

**FINAL NOTICE ISSUED UNDER SECTION 251 OF  
THE FINANCIAL SERVICES AND MARKETS REGULATIONS 2015**

To: **Aarna Capital Limited**  
Office 1301, Al Maryah Tower  
Abu Dhabi Global Market Square  
Al Maryah Island  
Abu Dhabi  
United Arab Emirates

Date: 13 December 2024

## 1. DECISION

- 1.1. For the reasons given in this Notice, the Financial Services Regulatory Authority (the “Regulator”) has decided to impose on Aarna Capital Limited (“ACL”) a financial penalty of US\$504,000 under section 232 of the *Financial Services and Markets Regulations 2015* (the “Regulations”).
- 1.2. ACL agreed to settle this matter at an early stage of the Regulator’s enquiry and action in this matter. The Regulator has therefore exercised its discretion to apply a 20% discount to the financial penalty under the Regulator’s policies for early settlement. Were it not for this discount, the Regulator would have imposed a financial penalty of US\$630,000 on ACL.
- 1.3. The Regulator acknowledges that ACL and its senior management have cooperated with the Regulator’s enquiry and action. ACL has taken appropriate steps to remediate the issues and deficiencies referenced in this Notice, including obtaining an independent third-party gap analysis of its policies, systems and controls in relation to its anti-money laundering obligations.

## 2. DEFINED TERMS

- 2.1. Defined terms are identified in the Notice in parentheses, using the capitalisation of the initial letter of a word or of each word in a phrase, and are either defined in a Rulebook, Glossary, or in the body of this Notice at the first instance the term is used. Unless the context otherwise requires, where capitalisation of the initial word is not used, an expression has its natural meaning.

## 3. SUMMARY OF REASONS FOR THE DECISION

- 3.1. The Regulator has decided to take the action set out in this Notice because it considers that, over the period from 8 June 2017 to 13 January 2023 (the “Relevant Period”), ACL failed to maintain adequate anti-money laundering systems and controls. In particular, the Regulator found that ACL failed to:
  - a. ensure that its policies, procedures, systems and controls were adequate to ensure compliance with certain requirements in the Regulator’s Anti-Money Laundering and Sanctions Rules and Guidance Rulebook (“AML Rules”);

- b. adequately undertake a risk-based assessment of a number of its customers and assign a risk rating proportionate to the assessed money laundering risks associated with the customer;
  - c. adequately document the customer risk assessment undertaken for a number of its customers and its determination in relation to the assignment of a risk rating proportionate to the assessed money laundering risks associated with those customers;
  - d. maintain adequate records of the CDD (and, where required, EDD) it had performed in relation to a number of its customers;
  - e. ensure that, for a number of customers, the CDD that it held for the customer was assessed with a frequency that was appropriate to the risk of the customer;
  - f. ensure that it appropriately monitored Transactions undertaken during the course of its customers' relationships to ensure that Transactions were consistent with its knowledge of the customer, its business and risk rating; and
  - g. maintain adequate procedures, systems and controls to monitor and detect suspicious activity or Transactions.
- 3.2. In doing so, ACL contravened a number of specific requirements in the AML Rules, as set out in this Notice.
- 3.3. The Regulator did not identify any specific instances of money laundering in ACL's business during the Relevant Period.

#### **4. FACTS AND MATTERS RELIED ON**

##### **Background**

- 4.1. ACL is a broker-dealer offering full brokerage services to professional clients, including access to exchange-traded derivatives, stocks, CFDs, bonds, and FX markets. ACL is not permitted to deal with Retail Clients.
- 4.2. ACL was registered with the Abu Dhabi Global Market ("ADGM") Registration Authority as a private company limited by shares on 5 March 2017. On 8 June 2017, ACL was granted a Financial Services Permission to undertake the following Regulated Activities:
- a. Arranging Deals in Investments;
  - b. Dealing in Investments as Agent;
  - c. Dealing in Investments as Principal; and
  - d. Providing Custody.
- 4.3. As an Authorised Person and Relevant Person, ACL was required to comply with chapters 1 to 14 of the AML Rules.

