
"Combating Money Laundering Crimes: International and National Perspectives in the United Arab Emirates"

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Abstract

The fight against money laundering crimes has received international and local attention in the country, due to the seriousness of the crime on the international and internal community, which undoubtedly has many negative effects in economic, social and political terms, and among the effects of money laundering crimes is the increase in crimes and corruption, threatening economic stability and weakening financial institutions.

Through regulatory and legislative applications, we find the tireless efforts of the state in strengthening the legislative and regulatory system in combating money laundering crimes and the prominent role of the state at the international and national levels, and the UAE legislator has clarified that anyone who was aware that the funds were obtained from a felony or misdemeanor and deliberately transferred or transferred the proceeds or conducted any operation with the intention of concealing or disguising their illegal source, or concealed or disguised the truth of the proceeds, or their source, is considered a perpetrator of the crime of money laundering. or its place, manner of disposal, movement, ownership or rights thereof, or acquired, possessed or used the proceeds upon receipt, or assisted the perpetrator of the predicate crime to escape punishment.

Keywords: Money Laundering, AML/CFT, Financial Intelligence Unit (FIU), FATF

Introduction

In the shadows of the global economy, a sinister process known as money laundering thrives, transforming illicit funds into seemingly legitimate assets. This insidious practice, deeply rooted in criminal enterprises, poses a grave threat to financial integrity and endangers the stability of societies worldwide.

Money laundering, the clandestine act of disguising the origins of illegally obtained proceeds, has evolved into a sophisticated and multifaceted operation, exploiting the complexities of the global financial system. Criminals, ranging from drug traffickers to corrupt officials, seek to conceal their ill-gotten gains, blending them seamlessly into the legitimate financial flow.

The motivations behind money laundering are as diverse as the criminal activities that fuel it. Drug cartels seek to legitimize their vast profits from narcotics trafficking, while terrorist organizations launder funds to finance their heinous activities. Corrupt politicians and business

leaders use money laundering to conceal their ill-gotten gains and maintain their positions of power.

The methods employed by money launderers are as varied as their objectives. They often employ a three-stage process known as placement, layering, and integration. In the placement stage, illicit funds are introduced into the financial system, often through cash deposits or wire transfers. Layering involves a series of complex transactions and investments to obscure the origin of the money, making it increasingly difficult to trace. Finally, integration seamlessly blends the laundered funds into legitimate businesses or investments, providing criminals with access to seemingly clean money. (FATF, 2020)

Problem Statement

The consequences of money laundering are far-reaching and detrimental. It undermines financial stability by eroding public trust in financial institutions and distorting market dynamics. It fuels criminal activities by providing criminals with the resources to continue their nefarious operations. It erodes the rule of law by enabling criminals to evade prosecution and maintain their illicit gains.

Combating money laundering requires a comprehensive and multifaceted approach, involving collaboration between governments, financial institutions, and international organizations. Governments must enact robust anti-money laundering (AML) regulations and strengthen their law enforcement capabilities. Financial institutions must implement effective customer due diligence (CDD) procedures and maintain vigilant transaction monitoring. International organizations, such as the Financial Action Task Force (FATF), play a crucial role in setting global AML standards and fostering cooperation among countries.

The fight against money laundering is an ongoing and evolving battle, requiring constant vigilance and adaptation. As criminals devise new methods to exploit technological advancements and regulatory loopholes, governments, financial institutions, and international organizations must remain steadfast in their commitment to safeguarding the integrity of the global financial system and protecting society from the insidious threat of money laundering.

Research Significance:

Given the importance of research related to the legal and organizational structures to combat money laundering crimes, the legal and regulatory structures are the pillar that achieves financial, economic and security stability in all countries, and it is not possible to imagine a country without these structures.

Through the current research, the readiness of the state in terms of legislation and regulations for any future variables will be confirmed or will require the state to keep pace with these developments and establish flexible and rapid methodologies in changing these legislations if required.

Research Questions

From the main problem of the research, a set of sub-questions that we try to answer, which are as follows:

Question 1: What is the impact of implementing AML mechanisms on the prevention of money-laundering offenses?

Question 2: What is the extent to which financial institutions contribute to combating money-laundering crimes?

Question 3: To what extent is the legislative and regulatory system in the State effective in combating money-laundering crimes?

Question 4: What are the specific measures the State has taken to combat money-laundering crimes at the international and local levels?

Related Researches:

The United Arab Emirates (UAE) has made significant strides in combating money laundering (ML) and terrorist financing (TF) in recent years. The country has implemented a comprehensive legal and regulatory framework, and has established a strong supervisory regime to oversee the implementation of AML/CFT measures. (FATF, 2021)

Key findings of published research on combating ML in the UAE:

- The UAE has a well-developed AML/CFT framework that is broadly aligned with international standards.
- The country has made significant progress in implementing its AML/CFT framework, but there are still some areas for improvement.
- The UAE has a strong track record of enforcement against ML/TF.
- The country has a good level of international cooperation on AML/CFT.

