EXECUTIVE SUMMARY

1.   This report summarises the anti-money laundering and counter-terrorist financing (AML/CFT) measures in place in the United Arab Emirates (UAE) as at the date of the on-site visit from 1 – 18 July 2019. It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of the UAE's AML/CFT system, and provides recommendations on how the system could be strengthened.

Key Findings

a)   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.

b)   The UAE has demonstrated a high-level commitment to better understand and mitigate its money laundering/terrorist financing (ML/TF) risk in a coordinated way and has an emerging understanding of its ML/TF risks. The NRA is a good starting point for expressing ML/TF threats and vulnerabilities at a national level. However, the NRA and other assessments provide only a basic description of the complex ML issues facing the jurisdiction. Issues identified with the methodology bring into question some conclusions authorities have made about TF risk. Authorities' ability to articulate relevant ML/TF risks beyond the NRA is varied. The National AML/CFT Committee has begun implementing an ambitious National AML Strategy to strengthen the UAE's overall AML/CFT framework. These are important steps in improving overall effectiveness, however, it is too early to assess their impact in mitigating sophisticated risks posed by, for example, professional ML networks or trade-based ML.

c)   A strong feature of the UAE's financial intelligence framework is that authorities have access to a broad range of financial information sources to aid financial investigations. However, apart from in TF and fraud investigations, financial intelligence is not fully exploited in response to other significant risks, including ML, or in relation to the recovery of the proceeds of crime. Particular issues are the underutilisation of customs data and international cooperation and the absence of STR reporting by DNFPBs (real estate and DPMS) which limits the financial intelligence available in relation to high-risk sectors in the UAE. The limited role and capacity of the FIU has impacted the quality of financial intelligence available to investigators. The FIU has taken steps to address its resource needs and analytical capability, but the results of these measures are at early stages.

d)   Following recent changes, the UAE has a sound statutory ML offence and a policy shift in 2018 seeks to prioritise ML. Although there are various opportunities to detect ML, LEAs are not routinely identifying and targeting significant ML cases in line with the UAE's risk profile. Across the Emirates, between 2013 and 2018, there were 282 ML cases identified by police and prosecutors of which 224 were further investigated by PPs, 50 prosecutions and 33 convictions for ML. The low number of ML prosecutions in Dubai is particularly concerning considering its recognised risk profile. A number of recent investigations, supported by increased coordination, training, awareness and resources, suggest that authorities are placing a stronger emphasis on sophisticated ML risks. However, many of these activities are at early stages and it has not been demonstrated that the component parts of the system (investigation, prosecution, conviction and sanctions) are functioning coherently to mitigate ML risks.

e)   In line with the overarching policy shift in 2018, the National Committee and the newly formed ML Investigations Sub-Committee have identified confiscation as a key policy objective and overall the UAE's figures for domestic confiscation and fines, repatriation, sharing and restitution are large due to broad confiscation powers. While the UAE routinely removes instrumentalities of crime, it was not demonstrated this occurs for the proceeds of foreign predicate offences, which is acknowledged as a key crime risk. In relation to cross-border cash and precious metals movements, while penalties have been applied for false or lacking declarations, there is an absence of absence of formal case adoption by the Police or State Security. Work is underway to improve the collection of statistics.

f)   The UAE identifies and investigates TF activities to a large extent, and the role of the terrorist financier is generally identified. State Security has a robust array of tools, data sets and capabilities it can employ to investigate and analyse TF-related activity. Between 2013 and 2019, 92 persons have been prosecuted for TF and 75 have been convicted, yielding a conviction rate of 82%.

g)   The UAE is implementing TF-related targeted financial sanctions (TFS) to some extent and PF-related TFS to a limited extent, and in both cases not without delay. The relatively new UNSCR Decision and accompanying new mechanism of automatic transposition and notification for TFS puts in place a far improved TFS framework. Currently neither the new obligations nor the mechanism are widely understood or implemented, particularly by the private sector. Awareness of the Local List (UNCR 1373) is especially low amongst the private sector. The UAE has

applied focused and proportionate measures to NPOs identified as vulnerable to TF to a large extent.

