



Targeted Financial Sanctions Implementation

*** 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 November 2024

TFS Mandate and Obligations

TFS Legal Framework – Cabinet Decision No. 74 of 2020

- Set out the framework for implementing Targeted Financial Sanctions in the UAE.
- Defined the role and obligations of the UAE authorities and appointed the EOCN as the national coordinator for TFS implementation.
- Defined the obligations of the private sector in TFS implementation.
- Defined the procedures to process grievance requests, including de-listing, access to frozen funds, and lifting of freezing measures.

Article 11 → Highlights EOCN mandates.

Article 15 → Highlights requirements for every person to freeze and report.

Article 21 → Highlights implementation of Private Sector

Article 22 → Highlights Supervisory Authority mandates.

Article 23 → Administrative and Criminal Sanctions for Non-Compliance.

EOCN's Role in Implementing Targeted Financial Sanctions (TFS)

- 01** **Circulate** updates on the Local Terrorist List and UN Consolidated List without delay.
- 02** **Collect** and **analyze** partial and confirmed name match reports received from both public and private sectors.
- 03** **Coordinate** and **exchange** information between government agencies.
- 04** **Engage** with Supervisors to ensure private sector compliance with TFS obligations.
- 05** **Conduct outreach** on TFS with the public and private sector.
- 06** **Receive** and **process** grievances related to the Local Terrorist List and UN Lists.

Private Sector Obligations

AML/CFT LAW No. 20 of 2018 amended by LAW No 26 of 2021

Article 16.1 (e), FIs, DNFBPs and VASPs shall:

Prompt application of the directives when issued by the competent authorities in the state for implementing the decisions issued by the UNSC under Chapter (7) of UN Convention for the Prohibition and Suppression of the Financing of Terrorism and Proliferation of WMD, and other related directives.

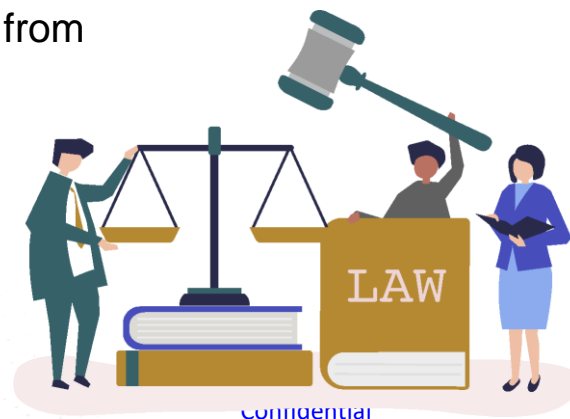
Administrative and Criminal Penalties - Federal Law 26 of 2021

Administrative Penalties - Article 14

- Warning
- Administrative fine 50,000 - 5,000,000 AED
- Constraining the powers of the Board members, supervisory or executive management members
- Ban of certain individuals from employment within the relevant sectors for a period of time.
- A suspension, restriction, or prohibition of activity, business.
- Withdrawal of the business license
- Increased scrutiny of future actions from supervisory authorities

Criminal Penalties - Article 28

- Imprisonment of no less than a year and no more than (7) seven years, or a fine of no less than AED 50,000 (fifty thousand dirham) and no more than AED 5,000,000 (five million dirham)



UN and FATF Obligations

The United Nation's Security Council imposes targeted financial sanctions related to TF & PF under Chapter VII of the UN Charter applicable to UN Member States, including the UAE. FATF adopts UNSCRs with **TFS obligations** in its recommendations.



UNSCRs

TF

1373

1267

1988

PF

2231

1718

As of October 18, 2023, the targeted financial sanctions set out in **UNSCR 2231** on Iran are no longer in effect. Despite updates to the resolution, the FATF continues to consider Iran a high-risk country and blacklist it.



Financial Action Task Force

Rec. 6

- Requires countries to implement targeted financial sanctions to comply with UNSCRs that call for TFS relating to terrorist financing.
- Current UNSCRs covered under FATF Rec 6: **UNSCR 1373, 1267, and 1988.**

