

# Mutual Evaluation Report 7<sup>th</sup> Follow-Up Report for the United Arab of Emirates

Anti-Money Laundering and  
Combating the Financing of Terrorism

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The United Arab of Emirates

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*This report provides an overview of the measures that UAE has taken to address the major deficiencies relating to Recommendations rated NC or PC since its last mutual evaluation. The progress shown indicates that sufficient action has been taken to address those major deficiencies, and in particular those related to R1, R5, R13, R23, R26, R40, SRI, SRIII, and SRIV. It should be noted that the original rating does not take into account the subsequent progress made by the country.*

## 7<sup>th</sup> Follow-up Report for the United Arab Emirates

### Application to Move from Follow-Up to Biennial Update

#### A. Introduction

1. The 7<sup>th</sup> Plenary Meeting adopted the mutual evaluation report (MER) of the United Arab Emirates (U.A.E.) on 9 April 2008. As a result of the findings of the report, U.A.E was placed in a regular follow-up process according to the paper on mutual evaluation process procedures. U.A.E presented a number of follow-up reports as follows: The 1st follow-up report in May 2010, 2nd follow-up report in November 2010, 3rd follow-up report in November 2011, 4th follow-up report in November 2012, 5th follow-up report in November 2013, and 6th follow-up report in June 2014. U.A.E has expressed its hope that the 20th Plenary Meeting examines its request to move from regular follow-up to biennial updating.

2. This reports is based on the procedure for removal from the regular follow-up, as agreed by the 12<sup>th</sup> Plenary Meeting in November 2010 and the amendments on procedures adopted in the e-Plenary Meeting (August-September 2013). The report contains a detailed description and analysis of the measures taken by U.A.E with respect to the core<sup>1</sup> and key<sup>2</sup> Recommendations rated Non Compliant (NC) and Partially Compliant (PC) in the abovementioned MER .The report also contains a description and analysis of the other recommendations rated as PC or NC. In Annex 1, we are including a list of the major laws and documents relating to AML/CFT system in U.A.E.

3. The procedures require that the Plenary Meeting considers the removal of the country from the regular follow-up if it has, in the opinion of the Plenary Meeting, an effective AML/CFT system in force, under which the country has implemented the core and key recommendations at the level essentially equivalent to a C (Compliant) or LC (Largely Compliant), taking into consideration that there would be no re-rating.

4. U.A.E was rated as PC and NC on a total of 37 recommendations:

Core Recommendations rated as PC or NC
R1, R5, R13, SR4
Key Recommendations rated as PC or NC
R23, R26, R40, SR1, SR3
Other Recommendations rated as PC
R14, R15, R17, R18, R20, R21, R25, R29, R30, R32, R33, R38
Other Recommendations rated as NC
R6, R7, R12, R24, SR6, SR7, SR9

<sup>1</sup> Core Recommendations as per the rating of FATF are: R1, R5, R10, R13, SR2, SR4.

<sup>2</sup> Key Recommendations as per the rating of FATF are: R3, R4, R23, R26, R35, R36, R40, SR1, SR3, SR5.

5. As prescribed by the procedures of exiting the regular follow-up, U.A.E provided the Secretariat with a full report on its progress as of the date of adopting the MER. Accordingly, the Secretariat drafted a detailed analysis of the progress made by U.A.E regarding the core and key recommendations rated as NC or PC, as well as an analysis of the other recommendations rated as NC or PC. The Secretariat provided the Emirati authorities with its report accompanied with a number of enquiries and requests. The Secretariat submitted to U.A.E authorities its report accompanied with a number of enquiries and requested. Comments provided by U.A.E were adopted. In this process, U.A.E provided all the documents and information required by the Secretariat.

6. As a general note on all applications for removal from the regular follow-up: This procedure is described as a paper based desk review, and by its nature is less detailed and thorough than a mutual evaluation report. The analysis focuses on the Recommendations that were rated as NC or PC, which means that only a part of the AML/CFT system will be reviewed. Such analysis essentially consists of looking into the main laws, regulations and other material to verify the technical compliance of domestic legislation with the FATF standards. In assessing whether sufficient progress had been made, effectiveness is taken into account to the furthest extent possible in a paper based desk review and primarily through a consideration of the data provided by the country. Any conclusions in this report do not prejudge the results of the future assessments, as they are based on information which was not verified through an on-site process and was not as comprehensive as would exist during a mutual evaluation.

## **B. Main Conclusion and Recommendations to the Plenary Meeting:**

### **Core Recommendations:**

7. **R1 (Money Laundering Crime):** U.A.E. addressed the deficiencies pertaining to this recommendation by expanding the scope of ML predicate offenses, and provided that conviction of perpetrators of predicate crimes is not a pre-requisite for proving that the properties are the proceeds of a crime, via the amendments made thereby to the AML law.

8. **R5 (Due Diligence in Verifying Identity of Clients):** U.A.E addressed most of the deficiencies pertaining to this recommendation by issuing the executive regulations of AML law which provided for many basic obligations related to customer due diligence. These amendments provided for obliging the financial institutions to develop a special system for identifying customers, legal positions, beneficial owners, definition of the beneficial owner, and any change made to those persons. They also provided for the main documents that are to be relied on by financial institutions for identifying clients, in addition to prohibiting institutions from opening bank accounts in fictitious or nick names, pseudonyms, or numbers without the names of holders. The regulations issued by the regulatory entities addressed the deficiencies related to requiring the financial institutions to understand the ownership and control structure of the legal entities. It also addressed the deficiencies related to obtaining information about the purpose and nature of the business relation, in addition to adopting a risk-based approach for following-up high-risk customers, as well as continuous monitoring.

9. **R13 and SR4 (Suspicious transaction reporting):** U.A.E addressed the deficiencies related to this recommendation via the amendments made thereby to AML Law. Such amendments provided for obliging the covered entities to report suspicious transactions

related to financing terrorism, and provided for obliging these entities to report attempts of conducting suspicious transactions. U.A.E also expanded the scope of obligations of reporting suspicious transaction to include all transactions suspected to involve proceeds of crimes, and clarified the legal rule based on which the reporting entities can reach an objective discretion to decide whether reporting is required or not.

10. As a general result, it can be said that the level of compliance of U.A.E regarding these recommendations can be rated as equivalent to "Largely Compliant (LC)"

### **Key Recommendations:**

11. **R23 (Regulation, Monitoring and Follow-up):** U.A.E addressed the deficiencies related to this recommendation by subjecting transfer brokers (Hawaladars) to the regulation and supervision of the Central Bank. Furthermore, the Insurance Authority asked the institutions under its jurisdiction to develop special regulations related to the efficiency and adequacy of the Board members and managing directors.

12. **R26 (FIU):** U.A.E addressed these deficiencies by designating the FIU as the sole national center concerned with receiving, analyzing, and forwarding suspicious transaction reports. It also worked on independence of the operational unit, publication of annual reports, and provision of comprehensive statistics on the activities carried out by the unit.

13. **R40 (Other forms of international co-operation):** U.A.E. took many steps related to enhancing the level of international co-operation by signing a number of memoranda of understanding with equivalent regulatory authorities; which would contribute to increasing information exchange with equivalent foreign entities.

14. **SR1 (Implementation of UN Instruments):** U.A.E addressed deficiencies relating to this recommendation by addressing the deficiencies related to SR3.

15. **SR3 (Freezing and Confiscating Terrorist Assets):** U.A.E took several steps related to addressing the deficiencies related to implementation of UNSCRs 1267 and 1373, via the mechanism for implementing UNSCR No. (1373) set forth in the Law No. (7) of 2014 On Terrorist Crimes. NCTC (the competent body to execute UNSCRs) also extended the scope of obligations to include all financial institutions and DNFBPs in terms of obliging them to freeze the funds and assets of persons on the list of sanctions stated in UNSCR No. (1267).

### **Other Recommendations**

16. U.A.E has addressed the deficiencies relating to other recommendations. It is noteworthy that making the decision for the removal of U.A.E from the follow-up process is primarily based on the core and key recommendations. This report does not provide a detailed analysis for other recommendations.

### ***Conclusion***

17. For removal of a country from the follow-up procedures, it must have taken sufficient actions that so permit. Consequently, it must have an effective AML/CFT system in place,

under which it has implemented the core and key recommendations at a level essentially equivalent to C or LC, taking into account that there will be no re-rating. The Plenary does, however, retain some flexibility with regard to the key recommendations if substantial progress has also been made on the overall set of Recommendations that have been rated PC or NC.

18. With regard to core recommendations, it can be said that the level of compliance of U.A.E on these recommendations can be rated at a level equivalent to "LC", at a minimum.

19. With regard to key recommendations, it can be said that the level of compliance of U.A.E on these recommendations can be rated at a level equivalent to "LC", at a minimum.

20. With regard to other recommendations where U.A.E was rated NC or PC, it can be said that the level of compliance of U.A.E on these recommendations in general is equivalent to a level of "LC" at a minimum.

21. With regard to effectiveness, U.A.E has issued 132 convictions in ML crimes. Authorities did not notify us of any convictions in FT cases. With regard to reports, the unit received (2781) reports in 2010, (2576) reports in 2011, (2700) reports in 2012, (2890) reports in 2013, and (3484) reports during the past period of 2014.

22. With regard to the effectiveness of the supervision of regulatory entities over the DNFBPs, it can be said that U.A.E has taken many steps aiming at improving the level of supervision over financial institutions, in terms of the number of tours of inspection on the banking sector and securities sector. U.A.E established the Insurance Authority and took a number of steps for effective supervision over insurers though more efforts are needed. U.A.E has also taken many steps for improving the level of supervision over DNFBPs.

23. As a result, since the level of compliance of U.A.E with the core recommendations is rated at a level equal to "LC" at a minimum, and the level of compliance with key recommendations is rated at a level equal to "LC" at a minimum, The Plenary may decide approving the request of U.A.E to exit the follow-up to biennial update.

### **C. Overview of Progress of U.A.E**

#### ***Overview of the Main Progresses Made Since the Adoption of MER***

24. Since the adoption of the MER, National Anti Money Laundering Committee (NAMLC) of the UAE has formed a working group to implement the work plan developed for fulfilling the requirements of compliance with the international AML/CTF standards; U.A.E has focused on amending the AML law to address the deficiencies referred to in the MER. Furthermore, U.A.E issued the executive regulations of AML law and many decisions pertaining to amending customer identification rules. A number of regulatory controls were also issued.

### ***The Legal and Regulatory Framework***

25. The legal framework of the AML/CFT system in U.A.E is based on Law No. (4) of 2002 on AML as amended by Law No. (9) of 2014, published in the Official Gazette on 30 October 2014, and the executive regulations issued by the Cabinet by virtue of the Decree no. (38) of 2014. The Law and the executive regulations introduced some modifications on the legal level in U.A.E in terms of the expansion of the scope of AML predicate offences by adopting a comprehensive approach for determining predicate offences, and setting key obligations related to CDD measures to include all financial institutions and DNFBPs. Furthermore, the Law specified the regulatory and supervisory entities that ensure the compliance of the persons under their jurisdiction with the requirements of law implementation, and clarified the obligations related to reporting to the FIU suspected transaction pertaining to FT and submitting STRs on attempts of performing suspicious transactions. It is noteworthy that U.A.E applies the Federal Law No. (6) of 2007 on Establishment of the Insurance Authority and Organization of its Operation, as the law was published in the Official Gazette in 2010. U.A.E also issued the Federal Law No. (7) of 2014 On Terrorist Crimes on 20 August 2014.

26. Further, the Central Bank adjusted AML controls by virtue of the Circular no 2922/2008 dated 17 June 2008 and issued the Transfer Broker (Hawaladars) Regulations in July 2012. The Securities & Commodities Authority amended the AML/CFT controls for companies and institutions working in the field of securities, via the Decision No. (17/R) of 2010, as amended by the Decision No.(40) of 2011. The Insurance Authority -the body supervising insurance companies- issued AML/CFT procedures by virtue of the Decision No. (16) of 2013, and issued the Circular No. (31) of 2013 on the obligations of institutions to implement the UNSCR 1267 and the Circular No. (32) of 2013 on the obligations of institutions to implement the UNSCR No. (1373). On 9 January 2011, the Central Bank also amended the system of declaration of cash amounts and any financial instruments in the possession of incoming or outgoing travelers. Regulatory entities supervising DNFBPs have issued the AML/CFT Procedures Regulations for real estate agents and dealers of gold, jewellery and precious metals. The Ministry of Justice also issued the Circular dated 11 August 2013 on AML/CFT Procedures for lawyers, other legal professions, and notaries. The Ministry of Economy also issued AML/CFT procedures for accounting and auditing firms, accountants, and auditors working in U.A.E, by virtue of the Decree No. 606/2013 dated 24 November 2013.

### **D. Review of the measures taken in relation to the Core Recommendations**

#### **R1: Rating (PC):**

***Deficiency 1: Predicate offenses are limited and only cover less than half of the minimum categories of crimes.***

27. U.A.E expanded the scope of ML predicate offenses by amending the previous list approaches of the AML Law, and by adopting a comprehensive methodology so that the scope of predicate offenses includes any felony or misdemeanor. The following table shows to what extent predicate offenses in the Emirati Law cover all the twenty categories according to the assessment methodology; all the twenty categories must be criminalized.