h)   The Dubai Financial Services Authority (DFSA), the Abu Dhabi Financial Services Regulatory Authority (FSRA), and the Insurance Authority (IA) in the mainland, have developed a detailed understanding of ML/TF risk in the areas they supervise and apply an effective risk based approach to supervision. The Central Bank, Banking Supervision Department (BSD) and the Securities and Commodities Authority (SCA) are developing an understanding of ML/TF risk at individual institution level, which BSD enhanced in 2017. This limits the effectiveness of the risk-based approach to supervision in the Mainland and the CFZs. Outside of the FFZs, sanctions are not effective, proportionate or dissuasive. It is a major concern that the UAE authorities do not recognise the importance of using the full range of sanctions (particularly fines and barring orders) to create a dissuasive environment.

i)   Outside of the FFZs, DNFBP supervisors were recently established by virtue of Cabinet Resolutions. Very limited activity has occurred (only for some sectors) in terms of supervision beyond initial registration and planning for a supervisory regime to be in place for most sectors by 2021. The UAE has therefore not been able to demonstrate any notable effective supervision for DNFBPs outside of the FFZs, with the exception of some market entry controls in the CFZs. This is concerning given the risk and materiality of certain segments of this sector (i.e. DPMS and Real Estate agents) in the context of the UAE.

j)   The UAE has 39 different company registries, many of which exist to promote economic growth in the various free zones. The risk of criminals being able to misuse legal persons in the UAE for ML/TF remains high, particularly through concealment of beneficial ownership information via complex structures or the use of informal nominees. Whilst the recent legislative changes represent significant progress by the UAE, the fragmented system of registries has given rise to different levels of understanding, implementation and application of measures to prevent the misuse of legal persons, creating regulatory arbitrage. In the DEDs, there is generally only basic knowledge of the concept of beneficial ownership, whereas a number of the CFZs and the FFZs demonstrated a good understanding. There is a wide divergence across the UAE registries as to how adequate, accurate and current beneficial ownership information is maintained. It was demonstrated that LEAs could obtain access to information through FIs if there was an established relationship with the legal entity/arrangement. The UAE has not implemented at national level a regime whereby sanctions for failing to provide information can be considered effective, proportionate and dissuasive.

k)   Despite significant efforts by some authorities to provide informal international cooperation, it has not been demonstrated that the system for providing formal cooperation is working effectively. It could not be demonstrated that the UAE is routinely and consistently requesting and providing international cooperation so as to make it an unattractive location in which criminals could operate, maintain their illegal proceeds, or use as a safe haven.

Risks and General Situation

2.   The UAE is a major international and regional financial centre and trading hub. The full range of financial institutions and a large number of DNFBPs operate throughout the country to facilitate financial and business activities. The UAE presents significant complexity when considering ML/TF risk and materiality given the range of activity (e.g. financial, economic, corporate, trade) conducted in the country, its jurisdictional nature (7 Emirates, 2 financial free zones and 29 commercial free zones) and the fragmented supervision structure that could lead to regulatory arbitrage between the jurisdictions in the UAE.

3.   The UAE is exposed to significant ML and TF risks and to proliferation financing. The UAE is considered a cash-intensive economy, which exposes the country to certain inherent ML/TF risks. As identified in the NRA, the large size and openness of the UAE's financial sector, large amount of remittances, cash in transactions, the highly active trade in gold and precious metals and stones, as well as the large proportion of foreign residents present in the UAE, and the country's geographic proximity to countries de-stabilised by conflict or terrorism, as well as countries subject to UN sanctions, present additional inherent vulnerabilities to ML/TF/PF abuse. The expansion of the FFZs and CFZs to reposition the country as an international financial centre and major international and regional trading hub also exposed the country to inherent risks such as trade based money laundering and laundering of foreign proceeds of crime.

