



# AML/CFT/CPF Regulatory Framework & FSRA's AML Rulebook



**\* The information contained in this presentation is provided for informational purposes only and should not be relied on as Guidance or legal advice on any subject matter**

14.11.24

# Introduction

- Financial Crime Prevention Unit “FCPU” was established in August 2017 within the supervision team of the FSRA and became operational in October 2017. In September 2021, the unit became an independent department renamed to “Financial & Cyber Crime Prevention “FCCP”. The mandate was increased to include cybercrime prevention.
- FCCP leads ADGM’s efforts in promoting sound practices in financial crime prevention, including Anti Money Laundering (AML), Counter Financing of Terrorism (CFT), Counter Proliferation Financing (CPF), Cybercrime Prevention and compliance with International Tax Reporting obligations, i.e., the Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS).
- FCCP leads ADGM’s participation in several national initiatives and assessments, such as: National Risk Assessment (NRA), FATF UAE Mutual Evaluation, OECD assessment.



# ADGM Legislative Framework



# ADGM Legislative Framework

**Abu Dhabi Law No. (4) of 2013 and its amendment; Abu Dhabi Law No. (12) of 2020**

**Cabinet Resolution No. (41) of 2023**

**Financial Service and Market Regulations (FSMR) 2015**

**FSRA Anti-Money Laundering and Sanctions Rules and Guidance (AML)**

# FSRA's AML/TFS Regulatory Framework

## Risk-based approach

### Federal Decree by Law No. (20) of 2018

On Anti-Money Laundering, Combating the Financing of Terrorism and Financing of Illegal Organizations



Amended Law No. (26) of 2021 incl. provisions on VASPs

### Cabinet Resolution No. (10) of 2019

Concerning the Implementing Regulations of Federal Decree by Law No. (20) of 2018



Amended Law No. (24) of 2022

### Cabinet Resolution No. (74) of 2020

Concerning the UAE list of terrorists and implementation of UN Security Council decisions relating to preventing and countering financing terrorism and leveraging non-proliferation of weapons of mass destruction, and the relevant resolutions

### FSRA Anti-Money Laundering and Sanctions Rules and Guidance (AML)

The AML Rulebook sets out the requirements imposed by the Regulator for AML/TFS compliance.

# FSRA's AML Rulebook



# FSRA's AML Rulebook

| Type of Relevant Person   | Applicable Chapters from the AML Rulebook |       |
|---|---|-------|
| <b>Financial Institutions (FIs)</b>                                       |   |       |
| Authorised Persons and Recognised Bodies                                  | 1-14                                      |       |
| <b>Designated Non-Financial Businesses and Professions (DNFBPs)</b>       |   |       |
| Real estate developer or agency   | 1-9                                       | 11-15 |
| Law firm, notary firm, or other independent legal business                | 1-9                                       | 11-15 |
| Accounting firm, audit firm, insolvency firm or taxation consultancy firm | 1-9                                       | 11-15 |
| Company Service Provider  | 1-9                                       | 11-15 |
| Dealer in precious metals or precious stones                              | 1-9                                       | 11-15 |
| Dealer in high-value goods  | 1-9                                       | 11-15 |
| <b>Others</b>   |   |       |
| Representative Office   | 1-6                                       | 11-14 |
| Non-Profit Organisations (NPOs)   | 16  |       |

# FSRA's AML Rulebook – AML / TFS Obligations

## Key Obligations

**Governance and Effective AML/TFS Policies and Procedures**

**MLRO, Deputy MLRO, and Reporting**

**Business Risk Assessment (BRA) and Customer Risk Assessment (CRA)**

**Sanctions Compliance**

**KYC, Due Diligence and Ongoing Monitoring**

**Prohibited Relationships**

**Co-operation with the regulator**

**Internal & External STRs/SARs and Tipping off**

**Record Keeping and AML/TFS Trainings**

# FSRA's AML Rulebook – AML / TFS Obligations

## Governance and Effective AML/TFS Policies and Procedures

- All RPs must establish and maintain **effective AML policies, procedures, systems, and controls**, commensurate with the nature and size of their businesses.
- Regular reviews and assessments of the policy, procedures, systems, and controls are integral to maintaining the **effectiveness of an AML program**.

## MLRO, Deputy MLRO and Reporting

- The requirement to appoint a **UAE resident MLRO** with the appropriate seniority, experience, and independence.
- Additionally, RP must ensure the appointment of a **Deputy MLRO** to fulfil the role of the MLRO in their absence.

## Business Risk Assessment (BRA) and Customer Risk Assessment (CRA)

- RPs must identify and assess ML, TF & PF **risks associated with their business activities** involving a thorough examination of the various aspects of their operations, including the nature of their services, customer base, geographic locations and the products or transactions they offer, in line with the NRA.
- The risk-based assessment should be undertaken prior to the **establishment of a business relationship with a customer, changes to their profile, and development of new products**.

## Prohibited Relationships

- The Rulebook includes specific provisions aimed at preventing ML, PF/TF by identifying and **prohibiting certain relationships** and activities such as **shell banks, anonymous accounts**, and in cases of arrangements that **prevent the RP from identifying one or more Beneficial Owners**.

# FSRA's AML Rulebook – AML / TFS Obligations

## KYC, Due Diligence and Ongoing Monitoring

- A fundamental requirement to **identify and verify** customer identities, including UBOs, and to conduct Customer Due Diligence (CDD) in accordance with the Customer Risk Assessment (CRA) and to **periodically** review and monitor all activities and transactions based on the identified risk.

## Sanctions Compliance

- TFS is a crucial element to be integrated in the AML policies, procedures, risk assessment, systems and controls, RPs should they adhere to the TFS guidance set by the EOCN in relation to the **subscription, screening, reporting, and applying freezing measures** when necessary.

## Internal & External STRs/SARs and Tipping off

- Implementation of policies, procedures, systems, and controls to monitor and detect STRs and SARs.
- RPs are required to implement a mechanism for internal reporting and follow the FIU's guidance for external SARs/STRs.
- Any STR/SAR and related investigation must remain confidential. This includes any information regarding a client being investigated or any reports being prepared or filed. Such details **must not be disclosed**, either directly or indirectly, to the Customer.

## Co-operation with the Regulator

- All RPs must maintain **open and cooperative** communication with the regulator.

## Record Keeping and AML/TFS Trainings

- RPs must maintain the records of all clients' files including the CDD, ongoing monitoring, STRs/SARs, screening results etc. in addition to the AML/TFS internal trainings conducted for a **minimum of 6 years**.
- Trainings must be done for new employees at the onboarding stage and on an annual basis for all existing employees.

# goAML Observations & Recommendations

## Observations

Firms that have recently obtained their licenses but have not completed their registration.

MLROs registering directly on Stage 2 (goAML), while skipping Stage 1 (SACM).

Incomplete registration documents

Firms undergone a name change but have not updated this information in the goAML portal.

Sharing of log in credentials, particularly among CSPs.

Retention of inactive users



## Recommendations

RPs should ensure their firms are registered immediately **at the time of** licensing to avoid Enforcement Action.

MLROs to ensure they're registered on Stage 1 (SACM) as an initial step prior to registering on Stage 2 (goAML) to **avoid rejection / re-registration**.

MLROs should ensure all required documents are uploaded to **avoid rejection / re-registration**.

MLROs should ensure their firm's profile and details are **up to date** on the portal.

MLROs are prohibited from **sharing log in credentials** and should maintain their own.

MLROs must ensure that any inactive users are **promptly deactivated** from the portal.



# Key Observations of AML Returns Submissions



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# Introduction

- This presentation explores insights and trends derived from the analysis of AML Return submissions for 2023, submitted by all Financial Institutions (FIs) and Designated Non-Financial Businesses and Professions (DNFBPs). The analysis focused on key risk indicators that have emerged from the data, offering a clearer understanding of compliance levels and risk exposure within these sectors.
- AML Return submissions are crucial as they provide a comprehensive overview of the compliance efforts of Relevant Persons (RPs) with legal and regulatory requirements. These submissions yield valuable data that enable us to monitor trends and patterns in financial crime, which is essential for developing effective policies and strategies.