Specific research findings:

The International Monetary Fund (IMF), found that the UAE's AML/CFT framework is "generally adequate" but that there are some areas for improvement, such as in the supervision of non-financial institutions and the implementation of customer due diligence measures. (IMF, 2020)

Furthermore, a study was conducted to explore how banks tackle money laundering. It highlighted different facets of this issue, emphasizing that the characterization of these efforts should be based on adherence to international agreements or local laws, not on making comparisons. The study's findings and recommendations, including the significance of regulatory authorities' supervisory role within the country and the involvement of financial institutions in preventing and monitoring suspicious money laundering operations, were among the key outcomes discussed in the research paper.(Faisal, 2022)

Moreover, Financial Action Task Force (FATF), found that the UAE has made significant progress in implementing its AML/CFT framework, but that there are still some outstanding deficiencies, such as in the identification and assessment of ML/TF risks. (FATF, 2021)

Additionally, Basel Institute on Governance study, reported that the UAE has a strong track record of enforcement against ML/TF, with over 1,000 cases prosecuted since 2010. (Basel Institute, 2020)

Another study by the United Nations Office on Drugs and Crime (UNODC) found that the UAE has a good level of international cooperation on AML/CFT, and is an active participant in a number of international initiatives. (United nations Drugs Office, 2019)

Overall, the body of research on combating ML in the UAE suggests that the country has made significant progress in recent years, but that there are still some areas for improvement. Therefore, we will test if the UAE government is committed to continue to strengthen its AML/CFT regime, and is working closely with international partners to address any remaining deficiencies.

Methodology:

This research adopts a descriptive-analytical approach to gain a deeper understanding of the unique dynamics of money laundering and to identify potential strategies for prevention and enforcement. It utilizes a systematic framework that draws upon comparative legal analysis. This analysis serves two key objectives: firstly, to examine and evaluate the mechanisms implemented within the country to combat money laundering crimes and the complementary role of financial institutions in this process. Secondly, to analyze the national legislation that underpins this system and its effectiveness in deterring money laundering activities.

Discussion

1. Mechanisms for Preventing and Detecting Money Laundering

Aware of the legislator's special subjectivity of money laundering crimes and the risks and damages resulting from them, the legislator understood that confronting this crime requires a number of mechanisms developed after the traditional confrontation has become unable to keep pace with the qualitative development in the methods of committing crime in general and money laundering crimes in particular and to ensure the effectiveness of the confrontation, and therefore this section will address in detail the efforts made in protecting financial and economic stability.

UAE Federal Anti-Money Laundering (AML), Combating the Financing of Terrorism (CTF) and Counter Proliferation Financing (CPF) legislation places obligations on all Relevant Persons in the DIFC to prevent, detect and report money laundering, terrorism financing and proliferation activities and to comply with sanctions. Hence, UAE Federal AML/CTF/CPF legislation includes (UAE Government Website, www.u.ae):

- Federal Law No. 20 of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Illegal Organizations.
- Cabinet Decision No. 10 of 2019 Concerning the Implementing Regulation of Federal Law No. 20 of 2018.
- Cabinet Decision No. 74 of 2020 concerning the UAE List of Terrorists and the Implementation of UN Security Council Decisions Relating to Preventing and Countering Financing Terrorism and Leveraging Non-Proliferation of Weapons of Mass Destruction, and the Relevant Resolutions.
- Federal Law No. 7 of 2014 on Combating Terrorism Offences.

- Regulation No. 1/2019 regarding declaration of currencies, negotiable bearer financial instruments, precious metals & precious stones in possession of travelers entering or leaving the UAE (issued by the UAE Central Bank on 14/1/2019 pursuant to Article 8 of Federal Law No. 20/2018).
- Federal Law No. 5 of 2012 on Combating Cyber Crimes.
- Federal Penal Law No. 3 of 1987 (as amended), the Penal Code.
- Federal Penal Procedures Law No. 35/1992 (as amended), the Penal Procedures law.
- Central Bank Board of Directors' Decision No. 59/4/2019 regarding procedures for AML and CTF and Illicit organizations.
- Guidelines for Financial Institutions on anti-money laundering and combating the financing of terrorism and illegal organizations issued by the UAE Central Bank on 23/6/2019
- Ministerial Decision No. 532/2019 on the establishment of the Department of Combating Money Laundering and the Financing of Terrorism.
- Ministerial Decision No. 533/2019 on the procedures of combating money laundering and Financing of Terrorism for lawyers, notaries public and independent legal professionals.
- Ministerial Decision No. 534/2019 on the establishment of the Committee for the management of frozen, seized and confiscated assets.
- Ministerial Decision No. 535/2019 on the procedures for the authorization application presented by those designated on terrorist lists to use a part of frozen assets.
- Ministerial Decision No. 536/2019 on the mechanism of grievance against the decisions issued regarding listing on local terrorist lists.
- Ministerial Decision No. 563/2019 on the procedures and conditions of the applications for the international judicial cooperation in the distribution of the proceeds of crime.
- Cabinet Decision No. 16/2021 regarding the unified list of violations and administrative fines for the said violations of measures to combat money laundering and terrorism financing that are subject to the supervision of the Ministry of Justice and the Ministry of Economy.
- UAE Federal legislation may be accessed via the UAE Ministry of Justice's [Legislation Portal](#) (available in Arabic and English).

Therefore, to effectively mitigate the dangers posed by criminal economic activities within the UAE, three critical demands have been met: strengthening the Financial Information Unit, bolstering the National Anti-Money Laundering and Combating the Financing of Terrorism Committee, and refining the disclosure system, all under the watchful eye of empowered regulatory authorities.

The Financial Intelligence Unit.

The Financial Intelligence Unit (FIU) was established pursuant to Article (9) of Federal Decree-Law No. (20) of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organizations, as amended by Federal Decree-Law No. (26) of 2021.

