

Regulatory Update

Middle East, June 2023

Issued 7th July 2023



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1. DIFC AND DFSA LATEST DEVELOPMENTS

1.1 DFSA Publishes Consultation Paper on AML Rule Changes

On 23 June, the Dubai International Financial Centre's ('DIFC') regulator, the Dubai Financial Services Authority ('DFSA'), published Consultation Paper 151 on 'Proposed Changes to the DFSA Anti Money Laundering, Counter Terrorist Financing and Sanctions' module.

The proposed updates include:

- Enhancement of the requirement for appointing the role of the Money Laundering Reporting Officer ('MLRO') for Designated Non-Financial Business or Professional ('DNFBP') aligning more closely with the fitness and propriety tests for MLROs in financial services.
- Requirement of notifications of appointed MLROs to the DFSA for suitability assessment.
- An update to the DFSA wording on sanctions screening to reference Cabinet Decision 74 of 2020.
- Updating beneficial ownership notification requirements for DNFBP's to align with the international best practice where an interest of 10% or above must be reported.
- Clarification on 'Senior Management' for sign-off concerning AML Rules 7.3.8(2)(a), 7.3.8(3)(a), 7.4.1(e) and 9.2.1(e), whereby sign-off may be provided by a member of the executive management who has significant responsibility for managing any money laundering risk exposure.
- An additional requirement to provide tailored and specific Anti Money Laundering ('AML') policies and procedures subject to the nature, scale and complexity of the firm's operations.
- An update to the definition of DNFBP relating to precious metals and precious stones ('DPMS') dealers to include dealers who carry out any single cash transaction or several transactions that appear to be interrelated and for which the value is equal to or greater than US\$15,000 to align with the UAE Federal Law.
- Further guidance on due diligence on customers' (former) legal names including a check on customer alias.
- Clarification on continuous fitness and propriety for those in AML functions and the DFSA's power to suspend or withdraw a DNFBP where the threshold has not been upheld.

You can read the paper in full [here](#). Comments are welcome until 23 August 2023 by submitting them [here](#).

1.2 DFSA Issues Dear SEO Letter – Arranging vs Referrals

The DFSA has issued multiple Dear SEO letters to authorised entities.

On 20 June, the DFSA issued a 'Dear SEO' letter clarifying the business activities of 'arranging activities' and 'referrals'. The DFSA expressed concern about the interpretation by licenced entities. The DFSA clarified that 'referral' is considered to be a 'mere introduction', for example, by only sharing contact details, whereas 'arranging' is considered to be 'making arrangements with a view to another person buying, selling, subscribing for or underwriting an investment, including arrangements which do not bring about the transaction and arrangements comprising or involving the receipt and transmission of client orders concerning investments. Firms uncertain about their business activity should refer to the General Rulebook ('GEN') and its associated guidance.

Firms should review their licence regularly with their activities and cease to act in any capacity that contravenes their licenced activities without the proper approvals from the DFSA.

You can read the 20 June 2023 letter [here](#).

1.3 DFSA Communication to Category 3C Firms – EBCM Requirements

On 14 June, the DFSA communicated through “being supervised” to Category 3C Firms, which include firms Managing Assets and/or firms Managing a Collective Investment Fund regarding EBCM requirements. The DFSA has approved a standard modification to the Prudential Investment, Insurance Intermediation and Banking (‘PIB’) module to reduce the base capital requirement to US\$230,000. Firms wishing to benefit from the reduction can submit a modification notice via the ‘base capital requirement rule modification’ form on the DFSA portal. This interim measure will be subject to public consultation in due course.

1.4 DIFC Launches AccelerateHER

On 5 June, the DIFC Innovation Hub launched the AccelerateHER programme, in partnership with Dubai Islamic Bank, supporting women in finance. The three-month programme offers mentorships, workshops and networking opportunities for women seeking a career in finance and has supported over 100 women over seven cohorts to date.

You can read the DIFC article [here](#), and applications can be submitted [here](#) for the September 2023 cohort.

1.5 DIFC Mobilises Action on Climate Finance

On 7 June, the DIFC held its second summit on Sustainable Finance in preparation for the 28th United Nations Climate Change Conference or Conference of the Parties (‘COP28’) 2023. The event was attended by 300 interested professionals from financial services and policy-making institutions as part of the Global Ethical Finance Initiative (‘GEFI’) ‘Path to COP28’ programme. The delegates discussed strategies to develop a more sustainable financial sector and decarbonise the economy.

The COP28 is in Dubai between 30 November to 12 December 2023.

You can read the DIFC article [here](#).

