

Regulatory Update

Middle East, August 2022

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1. DIFC AND DFSA LATEST DEVELOPMENTS

1.1. DIFC launches global family business and private wealth centre

The Dubai International Financial Centre ("DIFC") will launch its Global Family Business and Private Wealth Centre ("GFBPWC") on 1 September. The GFBPWC will support the future of family businesses by providing education on governance, succession, ownership, wealth, family dynamics and strategy, thereby assisting the next generation of family business owners to secure future success in the region. In addition, the GFBPWC will connect ultra-high net worth individuals, private wealth and family-owned businesses to foster economic growth.

The initiative is expected to attract US\$1Tn in the next decade in line with the DIFC 2030 strategy and will provide GFBPWC members with an expert range of partners including:

- advisory services
- concierge services
- education and training
- outreach and high-end networking
- undertaking research and issuing beneficial publications
- dispute resolution assistance.

1.2. DIFC hosts open finance events

The DIFC in collaboration with the market leaders in open finance will host a variety of open finance events throughout September. The series launched on 8 September 2022 with an online forum hosted by NatWest and Tarabut Gateway on open banking. The forum discussed new and strategic initiatives in the sector and considered the facilitation of transformation to open banking. In addition, the DIFC will host a two-day event on 27-28 September 2022, in the innovation hub, hosted by Tarabut Gateway, Abu Dhabi Islamic Bank, Commercial Bank of Dubai, First Abu Dhabi Bank, Mashreq, RAKBANK, and Zand. The event will facilitate open dialogue between interested firms on developing open finance in the region.

You can register for the online forum [here](#).

You can register for the two-day event [here](#).

1.3. DFSA issues notice on false regulatory status

The Dubai Financial Services Authority ("DFSA") issued a public notice on Relish Capital's ("Relish") false DFSA regulatory status. Relish was found to have published a DFSA regulatory disclaimer on its Instagram handle suggesting that the firm was regulated by the DFSA and complied with the DFSA's comprehensive regulatory framework.

Firms are reminded to comply with the relevant regulatory rulebooks and law's when representing themselves on social media as well as other marketing mechanisms.

1.4. DIFC data protection office issues international transfer assessment tool

The DIFC Data Protection Office (“Office”) published the Ethical Data Management Risk Index (“EDMRI”) and the EDMRI+ to assist firms in sharing personal data internationally. The EDMRI helps firms assess the risk of transferring to another country considering the contractual, legal, technical and organisational obligations of the receiving entity according to local data protection laws, regulations and guidance. To supplement this, the EDMRI+ is a complementary risk assessment tool available for firms to assess the compliance readiness of the importing entity before sharing personal data. The tool can be used in combination with the adequacy assessment and the EDMRI to allow firms to map out their risk exposure, especially when sharing with an entity based in a country which has not received an adequacy decision from the Commissioner, or where the country is considered high risk or very high risk by the EDMRI.

The Office has also released useful guidance on the DIFC Law no.5 of 2020, Article 28 ‘the principles of data sharing with public authority’ and a supplementary assessment tool.

You can review the EDMRI, EDMRI+, current adequate jurisdictions list and guidance documents [here](#).

You can download our helpful data protection articles [here](#).

Further information

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

2. ADGM AND FSRA LATEST DEVELOPMENTS

2.1. ADGM Registration Authority publishes priorities for 2022-2023

The Abu Dhabi Global Market (“ADGM”) published the Regulatory Authority’s (“RA”) regulatory priorities for 2022-2023. The report provides insight into the regulatory priorities, functions and monitoring framework of the RA.

The priorities include:

- encouraging accurate and timely filings
- the accuracy of licence renewals
- providing clarity on transparency of beneficial ownership requirements
- enforcing high-quality audit standards
- fostering an environment of continuous compliance
- building and maintaining commercial regulatory stakeholder relationships
- complying with economic substance regulations
- enhancing surveillance for unlicensed (non-financial) activities.

In addition, the RA reported an increase of 17% for licences issued in the last year, with a total of 5,000 licenced persons, 20 audit firms and 15 insolvency practitioners.

Firms are reminded that RA takes a risk-based approach to monitoring, focusing on firms that pose higher risks. Firms should address and document their risks by assessing the likelihood and the severity of the consequence of the risk should it materialise.

You can download the report [here](#).