The law also stipulates that the unit provided for in article 9 of this Law, after studying the cases reported to it, shall inform the Public Prosecution to take the necessary measures.

It is necessary to mention the background of the establishment of the unit, as it came in line with the international standards approved by the recommendations of the Financial Action Task Force in Recommendation No. (23), which stipulated in Recommendation No. (29) entitled "Financial Information Units" that "States should establish a Financial Information Unit to act as a national center for receiving and analyzing (a) suspicious transaction reports, and (b) other information related to money laundering, related predicate crimes and terrorist financing. Financial Intelligence Unit should be able to obtain additional information from reporting bodies, and have timely access to the financial, administrative and law enforcement information it needs to properly carry out its functions. (FATF,2021).

In line with international standards disclosed by FATF, the majority of Arab legislation on money laundering decides to establish an independent unit of a special nature specialized in receiving and investigating special reports of money-laundering crimes, Article III of the Egyptian Anti-Money Laundering Law stipulates that "an independent unit of a special nature shall be established at the Central Bank of Egypt to combat money laundering.....(Abdulla, 2019)" Article IV of the same law stipulates that "the unit is competent to receive notifications received from financial institutions about operations suspected of involving money laundering, and the unit must establish a database of the information available to it....." Article V authorizes this unit to "investigate and examine the notifications and information received regarding suspected operations involving money laundering (Abdulla, 2019)"

The same applies to the Lebanese law on combating money laundering, which established an independent body of a judicial nature called the "Special Investigation Commission" (Articles 6-12), as well as the Bahraini legislator established a special unit called the "Implementing Unit" appointed by the Minister of Interior and its competencies are to receive reports of money-laundering crimes and related crimes, take investigation procedures, collect evidence and investigate money laundering crimes and related crimes (Article IV of the Prohibition and Combating Law of Money Laundering).(Mohammed &Zikra, 2017)

As for the Kuwaiti legislator (Abdulther, 2008) pointed that, it authorizes the Attorney General to determine the competent authority of the Public Prosecution to receive reports of money-laundering operations provided for in this law (Article V of the Anti-Money Laundering Law No. 35, 2002).

In light of the developments in the world after digital wealth, it may be asked to what extent does technology affect the FIU and has technology contributed to enhancing coordination between the FIU, law enforcement authorities and the judiciary? Most may agree that the use of modern technology in the collection and analysis of improved data is one of the urgent needs that contribute to supporting the efforts of combating money laundering and terrorist financing in the

United Arab Emirates, especially in light of the continuous technological developments witnessed by the world, and accurate and timely information is of paramount importance in achieving effective cooperation in enforcing the process of arresting and punishing criminals effectively (Executive Office of Anti-Money Laundering and Counter Terrorism Financing, 2023). Therefore,

As part of the Executive Office of AML/CTF's strategy managing the evolving risks identified in the Virtual Assets (VA) risk assessment, the EO organized a specialized workshop concerning VAs over 3 days. The workshop discussed policies and controls by supervisors and law enforcement agencies to mitigate risks associated with VAs in light of global standards, including Recommendation 15 of FATF (Executive Office of Anti-Money Laundering and Counter Terrorism Financing, 2023)

Furthermore, many reforms are being made to its internal procedures and increase human resources by more than 85% compared to previous years, and the Financial Intelligence Unit has enhanced the efficiency and effectiveness of its operations in cooperation with other entities in the United Arab Emirates, by investing in case management and analytical solutions. These efforts included the development of the go AML system for suspicious transaction reports in the country and the application of a risk-based analysis system to analyze suspicious activity data. Since July 2019, the Financial Information Unit has received about 6,000 requests for information, demonstrating the regular use of financial information by the Ministry of Finance and the Public Prosecution to assist in financial crime investigation and prosecution efforts. (Financial Crimes Bulletin, 2022).

The Dubai Financial Services Authority (DFSA) has signed a Memorandum of Understanding with the Financial Intelligence Unit (FIU) of the UAE to advance coordination and cooperation on Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) and illegal organizations. (Dubai Financial Service Authority, 2023)

The MoU was signed by Ian Johnston, Chief Executive of the DFSA and Ali Faisal Baalawi, Chief of the Financial Intelligence Unit on 3 August 2023.

The agreement aims to enhance co-operation, co-ordination, and information sharing between the DFSA and FIU to fulfill their respective obligations related to AML/CFT compliance. This includes ensuring that applicable laws are followed by relevant entities. (Dubai Financial Service Authority, 2023)

National Anti-Money Laundering and Combating the Financing of Terrorism Committee

Article (11) of Federal Decree-Law No. (20) of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organizations, as amended by Federal Decree-Law No. (26) of 2021, was assigned to the Minister concerned with the formation of a committee headed by the Governor called the National Anti-Money Laundering and Combating the Financing of Terrorism Committee to propose national policies to combat money laundering and combat the financing of terrorism and the financing of non-terrorist organizations. legitimate taking into account the risks that are identified (Ibrahim, 2017).

