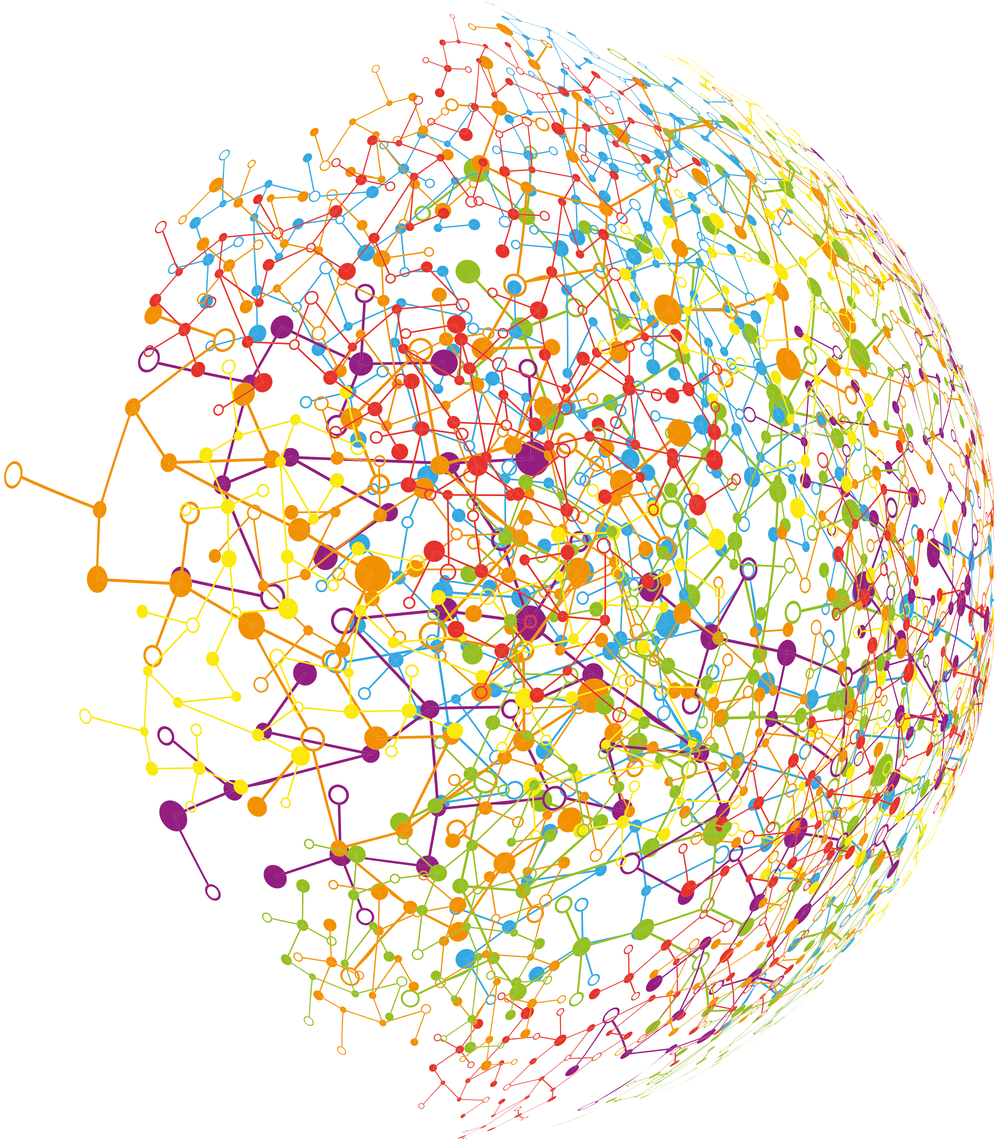

Combatting Financial Crime in the UAE

Addressing key observations in the UAE FATF Mutual Evaluation Report

June 2020

Overview

Given the UAE's continued ambition of becoming a leading global financial and business hub and permanent member of the Financial Action Task Force (FATF), the observations as published in the Mutual Evaluation Report of the UAE 2020 need to be addressed on priority to support this ambition.

