

8 November 2024

Dear Company Service Provider,

COMPANY SERVICE PROVIDERS – COMPLIANCE WITH ABU DHABI GLOBAL MARKET COMMERCIAL LEGISLATION AND ADGM ANTI-MONEY LAUNDERING AND SANCTIONS RULES

You are receiving this letter as a senior executive of a Company Service Provider (“**CSP**”) that is registered and licensed by the Registration Authority within the Abu Dhabi Global Market (“**ADGM**”).

The Registration Authority is responsible for the registration and licensing of all legal persons in ADGM. We are also responsible for monitoring and enforcing compliance with the commercial legislation of the jurisdiction, which contributes to maintaining and enhancing the reputation of ADGM as a reputable, credible and attractive jurisdiction to do business from.

We write this letter as a reminder to all CSPs operating within ADGM of these requirements and our expectations.

CSPs play a crucial role in the ADGM business ecosystem, facilitating the formation and ongoing corporate support for 1000s of companies incorporated in ADGM. CSPs also play a crucial gatekeeper role and assist in facilitating the compliance of their corporate clients with their ongoing filing obligations, among important functions. However, we are concerned that some CSPs operating within ADGM are not conducting business in a manner that is fully compliant with the requirements.

ADGM Company Service Provider framework

The Company Service Provider framework (“**CSP Framework**”) came into force on 12 April 2021. The purpose of the CSP Framework is to ensure a robust regulatory regime for the provision of company services in ADGM that is aligned with international best practices to support the ongoing growth of Special Purpose Vehicles (SPVs) and Foundations structures registered within ADGM.

On 23 February 2023, the CSP Framework was amended, introducing additional requirements for CSPs. We consider that sufficient time has passed since the amendments were made for CSPs to have fully implemented necessary changes and enhancements to become fully compliant.

For further information on the CSP Framework, please visit the Guidance and Resources for CSPs on our website via the following link: <https://www.adgm.com/operating-in->

[adgm/company-service-providers/guidance-and-resources](https://adgm.com/company-service-providers/guidance-and-resources).

Conditions of Licence – Company service providers

The Commercial Licensing Regulations (Conditions of Licence and Branch Registration) Rules 2024 (“**Conditions of Licence Rules**”) include the applicable conditions of licence for CSPs operating within ADGM. These are set out within Schedule 1 as follows:

- Condition 1 – Fit and Proper Person
- Condition 2 – Policies, Procedures and Controls
- Condition 3 – Appropriate Insurance Cover
- Condition 4 – Prudent Business Operation, Adequate Resources and Staff Certification
- Condition 5 – Staffing in the Abu Dhabi Global Market
- Condition 6 – Anti-Money Laundering Officers
- Condition 7 – Compliance Officer
- Condition 8 – Minimum Regulatory Capital
- Condition 9 – Annual CSP Return
- Condition 10 – Principles

Monitoring compliance

As part of our monitoring work, we undertake both onsite visits and desk-based reviews of CSPs compliance with the commercial legislation. In line with our 2024/2025 Monitoring & Enforcement Strategy and Regulatory Priorities, we are increasing our proactive work in this area.

In respect of desk-based reviews, we use a data-led approach to identify CSPs selected for review. The CSPs we assess are informed of our findings and if appropriate supervisory and/or enforcement action is taken against those CSPs based on the findings from our reviews.

The Monitoring Team of the Registration Authority recently concluded a desk-based review which assessed CSP compliance with certain conditions within Schedule 1 under the Conditions of Licence Rules. The sample constituted 19 per cent of all licensed CSPs in ADGM. From the CSPs selected for review, we observed general non-compliance with the conditions 4, 5 and 9. The generalised findings from the desk-based review are summarised below, along with new guidance on best practice.

Condition 4 - Prudent Business Operation, Adequate Resources and Staff Certification

From the sample of selected CSPs, we identified numerous instances of CSPs operating with staff that were not certified but whose role involved dealing directly or indirectly with the Registrar and/or clients in relation to the provision of company services. In some cases, we identified that CSPs had no staff certified at all. Moreover, we observed a lack of urgency with

getting staff certified and this was evident from both the absence of enrolment and those who had enrolled but not undertaking the required training.

We consider that it is best practice for applicable new staff to have enrolled and completed the mandatory annual certification courses within 4-6 weeks of commencing employment (if they have not already completed the certification within the previous 12 months). For those staff who are members of a recognised professional body, the same timeframe is recommended for completion of the abridged annual training course.

It is further considered best practice for those staff who have completed the annual certification, to have again completed the annual certification courses within 4-6 weeks of the anniversary of having previously completed the certification. We acknowledge that there may be exceptional circumstances as to why the recommended timeframes may not be able to be met and in those rare cases, we recommend that the reasoning is documented, and the certification completed as soon as practicable thereafter.

We also consider that staff indirectly involved in dealing with the Registrar and/or clients who need to complete the annual certification include, but is not limited to, directors or partners responsible for overseeing CSP activities, line managers of CSP frontline staff, the Money Laundering Reporting Officer (“**MLRO**”), Deputy MLRO and Compliance Officer.

We remind CSPs that the approved service provider for the mandatory annual certification course is the ADGM Academy.

Condition 5 – Staffing in the Abu Dhabi Global Market

From the sample of selected CSPs, we identified numerous instances of CSPs not having anyone physically present at all in their ADGM registered office. Further, we also identified that from those CSPs whose staff were present on occasion, those staff were not certified staff. Moreover, we identified a lack of consideration given to the importance of having the registered office open during Ordinary Business Hours and attended by a certified member of staff. There were only few instances of CSPs properly staffing offices with certified staff on a frequent and generally present basis.

