

ADGM Financial Crime Report

2021-2022

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Message from the Chairman



H.E. Ahmed Jasim Al Zaabi
Chairman, ADGM



I am pleased to introduce the inaugural Financial Crime Report for 2021-2022 from Abu Dhabi Global Market, which provides a comprehensive overview of our endeavours in combatting the risks posed by Money Laundering, Terrorism Financing and Proliferation Financing, alongside other UAE authorities.

By developing progressive and responsive regulatory frameworks that enable success, ADGM has created an ecosystem that encourages bold and cutting-edge innovation, whilst adhering to internationally recognised regulatory standards. However, the threat of financial crime in all its forms is ever present. ADGM has been proactive in dealing with that threat in a holistic and coordinated manner through the Financial Services Regulatory Authority (FSRA) and the Registration Authority (RA) working together.

Yet this work cannot be undertaken in isolation if it is to be effective; accordingly, ADGM and its regulatory agencies the FSRA and the RA work in close cooperation with the other authorities in the UAE with responsibilities in this area. As ADGM looks forward, it remains committed to collaborating with those other authorities to minimise opportunities for financial crime, thereby contributing fully to the efforts of the UAE in meeting and upholding the FATF Recommendations. These provide the most appropriate basis for the development and implementation of robust measures that enable countries to tackle financial crime across all three of its dimensions, namely Money Laundering, Terrorism Financing and Proliferation Financing.

I want to express my gratitude to the FSRA and the RA and all in ADGM for their hard work and commitment in upholding the highest standards in this challenging area. It is important to recognise that this report is a reflection of our collective work and dedication to prevent, detect and punish all instances of financial crime.

I am confident that, alongside our colleagues in the other UAE authorities, ADGM and its regulatory agencies the FSRA and the RA will continue to tackle current and future challenges in the critical area of financial crime with dedication and commitment to address its harmful consequences.



Message from the CEO



Emmanuel Givanakis
Chief Executive Officer,
FSRA, ADGM



ADGM's Financial Services Regulatory Authority (FSRA), is tasked with administering the AML regulatory framework in the ADGM.

We recognise the critical role we have to play in preventing financial crime, whether from Money Laundering, Terrorism Financing, or Proliferation Financing. By working closely and cohesively with the Registration Authority of the ADGM and other regulatory authorities in the UAE who share such responsibilities, we are committed to supporting the national efforts against financial crime in all forms and protecting the integrity of ADGM's ecosystem and the economy of Abu Dhabi and the UAE as a whole.

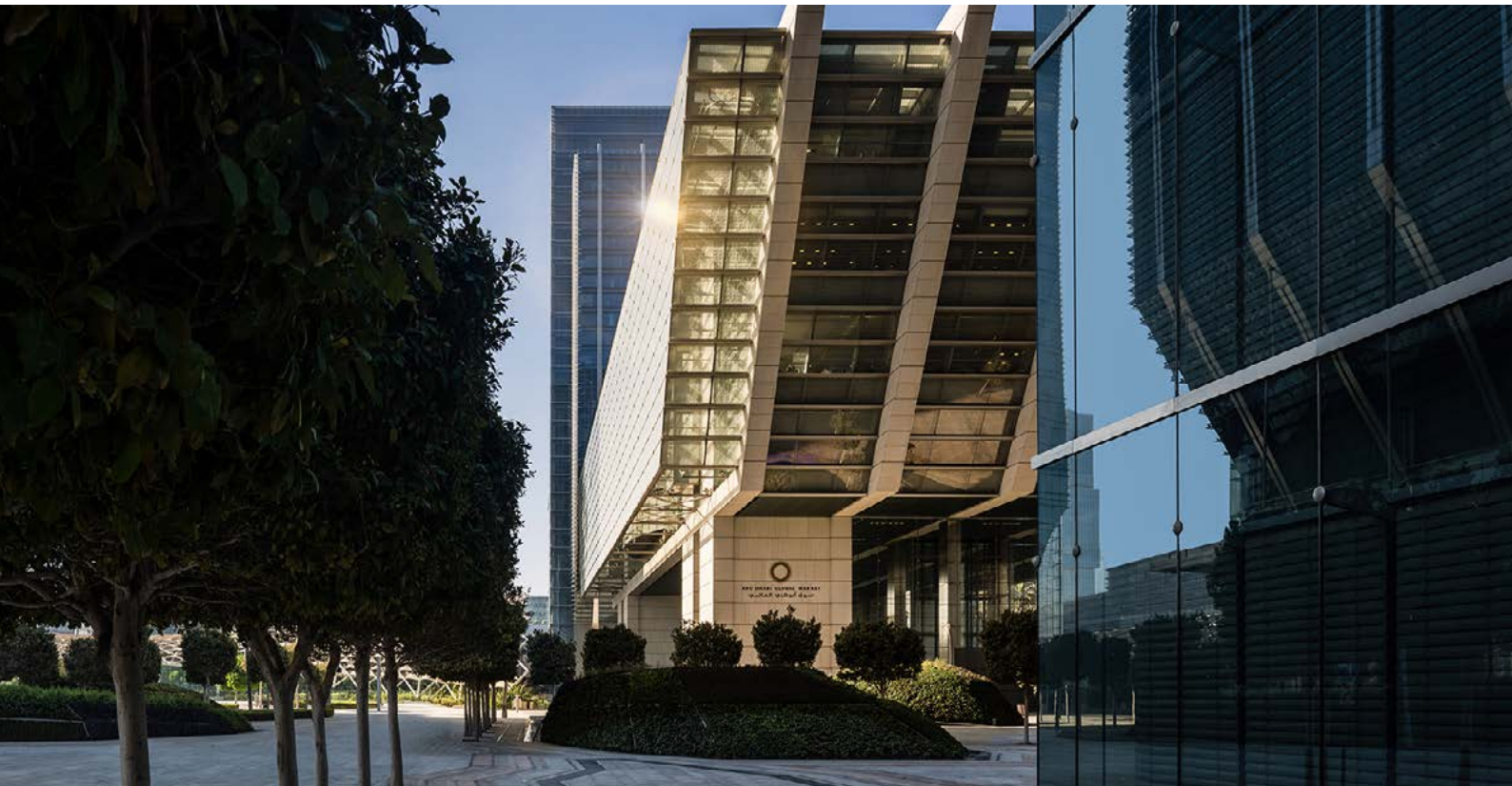
The FSRA has aligned its comprehensive regulatory framework and supervisory practices to combat financial crime, in keeping with international standards and best practices as well as importantly with the UAE Federal AML Legislation, through actively collaborating on national and international levels.

We have also increased awareness in our regulated community through outreaches, training programs and published guidance, and will continue to do so. We believe education and awareness are the first step in addressing financial crime risks.

