

UAE's ANTI-MONEY LAUNDERING LAW



The UAE boosts its commitment to international standards against money laundering and financial crimes

The United Arab Emirates (UAE) has issued Federal Law No. 20 of 2018 on Anti-Money Laundering (the **AML Law**), which boosts the UAE's commitment to international laws and treaties and establishes a legal framework to further combat money laundering and financing of terrorism and other illegal organisations. The AML Law is in line with the recommendations of the Financial Action Task Force (FATF), the international inter-governmental entity that promotes the integrity of the global financial system, in anticipation of the FATF's assessment of the UAE that is scheduled to take place in 2019. It also relies on the concept of international cooperation and abides by any decisions and sanctions issued by the United Nations Security Council under Chapter VII of its Charter.

What has changed?

Further to the previous AML Law (as amended in 2014), the new Law has introduced several new concepts required by the FATF, including most notably:

- The inclusion and declaration of virtual and digital currencies, which would address supposed money laundering conducted online involving the use of cryptocurrencies, which is perceived as difficult to trace;
- The introduction of Designated Non-Financial Business and Professions (DFNBPs) in addition to financial institutions, which are required to put in place adequate systems and controls to assess their risk exposure to financial crimes;
- The preparation and submission of Suspicious Activity Reports (SARs) to the Financial Information Unit;
- The concept of Controlled Delivery which is the operation by which the relevant authorities may allow a money laundering operation to proceed in order to further investigate and ultimately apprehend the suspected culprits;
- Undercover or Sting Operations by which a law enforcement official participates in a money laundering operation in an attempt to apprehend the suspected culprits;
- The introduction of a mechanism to appeal the decisions of the Public Prosecutor if deemed guilty of a money laundering offense;

- The definition of a perpetrator of a money laundering offense, which is a first in UAE legislation; and
- The absence of time bar on a money laundering offense.

Very interestingly, the AML Law has also introduced the concept of legal privilege which could be a first in the UAE and in UAE legislation. It can be used as part of a defense strategy, allowing lawyers, notaries and auditors to refrain from delivering additional information requested by the Financial Information Unit, provided that such information were obtained during the exercise of their duties.

How does this impact you?

Under the new AML Law, financial institutions and specific DFNBPs are required to appoint compliance officers and conduct the necessary due diligence processes to determine the scope of their financial crime risk exposure, as well as review and enhance their internal anti-money laundering compliance programs and policies.

Regular training across all areas of business, including branches and subsidiaries, is also key, as well as cooperation with and submission of detailed SARs to the Financial Intelligence Unit, immediately and without any delays.

What's next?

The AML Law is certainly a step in the right direction to effectively combat any attempts at money laundering and terror financing and protect the UAE's local financial system. The implementing regulations are expected to be issued soon, with further guidance on the specific DFNBPs, the process for filing SARs, and other related matters. We will keep you updated on any further developments as and when they arise.

To speak to us in relation to any anti-money laundering and financial regulatory issues in the UAE, please feel free to contact one of the lawyers below, or your usual Baker McKenzie contact.

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