

**FINAL NOTICE ISSUED UNDER SECTION 251  
OF THE FINANCIAL SERVICES AND MARKETS REGULATIONS 2015**

To: MBK Auditing L.L.C  
Office 2201  
22<sup>nd</sup> floor, Sky Tower  
Shams Abu Dhabi,  
Al Reem Island  
Abu Dhabi  
United Arab Emirates

Date: 1 May 2025

By email: [REDACTED]

**1. DECISION**

- 1.1. For the reasons given in this Final Notice, the Financial Services Regulatory Authority (the “**Regulator**”) has decided to impose on MBK Auditing L.L.C (“**MBK**” or “**the Firm**”) a financial penalty of USD 14,080 under section 232 of the *Financial Services and Markets Regulations 2015* (the “**Regulations**”).
- 1.2. MBK agreed to settle this matter at an early stage of the Regulator’s enquiry and action. The Regulator has therefore exercised its discretion to apply a 20% discount to the financial penalty under the Regulator’s policies for early settlement. Were it not for this discount, the Regulator would have imposed a financial penalty of USD 17,600 on MBK.
- 1.3. The Regulator acknowledges that:
- a. MBK and its senior management have cooperated fully with the Regulator’s enquiry and action;
  - b. MBK has taken substantial steps to remediate the issues and deficiencies referenced in this Notice and to otherwise strengthen its systems and controls relevant to anti-money laundering (“**AML**”) compliance; and
  - c. The issues and deficiencies referred to in this Notice only relate to MBK and no other entities within the MBK Group.

**2. DEFINED TERMS**

- 2.1. Defined terms are identified in the Notice in parentheses, using the capitalisation of the initial letter of a word or of each word in a phrase, and are either defined in a Rulebook, Glossary, or in the body of this Notice at the first instance the term is used. Unless the context otherwise requires, where capitalisation of the initial word is not used, an expression has its natural meaning.

### 3. SUMMARY OF REASONS FOR THE DECISION

- 3.1. The Regulator has decided to take the action set out in this Notice because it considers that, during the period from around 1 September 2022 to 30 November 2023 (the “**Relevant Period**”), MBK failed to:
- a. take appropriate steps to conduct a business risk assessment (“**BRA**”) to identify and assess the money laundering risks to which its business is exposed;
  - b. consider its customers’ Beneficial Owners and ownership structure when undertaking customer risk assessments (“**CRA**”) of its customers and, in one instance, failed to conduct a CRA entirely;
  - c. identify, assess and consider the nature, ownership and control structure of its customers when undertaking the customer due diligence (“**CDD**”) process; and
  - d. appoint a new Money Laundering Reporting Officer (“**MLRO**”) on a timely basis.
- 3.2. In doing so, MBK contravened a number of specific requirements set out in the Anti-Money Laundering and Sanctions Rules and Guidance (“**AML Rules**”) as set out in this Notice.

### 4. FACTS AND MATTERS RELIED ON

#### Background

- 4.1. On 30 June 2019, MBK was incorporated and registered with the Abu Dhabi Global Market (“**ADGM**”) Registration Authority as a branch of a foreign company. MBK holds a commercial licence to carry on non-financial business activities of “auditing”, “tax consultancy”, “accounting”, “bookkeeping”. MBK is also an ADGM Registered Auditor.
- 4.2. By carrying on the business of an audit firm, MBK is classified as a Designated Non-Financial Business or Profession (“**DNFPB**”) as defined in the Regulations. As a Registered Auditor, the Regulator would expect MBK to be fully aware of the obligations applicable to it as a DNFPB, including the AML Rules.

#### Regulator Review

- 4.3. On 7 August 2023, the Regulator conducted a review (the “**Review**”) of MBK’s activities and operations, which focused on assessing MBK’s compliance with audit and AML controls.
- 4.4. The Review involved a detailed review of MBK’s AML, counter-financing of terrorism and sanctions related systems and controls, policies and procedures, which included discussions with senior management and staff, and a detailed review of a sample of customer files.
- 4.5. On 3 November 2023, the Regulator and MBK held a meeting at which the Regulator’s preliminary findings were discussed.
- 4.6. On the same day, the Regulator sent its Principal Findings Record (“**PFR**”) to MBK confirming its findings and requesting MBK’s response by 17 November 2023. The PFR set out the findings from the Review, including but not limited to, breaches of AML systems and controls, CRA and Customer Due Diligence (“**CDD**”) requirements.

- 4.7. On 17 November 2023, MBK provided the Regulator with its comments on the PFR (the “Response”).
- 4.8. The Regulator’s findings concerned MBK’s failure to comply with AML systems and controls to ensure compliance with all applicable requirements of the Regulator’s AML Rules, as set out in paragraphs 4.9 to 4.25 below.

