



National Anti-Money Laundering and Combating
Financing of Terrorism and Financing of Illegal
Organizations Committee



United Arab Emirates

Designated Non-Financial Businesses and Professions Sectoral ML/TF Risk Assessment in UAE

Supervisory Sub-Committee

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Overview

In March 2022, the Central Bank of the UAE (CBUAE), together with the Ministry of Justice (MOJ), Ministry of Economy (MOE), the Dubai Financial Services Authority (DFSA) of Dubai International Financial Centre (DIFC), and the Financial Services Regulatory Authority (FSRA) of Abu Dhabi Global Market (ADGM), (collectively the “Supervisory Authorities”), conducted a detailed Sectoral Risk Assessment (SRA) of the Designated Non-Financial Businesses and Professions (DNFBP) sectors in the UAE.

The SRA serves to assess the Money Laundering/Terrorist Financing (ML/TF) risks associated in the Designated Non-Financial Businesses and Professions (DNFBP) in the UAE. This assessment is intended to improve the risk understanding of competent authorities, in the private sector and relevant stakeholders for the DNFBP sectors.



Limitations

The DNFBP SRA has drawn on aspects of the UAE National Risk Assessment (NRA 2019), FIU Typology Reports, knowledge and experience of the DNFBP Supervisors. In addition, the DNFBP SRA used guidance and reports from other jurisdictions and international organisations FATF-Style Regional Bodies (FSRBs), such as MENAFATF and GAFILAT and the FATF, which are inter-governmental bodies developing and promoting policies to combat ML/TF and PF.

The DNFBP SRA works on two distinct levels: it provides an assessment of inherent ML/TF risk, and identifies key ML/TF vulnerabilities and how they impact each sector. It also provides an overview of the controls as observed by the DNFBP supervisors. **The SSC notes that a risk rating for ML/TF is not an indication of instability or criminality of any business type or reporting entity within the sector.**



Risk Assessment Summary

The following table summarizes the outcome of the 2022 Sectoral Risk Assessment against the 2019 UAE National Risk Assessment (NRA).

DNFBP Sectors	2019 NRA Risk Rating	2022 SRA Residual Rating		2022 SRA Comparison	
Real Estate Brokers and Agents Providers	Medium-High	MOE	High	Increased	↑
		DFSA	Medium High	Unchanged	↔
		ADGM	Medium High	Unchanged	↔
Accountants/Auditors	Medium	MOE	Medium	Unchanged	↔
		DFSA	Medium	Unchanged	↔
		ADGM	Medium	Unchanged	↔
Trust and Company Service Providers	Medium-High	MOE	High	Increased	↑
		DFSA	Medium High	Unchanged	↔
		ADGM	Medium High	Unchanged	↔
Dealers in Precious Metals and Stones	High	MOE	High	Unchanged	↔
	Medium-High	DFSA	Medium-High	Unchanged	↔
		ADGM	Medium-High	Unchanged	↔
Legal/Lawyers	Medium-High	MOJ	Medium	Reduced	↓
		DFSA	Medium	Reduced	↓
		ADGM	Medium	Reduced	↓



Risk Assessment

As part of these efforts, the Competent Authorities of the UAE have taken a number of substantive actions, including among others:

- Enhancing the federal legislative and regulatory framework, embodied by the introduction of the new AML/CFT Law and Cabinet Decision, which incorporate FATF Recommendations 2012;
- Conducting the National Risk Assessment (NRA) and additional topical risk assessments on key areas identified in the NRA to identify and assess the ML/FT threats and inherent vulnerabilities to which the country is exposed, as well as to assess its capacity in regard to combating ML/FT at the national level;
- Raising awareness and engaging with the private sector and relevant Competent Authorities to identify and respond to emerging risks proactively; and
- Formulating a National AML/CFT Strategy and Action Plan that incorporate the results of the NRA and which are designed to ensure the effective implementation, supervision, and continuous improvement of a national framework for the combating of ML/FT and PF, as well as to provide the necessary strategic and tactical direction to the country's public and private sector institutions in this regard



Purpose of the DNFBP SRA

The DNFBP SRA produced by the SSC in relation to the ML/TF risks has the following roles:

- To help DNFBP Supervisors as an AML/CFT supervisor to understand ML/TF risks within the DNFBP sectors.
- To provide guidance to reporting entities on the risks relevant to their sector and to inform their risk assessments.
- To contribute to the ongoing UAE National Risk Assessment Sub-Committee's assessment of ML/TF risks in the UAE.
- To meet the FATF Recommendations which require countries to adequately assess ML/TF risk and provide effective AML/CFT regulation and supervision.