FATF sets global standards and promotes effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the financial system. FATF is currently conducting a fourth round of Mutual Evaluations for its members against recommendations adopted in 2012. The Mutual Evaluation of the UAE was conducted in July 2019 and the UAE Mutual Evaluation Report (MER) issued in April 2020 provides a summary of the anti-money laundering (AML)/counter terrorist financing (CFT) measures in place in the UAE at the time of the on-site visit. The report analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of its AML/CFT system. It also makes recommendations on how the system could be strengthened.

The joint FATF-MENAFATF assessment of the UAE concluded that in the past few years, the UAE has made significant improvements to its AML/CFT system including developing the National Risk Assessment (NRA), addressing technical deficiencies in legislation and regulation, strengthening co-ordination mechanisms across the Emirates, strengthening the Financial Intelligence Unit (FIU) and assigning supervisors for previously non-covered sectors. Many of these enhancements to the system are recent, and while they have a positive impact on the UAE's technical compliance, their impact on the effectiveness of the system was not fully evident at the time of the on-site visit.

The assessment highlights that improvements are required in 10 out of 11 'Immediate Outcomes' or IOs (refer to Appendix) evaluated towards effectiveness of controls for preventing money laundering (ML), financing of terrorism (FT) and trade in weapons of mass destruction.[1] While the UAE has made progress, the MER states that the UAE will need to refine its understanding of ML/FT risks, enhance ML investigations and prosecutions, and international cooperation. It also needs to focus on better supervision, preventing the abuse of legal persons and arrangements, and ensure that assets linked to the financing of terrorism and weapons of mass destruction are frozen without delay.

This document presents an overview of the focus areas for the UAE in the immediate term and makes recommendations that would help to enhance the overall effectiveness of the framework for mitigating the misuse of the system by financial criminals. By addressing the points outlined in this paper, the UAE will be able to improve the effectiveness of its financial crime controls and consolidate its position as a global financial and business hub.

This will require prompt decision making and actions taken, given there is a five year limitation for addressing the recommendations of the report.[2] FATF will reevaluate on an ongoing basis, as the UAE remedies the findings in the Mutual Evaluation report. By way of example, the Kingdom of Saudi Arabia achieved a positive re-rating in little more than 24 months from the completion of the country's MER in November 2017.[3]

Focus areas for the UAE

Financial Institutions and Sanctions

Immediate Outcome (IO.1) states that money laundering and terrorist financing risks should be understood and, where appropriate, actions should be coordinated domestically to combat money laundering and the financing of terrorism and proliferation. IO.10 states that terrorists, their organisations and financiers should be prevented from raising, moving and using funds, and from abusing the Non-Profit Organisations sector. Furthermore, IO.11 states that persons and entities involved in the proliferation of weapons of mass destruction should be prevented from raising, moving and using funds, consistent with the relevant United Nations Security Council Resolutions (UNSCRs).

In general, financial institutions (FIs) are applying a range of preventative measures. Banks in the UAE have a good level of understanding of ML/FT risks and obligations, while other FIs (securities, insurance and MVTS) displayed a reasonably good understanding of risks and controls. Furthermore, FIs should apply enhanced due diligence measures that are proportionate and reflective of the risks of its customers.

UAE financial institutions should be prepared for the new risks they will face during an economic downturn such as that caused by lower oil prices and a pandemic. These include:

- Cybercrime as a result of increased demand for information and supplies through online channels.
- Criminal attempts to exploit the operational weaknesses that arise from home working (e.g. more limited operational resources, slower systems) and the increased activity in markets e.g. fund redemptions, changes to payment volumes, foreign exchange transactions.

[1]Reuters: UAE doing too little to stem money laundering and terrorist finance: watchdog
[2]FATF: Consolidated Processes and Procedures for Mutual Evaluations and Follow-Up
[3]FATF: Kingdom of Saudi Arabia - 1st Enhanced Follow-up Report & Technical Compliance Re-Rating

- As government guaranteed credit schemes are expected to increase to counter the economic downturn, there will be fraudulent applications for government backed loans without the intention of repayment and misusing the scheme to launder money e.g. the beneficiary declaring bankruptcy once the repayments are due.