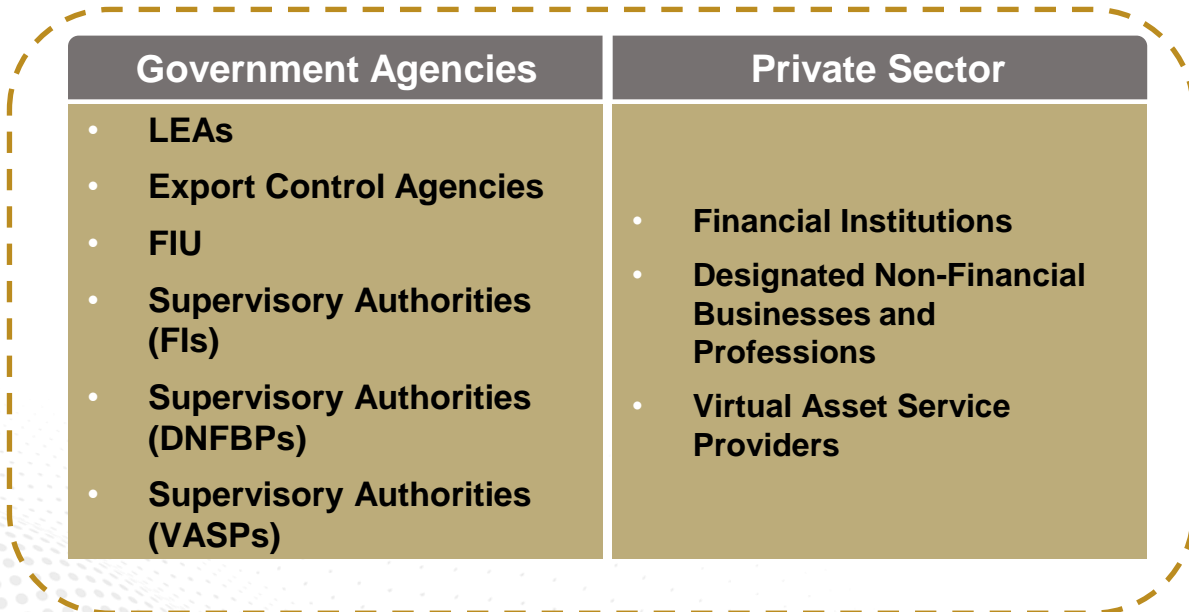
Rec. 7

- Requires countries to implement targeted financial sanctions to comply with UNSCRs that call for TFS relating to WMD proliferation.
- Current UNSCRs covered under FATF Rec 7: **UNSCR 1718 (DPRK) and UNSCR 2231 (Iran)**

TFS Institutional Framework



EOCN
TFS National Leader



TFS Implementation



What is Targeted Financial Sanctions (TFS)?

The term targeted financial sanctions includes both asset freezing without delay and prohibition from making funds or other assets or services, directly or indirectly, available for the benefit of sanctioned individuals, entities, or groups.

What is Targeted Financial Sanctions (TFS)?

WHY?

Aim

Stop the flow of funds or other assets to terrorists, proliferators of WMD, their supporters and prevent them from access to funding and other services that are used to commit terrorist or proliferation acts.

WHO?

Application

- 1- Individuals or entities listed on the UAE Local Terrorist List issued by the UAE Cabinet (in line with UNSCR 1373).
- 2- Individuals or entities listed by the United Nations Security Council through the multiple UN Sanctions Committees ("UN Consolidated List")

HOW?

Measures

- 1- Freeze funds or other assets of designated persons, without delay and without prior notice.
- 2- Prevent access to funds or other assets or services.

Financial Obligations and Measures

Freeze Without Delay



Freezing of funds



Freezing of real estate assets



Freezing of securities and stocks portfolios



Freezing of gold



Freezing of virtual assets

Prohibition



Services to create, operate or manage businesses



Services to transfer ownership of assets



Services to buy or sell real estate

TFS Electronic Tools



EOCN Notification System



goAML

EOCN Notification System

Purpose:

- To disseminate Sanctions Lists updates to both government authorities and private sector entities



Features:

- Interactive feature to the email alerts that provides a step-by-step guide on TFS
- Records the responses of subscribers in the system
- Sends a reminder email to all subscribers
- Provides a dashboard on the statistical results on each designation alert

The EOCN Notification System has over 30,000 subscribers as of June 2024

Purpose:

- To enhance and facilitate private sector reporting of implemented TFS measures



Features:

- Allows reporting of confirmed and potential matches in a more automated manner
- Provides EOCN and supervisory authorities simultaneous access to the reports
- Increases the speed of receiving TFS reports from the private sector
- Allows for compiling statistics on number of reports and frozen amounts

TFS Implementation Steps

Step 1

Subscribe

Screen

Apply TFS

Report

A requirement is to subscribe to the EOCN Notification System to receive automated email notifications on any updates to the Sanctions Lists.

www.eocn.gov.ae

TFS Implementation Steps

Step 2

Subscribe

Screen

Apply TFS

Report

- Undertake regular and ongoing screening on the latest Local Terrorist List and UN Consolidated List.
- Screening should be conducted in the following circumstances:
 - Upon any updates to the Local Terrorist List or UN Consolidated List.
 - Prior to onboarding new customers.
 - Upon KYC reviews or changes to a customer's information.
 - Before processing any transaction.
- Screening should include existing customer databases, ultimate beneficial owners and parties to transactions.

TFS Implementation Steps

Step 3

Subscribe

Screen

Apply TFS

Report

TFS Measures

Confirmed Match

Existing Customer

Freeze Assets without delay
Prohibit making Funds / Services available

Potential Customer

Reject customer

Partial Name Match

Any Customer

Suspend all Transaction without delay
Prohibit making Funds / Services available

NO Match

Any Customer

No further action is required

TFS Implementation Steps

Step 4

Subscribe

Screen

Apply TFS

Report

TFS Measures

Reporting Process

Confirmed Match

Existing Customer

Freeze Assets without delay
Prohibit making Funds / Services available

Submit FFR Report
within 5 days

Potential Customer

Reject customer

Partial Name Match

Any Customer

Suspend all Transaction without delay
Prohibit making Funds / Services available

Submit PNMR Report
within 5 days

NO Match

Any Customer

No further action is required

No Report Required

*** TFS measures remain in effect until delisting or instructions are received from EOCN**

Fund Freeze Report VS. Suspicious Transaction/Activity Report

Fund Freeze Report and Partial Name Match Report

Confirmed match to a Designated Person (UN and Local Lists).

Partial name match to a Designated Person (UN and Local Lists).

Established legal relationship to a Designated Person (e.g. POA, voting rights, etc.).

Submit FFR or PNMR to EOCN



Suspicious Transaction / Activity Report

Identified red flags or reasons to report.

Does not include confirmed or partial name match to a Designated Person or a suspicious link.

Does not involve any established legal relationship to a Designated Person or Party.

Submit STR/SAR to FIU



Sanction Evasion

What is Sanction Evasion?

Any **attempt to disguise or conceal** the involvement of sanctioned individuals, entities, or groups in a transaction or series of financial or non-financial transactions or services to avoid financial sanctions imposed by UN or Local Terrorist List.

How to uncover it?