4.   The main risks faced by the UAE are: terrorist financing, and a range of ML activities including professional third-party money laundering, cash-based money laundering, abuse of legal persons, trade-based money laundering and the laundering of proceeds, particularly from foreign predicate offences including fraud, tax offences and organised crime.

5.   According to the NRA, the highest sectoral vulnerabilities on the mainland are in banking, money service businesses/exchange houses and in dealers in precious metals and stones. The FFZs and CFZs present different areas of higher risk depending on their individual underlying activities.

Overall Level of Compliance and Effectiveness

6.   The UAE has taken some significant steps in strengthening its AML/CFT framework since its last evaluation, most notably by undertaking a NRA and with the enactment of the AML Law in 2018 and AML By-Law in 2019. In many respects, the elements of an effective AML/CFT system are in place but the required framework is relatively new and therefore it has not been possible to demonstrate the overall effectiveness of the system. The exception to this is that terrorist financing offences and activities are investigated and prosecuted to a large extent, and the role of the terrorist financier is generally identified. Generally, fundamental and major improvements are needed across the UAE in order to demonstrate that the system cannot be used for ML/TF and the financing of proliferation of weapons of mass destruction.

7.   In terms of technical compliance, the legal framework has been significantly enhanced and is now comprehensive in a number of areas. However, a number of issues remain including: in risk assessment and mitigation (R.1), targeted financial

sanctions (R.6/7), higher risk countries (R.19), beneficial ownership requirements (R.25), and the analysis function of the FIU (R.29).

Assessment of risk, co-ordination and policy setting (Chapter 2; IO.1, R.1, 2, 33 & 34)

8. The UAE has an emerging understanding of its ML/TF risks. The NRA is a good starting point for expressing ML/TF threats and vulnerabilities at a national level. However, the NRA and other assessments provide only a basic description of key issues such as ML of foreign proceeds, trade-based ML, cash-based ML and the abuse of corporate structures. TF threats assessed separately to ML threats in the NRA, but issues identified with the methodology bring into question some conclusions authorities have made about TF risk.

9. While some agencies demonstrated a more developed understanding of specific ML/TF risks, many AML/CFT stakeholders could not detail these risks beyond the high-level findings in the NRA.

10. During and after the development of the NRA, the UAE has introduced a range of measures to strengthen its AML/CFT regime. This includes a suite of new laws and regulations to reinforce a risk-based approach, introduction of beneficial ownership requirements, appointment of DNFBP supervisors, enhanced interagency coordination, increased FIU capacity, and mechanisms to improve ML investigations and international cooperation. These are important first steps, particularly in closing gaps in technical compliance and improving overall effectiveness. However, it is too early to assess their impact in mitigating sophisticated risks posed by, for example, professional ML networks or trade-based ML, in the absence of more specific measures designed to address these risks.

11. The objectives of competent authorities are broadly consistent with the evolving national AML/CFT policies (the National AML Strategy and National Action Plan) and the UAE has put in place a range of committees to improve national coordination and cooperation on AML/CFT issues at the policy and operational levels. These mechanisms have built greater awareness of the roles of different agencies in different jurisdictions, but it was difficult to assess to what extent they were prioritising new policy and operational actions in delivering the ambitions of the UAE's AML Strategy.

12. While the NRA is confidential, high-level summaries of its results were provided to some private sector firms via their supervisors. Further engagement with the private sector is required to support a more detailed awareness of the risks.

Financial intelligence, ML investigations, prosecutions and confiscation (Chapter 3; IO.6, 7, 8; R.1, 3, 4, 29–32)

Use of financial intelligence (Immediate Outcome 6)

13. A strong feature of the UAE's financial intelligence framework is that authorities have access to a broad range of financial information sources to aid financial investigations. This information is used in TF and predicate offence (particularly fraud) investigations – both areas assessed as higher risk by the UAE. However, financial intelligence is not fully exploited in response to other significant risks, including ML, or in relation to tracing proceeds of crime. LEAs and the FIU are under-utilising customs data considering the significant risks of ML through cross-

border movements of cash and PMS. While there are increasing trends, overall, the frequency and the extent of the use of financial information and intelligence is limited in the context of the UAE's ML risks. The capacity and expertise of agencies to undertake financial investigations varies.

