

# Regulatory Update

Middle East, October 2021

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## Table of Contents

<b>1. DIFC AND DFSA LATEST DEVELOPMENTS</b>	<b>4</b>
1.1. DFSA Introduces Regulatory Framework for Investment Tokens	4
1.2. DFSA Launches New Online Application Forms	4
1.3. DFSA Markets Brief on Suspicious Transaction and Order Reports	5
<b>2. ADGM AND FSRA LATEST DEVELOPMENTS</b>	<b>6</b>
2.1. ADGM Office of Data Protection Joins Global Privacy Assembly	6
2.2. Fintech Abu Dhabi Two-Day Festival	7
2.3. Latest Cohort of Start-Ups to Join Hub71	7
2.4. 'FSRA Connect' Digital Portal Launch	7
2.5. Dear SEO Letters Requesting Information	8
<b>3. MIDDLE EAST REGULATORY UPDATES</b>	<b>9</b>
3.1. SCA President Appoints New CEO of SCA	9
3.2. Regional Bodies Participate in World Investor Week 2021	9
3.3. CBUAE and DIFC Sign MoU Promoting FinTech Sector Growth	10
3.4. CBUAE's Future of Finance Conference	10
3.5. UAE AML/CFT Public Private Partnership Committee Meeting	11
3.6. SCA and ADGM Agreement Enables Shares to be Listed on UAE Markets	12
3.7. Executive Office Releases TFS Video	12
3.8. Sheikh Maktoum to Supervise Dubai's Financial Markets	13
<b>4. INTERNATIONAL UPDATES</b>	<b>13</b>
4.1. FATF Public Statements	13
4.1.1. Statement on the Situation in Afghanistan	13
4.1.2. Statement on the Financing of ISIL, Al Qaeda, and Affiliates	13
4.2. FATF Follow-up Assessments	14
4.3. FATF Mutual Evaluation of South Africa	15
4.4. BCBS Report on Basel III Implementation	15
4.5. Pandora Papers Investigative Project	15
4.6. FATF Updates Jurisdictions Under Increased Monitoring List	16
4.7. FATF Cross-Border Payments Survey Results	17
4.8. FATF Fifth Plenary	18
4.9. FATF Public Consultation - Revisions to Recommendation 24	18
4.10. Update to UN Sanctions List	19
<b>5. ENFORCEMENT ACTION</b>	<b>19</b>
5.1. UAE Efforts Intensify to Combat ML/TF Crimes and Strengthen Penalties	19
5.2. UAE Fines Six Exchange Houses Violating AML/TF Laws	20
<b>CCL Compliance is now Waystone Compliance Solutions</b>	<b>21</b>

Consultancy Services & Support ..... 21

## 1. DIFC AND DFSA LATEST DEVELOPMENTS

### 1.1. DFSA Introduces Regulatory Framework for Investment Tokens

Following the proposals outlined in Consultation Paper No. 138, the Dubai Financial Services Authority (“DFSA”) launched a regulatory framework for Investment Tokens on 25 October 2021. This forms phase one of the DFSA’s Digital Assets regime.

Within the new framework, the term ‘Investment Token’ has been defined as either a Security Token or a Derivative Token. In brief, these are:

- a Security or Derivative in the form of a cryptographically secured digital representation of rights and obligations that is issued, transferred and stored using Distributed Ledger Technology (“DLT”) or other similar technology
- a cryptographically secured digital representation of rights and obligations that is issued, transferred and stored using DLT or other similar technology and:
  - confers rights and obligations that are substantially similar in nature to those conferred by a Security or Derivative
  - has a substantially similar purpose or effect to a Security or Derivative.

The framework applies to those who are interested in trading, holding, marketing or issuing Investment Tokens in or from the Dubai International Financial Centre (“DIFC”) and DFSA authorised firms wishing to undertake financial services in relation to Investment Tokens. This includes:

- arranging transactions relating to Investment Tokens
- advising on Investment Tokens
- dealing in Investment Tokens
- managing collective investment funds which invest in Investment Tokens
- managing discretionary portfolios which invest in Investment Tokens.