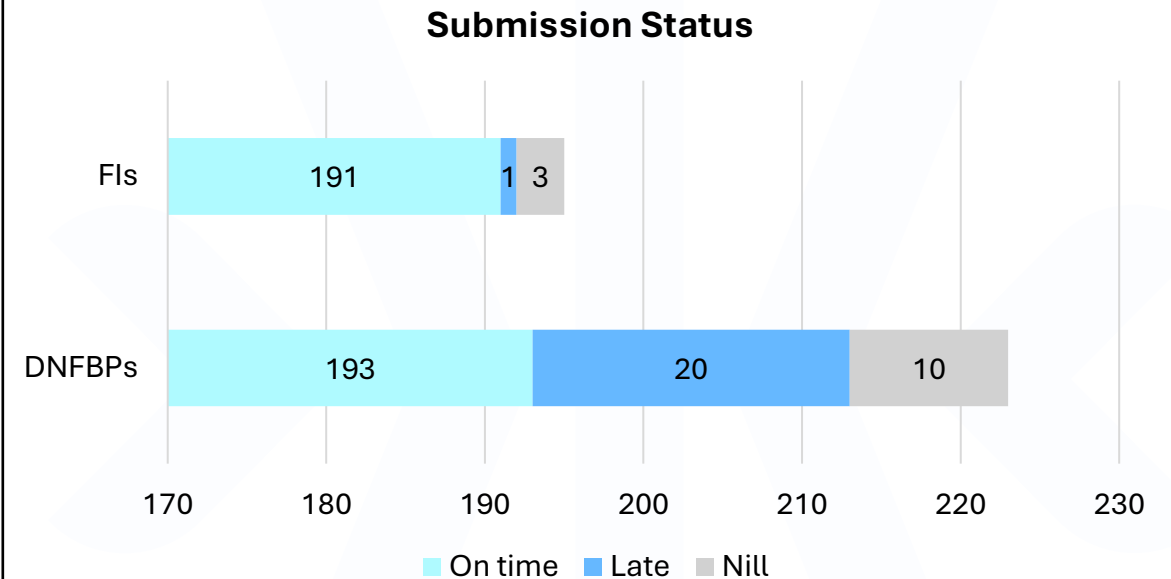
# 2023 AML Return Submissions Status



# Status of the AML Return Submissions - 2023

## Observation

- 98% (191 out of 195) of our **FIs** entities have **submitted** the 2023 AML Return **on time**. Whereas only (1) submitted **late** and 2% have **failed to submit**.
- 87% (193 out of 223) of our **DNFBPs** entities have submitted the 2023 AML Return **on time**. Whereas 9% (20) submitted **late** and 4% have **failed to submit**.



## Recommendation

- All RPs are **required** to adhere to the AML Return submissions' deadline, which is set for end of April of each year.
- All RPs registered / licensed before end of October of each year **are applicable** to submit the upcoming AML Return.
- All RPs **must ensure** that any new MLRO has user credentials on the FSRA Connect to facilitate the submission of the AML return.

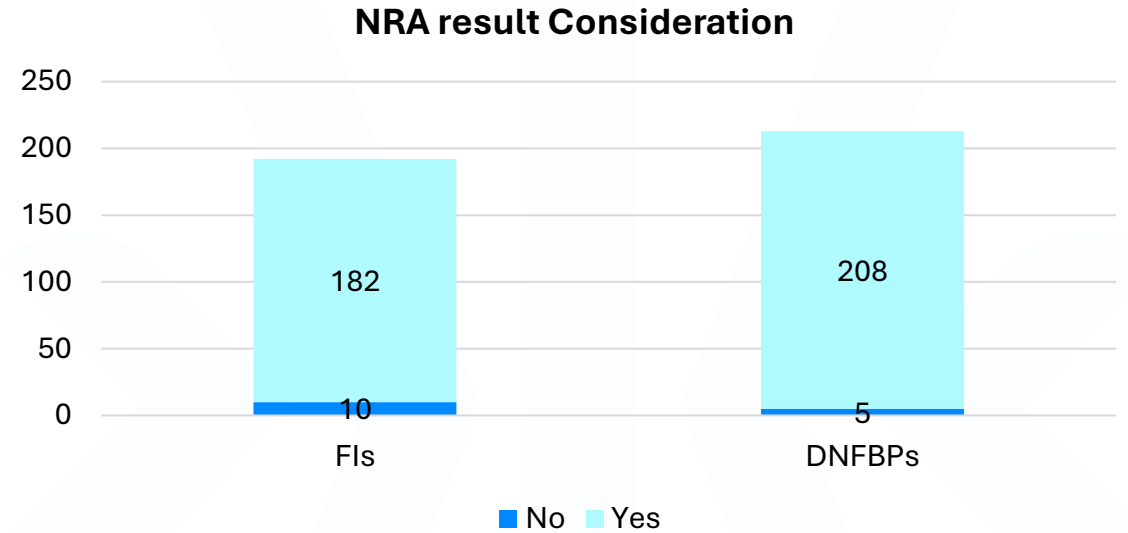
# **NRA Results Considered in the BRA**



# NRA Results Considered in the BRA

## Observation

- 5% (10 out of 192) of our FIs entities licensed **did not take into consideration** the results of the most recent UAE National Anti-Money Laundering and Terrorist Financing Risk Assessment Report (NRA).
- 2% (5 out of 213) of our DNFBPs entities registered **did not take into consideration** the results of the most recent UAE NRA.



## Recommendation

- All RPs **must document** their BRA.
- All RPs **must ensure** that their BRA is taking into consideration the **most recent UAE NRA results**.
- All RPs **must consider** any relevant publications / guidance notes issued by the regulator.

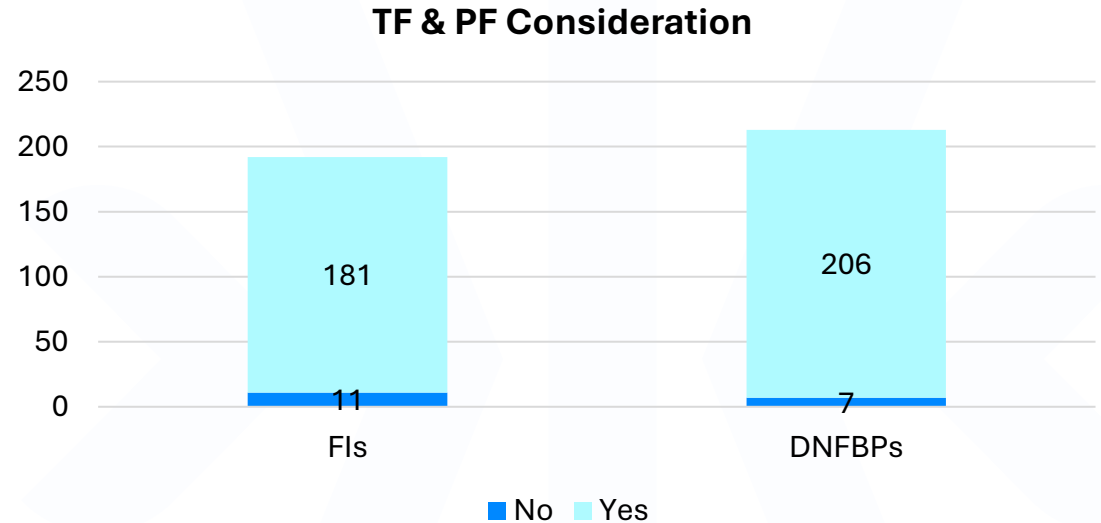
# TF / PF Consideration in the BRA



# TF/PF Consideration in the BRA

## Observation

- 6% (11 out of 192) of our FIs entities licensed **did not identify and assess TF and PF risks** for their customers, countries or geographic areas, products, services, transactions, or delivery channels in their BRA.
- 3% (7 out of 213) of our DNFBPs entities registered **did not identify and assess TF and PF risks** for their customers, countries or geographic areas, products, services, transactions, or delivery channels in their BRA.



## Recommendation

- All RPs **must ensure** that their BRA explicitly identifies and assesses the risks associated with TF and PF risks. The same should be reflected into the CRA subsequently.

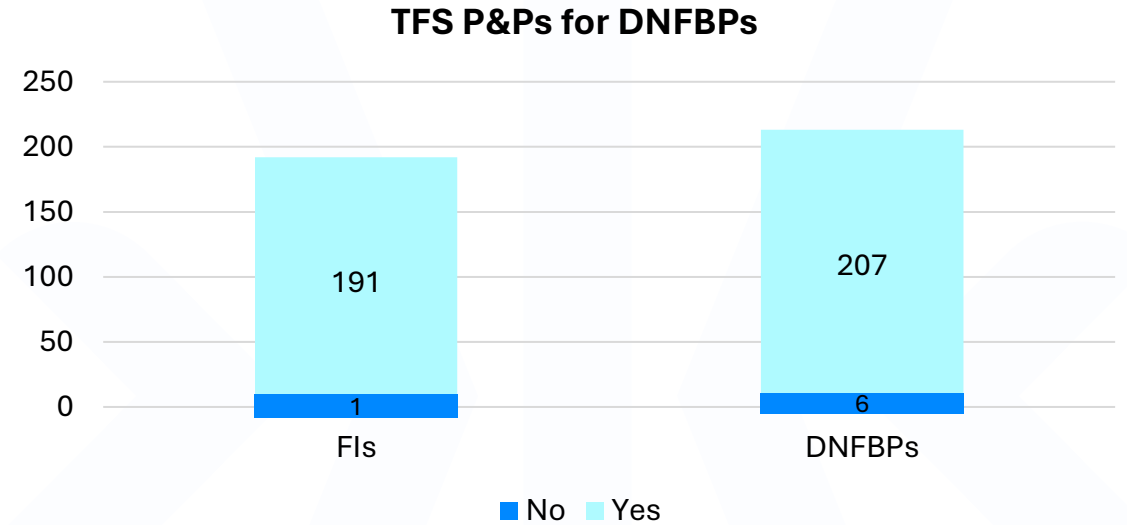
# **TFS and PF in Policies, Procedures, Systems and Controls**



# TFS and PF in Policies, procedures, systems and controls

## Observation

- 1 out of 192 of our FIs entities licensed **did not cover the TFS and PF measures** in their AML policies, procedures, systems and controls.
- 3% (6 out of 213) of our DNFBPs entities registered **did not cover the TFS and PF measures** in their AML policies, procedures, systems and controls.