UAE Supervisory Regime

Type of Entity-DNFBP	Mainland	CFZ	ADGM (FFZ)	DFSA (FFZ)	Total
Numbers as of Dec 31, 2021 (or as Otherwise mentioned)	No. Licensed/ Registered	No. Licensed/ Registered	No. Licensed/ Registered	No. Licensed/ Registered	No. Licensed/ Registered
Accountants/Auditors	1,315	611	21	22	1,969
Trust and Company Service Providers	1,489	1,233	41	17	2,780
Dealers in Precious Metals and Stones	3,421	2,183	25	5	5,634
Real Estate Brokers and Agents Providers	3,597	525	6	1	4,129
Legal/Lawyers	1,054	144	89	55	1,342
Total DNFBPs	10,876	4,696	182	100	15,854

^[1] The total number of law firms operating in the Mainland and CFZ, as of December 2021, stand at 881.

^[2] The total number of licensed lawyers in the Mainland and CFZ, as of December 2021, stand at 317. It is mandatory that all licensed lawyers operate through MOJ's regulated law firms.



Methodology

ML/FT Risk Assessment Model (the Model) is an internal analytical tool developed by the SSC for assessing ML/FT in a consistent way to across the entire DNFBP sector. There are five key risk factors that are considered by the Model: Business, Customers, Products, Delivery Channel, Geographic's, and Terrorism Financing. For each DNFBP sector, data was analyzed from the MOE, MOJ, DFSA (of the DIFC) and the ADGM.

INHERENT RISK	High	Medium	Medium High	High	High
	Medium High	Medium	Medium	Medium High	High
	Medium	Low	Medium	Medium	Medium High
	Low	Low	Low	Medium	Medium High
		Effective	Largely Effective	Partially Effective	In-Effective / No Control
		CONTROL EFFECTIVENESS			



Threat Assessment

Real Estate Brokers and Agents Providers: UAE Mainland and CFZ:

Risk Components	Risk Ratings			
	Low	Medium	Medium-High	High
Inherent Risk				●
Control Effectiveness	Effective	Largely Effective	Partially Effective	Ineffective
			●	
Residual Risk	Low	Medium	Medium-High	High
				●

Real Estate Brokers and Agents Providers: UAE FFZ:

Risk Components	Risk Ratings			
	Low	Medium	Medium-High	High
Inherent Risk			●	
Control Effectiveness	Effective	Largely Effective	Partially Effective	Ineffective
			●	
Residual Risk	Low	Medium	Medium-High	High
			●	



Threat Assessment

Accountants and Auditors: UAE Mainland, CFZ and FFZ:

Risk Components	Risk Ratings			
	Low	Medium	Medium-High	High
Inherent Risk		●		
Control Effectiveness	Effective	Largely Effective	Partially Effective	Ineffective
			●	
Residual Risk	Low	Medium	Medium-High	High
		●		

Trusts and Company Service Providers: UAE Mainland and CFZ:

Risk Components	Risk Ratings			
	Low	Medium	Medium-High	High
Inherent Risk				●
Control Effectiveness	Effective	Largely Effective	Partially Effective	Ineffective
			●	
Residual Risk	Low	Medium	Medium-High	High
				●

Trusts and Company Service Providers: FFZ:

Risk Components	Risk Ratings			
	Low	Medium	Medium-High	High
Inherent Risk			●	
Control Effectiveness	Effective	Largely Effective	Partially Effective	Ineffective
			●	
Residual Risk	Low	Medium	Medium-High	High
			●	



Threat Assessment

Dealers in Precious Metals and Stones: UAE Mainland and CFZ:

Risk Components	Risk Ratings			
	Low	Medium	Medium-High	High
Inherent Risk				●
Control Effectiveness	Effective	Largely Effective	Partially Effective	Ineffective
			●	
Residual Risk	Low	Medium	Medium-High	High
				●

Dealers in Precious Metals and Stones: UAE FFZ:

Risk Components	Risk Ratings			
	Low	Medium	Medium-High	High
Inherent Risk			●	
Control Effectiveness	Effective	Largely Effective	Partially Effective	Ineffective
			●	
Residual Risk	Low	Medium	Medium-High	High
			●	

Legal/Lawyers: UAE Mainland, CFZ and FFZ:

Risk Components	Risk Ratings			
	Low	Medium	Medium-High	High
Inherent Risk		●		
Control Effectiveness	Effective	Largely Effective	Partially Effective	Ineffective
		●		
Residual Risk	Low	Medium	Medium-High	High
		●		



Vulnerabilities Assessment- Summary

Real Estate Brokers and Agents Providers

The SRA demonstrates that the residual risk of the Real Estate sector in UAE Mainland, CFZ and FFZ have increased from the findings set in the UAE NRA.

Whilst the MOE adopted a phased approach to increase the level of supervision in the Real Estate sector, it still maintained a conservative approach in the SRA assessment to ascertain that supervisory efforts in this sector are prioritized.