The DFSA is currently working on proposals for tokens which have not been covered within the Investment Token regulatory framework. It is expected that the proposals will cover utility tokens, exchange tokens (also known as cryptocurrencies) and certain asset-backed tokens (stablecoins).

If you require guidance or assistance on how the framework will apply to your business, contact [Mohsin Ismail](#).

You can read the consultation paper [here](#) and the DFSA announcement [here](#).

### 1.2. DFSA Launches New Online Application Forms

The DFSA has published a number of new online application forms for authorised firms to access via the DFSA electronic portal (“ePortal”). These include:

- Change in Control Applications and Notifications
- Suspicious Transaction and Order Report

- Authorised Individual status or Principal Representative Application.

The Change in Control Applications and Notifications form replaces the existing paper-based form currently available on the DFSA website. The DFSA has confirmed that the paper-based form will be removed from the website in due course, but they will still be accepted until the end of 2021 for applications currently in progress.

The Suspicious Transaction and Order Report (“STOR”) replaces the existing process located within the Supervised Firm Contact Form and the new form must be used for all notifications of suspicious transactions and order reports. Money Laundering Reporting Officers (“MLROs”) must familiarise themselves with the new forms and provide training to relevant employees, where necessary. MLROs are reminded that all suspicious transactions and activity must also be reported to the UAE Financial Intelligence Unit (“FIU”) without delay.

The new version of the Authorised Individual status or Principal Representative Application form has been designed to make it easier for firms to complete the form, compared to the previous version. Firms are advised to use the new version of the of the Authorised Individual status or Principal Representative Application form for applications. Applications currently in progress will be accepted until 30 November 2021.

### **1.3. DFSA Markets Brief on Suspicious Transaction and Order Reports**

The Markets Brief No.24 provides information regarding authorised firms’ obligations to prevent and detect market abuse. The briefing note also informs firms of the notification process using the STOR available on the DFSA’s ePortal.

Those obligated to provide STOR notifications to the DFSA include:

- Authorised Market Institutions
- Authorised Firms operating an Alternative Trading System
- Authorised Firms (especially those who act as market intermediaries)
- Recognised Members.

Reporting Entities, as issuers of securities, are also encouraged to provide STOR notifications to the DFSA voluntarily.

Authorised firms must establish and maintain the following internal controls to detect and report market abuse:

- systems to identify, deter, prevent and report market abuse
- ensure that members are subject to a mandatory regime of compliance arrangements, transaction monitoring, risk assessment and effective training
- monitor and review members’ compliance with the regime

- ensure that shortcomings are rectified, and material cases of non-compliance are notified to the DFSA
- ensure that STOR notifications are completed and maintained by a department that is independent from business units
- recall and review historical analyses conducted on suspicious transactions and orders.

Guidance concerning market abuse can be found within the Code of Market Conduct (“CMC”) under Art. 20(2)(c) of the Regulatory Law. Chapters 2–9 of the CMC provide guidance on, and examples of, the different types of market abuse. Additional guidance on market manipulation can be found within DFSA modules Anti-Money Laundering , Counter-Terrorist Financing and Sanctions Module (“AML”) 5.11.3 and Conduct of Business (COB) 9.6.1.

You can read the full brief [here](#).

If you require assistance to establish internal policies and procedures or to conduct an independent review of your controls, contact [Jade Ashpole](#).

#### Further information

If you have any questions or concerns regarding these DFSA and DIFC developments and requirements, please contact [Jade Ashpole](#).

## 2. ADGM AND FSRA LATEST DEVELOPMENTS

### 2.1. ADGM Office of Data Protection Joins Global Privacy Assembly

The Office of Data Protection (“ODP”) of the Abu Dhabi Global Market (“ADGM”) has become an accredited member of the Global Privacy Assembly (“GPA”). The announcement was made by the Executive Committee at the Closed Session of the 43rd General Assembly, which took place in Mexico City.

Formerly known as the International Conference of Data Protection and Privacy Commissioners, the GPA seeks to provide leadership at an international level in data protection and privacy by connecting the efforts of more than 130 data protection and privacy authorities worldwide.

Membership further enhances the ODP’s commitment to progress data protection standards across the region.

Existing firms are advised to review their current policies and procedures against the new ADGM Data Protection Regulations 2020, which will be in force for existing firms from 14 February 2022.

