



**Money Laundering** and  
Terrorist Financing Risk Assessment  
of **ADGM** Legal Persons & Arrangements

March 2024

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# Contents

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## ● Chairman's Foreword

### **Chapter 1**

#### **Introduction**

- Overview
- Purpose

### **Chapter 3**

#### **Overview of ADGM Legal Persons and Arrangements**

- ADGM Legal Persons
- Companies
- Partnerships
- Foundations
- Branches
- Commercial Licensing in ADGM
- ADGM Legal Arrangements
- Trusts
- ADGM Population

### **Chapter 5**

#### **Conclusion and Application**

## ● Executive Summary

### **Chapter 2**

#### **Overview of Relevant Legal Frameworks and Resources**

### **Chapter 4**

#### **Methodology**

- Methodology
- Model for Assessing ML/TF Risk of Legal Persons and Arrangements
- Step 1. Threats
- Step 2. Inherent Vulnerabilities
- Step 3. Probability Factor
- Step 4. Mitigants
- Overall Risk Rating

#### **Appendix A - List of Acronyms**

#### **Disclaimer**

#### **Contact Details**

# CHAIRMAN'S FOREWORD



## ***His Excellency***

**Ahmed Jasim Al Zaabi,  
Chairman**

*Abu Dhabi Global Market*

***I am pleased to present ADGM's Money Laundering and Terrorist Financing Risk Assessment of ADGM Legal Persons and Arrangements.***

As an International Financial Centre (“IFC”), ADGM is focused on and committed to mitigating and managing financial crime risk.

ADGM's legal framework provides a wide variety of legal person types to cater for the different needs of the business community, including public and private companies, partnerships, branches and foundations.

Aligned with our commitment to managing financial crime risk, ADGM staff set out to develop a granular understanding of the money laundering (“ML”) and terrorist financing (“TF”) risks associated with the legal persons and arrangements (“LPAs”) available in ADGM.

**We trust this report will also be of benefit to regulated entities that deal with ADGM legal persons, such as financial institutions and designated non-financial businesses and professions (“DNFBPs”), as well as relevant authorities in the UAE such as law enforcement.**

To do this, first ADGM developed, in-house, a rigorous risk rating methodology based on research and benchmarking of LPA risk rating methodologies internationally.

Second, ADGM conducted a detailed risk assessment of each legal person and arrangement type available in ADGM, using the methodology developed.

This report provides an overview of the methodology and sets out the results, i.e., the ML/TF risk ratings of ADGM LPAs. This is intended to supplement and support the United Arab Emirates’ (“UAE”) national LPA risk assessment.

The findings of the ADGM LPA risk assessment will benefit ADGM staff across the authorities in our assessment and processing of applications to register/incorporate legal persons in ADGM, as well as the ongoing monitoring of registered persons.





# EXECUTIVE SUMMARY

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***Abu Dhabi Global Market (ADGM)***, the international financial centre (IFC) of the capital city of the United Arab Emirates opened for business on 21st October 2015. Operating within an international regulatory framework based on direct application of the English Common Law, ADGM governs the entirety of Al Maryah Island, which is designated as the financial free zone of Abu Dhabi.

**ADGM’s legal framework provides for the types of legal persons and arrangements that are available within its jurisdiction, as well as the requirements for the registration, operation and de-registration.**

Therefore, to ensure an effective Anti-Money Laundering and Counter-Terrorist Financing (“AML/CFT”) system in the ADGM and to contribute effectively to the UAE’s national Legal Persons and Arrangements risk assessment (“UAE LPA”), it is necessary and important for ADGM to identify and assess at a granular level, the specific ML/TF risks associated with the legal persons and arrangements in its jurisdiction. **This assessment supplements and supports the UAE LPA.**

To do so ADGM staff developed a detailed legal persons risk assessment model, which is set out and explained in this report. The model considers threats, inherent vulnerabilities, the probability of those inherent vulnerabilities and mitigants to produce a residual risk rating for each ADGM legal person and arrangement.



# EXECUTIVE SUMMARY

*The ML/TF risk ratings for ADGM legal persons and arrangements (“ADGM LPA”) are as follows.*

<b>Legal Person / Arrangement Type</b>	<b>Risk Rating</b>
Public Company Limited by Shares	Low
Private Company Limited by Shares	Medium-High
Private Company Limited by Guarantee	Low
Restricted Scope Company	Medium
Private Company Unlimited with Shares	Low
Private Company Unlimited without Shares	Low
Branch of a Foreign Company	Medium
Limited Liability Partnership	Low
Branch of a Foreign Limited Liability Partnership	Low
General Partnership	Medium
Branch of a Foreign Partnership	Low
Limited Partnership	Medium
Limited Partnership with Legal Personality	Medium
Branch of a Foreign Limited Partnership	Low
General Foundation	Medium-High
DLT Foundation	Low
Trust	Medium



**The findings of this ADGM LPA are intended to support and supplement the UAE LPA.**

*The ADGM LPA will also assist in ensuring a granular understanding and detailed knowledge of the specific ML/TF risks associated with ADGM legal persons and arrangements. This will benefit ADGM staff, regulated entities that deal with ADGM legal persons, the UAE Financial Intelligence Unit (“FIU”) and UAE Law Enforcement. This ADGM LPA will be reviewed and updated periodically.*



CHAPTER

1

Introduction

# Introduction

# 1



# Overview

The UAE is committed to combatting financial crime. Identifying and assessing ML and TF risk is an essential step to ensuring an effective Anti-Money Laundering (“AML”) and Counter-Terrorist Financing (“CFT”) system. This includes identifying and assessing the ML/TF risks associated with a jurisdiction’s legal persons and arrangements.