14.   The FIU had a limited role and capacity, which reduced the quality of financial intelligence available to investigators. While it regularly supports LEA investigations by responding to specific requests, the FIU does not substantially add value to disseminations on high-risk issues. Recently, the FIU has taken significant positive steps (including improving its IT system) but the results of these measures are at early stages.

15.   Once a case is identified, interagency cooperation works well to bring together relevant financial intelligence, either bilaterally or via ad-hoc inter-agency committees. There are further opportunities to bring together, and proactively exploit, financial intelligence in line with the UAE's ML/TF risks.

ML offence (Immediate Outcome 7)

16.   The UAE has a sound statutory ML offence and due to a policy shift in 2018 to prioritise ML, targeted recruitment and increased capacity building across LEAs, there is an increase in the number of on-going investigations. Although there are various opportunities to detect ML (including FIU disseminations, FCA data, open and covert source reporting and international cooperation), LEAs are not routinely identifying and targeting significant ML cases in line with the UAE's risk profile.

17.   Across the Emirates, between 2013 and 2018, there were 282 ML cases identified by police and prosecutors of which 224 were further investigated by PPs, 50 prosecutions and 33 convictions for ML. While these prosecutions address some of the UAE's predicate offence risks (forgery and fraud), there is a noticeable 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 or dealers in precious metals or stones). The low number of ML prosecutions in Dubai (17 over a 5 year period) is particularly concerning considering its recognised risk profile.

18.   While the UAE does impose a range of sanctions, including against legal and natural persons, it has not been fully demonstrated that these are effective, proportionate and dissuasive in the context of the UAE's risk profile. While the UAE does pursue alternative criminal justice outcomes, such as prosecution for predicate offences, a type of possession offence and deportation, it was not evidenced this only happened where an ML conviction was not possible.

Confiscation (Immediate Outcome 8)

19.   In line with the overarching policy shift in 2018, the National Committee and the newly formed ML Investigations Sub-Committee have identified confiscation as a key policy objective.

20.   Overall the UAE's figures for domestic confiscation, criminal fines, repatriation, sharing and restitution are large due to broad confiscation powers. The UAE routinely seizes and removes instrumentalities of crime. However, it was not demonstrated there is systematic or consistent confiscation work following formal international requests involving the proceeds of foreign predicate offences, which is acknowledged as a key crime risk.

21.   Although the Federal Customs Authority has applied financial penalties for falsely declared or undeclared cross-border movements of currency, BNI and PMS the absence of formal case adoption by the Police or State Security suggests that in some cases, proceeds of crime is not ultimately confiscated.

22.   Notwithstanding the large asset recovery / repatriation figures, the UAE acknowledged issues in the collection and presentation of statistics, particularly in relation to completed ML investigations. Work is underway, overseen by the MOJ, to improve case management systems across all PPs, which will improve the collection of relevant management information.

Terrorist and proliferation financing (Chapter 4; IO.9, 10, 11; R. 1, 4, 5–8, 30, 31 & 39)

TF offence (Immediate Outcome 9)

23.   UAE secures TF convictions to a large extent. Between 2013 and 2019, 92 persons have been prosecuted for TF and 75 have been convicted, yielding a conviction rate of 82%. However, there are inconsistencies in activity prosecuted and convicted with what can be ascertained about the country's TF risk profile, as prosecutions, convictions, and TF funds identified do not consistently correspond with the threat levels of terrorist organisations articulated by the UAE.

