Scenario R02: Cash Structuring (Smurfing)

- **Old Logic:** Cash Deposit > AED 50,000.
- **New Logic:** Cash Deposit between **AED 40,000 and AED 49,999**.
- **Why:** Criminals know the AED 50k reporting threshold (Article 15). They specifically deposit *just underneath* it. Our testing showed that 85% of illicit cash placements occurred in the 40k-49k band.
- **Impact:** This tuning increased True Positive detection by 40%.

Scenario R03: Velocity Checks

- **Logic:** > 5 outbound transfers in < 60 minutes.
- **Rationale:** Indicators of "Pass-Through Accounts" used to layer stolen funds quickly before detection.

3. Testing Results

Prior to deployment, these rules were tested on a "Sandbox" dataset of 1,000 historical transactions.

- **Pre-Calibration False Positive Rate:** 92%
- **Post-Calibration False Positive Rate:** 65% (Industry Standard: 70-80%)

4. Approval

Recommended for production deployment effective immediately.