



UNITED ARAB EMIRATES MONEY LAUNDERING AND TERRORIST FINANCING RISK ASSESSMENT REPORT

2024

Table of Contents

Foreword	8
Executive Summary	10
• ML Threats	13
• TF Assessment	20
• Priority Actions	22
Chapter 1: Background and Context	24
1.1 Geographical Position	24
1.2 Population:	25
1.3 Federal Structure	25
1.4 Legal and Judicial System	26
1.5 Economy	26
1.6 Economic Legislation	28
Chapter 2: Overall UAE ML/TF/PF combating ability	30
2.1 Institutional Framework	30
2.2 Financial Sector Supervisory authorities	32
2.3 DNFBP licensing authorities and supervisory authorities	32
2.4 VASPs licensing authorities and supervisory authorities	33
2.5 AML/CFT/CPF Legal Framework	33
Chapter 3: Risk Assessment Methodology	40
3.1 Overview of the UAE National risk assessment processes	40
3.2 The World Bank methodology	40
3.3 The UAE Risk Assessment Process	43
3.4 The Private Sector Engagement	44

Chapter 4: National Risk Assessment Key Findings	45
4.1 Money Laundering	45
4.1.1 Threats and Typologies	45
• ML Threats	45
• Main Typologies	46
• Other Key Observations	50
4.1.2 ML Vulnerabilities	51
4.1.3 Sectoral Risk Assessment	53
4.1.3.1 Financial Institutions	53
• Mainland	54
• Financial Freezones	58
4.1.3.2 Virtual Asset sector	61
• Conclusion and next steps	62
4.1.3.3 Designated Non-Financial Businesses and Professions	63
• DNFBPs under MOEc supervision	63
• Other potential activities under DNFBPs	65
• Conclusion and next steps	66
4.1.3.4 Legal Persons and Legal arrangements	66
4.2 Terrorism Financing	68
4.2.1 TF risks in the UAE context	68
4.2.2 Non-Profit Organisations	71
• Conclusion and next steps	72
Overall Conclusion	72

Table of Acronyms

ADGM	Abu Dhabi Global Market
AML	Anti-Money laundering
AML/CFT LAW	Federal Decree-law No. (20) of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organisations
APG	Asia/Pacific Group on Money Laundering
BNIs	Bearer Negotiable Instruments
CBUAE	Central Bank of the U.A.E.
CDD	Customer Due Diligence
CFZ	Commercial Free Zone
DFSA	Dubai Financial Services Authority
DNFBPs	Designated Non-Financial Businesses Professions
DMCC	Dubai Multi-commodity Centre
DPMS	Dealers of Precious Metals and Stones
DIFC	Dubai International Financial Centre
EDD	Enhanced due diligence
GS-NAMLCFTC	General Secretariat of the National Anti Money Laundering and Combatting Financing of Terrorism and Financing of Illegal Organizations Committee ⁽¹⁾
FATF	Financial Action Task Force
FCA	Federal Customs Authority
FFZ/FFZs	Financial Free Zone - Financial Free Zones
FIs	Financial Institutions
FSRA	Financial Services Regulatory Authority
FT	Financing of Terrorism and replace any phrase of terrorism financing into "Financing of Terrorism" for the whole document
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
HIGHER COMMITTEE	Higher Committee overseeing National Strategy on AML/CFT
IN	Interpretive Note
IO	Immediate Outcome
ISIC	International Standard Industrial Classification

LEAs	Law enforcement agencies
MENA	Middle East and North Africa
MENA FATF	Middle East and North Africa Financial Action Task Force
ML	Money Laundering
MOCD	Ministry of Community Development
MOEc	Ministry of Economy
MOF	Ministry of Finance
MOJ	Ministry of Justice
MOU	Memorandum of Understanding
MVTS	Money or Value Transfer Service(s)
MSB	Money Service Business
NATIONAL COMMITTEE	National Committee for Anti Money Laundering and Combattin the Financing of Terrorism and Financing of Illegal Organizations
NER	National Economic Register
NPO	Non-Profit Organization
NRA	National Risk Assessment
OECD	Organization for Economic Co-operation and Development
PEP	Politically Exposed Person
PP	Public Prosecution
R.	Recommendation
RBA	Risk-Based Approach
RHP	Registered Hawala Provider
SAR	Suspicious Activity Report
SCA	Securities And Commodities Authority
STR	Suspicious Transaction Report
SWFs	Sovereign Wealth Funds
TCSP	Trust and Company Service Provider
UAE	United Arab Emirates
UAEFIU	The UAE Financial Intelligence Unit
VA	Virtual Asset
VARA	Dubai Virtual Assets Regulatory Authority
VASPs	Virtual Asset Service Providers

⁽¹⁾ According to the new amendment of the AML/CFT law, the Executive Office has elevated recently to The National Committee with a general secretariat that has been empowered for broaden roles and responsibilities as a national coordinator.



Foreword

1.1 As an international business, financial, and trading hub, the United Arab Emirates (UAE) is exposed to the risks of transnational Money Laundering (ML), Terrorism Financing (TF), and Proliferation Financing (PF). Criminals seek to exploit the UAE's economic openness, financial system, and business infrastructure to move illicit funds and assets. Therefore, it is essential for the UAE to remain vigilant and proactive in safeguarding against the misuse of its financial and business environments for such illegal activities.

1.2 Due to the evolving global geopolitical landscape, shifting macroeconomic conditions, and the rising use of sophisticated financial and business structures, the risks associated

with ML/TF/PF in the UAE have become increasingly complex. These factors have expanded the opportunities for criminals to exploit vulnerabilities in financial systems, making it more difficult to detect and prevent illicit activities. Furthermore, advancements in technology have created new avenues for transferring and concealing illicit funds and assets across borders with unprecedented speed and ease. In light of these developments, this National Risk Assessment (NRA) for Money Laundering and Terrorist Financing takes into account the evolving landscape of financial crime and its growing challenges.

1.3 The evolving threat landscape impacts how

authorities coordinate and collaborate with one another, as well as with the private sector, to address ML/TF risks. Effective international cooperation is crucial in responding to the growing complexity of illicit financial flows across borders. Strengthening these partnerships is essential for improving efforts to detect and mitigate financial crime on a global scale.

1.4 The UAE is committed to continuously enhancing its AML/CFT/CPF regime. Our framework is fully aligned with international standards and best practices, supported by robust laws and regulations, risk-based supervision, and effective enforcement.

Recent initiatives have further strengthened the regime, including updates to the legal and regulatory framework, improved inter-agency cooperation, and a more strategic use of financial intelligence. Additionally, progress has been made in areas such as risk-based supervision, asset recovery, public-private partnerships, and international cooperation, all of which contribute to the UAE's efforts in effectively addressing the evolving risks of financial crime.

1.5 The UAE is a committed member of the FATF through GCC, and the MENAFATF. Additionally, it has served as an observer to the APG since 2023. The UAE also actively contributes to the efforts of international organizations combating financial crime, including the Egmont Group, reaffirming its dedication to addressing the escalating threats posed by financial crimes

1.6 The UAE's efforts to combat AML/CFT/CPF, are led by the Higher Committee for the National Strategy on AML/CTF. This committee is co-chaired by senior officials from key national authorities. The General Secretary of NAMLCFTC serves as the national coordinator, overseeing the implementation and regular updates of policies and strategies to address emerging risks.

1.7 A key component of our efforts is the National Risk Assessment (NRA), developed by the General Secretariat of the National Anti Money Laundering and Combatting Financing of Terrorism and Financing of Illegal Organizations Committee (GS-NAMLCFTC). The NRA provides a comprehensive evaluation of the UAE's understanding of current and emerging money laundering and terrorist financing threats and vulnerabilities across various sectors. The findings from the NRA help guide decision-making, prioritizing risks and informing actions for supervision, enforcement, and mitigation to effectively tackle financial crime.

The UAE National Anti Money Laundering and Combatting Financing of Terrorism and Financing of Illegal Organizations Committee.

Executive Summary

Background and Context

1. The UAE is located in Asia. It is situated in the southeastern region of the Asian continent, and in the eastern part of the Arabian Peninsula. It overlooks the Arabian Gulf on the north and northwest. Its coastline stretches for 1,318 kilometres. It has a total land border of 867 kilometres, out of which it shares 410 kilometres with Sultanate of Oman and 457 kilometres with the Kingdom of Saudi Arabia Saudi Arabia. The UAE enjoys a unique strategic location, bordering the Gulf of Oman and overlooking the southern approach to the Strait of Hormuz, a vital transit point for world oil.⁽²⁾

2. The UAE is a constitutional federation composed of seven emirates: Abu Dhabi (the capital), Dubai, Sharjah, Ajman, Fujairah, Umm Al-Quwain, and Ras Al-Khaimah. The country operates under a federal government structure with authority over key national matters, including foreign affairs, defense and the Federal Armed Forces, national security, federal finance (including taxes and currency), major criminal legislation, and public health and education.

3. The UAE serves as an international business, financial and trading hub regionally and globally. It bridges Europe, Asia and the Middle East, facilitating financial and trade activity flows among these regions. The UAE is characterised by its geographical location, which helps in the conduct of international trade activities. As a result, the UAE has some of the busiest ports in the World. Furthermore, The World Trade Organization (WTO) has ranked the UAE as number 14th for total trade in terms of World Merchandise Trade Export and 18th for World Merchandise Trade Import in the same year.⁽³⁾ The value of the UAE's non-oil foreign trade hit a record Dh1.24 trillion (\$337.6 billion) in the first

half of 2023, as reported by the Ministry of Foreign Affairs.⁽⁴⁾

4. The UAE's emergence as a global financial center and major trading hub exposes it to inherent money laundering and terrorist financing ML/TF risks, including the laundering of foreign proceeds of crime and trade-based money laundering. Criminals may exploit the country's economic openness, financial system, and business infrastructure to move illicit funds and assets. As such, it is crucial for the UAE to remain vigilant in addressing and safeguarding against these risks. The complexity of ML/TF risks has grown due to the evolving global geopolitical environment, macroeconomic shifts, and the increasing use of sophisticated financial and business structures. Additionally, technological advancements have created new avenues for criminals to swiftly and easily move illicit funds across borders. These factors are taken into account in the UAE's 2nd ML/TF National Risk Assessment..

5. The UAE has been an active member of the Middle East and North Africa Financial Action Task Force (MENAFATF) since 2004-2005, an observer of the Asia/Pacific Group on Money Laundering (APG) since July 2023, and a member of the Egmont Group since June 5, 2002. It has signed and ratified several key international conventions, including the Vienna Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, the United Nations Convention against Corruption, the Palermo Convention against Transnational Organized Crime (ratified May 7, 2007), the Merida Convention against Corruption (ratified February 22, 2006), and the International Convention for the Suppression of the Financing of Terrorism. Additionally, the UAE has concluded 193 Double Taxation Agreements to promote tax transparency in line with its risk profile.



6. The UAE's judicial system is based on civil law, including its courts and prosecution services. The Constitution allows for a Federal judicial system and also grants the seven Emirates of the UAE the right to establish their Emirate-level judicial systems. Three Emirates – Abu Dhabi, Dubai and Ras Al Khaimah – have opted to have their local judicial system and thus have their local police departments, prosecution authorities, and courts. It is worth noting that the emirate-level departments are connected to the federal system through a combination of constitutional provisions, institutional arrangements, and intergovernmental coordination.

7. The UAE has adopted AML/CFT measures under the 2018 AML/CFT Law and its By-Law/ Executive Regulation (Cabinet Decision No. 10 of 2019), which came into force in November 2018 and January 2019, respectively. The law and regulation expand the preventative measures and obligations and provide further powers to

competent authorities. The country has since updated key legal instruments, such as Federal Law No. 20 of 2018 on AML/CFT, which has been further enhanced and amended by Federal Decree-Law No. 26 of 2021, as well as the Cabinet Resolution No. (24) of 2022 amending some provisions of Cabinet Resolution No. (10) of 2019 regarding the executive regulations of Federal Decree Law No. (20) of 2018 regarding combating money laundering crimes, combating the financing of terrorism, and financing illegal organizations.

8. The UAE's first ML/TF National Risk Assessment (NRA) was published in 2018 and updated in 2019. Additionally, supervisory authorities have developed dynamic sectoral risk assessment models, which are regularly updated to identify and address ML/TF risks across different sectors. These models produce sectoral risk assessments, thematic reviews, and strategic analysis reports. Building on the 2018/2019

(2) source: <https://uae/en/about-the-uae/fact-sheet>
(3) Merchandise Trade – Trade Dashboard (wto.org)
(4) <https://www.mofa.gov.ae/en/mediahub/news/2023/8/31/31-8-2023-uae-mohamed-bin-rashed>

NRA, the UAE conducted a risk assessment of legal persons and arrangements in 2022 and published a comprehensive strategic analysis in March 2023, providing a detailed assessment of the risks associated with legal persons in the country.

National Coordination

9. The UAE's 2nd NRA, coordinated by GS-NAMLCFTC, provides a consolidated view of the UAE's understanding and assessment of the prevailing and emerging ML threats and vulnerabilities that country faces, as well as the level of controls within each sector. More than 84 authorities contributed to the NRA, including federal, local, and private sector entities such as financial institutions (FIs), designated non-financial businesses and professions (DNFBPs) and virtual asset service providers (VASPs). The report shown here reflects the joint effort across all involved entities in the UAE

World Bank Methodology

10. In conducting the second NRA, the UAE has adopted and implemented the World Bank methodology. The process, which built upon the first NRA, included extensive data collection and analysis from 2019 to 2023, examining a significantly larger number of ML/TF cases. The assessment involved three stages: risk identification and data collection, analysis of identified risks, and evaluation to determine priorities for addressing the risks. Series of stakeholder workshops were held to discuss figures and the AML/CFT framework, and effectively analyze and identify trends and potential risk and ensure compliance with evolving AML/CFT regulations and best practices. The final findings, which included an expanded and nuanced assessment of threats and vulnerabilities, are presented to the Higher Committee overseeing the National Strategy on Anti-Money Laundering and Countering the Financing of Terrorism, as part of the process.. The NRA focused on ML/TF threats

and in-depth analysis of the major sectors in the country including the VASP sector, real estate sector, dealers in precious metals and stones (DPMS) sector, as well as developments in various sectors like Hawaladars, detailed assessments of threats like foreign corruption and cross-border cash movements, and expanded coverage of legal entities operating in the UAE.

11. Following the 1st NRA, the UAE launched the 2020-2023 National AML/CFT/CPF Strategy, focusing on a system-wide approach to strengthen its AML/CFT/CPF framework. The UAE's policies and initiatives continue to evolve, ensuring that authorities and stakeholders stay vigilant to shifts in ML/TF risks, incorporating these insights into the operations of government, law enforcement, and regulated sectors. This ongoing awareness is central to combatting financial crime and guiding actions against illicit financial flows identified in the updated risk assessment, which reflects changes since the 2018/2019 NRA.

Priority Areas:

12. The UAE's focus remains on targeting the more complex forms of financial crime – i.e., involving abuse of legal persons, foreign predicate offenses, trade-based money laundering, professional money laundering, and organized crime. In addition, the UAE also looks toward the future considering those risks posed by virtual assets and rapidly advancing forms of cyber-crime, and the need for appropriate mitigation through legislation, regulation, supervision and investigation.

ML Threats

13. As an international finance, trade, and logistics hub, the UAE faces ML threats from both domestic and foreign predicate offences. Domestically, Notable threats include drug trafficking, fraud, smuggling, counterfeiting, and piracy of products. Externally, heavily characterized threats include, drug trafficking poses a high ML threat, while fraud, counterfeiting, tax evasion and foreign corruption, and currency counterfeiting pose medium-high threats.

14. The overall threat from ML is assessed as medium-high. The UAE is exposed to ML threats from various predicate offences, both domestic and international, necessitating a comprehensive and robust AML/CFT framework. [· High Threats:](#) Fraud and drug trafficking are significant ML threats in the UAE. Criminals use sophisticated methods, including social media, dark web markets, and innovative smuggling techniques, to launder proceeds through cash and bank accounts of associates.

[· Medium-High Threats:](#) Counterfeiting and piracy of products remain significant international threats. Smuggling, particularly of cash and precious metals, is another major concern. Main sources of smuggled goods include five jurisdictions identified as high-risk countries. Also, Tax Evasion and foreign corruption, and currency counterfeiting pose medium-high threats. Foreign corruption remains a significant ML threat, as evidenced by numerous mutual legal assistance (MLA) requests and complex and sophisticated case structures.

[· Medium Threats:](#) Human trafficking, robbery, and theft present medium-level ML threats. Unlicensed money exchange services, currency counterfeiting, and forgery-related offences are relatively low but still noteworthy. Environmental crimes also pose medium ML threats.

[· Low and Medium-Low Threats:](#) Five predicate offences classified as low-medium ML threats include illegal arms trafficking, dishonesty that can take various forms such as identity theft, forgery, embezzlement, or false representation, extortion, illegal alcohol trafficking, and kidnapping. Other predicate offences, such as illegal gambling, illicit trafficking in stolen goods, market manipulation, and murder, are identified as low ML threats.

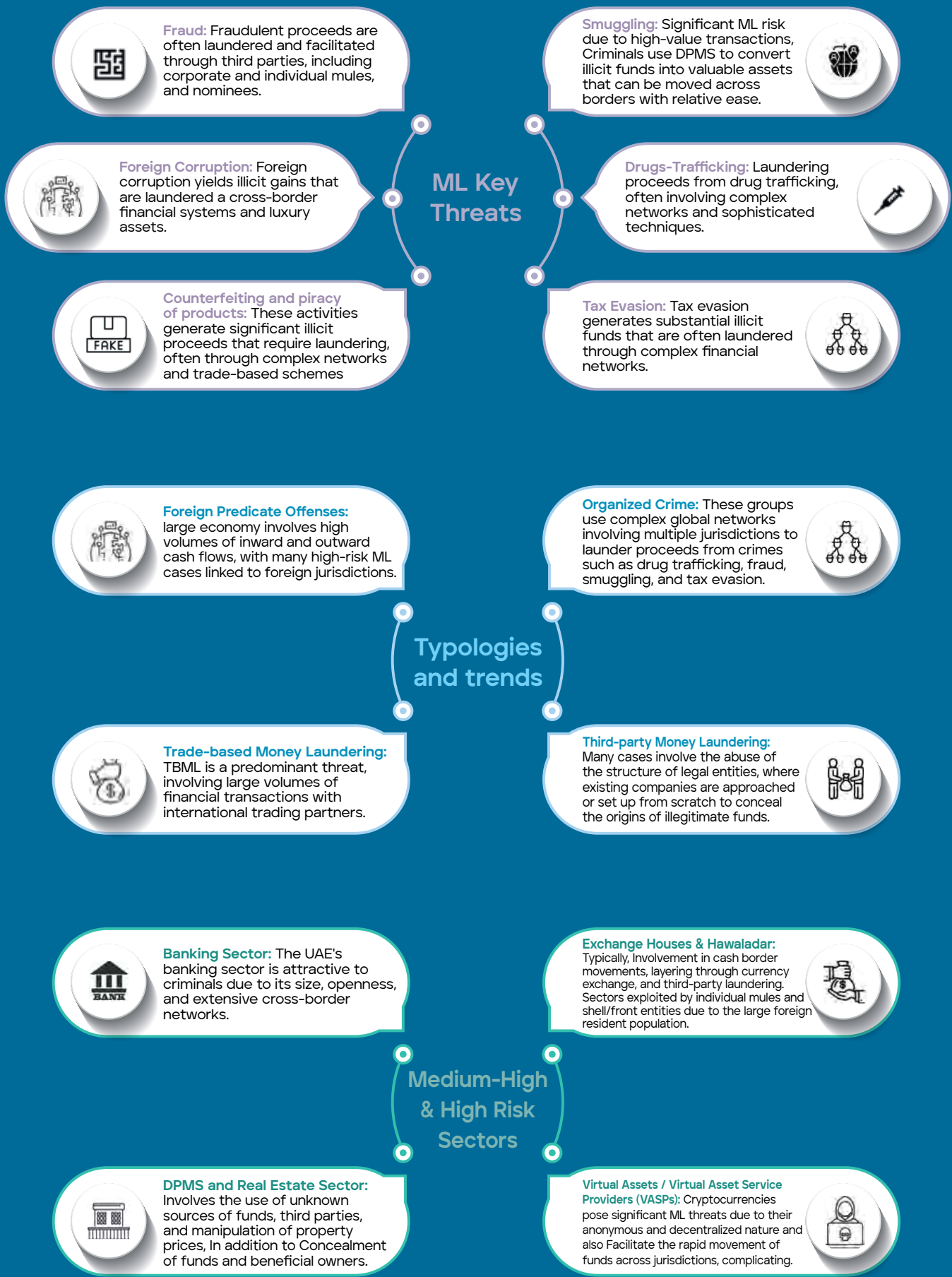
Most Observed ML Typologies

15. **Third-Party Money Laundering:** Unlike situations where a criminal launders their own illicit proceeds, third-party ML involves an illicit actor who helps launder the funds for a crime in which they were not involved. These third-party money launderers may often be professionals who use their financial, accounting, and legal skills to launder illicit proceeds. Third-party ML poses a significant threat to the UAE's financial integrity, often involving the misuse of legal entities to obscure illicit fund origins.

16. **Abuse of Bank Accounts:** Bank accounts are an essential, common, and central feature to the financial system. The abuse of bank accounts represents a significant portion of ML cases, with fraud, electronic fraud, and drug trafficking being key threats. International transfers are the most common method used.

17. **Abuse of Legal Persons:** Criminals seek to hide their ownership and the source of illicit proceeds by whatever means possible, often seeking to use legal persons to do so. The abuse of legal persons may involve complex structures to obscure ultimate beneficial owners (UBOs), including the use of front and shell entities to advance all manner of criminal schemes, including fraud, drug trafficking, and TBML.

The key findings of the NRA are summarized in the Infographic below:



18. **Abuse of Real Estate Sector:** Criminals often use the real estate sector to obfuscate the proceeds of crime as the purchase of real estate allows for the movement of large amounts of funds in a single transaction. ML cases involving the real estate sector primarily relate to fraud and drug trafficking. Common methods include using unknown funds for property purchases and manipulating property prices, often linked to organized crime groups.

