

# Comprehensive Compliance Analysis Report

## 1. Executive Summary

This report provides a detailed analysis of the compliance requirements, risks, controls, and audit procedures based on the provided policy documents. The analysis covers 32 compliance conditions, each mapped to specific risks, controls, and audit tests. The report ensures full traceability to source documents, including document names and page numbers, to facilitate executive review and regulatory compliance.

## 2. Complete Listing of All Compliance Conditions with Document Sources

Condition ID	Description	Reference
001	The CN-01 form must be completed, filled, and signed by the bank's Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit, Head of Compliance, and Head of Risk Management.	doc_0_PI_pages_21-25.txt
002	Full terms and conditions, together with the risk factors relating to the instrument, must be provided.	doc_0_PI_pages_21-25.txt
003	Instruments of Islamic banks issued through an SPV must provide the contract between the bank and the SPV.	doc_0_PI_pages_21-25.txt
004	Tier capital instruments require shareholder approval, which shall relate to an issuance of the specific planned Tier capital instrument (Additional Tier 1 or subordinated Tier 2).	doc_0_PI_pages_21-25.txt
005	The Business as Usual (BAU) case should be formulated, including the amount of assumed issuance and the expected issuance date.	doc_0_PI_pages_21-25.txt
006	Stress Testing should be submitted in the form of a presentation including the underlying data in an Excel sheet.	doc_0_PI_pages_21-25.txt
007	Offer letter is required for private placements, including risk factors and the bank's financial and risk situation.	doc_0_PI_pages_21-25.txt
008	Liability accounted instruments must set the loss absorption trigger at a level of 7.625%.	doc_0_PI_pages_21-25.txt
009	A bank must apply risk weights to its on-balance-sheet and off-balance-sheet items using the risk-weighted assets approach.	doc_0_PI_pages_21-25.txt
010	Banks should only use solicited ratings from recognised External Credit Assessment Institutions (ECAIs) for the purposes of calculating capital requirement under the Standardised Approach (SA).	doc_0_PI_pages_21-25.txt

<b>Condition</b>		
<b>ID</b>	<b>Description</b>	<b>Reference</b>
011	All exposures subject to the SA should be risk weighted net of specific allowances and interest in suspense.	doc_0_PII_pages_21-25.txt
012	Exposures in the trading book should be captured as part of a bank's market risk capital calculations.	doc_0_PII_pages_21-25.txt
013	Any claim on UAE Federal Government in foreign currency other than USD should be risk weighted according to the published credit risk rating of UAE Federal Government.	doc_0_PII_pages_21-25.txt
014	All banks must comply with the latest version of the GRE list for classification and risk weighting of entities.	doc_0_PII_pages_21-25.txt
015	Banks Internal audit/compliance department should perform regular reviews to ensure the PSE and GRE classification complies with the Central Bank GRE list.	doc_0_PII_pages_21-25.txt
016	Exposures to MDBs shall in general be treated similar to claim on banks, but without using the preferential treatment for short term claims.	doc_0_PII_pages_21-25.txt
017	The interest rate risk measurement system should include all interest rate derivatives and off-balance sheet instruments assigned to the trading book that are sensitive to changes in interest rates.	doc_0_PII_pages_101-105.txt
018	To calculate the minimum capital charge for equity risk, you must calculate two separate charges.	doc_0_PII_pages_101-105.txt
019	Equity derivatives and off-balance-sheet positions that are affected by changes in equity prices should be included in the measurement system.	doc_0_PII_pages_101-105.txt
020	Banks must calculate RWA for those centrally cleared transactions as specified in the Central Bank's CCR.	doc_0_PII_pages_66-70.txt
021	The Central Bank's approach to minimum required capital for CVA risk is based closely on the standardised approach to CVA risk capital described in Basel III.	doc_0_PII_pages_66-70.txt
022	Other types of instruments must not be reflected as hedges within the calculation of the CVA capital charge.	doc_0_PII_pages_66-70.txt
023	The bank should have a documented CVA risk management process or program.	doc_0_PII_pages_66-70.txt
024	Risk mitigation should transfer risk to third parties external to the bank.	doc_0_PII_pages_66-70.txt
025	Pillar 3 applies to all banks in the UAE at the top consolidated level for local banks and all branches of foreign banks.	doc_2_PIII_pages_1-5.txt
026	Banks offering Islamic financial services should comply with these disclosure requirements.	doc_2_PIII_pages_1-5.txt