Within FFZ and given the size of the sector, DFSA and ADGM continue to identify the risks arising from the sector through annual desk-based reviews of submitted data points. The SRA demonstrates the need for continuous risk monitoring and to increase the awareness of the entities operating in the sector

Accountants/Auditors

The risk assessment demonstrates that the residual risk in the Accountants/Auditors sector has remained unchanged. While the MOE, DFSA and FSRA continue to engage with the sector using different supervisory tools, the risk assessment demonstrates the need for continuous risk monitoring and to increase the level of awareness and understanding of the entities operating in the sector.

Trust and Company Service Providers

The UAE recently enacted a law regulating onshore trusts – Federal Decree Law no. 19 of 2020 Concerning Trusts (“Trust Law”). The Trust Law regulates trust formation, purpose, operation and dissolution. The law also defines the rights and obligations of the settlor or grantor, beneficiary, trust protector and trustee. Implementing Regulations have not yet been published at the time of the issuance of the SRA, therefore no such trusts have been established onshore in the UAE as at June 2022. Nevertheless, the SSC adopted a conservation approach in the assessment and increased its previous Medium High rating to High, to ensure supervisory efforts in this sector remain a priority. Supervisors determined a need for awareness and continuous risk monitoring of the entities operating in the TCSP sector.



Vulnerabilities Assessment- Summary

Dealers in Precious Metals and Stones

The risk assessment demonstrates that the residual risk in the DPMS sector in mainland UAE and CFZ remain high. The MOE adopted a phased approach to continuously enhance the level of supervision in this sector and ensure that it remains a priority in supervisory efforts. Whereas DFSA and FSRA continue to risk assess the sector in line with the risk-based approach. However, this risk assessment demonstrates the need for continuous risk monitoring and to increase the awareness of the entities operating in the sector.

Legal/Lawyers

In the 2019 UAE NRA, the residual risk was rated as Medium-High. However, based on ongoing supervisory efforts, the supervisors now have a better understanding of activities of supervised entities and are able to identify entities that fall within the FATF legal sector DNFBP definition. In addition, the supervisors noted an increased focus on enhancing AML/CFT system and controls by supervised entities including the appointment a dedicated MLRO. The MOJ has also seen an increase in the attendance and participating of awareness workshops and a significant increase in communication between the Supervisors and the supervised entities seeking input with regards to AML/CFT obligation, inquiries regarding the process of filing STRs/SARs, and implementation without delay of TFS in response to EOCN notifications.



Key ML/TF vulnerabilities

The analysis of the vulnerabilities in the UAE DNFBP sectors found that the risks associated with each DNFBP sector is different. Government measures are diversified and thorough that ML/TF activities of the DNFBP sectors were successfully identified and mitigated. From the results and outcomes of the risk assessment, the below vulnerabilities were further highlighted for the DNFBP sectors”

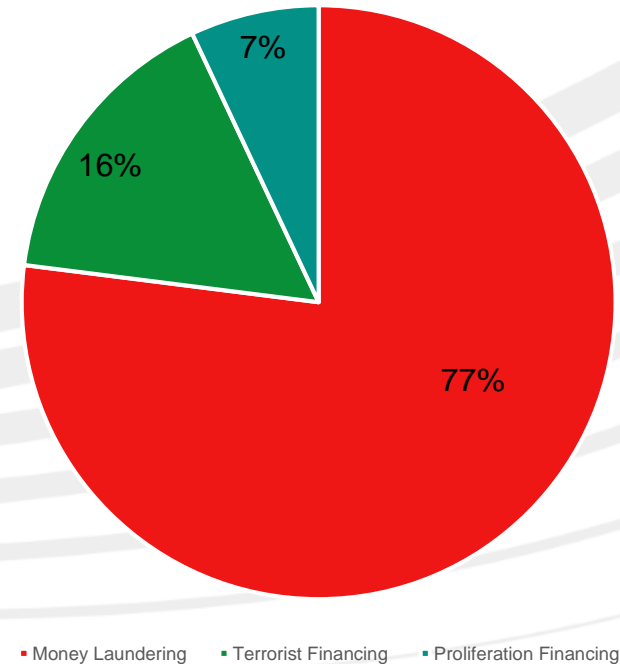
DNFBP sector	High-Risk Customers	High-Risk Jurisdictions	Anonymity and complexity through the use of third parties to hide the beneficial ownership	Trade-based money laundering (TBML)	Lack of ML/TF Awareness	Cash Based Economy	PEPs and high net worth individuals	Non face to face interaction
Real Estate Brokers and Agents Providers	✓	✓	✓	✗	✓	✓	✓	✓
Accountants/ Auditors	✓	✓	✓	✓	✓	✓	✓	✓
Trust and Company Service Providers	✓	✓	✓	✓	✓	✓	✓	✓
Dealers in Precious Metals and Stones	✓	✓	✓	✓	✓	✓	✓	✓
Legal/lawyers	✓	✓	✓	✗	✓	✓	✓	✓



Private Sector Engagement and Understanding of the sector

- Which risks are the most relevant to the DNFBP sector?

