



## UAE EXITS FATF 'GRAY LIST'

### Introduction

Last Friday marked a significant development as the Financial Action Task Force (FATF) dropped UAE from its 'gray list'. Initially added to the list in March 2022, this move prompted the UAE to undertake rigorous regulatory improvements. Following its onsite assessments, FATF released its June 2023 Enhanced Follow Up Report which reevaluated identified deficiencies. Subsequently, a significant majority of FATF's members voted in favor of the UAE's commendable progress, leading to its successful exit from the gray list. Let us take a look at the measures implemented and how the country was able to comply with and strengthen its AML/CTF frameworks and the benefits it brings.

### Commitment to Compliance

In response to being added to the FATF gray list, the UAE demonstrated its commitment to compliance by implementing several legislative and regulatory changes. These changes aimed to strengthen the country's AML and CTF frameworks and align them with international best practices.

The UAE established the Executive Office to Combat Money Laundering and Terrorist Financing, a dedicated entity for enhancing the country's AML/CTF legislation and regulatory framework. Additionally, new specialized AML/CTF courts were created to handle cases involving financial crimes. These courts have unique jurisdiction and are crucial in enforcing AML and CTF laws.

Furthermore, the UAE introduced an anti-money laundering reporting platform called "goAML." This platform enables financial institutions to file Suspicious Activity Reports when they suspect funds may be related to criminal activities. The introduction of goAML streamlines the reporting process and ensures the timely detection and reporting of suspicious transactions.

### Strengthening the AML and CTF Framework: Key Initiatives

The UAE's journey towards compliance involved a series of initiatives aimed at enhancing the effectiveness of its AML and CTF framework. These initiatives covered various aspects such as identity verification, risk assessment, and ongoing AML screening.

#### a. Identity Verification and KYC Compliance

Identity verification is a critical component of any robust AML and CTF framework. The UAE focused on implementing comprehensive KYC (Know Your Customer) procedures to ensure the accurate identification of individuals and entities involved in financial transactions. This involved conducting face verification, document verification, and address verification.

#### b. Risk Assessment and Customer Due Diligence

To effectively manage the risk of financial crimes, the UAE implemented risk assessment measures. These measures evaluate individual customer risk scores and enable financial institutions to identify and mitigate potential risks. Customer due diligence processes were also strengthened to ensure thorough background checks and enhanced scrutiny of high-risk customers.

#### c. AML Screening and Sanctions Compliance

The UAE prioritized AML screening, which involves screening customers against global sanctions lists. This proactive approach ensures that financial institutions are not unknowingly facilitating transactions with individuals or entities involved in illicit activities. Ongoing AML screening and monitoring were implemented to detect and report suspicious transactions in real-time.