There are benefits to collating, standardising and making available contextual datasets, which can be used by financial institutions to fulfil key Know Your Customer (KYC) and Customer Due Diligence (CDD) requirements. At present, the KYC data is fragmented with different financial institutions holding information on the same customer which may overlap, but which may also be inconsistent and incomplete. This can allow criminals to abuse the financial system.

Availability of centralised corporate information through a beneficial ownership registry to the regulated sector would enable it to overcome one of the most challenging areas of the KYC process. The launch of KYC utilities coupled with digital identification at the individual and corporate level can reduce knowledge gaps between financial institutions that can be exploited by criminals and improve the efficiency and effectiveness of the KYC and CDD process. The solution aims to reduce the manual creation of customer information records resulting in lower administrative burden on both FIs and customers. FIs will have access to accurate and up to date customer identity while reducing time required to onboard customers and improving their overall customer experience. Automation will enable FIs to perform checks on data extracted from documents using Optical Character Recognition (OCR). The standardisation and simplification of onboarding processes is also a key enabler to encourage FinTech companies to enter the market and disrupt legacy financial service providers with the ultimate aim being to position the UAE as one of the leading digital and financial service markets internationally.

Deloitte has conducted enterprise-wide Financial Crime Risk Assessments for FIs in the region to help them test the effectiveness of their financial crime controls and better understand the inherent and residual risks associated with their products and channels. Furthermore, Deloitte has worked with leading financial institutions in the region to update their policies and remediate their customer databases which helped fix gaps in their AML/CFT and Sanctions frameworks as per the mandate of the respective regulators.

Organisational barriers between the AML, Cyber and Fraud teams at FIs should not put restrictions on sharing information on the financial criminals. Globally, Deloitte is working with industry players to design and develop industry-wide data sharing platforms and enhance data fusion across organisations to enable an effective and efficient response to financial crime prevention and detection.

Further, the relatively new United Nations Security Council Resolutions (UNSCR) decision and accompanying new mechanism of automatic transposition and notification for Targeted Financial Sanctions (TFS) puts in place a much improved TFS framework. The UAE is implementing terrorist financing and proliferation-related TFS, however, neither the new obligations nor the mechanism are widely understood or implemented, particularly by the private sector in the UAE. In addition, awareness of the Local List (UNSCR 1373) is especially low amongst the private sector, including financial institutions.

In order to address this gap, the UAE authorities need to fully implement TFS for terrorist financing and proliferation financing across the industry, especially the private sector, without further delay. They must also reach out to the public and private sector entities on the onshore and the financial free zones (FFZs) to make them aware of their obligations with respect to the TFS and the import/export's committee's new mechanism.

Money Exchange Houses (MEH)

The UAE is a cash-intensive economy, enabled through its money exchange houses, small traders, tourism based retail and real estate transactions, exposing the country to inherent ML/FT risks related to cash transactions.

Money exchange houses were included in the highest sectoral vulnerabilities in the UAE's National Risk Assessment (NRA), during the MER, the MEH sector displayed a reasonably good understanding of risks and preventative measures. However, the MEH sector is highly fragmented with more than 130 licensed exchange houses operating in the country. Most of these are small companies with niche customer bases and insufficient revenues to justify investments into robust financial crime controls such as real time screening and transaction monitoring systems.

Effective supervision and inspection of the MEHs can help ensure that they have implemented financial crime controls commensurate with their business, customer and transactions profile. The Central Bank, which licenses the MEHs, may consider mandating submission of their annual compliance reports evidencing the effectiveness of their financial crime controls. Such exercises can be conducted by the internal audit function or independent third parties based on the risk classification of each MEH, further, small MEHs may consider outsourcing real time screening and transaction monitoring to their Banks or large MEHs.

Investigation and Prosecution

IO.2 states that international co-operation delivers appropriate information, financial intelligence and evidence, and facilitates action against criminals and their assets. IO.7 states that money laundering offences and activities should be investigated and offenders should be prosecuted and subjected to effective, proportionate and dissuasive sanctions. Furthermore, IO.8 states that proceeds and instrumentalities of crime should be confiscated.