- ◇ Raising awareness of sanction evasion techniques
- ◇ Filing STRs/SARs to the FIU via GoAML
- ◇ Understanding the risks associated with the sector
- ◇ Private public partnership and information sharing

Strategic Review on TFS Case Studies



5. تصنيف تقارير العقوبات المالية المستهدفة بحسب الأدوات

بناءً على النتائج المذكورة لملف أن أبرز الأدوات المستخدمة من قبل الأشخاص أو الكيانات أو المجموعات المحذرين على القوائم لنقل الأموال والعولم اللذين من الدول مرتفعة الخطر لدعم أنشطة تمويل الإرهاب أو برامج تمويل الانتشار هي باستخدام المستندات والوثائق المزورة والتحويلات الإلكترونية المصرفية.

نوع الأداة	عدد التقارير
المستندات والوثائق المزورة	8
التحويل الإلكتروني المصرفي	6
التحويل من خلال شركات مصرفية	2
التحويل من خلال جرد الدولة	2
شراء أسهم	1
إيداع مصرفي	1
نقل النقد عبر الحدود	1
الاستثمارات (القطاعات: الشركات)	1
شيك مصرفي	1

أنواع الأدوات

نوع الأداة	النسبة المئوية
المستندات والوثائق المزورة	24%
التحويل الإلكتروني المصرفي	18%
التحويل من خلال شركات مصرفية	18%
التحويل من خلال جرد الدولة	6%
شراء أسهم	3%
إيداع مصرفي	3%
نقل النقد عبر الحدود	3%
الاستثمارات (القطاعات: الشركات)	3%
شيك مصرفي	3%

6. تقييم مخاطر تمويل الإرهاب

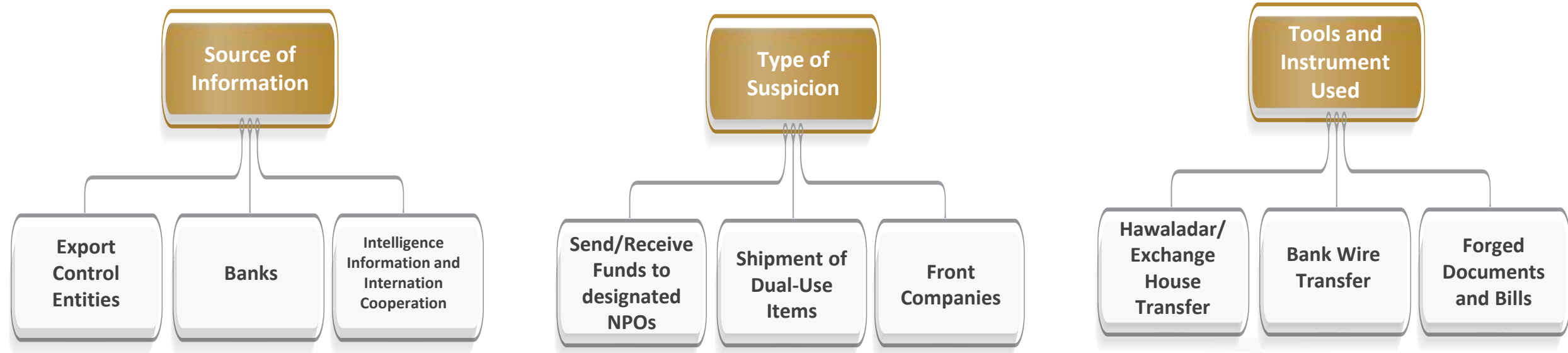
عام 2020 قامت الدولة بتقييم مخاطر تمويل الإرهاب لتوسيع نطاق تقييم مخاطر تمويل الإرهاب الذي أدى عام 2018 ولتعميق فهم الإمارات إلى حد كبير للخطوط في هذا المجال وعلى عكس تقييم مخاطر تمويل الإرهاب لعام 2018، نسخة العام 2020 تم إعدادها بمشاركة كبيرة من قبل مجموعة واسعة من الجهات المعنية وهو مستند إلى تحليل مجموعة أوسع بكثير من البيانات ومصادر المعلومات وقد يحد نطاقه بعدد محدود من المنظمات المعنية وهو مستند إلى تحليل مجموعة أوسع بكثير من البيانات والوسائل المحددة التي تمركز التهديدات وضمان الصفح في مجال تمويل الإرهاب في السياق الإماراتي من خلال سيناريوهات مخاطر مختلفة. وتم اعتماد منظورين أساسيين لدراسة مخاطر تمويل الإرهاب وهما المخاطر الطبيعية من الدولة ووضع البيانات كخطأ مالي عالمي. وقد تم النظر في مخاطر استخدام الإمارات من أجل (1) الجمع (2) النقل (3) استخدام الأموال لغرض إرهابية وضمانت المخاطر بشكل متعطل بناءً على إشارات الائتمانات من أجل (1) الجمع (2) النقل (3) استخدام الأموال لعام 2019، ويوفر الجدول أدناه ملخصاً للمنتجات بالنسبة إلى سيناريوهات مخاطر تمويل الإرهاب المتصلة والتدابير التخفيفية والتصميمات المتبعة لكل سيناريو.