**Table (1): List of ML Predicate Offences and Incriminating Articles in U.A.E Laws**

Category	Legislative Tool	Legal Articles Criminalizing the Act(s)
Participation in an organized criminal group and racketeering	Penal Code	Articles 172, 186, 187, 188, 191, 192, and 196
Terrorism, including terrorist financing	Penal Code Combating Terrorist Crimes Law CFT law	Articles 177, 178, and 191 Articles 2-27 Article 12
Trafficking in human beings and migrant smuggling	Law Against Trafficking in Human Beings No. (51) of 2006	Articles 2-4
Sexual exploitation, including sexual exploitation of children	Penal Code	Articles 354-357, and 363-370
Illicit trafficking in narcotic drugs and psychotropic substances	Narcotic Drugs and Psychotropic Substances Law No. (14) of 1995	Article 6
Illicit arms trafficking	Federal Law No. (3) of 2009 on Weapons, Ammunition and Explosives	Article 53
Illicit trafficking in stolen goods, and other goods	Federal Penal Code	Article 407
Corruption and bribery	Penal Code	Articles 234 -237, 224 -230, 240 -247, and 250 - 252
Fraud	Penal Code	Articles 399 -403, and 404 - 406
Counterfeiting currency	Penal Code	Articles (204-210)
Counterfeiting and piracy of products	Federal Law No. (4) of 1979 on Combating Fraudulence and Cheating Law No. (7) of 2002 Concerning	Articles (1-2) Articles (37-39)

	Copyrights and Neighboring Rights	
Environmental crimes	Law No. (24) of 1999 On Protection and Development of Environment	Articles (73-90)
Murder and grievous bodily injury	Penal Code	Articles (331 -336), and (337 – 406)
Kidnapping, illegal restraint and hostage-taking	Penal Code	(Articles 320 and 344)
Robbery or theft	Penal Code	Articles (381-393)
Smuggling	Common Customs Law of the GCC States	Articles (142-145)
Extortion	Penal Code	Articles (351, 397, and 398)
Forgery	Penal Code	Articles (205-223)
Piracy	Federal Penal Code No. (3) of 1987	Article 21
Insider trading and market manipulation	Federal Law No. (4) of 2000 Concerning the Emirates Securities and Commodities Authority and Market	Articles (36 -39) and 41

***Deficiency 2: Authorities can't affirm that receiving a charge of a predicate offence is not a pre-requisite for proving that the properties are proceeds of a crime.***

28. U.A.E amended AML/CFT Law to provide for in Article (2) that conviction of committing a crime is not a pre-requisite for proving the illicit source of the proceeds. By that, U.A.E has totally addressed the deficiency specified in this recommendation.

***Deficiency 3: Inability of authorities to prove that the predicate offenses include a number of offenses under each designated category of offenses.***

29. As stated above, U.A.E expanded the scope of ML predicate offenses to include most of the twenty categories designated in the methodology.

**Deficiency 4: Limited application, only two prosecutions outside Dubai was registered, and no proof exists regarding the number of judicial prosecutions inside Dubai.**

30. Authorities stated that it provided a number of courses for judges and officials of Public Prosecution and law enforcement authorities, aiming at building capabilities in these sectors. Here are some statistics regarding the number of courses provided by U.A.E:

**Table (2): Courses for Judges and Officials of Public Prosecution and Law Enforcement Authorities**

Year	No. of Courses	Number of Beneficiaries
2011	6	662
2012	4	100
2013	3	140
2014	1	72

31. Further to the foregoing, the authorities reported that 447 lawyers were trained in 2014 by the Institute of Training and Judicial Studies on AML/CFT laws and procedures. Moreover, the authorities provided a number of statistics setting out that a number of conviction judgments were rendered in ML cases during the previous period, as follows:

**Table (3): Statistics of the number of cases where ML conviction judgments are rendered**

Emirate	No. of Cases				
	2009	2010	2011	2012	2013
Abu Dhabi Emirate	4	12	3	56	-
Dubai Emirate	-	9	11	1	2
Sharjah Emirate	-	1	-	5	19
Ajman Emirate	-	-	1	2	-
Ras Al-Khaimah Emirate	-	-	-	1	5

**R5: Rating (NC)**

***Deficiency 1: Neither the law nor the regulations provide for core obligations related to CDD measures (all sectors)***

32. It is noteworthy that U.A.E made some amendments to the AML/CTF institutional framework, especially the entities monitoring financial institutions, and to the powers granted to these entities. It is mentioned above that an Insurance Authority is established and that it conducts its works of supervising and monitoring the entities that are subject to its jurisdiction. Moreover, Article (11) of the amended law provides for that the Central Bank supervises the financial institutions (licensed by the Central Bank or the Securities & Commodities Authority) and monitor their work in order to ensure their compliance with the provisions set forth in this law and its executive regulations, rules and decisions, and that the Central Bank issues the decisions and instructions that determine the system of AML/CTF and confrontation of financing illegal organizations applied by financial institutions, including instant reporting of suspicious transactions to the FIU. It also provides for authorizing the Central Bank to issue the decisions related to administrative penalties imposed on the financial institutions that breach the provisions of this law and the executive regulations and decisions, cases of such imposition, and grievances against such decisions. The Central Bank may delegate some of its powers set forth in the Law to the Securities & Commodities Authority, the Central Bank did not delegate some of its powers to the Securities & Commodities Authority in implementation of the provisions of this Article so far; however, Law No. (9) of 2014 stipulated that the regulations, rules and decisions issued for execution of the provisions of Law No. (4) of 2002 shall apply until substitute regulations and rules are issued.

33. Article (11) of the amended law authorizes the entities concerned with licensing and monitoring other financial, commercial and economic establishments (establishments licensed by entities other than the Central Bank or the Authority) to monitor the activities of these companies in order to ensure the compliance of these establishments with the provisions set forth in this Law and the executive regulations, rules, and decisions thereof, including the decisions and instructions that determine the system of AML/CTF and confrontation of financing illegal organizations. Measures taken by U.A.E for addressing the deficiencies pertaining to the entities operating in the field of insurance and the entities operating under DIFC will be considered.

34. Article (12 bis) of the Law and Article (3) of the executive regulations provide for obliging the financial, commercial, and economic institutions to implement the provisions of the Law and regulations, instructions issued by regulatory entities, and any other rules issued in this regard. They also oblige these entities to set the required regulations and procedure for the implementation of the provisions of the law and the regulations in conformity with their activities. Articles (4) and (5) of the executive regulations impose core obligations on financial institutions and other financial institutions concerning the CDD requirements; thus, the provisions stipulated in these articles can be deemed as falling under the scope of "law and regulations" as specified by FATF. While obligations imposed by the regulatory entities constitute "other enforceable means".

35. Article (4) of the executive regulations obliges the financial institutions and other financial institutions to put in place a special system for recognizing the identities of customers, legal positions, and beneficial owners, as well as any amendment made to those

persons. It also obliges them to take precaution measures on a continuous basis, to fill in the form approved by the regulatory entities, and to ensure keeping copies of the data and information stated in the regulations, as will be set out later. Article (5) of the regulations obliges financial institutions and other financial institutions not to open any bank accounts in fictitious or nick names, pseudonyms, or numbers without the names of holders

36. The regulations provided for prohibition of keeping unanimous accounts, fictitious accounts, or numbered account, and required financial institution to identify customers and to recognize the identity of the beneficial owner. Obligations include requiring financial institutions to take due diligence measures on a continuous basis. While some core obligations required are still stipulated in the regulations issued by the regulatory entities, such as: Timing of due diligence measures, verifying whether the person who claims to be acting on behalf of the client is authorized to do or not and recognizing and verifying his/her identity, in addition to the abovementioned measures, including verifying the identity of the clients by using documents, data, or original information from a reliable and independent source; taking reasonable measures for verifying the identities of beneficial owners; and identifying natural persons who owns or control the client, including legal persons and legal arrangements.

***Deficiency 2: Lack of requirements related to identifying the beneficial owners of the legal entities and arrangements (banks, securities, and insurance sector).***

37. It has been previously mentioned that the executive regulations provided for obliging the financial institutions and other financial institutions to put in place a special system for identifying beneficial owners and any amendment made to them; however, the regulations did not provide for any special measures for verifying the identity of the beneficial owner; which would assure the financial institution recognizing the beneficial owner; however, the authorities indicated that this request falls under obliging financial institutions in accordance with Article (4) of these regulations to put in place a system for identifying the beneficial owner, in accordance with the definition stipulated in Article (1) of the regulations. The Central Bank amended the Circular No.24/2000 by virtue of the Notice No. 2922/2008 dated 17 June 2008 to clearly provide for requiring banks and financial institutions to identify the beneficial owners of legal persons and businesses which open accounts or make money transfers. Satisfactory proofs of such identities should be collected.

38. The regulations issued by the Securities and Commodities Authority, as per the most recent amendment, provided for obliging the entities under its jurisdiction to identify the beneficial owner and to take the reasonable measures for verifying the entity of the beneficial owner. While the regulations issued for insurance companies do not provide for identifying the beneficial owner and do not use the term; however, they oblige the companies -if the transaction is made for the benefit of another person or entity – to verify the identity of such a person or entity and gather and register adequate information about them. It is unclear whether this obligation is intended for the persons who claim to act on behalf clients or the beneficial owners.

***Deficiency 3: Lack of requirements related to understanding the structure of ownership and control of the customer (banks, securities, and insurance sector).***

39. Amendments made by the Central Bank to the Circular No. 24/2000 in 2008 provided for obliging the financial institutions and money transferors to understand the ownership and control structure of the customer in case of legal persons; however, it doesn't provide for any obligations regarding identifying natural persons who have real ownership or control over the customer; however, the authorities opines that this obligation is covered by the definition set forth in the regulations for the beneficial owner which include identifying the natural person who effectively controls the client, including legal persons and legal arrangements. Moreover, these circulars provide for the requirement of obtaining the names and addresses of shareholders who own 5% of the shares of the company.

40. The regulations issued by the Securities & Commodities Authority provide for obliging the entities subject to its jurisdiction to take measures for understanding the ownership and control structure of the customer. Likewise, the regulations issued by the Insurance Authority require receiving the by-laws of the establishment in addition to the documents of the holders of significant interests in the establishment. They also oblige companies to take reasonable measures for verifying the beneficial owner. This provision clearly covers this requirement, while the regulations issued by the Insurance Authority don't provide for any special requirements, other than the requirements of the executive regulations, related to understanding ownership and control over the client; which obliges the Insurance Authority to clarify this obligation in accordance with the regulations of insurance companies.

***Deficiency 4: Lack of requirements related to verifying that a person who claims to act on behalf of a person is duly authorized (banks, securities, and insurance sector).***

41. It has been previously mentioned that the executive regulations didn't provide for obliging the financial institutions to verify that any person who claims to act on behalf of the customer is duly authorized to do so, though the executive regulations provide for obliging the financial institutions to verify the legal positions of the customers. Authorities indicated that the legal positions intended in this law mean recognizing the authorities upon which the customer acts, whether as a representative of a natural or legal person, so that they oblige financial institutions to identify the customer and put in place a system for verification of such identity; however, this explanation shall be verified in practice. In all events, the regulations issued by the Central Bank provided for obliging the financial institutions and transferors to check the legal bases that permit the representative to act on behalf of the customer. Obligations of the companies that are subject to the jurisdiction of the Securities & Commodities Authority include submission of identity proof data by the attorney granted a power of attorney to open an account, provided reviewing the original power of attorney, in addition to submission of identity proof data by the person authorized to open the account, provided reviewing the original authorization for legal persons. Based on the provisions of the regulations, insurance companies are obliged to verify that any person acting on behalf of the client is a truly authorized person while identifying and verifying his identity.

***Deficiency 5: Lack of requirements related to conducting CDD procedures on a continuous basis (banks, securities, and insurance sector).***

42. It has been mentioned above that the executive regulations provide for obliging the financial institutions and other financial institutions to take precaution measures all the time. Authorities define them as due diligence measures especially that they are included in the obligations related to due diligence precautions in the executive regulations. The regulations use this term when they refer to these measures. Moreover, the amendments made by the Central Bank provided for obliging the banks and other financial institutions to conduct CDD measures on a continuous basis, to obtain additional information when they suspect the veracity of information provided, and to re-conduct CDD. Moreover, the regulations issued by the Securities Authorities and Insurance Authority provide for obliging the institutions subject to the jurisdictions of these authorities to set a system that would guarantee taking all the necessary measures for regular and continuous update of the required data and documents.

***Deficiency 6: As regards wire transfers, the threshold that necessitates verifying the identities of customers significantly exceeds (1,000) Euros/U.S. Dollars (Banks Sector).***

43. The Central Bank amended the AML Procedures Regulations in 2008 to provide for obliging the banks, exchange offices, money transferor to identify the customer, including the name and address, in case of wire transfers that equal AED (2000) -or an equivalent amount in foreign currencies- for money transferors, and AED (3500)-or an equivalent amount in foreign currencies- for banks.

***Deficiency 7: As regards insurance applications, the CDD threshold significantly exceeds FATF's threshold; which is attributed to low risks (insurance sector).***

44. U.A.E addressed the deficiency related to this recommendation as the regulations do not set a specific threshold for conducting CDD. It has been previously mentioned that financial institutions, including insurance companies, are obliged to identify the customers in accordance with Article (4) of the regulations, and to verify the legal position of the customer and the beneficial owner. Following its establishment, the Insurance Authority issued AML/CFT regulations for insurance companies, whereby it repealed the regulations previously issued by the Ministry of Economy. The regulations do not provide for a certain threshold for conducting due diligence measures, but rather oblige insurance companies to apply due diligence measures to all customers.

***Deficiency 8: Lack of any obligations related to re-conducting CDD measure when doubt arises regarding the veracity of the preceding information (banks, securities, and insurance sector).***

45. The amendments made by the Central Bank provides for obliging the banks and other financial institutions to re-conduct CDD measures when doubt arises regarding the information submitted by the customer. Likewise, the regulations issued by the Securities Authority and the regulations issued by the Insurance Authority provides for the same.

***Deficiency 9: Lack of obligations regarding obtaining information about the objective and nature of the business relationship (banks and securities sector)***

46. The amendments made by the Central Bank provides for obliging banks and other international institutions to obtain information regarding the purpose and nature of the business relation. The regulations issued by the Securities Authority provides for an obligation of obtaining information regarding the purpose and nature of the business relationship, whether for natural or legal persons.