#### **Business risk assessment deficiencies**

- 4.9. As a Relevant Person for the purposes of AML, MBK was required under AML Rule 6.1.1 to:
- “(a) take appropriate steps to identify and assess the money laundering risks to which its business is exposed, taking into consideration the nature, size and complexity of its activities;*
  - (b) when identifying and assessing the risks in (a), take into account, to the extent relevant, any vulnerabilities relating to:*
    - i. its type of customers and their activities;*
    - ii. the countries or geographic areas in which it does business;*
    - iii. its products, services and activity profiles;*
    - iv. its distribution channels and business partners;*
    - v. the complexity and volume of its Transactions;*
    - vi. the development of new products and business practices including new delivery mechanisms, channels and partners;*
    - vii. the use of new or developing technologies for both new and pre-existing products and services; and [...].”*
- 4.10. The Review found that during the Relevant Period MBK had not undertaken a BRA that fulfilled the requirements of AML Rule 6.1.1 to identify and assess any vulnerabilities that could expose the Firm to money laundering risks, and did not have sufficient policies and procedures in relation to conducting a BRA. The Regulator, therefore, considers that MBK has contravened AML Rule 6.1.1.

#### **Customer risk assessment deficiencies**

- 4.11. AML Rule 7.1.1(1) requires MBK to undertake a risk-based assessment for every customer; and assign every customer a risk rating proportionate to the assessed money laundering risks associated with the customer. Pursuant to AML Rule 7.1.1(1)(a) MBK was required to undertake a risk-based assessment of each customer prior to establishing a business relationship with the customer.

- 4.12. AML Rule 7.1.1(3) sets out a number of factors that should be identified, assessed and considered when undertaking a risk-based assessment of a customer which includes, but is not limited to, the customer's beneficial owners, its ownership structure and the nature of its business.
- 4.13. As part of the Review, the Regulator conducted a detailed review of MBK's files for five (5) of its seventeen (17) customers (representing approximately 29% of its customers) to assess MBK's compliance with the Regulator's AML rules. In particular, the Regulator found that:
- a. for one (1) customer ("**Customer A**") , MBK failed to consider whether a nominee shareholder owned the customer, despite possessing documents suggesting that this was a possibility;
  - b. for one (1) customer ("**Customer B**"), MBK failed to identify that the customer operated in a higher risk jurisdiction (a country categorised on FATF's grey list at the time of the customer's onboarding);
  - c. for both Customer A and Customer B, MBK failed to identify and assess both entities' group structures and its understanding of the nature of those customers' businesses; and
  - d. for one (1) customer ("**Customer C**"), MBK did not undertake a CRA before confirming MBK's appointment as Customer C's auditor and raising an invoice in connection with this appointment. MBK had also sent a letter to the ADGM stating that it had been appointed as Customer C's auditor.
- 4.14. Ultimately, MBK classified Customer A and Customer B as low risk. The Regulator considers that MBK based its customer risk classification on incomplete information due to its failure to consider and document the factors mentioned in paragraphs 4.13(a) to 4.13(c). The Regulator therefore considers that MBK has contravened AML Rule 7.1.1(3).
- 4.15. As mentioned in paragraph 4.13(d) above, MBK did not undertake a CRA for Customer C. Accordingly the Regulator considers that MBK has contravened AML Rule 7.1.1(1)(a). However, the Regulator notes that MBK did not proceed with undertaking Customer C's audit.

#### **Customer due diligence deficiencies**

- 4.16. As a Relevant Person for the purposes of the AML Rules, MBK was required by AML Rule 8.3.1(1)(b), when undertaking CDD, to identify all the Beneficial Owners and take reasonable measures to verify the identity of the Beneficial Owners, such that the Relevant Person is satisfied that it knows who the Beneficial Owners are.
- 4.17. AML Rule 8.3.2 requires Relevant Persons to identify a customer and verify its customers' identity. In particular, where its customer is a Body Corporate, MBK is required to obtain and verify, among other things, the date and place of incorporation or registration and relevant corporate documents of the customer.
- 4.18. As mentioned in paragraph 4.13 above, the Regulator reviewed a sample of five (5) customer files to assess MBK's compliance with the Regulator's AML rules. The Regulator identified the following deficiencies with MBK's customer due diligence for three (3) of its customers:
- a. For Customer A, MBK did not obtain the customer's group structure as part of its CDD;