If you require guidance and assistance in relation to your data protection framework, contact [Suzanna Ballabás](#).

## 2.2. Fintech Abu Dhabi Two-Day Festival

Fintech Abu Dhabi will take place between 22–24 November 2021, with the opening ceremony taking place online on 23 November 2021. The two-day festival will take place via an invite-only gathering in Abu Dhabi, as well as a digital platform that includes a networking facility, exhibition and over 80 talks from 10 different forums, streamed live.

Those with interests in artificial intelligence, blockchain, digital banking, investment, payments or crypto are encouraged to attend.

The list of speakers and schedule has been released by the ADGM and individuals can now register online for the event. The schedule announced includes:

- Government Fintech Forum: A Policy Leadership Forum
- Cx021: A Digital Banking Innovation Forum
- Fintech For Good: A Sustainability Innovation Forum
- Token: The Blockchain Forum
- The Fintech Abu Dhabi Awards: A Talent Recognition Ceremony
- Fintech Souk: The Commerce and Payments Forum
- The Innovation Challenge Demo Day
- The Plug and Play Demo Day.

You can read further details of the event [here](#).

## 2.3. Latest Cohort of Start-Ups to Join Hub71

The Abu Dhabi global tech ecosystem, Hub71, has been increasing market access for startups worldwide to join and partner with Hub71.

Hub71 received a total of 108 applications and have now announced the selection of 14 startups. The successful applicants include those from varying industries, including HealthTech, Artificial Intelligence and Software, originating from countries including UK, Bahrain, Israel, Canada, USA, Japan, Turkey, Mauritius, South Africa, and Saudi Arabia.

You can read further details in the press release [here](#).

## 2.4. 'FSRA Connect' Digital Portal Launch

The ADGM Financial Services Regulatory Authority ("FSRA") has introduced phase one of the digital portal launch, FSRA Connect. Phase one includes online application forms to apply for a Financial Service Permission ("FSP"), which will be accessible to registered users.

Online training sessions were held throughout October 2021 to introduce potential users to the system, including how to access and navigate the portal, along with the process for applying for a FSP.

There is a transitional period of one month following the 1 November 2021 launch day after which, applicants will no longer have access to editable forms, as only digital applications will be accessible.

Portal access will be given to applicants by the FSRA Authorisations Team which will allow applicants access to the following:

- Core forms, including:
  - o General Information for Regulated Activities (“GIRA”)
  - o Venture Capital Fund Managers (“VCFM”)
  - o Captive Insurance Business (“CIB”)
- Supporting applications, including:
  - o Supplementary Forms
  - o Application for Waivers or Modifications (“W/M”)
  - o Application for Approved/Recognised Person Status (“ARPS”).

The second phase of the portal launch is expected in 2022 and will allow firms to:

- interact with their supervisors
- submit regulatory reports
- access notification forms
- access variation forms
- make changes to approved/recognised persons
- manage onsite visits.

If you require guidance and assistance in relation to applying for a FSP contact Lewis Knell.

## **2.5. Dear SEO Letters Requesting Information**

The Financial Crime Prevention (“FCPU”) of the FSRA issued multiple ‘Dear SEO’ letters during October concerning investigations being conducted on specific taxpayers and entities.

Notices No.27 and 28 of 2021 were issued on 18 and 19 October 2021 respectively, requesting all firms to scan their databases and to inform the FCPU of any connection to the taxpayer/entity, by no later than close of business on 20 October 2021 for Notice 27 and 24 October 2021 for Notice 28.

Firms are reminded that tax evasion is a financial crime and suspicions of tax evasion or avoidance must be reported to the FIU.



### Further information

If you have any questions or concerns regarding these FSRA and ADGM developments and requirements, please contact Lewis Kneel.

## 3. MIDDLE EAST REGULATORY UPDATES

### 3.1. SCA President Appoints New CEO of SCA

The UAE President, His Highness Sheikh Khalifa bin Zayed Al Nahyan, has issued a Federal Decree appointing Dr. Maryam Buti Al Suwaidi, as the CEO of the Securities and Commodities Authority (“SCA”) at the grade of Under-Secretary.