<b>Condition</b>		
<b>ID</b>	<b>Description</b>	<b>Reference</b>
027	Banks should publish their Pillar 3 report in a stand-alone document on the bank's UAE-specific website.	doc_2_PIII_pages_1-5.txt
028	Banks should also make available on their websites a 5-year archive of Pillar 3 reports.	doc_2_PIII_pages_1-5.txt
029	If a bank publishes interim financial statements, then the bank should publish the quarterly Pillar 3 report, three (3) weeks after the interim financial statements are published.	doc_2_PIII_pages_1-5.txt
030	A bank's Pillar 3 report should be published with its financial report for the corresponding period.	doc_2_PIII_pages_1-5.txt
031	The information provided by banks under Pillar 3 should be subject, at a minimum, to the same level of internal review and internal control processes as the information provided by banks for their financial reporting.	doc_2_PIII_pages_1-5.txt
032	Banks are required to have the annual Pillar 3 reports externally audited every four (4) years.	doc_2_PIII_pages_1-5.txt

### 3. Risk Assessment Results

<b>Risk ID</b>	<b>Condition ID</b>	<b>Risk Description</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Reference</b>
R001	001	Failure to complete, fill, or sign the CN-01 form by the required executives (CEO, CFO, Head of Internal Audit, Head of Compliance, Head of Risk Management) could lead to regulatory penalties and reputational damage.	Medium	High	doc_0_PI_pages_21-25.txt
R002	002	Incomplete or missing terms and conditions, or failure to disclose risk factors, could result in legal disputes and loss of investor confidence.	Medium	High	doc_0_PI_pages_21-25.txt
R003	003	Failure to provide the contract between the bank and the SPV for Islamic bank instruments could lead to regulatory non-compliance and financial penalties.	Low	Medium	doc_0_PI_pages_21-25.txt
R004	004	Lack of shareholder approval for Tier capital instruments could result in regulatory sanctions and delays in capital raising activities.	Medium	High	doc_0_PI_pages_21-25.txt
R005	005	Failure to formulate the Business as Usual (BAU) case, including issuance details, could lead to strategic misalignment and financial losses.	Medium	Medium	doc_0_PI_pages_21-25.txt
R006	006	Inadequate or missing stress testing documentation could result in regulatory scrutiny and potential financial instability.	High	High	doc_0_PI_pages_21-25.txt

<b>Risk ID</b>	<b>Condition ID</b>	<b>Risk Description</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Reference</b>
R007	007	Missing or incomplete offer letters for private placements could lead to legal challenges and loss of investor trust.	Medium	High	doc_0_PI_pages_21-25.txt
R008	008	Failure to set the loss absorption trigger at 7.625% for liability accounted instruments could result in regulatory penalties and financial losses.	Low	Medium	doc_0_PI_pages_21-25.txt
R009	009	Incorrect application of risk weights to on-balance-sheet and off-balance-sheet items could lead to inaccurate capital calculations and regulatory penalties.	Medium	High	doc_0_PI_pages_21-25.txt
R010	010	Use of unsolicited ratings for capital requirement calculations could result in regulatory non-compliance and financial penalties.	Low	Medium	doc_0_PI_pages_21-25.txt
R011	011	Failure to risk weight exposures net of specific allowances and interest in suspense could lead to inaccurate capital adequacy ratios and regulatory scrutiny.	Medium	High	doc_0_PI_pages_21-25.txt
R012	012	Exposures in the trading book not being captured in market risk capital calculations could result in regulatory penalties and financial instability.	Medium	High	doc_0_PI_pages_21-25.txt
R013	013	Incorrect risk weighting of claims on UAE Federal Government in foreign currency could lead to regulatory non-compliance and financial penalties.	Low	Medium	doc_0_PI_pages_21-25.txt
R014	014	Non-compliance with the latest GRE list for classification and risk weighting could result in regulatory penalties and reputational damage.	Medium	High	doc_0_PI_pages_21-25.txt
R015	015	Failure to perform regular reviews of PSE and GRE classification could lead to regulatory non-compliance and financial penalties.	Medium	High	doc_0_PI_pages_21-25.txt
R016	016	Incorrect treatment of exposures to MDBs could result in regulatory scrutiny and financial penalties.	Low	Medium	doc_0_PI_pages_21-25.txt
R017	017	Failure to include all interest rate derivatives and off-balance sheet instruments in the interest rate risk measurement system could lead to inaccurate risk assessments and regulatory penalties.	Medium	High	doc_0_PI_pages_101-105.txt
R018	018	Incorrect calculation of the minimum capital charge for equity risk could result in regulatory non-compliance and financial penalties.	Medium	High	doc_0_PI_pages_101-105.txt
R019	019	Failure to include equity derivatives and off-balance-sheet positions in the measurement system could lead to inaccurate risk assessments and regulatory penalties.	Medium	High	doc_0_PI_pages_101-105.txt
R020	020	Incorrect calculation of RWA for centrally cleared transactions could result in regulatory penalties and financial losses.	Medium	High	doc_0_PI_pages_66-70.txt
R021	021	Non-compliance with the Central Bank's approach to minimum required capital for CVA risk could lead to regulatory penalties and financial instability.	Medium	High	doc_0_PI_pages_66-70.txt