Where there may be breaches of our AML framework we will undertake to investigate and, where necessary and appropriate, take strong and proportionate enforcement action to ensure they are addressed in a timely and efficient manner, which provides a deterrent against future conduct such as this. This will help ensure the integrity of ADGM is maintained and enhanced and will protect the interests of investors and all stakeholders in ADGM and the wider UAE.

We are committed to the ongoing pursuit of our statutory objectives and strategic goals, which have the prevention of financial crime as a core and important premise. We must stay vigilant and work together in order to stamp out financial crime wherever it may occur in our respective jurisdictions.





I. Introduction



Money Laundering (ML), Terrorism Financing (TF) and Proliferation Financing (PF) are three significant risks that threaten economic growth and social stability through the illicit flow of funds and illegal activities.

As an international financial centre, different sectors, businesses, products and services within Abu Dhabi Global Market (ADGM) are vulnerable to these risks. Financial Institutions (FIs) and Designated Non-Financial Businesses and Professions (DNFBPs) are highly exposed to ML and Targeted Financial Sanctions (TFS) risks in their daily operations with customers and other associated parties.

The Financial Services Regulatory Authority (FSRA) is the competent authority within ADGM for Anti-Money Laundering (AML) and TFS compliance, which is committed to maintaining a robust regulatory framework and providing a safe environment for FIs and DNFBPs to operate within ADGM. The FSRA applies a progressive, proactive and comprehensive Anti-Financial Crime (AFC) regulatory framework in governing the entry, growth and even exit of firms.



FCCP adopts an agile Risk-Based Approach and considers financial innovation

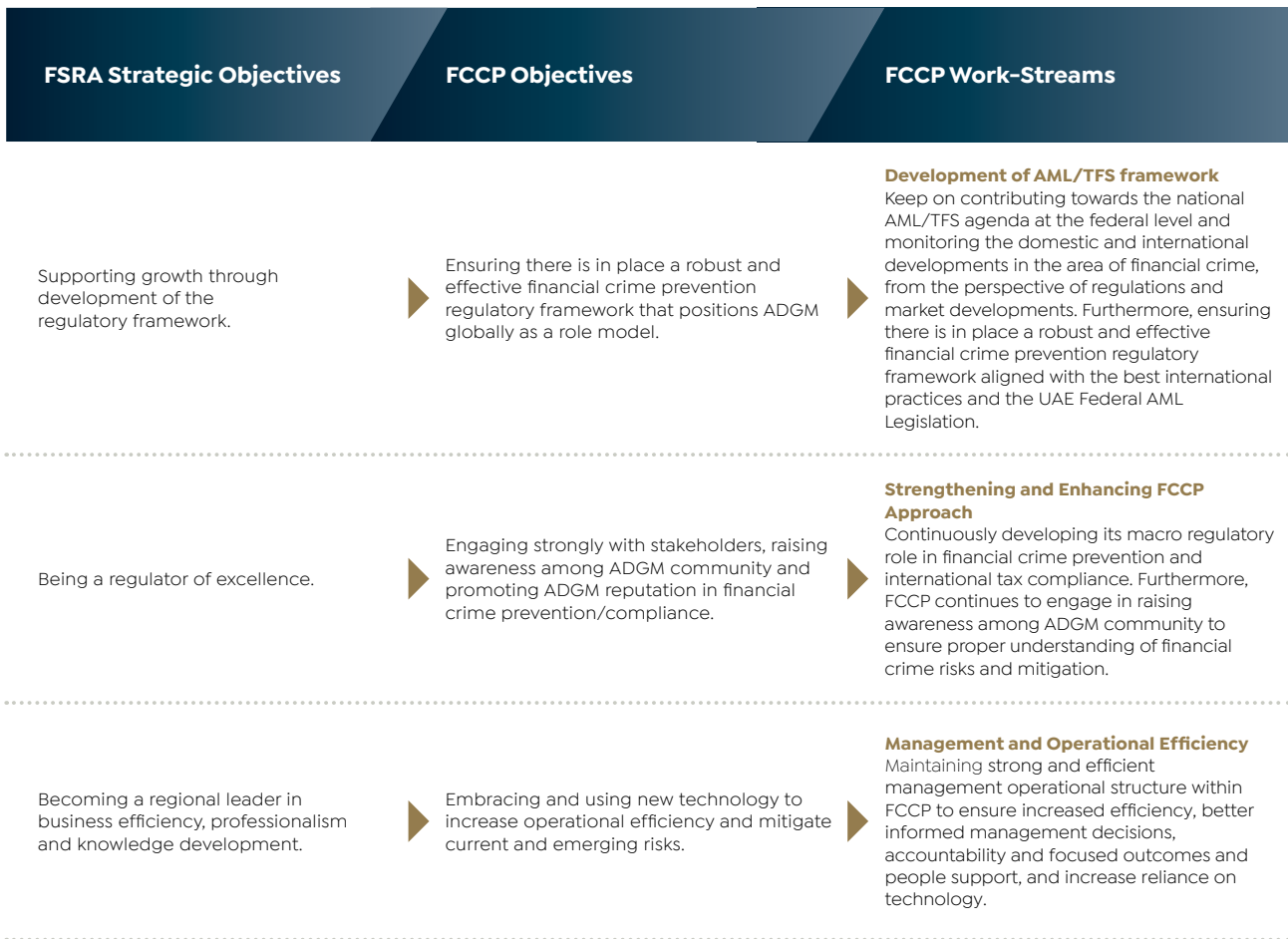


The Financial and Cyber Crime Prevention unit (FCCP) was established within the FSRA to lead ADGM's efforts in promoting sound practices in financial crime prevention, including AML, Counter Financing of Terrorism (CFT), Counter Proliferation Financing (CPF), and compliance with international tax reporting obligations, i.e., the Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS).

FCCP adopts an agile Risk-Based Approach (RBA) and utilises financial innovation in its strategic plans and operational tasks to ensure it achieves the highest possible level of efficiency and effectiveness in tackling the evolving nature of financial crimes.

This report outlines the steps taken by the FSRA over the last two years to support its strategic objectives and further align its regulatory, supervisory, and enforcement frameworks with the Financial Action Task Force (FATF) recommendations and the efforts and developments being pursued by the UAE as a whole.

