

Al Mnara

The Lighthouse

**The Anti-Financial
Crime Newsletter
of the UAE**

Issue 2 – June 2021



FOREWORD WELCOME

It is my great pleasure to introduce the second issue of our anti-financial crime newsletter – Al Mnara: The Lighthouse. As with the first issue, published in March, we are excited to show continued progress in strengthening the UAE's anti-money laundering (AML) and countering the financing of terrorism (CFT) framework, outline insights into our future trajectory, and underscore our deeply held commitment to preventing all forms of financial crime.

The global interconnectedness of money laundering and terrorist financing poses one of the most important challenges of the current era. Efforts by individual jurisdictions are one piece of a larger puzzle, requiring extensive collaboration amongst domestic stakeholders and cooperation on the international stage. As the Director General of the Executive Office on AML/CFT, I am keenly focused on extending the UAE's proactive role in the global community and the capacity of domestic authorities to advance the fight against the multifaceted nature of the financial crime threat. As the primary coordinating body for this issue, the Executive Office is working to strengthen channels of communication, policy-making and enforcement, both amongst key stakeholders domestically and overseas. In this vein, I extend my gratitude to the domestic champions of this cause and our international counterparts with whom we will continue to work closely over the coming weeks, months, and years.

As a jurisdiction, we also continue to sharpen our understanding of financial crime typologies and the

ways in which they manifest. Although the initiatives described in this newsletter are important steps to tackle the problem, our journey towards building an effective financial crime framework is an ongoing process. In raising awareness of the important measures that are being introduced by industry leaders, regulators, law enforcement agencies, and authorities across the UAE, we look to protect the openness and integrity of our economy and actively pursue those who abuse it. This is our mission – and this is why the financial crime problem continues to be addressed with the highest level of strategic priority by the UAE Government.

I trust that this issue provides keen insight for all those looking to witness the growing and sustained momentum in the country for fighting financial crime.

Sincerely,

HE Hamid Al Zaabi
Director General –
Executive Office on AML/CFT

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OVERVIEW OF RECENT EVENTS ENGAGEMENT WITH INTERNATIONAL PARTNERS

The UAE has undertaken a significant volume of anti-financial crime activity since Al Mnara's first edition, both at home and abroad. As an important participant in the global fight against financial crime, the UAE has prioritized training as part of its national strategy and continues to collaborate closely with key international stakeholders to share knowledge and upskill domestic authorities.

In February, the UAE participated in the FATF Plenary meetings, discussing priority topics including dismantling terrorist financing networks, sectors of activity that pose greater AML/CFT risks, and the role of technology in combating evolving threats. On the last point in particular, the UAE, alongside its peers, is accelerating the digital transformation of AML/CFT efforts by both industry players and local authorities.

The UAE has also strengthened bilateral collaboration on the issue with a number of key international counterparts in recent months. In

particular, the UAE has built a close working relationship with the United Kingdom. In March, UAE Minister of State His Excellency Ahmed Ali Al Sayegh met with Rt. Hon James Cleverly MP, the UK's Minister of State for Middle East and North Africa, to discuss the importance of continued dialogue and bilateral cooperation on cross-border illicit finance and criminal networks. Across March and April, a number of UAE federal entities, coordinated by the Ministry of Foreign Affairs and International Cooperation (MoFAIC), welcomed Her Majesty's Revenue and Customs (HMRC) for a series of joint technical training workshops on trade-based money laundering, money service businesses (MSBs), and the importance of information sharing. Furthermore, alongside representatives from the UK Embassy in the UAE, the UAE jointly participated in the March SOCnet event on organized crime hosted by the United Nations Office on Drugs and Crime (UNODC).

Similarly, the UAE continues to work closely with the United States, particularly the US Treasury Department, Department of State, Department of Justice, and Department of Homeland Security, in enhancing its AML/CFT framework. During March and April 2021, MoFAIC welcomed officials from the US Government for a series of virtual meetings and workshops covering a variety of AML/CFT issues, including trade-based money laundering schemes, enhancing AML/CFT investigations using advanced data analysis techniques, and counter-proliferation investigative methods. These training and capacity building sessions highlighted the importance of international cooperation and the critical role of financial intelligence, public-private partnerships, and domestic coordination in combating money laundering and terrorism financing.