The UAE routinely seizes proceeds of domestic crime. While these prosecutions address some of the UAE's predicate offence risks (forgery and fraud), there is an absence of consistent investigations and prosecutions of ML related to other high-risk predicate crimes such as drug trafficking, professional third-party ML, and those involving higher-risk sectors such as money value transfer services and dealers in precious metals or stones. Furthermore, the UAE was not able to demonstrate that there is a systematic or consistent confiscation process following formal international requests involving the proceeds of foreign predicate offences. This is a key risk, as the UAE's status as both a major global financial center and an international trade/transportation hub makes it vulnerable to becoming a transit point for illicit funds from abroad. Although there are various opportunities to detect money laundering, the UAE Law Enforcement Agencies (LEAs) do not appear to routinely identify and target ML cases in line with the UAE's risk profile.

The UAE FIU can take a leading role in conducting the initial investigation based on data analytics and collation of information from FIs on cases of interest. Advanced analytics, statistical modelling and visualisation techniques can drive more effective detection and reporting of suspicious activities across the UAE, AI and machine learning could help identify red flags and unusual patterns based on historical behavior. Access to wider data sets such as open source data can be transformative; collating, standardising and utilising contextual datasets. This will enable Law Enforcement Agencies to conduct faster and superior investigations, which may lead to the capture of culprits and confiscation of their assets. In today's financial system, where it is easy to transmit money across borders and accounts in a matter of seconds, time is crucial for the LEAs to identify the culprits, their illicit scheme, and develop a robust case with sufficient evidence to get a favorable and decisive judgement in a court of law.

Deloitte is currently working alongside law enforcement in the USA to combat third party money laundering offences. In this joint program, an example of public private partnership, a range of investigation resources from Deloitte are utilised including advanced analytics, commercially-enabled intelligence, expert witness testimony and forensic accounting staff. The engagement has led to the seizure of over $450 million of criminal proceeds proving the remarkable potential of this model.

All Public Prosecution (PP) offices, especially Dubai PP, given its risk exposure, can prioritise the pursuit of money laundering charges, including complex or standalone prosecutions in cases of foreign predicate offences. The National Committee should establish a dialogue with judges to communicate the aims of the national AML/CFT strategy and use evolving risk analysis. In addition, the UAE can make greater use of formal international legal assistance processes (mutual legal assistance, extradition, asset freezing and confiscation) to catch foreign criminals who commit crime in the UAE or in using its financial system.

The potential value of Public-Private Partnership (PPP) is illustrated by the early experiences of the United Kingdom's Joint Money Laundering Intelligence Taskforce (JMLIT) which, since its inception, has supported over 600 law enforcement investigations, contributed to over 150 arrests and the seizure or restraint of over £34 million.[4] Regulators have a critical role to play in the development of PPPs. PPPs generally run on a basis of voluntary participation and the support of the regulator is vital in ensuring engagement. FATF describes JMLIT as "an innovative model for public/private information sharing that has generated very positive results since its inception in 2015 and is considered to be an example of best practice."[5] Deloitte, with its experienced leaders who led JMLIT, can help the UAE develop a robust PPP program to fight financial crime strengthening the collaboration between the public and private sectors.

Furthermore, the UAE may seek to deepen private sector outreach on these issues through a structured PPP program. A PPP is a collaboration between the financial institutions (FI), the law enforcement agencies, the FIU, public prosecution, policy makers and the regulatory community to tackle financial crime. It can help develop an effective intelligence-led financial crime model in the UAE. The development of a PPP is predicated on the recognition that there is a clear overlap between the interests of all stakeholders in combatting financial crime, and that by developing frameworks that better enable more intelligence and insight to flow between parties, it is possible to more effectively disrupt malign actors and effectively prevent further criminal incursions into the financial system. FATF broadly supports the development

[4]Established in 2014 and launched as an operational pilot in 2015, the JMLIT has provided a mechanism for law enforcement and the financial sector to share information and work more closely together to detect, prevent and disrupt money laundering and wider economic crime. The JMLIT is located in the National Economic Crime Centre.
[5]FATF: Mutual Evaluation of the United Kingdom

of PPPs, and a number of jurisdictions have already developed their own versions of the model.[6] PPP is a capability that can help enhance performance across most Immediate Outcomes through facilitating collaboration and enhancing the use of financial intelligence, and must be considered by the UAE to strengthen its national financial crime prevention program.