Other Key Observations

19. **Foreign Predicate Offences:** ML investigations involving foreign predicate offenses highlight the importance of international cooperation. The UAE engages in extensive information sharing and collaboration with foreign counterparts to combat these threats.

20. **Virtual Assets/Virtual Asset Service Providers:** cryptocurrencies pose significant ML threats due to their ability to conceal transaction origins and identities. Criminals use techniques like mixers to obscure the source of funds.

21. **Complex Money Laundering Techniques (Organized Crime):** the UAE faces significant global ML risks involving professional launderers and foreign organized crime groups, who use complex networks across multiple jurisdictions.

22. **Free Trade Zones Threats:** Free Trade Zones, while established to attract trade and investment, are vulnerable to ML crimes. Criminals exploit these zones for activities such as smuggling, drug trafficking, and tax evasion.

ML Vulnerabilities

23. The UAE's assessment of vulnerabilities in its AML/CFT/CPF framework highlights both strengths and areas needing enhancement. The country demonstrates a strong commitment to combating financial crimes through a comprehensive policy framework aligned with

international standards, effective supervisory regimes, and laws for asset freezing and confiscation. However, gaps remain, particularly in implementing rapid measures for seizing assets and addressing DNFBP compliance. Domestic cooperation and international collaboration are bolstered by robust regulatory frameworks and cooperation mechanisms, though procedural delays challenge international coordination. Key infrastructures, like the customs and identification systems, are well-regulated, but specific improvements are needed, such as licensing systems for cash couriers and identity verification in certain scenarios. Efforts to ensure the reliability of beneficial ownership registries and independent auditing underscore UAE's commitment, although additional resources and refined oversight mechanisms are critical to achieving full efficacy across its AML/CFT/CPF initiatives.

Sectoral risk Assessment

• Financial Institutions:

24. UAE banks – both domestic and foreign – are the backbone of the financial industry, providing retail and corporate services to members of the private and public sectors.

25. ML threat is rated in the range of Medium-High to High.

26. **Banking Sector:** The overall Medium-High risk rating for the Banking sector is consistent with the characteristics of the sector in the UAE. The banking sector's inherent risk rating score is High due to multiple factors such as dealing with high-risk industries (real estate, dealers in precious stones, virtual assets, trade finance industries). Further, the banking sector is associated with high-risk customers such as politically exposed persons, non-resident customers, and customers dealing with high-risk jurisdictions within the UAE's banking services. The sector also engages with its customers through digital channels,

provides check cashing facilities, and provides payment processing services. The banking industry is exposed to Money Transport and Cash Controller Networks, Proxy Networks, Money Mule Networks and Digital Money and Virtual Currency Networks. More recently, the banking sector is exposed to fraud risks such as Impersonation fraud, Business Email Compromise (BEC) and pig butchering scams.

27. Within the control environment, the UAE has made special provisions for AML requirements in the banking sector. Since 2021, the CBUAE in particular has published more than 85 Guidances, Circulars, and Notices on AML/CFT related topics. These topics include risk assessment, customer due diligence measures, ongoing monitoring of transactions, sanction screening, and reporting suspicious transactions and activities to the UAEFIU. In addition, the UAE introduced a number of reporting requirements to ensure reports are in line with the UAE's typologies and risks.

28. The CBUAE noted improvements to the banking control framework as compared to 2019. The results showed an improved AML/CFT culture and a better understanding of risk. Regarding customer risk, the banking industry demonstrated enhancements to AML/CFT such as enhanced on boarding controls and detailed risk assessments which supported the identification of higher risk customers. The banking sector also enhanced risk-based KYC/CDD procedures and monitoring tools to monitor higher risk customers and activities. Training and expansion to AML/CFT resources were observed.

29. The CBUAE noticed a better understanding of products and services risk in the banking industry, through the identification and mitigation controls to ML/TF risks associated with higher risk products. The outcomes of the NRA, SRA and other typologies were utilized in these assessments. Monitoring tools were also utilized to scrutinize transactions associated with higher risk products.

30. Controls around delivery channels demonstrated improvements since 2019 through the enhancements to transaction monitoring and internal controls via various channels such as ATM cash deposit machines, electronic banking services, electronic payments like wire transfers, remittances, and prepaid cards.

31. Geographic risk in terms of identifying higher risk customers, transactions, and jurisdictions also showed improvements. Controls and risk assessments were enhanced to accurately identify, classify, and monitor such trends. These mechanisms led to suspicious activity reporting to the Financial Intelligence Unit in terms of ML/TF risks associated with customers and transactions being associated with higher risk geography.

32. Exchange House Sector: The overall Medium-High risk rating for the Exchange House sector is consistent with the characteristics of the sector in the UAE. The Exchange House sector's inherent risk rating score is High and is attributed to the Exchange Business covering a wide range of business activities that includes money changing, cross border money transfers, and cross border banknotes shipments, and the sector being highly vulnerable to ML risks, including because of the potential for large amounts of cash to be received from customers for processing their transactions that could be misused for moving funds of illegitimate origin or for illegitimate purposes.

33. The ML related vulnerabilities can be associated with the following key areas:

- Cash Transactions: Exchange Houses are receiving large volume of cash, the source of which is not always traceable, for processing transactions and hence attract criminals to legitimize their ill-gotten funds, including through structuring;
- Money Transfers: Exchange Houses are processing international and domestic money

transfers and these transfers move funds faster and could have features that make tracking the source and final destination difficult;

- Banknotes Shipments: Exchange Houses are exporting and importing banknotes to/from foreign jurisdictions where no transaction limits are applied and, in these cases, tracking the sources or purposes of underlying transactions will be practically challenging;

- Remittance Arrangements: Exchange Houses are mostly using the services provided by remittance service providers operating in foreign jurisdictions and some of these foreign jurisdictions may be operating with and inadequate regulatory framework and ineffective controls;

- Third Party Transactions: Exchange Houses are processing third party transactions and these transactions may become complex as the actual customer and/or beneficial owner of funds may sometimes be hidden resulting in serious transparency issues;

- Large Number of Transactions: Exchange Houses are processing large number of transactions on a daily basis, sometimes through its multiple branches, and hence segregating the illegitimate transactions for onward reporting to Regulators and FIUs becomes difficult; and

- New Technologies: Products and services related to Exchange Business based on new financial technologies can expose the Exchange Business into money laundering risks as such products may sometimes result in anonymity.

34. Overall, Exchange Business can be used during any stage of money laundering such as placement, layering or integration due to the excess usage of cash, speed of transactions, cross border funds movement, anonymity, complexity, third party involvement, absence of transaction limits in some products, etc.



35. Insurance Sector: The overall Medium risk rating for the Insurance sector is consistent with the characteristics of the sector in the UAE. The insurance sector's inherent risk rating score is Medium, factoring the limited avenues by which the sector can be abused for ML purposes, the same is reflected in the risk rating.

36. The critical aspects of the sector that factor into the ML risk assessment include the following:

- Provision of life insurance products.
- Ability to settle insurance premium in cash.
- Understanding the insured party in terms of KYC and reputational risk (through adequate name-screening tools).

37. The risk assessment considers TFS and Fraud as areas where the risk is higher due to prevalent insurance scams, involvement of the Insurance company is commercial insurance products (particularly maritime), and the usage of insurance products by sanctioned parties to route value to related parties.

38. The control effectiveness assessment in the insurance sector suggests that the controls need to be strengthened further. This outcome is appropriately reflected in the effectiveness rating of "Partially Effective" from the risk assessment model used.

39. **Registered Hawala Provider (RHP) Sector:**
The overall High-risk rating for the Registered

Hawala Provider sector is consistent with the characteristics of the sector in the UAE. The RHP sector’s inherent risk rating is High due to multiple factors such as dealing with high-risk industries (real estate, dealers in precious stones). Further the RHP sector is associated with high-risk customers such as politically exposed persons, non-resident customers. Regarding mitigating measures, certain areas require further enhancements and effectiveness in the sector, including Risk Assessment, CDD/ KYC and Customer Risk Assessment, enhanced CDD, monitoring and reporting framework, STR reporting, TFS-related controls, record keeping. Hence, the control assessment of the sector is part of their supervisory intervention and understanding of the sector. The control assessment is ‘Partially Effective’.

40. Based on the residual risk, an inherent risk rating of ‘High’ combined with a control effectiveness rating of ‘Partially Effective’ yields a residual risk rating of ‘High’ for the Registered Hawala Providers. As it stands, the residual risk rating for this sector remains the same with the UAE NRA due to high inherent risk and partially effective controls.
41. **Finance Companies Sector:** The overall ‘Medium’ risk rating for the Finance Companies sector is consistent with the characteristics of the sector in the UAE. The finance company sector in the UAE is relatively small, compared to other mainstream financial sectors operating in the country and the exposure of the sector to high-risk customers, products, geographies and delivery channels is minimal.
42. Based on the residual risk table provided in the Methodology section, an inherent risk rating of Medium, combined with a control effectiveness rating of Partially Effective, yields a residual risk rating of Medium for the Finance Companies sector.
43. **Securities Sector:** The securities sector is assigned a residual risk rating of Medium

to Medium-High due to the diverse ML/ TF risks, with different sub-sectors such as brokers, investment managers, advisors and companies dealing in forex showing varied risk levels. Effective control measures and tight regulatory oversight are in place to mitigate these risks. For example, brokers and dealers in forex have Medium-High to High inherent vulnerability mainly due to high volume of transactions, however, effective controls result in having Medium-High residual risks, while Investment managers and advisory companies have Medium residual risks due to low inherent vulnerability and effective controls.

Financial Free Zones

44. The UAE has two independent FFZs within the jurisdiction.
45. Established in 2004, the Dubai International Financial Centre (DIFC) is a global financial centre in the Middle East, Africa, and South Asia (MEASA) region based in Dubai. It hosts over 2,000 registered companies including FIs and DNFBPs.
46. ADGM is an international financial centre and free zone located in the Emirate of Abu Dhabi. ADGM was established pursuant to Federal Law No. (8) of 2004, Federal Decree No. (15) of 2013, Cabinet Resolution No. (4) of 2013, and Abu Dhabi Law No. (4) of 2013. ADGM has its own civil and commercial legal regime, which directly applies English common law within the defined geographical area of the free zone. ADGM also has its own independent registrar, financial services regulator, and courts.
47. ML threat is rated in the range of Medium to Medium-High.
- **Abu Dhabi Global Market (ADGM):** The absence of cash transactions significantly reduces the overall AML risks within the freezone. The banking sector demonstrates strong compliance with AML/CFT/CPF requirements. The Securities sector is also considered to have a high level of AML controls. Although are a limited number of

MVTS entities operating within the freezone, the MVTS sector faces Medium-High risks due to the nature of their activities.

• Dubai International Financial Centre (DIFC):

The banking sector is split into commercial banking and credit providers, both showing Medium risk ratings. The securities sector's vulnerability varies across sub-sectors, with effective AML controls in place. The sector's offerings include brokerage, wealth management, crowdfunding, and advisory services.

Virtual Asset Service Providers Sector⁽⁵⁾

48. The UAE positions itself as a leader in the digital economy by embracing the potential of Virtual Assets (VAs) to drive economic growth and attract international investments.
49. The UAE is assessed to have a high level of residual risk ML/TF as it relates to virtual assets. The UAE faces significant threats, including cyberattacks that involve the use of virtual assets, regulatory gaps specific to virtual assets and VASPs, and geographical risks. To combat these risks, the UAE has established a robust regulatory framework with enhanced KYC/AML processes, international sanctions compliance, and strong information-sharing mechanisms that has been implemented in collaboration with LEAs including systematic dashboard and unified portal for sharing information developed for enforcement, joint investigations, and supervisory actions.
50. Future improvements focus on enhancing regulations, continuing to strengthen international cooperation, and bolstering data protection standards to ensure the security and integrity of its financial systems.

Designated Non-Financial Businesses and Professions

51. In the UAE, the DNFBPs sector is extensive, encompassing approximately 16,000 firms regulated by four supervisory authorities. Most of these firms (96%) operate in the mainland and commercial free zones under the Ministry of Economy (MOEc), while the Ministry of Justice supervises 2% representing lawyers & notaries. The Dubai Financial Services Authority (DFSA) and the ADGM Financial Services Regulatory Authority (FSRA) oversee the remaining 2% in the FFZs.



52. **DPMS Sector:** The DPMS sector is particularly significant, contributing substantially to non-oil trade, with the majority (99.4%) supervised by the MOEc. This sector is considered medium-high risk for ML due to its cash-intensive nature and data discrepancies that hinder effective supervision, although there is no evidence of misuse for TF. In order to establish and implement controls and mitigate risks, DPMS must adhere to AML/TF regulations and requirements, including reporting STRs, cash threshold reporting obligations, and implementing the Responsible Sourcing policy. The DPMS sector operating in the FFZ constitute to 6% of the total population. It is to note that there are no refineries operate in the FFZ and these are solely retailers of precious metals and stones.
53. **Real Estates Brokers & Agents:** The real estate sector is another crucial DNFBP, contributing significantly to the UAE's economy and

⁽⁵⁾ incl. all categories across Financial Services covered in this document, that may be interacting with/facilitated using Virtual Assets

attracting substantial local and foreign investment. About 99.8% of real estate Agents are in the mainland and commercial free zones, under the MOEC's supervision. This sector is classified as high risk for ML, primarily due to cash transactions and involvement in luxury properties, though it has not been misused for TF. In the FFZs, real estate activity is minimal, with residual risks assessed as medium-low. The sector's inherent vulnerability score is medium-high, while the quality of general AML controls is rated medium.

54. **Corporate Service Providers (CSPs) Sector:** CSPs are primarily concentrated in Dubai and Sharjah, operating largely in commercial free zones and the mainland. The CSP sector is classified as medium risk for ML due to the potential for concealing beneficial ownership and transferring funds offshore. While the sector has not been misused for TF, the UAE is enhancing measures to improve transparency in beneficial ownership. In FFZs, CSPs are limited to corporate services, and their residual risk is assessed as medium, with medium scores for both inherent vulnerability and quality of AML controls.

55. **Audit and Accounting Sector:** The audit and accounting sector, essential to regulating the UAE's business environment, operates predominantly in commercial free zones and the mainland, particularly in Dubai, Abu Dhabi, and Sharjah. This sector is classified as medium-low risk for ML, having no significant misuse cases related to ML or TF. However, vulnerabilities exist, especially if practitioners neglect regulatory responsibilities or intentionally engage in ML activities. In FFZs, the audit and accounting sector is small, with residual risks assessed as medium-low and medium scores for both inherent vulnerability and quality of AML controls.

56. **Law firms & Notaries Sector:** The legal sector also poses medium-low risk for ML, particularly in real estate transactions, with similar vulnerability and control ratings.

57. The newly introduced General Commercial Gaming Regulatory Authority will oversee gaming activities, though no casinos have been licensed during the period of the national risk assessment.

58. The UAE assesses its residual risk level associated with Terrorism Financing as Medium-High. This assessment is based on a

TF Assessment

comprehensive analysis of the TF Threat and TF Vulnerability across domestic, outgoing, incoming, and transit perspectives. The UAE faces a complex terrorist threat landscape, with a medium domestic threat level and rising cross-border threats, particularly from conflict zones. Despite no domestic terrorist attacks in 2023 and effective counter-terrorism measures, the UAE remains vigilant against external threats.

59. Terrorist financing in the UAE involves various channels, including donations (sent abroad), commercial enterprises, real estate, and informal financial networks. The UAE's status as a major finance and trade hub, with prominent financial centres in Dubai and Abu Dhabi and significant re-export operations, exposes it to elevated TF risks. Strategic goods and services, trade relationships with terrorism-affected nations, and extensive aid programs present high TF threats. The UAE continues to enhance its scrutiny of financial channels, particularly in sectors like real estate and non-profit organizations.

60. The UAE has established a comprehensive framework for financial transparency and beneficial ownership information, supporting investigations and mitigating risks associated with TF. Efforts include enforcing due diligence, identifying clients using unlicensed virtual asset services providers, and aligning with global standards through international treaties, legislative measures, and proactive financial monitoring.

Non-Profit Organizations

61. At the preliminary stage of the assessment, 1024 licensed and operational non-profit organizations (NPOs) were identified in the UAE, with 154 categorized as the subset more exposed to terrorist financing (TF) risks according to the FATF definition. These 154 NPOs were further classified into six sub-categories: charitable, humanitarian, health, education, environment, and general/cultural/sport. Although there is no evidence of TF exploitation within the UAE's NPO sector, several factors contribute to its vulnerability. These include cross-border activities, operations in conflict zones with active terrorist threats, the transfer of large sums to high-risk countries, and reliance on irregular seasonal workers. The UAE's strategic location, diverse demographics, and significant role in global humanitarian aid also heighten these risks. Consequently, the TF threat level for the NPO sector is assessed as Medium.

62. Despite these challenges, the UAE has taken precautionary measures to address the vulnerabilities in the NPO sector. These measures include aligning and amending legislation governing the sector, as provided in the Federal Decree-Law No. 50 of 2023 on the Regulation of Public Benefit Organizations. The law aims to unify licensing requirements, coordinate roles among regulatory authorities, establish a central database, and define oversight responsibilities. Furthermore, clear procedures and regulations have been set to combat ML and TF. Efforts are ongoing to issue regulatory decisions related to sanctions and administrative measures. A national team has been formed to gather data and assess sector risks comprehensively. Overall, the vulnerability of NPOs to TF exploitation is rated as Medium, with both threat and vulnerability assessed at this level.

Legal Person and Arrangement

63. The UAE's approach to legal persons, which

can be incorporated in both mainland and Free Zones, underscores their importance in economic growth, with Dubai and Abu Dhabi hosting 73% of approximately 828,000 legal entities. A recent risk assessment revealed a Medium-High money laundering (ML) risk level for legal persons and arrangements, mainly due to vulnerabilities like complex transactions obscuring beneficial ownership and nominee arrangements. To mitigate these risks, regulatory and non-regulatory measures are being strengthened, including enhanced supervision, streamlined registrars, and awareness programs for compliance, which have resulted in higher-quality suspicious activity reports submitted to the Financial Intelligence Unit (FIU).

Priority Actions

64. Based on the NRA process, it is clear that the UAE has demonstrated a strong commitment to combating money laundering and terrorism financing, as evidenced by its robust legal framework, effective national cooperation mechanisms, and strong supervisory, law enforcement and judicial systems. That said, there is room for enhancement in some areas to further enhance its capabilities and contribute to the global fight against financial crime.

1 Enhance and unify understanding of risks with respect to UAE's risk profile:

Ensure the UAE's risk understanding is further deepened and unified. While coordination between the public and private sectors is enhanced to better identify emerging risks and raise awareness at the interagency level and within the private sector.

2 Sustain and enhance international cooperation and strategic partnerships:

The UAE better leverages international cooperation at all levels and enters into additional strategic and operational partnerships to enhance detection and disruption of cross-border ML/TF; and emerges as a regional and global leader in the fight against financial crime.

3 Sustain and enhance supervisory and enforcement efforts for FIs, DNFBPs, and VASPs, prioritizing higher risk sectors:

The UAE should maintain a robust supervisory framework, and overall levels of compliance are improved by all sectors, resulting in the existing risks being mitigated effectively and proportionate and dissuasive penalties levied in line with risk.

4 Continue unifying and harmonizing the UAE's Company Registration and BO framework:

The UAE should ensure a harmonized approach to company registration and the maintenance of basic and beneficial ownership data for all legal entities established in the UAE, resulting in a greater level of transparency and timely access to accurate basic and BO data for legal persons and arrangements.

5 Continue to sustain and enhance the production and use of financial intelligence to investigate ML cases, prosecute, convict, and confiscate assets:

The UAE should demonstrate that it is proactive and capable to produce high-quality financial intelligence to successfully investigate and prosecute even the most complex cases. This is linked to more informed analysts and investigators, wide-ranging international, and effective use of financial intelligence.

6 Continue to sustain and enhance TF investigations, reporting, and implementation of TFS:

Awareness among the public and private sectors regarding sanctions evasion typologies and risks, along with their obligations arising from relevant UAE legislation, is maintained. Communication with FIs, VASPs and DNFBPs on TF, continues, and the number of STRs, cases generated, and potentially freezing measures imposed, increases. Cooperation and exchange of information among various stakeholders, including MOCD, continues to be improved.

7 Continue to update the legal and regulatory framework to ensure compliance with global standards:

The UAE should maintain its comprehensive legislative and regulatory framework that complies with global standards, and which continues to serve as a key risk mitigant.

8 Further strengthening domestic coordination and cooperation and enhance mechanisms for public-private engagement:

Channels for information sharing and cooperation between competent authorities are further standardized and aligned leading to improved threat identification, detection, and disruption of financial crime; a greater risk-awareness emerges within the private sector, especially among DNFBPs; and this leads to increased and higher quality reporting of suspicions, especially from high-risk sectors.

CHAPTER 1 BACKGROUND AND CONTEXT

Introduction:

65. The UAE was last assessed for compliance with the FATF's 40 recommendations in 2019-2020. Since then, considerable improvements in the legislative and regulatory framework have taken place and the regulatory oversight of entities that should be compliant with the revised 2012 FATF recommendations, has been enhanced. The UAE was assessed jointly by the FATF and the MENAFATF, and fully addressed its International Cooperation Review Group (ICRG) Action Plan between February 2022 and January 2024.

66. Given the Country's quarterly reporting responsibilities to the FATF's ICRG over the past two years, stakeholders regularly reviewed and examined their progress in several key areas touching on supervision, international cooperation, the use of financial intelligence, transparency, and TFS compliance. This was complemented by examining feedback from the ICRG Joint Group's Assessment Team, which ultimately noted that the process of implementing the required cross-cutting reforms is fully in place and being sustained and supported by a high-level commitment to implement and continue improving the UAE's AML/CFT/CPF framework.

67. The UAE is currently in the preparation stage for the 5th round of the mutual evaluation process that will be conducted jointly by the FATF and the MENAFATF during the period 2025-2027 using the FATF Fifth Round Methodology.