2.2. NAMLCFTC holds sectorial risk assessment seminar for DNFBPs

The National Anti-Money Laundering and Combatting Financing of Terrorism and Financing of Illegal Organisations Committee (“NAMLCFTC”) held a sectorial risk seminar for Designated Non-Financial Businesses and Professions (“DNFBP”) following the risk assessment conducted in March 2022. The seminar highlighted the following key money laundering and terrorist financial risks to the sector:

- engagement with high- risk jurisdictions
- lack of transparency using complex structures to hide the beneficial owner
- trade based money laundering
- frequent use of cash
- high volume of clients considered as Politically Exposed Persons (“PEP’s) and High Net Worth Individuals (“HNWI”)
- lack of face-to-face interactions
- high-risk customers.

The NAMLCFTC noted an increased risk exposure for real estate brokers, agent providers and trust and company service providers, registered in the mainland, compared to the 2019 National Risk Assessment (“NRA”) rating. However, lawyers and legal practitioners registered under the Ministry of Justice, the DFSA and the ADGM were found to have a reduced risk exposure.

Firms are reminded to conduct a comprehensive annual training session, for the benefit of employees, on the topics of:

- customer due diligence measures
- verification and identification of the source of funds and source of wealth
- terrorist and proliferation financing risks with a focus on detecting sanction evasion techniques
- awareness of targeted financial sanctions reporting
- red flags and typologies indications for potential misuse of legal professionals for money laundering, terrorist and proliferation financing purposes
- suspicious transaction reporting and suspicious activity report awareness, with the aim to improve the quantity and quality of reports.

2.3. FSRA fines Wise Nuqud Ltd for AML contraventions

The FSRA fined Wise Nudud Ltd (“Wise”) US\$450,00 for numerous contraventions of its AML rulebook. The FSRA found that Wise failed to:

- have adequate AML systems and controls in place
- identify source of wealth and source of funds as part of their enhanced due diligence before undertaking transactions
- obtain senior management approval for high-risk customers
- consider nationality as part of the risk-based assessment
- obtain adequate information on the intended nature of business for some of its customers.

The FSRA did not identify any finding of money laundering stemming from Wise's weak AML measures. Wise secured a 20% discount for cooperating with the FSRA and settling its fine early.

You can read the notice [here](#).

Further information

If you have any questions or concerns regarding these ADGM and FSRA developments and requirements, please contact [Karissa Stelma](#).

3. MIDDLE EAST REGULATORY UPDATES

3.1. VARA issues regulations governing virtual assets marketing

The UAE has announced the first independent regulator for virtual assets, Dubai's Virtual Asset Regulatory Authority ("VARA") and released its regulatory guidelines for marketing. VARA provides a progressive framework to enable borderless economic opportunities for Virtual Asset Service Providers ("VASP"s) without compromising on market security across the virtual assets industry. The new guidelines address a broad range of marketing and communication activities including publication of information and investor solicitation rules, before the operationalisation of the minimal viable product licence stage and throughout the product's lifecycle. The guidelines also regulate the obligation to provide suitable disclaimers when advertising content.

You can read the regulation [here](#).

3.2. EOCN holds workshop to prepare for NRA

The Executive Office for Control and Non-Proliferation ("EOCN") held a workshop in preparation for the National Risk Assessment ("NRA") for the UAE. The NRA is prepared in line with the Financial Action Task Force ("FATF") recommendations and United National Security Council ("UNSC") resolutions. As part of the three-day workshop, the attendees discussed the objectives, scope and methodology of the NRA, discussing the risks of financing proliferation and terrorism, and ways to identify threats and weaknesses, particularly those related to non-compliance with targeted financial sanctions and sanctions evasion.