***Deficiency 10: Lack of requirements related to conducting enhanced due diligence with high-risk customers (banks, securities, and insurance sector).***

47. The amendments made by the Central Bank provided for obliging banks and other financial institutions to conduct enhanced due diligence measures in some cases deemed by the Central Bank as high-risk cases, such as non-resident customers, private banking services, bidding service providers, brokers of luxurious goods, real estate sector brokers, and precious metal brokers; however, these regulations did not set out the nature of the enhanced procedures that are to be followed by banks and other financial institutions. Article (6) of the Regulations issued by the Securities Authority provided for obliging companies subject to its jurisdiction to categorize customers into different categories by potential risks, including high-risk customers, based on the volume and nature of the economic activity of the client, his home country, sources of finance, and any other criteria deemed appropriate by the company or institution. The company or institution shall abide by taking more precautionary and preventive measures regarding high-risk customers by frequent checks and audits on regular basis to find out the most recent statuses and transactions of these customers, in accordance with the system in place in the company or institution.

48. As far as insurance companies are concerned, they are required to apply the risk-based methodology by virtue of the regulations issued by the Insurance Authority, whereby companies are obliged to assess the ML/FT risks that faces companies, provided including without limitation: Type of customer, purpose of relation, products and services provided or purpose of them, and technology used for providing such services. The regulations also require insurance companies to mitigate such risks.

***Deficiency 11: Lack of requirements related to implementation of risk-based measures regarding CDD for customers who hold accounts the date of opening of which is earlier than that of the AML Law (banks, securities, and insurance sector)***

49. The amendments made by the Central Bank to its regulations provided for obliging the banks and other financial institutions to conduct CDD measures on customers who opened accounts before the date of issuance of these regulations, and to ensure that these relations are risk-free. The regulations issued by the Securities & Commodities Authority also provided for the necessity of applying the risk list procedures regarding all accounts opened before the entry into force of these regulations. The regulations issued by the Insurance Authority do not set any requirements in this regard, though they grant all companies a period that do not exceed 3 months as of the date of effectiveness of the instructions to adapt the conditions of their establishments to the provisions of this Article.

***Deficiency 12: As regards Dubai Gold & Commodities Exchange, no requirements are made for CDD save as initial proof of identity and investigation procedures.***

50. Dubai Gold & Commodities Exchange is subject to the jurisdiction of Dubai Multi Commodities Centre. AML/CFT laws and the executive regulations of AML law apply to all free financial zones in U.A.E. Dubai Gold & Commodities Exchange is also subject to the jurisdiction of the Securities & Commodities Authority pursuant to the Memorandum of Understanding signed with the Authority in 2006 as it is organized in the same way used by the Authority for organizing other financial markets; consequently, U.A.E has addressed the deficiencies related to conducting due diligence in terms of the obligations of all financial institutions set forth in AML executive regulations, in addition to the obligations stipulated in the regulations issued by the Securities & Commodities Authority.

***Deficiency 13: No proof of conducting any CDD measures in other local sectors.***

51. U.A.E took many tangible steps for increasing the effectiveness of conducting due diligence by financial institutions. It updated all the regulations issued by the regulatory entities (the Central Bank, Securities Authority, Insurance Authority), as well as the obligations set forth in the executive regulations of the law, in addition to a significant increase in the number of courses intended for raising the awareness of the entities subject to the law about the requirements of due diligence. By the inspection visits made by the regulatory entities, U.A.E sought to ensure the application of these rules. The statistics below shows the level of application:

**Table (4) shows the number of inspection tours made by the Central Bank**

Year	2009	2010	2011	2012	2013	2014
<b>Banks</b>	26	26	40	47	74	54
<b>Foreign Exchange Companies</b>	19	36	56	56	68	51
<b>Investment and Financing companies</b>	15	18	34	50	50	47
<b>Representation Office</b>	6	36	76	65	93	85
<b>Total</b>	<b>66</b>	<b>115</b>	<b>206</b>	<b>218</b>	<b>285</b>	<b>237</b>

**Table (5) shows the number of inspection tours made by the Insurance Authority**

Year	No. of Inspection Tours
2012	60
2013	80
2014	100

**Table (6) shows the number of contraventions found out by the Insurance Authority**

ACTIVITY	Number	Warning	Suspended	Struck off
Insurance companies	60	2		19
Brokers	162	12	2	9
Inspection Experts	72	0	10	13
Consultant	21	0	0	14
Mathematics Experts	41	0	0	2
Agents	20	0	0	25

**Table (7) shows the number of inspection tours made by the Securities & Commodities Authority**

Year	Number
2013	86 and 33 Sudden Inspections
2014	77 and 28 Sudden Inspections

52. Authorities indicated that the number of contraventions found out by the Securities & Commodities Authority through the inspection tours in 2014 so far is (11) contraventions. Punishments ranged between warning and instruction. It is noted that the level of inspections made by the Central Bank increased; however, lack of accurate statistics regarding inspections made by the remaining regulatory entities is a factor contributing to the difficulty of reaching an accurate judgment regarding the level of implementing these measures by the financial institutions subject to the jurisdiction of these entities.

***Deficiency 14: No core obligations regarding CDD are incorporated in any laws or regulations (Dubai International Financial Centre).***

53. The Federal Law and the executive regulations issued by virtue of the Federal Law apply to free financial zones, including Dubai International Financial Centre. We have previously referred to the core obligations regarding CDD measures incorporated into the executive regulations.

***Deficiency 15: Lack of clear requirements for conducting CDD on a continuous basis (Dubai International Financial Centre)***

54. In addition to what is provided for in the executive regulations in terms of obliging financial institutions to take precautionary measures on a continuous basis, the rules issued by the Dubai Financial Services Authority (the entity supervising Dubai International Financial Centre) provide for conducting due diligence on a continuous basis based on the risk-based approach, so that such measures include monitoring the transactions made during the term of

relation with the customer in order to ensure that the transactions made are consistent with the information known to the authorized person, the pattern of activity, and the risks thereof, and to give special care to major complicated unusual transactions and unusual activities which are void of any clear economic or legal objective, as well as to review and update the information and documents submitted by the customer on a continuous basis, especially high-risk customers.

**R13 and SR 4: Rating (NC):**

***Deficiency 1: The Law and regulations did not provide for any obligation regarding reporting suspicious TF-related transactions.***

***Deficiency 2: The obligation mentioned under "other enforceable means" related to reporting TF suspicions only applies to the institutions that are subject to the supervision of the Central Bank.***

55. U.A.E defined suspicious transaction as per the definition set forth in Article (1) of the Law; suspicious transactions are defined as any transactions regarding which there are reasonable grounds for suspicions of being derived from a felony or misdemeanor or related to financing terrorism or illegal organizations. This definition obliges all the entities governed by this Law to report to the FIU any money related to any criminal activity, in addition to the money related to terrorist financing or financing illegal organizations. It is noteworthy that the definition does not include any reference that this money relates to terrorism or terrorist acts or is used for the purposes of terrorism or terrorist acts.

***Deficiency 3: Lack of a specific rule based on which reporting of ML suspicions is made (according to personal and/or objective discretion).***

56. As mentioned above, U.A.E defined suspicious transactions as the transactions regarding which there are reasonable causes for suspicions of being derived from a criminal activity or related to financing terrorism or illegal organizations. As such, the Emirati law adopted the objective discretion rule for suspicion. The Circular (24/2000) and the amendments thereto issued by the Central Bank provided for a number of supporting indicators; however, the indicators based on which the covered entities can reach objective discretions in this regard are not clear. Rules no. 17/R of 2010 and amendments thereto issued by the Securities & Commodities Authority provide for a number of indicators based on which the entities subject to the jurisdiction of the Authority can reach an objective discretion regarding suspicions.

***Deficiency 4: Lack of clarity regarding the scope of the obligation of reporting in terms of ML definition***

57. It has been previously mentioned that U.A.E extended the scope of ML predicate offenses to include the proceeds of any felony or misdemeanor. The definition of the proceeds was also extended by virtue of the amended law to include any money derived directly or indirectly from committing any felony or misdemeanor. As such, U.A.E has clarified the scope of the reporting obligation to include also reporting any money related to the proceeds of criminal activities.

***Deficiency 5: Lack of obligations for reporting attempts of conducting suspicious transactions***

58. The definition of suspicious transactions set forth in the amended law provided for expanding the scope of the obligation of reporting any transactions related to money regarding which there are reasonable causes for suspecting that they are derived from any felony or misdemeanor, or that they are related to financing terrorism or illegal organizations, whether they are committed or attempted. Consequently, U.A.E obliged the entities covered by the Law to report all attempts of conducting suspicious transactions.

***Deficiency 6: Low reporting rates (and focusing on a relatively low number of institutions) raise doubts regarding the overall efficiency of the system***

59. With the aim of increasing the efficiency of the reporting system in U.A.E, the Unit took many steps in this regard. It developed an electronic system for reporting suspicious transactions by the entities covered by this Law. Since October 2013, the Unit has adopted this system. U.A.E provided a number of statistics that clarify the increase of effectiveness of the reporting system, as follows:

**Table 8: Statistics on Number of Reports Received by the Unit**

Year	Number of STRs Received by the FIU
2009	1750
2010	2781
2011	2576
2012	2700
2013	2890
2014	3484 until 12/11/2014

**Table 9: Statistics on the Entities that Submitted Reports to the FIU**

Year	Bank Institutions	Non-bank Institutions	DNFBPs
2013	239	482	11
2014	2791	687	6

60. In general, the statistics included in the annual reports issued by the unit show an increase in the number of reports submitted by the subject entities. It is noted that there is a significant increase in the number of reports received in 2014, which can be attributed to the application of electronic reporting by the subject entities; a matter that places an additional burden on the authorities to process such reports, especially under the legal amendments

made to the requirement of reporting TF and other criminal proceeds. Authorities should also exert efforts for raising the awareness of the covered entities about the legal rule on which suspicion is based, through instructions given to the covered entities about the reasonable grounds of suspicion.

#### **E. Review of the measures taken in relation to the Key Recommendations:**

##### **R23: Rating (PC):**

##### ***Deficiency 1: Money transferors only make voluntary registration, and lack of an efficient monitoring system.***

61. In July 2012, NAMLC issued the Transfer Brokers (Hawaladars) Regulations which provided for obliging the natural or legal persons to register and to hold a certificate issued from the Central Bank called "Money Transferor Certificate". Article (3) of the regulations set out the conditions and requirements of registration which include indicating the nature and scope of the activity of transfer carried out by the applicant, future plans for these activities, details of arrangements of the applicant regarding managing these activities, in addition to the name, address, age, position, and summary of the applicant. Applicants are also required to pledge to guarantee all the transfers made to its customers and maintain an account in a bank operating in the State to be used in settlements, as well as providing the Central Bank with the details of the account, in addition pledging to comply with the provisions of the Federal Law no. (10) of 1980 concerning the Central Bank, the Monetary System, and Organization of Banking, and to comply with any decisions, instructions, directives, circulars, or correspondences issued by the Central Bank in this regard, as well as pledging to make its records and documents available for supervision, auditing, reviewing by the inspectors of the Central Bank, in addition to pledging to comply with the instructions of the Central Bank regarding AML/CFT, and providing the Central Bank with the data and information related to electronic transferors and beneficiaries in accordance with the forms prepared by the Central Bank. The conditions also included that the applicant must be non-Emirati citizen, enjoy legal capacity and officially reside in U.A.E. Applicant must not also be convicted in any crime related to dishonor or breach of trust, be in violation of its obligations towards banks and any other creditors, be declared as bankrupt, have reached a settlement with its creditor, nor have his property subject to foreclosure or placed under receivership (efficiency and adequacy criteria). The Central Bank issues these certificates for a renewable one-year term. The Central Bank may incorporate any conditions or restrictions deemed appropriate in these certificates. The said regulations also specify cases where the certificate may be withdrawn (including breaching laws, instructions, and circulars).

62. These regulations hold the Central Bank responsible for the execution of these regulations in accordance with Article (10). They also grant the Central Bank the authority of supervision and auditing in accordance with Article (7) of the regulations, as the central bank may inspect the works of the registered person, where necessary at its discretion, to ensure the sound implementation of the provisions of these regulations. The Banking Supervision Department within the Central Bank is the competent entity to supervise and monitor transfer brokers (hawaladars). Authorities indicated that this Department follows criteria in monitoring transfer brokers in order to ensure that they meet the obligations set forth in the Transfer Brokers (hawaladars) Regulations. In this process, brokers submit quarterly reports including reviewing the required documents and forms, as well as paper-based desk account

settlement statements submitted by transfer brokers. Authorities didn't refer to any field inspection on brokers. It is worth mentioning that the number of brokers registered during the past period is (308) brokers. It is noteworthy that Article (6) of these regulations imposes continuous obligations on money transferors on a continuous basis, for example: Conducting businesses in person; prohibition of authorizing others of the same; prohibition of changing the address, headquarters, or commercial activity unless after receiving an approval from the Central Bank; carrying out its activity in a suitable place where inspectors of the Central Bank may visit to verify its records; not including in the commercial name the words: bank, banking, and any other activity authorized by the Central Bank; providing its specified settlement account statements on a quarterly basis together with other forms; providing the Central Bank with any data, information or statistics that may be requested at any time and for any specified period; notifying AMLSCU of any transfers regarding which there are reasonable bases for suspecting that they are associated with committing or attempting to commit ML/TF crimes, including transactions attempted to be conducted by the customer and seems of suspicious nature; and complying with the laws in force in U.A.E, including civil laws, corporate law, ML criminalization law, and the Legislative Decree on Combating Terrorist Crimes.