Pursuant to Federal Decree-Law No. (20) of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organizations, as amended by Federal

Decree-Law No. (26) of 2021. The National Anti-Money Laundering and Combating the Financing of Terrorism and Illegal Organizations Committee supervises the national risk assessment process and works to confront the risks of money laundering and terrorist financing in line with its obligations under the standards of the Financial Action Task Force (FATF). The tasks and mission are as follow (National Anti-Money Laundering Committee website, 2022, [http://: namlcftc.gov.ae](http://namlcftc.gov.ae))

1. Develop a national strategy to combat crime, propose relevant regulations, procedures and policies in coordination with the concerned authorities and follow up on their implementation.
2. Identify and assess the risks of money laundering crime.
3. Coordinate with the concerned authorities and refer to the sources of information in the relevant international bodies to identify high-risk countries in the field of money laundering and terrorist financing, and direct the regulatory authorities to verify the compliance of financial institutions, designated non-financial businesses and professions and non-profit associations subject to their supervision to apply the measures to be followed.
4. Facilitate the exchange of information and coordination between the bodies represented therein.
5. Evaluate the effectiveness of the AML/CFT system by collecting and analyzing statistics and other relevant information from the concerned authorities.
6. Representing the UAE in international forums related to anti-money laundering and combating the financing of terrorism.
7. Propose the regulations for the work of the Committee and present them to the Minister for approval.

2. Financial institutions contribute to combating money-laundering crimes

Article (8) of Federal Decree-Law No. (20) of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organizations, as amended by Federal Decree-Law No. (26) of 2021, is required. "Any person shall, upon entering the State for the first time he leaves it, disclose currencies, negotiable bearer financial instruments, precious metals or stones of value, in accordance with the disclosure system issued by the Central Bank.

Under the preceding provision, the law obliges every person, upon entering or leaving the country, to disclose to the authorities the truth about his carrying, currencies, negotiable bearer instruments, metals or precious stones, in accordance with the rules, procedures and limits set forth in the implementing regulation (Federal Authority for Identity and Citizenship website, <https://icp.gov.ae>).

These authorities shall take measures to seize cash and negotiable bearer instruments in case of violation of the cases provided for in the preceding Article.

We believe that this provision is part of the legislative confrontation with money-laundering and terrorist financing offences, given that cross-border smuggling of cash and other aforementioned tools is one of the traditional and contemporary methods used by perpetrators of illicit money-laundering. (See the Explanatory Memorandum to Law by Decree No. (36) of 2014)

In the same context, the International Financial Action Task Force (FATF) decided in its recommendation No. (32) entitled "Money Carriers" on the need for the State to find the necessary measures to detect the physical transfer of currencies and negotiable bearer instruments across borders, through the adoption of a system of declaration or a system of disclosure. (FATF, 2021)

There are efforts made by the concerned authorities in the country such as the Federal Authority for Identity, Citizenship, Customs and Port Security, in 2012 the cash disclosure program was launched, which aims to provide a database for the use of entities such as the Central Bank and the Ministry of Interior for the amounts that pass through the ports of the country and the system consists of an interface that travelers disclose the amounts of cash in their possession, whether in the form of (remittances, mobile money, checks, etc.) and the According to the official portal of the Government of the United Arab Emirates, passengers are required to declare any cash or other financial means exceeding AED 100,000 when entering or leaving the UAE (currently changed to 60000). Passengers arriving or departing from EU countries, who hold €10,000 in cash or more, need to disclose the amount to the concerned customs officer. (Federal Authority for Identity and Citizenship website, <https://icp.gov.ae>).

The role of regulators in the UAE

(Alsenane, 2022) revealed that, despite the novelty of the phenomenon of money laundering, the latter is almost alive within financial and banking institutions, as this medium is suitable for such a phenomenon to grow and multiply, as in the arms of these institutions, the criminal proceeds of illegal funds and assets find a suitable and appropriate environment to hide the illicit origin of these proceeds, especially within the framework of banking systems characterized by extreme flexibility in some countries. The aforementioned federal law.

Due to the increasing international and national interest in the United Arab Emirates to adopt measures and procedures to enhance the role of the banking sector, which represents the main axis in the process of confrontation and prevention, and to ensure transparency of banking transactions, and to ensure the tightening of the role of the supervisory authorities over financial institutions and other financial institutions, the law granted the supervisory authorities, each according to its competence, under Article 13 of Federal Decree Law No. (20) of 2018 regarding combating money laundering crimes and combating the financing of terrorism and the financing of organizations. Illegal and amended by Federal Decree-Law No. (26) of 2021 The right to supervise and control such establishments to ensure the implementation of their obligations stipulated in the aforementioned Federal Decree-Law.

Based on my investigation of the relevant regulatory framework, I have identified the following as the most important competencies of regulatory authorities

1. Conduct a risk assessment of the potential occurrence of crime in financial institutions, designated non-financial businesses and professions, virtual asset activities, virtual asset service providers' activities and non-profit associations.
2. Conduct office and field controls and inspections on financial institutions, designated non-financial businesses and professions, virtual asset service providers and non-profit associations.

3. Issue decisions related to administrative sanctions in accordance with the provisions of this Decree Law and its Executive Regulations and the grievance mechanism thereof, and keep statistics on the measures taken and the sanctions imposed.

4. Any other competencies specified in the Executive Regulations of this Decree Law.

It is noted that the legislator has expanded the obligations of the regulatory authorities in the executive regulations of the Federal Decree Law referred to above, and we find approximately fifteen legislators have held the regulatory authorities intensively responsible for supervising financial institutions and designated non-financial businesses and professions, and we also find that the UAE legislator has singled out a separate article that entails an obligation on the regulatory authorities to monitor non-profit associations.