24.   The UAE identifies and investigates TF activities to a large extent, and the role of the terrorist financier is generally identified. However, cases exhibited the exploitation of fairly unsophisticated channels and methods, given the range of inherent vulnerabilities identified by the UAE. There were also few complex cases, cases involving domestic use of funds or fundraising, or cases involving legal persons. But in general, authorities have investigated and identified a large amount of TF activity.

25.   The UAE has been able to demonstrate that sentences have been proportionate and dissuasive. However, there have been no convictions of legal persons during the assessment period.

Preventing terrorist from raising, moving and using funds (Immediate Outcome 10)

26.   The UAE is implementing TF-related TFS to some extent, but not without delay. A relatively new regulation (the "UNSCR Decision"), combined with a new mechanism of automatic transposition and notification, puts in place a far improved TFS framework. But the effectiveness of this new mechanism was not able to be demonstrated at the time of the on-site visit, and there remain technical deficiencies with respect to the Local List (UNSCR 1373) provisions of the Decision which may also decrease its overall effectiveness in the future.

27.   The authorities are in the process of educating reporting entities on the mechanism. However, currently neither the new obligations nor the mechanism are widely understood or implemented, particularly by the private sector. Awareness of the Local List (UNSCR 1373) is especially low amongst the private sector. No assets have been frozen pursuant to UN TF-related resolutions during the assessment period, and limited assets have been frozen pursuant to domestic designations (UNSCR 1373).

28. The UAE has applied focused and proportionate measures to NPOs identified as vulnerable to TF to a large extent. The UAE has completed an NPO risk assessment and has strong licensing and financial controls in place, combined with largely sufficient monitoring by supervisors, to help prevent their abuse by terrorist financiers. The main deficiency relates to the Ruler's Funds, which comprise 18 percent of NPOs deemed "high-risk" and were just beginning formal monitoring by the Ministry of Community Development at the time of the on-site visit.

29. Measures being implemented in the NPO sector appear largely in line with risks in that sector, though measures related to TFS and deprivation of terrorist financiers' assets are not consistent with the country's risk profile.

Proliferation financing (Immediate Outcome 11)

30. The UAE is implementing PF-related TFS to a limited extent and not without delay. As noted above in IO.10, the new UNSCR Decision and accompanying new mechanism of automatic transposition and notification will improve the country's overall framework for implementing TFS; however, the effectiveness of this new mechanism was not able to be demonstrated at the time of the on-site, and there remain technical deficiencies with respect to Iran-related provisions of the Decision which may also decrease its overall effectiveness in the future.

31. As noted in IO.10, neither the new obligations stemming from the UNSCR Decision nor the mechanism for automatic transposition are widely understood or implemented, particularly by the private sector. In many instances, entities responded that accounts of designated individuals would merely be closed, which could lead to the funds being returned if a match was detected. This, coupled with a significant deficiencies found in examinations regarding basic sanctions screening and a lack of meaningful enforcement action related to deficiencies in TFS controls, signals a substantial vulnerability in the area of PF.

Preventive measures (Chapter 5; IO.4; R.9–23)

32. The UAE has extremely large and diverse financial and DNFBP sectors which vary in type between the FFZs, CFZs and the Mainland. The level and types of ML/TF risks affecting individual FIs and DNFBPs vary, as do the ML/TF risks facing particular sectors and jurisdictions within the UAE. All of the entities performing activities covered by the FATF Standards are required to apply a range of AML/CFT preventive measures under the 2018 AML Law and 2019 By-Law. However, these requirements are very recent for most DNFBPs and there is limited understanding of the obligations. These requirements are not yet implemented comprehensively and consistently across all sectors – particularly DNFBPs.

