

TARGETED FINANCIAL SANCTIONS (TFS)

➤ What are Targeted Financial Sanctions?



International sanctions include measures issued by the UN Security Council ("UNSC") and implemented by the UAE in support of international peace and security. The UNSC sanctions regime includes different economic and trade sanctions – this Guide is focused on implementation in the UAE of the UNSC's targeted financial sanctions ("TFS") related to freezing measures and prohibition to provide funds and services to individuals and entities that appear on what is known as the 'UN Consolidated List'.



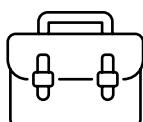
All Member States of the United Nations – including the UAE – must implement TFS with regard to individuals or entities designated by the UNSC. In addition, the UNSC mandates the UAE as a member state to develop procedures to identify and apply freezing measures with regards to individuals or entities suspected of terrorist acts. In the UAE, there is a 'Local Terrorist List' prepared, approved and published in line with this mandate.



Compliance with TFS pursuant to the Local Terrorist List and the UN Consolidated List is mandatory. They apply as a matter of law in the ADGM. You must ensure you comply with the restrictions applicable to the Local Terrorist List and the UN Consolidated List.



Sanctions screening is conducted as part of the Know Your Customer (KYC) process to identify whether a customer (individual or entity) is associated or subject to economic or trade sanctions. Further details on the KYC process is available in the KYC Quick Guide.



Which authority is responsible for the implementation of TFS in UAE?

The Executive Office for Control & Non-Proliferation ("EOCN") is tasked with ensuring implementation of TFS in the UAE through Cabinet Decision No. 74 of 2020.



Which sanctions are mandatory?



As a member of the United Nations, the UAE is required to comply with all sanctions issued and passed by the UNSC. Consequently, the UNSC TFS obligations apply in the ADGM. You must comply with the TFS requirements based on the UN Consolidated List and the UAE Sanctions List.

Other Sanctions



Depending on various circumstances, other unilateral sanctions regimes may also apply to your business and if so you will need to ensure you comply. These circumstances can include whether your business operates in other jurisdictions, who you do business with and the currencies you transact in. Sanctions regimes you may need to consider the applicability of include sanctions issued by the European Union, the UK and the US (the Office of Foreign Assets Control). In all such cases, you are expected to consider and take appropriate steps to ensure compliance with applicable sanctions regimes. International sanctions are complicated and specialist professional advice is recommended.



Who must comply with TFS?

Sanctions restrictions, including TFS measures, must be implemented by any Person (both natural and legal entities) located in the UAE and operating within the UAE's jurisdiction.

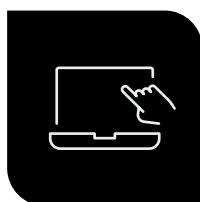
➤ When to conduct sanctions screening?

Sanctions Screening

You are required to screen prospective and (on an ongoing basis) existing clients, beneficial owners, and transactions for potential matches with the UN Consolidated List and all sanctions issued by the UAE including the UAE Local Terrorist List. Below are examples of situations requiring TFS screening:

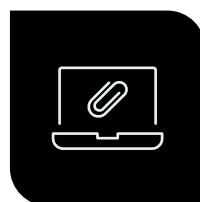
- Prior to onboarding new customers.
- Prior to processing any transaction.
- During ongoing CDD and KYC reviews.
- Upon modifications to a customer's information.
- Whenever the UN Consolidated List and UAE Terrorist List is updated.

To ensure compliance with freezing measures, screening must be done within 24 hours of these lists being updated.



Subscribe

You are required to subscribe to the EOCN Notification System on the EOCN's website* to receive automated email notifications on any updates to the Sanctions List.



Screen

You must undertake regular and ongoing screening on the latest Local Terrorist List and UN Consolidated List**.



Apply TFS

Freeze all relevant funds, and ensure no funds or services are made available (directly or indirectly) to the relevant customer or associated individuals/entities. You need to freeze all funds immediately (within 24 hours) and without prior notice (**page 5** of this guide provides further information on applying TFS).



Report

Report any freezing or suspension measures taken upon identifying confirmed or partial name matches through the goAML platform within 5 days from taking such measures (**page 4** of this guidance provides further information on how to confirm a match).

TFS survey

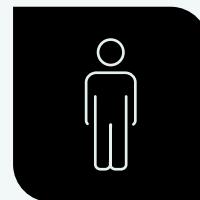
Once you complete applying your TFS measures, you are expected to complete the TFS survey which is accessible via the EOCN notification received by e-mail.

(*) <https://www.uaeiec.gov.ae/en-us/un-page>

(**) It is recommended to implement an automated sanctions screening solution. If you have a low number of customers, it may be practical to conduct TFS screening manually.

➤ How do I confirm a match?

When screening a name, you may find various potential matches on the lists relevant to TFS, given that there are many names in common. You must therefore take into consideration your knowledge of the customer and all the available identifiers concerning the customer in order to establish whether it is a valid match, partial match or a 'false positive'. The following identifiers can help identify a company on a sanctions list and confirm or dismiss a potential match:



Corporate Customer

- Full corporate / legal name
- Aliases, including trading names
- Registered office address
- Location where the customer actually conducts business
- Address(es) of branches
- Names of directors, shareholders and beneficial owners

Individual Customer

- Full name
- Aliases
- Date of birth
- Nationality
- ID or passport information
- Geographical footprint, including last known address
- Public profile



Who is the target of these measures?

The freezing measures, including the prohibition of making funds available, apply to:

- Any individual, group, or legal entity listed in the Local Terrorist List defined by the Federal Cabinet or listed by the UNSC in its Consolidated Sanctions List.
- Any legal entity, directly or indirectly owned or controlled by an individual or legal entity listed under the UAE Sanctions list or UNSC Consolidated list.
- Any individual or legal entity acting on behalf of or at the direction of any individual or legal entity listed under UAE Sanctions list or UNSC Consolidated list.

You are obliged to apply freezing measures on entities which are majority owned by designated individuals or entities as well as entities where a designated individuals hold minority interests.

➤ What are my obligations when identifying a sanctioned customer?

	Type of customer	TFS measures	Reporting process
Confirmed match	Existing customer	Freeze assets* without delay (remains in effect until de-listing)	Submit Funds Freeze Report (FFR) via goAML within 5 days
	Potential customer	Reject customer	
Partial Name match**	Any customer	Suspend all transactions without delay (remains in effect until you receive further instructions from the EOCN)	Submit Partial Name Match Report (PNMR) via goAML within 5 days
False match	Any customer	No action required	Continue screening



Even when a customer itself is not sanctioned, you must apply freezing measures in relation to the following entities:

- entities where more than 50% of shares are owned by a designated entity or individual
- entities where a designated entity or individual owns a minority interest, but there is evidence that the sanctioned entity or individual exerts control over the customer (alone or under an agreement with another shareholder or other third party)
- any entity or individual acting on behalf of or at the direction of any designated entity or individual

More details relating to associated reporting obligations are provided on the website of the EOCN***.

(*) For DNFBPs, this means stopping the facilitation of or blocking the transfer of ownership of any assets, and prohibition of provision of any services until the customer is delisted or based on the instruction of the EOCN. For example, legal services to transfer asset ownership, buying or selling real estate, selling jewelry, precious metals, natural resources, etc.

(**) After exhausting all measures and identifiers to rule out the potential match, and not being able to rule it out.

(***) www.uaeic.gov.ae

