

To: Designated Non-Financial Businesses and Professions (DNFBPs)

Thematic Review on Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) – Common Findings Report

Background

The ADGM Registration Authority (“**RA**”) is responsible for registering and licensing all legal persons in ADGM. In addition, the RA registers and supervises Designated Non-Financial Businesses and Professions (“**DNFBPs**”)¹ in the ADGM for compliance with the ADGM Anti-Money Laundering and Sanctions Guidance and Rules (“**AML Rules**”), as well as applicable Federal AML Laws (collectively referred herein as the “**applicable AML obligations**”).

In doing so, the RA adopts a risk-based approach to its supervision of DNFBPs where it utilizes multiple supervisory tools to assess DNFBPs compliance with the applicable AML obligations. These tools include onsite inspections, thematic reviews, desk-based reviews and outreach sessions.

This document outlines the results of the Thematic Review (“**Review**”) conducted by the RA. In this review we also outline the practice we expect to observe under each theme, including providing an overview of good practices and areas for improvement adopted by DNFBPs based on the review conducted. While the referenced practices and findings may not apply universally to all DNFBPs, we encourage all such firms to utilize this review as a self-assessment tool to support the development or maintenance of effective practices to ensure compliance with the relevant AML, CFT and TFS rules and requirements set under the **applicable AML obligations**.

However, this review does not constitute regulatory guidance or legal advice. Reading this review is not a substitute for reading and ensuring compliance with the AML, CFT and TFS legislation applicable in the ADGM. Changes to legislation over time may mean that this review does not reflect the latest legislative requirements. DNFBPs are required to take necessary steps to comply with applicable legislation, including seeking appropriate legal or professional advice where appropriate

Scope

In accordance with the RA's strategic priorities and objectives, which is aligned with the UAE National AML Strategy, the RA conducted a review focused on DNFBPs Business Risk Assessment (“**BRA**”), filing of STRs/SARs and AML CFT training and awareness. In particular, the review assessed DNFBP's:

1. compliance with the revised AML Requirements outlined in Chapter 6 of the ADGM AML Rulebook;
2. identification of risks associated with money laundering (“**ML**”), terrorist financing (“**TF**”), and proliferation financing (“**PF**”) relevant to their business;
3. risk assessment effectiveness as documented in their BRA, and the adequacy of controls implemented to manage and mitigate these identified risks; and
4. overall compliance with applicable obligations, guidance, including the UAE Financial Intelligence Unit (“**FIU**”) Quarterly Feedback to Reporting Entities.

¹ Means the following class of Persons who carry out the following businesses in the ADGM: (a) a real estate agency which carries out transactions with other Persons that involve the acquiring or disposing of real property; (b) a dealer in precious metals or precious stones; (c) a dealer in any saleable item of a price equal to or greater than USD15,000; (d) an accounting firm, audit firm, insolvency firm or taxation consulting firm; (e) a law firm, notary firm or other independent legal business; or (f) a Company Service Provider.

Legal Basis

The Review was based on the provisions of the following laws and regulations:

1. Federal Decree-Law No. (20) of 2018 on Anti-Money Laundering (“**AML**”) and Combatting the Financing of Terrorism (“**CFT**”) and its amendments (“**AML-CFT Law**”);
2. Cabinet Decision No. (10) Of 2019, as amended by Cabinet Decision No. (24) Of 2022, Concerning the Implementing Regulation for Decree-Law No. (20) of 2018 on AML and CFT and Financing of Illegal Organisations (“**AML-CFT Decision**”) and its amendments;
3. Cabinet Decision No. (74) of 2020 Regarding Terrorism Lists Regulation and Implementation of United Nations Security Council (UNSC) Resolutions on the Suppression and Combating of Terrorism, Terrorist Financing, Countering the Proliferation of Weapons of Mass Destruction and its Financing and Relevant Resolution (“Cabinet Decision 74”), and its amendments; and
4. ADGM Anti-Money Laundering and Sanctions Rules and Guidance (“**AML Rules**”).

