



The Middle East and
North Africa Financial
Action Task Force

3rd Enhanced Follow-up Report for the United Arab Emirates

Technical Compliance Re-Rating

Anti-Money Laundering and
Combating the Financing of Terrorism

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The United Arab Emirates

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This document contains the 3rd Enhanced Follow-up Report for the United Arab Emirates, which includes Technical Compliance Re-rating for three Recommendations (1,19,29). This report reflects the efforts made by the United Arab Emirates since the adoption of the Mutual Evaluation Report in February 2020 by the FATF (which was adopted through passing procedures by MENAFATF in April 2020) and the 1st Enhanced Follow-up Report, which was adopted in November 2021. The 36th MENAFATF's plenary meeting adopted the FUR in May 2023, provided that the UAE remained in the Enhanced Follow-up process and submitted the 4th Enhanced Follow-up Report to the 38th MENAFATF plenary in April / May 2024.

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**The 3rd Enhanced Follow up Report of the United Arab Emirates
with Technical Compliance Re-rating Request**

First: Introduction:

1. The UAE was assessed jointly by the FATF and MENAFATF, according to the 40 recommendations adopted by the FATF in 2012, and the methodology adopted in 2013 and any subsequent amendments. The report was approved at the FATF plenary meeting in February 2020, which was held in Paris, the French Republic, and was also approved – in written process¹ - by MENAFATF in April 2020. Based on the results of the MER, the UAE has been placed under the enhanced follow-up process.
2. Accordingly, and as per MENAFATF’s procedures for evaluation and follow-up processes, the UAE submitted the first enhanced follow-up report to the MENAFATF 32nd plenary in June 2021, which resulted in upgrading compliance ratings from (PC) to (C) for two recommendations (6 and 7) and upgrading compliance rating from (PC) to (LC) for Recommendation (25). Recommendation (19) remains (PC), Whilst Recommendation 15 was downgraded from (LC) to (PC) The UAE submitted the second EFUR to the 34th plenary in May 2022 without requesting TC re-rating.
3. This report analyzes the efforts of the UAE in addressing the shortcomings referred to in the MER and the 1st and 2nd EFURs in the recommendations that the country requested to re-rating, which are recommendations (1, 19 and 29), as countries are generally expected to have addressed most or all technical compliance shortcomings by the end of the third year of adopting the MER. This report is the third EFUR for the UAE and does not analyze the efforts made by the country in the field of effectiveness.

Second: Results of the MER and Enhanced FURs:

4. As per the MER, which included an analysis of the level of technical compliance with the 40 recommendations, and according to the first EFUR, the UAE was rated (C) in (13) recommendations and (LC) in (23) whilst it was rated (PC) in (4). As follows:

Table (1): Results of the TC ratings as per the MER and the 1st EFUR:

R. 1	R. 2	R. 3	R. 4	R. 5	R. 6	R. 7	R. 8	R. 9	R. 10
PC	LC	LC	LC	LC	C	C	LC	C	LC
R. 11	R. 12	R. 13	R. 14	R. 15	R. 16	R. 17	R. 18	R. 19	R. 20
LC	LC	C	LC	PC	C	LC	LC	PC	C
R. 21	R. 22	R. 23	R. 24	R. 25	R. 26	R. 27	R. 28	R. 29	R. 30
LC	LC	LC	LC	LC	C	C	LC	PC	C
R. 31	R. 32	R. 33	R. 34	R. 35	R. 36	R. 37	R. 38	R. 39	R. 40
C	C	LC	LC	LC	C	LC	LC	C	LC

Note: There are four potential levels to Technical Compliance (Compliant, Largely Compliant, Partially Compliant and Non-Compliant).

Reference: The UAE's MER published in April 2020, and the 1st Enhanced FUR was published in November 2021.

¹ According to MENAFATF's exceptional procedures in Handling the Mutual Evaluations during the Covid-19 Crisis.

5. In coordination with the MENAFATF Secretariat, Mr. Anwar Mohammad AbuBakir - in his capacity as an Official of International and local Cooperation at the FIU - the Republic of Sudan, analyzed the compliance of the United Arab Emirates in the recommendations to be re-rated.

Third: Overview on the achieved progress in implementing the Recommendations requested for re-rating:

6. This section of the report reviews an analysis of the efforts made by the United Arab Emirates to comply with the requirements of the recommendations in which it had obtained a rating of (Partially Compliant), which are recommendations No. (1, 19 and 29)².