سيناريو الخطر	الخطر المتأصل	التدابير التخفيفية	التصنيف النهائي
1. جمع الأموال من خلال وسائل التواصل الاجتماعي	M-H	S	M-L
2. التمويل المتصلين	M-L	S	L
3. جمع الأموال من خلال العملات الافتراضية	M-L	S	L
4. الشركات / المنظمات غير الربحية للربح	M-H	M	M-H
5أ. الأنشطة التجارية في الإمارات - بيع المنتجات من قبل المبرمجين أو لشركات إرهابية	M-H	S	M-L
5ب. أنشطة تجارية في الإمارات - شراء المنتجات أو الخدمات من قبل المبرمجين أو الشركات إرهابية	H	M	H
6. أنشطة تجارية في الإمارات - شراء المنتجات أو الخدمات من قبل المبرمجين أو الشركات إرهابية باستخدام شخصيات	H	M	H
7. تحويلات الأموال من الدول عالية الخطورة وأنها	H	M	H
8. امتلاك المؤسسات المالية أو مؤسسات خدمات تمويل الأموال أو القيمة أو المستطعة عليها	H	S	H
9. تهريب أو نقل الأموال العفوية بما في ذلك من خلال استخدام المحافظ الإلكترونية	M-L	S	M-H
10. الاستثمار أو إدارة الأموال المرتبطة بالإرهاب في الدولة	H	M	H
11. إيداع إرهابية في دولة الإمارات	H	M	H
12. تحويلات إرهابية في دولة الإمارات	M-L	S	M-H

08 | <https://www.fatf-gafi.org/publications/methodsandtrends/documents/terrorist-financing-risk-assessment-guidance.html>

The Review analyzes 33 Cases between 2019 - 2023

Outcomes of TFS Strategic Review 2019-2021



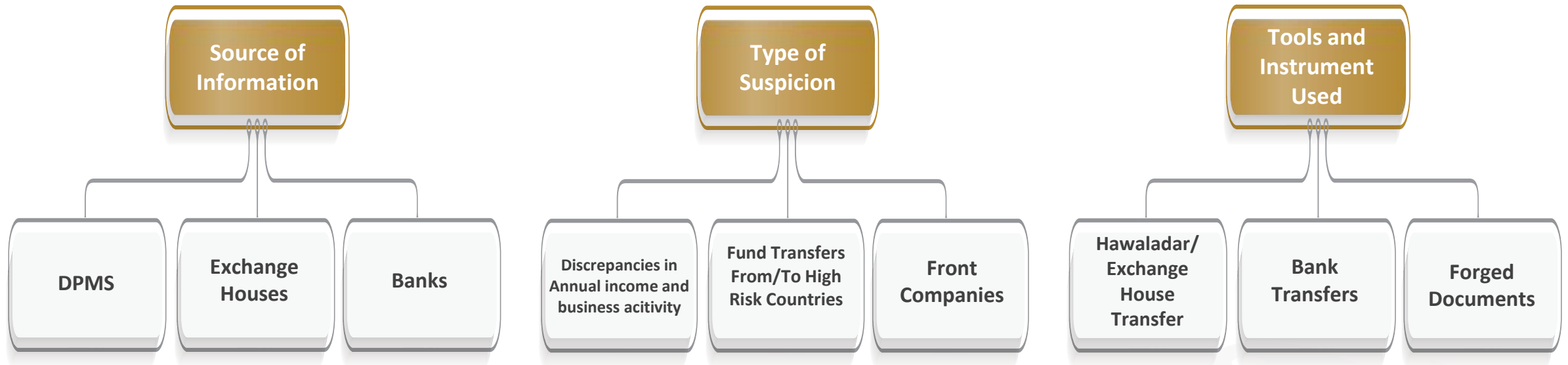
Most Common
Typologies used by
Designated
Individuals or Entities

Using a variety of procurement agents and front companies to obtain Dual-use Items and Strategic goods.

Falsely declaring dual-use items in import/export documents and declaring them as common goods

Obscuring Ultimate Beneficial Owner of shipment by using a variety of shipping and front companies that are established in foreign countries (Countries near high-risk zones) to receive the shipment

Outcomes of TFS Strategic Review 2021-2023



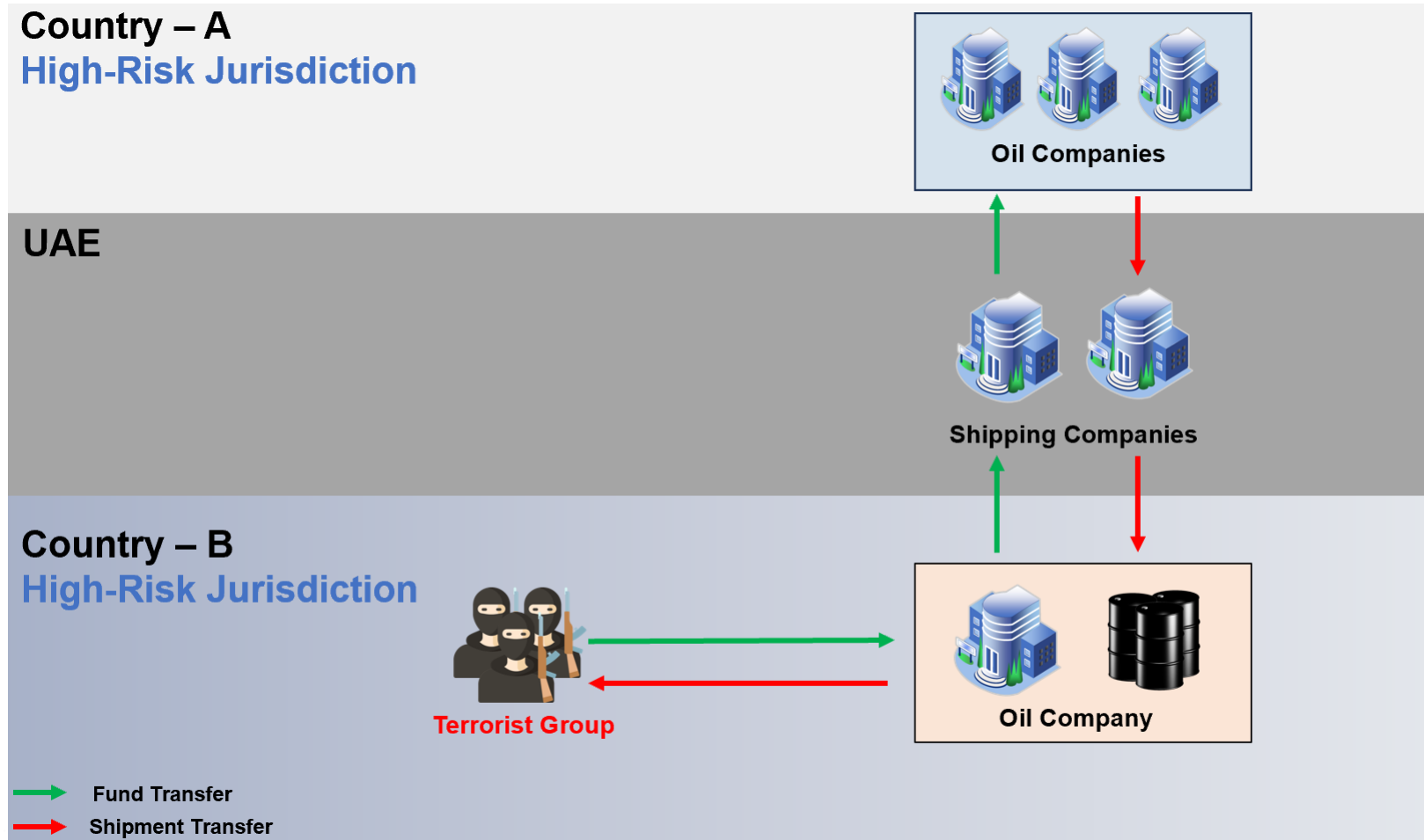
Most Common
Typologies used by
Designated
Individuals or Entities