3.3. CBUAE issues guidance on politically exposed persons

The Central Bank of UAE ("CBUAE") issued new guidance on Anti Money Laundering ("AML") and Combating the Financing of Terrorism and Illegal Organisations ("CFT") for licenced financial institutions on the risks related to PEPs. The guidance applies PEP management best practice measures according to the Financial Action Task Force ("FATF") and local regulatory guidance including:

- requirement to demonstrate rulebook compliance regarding PEPs within one month
- development of risk-based policies
- conducting on-going monitoring of business relationships
- categorising PEPs into three subcategories; 'Domestic PEPs', 'foreign PEPs' and 'Heads of International Organisations' to ensure a better risk assessment
- correctly identifying 'related customers' defined as 'known close associates of a PEP, or that are legal persons or legal arrangements with at least one beneficial owner who is a PEP

- conducting the correct due diligence for foreign PEPs and related customers including:
 - putting in place suitable risk management systems to determine whether a customer or the beneficial owner is considered a PEP
 - obtaining senior management approval before establishing a business relationship, or continuing an existing one, with a PEP
 - taking reasonable measures to establish the source of funds and wealth of customers and beneficial owners identified as PEPs
 - conducting enhanced ongoing monitoring over such relationship
- conducting the correct due diligence for domestic PEPs, heads of international organisations and related customers including:
 - taking sufficient measures to identify whether the customer or the beneficial owner is correctly categorised
 - taking additional measures where there is a high-risk business relationship including obtaining senior management approval before establishing the business relationship, establishing the source of funds and wealth and conducting ongoing monitoring.

Firms are reminded to:

- incorporate CBUAE guidance into their annual AML training and policy updates
- take a risk-based approach to PEP exposure.

You can read the guidance [here](#).

3.4. CBUAE launches certificate for risk-based supervision professionals

The CBUAE launched the advanced executive certificate for its risk-based supervision professionals. The certificate provides enhanced tools and insights upskilling supervisors at the CBUAE. The course is accredited by the Institute of Bankers and recognised by University College Dublin.

3.5. CBUAE issues financial stability report 2021

The CBUAE issued its financial stability report for 2021 reporting a robust financial system whilst supporting the economy during the COVID-19 pandemic.

The report discussed:

- the gradual exit from the Targeted Economic Support Scheme due to be fully executed by the end of 2022
- the UAEs banking system having adequate capital and liquidity buffers following risk-based supervision by the CBUAE and liquidity stress tests
- the future financial system risks including potential deterioration of assets quality, insufficient changes to banks business models in light of rapid digital transformation, climate change and rising governance requirements
- an analysis of the UAE governments response to the COVID-19 pandemic
- the CBUAE enhancement of payment systems including its approach to cyber resilience, enhancement to its digital transformation programme and further improvement to systems.

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

3.6. Executive Office reports confiscation of illicit assets

The Executive Office of Anti-Money Laundering and Counter Terrorism Financing (“EO”) reported confiscating more than Dhs2.35Bn in illicit assets in 2021. The EO reports numerous successes including confiscating Dhs15M of gold and precious metals, the arrest for theft of Dhs3M and the prosecution of participants of a fraudulent cryptocurrency exchange facilitating money laundering. The EO hopes to continue its success by signing new international judicial cooperation agreements, attending regular strategic engagement and technical workshops, and continuing to enhance its national economic registry listing beneficial owners for corporate vehicles. The EO continues to enhance and promote its suspicious transaction reporting mechanisms and provide guidance for both the public and private sector, reporting an increase of 51% of reports from Q1 2021 to Q1 2022.

3.7. Abu Dhabi launches blockchain and virtual asset strategy

The Abu Dhabi Blockchain and Virtual Assets Committee (“ADBVAC”) held its first meeting, under the chairmanship of Mohamed Ali Al Shorafa, Chairman of the Abu Dhabi Department of Economic Development (“ADDED”) and Chairman of the Securities and Commodities Authority (“SCA”), to discuss strategy for blockchain and virtual assets. The ADBVAC discussed the importance of complying with AML and CTF rules, both locally and internationally, to make a secure infrastructure and build trust in the Abu Dhabi financial market. The ADBVAC intends to improve competitiveness in the blockchain and virtual asset space by coordinating with industry participants and increasing liaisons with the regulators.

3.8. SAMA expands its open banking solutions sandbox

The Saudi Central Bank (“SAMA”) expanded its participants on its open banking regulatory sandbox. Thirty-eight fintech’s will now participate in the financial sector development programme which forms part of the ‘Kingdom’s Vision 2030’. The programme promotes economic growth, savings and investment activities supporting financial inclusion in the Kingdom.