Designated Non-Financial Businesses and Professions (DNFBPs)

IO.3 states that supervisors should appropriately supervise, monitor and regulate financial institutions, DNFBPs and Virtual Assets Service Providers (VASPs) for compliance with AML/CFT requirements commensurate with their risks. IO.4 states the FIs, DNFBPs and VASPs should adequately apply AML/CFT preventive measures commensurate with their risks, and report suspicious transactions.

The Dubai Financial Services Authority (DFSA) and the Financial Services Regulatory Authority (FSRA) have comprehensive measures for monitoring DNFBPs licensed by them to ensure compliance with their regulations. Outside of these two financial free zones, DNFBP supervisors were only recently established. Hence, only limited activity has occurred, that too in select sectors, in terms of supervision of DNFBPs beyond initial registration. Though there are plans for a supervisory regime to be in place for most sectors by 2021, the UAE has not been able to demonstrate effective supervision of DNFBPs outside the FFZs at the time of the MER, with the exception of market entry controls in the commercial free zones.

The requirements under the 2018 AML Law and the 2019 AML by-law are very recent and there is limited understanding amongst most DNFBPs of their obligations. In addition, these requirements are not yet implemented comprehensively and consistently. This is concerning given the risk and materiality of certain segments of DNFBPs in the UAE e.g. dealers in precious metals and stones (DPMS), real estate firms and Trust and Company Service Providers (TCSPs).

Dealers in Precious Metals and Stones (DPMS)

The UAE is a party to the Kimberley Process and accordingly is obliged to report movements of rough diamonds. However, there have been instances where precious metals and stones were used to launder criminal proceeds. While penalties have been applied for falsifying information or declarations, there appears to be an absence of consistent approach to investigating such international organized crime.[7]

The UAE may consider conducting assessments of financial crime risks and building customs intelligence capability, including profiling and detection of resources, focused on cross-border movements of cash, bearer negotiable instruments, and precious metals and stones. Furthermore, increased intelligence and awareness of the risks associated with cross-border cash, precious metals/stones smuggling and trade based money laundering, will ensure that UAE can better seek and provide cooperation at a level commensurate with its ML/FT risk profile.

> Deloitte recently helped a ministry in a GCC member state in developing and implementing a fit-for-purpose AML/CFT supervision framework covering requirements for effective supervision and monitoring for the DNFBPs, including TCSPs, DPMS and accounting firms. The engagement included conducting sectoral risk assessments, designing the supervision framework with appropriate rules based on local laws & regulations, international guidelines and leading industry practices, and developing standard operating procedures for the on-site and off-site inspections along with the application of corrective measures and penalties for the DNFBPs.

DPMS' need to improve their understanding of financial crime risks and implement good governance standards with an effective third line of defence with direct reporting to the Board. This will mitigate the financial crime risks posed by the DPMS.

Real Estate (RE) Firms

Purchases in the UAE retail real estate sector are often cash based, a large proportion of which are through foreign investors, whose sources of funds are sometimes from jurisdictions with high AML/CFT risks.[8] With limited due diligence there is a risk that criminals or sanctioned entities[9] use the UAE RE to launder the proceeds of their crime.

Mandating RE transactions to have a digital trail through the banking system will enable required due diligence on the purchasing parties and their sources of funds. Furthermore, real state stakeholders including the land registration bodies, Real Estate Regulatory Agency (RERA) and real estate firms can be trained to ensure the sector is aware of its risks and accordingly implements effective financial crime controls.

Trust and Company Service Providers (TCSP)

The UAE MER highlights that the use of TCSPs and legal consultants to establish legal persons and arrangements in the UAE presents a vulnerability. During the onsite assessment, it was clear to the FATF assessment team that the UAE authorities were unaware of the number of TCSPs that may be operating across the country. However, given the recent introduction of regulation and appointment of supervisors for all DNFBPs, the position is likely to become clearer in the near future.