## Recommendation

- All RPs **must ensure** that their AML policies, procedures, systems and controls are covering the TFS and PF measures.
- All RPs **must ensure** covering the requirements set in the AML Rules and in line with the Article 21 of Cabinet Decision No. 74 of 2020 and the TFS guidance

# Registration on the goAML and the EOCN website



# Registration into the goAML and the EOCN website

| Observation   |  |     |     |     |   |     |        |   |     |  |             |    |     |     |   |     |        |   |     |
|---|--|-----|-----|-----|---|-----|--------|---|-----|--|-------------|----|-----|-----|---|-----|--------|---|-----|
| <ul style="list-style-type: none"> <li>1 FI and 4 DNFBPs have confirmed being <b>not registered</b> to the goAML system.</li> </ul> <p style="text-align: center;"><b>goAML Registration</b></p> <table border="1"> <caption>goAML Registration Data</caption> <thead> <tr> <th>Entity Type</th> <th>No</th> <th>Yes</th> </tr> </thead> <tbody> <tr> <td>FIs</td> <td>1</td> <td>191</td> </tr> <tr> <td>DNFBPs</td> <td>4</td> <td>209</td> </tr> </tbody> </table> | Entity Type  | No  | Yes | FIs | 1 | 191 | DNFBPs | 4 | 209 | <ul style="list-style-type: none"> <li>3% of our DNFBPs have confirmed being <b>not subscribed</b> to the EOCN website. Whereas 100% of our FIs have successfully subscribed.</li> </ul> <p style="text-align: center;"><b>EOCN Subscriptions</b></p> <table border="1"> <caption>EOCN Subscriptions Data</caption> <thead> <tr> <th>Entity Type</th> <th>No</th> <th>Yes</th> </tr> </thead> <tbody> <tr> <td>FIs</td> <td>0</td> <td>192</td> </tr> <tr> <td>DNFBPs</td> <td>7</td> <td>206</td> </tr> </tbody> </table> | Entity Type | No | Yes | FIs | 0 | 192 | DNFBPs | 7 | 206 |
| Entity Type   | No   | Yes |     |     |   |     |        |   |     |  |             |    |     |     |   |     |        |   |     |
| FIs   | 1  | 191 |     |     |   |     |        |   |     |  |             |    |     |     |   |     |        |   |     |
| DNFBPs  | 4  | 209 |     |     |   |     |        |   |     |  |             |    |     |     |   |     |        |   |     |
| Entity Type   | No   | Yes |     |     |   |     |        |   |     |  |             |    |     |     |   |     |        |   |     |
| FIs   | 0  | 192 |     |     |   |     |        |   |     |  |             |    |     |     |   |     |        |   |     |
| DNFBPs  | 7  | 206 |     |     |   |     |        |   |     |  |             |    |     |     |   |     |        |   |     |
| Recommendation  |  |     |     |     |   |     |        |   |     |  |             |    |     |     |   |     |        |   |     |
| <ul style="list-style-type: none"> <li>All RPs <b>must ensure</b> to register to the goAML system (The system enables raising STR/SAR, other types of reports and receiving notification from FIU).</li> <li>All RPs <b>must update</b> their details in the goAML for any change in the company details and mainly for the change of the MLRO.</li> </ul>  | <ul style="list-style-type: none"> <li>All RPs <b>must ensure</b> to subscribe to the EOCN website (TFS reports are filed/raised directly through the goAML platform, namely under the: (i) Funds Freeze Report (FFR); and (ii) Partial Name Match Report (PNMR).</li> </ul> |     |     |     |   |     |        |   |     |  |             |    |     |     |   |     |        |   |     |

# Sanctions Screening and Record Keeping

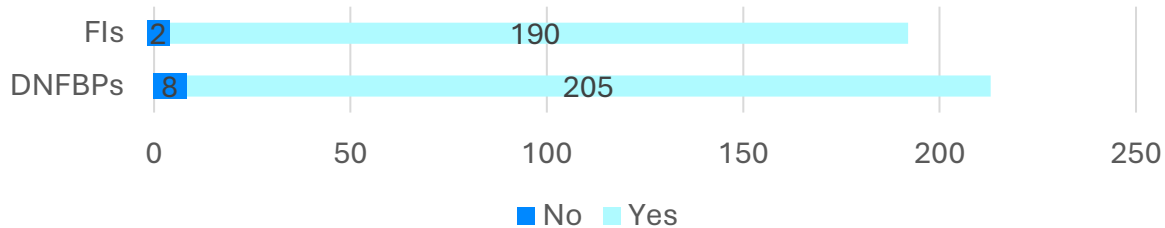


# Sanctions Screening and Record Keeping

## Observation

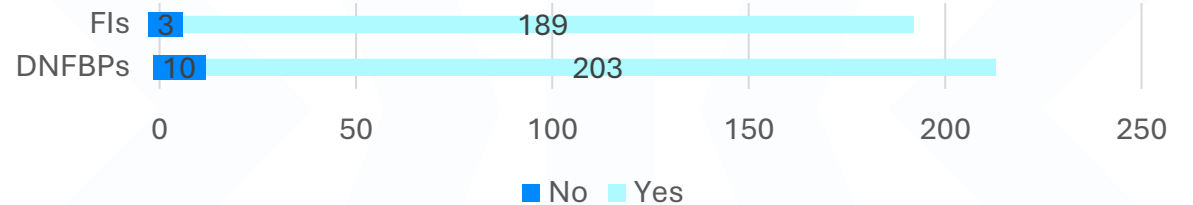
- 1% of our FIs and 4% of our DNFBPs have confirmed **not screening all their customers and transactions** against local and international lists.

Screening Against Local and International Lists



- 2% of our FIs and 5% of our DNFBPs have confirmed **not maintaining records of all screening results** (negative, false positive, potential, and confirmed matches) for at least 6 years.

Maintain Records of Screening Results



## Recommendation

- All RPs **must ensure** screening all their customers and transactions against local and international lists as outlined in the AML Rule and in line with Article 21 of Cabinet Decision No. 74 of 2020 and the TFS guidance.
- All RPs **must notify** the Supervisory Authority in case of the detection of a positive match.
- All RPs **must complete** the EOCN notice survey.
- All RPs **must ensure** keeping in records all the screening results for at least 6 years.

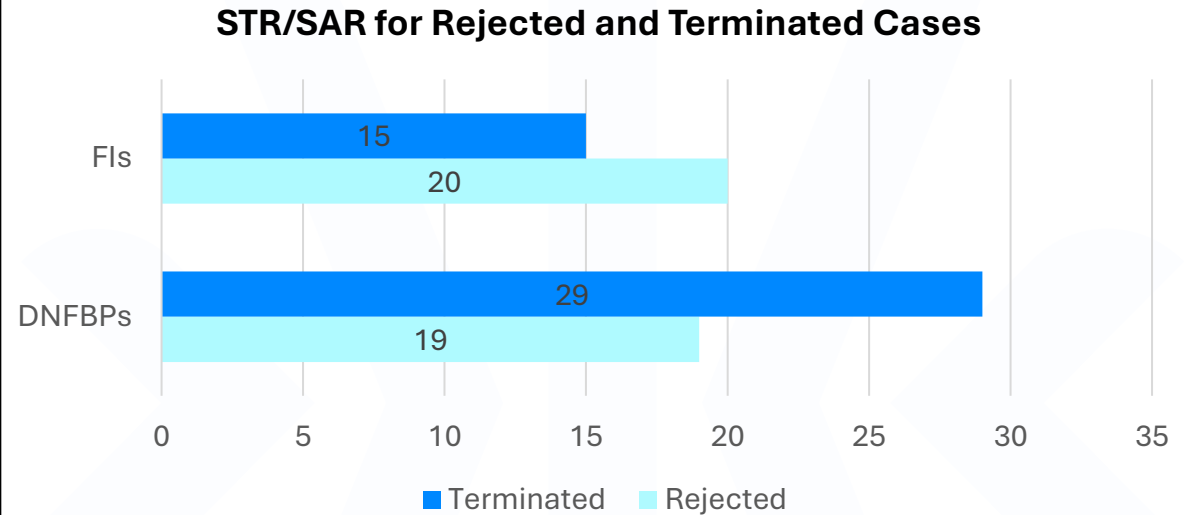
# **STR/SAR for Rejected and Terminated Cases**



# STR/SAR for Rejected and Terminated Cases

## Observation

- 2% (4 out of 192) of our **FIs** entities have confirmed raising 15 STR/SARs for **terminated cases** and 4% (8 out of 192) have confirmed raising 20 STR/SARs for **rejected cases**.
- 5% (11 out of 213) of our **DNFBPs** entities have confirmed raising 29 STR/SARs for **terminated cases** and 6% (13 out of 213) have confirmed raising 19 STR/SARs for **rejected cases**.