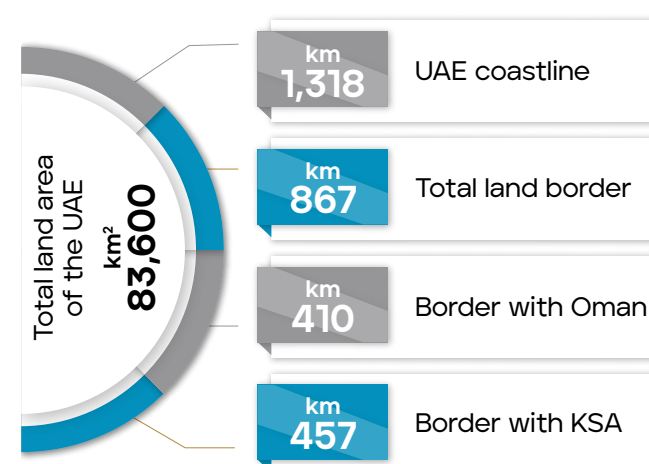
68. In view of its economic activities, and strategic geographic location, the UAE displays certain

inherent vulnerabilities that need to be considered as part of a national inherent risk assessment. These are described below:

1.1 Geographical Position

69. The UAE is located in the eastern part of the Arab world, on a mostly desert stretch of land that is surrounded by the Arabian Gulf and the Arabian Sea. Its coastline is 1,318 kilometres long. It enjoys a unique strategic location, bordering the Gulf of Oman and overlooking the southern approach to the Strait of Hormuz, which is a vital transit point for world oil. It has a total land border of 867 kilometres, of which it shares 410 kilometres with Oman and 457 kilometres with Saudi Arabia. The total land area of the UAE is 83,600 square kilometres.

70. The neighbouring countries, which share land borders with UAE, also have a sizable diverse population with the potential to move across borders and engage in cross-border commercial activity. Additionally, the UAE has maritime boundaries with neighboring states



such as Oman, Saudi Arabia, Iran, and Qatar, with specific agreements and delimitations that define these relationships in accordance with United Nations Convention on the Law of the Sea (UNCLOS) principles. Also, the UAE's neighbors have experienced political instability or conflict in recent years with the potential for nationals of those countries to come to the UAE for employment. Most such persons are semi-skilled, unskilled, and blue-collar workers, and contribute positively to the economy and society. However, their level of awareness of applicable AML/CFT obligations, including restrictions over movement of cash and its declaration at the borders, is minimal. These factors require increased vigilance and scrutiny at borders to combat cases that may potentially lead to instances of ML/TF.

1.2 Population:

71. In 2023, the UAE had a population of almost 9,516,871 according to the World Bank.⁽⁶⁾

72. There were 6,547,744 males in 2022, as compared to 6,512,037 in 2021, and 2,893,385 females in 2022, as compared to 2,853,108 in 2021.⁽⁷⁾

73. There are more than 200 nationalities living and working in the UAE. The expatriate community outnumbers the population of UAE nationals. Indians form the largest foreign community in the UAE, followed by Pakistanis, Bangladeshis, other Asians, Europeans, and Africans.⁽⁸⁾

1.3 Federal Structure

74. The UAE follows a federal government structure, which imparts considerable autonomy in terms of commercial legislation at the Emirate level. This is evident in the creation of different supervisory authorities over vulnerable financial, DNFBP and VASPs sectors

of the country. For example, legal consultants are subject to specific licensing and regulatory requirements in different Emirates in comparison to lawyers. Furthermore, some AML/CFT obligations for licensing authorities in relation to DNFBPs are relatively newly enacted and are still being implemented.

9,516,871 | population in 2023

200 | nationalities



2,893,385
females in 2022

6,547,744
males in 2022

2,853,108
females in 2021

6,512,037
males in 2021

75. Due to the strategic priority of the UAE government in terms of leading the UAE's economy away from dependence on oil to a more robust and diversified base, the government has created 8 Mainland Authorities, 28 Commercial Free Zones and 2 FFZs which have their independent supervisory authorities. The FFZs are the Dubai International Financial Centre (DIFC) and the Abu Dhabi Global Market (ADGM), both of which are based on Common Law principles and have participants mostly from global financial institutions.

76. The companies based in the Mainland ,

(6) <https://data.worldbank.org/country/united-arab-emirates?view=chart> and <https://opendata.fcsc.gov.ae/@federal-competitiveness-and-statistics-center/uae-population-estimates-by-gender-agegroup-year/r/Population%20by%20age%20group%20and%20Gender>

(7) <https://www.dubai-online.com/essential/uae-population-and-demographics/>

(8) Statistics by Subject (fcsc.gov.ae)

Financial and Commercial Free Zones, including some DNFBPs, have different legal structures, registration, and compliance requirements

77. The UAE is also assessed to have a high level of risk exposure to ML/TF within the virtual assets sector. This encompasses a spectrum of risks across services like virtual asset custodians, exchanges, and brokers. The primary threats include cyberattacks using blockchain, the use of virtual assets by international criminal networks, regulatory gaps allowing for manipulation by unregulated VASPs, and geographical risks from simplified cross-border transactions. Additionally, infrastructure risks such as malware and data theft pose significant challenges to the virtual asset infrastructure.

1.4 Legal and Judicial System

78. The Federal Police in the UAE is part of the Ministry of Interior; however, Abu Dhabi, Dubai, Sharjah, and Ras Al Khaimah have independent local police departments. The Police Departments in the Emirates of Ajman, Umm Al Quwain and Fujairah is related to the Ministry of Interior. The role of the police in each emirate is to receive reports of crimes, maintain security, investigate and collect evidence of crimes and criminal reports, and take statements from victims, witnesses and accused persons.

79. The Public Prosecution in each Emirate judicially investigates these crimes. The PP charges accusations and refers Criminal Cases to the competent Courts. With regard to crimes against state security and terrorism, the State Security Prosecution is the competent Authority to investigate such incidents, and the Federal Supreme Court is the competent authority to consider and adjudicate them.

80. The procedures of arrest and evidence gathering by the police, investigations by PP and trials in regards to ML/TF crimes are ruled by the Federal Decree by Law No. (38) of 2022.

81. The judicial system in the UAE is based on Prosecution and Litigation. The Federal judicial system in the UAE is under the Ministry of Justice (MOJ) and has jurisdiction over the four Emirates, which are Sharjah, Ajman, Umm Al Quwain and Fujairah. In addition, Abu Dhabi, Dubai and Ras Al Khaimah have an independent domestic judicial system and thus have their own Prosecutions and Litigation since the UAE's Constitution grants the Emirates the right to establish their own judicial system. However, the Constitution stipulates that the Federal judicial system and the UAE Union Supreme Court shall have the jurisdiction in matters that affect the interests of the Federation.

82. In relation to the Federal judicial system, judicial verdicts issued by the Court of First Instance may be challenged by the Federal Court of Appeal having jurisdiction in the concerned Emirate. Judicial verdicts may be further challenged before the Federal Supreme Court.

83. In relation to the three Emirates that have their own judicial system, judicial verdicts issued by the Court of First Instance may be challenged before the Court of Appeal. Judicial verdicts may be further challenged before the Court of Cassation in these three Emirates, by virtue of considering it as a local verdict.

84. In December 2022, the MOJ established a Federal Prosecution for Economic Crimes and Money Laundering within each Major Prosecution. This institutional reform should enhance judicial authorities' capabilities to prosecute and guarantee convictions in high-risk ML activities.

1.5 Economy:

85. The UAE maintains its status as one of the most competitive and highly advanced economy in the world while leveraging innovative strategies to boost economic

growth and diversification. Major economic development indicators demonstrate the stability of the UAE's financial ecosystem and the resilience of the national economy.

- High Financial Solvency: The financial reserves of the UAE continue to grow exponentially, according to the financial stability report of the Central Bank of the UAE, which reflects the country's robust banking system and high financial solvency, ensuring its ability to overcome sudden shifts in the financial and economic landscape.

- Steady Growth of GDP: The UAE's real GDP continues to witness steady growth. According to the World Bank, the UAE economy is estimated to accelerate with the increase in oil prices and production, and the strong non-oil sector performance serving as major contributors to its economic progress.⁽⁹⁾

- Leading Sovereign Wealth Funds: Sovereign wealth funds play a crucial role in stabilising

the UAE's financial sector. Sovereign wealth funds (SWFs) in the UAE are ranked among the top SWFs by total assets in the region by the Sovereign Wealth Fund Institute.⁽¹⁰⁾

- Most Attractive Investment Hubs: The investment attractiveness of the UAE witnessed a steady increase over the past years. With its ability to attract substantial investments, the country enhanced its cumulative foreign direct investment inflows and became one of the most preferred investment destinations across the world. According to the United Nations Conference on Trade and Development, the UAE was the world's 19th biggest recipient of foreign direct investment in 2022. It was also ranked the most attractive country for investments in West Asia, Middle East and North Africa regions. Today, the UAE is looking to attract more investments, promote its investment environment, provide greater incentives to investors, and raise its ranking in international indices related to the attractiveness of the business and investment environment.⁽¹¹⁾



(9) <https://thedocs.worldbank.org/en/doc/65cf93926fdb3ea23b72f277fc249a72-0500042021/related/mpo-are.pdf#:~:text=URL%3A%20https%3A%2F%2Fthedocs.worldbank.org%2Fen%2Fdoc%2F65cf93926fdb3ea23b72f277fc249a72>

(10) <https://www.swfinstitute.org/fund-rankings/sovereign-wealth-fund>

(11) <https://economymiddleeast.com/news/unctad-uae-ranks-first-regionally-19th-globally-in-attracting-fdi/>

·Highly Diversified Economy: Through the UAE’s economic diversification efforts, the country has made significant progress to reduce its reliance on oil and shift towards a competitive economy driven by knowledge and innovation. Currently, non-oil sectors account for 70% of the total GDP.

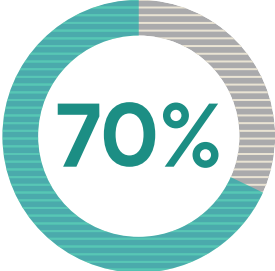
· Five-year Federal Budget: The UAE’s federal budget from 2022-2026, which has a total value of AED 290 billion, is the largest spending budget in the country’s history. The budget aims to prioritise social development, government services upgrade, implementation of federal projects, and economic development.

· Global Credit Rating: The UAE’s strong credit ratings from internationally recognised agencies reflect the creditworthiness of the federal government. The robust credit profile of the UAE stems from its high GDP per capita, strong international relations, innovative policies to enhance sustainable development and contributing factors that impact the UAE’s ability to withstand economic and financial challenges.

· Promising Economic Sectors: Key economic sectors in the UAE are witnessing a steady growth in the flow of investments, and several national companies are entering into partnerships with foreign firms. The country seeks to attract further investments into promising sectors such as advanced technology, artificial intelligence, research and development, and digital economy, which stimulate innovation and improve the performance of the economy.

1.6 Economic Legislation

86. In light of global economic developments, the importance of economic activities and their diverse impacts on national economies is highlighted. In this context, the UAE can be seen as a prominent example in dealing with economic challenges, especially with regard to informal economic activities.



non-oil
sectors of the
total GDP



biggest recipient of
foreign direct investment
in the world-2022



federal budget from
2022-2026

87. It is noted that informal economic activities in the UAE constitute a small percentage, not exceeding 5%, and this is due to the effectiveness of national legislation that limits these activities. The UAE is characterized by strict laws and regulations that enhance transparency and contribute to the formalization of economic activities, which reflects the country’s commitment to the standards of the International Standard Industrial Classification of all Economic Activities (ISIC4), global directory that covers various economic sectors.

88. In addition, the UAE stands out as a model for effectively implementing laws and regulations, as economic legislation includes deterrent

administrative penalties that contribute to enhancing compliance with the laws. Dealing with cash economic activities that are not traditionally registered is one of the challenges facing the UAE. However, the country has established strict procedures and controls to regulate these activities, including the disclosure of cash transactions and the implementation of requirements to combat money laundering. Also, digital transformation, financial inclusion and the introduction of the Value Added Tax have helped to formalize some economic activities and reduce opportunities for cash-based operations. On the other hand, the UAE is keen to encourage the transition from informal economic activities to formal ones. Within this framework, several measures have been taken, such as licensing economic activities that take place through social media and e-commerce and stimulating small and medium enterprises and businesswomen. To encourage transition to the formal sector, the UAE has streamlined business registration procedures, invested in infrastructures and enhanced education and training programs.

89. It is noteworthy that the information infrastructure in the UAE is an important factor in supporting the transparency of the economy. The MOEc adopted the National Economic Register (NER) linked to business establishment and licensing systems, which includes a strong database that includes around 828,000 companies registered in the UAE as of the end of December 2023. Furthermore, the UAE has established an audit list of entities rejected by registrars to ensure that these entities are not re-established in registrars within the UAE. The National Economic Register portal is enhanced to include a comprehensive audit list management system. The new functional capabilities allow all registrars to add entities’ and individuals’ names to the list including the rationale.

around
828,000
companies registered in
the UAE as of the end of
December 2023

90. As a service-based economy and major business hub for the region, the UAE financial sector is one of the significant components of the country’s GDP, economy and society. Dubai’s growth as a global financial hub received further recognition from prestigious international indices. The spring 2023 edition of the Global Financial Centres Index categorised the city as one of only ten financial centres in the world that is a global leader with broad and deep capabilities.⁽¹²⁾

91. The UAE financial services sector is a major regional hub that attracts investments from across the world and regional markets that seek political stability and economic growth.

92. Locally, financial services are offered to the vast majority of the UAE population, from High-Net-Worth Individuals (HNWIs) who are offered elite private banking and wealth management solutions, to the middle class, which is more than half of the population, and low income labour and unskilled workers who seek access to basic and specific financial products such as money transfers.

The spring 2023 edition of the
Global Financial Centres Index
categorised Dubai as one of only
ten financial centres in the world
that is a global leader with broad
and deep capabilities

(12) https://www.difc.ae/whats-on/news/difcs-h1-2023-performance-strengthens-dubais-position-global-finance-and-innovation-hub?trk=article-ssr-frontend-pulse_little-text-block

CHAPTER 2 OVERALL UAE ML/TF/PF COMBATING ABILITY

93. This section outlines and analyses factors affecting the UAE's ability to combat ML/TF activities. It examines the AML/CFT/CPF legal and institutional frameworks, internal and international cooperation, and the prosecution and judicial process.

2.1 Institutional Framework

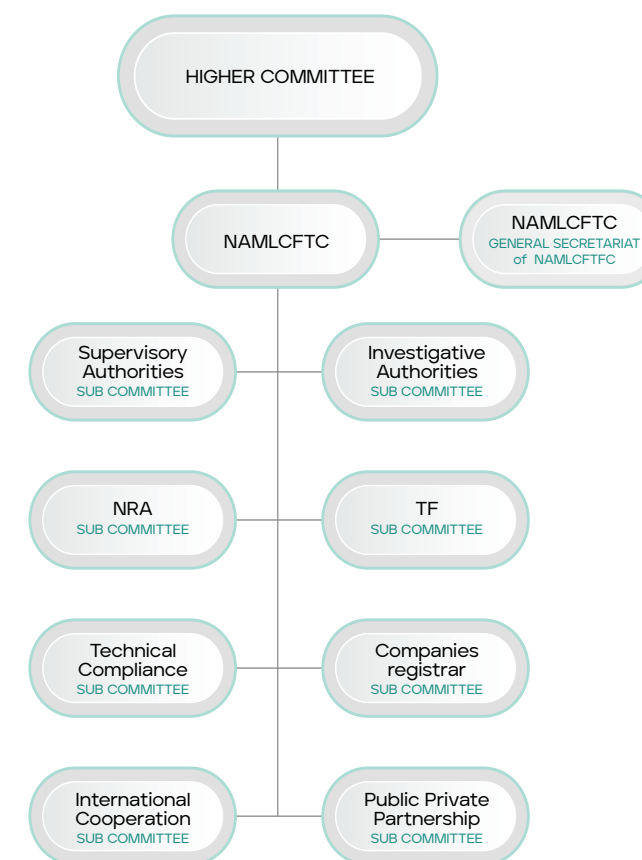
94. The UAE's institutional framework for AML/CFT involves a range of following ministries, law enforcement authorities, supervisory authorities, and other authorities at both local and federal level:

- **The Higher Committee Overseeing National Strategy on Anti-Money Laundering and Countering Financing of Terrorism⁽¹³⁾** The Higher Committee was established in 2020 pursuant to Cabinet Resolution No. 08/11 of 2020. Its responsibilities include studying, monitoring and evaluating strategies, determining the requirements that must be followed, supervising the mutual evaluation process, and proposing draft laws.
- **The GS-NAMLCFTC of Anti-Money Laundering and Counter Terrorism Financing⁽¹⁴⁾** Is the national coordinator that was established pursuant to Cabinet Resolution No. 10 of 2021. Among its responsibilities, the EO-AMLCFT is responsible to oversee the implementation of the National AML/CFT/CPF Strategy and related National Action Plans and monitor and assess any risks related to AML/CFT, financing illegal organizations, and financing proliferation. The EO-AMLCFT spearheads measures to enhance

the implementation of the AML/CFT policies and strategies under a risk-based and multiagency approach. The EO-AMLCFT is responsible for coordinating the Government's efforts to deliver AML/CFT policies, strategies and legislative initiatives, and monitors the overall effectiveness of UAE's AML/CFT regime and compliance with the FATF Recommendations and facilitates cooperation among stakeholders.

- **National Anti-Money Laundering and Combatting Financing of Terrorism and Financing of Illegal Organizations Committee (NAMLCFTC):** The NAMLCFTC is the primary body for policy making and issuing regulations to combat ML/TF in the UAE. The NAMLCFTC is empowered to prepare and develop a national strategy to combat financial crime and propose related regulations, policies, and procedures in co-ordination with the competent authorities. The NAMLCFTC determines and assesses the risks of crime on national level, and facilitates the exchange of information and co-ordination among the various agencies. The NAMLCFTC sub-committees include: (1) The Sub-Committee for National Risk Assessment of ML/TF and Illegal Organizations Financing Risks (2) The Sub-Committee for Technical Compliance – 3) The Sub-Committee of Companies Registrars; (4) The Sub-Committee for Supervisory Authorities (5) The Sub-Committee for Money Laundering Crimes Investigative Authorities (6) The Sub-Committee for Combatting the Financing of Terrorism and the Financing of Illegal Organizations and the Financing of Proliferation (7) The Sub-Committee for Managing and Follow-up of International Co-operation Requests Related to Money Laundering

and Related Predicate Crimes and Combatting the Financing of Terrorism and (8) The Sub- Committee on Public-Private Partnership for Counter Money Laundering and Terrorism Financing.



- **The Ministry of Finance (MOF)** was established under Federal Decree No. (2) of 1971 to assume responsibility for implementing all financial policies related to economic development in the country, foremost of which is preparing and allocating the federal budget, managing the government's financial situation, and providing services to the government and business sectors, as well as individuals.
- **The Ministry of Community Development (MOCD)** is a federal competent authority that is responsible for the regulations of the NPO sector at the UAE Level.
- **The UAE Financial Intelligence Unit (UAEFIU)** is an independent unit within the UAE Central Bank that is the exclusive recipient of STRs and information relating to predicate offences and their proceeds from all FIs, DNFBPs, and VASPs.

The UAEFIU examines and analyses those reports and disseminate them to the competent authorities spontaneously or upon request.

- **The Federal Police** in the UAE is part of the Ministry of Interior and includes the police department of the Emirates of Ajman, Umm Al Quwain and Fujairah, which have opted for the Federal System. Abu Dhabi, Dubai and Ras Al Khaimah have their own local police departments and have autonomy over structure, recruitment and the policing of any local regulations, but are linked to the MOI in terms of operating a unified IT system and delivering against key strategies and goals. The police are responsible for ML investigations within the jurisdiction of each Emirate and the role of the police in each Emirate is to receive reports of crimes, to maintain security, to investigate and collect evidence of crimes and criminal reports, and to take statements from the victims, witnesses and accused persons.
- **The Federal PP** prosecutes all crimes, including ML, in the Emirates of Sharjah, Ajman, Umm Al Quwain and Fujairah, while Abu Dhabi, Dubai and Ras Al Khaimah each use their own PP to pursue ML cases. All PPs (PPs) are linked to the MOJ, which provides strategic oversight of justice matters, and supports international cooperation with the PPs.
- **The Supreme Council on National Security** coordinates with relevant authorities in regard to national risks and sets strategy and direction for the UAE's security-related actions. It is responsible for designating domestic terrorist organisations under the UAE's TFS regime.
- **The Committee for Combatting Terrorism** is a high-level government body responsible for coordinating and overseeing the country's efforts to prevent and combat terrorism
- **The Federal Tax Authority (FTA)**, is the government entity responsible for the administration, collection and enforcement of

(13) It is worth noting that the role of the Higher Committee has been consolidated by adding it to the amended AML/CFT law in July 2024.

(14) According to the new amendment of the AML/CFT law, the Executive Office has elevated recently to The National Committee with a general secretariat that has been empowered for broaden roles and responsibilities as a national coordinator.

federal taxes, was established in 2016 pursuant to the Federal Decree-Law 13 of 2016.

- **The UAE Accountability Authority (UAEAA)** is the supreme institution responsible for financial audit and accounting in the federal government of UAE, reporting directly to the President of the UAE. Its primary objective is to foster integrity, transparency, and accountability within the United Arab Emirates. To this end, the UAEAA holds a critical role in safeguarding public funds by diligently monitoring the financial and operational activities of the federal entities across the UAE.
- **The UAE Cyber Security Council** is a government body responsible for overseeing and coordinating cybersecurity efforts in the UAE. It plays a crucial role in promoting cybersecurity awareness, developing national cybersecurity strategies, and protecting the country's critical infrastructure from cyber threats.
- **The Executive Office for Control and Non-Proliferation (EOCN)** was established in the UAE in 2009 as a body responsible for implementing the provisions of Federal Decree Law No. (43) of 2021 on the Commodities Subject to Non-Proliferation. This is for the aim of preventing the illegal and unauthorized circulation of dual use goods that contribute to the production or development of weapons of mass destruction, along with their associated technology and means of delivery. EOCN also coordinates and supervises the application of targeted financial sanctions relating to terrorist lists system, as well as the implementation of Security Council resolutions on the prevention and suppression of terrorism, its financing, the cessation of arms proliferation and financing, in addition to other relevant resolutions in coordination with competent stakeholders.