**To reduce the possibility of criminals misusing legal persons and legal arrangements, the Financial Action Task Force (“FATF”) established standards on transparency in its Recommendations 24 and 25. The interpretive note to Recommendation 24 states that, to ensure that there is adequate transparency concerning legal persons, countries should have mechanisms that assess ML /TF risks associated with domestic legal persons.**

The UAE has in place a comprehensive National Risk Assessment (“NRA”) as well as the UAE LPA risk assessment.

ADGM is a federal financial free zone, established in 2015 and located in the UAE’s capital, Abu Dhabi. As a financial free zone, ADGM has its own legal framework, based on the direct application of English common law. ADGM regulations provide for the types of legal persons and arrangements that are available within its jurisdiction and which set out the requirements for registration, operation and de-registration of such legal persons.

# Introduction

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For example, the ADGM Companies Regulations 2020 (“CR 2020”) makes provision for the types of companies available in ADGM.

ADGM’s legal framework is separate and distinct from UAE civil and commercial law. Hence the types of legal persons and arrangements available in ADGM differ (in some cases, significantly) from the legal persons and arrangements available either in the UAE, ‘mainland’ or other free zones.

As a result, the ML/TF risks of ADGM legal persons and arrangements also differ. ADGM’s legal framework also provides for a wide range of different legal person types, including public and private companies, partnerships, and foundations.

*Therefore, to ensure an effective AML/CFT system in the ADGM and to contribute accurately and effectively to the UAE LPA, it is necessary an important for ADGM to identify and assess at a granular level, the specific ML/TF risks associated with ADGM legal persons and arrangements.*

# Introduction

# 1



## Purpose

Legal persons and arrangements play an important role in any economy. They are useful tools for organising, managing and conducting legitimate business. However, there are characteristics of legal persons and arrangements that make them attractive to criminals who may wish to use them as vehicles for criminal activity or for laundering the proceeds of crime.

**In relation to ML and TF, the key vulnerability of legal persons and arrangements is their use in the obfuscation of the identity of the beneficial owners or controlling individuals and/or concealing the true purpose of the legal person, the source and value of any assets or property it holds, and the true economic substance of the transactions carried out using that legal person.**

**This can occur, for example, by using legal persons to create complex corporate structures to hamper transparency and create anonymity.**

The purpose of this ADGM Legal Persons and Risk Assessment (“ADGM LPA”) is to set out the RA methodology and findings from its identification, analysis and assessment of the ML/TF risks specific to the types of legal persons and arrangements available in ADGM.

# Introduction

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## **\* The findings of the ADGM LPA are intended to supplement and support the UAE LPA.**

The ADGM LPA will also assist in ensuring greater detailed knowledge and understanding of the specific ML/TF risks associated with ADGM legal persons and arrangements. This will benefit ADGM RA staff, regulated entities that deal with ADGM legal persons, i.e., Financial Institutions (“FIs”) and DNFBPs, the UAE FIU and UAE Law Enforcement.

**Notably, the ML/TF risk assessment of each type of ADGM legal person and arrangement should not be considered a judgment of any individual businesses established in ADGM.**

*The findings of this report will assist the RA registry and supervision staff, in particular, to risk assess applications for registration of legal persons more effectively, monitor existing legal persons and enhance policies, procedures and controls to mitigate and manage ML/TF risk within ADGM.*

A person's profile is visible in the background, looking towards the right. The background is a dark blue grid with various financial data points and charts. A large white number '2' is overlaid on the grid. The word 'CHAPTER' is written in a light blue font to the left of the number '2'.

CHAPTER

Overview of Relevant  
Legal Frameworks and  
Resources

*To provide context to the identification, analysis and evaluation of the ML/TF risks posed by ADGM legal persons and arrangements, the following provides an outline of the relevant UAE and ADGM AML/CFT legislation as well as highlighting the RA's resources.*

## LEGISLATION

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The UAE has a comprehensive AML/CFT and sanctions legal and regulatory framework, which is complemented by ADGM enactments, summarised as follows.

### UAE Federal AML/CFT and sanctions-related legislation

UAE Federal AML/CFT and sanctions legislation applies in ADGM and consists of the following:





- 1. Federal Law No. (3) of 1987** as amended (“Penal Code”);
- 2. Federal Law No. (35) of 1992** on Penal Procedures;
- 3. Federal Law No. (7) of 2014** on Combatting Terrorism Offences;
- 4. Federal Decree-Law No. (20) of 2018** on Anti-Money Laundering and Combatting the Financing of Terrorism and Financing of Illegal Organisations;
- 5. Cabinet Decision No. (10) of 2019** concerning the implementing regulation of **Decree-Law No. (20) of 2018** on Anti-Money Laundering and Combatting the Financing of Terrorism and Financing of Illegal Organisations (“UAE AML Regulations”); and
- 6. Cabinet Decision No. (74) of 2020** Regarding Terrorism Lists Regulation and Implementation of UN Security Council Resolutions on the Suppression and Combating of Terrorism, Terrorist Financing, Countering the Proliferation of Weapons of Mass Destruction and its Financing and Relevant Resolutions.