▪ **Recommendation 1 - Risk Assessment and implementing Risk Based Approach “RBA” (PC):**

7. According to what was mentioned in the MER, there are some issues with how the assessment products were used, in addition to a lack of depth with data and information sources, to develop a collective understanding of ML/TF risk, including that It is not clear how the threats and vulnerabilities interact to create risks and if mitigation measures have taken into account. There is limited detail on trade-based money laundering, the role of organized crime groups, cross border ML/TF risks or the UAE’s exposure to foreign proceeds of crime or the use of cash in transactions, including links to high- value real estate. And vulnerabilities in relation to TF are treated identical to ML across each sector, which does not appear to align with the country’s context nor with the TF case studies presented. Although some FIs supervisors have conducted sectoral assessments, in general, the competent authorities have not conducted other risk assessments to identify and assess ML/TF risks in the UAE (C.1.1).
8. On the other hand, The UAE’s National Action Plan does not specifically address the allocation of resources or implementation of measures to address priority ML/TF risks. While some agencies are adjusting their resources and mitigation measures, it is not clear that this is occurring across all agencies or that additional measures are being considered in mitigating the UAE’s risk exposure to more complex ML/TF risks (C.1.5).
9. To address the shortcomings, based on the NRA results, a national strategy was developed for the period from 2020 to 2023, the first objective of which included “work to deepen the understanding of risks through conducting a set of sectoral and objective assessments.” Accordingly, the NRA Committee - whose membership includes more than 25 parties, as in 2021, by conducting 8 complementary sectoral assessments to the NRA (not recent, but more detailed and in-depth, and concluded with the same results as those mentioned in the NRA).
10. The eight assessments relied on a wide range and deep sources of information and quantitative and qualitative data from the concerned authorities from the public and the private sector, they took into account the inherent risks threats and vulnerabilities in order to reach risks in each sectoral assessment by preparing a list of threats and vulnerabilities for each complementary

² The FATF did not make any amendments in the approved evaluation methodology that might lead to TC re-rating, during the period between the approval of the first EFUR until the date of submission of the information matrix related to this report by the country.

assessment and assessing the risks of each threat and vulnerability to reach the risks mentioned in the 8 assessments, and took into account the extent to which mitigation measures were used to reach risks, (including, for example, adequate legislative and regulatory measures for some sectors and activities, and the application of procedures and controls to mitigate identified High risks). In these assessments, the country relied on the FATF guidance for assessing the ML/TF risks and adopted the three stages set out in this guidance, in addition to the adoption of the same concept of vulnerabilities, threats and consequences contained in the same guidance. The country drew upon reports of other countries in assessing the ML/TF risks³.

11. 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 estate.
12. Although the country addressed “the trade-based money laundering” in all the sectoral assessments, particularly, “the assessment of legal persons”, it also assessed the foreign criminal proceeds sector” and “the third-party money laundering” but did not conduct a holistic assessment of this topic. Besides, in 2020, the NRA sub-committee prepared a study on the latest trends related to trade-based money laundering and the FIU issued a strategic report on money laundering which resulted in a list of red flags that was disseminated to all stakeholders and held training workshops to raise awareness in this regard.
13. The UAE also conducted a separate assessment of TF risks, identifying the vulnerabilities in terrorist financing separately from money laundering. For example, the vulnerabilities of terrorist financing activities were identified in some sectors of the country (legal persons, MVTS) and others in line with the context of terrorist financing risks in the country. (C.1.1)
14. The country established the Executive Office for Combating Money Laundering and the Financing of Terrorism in December 2020 to supervise the implementation of the National Strategy for Combating Money Laundering and the Financing of Terrorism which included twelve strategic objectives based on the results of the national risk assessment of money laundering and terrorist financing. Among these goals is "Continuing to deepen the understanding of risks", and "continuing to update the legal framework" taking into consideration the risk-based approach.
15. The UAE worked to find measures that would mitigate the risks that were identified according to the NRA, the Complementary Assessments, and the results of the country's MER. To achieve this goal, it implemented a national action plan aiming at mitigating risks, which focused on the most dangerous sectors, according to the country's context; including but not limited to the efforts concerning the “misuse of dealers in precious metals and stones”, where the Ministry of Economy (the supervisory authority of the DNFBPs - including DPMSs) established the Anti-Money

³ https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/National_ML_TF_Risk_Assessment.pdf.coredownload.pdf

Laundering and Combating the Financing of Terrorism Department for the DNFBP sector, and appointed 25 employees, with an increase of 200% in 2021 and 2022, in addition to developing systems to monitor the sector and working on a risk-based approach to supervision and inspection of these sectors,