2.2 Financial Sector Supervisory authorities

- **The UAE Central Bank (UAE CB)** licenses and

supervises banks, insurance companies and related professionals, MVTs providers, and finance companies in the mainland and CFZs.

- **The Securities and Commodities Authority (SCA)** licenses and supervises securities and commodities derivatives companies, including brokerages, advisors, listed companies, Investment Managers, Fund Managers, custodians, Securities Consulting (Research and Financial planning) and the three domestic stock exchanges in the mainland.
- **The Dubai Financial Services Authority (DFSA)** licenses and supervises financial institutions that operate within the DIFC for AML/CFT compliance.
- **The Financial Services Regulatory Authority (FSRA)** licenses and supervises financial institutions that operate within the ADGM for AML/CFT compliance.

2.3 DNFBP licensing authorities and supervisory authorities

- **The Ministry of Economy (MOEC)** licenses and regulates accountants and auditors in the mainland UAE and CFZs. In addition, pursuant to executive decrees following the new AML/CFT law and by-law, the MOEC is the DNFBP supervisor for auditors and accountants, trust and company service providers, dealers in precious metals and stones, and real estate agents in the mainland and CFZs.
- **The Ministry of Justice (MOJ)** is the designated supervisor for Law Firms and other legal professionals throughout the mainland, in accordance with Cabinet Decision No. 54/1 of 2019 passed on 8 January 2019, and amended by Cabinet Decision No. 28/4 of 2019 on 21 April 2019. Recently, legal consultancy has been placed under the supervision of MOJ in accordance with Federal Decree Law No. (34) of 2022. This law has been in effect since January 2, 2023.
- **The Dubai Financial Services Authority (DFSA)** licenses and supervises the DNFBPs that operate

within the DIFC for AML/CFT compliance.

- **The Financial Services Regulatory Authority (FSRA)** licenses and supervises the DNFBPs that operate within the ADGM for AML/CFT compliance.
- **The Land Departments** or municipality of each Emirate and CFZs is responsible for the registration, organization, and promotion of real-estate investments.

2.4 VASPs licensing authorities and supervisory authorities

- **The Central Bank of the UAE** is the jurisdiction in charge of Virtual assets for payment purposes, including stored value facilities.
- **The Securities and Commodities Authority (SCA)** issues regulations governing virtual asset transactions, supervising and monitoring the activities of virtual assets, their service providers, and their transactions in the mainland. The SCA has the mandate to supervise the Virtual Assets sector in the mainland except Dubai, where the sector is supervised by the VARA.
- **The Virtual Assets Regulatory Authority (VARA)** regulates and licenses providers of virtual asset services in Emirate of Dubai, in accordance with the conditions, procedures, and controls approved by it, and supervising and monitoring them to ensure their compliance with the provisions of the law, the decisions issued under it, and the legislation in force in the Emirate.
- **The Financial Services Regulatory Authority of ADGM** licenses and supervises VASPs ensuring they adhere to international best practices and regulations. The FSRA has issued a number of Financial Services Permissions to virtual asset multilateral trading facilities (MTFs), custodians and other intermediaries.
- **The Dubai Financial Services Authority (DFSA)** licenses and supervises the VASPs that operate within the DIFC for AML/CFT compliance.

2.5 AML/CFT/CPF Legal Framework:

95. The UAE AML/CFT/CPF legal framework has high convergence with international standards, including the pertinent Articles of the Vienna Convention, the Palermo Convention, the Terrorist Financing Convention, relevant United Nations Security Council Resolutions (UNSCRs) and the FATF Recommendations. As per MENAFATF follow up report, UAE is compliant / largely compliant with 39 of FATF recommendations out of 40. The UAE is amending the legal framework to be in line with the new amendments adopted by FATF.

• Money Laundering Offences

96. ML offences are prescribed under (AML/CFT Law, Art. 2) and applies an 'all crimes approach' to the ML offence, i.e. dealing in the proceeds of any felony or misdemeanour constitutes ML, and a felony is any crime with a minimum imprisonment of three years and a misdemeanour is any crime with a minimum imprisonment term of one month (Penal Code, Art. 28-29). The UAE has criminalised all the designated categories of predicate offences set out in the FATF Glossary, including tax evasion (Federal Law No. 7 of 2017 on Tax Procedures, Art. 26). While the tax evasion offence is broad, it refers to the evasion of national taxes, which at present in the UAE only covers value-added tax (Federal Decree-Law No. (8) of 2017 on Value Added Tax).

• Terrorism Financing Offence

97. Article 29, of Federal Law No. 7 of 2014 "On Combating Terrorism Offences" creates TF offenses that extend to both terrorist acts and provision or collection of funds to terrorist organizations or individuals. "Terrorist offence" covers any criminal offence committed for a "terrorist purpose" (further defined as intending to bring about, directly or indirectly, a "terrorist result" – e.g. inciting fear, causing death or bodily injury, inflicting substantial

damage to property, or aiming to influence a government or international organization. This is in line with Article 2.1(b) of the TF convention. With respect to Article 2.1(a) of the TF convention, provisions cover acts listed in the Annex to the TF Convention only if done "for a terrorist purpose". Proportionate and dissuasive criminal sanctions should apply to natural persons convicted of TF. A breach of Article 29 or 30 of the Terrorism Law is punishable by life imprisonment or temporary imprisonment for no less than 10 years. Article 53 ensures that any penalties will not lapse or be reduced, and that no person convicted of a terrorist offence will be eligible for early release. Also, sanctions are available for legal persons. There are both monetary penalties and the potential for a court to rule on dissolution of the legal person.

• Targeted financial sanctions related to terrorism, terrorist financing and proliferation

98. The UAE issued Cabinet Resolution No. 74 of 2020 replacing Resolution No. 20 of 2019 concerning the system of terrorist list and the



implementation of Security Council resolutions related to prevention and suppression of terrorism and its financing, and preventing and stopping proliferation and its financing.

99. According to Article (1) of the same resolution, local lists are defined as lists of terrorism issued by the Cabinet. The term "listed" means persons and entities listed by the Cabinet in the local lists. Classification criteria in Article 3 are commensurate with the criteria mentioned in Resolution 1373 and includes any person or organization, as well as any organization owned or controlled by a terrorist person or organization, directly or indirectly, and any person or organization that acts on behalf of or at the direction of any terrorist person or organization.

100. According to Article (1) of the Cabinet Resolution No. 74 of 2020, the "relevant Security Council resolutions" include "all current and future Security Council resolutions related to stopping the proliferation and its financing, including resolution 2231 (2015) and any subsequent decisions." The aforementioned resolution includes binding procedures, as Article 15 thereof stipulates that any person must, without delay and without prior notice, freeze funds according to the sanctions list and local lists (not limited to those that can be used in an agreement related to terrorism and its financing), and the freeze includes the Funds, completely controlled, in whole or partially, directly or indirectly owned by the Listed, or funds owned or controlled, in whole or partially, directly or indirectly by a person or organization acting on behalf of the listed, or operating at its directions, and the funds acquired or resulting from the funds referred to. The same article stipulates that it is prohibited for any person (natural or legal) to make funds available or provide financial services, in whole or in part, directly or indirectly, to any listed person or organization, except with permission from the Office.

101. The MENAFATF adopted the 1st Enhanced

Follow up report of the UAE and upgraded recommendations 6-7 to "compliant." on November 2021.

• Suspicious Transaction Reporting

102. FIs, DNFBPs, and VASPs are required to report all suspicious transactions, regardless of the amount of the transaction (AML/CFT Law, 26/2021). "Suspicious transaction" is defined to include transactions related to funds for which there are reasonable grounds to believe that they are earned from any misdemeanour or felony or related to the financing of terrorism or of illegal organisations, whether committed or attempted (AML/CFT Law, 26/2021). A range of disciplinary and financial sanctions are available to the supervisory authorities including the ability to impose a range of penalties on FIs, DNFBPs, and VASPs up to and including cancellation of its licence (AML/CFT Law, 26/2021).

• Customer Due Diligence and Record-Keeping Requirements

103. The AMLCFT Law supports the prevention and detection of ML/TF activities by requiring FIs, DNFBPs and VASPs to conduct CDD on their customers and keep records for a specified period. Effective implementation of CDD rules is aided by a number of AML/CFT Guidelines, which are published under the Cabinet-Decision-No.24 of 2022 concerning the implementing regulation of Decree Law No.26 of 2021 on AML/CFT law by respective supervisory Authorities and may be taken into consideration in any court proceedings under the AML/CFT Law. FIs, DNFBPs, and VASPs, including their management or employees, are subject to criminal or supervisory sanctions for breaches of the AMLCFT Law requirements.

104. In 2021, the UAE amended the AML/CFT Law to introduce a licensing regime for VASPs and subject them to AML/CFT obligations

including CDD measures and record-keeping requirements.

• Currency and Bearer Negotiable Instruments

105. The UAE has implemented a cash declaration system for incoming and outgoing cross-border transportation of currencies, bearer negotiable instruments (BNIs), and precious metals and stones (AML/CFT Law, Art. 8; Central Bank Regulation Regarding Declaration of Currencies, Negotiable Bearer Financial Instruments, Precious Metals & Stones in Possession of Travelers Entering or Leaving the UAE 2019 (2019 Cash Declaration Regulation)). Therefore, the UAE has measures in place to detect the physical cross-border transportation of currency and bearer negotiable instruments. Competent authorities also have the legal authority to stop or restrain currency or BNIs that are suspected to be related to TF, ML or predicate offences, or that are falsely declared or disclosed. Persons transporting currency, BNIs and precious metals and stones in relation to ML or TF may be subject to penalties for the ML or TF offences and can also be referred to law enforcement authorities (LEAs) and the public prosecutor for failing to declare on the third occasion (2019 Cash Declaration Regulation, Art. 8(c)). They can also be subject to civil and criminal forfeiture as they fall within the definition of 'funds.'

• Transparency and Beneficial ownership Information

106. Cabinet Decision (109) of 2023 ("the Regulation Decision") revolutionised the UAE's company registration system by setting out registration requirements on the basis of the UAE AML/CFT Law that apply equally to all company registries in the UAE, including mainland & CFZ. The Regulation Decision aligned the beneficial ownership (BO) regime across the country and mandated that each Registrar implements equivalent

measures to ensure the collection and accuracy of information. The Regulated Decision requires all Registrars to obtain and record all basic information required by FATF Recommendation 24.3. Individual registries are required to verify information collected from legal entities and will not issue a license to a company if those requirements are not met.

107. In addition to introducing consistency in basic information collection, the Regulation Decision also harmonised and overhauled the BO framework in the UAE, including mainland & CFZ. The requirement to obtain and maintain a consistent set of information on BO of all legal persons applies across the entire UAE for all types of legal persons. All legal persons are obligated to prepare and file an UBO register, Nominee Director register (if applicable) and a Shareholder register with the relevant authority within sixty days or by the date the entity is established. These registers also contain helpful information such as accurate contact details, which could assist LEAs in their investigations.

108. Overall, access to beneficial and shareholder ownership information is possible for competent authorities in the UAE through numerous channels, including information required to be held by legal persons themselves; BO information held by Registrars; information required to be collected and held by FIs and DNFBPs, and BO information available via the NER.

109. The UAE is in the process of centralising the BO information through the NER. It is important to note that all BO data is directly available from the Registrars and is provided to competent authorities through the MOEc upon request within 24 hours. Once the technical integration is complete, the UAE will have achieved having a full and up to date BO register. Information submitted by companies should be manually verified at the Registrar level. All UAE Registrars collect and verify the

UBO information by collecting supporting documents during registration, renewal and amendment, in line with the previously issued AML/CFT Guidance for Registrars.

• **Non-Profit Organizations**

110. Based on the findings of the previous NRA considering NPOs sector to be high, the UAE chose to apply an in-depth analysis of NPOs that fall within the FATF definition of an NPO. The main objective is to assess terrorism financing risks affecting the sector by reviewing the legal and regulatory framework, identifying TF threats and vulnerabilities, identifying the subset of NPOs at risk, identifying NPOs according to type and features and priority recommended actions.

111. The UAE assessed and identified a subset of NPOs that fall within the FATF definition and assessed their TF risks. The MOCD and local supervisory authorities of NPOs understand their risks and adopted action plans to mitigate such risks within the context of the UAE. The country possesses a robust legislative and regulatory framework concerning the formation and regulation of the non-profit sector. Among other laws, Federal Decree-Law No. (50) of 2023 regarding the regulation of NPOs, was issued on 02 October 2023. The decree included registering and licensing obligations, and provides focused, proportionate and risk-based measures, without unduly disrupting or discouraging legitimate NPO activities.

• **Restraint and Confiscation/Forfeiture of Crime Proceeds and Terrorist Property**

112. The UAE has conviction and non-conviction-based measures enabling it to confiscate property whether held by criminal defendants, or by third parties (AML Act, Art. 26(2)). laundered property can be confiscated upon conviction (art. 26(1)(a)), proceeds of or instrumentalities used or intended for use in

ml and relevant predicates (art. 26(1)(a)).

113. The UAE has measures that enable its competent authorities to identify, trace and evaluate property that is subject to confiscation through the broad powers of the PP and the competent court to identify, track, or evaluate suspicious funds, proceeds of crime and instrumentalities or, property of equivalent value (AM/CFT law, Art. 5(2) & 7(1)). Competent authorities carry out provisional measures, to freeze, seize or restrain property that is subject to confiscation to preserve the property and prevent its transfer or disposal prior to a decision on confiscation or forfeiture as freezing and seizing.

114. The UAE has mechanisms in place to manage and, where necessary, dispose of frozen, seized, and confiscated property. This includes the ability to appoint any person to take possession, manage, and deal with the property (AML/CFT Law, Art. 5 (7), Art. 48; Federal Law 35 of 1992, Art 85-87).

115. The UAE is on the process to amend relevant articles to be in line with new FATF amendments regarding confiscation and asset recovery.

• **International Cooperation**

116. The UAE recognizes that effective international cooperation is essential in combating financial crimes and tracing crime proceeds, and uncovering the identity and background of criminals as ML/TF often involve transnational crimes. As a member of MENAFATF, Egmont, INTERPOL, observer at APG, and other relevant international organizations, the UAE participates actively in global efforts to combat ML/TF/PF.

117. The MOJ developed its National Manual of AML, and adopted a dedicated RBA prioritisation matrix, and continues conducting regularly training sessions for all illicit finance stakeholders, and increased human resources

for all the PP Offices (PPOs) across the UAE. Furthermore, the UAE authorities have focused outbound MLA requests on matters related trade-based money laundering, third party money laundering, foreign predicate offences, including international facilitators, as set out by the UAE national action plan and commensurate with the UAE's risk profile.

118. The UAE has continued to prioritize and establish a sustained increase in international cooperation, including outbound MLA and extradition requests, to facilitate investigations and prosecutions in line with its risk profile. Statistics for the period 2019-2023 have shown that the UAE is continuing to enhance the international cooperation and exchange of information with jurisdictions identified by the NRA as high risk.

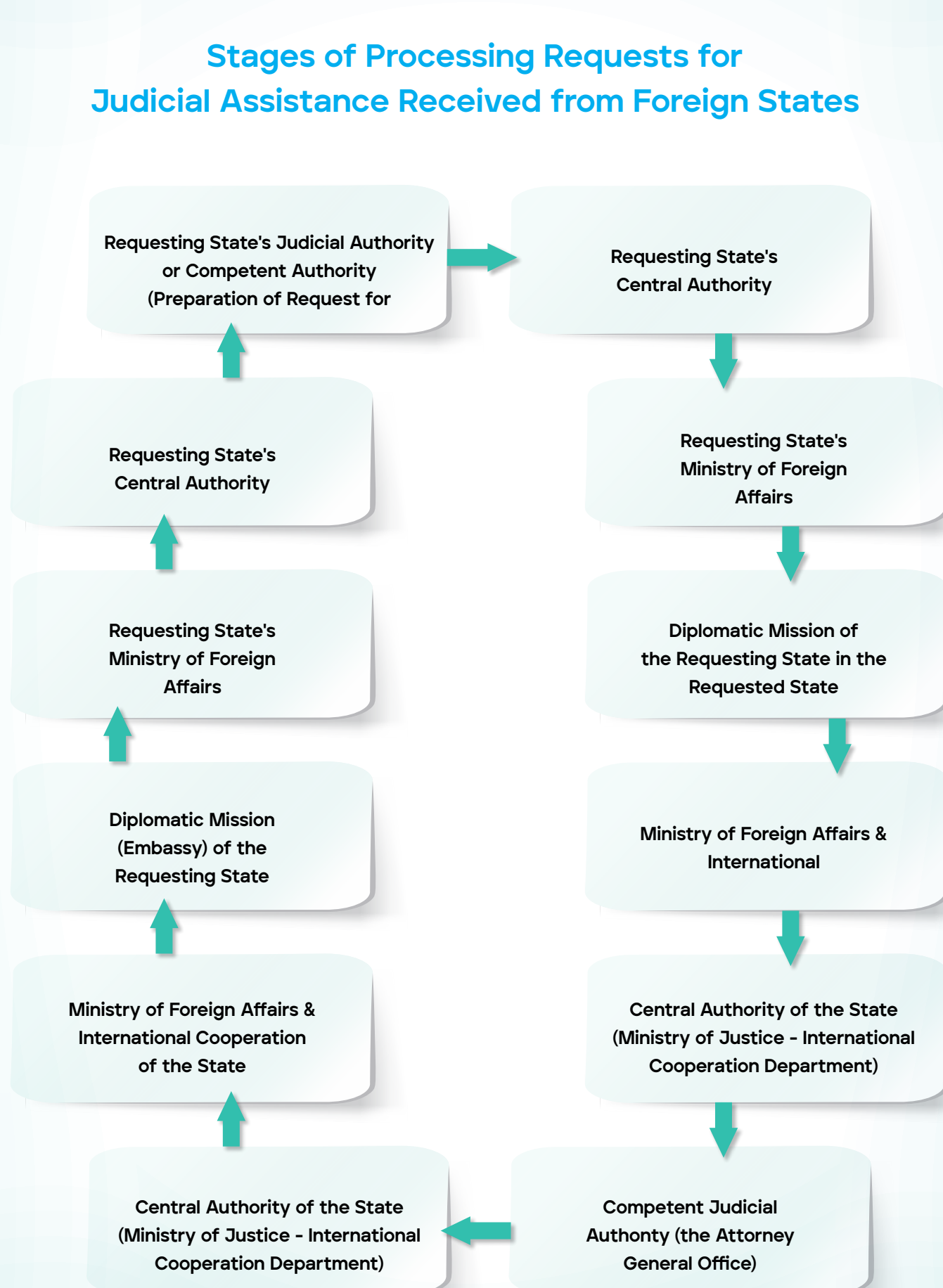
119. As a result of these enhancements, the MOJ was able to set a new culture within the public prosecutor and judicial community to seek judicial international cooperation by sending MLAs during their ML investigations—thus allowing UAE authorities to further harness the information and intelligence received from international counterparts to build stronger prosecutions. The primary goal of outgoing MLA requests is to obtain various types of information and assistance, such as financial and beneficial ownership information, seizure or freezing of funds or assets, location of individuals or items, statements, and criminal records.

120. Mechanisms are in place for providing assistance to other jurisdictions, including MLA, extradition, financial intelligence exchange, and cooperation among LEAs and financial regulators. Incoming international cooperation requests are initially received by the Ministry of Foreign Affairs-International Cooperation, passed on to the MOJ's International Cooperation team for review of procedural and treaty requirements. They are then distributed to relevant PPs (Federal, Dubai, Abu Dhabi and RAK PPs) to execute.

121. Below is a diagram describing the stages of processing request for extradition:



122. The UAE also has Procedures for Handling Requests for International Judicial cooperation addressed from Foreign Authorities to the Judicial Authorities of the State. Below is a diagram describing stages of processing requests for judicial assistance:



123. The National Risk Assessment methodology is a comprehensive framework designed to help agencies and the national coordinator assess the country vulnerabilities to money laundering and terrorist financing. It is a self-assessment process that involves collecting data, analysing risks, and developing strategies to mitigate those risks.

3.1 Overview of the UAE National risk assessment processes:

124. The UAE NRA lays a solid foundation for the UAE AML/CFT/CPF regime. Following the adoption of the first NRA report in 2018 and its update in 2019, the country conducted eight sectoral assessments which further assessed risks and are reflected in the updated NRA. The complementary assessments included topics related to sectors that were classified as high-risk according to the results of the first NRA and the general context of the UAE, including focuses on the banking sector, the money or value transfer services sector, and the DPMS sector. The assessments aligned with and considered the main risks facing the country and included a more detailed assessment of those risks, including proceeds of foreign crimes and money laundering crimes by a professional party, the use of cash in DNFBPs, and high-value real estate. Also in furtherance of its ongoing assessment of risks, the UAE completed a number of strategic analyses associated with high risks and undertook many studies by the supervisory authorities. The UAE has been commended by the FATF for having

demonstrated a high-level commitment to better understand its ML and TF risks, which is rooted in the first NRA and the UAE's ongoing efforts to identify and assess risks, including other extensive analysis, data and intelligence collection and engagement work among the LEAs, regulators, and private entities.