## Recommendation

- All RPs **must ensure** raising STR/SAR on the goAML for any rejected or terminated case.
- All RPs **must ensure** documenting / indicate a clear reason for the rejected and terminated cases.
- All RPs **must record internally** all the rejected and terminated case.

# AML and TFS Internal Trainings

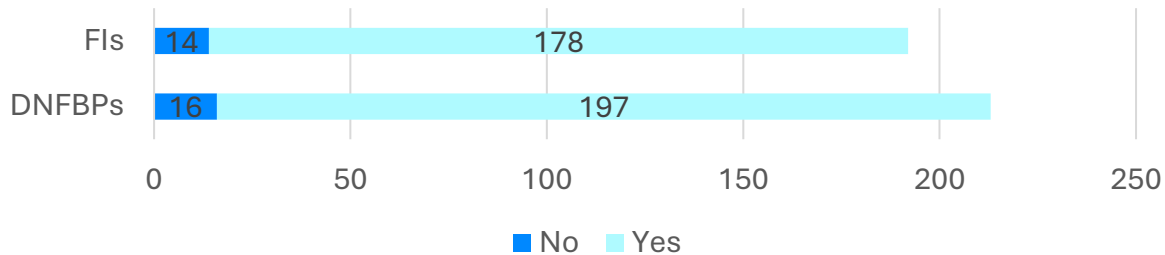


# AML and TFS (TF & PF) Internal Trainings

## Observation

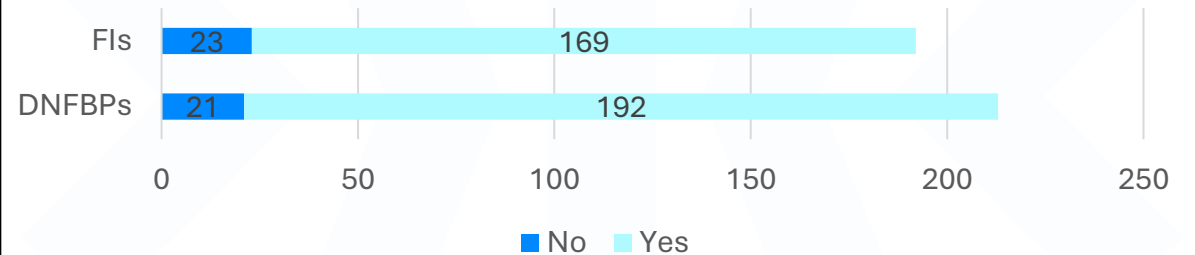
- 7% of our FIs and 8% of our DNFBPs have confirmed **not conducting adequate internal training** on AML obligations and sanctions evasion typologies to relevant staff and senior management.

AML Internal Trainings



- 2% of our FIs and 5% of our DNFBPs have confirmed **not conducting adequate internal training** on TFS (TF & PF) obligations and typologies to relevant staff and senior management.

TFS (TF/PF) Internal Trainings



## Recommendation

- All RPs **must ensure** implementation of comprehensive annual internal AML training programs that cover AML obligations and sanctions evasion typologies.
- All RPs **must ensure** conducting adequate internal training on TFS (TF & PF) obligations and typologies to all relevant staff including senior management.



# **Overview of FSRA Supervision priorities**





## Governance

The FSRA believes that good Corporate Governance will lead the Authorized Persons to achieve their organizational goals in compliance with the regulatory requirements and expectations and in line with the best practices.



## Conduct of business

Consumer protection is a critical aspect of the protection of customers and the confidence of investors in the ADGM. The core element is the protection of consumers and ensuring the provision of fair and transparent services to customers, with an enhanced focus on Retail customers.



## Financial Soundness

Authorized Persons are subject to regulatory requirements to ensure smooth financial operations of their business. This is an area that Supervision will monitor and review through regular reporting as well as through other engagements with Authorized Persons.



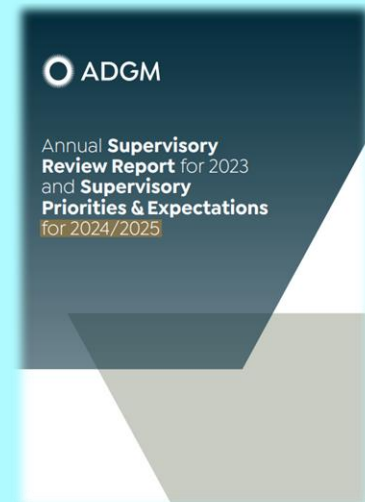
## Outsourcing

Outsourcing allows efficiencies and access to specialist knowledge for firms that are in their infancy, or whose business model does not warrant a more complex organizational structure. However, in an outsourced environment, the Authorized Person remains responsible for the effective performance of the outsourced function.



## Financial Crime Prevention

Maintaining strong oversight and active involvement in addressing financial crime risk remains as an important priority within our supervisory activities. This is a critical element for the protection of the reputation of the ADGM together with alignment of the UAE national strategy.



# Annual AML/CFT & TFS Thematic Review

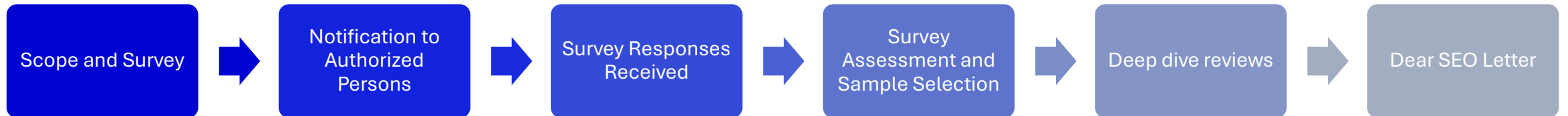
## Supervision's Engagement plan with the Sector

- Onsite Inspection
- Desk-based Reviews
- Thematic Reviews

### 2024 Conducted Thematic Reviews:

- Thematic Review on Client Classification
- Anti-Money Laundering and Counter-Terrorism Financing

## Process of Thematic Reviews



## Scope of the AML/CFT Review

- ☆ The execution of the risk-based framework of the Authorised Person;
- ☆ Customer onboarding and customer due diligence processes
- ☆ Targeted Financial Sanctions processes and procedures; and
- ☆ Suspicious activity reporting/Suspicious Transactions reporting (SAR/STR)

# **Key Findings observed during the onsite and thematic review of our private sectors including our Expectations**

**Financial Institutions (FIs)**



## Risk Based Approach – CRA and BRA

### Areas for Improvement

**BRA - Risk Assessments for New Products and Services**

**CRA - Clear Documentation and Methodology in Customer Risk Assessments**

**CRA - CRA Overrides and Methodology**

### FSRA's expectations

all firms must conduct comprehensive risk assessments before introducing new products, services, or technologies to capture any potential AML/CTF risks. Not conducting a BRA before launching new products can lead to oversight of inherent AML risks.

All firms are expected to establish a CRA methodology that is thoroughly documented and transparent, outlining each step of the risk assessment process in detail. Where this documentation should clearly specify the criteria and processes used to assess customer risks, providing a complete view of the approach from start to finish. A well-documented CRA framework also strengthens the firm's ability to effectively manage and mitigate customer-specific risks.

All firms are required to maintain a transparent and well-documented CRA framework that supports objectivity in customer risk assessments, Any overrides of CRA tool-generated ratings should be thoroughly documented and governed by a structured internal approval process to ensure consistency and accountability.

# Customer Due Diligence (CDD) and Enhanced Due Diligence

## Areas for Improvement

**Documenting the approach for Politically Exposed Persons (PEPs)**

**Enhancing Documentation Practices in Onboarding Records**

**Improving Identification and Verification of Ultimate Beneficial Owners (UBOs)**

## FSRA's expectations

FSRA AML Rulebook does not mandate classifying all PEPs as high-risk, however, it does emphasize the heightened money laundering risk associated with foreign PEPs. Regardless of risk classification, firms are required to conduct enhanced due diligence (EDD) when a PEP is identified, whether at onboarding or during periodic reviews.

All firms are required to maintain complete and accurate onboarding records, even when transitioning between service providers. Streamlined documentation practices enhance data integrity and support strong compliance foundations.

All firms are required to implement strong controls to ensure that UBOs are thoroughly identified and verified prior to onboarding. This step enhances regulatory compliance and reduces potential risks associated with unidentified beneficial owners.

# Targeted Financial Sanctions (TFS) and Suspicious Activity/Transactions Reporting (SAR/STR )

## Areas for Improvement

### Maintaining Evidence of Screening Against UAE and International Sanctions Lists

All firms are required to retain documented evidence of screening clients against relevant sanctions lists, including the UAE Executive Office of the Committee for Goods and Materials Subject to Import and Export Control (EO) lists and UN sanctions. Ensuring complete coverage of entries from these lists enhances regulatory compliance and supports transparency.