The commitment of financial institutions to combat money laundering crimes

This section will address the effective role of financial institutions in the country in strengthening the financial supervision system in the country, which is an integral part of combating money laundering crimes in the country.

Control of the movement of funds

Over the past two years, the Central Bank of the UAE has actively issued updated circulars to address growing concerns and challenges related to money laundering, terrorist financing and sanctions, this is a comprehensive approach adopted by the Central Bank as part of its ongoing efforts to protect the integrity of the financial system and reaffirm obligations on the banking sector to comply with the recommendations of the Financial Action Task Force (FATF). (Faisal, 2022)

The Central Bank regularly publishes regulations and standards for the banking sector covering several key areas, including anti-money laundering and transaction control. At the time of writing, the most recent guide published on August 2, 2022 for Licensed Financial Institutions ("LFIs") on payment risk has been released. (UAE central bank, 2022)

Due to the rapid movement of funds between payment participants and across borders, foreign financial institutions implemented a risk-based approach to mitigate and manage the risks of money laundering and terrorist financing. Additionally, foreign financial institutions conducted customer due diligence and regular risk assessments to cover all transactions, and report any suspicious transaction to the UAE Financial Intelligence Unit using the goAML portal. (UAE Ministry of Economy, <https://www.moec.gov.ae>)

In this regard, the UAE continues to affirm its strong commitment and continuous efforts to strengthen its regulatory framework with regard to AML/CFT, by taking effective measures to address many areas of improvement through the implementation of a high supervisory system and spreading awareness. The guidelines previously addressed are one of the many regulations and policies issued by the Central Bank, which seek to address the challenge of money laundering. Terrorist financing as a strategic priority and emphasizing the importance of foreign financial institutions understanding their AML/AML responsibilities and complying with AML.

Provisions relating to the obligation of financial institutions to prevent and detect money-laundering

Article (15) of Federal Decree-Law No. (20) of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organizations, as amended by Federal Decree-Law No. (26) of 2021, obliges financial institutions, designated non-financial businesses and professions and virtual asset service providers when they suspect or have reasonable grounds to suspect a transaction or funds representing all or part of the proceeds or suspect that they are related to the crime or that they will be used regardless of its value, the same article has stressed the obligation of financial institutions and non-financial businesses and professions to inform the financial unit without delay and directly, and to provide it with a detailed report that includes all available data and information about that process and related parties, and all available data and information about that process and related parties must also be provided, and in the event that the financial unit requests any additional information, it must be provided in full without being unable to The provisions of confidentiality, with the exception of lawyers, notaries and other legal professionals and independent legal auditors, if the information related to such operations has been obtained in circumstances in which they are subject to professional secrecy, and the executive regulations of this Decree Law shall specify the rules, controls and cases of obligation to report suspicious transactions. (Ibrahim, 2017)

What repercussions may arise from breaching the obligation to report suspicious financial transactions? Obligation is a formula that includes an order to get out of the negative situation towards a particular situation or not to take that situation, i.e., to carry out a certain positive activity, and therefore banks and other financial institutions must take a positive action represented in reporting suspicious financial transactions, otherwise their negative attitude by refraining from reporting constitutes an offence prescribed for a criminal penalty.

Contrary to some legislations that did not make the violation of this duty a criminal offence, but considered it an administrative offense and subjected it to a set of penalties stipulated in the Administrative Law, as is the case in the American Secrecy of Accounts Act, thus violating the plan of the English legislator, which is considered a criminal offense.

The French legislator stipulated in Law No. 90-614 of 1990 that the breach of the obligation to report suspicious financial operations that may conceal money laundering is a crime prescribed for a criminal penalty, but under Law No. 98-546 of 1998, it abolished criminal penalties and only disciplinary accountability for this breach, in line with its plan to reduce penalties. (shath, 2019).

3. The legal and regulatory system for combating money laundering and combating the financing of terrorism and the financing of illegal organizations

This section will address the study question: to what extent is the legislative and regulatory system in the State effective in combating money-laundering crimes by explaining the efforts of the United Arab Emirates at the local and international levels in developing legislative and regulatory mechanisms to ensure the fight against money laundering crimes.

The national legislative and regulatory framework

The United Arab Emirates (UAE) operates under a complex legal framework encompassing civil, commercial, and federal criminal laws and regulations. Various regulatory and supervisory authorities are responsible for their implementation and enforcement. While financial and commercial free zones have their own distinct civil and commercial legislative frameworks, criminal laws remain subject to federal jurisdiction throughout the entire country, including within these zones. Money laundering, terrorist financing, and the financing of illegal organizations are specifically addressed by federal criminal laws and the Penal Code, with applicable federal legislation and regulations extending their reach across the entire nation, encompassing free zones as well. Implementation and enforcement of these regulations fall under the jurisdiction of both federal and local authorities, ensuring a comprehensive and cohesive approach to combatting these serious crimes.

The main law to combat money laundering and terrorist financing within the UAE is Federal Decree-Law No. (20) of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organizations, as amended by Federal Decree-Law No. (26) of 2021.

In addition to the main law in the UAE on anti-money laundering, there are several regulations and legislation directly related to combating money laundering that should be noted:

- Cabinet Resolution No. (10) on the Executive Regulations of Federal Decree-Law No. (20) of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organizations.
- Ministerial Decree No. (553) of 2019 on anti-money laundering and terrorist financing procedures for lawyers, notaries public and independent legal professionals.
- Federal Law No. (8) of 2019 on financial leasing.
- Ministerial Resolution No. (76) of 2020 regarding the accounting standards for the financial leasing system.
- Cabinet Resolution No. (58) of 2020 regarding the regulation of the procedures of the Beneficial Owner.