Methodology

Initiated in June 2024, the review involved information gathering in the form of a questionnaire comprising 40 questions covering assessment areas as per the scope outlined above. At the time of the review, ADGM had a total of 241 registered DNFBPs. Through its risk-based approach, 202 DNFBPs were selected to respond to the questionnaire.

The RA then conducted an analysis of the responses received, which aimed to identify outlying trends or patterns that might suggest good practices and areas for improvement across DNFBPs. The analysis also included a quantitative assessment of the DNFBPs AML Return submissions for 2023.

As a result of the above, RA further selected 20 DNFBPs for a detailed review to evaluate the operational implementation of the firm’s AML/CFT and TFS framework along with the related systems and controls. These 20 DNFBPs were required to provide copies of:

1. AML/CFT policies and procedures;
2. Latest BRA, including the methodology;
3. Training programme, including training logs; and
4. Register of internal and external SAR and STR.

The RA’s key observations and identified areas of improvement for DNFBPs that were part of this Review are set out under the following themes (1) BRA, (2) SAR and STR Controls and Reporting, and (3) Training and awareness.

Summary of findings

Based on the review of the responses received from the 202 selected DNFBPs, we observed the following:

98.5% considered Targeted Financial Sanctions; Terrorism Financing (TF) and Proliferation Financing (PF) risks within their BRA.	94% have a documented BRA Methodology.	74% review their BRA on annual basis and upon any changes to the regulatory requirements.
95% obtain senior management approval for their BRA results.	99% have their policies and procedures approved by senior management.	97% obtain Senior Management's approval to commence high risk relationships.
99% have processes designed to identify unusual customer activity or transactions.	94% document the results of the analysis performed to recommend whether an SAR or STR should be filed/raised.	98.5% incorporate post-reporting risk mitigation and prevention of tipping-off controls within their policies.

Key Findings – Regulatory Expectations, Good Practices and Areas for Improvement

1. Business Risk Assessment:

Expectations:

• **Comprehensive BRA:**

- DNFBPs must assess and clearly differentiate between ML, TF & PF risks, ensuring that appropriate risk-based measures are implemented to mitigate these distinct threats in compliance with the applicable AML obligations.
- DNFBPs must ensure that their BRA is comprehensive to address all elements outlined in the AML 6.1.1 rules and guidance. This assessment should be supported by relevant evidence and quantitative data that reflect the firm's nature, scale, and complexity.
- It is also essential to evaluate the effectiveness of the controls implemented to mitigate the risks identified in the BRA through an AML monitoring program, or through the annual effectiveness review of its AML/TFS policies, procedures, systems and controls in accordance with AML 4.1.1(4).

- **National Risk Assessment consideration:** DNFBPs must consider the ML/TF and PF National Risk Assessment of UAE as well as relevant Sectoral Risk assessments.

- **Evaluation of New Activities:** DNFBPs must be aware of the importance of evaluating any significant new business activities, products, technologies, or client segments adequately, ensuring that any additional AML/CFT risks are identified and addressed (AML 6.1.3).

- **Integration of BRA into Management Information:** BRA outcome must be integrated into the periodic management reporting to ensure that management are able to make informed decisions such as revising the firm's risk appetite statement in line with the risks observed and prioritization of AML resources that align with compliance requirements.
- **Awareness of BRA Outcomes:** Firm staff should be made aware of the outcomes of the BRA conducted to ensure they are informed about the key risks relevant to the activities of the firm.

