

SUSPICIOUS TRANSACTION AND ACTIVITY REPORTS

➤ What is Suspicious Transaction and Activity Reporting?

According to Federal Cabinet Decision No. (10) of 2019, a suspicious transaction is any transaction relating to funds where you have reasonable grounds to suspect that the funds, in whole or in part, are the proceeds of crime or are related to the financing of terrorism or illegal organisations, or are intended to be used in such activity, regardless of the amount and whether such transactions have been completed or attempted. Where such transactions or activities occur, you must:

1. File a 'Suspicious Transaction Report' (STR) or a 'Suspicious Activity Report' (SAR) with the UAE Financial Intelligence Unit (UAEFIU) through the goAML system, without any delay;
2. Respond with all and any additional information the UAEFIU may ask for through an 'Additional Information File' (AIF) request through the goAML Message Board; and
3. Supplement further information on the existing report by submitting an AIF report (with or without transactions as applicable)

➤ What is the difference between an STR and an SAR?



➤ How do I file an STR or an SAR?

Further to the enactment of Federal Decree-Law No. (20) of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Illegal Organizations, as amended, the UAE adopted the goAML system as the approved mechanism for filing STRs and SARs with the UAEFIU.

Further information on goAML registration and the STR process can be found on the UAEFIU website:
<https://www.uaeifiu.gov.ae/en/stakeholders/reporting-entities/str-process/>



➤ Who should register on the UAEFIU's goAML system?

As a Designated Non-Financial Business and Profession (DNFBP), you are required to register to submit suspicious reports directly through the goAML system or by any other means approved by the UAEFIU.

For further guidance regarding filing and registration on goAML, please visit the UAEFIU or ADGM's website:

<https://www.uaeifiu.gov.ae/en/> or <https://www.adgm.com/operating-in-adgm/financial-and-cyber-crime-prevention/dnfbps>

➤ What are the consequences for failing to report?

According to the Federal AML Laws, failure to report a suspicious transaction (STR, SAR, or other report types) without delay, whether intentionally or by gross negligence, is a federal crime in the UAE. As a result, any person failing to report an STR or an SAR in a timely manner could be liable to imprisonment and/or a fine of no less than AED100,000 and no more than AED1,000,000.

➤ What are the essential requirements of an STR/SAR?

STRs/SARs must be complete and include all relevant information about the suspected crime including the background, the parties involved, the reasons for the report and the possible red flags related to the money laundering or financing of terrorism. Therefore, at a minimum, STRs/SARs should include the following five elements:

Element	Question	Details
 Who	Who is the suspect/client?	Is it a natural person or legal entity? What is the relationship between the reporting entity and the suspect reported?
 What	What is the suspicious activity or transaction?	Describe the activity or transaction raising suspicions and ensure any relevant transaction information is provided along with supporting documents.
 When	When did the transaction/activity take place?	The date the suspicious transaction or activity was detected.
 Where	Where did the suspicious transaction/activity take place?	Indicate the locations linked to the suspicious transaction / activity. This might involve multiple branches, other related parties, or other jurisdictions. STRs should include the relevant account number(s) involved in the transaction.
 Why	Why is the transaction/activity suspicious?	What are the primary indicators or red flags that raised the suspicion?

The UAEFIU communicates further guidance on reporting good-quality STRs and SARs quarterly through the goAML system. DNFBPs are encouraged to review the guidance to enhance the quality of their reports.

➤ What is the Reporting Threshold?

There is no minimum reporting threshold which may trigger an STR. All transactions, including attempted transactions, should be reported regardless of the amount of the transaction where there are reasonable grounds to suspect that the funds in the transaction are earned from any felony or misdemeanour related to the financing of terrorism or of illegal organisations. An SAR should also be submitted even if there is no transaction involved. For instance, this could be necessary if a customer avoids revealing certain information or exhibits suspicious behaviour.



➤ What is the Reporting Timeline?

DNFBPs are required to file an STR / SAR whenever any suspicion arises from a customer's transaction or activity, without any delay.

➤ Record Keeping

In ADGM, Relevant Persons, which includes DNFBPs, are required to comply with the Anti-Money Laundering and Sanctions Rules and Guidance (AML). Under those AML Rules, DNFBPs are required to keep the details of both internal and external STRs and SARs for at least six (6) years from the date on which report was made.