The UAE is strongly committed to combating money laundering, terrorist financing and illicit organizations, and to this end, the competent authorities have established appropriate legislative, regulatory and institutional frameworks to prevent, detect and repel financial crimes, including money laundering and terrorist financing, and continue to work to strengthen the resource capacities allocated to these efforts, and improve their effectiveness through the implementation of internationally accepted AML/CFT standards recommended and encouraged by FATF, MENAFATF and regional bodies. Similar to other FATFs, the United Nations, the World Bank and the International Monetary Fund, the legislative and regulatory framework for combating money laundering and terrorist financing in the UAE is part of a larger international legislative and regulatory framework to combat money laundering and terrorist financing, consisting of a system in which governmental legislative bodies and international and regional regulatory bodies are based on international treaties and conventions related to combating money laundering and terrorist financing and preventing the proliferation of weapons of mass destruction,

Intergovernmental legislative bodies develop laws at the international level, which are then converted into national laws by participating Member States, and international and regional regulatory bodies develop policies, recommend, evaluate and monitor the implementation by participating Member States of international regulatory standards related to combating money laundering and terrorist financing. (Anti Financial Crime Bulletin, 2022)

The main intergovernmental legislative bodies, international and regional regulatory bodies, with which the Government and the competent authorities of the State actively cooperate within the international framework to combat money laundering and the financing of terrorism, include: (National Anti-Money Laundering Committee website, 2022, [http://: namlcftc.gov.ae](http://namlcftc.gov.ae))

United Nations: The United Nations is the international organization that includes the widest range of Member States, founded in October 1945, and currently has 193 Member States from all over the world, the United Nations actively manages a program to combat money laundering, a Global Programme against Money Laundering, which is headquartered in Vienna, Austria and is part of the United Nations Office on Drugs and Crime, and in 2015 all Member States of the United Nations adopted a plan Sustainable development for 2030, which provides a common blueprint for peace and prosperity for people and the planet. At its core lie the Seventeen Sustainable Development Goals (SDGs), an urgent call for action by all countries – developed and developing – in a global partnership.

Financial Action Task Force (FATF): The Financial Action Task Force (FATF) is a governmental body established in 1989 that sets international standards and promotes the effective implementation of legal, regulatory and operational measures to combat money laundering and terrorist financing and everything that threatens the integrity of the international financial system, and monitors the implementation of its forty standards and recommendations and the 11 direct results by its members and members of regional bodies similar to FATF, and ensures the correct implementation of the FATF methodology to assess technical compliance with FATF recommendations and the effectiveness of anti-FATF systems. Money laundering and terrorist financing.

Egument Group of Financial Information Units: In 1995, a number of FIUs began working together to form the Egument Group of Financial Information Units (Egumen Group), the group aims to provide a forum for FIUs to enhance support for national AML/CFT programs and coordinate AML/CFT initiatives. This support includes enhancing and organizing the exchange of financial intelligence, improving the expertise and capabilities of employees and promoting better communication between FIUs through technology. Assist in the development of financial information units worldwide.

4. The UAE's holistic approach to fighting financial crime

The research found that the UAE's anti-money laundering and anti-terrorist financing strategy relies on five pillars, each with its own priorities.

1. Robust Legislation and Regulatory Framework:

- Federal Decree-Law No. (20) of 2018: This comprehensive law criminalizes money laundering and terrorist financing, outlines reporting obligations for financial

institutions, and establishes the National Anti-Money Laundering and Combating the Financing of Terrorism Committee (NAMLCFTC).

- Cabinet Decision No. (10) of 2019: This decision outlines the implementing regulations for the above law, providing detailed guidance on customer due diligence, suspicious transaction reporting, and record-keeping requirements.
- AML/CFT Regulations for Designated Non-Financial Businesses and Professions (DNFBPs): These regulations extend reporting and compliance obligations to sectors like lawyers, accountants, and real estate agents, closing potential loopholes.

2. International Cooperation and Collaboration:

- Member of the Financial Action Task Force (FATF): The UAE actively participates in FATF's initiatives, aligning its national framework with international standards and fostering global cooperation.
- Mutual Legal Assistance Agreements (MLATs): The UAE has signed MLATs with numerous countries, facilitating cross-border investigations and asset recovery in money laundering cases.
- Information Sharing Agreements: Collaborative agreements with foreign financial intelligence units enable real-time exchange of suspicious activity reports, strengthening international response capabilities.

3. Strengthening Financial Intelligence and Regulatory Oversight:

- Financial Information Unit (FIU): This centralized unit analyzes suspicious transaction reports, identifies money laundering patterns, and disseminates intelligence to law enforcement agencies.
- Enhanced Customer Due Diligence (CDD): Financial institutions are required to implement stricter CDD measures for high-risk customers and transactions, making it harder for criminals to hide their activities.
- Regular Inspections and On-Site Visits: Regulatory authorities conduct regular inspections of financial institutions and DNFBPs to ensure compliance with AML/CFT regulations.