### Implementing Transaction Screening as Part of Sanctions Controls

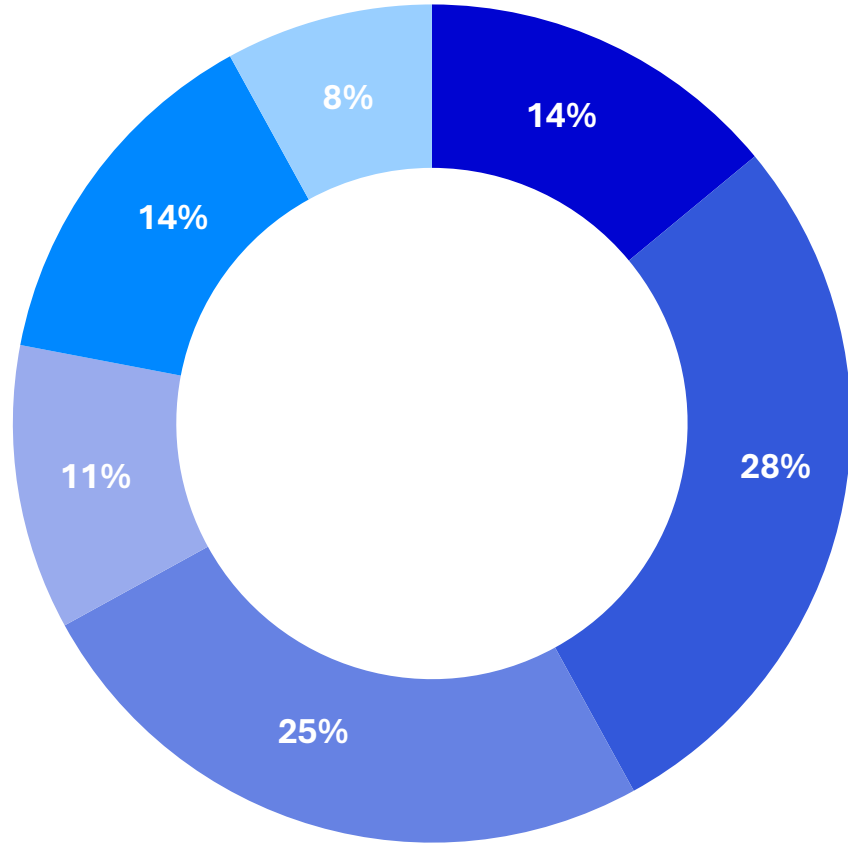
All firms are required to conduct transaction screening in addition to customer screening to capture any sanctions-related risks during transactions. Relying solely on other financial institutions for this function may create gaps in sanctions compliance. Implementing transaction screening strengthens overall sanctions controls and enhances independent verification of compliance.

### Ensuring Timely Registration on Reporting Platforms

All firms are required to ensure that CO/MLRO promptly register on necessary regulatory reporting platforms, such as goAML, upon appointment. Timely registration facilitates efficient reporting and enables the firm to meet regulatory FSRA and Federal obligations effectively.

## FSRA's expectations

# Breakdown of Identified Issues



| Issue                    | %   |
|--------------------------|-----|
| Customer Risk Assessment | 28% |
| Customer Due Diligence   | 25% |
| Business Risk Assessment | 14% |
| On-going CDD             | 14% |
| Enhanced Due Diligence   | 11% |
| Transaction Monitoring   | 8%  |

## Key Notes for CO/MLRO'S

- Issuance of the Dear SEO Letter to sets out the key findings, trends identified including good and bad practices.
- Firms must ensure effective and consistent implementation of the rules and regulations at all times.
- Actively engage with the supervision team in case of any regulatory enquiries and to raise concerns.
- You should Take advantage of the regular outreaches, guidance notes and publications on our website.

# **Supervision approach**

Objectives and Regulatory Priorities



# Strategy and Regulatory Priorities – Our Objectives

Public document setting out the Registration Authority’s Monitoring and Enforcement Strategy and Regulatory Priorities for 2024 to 2025



1.

Foster an environment of continuous compliance by ADGM licensed persons



2.

Maintain fairness, transparency and efficiency in ADGM



3.

Build and maintain commercial regulatory stakeholder relationships

# Strategy and Regulatory Priorities – Regulatory Priorities

Public document setting out the Registration Authority’s Monitoring and Enforcement Strategy and Regulatory Priorities for 2024 to 2025



1. Promote accuracy, timeliness and quality of annual filings and licence renewals.
2. Promote high standards of audit quality and corporate reporting in the ADGM.
3. Conduct risk based supervision on ADGM licensed persons.
4. Promote high standards of beneficial ownership compliance among ADGM licensed persons.
5. Deliver effective oversight of distributed ledger technology foundations.
6. Facilitate, promote and foster the uptake of ESG related disclosure reporting.
7. Identify potential or actual contraventions of operating or purporting to operate without a valid licence, exceeding the scope of ADGM licence and false claims about the licence status/type.
8. Ensure timely, decisive and proportionate enforcement action is taken, including those in partnership with relevant authorities.

# Strategy and Regulatory Priorities – Priority 3

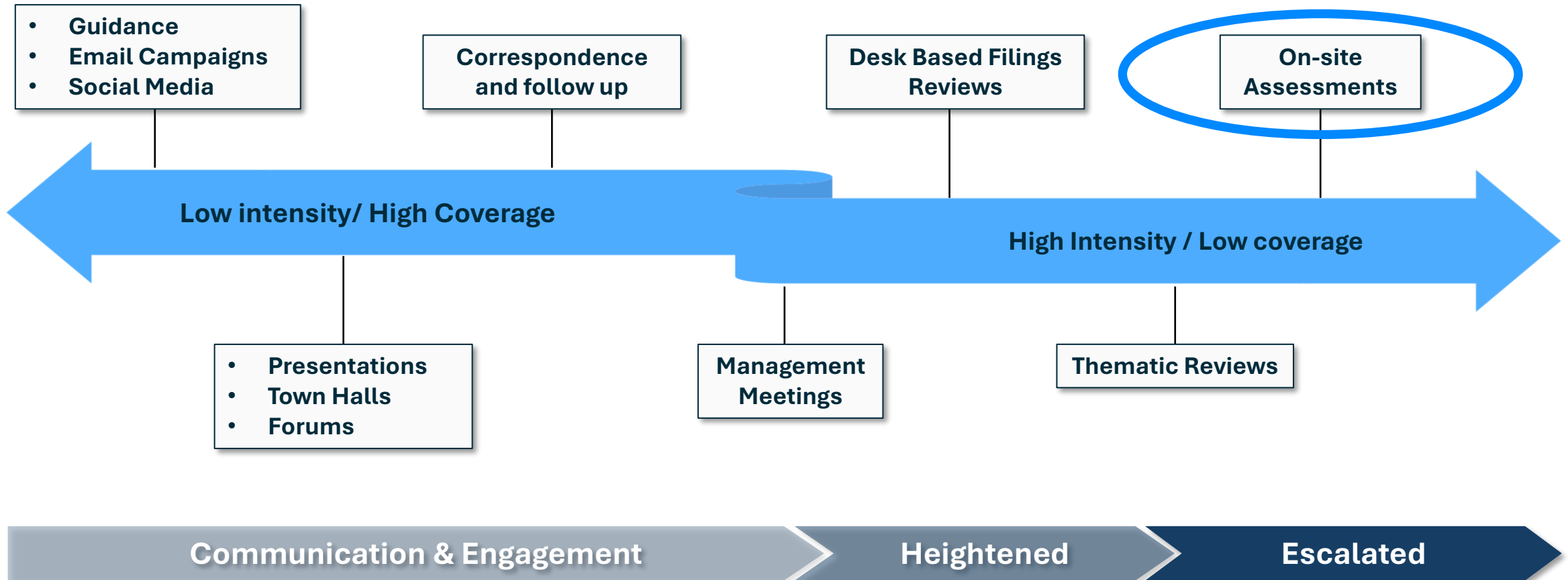
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# Monitoring Activities

Risk based supervision using range of supervisory tools



# **DNFBP onsite assessments**

Overview, scope and process



# DNFBP onsite assessments - overview

Tailored to assess the compliance of a firm and if necessary, to have a direct impact on improving compliance outcomes