1.6 DIFC to Build Campus for AI and Web 3.0 Companies

On 19 June, the DIFC announced an extension to the jurisdiction. The expansion will attract Artificial Intelligence (‘AI’) and Web 3.0 companies to establish on a dedicated campus based in the DIFC’s ‘innovation one’ premise. The campus will span over 100,000 sq. ft. and generate US\$300M and 3,000 jobs by 2028. Those established on the campus will benefit from state-of-the-art hardware, research and development facilities, dedicated accelerator programmes and shared workspaces.

You can read the DIFC article [here](#).

1.7 DIFC Announces FinTech Summit

On 21 June 2023, the DIFC announced the second edition of the DIFC FinTech summit on 6-7 May 2024. Over 5,000 delegates from 92 countries attended the 2023 summit, and 20 Memorandum of Understanding (‘MoU’) were signed. The summit highlighted the importance of accelerated investment in digital banking services, e-commerce websites, and contactless payments. The 2024 summit will develop these themes and address current challenges in the FinTech sector.

You can read the DIFC announcement [here](#).

1.8 DIFC Release Article on Data Privacy for a Digital Economy

The DIFC's data protection office released an insight article, 'The Digital Economy: Data Protection and Security'. The article stressed the importance of correctly assessing risk with personal data, including the use, transfer, loss and disclosure of personal data. It was a reminder to ensure compliance with the relevant data privacy laws.

The data protection office highlighted the following requirements:

- correct notification to (potential) customers and clients for the use of personal data and any limitations to their data subject rights following their privacy obligations
- appointment of a data privacy officer where the personal data would be considered as 'high risk'
- process around personal data transfer where data is requested by a government entity even when the request is made as part of a compliance or regulatory obligation
- safeguards or other assurances before transferring personal data to other entities including government entities.

You can read the article in full [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 Announce Moratorium on CSP Licences

On 21 June, the Abu Dhabi Global Market's ('ADGM') regulatory authority released a moratorium on issuing licences for Company Service Providers ('CSP') in the jurisdiction. The moratorium includes any amendments to activities under the '7025- Company Service Provider' activity. The moratorium is effective between 17 June 2023 and 31 December 2023. Exceptional applications may be allowed with the registrar's approval, Mr Hamad Al Mazrouei.

You can read the ADGM article [here](#).

2.2 FSRA Updates Guidance and Policy Manuals

On 13 June, the ADGM's regulator, the Financial Services Regulatory Authority ('FSRA'), released various updates to its Guidance and Policy Manual ('GPM'). The updates document the FSRA's practices in line with recent enforcement actions, regulatory changes, and UAE laws.

You can read the ADGM article [here](#) and the GPM [here](#).

2.3 ADGM Announce Abu Dhabi Finance Week

On 23 June, the ADGM announced the 2023 Abu Dhabi Finance Week ('ADFW'). The event will run from 27 November to 30 November with the theme of 'Investing in the Transition Era'. The event consists of four major conferences: Asset Abu Dhabi, Fintech Abu Dhabi, R.A.C.E (Regulation, Awareness, Collaboration, Ecosystem) Sustainability Summit, and a Fortune Global Leadership Forum, with the final conference yet to be announced. The event will discuss factors affecting the global system, such as industrial and social factors, capital flows and monetary systems. The event expects over 10,000 delegates from over 100 countries, including senior industry leaders, policymakers, regulators, investors and bankers.

You can read the ADGM article [here](#).

2.4 FSRA Hosts Policy and Legal Legislative Update

On 21 June, The FSRA held a Policy and Legal Legislative update session. The session covered legislative projects conducted over the past twelve months and ongoing and future projects. Attendees heard updates from ADGM representative speakers on recently published regulations, consultation papers and key focus areas for the coming year.

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 UAE's FATCA/CRS Reporting System Goes Live

The UAE's Ministry of Finance ('MOF') announced the Foreign Account Tax Compliance Act ('FATCA') and Common Reporting Standard ('CRS') portal go-live. The FATCA and CRS report must be submitted to comply with international tax obligations. A nil return is expected for firms who meet the definition of 'Reporting Financial Institution' definition but have no obligations. Firms that are reporting obligations under either FATCA or CRS are expected to submit a risk assessment for their regulator to assess.

You can register an account with MOF [here](#), before 31 July 2023.

3.2 ECON Holds Regional Counter Proliferation Workshop

Between 12 to 14 June, the Executive Office for Control and Non-Proliferation ('ECON') held a regional workshop addressing local AML and PF concerns. The event was organised in partnership with Middle East and North Africa Financial Action Task Force ('MENAFATF ') and the United Nations Office on Drugs and Crime ('UNODC'). The attendees clarified the definition of PF in line with Security Council resolutions 1540, 1718 and 2231, the international standards issued by the FATF, and the observed patterns of criminal behaviour, in particular around avoiding sanctions. Attendees participated in a workshop exploring the tracking of funds and collection of intelligence using real examples. ECON

also presented on combating the financing of arms proliferation in terms of the institutional and legal framework, the list of restricted dual-use goods, and the UAE's progress.