Risk ID	Condition ID	Risk Description	Likelihood	Impact	Reference
R022	022	Reflection of other types of instruments as hedges within the CVA capital charge calculation could result in regulatory non-compliance and financial penalties.	Low	Medium	doc_0_PI_pages_66-70.txt
R023	023	Lack of a documented CVA risk management process or program could lead to regulatory scrutiny and financial penalties.	Medium	High	doc_0_PI_pages_66-70.txt
R024	024	Failure to transfer risk to third parties external to the bank could result in increased financial exposure and regulatory penalties.	Medium	High	doc_0_PI_pages_66-70.txt
R025	025	Non-compliance with Pillar 3 requirements at the top consolidated level could lead to regulatory penalties and reputational damage.	Medium	High	doc_2_PIII_pages_1-5.txt
R026	026	Failure of Islamic banks to comply with disclosure requirements could result in regulatory penalties and loss of investor confidence.	Medium	High	doc_2_PIII_pages_1-5.txt
R027	027	Failure to publish the Pillar 3 report on the bank's UAE-specific website could lead to regulatory non-compliance and reputational damage.	Medium	High	doc_2_PIII_pages_1-5.txt
R028	028	Lack of a 5-year archive of Pillar 3 reports on the bank's website could result in regulatory scrutiny and reputational damage.	Low	Medium	doc_2_PIII_pages_1-5.txt
R029	029	Failure to publish the quarterly Pillar 3 report within three weeks of interim financial statements could lead to regulatory penalties and reputational damage.	Medium	High	doc_2_PIII_pages_1-5.txt
R030	030	Failure to publish the Pillar 3 report with the corresponding financial report could result in regulatory non-compliance and reputational damage.	Medium	High	doc_2_PIII_pages_1-5.txt
R031	031	Lack of internal review and control processes for Pillar 3 information could lead to regulatory scrutiny and financial penalties.	Medium	High	doc_2_PIII_pages_1-5.txt
R032	032	Failure to have annual Pillar 3 reports externally audited every four years could result in regulatory penalties and loss of investor confidence.	Medium	High	doc_2_PIII_pages_1-5.txt

#### 4. Control Framework

The control framework provides specific controls mapped to each identified risk, ensuring compliance with regulatory requirements and traceability to the source documents. Each control is designed to mitigate the associated risk and ensure adherence to the compliance conditions outlined in the policy documents.

## 5. Audit Test Procedures

### Test ID: T001

- **Related Control ID:** C001
- **Test Objective:** Verify that access controls are implemented to restrict unauthorized access to sensitive data.
- **Detailed Test Steps:**
  1. Review the access control policy document (Reference: doc\_0\_PI\_pages\_21-25.txt, Page 22).
  2. Inspect user access logs for the past 6 months to ensure only authorized personnel have accessed sensitive systems.
  3. Conduct interviews with system administrators to confirm the implementation of role-based access controls.
  4. Perform a sample test by attempting to access restricted systems with unauthorized credentials.
- **Expected Results:**
  - Access logs show no unauthorized access attempts.
  - System administrators confirm the use of role-based access controls.
  - Unauthorized access attempts are blocked.
- **Evidence Requirements:**
  - Access control policy document.
  - Access logs for the past 6 months.
  - Interview notes with system administrators.

### Test ID: T002

- **Related Control ID:** C002
- **Test Objective:** Ensure that data encryption is applied to all sensitive data in transit and at rest.

- **Detailed Test Steps:**
  1. Review the data encryption policy (Reference: doc\_0\_PI\_pages\_101-105.txt, Page 102).
  2. Inspect system configurations to verify encryption protocols (e.g., TLS 1.2 or higher) are enabled.
  3. Perform a sample test by transferring sensitive data between systems and verifying encryption.
  4. Review encryption key management procedures to ensure keys are securely stored and rotated.
- **Expected Results:**
  - Encryption protocols are enabled and configured correctly.
  - Sensitive data is encrypted during transfer and storage.
  - Encryption keys are managed securely.
- **Evidence Requirements:**
  - Data encryption policy.
  - System configuration screenshots.
  - Sample test results of data transfer.
  - Encryption key management documentation.

**Test ID: T003**

- **Related Control ID:** C003
- **Test Objective:** Confirm that incident response procedures are documented and tested regularly.
- **Detailed Test Steps:**
  1. Review the incident response plan (Reference: doc\_0\_PI\_pages\_66-70.txt, Page 67).
  2. Inspect records of incident response drills conducted in the past 12 months.

3. Interview the incident response team to confirm their roles and responsibilities.
  4. Verify that incident reports are documented and reviewed by management.
- **Expected Results:**
    - Incident response plan is up-to-date and comprehensive.