[6] FATF: Private Sector Information Sharing
[7] BBC: In 2012, an organized crime group laundered British drug money by selling 3.6 tonnes of gold to the Kaloti refinery in Dubai.
[8] Khaleej Times: Cash-based transactions continue to dominate Dubai realty
[9] Specially Designated Nationals and Blocked Persons' (SDNs)

Nevertheless, the UAE authorities must ensure that the supervision framework for TCSPs is consistent with the DNFBP regimes across the relevant ministries and other authorities. Adoption of UN standards to categorise all TCSPs can provide the required consistency.

Overall, the authorities can look to mandate that the DNFBPs, especially DPMS, real estate firms, TCSPs and law firms get their AML/CFT frameworks reviewed either through their Internal Audit function or independent third-parties based on their respective risk ratings. A risk based approach must also be adopted while onboarding their clients and on an ongoing basis. Where high AML risks are identified with clients, they must have defined processes to conduct enhanced due diligence, these controls need to be aligned to relevant local regulations and international standards. DNFBP supervisors may also conduct full-scope examinations, directly or in tandem with the industry stakeholders with capability to conduct such examinations, in order to ensure controls implemented by the DNFBPs are working as expected and that they are identifying and filing the required STRs to the FIU.

Suspicious Transaction Reports (STRs)

IO.4 states that financial institutions, DNFBPs and Virtual Assets Service Providers (VASPs) should adequately apply AML/CFT preventive measures commensurate with their risks, and report suspicious transactions to the FIU. Furthermore, IO.6 states that financial intelligence and all other relevant information should be appropriately used by competent authorities for money laundering and terrorist financing investigations.

The UAE FIU introduced the go AML STR reporting system in June 2019. The platform connects financial entities and DNFBPs with the FIU to report suspicious transactions.[10] As this system was recently implemented, the results of these enhancements were not tangible during the on-site visit.

One of the concerns identified in the UAE MER was the low level of STR reporting by the DNFBPs, which limits the financial intelligence available at the national level. Secondly, there remain concerns about the quality of STRs filed across sectors (even amongst banks, which submit around 85% of STRs filed). Analysing poor-quality reports diverts already limited FIU resources and is ineffective in driving law enforcement outcomes. Thirdly, while the number of STRs have risen exponentially over the years, the quality of financial intelligence available to the investigators has not kept pace and is not up to the standard at times.

Good quality STRs may be accomplished through enhanced guidance, awareness and training of the private sector, particularly the DNFBPs, to improve their awareness, investigation skills and ensure timely reporting of STRs. Improving the feedback loop between the FIU and the regulated sector is also key to generating desired outcomes. This would create a virtuous circle that would help the industry to refine their monitoring systems and controls, and reduce the number of low-quality STRs. To ensure the feedback loop is enhanced, it is vital that the FIU is adequately resourced and empowered by modern techniques and tools. Enhanced and more frequent trainings can be provided to the investigators, drawing on international best practices.

Adopting a data led analytics approach coupled with the use of machine learning and AI may help the FIU and the industry in increasing the volume of intelligence and insights available, and adopt an intelligence-led risk-based approach to deploy their resources where most needed. This will help generate more meaningful STRs focused on priority areas that have a higher likelihood of being reviewed and actioned by law enforcement and thus prevent more financial crime.

The effectiveness of the STR framework could also be enhanced by a model that allows stakeholders to work in collaboration more easily, on suspicions aligned to agreed national priorities. This would expedite the creation of a comprehensive intelligence picture which would inform and drive the response of all stakeholders against key threats.

Another approach UAE may consider to improve effectiveness of its STR regime, is a STR 'request' model. In this model, the institution files a summary of suspicion to the FIU who could then request a fuller investigation if the case is of interest, this ensures that the investigative efforts are focused on areas of genuine interest to law enforcement. A number of jurisdictions have been working on this with an increasingly effective and efficient approach to the identification of suspicious activities.

Deloitte has worked with the FIUs in several countries advising them on the adoption of modern investigation techniques and tools as well as in implementing robust workflows to ensure adequate level of competence. This has helped the FIUs not only in deploying its resources efficiently but improve the investigation outcomes and support law enforcement effectively.

Free Zones

IO.5 states that legal persons and arrangements should not be misused for money laundering or terrorist financing purposes, and information on their beneficial ownership should be available to competent authorities without impediments.