Dr. Al Suwaidi is the first woman to occupy the CEO position in the history of the SCA and has previously held several leadership positions with a major focus on organisational development and quality improvement in various industries. After joining the SCA in 2002 as a legal advisor, Dr. Al Suwaidi was later promoted to deputy CEO for legal affairs in 2008. In 2012, she held the post of deputy CEO for Licensing, Supervision, and Enforcement.

### 3.2. Regional Bodies Participate in World Investor Week 2021

World Investor Week 2021 is a seven-day campaign organised in association with the International Organisation of Securities Commissions (“IOSCO”). The IOSCO is an international body that brings together the world's securities regulators as well as setting global standards for the securities sector.

This year's campaign aims to highlight the importance of raising awareness in four main areas:

- financial fraud
- sustainable financing
- the basics of investing
- electronic investment.

The authorities participating in the event include:

- the SCA
- Abu Dhabi Securities Exchange
- Dubai Financial Market
- Dubai Gold and Commodities Exchange
- the FSRA

- the DFSA.

The participating authorities organised a series of remote and face-to-face events, including virtual seminars for investors, and dialogue sessions for university and college students. A social media campaign was held from 10–14 October 2021 to raise awareness of sustainable finance, fraud prevention and deception prevention.

The authorities participated to continue strengthening and elevating the UAE's position as a leading financial centre in the region and the world, in-line with the vision of the UAE's government and the State's national agenda.

The full details of the event can be found [here](#).

### **3.3. CBUAE and DIFC Sign MoU Promoting FinTech Sector Growth**

The Central Bank of the UAE (“CBUAE”) has signed a memorandum of understanding (“MoU”) with the DIFC in a move to develop and grow the UAE's FinTech ecosystem through joint initiatives and activities. The signing of the MoU took place during the CBUAE's Future of Finance conference, held on 13–14 October 2021.

The agreement will allow the CBUAE to work with the DIFC on the development of a co-sandbox where FinTech companies will test their ideas under the existing digital sandbox programme, which sits within the DIFC FinTech Hive.

CBUAE and DIFC will also collaborate to promote and improve the national FinTech ecosystem.

FinTech initiatives and activities will include:

- the development of accelerator programmes
- competitions
- workshops
- seminars
- conferences
- projects.

CCL Compliance actively supports the ecosystem as the DIFC FinTech Hive's Compliance Partner. FinTech companies interested in applying for the sandbox programme should contact Lewis Knell for further information and guidance.

The CBUAE announcement can be found [here](#).

### **3.4. CBUAE's Future of Finance Conference**

The two-day Future of Finance event, organised by the CBUAE, was held at Expo 2020 and aimed to shape the future of the financial sector with the assistance of many key policy and decision-makers including:

- central bank governors from GCC countries and around the world
- government agencies
- financial institutions
- local and global supervisory authorities.

A highly anticipated panel of key individuals from the sector focused on digital transformation, highlighting topics such as:

- the financial sector's opportunities and challenges
- regulatory concerns about the rapid pace of digitalisation
- the importance of selecting prudent digital solutions, including the risks of these solutions
- setting relevant strategic regulations and frameworks for the coming years.

The conference also opened the topic of the importance of cooperation between central banks and, in particular, around central bank digital currencies ("CBDCs") and cross-border payments. Speakers addressed the importance of CBDCs as a means for international payments and that the enhancement of the regulatory, supervisory and oversight frameworks would allow CBDCs to reach their full potential.

You can find the CBUAE announcement [here](#).

### **3.5. UAE AML/CFT Public Private Partnership Committee Meeting**

The first series of meetings have been held which focus on establishing a clear structure for combating illicit activity through enhanced cooperation between the public and private sectors.

The UAE Anti-Money Laundering and Countering Terrorism Financing Public-Private-Partnership ("AML/CFT PPP") Committee concluded the first series of ten onsite meetings involving 145 individuals from the private sector, as well as 31 from the public sectors. Attendees included representatives from the CBUAE, Ministry of Economy, Ministry of Justice, SCA, DIFC, and ADGM.

The onsite meetings included discussions on the introduction of initiatives and ideas that will be progressed and translated into actionable steps. This includes the development of a governance framework for the confidential exchange and sharing of information between the public and private sectors, to enhance the UAE's efforts to address financial crimes, and to proactively enhance risk monitoring.

