



UAE Anti Money Laundering Regulations

Obligations of regulated businesses and their compliance
officers under the law

UAE Anti Money Laundering Regulations

Scope of UAE AML regulations

1. Money Laundering
2. Combatting the financing of terrorism
3. Countering proliferation financing
4. Sanctions compliance - TFS

AML regulations apply to all DNFBPs

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Regulatory Framework

The UAE Anti Money Laundering framework is based on:



1. [Federal Decree by Law No \(20\) of 2018](#) - Anti Money Laundering and Combating the Financing of Terrorism and Illegal Organizations
2. [Federal Decree law no. \(26\) of 2021](#) - To amend certain provisions of Federal Decree Law No (20) of 2018, on anti-money laundering and combatting the financing of terrorism and financing of illegal organizations.
3. [Cabinet Decision No \(10\) of 2019](#) Concerning the Implementing regulation of decree law no. (20) of 2018 Anti Money Laundering and Combatting the Financing of Terrorism and Illegal Organizations.
4. [Cabinet Resolution No \(24\) of 2022](#) Amending some provisions of Cabinet Resolution No (10) of 2019 On the Executive Regulations Of Federal Decree-Law No (20) of 2018 Money Laundering and the Financing of Terrorism and Illegal Organization



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DNFBPs

- DNFBPs are Designated Non Financial Businesses and Professions
- Following businesses are classified as DNFBPs
 - ✓ Auditors and accountants
 - ✓ **Company and trust service providers**
 - ✓ Dealers in precious metals and stones
 - ✓ Real estate agents and brokers
 - ✓ Lawyers, notaries and other legal professionals and practitioners

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DNFBPs - TCSPs

Company and trust service providers need to comply when providing the following services:

- ✓ **Acting as an agent for the creation of companies;**
- ✓ **Providing services as a director or secretary of a company;**
- ✓ **Providing a registered office for a company;**
- ✓ **Acting as a trustee for a trust;**
- ✓ **Acting as a nominee shareholder.**

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DNFBPs - TCSPs

- **How can Trust and Company Service Providers (“TCSPs”) be used for ML?**
 - **example how opening new companies could be misused!**

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DNFBPs - TCSPs

Key AML /CFT obligations:

1. Carry out AML business risk assessment,
2. Set up customer risk assessment policies and procedures to undertake risk based CDD,
3. Define the CDD policies for each risk type,
4. Identify and report suspicious transactions,
5. Implement Governance,
6. Record keeping,
7. Training staff.

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Regulatory Framework



Money laundering is a Crime.
So what is Money Laundering ?

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Regulatory Framework

So what is Money Laundering ?

The official definition:

*“Any person, having the **knowledge that the funds are the proceeds of a felony or a misdemeanour, and who wilfully commits any of the following acts, shall be considered a perpetrator of the crime of Money Laundering:***



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Regulatory Framework - Official Definition of ML

So what is Money Laundering ?

The official definition:

“

a- Transferring or converting proceeds or conducting any transaction with the aim of concealing or disguising their Illegal source.

”



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Regulatory Framework - Official Definition of ML

So what is Money Laundering ?

The official definition:

“

b- Concealing or disguising the true nature, source or location of the proceeds, or the method involving the disposition, movement or ownership of the Proceeds or rights related thereto.

”



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Regulatory Framework - Official Definition of ML

So what is Money Laundering ?
The official definition:

“

*c- Acquiring, possessing or using
proceeds upon receipt.*

”



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Regulatory Framework - Official Definition of ML

So what is Money Laundering ?

The official definition:

“

d- Assisting the perpetrator of the predicate offense to escape punishment.”

In short, handling proceeds from any illegal activities constitutes money laundering!



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Compliance requirements

Key Obligations:

- 1. Report suspicious activities,**
- 2. Apply Sanctions Screening!**

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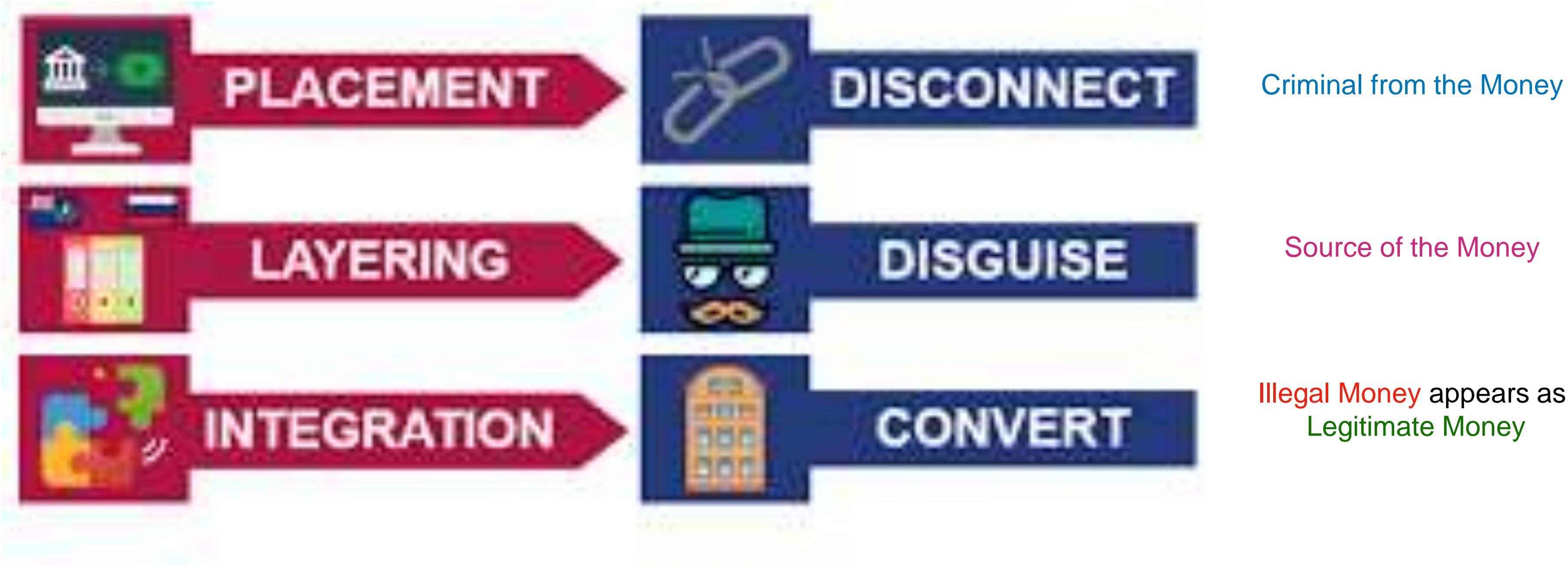
Consequences of non-compliance

Cabinet Decision No. (16) of 2021 - 26 fines related to failure to manage AML risks.

Total Fines AED 4m

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Key stages of Money Laundering



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TCSPs activities attractive for ML



Setting up new companies



Offshore companies



Shell companies



Nominee shareholders



Shelf companies

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DNFBPs - Trust and Company Service Providers - Red Flags

BE ALERT TO **C**ustomer **D**ue **D**iligence (“CDD”) FACTORS SUCH AS:

The Customer: Is reluctant or refuses to provide

- personal information, explain their source of wealth/funds;
- who are their main customers / suppliers;
- Is a PEP;
- Uses CASH for payments.

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TCSPs - Targeted Financial Sanctions

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DNFBPs - Targeted Financial Sanctions

Cabinet Resolution No. (74) of 2020 Regarding the Terrorist List System and The Implementation of Security Council Resolutions Related to Preventing and Suppressing Terrorism and Its financing, Counter of Proliferation and its financing, and the relevant resolutions

UAE Regulations require sanctions screening against United Nations and UAE sanctions lists

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DNFBPs - Targeted Financial Sanctions

Targeted Financial Sanctions includes

- a. asset freeze without delay
- b. prohibit providing funds or assets (including any economic resources) or services directly or indirectly to sanctioned individuals, entities and groups

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DNFBPs - Targeted Financial Sanctions

Targeted Financial Sanctions actions

TCSPs: a freezing measure can be stopping the facilitation of

1. company formation,
2. renewal of Trade license registration,
3. access to business address,
4. nominee services or PRO services.

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DNFBPs - Targeted Financial Sanctions

Targeted Financial Sanctions actions to Comply

TCSPs: to comply with the legal requirements and avoid the risks of breaking the law!

Legal requirement to:

1. Screen at onboarding,
2. Prior to every transactions,
3. At every change in the lists,
4. Within 24 hours of any changes in the list,
5. Any change in customer ownership.

In effect, need to screen daily and keep the evidence!

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DNFBPs - Targeted Financial Sanctions

Targeted Financial Sanctions actions to Comply

TCSPs: to comply with the legal requirements install a standard software eg **Intellewings** to automate sanctions screening and avoid the risks of breaking the law!

Helps to identify:

- a. Sanctions exposure,
- b. PEPs,
- c. Bad news,
- d. may help in establishing credit worthiness!
- e. MOST IMPORTANTLY helps to avoid breaking the AML Laws.

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DNFBPs - Targeted Financial Sanctions

- Targeted Financial Sanctions actions to Comply
- DNFBPs:** Report confirmed or partial / potential matches on goAML.
- Confirmed matches - Freeze transactions
- Partial matches - suspend until govt advises next steps.

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DNFBPs - Terrorist Financing

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DNFBPs - Terrorist Financing

1. Terrorist financing - separate crime from money laundering but may use similar techniques to hide source of money
2. TF uses money to commit illegal political acts.
3. Money can be from legal sources.
4. Individuals responsible for raising money not the beneficiaries of the money as it is used to commit terrorist acts.
5. Amounts involved may be smaller

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Terrorist Financing - How Does it impact your Business?