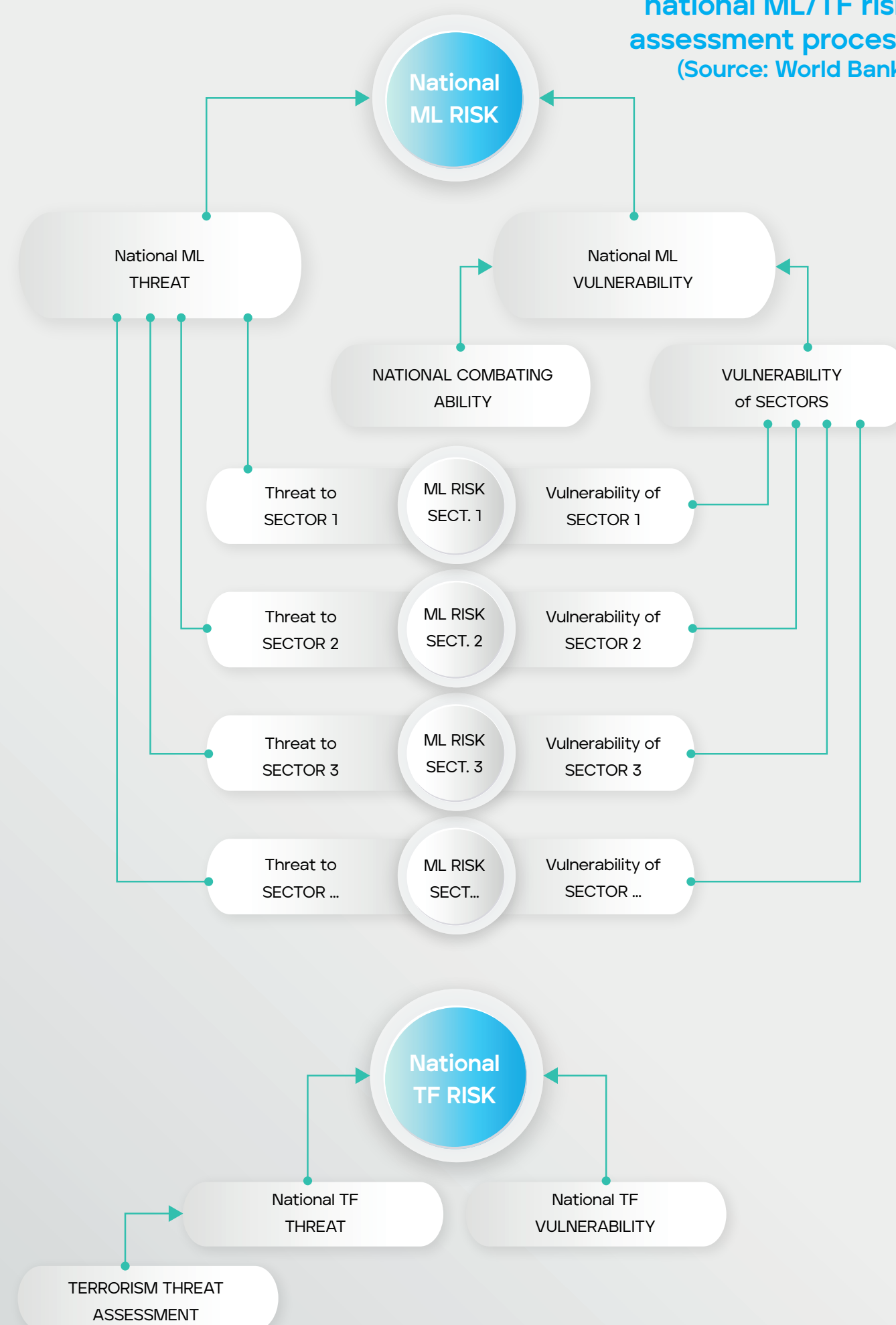
125. Building from this important work, in conducting the second NRA the UAE adopted the World Bank methodology and referred to the FATF Guidance papers including the FATF Guidance on National Money Laundering and Terrorist Financing Risk Assessment⁽¹⁵⁾, and FATF Terrorist Financing Risk Assessment Guidance⁽¹⁶⁾, and FATF Guidance on PF Risk Assessment and Mitigation issued in June 2021.⁽¹⁷⁾

126. The scope of the assessment is expanded to cover PF risk assessment (in a separate report) which will help the formulation of the UAE's national CPF strategies to counter proliferation finance. In-depth analysis of the key developments in the financial and non-financial sectors including the Virtual Asset sector as well as the enhancement of the Hawaladar and TCSP sector are also included in the 2nd NRA.

3.2 The World Bank methodology

127. The World Bank Tool enables jurisdictions to identify the main drivers of ML/TF risks through a methodological process based on the understanding of the causal relations

national ML/TF risk assessment process (Source: World Bank)



(15) <https://www.fatf-gafi.org/en/publications/Methodsandtrends/Nationalmoneylaunderingandterroristfinancingriskassessment.html>

(16) <https://www.fatf-gafi.org/en/publications/Methodsandtrends/Terrorist-financing-risk-assessment-guidance.html>

(17) <https://www.fatf-gafi.org/en/publications/Financingofproliferation/Proliferation-financing-risk-assessment-mitigation.html>

among risk factors and variables relating to the regulatory, institutional, and economic environment. In essence, the ML/TF risk of a jurisdiction comprises "threats" and "vulnerabilities". Threats refer to the scale and characteristics (or patterns) of the generation, inflows, and outflows of the proceeds of crime or funds linked with terrorism.

128. For ML, this points to an assessment of the internal and external threats, including the predicate offences that generate crime proceeds, the total size of the crime proceeds, the sectors in which proceeds are invested and laundered, and other relevant factors.

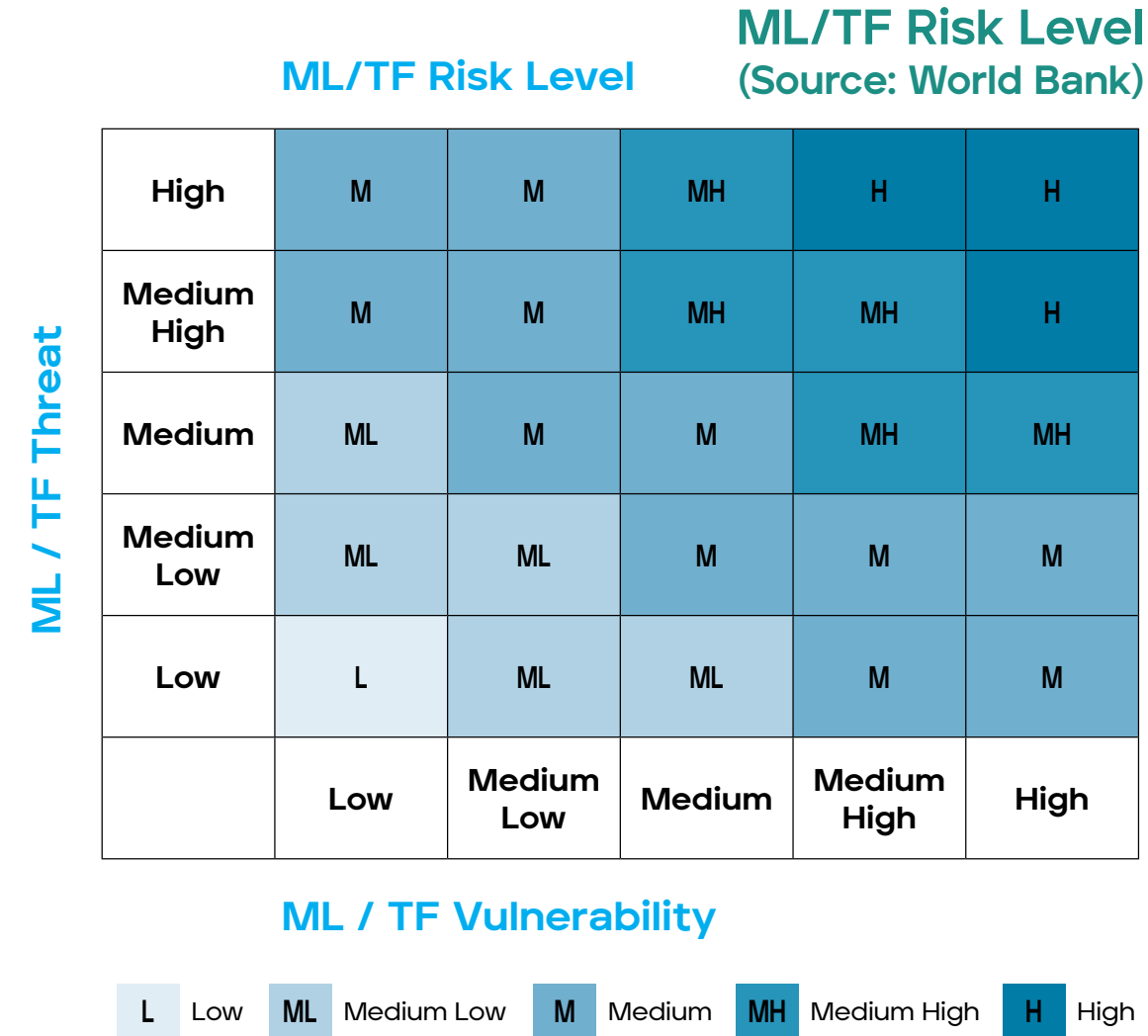
129. For TF, threats point to the direction of TF funds, and the sources and channels used. Vulnerabilities refer to weaknesses or gaps in a jurisdiction's defences against ML/TF, measured with respect to relevant "input

variables" at the territory-wide or sectoral level.

130. The ML risk of a jurisdiction is the combination of threats and vulnerabilities at the territory level, which is a function of threats and vulnerabilities of individual sectors, as well as the jurisdiction's AML controls, which determine the jurisdiction's ability to combat ML activities.

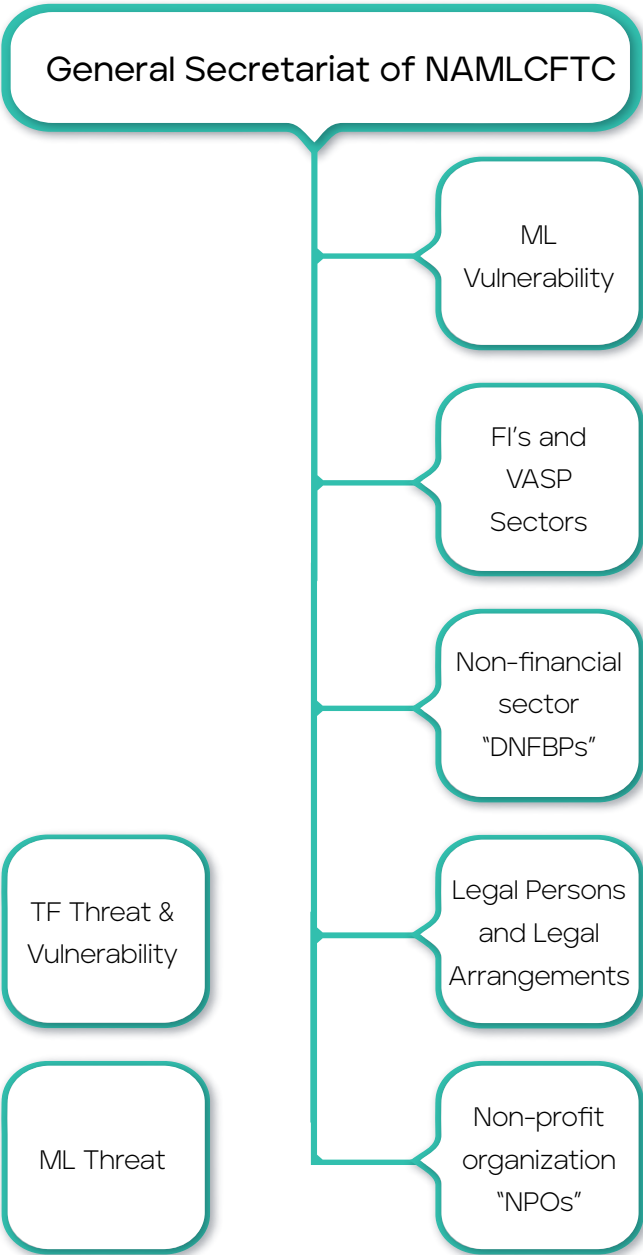
131. The TF risk of a jurisdiction is an outcome of TF threats and vulnerabilities, and jurisdiction's CFT controls, which determine the jurisdiction's ability to combat TF activities.

132. The Ratings (low, medium-low, medium, medium-high and high) are assigned to ML/TF threats and vulnerabilities, based on available qualitative and quantitative information, to generate results that can be represented graphically on a risk-level heat map.



3.3 The UAE Risk Assessment Governance:

133. The GS-NAMLCFTC coordinated this 2nd NRA exercise with inputs and engagement from 84 Authorities that included federal and local Authorities in addition to the Private sector spanning FIs, DNFBPs and VASPs. The GS-NAMLCFTC oversaw the NRA exercise, monitored the progress, and evaluated the findings of the NRA. To reflect the expanded scope of the UAE's regulatory regime and the enhanced focus of 2nd NRA, the members formed multi-disciplinary teams with experienced practitioners to conduct the assessment for the sectors under their purview.



134. The assessment process included extensive information-gathering and scoping through record reviews, data and statistical examination, literature reviews (on typologies studies, ME reports etc.), as well as engagement with regulators, LEAs, and stakeholders in the private sector. Similar to the 1st NRA that adopted a three-year timeframe for data collection and analysis, the 2nd NRA covered data spanning from 2019 to 2023, though the quantitative foundation for the current round has been substantially expanded.

135. The 2nd NRA comprised three stages. The First stage involved the collection of relevant data according to the WB methodology via stakeholders working groups (e.g. LEA data, Intelligence information, Expertise judgments and surveys to the private sector). Also, the GS-NAMLCFTC developed questionnaires that was submitted to all FI and DNFBP sectors. The Second stage involved an analysis of all proceeds generating crimes (e.g., figures relating to local and foreign predicates, including investigation, prosecution, confiscation, and formal and informal co-operation), having regard to updates and enhancements that have been made to the UAE's AML/CFT regime specific to its legal, supervisory, regulatory and law enforcement framework. A Stakeholders Workshop was held to discuss the updated enforcement figures and AML/CFT framework, wherein the interim findings were also agreed upon amongst concerned stakeholders. The interim findings were then reported to the Higher Committee, along with risk mitigation measures proposed to address relevant ML/TF/PF risks. During the Third stage, A Stakeholders Workshop was held to discuss the updated enforcement figures and AML/CFT framework, wherein the interim findings were also agreed upon amongst concerned stakeholders, the assessment was updated having regard to the enhanced mitigation measures implemented. The findings were consolidated and reported to the Higher Committee in 2024.

136. The 2nd NRA updates the ML/TF threats and vulnerabilities from both the National level and sectoral level. The UAE has enhanced this NRA in a number of ways, including by undertaking a more in-depth and nuanced assessment on the following aspects:

- Focused assessment of PF threats, vulnerabilities and risks in the UAE in a separate report;
- In-depth analysis on the VASP sectors;
- Highlights of the latest developments in various sectors (e.g. DPMS, Real Estate, Hawaladar);
- Detailed and focused assessment of threats related to foreign corruption, foreign tax evasion, cross-border cash movements, and trade-based ML and emerging threats in the region such as wildlife trafficking and human trafficking; and
- Expanded coverage of legal persons and legal arrangements to include all forms of legal persons and legal arrangements operating in the UAE including relevant foreign companies and foreign legal arrangements.

3.4 Private Sector Engagement

137. The NRA process ensured extensive engagement with the private sector, this engagement was crucial for building a comprehensive understanding of the UAE's ML/TF risks and included a variety of activities such as surveys and interviews.
138. Private sector involvement is essential in building a complete picture of the UAE ML/TF risks and will benefit the assessment process in a number of ways – including as a source of information and by having representatives participating directly in some aspects of the process. Contributors from the private sector provided essential input to the national-level ML/TF risk assessment process. It is important to highlight the contributors appointment criteria from private sector, including to ensure representation from all manner of institutions, including Large, Small,

International, Local, Mainland & commercial and financial Freezones.

139. The objectives of the Private Sector Engagement involved the following:
- Validation of the findings of the national risk assessment.
 - Input on the vulnerabilities and threats.
 - Analysis and assessment of questions on risks and mitigating measures.
 - Consideration of themes and outputs from the NRA questionnaire.
140. The engagement process saw participation from over 8500 surveys responses from the private sector, covering various DNFBPs, FIs, VASP & NPOs.
141. In addition to the surveys, the GS-NAMLCFTC conducted a series of in-person interviews to delve deeper into the findings. These interviews took place over a ten-day period beginning on February 7, 2024. During this period, a total of 116 in-person interviews were conducted with various stakeholder groups.

CHAPTER 4

NATIONAL RISK ASSESSMENT

142. This section provides a comprehensive outlook of the UAE's exposure to ML/TF risks and the potential consequences of these threats.
143. The key findings of the report highlight that (1) the UAE has demonstrated a strong commitment to combating ML/TF, as evidenced by its robust legal framework, effective national cooperation mechanisms, and strong supervisory, law enforcement and judicial systems. (2) there is room for enhancement in some areas to further enhance the country's capabilities and contribute to the global fight against financial crime.

4.1 Money Laundering

4.1.1 Threats and Typologies

144. The UAE's ability to combat ML/TF is assessed as "high", characterised by high-level political commitment, robust legal framework, rigorous law enforcement with LEAs of high capability and integrity, effective use of financial intelligence, strong domestic coordination among public sector and partnership with private sector, fair and efficient prosecution and judicial process, and robust international cooperation mechanisms
145. Given the cross-sectoral nature of ML/TF matters and in response to global developments in AML/CFT, as well as experience gained during International Cooperation Review Group ("ICRG") process, the UAE has taken several steps

to strengthen its AML/CFT framework. For instance, in 2021 the UAE has set up the Executive Office⁽¹⁸⁾ of Anti-Money Laundering and Counter Terrorism Financing that aims to coordinate efforts among the seven emirates and ensure consistent standards and harmonization across the UAE as it pertains to combatting ML/TF/PF. It serves as national coordinator and the operational lead for AML/CCFT/CPF efforts in the UAE and aims to ensure that the reforms designed to strengthen the UAE's anti-financial crime system are effectively implemented.

• ML Threats

146. As a robust economy and an international finance, trade and logistic hub, the UAE is exposed to ML threats arising from both domestic and foreign predicate offences. Domestically, Drug Trafficking, Fraud, Smuggling, Counterfeiting and Piracy of Products crimes pose high and medium-high ML threats, respectively, to the UAE. Regarding foreign predicate offences, Drug Trafficking poses a high ML threat while Fraud, Counterfeiting and Piracy of Products, tax evasion and foreign corruption and Counterfeiting currency pose medium-high ML threats.
147. The majority of the predicate offenses were domestic, and some originated outside the UAE. This distribution aligns with the cross-border elements frequently observed in specific predicate offenses.

(18) GS-NAMLCFTC| General Secretariat of the National Anti Money Laundering and Combatting Financing of Terrorism and Financing of Illegal Organizations Committee

148. [High Threat](#): Fraud and drug trafficking are major ML threats in the UAE. Criminals use sophisticated methods, including social media, dark web markets, and innovative smuggling techniques, to launder proceeds through cash and bank accounts of associates.

Case study (1): drug trafficking

In 2023, seven individuals and four legal persons were prosecuted and convicted for their role in a Trade Based Money Laundering scheme involving around AED 104.6 million (USD 29 millions). The investigation revealed that proceeds generated from drug trafficking committed in a foreign jurisdiction were internationally wired throughout the previous two years to several bank accounts in the UAE. The funds were then withdrawn in cash and used to purchase second-hand luxury vehicles, which were then shipped to a foreign jurisdiction. The scheme was uncovered when a Customs inspector suspected under-invoicing of the vehicles relative to their fair market price in addition to inconsistencies across invoices during an export attempt.

The individuals were imprisoned for 7 to 10 years, a total fine of AED 71.5 million (USD 20 million) was imposed, followed by confiscation of AED 104.6 million (USD 29 million) and license revocation for concerned legal persons.

149. [Medium-High Threat](#): Counterfeiting and piracy of products tax evasion and foreign corruption remain significant international threats, despite domestic decline.

150. [Medium Threat](#): Human trafficking in the UAE has increased, with a rise in ML cases and an increase in seizures and confiscations. Robbery and theft, primarily involving cars and businesses, have decreased.

Unlicensed money exchange services, currency counterfeiting and forgery-related offenses remain relatively low. While domestic corruption is minimal. additionally, environmental crimes, especially illegal wildlife trafficking, continue to pose a medium ML threat.

151. [Low and Medium Low Threat](#): Five predicate offenses were classified as low-medium ML threats: illegal arms trafficking, dishonesty, extortion, illegal alcohol trafficking, and kidnapping. Additionally, other predicate offenses such as illegal gambling, illicit trafficking in stolen goods, market manipulation, and murder were identified as low money laundering threats, contributing to a negligible percentage of ML cases.

• Main Typologies

152. [Third-party money laundering](#) poses a significant threat to the UAE's financial integrity, with over a third of ML cases from December 2021 to October 2023 identified as involving third parties. This often involves the misuse of legal entities to obscure illicit fund origins. TBML was a prevalent typology, utilizing techniques like under/over-invoicing and fake invoices to disguise illicit funds as legitimate revenue.

Case study (2): TBML and PML

In Q1 of 2023, three individuals and two legal persons were investigated for conspiring in a TBML scheme, which was conducted by the Federal taskforce in the UAE. The financial investigation, which was in parallel to a domestic VAT fraud of AED 3.3 million (approx. USD 898,000), revealed that involved persons under- and over-invoiced domestic sales and international exports through a professional money launderer.

Moreover, value was moved through international trade with no apparent economic or commercial justification. The Federal Tax Authority (FTA) filed a report concerning a general trading company (A), which is licensed to trade in mobile phones, mobile phone hardware and accessories, on the grounds of tax fraud through underreporting. The scheme's modus operandi was through submitting intentionally falsified sale invoices and underreporting sale value to the FTA. The FTA was able to detect the anomaly when the secondary company (B) submitted a request to refund the payable taxes to export the products purchased from company (A). An investigation was initiated by the FTA and managers of both company (A) and (B) were questioned.