The FSRA and FCCP strategic objectives and work-streams are summarised below:





II. National AML/TFS Agenda

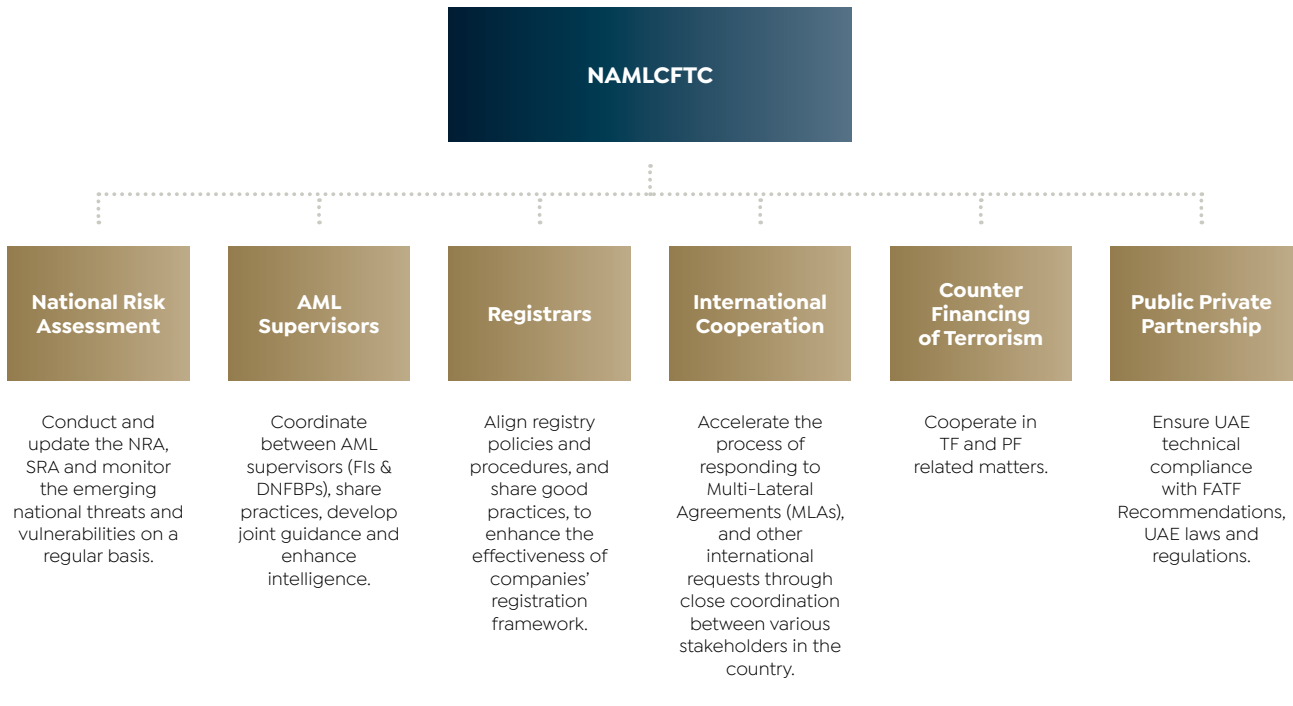


Since the publication of the FATF Mutual Evaluation Report (MER) for the UAE in April 2020, ADGM has continued to support the progress of the UAE through carrying out monitoring programs, thematic reviews and compliance evaluations that serve as the foundation for a rigorous and ongoing supervision cycle.

Further, in appropriate cases, ADGM has imposed penalties and other regulatory actions for AML breaches to deter this behaviour. By doing this, ADGM has demonstrated substantial progress against the national agenda.

In line with the FATF Recommendations and to keep on developing a common understanding of financial crime risks across the UAE, ADGM continues to take into consideration the UAE National Risk Assessment (NRA) and the Sectoral Risk Assessment (SRA) results in its regulatory approach.

ADGM has actively participated in the discussions and policy development works of the various national AML/CFT and CPF committees and continues to support and provide ongoing contribution to the national efforts through being a member of the UAE National Anti-Money Laundering and Combatting Financing of Terrorism and Financing of Illegal Organizations Committee (NAMLCFTC) and six Supervisory Sub Committees (SSC). For the key mandate of each SSC, refer to the below table:



ADGM continues to assist in developing joint guidance/typologies on a national level.



Through its membership in the SSC, ADGM continues to assist in developing joint guidance/typologies on a national level and shares common practices with other supervisors.

In addition, ADGM has worked closely with other authorities at a national level in various critical strategic projects such as:

- several SRAs conducted with the UAE NRA SSC;
- TFS and Suspicious Transaction Report (STR) / Suspicious Activity Report (SAR) Thematic Reviews in cooperation with the SSC;
- AML/CFT Joint Supervisory Guidance on common themes observed during inspections of FIs and DNFBPs and the key outcomes of the AML Thematic Review on DNFBPs;
- outreach and engagement (e.g., AML, TFS, PF);
- various UAE Joint Typology Reports on AML/CFT and the Money or Value Transfer;
- Know Your Customer (KYC) Guidelines for Financial Institutions (FIs) and Designated Non-Financial Businesses and Professions (DNFBPs);
- the NRA led by the Executive Office for AML/CFT that is ongoing and planned to be finalised by 2024 and aims at identifying, analysing, and understanding risks. It will enable the UAE to propose measures and policies to reduce vulnerabilities that facilitate ML/TF;
- the UAE Proliferation Financing Risk Assessment.



The FSRA, through FCCP, embarked on specific initiatives to enhance industry practices and raise awareness among the ADGM community on ML, TF and PF risks.





III. Anti-Financial Crime Framework



1. UAE Federal AML Legislation and the FSRA Legislation

As a committed member of the Middle East and North Africa Financial Action Task Force (MENAFATF), and through its indirect membership of FATF by way of the Gulf Cooperation Council (GCC), the UAE has contributed to the global efforts against ML and TF/PF. The UAE has achieved that goal by fully implementing the FATF standards and enhancing the rules and regulations to be aligned with international best practices.

The FSRA's AML Rulebook, which provides the detailed AML legislation in ADGM, takes into consideration the UAE Federal AML Legislation and FATF Recommendations and is reviewed and updated on a regular basis.

Relevant UAE AML Legislation

- Federal Law No. (7) of 2014 regarding Combating Terrorism Offences.
- Federal Decree-Law No. (20) of 2018 and its amendment No. (26) of 2021 on Anti-Money Laundering, Combating the Financing of Terrorism and Financing of Illegal Organizations.
- Cabinet Resolution No. (10) of 2019 and its amendment No. (24) of 2022 concerning the implementing regulation of Decree-Law No. (20) of 2018 on Anti-Money Laundering, Combating the Financing of Terrorism and Financing of Illegal Organizations.
- Cabinet Resolution No. (74) of 2020 concerning the UAE list of terrorists and the implementation of the UN Security Council decisions relating to preventing and countering financing terrorism and leveraging non-proliferation of weapons of mass destruction.



The FSRA and the RA risk rate Relevant Persons from a financial crime perspective as part of a wider risk based approach and assessment.



2. Risk Based Approach

Since its inception in October 2015, ADGM's Regulated Authorities have applied a RBA and continue to ensure that the measures to prevent or mitigate ML, TF and PF are commensurate with the risks identified.

As a regulatory authority, the FSRA is committed to operating a fair, efficient and responsive regulatory environment for its market participants and stakeholders in the UAE and internationally. The FSRA and the RA adopt a RBA and outcome-focused regulatory approach to achieve the goals they are responsible for.