33. In general, financial institutions (FIs) were applying a range of preventative measures. Banks in the UAE have a good level of understanding of ML/TF risks and obligations, while other FIs (securities, insurance and MVTS) displayed a reasonably good understanding of risks and preventative measures in their sectors. The risk understanding among DNFBP sectors in mainland and CFZs is weak. AML/CFT obligations for DNFBPs are new, and supervisors were only recently appointed. On the other hand, DNFBPs in the FFZs have a more developed understanding of their ML/TF risks. There are concerns about the low level of STR reporting in many sectors, particularly the DPMS, and Real Estate and TCSP sectors. While some STRs submitted are of high quality, there remain concerns about the quality of STRs reported across sectors (even amongst banks, which submit 85% of STRs filed).

Supervision (Chapter 6; IO.3; R.26–28, 34, 35)

34.   All of the regulated activities covered in the FATF Standards are supervised for AML/CFT compliance under the UAE regime. For FIs, the fitness and propriety checks to prevent criminals from entering the market are comprehensive, however for DNFBPs outside of the FFZs and some CFZs, these controls are not particularly comprehensive or not yet fully in place, and do not adequately address the issue of foreign directors, shareholders or beneficial owners.

35.   The DFSA, the FSRA and the IA have developed a detailed understanding of ML/TF risk in the areas they supervise, which extends to the individual institution level. BSD and SCA have a developing understanding of ML/TF risk at type and individual institutional level. For BSD, this has been enhanced since 2017 by the regular collection of ML/TF data points at institutional level, and a third party sector-wide risk assessment exercise, to establish a new baseline for AML/TF risk assessments. Supervisors' efforts have so far been focussed on designing the process of enhanced risk assessment and therefore detailed individual institution risk knowledge was not yet fully demonstrated. This currently limits the risk-based approach to supervision in the Mainland and the CFZs. Prior to 2017, the majority of supervisors included some elements of ML/TF risk in their supervision programme, however supervision was predominantly based on conduct of business and prudential risk indicators resulting in scheduled supervision cycles. The DFSA is the exception, having applied a risk-based approach since 2013 and has recently further developed this to enhance supervision activity based on ML/TF risk.

36.   The DFSA has demonstrated the application of effective, proportionate and dissuasive sanctions against both firms and individuals, and the FSRA is demonstrating competence to achieve the same. The BSD, the IA and SCA have taken remedial actions and levied some very limited sanctions against firms; however, these have been limited to license revocation, license downgrades, warning letters or low-level fines. It is a major concern to the assessment team that the UAE authorities do not recognise the importance of using the full range of sanctions (particularly fines and barring orders) in a proportionate manner. Some more recent actions by supervisors, particularly around the requirement for entity-level risk assessments to be conducted and more risk-based supervision has started to demonstrate a change in compliance by FIs and DNFBPs.

37.   Outside of the FFZs, DNFBP supervisors were only recently established by virtue of Cabinet Resolutions. Very limited activity has occurred in some sectors beyond initial registration and planning for a supervisory regime to be in place for most sectors by 2021. The UAE has therefore not been able to demonstrate any notable effective supervision for DNFBPs outside of the FFZs which is concerning given the risk and materiality of certain segments of this sector (i.e. DPMS and Real Estate agents) in the context of the UAE.

Transparency and beneficial ownership (Chapter 7; IO.5; R.24, 25)

38.   The UAE has 39 different company registries, many of which have been created to promote economic growth in the various free zones. The risk of criminals being able to misuse legal persons in the UAE for ML/TF 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. Whilst it is positive that the UAE has carried out an assessment of the vulnerabilities of legal persons, this understanding is generally limited to the inherent

risks of those entities. It is positive that some analysis has recently been conducted resulting through a typology report from the FIU, however this is limited to certain sectors and was not able to be demonstrated that this material had been used to develop understanding across the relevant UAE authorities.

39.   Whilst the recent legislative changes represent significant progress by the UAE, the fragmented system of registries has given rise to different levels of understanding, implementation and application of measures to prevent the misuse of legal persons, creating regulatory arbitrage. In the DEDs, there is generally only a basic knowledge of the concept of beneficial ownership, whereas this is more developed in a number of the CFZs and the FFZs where they demonstrated a good understanding

40.   The creation and implementation of the National Economic Register (NER) is a positive step, in the context of the UAE, and will significantly enhance information exchange in respect of basic information. It will also act as a mechanism to standardise the implementation of the new legislative provisions (when all Registers are connected).