Systems and Controls

Good Practices	Areas for improvement
Mapping policies and procedures (P&P) against the requirements under the applicable AML obligations, including taking into consideration the specifications of firm activity and operations from the ADGM.	Must consider the requirements under Chapter 6 of the AML Rulebook for assessing ML/TF/PF risks of their business.
P&Ps take into consideration regulatory developments and changes in relation to AML, CFT and CPF, including relevant circulars which firms utilize as supplementary guidance to form their risk-based approach.	Where firms operate as branches of group entities in the ADGM, the P&P must be mapped to reflect the applicable AML obligations.
Adopting the approach to identify, assess, and mitigate money laundering, terrorist financing, and proliferation financing (ML/TF/PF) risks, including considering the outcome of the UAE National Risk Assessments (NRA), and relevant Sectoral Risk Assessments (SRA).	Whilst firms can utilize service providers to develop their "off-the-shelf / standardized" AML policies, it is crucial to tailor these P&P to fit the firm's specific activities and business module
The BRA section of the P&Ps demonstrates how insights from a Firm's risk assessment are applied when (1) developing and maintaining AML/CFT/CPF framework, (2) ensuring mitigation of vulnerabilities within the AML framework, (3) assessing effectiveness of AML strategies, (4) allocating and prioritizing resources; and (5) conducting AML monitoring reviews.	Revise P&Ps to reflect 2023 amendments of ADGM AML Rules in relation to including Targeted Financial Sanctions (TFS) as a distinct element of its BRA, to identify, understand, assess and mitigate those risks. This should include conducting a proliferation financing and terrorist financing risk assessment.
	Carry out annual reviews to evaluate the effectiveness of AML/TFS policies, procedures, systems and controls in line with AML Rule 4.1.1(4).

Oversight and frequency of review

Good Practices	Areas for improvement
The ML/TF/PF risk appetite is approved by Senior management of the firm, referenced in the underlying P&P and the firm's BRA (including ML, TF and PF). This oversight is critical to ensuring that the assessment accurately reflects the firm's exposure to ML/TF/PF risks and reinforces a commitment to effective risk management practices.	Consider developing a risk appetite statement for firms with large-scale operations, ensuring that it is aligned with the scope and complexity of their business activities.

Firms have defined acceptable levels of volatility or uncertainty for each type of risk, resulting in a clear statement of their risk tolerances.	Distinguish between the overall level of risk associated with ML, TF and PF on a separate basis, by defining a singular level of risk, the firm implies that it views its exposure to ML, TF and PF risks as equivalent.
Firms elaborated on their obligations to regularly review and update their BRA, at least annually and in line with the nature and size of their businesses and changes in regulatory requirements.	Should adopt a process in place to periodically review and update risk assessments in response to changes in the business environment, regulatory landscape, trigger events and emerging threats.
	Communicate the outcome of the BRA in regular updates provided to Senior Management by the MLRO to ensure awareness of the risks the business is exposed to.
Methodology and Risk Assessment	
Good Practices	Areas for improvement
Having a clear risk assessment methodology in place which explains how risks are identified, assessed and mitigated including, what risk factors are taken into consideration commensurate with the nature and size of their businesses.	Avoid implementing generic methodologies that do not adequately address their specific business models, customer profiles, or the unique risks they face. Smaller or less complex business models may utilize simpler risk assessments compared to those required by institutions with larger or more intricate business models.
Adopted methodology offers a comprehensive breakdown of various sub-risk factors, while considering both DNFBPs and non-DNFBPs risks, as relevant to their activities.	Engage more frequently with relevant stakeholders (e.g., senior management, compliance officers, operational staff) can result in a lack of diverse perspectives and insights during the assessment process.
Adopting BRAs methodologies that explains how inherent risk scores are calculated using a risk matrix to calculate overall risk, including allocating weights for every risk factor it is exposed to (and to what degree) which allowed it to calculate overall risk before and after mitigating controls.	Consider local regulatory requirements for branches of group entities, including evaluating risks relevant to the Firm's ADGM branch operations.
Identification of ML/TF/PF risks specific to the firms' operations and evaluation of the likelihood and impact of identified risks, considering factors such as customer base, geographic location, transaction types, and the complexity of services offered.	Demonstrate that it takes into account the outcomes of the UAE NRA through implementing this within its BRA methodology as for some firms it remains unclear how they have aligned their own assessment with the NRA findings relevant to their sector.
Identify relevant risk exposures in their BRA by taking into accounts account several factors, including but not limited to (1) business relationship with customers, (2) products/services (3) transactions, (4) geography, (5) delivery channels, (6) new technology and (7) tax-related crime.	The assessment of TF & PF risks is generally limited and, in many cases, is grouped together with ML without further distinction regarding the vulnerabilities posed. This lack of differentiation in risk factors when evaluating risks contributes to the inadequate assessment of TF & PF exposure, hence can obscure specific vulnerabilities.