All Relevant Persons¹ in ADGM are required under the AML Rulebook to identify, assess and address their AML/TFS risks by adopting an approach which is proportionate to the risks they are exposed to as a result of:

- the nature of their business;
- their customers, products and services;
- geographic reach;
- their distribution channels; and
- any other relevant matters in the context of ML, TF and PF including the result of the UAE NRA.

Consequently, all Relevant Persons in ADGM must take effective actions to mitigate their respective risks.

The FSRA and the RA risk rate Relevant Persons from a financial crime perspective as part of a wider risk based approach and assessment, using five pre-defined risk rating criteria in line with the UAE National and Sectoral Risk Assessment:

1. inherent characteristics;
2. nature of products and services;
3. nature of clientele;
4. geographic reach, and;
5. nature of delivery channels.

¹ In the context of this report, Relevant Persons refers to Authorised Persons, DNFBPs/NPOs.



*ADGM's
Registration
Authority is
committed
to providing a
highly-efficient,
business friendly
and transparent
registration
platform.*



i. The RA Registration and Incorporation

The RA is responsible for registering all legal entities and arrangements in ADGM. Companies are incorporated pursuant to the relevant provisions of ADGM Companies Regulations² in addition to:

- the ADGM Limited Liability Partnership Regulations that govern the incorporation of limited liability partnerships;
- the ADGM Application of English Law Regulations and relevant statutes adopted to register other types of partnerships;
- the ADGM Foundation Regulations that govern the registration of foundations in ADGM; and
- the ADGM Commercial Licensing Regulations that govern the registration of branches of foreign legal entities and partnerships in ADGM.

Each set of regulations is accompanied by associated rules, which govern controlled activities, conditions of license, fees, exempt provisions, fines and other matters.

For each application, the Registrar ensures:

- it contains a fit and proper questionnaire for each statutory role holder;
- it is risk rated; and
- each statutory role holder is screened using relevant available sources.

² <https://en.adgm.thomsonreuters.com/rulebook/regulations-0>

² <https://en.adgm.thomsonreuters.com/rulebook/limited-liability-partnerships-regulations>

² <https://en.adgm.thomsonreuters.com/rulebook/application-english-law-regulations>

² <https://en.adgm.thomsonreuters.com/rulebook/foundations-regulations>

² <https://en.adgm.thomsonreuters.com/rulebook/commercial-licensing-regulations>

² <https://en.adgm.thomsonreuters.com/rulebook/936-registrars-functions-0>



The Impact-Risk Assessment is an essential tool enabling the FSRA to pursue its objectives.



ii. The FSRA Authorisation

All FIs operating in ADGM must obtain a Financial Services Permission (FSP), or Recognition Order, from the FSRA, following incorporation or registration, and a commercial licence from the RA. The FSRA authorisation process entails a review of:

- the Applicant, its proposed business model and the regulatory business plan supported by additional documentation, as required;
- the identification and verification of beneficial owners and controllers, including the verification of source of funds and source of wealth;
- associated financial crime risks, which account for jurisdiction(s), the complexity of its ownership structure, its beneficial owners and business models;
- the fitness and propriety of Authorised and Recognised Persons in line with approval requests or notifications received by the FSRA.

Based on the completed assessment, where an application is successful, the FSRA will provide the Applicant with an In-Principle Approval (IPA), potentially including conditions that must be met before a FSP, or Recognition Order, is granted. Once all IPA conditions are met, the Applicant is granted a FSP or a Recognition Order.

The Impact-Risk Assessment, which considers both the impact and the probability of risk crystallising, is an essential tool enabling the FSRA to pursue its objectives and is integral to the authorisation of any Authorised Person conducting Regulated Activities under a FSP³. Amongst other factors, the assessment of the potential impact an Applicant may have on the FSRA's objectives takes into consideration its organisational impact in line with the size, scale and extent of financial services that the Applicant seeks to provide.

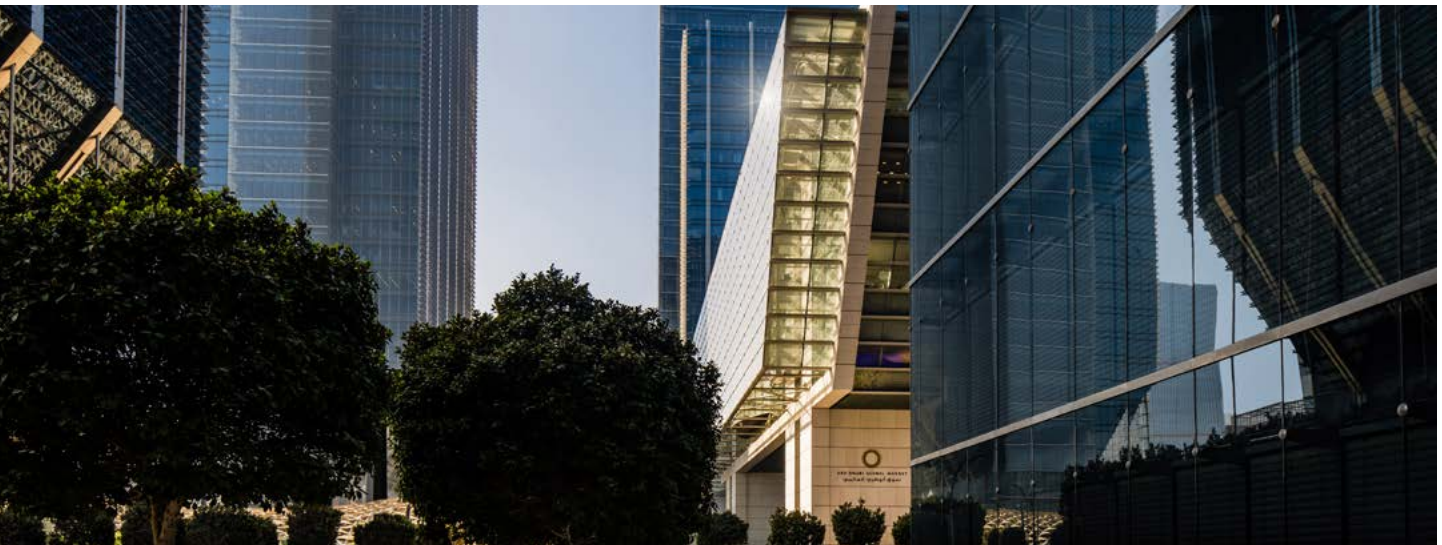
³ Or Recognition Order. For the purposes of this report, the steps to be followed for the granting of a FSP can be read the same for a Recognition Order.

iii. Supervision

The FSRA and the RA's RBA to financial crime supervision forms part of a wider holistic supervisory approach based on several factors, which includes, but is not limited to:

- overall risk rating of the Relevant Persons (i.e., nature, size and complexity of every licensee operating in ADGM);
- the UAE's NRA and SRA;
- risk rating specific to financial crime risks.

The FSRA and the RA implement an annual supervisory plan, which takes into consideration their risk assessment and the outcome of the ongoing sectoral and national risk assessments. The resulting supervisory plan aims to mitigate the risks identified for those firms.