***Deficiency 2: There are no requirements relating to the efficiency and appropriateness of Board Members and Managing Directors of insurance companies.***

63. The mutual evaluation report pointed out that the United Arab Emirates has adopted the new Law No. (7) of 2007 on Establishment of the Insurance Authority & Organization of its Operations, but it was not applicable in the UAE in that time, as Article No. (124) of the said Law stipulates that "The law herein shall be published in the Gazette and shall come into force after six months as from date of publication", and the Law was published in January 2010. Under the provisions of the Law, the Insurance Authority, entertaining the status of a legal person with financial and administrative independence, shall be established. In such capacity, the Authority shall perform all operations and actions enabling it to achieve the objectives and duties assigned thereto pursuant to the provisions of the Law. The Law also provided that the Authority shall have a board of directors composed of ten members under the chairmanship of the Minister of Economy. The Board of Director issued the Executive Regulations of the Law under Resolution No. (2) of 2009, which stipulated that the Executive Regulation shall be effective after the date of its publication in the Official Gazette and it was published in January 2010. In general, Articles No. (30), (31) and (32) of the Law provide for the required qualifications of board members, general managers or authorized managers. Article No. (21) of the Executive Regulations requires that the companies established in the UAE attach an official certificate stating that neither of the company's managers was convicted of a crime of dishonor or distrust or a written declaration issued by each manager stating that s/he has never been pronounced bankrupt. Article No. (26) of the Executive Regulations provides for the requirements for the managers of insurance companies, including efficiency, experience, good conduct, and not having been convicted of felonies or misdemeanors of dishonor, distrust or public moral turpitude, or pronounced bankrupt. The Law also requires notifying the Authority in the event that the position of any of the board members, general managers or authorized managers is vacated, and filling the vacant post within sixty days from the date it is vacant.

***Deficiency 3: The limited scope of Anti-money laundering and terrorist financing inspections in the securities sector (including, Dubai Gold & Commodities Exchange).***

64. The Board of the Securities & Commodities Authority issued Resolution No. (17/R) of 2010, which set forth the procedures for anti-money laundering and terrorist financing in companies and institutions licensed by the Authority to trade in securities. UAE authorities have also reported that the Securities & Commodities Authority has set up an internal working group to follow up the anti-money laundering procedures, in order to increase compliance with the recommendations of the Financial Action Task Force. The Authority has provided specialized training for the team members, and developed a plan for training the staff involved and qualifying them for specialist professional certification. UAE authorities have reported that during the 2012 they had conducted (83) periodical inspections on some companies, including (59) companies listed in Abu Dhabi Securities Exchange and Dubai Financial Market, and (24) companies of the Dubai Multi Commodities Centre. Nineteen (19) violations were found to have been committed by companies as regards the laws of anti-money laundering and terrorist financing and the necessary measures have been taken in accordance with the applicable practices in such cases. During 2013, it also carried out (52) periodical inspections on some companies, including (30) companies listed in Abu Dhabi Securities Exchange and Dubai Financial Market, and (22) companies of Dubai Multi Commodities Centre. Forty-four (44) violations were found as regards the regulations of anti-money laundering and combating the financing of terrorism, and the necessary measures have been taken, including (issuance of orders, warnings, and notices).

65. In spite of the steps taken by the Securities & Commodities Authority in this regard, it is unclear whether or not the scope of inspection carried out by the UAE includes all the requirements of anti-money laundering and combating the financing of terrorism and the UAE should make more efforts to expand the scope of inspections carried out on securities companies. It may be useful to develop special guidelines to clarify the procedures of the inspection process and obtain the results of the investigations conducted by the auditing authorities as regards anti-money laundering polices in the companies and institutions trading in securities.

***Deficiency 4: Lack of control over the compliance of insurance sector with anti-money laundering and terrorist financing obligations.***

66. As noted above, Law No. (7) of 2007 on Establishment of the Insurance Authority to oversee the insurance sector was issued and has been effective since 2010. Since then, the Board of the Insurance Authority issued the Anti-Money Laundering/Anti-Terrorist Financing Regulations under Resolution No. (1) of 2009. Such Regulations were canceled by virtue of Resolution No. (16) of 2013 and another regulations were issued, stating in Article (12) hereof that the Authority shall have the power to inspect the records and files of insurance companies and relevant professionals, and order workers in those entities to do as required by the inspectors appointed by the Authority. This Article stipulates that the Authority shall ensure that the internal control and surveillance regulations are accurately and effectively applied; carry out inspections without prior notice; and prepare the inspection team's report which includes a review of regulations and procedures applied by those companies on anti-money laundering and combating the financing of terrorism, as well as suspicious transactions that have been monitored and reported to the Anti-Money Laundering and Suspicious Cases Unit.

67. The Insurance Authority established a department for inspection, i.e. the technical and Financial Control Department. Such Department includes a special division for inspection, including 11 inspectors. A number of such inspectors will be specialized in anti-money laundering and combating the financing of terrorism. Moreover, the Insurance Authority issued the Control and Inspection Procedures Manual which includes a list of procedures related to anti-money laundering and combating the financing of terrorism. The Authority's inspectors shall abide by such Manual during the inspections. UAE has provided statistics about the inspections carried out by the Authority as regards the companies governed by the Authority, as follows:

**Table (10): Number of Inspection Tours Done by the Insurance Authority for Companies and Relevant Professions.**

Year	Total Number of Supervised Entities	Number of Agencies Inspected	Number of Violations Detected
2011	35	38	18
2012	36	60	22
2013	37	80	21
2014	451	100	24

68. The statistics mentioned hereinabove clarifies, as to the number of entities supervised by the Insurance Authority, that there is a great number of entities which were not inspected or whose compliance with the requirements of anti-money laundering and combating the financing of terrorism was not checked. Additionally, there is small number of employees assigned to inspect the entities governed by the Authority. This may be imputed to a reason represented in that the Authority is newly established. However, the Authority shall increase the number of inspecting tours made on the entities governed by the Authority, ensuring that such entities are effectively controlled in this regard.

**R 26: Rating (PC):**

***Deficiency 1: In practical terms, evaluators cannot acknowledge that FIU is the only national center which receives, analyzes and disseminate suspicious transaction reports.***

69. Article (7) of Law No. (4) of 2002 as amended by Law No. (9) of 2014 provides that "There shall be established, within the Central Bank, a "Financial Information Unit" to deal with money laundering and suspicious cases, and to which reports of suspicious transactions shall be sent from all financial institutions and other financial, commercial and economic establishment."(see the definition of suspicious transactions set forth in the section addressing SRXIII, formerly SRIV). Article (8) also stipulates that "Following the investigation of cases reported to it, the Unit referred to in Article (7) hereof should notify the Attorney General to take the necessary action". Under Article No.(7) of the Executive Regulations of Law No. (38) of 2014 issued by the Council of Ministers, financial institutions and other commercial, economic and financial establishments shall notify the unit of suspicious transactions involving money laundering, or financing terrorist or illegal organizations using the forms prepared by the National Committee for Anti-Money Laundering and Combating the Financing of Terrorism. Article (16) of the Executive Regulations also stipulates that the Unit shall receive reports of suspicious transaction, and it shall study, analyze, record and keep such reports on the database of the Unit.

70. On the other hand, the Securities & Commodities Authority and the Insurance Authority amended the provisions for reporting to regulatory authorities and forwarding reports to the Unit so as to require the supervised entities to report directly to the Unit.

***Deficiency 2: Lack of operational independence of FIU in the light of the intervention of Bank Inspection & Control Department.***

71. The amended Law does not provide that the Unit shall be independent, but it has been considered same as a unit of the Central Bank, supervised by the governor of the Bank. The Law and its Executive Regulations provide for the competences of the Unit. The authorities reported that internal working groups were formed to prepare the annual reports, and reports on analyzing the notifications submitted by the governed entities. The Unit has appointed its special staff, and does not use the staff of the Banking Supervision Department anymore. The Unit has launched a tracking system for reporting suspicious transactions, the external requests of the unit, and relevant requests. The authorities reported also that the Unit has taken all the arrangements to ensure the independence of the Unit.

***Deficiency 3: Insufficient distribution of STRs to law enforcement authorities.***

72. Article (8) of the amended Law states that the Unit may request additional information on suspicious transaction reports of all financial institutions and other financial, commercial and economic establishments and the law enforcement authorities. It also provides that the Unit shall request information, data or reports of any association or a non-profit organization mainly engaged in the activities of rising, receiving or granting fund in the case there is any suspicious acts of money laundering and financing of terrorism and illegal organizations, or cases were reported as regards such associations or institutions. The Law also provides that the results of the analysis shall be reported to the Public Prosecution Office to take the necessary actions. UAE has provided the following statistics on the number of reports that have been submitted to law enforcement authorities:

**Table (11): Number of Reports Forwarded to Law Enforcement Authorities**

<b>Year</b>	<b>Number of Reports</b>
2010	1,229
2011	880
2012	596
2013	526

73. The authorities also reported that the electronic system operated by the Unit has improved the level of effectiveness of the STR analysis, and forwarding of financial information to law enforcement authorities to carry out investigations and take the necessary measures. Authorities also reported that the Unit and the law enforcement authorities formed bilateral committees to prepare detailed reports on issues related to crimes of money laundering and financing of terrorism, by order of the Public Prosecution.

***Deficiency 4: Not publishing annual reports together with statistics, trends, models, and information relevant to the activities of the Financial Information Unit.***

74. UAE published annual reports for the years 2009, 2010, 2011, and 2012, which included statistics on the reports received by the Unit during the past years, while the annual report of the year 2013 was in the process of being published. Those reports included information about the activities carried out by the Unit during the past few years, but on the other hand, those reports did not include applications, general trends or models from which financial institutions can benefit.

***Deficiency 5: In the light of the deficiencies of the Law and human resources, as well as the absence of comprehensive statistics, the evaluation team was not able to acknowledge the efficiency of the Financial Information Unit in respect of its main tasks of receiving, analyzing and disseminating suspicious transaction reports.***

75. As noted above, the UAE has addressed the deficiencies in the legal aspects, and taken many steps in order to improve the level of operational efficiency of the FIU. According to the authorities, they prevented access of unauthorized persons to the administrative buildings of the Unit, and surveillance cameras have been installed. The number of employees of the Unit has become (20). The UAE authorities also reported that the electronic system operating in the Unit helped in strategically analyzing reports of suspicious transactions, and raising the level of security to protect the information of the reports to be received by the Unit, and reducing the time required for data processing. The Unit also reported that it provided some courses in order to increase the awareness of the supervised institutions and entities, and provided statistics in this regard. In general, it can be said that the UAE has taken several steps in order to raise the efficiency of the Unit's operation over the past years.

**R 40: Rating (PC):**

***Deficiency 1: Lack of legal provisions defining the ways by which the Central Bank, the Securities & Commodities Authority or the Ministry of Economy could exchange confidential information with foreign counterparts.***

76. The amended Law of anti-money laundering contains the addition of the Ministry of Foreign Affairs to the National Committee for Anti-Money Laundering and Combating of Terrorist. The authorities stated that the regulatory authorities took some steps aiming to exchange information with foreign regulatory authorities subject to bilateral agreements or memorandums of understanding with foreign counterparts. The UAE authorities reported also that the Securities & Commodities Authority has signed (42) memorandums of understanding and joined International Organization of Securities Commissions (IOSCO), the Central Bank signed (28) memoranda of understanding, and the Insurance Authority signed (7) memoranda of understanding.

77. The UAE authorities also reported that the Ministry of Justice has established a committee to follow up the implementation of the United Nations Convention against Transnational Organized Crime.

**SR I: Rating(PC):**

***Deficiency 1: Non-observance of the freezing lists relevant to the United Nations Security Council Resolution 1373.***

78. This deficiency shall be addressed in SR III.

***Deficiency 2: Non-circulation of freezing lists relevant to the United Nations Security Council Resolution 1267 to registrars of Dubai International Financial Centre, registrars of Dubai Gold & Commodities Exchange, registrars of the Ministry of Economy, or non-financial business or professions.***

79. This deficiency shall be addressed in SR III.

**SR III: Rating (PC):**

***Deficiency 1: Non-observance of the freezing lists relevant to the United Nations Security Council Resolution 1373.***

80. As previously mentioned, the UAE issued the Federal Law No. (7) of 2014, and Article (63) thereof stipulates that the Cabinet will create list(s) in which the terroristic organizations or persons endangering the UAE will be included, such list(s) will also include any other terroristic organizations or persons under any international convention. Article 55 of the Law stipulates that the Public Attorney shall freeze the money prepared, gained, used or to be used in financing terroristic organizations, persons or acts. The Governor of the Central Bank or his nominee may issue an order to freeze, for even days maximum, the money deposited in the banks and financial institutions for which there are suspicions that such money is prepared or gained for/from terroristic organizations, persons or acts, provided that the Public Attorney shall decide, within seven days from the freezing resolution, to revoke or resume the freezing. The Law also stipulates that the resolution of lists preparation issued by the Cabinet shall include the rules of inserting, omitting and reinserting, as well as the legal consequences arising there from. Moreover, it shall determine the relevant authority, methods and rules of complaints, so that any person/entity to be inserted n such list may challenge the resolution of insertion. If the complaint is rejected or no reply is submitted thereto, such person/entity may challenge such resolution before the court of jurisdiction within sixty days from the date on which the complaint is submitted or its reply prescription. The resolution shall determine the methods and rules of reviewing the lists of terrorism, provided that the review shall be made in periodic periods, each with a term of one year maximum.

81. Article 65 of the Law stipulates that the committee formed under the previous law No. 1 of 2004 shall continue practicing its work until the issuance of a resolution from the Cabinet as to the reconstitution of such committee, in compliance with the provisions of the new law. Definition of freezing under the law includes the temporary restriction on the legal and financial acts imposed under an order issued by the Central Bank, the Public Prosecutor or the court. Obligations of freezing include all the financial institutions, businesses and non-financial professions as per the definition set forth in the law. Money definition set forth in the law includes any material, immaterial, movable and immovable properties, including the national or foreign currency, instruments or deeds affirming the ownership of such properties

or any right related thereto, whether such instruments or deeds are made in electronic or legal form.

