

Red Flag Indicators - 04/2021

Trend in Foreign Currency Outflows via ATMs: Cash withdrawals in the United Arab Emirates (UAE)

The Financial Intelligence Unit (FIU) has observed significant number of transactions where foreign currency withdrawals from the UAE are reported using locally issued ATM cards.

It was noticed that some individuals collect deposits to the individual accounts from several areas of Sri Lanka and the accumulated funds in these accounts have been withdrawn almost immediately, via ATMs in the UAE.

FIU observed the following common characteristics when analyzing the patterns of the transactions:

1. Often, the majority of the accounts have been opened recently (in 2021).
2. Rupee value of most of the cash withdrawals from ATMs in the UAE is around Rs.100,000 to 200,000 per withdrawal. Occasionally, several such withdrawals had been taken place on the same day.
3. A significant number of suspected accounts have been opened at bank branches located in areas such as Kandy, Kalmunai, Wellampitiya, Kanthale and Colombo.
4. The ATM withdrawals were made from the UAE within 2 – 3 days after the opening of those reported accounts.
5. Cash has been withdrawn using several ATM cards at the same location at the same time, suggesting a single user having multiple cards or a group of persons acting in concert.

These activities suggest that the transactions may be linked to:

- a. money laundering or terrorist financing activities
- b. trade related activities, where ATM cards issued by banks are being misused for bulk withdrawals in foreign jurisdictions; or
- c. activities linked to transfer funds without declaration at the border – suspicion is linked to tax evasion, or informal money, or value transmitters' (hawala or hundi) outflows.

The financial institutions are required to take appropriate actions to reduce the possible ML/TF risk, if any, arising from these transactions. Particular attention has to be drawn to:

- I. Possible foreign exchange violations
- II. The account holders allowing third parties to use their debit cards for cash withdrawals in foreign countries
- III. Ongoing monitoring of customers after establishing the business relationship should be strengthened
- IV. Necessary actions should be initiated, if the account holders are not reachable through the given contact numbers
- V. If there is any suspicion, it has to be reported to the FIU under section 7 of the FTRA