Financial crime supervision forms part of a wider holistic supervisory approach.



The supervisory intensity accorded to a given firm is based on its impact risk (regulated activities, size, complexity, systemic importance, cross-jurisdiction activities) and its risk profile (business risk, financial crime risk, operational risk, oversight and controls, and mitigation).

Other factors are taken into consideration during the supervisory plan, such as:

1. the outcome of any previous review;
2. review of the firm's assessment of the fitness and propriety of their Recognised Persons (which includes Money Laundering Reporting Officers (MLROs)); and
3. other issues identified through an ongoing review of the firm's regulatory filings and engagement meetings with its senior management.

Relevant Persons may be re-assessed based on a review cycle according to their risk rating or whenever an event occurs that requires a re-assessment (such as a breach, change in activities or a change in control, adverse media, desk-based monitoring etc.).



iv. Enforcement

The FSRA continued to prioritise the enforcement of AML/TFS matters in 2021 and 2022, and continues to do so.

The FSRA's Enforcement function aims to ensure that the FSRA delivers risk-proportionate regulatory outcomes without compromising standards. The primary function of Enforcement is to support the FSRA's objective to prevent, detect and restrain conduct that causes or may cause damage to the reputation of ADGM through appropriate means, including the imposition of penalties and other regulatory actions.

Investigations and regulatory actions

To discharge this function, the FSRA Enforcement conducts investigations, where appropriate, to determine if conduct poses an unacceptable risk to the objectives of ADGM, including for AML/TFS matters, and makes recommendations to mitigate such risks, including through the imposition of penalties and other regulatory actions.

The FSRA, where necessary and appropriate, will conduct administrative and civil proceedings to pursue regulatory action to address contraventions (including contraventions of AML/TFS requirements) or misconduct in ADGM. Administrative proceedings imposing financial penalties, censures, prohibition orders, regulatory actions, such as the withdrawal of Approved Person status, suspension and cancellation of FSPs, are imposed through a decision-making process that provides procedural fairness. Under this process, decisions by the FSRA to impose penalties or take regulatory action are subject to administrative review by the Appeals Panel.

Civil proceedings are conducted through the commencement of proceedings before the ADGM Courts. The remedies available to the FSRA under this process include injunctions and any order that the Court sees fit, including but not limited to freezing orders, actions for damages and the compulsory winding-up of the Relevant Person.

Outcomes

Before imposing any penalty or regulatory action, the FSRA also considers guidance issued pursuant to UAE Federal AML Legislation for Money Laundering, Terrorism Financing, the financing of unlawful organisations and sanctions non-compliance.

In 2021, the FSRA imposed financial penalties on eight entities for failure to complete and submit their 2019 AML Returns and for failing to be open and cooperative in their dealings with the FSRA.



The primary function of Enforcement is to support the FSRA's objective to prevent, detect and restrain conduct that causes or may cause damage to the reputation of ADGM.





The FSRA, where necessary and appropriate, will conduct administrative and civil proceedings to pursue regulatory action to address contraventions or misconduct in ADGM.



In 2022, the FSRA imposed the following sanctions:

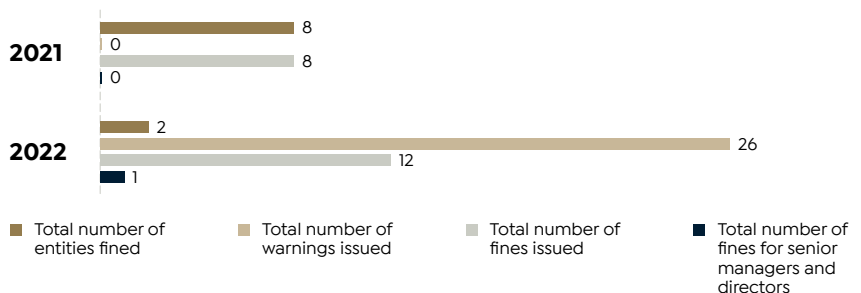
- a financial penalty on a money service provider for AML systems and controls deficiencies, failures to comply with all requirements of Enhanced Customer Due Diligence for a category of assessed high-risk customers and failures to comply with all customer risk assessment requirements for a category of customers;
- a financial penalty on an unlicensed company which carried on and purported to carry on a Regulated Activity in ADGM, and on its director and sole shareholder. The FSRA also imposed a Prohibition Order on the individual from performing any function in relation to any Regulated Activity carried on by an Authorised Person in ADGM for being knowingly concerned in the firm's contraventions, as well as for providing false and misleading information to the FSRA;

In addition, the FSRA imposed penalties on 12 entities deemed late in submitting their regulatory filings, and disciplinary actions will be considered against those who remain in contravention of the FSRA's AML Rules.

The FSRA also issued five regulatory alerts concerning false and misleading claims made on websites via which entities had purported to be associated with ADGM and/or licensed by the FSRA to carry on Regulated Activities when they were not authorised to do so.

The FSRA's Enforcement actions are published and can be found at URL: <https://www.adgm.com/operating-in-adgm/additional-obligations-of-financial-services-entities/enforcement/regulatory-actions>

FSRA AML/TFS Enforcement Actions and Fines



Total amount of fines	2021	2022
	AED 165,263	AED 18,838,406



The FSRA and the RA tailor and develop their AML/TFS annual supervisory plan in line with the RBA and the UAE's NRA and SRA.



3. Financial Crime Inspections

The FSRA and the RA tailor and develop their AML/TFS annual supervisory plan in line with the RBA and the UAE's NRA and SRA.

The FSRA and the RA have at their disposal various supervisory tools to identify, measure, assess, monitor, and mitigate risks and address issues that may arise. These include desktop reviews of periodic submissions, periodic meetings, and onsite and offsite inspection reviews, both firm-specific and thematic. The offsite reviews combine AML Returns submissions, TFS thematic reviews and desk-based reviews.

Action plans and timetables for completion are set for all remedial actions required, with evidence of resolution supported by supervisory sample testing of files to demonstrate effectiveness. This can be verified during the subsequent inspection as part of the risk-based approach cycle, providing evidence that the necessary corrective actions are taking place.

Onsite and offsite inspections are risk-scoped reviews covering the below AML and TFS criteria, amongst other aspects from a financial crime prevention perspective.

- governance and oversight of ML/TF/PF risks;
- assessment of the RBA adopted by the firm;
- internal controls put in place by the firm to ensure compliance with the requirements in the FSRA's AML Rulebook and UAE Federal AML Legislation; and
- policies and procedures including but not limited to the governance, screening, monitoring and reporting of ML/TF/PF.