## Overview of Relevant Legal Frameworks and Resources

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# 2

Of particular relevance to this report, notably the UAE AML Regulations impose various obligations on the Registrars in the UAE, including the RA, to do the following:

-  **Publish information on the types of legal persons and arrangements in their jurisdiction, the procedures for establishing legal persons and the collection of basic and beneficial ownership information;**
-  **Obtain, keep updated and publish the basic information on registered legal persons;**
-  **Collect and keep updated beneficial ownership information on registered legal persons; and**
-  **Keep collected information for not less than five years after the dissolution of a legal person.**

 *ADGM publishes information on the types of legal persons and arrangements available in ADGM and the registration procedures at its website:*

[www.adgm.com](http://www.adgm.com)

# Overview of Relevant Legal Frameworks and Resources

# 2

## ADGM AML/CFT and sanctions-related legislation

As noted above, ADGM has AML/CFT and sanctions legislation that complements the UAE’s federal AML legislation. The relevant ADGM enactments are summarised as follows. Note that the ADGM enactments providing for the types of legal persons and arrangements in ADGM, their features and requirements, e.g., CR 2020, are explained in **Chapter 3**.

FSRA Anti-Money Laundering and Sanctions Rules and Guidance (“AML Rules”) The FSRA’s AML Rules apply to all ADGM registered authorised persons, Designated Non-Financial Businesses or Professions (“DNFBPs”) and Non-Profit Organisations (“NPOs”) (collectively “Relevant Persons”). Nothing in the AML Rules affects the operation of UAE Federal AML legislation.

The AML Rules sets out the AML requirements imposed on Relevant Persons by the FSRA. It provides a single reference point for all Relevant Persons who are supervised by the FSRA for AML and sanctions compliance. The AML Rules cover all internationally recognised AML/CFT and sanctions requirements including:



**1** Applying a risk-based approach



**2** Customer due diligence



**3** Correspondent banking



**4** MLROs



**5** AML training



**6** Suspicious activity and transaction reports

**Note:** The FSRA’s AML Rules do not apply to the RA, nor to the registration of ADGM legal persons.



### **ADGM Beneficial Ownership and Control Regulations 2022 (“BOCR 2022”)**

BOCR 2022 (which repeals and replaces ADGM’s Beneficial Ownership and Control Regulations 2018) outlines the requirements for ADGM legal persons to obtain, maintain and report information concerning their beneficial owners to the RA. Aligned with FATF Recommendation 24 and Immediate Outcome 5, under BOCR 2022, ADGM legal persons have a duty to keep an up-to-date record of their beneficial owners and report changes to the RA within 15 days.

The Registrar maintains a (non-public) record of beneficial owners of ADGM legal persons and has powers to share the information with UAE law enforcement and to take enforcement action for non-compliance with the requirements, including imposing fines of up to USD 25,000.

BOCR 2022 does not apply to branches of foreign entities registered in ADGM (it is expected that the parent entity will maintain and report on its beneficial owners in its home jurisdiction). It also does not directly apply to ADGM trusts, as ADGM trusts are not required to be registered with the RA.

However, acting as trustee in ADGM is a regulated activity if it is done by way of business, and thus the FSRA’s AML Rules apply, including the obligation for the trustee to identify and verify the beneficial owners of trust clients.

# Overview of Relevant Legal Frameworks and Resources

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# 2

## ADGM's Auditors' Framework

The enhanced ADGM Auditors' Framework ("Auditors' Framework") came into effect on 1 December 2021.

The RA has a statutory responsibility to oversee the regulated area of audit within the jurisdiction of ADGM.

As ADGM's audit regulator, the RA plays a key role in monitoring and supervising auditors with the primary focus of ensuring stakeholders, particularly investors, have access to reliable, transparent and timely financial information.

The Auditors' Framework includes the following key features:

- **International equivalence to Competent Authorities in the developed world,**
- **A robust registration criteria for both audit firms and individuals who wish to sign off on audit reports,**
- **Significantly increased powers for the RA over auditors when it comes to supervision, monitoring, enforcement, and sanctions.**

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**Note:** The Auditors' Framework forms part of ADGM's commercial legislation and is administered, monitored and enforced by the RA. The provision of external financial audit services is a regulated activity which requires a separate registration. This registration is in addition to the steps required to become an ADGM legal person.

# Overview of Relevant Legal Frameworks and Resources

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# 2

## **ADGM’s Company Service Provider Framework**

ADGM’s Company Service Provider framework (“CSP Framework”) came into force on 12 April 2021.

The CSP Framework is designed to ensure a robust regulatory regime for company service providers in ADGM that is in line with international best practices and addresses the challenges and risks associated with the increasing growth of Special Purpose Vehicles (“SPVs”) and Foundations structures in ADGM.

The CSP Framework includes the following two key features:

### 1

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Persons providing or intending to provide company services in or from ADGM must meet the strengthened regulatory requirements set out in the amended ADGM commercial legislation and Rules;

### 2

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Setting up and maintaining a “non-exempt” SPV or foundation in ADGM requires the appointment of an RA licensed Company Service Provider to carry out regulatory obligations on behalf of the non-exempt SPV or foundation as prescribed under the ADGM commercial legislation.

*“Providing company services” under the Commercial Licensing Regulations (Controlled Activities) Rules 2022 means providing any one or more of the following services:*

- acting as an incorporation agent in connection with the incorporation or registration of ADGM body corporates;
- providing company services to any body corporate incorporated or registered under the Companies Regulations 2020 or the Foundations Regulations 2017;
- acting as a Registered Office Provider;
- providing directors, secretaries, councillors, registered agents, or other officers to any body corporate in ADGM; or
- providing nominee shareholders of companies to any body corporate in ADGM.

**Note:** The CSP Framework forms part of ADGM’s commercial legislation and is administered, monitored and enforced by the RA. The provision of trustee services is a regulated activity which requires authorisation from the FSRA. An RA-licensed CSP may also provide trustee services, but it will require authorisation from the FSRA to do so.

## ADGM RA Nexus Policy

ADGM RA's Nexus Policy was published in March 2020.

To address and mitigate ML/TF risks posed by the popularity and the increasing number of SPVs being incorporated in ADGM, the RA introduced a Nexus Policy.