High Value Transfers From/To High Risk Countries – This includes bank, exchange house and hawaladar transfers to high risk countries.

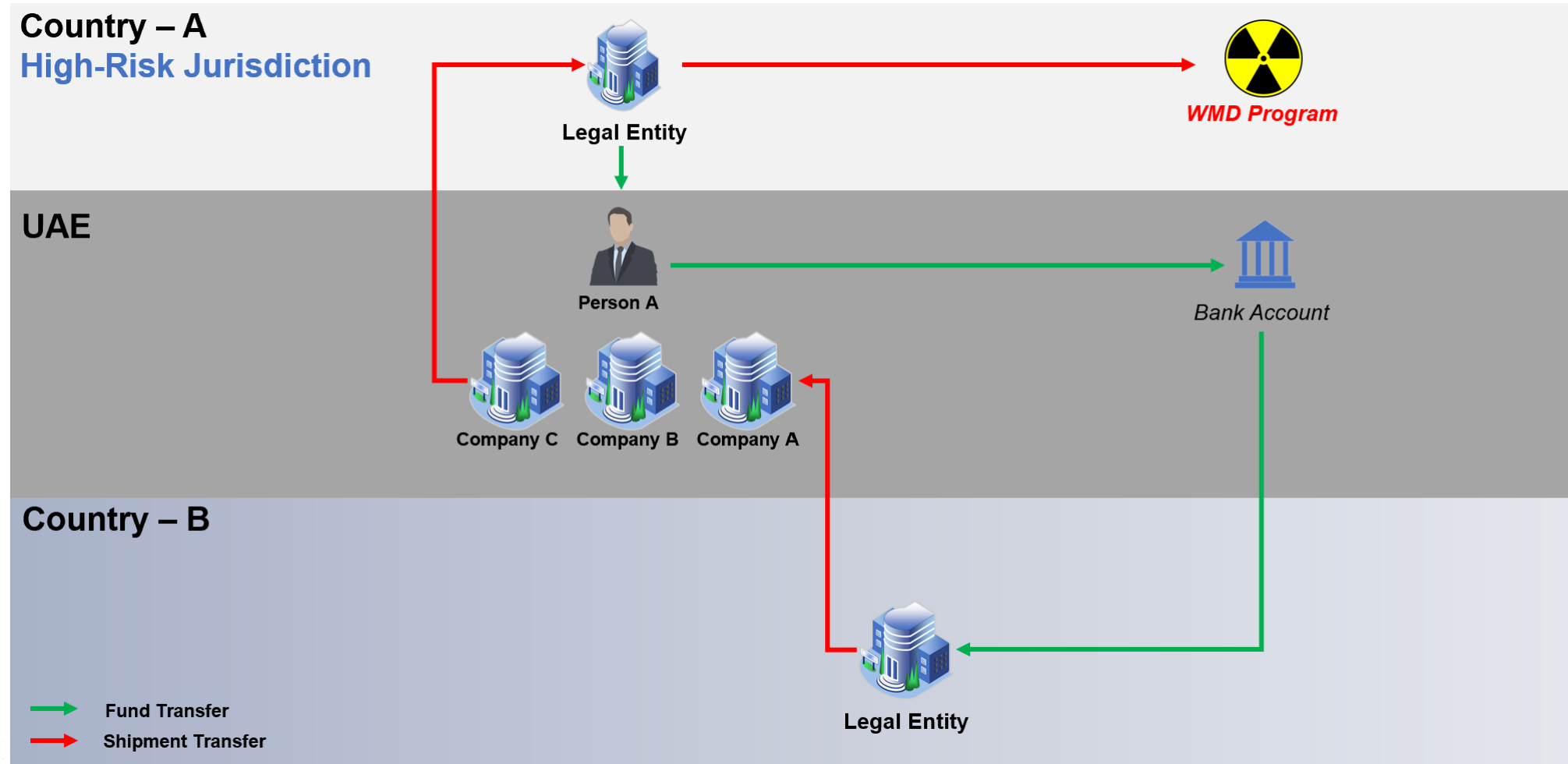
Use of Front Companies – To ship and sell oil then use the proceeds to support PF groups or buy dual use items.