The UAEFIU, through the Federal taskforce, conducted an operational analysis on all the financial records of both companies & beneficial owners and accessed information from all reporting entities in the UAE on the financial statements, bank account opening forms and CDD documentation as well as their remittance reports, among others. In addition, the UAE Custom authority analyzed records of imports, exports, declarations of cash and precious metals and stones. The judicial investigation established that the accused company (A):

- Falsified tax invoices over the reporting tax periods between January 9th, 2021, and February 28th, 2022.
- The company did not pay their taxable sale invoices with company (B) of approx. AED 66 million (Approx. USD 18 million), which was found to be around AED 3.3 mil.
- The company conducted the same illicit practice and colluded with other companies.
- The company moved the illicit proceeds through cash withdrawals and were later concealed through other suspected companies, based on the initial financial intelligence provided by the UAE FIU.

- Value was moved to a foreign jurisdiction through international wiring relative to over-invoiced products imported.

All individuals were arrested, assets of equivalent value were seized. The individuals were imprisoned for 3 to 4 years, a total fine of AED 32 million (approx. USD 9 million) was imposed, restitution of AED 3.3 million (approx. USD 898,000) to FTA, confiscation of AED 3.3 million (approx. USD 898,000) and license revocation.

Moreover, a standalone investigation was launched against the professional money launderer (individual), who was providing professional services to multiple persons (natural and legal) to launder the proceeds generated mostly from VAT fraud, valued at AED 74.03 million (approx. USD 20 million). While standalone investigations were launched pursuant to each individual instance of VAT fraud, the professional money launderer was prosecuted considering all predicate offence cases, convicted and imprisoned for 7 years, a fine of AED 10 million, confiscation of assets seized in value of AED 74.03 million (approx. USD 20 million) and deportation were also imposed.

153. From 2019 to 2023, the vast majority of all suspicious reports from regulated FIs came from the banking sector, highlighting the need for continued vigilance. This includes fraud, electronic fraud, and drug trafficking, with international transfers being the most common method.

154. [The abuse of legal persons](#) involves complex structures to obscure ultimate beneficial owners (UBOs) and includes the use of front and shell entities for fraud, drug trafficking, and TBML. From December 2021 to October 2023, several hundred cases related to the abuse of legal persons were disseminated by the UAEFIU to LEAs.

Case study (3): TBML and complex structures

Nine individuals and four legal persons were prosecuted and convicted for an AED 61.8 million (approx. USD 17,000,000) TBML scheme. This investigation revealed that millions of dirhams generated through drug trafficking committed in a foreign jurisdiction were moved to the UAE to four shell companies through the formal banking system under the cover of consultancy services, and eventually used to purchase luxury vehicles, then exported to a foreign jurisdiction.

An incoming informal international cooperation request to UAE Customs shed light on several bank accounts in the UAE that were linked to drug trafficking investigations in a foreign jurisdiction, and that several shipments of vehicles are potentially involved. Upon analysis of export and re-export databases, among others, the FIU harnessed financial information from all FIs and DNFs, and open sources, which led to identifying and tracing the proceeds of criminality to multiple accounts. In addition, the FIU established that international wirings were made in effect of consultancy fees and commercial letters of credit. Complex transactions were then linked to multiple outlets. Moreover, information from the National Economic Registrar database and Unified National Platform on involved legal persons established that they were in fact shell companies. Access to ICP databases demonstrated that the legal persons were abused by orchestrating international trade.

In parallel to the FIUs analysis, Authorities identified the controllers and mules involved by utilizing multiple investigative techniques, such as wiretapping, remote device monitoring, GPS tracking, controlled delivery, and undercover operations. The Live

Facial Recognition Software through public CCTV was critical in uncovering events of cash withdrawals, purchases and export, and persons involved.

Evidence provided by UAE Customs through its exports-related databases and others, in its capacity within the taskforce, established that the purchased vehicles were immediately exported through the legal persons to several consignees in a foreign jurisdiction.

Building on the intelligence, arrest and search warrants were issued and all individuals were arrested, premises searched, and assets were seized in the form of cash, electronic devices, gold, vehicles, and real estate.

The individuals were imprisoned for 3 to 8 years, a total fine of AED 62 million (approx. USD 17,000,000) was imposed on all persons, confiscation of assets seized in value of AED 61.8 million (approx. USD 17,000,000), deportation and license revocation.

155. [The abuse of Real Estate sector](#): From 2020 to 2023, the UAEFIU received over 2,000 Real Estate Activity Reports (REARs) and several hundred suspicious activity reports. Common methods include using unknown funds for property purchases and manipulating property prices, often linked to organized crime groups. Residential properties are frequently involved.

156. [Complex Money Laundering Techniques \(Organized Crime\)](#): The UAE faces significant global ML risks involving professional launderers and organized crime groups. These groups use complex networks across multiple jurisdictions to launder proceeds from crimes such as drug trafficking, fraud, smuggling, foreign corruption, and tax evasion. The analysis of cases related to organized crime offenses shows that these criminal activities

generate substantial illicit proceeds. These funds are then laundered to disguise their illegal origin and to integrate them into the legitimate economy.

Case study (4): Drugs stashed on container ship

In July 2022, the Police and UAE Customs collected intelligence that a cargo ship departing a port in a foreign jurisdiction had one of its containers stashed with methamphetamine; through the informal cooperation channels via RELO, the UAE authorities notified counterparts about the shipment, and they organized a special operation to seize and search the cargo ship upon arrival. Moreover, the counterpart authorities boarded the ship and over X Kg of methamphetamine valued at nearly X mil USD was seized. The resulting joint operation and informal international cooperation led to the second biggest drug bust ever made in the history of this country. The outgoing dissemination was based on intelligence intercepted from a regional known OCG specialized in the smuggling of methamphetamine in the Asian region.

Case study (5): Fraud and corruption committed in a foreign jurisdiction and moved to the UAE through complex transactions

Three individuals and eleven legal persons were prosecuted and convicted for an AED 163 million (approx. USD 44,300,000) ML scheme. This investigation revealed that millions of dirhams generated through fraud and corruption committed in a foreign jurisdiction were moved to the UAE through the formal banking system, used to purchase assets in the UAE and wired to

multiple foreign jurisdictions to conceal their illicit nature. Since 2021, a covert operation carried out by the Police, which was initiated based on a police-to-police cooperation, revealed that 2 foreign natural persons, who didn't participate in the predicate offence, laundered the proceeds of foreign predicate offences committed by a foreign PEP (suspect 3) through complex transactions involving shell companies which were set up in several emirates and free zones. The PEP incurred 8% of the proceeds as fees for said services.

The Taskforces, which includes the UAEFIU, analyzed all bank accounts and identifying all possible leads to the source of funds, their destination and beneficial owner. The typology involved 'transit' accounts' where internationally wired funds would be deposited into said accounts, followed by multiple and rapid transactions to several bank accounts, complex payments were used to purchase assets including manager cheques, while some funds were wired to other foreign jurisdictions.

It was revealed that that the suspects each had entered the country using three different passports, while the BO held an additional diplomatic passport. Individuals used the different passports across multiple registrars to license several legal persons and to open several bank accounts. The different passports were used to avoid linking individuals as BOs of shareholders of the legal persons and tracking their assets, in addition to avoid detection as a PEP or being an associate thereof, across different registrars in the UAE and different FIs. This provided for additional complexity as inquiries across stakeholders had to be conducted by the Taskforces multiple times pertaining to each credential upon uncovering the facts.

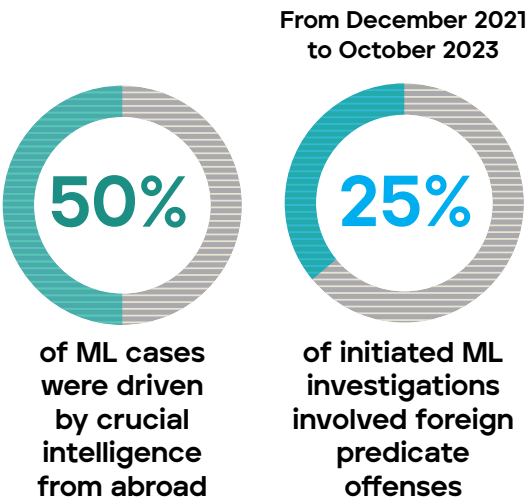
UAE Customs and Federal Tax Authority,

established that no domestic or international trade was commenced through the legal persons involved in the investigation. The lack of imports, exports, declarations, and VAT refund forms/requests were evident of such.

The individuals were imprisoned for 3 to 6 years, a total fine of AED 82 million (approx. USD 22,300,000) was imposed on all persons, confiscation of assets seized in value of AED 163 million (approx. USD 44,300,000), deportation and license revocation.

• Other Key Observations

157. [Foreign Predicate Offences](#): From December 2021 to October 2023, 25% of initiated ML investigations involved foreign predicate offenses. Key methods include smuggling cash and gold, using cash couriers, and exploiting the banking system. About 50% of ML cases were driven by crucial intelligence from abroad, highlighting the UAE's emphasis on international cooperation. During this period, UAE LEAs sent 2,257 international information requests through INTERPOL, GCC Police, and agreements with 110 foreign counterparts. The Federal Customs Authority sent 76 information requests on issues like ML/FT involving cash and gold. The UAEFIU made 700 requests to foreign FIUs.



Case study (6): foreign predicate offence

UAE FIU received a spontaneous dissemination from a foreign FIU regarding several foreign suspects being under investigation for corruption and bribery, which was led by several authorities internationally. Upon receiving the information, the FIU conducted a financial analysis of the data and sent multiple requests for information domestically and to foreign FIUs. The financial intelligence obtained from 11 FIs and 134 financial accounts on four natural persons and eight legal persons was analysed and a freezing order was issued.

The PP issued a warrant against the foreign suspects for laundering the proceeds of a foreign predicate offence, and an extension of the freeze order was warranted. Total assets effectively traced, identified and frozen amounted to AED 44,118,901 (USD 12,000,000)

158. [VA and VASPs](#): Cryptocurrencies pose significant threats due to their ability to conceal transaction origins and identities, however, the ML offences related to the abuse of VA represent less than 2% of cases. Criminals use techniques like mixers to obscure the source of funds, making



them nearly untraceable. The ease of cross-border transfer and instant asset conversion make cryptocurrencies appealing for illicit activities, often bypassing the traditional deposit phase of ML

Case study (7): P/3PML including international facilitators-VASPs

In July of 2023, eleven individuals and 4 legal entities were investigated for operating unlicensed VASPs. In addition, the lack of a compliance function was exploited by ill-actors to move, convert, and conceal ill-gotten proceeds of criminality. All persons were detained, investigated, all assets were seized, and are prosecuted.

Through deploying 164 officers on the ground, a large-scale sting operation, which was conducted simultaneously in 9 locations, yielded the arrest of all individuals involved, seizure of AED 18,883,508 (approx. 5M USD) in cash, Vas (mostly USDT) valued at AED 59,217,580 (approx. 16M USD) and 11 additional unpaid 'tokens' and 'vouchers', 2 crypto ATM machines, multiple laptops, phones, luxury watches, documents, and over 278 large files of unofficial invoices and ledgers. In August 2023, the ML Court convicted all subjects, applied fines (which ranged from AED 200,000 to 5M (approx. from 55,000 to 1.4M USD) and confiscated all seized assets.

159. [Commercial Free Zone \(CFZ\) Threats](#): There are a total of 38 Free Zones in the UAE as of December 2023, of which 28 are commercial and 8 mainland. These Free Trade Zones aim to facilitate businesses trade without customs duties and Goods and Services Tax.

UAE Customs conduct periodic and surprise checks on companies based inside the Free Trade Zones to ensure their compliance with the UAE Customs requirements. While Free Trade Zones are established to attract trade and investment, they are vulnerable to ML crimes. There were a number of ML cases that involved the use of companies which are located within Free Trade Zones. The criminals established shell companies without real business operations or assets with the aim of receiving and sending funds from/to the country. FTZs offer an environment for business setup due to several factors including unified and streamlined procedures and tax benefits. These factors can inadvertently facilitate the establishment of shell companies. However, to significantly reduce the risk of shell companies being established and used for illicit activities, the UAE developed controls, policies and procedures to prevent their establishment and misuse including Enhanced Due Diligence, enhanced corporate governance, strong supervision framework and effective cooperation.

4.1.2 ML Vulnerabilities:

160. [The assessment of vulnerabilities in the UAE reveals both strengths and areas for improvement](#):
- AML/CFT/CPF Policy Framework: The UAE is strongly committed to fighting financial crime. The UAE's AML/CFT/CPF Policy Framework includes complying with international AML/CFT/CPF standards and initiatives of global application as a key objective. In furtherance of this objective, the UAE conducted its 1st NRA in 2018, updated it during 2019 and conducted eight sectoral risk assessments in the period of (2021-2022).⁽¹⁹⁾

(19) The eight complementary assessments included topics related to sectors that were classified as high-risk according to the results of the NRA and the general context of the UAE, represented in the banking sector, the money or value transfer services sector, and the DPMS sector. The assessments also included the vast majority of the main risks facing the country according to the National Risk Assessment, which included more details about assessing the risks of proceeds of foreign money laundering crimes by a professional party, assessing the risks of using cash in DNFBPs, including those related to high-value real estat

- AML/CFT/CPF Supervisory Regime: AML/CFT/CPF supervisory authorities for FIs, DNFBPs, and VASP are empowered under UAE laws and regulations to conduct risk-based supervision in addition to levying sanctions and referring potential criminal activity to LEAs, ensuring that institutions comply with their AML/CFT/CPF obligations and address identified weaknesses promptly. Laws and regulations also require FIs, DNFBPs and VASPs to undertake regular ML/TF/PF risk assessments to inform the design of their AML/CFT/CPF programs. FIs carry out their risk assessments while DNFBPs still require improvements given that DNFBPs are more recently subject to AML/CFT/CPF compliance.
- Capacity and Powers to Freeze, Seize, and Confiscate Assets related to ML/TF/PF activity: Regarding carrying out rapid measures, such as seizing or freezing proceeds of crime, to prevent the transfer or disposal of the proceeds, there are challenges in terms of implementation when the holder of the funds changes, especially when the funds are transferred from one account to another. Also, there is a need to amend national legal framework to include new FATF requirements to enable the confiscation of criminal property and property of corresponding value after a person is convicted and without requiring a criminal conviction.
- Judges, Prosecutors, Investigators with Integrity and Independence. From a legislative standpoint, there are laws regulating the work of judges, prosecutors, investigators. From a technical standpoint, a follow-up is carried out by technical regulatory bodies and offices that monitor their technical compliance and the efficiency of their investigations and impartiality, each according to their mandate, whether they are a law enforcement officer, or a Public Prosecutor responsible for the investigation.
- Customs Regime Concerning Cash and Similar Instruments: The UAE has robust regulations mandating declaration of such items, supported by penalties for non-compliance. Strengths

- include electronic declaration systems and efficient cooperation among institutions. However, the UAE lacks sufficient licensing systems for cash couriers, and work is underway on a project being led by UAE Customs to verify the declarations of cash couriers to exchange houses, banks or legal persons through the declaration system using an independent mechanism.
- Domestic Cooperation: A number of enhancements have been made to improve domestic cooperation including strengthened regulatory framework, enhanced supervisory cooperation, increased information sharing between the private sector, LEAs, and other relevant stakeholders to detect suspicious activities and develop investigations and prosecution. The UAE demonstrates robust collaboration mechanisms between federal and local entities, governed by comprehensive laws and bilateral MOUs. However, cooperation in tracking, identifying, seizing and freezing funds in a timely manner requires more improvements to ensure perpetrators are not able to hide or smuggle the proceeds of crime.
 - International Cooperation: The UAE has a broad legal basis for providing international cooperation in relation to ML. The UAE engages in MLA and informal cooperation, although challenges, such as delays and procedural issues, exist, encumbering the UAE's efforts to effectively engage in international cooperation. Efforts to establish joint investigation teams and reduce reliance on diplomatic channels are necessary for improvement.
 - Formalization Level of the Economy: The UAE exhibits a low level of informal economic activity, supported by stringent legislation and effective enforcement. Efforts to promote formalization include licensing initiatives, but challenges persist in sectors reliant on cash particularly in DPMS and real estate sectors.
 - Financial Integrity: The UAE demonstrates a comprehensive legal framework and international cooperation efforts to combat

- financial crimes effectively. Stringent penalties for AML/CFT/CPF violations and the role of the UAEFIU underscore the country's dedication to maintaining financial probity via advancing the LEA's investigations through providing the necessary information (e.g. financial statements of the inflows and outflows related).
- Tax Enforcement: The UAE has a robust legal framework and initiatives to ensure tax compliance. Improved coordination is needed in information exchange between tax and customs authorities.
 - Independent Audit: While the UAE has significant legislative contributions supporting independent auditing, there is a need for broader application of these laws and improved monitoring for effective implementation.
 - Reliable Identification Infrastructure: The UAE has established a secure national identification system with initiatives aimed at enhancing identification processes. However, challenges exist in verifying the identity of individuals in certain limited contexts.
 - Basic and Beneficial Ownership Registries: UAE is consolidating registrars in the country, and the UAE has established an effective National Economic Register to collect and maintain basic and beneficial ownership information for legal persons registered in the country, and to ensure that this information is accurate and up to date. However, there is a need to assess if resources across registrars (in the mainland, FFZs and CFZs) are sufficient to conduct on-site and off-site inspections of legal persons to verify beneficial ownership information.



- Capacity of AML/CFT/CPF Agencies: To better allocate resources and apply a risk based approach and considering the increase in workload, it is important to continue evaluating the need for additional resources for different authorities including LEAs, supervisory authorities, UAE Customs and UAEFIU.



4.1.3 Sectoral Risk Assessment:

4.1.3.1 Financial Institutions

161. The risk assessment of FIs ensured the identification of threats and vulnerabilities concerning this sector, as well as overall compliance, enhancement of internal controls, efficient resource allocation, improved transaction monitoring and reporting, reputation management, and international cooperation. The consideration of all these elements

collectively contribute to a more effective and resilient global financial system capable to mitigate and manage risks while preventing money laundering and terrorist financing.

162. The present risk assessment for FIs in the UAE also compared the risk ratings of various financial sectors against their previous assessments in 2019 and 2021. This assessment evaluates the inherent risks, the effectiveness of the control measures implemented by these sectors over the years, and their corresponding residual risk.

163. Considering the distinctive features of the UAE as global financial hub the analysis of threats and vulnerabilities in the financial sector showed several inter-connected factors, such as non-resident customers, high-risk customers, high-risk jurisdictions, high-risk businesses, and the use of third parties to hide ultimate beneficial ownership (BO). Trade-based money laundering (TBML) and the use of complex and anonymous transactions also pose significant risks. The sector also faces challenges related to foreign politically exposed persons (PEPs), high net worth individuals, non-face-to-face interactions, and nesting.

164. Despite these risks, awareness and implementation of mitigation measures are strong within the sector, especially by banks.

• Mainland:

- Banking Sector

165. The overall Medium-High risk rating for the Banking sector is consistent with the characteristics of the sector in the UAE. The banking sector's inherent

risk rating score is High due to multiple factors such as dealing with high-risk industries (real estate, dealers in precious stones, virtual assets, trade finance industries). Further the banking sector is associated with high risk customers such as politically exposed persons, non-resident customers, customers dealing with high-risk jurisdictions within the UAE's banking services. The sector also engages with its customers through the use of digital channels, check cashing facilities, and provide payment processing services. The banking industry is exposed to Money Transport and Cash Controller Networks, Proxy Networks, Money Mule Networks and Digital Money and Virtual Currency Networks. More recently, the banking sector is exposed to fraud risks such as Impersonation fraud, Business Email Compromise (BEC) and pig butchering scams.

166. Within the control environment, the UAE has made special provisions for AML requirements in the banking sector. Since 2021, the CBUAE in particular has published more than 85 Circulars and Notices on AML/CFT related topics. This includes the requirement to implement prescribed

measures on risk assessments, customer due diligence measures, ongoing monitoring of transactions, sanction screening requirements and reporting suspicious transactions/activities to the UAEFIU. In addition, the UAE introduced a number of reporting requirements to ensure reports are in line with the UAE's typologies and risks.

167. The CBUAE noted improvements to the banking control framework as compared to 2019. The results showed an improved AML/CFT culture and a better understanding of risk. Customer risk in the banking industry demonstrated enhancements to AML/CFT on boarding controls, detailed risk assessments which supported the identification of higher risk customers. The banking sector also enhanced risk-based KYC/CDD procedures and monitoring tools to monitor higher risk customers and activities. Training and expansion to AML/CFT resources were observed.

168. The CBUAE noticed a better understanding of products and services risk in the banking industry, through the identification and mitigation controls to ML/TF risks associated with higher risk products. The outcomes of the NRA, SRA and other typologies were utilized in these assessments. Monitoring tools were also utilized to scrutinize transactions associated with higher risk products.

169. Controls around Delivery Channels demonstrated improvements since 2019 through the enhancements to transaction monitoring and internal controls via various channels such as ATM cash deposit machines, electronic banking services, electronic payments like wire transfers, remittances, and prepaid cards.

170. Geographic risk in terms of identifying higher risk customers, transactions and jurisdictions also showed improvements. Controls and risk assessments were enhanced to accurately identify, classify, and monitor such trends. These mechanisms led to suspicious activity

reporting to the Financial Intelligence Unit in terms of ML/TF risks associated with customers and transactions being associated with higher risk geography.

- Exchange House Sector:

171. The overall Medium-High risk rating for the Exchange House sector is consistent with the characteristics of the sector in the UAE. The Exchange House sector's inherent risk rating score is High and this can be attributed to the Exchange Business covering wide range of business activities that includes money changing, cross border money transfers, cross border banknotes shipments, etc, and it being highly vulnerable to ML risks since huge amount of cash can easily be received from customers for processing their transactions and hence may be misused for moving funds of illegitimate origin or for illegitimate purposes.