The UAE has also worked closely with representatives from the European Union in holding a number of training sessions and meetings with key stakeholders. In March, Mohammed Al Shehhi, Director for European Affairs at MoFAIC, and Carl Hallergard, Deputy Managing Director for the Middle East and North Africa at the European External Action Service (EEAS), co-chaired a Senior Officials meeting. This meeting provided a platform for both sides to exchange AML/CFT best practices and expertise, as well as an opportunity for the UAE to reaffirm its commitment to working with the international community to ensure the stability of the global economy. In April, MoFAIC held a virtual workshop with EU officials, discussing the importance of a multi-agency approach to parallel investigations. The sessions explored ways to employ AML/CFT intelligence to disrupt and dismantle illicit networks, as well as cooperation among relevant

institutional participants on the domestic and international levels.

Regulators and law enforcement agencies across the UAE have also been engaging with key international partners in the fight against financial crime. In March 2021, the UAE Financial Intelligence Unit (FIU) signed a Memorandum of Understanding (MoU) with its Israeli counterparts to provide a framework for sharing information and coordinating on cross-border cases. The signing of this MoU further builds upon last year's historic Abraham Accords, which ushered in a new era of cooperation between the two countries – including on trade, investment, and financial regulation.

The breadth of the UAE's engagement spans both AML/CFT technical matters and the number of agencies involved. In March of this year, the UAE Ministry of Finance participated in the G20 Finance Track's first Global Partnership for Financial Inclusion meeting, where discussions centered on financing digital financial inclusion and the promotion of resilience following COVID19-. Similarly, the Dubai Financial Services Authority (DFSA) and the Bank of Italy signed an MoU to facilitate continued cooperation in the area of financial supervision.



Financial investigations are data intensive. Parallel investigations enable us to bring together cross-sectoral and cross-jurisdictional expertise. The more information available to understand criminal activity, the better we can become at spotting patterns of illicit behavior. Our authorities benefited greatly from these informative sessions, especially the in-depth discussions around the framework for inter-agency collaboration, which is the cornerstone of an effective supervisory and enforcement architecture.

H.E. BRIGADIER GENERAL ABDUL AZIZ AL AHMED,

Head of the Subcommittee for AML/CFT Investigations,
on the April virtual workshop with European Union officials

UPDATE ON THE EXECUTIVE OFFICE AND DOMESTIC COORDINATION

Alongside the many collaborative efforts taking place internationally in recent months, there have been several notable actions to coordinate, improve, and strengthen the UAE's domestic approach, led by the Executive Office on AML/CFT.

One of the leading opportunities to introduce the Executive Office's role in coordinating a strong risk-based approach across the UAE Government came at the 15th Forum of UAE Ambassadors and Representatives of Diplomatic Missions Abroad. The second day of the forum featured remarks by His Excellency Ahmed Ali Al Sayegh, Minister of State, on the Executive Office's responsibilities, the latest developments of the Higher Committee Overseeing the National Strategy for AML/CFT, and the UAE's overall commitment to strengthening its AML/CFT framework. With international cooperation at its core, the UAE's network of ministers, ambassadors, and representatives will continue to feature prominently in working with the Executive Office to coordinate AML/CFT priorities between the UAE's authorities and with international partners.

Since its launch in February, the Executive Office has been busy in developing internal initiatives and participating in a range of industry events. In March, His Excellency Hamid Al Zaabi, Director General of the Executive Office, gave a keynote address at the Union of Arab Banks Forum hosted in Sharm el-Sheikh, Egypt. Alongside other dignitaries and banking executives from across the region, he underscored the importance of proactive engagement on AML/CFT and the use of technology to improve the effectiveness and precision with which the UAE is tackling the threat of financial crime. In the coming period, the

Executive Office will also be working alongside MoFAIC and other UAE authorities on unveiling further initiatives to advance public-private engagement.

The UAE has also taken steps to strengthen its regulatory framework. Recent activity has included the Ministry of Economy's adoption of an updated list of violations and fines for money laundering and terrorist financing, bringing in tighter regulation around higher risk activities such as real estate, corporate service providers, and the trade of precious metals. On the technology front, the Securities and Commodities Authority (SCA) and the Dubai Multi Commodities Centre (DMCC) agreed to an MoU that embedded AML/CFT concerns within a comprehensive framework for the regulation of crypto assets. At the same time, the UAE's regulators have also increased AML/CFT supervision, leading to a number of enforcement actions being taken against non-compliant individuals and firms. Since February, the Central Bank has imposed fines on numerous firms found to be in violation of Federal Decree Law No. 2018) 20) on Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organisations, amongst other applicable regulations, following inspections of firms' compliance controls.