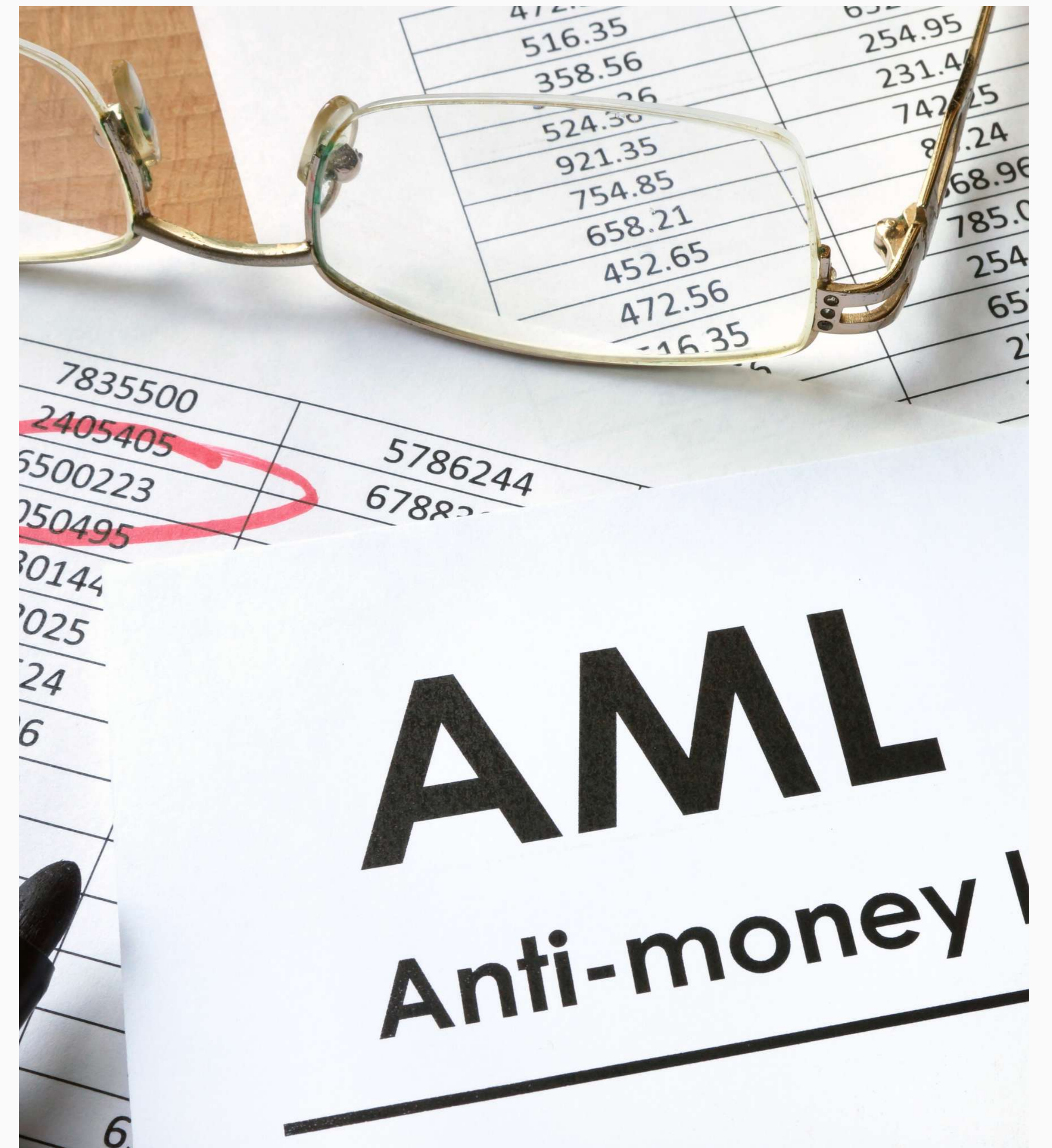
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## d. Enhanced Technology and Data Solutions

To streamline compliance processes and improve efficiency, the UAE embraced technological advancements. Adopting advanced data extraction technologies, such as OCR (Optical Character Recognition), facilitated the extraction of data from documents in any language. This automation reduced manual errors and enhanced the accuracy of compliance procedures.

### How FATF 'gray list' removal will benefit the UAE

The removal from the FATF gray list is set to boost the country's commercial and investment ecosystem, attracting global capital, expanding business operations, and ultimately generating more job opportunities. Such removal also signifies increased confidence from investors and the international community, indicating that the country has mitigated its exposure to financial crime and money laundering risks, thereby positively influencing the UAE's capacity to engage in transactions with other jurisdictions. This development is also expected to enhance cross-border trade, facilitating better access to international financial markets and lowering borrowing costs for both the government and businesses. The UAE's improved reputation as a safe and secure business destination is poised to attract more foreign investors and companies, stimulating economic activity and driving positive impacts across various domains.



### The Road Ahead

While the removal from the FATF gray list is a significant milestone, the UAE must sustain its compliance efforts. Continued commitment to regulatory enhancements, ongoing monitoring, and regular updates to the AML and CTF frameworks are essential to ensure long-term compliance. As technology advances and criminals find new ways to exploit vulnerabilities, the UAE must remain vigilant and proactive in combating emerging threats. Collaboration with international partners, sharing of best practices, and staying updated on global regulatory developments will be key in addressing future challenges.

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