FIs Inspections

Year	No. of Onsite Reviews	No. of Offsite Reviews
2021	13	135
2022	17	266

DNFBPs Inspections

Year	No. of Onsite Reviews	No. of Offsite Reviews
2021	10	115
2022	13	236

4. AML/TFS Regulatory Returns and Reports

Semi-Annual Report

The AML Rulebook requires Relevant Persons to submit a semi-annual report demonstrating their compliance with all applicable AML laws, rules and regulations. The report must include:

- the results of the AML/TFS effectiveness' review of policies, procedures, systems and controls;
- all relevant AML/TFS matters, any relevant findings, recommendations, guidance, directives, resolutions, Sanctions and notices;
- internal and external STRs/SARs including respective actions and decisions, notice and the way it has taken them into account.



*AML/TFS
Regulatory
Returns and
Reports allow
Relevant Persons
to evaluate and
demonstrate
their compliance
with all
applicable rules
and regulations.*



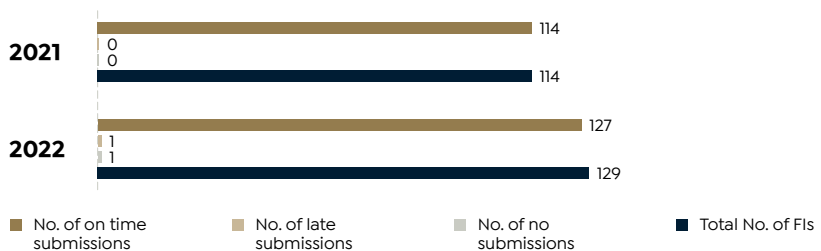
Annual AML Return

The FSRA requires all Relevant Persons, as identified in the AML Rulebook, to complete and submit the annual AML Return by the end of April each year, covering the period from 1 January to 31 December of the preceding year.

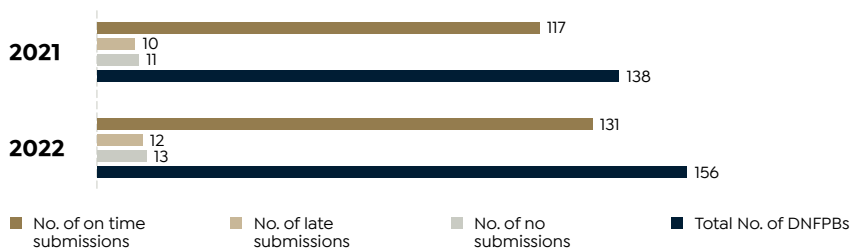
The AML Return allows Relevant Persons to evaluate and demonstrate their compliance with all applicable rules and regulations and provides the FSRA with important qualitative and quantitative information reflecting all ML/TF/PF risks emanating from its regulated zone. The data used for the desktop reviews impact the selection process and the prioritisation of Relevant Persons when drawing up the annual onsite inspection plan for the following period.

Relevant Persons that fail to submit their AML Returns within the defined timeframe(s) are referred to Enforcement for consideration of further action. Late submissions are subject to additional late fees.

Total No. of submissions for FIs



Total No. of submissions for DNFBPs





*The FSRA
requires all
Relevant Persons
to connect
to the goAML
online system.*



5. Key Risk Indicators

i. GoAML Registration

Federal Decree-Law No. (20) of 2018 creates an obligation on all ADGM Relevant Persons to register and report suspicious activities through the electronic platform approved by the Financial Intelligence Unit (FIU) of the UAE. For this purpose, in June 2019, the FIU launched the 'goAML' Anti-Money Laundering System. The goAML reporting platform was developed by the United Nations Office on Drugs and Crime (UNODC), to facilitate the receipt, analysis and dissemination of suspicious transactions and activity reports to the UAE's Law Enforcement Authorities.

That requirement is implemented by the FSRA for ADGM Relevant Persons where applicable through the AML Rulebook. This ensures a robust process for reporting, investigating, and documenting STRs/SARs accordingly.

Failure to report suspicions of ML, TF and PF is a criminal offence under the laws of the UAE and constitutes a breach of the AML Rulebook. The FSRA does not hesitate to take appropriate actions against Relevant Persons that contravene UAE Federal AML Legislation and the FSRA's requirements.

The FSRA requires all Relevant Persons to connect to the goAML online system. Relevant Persons must ensure their goAML profile is active and can be accessed by the MLRO, who must demonstrate a working knowledge of the system.



The FSRA does not hesitate to take appropriate actions against Relevant Persons that contravene UAE Federal AML Legislation and the FSRA's requirements.



All Relevant Persons have fully completed the goAML registration process as of this reporting period, with the exception of five DNFBPs, which were referred to Enforcement for appropriate action.

Total No. of FIs registered in goAML as of 2022

Type/Sector/sub-sector	Total No. of FIs	Registered
Assets and Wealth Managers	80	80
Banks (Domestic-Foreign)	8	8
Custodians	9	9
Dealers/Brokers	18	18
Exchange, Clearing and Settlement	8	8
Financial Advisors and Arrangers	32	32
Reinsurance	9	9
Money Services	7	7
Total	171	171

Total No. of DNFBPs registered in goAML as of 2022

Sector/sub-sector	Total No. of DNFBPs	Registered
Brokers & Real Estate Agents	6	6
Dealers in precious metals and precious stones	14	13
Dealers in any saleable item of a price greater than or equal to US \$15,000	16	14
Lawyers, Notaries, Other Independent Legal Businesses	99	97
Audit or insolvency firms	10	10
Independent Accountants	14	14
Trust and Company Service Providers	42	42
Total	201	196



Entities are also continuously reminded of their TFS obligations.



ii. Executive Office for Control and Non-Proliferation Subscription

Under the AML Rulebook and Article 21 of Cabinet Resolution No. (74) of 2020, ADGM Relevant Persons must subscribe to the Executive Office for Control and Non-Proliferation (EOCN) website to stay updated with all changes applied to the United Nations Security Council (UNSC) Resolutions and UAE national sanctions lists.

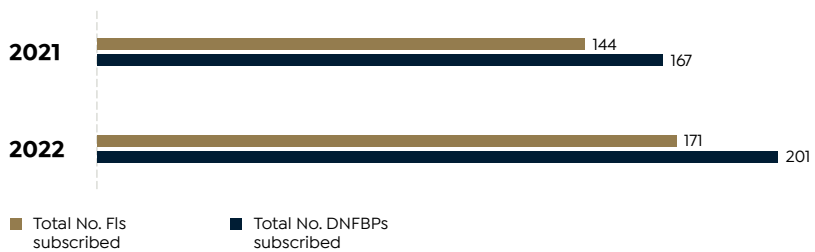
Entities are also continuously reminded of their TFS obligations which occur through the following:

- the Registration & Incorporation team in the RA mandates that TFS obligations, highlighted in Article 21 of Cabinet Decision No. (74) of 2020, are covered in the firm's policies and procedures;
- upon registration, the firm must subscribe to the EOCN website to access both the UAE and the UN Sanctions lists, within a three-week deadline. Supervision, across both the FSRA and the RA, considers regulatory action(s) in the event of non-compliance;
- TFS obligations and implementation are stressed during onsite/offsite outreach, guidance, and circulars/notices;
- annual AML Returns also cover TFS-related issues and obligations.