The UAE AML/CFT PPP Committee members comprise 21 private sector entities, including Financial Institutions ("FI") and Designated Non-Financial Businesses and Professions ("DNFBP"), and 16 government entities. The Committee provides a common platform in which industry professionals and governmental figures can share AML/CFT experience.

### 3.6. SCA and ADGM Agreement Enables Shares to be Listed on UAE Markets

An MoU has been signed which will enable ADGM registered entities to offer and list shares on UAE capital markets. The agreement was signed by Dr. Maryam Buti Al Suwaidi, CEO of the SCA, and Dhafer bin Dhafer Al Mheiri, CEO of the ADGM Registration Authority (“ADGM RA”).

The agreement aims to:

- reinforce regulatory and supervisory cooperation between the ADGM RA and SCA
- counteract and address money laundering and the financing of terrorist and illegal organisations
- provide financial markets with greater impetus
- facilitate the ease of doing business by encouraging corporate entities to list shares.

The agreement also looks to promote investor protection through an exchange of information between both parties, support with necessary inspections and investigations, and ensure the safety of transactions. The ADGM RA and SCA will also cooperate on monitoring the trading and ownership of the entities’ listed shares, as well as the detection of illegal and fraudulent activities.

### 3.7. Executive Office Releases TFS Video

The Executive Office for the Committee for Goods and Materials Subject to Import and Export Control (“CGMSIEC”) has released a short video concerning Targeted Financial Sanctions (“TFS”).

The video has been released as part of an awareness campaign on TFS and provides an overview of:

- the steps to implement Targeted Financial Sanctions
- procedures of subscribing to the notification system
- how to conduct screening
- how to implement TFS freezing measures
- the reporting mechanism.

Firms are advised to:

- review existing AML policies and procedures to ensure they appropriately capture the TFS requirements
- subscribe to the sanction lists notification system via the CGMSIEC website
- conduct initial and ongoing screening on individual and transaction screening
- register on the goAML platform.

You can view the video [here](#).

### 3.8. Sheikh Maktoum to Supervise Dubai's Financial Markets

His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, has appointed Sheikh Maktoum bin Mohammed bin Rashid Al Maktoum to supervise the financial markets and stock exchanges in Dubai. Sheikh Maktoum currently holds the positions of the Deputy Ruler of Dubai, Deputy Prime Minister, and Minister of Finance.

The appointment will involve overseeing the financial markets and stock exchanges and retaining Dubai's leading position as one of the most active capital markets at regional and global levels.

#### Further information

For any questions or concerns regarding these updates, please contact [Mohsin Ismail](#).

## 4. INTERNATIONAL UPDATES

### 4.1. FATF Public Statements

#### 4.1.1. Statement on the Situation in Afghanistan

The FATF has expressed its concern regarding the current and evolving ML/TF risk environment in the country. The statement has been released following the UN Security Council Resolutions on the situation in Afghanistan, in particular, UNSCR 2593 (2021) which demands that Afghan territory not be used to threaten or attack any country or to shelter or train terrorists, or to plan or to finance terrorist acts.

The FATF has requested support from all jurisdictions' competent authorities to provide advice and facilitate information sharing with their private sectors, to help assess and mitigate any emerging ML/TF risks identified concerning Afghanistan.

Together with the Asia/Pacific Group, Eurasian Group and Global Network, the FATF will closely monitor the situation, including any changes to ML/TF risks in Afghanistan.

Firms with business activities, customers, or exposure in Afghanistan are advised to monitor the FATF statements in relation to any changes to ML/TF risks. Firms should also review their business AML risk assessments to take into consideration possible changes to ML/TF risks in Afghanistan, where necessary. If you require assistance with reviewing your business AML risk assessment contact [Jade Ashpole](#).

You can read the public statement [here](#).

#### 4.1.2. Statement on the Financing of ISIL, Al Qaeda, and Affiliates

The FATF has released a statement to the public concerning the financing of ISIL, Al Qaeda, and Affiliates, which highlights the continuing threat of terrorism in many regions of the world.