16. As to “the misuse of legal persons”, the sub-committee for the company registrars unified the company register at a federal level and approved the requirements for collecting beneficial ownership information and the mechanisms for benefiting from that information by law enforcement authorities in accordance with the outputs of the sectoral assessment of the risks of legal persons. Cabinet decision No. (53) of 2021 regarding administrative penalties against violators of the provisions of Cabinet decision No. (58) of 2020 regarding the regulation of beneficial owner procedures was issued. Regarding the risks of the banking sector and the financial service companies, the Central Bank established an Anti-Money Laundering Department and appointed 25 employees to carry out a supervisory role over FIs, in addition to the development of systems that contribute to the monitoring and inspection of the sector according to a risk-based approach. Regarding “terrorist financing”, the Ministry of Community Development increased the number of employees by 40 employees to strengthen the monitoring over the NPO sector. The UAE issued Federal Law No. (3) of 2021 regarding the regulation of donations. This proves that the UAE has taken risk mitigating measures based on its understanding, and in line with the risk-based principle and it deserves a “Met” rating for criterion 5 of R.1.
17. For example, it amended the AML/CFT Law (Federal Decree Law No. 26 of 2021) and its bylaws (Cabinet Decision No. 24 of 2022), and the legal framework for virtual assets was strengthened (Law No. 4 of 2022 Regulating virtual assets), as well as updating the measures to be applied to mitigate risks by the supervisory authorities of financial institutions, DNFBPs, and VASPs, as well as updating the measures that should be implemented to mitigate risks by FIs, DNFBPs and VASPs’ supervisory authorities according to the RBA.
18. Many directives (instructions) were issued - in particular - by the supervisory authorities. In order to enhance the implementation of risk mitigation measures concerning the high-risk sectors based on its understanding of ML/TF risks as per the NRA and the Complementary Assessments, supervisory authorities and LEAs as well as other competent authorities (FIU, Customs, Ministry of Justice, DFC, ADX, Ministry of Economy, and Ministry of Community Development) increased the number of human resources working with them greatly. Some entities have established departments specialized in AML/CFT, such as (police headquarters), which also established a special department at the Money Laundering Department related to the investigation of VAs. And it established specialized departments to look into money laundering cases in the federal courts and cities of Ajman (C.1.5).
19. **Conclusion:** The UAE has addressed most of the shortcomings in criterion 1.1 by conducting the 8 Complementary Assessments using a wide range of information sources and with the wide participation of the competent authorities, during which it provided information on a number of higher-risk topics within the context of the UAE, although some shortcomings still exist about providing more details on TBML and the role of organized crime groups, nonetheless, it is

relatively sparse as it is limited to providing more details on some topics. Although the country included the TBML in all the sectoral assessments, particularly, in “the assessment of legal persons”, “the assessment of foreign crime” and “the third-party money laundering”, it did not conduct a holistic assessment of this topic. The complementary assessments included multiple topics and sectors in the country, but it has not been shown that all other relevant competent authorities in the country have conducted assessments of ML/TF risks. (1.1).

20. The 6th and 10th objectives of the Strategy included working to enhance the financial and human resources of the supervisory authorities and the competent authorities working in the field of combating money laundering and terrorist financing in line with the specific risks in the country. In order to achieve this objective, the National Committee detailed it into action plans for all concerned sectors (especially the most at risk ones). Whereas the country's authorities, especially the most at risk ones, increased their human resources, established special departments, and issued many legislations and guides in accordance with the identified risks. (1.5)
21. The UAE obtained a rating of (Met) in Criteria: 2, 3, 4, 7, 8, 9, 10, 11 and 12. whereby criterion 6 was (N/A). These criteria were not re-rated for technical compliance because the legal legislation and the mechanisms in force associated with these criteria have not changed and the UAE is still compliant with all the requirements. On this note, the National Committee is the entity in charge of assessing risks, updating assessments, and providing all entities with appropriate information on the results of risk assessments according to the same mechanism. When high risks are identified, it verifies that the AML/CFT regime addresses these risks, and the country still does not grant any exemptions from the FATF standards, nor is there an amendment affecting the requirements of monitoring authorities to ensure that financial institutions and designated non-financial businesses and professions are meeting their obligations in accordance with R.1.
22. The country still has to identify, assess and understand the risks it is facing, and is still required to develop policies, controls and procedures approved by senior management, and to monitor the implementation of those controls and to enhance them, and to take enhanced measures to manage and mitigate the risks where higher risks are identified. No amendments were made to the Anti-Money Laundering Law or the implementing regulation that allows the country to take simplified due diligence measures when lower risks are identified and to meet c.1.9 and 1.19. Simplified due diligence measures are not permitted when a financial Institution or any of the DNFBPs suspects a crime, including a MF/TF crime.
23. Based on that and the above analyses it appears that the UAE has addressed most of the shortcomings mentioned in criterion (1.1), and addressed all shortcomings related to criterion (1.5). and as the other criterion in the Recommendation still “Met” and (1.6) is “Not Applicable” and the remaining shortcomings are minor in criterion (1.1), the TC rating for Recommendation 1 is (Largely Compliant).

