

## 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.*