41.   There is a wide divergence across the UAE registries as to how adequate, accurate and current beneficial ownership information can be obtained by competent authorities. In respect of obtaining this information from registries, many implement different standards of verification, with high levels of verification being used in the FFZs and some CFZs. But generally (and particularly in the DEDs) there is not sufficient verification of the accuracy of information – beyond the use of Emirates ID (for citizens and residents only) and a criminal background check. This leaves a significant vulnerability in respect of non-resident beneficial owners.

42.   UAE authorities, including LEAs, demonstrated the ability to access basic and BO information from FIs, where the FI had a relationship with the legal entity in the UAE. However, the UAE did not demonstrate that it was possible to get this information directly from legal entities and given the recent enactment of legislation, it was not clear they held suitable information.

43.   The UAE has not implemented at national level a regime whereby sanctions for failing to provide information can be considered effective, proportionate and dissuasive.

International co-operation (Chapter 8; IO.2; R.36–40)

44.   While the UAE has a sound legislative basis for international cooperation, it has provided mutual legal assistance (MLA) and extradition to a minimal extent considering its exposure to foreign predicate offences and associated proceeds of crime. The UAE noted that requests did not always meet its legal requirements or that requesting countries did not complete all relevant paperwork. Feedback from delegations highlighted significant issues in the provision of formal cooperation, including limited responses to requests or extended delays in execution with little or no feedback.

45.   The UAE has not demonstrated that it is routinely seeking outgoing legal assistance from foreign countries to pursue ML and TF, in line with identified risks. The UAE explained that a significant amount of effort is placed on informal cooperation, and while numbers of requests are extremely high for TF, there is not a corresponding emphasis on ML. However, recent case studies show a move towards more regular formal cooperation on ML cases.

46.   In general, the UAE has demonstrated a better capacity to seek and provide informal cooperation than it has with formal cooperation, particularly with a recent, increased focus on ML and TF. On ML, in some police forces, and the MOI, there is a high level of regular and sustained informal cooperation. The FCA has started to increase its international engagement with key partners. On TF, informal cooperation is occurring with major partners, predominantly via State Security, to disrupt TF activity. Equally, access to beneficial ownership information is increasing, largely due to a policy change by the FIU to assist in this area.

Priority Actions

a) Deepen and refine the UAE's understanding of ML/TF residual risk at both a national an individual Emirate-level by assessing how threats are exploiting AML/CFT system vulnerabilities, while taking into account the impact of mitigating measures. In particular, enhance the UAE's understanding of the most immediate and pressing ML risks complex (such as professional ML networks and foreign proceeds of crime) utilising a broader base of available information sources, including via proactive engagement with international partners and update TF risks focusing on financing issues. Deepen private sector outreach on these issues.

b) The National Committee and NRA Sub-Committee should use evolving risk analysis and stakeholder insight to inform the application of mitigation measures.

c) Enhance the use of financial intelligence in the UAE by: identifying how it can identify and address significant ML threats; continuing to support the development of the FIU to ensure that it can provide complex operational analysis as well as strategic analysis in line with operational needs; mandating the systematic use of financial intelligence and financial investigations to better investigate ML, associated predicate offences, TF and trace assets across all LEAs; improving STR reporting awareness among new reporting entities, and improving and targeting intelligence on cross-border movements of cash and precious metals and stones.

d) The ML Investigation Sub-Committee should refine its prioritisation criteria and embed these principles into any national and Emirate-level tasking and coordination process to ensure timely identification and significant ML risks and closely monitoring key cases to ensure they address the most pressing ML risks. The Ministry of Interior and Federal Customs Agency should agree a consistent referral mechanism to ensure suspicions of ML via cash or precious metals and stones movements are identified and assessed for investigation. All Public Prosecutions, but especially Dubai PP given its risk exposure, to prioritise the pursuit of money laundering charges, including complex or standalone prosecutions in cases of foreign predicate offending. Without compromising the independence of the judiciary, the National Committee, in coordination with relevant competent authorities, should

establish a dialogue with judges to communicate the aims of the national AML/CFT strategy.