The Nexus Policy requires SPV applicants to demonstrate that the SPV will have an appropriate connection or 'nexus' to the ADGM, the UAE and/or the GCC Region (known as the "Nexus Requirement"). A connection or 'nexus' may be demonstrated in several ways, including documentary evidence that:

- 1 The SPV is owned or controlled by a UAE or GCC-based private company, family/family office or individual;
- 2 The SPV holds assets that are located in the UAE or the GCC Region;
- 3 The SPV facilitates transactions connected, or provides a real or economic benefit, to the UAE; or
- 4 The SPV's purpose includes the issuance of Securities that will be admitted to the Official List maintained by the Financial Service Regulatory Authority (FSRA), and/or admitted to trading on a Recognised Investment Exchange, MTF, OTF or other licensed platforms including a PFP that is established in ADGM.

*For example*, UAE sovereign and state-owned entities will have the requisite connection to the UAE and would therefore satisfy the requirements of the Nexus Requirement. Conversely, an SPV wholly owned by a foreign non-resident person that solely holds assets located outside the UAE or the GCC Region would not meet the requirements of the Nexus Requirement.

**Note:** An SPV that is intended for a purpose that would otherwise have no connection to the UAE or GCC region, would not meet the Nexus Requirement simply by appointing an ADGM (or UAE-based) Company Service Provider.

## **ADGM RA Registry and Supervision Staff**

To facilitate the administration of ADGM's commercial legislation effectively, the RA has an experienced team of over twenty (20) registration, monitoring and enforcement staff.

Registration staff review and verify key details in applications for registration and licensing and perform background checks on natural persons in key positions, such as beneficial owners and management.


Monitoring staff apply a risk-based approach to the supervision of ADGM licensed persons that is linked to the RA's key regulatory priorities, such as on-time filing and beneficial ownership compliance. This is in addition to desk-based reviews of filings such as annual accounts.

Enforcement staff receive and assess referrals. These referrals can be internal or external. In some cases, Enforcement may commence investigations and where appropriate, make recommendations to impose sanctions for non-compliance with ADGM's commercial legislation.

## **ADGM RA Registry System**

To process, administer and maintain information relating to all applicable ADGM legal persons, the RA has a sophisticated digital registry system. This registry system's online portal can be accessed by authorised individuals for various legal person types to submit registration applications, maintain their information and lodge event-driven filings, such as annual accounts.

It is through this system; the RA publishes limited information in the public domain about ADGM legal persons such as Private Companies Limited by Shares.



CHAPTER

# 3

## Overview of ADGM Legal Persons and Arrangements

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# ADGM Legal Persons

There are a number of legal person types available in ADGM including companies, partnerships and foundations.



# Overview of ADGM Legal Persons and Arrangements

# 3

Table 1, below, provides a list of the legal person types and their primary legislation.

Legal Person Type	Primary Legislation
<p><b>Companies</b></p> <p><b>Public Company Limited by Shares</b></p> <p><b>Private Company Limited by Shares, Including:</b></p> <ul style="list-style-type: none"> <li>• Restricted Scope Companies (“RSCs”)</li> <li>• Protected Cell Companies (“PCCs”)</li> <li>• Incorporated Cell Companies (“ICCs”)</li> <li>• Open and Closed Investment Companies (“ICs”)</li> </ul> <p><b>Private Company Limited by Guarantee</b></p> <p><b>Private Company Unlimited with Share</b></p> <p><b>Private Company Unlimited without Shares</b></p>	<p><b>Companies Regulations 2020</b></p>
<p><b>Partnerships</b></p> <p><b>Limited Liability Partnership</b></p> <p><b>Limited Partnership with Legal Personality</b></p>	<p><b>Limited Liability Partnership Regulations 2015</b></p> <p><b>Application of English Law Regulations 2015</b></p>
<p><b>Foundations</b></p> <p><b>General Foundation</b></p> <p><b>Distributed Ledger Technology (“DLT”) Foundation</b></p>	<p><b>Foundations Regulations 2017</b></p> <p><b>DLT Foundations Regulations 2023</b></p>
<p><b>Branches</b></p> <p><b>Branch of a Foreign Company</b></p> <p><b>Branch of a Foreign Limited Liability Partnership</b></p> <p><b>Branch of a Foreign Limited Partnership</b></p> <p><b>Branch of a Foreign Partnership</b></p>	<p><b>Commercial Licensing Regulations (Conditions of Licence and Branch Registration) Rules 2022</b></p> <p><b>Commercial Licensing Regulations (Conditions of Licence and Branch Registration) Rules 2022</b></p> <p><b>Commercial Licensing Regulations (Conditions of Licence and Branch Registration) Rules 2022</b></p> <p><b>Commercial Licensing Regulations (Conditions of Licence and Branch Registration) Rules 2022</b></p>

**Table 1 – Overview of Legal Persons in ADGM**



# Companies

***The ADGM Companies Regulations 2020 (“CR 2020”) and subordinate rules provides for the incorporation, operation and strike-off of companies in ADGM. CR 2020 is modelled on the UK Companies Act 2006. As can be seen in Table 1, above, CR 2020 provides for several company types, both public and private, limited and unlimited.***

The Registrar issues a certificate of incorporation to companies under section 12 of CR 2020. The certificate states the name and registered number of the company, the date of its incorporation, and whether it is a limited or unlimited company. If it is a limited company, whether it is limited by shares or limited by guarantee, whether it is public or private, or whether it is a Restricted Scope Company (“RSC”).

Incorporation certificates are signed and authenticated by the Registrar’s seal. The certificate is evidence that the Registrar has approved the application to incorporate, and that the company is duly registered.



