



Laws, Regulations and procedures
Implemented in the United Arab
Emirates for Anti-Money
Laundering and Combating
Terrorism Financing

The UAE realized at an early stage the possibility of utilizing banks and other financial institutions in the country in money laundering and/or terrorism financing. It was also fully aware of the international conventions, protocols and initiatives in this regard. In view of this, the UAE, through the Central Bank of the UAE, and via a series of regulations issued to the banking and financial system, began applying regulations and taking measures to encounter money laundering and combat terrorism financing, whether through customer accounts or international banking and financial transactions, or secured/unsecured loans as follows:

- a. All banks and other financial institutions are requested to inform the Central Bank of the UAE, rather than any other party, of any transactions, carried out by their customers, which they suspect may be related to illegal dealings, and may consequently be related to money laundering and/or terrorism financing.

- b- All banks and other financial institutions are requested to verify the real identities of their clients at all times, such as the name, the post and others. The Central Bank of the UAE has warned the said institutions from opening or bookkeeping of accounts for names of unknown identities. -

- c- All banks and other financial institutions are requested to maintain documents relating to the identities of their clients for a period of at least five years, and to maintain closed accounts files in a way that includes clients' identities, the correspondence with them and their accounts statements. -

- d- All banks and other financial institutions are requested to detect any transaction the size of which is not compatible with the income of its owner, and which does not seem to have any reasonable economic cause or clear legal objective. The Central Bank of the UAE also requested these institutions to provide it with statements about those accounts. -

Furthermore, the United Arab Emirates through its various concerned authorities, has issued and implemented the following laws, regulations and procedures:

1- The United Arab Emirates ensured the inclusion of Anti-Money Laundering Articles in its **Federal Law No. (3) of 1987 concerning the promulgation of the Penal Code**, which was in line with the then discussions, to prepare for the 1988 Vienna Convention, which the UAE signed and ratified.

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2- The Central Bank of the UAE issued **Regulation No. 14/93 of 20/6/1993** to all banks operating in the country, regarding opening of accounts. The regulation consisted of (11) articles, regarding account opening requirements, where banks are not allowed to open secret or shadowy accounts. Also, banks are requested to obtain all necessary documents while opening an account or renting safe deposit boxes. Banks should also verify the name of the account holder as in passport or trade licence in case of juridical persons (companies and establishments). All documents should be verified and information regarding each customer should be registered, in addition to transactions carried out.

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The Regulation, in Article five, prohibits opening accounts to charitable associations, except for those that present a true "declaration decision" issued and signed by H.E. The Minister of Labour and Social Affairs. Finally, the Regulation requests banks to update information, regarding account holders.

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| <p>3- The Central Bank of the UAE issued Regulation No. 163/98 of 28/2/1998, requesting banks to detect any transaction whose size is not commensurate with the income of the concerned individual, or which does not have an economic cause or clear legal objective. Banks should provide the Central Bank with information in this regard.</p> | <p>- 3</p> <p>1998/2/28</p> | <p>98/163</p> |
| <p>4- The Central Bank of the UAE issued a letter to all banks instructing them to monitor all letters of credit which are opened and detailing the steps which should be taken by them.</p> | <p>4-</p> | |
| <p>5- The Central Bank of the UAE established a special unit for investigating fraud and suspicious transactions in July 1998, which was given the title "Anti-Money Laundering and Suspicious Cases Unit" (AMLSCU) in November 2000. The Unit has access to all relevant authorities in the UAE as well as those abroad, under the aegis of the National Anti-Money Laundering Committee.</p> | <p>- 5</p> <p>1998</p> <p>.2000</p> | |

6- The UAE formed **the National Anti-Money Laundering Committee (NAMLC)** on **19/7/2000**, under the Chairmanship of His Excellency the Governor of the Central Bank of the UAE. The Committee carries out the full responsibility of coordinating anti-money laundering policies in the UAE. The Committee comprises representatives from the Central Bank of the UAE, Ministry of Interior, Ministry of Foreign Affairs, Ministry of Finance and Industry, Ministry of Justice, Islamic Affairs and Endowments, Ministry of Economy and Planning, The UAE Customs Authority, The Secretariat General of Municipalities, and a representative of Dubai Economic Development Department, Securities and Commodities Authority, The Federation of Chambers of Commerce and Industries and the concerned authorities which issue trade and industrial licences, in addition to representatives, who function as observers, of the major five national banks and three leading moneychangers. The committee has a strong voice in the UAE and, after September 11, 2001, the National Anti-Money Laundering Committee took on the role of combating terrorism financing throughout the financial sector.