Meanwhile, domestic regulators and law enforcement authorities have heightened scrutiny over financial activity under their jurisdiction. After identifying significant breaches of AML/CFT regulation, the Dubai Financial Services Authority (DFSA) fined an individual USD 165,000 and prevented the individual from operating in the jurisdiction. The Abu Dhabi

Judicial Department, the specialized court in charge of money laundering and tax evasion, convicted four persons and a company for committing money laundering and fraud against 4,000 victims by enticing them with fictitious investments in the gold trade. At the FIU, the appointment of Ali Faisal Ba'Alawi as Head has ensured that the senior leadership of the agency will continue to be driven by specialist, technical knowledge whilst enhancing all aspects of the FIU's mandate, structure, operations, and action-oriented priorities.

Since the start of 2021, the National Committee for Combating Money Laundering and the Financing of Terrorism and Illegal Organisations (NAMLCFTC) has also met three times to discuss the UAE's priorities and action plan. The NAMLCFTC meetings introduced several AML/CFT counter-measures and approved a series of risk assessment reports to help align the legislative and operational frameworks of the jurisdiction. With participation from representatives of the

competent UAE authorities, the NAMLCFTC will continue to advance the UAE's priorities, enhance the authorities' ability to respond to risks, and boost cooperation across the government. Extending from the NAMLCFTC's productive meetings, the Ministry of Justice has continued to unveil a series of training sessions, guidance documents, and industry initiatives aimed at building capacity and knowledge amongst a range of stakeholders, including the Federal Public Prosecution, the Emirate-level Public Prosecution offices, law enforcement, and the judiciary. With momentum around these initiatives, it is with the spirit of holistic improvement and coordination that the UAE will continue to fight the pervasiveness of financial crime.

The UAE Ministry of Community Development (MOCD) has also played an important role in recent months, ruling on the status of a number of non-profit organizations that require regulation on financial matters. In this regard, the MOCD has convened a series of meetings with executive councils and representatives of local governments in order to follow-up on the progress of complying with Federal Decree Law (35) of 2020 on amending some provisions of Federal Law (2) of 2008 regarding private associations and institutions of public benefit. MOCD is currently working to rectify the legal status of a number of entities in order to ensure compliance with the abovementioned decision.



The FIU plays a key role in the UAE's efforts against financial crime. It receives reports of suspicious transactions, analyzes them, and disseminates the resulting intelligence to local law enforcement agencies while also studying, tracking, and interpreting the evolution of existing and emerging typologies of financial crime in the jurisdiction across sectors. Establishing an effective FIU is an important step in combating financial crime and a cornerstone of the UAE's National Action Plan. The UAE offers the FIU all political support necessary to ensure its enduring success."



ALI FAISAL BA'ALAWI,
Head of the Financial Intelligence Unit.

SPOTLIGHT ON SUSPICIOUS TRANSACTION REPORTING



Financial intelligence is at the core of the UAE's efforts to build an effective financial crime framework. Like other jurisdictions, the UAE relies on Suspicious Transaction Reports (STRs) as one of the most critical sources of intelligence in the fight against financial crime. In order to investigate and enforce illicit activities; however, the UAE has been working closely with industry, government and the non-profit sectors, as well as international partners, to build an effective system for reporting and analyzing financial intelligence.

The UAE has observed and learned from other jurisdictions how STR processes can often fall short. Key improvements required are not limited to any one jurisdiction or specific area, but rather represent holistic enhancements to the way in which financial intelligence is obtained, shared with, and

analyzed by key stakeholders. In response, the UAE is prioritizing three areas – enforcement, technology, and knowledge building – to enhance the reporting process, increase STR quality, and streamline the manner in which they can be utilized by enforcement agencies.

On the enforcement front, the regulatory authorities have strengthened supervisory processes and issued guidance to reflect the need to obtain actionable data from regulated entities. Led by the Central Bank's AML/CFT Supervision Department (AML/D), more than 90 AML/CFT examinations took place in 2020, encompassing both local and foreign financial institutions, exchange houses, and specialized financial companies. Assessing these entities' transaction monitoring systems to ensure suspicious activities and transactions are reported with

sound rationale and in a timely manner is a core facet of the Central Bank's supervisory focus. For non-financial institutions, the Ministry of Economy (MoE) has adopted a similar approach. In April 2021, the MoE issued an updated list of administrative penalties for AML/CFT violations by real estate brokers and agents, dealers of precious metals, auditors, lawyers, and corporate service providers. In line with Cabinet Resolution No. 16 of 2021, penalties for failing to register for STR reporting systems and establish adequate internal policies, procedures, and controls on AML/CFT now merit a fine of up to AED 5 million (USD 1.36 million), placing additional weight and incentives behind the MoE's ongoing inspections of regulated entities.