➤ Relevant STR/SAR Reporting Guidance:

Example of scenarios where you must file an STR or SAR

Sector	Example of STR	Example of SAR
 Audit, accounting, tax and insolvency firms	<p>You receive a request to conduct an audit for your client's financials. During the audit, you note a transaction, or a series of transactions that do not align with the business activities of the company. Upon challenging the client's management, you are not satisfied with the explanations provided.</p>	<p>You receive a request for conducting an audit for your client's financials. At the onboarding stage, your client provides limited information about the beneficial owner. As you enquire further, you discover that the information provided is inaccurate and determine that the client is trying to conceal the beneficial owner.</p>
 Dealers in Precious Metals Stones, and/or saleable items	<p>A walk-in client approaches you and purchases, in cash, a diamond that costs AED 93K. The client refuses to provide a copy of their ID to the sales representative. Your sales representatives must reject the transaction and file an internal STR to the MLRO.</p>	<p>A client approaches on multiple occasions to purchase items below the threshold of AED 55K. Over a month, the client's total purchases accumulate to AED 130K. When this is identified through the transaction monitoring system, the sales representative requests the client to provide a copy of the Emirates ID. The client refuses to provide any KYC document.</p>
 Real estate firms	<p>During the launch of a new project, a client approaches you to purchase a property in cash. When asked to provide KYC and CDD information, the client refuses to provide information related to their source of wealth and funds.</p>	<p>On multiple occasions, you are approached by a client to purchase a property. Once the sale is complete, you discover that the client has been purchasing properties and reselling them for lower prices.</p>
 Company Service Providers	<p>A client approaches you to assist them in setting up a company in a high-risk jurisdiction. Upon collecting the relevant KYC and CDD documents, you discover that the client provided falsified KYC documents.</p>	<p>An existing client requires assistance in setting up multiple holding companies in different jurisdictions. Upon reviewing the proposed structures and requesting further clarifications on the purpose of setting up multiple structures, the client does not provide a clear rationale for such additional layers.</p>
 Law, notary or independent legal firm	<p>A customer from a high-risk jurisdiction approaches you to assist them in purchasing a property. Upon onboarding the client, you notice that the purchase amount is being transferred through a third-party's account that is not linked to the customer.</p>	<p>Through your ongoing monitoring, you note that the ownership structure of one of your clients has changed, and a new beneficial owner has acquired the company. Upon conducting a KYC refresher, you identify multiple allegations and adverse media reports about the new beneficial owner.</p>



➤ Key elements for effective Suspicious Transaction and Activity Reporting

Below is a list of the key components of an effective suspicious transaction and activity reporting system that will help you to effectively identify and report STRs/SARs. Please note that the below list is provided by way of example and should ensure that you have effective policies, procedures, systems and controls in place to prevent opportunities for money laundering as appropriate to your business and its activities.

Transaction Monitoring System	Internal Reporting Mechanism/Policies and Procedures	Periodic review	Role of MLRO
A robust transaction monitoring system is an crucial for ensuring adequate and timely identification of suspicious transactions and/or activities.	Documented reporting procedures for suspicious transactions/activities must be communicated to all relevant employees. This should include, but is not limited to, details on who is responsible for reporting, to whom they should report, and the internal and external reporting mechanism (e.g. email/form and through the goAML system), etc.	Periodically review and update the system for identifying red flags, the suspicious transactions/activities reporting system and relevant policies and procedures.	Conduct adequate training to ensure that employees are aware of the requirements related to suspicious transactions and activities and how to detect them. Use examples relevant to the business to enhance understanding and awareness.

➤ Other Types of Reporting

The UAEFIU has published a guide setting out the different types of reports that can be submitted on the goAML system:

<https://www.uaeifiu.gov.ae/media/adperv4o/different-types-of-reports-on-goaml-v-29-2-1apr2024-.pdf>

Further to the enhancement of the goAML system by the UAEFIU, there are additional reporting requirements specifically for Dealers in Precious Metals and Stones (DPMS) and Real Estate Firms.

Sector	Report Type	Reporting requirements
Dealers in Precious Metals Stones, and/or saleable items	Dealers in Precious Metals and Stones Report (DPMSR)	Transactions with resident and non-resident individuals for cash equal to or exceeding AED 55,000 or its equivalent in foreign currency.
		Transactions with entities/companies equal to or exceeding AED 55,000 or its equivalent in foreign currency whether in cash or through wire transfer.
Real estate firms	Real Estate Activity Report (REAR)	Purchase or sale of Freehold property / real estate where the method of payment includes cash equal to or exceeding AED 55,000; be it in a single payment or multiple payments.
		Purchase or sale of Freehold property / real estate where the method of payment involves a virtual asset for a portion or for the entire property value.
		Purchase or sale of Freehold property / real estate where the funds used to carry out the transaction were converted from or to a virtual asset for a portion or for the entire property value.