### **Regulator Review**

- 4.4. Between June 2022 and January 2023, the Regulator conducted an AML focused thematic review (the “Thematic Review”) of ACL. The Thematic Review identified a number of potential weaknesses and deficiencies in ACL's AML systems, controls, and practices concerning customer risk assessment, customer due diligence, and ongoing customer due diligence. The Thematic Review included a review of a sample of 10 client relationships.
- 4.5. On 10 January 2023, the Regulator initiated an investigation (“Investigation”) into the nature and conduct of ACL's business and suspected contraventions of AML Rules.
- 4.6. As part of the Investigation, the Regulator conducted a detailed review (the “Review”) of a sample of 42 ACL client relationships covering the period from June 2017 to August 2023. The selected sample represented approximately 20% of ACL Clients as at August 2023.
- 4.7. The Review involved an assessment of the adequacy of the following AML related processes performed by ACL:
  - a. Customer Risk Assessment;
  - b. Customer Due Diligence (“CDD”) and, where relevant, Enhanced Due Diligence (“EDD”); and
  - c. Ongoing Customer Due Diligence (“OCDD”) and transaction monitoring.
- 4.8. On 16 September 2024, the Regulator shared its draft findings from the Review with ACL for comment. On 26 September 2024, ACL provided the Regulator with its comments on the draft findings of the Review.

### **Customer Risk Assessment Deficiencies**

- 4.9. AML Rule 7.1.1(1) requires a Relevant Person to undertake a risk-based assessment of every customer and assign the customer a risk rating proportionate to the assessed money laundering risks associated with the customer.
- 4.10. AML rule 7.1.1 requires a Relevant Person to fulfil its customer risk assessment obligations: (i) prior to establishing a business relationship with a customer; (ii) on a periodic basis; and (iii) whenever it is otherwise appropriate for existing customers, including where a Relevant Person becomes aware of any change to the risk factors associated with the customer that might contribute to the potential for money laundering to increase materially.
- 4.11. When undertaking a risk-based assessment of a customer, a Relevant Person is required under AML Rule 7.1.1(3) to identify, assess and consider a number of factors. Those factors include, among other things: (i) the customer and its beneficial owners; (ii) the purpose and intended nature of the business relationship, and the nature of the customer's business; (iii) the nature, ownership and control structure of the customer; (iv) the customer's country of origin, residence, nationality, place of incorporation or place of business; and (v) the products and services to be provided to the customer.
- 4.12. Further, when undertaking a risk-based assessment of a customer and considering whether or not to assign a high risk rating, a Relevant Person is required under AML Rule 7.1.2 to take into account all relevant risk factors that would reasonably apply to the customer, including: (i) customer specific

risk factors (such as the ownership structure of the customer, the circumstances of the business relationship and the nature of the customer and its beneficial owners' business activities); (ii) risk factors relevant to the products or services to be provided to the customer; and (iii) geographical or jurisdictional risk factors associated with the customer and its beneficial owners.

4.13. AML Rule 4.5.3 requires a Relevant Person to document each customer risk assessment undertaken and its determination of the risk rating assigned to a customer proportionate to the assessed money laundering risks associated with the customer.

4.14. The Review of ACL customer risk assessments performed in relation to 42 Clients identified a number of weaknesses in the documentation of customer risk assessments performed by ACL prior to establishing business relationships with Clients. In particular, the Review found that:

- a. ACL did not adequately document its decision-making in determining the risk ratings it assigned to a number of its customers. For example, the Review identified a number of instances where the risk rating initially assigned to a customer had been changed from 'high-risk' to 'medium risk' after the initial completion of ACL's customer risk assessment without documenting the rationale for the change;
- b. there were inconsistencies in how ACL performed and/or documented customer risk assessments. In particular, the Review found a number of instances in which the same or similar risks had been identified but were assessed inconsistently between different client relationships;
- c. the level of analysis undertaken by ACL varied from customer to customer. For example, ACL completed client profiles in relation to some customers but did not for others; and
- d. ACL did not consistently document an adequate assessment having been performed of the customer's intended nature of business. In particular, ACL obtained information in relation to its customer's experience and knowledge of investments, and their expected monthly volume for a range of investments. However, ACL did not document its assessment and consideration of the nature, size and complexity of the customer's expected transactions as having been undertaken as part of its assessment of the money laundering risks associated with each customer.