Outline internal and external references used to support their methodology include feedback from relevant internal stakeholders as well as external sources such as FATF reports, World Bank controls, relevant guidance from UAE authorities, and the National Risk Assessment (NRA).	Conduct effectiveness reviews of its systems and controls to deploy theoretical AML/CFT/CPF controls which were not adequately designed to mitigate the inherent risks identified within its BRA.
Residual risk is effectively aligned with the firm's defined risk appetite, if misalignment occurs, firms have established mechanisms for setting action plans and reporting to senior management.	Provide a summary detailing their overall exposure to ML, TF & PF risks, and include rationale explaining the basis for their conclusions in this regard.
	Assess risks products and services which are not offered by the Firm products and services, and also consider assessing ML, TF and PF risks associated with their offerings.

2. SAR and STR

<p><u>Expectations</u></p> <ul style="list-style-type: none"> • Establishment of Internal Policies and Procedures: DNFBPs must establish and maintain effective internal policies and procedures for identifying and reporting suspicious activities. • Reporting to the UAE Financial Intelligence Unit: DNFBPs must report any knowledge or suspicion of money laundering or terrorist financing to the UAE FIU through the goAML portal, without delay. • Implement of Effective CDD Measures: DNFBPs must have in place effective CDD measures, including ensuring that employees are trained to identify red flags indicators. This must involve understanding transactions or activities that appear inconsistent with a customer's profile and establishing red flags indicators relevant to the size and nature of the business. • Confidentiality in Reporting SARs: DNFBPs must maintain confidentiality regarding the reporting of SARs. Disclosing the fact that a SAR has been submitted may constitute a criminal offence that is punishable under the Federal AML Laws of UAE. • Record-Keeping Requirements: DNFBPs must keep detailed records of any SARs or STRs submitted, as well as any relevant supporting documentation. These records should be retained for a period of 6 years. <p>For additional information, you can refer to the published guide on Suspicious Transaction and Activity Reports specifically tailored for DNFBPs.</p>	
Policies and Procedures	
Good Practices	Areas for improvement
Developed adequate policies for SAR/STR reporting that is specifically tailored to meet local regulatory requirements and incorporates the reporting mechanisms established by the UAE FIU via the goAML portal.	Align the SAR process with local regulatory requirements and move from outlining general provisions for reporting such suspicions. Additionally, continue to update their P&Ps to ensure referencing up to date regulatory provisions.

Provide guidance on what constitutes suspicious activity to help employees identify and report potential suspicions, these include defining clear definitions of what behaviors or transactions may be considered suspicious, past scenarios, risk factors associated with different types of clients, industries, or geographic regions...etc.	Should provide sufficient detail and clear mechanisms for employees to report their suspicions to the MLRO, specifically, there are several areas that require enhancement. For example, outlining the reporting procedures, maintaining anonymity and confidentiality, examples of what may constitute a suspicion.
P&Ps covers the process in regard to handling the business relationship after filing an STR/SAR, outlining specific actions the firm may consider with the client, such as monitoring measures.	The firms P&P for managing a business relationship after a suspicious report has been filed only refers to guidance from the UAE FIU. However, it is important to note that the UAE FIU may not always respond with specific directions regarding a suspicion, therefore, firms should implement appropriate measures taking into consideration the risk factors involved.
Internal Systems and Controls	
Good Practices	Areas for improvement
Firms have in place a unified template for all suspicious reports, including a clear and concise narrative that explains the reasons for suspicion, relevant documents or evidence that support the suspicion, including specific observations and patterns that led to the report...etc. to ensure that essential information is captured uniformly.	Develop internal reporting template for SAR submissions and ensure the internal templates capture essential details related to the suspicion, such as the individual or entity being reported, the reason for suspicion, and how the suspicion was identified.
The MLRO is the sole decision-maker and has the authority to assess and act independently in cases of suspicions.	SAR/STR are not raised independently without obtaining approval from senior management. While management should be informed about the number and nature of the SARs reported, the MLRO should possess sufficient seniority and independence to act on their own authority.
Few firms have established independent oversight mechanisms to periodically evaluate the effectiveness of their SAR and STR processes and controls, thereby identifying areas for improvement.	Based on the annual AML Filings, we have observed that firms have onboarded clients from high-risk jurisdictions however, firms have not established controls in respect to High-Risk Country Reporting in accordance with Decision of National Committee No 1 (9/2021).
Firms have established controls for sharing goAML access, requiring that login credentials be individually assigned and not shared with other employees or users.	We have observed that firms are not maintaining updated contact information in goAML. Some specific issues noted include: <ol style="list-style-type: none"> 1) Retention of inactive users. 2) Current staff contact details being incorrectly entered, with some phone numbers containing incorrect digits or being left blank. 3) Company names not being updated to reflect the new company name.