Forged Documents and Bills – Where terrorist groups used fake documents to hide the end user and end destination so that the shipment is re-exported to high risk countries.

TF Case Study 1 - Forged Documents and Bills

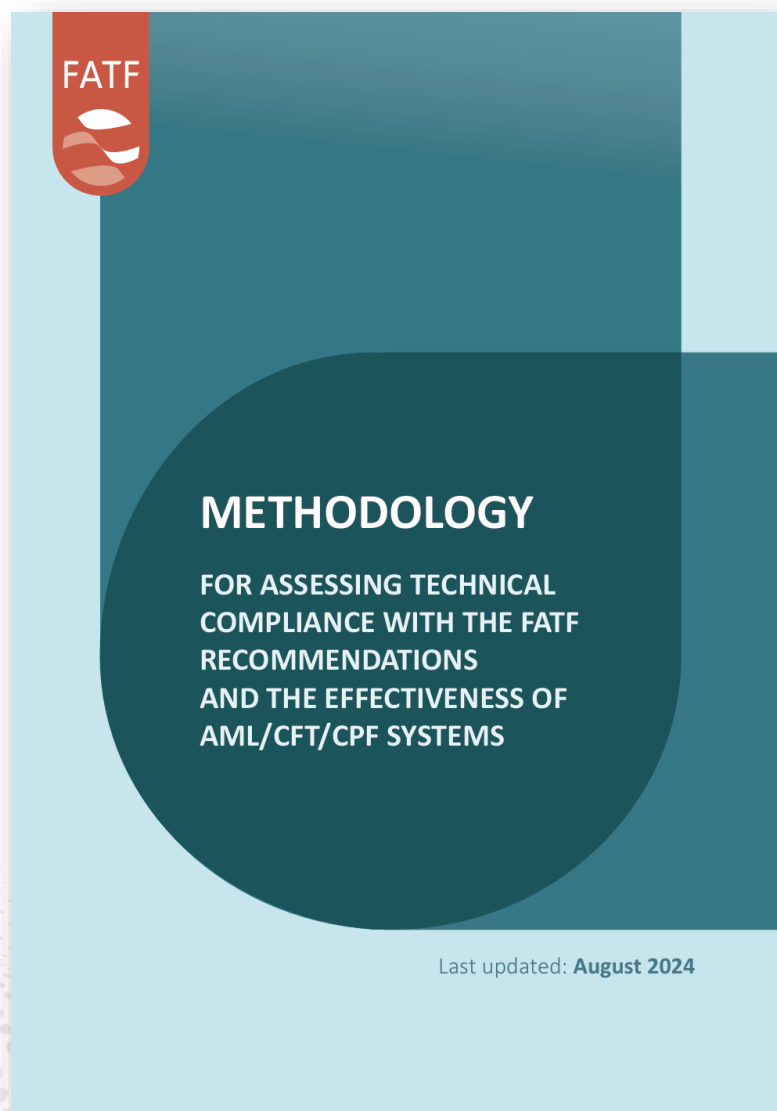


PF Case Study 1 - Shipping of Dual-use Items



Institutional PF RA

FATF 5th Round Methodology



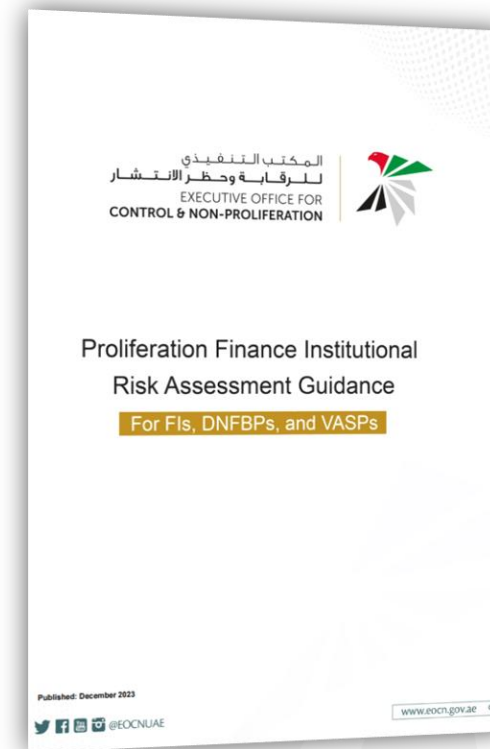
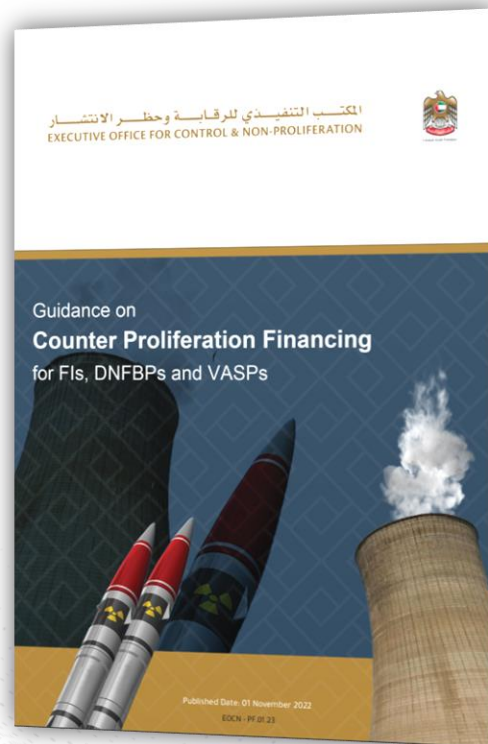
PF risk assessment and mitigation