82. The United Arab Emirates has taken several steps in order to circulate freezing lists issued in accordance with Security Council Resolution 1373, and the National Committee for Anti Terrorism Crimes (The competent authority to implement Security Council Resolutions under the Law regarding Confronting Terrorist Crimes) advised all federal and local authorities to immediately implement the Security Council Resolution 1373 to freeze funds, financial and economic assets of the lists of individuals, groups or organizations that commit, try to commit, or participate in or facilitate the commission of terrorist acts<sup>3</sup>.

***Deficiency 2: Non-circulation of freezing lists relevant to the United Nations Security Council Resolution 1267 to registrars of Dubai International Financial Centre, registrars of Dubai Gold & Commodities Exchange, registrars of the Ministry of Economy, or non-financial business or professions.***

83. The United Arab Emirates has taken several steps to promptly fulfill the requirements of Security Council Resolution. The regulatory authorities (especially the National Committee for Anti-Terrorist Crimes) issued circulars to all persons subject to the Law<sup>4</sup> to inspect the lists issued by the Security Council on the website of the United Nations, take freezing decisions in case the names and details match, as well as decisions to lift the freeze after reviewing the list on the website. On the other side, the authorities reported that the number of frozen accounts during the last period as per the Security Council Resolution was 12 accounts, and the total frozen amount was US\$ 67,114,315.5.

#### **F. Review of the measures taken with regard to other recommendations rated as partially compliant or non-compliant)**

##### **Recommendation 6: Rating (NC):**

84. Under the section "Foreign Politically Exposed Persons (FPEPs)" of the Addendum to Circular No. 24/2000 issued by the Central Bank in 2008, "*Banks and other financial institutions are required to have systems and controls in place to determine whether a potential customer, an existing customer or the beneficial owner is a FPEP. A FPEP may be defined as a Senior Official in the executive, legislative, administrative, military or judicial branches of a foreign government, immediate family members and close associates. Banks and other financial institutions are required to obtain written approval from senior management to open FPEPs account, thus banks and other financial institutions should have procedures in place for this purpose.*" It should be noted that the Executive Regulations of the Law require all financial institutions and other financial establishments to determine the source of wealth, and continuously and strictly follow-up customer relationships.

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<sup>3</sup> The Authorities provided documents containing photocopies of letters sent by the Chairman of the National Committee for Anti-Terrorist Crimes to all federal and local authorities on the implementation of Security Council Resolution 1373. They have not been mentioned in the Report due to the length of the list that includes all stakeholders.

<sup>4</sup> Authorities provided photocopies of the correspondence sent by the Chairman of the National Committee for the Anti-Terrorist Financing to the authorities concerned with the implementation of Security Council Resolution 1267. They have not been mentioned in the Report due to the length of the list which includes all stakeholders.

85. As for the companies operating in the field of securities, Article (5) of the Regulations issued by the Securities & Commodities Authority stipulates that companies and institutions shall develop internal rules to ensure determination of whether the client is FPEP or not, and set forth a definition of FPEP. In addition, the said Article stated that banks and institutions are required to obtain written approval from senior management to open FPEPs account. The Executive Regulations issued by the Insurance Authority require companies to develop systems to determine whether a potential customer is a FPEP according to the definition set forth in the Regulations, and that it is required to obtain the approval of the senior management to establish or continue in the relationship with the customer.

**Recommendation 7: Rating (NC):**

86. Addendum to Circular No. 24/2000 issued by the Central Bank in the 2008 stipulated some obligations for correspondent banking relationships whereby *banks, exchange houses/money changers and other financial institutions must carry out due diligence measures procedures. In addition, research must be conducted from publicly available information on the correspondent bank business activities, their reputation, quality of supervision, and whether the institution has been subject to money laundering or terrorist financing investigation or any regulatory action. Prior to a relationship being established, express written approval must be obtained from concerned financial institutions' senior management.... (Special care to be taken if these financial institutions are headquartered in countries which are reported to be involved in drugs, high level of public corruption and/or criminal/terrorist activities)...For opening of a correspondent banking relationship, banks and other financial institutions must have measures to identify: - Ownership and Management Structure; - Major Business Activities and Customers; -Purpose of the Account; - Location; - Third parties that will use the account; and – Monitor transactions processed through the account."*

**Recommendation 12: Rating (NC):**

87. Article (1) of the amended Law stipulates that this Law shall apply to DNFBPs. Under Article (1) of the Executive Regulations, Other Financial, Commercial and Economic Establishments are defined as: Establishments licensed and supervised by agencies other than the Central Bank and the Authority, including DNFBPs such as real estate brokers, jewelers, dealers in precious metals and stones, lawyers, legal advisers, private notaries and accountants. Given the contents of the Regulations, it is clear that it included all DNFBPs included in the AML/CFT Methodology. The amended Law also stipulated the obligations of DNFBPs, such as: reporting transactions suspected of being proceeds of or involving money laundering or terrorist financing, or attempts to do these operations, whatever was their value; developing systems for applying due diligence procedures for customers; supply the Unit with the required data, information and statistics as necessary to carry out the tasks of the Unit, keep records, documents and registers of clients and beneficiaries of natural and legal persons for a period of not less than five years from the date of its expirations or the date of closing the account.

88. The Ministry of Justice issued Circular No. (2) which stipulated other measures of anti-money laundering and combating the financing of terrorism for lawyers, other legal professionals and notaries. The economic departments in all emirates issued circulars for licensed dealers of precious metals and stones and real estate agents on their obligations of anti-money laundering and combating the financing of terrorism. The Ministry of Economy

also issued the revised Regulations of Anti-Money Laundering and Combating of Financing of the Terrorism for Auditors and Accountants under Resolution No. 606/2013 dated 24 November 2013. The remaining supervisory authorities also issued instructions for free zones on anti-money laundering and combating the financing of terrorism. The Unit also is combating money laundering by providing several training courses in order to increase awareness of the DNFBPs.

**R 14: Rating (PC):**

89. The amended law stipulated the exemption of the Central Bank, the Financial Information Unit (FIU), law enforcement authorities, financial institutions, other financial, commercial and economic entities, board members, staff and representatives of these entities from legal, criminal, civil or administrative liability arising from providing the required information or breaching any regulations of confidentiality stipulated in a legislative, contractual, regulatory or administrative provision, unless otherwise proved that the reporting was made in bad faith with the intention to harm others. The amended law obliges all entities to maintain the secrecy of information obtained with regard to a suspicious transaction (STR) or crimes stipulated in this law. It is not allowed to disclose the information; unless they will be used to a certain limit for the purpose of investigation, proceedings or cases relevant to the violation of the provisions of law. The Central Bank is also allowed to amend the obligation imposed on its subjected institutions related to the notification of customers about the temporary freeze of the transaction; as the banks and financial institutions are obliged not to notify the customer or anybody else about the Central Bank's temporary freeze of the transaction for the possibility of suspicion in money laundering or funding terrorism.

**R 15: Rating (PC):**

90. The Central Bank amended the procedures of hiring a compliance officer in all banks and other financial institutions. These amendments include the confirmation of banks and financial institutions that they have performed necessary tests to ensure that the hired employees meet high qualification standards. These requirements are applied on all employees whose roles include monitoring AML/ CFT. The Central Bank has also added provisions pertaining to the role of independent auditor and requested the appointed compliance officers to participate in specialized training courses to raise their efficiency standards.

91. Similarly the regulations issued by the Securities & Commodities Authority (SCA) include the details of the compliance officer role in securities companies and institutions, in addition to the job description of the individual auditor with respect to AML/CFT and obliging the companies and institutions to organize training courses for their employees. While the regulations of insurance include several requirements relevant to the clarification of compliance officers role in insurance companies, but such regulations do not state the compliance officer's right to review the information relevant to the customers' data in a timely manner. However, such regulations include the obligation of companies to establish independent audit department with sufficient resources to measure compliance to the policies and procedures of AML/CFT. Appointment procedures are also subject to inspection procedures known as (competency test for the job). Additionally, an appropriate and continuous training must be carried out for all employees.

**R 16: Rating (NC):**

92. The amended law includes the obligation of financial institutions, other financial, commercial and economic entities to report suspicious transactions to FIU. The definition of other financial, commercial and economic entities has been previously stated in the executive regulations. This includes attorneys and accountants, etc.

93. On the other hand, the supervisory authorities of regulations relevant to dealers of precious metals, dealers of precious stones, real estate agents and all non-financial professions and businesses governed by the provisions of law amendments set the obligations of these entities with regard to AML/CFT, including reporting suspicious transactions, developing internal systems and procedures to apply due diligence measures and protecting information, in addition to the obligation of not notifying the customers about submitting reports to FIU.

94. The non-financial institutions are obliged to develop an ongoing program for training and qualifying staff in the AML/CFT field. The training must include an introduction about the international agreements, instructions, regulations, and laws related to AML/CFT.

**R 17: Rating (PC):**

95. Article (11) of the amended law stipulates the administrative sanctions that the supervisory authorities may impose on the financial institutions, other financial, commercial and economic entities. The supervisory authorities may issue a warning to the entities that fail to abide by the law, in addition to imposing a financial fine of not less than (AED 50,000) fifteen thousand Emirati Dirham, provided that it does not exceed (AED 500,000) five hundred thousand Emirati Dirham. The supervisory entities may also suspend the activity of the violator in the relevant sector for a certain period, as well as limiting the authorities of board members and executive or supervisory management members, directors or managing owners, including the authority of appointing a temporary observer. They are also entitled to ban the activity for a period of less than one month and cancel the license. Hence, the amended law gave the supervisory and control bodies the authority to impose a number of sanctions on the persons authorized to enforce the law of AML/CFT in the United Arab Emirates. Additionally, the issued law regulates the business of transfer brokers (hawaladars) as per article (8) of the administrative sanctions that the Central Bank may apply in case of breaching any of the brokers' obligations.

**R 18: Rating (PC):**

96. Article (5) of the executive regulations include the obligation of the financial institutions, other financial, commercial and economic entities not to deal with shell banks by any mean whether by opening bank accounts or accept/ deposit funds. The circular issued by the Central Bank stipulates that the banks and other financial institutions are prevented from dealing with shell banks that have no physical existence.

**R 20: Rating (PC):**

97. The Central Bank's amendments include the provision of considering some businesses and non-financial professions as high-risk cases that require the banks and financial institutions to perform the due diligence measures. It includes high-value

commodity deals and auction houses. On the other hand, the authorities stated that they have set a number of systems to promote the usage of secure channels for financial transactions, as they have approved the wages protection system to allow the institutions to transfer the wages and pay the salaries of their staff through the banks, exchange companies and financial institutions. The Central Bank developed the system to guarantee the full payment of wages to employees in a timely manner. It has also applied the International Bank Account Number (IBAN) to improve the process of customer verification and support the electronic transfers. In addition, it has approved the direct debit system to minimize the usage of cash for payments.

**R 21: Rating (PC):**

98. The Securities & Commodities Authority (SCA) obliges securities companies and institutions to create a classification of customers according to their risk level. The classification is based on many factors such as the customer's country of origin, in addition to any other criteria significantly considered by the company or institution. The company is committed to take more preventive measures and vigilance procedures with high-risk customers. SCA obliges the companies and institutions also to evaluate the arrangements of AML/CFT in other countries and to use the collected information appropriately to make the right business decisions. CSA issued a circular on 16 September 2012 and distributed it to all regulated entities to warn the markets, companies and brokers dealing with high-risk countries and to emphasize the necessity of taking counter measures against these countries. The Central Bank and Insurance Authority have sent a circular to their regulated entities to notify them of high-risk regions and the required counter measures.

99. Moreover, the amendments issued by the Central Bank included the obligation of banks and other financial institutions to study the backgrounds of transactions that have no evident economic or legal purpose, the actual purpose of these transactions and to provide a written report about the outcomes of these studies to the concerned authorities. SCA regulations also require the institutions and companies to perform investigations to learn more about the backgrounds and data relevant to the unusual transactions, and record all results in writing and report them to the FIU if they indicate that the transactions are suspicious.

**R 24: Rating (NC):**

100. It has been previously mentioned that the UAE subjected the attorneys, accountants and auditors to the requirements of AML/CFT law whether in local sector or free-trade zones as the law is applied on all sectors. It has been previously mentioned also that the law includes the granting of control authority to licensing and controlling entities of the other financial, commercial and economic establishments to guarantee their compliance with the provisions of law, the executive regulations, decisions and laws issued in this regard. Licensing and controlling entities are also authorized to develop systems, make decisions and give instructions to form the system of AML/CFT. These supervisory entities of non-financial businesses and professions are entitled to issue the regulations relevant to the measures of AML/CFT in these entities.

101. With regard to applying the regulations in free zones, the authorities advised that Dubai Financial Services Authority (DFSA) expanded the scope and frequency of inspection visits paid to the service providers regulated by DFSA. It has also established an independent

control unit for this purpose. These entities have also organized a number of training courses and subscribed their employees in the training courses organized by the unit to enhance the efficiency of the staff of control bodies.

**R 25: Rating (PC):**

102. It has been previously mentioned that the control bodies of non-financial businesses and professions issued the regulations of AML/CFT. On the other hand, the authorities stated that the control unit organizes an ongoing training program for all the entities governed by law, including the securities sector, the entities supervised by the financial free zones and non-financial businesses and professions. This program targets the requirements of reporting to be imposed on these entities. The statistics included in annual reports reflect the number of feedbacks that the unit prepared in the past years. It is an indication of the improvement in non-financial entities reporting levels, despite the fact that the number of reports is still low. This is due to the circulars sent by control bodies with regard to the regulations of AML/CFT in the past few years.

**R 29: Rating (PC):**

103. It has been previously mentioned that the legislative amendment with regard to AML law authorizes control bodies to impose administrative sanctions on the institutions and companies that fail to comply with the provisions of article (11) of the AML and CFT law. It is worth mentioning that the Insurance Authority is entitled to inspect – like all other control bodies – the entities which are under its supervision and control. Also, transfer brokers (hawaladars) have become under the Central Bank’s direct supervision and control as per article (7) of the law set by the National Anti- Money Laundering Committee, despite the fact that the article does not clarify the method of inspecting brokers’ business. The Central Bank has also imposed administrative sanctions on the brokers who do not comply with the rules of the issued law.