RSCs are a sub-type of a private company limited by shares. RSCs have fewer compliance and disclosure requirements, such as there is no requirement to file accounts with the Registrar. However, an eligibility criteria applies (set out in CR 2020) to the RSC applications.

Part 36 of CR 2020 contains provisions for the incorporation of cell companies. There are two types of cell companies available in ADGM, namely, Protected Cell Companies (“PCCs”) and Incorporated Cell Companies (“ICCs”). A PCC may create one or more cells for the purpose of segregating and protecting cellular assets.

Section 1068B of CR 2020 contains provisions for setting up open-ended and closed-ended Investment Companies (“ICs”). CR 2020 also provides for the continuation of companies into and out of ADGM.



**ADGM RA maintains a public register of all companies registered in ADGM, available here: [www.registration.adgm.com](http://www.registration.adgm.com)**



# Partnerships

***The ADGM Limited Liability Partnership Regulations 2015 (“LLPR 2015”) and subordinate rules provide the legal framework for the incorporation of limited liability partnerships in ADGM.***

LLPR 2015 is aligned with the UK Limited Liability Partnerships Act 2000 and other related UK limited liability partnerships regulations. In addition to making provisions for incorporation, LLPR 2015 and its subordinate rules, provide procedural guidance to members and other concerned parties regarding the operation of a limited liability partnership in ADGM.

Similar certificates of incorporation and registration described in the previous section in relation to companies are issued by the Registrar upon completion of requirements for incorporation of an ADGM partnership or registration of a branch of a partnership.

An application for incorporation must contain, amongst other things, the name and address of each partner, whether or not the partner is general or limited, designated or not, their residential addresses and other information.



The Registrar maintains a register of limited liability partnerships, limited partnerships with legal personality and branches of foreign partnerships containing information on current partners and former partners. In the case of a foreign partnership information on the countries in which such partnerships are formed.

Limited partnerships and General partnerships qualify as legal arrangements in ADGM and are not required to be registered with ADGM RA.



**ADGM RA maintains a public register of all limited liability partnerships and limited partnerships registered in ADGM, available here: [www.registration.adgm.com](http://www.registration.adgm.com)**



## Foundations

In 2017, ADGM introduced a foundations regime as an alternative to trusts for financial and wealth management planning and structuring.

The regime was prepared following a substantive benchmarking exercise across a variety of civil and common law jurisdictions.

***ADGM’s Foundations Regulations 2017 (“FR 2017”) provides a robust regulatory framework for the establishment and operation of foundations in ADGM.***

As per Section 1 of FR 2017, no foundation may be established in ADGM without providing full disclosure of the identity of the councillors, beneficiaries, guardians and beneficial ownership of a founder that is a legal person.

Further, the Registrar may at any time request such further information as it considers necessary to consider a foundation registration application.

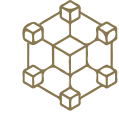
Changes in details relating to a registered foundation also require notification to the Registrar. For example, the Registrar must be notified in writing of the appointment of a councillor within 14 days of such appointment (see Section 24 of the Foundations Regulations).



**ADGM RA maintains a public register of all foundations registered in ADGM, available here: [www.registration.adgm.com](http://www.registration.adgm.com)**

## Overview of ADGM Legal Persons and Arrangements

# 3



### *Distributed Ledger Technology ("DLT") Foundations*

In 2023, ADGM introduced the DLT Foundations Regulations 2023 to provide a purpose built legal framework that enables a legal personality for DLT projects including blockchain protocols.

The primary objective of DLT Foundations is to facilitate activities related to the use, deployment, development, facilitation and/or support of DLT or the issuance of utility tokens. ADGM DLT Foundations are generally non-commercial and are restricted from engaging in activities that require a Financial Services Permission from the ADGM FSRA.

The regulatory framework is designed to address the complexities of DLT and blockchain. This framework places emphasis on the identification and mitigation of ML/TF risks. It aims to ensure that DLT Foundations operate in compliance with both local and international reporting standards.

ADGM DLT Foundations are subject to various mandatory disclosure requirements, including comprehensive information about the founders, beneficiaries, annual financial statements, and their activities in relation to the objectives of the foundation. Much of the information concerning a DLT foundation are subject to public disclosure on the RA's public register as a transparency measure.

Further, any changes in the structure of a DLT Foundation must be promptly disclosed to the ADGM Registrar. This strict protocol for transparency and timely disclosures are vital for monitoring and mitigating ML/TF risks. DLT Foundations must appoint and maintain an ADGM licensed Company Service Provider (CSP).



# Branches

Branches of foreign companies can be registered under the Commercial Licensing Regulations (Conditions of Licence and Branch Registration) Rules 2022 (“Branch Registration Rules”).

Branches of foreign partnerships can be registered under the Branch Registration Rules and the application of the UK Partnership Act 1890 and UK Limited Partnerships Act 1907 through the application of English law in ADGM permit registration of general partnership and limited partnership.



✳️ ADGM RA maintains a public register of all branches registered in ADGM, available here: [www.registration.adgm.com](http://www.registration.adgm.com)



Commercial  
Licensing in ADGM

It is important to note that no person may carry on a controlled activity (i.e., business) in or from ADGM, or purport to do so unless he is either (a) a licensed person; or (b) an exempt person. A 'licensed person' means a person who has a valid licence to carry on one or more controlled activities.

An 'exempt person' is a person who meets the criteria of ADGM Commercial Licensing Regulations (Exemption Order) 2022.

Hence, in ADGM all Legal Persons, including all of the legal person types described above, must also obtain an ADGM commercial licence, which is granted by the Registrar.