The FSRA will not hesitate to take appropriate action against any Relevant Person that contravenes its regulations and rules and the applicable UAE Federal AML Legislation.

As of 31 December 2022, all Relevant Persons were confirmed to be subscribed to the EOCN website/notification platform, enabling them to receive any update of the UN Security Council Resolutions and the UAE national sanctions lists.

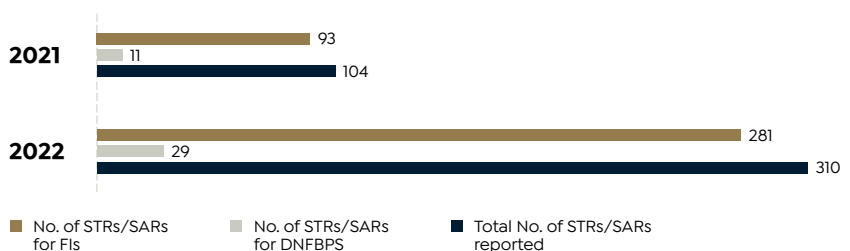
Total No. of firms registered in the EOCN website



iii. STR/SAR Reporting

The number of external STRs/SARs reported to the FIU by Relevant Persons in ADGM has substantially increased from 2021 to 2022. That increase resulted from the effort the FSRA has exerted through awareness sessions, outreaches and guidance to its Relevant Persons.

Total No. of STRs/SARs reported





The FSRA is committed to ensuring that all the Relevant Persons in ADGM comply with the TFS requirements.



6. Sanctions Compliance

The FSRA is committed to ensuring that all the Relevant Persons in ADGM comply with the TFS requirements through its robust supervisory regime.

In April 2021, FCCP enhanced its website by creating a standalone 'Sanctions' tab to outline relevant legislative requirements and provide supervised entities with access to all former TFS sanctions alerts and resources, information on sanctions lists, and other relevant sanctions updates. As part of this effort, in mid-2021, the FSRA engaged FIs and DNFBPs on the requirement to subscribe to EOCN website to receive automatic sanctions updates.

The EOCN website can be found at URL:
<https://www.uaieic.gov.ae/en-us/about-us>

As previously noted, Relevant Persons are regularly reminded of their TFS obligations through outreach sessions, guidance, and notices circulated by FCCP.

i. TFS Document Enhancements

The FSRA has enhanced its supervisory approach to TFS by updating the following documents:

- the 'Onsite and Offsite' inspection checklist covering all the TFS (TF/ PF) typologies and obligations applicable to Relevant Persons in respect of Cabinet Resolution No. (74) of 2020;
- the TFS inspection criteria and procedures;
- the Annual AML Return form ensuring all Relevant Persons have tools and controls in place to monitor sanctions issued by the UAE and UNSC;
- TFS Criteria Breach Enforcement Guidance aiming to ensure a consistent approach to Enforcement actions for TFS-related breaches.



Relevant Persons should perform a self-review of their compliance against their TFS obligations.



The FSRA, in coordination with the EOCN, has issued several guidance papers on TFS.



ii. TFS Thematic Review

In May 2022, the FSRA conducted a TFS thematic review via a survey to all ADGM-registered entities. The high-level findings and observations, based on the responses to the survey, reflect that most firms have:

- comprehensive TFS policies and procedures based on a gap assessment conducted against the FSRA AML/TFS requirements and UAE Federal AML Legislation;
- registered on the EOCN website;
- sanctions screening systems reviewed regularly by the compliance function;
- adequate policies and procedures covering relevant TFS topics, such as RBA, sanctions screening controls, training and record keeping;
- subscribed to the Executive Office's list (UAE and UNSC consolidated list);
- registered on the goAML portal and have access to reporting of confirmed matches or partial name matches directly through the goAML platform.

iii. TFS Guidance and Notices

The FSRA, in coordination with the EOCN, has issued several guidance papers on TFS, including TF and PF, as listed below, which are all published under the FCCP section of the ADGM website⁴:

- the Targeted Sanctions against Terrorism and the Proliferation of Weapons of Mass Destruction Typologies;
- Targeted Financial Sanctions Instructions for the Private Sector on Sanctions Lists Updates;
- guidance on Targeted Financial Sanctions for Financial Institutions (FIs), Designated Non-Financial Businesses and Professions (DNFBPs) and Virtual Assets Service Providers (VASPs);
- mini Guidance on Targeted Financial Sanctions;
- UAE Strategic Review on Targeted Financial Sanctions Case Studies 2019-2021;
- guidance on Counter Proliferation Financing for FIs, DNFBPs and VASPs;
- Targeted Financial Sanctions Guideline for the Insurance Sector;
- updated Guidance on Targeted Financial Sanctions for FIs, DNFBPs and VASPs;
- updated Guidance on Counter Proliferation Financing for FIs, DNFBPs and VASPs;
- invitation to DOLFIN E-learning Platform.

In line with those guidance papers, during 2021 and 2022, FCCP circulated a total of 47 sanctions notices to its Relevant Persons and published them on the FCCP section of the ADGM website.

Total No. of TFS notices

Year	No. of TFS notices
2021	27
2022	20

⁴ <https://www.adgm.com/operating-in-adgm/financial-and-cyber-crime-prevention/notices-and-circulars>



ADGM, jointly with the EOCN, has conducted several TFS outreaches and awareness sessions.



iv. TFS Awareness Increase

During 2021 and 2022, the FSRA, jointly with the EOCN, conducted several TFS outreaches and awareness sessions for FIs, DNFbps and VASPs. These covered topics related to TFS implementation and sanctions evasion methods that terrorist financiers and proliferators can use to conceal their identities, financial flows and beneficiaries. The sessions also highlighted TF and PF case studies specific to the UAE. They provided focused recommendations for each sector to enhance their internal procedures and competencies to identify and combat sanctions evasion better. The sessions also included a polling feature to assess the attendees' understanding of the topics discussed.

Total No. of TFS outreach sessions

Year	TFS outreach sessions
2021	4
2022	8

In coordination with the EOCN, the FSRA has encouraged all firms' MLROs and relevant staff to subscribe to the DOLFIN E-learning platform, to complete the assigned training modules and acquire the related certification. This aims to increase the private sector's awareness and understanding regarding the implementation of TFS in compliance with UAE regulations.

For the registration guide, please refer to Notice No. FSRA/FCCP/50/2022 published under FCCP website at URL: <https://www.adgm.com/documents/financial-crime-prevention-unit/notices/fsra-fccp-notice-no-50-of-2022-invitation-to-dolfin-e-learning-platform.pdf>



The potential for financial crime risks in relation to VAs is significant but can be more effectively controlled if proactively managed.