172. The ML related vulnerabilities can be associated with the following key areas:

- Cash Transactions: Exchange Houses are receiving large volume of cash, the source of which is not always traceable, for processing transactions and hence attract criminals to legitimize their ill-gotten funds through structuring;
- Money Transfers: Exchange Houses are processing international/domestic money transfers and these transfers move funds faster across countries maintaining anonymity and hence tracking the source and final destination is difficult;
- Banknotes Shipments: Exchange Houses are exporting and importing banknotes to/from foreign jurisdictions where no transaction limits are applied and, in these cases, tracking the sources or purposes of underlying transactions will practically be challenging;
- Remittance Arrangements: Exchange Houses are mostly using the services provided by remittance service providers operating in foreign jurisdictions and some of these



foreign jurisdictions may be operating with inadequate regulatory framework/controls;

- Third Party Transactions: Exchange Houses are processing third party transactions and these transactions may become complex as the actual customer/beneficial owner of funds may sometimes be hidden resulting in serious transparency issues;

- Large Number of Transactions: Exchange Houses are processing large number of transactions on a daily basis, sometimes through its multiple branches, and hence segregating the illegitimate transactions for onward reporting to Regulators and FIUs becomes difficult; and
- New Technologies: Products and services related to Exchange Business based on new financial technologies can expose the Exchange Business into money laundering risks as such products may sometimes result in anonymity.

173. Overall, Exchange Business can be used during any stage of money laundering such as placement, layering or integration due to the excess usage of cash, speed of transactions, cross border funds movement, anonymity, complexity, third party involvement, absence of transaction limits in some products, etc.

- Insurance Sector:

174. The overall Medium risk rating for the Insurance sector is consistent with the characteristics of



the sector in the UAE. The insurance sector's inherent risk rating score is Medium; factoring the limited avenues by which the sector can be abused for ML purposes, the same is reflected in the risk rating.

175. Few critical areas factor into the ML risk assessment which are the following:

- Provision of life insurance products.
- Ability to settle insurance premium in cash.
- Understanding the insured party in terms of KYC and reputational risk (through adequate name-screening tools).

176. The risk assessment shift when tackling TFS and Fraud areas where the risk is higher due to prevalent insurance scams, involvement of the Insurance company is commercial insurance products (particularly maritime), and the usage of insurance products by sanctioned parties to route value to related parties.

177. The control effectiveness assessment in the insurance sector suggests that the controls need to be strengthened further. This outcome is appropriately reflected in the effectiveness rating of "Partially Effective" from the risk assessment model used.

- Registered Hawala Provider Sector:

178. The overall High-risk rating for the Registered Hawala Provider sector is consistent with the characteristics of the sector in the UAE. The RHP sector's inherent risk rating score is High due to multiple factors such as dealing with high-risk industries (real estate, dealers in precious stones). Further the RHP sector is associated with high risk customers such as politically exposed persons, non-resident customers. The sector business-wide Risk Assessment, CDD/KYC and Customer Risk Assessment, enhanced CDD, monitoring and reporting framework, STR reporting, TFS-related controls, record keeping also requires further enhancements and effectiveness. Hence, the control assessment of the sector is part of their supervisory intervention and understanding of the sector. The control assessment is 'Partially Effective'.

179. Based on the residual risk, an inherent risk rating of 'High' combined with a control effectiveness rating of 'Partially Effective' yields a residual risk rating of 'High' for the Registered Hawala Providers. As it stands, the residual risk rating for this sector remains the same with the UAE NRA due to high inherent risk and partially effective controls.

- Finance Companies Sector:

180. The overall 'Medium' risk rating for the Finance Companies sector is consistent with the characteristics of the sector in the UAE. The finance company sector in the UAE is relatively small, compared to other mainstream financial sectors operating in the country and the exposure of the sector to high-risk customers, products, geographies and delivery channels is minimal.

181. Based on the residual risk table provided in the Methodology section, an inherent risk rating of Medium, combined with a control effectiveness rating of Partially Effective,

yields a residual risk rating of Medium for the Finance Companies sector.

- Securities Sector:

182. This sector comprises of the FIs which perform the different functions involved in trading securities and commodities contracts.

183. Below is the Securities Categories Residual Risk Level

Table 1: Securities Sector Residual Risk Level	
Sub sector	Residual Risk
Market Institutions and Brokers	Medium High
Investment Management	Medium
Forex Companies	Medium High
Advisors and Promoters	Medium

184. The securities sector maintains a risk rating of Medium to Medium -high. The overall rating of mainland is based on the sector size, nature of business, classification of clients including PEPs, increasing number of clients and transactions, robustness of policies and procedures and effectiveness of compliance function.

185. Market Institutions and Brokers form the core of the securities sector and together they contribute towards the full trading volume on the exchanges.

186. Investment Management sector is the main choice for investments and savings by investors, especially since large population is foreign citizens, they use funds domiciled in their home countries to park their savings. Owing to following global standards and comprising mostly international firms, the sub-sector gets the medium residual risk rating.

187. Advisory companies do not perform fund-based activity and are more into research and financial planning, hence low in importance from an AML perspective and is the least risky sub-sector.

188. Forex trading companies are relatively newly licensed. Trading volumes are high, investors are short term, competition is high, which will lead to the companies receiving greater supervisory attention and allocation of resources.

• **Financial Freezones:**

- **Abu Dhabi Global Market (ADGM)**

189. ADGM is an international financial centre and free zone located in the Emirate of Abu Dhabi. ADGM was established pursuant to Federal Law No. (8) of 2004, Federal Decree No. (15) of 2013, Cabinet Resolution No. (4) of 2013, and Abu Dhabi Law No. (4) of 2013. ADGM has its own civil and commercial legal regime, which directly applies English common law within the defined geographical area of the free zone. ADGM also has its own independent registrar, financial services regulator, and courts.

190. The Financial Services Regulatory Authority

(FSRA) is responsible for the regulation of financial services and related activities in and from ADGM, with its statutory objectives stated in the Financial Services and Markets Regulations 2015. The FSRA is also the competent authority in ADGM responsible for overseeing AML/CFT and TFS compliance of FIs. A distinguishing feature of the ADGM financial system is the absence of cash transactions, significantly reducing overall AML risks and promoting a more secure and transparent environment across all sectors evaluated in this report.

- **Banking**

191. The banking sector in ADGM predominantly consists of wholesale banking entities, offering a range of financial services primarily tailored to large corporations and institutional clients, with some limited presence of private banking services. The range of offerings in this sector is relatively narrow and straightforward,

which may be described as more limited in scope. the banking sector demonstrates a strong compliance to adhering to AML/ CFT requirements by implementing robust controls and risk mitigation measures. These and other factors contribute to the Medium-risk rating.

- **Money or Value Service Providers**

192. Although the number of FIs licensed to engage in Money or Value Transfer Services (MVTs) activities may be relatively low when compared to other sectors in the ADGM or the broader UAE MVT sector , this sector is the largest in the ADGM in terms of customer base. This is primarily due to the number of financial institutions within this category are authorised to deal with individual customers. For the MVTs sector, the control effectiveness is deemed as partially ineffective. This is mainly due to deficiencies and breaches of AML requirements identified by ADGM. Several key factors are present, including the diverse customer base, extensive geographical exposure, a wide array of service offerings, a history of previous supervision and regulatory actions, the rapid pace of transactions, remote and non-face-to-face customer onboarding methods, and the increasing reliance on advanced technology. The overall risk rating of the MVTs sector is deemed to be Medium High.

- **Insurance Companies**

193. The insurance sector of ADGM mainly consists of Captive Insurance Firms and brokers, focusing predominantly on reinsurance. According to the recent assessment of AML/CFT and TFS controls within the ADGM's insurance sector, the controls are largely effective. The firms under this sector are primarily formed to offer reinsurance coverage for their group or affiliated entities. To date, all captives in ADGM have been set up by UAE government

related entities. Therefore, the risk of ML/ TF within the insurance sector in ADGM is assessed to be Low.

- **Securities:**

194. The securities sector within the ADGM stands out as the largest sector in terms of the number of licensed entities operating within it. In line with Abu Dhabi's goals to establish itself as a leading global capital market hub in the region, ADGM remains committed to further develop and enhance this sector. Due to the diverse range of business models in this sector, licensed entities are categorised into four sub-sectors based on their business activities: asset and wealth managers, financial advisors and arrangers, dealers and brokers, and custodians. This categorisation allows for a more accurate assessment and understanding of the distinct risks associated with each sub-sector's activities.

195. The overall risk assessment of the securities sector in the ADGM is rated as Medium. This rating is derived from a comprehensive analysis that includes three critical components: the threat assessment, the vulnerability assessment, and the control assessment. Each of these components has been assessed across the various sub-sectors within the securities sector, contributing to the overall risk profile of the sector. The following table highlights the overall rating of the various sub-sectors within the securities sector:

Table 2: Residual risk / sub sector	
Sub sector	Residual Risk
Asset and wealth managers	Medium
Financial Advisors and Arrangers	Low
Dealers and Brokers	Medium - High
Custodian	Medium





- Dealers and Brokers:

196. The dealers and brokers sub-sector in ADGM is characterised by a wide range of products and services, including products that might be considered risky in terms of AML/CFT. The sector's offerings are particularly appealing to clients involved in various activities, such as the physical dealing and trading of precious metals like gold, that present certain elevated ML/TF risks. For the Dealers and Brokers sector, the control effectiveness is deemed as partially ineffective. The overall ML/TF risk for the dealers/brokers sector in ADGM is deemed to be Medium-high.

- Custodian

197. A review of AML/CFT and TFS controls in custodian sub-sector revealed that many licensed entities have implemented strong measures to combat financial crime. The overall risk rating for the custodian sector is assessed to be Medium.

- Dubai International Financial Center (DIFC)

198. The Dubai International Financial Centre

(DIFC) is an international financial center based in Dubai. It hosts over 2,000 registered companies including financial and non-financial firms.

199. The Dubai Financial Services Authority (DFSA) is responsible for the regulation of financial services and related activities in and from Dubai International Financial Centre (DIFC). It is the competent authority in DIFC responsible for overseeing AML/CFT and TFS compliance of FIs.

- Banking

200. The banking sector in the DIFC residual risk rating stands at Medium. The DIFC does not currently have any start-up domestic deposit-taking institutions and all authorised deposit-taking institutions are either Branches or Subsidiaries of an established bank domiciled in a foreign jurisdiction. In addition, the use of cash does not exist in the DIFC nor does the sector offer retail banking services. Based on the DFSA assessment, the banking sector inherent vulnerability score has been assessed as Medium-High and the sector's quality of general AML controls score has been assessed as Medium-High.

- Insurance Companies

201. The insurance sector in the DIFC is subject to a Federal Law restriction that limits the carrying out of insurance in the UAE to reinsurance. As a result, insurance companies that are based in the DIFC are limited to interacting with other life insurance and non-life insurance companies operating in the UAE. The residual risk rating stands at Medium - Low. Based on the DFSA assessment, the insurance sector inherent vulnerability score has been assessed as Medium-Low. The sector's quality of general AML controls has been assessed as Medium-High.

- Money of Value Service Providers

202. In April 2020, the DFSA expanded its permitted financial services activities by introducing a comprehensive Money Services regime. It is key to note that money services firms operating or who will be operating in or from the DIFC are restricted from accepting cash and all money has to come from regulated institutions (e.g. banks).

203. The money services sector in the DIFC residual risk rating stands at Medium. Based on the DFSA assessment, the money services sector inherent vulnerability score has been assessed as Medium. The sector's quality of general AML controls score has been assessed as Medium.

- Securities:

204. The securities sector in the DIFC is significant in size in terms on the number of FIs. Given its size, the DFSA divided the sector into five sub-sectors being brokerage, wealth management, crowdfunding, Advisory & Arranging and Representative office. The overall residual risk stands at Medium. The Securities sector inherent vulnerability score has been assessed as Medium-High and the

sector's quality of general AML controls score has been assessed as Medium-High.

205. However, given the individual characteristics of each sub-sector, the DFSA's assessment considered the inherent vulnerability, control assessment and residual risk of each sub-sector. The outcome of this assessment is as follows:

Table 3: Residual risk / sub sector	
Sub sector	Residual Risk
Brokerage	Medium
Wealth management	Medium
Crowdfunding	Medium
Advisory & Arranging	Medium - Low
Representative office	Low

4.1.3.2 Virtual Assets sector:⁽²⁰⁾

206. The UAE has an advanced technology infrastructure that support the growth of financial innovation and technology. While the relevant authorities recognize the risks associated with Virtual Assets (VAs), they have worked on understanding the sector and mitigate the risks given the global developments and increased role of these innovative financial instruments in fostering economic growth and enhancing the efficiency of the financial sector.

207. The UAE is assessed to have a high level of risk exposure to ML/TF within the virtual assets sector. This encompasses a spectrum of risks across services like virtual asset custodians, exchanges, and brokers. The primary threats include cyberattacks on blockchain networks, the use of virtual assets by international criminal networks, regulatory gaps reducing the effectiveness of supervision activities, and geographical risks from simplified cross-border transactions. Additionally, infrastructure risks related to

(20) incl. all categories across Financial Services covered in this document, that may be interacting with/facilitated using Virtual Assets

smart contracts (such as malware and data theft) pose significant challenges to the virtual asset technology. Below is a table indicating categories and number of licensed VASPs in the UAE:

Table 4: the number of licensed VASPs in the UAE	
VA Entity Category	No.
Application Acknowledgment Issued	133
VA Proprietary trading NoC	164
Distributed Ledger Technology NoC [DLT]	115
UAE Licensed VASP's	23
Representative office	Low

208. To mitigate these risks, the UAE has implemented robust regulatory frameworks through various cabinet resolutions and supervisory authorities' mandates. Enhanced KYC/AML processes, stringent compliance with international sanctions, and robust information sharing mechanisms are in place to combat these threats. Moreover, there is a focus on investor protection through awareness programs and bolstering technology and cybersecurity infrastructure.

209. Improvements for the future include enhancing regulation and compliance to address emerging risks, strengthening KYC/AML procedures, fostering international cooperation to combat cross-border threats, and enforcing stringent data protection standards to safeguard customer information. By addressing these areas, the UAE can strengthen its defenses against the misuse of virtual assets and improve the security and integrity of its financial systems.

• Conclusion and next steps:

210. Overall, the diverse nature of ML/TF vulnerabilities across the UAE financial sectors necessitates ongoing vigilance, enhanced regulatory frameworks, and robust compliance measures to effectively mitigate these risks.

211. The UAE has implemented comprehensive mitigation measures to address ML/TF risks. These measures include a risk-based supervisory plan, thematic reviews on emerging risks, workshops and outreaches, guidance and guidelines on key areas, and a robust feedback mechanism through the UAE FIU.
212. Supervisory authorities in the UAE adopt a risk-based approach to allocate resources and attention according to identified risks. This approach allows for the development and implementation of supervisory strategies that are informed by the risk assessment process, ensuring that high-risk areas receive appropriate focus and intervention.
213. The supervisory authorities conduct thematic reviews to address emerging risk themes identified through the risk assessment exercise. These reviews cover critical topics such as sanctions screening, TFS, TBML, cash management, legal persons and arrangements, and countermeasures on high-risk jurisdictions. The aim is to understand and evaluate the risk mitigation strategies of sectors exposed to these emerging risks.
214. All Supervisory Authorities actively engages with the financial sector through workshops and outreach sessions to enhance knowledge and understanding of emerging risks and AML/CFT (anti-money laundering and counter-financing of terrorism) developments. In 2023, over 37 outreach sessions were conducted within CBUAE, reaching more than 35,000 participants from the private sector. These sessions cover various topics, including risk-based approach, AML/CFT requirements, and TFS compliance, leveraging best practices from different agencies and supervisory authorities.
215. To strengthen the sector's understanding and promote transparency, supervisory authorities

issue guidance and guidelines based on the outcomes of sectoral risk assessments. These documents provide clarity on regulatory expectations and help regulated sectors benefit from further guidance on AML/CFT requirements and best practices.

216. Several recommendations have been made to enhance the UAE's AML/CFT framework. These include continue to improve the supervisory authorities' understanding of ML/TF risk, introducing national-level training for supervisory authorities and the private sector, and reviewing the statutory AML/CFT framework to align with FATF standards. Other recommendations focus on improving data collection for monitoring fraud risk, tailoring the supervisory approach to higher-risk sectors, and enhancing communication with the industry through feedback, trend analysis, and detailed guidance on AML red flags and risk factors.

217. The UAEFIU further enhanced up its feedback mechanisms to improve the quality of suspicious transaction reports (STRs). Since 2020, the UAEFIU has been providing quarterly feedback to reporting entities, identifying common shortfalls and clarifying expectations. The UAEFIU also publishes Trends & Typology reports to raise awareness about financial crime typologies and best practices. Automated filtering criteria validate submitted reports, and ongoing communication with reporting entities ensures clarifications and improvements. Additionally, the FIU monitors reporting levels and communicates with supervisory authorities to address any deficiencies in reporting.

218. Given the factors that characterize the UAE's financial system and its global interconnectedness, the FIU has further strengthened its cooperation and exchange of information with foreign FIUs, especially with strategically important FIUs, according to a risk-based approach.

4.1.3.3 Designated Non-Financial Businesses and Professions:

219. In the UAE, the Designated Non-Financial Businesses and Professions sector is large and diverse, with around 16,000 firms supervised by four supervisory authorities, the vast majority of which are operating in the mainland and commercial free zones, where 96% of the total DNFBPs population are supervised by the Ministry of Economy (MOEc) and 2% by the Ministry of Justice (MOJ). The number of DNFBPs operating in the financial-free zones accounts for around 2% of the total population supervised by the DIFC and the ADGM.

• DNFBPs under MOEC & FFZ: supervision

- Dealers of Precious Metals and Stones:

220. The Dealers of Precious Metals and Stones sector is the largest contributor to the non-oil trade of the country and is considered the largest sector among DNFBPs operating in the UAE. The vast majority of these businesses (around 99.4%) operate in the mainland and commercial free zones and are supervised by the MOEc. DPMS in FFZs fall under the supervision of FSRA and DFSA and is mainly retail shops.

221. The DPMS sector in the UAE is classified as Medium-high risk for ML. The sector is more vulnerable to ML in the mainland and commercial free zones due to the cash-intensive nature of transactions, De-risking implemented by some FIs, non-standardized registration. On the other hand, there are no evidence showing that the sector has been abused for TF.

222. The DPMS sector in the FFZs is relatively small compared to the mainland and is comprised mainly of retail sellers to the public. Given these characteristics of DPMS, the residual risk of the DPMS sector in FFZ is assessed as Medium. The DPMS sector's inherent vulnerability score has been assessed

as medium-high, and the sector's quality of general AML controls score has been assessed as Medium.

- Real Estates Brokers and Agents:

223. The real estate sector significantly contributes to the UAE's economy, and considered an attractive sector for local and foreign investments, especially in Dubai. It is the second largest sector among DNFBPs operating in the UAE. the vast majority of the sector (around 99.8%) operates in the mainland and commercial free zones, and supervised by the MOEc. The sector under ADGM supervision is considered small and has minimal vulnerability to ML/TF. The real estate sector in the DIFC is not active.

224. In the UAE, the Real Estate sector is classified as High risk for ML due to its susceptibility to exploitation by criminals, particularly those involved in the drug trade. The sector is more vulnerable to ML in the mainland and commercial free zones due to the cash-intensive nature of transactions, especially within the high value of luxury properties. on the other hand, the sector has not been misused for terrorist financing.

225. The real estate sector in the free zones is relatively small compared to the mainland. Although companies have registered in FFZ, there has been limited to no activity in the real estate sector during the assessment period. Nevertheless, the residual risk of the real estate sector is assessed as Medium-low. The real estate sector's inherent vulnerability score has been assessed as Medium-High, and the sector's quality of general AML controls score has been assessed as Medium.

- Corporate Service Providers:

226. The UAE has become a business hub attracting many international companies and

entrepreneurs. the vast majority of the sector (around 97.2%) operates in the commercial free zones and the mainland, with 70% concentrated in Dubai and Sharjah. There are no trust services providers in the mainland and the trust service providers in the FFZ are regulated entities and are not classified under the DNFBP criteria.

227. In the UAE, the CSP sector is classified as Medium risk for ML. The services provided by the Corporate Service Providers can be abused to facilitate the concealment of beneficial ownership or the transfer of funds to offshore locations. The UAE is aware of the challenges related to transparency in beneficial ownership and has implemented, and continues to implement, enhanced measures to safeguard against misuse of the system. On the other hand, there are no evidence showing that the sector has been abused for TF.

228. The CSP sector in the FFZ is relatively small compared to the mainland and is limited to corporate services. Trust service providers' activities fall under the financial services regime (conduct and prudential obligations apply) and, therefore, are not classified as DNFBP. The residual risk of the CSP sector is assessed as Medium. The CSP sector inherent vulnerability score has been assessed as Medium and the sector's quality of general AML controls score has been assessed as Medium-High.

- The Audit and Accounts Sector:

229. The UAE's audit and accounting sector is experiencing substantial growth, given its pivotal role in regulating the country's business sector and developing the corporate governance system in order to provide a safe and attractive business environment for investments. the vast majority of the sector (around 97.6%) operates in the commercial free zones

and the mainland, around 85 % of the total population are operating in Dubai, Abu Dhabi, and Sharjah.

230. In the UAE, the Audit and Accounting Sector is classified as Medium-Low for ML since there are no evidence showing that the sector has been abused for ML, or any predicate offences to ML. However, several vulnerabilities still exist within the services they provide, suggesting keeping this sector under ongoing monitoring.

231. The Audit and Accounting sector in the Free Zones is relatively small compared to the mainland. Its residual risk is assessed as Medium-low. The sector's inherent vulnerability score has been assessed as Medium, and its quality of AML controls score has been assessed as Medium.

DNFBPs under MOJ & FFZ supervision:

- Lawyers and Legal Professionals Sector

232. The MOJ is the designated supervisor for Lawyers and Legal Professionals throughout the UAE however, Both ADGM and DIFC signed delegation agreements to supervise the legal sector on behalf of MOJ in FFZ. Around 67 % operating in the mainland and the rest in the FFZs.

233. In the UAE, the Law Firms and Legal Consultations Sector is classified as Medium-Low risk for ML since there are no evidence showing that the sector has been abused for ML, or any predicate offences to ML. However, several vulnerabilities still exist, suggesting keeping this sector under ongoing monitoring, for example in the case of Lawyers involved in real estate transactions may facilitate ML by helping clients purchase properties with illegally obtained funds and concealing beneficial ownership through nominee arrangements or shell companies by setting up complex

corporate structures or trusts.