Applicants apply for both the incorporation of a legal person and a commercial licence together. When all application requirements are satisfied, the Registrar incorporates the legal person and grants it a commercial licence contemporaneously.

***Application for a commercial licence is set out in section 9 of the ADGM Commercial Licensing Regulations 2015 (“CLR 2015”).***

## Overview of ADGM Legal Persons and Arrangements

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# 3



Issuance and validity of the licence are subject to section 9(3) of CLR 2015.

An ADGM commercial licence is valid for such period as may be specified by the Registrar in its decision granting the licence (section 10(3) of CLR 2015). Usually, a commercial licence will be issued for 12 months.

A licensed person wishing to continue to carry on, in or from the ADGM, the controlled activities for which it has a licence must, before the expiry of such licence, apply for and obtain a new licence in respect of such activities (section 10(3) of CLR 2015).



ADGM Legal  
Arrangements

ADGM also provides for the creation of common law trusts and the registration of limited and general partnerships. Table 2 below details the primary legislation supporting the creation and operation of such legal arrangements in ADGM.

**Table 2 - Overview of Legal Arrangements in ADGM**

Legal Arrangement Type	Primary Legislation
Trust	Application of English Law Regulations 2015  Trusts (Special Provisions) Regulations 2016
Limited Partnership General Partnership	Application of English Law Regulations 2015

## Overview of ADGM Legal Persons and Arrangements

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# 3



## Trusts

ADGM is a common law jurisdiction and its regulations, through the application of English law statutes, allow for the creation of trusts.

In addition to English law statutes adopted in ADGM such as the Trustee Act 1925, Trustee Act 2000, Variation of Trusts Act 1958, Trust of Land and Appointment of Trustees Act 1996 and Trustee Declaration Act 1999, ADGM also has its own *Trusts (Special Provisions) Regulations 2016* which governs heirship rights, foreign judgements, non-charitable purpose trusts and enforceability of a foreign trust.

As trusts do not have legal personality, they are not eligible for being granted a commercial licence by the Registrar. Accordingly, trusts are not permitted to carry on commercial activities in or from ADGM.

In ADGM, trusts are not required to be registered with the ADGM RA.



*ADGM Population*



## Overview of ADGM Legal Persons and Arrangements

# 3

The number of registered ADGM legal persons and arrangements as at 12 December 2023, is set out in Table 3, below.

*Table 3 - Population of ADGM Legal Persons & Arrangements as at 12 December 2023*

Type	Registered	Percentage (%)
Public Company Limited by Shares	19	0.27%
Private Company Limited by Shares	5,495	76.61%
Private Company Limited by Guarantee	42	0.59%
Restricted Scope Company	879	12.25%
Private Company Unlimited with Shares	0	0.00%
Private Company Unlimited without Shares	0	0.00%
Branch of a Foreign Company	386	5.38%
Limited Liability Partnership	31	0.43%
Branch of a Foreign Limited Liability Partnership	24	0.34%
General Partnership	*	*
Branch of a Foreign Partnership	5	0.07%
Limited Partnership	53	0.74%
Limited Partnership with Legal Personality	38	0.53%
Branch of a Foreign Limited Partnership	1	0.01%
Foundation	199	2.77%
DLT Foundation	1	0.01%
Trust	*	*
<b>Total</b>	<b>7,173</b>	<b>100%</b>



**GPs and trusts are not required to be registered in ADGM but are estimated to be less than 100.**

CHAPTER

# 4

Methodology

# Methodology

# 4

A vertical graphic with the word "Methodology" written vertically in a large, thin, sans-serif font. Above the text is a circular icon consisting of five small circles connected by arrows, forming a clockwise loop.

## Methodology

The methodology in the **ADGM LPA** is aligned with the FATF guidance on conducting national risk assessments.

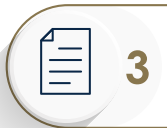
Namely, the process involves three stages:



**Identification**



**Analysis**



**Evaluation**

# Methodology

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# 4

*The three stages of the process are defined briefly as follows:*

## Identification . . . . .

- ✓ Develop an initial list of potential risks. These are drawn from known or suspected threats or vulnerabilities.

## Analysis . . . . .

- ✓ Consider the nature, sources, likelihood and consequences of the identified risks or risk factors.
- ✓ This stage aims to gain a holistic understanding of each of the risks.
- ✓ This includes a combination of threat, vulnerability and consequence in order to work towards assigning a value to them. Risk analysis will depend on the type of risk, the purpose of the risk assessment and the availability of information or data.

## Evaluation . . . . .

- ✓ Taking the risks analysed in stage two, determining priorities for addressing them, and taking into account the purpose established at the beginning of the assessment process.
- ✓ These priorities can contribute to the development of a strategy for their mitigation.

# Methodology

# 4



# Methodology

**Key terms used throughout this ADGM LPA are defined as follows:**



## Threat

The intent and capability of people to cause harm, and activities they conduct to do so.

ML threats include predicate offences and criminals who commit them, whilst TF threats include those groups and individuals conducting the terrorist activity.



## Vulnerability

These are inherent attributes of ADGM legal persons and arrangements that can be exploited by threat actors: see below for the full list of vulnerabilities referred to throughout this report.



## Consequence

The impact or harm that money laundering or terrorist financing may cause.

# Methodology

# 4



## Likelihood

How much money laundering or terrorist financing is assessed as occurring.



## Mitigations

These are the actions that are taken to reduce the risk.

This includes the effectiveness, capability and capacity of registry staff, supervisors, policies and regulations.

**Note:** ADGM is a relatively new jurisdiction, having been in operation for less than ten years at the time of writing. The RA does not have any evidence of money laundering or terrorist financing through misuse of legal persons or arrangements established in the centre.