4. Public Awareness and Training:

- National AML/CFT Awareness Campaigns: Public awareness campaigns educate individuals and businesses about money laundering risks and reporting obligations, fostering a culture of vigilance.
- Training Programs for Financial Professionals: Targeted training programs equip financial professionals with the knowledge and skills to identify and report suspicious activities.
- AML/CFT Certification Programs: Certified professionals play a crucial role in advising businesses and ensuring compliance within their respective sectors.

5. Technological Innovation:

- **FinTech Regulatory Sandbox:** This initiative encourages and facilitates the development and adoption of innovative AML/CFT technologies, such as artificial intelligence and data analytics, to enhance detection and prevention efforts.
- **Interconnected Electronic Platform:** The UAE is developing a centralized platform for sharing AML/CFT data among relevant authorities, improving information flow and coordination.
- **Cybersecurity Measures:** Strengthening cybersecurity defenses within the financial sector helps mitigate the risk of cybercrime being exploited for money laundering purposes.

FATF Report on UAE Compliance, 2023:

In June 2023, the Financial Action Task Force (FATF) released a report evaluating the UAE's progress in enhancing its compliance with FATF Standards, following the 2020 Mutual Evaluation of the country's anti-money laundering (AML) and counter-terrorist financing (CTF) system. Although the UAE remains on the FATF's grey list, which designates jurisdictions under heightened scrutiny, the report suggests that the UAE is aligning more closely with international norms due to improvements made since 2020. Notably, these enhancements center around the UAE's AML and CTF regulatory framework and encompass its risk assessment, management of higher risk countries, and the operations of its Financial Intelligence Unit (FIU).

The findings in the report correspond with the recent surge in the UAE's efforts related to AML and CTF, dating back to late 2022.

Background: The FATF establishes a set of international standards aimed at promoting effective implementation of legal, regulatory, and operational measures for combatting money laundering and terrorist financing. These standards, known as the FATF Standards, consist of 40 recommendations that nations are expected to adopt to demonstrate an effective AML and CTF system.

During early 2022, the FATF included the UAE on its 'grey list' and placed it under increased monitoring due to identified "strategic deficiencies" in its anti-money laundering and terrorist financing endeavors. The UAE's removal from the grey list mandates full implementation of the recommendations outlined in the FATF's action plan, issued following the 2020 Mutual Evaluation.

Key Aspects of UAE Progress in Aligning with FATF Standards: The FATF's report in June 2023 acknowledged consistent advancements in the UAE's compliance with FATF Standards. The noteworthy outcomes of the report are as follows:

- 1. Improved Risk-Based Approach:** The FATF Standards advise countries to recognize, assess, and comprehend money laundering and terrorist financing risks, applying a risk-based methodology to guarantee that preventive or mitigative measures correspond with the identified risks (Recommendation 1). Originally, the UAE received a partially compliant rating for Recommendation 1 due to a "lack of depth in data and information sources for collective risk understanding" and inadequacies in the allocation of resources for priority risks. By upgrading the UAE's status from partially compliant to largely compliant for Recommendation 1, the FATF acknowledged the UAE's actions to rectify

previous shortcomings. These actions encompassed sectoral assessments to gauge risks, addressing virtual asset risks through legislative amendments, and reinforcing frameworks for financial institutions, Designated Non-Financial Business Providers (DNFBPs), and Virtual Asset Service Providers (VASPs).

- 2. Handling Higher Risk Countries:** The FATF Standards recommend imposing enhanced due diligence measures on business associations and transactions involving countries with elevated risk (Recommendation 19). Initially, the UAE was rated partially compliant for Recommendation 19 due to financial institutions lacking an obligation to stay updated with changes in non-compliant country listings. The UAE's status was elevated from partially compliant to compliant for Recommendation 19 based on the implementation of National Committee Decision No. 1 (9/2021). This decision mandates financial institutions, DNFBPs, and VASPs to monitor the Committee's website for updates on weaknesses in AML/CFT systems of higher risk countries identified by the FATF and the National Committee.
- 3. UAE's Enforcement Activities:** The conclusions of the report align with the UAE's pragmatic stance. Since late 2022, the UAE has amplified its AML and CTF-related enforcement actions within its strengthened regulatory framework. As stated by Hamid Al Zaabi, Director General of the UAE's Executive Office for AML and CTF, in the first quarter of 2023:
 - Effective January 1, 2023, it is mandatory for gold refineries to submit an independent annual audit report, prepared by a third party and covering the topic of due diligence in the gold refinery supply chain.
 - The UAE imposed fines exceeding AED115 million to combat money laundering, a significant rise compared to AED76 million in 2022.
 - The UAE Central Bank conducted 464 off-site and 128 on-site inspections, resulting in fines totaling nearly AED70 million.
 - The UAE Ministry of the Economy carried out 4,344 off-site inspections and 3,360 on-site inspections, issuing fines totaling AED16.5 million.
 - The UAE established 44 bilateral Mutual Legal Assistance Treaties and sent out 327 information requests to foreign counterparts.
 - Between November 2022 and February 2023, the UAE seized assets exceeding AED925 million.
 - In the initial two months of 2023, the FIU received nearly 7,000 suspicious transaction reports and suspicious activity reports (STRs/SARs) from financial institutions and DNFBPs, marking an 81% surge from 2022. STRs/SARs from DNFBPs witnessed a 91% increase from 2022.
 - The DFSA's Managing Director of Enforcement, Patrick Meaney, spoke to CNBC's Dan Murphy today about the DFSA's USD 3,022,500 fine on Mirabaud (Middle East) Limited for anti-money laundering controls failings between June 2018 and October 2021.