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7- The National Anti-Money Laundering Committee has issued a **cautionary Notice**, in Arabic, in local newspapers, advising UAE nationals and residents to exercise prudence while transferring cash funds abroad or while receiving cash funds from abroad, particularly when the received funds are from unknown persons living outside the country, in order to avoid legal questioning. The said Notice prohibits carrying out any transactions with unknown parties abroad. The Notice requests importers to pay only to the real exporter and not to third parties. Finally, the Notice advises the public to exercise prudence when funds are transferred as donations.

8- The Central Bank of the UAE, issued **Regulation No. 24/2000 of 14/11/2000 to all banks, moneychangers, finance companies and other financial institutions operating in the UAE, regarding Procedures for Anti-Money Laundering.** The said regulation comprised (25) articles, clarifying the procedures and their application. The main articles included definition of money laundering as well as scope of application. The Regulation also included the legislative aspects required by international conventions and directives in this regard.

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The said Regulation expanded the requirements, relating to identification of customers and to reporting suspicious financial transactions. It further imposed a complete series of additional commitments, as well as detailed requirements regarding examining and verifying letters of credit and other related documents.

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| 9- | Per requirements of Article (6) of Federal Law No. (4) of 2002, regarding criminalization of money laundering, and following the conclusion of discussions among customs departments in the country, the Board of Directors of the Central Bank of the UAE approved and issued a Regulation on 26/1/2002, regarding declaration when importing cash into the UAE through travelers, shipments, postal parcels and parcels of postal companies. The minimal amount which should be declared was limited to AED 40,000 (forty thousand dirhams) with regard to individuals who are 18 years old or above. | (6)
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Per the said declaration system, customs officers at airports, ports and exit points have to submit or request all passengers to fill in a specially designed form, in order to maintain information, data and documents related to those

individuals who carry cash into the country, for the purpose of using the same whenever necessary and to use as evidence if deemed necessary.

10- The Central Bank of the UAE issued **Regulation No. 1815/2001 of 03/10/2001 to all moneychangers operating in the UAE** requesting them to record details of persons or institutions that transfer AED 2,000 (Two Thousand) or equivalent in other currencies or more. They were also requested to verify the correct identity by checking any of the original documents (the passport, UAE ID card for UAE nationals, labor card for non-UAE nationals or driving licence), with the necessity to carefully check the person's photo in all cases.

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11- The National Anti - Money Laundering Committee has requested the authorities of free trade zones in the UAE, through its letter of 5/12/2001, to adopt procedures regarding the natural or juridical persons, who wish to establish any kind of business at the free trade zones, and to apply these procedures to those who wish to obtain a licence to establish a company / a joint venture with natural or juridical

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persons from the UAE or from any other country. The Free Trade Zone Authorities have confirmed implementation of the required procedures, regarding the establishment of companies in the names of natural or juridical persons, per the National Anti-Money Committee letter mentioned above.

12- **Federal law No. (4) for 2002, regarding criminalization of money laundering was enacted in January 22, 2002**, then was published in the UAE Official Gazette in its Issue No. Three Hundred and Seventy Six, Thirty Second Year, Dhul qa'da, 1422 Hijri, February 2002. The said law comprises (25) articles which define money laundering, elements of a money laundering crime, actions which fall under a money laundering crime, and penalties imposed on violating of the said law.

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13- The Central Bank of the UAE, issued **Regulation concerning Hawaladars (Hawala Brokers) for Registration and Reporting on 1/4/2003**.

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In view of the results of the First International Conference on Hawala in May 2002, and the Abu Dhabi Hawala Declaration, the Central Bank prepared a system to

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register **Hawaladars (Hawala brokers)**, through announcement in local newspapers inviting Hawaladars to register with the Central Bank and obtain a free-of-charge certificate. It requested them to provide it with details about transfers and beneficiaries on a special form. They were also requested to submit reports on suspicious remittances.

One of the most important outcomes of the Hawaladars system is committing them to provide the Central Bank of the UAE with details regarding incoming/outgoing remittances, and to report any suspicious cases to the Central Bank. There is no doubt that this system shall greatly limit the occurrence of money laundering activities and terrorism financing and enable the Central Bank to obtain any data regarding funds remitted from/to the country through Hawaladars at any time, in addition to obtaining information about remitters and beneficiaries whenever deemed necessary.