*1 "National Money Laundering and Terrorist Financing Risk Assessment", FATF, February 2013.*

# Methodology

# 4

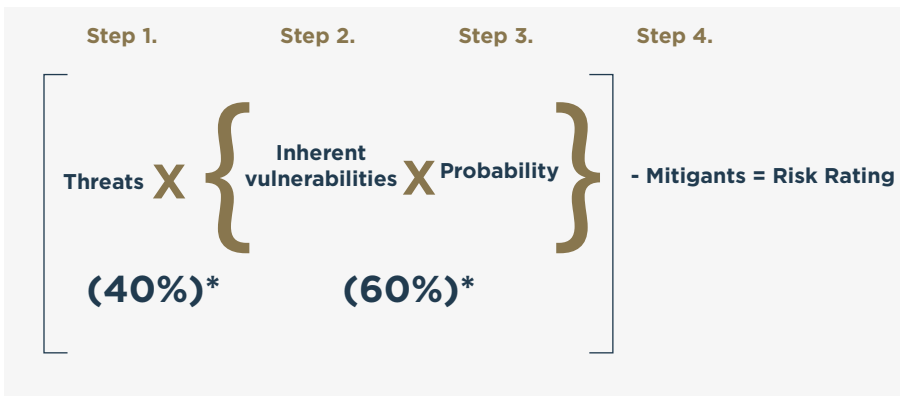
## Model for Assessing ML/TF Risk of Legal Persons and Arrangements

To ensure the validity and rigour of the LPA risk assessment and ratings, ADGM RA developed a comprehensive risk assessment model, which took into consideration risk assessment methodologies from various bodies and jurisdictions, such as the FATF, the European Commission, United Kingdom, Luxembourg and Ireland.

*An overview of the design of ADGM's LPA risk assessment model is set out in Diagram 1, below.*

### Diagram 1

#### ADGM LPA Risk Assessment Model



\* Weighting factor



## Step 1.

# Threats

**Step 1** of the **ADGM** LPA model is to identify and assess threats. The data source for this step are the findings from the UAE's 2019 NRA.

The UAE has in place a comprehensive NRA.

*The UAE's NRA process analysed ML/TF risk across many elements including geo-political, socio-economic, governance, laws and regulations, supervision, law enforcement, and the vulnerabilities of legal entity types and specific business activities in the UAE.*

In relation to threats, the NRA assessed 21 ML-related crimes specified by the FATF and assigned a risk rating to each, based on a four-point scale of **Low, Medium, Medium-High and High.**

# Methodology

# 4

*To produce a threat 'score' for the ADGM LPA model, a risk score was assigned to each rating scale as per the table below:*

Risk Rating	Low	Medium	Medium-High	High
Risk Score	1	2	3	4

The total number of ML crimes assigned to each risk rating (e.g., low, medium, medium-high and high) were then multiplied by the relevant risk score as per the table above.

The results were added and produced a total of

**53**

**53** was divided by 21 (the number of ML-related crimes risk rated in the NRA) to produce an overall 'Threat Score' of 2.5.

Finally, based on benchmarking with other models, a forty per cent (40%) weighting was applied to the 'Threat Score' (i.e.,  $2.5 * 0.40$ ) to result in a 'Final Threat Score' of 1.



Step 2.

## Inherent Vulnerabilities

**Step 2** of the **ADGM** LPA model identifies and assesses the inherent vulnerabilities of each ADGM legal person and arrangement. Inherent vulnerabilities are the attributes of ADGM legal persons and arrangements that can be exploited by threat actors.

**RA staff studied the features of each ADGM legal person type and arrangement, in order to identify and assess their vulnerabilities.**

The vulnerabilities identified included features such as the ability to put in place nominee arrangements (where applicable) or implement complex structures, as well as there (generally), being no minimum capital requirements in ADGM's commercial legislation.

# Methodology

# 4



***To provide a vulnerability score for the model, a four-point scale was used to assess the vulnerabilities identified, as follows:***

<b>Risk Rating</b>	<b>Low</b>	<b>Medium</b>	<b>Medium-High</b>	<b>High</b>
<b>Inherent vulnerability score</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>

As per the table above, if an identified vulnerability was assessed as low risk, it was assigned a score of '1', whereas if a vulnerability was assessed as high risk, it was assigned a score of '4'. The average of the individual vulnerability scores was then used in the model for each legal person.



## Probability Factor

### Step 3.

The **ADGM** LPA model factors in the probability of misuse of a legal person/arrangement.





*Based on benchmarking, the probability is based on the number of each type of legal person registered in that jurisdiction as a percentage of the total population of registered entities.*

ADGM's LPA model follows this approach using population figures as at 29 March 2023 (see Table 3 on page 16).

# Methodology

# 4

*The probability factor was applied to the inherent vulnerability using the following scale.*

	Low	Medium	Medium-High	High
No. of registered legal persons of each type	<100	<500	<1,000	>1,000
Probability factor				

For example, as at 29 March 2023, there were 13 public companies limited by shares (“PLCs”) registered in ADGM. Therefore, the probability factor weighting applied to the LPA model for the risk assessment of PLCs was:

**25%**

*Based on benchmarking, a sixty per cent (60%) weightage is applied to the combined inherent vulnerability and probability score.*



## Step 4.

# Mitigants

Mitigants consist of measures or actions that reduce the inherent risk of a particular legal person type or arrangement.

Mitigants vary depending on the type of legal person and RA staff considered and then assessed the impact of the mitigants identified for each type of ADGM legal person or arrangement.

The mitigants identified include items such as, the verification and background checks performed on each application by the Registration Team, penalties for late filings, the restriction on bearer shares in ADGM and ADGM's beneficial ownership identification and disclosure requirements.