3. Training

Expectations <ul style="list-style-type: none"> • AML Procedures Training: Employees should be trained on the firm's specific AML procedures, including how to identify suspicious activities and the processes for reporting them. • Ongoing Training Programs: DNFBPs must implement ongoing training programs for all employees, particularly those in roles exposed to money laundering and terrorist financing risks. Training should address any changes to the relevant laws, regulations, and the firm's internal policies in accordance with the applicable AML obligations. • Role-based training: Training should be customized for different roles within the organization to ensure employees understand their specific responsibilities concerning AML compliance. • Assess Effectiveness: Firms are required to assess the effectiveness of their training programs, which may involve testing employees' knowledge and understanding of AML procedures and regulations. • Record Keeping Requirements: DNFBPs must keep detailed records of training sessions, including attendance, materials used, and content covered, to demonstrate compliance with regulatory requirements. • Regular Updates to Training Content: Training content should be updated regularly to reflect any changes in regulations or emerging risks in the AML and CFT landscape. 	
Good Practices	Areas for improvement
Firms provide induction training to new employees that cover the key regulatory requirements, and internal policies related to AML, TF, and PF.	Training on identifying suspicions, relevant red flags associated with DNFBP activities, and the procedures for internal reporting of such suspicions is limited. DNFBPs are encouraged to consider strategic analysis and typology reports published by the UAE FIU, as relevant to their operations and potential secondary exposures through their clients.
Firms maintain records of training sessions, including attendance, materials used.	Training is not provided by the MLRO, instead reliance is made on training provided at the national level or by the regulator. While these resources are valuable, it is essential for the MLRO to offer training tailored to the specific activities and risks of the firm.
The MLRO provides annual refresh trainings on firm's overall obligations.	Training to employees on the outcome of the BRA is limited. It is essential for firms to communicate these to ensure that employee understand their roles in mitigating those risks.
	Training is general in nature, focusing on overall knowledge of money laundering rather than being tailored to the local regulatory requirements, firm's specific operations and the unique risks associated with terrorist financing and proliferation financing.

Recommendations

The RA makes the following recommendations:

1. DNFBPs are advised to thoroughly review the findings and recommendations outlined in this letter and conduct a self-assessment to enhance their practices and ensure alignment with applicable AML obligations.
2. During the self-assessment process, any identified deficiencies must be addressed directly, with the appropriate findings communicated to the Firm's senior management.
3. DNFBPs must ensure that their policies and procedures remain up to date in compliance with the applicable AML obligations and consider any regulatory developments.

Next Steps

The RA conducts onsite visits on DNFBPs on annual basis. Based on the responses received, those that were found to be deficient will be selected for an onsite visit, as part of the RA's 2025 Supervisory Plan.

The RA will not hesitate to take any enforcement action for Firms that are found to be non-compliant with the requirements under the applicable AML obligations.