**R 30: Rating (PC):**

104. The United Arab Emirates took many steps in order to increase the financial and human resources for the entities working in the field of AML/CFT, as well as participation in specialized training courses. The unit appointed a number of employees (authorities are kindly requested to advise the exact number) to work as analysts. In addition, the unit took measures to improve the resources of IT as it has created an electronic channel linking the unit, law enforcement authorities and customs authorities. A tracking system for fund transfers executed by exchange companies has been developed, allowing law enforcement authorities to make inquiries through the system. The unit also applies an electronic archiving system. As for human resources, the unit has trained the employees in the past years by participating in a number of training courses in various countries to raise their efficiency and gain more analytical skills. These training courses addressed various subjects including forensic accounting, technical analysis and report writing. Law enforcement authorities have also trained many employees by participating in specialized training courses in the UAE and abroad. The training included an explanation of AML/CFT laws in the UAE, specialized courses and workshops about the new regulation of declaration of cash and bearer’s negotiable financial and monetary instruments, in addition to participating in regional and international sessions and forums.

105. The unit offers a number of training courses for the private sector, including all entities governed by this law including the financial institutions and non-financial businesses and professions. A large number of employees from these sectors participated in the training courses, workshops and sessions held by the unit or by other supervisory entities including UAE Institute for Training and Judicial Studies.

106. The Securities and Commodities Authority focused on the practical training of the ALM/CFT specialized inspectors and the participation in the educational programs organized by the supervisory entities. Free zone authorities formed specialized workgroups to revise the annual budget and audit the reports to guarantee the compliance of the authorities working in the free zone with ALM/CFT laws and requirements, in addition to the ongoing staff training to raise the employees' awareness of financial crimes and develop a plan to hire more specialized employees in the fields of ALM/CFT to increase the efficiency of control over the bodies working in the free zone.

**R 32: Rating (PC):**

107. The authorities declared that the FIU has established a new database containing the details of suspicious transactions and other cases forwarded by customs authorities, law enforcement authorities, security authorities and cases of ALM/CFT as the unit maintains the latest statistics relevant to frozen accounts as per the third special recommendation. The UAE Authorities submitted a number of statistics in this regard; and stated that they use such statistics in measuring the performance indicators at the federal level. Despite same, the UAE shall use such statistics to verify the effectiveness of laws related to AML/CFT.

**R 33: Rating (PC):**

108. In order to increase the level of transparency with regard to the true beneficiaries and the control shares in the legal persons, the Ministry of Economy issued the Ministerial Decree No. 278/2009 relevant to the guide of measures to be applied by the branches of companies and institutions established abroad and in free zones as they are required to verify the identity of the beneficial owners. The Ministry of Economy issued also Decree No. 370/2009 to register the shares of joint stock companies. It obliges the companies to register their shares at the approved registry. Jebel Ali Free Zone Authority (JAFZA) has created commercial register containing information and documents about the companies and investors in the free zone. The Authority has set procedures to get information about ownership, including information about the actual beneficiary of the natural and legal persons, mother companies in foreign countries for all bodies working in Jebel Ali Zone. The companies working in the free zone are obliged to inform the authorities about any changes that may occur to the legal entity of the company and the structure of its shares, including the mother company. On the other hand, JAFZA has signed memorandums of understanding and conventions with the Ministry of Finance, the Ministry of Economy and other entities to facilitate information sharing and collaboration.

**R 33: Rating (PC):**

109. The Mutual Evaluation Report (MER) indicated that the UAE adopted Judicial Cooperation Law as per the Federal Law No. 39/2006. In order to assess the effectiveness of the law applied in the UAE, we can say that it has taken several steps to establish the currently applied law as the Ministry of Justice held a number of training courses about the

extradition and the mutual legal assistance as per the provisions of the new law. Additionally, the Ministry of Justice presented the following statistics:

**Table No. (12): Mutual Legal Assistance Requests**

Year	Received Requests	Respond to Requests	Taken Actions
2012	26	26	Issuance of 12 freezing order and 14 confiscation orders.
2013	4	4	Issuance of 3 freezing order and 1 confiscation orders.

**Table No. (13): Number of Requests received by the Public Prosecution / Dubai**

Year	Received Requests	Number of Sending Countries
2011	86	24
2012	87	28
2013	78	30
2014	92	27

110. In addition to the efforts exerted by the competent authorities to increase training courses in order to raise the awareness of employees about providing legal assistance, the UAE signed (58) judicial conventions related to mutual legal assistance and extradition.

#### **SR VI: Rating (NC):**

111. It has been previously mentioned that the UAE issued the law of transfer brokers (hawaladars) in July 2012 based on the powers given to the Central Bank as per the Federal Law No. 10 of 1980 regulating the works of the Central Bank, the monetary system and the regulatory system of banking profession. It is worth mentioning that the registration of brokers and the prohibition of natural and legal persons from practicing this activity unless they are registered and hold registration certificates issued by the Central Bank. Registration terms include, among others: commitment to comply with the instructions of the Central Bank with regard to ALM/CFT and compliance with the provisions of Central Bank law and relevant regulations and instructions. The law also includes the obligations, especially those of the transfer brokers. It includes a quarterly submission of transfer transaction details, transferors and beneficiaries of transfers as per application forms, in addition to the verification of transferors and beneficiaries ID through their personal documents, reporting any suspicious transactions to FIU and fulfilling the requirements of ALM/CFT law. Moreover, the law includes a number of sanctions that may be applied on the persons failing to comply with the special requirements of the law, including: sending warnings and suspension of activity. The Central Bank is also entitled to apply the sanctions stipulated in AML law.

**SR VII: Rating (NC):**

112. It has been previously mentioned that the Central Bank amended the regulations relevant to the verification of the transferor's ID through the reduction of threshold amount of transferred foreign currencies to (AED 2000) for currency transferors (moneychangers) and (AED 3500) for the wire transfers carried out by the banks. The amendments require the banks to indicate remitter's and beneficiary's name, address and account number or special identification number in case of having no account in wire transfers. The amendments also include the obligation of banks and other financial institutions to set an effective risk management system to determine wire transfers with no complete information about the remitters/beneficiaries and the measures to be taken against them. The authorities stated that the inspection processes performed by the Central Bank include a review of the rules and regulations of wire transfers for financial institutions as per the amendments mentioned in the circular.

**SR IX: Rating (NC):**

113. The sixth article of AML law amendment includes the obligation of the persons leaving or coming to the country to disclose the currencies, bearer negotiable financial instruments, precious metals or valuable stones they possess as per the disclosure law issued by the Central Bank. The executive regulations defined the bearer negotiable financial instruments as the monetary instruments whether they are a document to bearer such as traveler's cheques or cheques, promissory notes and payment orders. Article (21) of the executive regulations obliges the concerned Customs Departments to apply the Central Bank's disclosure law.

114. The Central Bank amended the disclosure law of cash money and financial/ monetary bearer instruments carried by travelers, whether incoming or outgoing, issued on 9 January 2011. The amendment states that the bearer is allowed to carry (AED 100,000 equivalent of USD 27,229) or equivalent in other currencies or financial/ monetary instruments without declaration, but it is worth mentioning that the amount determined for disclosure exceeds the due limit as per the recommendations of the Financial Action Task Force to be (USD/Euro 15,000). The authorities stated that this amount was determined based on social, cultural and economic factors in the region.

115. The law stipulated the inclusion of the negotiable financial instruments within the instruments that must be disclosed. In addition, the law issued by the Central Bank includes cash money and the bearer's financial instruments sent through shipped consignments, postal parcels or packages sent by courier to natural persons, as well as cash money and financial instruments transferred through transportation service providers to banks, exchange companies or other establishments as they are considered instruments to be disclosed according to the law.

116. Article (18) of the amended law stipulates the penalty of imprisonment or fine payment or both for persons who do not disclose the information or refrain from providing more information upon request, or intentionally hide them or provide false information as this is considered a violation of article (6) of the provisions of law. The authorities advised that (18) final judgments were issued; (1) of them was a sentence of money confiscation and imprisonment, (9) of them were sentences of fine payment and deportation and (8) of them were sentences of fine payment only.

117. The Authorities stated that the number of cases detected in relation to non-disclosure was 21 cases in 2011 and 1 case in 2013. The UAE submitted the following statistics about the disclosures made to the Customs Departments:

**Table No. (14): Number of Disclosure Made to the Customs houses**

<b>Year</b>	<b>Number of Disclosure</b>	<b>Amount (AED)</b>
2010	9,405	22,906,000,000
2011	24,072	47,770,682,000
2012	28,511	71,942,463,000
2013	25,042	64,466,640,000
30 June 2014	11,106	37,799,271,000

## **Annex (1)**

### ***Federal Law No.(9) of 2014 Regarding the Amendment of Some Provisions of the Federal Law No. (4) of 2002 Regarding Combating Money Laundering***

*We, Khalifa Bin Zayed Al Nahyan President of the United Arab Emirates*

- After perusing the Constitution,
- Federal Law No. (1) of 1972 regarding the competences of ministries and powers of ministers and its amendments,
- Federal Law No. (10) of 1980 regarding the Central Bank, monetary system and the regulation of banking profession and its amendments,
- Federal Law No. (8) of 1984 regarding commercial companies and its amendments,
- Federal Law No. (6) of 1985 regarding banks, financial institutions and Islamic investment companies and its amendments,
- Federal Law No. (3) of 1987 regarding the issuance of the Penal Code and its amendments,
- Federal Law No. (35) of 1992 regarding the issuance of Criminal Procedures Law and its amendments,
- Federal Law No. (9) of 1993 regarding supervision and standardization of valuable stones and precious metals,
- Federal Law No. (14) of 1995 regarding the counter measures against narcotic drugs and psychotropic substances and its amendments,
- Federal Law No. (24) of 1999 regarding the protection and development of the environment,
- Federal Law No. (4) of 2000 regarding Emirates Securities and Commodities Authority and Market and its amendments,
- Federal Law No. (4) of 2002 regarding the criminalization of money laundering,
- Federal Law No. (1) of 2003 regarding the establishment of UAE Insurance Authority and its amendments,
- Federal Law No. (8) of 2004 regarding financial free zones,
- Federal Law No. (13) of 2004 regarding controlling rough diamond importing, exporting and crossing and its amendments,
- Federal law No. (1) of 2006 regarding electronic transactions and e-commerce,
- Federal Law No. (39) of 2006 regarding international judicial cooperation in criminal matters,
- Federal Law No. (51) of 2006 regarding combating human trafficking crimes,
- Federal Law No. (6) of 2007 regarding the establishment of Insurance Authority and regulation of its work and its amendments,
- Federal Law No. (6) of 2010 regarding credit information,
- Federal Law by Decree No. (5) of 2011 regarding the regulation of boards of directors and trustees, and committees at the Federal Government,
- Federal Law by Decree No. (5) of 2012 regarding combating cybercrimes,
- Federal Law No. (5) of 2013 regarding weapons, ammunition and explosives, and
- Federal Law No. (7) of 2014 regarding combating terrorism offences,
- On basis of what the Minister of Finance presented and the approval of the Council of Ministers and Federal National Council and, the ratification of the Supreme Council of the Federation,

Issued the law mentioned below:

**Article (1)**

Federal Law No. (4) of 2002 regarding the criminalization of money laundering shall be renamed as “Federal Law No. (4) of 2002 regarding anti-money laundering and combating financing of terrorism”.

In addition, the term “money laundering”, wherever it occurs in the articles that are not amended, shall be replaced with the term “money laundering, terrorist Financing & Illicit Organizations Financing”.

**Article (2)**

The following provisions shall replace the provisions of Articles (1), (2), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14), (15), (16), (18), (20) and (23) of the said Federal Law No. (4) of 2002 regarding the criminalization of money laundering:

**Article (1):**

For the implementation of the provisions of this law, each of the following words and terms shall have the corresponding meaning unless the context otherwise requires:

UAE	United Arab Emirates
Ministry	Ministry of Finance
Minister	Minister of Finance
Central Bank	Central bank of the UAE
Authority	Securities and Commodities Authority
Governor	Governor of the Central Bank
NAMLC	National Anti-Money laundering Committee
Funds	Any type of assets: physical or intangible, movable or immovable, including national currency, foreign currencies, any type (including electronic or digital forms) of documents or Sukuk which prove the ownership of the assets or any asset-related rights.
AMLSCU	Anti-money laundering and Suspicious Cases Unit established at the Central Bank as per Article (7) of this law.
Regulatory authorities	Federal and local authorities that are, as per various laws and regulations, responsible for the regulation and licensing of financial, other financial, commercial and economic institutions.
Money laundering	Any act defined in article (2) of this law.
Proceeds	Any funds that are the direct or indirect outcome of committing any felony or misdemeanor.
Suspicious transactions	Transactions related to funds that have reasonable grounds for suspecting that they are the proceeds of committing or attempting to commit any felony or misdemeanor related to money laundering, terrorist financing or illicit terrorist financing
Illicit organizations	Organizations whose establishment or any of its activities are

	criminalized
Freezing or seizure	Temporary prohibition of the carrying, movement, exchange, transfer or disposal of funds under an order issued by the competent authority.
Confiscation	Permanent dispossession of private funds as per a judgment issued by a competent court
Media	Anything used or intended to be used in any form to commit any felony or misdemeanor.
Financial institutions	Any bank, finance company, moneychanger, financial or money broker or any other institution licensed by the Central Bank or the Authority whether it is privately or publicly owned,
Other financial, commercial and economic institutions	Institutions licensed and regulated by entities other than the Central Bank or the Authority.
Terrorist financing	Any form of direct or indirect means for the collection or ensuring access to funds by or, providing such funds to any society, organization, establishment, center, group, gang or any persons to whom the provisions of the Federal Law No. (7) of 2014 regarding terrorist crimes apply .
Illicit organizations' financing	Any physical act or legal act intended for providing funds to an illicit organization, any of its activities or any of those affiliated to it.