234. The legal sector residual risk in the **Financial Free Zones** is assessed as medium-low. The sector's inherent vulnerability score is medium, and its quality of AML controls score is Medium.

- Notaries:

· There are no cases indicating that the Notaries sector in the UAE have been misused for any of the ML or TF, and they are not allowed by the law (Federal Decree Law No. 20 of 2022 Regulating the Notary Profession) to prepare for or carry out transactions for their clients concerning activities mentioned in recommendation 22 by FATF. As a result, Notaries are not classified under DNFBPs in the UAE **mainland**.

· Other Potential Sectors Under DNFBPs:

- Commercial Gaming Activities:

235. The UAE introduced a new regulatory body called the General Commercial Gaming Regulatory Authority (GCGRA) in September 2023, which is responsible for regulating, licensing, and supervising commercial gaming activities in the UAE. Still, at the time of the report, it was not clear whether there is any licence issued for Casinos, also the sector is not yet classified as DNFBPs in the AML/CFT Law. Hence, the Casino sector was not evaluated in this report.

236. The UAE needs to develop and implement a robust regulatory and supervisory framework for Casinos activities in line with the FATF standards and global best practices in fighting financial crimes.

- Luxury items and goods:

237. There is evidence showing that the market of luxury items and goods, especially the luxury

automobile and yacht sectors, have been abused in some ML cases. These findings suggested the enhancement of monitoring measures. However, further analysis and evidence are needed to consider whether this typology could be considered as an emerging trend and whether these activities and sectors should be brought under the AML/CFT framework.

• **Conclusion and next steps:**

238. DNFBPs play an important role in the UAE's economy and are exposed to risks, therefore necessitating coverage under a robust regulatory regime and supervisory framework to ensure compliance with AML/CFT requirements. Recognizing their significance and risks, the UAE has categorized DNFBPs as a fully regulated sector under AML/CFT laws, a move that highlights the Country's commitment to mitigating financial crime. The MOEc and the MOJ have emerged as the principal regulators and supervisory authorities, ensuring that DNFBPs are aligned with national and international compliance standards.
239. The DNFBP supervisory authorities should enhance awareness regarding the risks of money laundering and terrorist financing by holding more meetings and trainings with sector representatives and collaborating more with the sector through the public-private sector partnerships community.
240. The DNFBP supervisory authorities should continue to spread awareness about their understanding of the obligations outlined in the law and the bylaw, with a particular focus on raising the quality and quantity of SARs/STRs.
241. The NRA identified certain industries within the DNFBP sector as particularly vulnerable to financial crime. The NRA flagged DPMS

and real estate brokers and agents as areas with heightened exposure to money laundering and terrorism financing risks. The relevant supervisory authorities should intensify their supervision efforts, placing a greater emphasis on these sectors due to the significant risks they pose.

242. Furthermore, as part of the country's preventive and proactive stance, the UAE established the General Commercial Gaming Regulatory Authority (GCGRA) in September 2023. This body is tasked with regulating, licensing, and supervising commercial gaming activities. Although there are currently no casinos or online gambling platforms in the UAE, the creation of a clear institutional and legal framework is seen as a prudent step in managing potential future risks associated with this industry.
243. In conclusion, the UAE's efforts to regulate DNFBPs underscore its dedication to maintaining a secure and compliant business environment. By intensifying supervision, increasing sectoral awareness, and implementing forward-thinking initiatives like the GCGRA, the UAE is ensuring that both existing and emerging risks are effectively mitigated. As the regulatory landscape continues to evolve, further steps will undoubtedly be taken to fortify the country's position as a leader in global AML/CFT efforts.

• **Legal Persons and legal arrangements:**

244. In the UAE, legal persons can be incorporated in the mainland in each Emirate and in both the commercial and Free Zones. The registrars in the UAE are divided in Mainland, FFZ and CFZ. Legal persons and arrangements play a fundamental role in the economy growth and considered as very diverse and large sector with around 828,000 legal persons were 73% are in the Emirates of Dubai and Abu Dhabi.

245. The UAE conducted a comprehensive assessment of the risks associated with all types of legal entities in the UAE. The focus of risk assessment was the exposure to ML threats of each type of legal person and arrangement created in UAE, and to identify their vulnerabilities for ML potential abuse.
246. The overall ML risk rating of the Legal Persons and Arrangements is Medium-High. The most observed typology is the possible abuse for ML purposes involving complex operations and transactions to conceal ultimate beneficial ownership and use of nominee arrangements.
247. These vulnerabilities suggested the implementation of several regulatory and non-regulatory measures, including the enhancement of the legal framework, the enhancement of the supervision and regulation, including off- and on-site inspection, the rationalization and reduction of the number of registrars, promotion of awareness and compliance among the registrars, including reporting duties, and others. These measures also generated an increase quality suspicious activity report to the FIU involving the ultimate beneficial ownership of legal entities.

Case study (8): Basic and Beneficial Ownership information

In September 2023, a registrar received a registration request for a legal entity that would operate as a general trading and e-commerce company. During compliance screening checks, a potential match was found against the UBO, who had allegedly been sentenced to seven years of imprisonment for drug trafficking. Based on the documents provided, the compliance team confirmed the individual to be a true match. The following actions were taken by

the authority:

- Compliance team proposed to reject the entity formation to the Compliance Committee which approved the request, and the registration was formally rejected.
- All relevant names were added to the internal Audit list.
- All relevant names were added to the National Economic Register Audit list.

Case study (9): Basic and Beneficial Ownership information

In August 2023, a freezone was carrying out due diligence procedures as part of onboarding of an investment management company during which the compliance team discovered adverse media against the shareholders' names. Based on ID documents provided, the match was verified to be a true match. The shareholder/UBO and their father were also shareholders of a financial institution in a foreign jurisdiction and had previously been charged with reportedly violating banking law and forgery of documents in relation to irregularities in transactions concerning the capital increase of that financial institution. Other shareholders in company X were all family members who were also reported in the news to have been potentially involved in the scheme. The following actions were taken by the authority:

- Compliance team proposed to reject the entity formation to the Compliance Committee which approved the request, and the registration was formally rejected.
- All relevant names were added to the internal Audit list.
- All relevant names were added to the National Economic Register Audit list.
- Rejection was reported to the UAEFIU.

Case study (10): Basic and Beneficial Ownership information

In September 2023, a registrar received an online request to incorporate a company with the intended business activity of engineering consultancy. As part of customer due diligence, the compliance conducted initial screening and uncovered and verified a positive match to the UBO, who was a national

and resident of a foreign jurisdiction.

Screening results revealed that he was a PEP with several recent allegations of bribery and corruption. Further investigation conducted by the Registrar disclosed an arrest in March 2023 for financial misconduct which caused "significant damage to the State Treasury" in the jurisdiction of origin.

The following actions were taken by the authority:

- Compliance team proposed to reject the entity formation to the Compliance Committee which approved the request, and the registration was formally rejected.
- All relevant names were added to the internal Audit List.
- All relevant names were added to the National Economic Register Audit List.
- Rejection was reported to the UAEFIU.

4.2 Terrorism Financing:

4.2.1 TF risks in the UAE context

248. The residual risk level associated with TF in the UAE is currently assessed as Medium high (MH). This evaluation is the result of a methodical analytical process that considers four primary categories, each rigorously analysed across two pivotal dimensions: 'TF Threat' and 'TF Vulnerability'.

249. The assessment also incorporates multiple perspectives of TF risk – domestic, outgoing, incoming, and transit to ensure a thorough examination of both threats and vulnerabilities.
250. The UAE faces a complex terrorist threat landscape, with a medium domestic threat level and an escalating cross-border threat. The UAE's proactive intelligence and counter-terrorism measures have been effective, contributing to its high safety ranking on the Global Terrorism Index. However, the persistent risk from external actors, particularly in conflict zones, necessitates continued vigilance and robust defensive strategies.
251. Terrorist financing activities pose a Medium-high risk within the UAE, with funds being channelled through various means, including donations (sent abroad), informal financial networks. From 2019 to 2023, there were some reported cases of terrorist financing, highlighting the ongoing challenge. The threat is exacerbated by the UAE's diverse population and economic openness, which are exploited by terrorist organizations to facilitate illicit financial transfers. The UAE remains committed to combating these threats through stringent monitoring, intelligence gathering, CFT controls by the supervisory authorities (including periodic inspections on their entity's procedures and controls. Additionally, In the event of violations, appropriate penalties are imposed by the supervisory authority. Any deficiencies identified that pertain to TFS will be systematically addressed through Remediation Action Plans or Risk Mitigation Plans (RAP/RMP)), and international cooperation to maintain regional stability and security.
252. The UAE faces a significant threat from its status as a major finance and trade hub. Dubai and Abu Dhabi's prominent positions in the Global Financial Centers Index and the strategic importance of Jebel Ali Port as a

global transshipment hub highlight the UAE's influence in international finance and logistics. This prominence, however, exposes the UAE to elevated risks of TF activities, as these financial and trade channels can be exploited for illicit purposes. The substantial growth in re-export operations underscores the need for vigilant monitoring and regulation to prevent misuse by terrorist organizations.

253. Additionally, the provision of strategic goods and services presents a high TF threat. Despite stringent regulatory measures, the use of unregulated money transfer services and the manipulation of the trade sector for TF purposes persist.

254. The UAE must continue to enhance its scrutiny of financial channels, particularly in sectors like real estate and non-profit, to mitigate these threats. The evolving tactics of terrorist financiers necessitate a dynamic and robust counter-financing strategy to protect the nation's financial integrity and security.

255. The UAE has established a comprehensive framework to enhance financial transparency and ensure basic and beneficial ownership information is readily accessible on time directly or upon request. This initiative supports relevant authorities in investigations by providing independent information sources.

256. The misuse of virtual assets by terrorist groups is notably high, where these entities exploit the anonymity of virtual currencies to fund their activities discretely. The regional instability provides a fertile ground for such misuse, making it a critical area of concern for global security agencies. However, The UAE actively monitors fraudulent methods used by unlicensed virtual asset service providers and enforces thorough due diligence processes to mitigate risks associated with money laundering, terrorist financing, and arms proliferation. Efforts

include identifying clients consistently seeking services from unlicensed providers, contributing to a robust regulatory and monitoring strategy. No cases of abuse have been identified in the Virtual Assets/Virtual Asset Service Providers (VA/VASPs) and crowdfunding sectors.

257. In line with international efforts, the UAE has ratified key treaties and implemented the United Nations resolutions, encompassing financial, arms, and travel bans to combat illegal activities. Domestically, deterrent legislation enhances supervisory and monitoring activities, while the UAEFIU has increased its intelligence output on terrorist financing. Proportionate sanctions for financial violations and extensive training workshops for employees underscore the UAE's commitment to financial security. Rigorous monitoring and prompt reporting of suspicious activities further support these measures, highlighting the UAE's dedication to maintaining financial integrity and aligning with global standards.

258. In the UAE, the banking sector's assessment of typologies and cases related to sector exploitation is rated as medium due to its vulnerability to misuse, despite its critical importance. A limited number of terrorism financing incidents have been identified within this sector. For Money or Value Transfer Services (MVTs), the assessment is significant, as this sector is frequently exploited by various organizations and is identified as the most utilized financial channel, highlighting its critical vulnerability. Similarly, the Hawala sector is rated as significant due to its heavy exploitation, making it the second most utilized financial channel after MVTs, indicating high risk and vulnerability. Legal persons are also rated as significant, with terrorist organizations that may exploit the sector for self-funding, as several incidents within the country have been identified and addressed.

Case study (11): Money transfer service business

On February 24th, 2021, the court delivered a significant ruling against Mr X and his associates, marking a critical moment in the fight against terrorism financing. Mr X, a businessman with operations in the UAE and Yemen, was found guilty of covertly supporting a terrorist organization. Beneath the guise of legitimate business activities, Mr X, along with co-defendants Mr Y and Mr Z, facilitated the provision of communication tools, financial resources, and logistical support to the Houthi movement.

Investigations revealed that Mr X's company acted as a front for moving funds between Yemen and the UAE, with amounts ranging from 40,000 to 100,000 dirhams. These transactions, carried out through exchange companies or direct handovers by Mr X's brother, , were instrumental in sustaining the activities of the Houthi group. The court's findings highlighted the sophisticated methods used to obscure these illegal operations under legitimate business practices.

The judgment reflected the seriousness of their offenses. Mr X received a 15-year prison sentence followed by deportation, while his co-defendants faced proportionate penalties. The ruling emphasized the critical role of legal mechanisms in dismantling networks that finance terrorism and ensuring that such actors are held accountable.

This case underscores the importance of robust regulatory frameworks and vigilance in distinguishing lawful businesses from those serving nefarious purposes. It serves as a reminder of the judiciary's role in preserving regional security by preventing the exploitation of financial systems for terrorist activities.

Case study (12): Legal Persons Sector

In a complex case involving financial irregularities and suspected terrorist financing, the Central Bank and Financial Intelligence Unit (FIU) of the UAE launched an investigation into two commercial entities, identified as Companies X and Y, that received significant funds from a third-party non-profit organization. Upon further scrutiny, it was discovered that from February 2015 to May 2017, these companies transferred approximately AED 51 million (€12.4 million) to other accounts through cheques and cash withdrawals.

The UAEFIU's inquiry led to the appointment of a specialized committee by the Central Bank to assess the activities of these companies. The investigation revealed that both companies were owned and operated by the same individuals, who also authorized transactions across both entities. These individuals were found to be receiving funds from high-risk countries, raising further concerns about the legitimacy of their financial activities.

Additionally, it was discovered that several other companies receiving funds from Company X were also receiving similar payments from Company Y, demonstrating a coordinated pattern. The banking transactions for these companies did not align with their reported revenue levels, suggesting that their financial operations were inconsistent with legitimate business practices. This discrepancy led to deeper investigations.

The decisive evidence emerged when a link was established between the foreign non-profit organization funding Companies X and Y and a recognized terrorist group.

The Central Bank utilized the World-Check database, which revealed a suspicious connection to the Muslim Brotherhood, an organization officially designated as a terrorist entity in the UAE.

In response, the court moved to prosecute the case, ultimately convicting 21 defendants—9 individuals and 12 legal entities. The penalties imposed were severe, with sentences ranging from life imprisonment to 10 years in prison. Additionally, the court ordered the confiscation of the seized funds, a fine of 500,000 dirhams for each legal entity involved, and the permanent closure of the implicated companies.

This case underscores the critical importance of vigilant financial oversight and the role of regulatory bodies in detecting and dismantling networks that pose significant risks to national security.

4.2.2 Non-Profit Organisations:

259. The NPO sector in the UAE can be categorized into six sub-categories based on their characteristics and nature of work: charitable; humanitarian; health; education; environment; and general and cultural/sport.

260. Although there is no intelligence or evidence indicating that the NPOs sector in the UAE is being exploited for TF purposes, there are several factors that could make this sector vulnerable to such exploitation. These include its cross-border activities and operational characteristics. These organizations often operate in conflict zones where there are active terrorist threats, and the process of providing rapid humanitarian aid to affected areas can be threatened by these terrorist entities. Furthermore, the frequent transfer of large sums of money to

high-risk countries for projects and reliance on irregular seasonal workers increases their vulnerability. The strategic location of the UAE, its diverse demographics, and its prominent role in global humanitarian and developmental aid may also heighten these risks. Therefore, the threat of the NPOs sector being exploited for terrorist financing is assessed as Medium.

261. Despite the challenges facing the NPO sector in the country, primarily due to the multiplicity of regulatory authorities involved in licensing, supervising, and overseeing this sector, which has led to several challenges and vulnerabilities such as the absence of a central authority to assess risks related to TF and fragmented responsibilities and powers among various regulatory authorities overseeing the sector; diverse and inconsistent licensing and registration procedures; and lack of regulatory decisions on virtual currencies, which complicates the regulatory landscape and exacerbates these issues. However, the UAE has implemented several precautionary measures to address these deficiencies and challenges by aligning and amending legislation governing the NPO sector to ensure that all challenges and weaknesses are addressed.

262. Federal Decree-Law No. 50 of 2023 on the Regulation of Public Benefit Organizations includes provisions for: unifying the requirements and procedures for licensing public benefit organizations in the country; coordinating and integrating the roles between the ministry and local authorities involved in licensing, supervising, and overseeing public benefit organizations; establishing a central database ("National Register of Public Benefit Organizations"); defining the powers and responsibilities of all parties involved in overseeing and monitoring the sector according to best practices and approved methodologies; and setting clear

procedures and regulations to combat money laundering and terrorist financing in the sector. Additionally, work is ongoing to issue regulatory decisions related to sanctions and administrative measures, and a national team has been formed, including representatives from all authorities involved in the non-profit sector, to gather and compile data and assess the sector's risks. Therefore, the assessment of the vulnerabilities of NPOs to exploitation in TF is deemed Medium.

Table 5: Ratings of specific NPOs category vulnerabilities	
Category	Vulnerabilities Level
Charity	Medium
Humanity	Medium
Health	Medium-Low
Public and Cultural / Sports	Medium-Low
Education	Low
Environment	Low

263. The UAE is exposed to an overall Medium level of TF regarding NPOs, with threat and vulnerability both rated as medium.

• Conclusion and next steps

264. The UAE remains committed to preventing and combating TF through stringent monitoring, intelligence gathering, CFT controls by the supervisory authorities (including periodic inspections) on all supervised entities controls systems and procedures, including the implementation of proportionate and dissuasive sanctions.
265. A comprehensive legal framework has been established to enhance financial transparency and ensure basic and beneficial ownership information is readily accessible on time directly or upon request, and to protect the NPOs sector. These initiatives support relevant authorities in investigations by providing independent information sources.

266. In line with international efforts, the UAE has ratified key treaties and implemented the United Nations resolutions, encompassing financial, arms, and travel bans to combat illegal activities. The FIU has increased its intelligence output on TF. Proportionate sanctions for financial violations and extensive training workshops for employees underscore the UAE's commitment to financial security and should continue. The UAE should continue rigorous monitoring and prompt reporting of suspicious activities further support these measures, highlighting the UAE's dedication to maintaining financial integrity and aligning with global standards.

267. The UAE should continue to enhance its scrutiny of financial channels, particularly in sectors such as real estate and non-profits, to mitigate these threats. The evolving tactics of terrorist financiers necessitate a dynamic and robust counter-financing strategy to protect the nation's financial integrity and security.

Overall Conclusion:

268. The UAE remains unwavering in its commitment to constantly strengthen its AML/CFT System and foster a culture of awareness, compliance, and effectiveness among all public and private stakeholders.
269. The comprehensive analysis conducted during this 2nd NRA reveals that, despite significant efforts, the UAE is not immune to international threats and remains vulnerable to risks. However, the way forward is clear: the UAE is resolute in enhancing its AML/ CFT system, in line with its responsibilities as a global financial hub and a reliable partner within the international community, and its duty to safeguard both its community and the economy.
270. The 2nd NRA identifies an overall Medium-High level of risk for money laundering



(ML) in the UAE. The principal risk factors underpinning this assessment stem from both domestic and foreign predicate offences. The most significant ML threats in the UAE include fraud and drug trafficking, while medium-high threats encompass counterfeiting and piracy, smuggling—particularly of cash and precious metals—tax evasion, foreign corruption, and currency counterfeiting.

271. Regarding TF, the NRA has also highlighted a Medium-High level of risk, acknowledging that, despite the absence of domestic terrorist attacks and the effectiveness of counter-terrorism measures, the UAE must remain vigilant against external threats.
272. Several sectors of the economy, including FIs, DNFBPs, and the VASPs, face particular vulnerabilities. Within the financial sector, interconnected factors such as non-resident customers, high-risk jurisdictions, and high-risk businesses, alongside the use of third parties to obscure UBO, contribute to these vulnerabilities. Additional challenges include trade-based money laundering, complex

transactions, the presence of foreign PEPs, high net-worth individuals, non-face-to-face business relationships, and nesting.

273. The VASPs sector also presents an array of risks across services like virtual asset custodians, exchanges, and brokers. These risks include cyberattacks on blockchain networks, the misuse of virtual assets by international criminal networks, and geographical risks from simplified cross-border transactions.
274. As for DNFBPs, these sectors remain vulnerable due to the cash-intensive nature of transactions, de-risking measures implemented by FIs, and the lack of standardised registration, particularly in the DPMS sector. The real estate sector, too, is exposed to exploitation, particularly through high-value luxury properties, often linked to criminal activities such as drug trafficking. Corporate service providers and legal persons and arrangements are similarly at risk of abuse, with complex operations and transactions designed to conceal UBO and the use of nominee arrangements or offshore transfers.

275. To address these identified threats and vulnerabilities, the UAE's National Strategy for 2024-2027 is founded on several key pillars, which centre on compliance, effectiveness, and sustainability:

- Enhancing national and international coordination and cooperation, leveraging information exchange between competent authorities, partnerships with the private sector, and close engagement with counterpart jurisdictions and international organisations.
- Ensuring effective supervision that guarantees the private sector's compliance with AML, CFT, and CPF obligations.
- Strengthening the detection, investigation, and disruption of illicit financial activities.
- Ensuring the availability of optimal human and technical resources, aligned with roles and responsibilities, supported by robust data collection and analysis. Additionally, fostering national technical expertise within economic sectors in line with the requirements of combating ML/TF/PE.
- Continuously improving the legal and regulatory framework to adapt to the evolving risk landscape, enhance transparency, and uphold the rule of law.

276. The UAE's focus remains on tackling complex financial crimes, particularly those involving the abuse of legal persons, foreign predicate offences, trade-based money laundering, professional money laundering, and organised crime. In addition, the UAE looks to the future, addressing the risks posed by virtual assets and advancing forms of cybercrime, with a view to implementing appropriate mitigation measures through legislation, regulation, and enforcement.

277. By implementing the national strategy and related national action plan, the UAE strongly demonstrates its high level commitment to further enhance its AML/CFT regime and protect its financial system from illicit activities. Regular monitoring and evaluation in

place will be essential to ensure the ongoing effectiveness of the implemented measures and to continue identifying and mitigating emerging risks on an ongoing basis.



www.namlcftc.gov.ae