There are two financial free zones (FFZs) and 29 commercial free zones (CFZs) in the UAE. Challenges remain in the monitoring and

[10] Gulf News: New system to curb money laundering in UAE

supervision of free zones outside of DIFC and ADGM. The risk of criminals being able to misuse legal persons in the UAE for ML/FT remains high, particularly through concealment of beneficial ownership information via complex structures, which may be controlled by unidentified third parties, or the use of informal nominees. The sheer number of registered entities across a multitude of CFZs and across several emirates in the UAE poses a challenge, given their predominantly foreign ownership.

Due to the geographic proximity to countries destabilized by conflict or terrorism, as well as countries subject to UN sanctions, the risk of sanctions evasion is apparent in the UAE.

The measures taken to manage financial crime risks vary between the different free zones, but positive steps have already been taken to standardize the approach. In September 2019, the EU recognized the UAE's efforts in preventing tax avoidance by removing the UAE from the list that covers jurisdictions that have failed to cooperate with the EU on tax matters. The EU cited the UAE's adoption of new rules on offshore structures, including the introduction of economic substance rules to fight economic crime, as a reason for the removal.[11]

Deloitte has worked with free zone authorities in the UAE in investigating and remediating the registered entity records. This included conducting enhanced due diligence on high risk entities with the purpose of identifying the Beneficial Owners and potential matches against SDN and Politically Exposed Persons Lists.

To better focus on preventing the abuse of legal persons and arrangements and to improve the controls in the in the free zones[12], the UAE Free Zones sub-committee may adopt uniform AML/CFT and sanctions compliance standards and ensure their consistent application across the 29 CFZs, particularly when onboarding new entities and updating the records of the existing entities. These standards may include a corporate registry, common database of beneficial owners, sectoral risk assessments, third party reviews and thematic inspections by expert examiners. The sub-committee should also encourage cooperation and coordination amongst the free zones through shared data platforms and watch lists.

Conclusion

A negative AML rating can have serious economic consequences, affecting a nation's credit rating and ability to attract foreign investments.[13] Fighting money laundering and terrorist financing is therefore an essential part of creating a business friendly environment, which is a precondition for economic development.[14]

In current economic stress, financial crime risks from money laundering, terrorist financing, sanctions non-compliance, fraud, corruption and tax avoidance may increase with criminals having sufficient time and avenues to exploit banking channels. The systemic abuse of legitimate financial channels can lead to reputational risks coupled with a breakdown in customer and investor trust. This can bring about further negative macroeconomic consequences if capital flows are disrupted, or liquidity positions of financial institutions are undermined by deposit outflows or through the payment of major fines.

The UAE has taken significant steps in strengthening its financial crime framework since its last evaluation with the enactment of the AML laws and by undertaking a National Risk Assessment. It has demonstrated a high-level commitment to better implement the necessary controls across the industry to fight financial crime in a coordinated way. Addressing the outstanding areas outlined in this report will establish the UAE as a leading nation in the fight against financial crime and help achieve a favorable outcome through positive re-rating in the next review.

[11]Lexology: UAE removed from EU blacklist thanks to Economic Substance Regulations
[12]FATF: Outcomes FATF Plenary, 19-21 February 2020
[13]State of Civil Society report 2015: The international antiterrorist financing system's negative effect on civil society resources
[14]FATF: What influence does money laundering have on economic development?

We are here to help

As a leading global advisory firm, Deloitte has the experience and expertise to support the UAE in combatting financial crime. Our experienced local team provides a wide range of specialised services to our clients and is supported by a strong international network. We assist governments and public sector bodies in implementing their national financial crime agenda. This includes an engagement with the UK Home Office in articulating the financial crime framework for the UK. We have a model that can be deployed at the national level to help in the remediation of gaps identified in the FATF ME report.