1.15 Financial institutions and DNFBPs should be required to: ²⁹

- (a) identify and assess, their PF risks.³⁰ This includes being required to:
 - (i) document their PF risk assessments;
 - (ii) keep these assessments up to date; and
 - (iii) have appropriate mechanisms to provide PF risk assessment information to competent authorities and SRBs;
- (b) have policies, controls and procedures, which are approved by senior management and consistent with national requirements and guidance from competent authorities and SRBs, to enable them to manage and mitigate the PF risks that have been identified (either by the country or by the financial institution or DNFBP);
- (c) monitor the implementation of those controls and to enhance them if necessary;
- (d) take commensurate measures to manage and mitigate the risks where higher PF risks are identified, (i.e. introducing enhanced controls aimed at detecting possible breaches, non-implementation or evasion of targeted financial sanctions under Recommendation 7); and
- (e) where the PF risks are lower, ensure that measures to manage and mitigate the risks are commensurate with the level of risk, while still ensuring full

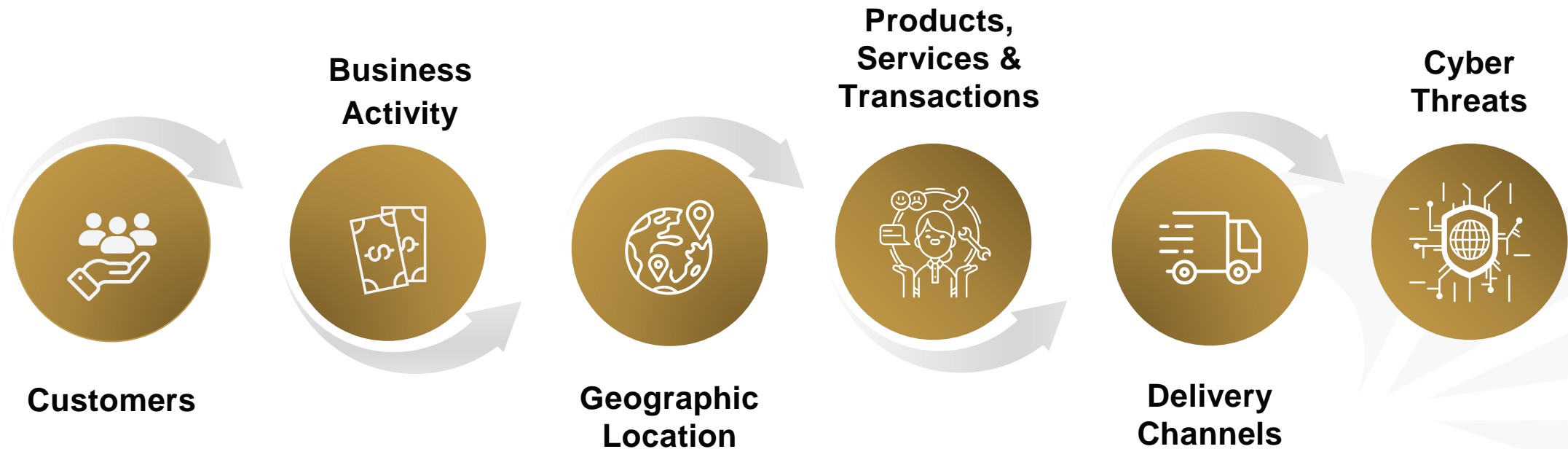
Purpose of Institutional Risk Assessment

This Guidance is an addendum to the Guidance on Counter Proliferation Financing for Financial Institutions (FIs), Designated Non-Financial Businesses and Professions (DNFBPs) and Virtual Assets Service Providers (VASPs) and **aims to provide additional support to the private sector as to how to identify, assess and mitigate PF risk.**



Evaluating Inherent Risk

The 6 main risk categories that need to be assessed based on PF risk factors:



PF Risk Categories and Factors

Customer Risk

- Residency and nationality
- Complex ownership structure involving several jurisdiction and entity types
- Use of international corporate vehicles
- Companies with nominee shareholders

Business Activity

- Money services businesses
- Suppliers, buyers and trading partners in Dual Use Goods (DUGs)
- Nuclear-related research
- Maritime/shipping industry
- Politically exposed persons (PEPs)
- Corporate service providers and intermediaries

Geographic Risk

- Jurisdictions known for diversion
- Jurisdictions with weak export control laws
- Countries subject to sanctions or embargos; countries identified as lacking appropriate AML/CFT/CPF laws and regulations

PF Risk Categories and Factors

Products, services and transactions risk

- Open account payments
- Trade finance (LCs)
- Correspondent banking relationships
- Trading in precious metals and stones
- Provision of maritime insurance products
- Provision of virtual assets trading services

Delivery channel risk

- Face-to-face origination
- Non-face-to-face origination

Cyber threats to systems and software

- Hacking
- Ransomware
- IT contractors with access to sensitive material



Review Cycle

- An institutional PF risk assessment is an evolving process and should be **regularly updated**, taking into consideration newly emerging threats and vulnerabilities that may arise following a trigger event.
- **Trigger events** may include changes in the company's businesses strategy, targeted customer base, newly offered products, services, and delivery channels, and establishing business activities in a high-risk jurisdiction.