4.15. Additionally, across the sample of 42 customer relationships reviewed, 12 customer relationships were assessed by the Regulator as having been assigned a risk rating that were not proportionate to the assessed money laundering risks associated with the customer. In each of these instances, ACL had assigned a risk rating to the assessed customer of 'medium risk', whereas the Regulator considered the relevant risk factors indicated a risk rating of 'high-risk' to be more appropriate in the circumstances. This included:

- a. two customer relationships where, in the opinion of the Regulator, the identification of the client being a PEP, or of having a PEP association, should have led to the client being assigned a 'high-risk' rating. The Regulator found that in relation to each of these customer relationships, ACL did not adequately document its rationale for having assigned a 'medium risk' rating to these customers;
- b. two customer relationships where, in the opinion of the Regulator, the identification of previous regulatory action concerning the market conduct of the customer had not been adequately assessed or considered and the rationale for assigning a 'medium risk' rating to the customer had not been adequately documented; and

- c. a number of customer relationships in which, in the opinion of the Regulator, the business and financial history of the customer, or recent changes to its ownership structure or potential conflicts related to the customer, had not been adequately assessed or considered and the rationale for assigning a 'medium risk' rating to the customer had not been adequately documented.
- 4.16. The effect of the Regulator's concern described in paragraph 4.15 above is that proper consideration of all relevant risk factors should have resulted in each of the 12 customers being assigned a 'high risk' rating. However, because the customers were not rated as high risk, they were not subject to EDD (in addition to CDD), or annual periodic reviews of CDD information.
- 4.17. As part of ACL's processes for performing customer risk assessments (and CDD) in relation to its customers, ACL undertook screening of the customer, its beneficial owners and related parties and individuals. The information obtained through screening included database searches against public adverse information, as well as screening against relevant resolutions and Sanctions. That information was obtained to be used as part of ACL's risk assessment of the customer as well as in relation to ACL's fulfilment of its obligations under Chapter 11 of AML.
- 4.18. The Review identified that ACL's customer files, for a number of reviewed customer relationships:
- a. did not adequately document screening searches having been performed and reviewed in relation to related parties to customers; and
  - b. recorded that its screening searches undertaken in relation to the customer were "ongoing", without any documentation to confirm whether the process had been completed prior to finalising the risk assessment or ACL's decision to establish a business relationship with the customer.
- 4.19. Accordingly, as a result of the matters described in paragraphs 4.14 to 4.18 above, the Regulator considers that ACL contravened AML Rules 7.1.1 and 4.5.3.

#### **Customer Due Diligence Deficiencies**

- 4.20. AML Rule 8.1.1(a) requires a Relevant Person to undertake CDD (and, where required, EDD) on each of its customers. In accordance with AML Rule 8.2.1, a Relevant Person is required to fulfil its CDD (and, where required, EDD) obligations before it undertakes or is involved in the provision of a service to the customer.
- 4.21. AML Rule 8.1.1(3) requires a Relevant Person to undertake EDD, in addition to CDD, in respect of each customer it has assigned a high-risk rating.
- 4.22. AML Rule 4.5.1(b) requires a Relevant Person to maintain records, consisting of the original documents or certified copies in respect of its customer business relationships, including records of CDD, and where applicable EDD undertaken in relation to its customers.
- 4.23. The Review found that for a number of its customers, ACL's record keeping of CDD (and, where applicable, EDD) undertaken of its customer relationships was deficient. Records of documentation obtained as part of CDD (and EDD) were not consistently maintained in customer files and records of ACL's review and consideration of this material were not consistently documented.
- 4.24. Accordingly, the Regulator considers that ACL has contravened AML Rule 4.5.1(b).

### **Ongoing Customer Due Diligence – Deficiencies in Periodic Reviews of CDD Information**

- 4.25. AML 8.1.2(1)(a) requires that existing customers must be assessed: (i) with a frequency that is appropriate to the risk of each customer; and (ii) when the Relevant Person becomes aware that any circumstances relevant to its risk assessment for a customer have changed.
- 4.26. ACL's AML procedures during the Relevant Period required it to conduct periodic CDD reviews annually for customers it had assessed as 'high-risk' and every two years for customers it had assessed as 'medium risk'.
- 4.27. The Review found that in relation to 12 of the 42 reviewed customer relationships, ACL had failed to perform periodic reviews of the CDD information it held for the customer in accordance with the frequency it prescribed in its AML procedures.
- 4.28. Accordingly, the Regulator considers that ACL has contravened AML Rule 8.1.2(1).