Following discussions with international partners, including the European Union, the

United States and the United Kingdom, the UAE has also strengthened its understanding of how to overcome common issues with STR regimes. Whilst the UAE is not immune to typical issues such as 'defensive reporting' and inadequate information provided by regulated firms, it is taking action to overcome these weaknesses as part of its comprehensive action plan, led by the Executive Office on AML/CFT, the Central Bank, the FIU, and financial regulators. As such, resources are being directed towards ramping up government-sponsored training, outreach, and knowledge-building initiatives to improve the level of awareness about STR obligations in the private sector. Led by MoFAIC, the UAE is also engaging more frequently with leading counterparts abroad to ensure best practices are learned and implemented locally.

The UAE's efforts are complemented by the adoption of the latest technologies to streamline the process of reporting and analyzing STR data. These innovative systems include:

GoAML – Launched in 2019, the UAE has introduced the United Nations Office on Drugs and Crime (UNODC) GoAML anti-money laundering platform for the submission of STRs. As part of the UAE's continued knowledge-building efforts, this platform assists the FIU with its data collection, document management, and analysis.

IEMS – In parallel with GoAML, the UAE launched the Integrated Enquiry Management System (IEMS). IEMS enables communication between the FIU, the Central Bank, the private sector, and law enforcement agencies. This platform facilitates a regular 'feedback loop' and encourages information sharing between domestic actors.

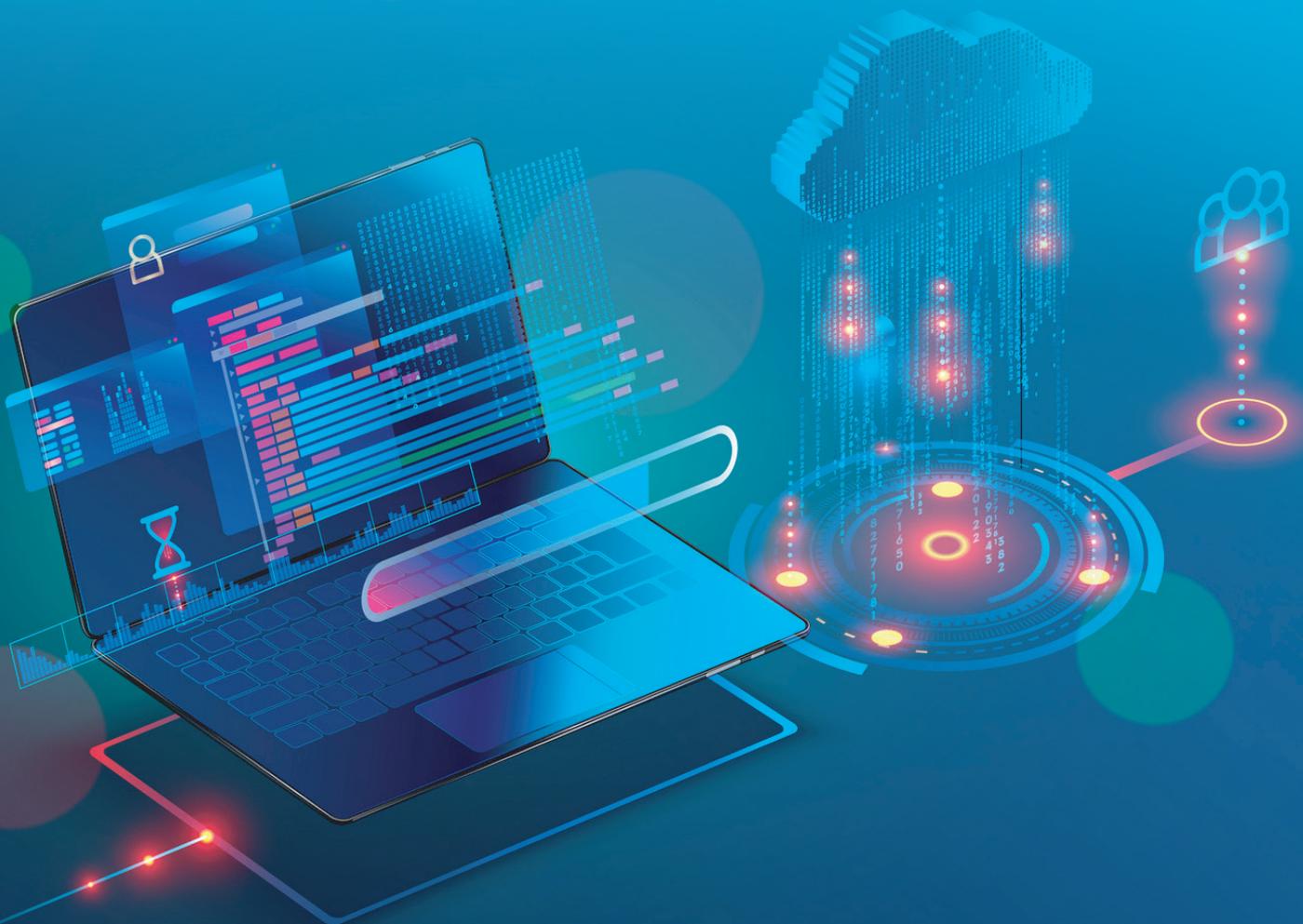
Fawri Tick – In 2020, the UAE developed and launched the Fawri Tick program, which enables the authorities to take immediate action related to red flags associated with illicit transactions and other suspicious activity. The platform also allows for the integration and aggregation of AML/CFT and counter-proliferation cases at a federal and local level, facilitating close collaboration between domestic enforcement agencies.