We consider that it is best practice for CSPs to maintain records of its staff attending the office, in whatever form deemed appropriate, to demonstrate the number of certified staff that are physically present at any given time throughout the calendar year. We recognise popularity of remote and hybrid working and emphasise that the condition refers to at least one member of staff being present in the ADGM registered office (it does not have to be the same staff member continuously). We consider the aforementioned accommodates flexible working arrangements whilst allowing CSPs to evidence compliance with that part of the condition.

We acknowledge that there may be exceptional circumstances due to which the office may remain closed. In such cases, if the office will be closed for any period exceeding, in aggregate,

ten business days in any three-month period, CSPs are required to notify the Registration Authority in writing and include a reasonable justification of such closure.

Condition 9 – Annual CSP Return

From the sample of selected CSPs, we identified that the submitted annual CSP returns (“**Annual CSP Return**”) contained inaccurate information by CSPs incorrectly including positive confirmation that there was at least one certified member of staff physically present at the CSPs registered office, during Ordinary Business Hours, when this was not the case. In fact, as mentioned above, numerous instances were identified where no one was present in the office at all, or the staff present on occasion were not certified. Similarly, we identified the submitted Annual CSP Returns also contained inaccurate information by CSPs incorrectly including the positive confirmation that the applicable staff under Condition 4 were certified when this was not the case. We identified numerous instances where few or none of the staff involved dealing directly or indirectly with the Registrar and/or clients in relation to the provision of company services were certified. The submission of the Annual CSP Return contains a declaration from CSPs that the information is true and complete.

We remind CSPs that information provided to the Registration Authority must be true, accurate and complete. Significant penalties apply to providing false, misleading or deceptive information to the Registration Authority.

CSPs must provide the Registration Authority with an Annual CSP Return no later than the end of April each year and this a statutory deadline. The Annual CSP Return must cover the period from 1 January to 31 December (inclusive) of the preceding year and include the particulars 1(a) to (h) listed under the condition.

Enforcement action

All CSPs operating within ADGM must comply with the Conditions of Licence Rules on an ongoing basis. Those CSPs that do not comply may face supervisory and/or enforcement action, which can include but is not limited to: (i) the variation or cancellation of its CSP licence on the initiative of the Registrar; (ii) the imposition of requirements; and (iii) the imposition of financial penalties. The Registration Authority reserves its rights to take appropriate regulatory action to address any contravention(s) of the commercial legislation.

ADGM Anti-Money Laundering and Sanctions Rules and Guidance

The ADGM’s Anti-Money Laundering and Sanctions Rules and Guidance (“**AML Rules**”) defines Designated Non-Financial Businesses and Professions (“**DNFBPs**”) to include CSPs. This is aligned with the definition of DNFBPs under the Federal AML Law No. 20 of 2018 (“**Federal Law**”) and the Financial Action Task Force (“**FATF**”).

As gatekeepers, CSPs are exposed to a significant amount of client information and act on

behalf of their customers in various ways, which on occasion can include dealing with matters that present a heightened financial crime risk. As such, CSPs play a key role in protecting ADGM as an international financial centre from certain risks including money laundering and targeted financial sanctions.

The ADGM AML Rules sets the obligations of CSPs operating within ADGM and the applicable chapters are covered in chapters 1 to 9 and 11 to 15 of the AML Rules. In addition, CSPs must adhere to the requirements under the applicable Federal AML Laws including but not limited to Federal Law No. 20 of 2018, Cabinet Decision No. 10 of 2019 and Cabinet Decision No. 74 of 2020 (collectively "applicable Federal Laws").

We further remind CSPs that when developing your AML/TFS policies, procedures, systems and controls, these must adhere to FATF standards. We also highlight the requirement under Rule 4.1.1(4) of the AML Rules, which requires a review, at least annually, of said AML/TFS policies, procedures, systems and controls.

Whilst the Financial Services Regulatory Authority ("**FSRA**") of the ADGM is the competent authority for AML/CFT compliance, the Registration Authority is delegated with the supervision of DNFBPs' compliance with the AML Rules and applicable Federal Laws. Where a DNFBP is found to be deficient with the requirements, the Registration Authority will not hesitate to refer such matters to Enforcement for further actions. This includes, but is not limited to, monetary penalties and suspensions of licence.

We also take this opportunity to remind you that the Registration Authority publishes simplified guides to assist you in complying with your obligations. These are available publicly on our website via the following link: <https://www.adgm.com/registration-authority/aml-cft-quick-guides-for-dnfbps>

Actions you must take

It is not necessary for you to contact us in response to this letter. The Registration Authority expects that you take note of the contents of this letter and undertake the necessary actions as required.

The Registration Authority expects your CSP to consider its adherence with the Conditions of Licence Rules, and that it has assurance through your ongoing compliance monitoring program that as far as reasonably practicable, it is fully compliant with all regulations, rules, guidance and instructions applicable to it.

We further expect that your CSP undertakes a gap analysis of compliance with Chapters 4-9 and 11-14 of the AML Rules and complete it within six months of receipt of this letter. The findings of the analysis should be circulated internally and acted upon, and you should take necessary steps to resolve any gaps in a timely manner. We may ask you to provide us with the findings from your analysis, details of any required remedial actions, and evidence of actions

taken to resolve the needful.

We remind your CSP of the ongoing obligation to ensure that you deal with the Registration Authority in an open and co-operative manner and promptly disclose any information which the Registrar requires or which the Registrar would otherwise reasonably expect to be notified.

Yours faithfully,

 **ABU DHABI GLOBAL MARKET**
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Tim Land
Executive Director, Monitoring & Enforcement