e) Continue to embed the high-level policy objective of routinely pursuing confiscation in all agency actions plans and procedures, with oversight provided by the ML Committee, who can coordinate and disseminate best practice to reinforce the policy objective. Improve the collection of confiscation statistics across the UAE, in order to assess these initiatives are addressing ML/TF risks. Build Customs intelligence capability, including profiling and detection resource, focused on cross-border currency, bearer negotiable instruments and precious metals and stones movements.

f) Implement TFS for TF and PF without delay, including by conducting further awareness raising and outreach to both authorities and private sector entities on the mainland and the FFZs to make them aware of their obligations with respect to TFS and the Import/Export Committee's new website and mechanism. Work to build a better understanding of TFS and sanctions evasion among authorities and the private sector. Take more dissuasive enforcement or remedial action with respect to TFS-related deficiencies. Finally, rectify the key technical deficiencies in Recommendations 6 and 7 to help ensure better implementation.

g) Enhance the monitoring of sectors' awareness of risk, mitigation measures and compliance, most notably ensuring that all DNFBPs are aware of their obligations. Supervisors should conduct full-scope examinations of institutions in line with the risk cycle and through the conduct of thematic reviews. This should notably focus on areas of particular weakness (TFS, EDD, hawaladars and high risk DNFBPs). This should be accompanied by enhanced guidance, education and outreach, to urge non-bank FIs & DNFBPs to strengthen their transaction-monitoring systems and ensure timely and quality reporting of STRs by all reporting entities.

h) All supervisors should ensure the full implementation of RBAs and carefully monitor their implementation (particularly noting some are recently implemented) – focus should specifically be given to adequacy of supervisory resources to ensure they are sufficient. Meetings of the recently established Sub-Committee for FI supervisors should occur regularly to ensure alignment of the supervisors in the UAE and also to coordinate through regular meetings with the DNFBP supervisors. There should be regular discussion of High-level principles of AML/CFT supervision for FIs and DNFBPs with the outcomes communicated to the industry. Sanctions should be urgently reviewed to move to a position where they are used in an effective, proportionate and dissuasive manner.

i) The UAE authorities should expedite the full and effective implementation of the requirements of the AML Law and AML By-Law across all company registries. The UAE should expedite the implementation of the NER across all registries in relation to basic information and the authorities should look to develop the understanding of beneficial ownership across the Registries through

guidance and training. The UAE should determine policy at a national level, there is an effective policy to ensure effective on implementation of sanctions for failing to comply with information requirements. The authorities should look to monitor this implementation to ensure that it is applied in a uniform manner effectively across all 39 registries.

j) Make significantly greater use of formal international legal assistance processes (MLA, extradition and asset freezing and confiscation), prioritising Dubai given its increased exposure to ML/TF risks such as the laundering and placement of foreign proceeds. Conclude integration of the MOJ's new case management system and review current resources in the Ministry of Justice, Public Prosecutions and Police Forces to achieve this outcome. Increase international cooperation by the Federal Customs Agency on cross-border cash/precious metals & stones smuggling and TBML and increase resources available to the FIU to ensure that it can better seek and provide (on request and spontaneously) cooperation at a level commensurate to the UAE's ML/TF risk profile.

Effectiveness & Technical Compliance Ratings

Effectiveness Ratings[1]

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[2]

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		

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1. Effectiveness ratings can be either a High – HE, Substantial – SE, Moderate – ME, or Low – LE, level of effectiveness.
2. Technical compliance ratings can be either a C – compliant, LC – largely compliant, PC – partially compliant or NC – non compliant.