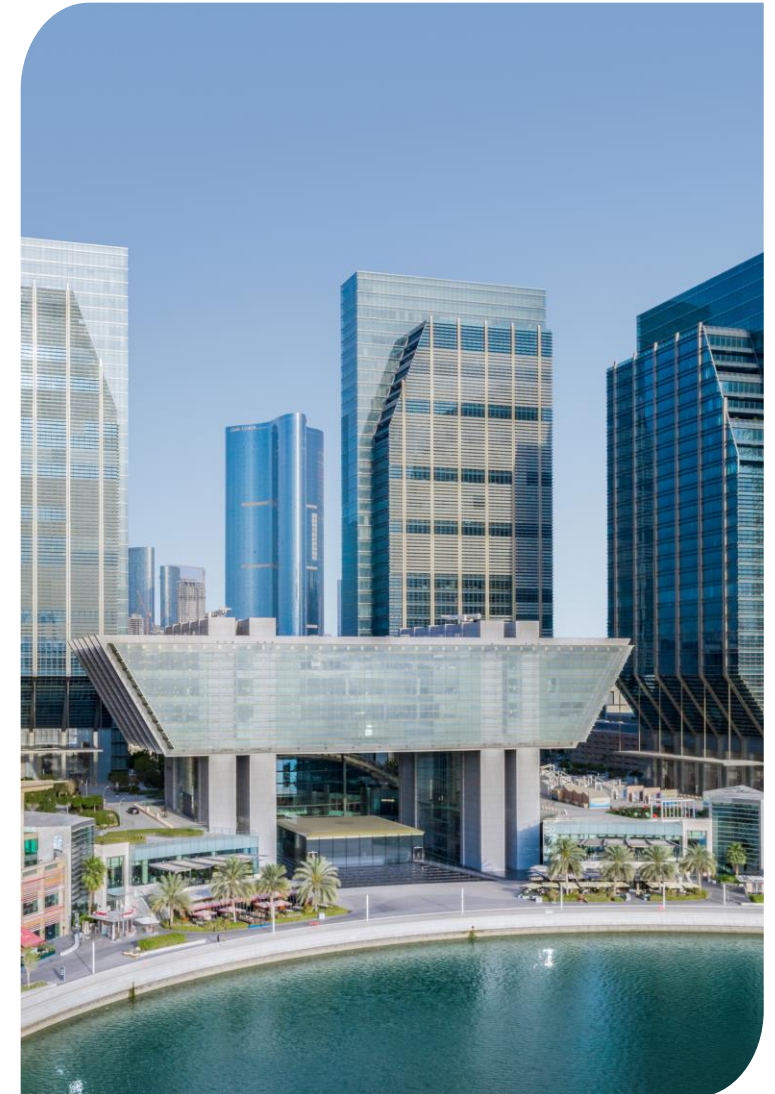


# DNFBP onsite assessments - scope

Purpose – to assess a DNFBP’s overall compliance with ADGM AML Rules

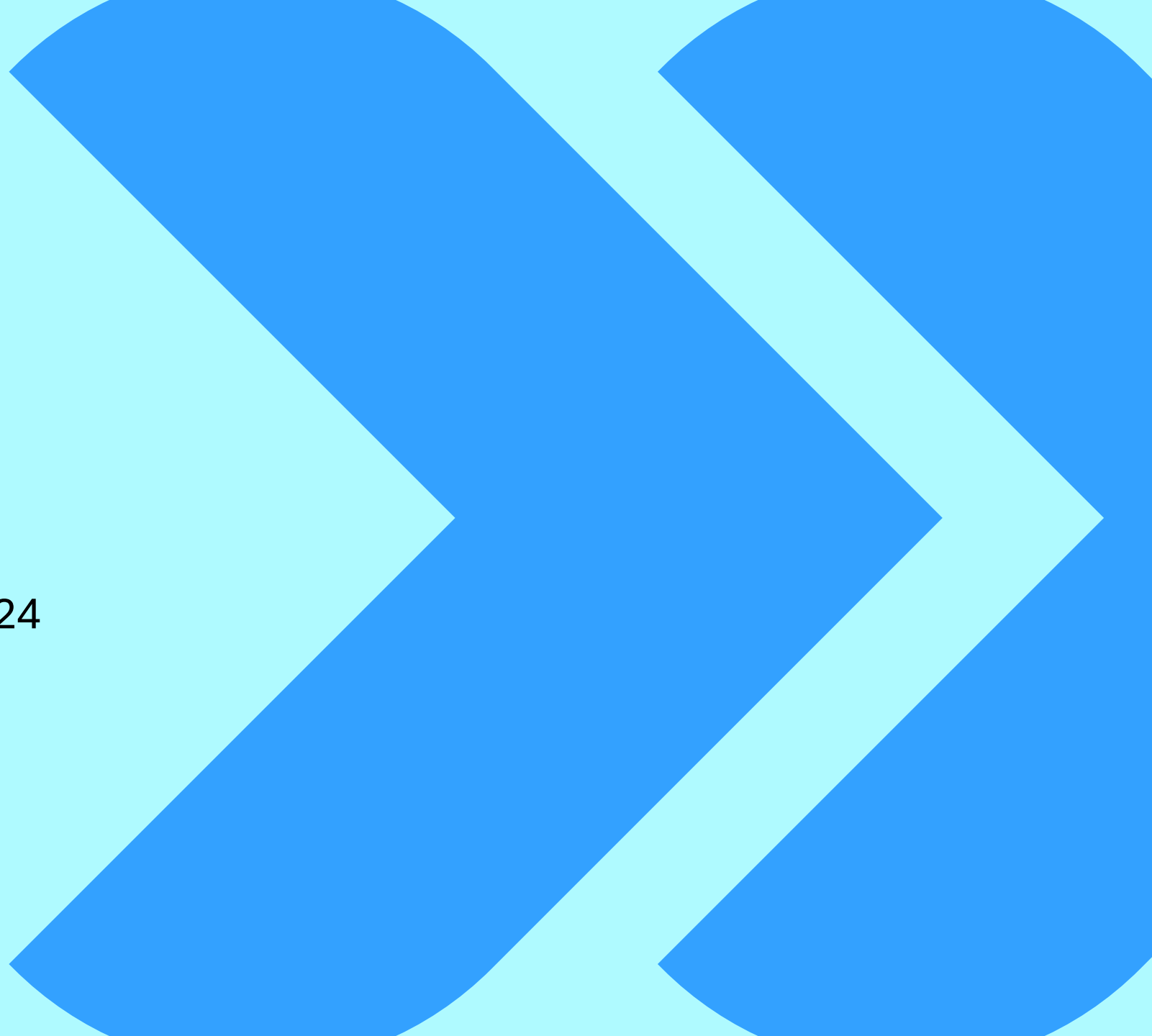


- **AML systems and controls, policies and procedures**
- **Sanctions monitoring**
- **Business Risk Assessment**
- **Customer Risk Assessment**
- **Customer Due Diligence**
- **KYC templates**
- **Sample client file review**
- **AML training and awareness**



# Common findings

Common deficiencies from 2024  
DNFBP onsite assessments



# DNFBP common findings

Common deficiencies identified from onsite assessments conducted in 2024

1. Inadequate Enhanced Customer Due Diligence (Enhanced CDD), including SoF, SoW and not obtaining Senior Management Approval
2. Failing to include Targeted Financial Sanctions (TFS), Proliferation Financing (PF) and Terrorist Financing (TF) risks as part of the Firm's Business Risk Assessment (BRA)
3. Lack of annual review of Firm's AML and TFS policies, procedures, systems and controls
4. Failing to carry out ongoing monitoring, including ongoing screening of clients
5. Lack of certification of KYC documents
6. Failing to appoint and register a new MLRO, and providing incorrect contact information