Several terrorist attacks have recently taken place in Afghanistan, Iraq and many other regions, including Africa and South Asia. The attacks, either claimed by ISIL (Da'esh) and its affiliated groups, or conducted by lone attackers inspired by them, have killed or injured hundreds and many of them innocent civilians.

Terrorist organisations continue to pose a serious threat to international stability, security and peace.

ISIL continues to raise and receive funds, through both legal and illegal sources and the group maintains approximately USD 25-50 million in reserves. Proceeds generated from criminal activities include looting local civilians and businesses, kidnapping for ransom, extortion of oil networks in Eastern Syria, and human trafficking. ISIL also generates funds from investments in small and medium sized businesses.

Al Qaeda and its affiliates have continuing streams of revenue generated from sources which include contributions and donations from supporters, as well as proceeds from criminal activities such as drug trafficking, extortion, kidnapping and illicit taxation of smuggled goods. Al Qaeda also generates revenue from investments in legal businesses. It is noted that in some cases, these groups collected and transferred funds under the guise of charitable activities.

Both ISIL and Al Qaeda have increasingly turned to new payment technologies to raise, move and deploy funds, therefore, the use of virtual assets by terrorists remains a risk.

The FATF continues to gather and share information on the financing of ISIL, Al-Qaeda, and their affiliates. It is expected that the FATF will produce updated risk indicators to assist the public and private sectors in detecting terrorist financing.

Firms must be cognisant of their obligations to report terrorist financing suspicions to the FIU without delay and are also advised to educate employees on the developing terrorist financing risks and how their firm may be exposed to such risks. If you require assistance with this contact [Jade Ashpole](#).

You can read the public statement [here](#).

## 4.2. FATF Follow-up Assessments

The Financial Action Task Force ("FATF") has reviewed various countries' progress to address deficiencies identified in their AML and CTF measures, following the results of a mutual evaluation report. Follow up reports have been issued, summarised below:

- Canada is compliant with 11 of the 40 recommendations, largely compliant with 23, partially compliant with 5 and non-compliant with 1.
- China is compliant with 9 of the 40 recommendations, largely compliant with 22, partially compliant with 3 and non-compliant with 6.

- Finland is compliant with 9 of the 40 recommendations, largely compliant with 23 and partially compliant with 8.

You can read the full reports [here](#).

### **4.3. FATF Mutual Evaluation of South Africa**

The mutual evaluation onsite visit by the FATF took place in South Africa between 22 October–12 November 2019 with the report being released in October 2021. South Africa’s AML/CFT system was assessed for compliance with the 40 FATF recommendations. The report also provides recommendations on how the current AML/CFT system could be strengthened.

The 2021 report summarises that South Africa is assessed as compliant with three of the 40 recommendations, largely compliant with 16, partially compliant with 15 and non-compliant with five.

In comparison, South Africa underwent a FATF Mutual Evaluation in 2009, which concluded that the country was compliant with nine of the 40 recommendations, largely compliant with 13, partially compliant with 19 and non-compliant with seven.

You can read the full report [here](#).

### **4.4. BCBS Report on Basel III Implementation**

The Basel Committee on Banking Supervision (“BCBS”) has issued a progress report which sets out the jurisdictional adoption status of Basel III standards from the end of September 2021. The assessment has been made based on information provided by all Committee member jurisdictions.

In summary, the report shows that over the past year member jurisdictions have made progress in adopting the Basel III standards despite the disruptions due to the pandemic and the change in regulatory and supervisory priorities.

You can read the full report [here](#).

### **4.5. Pandora Papers Investigative Project**

The Pandora Papers is a leak of almost 12 million documents and files exposing the secret wealth and dealings of politicians, world leaders and billionaires. The data was obtained by the International Consortium of Investigative Journalists (“ICIJ”) in Washington DC and has led to a global investigation.

The ICIJ, the Organised Crime and Corruption Reporting Project and media outlets in more than 100 countries have joined forces in a collaborative effort to analyse the documents leaked from 14 corporate service providers, all based in jurisdictions with high levels of financial secrecy.

The confidential documents reportedly show high-profile individuals using shell companies to move wealth offshore and to anonymously buy real estate or luxury goods.