**Article (2):**

1. Any person who is aware of the fact that the funds are the proceeds of a felony or a misdemeanor and intentionally commits any of the following acts shall be considered to have committed a money laundering crime:
  - a. Transfer, carry, deposit, maintain, invest or exchange or manage the proceeds for the purpose of concealing or misrepresenting their illicit source.
  - b. Conceal or misrepresent the nature, source, location, means of disposal, movements, ownership or relevant rights of the proceeds.
  - c. Possess, acquire or use proceeds.
2. A money laundering crime is considered an independent crime. Punishment of the party committing the predicate offence does not impede their punishment for the money laundering crime.
3. It is not necessary to obtain a conviction for the offence to prove the illicit source of the proceeds.

**Article (5):**

1. Without prejudice to the provisions of Article (4) of this law, the Public Prosecutor is the only party entitled to institute a penal case against the party that committed the crimes stated in this law.

2. Entities responsible for maintaining security, under a request made by the Public Prosecutor or the competent court and through their means in this regard, shall provide protection for witnesses or suspects involved in money laundering, terrorist financing and illicit organizations' financing crimes if required or if there are some concerns regarding their lives.
3. Seizure or provisional attachment of funds at financial institutions may not be executed unless it is through the Central Bank.

**Article (6):**

Any person, entering or exiting UAE, shall disclose any currencies, bearer negotiable instruments, precious metals or precious stones, in accordance with the disclosure regulation issued by the Central Bank.

**Article (7):**

1. An information unit (AMLSCU) shall be established at the Central Bank to counter money laundering and suspicious cases and it shall be the entity to which suspicious transactions reports (STRs henceforth) shall be sent from all relevant financial, other financial, commercial and economic institutions. The Committee shall define STRs template and the procedures for sending it to the said unit.
2. AMLSCU shall establish a database or a record for its available information that shall be regularly updated. AMLSCU shall have such information at the disposal of law enforcement authorities to facilitate their investigations.
3. AMLSCU may exchange information included in STRs with corresponding units in other countries in execution of international agreements the UAE has joined or under the reciprocity of treatment condition and on condition that such information shall be used only for anti-money laundering, combating terrorist financing or combating illicit organizations' financing purposes.
4. Law enforcement authorities shall be in charge of following up reports they receive concerning suspicious transactions or proceeds of the crime and collect evidence regarding them.

**Article (8):**

1. AMLSCU shall examine reported cases and forward them to the Public Prosecution to take necessary actions.
2. Public Prosecution may consult with AMLSCU regarding the reports it receives concerning money laundering, terrorist financing and illicit organizations' financing cases.
3. AMLSCU may request additional information on STRs from all financial, other financial, commercial and economic institutions as well as law enforcement authorities.

4. AMLSCU may request information, data or reports from any non-profit society or entity whose activity is focused on collecting, receiving or donating funds in cases there have suspicions regarding money laundering, terrorist financing or illicit organizations' financing or, receipt of reports or information concerning such societies or entities.

**Article (9):**

The Minister shall form a committee under the chairmanship of the Governor that will be concerned with anti-money laundering in the UAE under the name "National Anti-Money Laundering and Combating Terrorist Financing Committee" and shall be comprised of one or more representatives from and nominated by the following entities:

- The Central Bank
- Ministry of Interior
- Ministry of Foreign Affairs
- Ministry of Justice
- Ministry of Finance
- Ministry of Economy
- Ministry of Social Affairs
- Federal Customs Authority
- State Security Authority
- Entities concerned with issuing commercial and industrial licenses.

The Committee chair may add more members from other entities.

**Article (10):**

The Committee's terms of reference are as follows:

1. Propose regulations, procedures and policies regarding anti-money laundering, combating terrorist financing and illicit organizations' financing in the UAE.
2. Facilitate exchange of information and coordinate between represented entities.
3. Represent UAE in international events concerning anti-money laundering.
4. Propose executive regulation for the Committee.
5. Any other matters forwarded by competent UAE authorities.

**Article (11):**

1. The Central bank shall regulate financial institutions and control their activities to ensure their compliance with the provisions of this law, its executive regulation as well as regulations, resolutions and decisions issued in its execution. It is entitled to the following in particular:
  - a. Issue resolutions and rules which define the regime for anti-money laundering, combating terrorist financing and illicit organizations' financing for financial

- institutions, including submitting STRs to AMLSCU as soon as such transactions occur.
- b. Issue resolutions concerning administrative sanctions imposed on financial institutions violating the provisions of this law and its executive regulation as well as the resolutions and decisions issued in its execution and, cases in which they are imposed and the complaints submitted against them.
  - c. The Central Bank may delegate some of its powers stated in this law to the Authority.
2. Concerned authorities shall license and regulate other financial, commercial and economic institutions to ensure their compliance with the provisions of this law, its executive regulation as well as regulations, resolutions and decisions issued in its execution. They are entitled to the following in particular:
    - a. Issue resolutions, decisions and rules which define the regime of anti-money laundering, combating terrorist financing and illicit organizations' financing at other financial, commercial and economic institutions, including submitting STRs to AMLSCU as soon as such transactions occur.
    - b. Issue resolutions concerning administrative sanctions imposed on financial institutions violating the provisions of this law and its executive regulation as well as the resolutions and decisions issued in its execution and, cases in which they are imposed and the complaints submitted against them.
  3. Administrative sanctions that may be imposed in accordance to (1) and (2) in this article are:
    - a. Warning
    - b. Impose fines that is not less than (AED 50,000) Fifty thousand dirhams and does not exceed (AED 500,000) five hundred thousand dirhams.
    - c. Prohibit the violating party's working at the sector related to the violation for a period to be defined by the regulator.
    - d. Limit the powers of the board of directors, executive or supervisory management members or managers or, dominant owners including appointment of a temporary observer.
    - e. Prevent activity for a period that does not exceed one month
    - f. Cancel license.

**Article (12):**

All entities have to comply with maintaining the confidentiality of the information they obtain that is relevant to a suspicious transaction or to the crimes stated in this law and with only disclosing information that is necessary for investigations or lawsuits related to the violation of this law.

**Article (13):**

1. Anyone who commits or attempts to commit any of the acts stated in (1) of Article (2) of this law shall be punished with imprisonment for a period that does not exceed ten

years and/ or fine that is not less than (AED 100,000) one hundred thousand dirhams and does not exceed (AED 500,000) five hundred thousand dirhams.

2. Terrorist financing shall be punished with the penalties included in the Federal Law No. (7) of 2014 regarding combating terrorist crimes.
3. The court may exempt the offender from imprisonment stated in (1) of this article in case of having more than one offender and if such offender took the initiative to provide competent authorities with information about the crime and other offenders before such authorities are aware of such information and such offenders and, if the provided information leads to arresting other criminals or funds related to the crime.

**Article (14):**

Any institution which commits a money laundering, terrorist financing or illicit organizations financing crime shall be punished by a fine that is not less than (AED 300,000) three hundred thousand dirhams and does not exceed (AED 1,000,000) one million dirhams.

**Article (15):**

Chairpersons and members of boards of directors, managers and employees of financial, other financial, commercial and economic institutions shall be punished by imprisonment and/ or fine that is not less than (AED 50,000) fifty thousand dirhams and does not exceed (300,000) three hundred thousand dirhams if they are aware of any act that occurs in their respective institutions that is related to a money laundering, terrorist financing or illicit organization financing crime and refrain from reporting it to AMLSCU.

**Article (16):**

Any person who leaks information to any other person about transactions under review regarding conducting suspicious transactions or about the competent authority's conducting investigations regarding conducting suspicious transactions shall be punished by a imprisonment for not less than one year and/ or a fine that is not less than (AED 10,000) ten thousand dirhams and does not exceed (AED 100,000) one hundred thousand dirhams.

**Article (18):**

Any person who intentionally does not disclose or refrains from providing additional information upon request, intentionally conceals information that should be disclosed or intentionally provides wrong information, in violation of what is stated in Article (6) of this law, shall be punished with imprisonment and/ or fine.

**Article (20):**

The Central Bank, AMLSCU, law enforcement authorities, financial and other financial, commercial and economic institutions and their boards of directors, employees and representatives that are legally licensed shall be exempted from criminal, civil or administrative responsibility that could result from the provision of requested information or going beyond any restrictions imposed for maintaining the confidentiality of information through a legal, contractual, regulatory or administrative provision as long as it has not been

proven that reporting has not been in bad faith for the purpose of causing damages to another party.

**Article (23):**

The Council of Ministers shall, on basis of the Minister's proposal, issue the executive regulation within a period that does not exceed six months after the date the law comes into force.

**Article (3)**

The three new articles: Duplicate Article (5), Duplicate Article (12) and Duplicate Article (19) stated below shall be added to the said Federal Law No. (4) Of 2002 regarding the criminalization of money laundering:

**Duplicate Article (5):**

1. In case a money laundering, terrorist financing or illicit organizations financing crime is proven, the following shall be confiscated:
  - a. Funds and revenues which are the proceeds of committing the money laundering, terrorist financing or illicit organizations financing crime or, the property that is equivalent to its value.
  - b. Property, equipment, instruments or media used or intended to be used.
2. If funds or revenues, stated in (1) of this article are partially or totally transformed or transferred into another property, the funds which result from such transformation or transferring shall be confiscated.
3. If funds, which are the proceeds of money laundering, terrorist financing or illicit organizations financing are mixed with property resulting from legal sources, such funds shall be confiscated within the limits of the value estimated for those funds.

**Duplicate Article (12):**

1. Financial institutions shall comply with anti-money laundering, combating terrorist financing and illicit organizations financing regulations and rules issued by the Central Bank. Other financial, commercial and economic institutions shall comply with anti-money laundering, combating terrorist financing and illicit organizations financing regulations and rules issued by regulatory authorities.
2. Financial, other financial, commercial and economic institutions shall comply with AMLSCU notifications concerning suspicious transactions on the template approved for this purpose.

**Duplicate Article (19):**

1. Imposing penalties stated in this law shall be without prejudice to any stricter penalty stated by any other law. In all cases, a deportation judgment shall be issued for foreigners who are convicted in any of the crimes stated in this law.

2. The provisions of this law shall be without prejudice to what is stated in Federal Law No. (7) of 2014 regarding combating terrorism offences.
3. Federal Supreme Court shall be the only court that issues judgments concerning terrorist financing crimes.

**Article (4)**

Without prejudice to the provisions of this law, regulations, decrees and decisions issued in execution of the provisions of the said Federal Law No (4) of 2002 regarding the criminalization of money laundering shall come into force until the regulations, decrees and decisions that will replace them are issued.

**Article (5)**

Any provision that violates or contradicts with the provisions of this law shall be revoked.

**Article (6)**

This law shall be published in the Official Gazette and shall come into force on the date following the date of its publication.

**Khalifa Bin Zayed Al Nahyan  
President of the United Arab Emirates**

**Issued by us at the Presidential Palace in Abu Dhabi  
On: 2<sup>nd</sup> Muharram 1436 AH  
Corresponding to: 26<sup>th</sup> October 2014 AD**

***Council of Ministers' Decree No (38) of 2014 Regarding the Executive By-Law of the Federal Law No (4) of 2002 Regarding Anti-Money Laundering and Combating Financing of Terrorism***

The Council of Ministers, after perusing the Constitution, and Federal Law No (1) of 1972 regarding the competences of ministries and powers of ministers and its amending laws, Federal Law No (4) of 2002 regarding encountering money laundering crimes and combating financing terrorism and its amending laws, And on basis of what the Minister of Finance submitted and approved by the Council of Ministers,

Decided:

## **Article (1)**

### **Definitions**

For the implementation of the provisions of this decree, each of the following words and terms shall have the corresponding meaning unless the context otherwise requires:

UAE	United Arab Emirates
Law	Federal Law No. (4) of 2002 regarding encountering money laundering crimes and combating financing terrorism and its amendments
By-law	Executive by-law of the Law
Minister	Minister of Finance
Central Bank	The Central Bank of the UAE
Authority	Securities and Commodities Authority
Governor	Governor of the Central Bank
Committee	National Anti-Money Laundering and Combating Financing Terrorism Committee
Funds	All types of assets whether they are physical or intangible, movable or immovable, including national and foreign currencies, bonds or sukuk which prove the ownership of such assets or any type of rights relevant to them, including electronic or digital forms
Money laundering	Any of the acts defined in Article (2) of the Law
Financing terrorism	To provide, collect, insure obtaining, direct or indirect transfer of funds by any means to a society, agency, organization, center, group, gang or any persons subject to the provisions of the Federal Law No. (7) of 2014 regarding combating terrorist crimes, whether such funds are obtained from licit or illicit sources, whether they were totally, partially or not used in the criminal act and whether the criminal acts occurred or did not occur.
Financing illicit organizations	Any physical or legal act for the purpose of providing funds to illicit organizations, any of its activities or any of its affiliates
Proceeds	Funds directly or in indirectly resulting from committing a felony or a misdemeanor
Suspicious transactions	Transactions related to funds that have reasonable grounds for suspecting that they are the proceeds of a felony or a misdemeanor or, linked to financing terrorism or financing illicit organizations, whether they have been or intended to be executed
Freezing seizure	or Temporary prohibition of the transfer , remittance, disposal, movement or exchange of funds as per an order issued by the competent authority