PF NRA

International PFRA obligations



FATF Standards and Methodology regarding PF Risk assessments, covers the following core issues:

Core Issue 11.2

- How well does the country identify, assess, understand, and mitigate the risk of potential breaches, non-implementation, or evasion of obligations regarding targeted financial sanctions relating to the financing of proliferation in the country in higher and lower risk scenarios?

Core Issue 11.5

- To what extent do financial institutions, designated non-financial businesses or professions (DNFBPs), and virtual asset service providers (VASPs) comply with and understand their obligations regarding targeted financial sanctions relating to proliferation financing?

Core Issue 11.2	—
<ul style="list-style-type: none"> How well does the country identify, assess, understand and mitigate the risk of potential breaches, non-implementation or evasion of obligations regarding targeted financial sanctions relating to the financing of proliferation in the country in higher and lower risk scenarios? 	
Core Issue 11.3	+
Core Issue 11.4	+
Core Issue 11.5	—
<ul style="list-style-type: none"> To what extent do financial institutions, designated non-financial businesses or professions (DNFBPs), and virtual asset service providers (VASPs) comply with and understand their obligations regarding targeted financial sanctions relating to proliferation financing? 	



Importance of conducting PF NRA



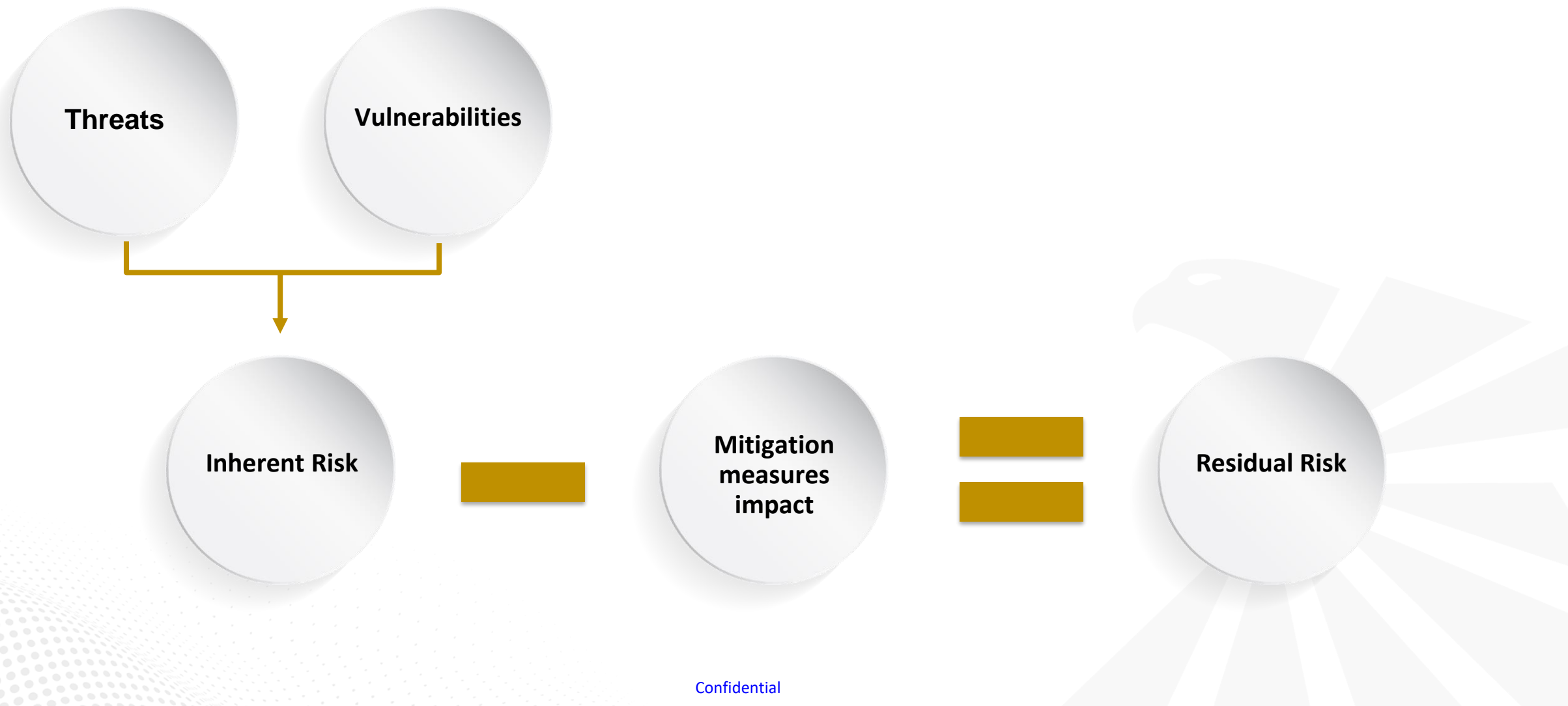
PF risk assessments is intended to:

- Help a country to identify, assess and ultimately understand the PF risks it faces.
- Set out more concrete goals for a particular risk assessment such as informing the development of policy or the deployment of resources by supervisors, law enforcement and other competent authorities.
- Assist in determining the appropriate level and nature of AML/CFT controls applied to a particular product or sector.

Timeline of the PF NRA



Methodology





Requirements

- Share a **summary** of main threats, vulnerabilities and mitigating measures.
- Encourage Financial Institutions, DNFBPs and VASPs to take measures to **incorporate the outcomes** of this executive summary into their business risk assessment policies and procedures.

Next Steps

- EOCN
Conduct **training sessions** to increase awareness of the private sector
- Private Sector
-Conduct **internal training for the entity employees**, specifically when there is the involvement of Trade Finance and DUG.

المكتب التنفيذي
للقابة وحظر الانتشار
EXECUTIVE OFFICE FOR
CONTROL & NON-PROLIFERATION



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