### **Ongoing Customer Due Diligence - Transaction Monitoring Deficiencies**

- 4.29. AML Rule 8.6.1 requires that, when undertaking ongoing CDD, a Relevant Person must, using a risk-based approach:
- a. monitor Transactions undertaken during the course of its customer relationship to ensure that Transactions are consistent with its knowledge of the customer, its business and risk rating;
  - b. pay particular attention to any complex or unusually large Transactions or unusual patterns of Transactions that have no apparent or visible economic or legitimate purpose;
  - c. enquire into the background and purpose of the Transactions in (b);
  - d. periodically review the adequacy of the CDD information it holds on customers and Beneficial Owners to ensure that the information is kept up to date, particularly for customers with a high-risk rating; and
  - e. periodically review each customer to ensure that the risk rating assigned to the customer remains appropriate for the customer in light of the money laundering risks.
- 4.30. AML Rule 14.2.1 requires a Relevant Person to establish and maintain policies, procedures, systems and controls in order to monitor and detect suspicious activity or Transactions in relation to potential money laundering or terrorist financing.
- 4.31. The Review found ACL's systems and controls in relation to transaction monitoring during the Relevant Period to be deficient in that they were narrowly focused on detecting market abuse, rather than including a broader evaluation of client trading patterns and activities to monitor and detect suspicious activity or Transactions in relation to potential money laundering or terrorist financing. As a result, the transaction monitoring performed by ACL of its customer's activity did not adequately monitor transactions for other potential financial crime and ACL did not consider other risk factors, such as how actual trading activity aligned with the assessed purpose and intended nature of business of the account based on the initial risk assessment performed for the client.

4.32. The Regulator also identified that ACL's processes for monitoring customer deposits and withdrawals were inadequate. Specifically, ACL procedures in place during the Relevant Period stated that customer deposits should only be verified in instances where the deposit was made from an unconfirmed bank account and only for customers with a 'high-risk' rating. Further, the Review found that ACL did not actively monitor customer deposit and withdrawal activity to identify money laundering risk or review customer deposit and withdrawal activity as part of its OCDD processes to ensure that it aligned with ACL's knowledge and risk assessment of the customer.

4.33. Accordingly, the Regulator considers that ACL has contravened AML Rules 8.6.1(a) and 14.2.1.

#### **AML Systems and Controls**

4.34. AML Rule 4.1.1(1) requires that a Relevant Person must establish and maintain effective AML policies, procedures, systems and controls to prevent opportunities for money laundering, in relation to the Relevant Person and its activities.

4.35. AML Rule 4.1.1(2) requires that a Relevant Person's AML policies, procedures, systems and controls must ensure compliance with Federal AML Legislation (AML Rule 4.1.1(2)(a)), and with the Relevant Person's obligations under the AML Rules (AML Rule 4.1.1(2)(d)).

4.36. As a result of the deficiencies found in ACL's processes relating to the performance of customer risk assessments, CDD, periodic reviews of CDD information undertaken as part of OCDD and transaction monitoring, the Regulator considers that ACL failed to maintain effective AML systems and controls during the Relevant Period, in relation to its activities and ensure compliance with its AML obligations.

4.37. Accordingly, the Regulator considers that ACL has contravened AML Rules 4.1.1(1) and (2).

#### **Remediation undertaken by ACL**

4.38. Since the commencement of the Regulator's Investigation, ACL has undertaken a number of steps to improve its AML policies, processes, systems and controls, and to address the various issues and concerns identified by the Regulator. This has included:

- a. undertaking a review of its AML policies and procedures for compliance with its obligations under the AML Rules;
- b. implementing a number of specific steps to enhance its processes in relation to:
  - i. undertaking and documenting a risk-based assessment of every customer;
  - ii. maintaining adequate records of the CDD (and where required, EDD) it had performed in relation to its customers; and
  - iii. assessing the CDD/EDD on a frequency appropriate to the risk of each customer; and
- c. updating and enhancing its processes for monitoring customer transactions.

4.39. The Regulator acknowledges ACL's co-operation and the steps that ACL has taken to remediate the issues and deficiencies set out in this Notice.