The DFSA is committed to promoting a robust AML control framework across the firms that it regulates. While Mirabaud had AML policies and procedures in place, these were ineffective. The DFSA did not make a finding that any of the concerned transactions were money laundering, but the significant weaknesses found in Mirabaud's systems should have been recognized and acted upon.

https://www.linkedin.com/posts/dfsa_dfsa-managing-director-of-enforcement-speaks-activity-7092486187654766593-HZ1b/?utm_source=share&utm_medium=member_android

Commentary: The aforementioned statistics underscore the UAE's ongoing structural and practical strides in aligning its AML and CTF systems with global standards. This progress has been acknowledged by the FATF.

Anticipated future AML and CTF regulatory developments in the UAE, accompanied by a corresponding escalation in enforcement activities, are expected to meet FATF Standards and eventually lead to removal from the grey list.

Importantly, the Report does not assess the effectiveness of the UAE's implemented enhancements. Consequently, testing the efficacy of these enhanced controls as they become ingrained is likely to become a priority for both the UAE and the FATF.

International Cooperation:

The United Arab Emirates continued to actively participate and cooperate in establishing a set of international measures and initiatives, as it initiated closer working relations with neighboring countries and global partners in the framework of enhancing efforts to combat money laundering and terrorist financing, and the country continued to play its important role at the international level in the field of combating financial crimes by taking many measures that included law procedures, joint training initiatives, concluding memorandums of understanding and exchanging data related to transactions. Suspicious and suspicious activity reports, including but not limited to:

- On November 25, 2021, the United Arab Emirates signed nearly 10 partnership agreements with Turkey. MENAFN
- On September 17, 2021, the United Arab Emirates signed an agreement with Britain to address illicit global financial flows.
- On October 27, 2021, the South Korean Financial Information Unit signed a Memorandum of Understanding (MoU) with the UAE Financial Information Unit (FIU).
- The 2023 Annual Meeting of Asia/Pacific Group (41 countries) on Money Laundering dated 9th June 2023 in Canada granted UAE the status of observer in the group.

As we have already seen, the crime of money laundering is of an international nature, and therefore national efforts to combat this crime will not succeed without cooperation between countries in combating it, and this fact has not been lost on the mind of the UAE legislator devoted to the importance of international cooperation, as Federal Decree-Law No. (20) of 2018 on Anti-Money Laundering Crimes and Combating the Financing of Terrorism and Financing of Illegal Organizations, as amended by Federal Decree-Law No. (26) of 2021 and its Executive

Regulations, included The UAE legislator has also strengthened judicial rulings and judicial orders issued by the judicial authority or a foreign court to recognize them on the territory of the state, provided that an agreement is concluded with the state itself in this regard.

Result

Economic crimes have an extended impact on the state and the whole world, as they may be the influential factor in shaping the economic system in the state, and play an active role in the application of the state's economic policy, in addition to economic legislation in general and economic crimes in particular are a very important factor for national and foreign investors, considering that the existence of strict legislation and its application to everyone reassures the health of the economic climate in the country, research if any investor is exposed to a problem, he rushes to the judiciary Asking for the application of the word of law, if legislation is good, it is an attractive factor for investors, and if it is not, economic crimes are a mirror of the national economy in a country.

However, with the existence of crimes such as money laundering crimes, which are considered international crimes, which are not expected to be classified as a crime located within the borders of one country, but rather are classified as an international crime associated with several countries or entities, and that one country, in turn, may not be able to deter and resist the disadvantages of the crime of money laundering alone, but it is necessary to consolidate relations at the international level with other countries, and this will only be possible with the participation of the internal communities of all countries. Its financial and non-financial institutions by following the necessary systems, legislation and policies to address money laundering crimes.

In light of all the above regulations and legislations, the regulatory and legislative authorities in the country must not overlook the role of digital currencies, due to their technical and cryptographic advantage and their undoubtedly ambiguity in transactions in terms of the identity of dealers, the source of funds, and others, and therefore we see that the state accelerates the enactment of regulatory legislation for digital currencies in order not to enter into a money laundering disaster without control or accountability. Main findings are:

1. The system in the United Arab Emirates, with its legislation, regulations and organizing committees, is considered a sober and deterrent system for the current era and changes.
2. The Central Bank of the United Arab Emirates plays a major role through continuous guidance bulletins for the banking sector in terms of roles and responsibilities in detail in the event of any suspected money laundering operation.
3. Current legislation plays several roles, sometimes we find legal articles or regulations aimed at preventive roles prior to the process of money laundering and sometimes we find legal articles aimed at establishing deterrence through the imposition of the most severe penalties and penalties in the state.

Recommendations:

1. Continuous pursuit of consolidating international relations and searching for a single platform among the countries of the world to raise the problems of the age and search for immediate solutions in deterring money laundering operations.

2. Urgency in establishing regulations and legislation that keep pace with the changes of the times, especially with the presence of digital currencies and the sale and purchase of digital assets in the metaverse system.
3. Spreading awareness among workers in the banking sector through training courses and attending international forums on combating money laundering.
4. Developing the strategic policy for money laundering to include control of money laundering crimes stemming from virtual reality, such as digital currencies.
5. Developing electronic systems to speed up the process of detecting money laundering operations by linking the systems with a unified platform for all countries of the world.

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