You can read the ECON summary [here](#).

3.3 SCA Issues Guidance on Marketing Foreign Funds

The Securities and Commodity Authority ('SCA'), in partnership with Morgan Lewis, issued additional guidelines on marketing foreign funds in mainland UAE following the enactment of SCA Decision No. (02/RM) of 2023, Decision No. (03/RM) of 2023, and Decision No. (04/RM) of 2023. The SCA confirms the extension of binding promotion contracts allowing the promotion of foreign funds to retail investors until 31 March 2024. The extension allows foreign fund managers to form SCA-licensed fund management entities. Deadline extensions will be permitted on a case-by-case basis, subject to a successful application to the SCA.

Firms wishing to establish UAE investment funds, management companies and service providers can avail:

- a simplified process with reduced capital minimum
- 100% foreign ownership
- reduced individual fitness requirements
- expedited applications
- outsourcing of select functions
- a new regulatory class for mainland UAE funds.

In addition, the SCA confirmed that Cayman Islands foreign funds may now be promoted in mainland UAE to professional investors so long as the Cayman fund has a good standing certificate issued by the Cayman Island Monetary Fund ('CIMA'). All foreign funds must provide evidence of their regulatory status in their home jurisdiction. Where this is not possible, the SCA will require:

- a written undertaking to the SCA confirming the interest of the unregulated fund confirming its interest to only promote on the UAE mainland to financial institution professional investors or other well-informed professional investors in addition to a signed statement by the investor of the same
- a minimum subscription of AED1M
- evidence that the local promoter is fully compliant with any other term offers in its prospectus or by its home jurisdiction's regulatory authority.

Concerning passporting regimes, the SCA confirmed that fund managers domiciled in the financial free zones can continue to avail the passporting regime between the SCA and the DFSA/FSRA to market foreign funds in the financial free zones for both professional and retail where the passporting conditions are met.

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

3.4 Central Bank of Oman Holds Second Board of Governors Meeting

On 21 June, the Omani Central Bank held its second Governors Board meeting for 2023. Regarding regulation, the attendees discussed the first phase of Know Your Client ('KYC') for the authorised activities of leasing and financing using the national platform. In addition, the attendees discussed the policy and licencing advancements of payment service providers.

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

Further information

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

4. INTERNATIONAL UPDATES

4.1 FATF Upgrades Mutual Evaluations

The Financial Action Task Force ('FATF') conducted mutual evaluations for several jurisdictions which have received updated ratings. The ratings are aligned to 40 internationally recognised standards for Counter-Terrorism ('CT'), AML and Proliferation Financing ('PF').

This month, Mexico was subject to review and is rated largely compliant in 24, compliant in ten, partially compliant in five and non-compliant in one recommendation.

You can read details of Mexico's review [here](#) and the consolidated ratings [here](#).

4.2 FATF and FSRB Holds Annual Meeting

On 21 June, the FATF and FATF Style Regional Bodies ('FSRB') held their annual meeting discussing high-level issues affecting the implementation of the FATF recommendations. Attendees discussed updates to mutual evaluations and progress toward its strategic vision for the global network. The delegates agreed that tackling global responses to PF and AML requires a united front, and FATF and FSRB will continue to work closely to bridge any gaps. FATF also announced that an updated universal procedures document would be produced before the next round of mutual evaluations.

You can read the FATF article [here](#).

4.3 FATF updates 'Grey List'

On 23 June 2023, the FATF updated its jurisdictions under increased monitoring, known as the 'grey list' following its Paris meeting. The countries under review have committed to swiftly resolving the identified strategic deficiencies within agreed timeframes and are subject to increased monitoring.

The grey list currently includes:

- Albania
- Barbados
- Burkina Faso
- Cameroon
- The Cayman Islands
- The Democratic Republic of the Congo
- Croatia
- Gibraltar
- Haiti
- Jamaica
- Jordan
- Mali
- Mozambique
- Nigeria
- Panama
- Philippines
- Senegal
- South Africa
- South Sudan
- Syria
- Tanzania
- Türkiye
- Uganda
- United Arab Emirates
- Vietnam
- Yemen.

In addition, the FATF reconfirmed the jurisdictions under a 'call for action' known as the 'black list'. The following countries remain on the list:

- Democratic People's Republic of Korea
- Iran
- Myanmar (however, there is noted progress).

You can read details of the 'grey' list [here](#) and the 'black' list [here](#).