# Methodology

# 4

*Each mitigant was assessed for its impact in order to provide a mitigant score for the model. A four-point scale was used to assign ratings to mitigants, as follows:*

Mitigant Impact	Significant	Moderate	Few	Little / None
<b>Mitigant Scoring Scale</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>0</b>

*For example,* the numerous reporting and transparency requirements applicable to PLCs were assessed as being a significant mitigant and hence rated as a

**‘3’**

The average of all the individual mitigant scores for each legal person was then used in the model.

# Methodology

# 4



# Overall Risk Rating

After completing each of the steps above for a legal person, the model produced a final score.

The final score results in a risk rating based on the four-point scale of **Low**, **Medium**, **Medium-High** and **High**.

According to the following matrix

		Very Significant	Significant	Significant	Low Significant
THREAT	Very Significant	2.2	2.8	3.4	4
	Significant	1.8	2.4	3	3.6
	Significant	1.4	2	2.6	3.2
	Low Significant	1	1.6	2.2	2.8
		Lowly Significant	Moderately Significant	Significant	Very Significant
		VULNERABILITY			

# Methodology

# 4

Table 5, below, sets out the overall risk rating produced by ADGM's LPA model, after completing each of the steps above for each legal person type available in ADGM.

**Table 5 - Overview of Risk Assessment Results of ADGM Legal Persons & Arrangements**

<b>Legal Person / Arrangement Type</b>	<b>Risk Rating</b>
Public Company Limited by Shares	Low
Private Company Limited by Shares	Medium-High
Private Company Limited by Guarantee	Low
Restricted Scope Company	Medium
Private Company Unlimited with Shares	Low
Private Company Unlimited without Shares	Low
Branch of a Foreign Company	Medium
Limited Liability Partnership	Low
Branch of a Foreign Limited Liability Partnership	Low
General Partnership	Medium
Branch of a Foreign Partnership	Low
Limited Partnership	Medium
Limited Partnership (with Legal Personality)	Medium
Branch of a Foreign Limited Partnership	Low
General Foundation	Medium-High
DLT Foundation	Low
Trust	Medium

CHAPTER

# 5

Conclusion and  
Application

# Conclusion and Application

## 5



This ADGM LPA assessment has considered the risks of ADGM legal persons and arrangements being misused for ML and TF purposes using a detailed model developed in-house by ADGM RA. The risk ratings are set out in Chapter 5 (see previous page).

The findings of this ADGM LPA are intended to support and supplement the UAE LPA.

***The ADGM LPA will also assist in ensuring a granular understanding and detailed knowledge of the specific ML/TF risks associated with ADGM legal persons and arrangements. This will benefit ADGM RA staff, regulated entities that deal with ADGM legal persons, i.e., FIs and DNFBPs, the UAE FIU and UAE Law Enforcement.***

The findings of this report will assist the RA registry and supervision staff, in particular, to risk assess applications for registration of legal persons more effectively, monitor existing firms and enhance policies, procedures and controls to mitigate and manage ML/TF risk in ADGM.

The findings will also form a base to continue to build further knowledge and understanding of the ML and TF risks and vulnerabilities of ADGM legal persons and arrangements over time. Therefore, this assessment will be reviewed and updated periodically.

## Appendix A – List of Acronyms

<b>Acronym</b>	<b>Meaning</b>
<b>ADGM</b>	Abu Dhabi Global Market
<b>AML</b>	Anti-Money Laundering
<b>AML Rules</b>	FSRA Anti-Money Laundering and Sanctions Rules and Guidance
<b>BO</b>	Beneficial Owner
<b>BOCR 2022</b>	Beneficial Ownership & Control Regulations 2022
<b>CDD</b>	Customer Due Diligence
<b>CRS</b>	Common Reporting Standard
<b>CR 2020</b>	Companies Regulations 2020
<b>CSP</b>	Company Service Provider
<b>CFT</b>	Counter-Terrorist Financing
<b>DLT</b>	Distributed Ledger Technology
<b>DNFBP</b>	Designated Non-Financial Business or Profession
<b>ESR</b>	Economic Substance Regulations
<b>FATF</b>	Financial Action Task Force
<b>FIU</b>	Financial Intelligence Unit
<b>FR 2017</b>	Foundations Regulations 2017
<b>FSRA</b>	Financial Services Regulatory Authority
<b>GP</b>	General Partnership
<b>IFC</b>	International Financial Centre
<b>LP</b>	Limited Partnership

<b>Acronym</b>	<b>Meaning</b>
<b>LLP</b>	Limited Liability Partnership
<b>LLP 2015</b>	Limited Liability Partnership Regulations 2015
<b>LPA</b>	Legal Persons and Arrangements
<b>ML</b>	Money Laundering
<b>MLRO</b>	Money Laundering Reporting Officer
<b>MTF</b>	Multilateral Trading Facility
<b>NPO</b>	Non-Profit Organisation
<b>NRA</b>	National Risk Assessment
<b>OTF</b>	Organised Trading Facility
<b>PEP</b>	Politically Exposed Person
<b>PFP</b>	Private Financing Platform
<b>PLC</b>	Public Limited Company
<b>RA</b>	Registration Authority
<b>RSC</b>	Restricted Scope Company
<b>TF</b>	Terrorist Financing
<b>UBO</b>	Ultimate Beneficial Owner



# Disclaimer

## ***This document sets out the Registration Authority's 2023 ML/TF risk assessment of ADGM legal persons and arrangements.***

*The contents of this document are a non-binding indicative guidance and should be read together with any relevant rules and regulations, which may change over time without notice, as well as applicable UAE Federal Laws.*

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**March 2024**

