



Grant Thornton

FATF Grey Listing

Understanding the Implications

FATF UAE Grey-listing: What does it mean and what are the implications?

Though the UAE has made significant enhancements following the 2018 Financial Action Task Force (FATF) Mutual Evaluation of the UAE and subsequent recommendations in 2020, in March 2022 the FATF placed the UAE on the list of “Jurisdictions Under Increased Monitoring” or “Grey list” under an action plan outlining the steps the UAE is required to take to further enhance its AML / CFT framework.

This is an important step in the UAE’s continued and ongoing fight against money laundering and terrorist financing and impacts every business in the UAE.

Grant Thornton is here to help you understand the main implications of this decision, the next steps and support you in assessing its impact and enhancing your own internal control framework.

Who is FATF and why does it matter?

FATF is an intergovernmental body which sets global standards in anti-money laundering and counter terrorist financing. Primarily aimed at state-level institutions and frameworks, it also conducts reviews, known as ‘mutual evaluations’ of individual member states. It is from this process that the UAE has been added to the grey list, whilst certain specific areas are monitored and further enhanced.

From the detailed findings of the UAE’s mutual evaluations there are a range of areas in which all institutions will be affected. For example:

- Financial Institutions: including banks, asset management companies, insurance companies, exchange houses and others will be subjected to continued supervision by regulators to assess their own controls;
- Designated Non-Financial Businesses and Professions: including lawyers, accountants, precious metals dealers, real estate companies, bullion/commodities dealers and others will also be subjected to supervision and need to ensure they have appropriate, business specific controls in place; and
- Other businesses: need to be aware of the changing regulatory landscape and the effect the grey-listing will have on their access to financial markets locally and internationally.

As a general rule, overseas businesses may now treat the UAE as a ‘higher risk’ jurisdiction which may add additional layers of complexity to the process of accessing foreign exchange markets and international banking.

¹<https://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-fatf-plenary-march-2022.html>

²Subject to their own risk appetite and risk rating processes

What does it mean to be included in the FATF Grey List?

- The listed country has committed to resolve swiftly the identified strategic deficiencies within agreed timeframes.
- The jurisdictions in the list are under ‘increased monitoring’ and are actively working with the FATF to address strategic deficiencies in their AML / CFT regimes.
- The FATF welcomes this jurisdictions’ commitment and will closely monitor their progress.

What has the UAE done so far?

- Reinforcement of its Regulatory Framework
- Formation of the Executive Office of AML and CFT
- Completion of the National Risk Assessment
- Introduction of courts focused on financial crimes
- Establishing an effective system to implement Targeted Financial Sanctions

What is included in the Action Plan to leave the Grey List?

1. Demonstrating through case studies and statistics a sustained increase in outbound “Mutual Legal Assistance” requests to help facilitate investigation of TF, ML, and high-risk predicate offences;
2. Identifying and maintaining a shared understanding of the ML/TF risks between the different DNFBP sectors and Financial Institutions (FIs);
3. Showing an increase in the number and quality of STRs filed by FIs and DNFBPs;
4. Achieving a more granular understanding of the risk of abuse of legal persons and, where applicable, legal arrangements, for ML/TF;
5. Providing additional resources to the FIU to strengthen its analysis function and enhance the use of financial intelligence to pursue high-risk ML threats, such as proceeds of foreign predicate offenses, Trade Based Money Laundering , and third-party laundering;
6. Demonstrating a sustained increase in effective investigations and prosecutions of different types of ML cases consistent with UAE’s risk profile; and,
7. Proactively identifying and combating Sanctions evasion, including by using detailed TFS guidance in sustained awareness-raising with the private sector along with demonstrating a better understanding of sanctions evasion among the private sector.

What is the impact for Financial Institutions (FIs)?

- FIs based in grey-listed jurisdictions are normally rated as High-Risk by counterparties in other countries, which results in further scrutiny of internal controls before establishing any commercial relationship such as Correspondent Banking. FIs will therefore need to enhance their Financial Crime control frameworks in order to prove enough robustness for international transactions.
- There will be a continued increase in the scrutiny from local supervisory reviews of FIs and DNFBPs to ensure compliance with applicable regulations and best practice.
- As international transactions are subject to a deeper review, there may be a direct impact in the time for processing requiring further intervention from the compliance / investigation teams.
- The process of strengthening the compliance function(s) may lead to a need for a higher number of resources with the right set of skills.
- In order to demonstrate a better understanding of the ML / TF landscape, continuous and effective training is required.
- Entities will need to demonstrate a clear understanding of the risks they are exposed to and the controls they have implemented to mitigate them.

How can Grant Thornton help?



Our specialist team of Financial Crime experts have worked extensively with entities in the UAE, the Middle East Region and internationally, including the world's largest banks. We have provided guidance to UAE based institutions and have a close relationship with regulator, including as training providers to supervisory bodies. We can support you through:

- Helping you with a simple 'health check', designed to help you understand your risk;
- Designing bespoke Financial Crime Risk Assessments to identify the risks your organisation is exposed to;
- Designing and implementing controls commensurate to the identified risks;
- Undertaking reviews of the appropriateness of the Policies and Procedures in place;
- Providing specialist expertise in areas such as AML, Sanctions, Customer Onboarding, Trade Based Money Laundering controls, technology and other areas;
- Reviewing your Onboarding, KYC, Transaction Monitoring and Sanctions systems;
- Conducting financial crime awareness training to your Board, Compliance and front-line resources;
- Directly assisting with the enhancements or remediation of any of the areas above.

To obtain highly effective and bespoke support and solutions from the right subject matter expert, please get in touch with:





James Tebbs
Partner
Head of Forensic Services

 +971 52 215 0707
 james.tebbs@ae.gt.com



Isabel Mendez
Assistant Manager
Forensics

 +971 58 520 5900
 isabel.mendez@ae.gt.com

Grant Thornton UAE
All rights reserved

Grant Thornton refers to the brand under which the Grant Thornton member firms provide assistance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Dubai
The Offices 5
Level 3,
Office No. 303
One Central, DWTC
Dubai, UAE

T +971 4 388 9925
F +971 4 388 9915

Abu Dhabi
Al Kamala Tower
Office 1101, 11 Floor
Zayed the 1st Street
Abu Dhabi, UAE

T +971 2 666 9750
F +971 2 666 9816

Abu Dhabi
DD-16-121-031
16th Floor WeWork Hub71
Al Maqam Tower
ADGM Square
Al Maryah Island
Abu Dhabi, UAE

F +971 2 666 9816

Sharjah
Al Bakr Tower
Office 305
7/9 Al Khan Street
Sharjah, UAE

T +971 6 525 9691
F +971 6 525 9690