- b. For Customers A and B, MBK did not obtain certified identification documents to verify the identities of the customer's directors; and
  - c. For Customer C, MBK failed to identify the entity's beneficial owners, members and any individuals able to exercise control over the entity. Furthermore, MBK failed to obtain a certified copy of the relevant constitutional documents of the entity.
- 4.19. As mentioned in paragraph 4.13(d) above, in the case of Customer C, MBK had informed the Regulator that it had been appointed as Customer C's auditor and had issued an invoice to the customer, but failed to undertake any CDD prior to onboarding Customer C. However, as noted in paragraph 4.15, MBK did not proceed with undertaking Customer C's audit.
- 4.20. As a result of MBK not obtaining the company's group structure for Customer A, certified copies of identification documents for Customers A and B, and a certified copy of the relevant constitutional documents for Customer C, the Regulator considers that MBK has contravened AML Rule 8.3.2.
- 4.21. Further, due to MBK's failure to identify Customer C's beneficial owners, members and individuals able to exercise control over the entity, the Regulator considers that MBK has contravened AML Rule 8.3.1(1)(b).

#### **Failure to appoint an MLRO on a timely basis**

- 4.22. AML Rule 12.1.1(1) requires Relevant Persons to appoint an individual with the appropriate level of seniority, experience and independence to act as the MLRO by completing and filing the relevant form with the Regulator.
- 4.23. On 1 January 2023, MBK replaced its MLRO but failed to complete and file the relevant form with the ADGM Registration Authority. MBK only submitted an MLRO appointment application to the Regulator on 7 November 2023, after a delay of approximately ten (10) months, which the Regulator approved on 9 November 2023. This meant that the MLRO was only effectively appointed on 9 November 2023.
- 4.24. The Regulator notes that even though MBK did not complete and file the relevant form with the Regulator on a timely basis, the Firm had a person acting as the MLRO in the period between 1 January 2023 and 9 November 2023.
- 4.25. As a result of MBK's failure to complete and file the form with the Regulator, the Regulator would not have been aware of the change in MLRO and MBK's MLRO would not have received any correspondence from the Regulator. The Regulator considers that MBK has contravened AML Rule 12.1.1(1) for failing to effectively appoint its MLRO by taking more than ten (10) months to complete and file the relevant form with the Regulator regarding the change to its MLRO.

#### **Remediation undertaken by MBK**

- 4.26. Since becoming aware of the Regulator's concerns identified by the Review, MBK has taken steps to address the various issues that had been identified.
- 4.27. The Regulator acknowledges MBK's full co-operation and the steps that MBK has taken to date to remediate each of the issues and deficiencies set out in this Final Notice.

## 5. CONTRAVENTIONS

5.1. The Regulator has found that during the Relevant Period MBK contravened the following AML Rules:

- a. *AML Rule 6.1.1* for not conducting business risk assessments that identified, assessed and mitigated the money laundering risks to which its business is exposed;
- b. *AML Rule 7.1.1 (1)(a)* for failing to undertake a customer risk assessment for one (1) customer prior to establishing a business relationship with the customer.
- c. *AML Rule 7.1.1 (3)* for failing to undertake an adequate customer risk assessment for two (2) of its customers, in that it failed to adequately identify, assess and consider certain required factors;
- d. *AML Rule 8.3.1 (1)(b)* by failing to identify the beneficial owners and other individuals able to exercise control over the entity for one customer;
- e. *AML Rule 8.3.2* by failing to collect required documents as part of the customer due diligence process for three customers; and
- f. *AML Rule 12.1.1 (1)* by failing to complete and file with the Regulator the appropriate form as specified by the Regulator when changing its MLRO.

## 6. SANCTION

6.1. In deciding to impose a financial penalty on MBK, the Regulator has taken into account the factors and considerations set out in sections 8.2 to 8.5 of the Regulator's Guidance & Policies Manual ("**GPM**").

### **Decision to impose a financial penalty**

6.2. With reference to section 8.2 of GPM, the Regulator considers the following factors to be of particular relevance in deciding to impose the financial penalty on MBK:

- a. *8.2.1(a)* - the Regulator's objectives under section 1(3) of the Regulations to:
  - i. foster and maintain confidence in the ADGM;
  - ii. promote and enhance the integrity of the ADGM Financial System;
  - iii. prevent, detect and restrain conduct that causes or may cause damage to the reputation of the ADGM through appropriate means including the imposition of sanctions; and
  - iv. promote public understanding of the regulation of the ADGM.
- b. *8.2.1(b)* - the deterrent effect of the penalty and the importance of deterring other persons from committing similar contraventions.

- c. 8.2.1(c) - in terms of the nature, seriousness, duration and impact of the contravention, MBK's failings exposed its business and the ADGM to increased risk of money laundering and financial crimes over the Relevant Period.

#### **Determination of the level of financial penalty**

- 6.3. With reference to section 8.4 of GPM, the Regulator has taken into account the factors and considerations set out in the five-step framework in section 8.5 of GPM in determining the level of the financial penalty it has decided to impose:

##### *Step 1: Disgorgement*

- 6.4. This step is not considered to be relevant, as the Regulator has not seen MBK deriving any financial benefit from the contraventions.