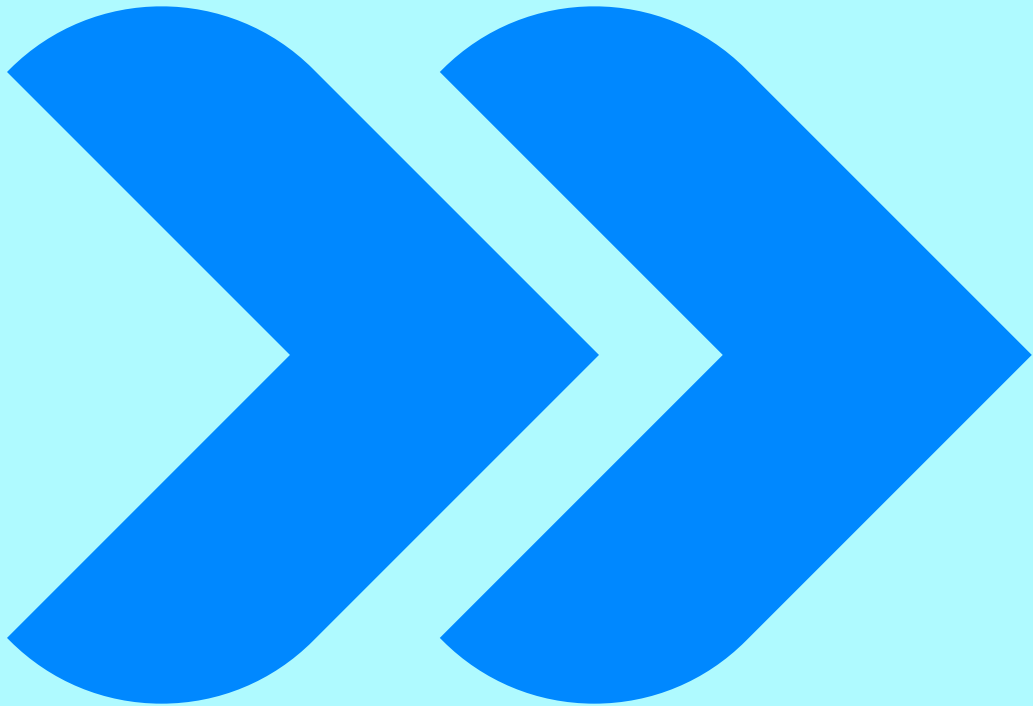


# Legal Entities, Risk and Transparency

Safeguarding Against Misuse of  
Legal Persons & Arrangements

14 November 2024





**In 2023, an estimated \$3.1T in illicit funds flowed through the global financial system.**



\*Source: 2024 Global Financial Crime Report, Nasdaq

# Tool or weapon?

# Legal Persons and Arrangements

Examples of legal persons & arrangements

## Companies (Legal Persons)



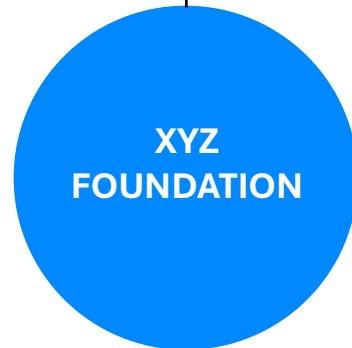
Shareholder and  
Beneficial Owner



## Foundations (Legal Persons)



Beneficiary



## LLPs (Legal Persons)



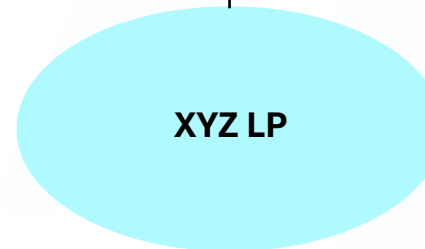
Partner and  
Beneficial Owner



## LPs / GPs (Legal Arrangements)



Beneficiary



## Trusts (Legal Arrangements)



Beneficiary



# Relevant FATF Standards

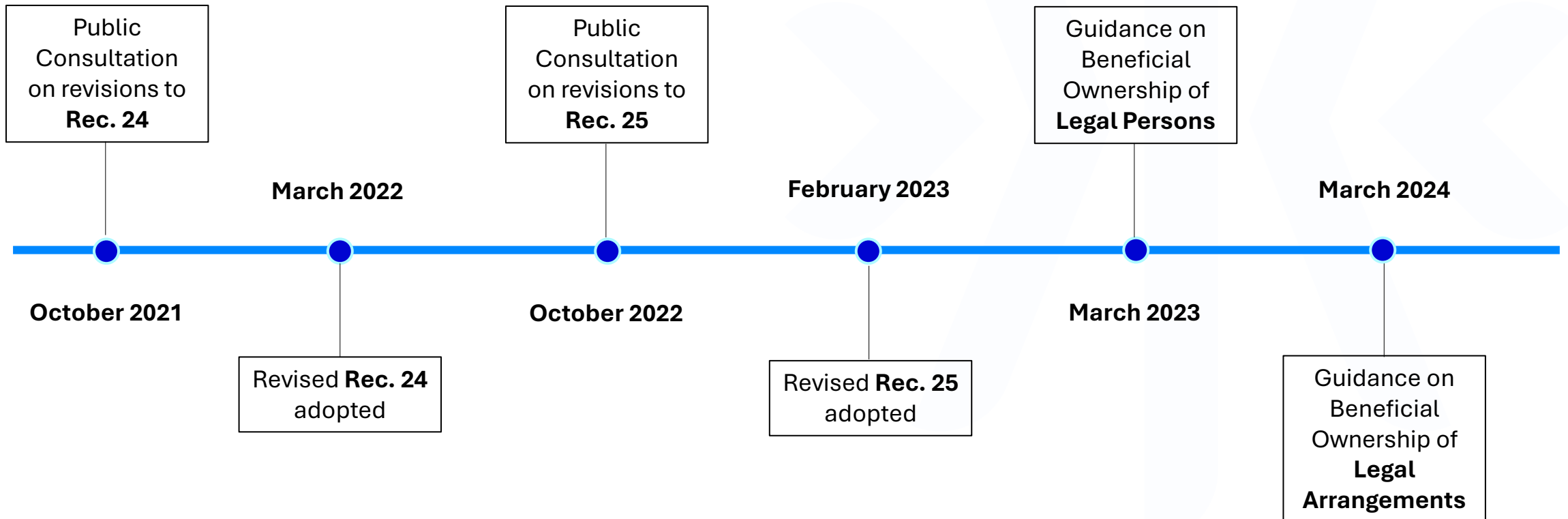
Strengthening FATF Recommendations 24 and 25

## Rec. 24

Transparency and beneficial ownership of **legal persons**

## Rec. 25

Transparency and beneficial ownership of **legal arrangements**

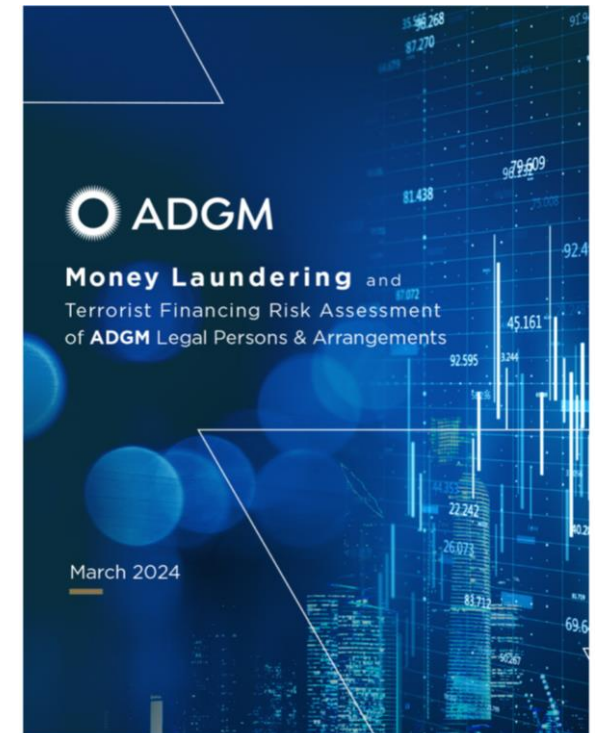
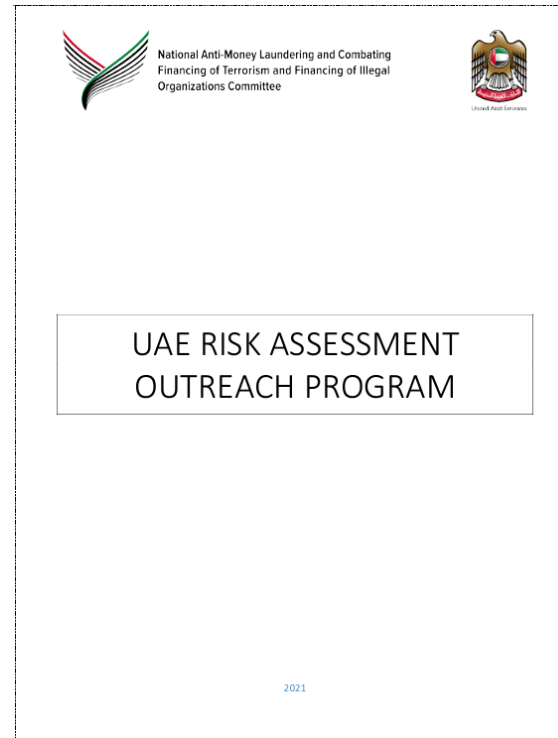


# 1. Risk Assessment

## Risk Assessment of Legal Persons and Arrangements

### Recommendations 24 and 25:

- *Countries should assess the risks of misuse of legal persons and arrangements for ML and TF*



# ADGM Legal Persons & Arrangements Risk Assessment

Supplementing the NRA, ADGM’s LPA Risk Assessment enhances the risk understanding of ADGM legal entities



Four-point risk rating scale used for all elements



[Download a copy here](#)

| Legal Person / Arrangement Type                   | Risk Rating |
|---|-------------|
| 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      |

## 2. Information on beneficial owners and controllers

### Beneficial Ownership & Control Information

#### Recommendations 24 and 25:

- *Countries should ensure that there is adequate, accurate and up to date information on the beneficial ownership and control of legal persons*
- *For trusts this includes, settlor(s), trustee(s) and beneficiary(ies)*
- *Information should be accessible rapidly and efficiently by competent authorities*
- *Countries should take effective measures to ensure that nominee shareholders and directors are not misused for ML or TF.*