▪ **Recommendation 19 - High-Risk Countries (Partially Compliant):**

24. As per the 1st EFUR, it did not appear that the entities are obligated to follow up on changes to the lists of non-compliant countries on an ongoing basis. It was not clear how to reverse the

Committee's decision to adopt countermeasures in Recommendation 19 through a binding legal tool (by virtue of decisions, instructions or circulars), nor was it clear what binding countermeasures could be taken and whether they were commensurate with the risk levels, nor was it found that the country had an adequate mechanism to ensure that FIs are informed of the weaknesses of other countries' AML/CFT systems, as the country is limited to providing links to the FATF website, and does not guarantee that concerns related to weaknesses reach FIs nor follow up on updates received.

25. To address the shortcomings, the UAE has found binding legal means to adopt countermeasures according to risks, as it has issued Federal Decree No. 26 of 2021 amending Federal Law on AML/CFT No. 20 of 2018, which expanded the competences of the committee to include identifying countermeasures, the necessary measures to be taken and other measures commensurate with the risk levels, as a result of which the committee - through Decision No. 1 / (9/2021) - determined countermeasures based on risks and in line with what was stated in the INR to recommendation 19 (we mention; any branches or offices of representation in the country that are listed in the black list; non-reliance on third parties on the black list to carry out due diligence measures as well as imposing more supervisory and inspection functions over financial groups with relation to any of its branches and subsidiaries existing in the country).
26. Article 5 of the aforementioned Decision obligated FIs to verify the announced lists and information issued by the FATF in ongoing basis, to take into account any changes thereto and to take them into consideration upon establishing or implementing the countermeasures and EDD measures, as the case may be, as well as in consistent with the risk levels. Based on the Decision of the Committee, all supervisory authorities issued binding circulars to its subject entities that they must take proportionate countermeasures consistent with the risks, including measures as mentioned in the Committee's Decision. Nonetheless, Clause 4 of the same Decision imposed a legal obligation on FIs regarding the information mentioned in the Committee's website, whereas the National Committee's website includes links to all countries' lists as issued by the FATF (Grey and Blacklists) and the countermeasures that FIs should follow. (19.2)
27. Based on the above Decision, FIs financial institutions are obligated to follow up on the updates on the committee's website, which include weaknesses in the AML/CFT system (identified by the FATF and the National Committee). However, and in addition to what was mentioned in the Committee's website - links and circulars issued by the supervisory authorities to FIs- the committee has adopted an electronic mechanism that ensures that financial institutions are informed of weaknesses in the AML/CFT system and follow the updates thereon in ongoing basis. (19.3).
28. **Conclusion:** Based on the above, and in addition to criterion 1 of the Recommendation – which is (Met) as per the 1st EFUR – (was not re-rated since no changes were made thereto by virtue of legislation and applicable mechanisms). The UAE addressed all the shortcomings mentioned in the 1st EFUR under R.19 (Criteria 19.2 and 19.3) Therefore, Compliance Rating of Recommendation 19 is (Compliant).