Be Aware Of the

Red Flags

Applicable to Your Business!

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Terrorist Financing - general red flags

- Unwilling to provide information or documents,
- use of cash,
- names appear in media linked to terrorist activities,
- customers from High Risk countries / listed by FATF,
- customers dealing in Dual use goods,
- complicated ownership.

Anti Money Laundering Training

DNFBPs - Proliferation Financing

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DNFBPs - Proliferation Financing

Weapons of Mass Destruction (“WMD”) Proliferation

WMD Proliferation - refers to the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling, or use of nuclear, chemical, or biological weapons and their means of delivery and related materials (including both Dual- Use technologies and Dual-Use goods used for non-legitimate purposes)

Financing of Proliferation - refers to the risk of raising, moving, or making available funds, other assets or other economic resources, or financing, in whole or in part, to persons or entities for purposes of WMD proliferation, including the proliferation of their means of delivery or related materials (including both Dual-Use technologies and Dual-Use goods for non-legitimate purposes)

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Proliferation Financing - stages

Stages of Proliferation Financing



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Proliferation Financing - Stages

Stage 1: Program Fundraising: A proliferating country raises financial resources for in-country costs. The funding sources may derive from the proliferating country's budget, profits from an overseas commercial enterprise network, and/or proceeds from an overseas criminal activity network.

Stage 2: Disguising the Funds: The proliferating state moves assets into the international financial system, often involving a foreign exchange transaction, for trade purposes. A proliferating country may use means that range from the simpler to the more complex, including using normal correspondent banking channels or an intricate network of procurement agents and front companies. During this stage, states that are subject to comprehensive sanctions will seek to circumvent such sanctions, often using methods on the more sophisticated end of the spectrum to disguise the funds. Both Iran and the DPRK have been found to use **front companies, shell companies, and complex, opaque ownership structures** to evade and circumvent TFS

Stage 3: Materials and Technology Procurement: The proliferating state or its agents use the disguised resources for procurement of materials and technology within the international financial system. This stage also includes the payments for shipping and transport of materials and technology.

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Proliferation Financing - Shell and Front Companies

TCSOs should implement measures to understand: 1. the true nature of their customers' business and 2. ownership and control structures.

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Proliferation Financing - How Does it impact your Business?

Be Aware Of the
Red Flags

Applicable to Your Business!

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Proliferation Financing - Some General Red flags

TFS – PF Potential Red Flags

1. Dealings, directly or through a another party with sanctioned countries
2. The use of shell companies.
3. Dealings with sanctioned goods or under embargo. For example:
 - a). Oil or other commodities
 - b). Dual-Use items (wire nickel, inverters, etc.)
4. Activity is different from that authorized e.g. companies that are importing high-end technology devices, but they are registered as a company that commercializes nuts.
5. Complex legal entities or arrangements that seem to be aiming to hide the beneficial owner.

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How To Comply?

We undertake Customer Due Diligence

**TO BE ABLE TO IDENTIFY AND
REPORT SUSPICIOUS ACTIVITIES!**

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How To Comply?

How to do Customer Due Diligence

Adopt a risk based approach - the more risky the customer, the more information we need to collect

1. High risk customers must be subjected to Enhanced Due Diligence (“EDD”) – check and verify information;
2. PEPs and their close associates are subject to EDD;
3. Higher risk customers’ CDD must be updated more frequently - typically high risk customers’ CDD (KYC) is updated at least annually!
4. Customers resident/nationals in FATF list of jurisdictions subject to call for action (“Black list”) are subject to EDD
5. Customers resident / nationals FATF list of jurisdictions subject to enhanced monitoring (“Grey List”) may require EDD

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How To Comply?

What information do we need to collect for CDD?

Basic risk-based customer due diligence involves collecting information about :

1. Identity of the owners of a business,
2. What is the business activities that customer is engaged in,
3. Who are the other entities with which a customer does business,
4. How do they make money?

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Regulatory Framework - KEY OBLIGATION REMINDER



REPORT SUSPICIOUS TRANSACTIONS OR SUSPICIOUS ACTIVITIES

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How To Comply?

What actions are required to show evidence of compliance with the AML law?

1. Business risk assessment;
2. Customer risk assessment;
3. CDD policies and procedures;
4. Perform customer due diligence on a risk based approach;
5. Monitor customer activity;
6. Suspicious transaction reporting;

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How To Comply?

What actions are required to show evidence of compliance with the AML law?

7. Maintain records;
8. Train all staff;
9. Periodic reporting;
10. Senior management supervision;
11. Independent review and audit.

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DNFBPs - how to ensure compliance?

Ensure compliance

Please contact Jasbir Bindra to discuss your requirements:

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