##### *Step 2: The seriousness of the contraventions*

- 6.5. The Regulator considers MBK's conduct to be sufficiently serious to warrant disciplinary action because the contraventions revealed deficiencies with MBK's AML policies and procedures.
- 6.6. Taking the above factors into account, the Regulator considers that a financial penalty of USD 22,000 appropriately reflects the seriousness of the contraventions.

##### *Step 3: Mitigating and aggravating factors*

- 6.7. The Regulator considers that the following factors have a mitigating effect on the contraventions:
- a. MBK does not have any previous history of non-compliance with the Regulations or Rules;
  - b. Aside from the absence of a business risk assessment, MBK had the relevant AML policies and procedures in place even though these were not fully implemented; and
  - c. MBK has been co-operative with the Regulator and has taken substantial steps to remediate any non-compliance with the AML Rules both during and after the Review.
- 6.8. The Regulator considers that there are no aggravating factors on the contraventions.
- 6.9. Having taken the above mitigating factors into account, in particular the factor noted in paragraph 6.7c, the Regulator has applied a 20% reduction to the level of the financial penalty which it would have otherwise imposed.
- 6.10. Accordingly, the figure after Step 3 is USD 17,600.

*Step 4: Adjustment for deterrence*

- 6.11. Section 8.5.9 of GPM provides that if the Regulator considers the level of the financial penalty which it has arrived at after Step 3 is insufficient to deter the firm that committed the contravention, or others, from committing further or similar contraventions, then the Regulator may increase the financial penalty. Section 8.5.9 of GPM sets out the circumstances in which the Regulator may do this.
- 6.12. In this instance, the Regulator considers that the figure arrived at after Step 3 is sufficient for the purposes of deterring MBK and others from committing further or similar contraventions. Accordingly, the Regulator does not consider it necessary to adjust the amount of the fine arrived at after Step 3 for the purposes of deterrence.
- 6.13. Accordingly, the figure after Step 4 is USD 17,600.

*Step 5: Adjustment for cooperation/early settlement*

- 6.14. Where the Regulator and the firm on which the financial penalty is to be imposed come to an agreement on the amount of the financial penalty, section 8.5.10 of GPM provides that the amount of the financial penalty which might have otherwise been payable will be reduced to reflect the stage at which the agreement is reached.
- 6.15. The Regulator and MBK have reached an agreement on the relevant facts and matters relied on, the regulatory action to be taken and the financial penalty to be imposed. Having regard to the stage at which this agreement has been reached and in recognition of the benefit of this agreement, the Regulator has applied a 20% (USD 3,520) discount to the level of the financial penalty which it would have otherwise imposed.
- 6.16. Accordingly, the figure after step 5 is USD 14,080.

**The level of the financial penalty**

- 6.17. Given the facts and matters set out above and all the circumstances, the Regulator has determined that it is proportionate and appropriate to impose on MBK a financial penalty of USD 14,080 for the alleged contraventions.

**7. PROCEDURAL MATTERS**

**Settlement**

- 7.1. The Regulator and MBK have reached an agreement on the relevant facts and matters relied on, the regulatory action to be taken and the financial penalty to be imposed. In agreeing to the action set out in this Notice and deciding to settle this matter, MBK has agreed not to refer this matter to the Appeals Panel.

**Payment of financial penalty**

- 7.2. The financial penalty imposed by this Notice is to be paid by MBK on or before **30 calendar days from the date of this Notice**, unless varied or otherwise agreed by the Regulator.



- 7.3. Payment of the financial penalty is to be made by electronic funds transfer according to the instructions set out in the table below:

|                |            |
|----------------|------------|
| Account Name   | [REDACTED] |
| Account Number | [REDACTED] |
| IBAN Number    | [REDACTED] |
| Account Type   | [REDACTED] |
| Bank Name      | [REDACTED] |
| Swift Code     | [REDACTED] |
| Reference      | [REDACTED] |

- 7.4. In the event that any part of the financial penalty remains outstanding on the date by which it must be paid, then the Regulator may recover the outstanding amount of the financial penalty as a debt owed by MBK and due to the Regulator.

#### **Publicity**

- 7.5. Pursuant to section 252(3) of the Regulations, the Regulator may publish this Notice and the details about the matters to which this Notice relates at its discretion.
- 7.6. Pursuant to section 252(4) of the Regulations, MBK is not permitted to publish this Notice or any details concerning it unless the Regulator has published the Notice or those details in accordance with section 252(3).
- 7.7. The Regulator will publish this Final Notice on its website.

Signed:



Emmanuel Givanakis  
 Chief Executive Officer  
 Financial Services Regulatory Authority