Transparency International have highlighted 10 countries of particular concern:

- Brazil
- Czech Republic
- Lebanon
- Nigeria
- Sri Lanka
- Australia
- New Zealand
- Panama
- United Kingdom
- United States.

The FATF has also issued a public statement on the topic which provided statistics showing that only one-third of countries have laws and regulations related to the transparency of legal persons and arrangements that comply with FATF standards and just 10% take effective measures to ensure the transparency of company and trust ownership.

The FATF is in the process of releasing the proposed amendments to the 40 FATF Recommendations for public consultation and will require all countries to take additional measures to mitigate the risks. These include the prohibition of issuing bearer shares globally and requiring countries to establish a beneficial owner (“BO”) registry, or alternatively use a system that also enables access to BO information by competent authorities.

You can read the full Transparency International article [here](#), and you can read the FATF public statement [here](#).

#### **4.6. FATF Updates Jurisdictions Under Increased Monitoring List**

During October 2021, the FATF added three and removed a further three jurisdictions to the list of those under increased monitoring.

Jurisdictions placed under increased monitoring means that the country has provided a commitment to the FATF to resolve as a priority any identified strategic deficiencies. Commitment has been made to address the deficiencies within agreed timeframes and therefore the jurisdiction is subject to increased monitoring during this period.

The FATF has added the following jurisdictions to the list:



- Jordan
- Mali
- Turkey

and removed the following jurisdictions:

- Botswana
- Mauritius.

Firms should note that the list of High-Risk Jurisdictions subject to a Call for Action remains unchanged from February 2020.

Firms are advised to review the changes against internal country risk lists and circulate the updated list internally to ensure customers are accurately risk assessed against involvement with jurisdictions under increased monitoring.

You can read further details of jurisdictions under increased monitoring [here](#).

#### **4.7. FATF Cross-Border Payments Survey Results**

The FATF has published survey results on the implementation of their standards concerning cross-border payments.

In consultation with BCBS, the FATF conducted an industry survey between December 2020 and March 2021. Subjects who took part in the survey included payment service providers, banks, money or value transfer services (“MVTs”), and other stakeholders.

The survey aimed to identify key areas of divergence in the implementation of AML/CFT requirements which create frictions for cross-border payments and their potential solutions.

The survey results highlight the following issues, as well as others contained within the report:

- the lack of risk-based approach and inconsistent implementation of the AML/CFT requirements increases cost, reduces speed, limits access and reduces transparency
- inconsistent national approaches create obstacles in:
  - o identifying and verifying customer and beneficial owners
  - o effective screening for targeted financial sanctions
  - o sharing of customer and transaction information where needed
  - o establishing and maintaining correspondent banking relationships

You can read the full survey results report [here](#).

## 4.8. FATF Fifth Plenary

The fifth Plenary of the FATF took place between 10–21 October 2021 and saw over 206 members attend. These included delegates from the Global Network and observer organisations, such as the International Monetary Fund, the UN and the World Bank.

The plenary meetings took place in a hybrid format, allowing a limited number of delegates to attend in person, with others connecting virtually.

It was acknowledged that many countries around the world are reopening and focusing on rebuilding economies affected by the pandemic, but that there is still a long way to go before all countries are free from the COVID-19 imposed restrictions. It is still, however, a priority to continue to implement the FATF Standards effectively and ensure that criminals and terrorists do not find new and emerging ways to exploit.

Meetings took place to finalise work in several areas including:

- updated guidance for a risk-based approach to virtual assets and virtual asset service providers
- a final report on survey results on the implementation of the FATF Standards on cross-border payments
- a report for government officials that focuses on the digital transformation of AML/CFT for operational agencies
- a statement on the evolving situation in Afghanistan
- a statement on the risks associated with the financing of ISIL, Al-Qaeda and Affiliates.

Consequently, the FATF has released for consultation, proposed revisions to its Recommendation 24 to ensure greater transparency on beneficial ownership of legal persons and action that can be taken to mitigate the risks.

You can read the full outcome of the plenary [here](#).

## 4.9. FATF Public Consultation - Revisions to Recommendation 24

The FATF is considering amendments to Recommendation 24 and its Interpretive Note on the transparency and beneficial ownership of legal persons.