#### The 3 Pillars of Beneficial Ownership

- Adequate
  - Information must be sufficient to identify the natural person(s) who are BOCs
  - E.g. first name, last name, nationality and D.O.B.
  - Means by which the individual is a BOC.
- Accurate
  - Information must be verified to ensure that BOC information is accurate
  - Risk based approach to verification
  - Multipronged approach
- Up to date
  - BOC information must be kept up to date

# Beneficial Ownership Legislation in ADGM

## Obligations for Financial Institutions and DNFBPs

- **FSRA's Anti-Money Laundering and Sanctions Rules and Guidance**

- Rule 8 Customer Due Diligence:

- *Identify all the Beneficial Owners and take reasonable measures to verify the identity of the Beneficial Owners*



**Multi-Pronged Approach**

## Obligations for all ADGM Legal Persons

- **ADGM's Beneficial Ownership & Control Regulations 2022**

- Section 1:

- *Each ADGM Person must take reasonable steps to ascertain the true, accurate and complete identity of its beneficial owners*

- Sections 2 and 2A:

- *Each ADGM Person must keep a record of beneficial owners and nominee directors*

- Section 5:

- *Must notify the Registrar of a change within **15 days***



# ADGM Registration Authority Beneficial Ownership Help and Resources

## Beneficial Ownership Help and Resources

### Access to the ADGM Register of Beneficial Owners

- The Registration Authority does not publish beneficial ownership information for privacy reasons – but register includes the last update date -

#### Beneficial Owners

The record of the required particulars of the beneficial owners and relevant changes in relation to the beneficial owners was last updated on 20 February 2024. The record of required particulars is lodged with the Registrar and is accepted as filed as true, accurate, complete and up to date based on requirements contained in the provisions of ADGM Beneficial Ownership and Control Regulations

- Section 12 of BOCR 2022 empowers the Registrar to share BOC information with FIs and DNFBPs.
- Requests must be for AML purposes and with the ADGM Person's consent.

### Records of Beneficial Ownership

- Common deficiencies identified:
  - Failure to have or maintain a record of beneficial ownership
  - Record fails to include all the required particulars
- Record of Beneficial Ownership Template:
  - Downloadable record of beneficial ownership template available from the RA's dedicated BO webpage:

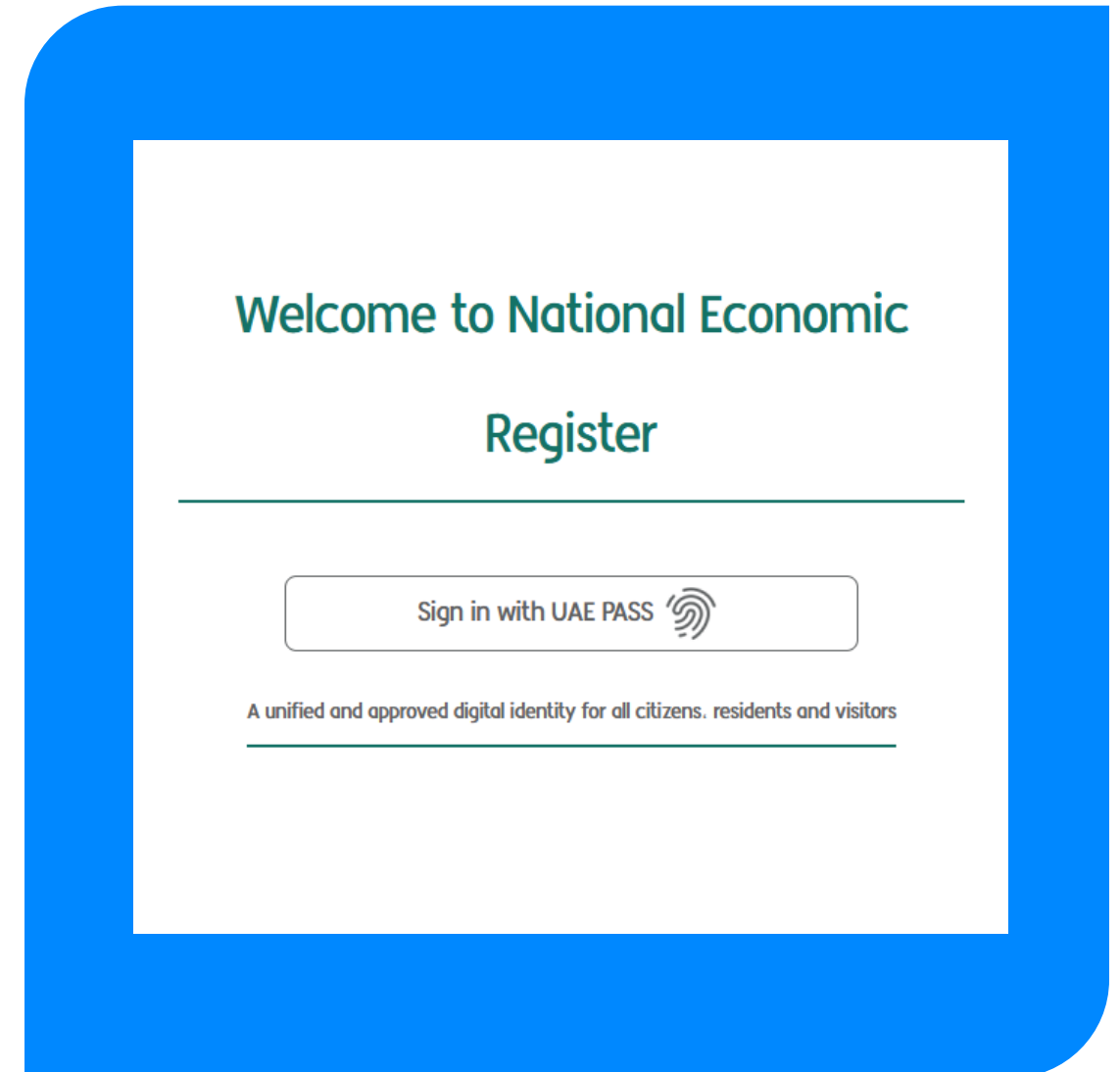
| Record of Beneficial Owners<br>(Entity Name)<br>(Entity Registration Number) |                    |                     |                         |                  |  |                   |            |              |                  |  |                   |
|--|--------------------|---------------------|-------------------------|------------------|--|-------------------|------------|--------------|------------------|--|-------------------|
| Individual   |                    |                     |                         |                  |  |                   |            |              |                  |  |                   |
| Full Name  | Former Name        | Residential Address | Service Address         | Date of Birth    | Place of Birth                         | Nationality       | Occupation | Passport No. | Appointment Date | Grounds of Becoming a Beneficial Owner | Cancellation Date |
|  |                    |                     |                         |                  |  |                   |            |              |                  |  |                   |
|  |                    |                     |                         |                  |  |                   |            |              |                  |  |                   |
|  |                    |                     |                         |                  |  |                   |            |              |                  |  |                   |
| Body Corporate   |                    |                     |                         |                  |  |                   |            |              |                  |  |                   |
| Registered Name  | Registered Address | Registration Number | Country of Registration | Appointment Date | Grounds of Becoming a Beneficial Owner | Cancellation Date |            |              |                  |  |                   |
|  |                    |                     |                         |                  |  |                   |            |              |                  |  |                   |
|  |                    |                     |                         |                  |  |                   |            |              |                  |  |                   |
|  |                    |                     |                         |                  |  |                   |            |              |                  |  |                   |

# Beneficial Ownership Developments – Part 1: UAE

National Strategy for AML, CFT and PF for 2024-27

## Strategic Goal 4: Beneficial Ownership

- September 2024, following approval by the UAE Cabinet, the UAE announced its 3 year strategic plan for AML/CFT and PF
- Contains 11 strategic goals, focusing on 3 key pillars of risk-based compliance, effectiveness and sustainability
- Strategic Goal 4 is **Beneficial Ownership** – including:
  - Strengthening collaboration among Registrars
  - Ensuring availability of basic and BO information
  - Legislative updates where necessary to align with international standards
  - Risk based interventions and proportionate yet dissuasive sanctions



# Beneficial Ownership Developments – Part 2: ADGM

## Introduction of Late Fees Framework

### Automated Late Fees for Late BOC Filings

- Requirement is 15 days to file a change with the Registrar.
- Current process involves issuing a Monetary Penalty Notice.
- New process will be an automated (system driven) late fee for late filings of:
  - Changes in beneficial ownership,
  - Changes of particulars of an existing beneficial owner, and
  - Changes of nominee directors.
- Graduated late fee, at \$150 per month up to x3 months (\$450).
- Registrar retains power to impose fines for failure to file or filings over x3 months late.
- Anticipated go live is end of November.



# ADGM Registration Authority – Regulatory Priorities 2024/25

## Regulatory Priorities

RA’s key regulatory focus areas for the 12 month period to mid 2025

## Priority 4

Promote high standards of beneficial ownership compliance among ADGM licensed persons



## ADGM Registration Authority

Monitoring & Enforcement Strategy and Regulatory Priorities  
2024/25

adgm.com

# Further Guidance, Tools and Resources

## Beneficial Ownership Support