UAERRS – In adopting a risk-based approach, the FIU has upgraded the Remittance Reporting System, a platform that allows money service businesses and remittance operators to submit transactional data to the FIU on an ongoing basis.

Unified customs platform – To address the risks of trade-based financial crime, the UAE's Customs Authorities have also invested in the launch of a unified customs platform, which has been effective as of 29 April 2021 on a 7/24 online basis, to gather data on networks of criminals that abuse trade for trafficking and smuggling.

Each of these initiatives exemplify the UAE's move towards developing and implementing actionable financial intelligence. A key part of this commitment also includes domestic cooperation between authorities and regulators themselves. As of May 2021, the FIU had signed 11 MoUs with domestic competent authorities, including multiple law enforcement agencies, leading to a vast improvement in the quality and quantity of intelligence shared domestically.

The UAE is also aware that financial crime transcends borders and requires an integrated global approach, including by providing meaningful data from STRs and other sources to international counterparts. Indeed, the UAE's focus on obtaining actionable intelligence and fostering mutually beneficial relationships to fight financial crime on a global scale means the trajectory is a positive one.





THE IMPORTANCE OF TARGETED FINANCIAL SANCTIONS

Targeted financial sanctions are one of the most important tools in the international fight against malign activities, including the urgent threats posed by terrorism and the proliferation of weapons of mass destruction. Targeted sanctions are critical to ensuring that terrorist financing, proliferation financing, and their illicit networks are eradicated for the benefit of the UAE and international community as a whole. Implementing these measures forms a key part of our broader diplomatic, economic, and political efforts to foster peace, stability, and economic prosperity globally and in the Arab region – and ensure those who threaten these fundamental aims face consequences for their actions.

The UAE has a number of mechanisms at its disposal to facilitate the implementation of targeted sanctions. However, it should be noted that a distinction could be drawn between 1) the restrictions on designated individuals, entities, and groups defined by the United Nations Security Council; 2) the local UAE list of targeted sanctions; and 3) other international sanctions regimes. In line with Cabinet Resolution No. 74 of 2020 and regulations published by supervisory authorities, UN and local sanctions are obligatory for firms and organizations in the UAE to implement, including asset freezes, blocking of financial transactions, and restrictions on the provision of certain goods and services. Beyond the UN and local sanctions regimes, an additional layer of targeted sanctions exists – measures imposed by international partners that, whilst outside of the legal realm of the UAE, feature prominently in the wider sanctions landscape globally. Given the risks associated with the geographic and economic position of the UAE as a hub for global trade and

investment, each regime plays a role in mitigating unlawful actors and their malign activities.