The FATF is requesting affected stakeholders to submit feedback on the proposals by 3 December 2021 when they will then consider the views received and revise the text of Recommendation 24 for discussions during meetings taking place in February 2022.

Feedback is being sought from companies and other legal persons, FIs, DNFBNs and non-profit organisations, as well as other interested stakeholders. Views are being welcomed on specific proposals

of the amendments to the text, as well as on the broader themes that they address, in particular on the areas below:

- multipronged approach to collection of Beneficial Ownership information
- bearer shares and nominee arrangements
- risk-based approach
- access to information.

Following a consultation between June and August 2021, the FATF has reviewed the feedback of various stakeholders in considering the potential amendments. These amendments aim to reinforce Recommendation 24 to ensure greater transparency around the beneficial ownership of legal persons and take action to mitigate any risks identified.

You can read the Public Consultation [here](#).

#### 4.10. Update to UN Sanctions List

The CGMSIEC has updated the United Nations Security Council sanctions list. One individual has been added concerning Libya.

The updated sanction list can be found [here](#).

##### Further information

For any questions or concerns regarding these updates, please contact [Jade Ashpole](#).

## 5. ENFORCEMENT ACTION

### 5.1. UAE Efforts Intensify to Combat ML/TF Crimes and Strengthen Penalties

The Public Prosecution is continuing efforts to implement the national strategy to combat ML/TF crimes in the UAE.

Integrating the roles of various government agencies and improving the cooperation between them will support efforts to address the crimes. The coordinated efforts of competent authorities to combat crimes and protect UAE funds from these crimes further reflect the dedication to perform the directives of the leadership.

Public and private institutions, as well as members of society, are being called on to participate in combating the risks resulting from actions that may be harmful to economic security. This includes risks that investors or consumers may be exposed to and any funds and gains belonging to the emirate.

Sentences are being implemented across the UAE to combat ML/TF crimes and to act as a deterrent. For example, a previous employee of a Dubai bank was convicted of embezzling over AED5.23 million deposited with the bank, by a real estate development company. Funds were deposited by agreement and with the assistance of his wife. Following the investigation, a criminal case was ordered to be filed against both defendants. They were referred to the Criminal Court, which handed its judgement of conviction and included imprisonment for five years in absentia, return of the embezzled money, and deportation from the country.

In another ruling, the Dubai Criminal Court convicted nine defendants on the charge of providing exchange services and transferring money without a licence, in addition to money laundering.

In another ruling, the Court convicted a defendant who had entered the country through Dubai International Airport, but had concealed funds in his possession, equivalent to AED1,108,484. The court issued a fine of AED100,000, and the money was confiscated under UAE Central Bank's Federal Law. No. (20) of 2018, which specifies the limit for funds that can be carried by those coming to the country or leaving its territories without disclosure.

## **5.2. UAE Fines Six Exchange Houses Violating AML/TF Laws**

Six unnamed exchange houses were fined a total of AED17.311 million for "failures to achieve appropriate levels of compliance regarding their AML & Sanctions Compliance Frameworks by the deadline at the end of 2019". The CBUAE has also imposed financial sanctions under Article 14 of the Federal Decree Law No. (20) of 2018.

It is understood that the CBUAE provided all exchange houses operating in the UAE with sufficient time to conduct remedial action concerning identified shortcomings. The exchange houses were instructed mid-2019 to ensure compliance by the end of 2019 and the FIs were informed that penalties would be imposed if further shortcomings were identified.

The CBUAE intends to continue to impose further administrative and/or financial sanctions on companies that are not in compliance with the local regulations, in efforts to achieve and maintain a high level of AML/CFT compliance.

### **Further information**

For any questions or concerns regarding these updates, please contact [Jade Ashpole](#).

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If you wish to discuss how Waystone can assist you with any of the issues raised in this regulatory update, please contact us the details below:

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This Regulatory Update provides information about the consultative documents and publications issued by various regulators which are still current, proposed changes to the Rules and Guidance set out in Handbooks, actual changes to Rules and Guidance that have occurred in the months leading up to the update and other matters of relevance to regulated firms. This Regulatory Update is intended to provide general summarised guidance only, and no action should be taken in reliance on it without specific reference to the regulators' document referred to therein.