Confiscation	Permanent expropriation of private funds as per a judgment issued by a competent court
Instruments	Anything used or intended to be used in any form to commit a felony or a misdemeanor
Financial institutions	Any banks, finance companies, moneychangers, financial or cash brokers or any institutions licensed by the Central Bank or the Authority, whether they are publicly or privately owned
Other financial, commercial and economic institutions	Institutions licensed and supervised by entities other than the Central Bank or Authority, including Designated Non-Financial Businesses and Professions such as real estate dealers, precious metals and precious stones dealers, lawyers, legal advisors, notaries public and accountants
DNFBPs	Designated Non-Financial Businesses and Professions
AMLSCU	Anti-Money Laundering and Suspicious Cases Unit, i.e. the financial intelligence unit established in the Central Bank as per the Law
Client	Any natural or juridical person with whom financial, other financial, commercial and economic institutions have dealings which include opening accounts under their names or service provision
Supervisory authorities	Federal and local authorities that are delegated, as per various laws and regulations, to supervise and license financial, other financial, commercial and economic institutions
Law Enforcement authorities	Federal and local authorities that are delegated, as per their legislations in effect, to undertake actions of combating, search, investigations and collecting evidence regarding all crimes, including crimes of anti-money laundering, financing terrorism and financing illicit organizations'
Financial bearer negotiable instruments	Checks, promissory notes and payment orders
Foreign politically exposed persons	Natural persons who occupy or previously occupied prominent positions in a foreign country such as heads of state, prime ministers, senior politicians, high ranking government officials, judiciary or military officials, chief executive directors of state-owned companies, senior officials of political parties and persons who occupy or occupied prominent positions at international organizations
FPEPs	Foreign politically exposed persons
Beneficial owner	A natural person who has actual control of the client or operations are executed on their behalf, including the person who has actual control of a juridical person or a legal arrangement
STR	Suspicious transaction report
ML	Money laundering
FT	Financing terrorism
AML	Anti-money laundering
CFT	Combating financing terrorism

**Article (2)**  
**ML Crime**

1. Anyone who knows that the funds are the proceeds of a felony or a misdemeanor and intentionally committed any of the following acts shall be considered to have committed an ML crime:
  - a. Transfer, move, deposit, maintain, invest or exchange the proceeds or manage them for the purpose of hiding them or concealing their illicit source
  - b. Hide or conceal the nature, source, location or, means of the disposal, movement, relevant rights or ownership of the proceeds
  - c. Acquire, possess or use the proceeds
2. ML is considered an independent crime and punishing the one who committed the predicate offence does not interfere with their punishment for committing the ML crime.
3. Conviction for committing the predicate offence is not necessary for proving the illicit source of the proceeds. Predicate offences include acts committed in other jurisdictions which are considered as crimes in such jurisdictions and they would have been considered predicate offences if they were committed in the UAE.

### **Article (3)**

#### **Responsibilities of Financial, Other Financial, Commercial and Economic Institutions**

Financial, other financial, commercial and economic institutions shall be committed to the following:

- a. Implement the provisions of the Law, this by-law, any regulations or instructions issued by the Central Bank or any other supervisory authority and any rules concerning AML, CFT and financing illicit organizations in the UAE.
- b. Develop regulations and measures necessary for the implementation of the provisions of the Law and this by-law in line with the nature of their activities.

### **Article (4)**

Financial, other financial, commercial and economic institutions shall comply with the following:

- a. Develop a system for defining the identities and legal status of clients as well as beneficial owners and any changes they might be exposed to.
- b. Conduct ongoing customer due diligence, fill out forms approved by supervisory authorities and ensure maintaining copies of all of the documents, information and data mentioned below:
  - 1) For natural persons:
    - a) Name as indicated in the identity card or passport, nationality, address, country of origin and employer's name and address
    - b) A certified copy of the valid identity card or passport to validate the legal status of expatriates working in the UAE and obtain senior management approval if the client or beneficial owner is an FPEP or, one of their family members or associates
  - 2) For juridical persons:
    - a) Legal form, name, country of origin, types of activities, legal representative, representation credentials, name and address of each of the partners and shareholders whose ownership exceeds 5% of the capital and take the

measures indicated in Clause (1) of this article in case the client or beneficial owner is an FPEP or one of their family members or associates.

- b) A copy of the articles of association and valid commercial or professional license that is approved by the Ministry of Economy, local licensing authorities, free-zone authorities, Ministry of Labor or Ministry of Social Affairs for societies that are authorized to open bank accounts, as required for each case.

### **Article (5)**

Financial, other financial, commercial and economic institutions shall comply with the following:

1. Any form of dealing with shell banks is not allowed, whether it is through opening bank accounts or, accepting funds or deposits from them.
2. It is not permitted to open bank accounts under nick, fictitious or pseudo names or, under numbers without the names of their holders.
3. Validate the sources of wealth of FPEPs, their family members and associates and provide continuous monitoring of their transactions.
4. Regularly and systematically update all information and data relevant to clients' identities.

### **Article (6)**

Financial, other financial, commercial and economic institutions shall comply with maintaining records, files, documents, correspondences and forms defined by the Committee, the Central Bank and supervisory authorities for a period that is not less than (5) years since the date of closing the accounts of clients who maintain accounts at such institutions, since the date of ending dealing with the institution for the clients who are not maintaining accounts, since the date of inspection conducted by the supervisory authority, since the date of the completion of investigations or since the date of issuance of the final judgment by competent judicial authorities, as required for each case.

### **Article (7)**

Financial, other financial, commercial and economic institutions shall comply with reporting transactions suspected to involve ML, FT or financing illicit organizations to AMLSCU on STR forms set by the Committee.

### **Article (8)**

Financial, other financial, commercial and economic institutions shall be committed to appoint a compliance officer in accordance with the controls set by the Central Bank and the supervisory authority and enable that officer to work independently in order to undertake the following tasks:

1. Detect ML operations and combat FT and financing illicit organizations.

2. Review records and receive, examine and study data on suspicious transactions and decide to report them to AMLSCU or maintain them with reasons indicated under full confidentiality.
3. Review AML/ CFT regulations and procedures and, the extent of the institution's compliance with their implementation, propose actions required for their update and development, develop bi-annual reports in this regard and submit them to senior management and, send a copy of such reports with the senior management's comments and decisions to AMLSCU.
4. Develop and execute, for the staff working at the institution and in coordination with AMLSCU, training and orientation programs and plans regarding all what is relevant to ML, FT and financing illicit organizations and means for addressing them.
5. Cooperate with and provide AMLSCU with the data they require and enable its staff to review records and documents required for undertaking their tasks.

### **Article (9)**

Financial, other financial, commercial and economic institutions shall be committed to conducting programs and workshops for the training, capacity building and orientation of compliance officers and other staff members involved in AML, CFT and combating financing illicit organizations.

### **Article (10)**

Branches and companies, which are operating outside UAE and are affiliated to the financial, other financial, commercial and economic institutions, shall be subject to the procedures stated in Article (4) of this by-law, if the countries in which such branches and affiliate companies operate implement less strict or no procedures.

### **Article (11)**

#### **National Anti-Money Laundering and Combating Financing Terrorism Committee**

The Minister shall issue a decree regarding the formation of the Committee under the chairmanship of the Governor indicating the names of its members on basis of the nominations by the entities defined by the Law and the entities the Committee Chairman adds.

### **Article (12)**

1. The Committee shall select the Deputy Chairman from its members during its first meeting.
2. The Committee shall meet, on basis of an invitation made by its chairman, at least once every three months or when required.
3. A Committee's meeting shall be valid if attended by an absolute majority of its members provided that the attendees include the Chairman or Deputy Chairman.
4. The Committee shall issue its decision if at least of two thirds of the votes of the entities represented at the Committee go for the decision.
5. Committee members may participate at the Committee meeting through electronic visual media.

6. If a Committee member is absent for three subsequent meetings without an excuse that is acceptable by the Committee, the Chairman shall submit his/ her recommendation to the Minister to take necessary action in this regard.
7. The Committee may invite to its meetings whoever it sees appropriate among those who have expertise and competence without their having the right to vote during its meetings.

**(Article 13)**

The Committee is entitled to form subcommittees from its members to study any subjects that fall within its terms of reference. It is entitled to resort to whoever it sees appropriate among those who have expertise and competence.

**Article (14)**

1. The Committee is entitled to implement the risk-based methodology when defining and assessing national risks of ML, FL and financing illicit organizations.
2. The Committee shall propose national policies for AML, CFT and combating financing illicit organizations taking into consideration defined risks.
3. The supervisory authority, in coordination with AMLSCU, shall address the risks defined by the Committee.

**Article (15)**

AMLSCU shall provide the Committee with technical and administrative assistance provided that Head of AMLSCU shall be the Committee reporter.

**Article (16)**

**AMLSCU Terms of Reference**

AMLSCU shall undertake the following tasks and responsibilities:

1. Examine, analyze, register and maintain in its database the reports which it shall receive from financial, other financial, commercial and economic institutions regarding suspicious transactions linked to ML, FT and financing illicit organizations.
2. Request additional information on STRs concerning ML, FT and financing illicit organizations from all financial, other financial, commercial and economic institutions and from law enforcement authorities, as required.
3. Request, as required, information, data or reports from any non-profit societies or organizations in cases there are suspects regarding ML, FT or financing illicit organizations or, reports or information regarding such societies or organizations.
4. Cooperate and coordinate with the Central Bank and supervisory authorities to ensure the compliance of financial, other financial, commercial and economic institutions with AML, CFL and combating financing illicit organizations procedures.
5. Cooperate with judicial and law enforcement authorities regarding ML, FT and financing illicit organizations operations and report the outcomes of examinations and inspections regarding any violations committed against the Law and this by-law to public prosecution and submit sufficient data for taking necessary actions.

6. Regularly coordinate with the Committee, the Central Bank and supervisory authorities regarding the development and amendment of STR forms used by financial, other financial, commercial and economic institutions.
7. Establish and regularly update a database or a special record for the registration and maintenance of all of what is relevant to cases received by AMLSCU concerning ML, FT and financing illicit organizations operations and, develop rules and controls necessary for their confidentiality and their non-disclosure unless under a written permission by the person in charge of AMLSCU or the person acting on his behalf during his absence.
8. Propose an internal regulation for AMLSCU and have it approved by the Committee Chairman.
9. Provide technical advice regarding STRs.
10. Exchange information regarding STRs with counterpart financial intelligence units in other jurisdictions and international organizations in execution of international agreements UAE is a party to or on condition of reciprocity and the use of such information shall be limited to AML, CFT or combating financing illicit organizations' purposes.
11. Prepare and conduct training and orientation courses and programs, including the provision of technical assistance, for AMLSCU staff and any other entities, whether such entities are inside or outside UAE.
12. Prepare statistical research and studies regarding ML, FT and financing illicit organizations operations and follow up any studies, research or statistics prepared at the local and national levels.

### **Article (17)**

#### **Terms of Reference of Supervisory Authorities**

A supervisory authority is concerned with coordination with AMLSCU regarding the following:

1. Set rules, regulations, forms and procedures for AML, CFT and combating financing illicit organizations which have to be implemented by financial, other financial, commercial and economic institutions in order to define the identities and legal status of clients and beneficial owners, record keeping and submission of STRs.
2. Set procedures and controls necessary for ensuring compliance with the provisions of the Law, this by-law and any other legislations concerning AML, CFT and combating financing illicit organizations in the UAE by financial, other financial, commercial and economic institutions supervised by such authorities.
3. Organize AML, CFT and combating financing illicit organizations awareness programs and campaigns on basis of specialty.

### **Article (18)**

#### **Freezing of Funds**

1. The Central bank is entitled to freeze suspicious funds linked to ML, FT and financing illicit organizations operations at financial institutions for a period that does not exceed (7) working days and report to the public prosecution in this regard.

2. A financial institution, as per an AMLSCU request, shall notify the owner of the funds frozen as per a freezing order, and require the owner to provide it with documents necessary for proving the legitimacy of the sources of funds. After the expiration of the freezing period mentioned in Clause (1) of this article and non-receipt of what indicates the seizure of funds by the public prosecution or provisional seizure of such funds by the competent court, the Central Bank shall issue a decision to revoke the freezing order.

### **Article (19)**

#### **Procedures for Freezing and Seizure of Funds**

1. AMLSCU shall study and analyze STRs upon their receipt from financial, other financial, commercial and economic institutions. If AMLSCU detects a transaction, executed in a financial institution, which involves funds obtained from suspicious sources, it shall submit a recommendation to the Governor to freeze such funds.
2. AMLSCU shall notify the competent public prosecution in case a freezing order is issued.
3. AMLSCU shall coordinate with concerned supervisory and law enforcement authorities regarding funds related to STRs received from other financial, commercial and economic institutions in order to take what they see appropriate.
4. AMLSCU shall notify concerned financial, other financial, commercial and economic institutions with actions taken regarding suspicious transactions.

### **Article (20)**

#### **Law Enforcement Authorities**

1. Law enforcement authorities shall fill out the forms developed by AMLSCU upon requesting information registered in AMLSCU database or information from financial intelligence units in other jurisdictions regarding STRs.
2. Law enforcement authorities shall obtain a permit from a competent judicial authority if it wishes to obtain the details of the account or remittances of someone accused of committing any of the crimes stated in the Law.

### **Article (21)**

#### **Disclosure Regulation**

Competent customs departments shall implement the Disclosure Regulation issued by the Central Bank regarding incoming/ outgoing currencies, bearer negotiable instruments, precious metals or precious stones.

### **Article (22)**

#### **Confidentiality of Information**

All staff members at entities subject to the provisions of the Law, may not disclose any information related to suspicious transactions regarding ML, FT or financing illicit organizations and their disclosure of their confidentiality shall be restricted to what is required for their use in investigations, lawsuits or cases related to the violation of the

provisions of the Law. In all cases, contacting clients directly or indirectly to notify them with measures taken regarding such clients is not permitted unless under a written request from the supervisory authority.

**Article (23)**

It is not permitted to take non-disclosure of professional secrets as an excuse when responding to a data request or requesting data and information in accordance with the provisions of the Law, this by-law and the decisions issued in their execution.

**Article (24)**

Any provisions that violate or contradict with the provisions of this decree shall be provoked.

**Article (25)**

This decree shall be in effect since the date of its issuance and shall be published in the Official Gazette.

**Mohammed Bin Rashid Al Maktoum  
Prime Minister**