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Appendix: Effectiveness & Technical Compliance Ratings as per the UAE FATF Mutual Evaluation Report

Effectiveness Ratings against 11 Immediate Outcomes

(High – HE, Substantial – SE, Moderate – ME, or Low – LE, level of effectiveness)

IO.1 - Risk, policy and coordination	IO.2 International cooperation	IO.3 - Supervision	IO.4 - Preventive measures	IO.5 - Legal persons and arrangements	IO.6 - Financial intelligence
Moderate	Low	Moderate	Moderate	Low	Moderate
IO.7 - ML investigation & prosecution	IO.8 - Confiscation	IO.9 - TF investigation & prosecution	IO.10 - TF preventive measures & financial sanctions	IO.11 - PF financial sanctions	
Low	Moderate	Substantial	Moderate	Low	

Technical Compliance Ratings against FATF 40 Recommendations

(C – compliant, LC – largely compliant, PC – partially compliant or NC – non compliant)

R.1 - assessing risk & applying risk-based approach	R.2 - national cooperation and coordination	R.3 - money laundering offence	R.4 - confiscation & provisional measures	R.5 - terrorist financing offence	R.6 - targeted financial sanctions – terrorism & terrorist financing
PC	LC	LC	LC	LC	PC
R.7- targeted financial sanctions - proliferation	R.8 -non-profit organisations	R.9 – financial institution secrecy laws	R.10 – Customer due diligence	R.11 – Record keeping	R.12 – Politically exposed persons
PC	LC	C	LC	LC	LC
R.13 – Correspondent banking	R.14 – Money or value transfer services	R.15 –New technologies	R.16 –Wire transfers	R.17 – Reliance on third parties	R.18 – Internal controls and foreign branches and subsidiaries
C	LC	LC	C	LC	LC
R.19 – Higher-risk countries	R.20 – Reporting of suspicious transactions	R.21 – Tipping-off and confidentiality	R.22 - DNFBPs: Customer due diligence	R.23 – DNFBPs: Other measures	R.24 – Transparency & BO of legal persons
PC	C	LC	LC	LC	LC
R.25 - Transparency & BO of legal arrangements	R.26 – Regulation and supervision of financial institutions	R.27 – Powers of supervision	R.28 – Regulation and supervision of DNFBPs	R.29 – Financial intelligence units	R.30 – Responsibilities of law enforcement and investigative authorities
PC	C	C	LC	PC	C
R.31 – Powers of law enforcement and investigative authorities	R.32 – Cash couriers	R.33 – Statistics	R.34 – Guidance and feedback	R.35 – Sanctions	R.36 – International instruments
C	C	LC	LC	LC	C
R.37 – Mutual legal assistance	R.38 – Mutual legal assistance: freezing and confiscation	R.39 – Extradition	R.40 – Other forms of international cooperation		
LC	LC	C	LC		

Glossary

ADGM	Abu Dhabi Global Market	**KYC**	Know Your Customer
AML	Anti-Money Laundering	**LEA**	Law Enforcement Agency
CBUAE	Central Bank of the UAE	**MEH**	Money Exchange House
CFT	Counter-Terrorist Financing	**MENAFATF**	Middle East and North Africa FATF (Group)
CDD	Customer Due Diligence	**MER**	Mutual Evaluation Report
CFZ	Commercial Free Zone	**ML/FT**	Money Laundering and Financing of Terrorism
DIFC	Dubai International Financial Centre	**MVTS**	Money or Value Transfer Services
DFSA	Dubai Financial Services Authority	**NCA**	National Crime Agency
DNFBP	Designated Non-Financial Business and Professions	**NPO**	Non-Profit Organization
DPMS	Dealers in Precious Metals and Stones	**NRA**	National Risk Assessment
FATF	Financial Action Task Force	**OCC**	Office of the Comptroller of the Currency
FFZ	Financial Free Zone	**OCR**	Optical Character Recognition
FI	Financial Institution	**PP**	Public Prosecutions
FIU	Financial Intelligence Unit	**PPP**	Public-Private Partnership
FSRA	Financial Services Regulatory Authority	**SDN**	Specially Designated Nationals & Blocked Persons
FT	Financing of Terrorism	**STR**	Suspicious Transaction Report
GCC	Gulf Cooperation Council	**TCSP**	Trust and Company Service Provider
IO	Immediate Outcome	**TFS**	Targeted Financial Sanctions
JMLIT	Joint Money Laundering Intelligence Taskforce	**UNSCR**	United Nations Security Council Resolutions
		VASP	Virtual Asset Service Provider

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