Further information

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

4. INTERNATIONAL UPDATES

4.1. FATF updates MER

The FATF reviewed the progress of various jurisdictions in meeting their AML and CTF obligations reported in their Mutual Evaluation Report (“MER”). The MER assess jurisdictions against 40 FATF Recommendations. The updates are as follows:

- Eswatini has been reported as compliant in 3, largely compliant in 11, partially compliant in 19 and non-compliant in 7 recommendations.
- Uzbekistan has been reported as compliant in 8, largely compliant in 23, and partially compliant in 9 recommendations

The updated consolidated rating table can be found [here](#).

4.2. FATF hosts seminar on changes to Recommendation 24

The FATF has adopted amendments to Recommendation 24, one of the 40 recommendations indicating a countries AML and CTF strength, and hosted a webinar to explain changes to the Recommendation and its supporting interpretive notes. Recommendation 24 relates to transparency and beneficial ownership of legal persons and requires countries to ensure adequate, accurate and timely information on beneficial ownership and control of legal persons.

The recording was hosted on the 1 September and can be viewed [here](#).

4.3. EU provides further guidance on the Sustainable Finance Disclosure Regulation

The European Union (“EU”) has provided further guidance on the Sustainable Finance Disclosure Regulation (“SFDR”), released in March 2021, requiring financial services firm to consider their Environmental, Social and Governance (“ESG”) footprint when using Artificial Intelligence (“AI”). Under the SFDR firms will be required to understand their carbon footprint, potential discrimination against social groups and implement a suitable governance policy which is approved by technically skilled staff.

4.4. TCAE hosts international compliance training for crypto

The Toronto Compliance and AML Enterprise (“TCAE”) will host an online training session for compliance professionals on crypto currency. The event will discuss current and future trends and challenges of compliance, financial crime risk in the industry and an introduction to stable coin and Decentralised Finance (“DeFi”).

The event will be held on 15 September 2022, and you can register [here](#).

4.5. Update to the sanctions list

The Executive Office of the Committee for Goods and Materials Subject to Import and Export Control (“CGMSIEC”) has updated the UNSC Sanctions List and one entity on the resolution 1518 sanction list has been removed.

Firms are reminded to monitor geopolitical events and any resulting updates to the international sanctions lists so that they can assess their exposure to sanctioned individuals and entities. Sanction contraventions must be reported to the relevant authorities without delay and regulators will expect to be notified of any sanctions matters that may result in reputational consequences for the firm.

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

Further information

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

5. ENFORCEMENT ACTION

5.1. Abu Dhabi money laundering court fines US tax evasion participant

The Abu Dhabi money laundering court assisted the US authorities in fining Asim Abdul Rahman Ghafoor, a US citizen, US\$1.3M for tax evasion. The Abu Dhabi court acted on an 'assistance request' from the US authorities as part of a collaboration to combat AML and CTF efforts in the region.

5.2. Arsenal football club sanctioned for crypto advertisement

The UK Advertising Standards Authority ("ASA") sanctioned Arsenal football club for "trivialising" investing in crypto assets to fans. The advert in question was published on the teams Facebook page in August 2021 advising fans of their option to purchase a 'fan' token to allow them to enter a voting poll to select a song at the end of the match. The ASA found that the advert did not advise fans that they were required to join a crypto exchange and buy currency to have the vote. ASA found that whilst there was an earlier disclaimer on the investment of crypto coins it could not be certain that investing fans would have seen the separate post; the advertisement also failed to warn fans of possible capital gains tax repercussions from trading the tokens.

Firms are reminded to have suitable disclosures on their primary advertising platforms and websites as well as social media accounts.

Further information

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

CCL Compliance is now Waystone Compliance Solutions

Titan Regulation, Argus Global, CCL Compliance and ISAS are now Waystone Compliance Solutions who offer a new and unique approach to compliance services at a corporate level.

Formed by merging four specialist compliance companies, we have the capabilities to help you manage regulatory risk right across your organisation.

We can provide key services from initial registration and licensing to compliance programme integration. Our compliance solutions span business strategies, market activities, operational and technology infrastructure, not to mention sales and marketing procedures. And we can do so anywhere in the world.

Our aim at Waystone is simple: to enable our clients to navigate the complex regulatory environment with confidence.

At Waystone, we have brought together the experience, the expertise, and the global reach to give you the certainty you need to address the ever-changing regulatory world. And by doing so, provide you with a secure route on the road to success.

<https://compliance.waystone.com/>

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- Outsourcing (Compliance Officer, MLRO, Finance Officer and Data Protection Officer)
- Documentation
- Training

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.