4.4 FATF Holds Annual Plenary Meeting

During the 21 to 23 June 2023, the FATF members met to discuss topics concerning money laundering and proliferation financing. The 200 delegates discussed the ongoing conflict in Ukraine and the continuing suspension of the Russian Federation in FATF, the publication of FATF recommendations for virtual assets and Virtual asset service providers, and the release of a public consultation for Non-Profit Organisations ('NPO'). FATF updated delegates on its current projects, including the misuse of citizenship and residency by investment schemes, money laundering and terrorist financing related to cyber-enabled fraud, and on the use of crowdfunding for terrorist financing. In addition, the FATF proposed enhancement Recommendations four and 38, to provide countries with stronger legal measures to freeze, seize and confiscate criminal property and property of corresponding value, including non-conviction-based confiscation. Members also agreed on new projects, including a project to enhance money laundering investigations and prosecutions.

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

4.5 FATF Updates VA and VASP Standards

On 27 June 2023, the FATF published an update on the FATF standards for Virtual Assets ('VA') and Virtual Asset Service Providers ('VASP'). The update relates to Recommendation 15 on the change of information known as the 'travel rule' and updates on emerging risks and market developments, including on Decentralized Finance ('DeFi'), Peer-to-Peer transactions ('P2P'), and Non-Fungible Tokens ('NFT'), unhosted wallets, and stablecoins. The report acknowledges and addresses the jurisdictional struggles in this industry sector, particularly in areas such as risk assessments, regulation and inspections, with over 75% of jurisdictions being assessed as partially compliant or below. Whilst it has been noted that the private sector is collaborating to improve compliance, there is still a critical need to address the 'travel rule', which is acting as a loophole for criminal activity.

You can read the FATF article [here](#) and the updated standards [here](#).

4.6 Update to the Sanctions List

The ("CGMSIEC") has updated the UN Security Council ("UNSC") sanctions list. The CGMSIEC updated its list to:

- Amend one entry on 2 June
- Amends 16 entries on 30 June
- Added one entry on 3 June
- Removes two entries on 5 June

Removed firms are reminded to monitor geopolitical events and any resulting updates to the international sanctions lists to 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 sanctions list can be found [here](#).

Further information

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

5. ENFORCEMENT ACTIONS

5.1 DSFA Takes Action Against Two Firms

On 21 June 2023, the DFSA published two decision notices for regulatory breaches.

The first notice concerned Alessandro Faro Trading Ltd ('AFTL') for trading precious metals and stones without authorisation. AFTL failed to register as a DNFBP as per the DFSA rule. The DFSA raised a particular regulatory concern due to the high-risk typology of money laundering associated with this trading activity. AFTL was fined US\$36,000 (discounted to US\$25,200 after settlement).

The second notice concerned Fius Capital Limited ('FCL') for failing to meet regulatory standards in relation to the submission of key returns, including the annual Anti Money Laundering ('AML') return. The DFSA takes a zero-tolerance approach to money laundering exposure and requires regulatory returns to be submitted promptly. The DFSA fined FCL US\$32,400 (discounted to US\$11,340 after settlement).

You can read the DFSA update [here](#), the full AFTL notice [here](#) and the FCL notice [here](#).

5.2 ADGM Issues Multiple Fines

The ADGM issued multiple fines for regulatory failure within the ADGM.

On 5 June 2023, the Abu Dhabi Global Market ('ADGM') took action against 10 Leaves Limited ('10 Leaves') and three of its directors for regulatory failings. The Regulatory Authority ('RA') found 10 Leaves failed to submit annual statutory required accounts. 10 Leaves received a fine of US\$10,000 in addition to individual director fines of US\$8,000 for Bishr Siblaq, Rohit Ghai and Satidanand Auchoybur.

On 21 June 2023, the ADGM's RA fined HSQ Holdings Ltd ('HSQ') and PL1 Holdings Ltd ('PLH') and their ultimate beneficial owner and director, Mohammed Wasim Nazir, for conducting activities outside of their licence scope, providing false information to the regulator and contravening regulation. HSQ and PLH held a non-operational Special Purpose Vehicle ('SPV') licence; however, they were found to be actively managing two residential investment properties in the UAE in breach of their licence. PLH was also found to have been actively conducting business following a voluntary strike-off. As part of the investigation, Mr Nazir was found to have actively concealed information. Mr Nazir and his associated entities received a fine of US\$144,000.

You can read the ADGM article for 10 Leaves [here](#) and its associated decision notice [here](#).

You can read the ADGM article for HSQ, PLH and Mr Nazir [here](#) and it's associated decision notice [here](#).

Further information

For any questions or concerns regarding these updates, please contact **Mohsin Ismail**.

ABOUT WAYSTONE COMPLIANCE SOLUTIONS

Waystone Compliance Solutions offers a new and unique approach to compliance services at a corporate level.

As a truly global partner, 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, and 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.

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- Authorisation
- 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 using 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.