The number of applicants to obtain a hawaladar certificate reached (184), of which (164) were issued and the remaining

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(20) are in the process of compliance requirements.

- 14- The Ministry of Economy and Planning has issued **regulations to both insurance companies/ brokers and accountants/ auditors in the UAE**, detailing the customers identifications and suspicious transactions reporting requirements.

- 15- On June 2002, the Anti-Money Laundering and Suspicious Cases Unit (AMLSCU) of The Central Bank of UAE applied to and joined the Egmont Group. This made the UAE the first country in the region to join the group.

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16- The Securities and Commodities Authority of the UAE has also issued a **Regulation concerning Procedures for Anti-Money Laundering**. These procedures apply to the securities markets licensed in the UAE and to their brokers. Settlement of transactions amounting to AED 40,000/- and above are required to be duly documented and the investors' identity has to be verified with original identification documents with copies thereof kept on record. Suspicious Transactions are required to be reported to the Anti-Money Laundering and Suspicious Cases Unit.

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17- The second international -17

conference on Hawala, held from 3/4/2004 to 5/4/2004, issued its **final statement on 5/4/2004.**

The statement identified the challenges facing informal transfer systems, which are not subjected to official supervision, and requested the implementation of the best practices and procedures with regard to the Hawala system and informal transfer systems, per Abu Dhabi Declaration on Hawala. The statement also requested countries to register and/or license informal transfer systems as a first step, and to apply other requirements regarding anti-money laundering and combating the financing of terrorism (AML/CFT), each within its ability. Finally, the statement urged the Financial Action Task Force (FATF) and other financial institutions to work on developing further guidelines in this regard.

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18- A National Anti-Terrorism -18

Committee has been established by a Decree of the Council of Ministers. The National Anti-Terrorism Committee is guided by Federal Law No.(1) of 2004 on Combating Terrorism Offences and the principles underlined in the UN Convention for the Suppression of the Financing of Terrorism.

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- 19- **Federal Law No. (8) of 2004, 2004 (8) -19**
regarding financial free zones, was issued on 14/3/2004 and published in the UAE Official Gazette in its issue Four Hundred and Nine, Thirty Fourth year, Moharam, 1425 Hijri, August 2004. the said law comprises (10) articles on different subjects, including defining free zones, financial activities, back-up activities, banking and financial activities, companies and establishments as well as anti-money laundering measures through the implementation of provisions of Federal Law No. (4) of 2002, concerning criminalization of money laundering. The Law identified the scope of application of provisions of other union laws, except for civil and commercial union laws. The said law also emphasized the need for financial free zones to abide by the provisions of Federal Law No. (4) mentioned above, in addition to other obligations towards international conventions in which UAE is a member.
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- 20- **Decree of Federal Law No. (1) of -20 (1)**
2004, on Combating Terrorism Offences was issued on 28 July 2004, then was published in the UAE Official Gazette in its issue No. Four Hundred and Seventeen, Thirty Four year, Jumada II, 1425 Hijri, August 2004. The said law comprises of (45) articles which define terrorism, elements of terrorism offences, actions which fall under terrorism offences, and penalties imposed on violation of the said law, including confiscation the proceeds of the offence...etc.
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21- "The UAE Government (UAEG) also -21
 has admitted the need to better regulate "near-cash" items such as gold, jewelry, and gemstones, especially in the burgeoning markets in Dubai. The UAE acceded to the Kimberley Process (KP) in November 2002 and began certifying rough diamonds exported from the UAE on January 1, 2003. the Dubai Metals and Commodities Center (DMCC) is the quasi-governmental organization charged with issuing KP certificates in the UAE, and employs four individuals full-time to administer the KP program. Prior to January 1,2003, the DMCC circulated a sample UAE certificate to all KP member states and embarked on a public relations campaign to educated the diamond traders operating in Dubai concerning the new KP requirements.

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UAE customs officials may **return** or even confiscate diamonds entering the UAE from a KP member country without the KP **requirement** or certificate".

يمكن لمسؤولي جمارك الإمارات إعادة أو حتى مصادرة الماس الوارد إلى الدولة من دولة عضو في " عملية كمبرلي " ما لم تتوفر **متطلبات** أو شهادة كمبرلي".