## 5. CONTRAVENTIONS

- 5.1. For the reasons set out above, the Regulator has found that, during the Relevant Period, in certain instances, ACL contravened the following Rules and Regulations:
- a. AML Rule 4.1.1(1) and AML Rule 4.1.1(2)(a) and (d) for failing to ensure that its Anti-Money Laundering policies, procedures, systems and controls were adequate to ensure compliance with a number of requirements in the Regulator's AML Rules (see paragraphs 4.34 to 4.37);
  - b. AML Rule 7.1.1 for failing to adequately undertake a risk-based assessment of a number of its customers and assign them a risk rating proportionate to the assessed money laundering risks associated with the customer (see paragraphs 4.9 to 4.19);
  - c. AML 4.5.3 for failing to adequately document the customer risk assessment undertaken for a number of its customers and its determination in relation to the assignment of a risk rating proportionate to the assessed money laundering risks associated with those customers (see paragraphs 4.9 to 4.19);
  - d. AML Rule 4.5.1(b) for failing to maintain adequate records of the CDD (and, where required, EDD) it had performed in relation to a number of its customers (see paragraphs 4.20 to 4.24);
  - e. AML Rule 8.1.2(1) for failing to ensure that the CDD that it held for a number of its customers was assessed with a frequency that was appropriate to the risk of each customer (see paragraphs 4.25 to 4.28);
  - f. AML Rule 8.6.1(a) for failing to ensure that it appropriately monitored Transactions undertaken during the course of its customers' relationships to ensure that Transactions were consistent with its knowledge of the customer, its business and risk rating (see paragraphs 4.29 to 4.33); and
  - g. AML Rule 14.2.1 for failing to maintain effective procedures, systems and controls in order to monitor and detect suspicious activity or Transactions in relation to potential money laundering (see paragraphs 4.29 to 4.33).

## 6. SANCTION

- 6.1. In deciding to impose a financial penalty on ACL, the Regulator has taken into account the factors and considerations set out in sections 8.2 to 8.5 of the Regulator's Guidance & Policies Manual ("GPM").

### **Decision to impose a financial penalty**

- 6.2. With reference to section 8.2 of GPM, the Regulator considers the following factors to be of particular relevance in deciding to impose the financial penalty on ACL:
- a. 8.2.1(a) - the Regulator's objectives under section 1(3) of the Regulations to:
    - i. foster and maintain confidence in the ADGM;



- ii. prevent, detect and restrain conduct that causes or may cause damage to the reputation of ADGM through appropriate means including the imposition of sanctions; and
  - iii. promote public understanding of the regulation of ADGM.
- b. 8.2.1(b) - the deterrent effect of the penalty and the importance of deterring other Authorised Persons from committing similar contraventions;
- c. 8.2.1(c) – in terms of nature, seriousness, duration and impact of the contravention:
- i. the various contraventions lasted for a significant period, from 8 June 2017 to 13 January 2023; and
  - ii. the contraventions revealed weaknesses in ACL's systems or internal controls relating to its business.
- d. 8.2.1(k) – ACL has not acted fully in accordance with the Regulator's guidance and other publications, including but not limited to the guidance provided in FSRA FCCP Notice No. 9 of 2021 ADGM Know Your Customer (KYC) Guidelines for Financial Institutions (FIs) and Designated Non-Financial Businesses and Professions (DNFBPs).

#### **Determination of the level of financial penalty**

- 6.3. With reference to section 8.4 of GPM, the Regulator has taken into account the factors and considerations set out in the five-step framework in section 8.5 of GPM in determining the level of the financial penalty and it has decided to impose.

##### *Step 1: Disgorgement*

- 6.4. This step is not considered to be relevant as the Regulator did not find that ACL derived any direct financial benefit from the contraventions.

##### *Step 2: The seriousness of the contraventions*

- 6.5. The Regulator considers ACL's conduct to be serious because:
- a. ACL's failure to perform adequate customer risk assessments, periodic reviews of CDD and transaction monitoring occurred over a significant period of time and affected a significant number of its customers;
  - b. ACL's numerous contraventions are indicative of weak systems or internal controls; and
  - c. ACL's failures in relation to AML requirements could have exposed the ADGM to an increased risk of money laundering or financial crime.
- 6.6. Taking the above factors into account, the Regulator considers that a financial penalty of US\$700,000 appropriately reflects the seriousness of the contraventions.