7. Virtual Assets (VAs) and Virtual Assets Service Providers (VASPs)

Recognising the transformative power of the VA industry and its potential to facilitate access to innovative financial services, the FSRA has been a pioneer in introducing a comprehensive regulatory framework for spot VA activities, including those undertaken by Multilateral Trading Facilities (MTFs), brokers, custodians, asset managers and other intermediaries.

Since the framework was implemented in 2018, the FSRA has issued several IPAs and FSPs to global players. In addition, the FSRA only allows Accepted Virtual Assets to be used within ADGM, after taking into consideration several criteria in the risk assessment process, including those relevant to financial crime.

The VA industry exhibits structural features that make it susceptible to money laundering and terrorism financing outside the reach of law enforcement. These features include user anonymity, ease of access, infrastructure segmentation and jurisdictional location. As a result, the scrutiny of VAs by regulators has focused on the heightened Money Laundering and Terrorism Financing risks.

The FSRA recognises that the potential for financial crime risks in relation to VAs is significant but can be more effectively controlled if proactively managed. The FSRA outlines its expectations and risk appetite for authorising and regulating VASPs and believes that Relevant Persons need to understand the related financial crime risks they may be exposed to in order to efficiently mitigate them.

The FSRA requires that its comprehensive AML Rules apply equally to VA activities in addition to the UAE-wide Federal AML Legislation.





The FSRA requires that its comprehensive AML Rules apply equally to VA activities in addition to the UAE-wide Federal AML Legislation.



i. Anti-Financial Crime aspects of the FSRA's Virtual Assets Regulatory Framework

1. A Comprehensive AFC VA regulatory framework.

2. Familiar regulatory standards similar to those applicable to traditional markets. The FSRA AML Rulebook applies in full to the regulated activities relating to VAs.

3. Its main Pillars evolve mainly around:

UAE Federal AML Legislation relating to Money Laundering, Terrorism Financing, Proliferation Financing, the financing of unlawful organisations and sanctions non-compliance as may be in force or amended from time to time (referred to under point III - 1. UAE Federal AML legislation and the FSRA legislation).

International Standard Setters on VAs, VASPs and the future of the industry (including FATF R. 15 and FATF R. 16).



ii. Travel Rule Obligations

FATF requires that FIs conducting non-flat wire transfers must exchange information on beneficiaries and originators (also known as the 'Travel Rule', so that terrorists and other criminals do not have unfettered access to wire transfers for moving their funds and any such misuse can be detected when it occurs.

In 2018, FATF updated its guidance to clarify that transfers of VAs would also be subject to the Travel Rule.

As a result, Relevant Persons in ADGM subject to the Travel Rule face significantly fewer challenges in complying with it when transferring VAs to other Relevant Persons, as they are already required to collect such information. However, this is not the case when Relevant Persons deal with VASPs based in other jurisdictions, which may not have the appropriate processes. To this end, the FSRA has worked with software providers to explore the use of technological infrastructure that could help Relevant Persons comply with the Travel Rule for cross-border transactions.

The FSRA intends to issue Guidance on the Travel Rule in the next update of the AML Rulebook.



The FSRA requires that FIs conducting non-flat wire transfers must exchange information on beneficiaries and originators (also known as the 'Travel Rule').





The FSRA is working closely and in collaboration with the federal authorities at several levels in providing feedback and guidance to the sector.



iii. Other Joint Actions in Relation to VAs and VASPs

The FSRA, through its membership in the SSC for Assessment of Sectoral and Institutional Risks in the VAs Sector and in the Public Private Partnership Sub-Committee, works closely with the federal authorities to provide feedback and guidance to the sector around risks in VAs sector. The FSRA also participates in the Virtual Asset Sectoral Risk Assessment at the national level.

8. Electronic 'Know Your Customer'

In September 2022, the FSRA amended its AML Rulebook to consider digital identity verification. This update allows Relevant Persons to use non-face-to-face, digital verification of identity, also known as electronic 'Know Your Customer' (eKYC), during the onboarding of customers and subsequent CDD process.

The FSRA issued a public consultation exercise in June 2021 on its proposed amendments that would make its requirements for eKYC, especially in the area of CDD, more explicit. The requirements that were implemented in September 2022 are closely aligned with the recommendations and guidance issued by the FATF, the UAE's Federal AML Legislation and the guidance issued by the FSRA and other UAE federal authorities in the context of the Covid-19 pandemic.



V. Outreaches and Training Events



As part of the FSRA's continuous efforts to deepen the understanding of AML/TFS obligations, the respective risks, and the implementation of a RBA among Relevant Persons, FCCP collaborated with the FIU, the SCC and the EOCN to carry out several awareness-raising sessions and workshops for the private sector during 2021 and 2022.

Those sessions covered topics related to the FATF MER, NRA, SRA, STRs/SARs and TFS obligations. The sessions highlighted:

- TFS good screening practices and techniques;
- CPF best practices, strengthening compliance with FATF preventive measures;
- TFS typologies and red flags;
- AML Returns input enhancement; and
- STRs/SARs quality enhancement and the good and bad practices.

The combined efforts have increased the private sector's understanding of their AML/TFS obligations. FCCP has conducted several tailored internal training sessions related to AML/TFS, Cybercrime and VAs to update and increase supervision staff awareness of the regulatory developments and the risks identified.

VI. Acronyms

Term	
ADGM	Abu Dhabi Global Market
AFC	Anti-Financial Crime
AML	Anti-Money Laundering
CDD	Customer Due Diligence
CFT	Counter Financing of Terrorism
CPF	Counter Proliferation Financing
CRS	Common Reporting Standard
DNFBPs	Designated Non-Financial Businesses and Professions
eKYC	Electronic Know Your Customer
EOCN	Executive Office for Control and Non-Proliferation
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FATF R.	Financial Action Task Force Recommendation
FCCP	Financial and Cyber Crime Prevention
FI	Financial Institution
FIU	Financial Intelligence Unit
FSP	Financial Services Permission
FSRA	Financial Services Regulatory Authority

Term	
GCC	Gulf Cooperation Council
IPA	In Principle Approval
KYC	Know Your Customer
MENAFATF	Middle East and North African Financial Action Task Force
MER	Mutual Evaluation Report
ML	Money Laundering
MLAs	Multi-Lateral Agreements
MLRO	Money Laundering Reporting Officer
MTF	Multilateral Trading Facility
NAMLCFTC	UAE National Anti-Money Laundering and Combatting Financing of Terrorism and Financing of Illegal Organizations Committee
NRA	National Risk Assessment
PF	Proliferation Financing
RA	Registration Authority
RBA	Risk-Based Approach
SAR	Suspicious Activity Report
SRA	Sectoral Risk Assessment
SSC	Supervisory Sub Committee
STR	Suspicious Transaction Report
TF	Terrorism Financing
TFS	Targeted Financial Sanctions
UAE	United Arab Emirates

Term	
UN	United Nations
UNSC	United Nations Security Council
VA	Virtual Asset
VASP	Virtual Assets Service Provider



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