77% of the respondents indicated that generally DNFBPs operating in the UAE are most vulnerable to Money Laundering. Further, 16% of the responses received indicated that the DNFBP sectors are vulnerable to the Terrorist Financing and 7% of the respondents indicated that DNFBP sectors are vulnerable to Proliferation Financing. The private sector's understanding is in line with the outcomes of the report, and the risks identified in the assessment.



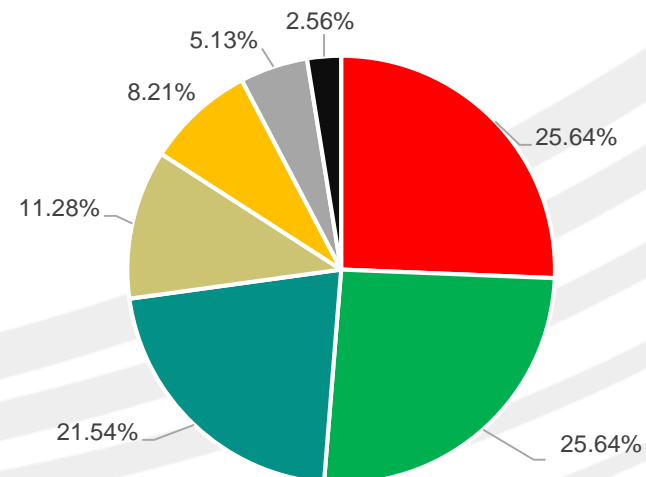


Private Sector Engagement and Understanding of the sector

The regulated entities surveyed viewed the primary vulnerabilities in the DNFBPs sectors as:

- Anonymity and complexity through the use of third parties to hide the beneficial ownership.
- Cash-based activities and economy.
- Lack of ML/TF awareness.

- Anonymity and complexity through the use of third parties to hide the beneficial ownership.
- Cash-based activities and economy.
- Lack of ML/TF awareness.
- High risk Customers
- PEP and High Net worth Individuals
- Trade-Based Money laundering (TBML)
- None of the above





UAE Mitigation Measures

Risk Based Supervisory Plan

Thematic Reviews on Emerging Risks

Workshops and Outreaches

Guidance and Guidelines on Key Areas

Sectoral Risk Assessment Outreach

Public Private Partnership Committee Initiatives



UAE Mitigation Measures

Cash Declaration

Cash Report

Cash-Usage within Real Estate

Topical Risk Assessments

FIU feedback mechanisms

Ministry of Interior Initiatives



Recommended Actions

DNFBP Sector	Specific Key Recommendations
Legal consultancies	<ul style="list-style-type: none"> Enhance guidance on CDD measures and verification and identification of source of funds and source of wealth. Increase awareness of TF and PF risks to detect sanction evasion techniques in the sector. The aim of these awareness sessions aim to increase TFS reporting. Increase awareness of the red flag and typologies indicators for potential misuse of legal professionals for ML/TF and PF purposes. Continue to conduct STR/SAR awareness sessions, with the aim to improve quantity and quality reports. Build typologies associated with legal profession sector in the UAE to share the understanding of risks and help in prevention of ML/TF activities. Increased interaction between competent authorities and supervisors in terms of sharing information on vulnerabilities to assist in reducing misuse of legal professionals, as well as raising red flags on legal professionals who are failing to meet their obligations in an AML/CFT context.
Company Service Provider	<ul style="list-style-type: none"> Enhance guidance on (1) identification and verification source of funds and source of wealth (2) ongoing monitoring and screening and (3) identification of beneficial owners. Continue to conduct STR/SAR awareness sessions.
Auditors and Accountants	<ul style="list-style-type: none"> Enhance guidance on (1) identification and verification source of funds and source of wealth (2) ongoing monitoring and screening Continue to conduct STR/SAR awareness sessions.
Real Estate Agents	<ul style="list-style-type: none"> Enhance guidance on (1) identification and verification source of funds and source of wealth (2) ongoing monitoring and screening Continue to conduct STR/SAR awareness sessions.
DPMS	<ul style="list-style-type: none"> Develop guidance on CDD for occasional and one off transactions, including dealing with PEPs in the DPMS sector Enhance guidance on (1) identification and verification source of funds and source of wealth (2) ongoing CDD and sanctions screening. Continue to conduct STR/SAR awareness sessions.



THANK YOU