##### *Step 3: Mitigating and aggravating factors*

- 6.7. The Regulator considers that the following factors have a mitigating effect on the contraventions:

- a. ACL does not have any previous history of non-compliance with AML Rules (but has previously been the subject of action in relation to compliance with the Common Reporting Standard Regulations 2017);
- b. ACL cooperated with the Regulator's Investigation; and
- c. ACL commenced remedial actions following the commencement of the Regulator's Investigation.

6.8. The Regulator did not find any aggravating factors.

6.9. The Regulator has taken into consideration the above mitigating factors and has decided to apply a 10% discount to the level of the financial penalty which it would have otherwise imposed.

6.10. Accordingly, the figure after Step 4 is US\$630,000.

*Step 4: Adjustment for deterrence*

6.11. Section 8.5.9 of GPM provides that, if the Regulator considers the level of the financial penalty which it has arrived at after Step 3 is insufficient to deter the firm that committed the contravention, or others, from committing further or similar contraventions, then the Regulator may increase the financial penalty. Section 8.5.9 of GPM sets out the circumstances in which the Regulator may do that.

6.12. In this instance, the Regulator considers that the figure arrived at after Step 3 is sufficient for the purposes of deterring ACL and others from committing further or similar contraventions. Accordingly, the Regulator does not consider it necessary to adjust the amount of the fine arrived at after Step 3 for the purposes of deterrence.

6.13. Accordingly, the figure after Step 4 is U630,000.

*Step 5: Adjustment for cooperation/early settlement*

6.14. Where the Regulator and the firm on which the financial penalty is to be imposed come to an agreement on the amount of the financial penalty, section 8.5.10 of GPM provides that the amount of the financial penalty which might have otherwise been payable will be reduced to reflect the stage at which the agreement is reached.

6.15. The Regulator and ACL have reached an agreement on the relevant facts and matters relied on, the regulatory action to be taken, and the financial penalty to be imposed. Having regard to the stage at which this agreement has been reached and in recognition of the benefit of this agreement, the Regulator has applied a 20% discount to the level of the financial penalty which it would have otherwise imposed.

6.16. Accordingly, the figure after Step 5 is US\$504,000.

**The level of the financial penalty**

6.17. Given the fact and matters set out above and all the circumstances, the Regulator has determined that it is proportionate and appropriate to impose on ACL a financial penalty of US\$504,000.

## 7. PROCEDURAL MATTERS

### Settlement

- 7.1. The Regulator and ACL have reached an agreement on the relevant facts and matters relied on, the regulatory action to be taken and the financial penalty to be imposed. In agreeing to the action set out in this Final Notice and deciding to settle this matter, ACL has agreed not to refer this matter to the Appeals Panel.

### Payment of financial penalty

- 7.2. The financial penalty imposed by this Final Notice is to be paid by ACL on or before **30 days from the date of this Notice**, unless varied or otherwise agreed by the Regulator.
- 7.3. Payment of the financial penalty is to be made by electronic funds transfer according to the instructions set out in the table below:

Account Name	[REDACTED]
Account Number	[REDACTED]
IBAN Number	[REDACTED]
Account Type	[REDACTED]
Bank Name	[REDACTED]
Swift Code	[REDACTED]
Reference	[REDACTED]

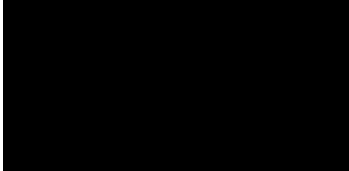
- 7.4. In the event that any part of the financial penalty remains outstanding on the date by which it must be paid, then the Regulator may recover the outstanding amount of the financial penalty as a debt owed by ACL and due to the Regulator.

### Publicity

- 7.5. As this Final Notice has now been given to ACL, pursuant to section 252(3) of the Regulations the Regulator may publish the details about the matter at its discretion.
- 7.6. Pursuant to section 252(4) of the Regulations, ACL is not permitted to publish the notice or any details concerning it unless the Regulator has published the notice or those details in accordance with section 252(3).
- 7.7. The Regulator will publish on its website:

- a. this Final Notice; and
- b. subject to section 252(5) of the Regulations, a press release in a form and manner the Regulator considers appropriate.

Signed:



Emmanuel Givanakis  
Chief Executive Officer  
Financial Services Regulatory Authority