Beyond legislative instruments, the UAE is playing a proactive role in coordinating with its international partners to ensure that targeted financial sanctions are implemented effectively. Guidance documents issued by supervisory authorities, including the Central Bank's 2021 Sanctions Screening Thematic Review, reflect the adoption of international best practices in the UAE. Through the United Nations, Security Council Resolutions are rigorously reviewed to duly implement their requirements in light of the ever-evolving nature of the threat. For example, the local terrorism list is updated frequently to align with intelligence received and shared with our international partners, extending the obligations of UN Security Council Resolution 1372 (2001). In light of this ongoing commitment, in September 2020, His Highness Sheikh Abdullah bin Zayed Al Nahyan, Minister of Foreign Affairs and International Cooperation, underscored the importance of 'uniting our efforts and building international institutions capable of coping with current and emerging challenges,' including stopping the rise of terrorist and other extremist groups through 'UN-led solutions' in line with the UN Charter.



'Despite these mounting global threats, the UAE believes that we can transform unprecedented challenges into great opportunities by uniting our efforts and building international institutions capable of coping with current and emerging challenges. These past months have proven that confronting international threats requires taking collective action and wise leadership to forge a coordinated international response to address the implications of these threats.'



**HH SHEIKH
ABDULLAH BIN ZAYED AL NAHYAN**
Minister of Foreign Affairs and
International Cooperation

In order to be effective, targeted financial sanctions must be fully implemented without delay, ensuring that no funds or other assets are made available, directly or indirectly, to or for the benefit of any designated person or entity. Therefore, to ensure consistency and effective domestic cooperation, several bodies in the UAE are working together to oversee and implement targeted financial sanctions, covering diplomatic, policy, and enforcement perspectives. Whilst MoFAIC leads international engagement on targeted sanctions, the Federal Customs Authority, the Executive Office of the Committee for Goods Subject to Import and Export Control (Executive Office on Import/Export Control), the Financial Intelligence Unit, the Ministry of Justice, the Ministry of Economy, the Federal Authority for Nuclear Regulation, the Central Bank, and supervisory authorities all fulfill key roles.

In particular, to advance the UAE's knowledge building, industry outreach, and compliance objectives, the Executive Office on Import/Export Control is playing a critical supporting role. In May 2021, the Office issued detailed guidance documents and typology reports to raise awareness of public and private sector obligations. This includes the requirement for all entities to have in place a framework of controls for the prevention of facilitation of trade with sanctioned entities. The Executive Office on Import/Export Control has outlined that this framework must comprise, at a minimum, a risk assessment, appropriate policies and procedures,

and adequate corresponding governance and oversight structures. Authorities also publish regular updates to the sanctions lists, which are readily available online to ensure an accessible, harmonized approach to implementation. These initiatives have proceeded alongside the UAE's regular contact with international partners regarding ongoing cooperation frameworks and investigations into individuals and entities involved in, or subject to, targeted sanctions regimes.

Sanctions are ultimately a tool of statecraft that introduce certain obligations on governments and regulated firms. First, for targeted financial sanctions to have their full effect in combating terrorism, conflict and the proliferation of weapons of mass destruction, the global community must work together. The values and principles of the UN Charter continue to be foundational to the UAE's foreign policy in this respect. And second, they must form part of a broad, robust anti-money laundering and counterterrorism framework. These two strategic elements have guided – and will continue to guide – efforts to strengthen the UAE's capabilities to ensure the continued and effective implementation of targeted financial sanctions.



SPOTLIGHT STORIES

FURTHER READING

UAE's zero-tolerance on money laundering is netting results
Gulf News, 26 February

Ministry of Economy announces list of violations & fines for money laundering, financing of terrorism
WAM, 2 March 2021

DMCC and Executive Office on AML/CFT support framework revisions for hand carry gold
Zawya, 14 March 2021

Abu Dhabi Court convicts four people, jewellery company for defrauding 4,000 people
WAM, 16 March 2021

Israel, UAE in joint struggle against money laundering and terror financing
Israel Defense, 21 March 2021

UAE Appoints Veteran Al Tameemi as Central Bank Governor
Bloomberg News, 7 April 2021

Central Bank appoints head of UAE financial intelligence unit
Khaleej Times, 12 April 2021

Abdullah bin Zayed chairs meeting of Higher Committee on anti-money laundering, countering financing of terrorism
MENAFN, 13 April 2021.

UAE, UK offers money laundering training sessions
Emirati News, 25 April 2021

UAE, European Union host workshops on combating money laundering and terrorist financing
Gulf News, 26 April 2021