▪ **Recommendation 29 - FIU (PC)**

29. As per the MER, in practice, the State Security, rather than the FIU, is the national center for the analysis of suspicious transaction reports related to TF. The FIU performs operational analysis and strategic analysis to a limited extent. While one type of operational analysis is conducted to detect counterparties (peers) and proceeds of crime, it is not clear to what extent this analysis is conducted to identify targets, money laundering, or terrorist financing in particular.
30. To address the shortcomings mentioned the MER, the UAE made legislative corrections, whereby Article 9 of Federal Decree No. 26 of 2021 amending the Law No. 20 of 2018 on AML/CFT, and Article 42 of Cabinet Decision No. 24 of 2022 amending the Bylaws of AML/CFT Law stipulates that the FIU is independent and is competent to receive STRs from reporting entities, studying, and analyzing them and keeping them in its database. And that it can request information from financial institutions, DNFBPs, VASPs and relevant authorities in the country. It also refers to the data related to the reports, the results of their analysis and other relevant information to LEAs and the competent authorities whenever sufficient reasons for suspicion arise. The Cabinet Decisions above included that the FIU is responsible for conducting operational analysis to all STRs, including (in addition to predicate offences and ML) whatever relates to TF. The country provided detailed statistics for 2020-2021-2021, which supports its effectiveness (29.1).
31. The UAE proceeded to take a number of measures after the adoption of the MER, as the FIU adopted in July 2021 a guide to internal work procedures for the Operational Analysis Department, which included all the procedures necessary to conduct operational analysis on a large scale. The guide also includes detailed procedures for using the goAML system in operational analysis, and how to find links and identification of money laundering or terrorist financing targets. In practice, the team was provided with statistics (covering the years 2020, 2021, up to June 2022) showing an increase in the number of STRs that were analyzed (operational analysis) in relation to money laundering or terrorist financing or even in relation to predicate offences.
32. The country has amended its legislative systems so that Paragraph (3) “a” of Article 42 of Cabinet Decision No. 24 of 2022 amending the Bylaws of AML/CFT Law includes that the FIU is specialized in conducting an operational analysis using the available information, and the information that can be obtained to identify specific targets as criminal persons, funds, or networks, track specific activities or operations, and establish links between these targets or operations and potential proceeds of crime (29.4-a).
33. On the other hand, in 2021, the FIU initiated the establishment of a new department for research and strategic analysis within the FIU, and in March 2021 the FIU adopted an internal methodology for strategic analysis, based on such (in practice), 6 reports were issued in 2021 and two in 2022 (until November) that included high-risk topics according to the NRA, including abuse of legal persons, NPOs, MVTS, professional ML, VAs, and fraud trends and patterns.
34. The country has amended its legislative systems so that Paragraph “b” of Article 42 of Cabinet Decision No. 24 of 2022 amending the Bylaw of AML/CFT Law which includes that the committee is specialized in conducting a strategic analysis using available information and

information that can be obtained, including data provided by the concerned authorities, in order to identify trends and patterns of crime (29.4-b).

35. **Conclusion:** The UAE was rated (Met) in Criteria 2, 3, 5, 6, 7 and 8 whereby those criteria were not re-rated since no changes occurred thereto in applicable legislations and mechanisms. Based on the above, the UAE addressed all the shortcomings mentioned in the MER under R.29 (Criteria 1 and 4). Therefore, Compliance Rating of Recommendation 29 is (Compliant)

Fourth: Conclusion

36. The reviewing experts (Reviewers), after analyzing the information provided by the UAE authorities attached to their request to reassess three recommendations that were assessed “Partially Compliant” in the Mutual Evaluation Report / Enhanced Follow-up Report reached the following:

- Upgrade the compliance rating for (R.19 and 29) from “Partially Compliant” to “Compliant.”
- Upgrade the rating from “Partially Compliant” to “Largely Compliant” for Recommendations 1.

37. Compliance ratings after reassessment can be summarized as follow:

Table (2): Reassessment of the Technical Compliance ratings

R. 1	R. 2	R. 3	R. 4	R. 5	R. 6	R. 7	R. 8	R. 9	R. 10
LC	LC	LC	LC	LC	C	C	LC	C	LC
R. 11	R. 12	R. 13	R. 14	R. 15	R. 16	R. 17	R. 18	R. 19	R. 20
LC	LC	C	LC	PC	C	LC	LC	C	C
R. 21	R. 22	R. 23	R. 24	R. 25	R. 26	R. 27	R. 28	R. 29	R. 30
LC	LC	LC	LC	LC	C	C	LC	C	C
R. 31	R. 32	R. 33	R. 34	R. 35	R. 36	R. 37	R. 38	R. 39	R. 40
C	C	LC	LC	LC	C	LC	LC	C	LC

Note: There are four possible ratings for Technical Compliance (Compliant, Largely Compliant, Partially Compliant, Non-Compliant).

38. UAE was rated (Compliant) in (15) Recommendations, (Largely Compliant) in (24) Recommendations and (Partially Compliant) in (1) Recommendation. As a result of the analysis of the third Technical Compliance re-rating’s request and following MENAFATF's procedures, UAE remains in the Enhanced Follow-Up process, provided that it submits the fourth Enhanced Follow-Up Report to the 38th Plenary meeting in April/May 2024.