

A word cloud shaped like a map of Africa, composed of the words 'SANCTIONS' and 'ECONOMIC' in various shades of green and teal. The words are arranged to form the outline and internal features of the continent.

## The Step-by-Step Guide to Target Financial Sanctions

*(For financial institutions and designated non-financial business and professions (DNFBPs))*

As per Cabinet Resolution No. 74 of 2020 related to Targeted Financial Sanctions (TFS) requirements, certain entities are under the TFS obligation which also include Financial Institutions (FIs) as well as Designated Non-financial Businesses and Professions (DNFBPs). The term TFS implies the sanctions imposed on specific individuals or groups, or entities to combat the financing of terrorism. The UAE is implementing relevant laws on the suppression and combating of terrorism, terrorist financing and countering the financing of proliferation of weapons of mass destruction, in particular relating to targeted financial sanctions (TFS).

The term TFS refers to **asset freezing** and other **financial prohibitions**, agreed upon by the UNSC, to prevent funds or other assets from being made available, directly or indirectly, for the benefit of listed individuals, groups and entities.

This article entails the procedures to implement the UN and local TFS regimes by **Financial Institutions** and **DNFBPs** and help to devise the respective policies, procedures and controls for robust implementation of the law.

### Who are the Financial Institutions?

If you are a natural or legal person who undertakes any one or more of the activities listed in Article 2 of the AML Regulations, then you are a "financial institution". These generally include, banks, finance companies, exchange houses, money service businesses (including hawala brokers or other monetary value transfer services), insurance companies, agencies and brokers and securities and commodities brokers, dealers, advisors and investment managers.

### Who are the DNFBPs?

Article 3 of the AML Regulations states that a DNFBP is a business that falls within one of the following categories:

- Real estate agency;
- Dealers in precious metals and stones;
- Lawyers, notaries, other independent legal businesses and independent accountants;
- Credit companies and funds service providers;

If you or your business falls in any one or more of the above activities (whether specifically listed or designated by the Minister of Finance), then you or your business is a DNFBP and need to meet with the TFS requirements.

### 1. Categories of Financial Sanctions

There are two types of financial sanctions enforced by the AML regulations as below;

- A. **Asset Freezing**
- B. **Prohibition to offer funds & services**



#### A. Asset Freezing

Asset freezing includes freezing of funds and economic resources. Freezing means the prohibition to transfer, convert, dispose, or move any funds or other assets that are owned or controlled by listed individuals, groups, or entities. Further freezing of economic resources also includes preventing their use to obtain funds, goods, or services in any way.

#### *Examples of Asset Freezing*

- ✓ For financial institutions, freezing can include suspending access to bank accounts or blocking the transactions.
- ✓ For DNFBPs, freezing can be the stopping of facilitation or blocking the transfer of ownership of immovable or movable assets.

## B. Prohibition to offer funds & services



This form of sanction means prohibiting providing funds or rendering financial services to any sanctioned or any listed individual, group, or entity.

### Examples of Prohibition to offer funds & services

- ✓ For financial institutions, it can include prohibition of offering banking or transactional services.
- ✓ For DNFBPs, prohibition of any services, such as legal services to transfer asset ownership, the buying or selling real estate, selling jewelry, precious metals, etc.



## 2. Obligations on UAE Persons to implement TFS regimes

There are four key steps for the implementation of TFS regime;

### Registration



### Screening for Sanctioned Entities



### Application of TFS



### Reporting to Authority



### I. Registration

The financial institutions and DNFBPs must register themselves with the Executive Office to receive the automated email notification. Registration can be done via accessing <https://www.uaieic.gov.ae/>. Registration will help to get the updated notification for the listing and de-listing about sanctioned individuals or entities in the UAE terrorist list as well as the UN sanction list. Notifications will also be received once any entity will be removed from the sanctioned list.

### II. Screening for Sectioned Entities

The financial institutions and DNFBPs must do ongoing screening to identify the possible matches with the names listed in the database issued by the UAE or UN. Entities shall develop robust internal process for client onboarding to make sure that any sanctioned individual or entities is identified before accepting any engagement.

- ✓ Below can be checked as part of screening at minimum;
- ✓ Name of the entity / individual
- ✓ Names of the major / potential customers
- ✓ Ultimate beneficial owners
- ✓ Key personnel's
- ✓ Related parties (*Names of individuals or entities with direct or indirect relationships with them*)
- ✓ Agents / POA holders acting on behalf of the individual / entity

### III. Application of TFS

If during screening a **confirmed match** [*When a potential match has been confirmed to be the individual, group or entity subject to TFS or when there is any doubt, indication, or suspicion that the potential match may correspond to an individual, group or entity subject to TFS*] is identified with defined list of UN or Local Terrorist list issues by the UAE or UN, the companies should freeze all the funds Owned or controlled, wholly or jointly, directly, or indirectly, by an individual without any delay and without informing to the sanctioned party. Further no funds, financial services and other services should be provided to the identified sanctioned party.

### IV. Application of TFS

Financial institutions and DNFBPs must report within 2 business days from taking any freezing measure and/or attempted transactions to the relevant Supervisory Authority and Executive Office. Before submitting notification to respective authority, it's always advisable to build up the case with the help of AML specialist / service provider to discharge the duties under the law in an effective manner.

### 3. Other Obligations for Financial Institutions and DNFPBs

In additions to the above four steps FIs and DNFPBs are expected to meet below obligation for the effective enforcement of TFS.

- Must cooperate with the Executive office and relevant supervisory authority for the accuracy of the submitted date.
- Implement the freezing cancellation or lifting decision, when appropriate, without delay, pursuant to Related UNSCR or decisions of the Cabinet regarding issuance of Local Terrorist List.
- Prepare polices and procedure and set internal controls to ensure compliance with the obligations arising from Cabinet Resolution No. 74 of 2020.
- Develop polices and control which prevent the staff from, directly or indirectly, informing the customer or any third party that freezing action or any Other Measures are going to be implemented.

*Help of AML consultant can be obtained for the development of Policies and Internal Controls.*



### 4. Reporting Obligations for Financial Institutions and DNFPBs

Financial institutions and DNFBPs must provide all information relating to the frozen funds, including their status, nature, value and the measures taken in respect, and any other related information. In addition to the general obligations, financial institutions and DNFBPs must also report the following to the relevant Supervisory Authority and the Executive Office;

- Identification of funds and/or actions that have been taken as per requirements of applicable law
- Detection of any match with listed individual, group or entities, details of the match data, and actions that have been taken as per the requirements of Relevant Law
- If the institution has identified that one of its previous customers or any occasional customer, is listed on the Sanctions Lists
- If there is any indication that one of its customers or former customers, or a person with whom it has a business relationship or facilitated a transaction is listed or has a direct or indirect relationship with the listed individual or entity
- When there is an inability to dismiss such false positive through available or accessible information and after taking the freezing measure
- Information relating to the funds in respect of which Freezing has been cancelled, including their status, nature, value and the measures that were taken in respect thereof, and any other related information.

### 5. Consequences for the Non-Compliance with The Law

Failing to comply with the above obligations may attract below fines and penalties;



- Letter of warning.
- Administrative penalties of no less than AED 50,000 (fifty thousand dirham) and no more than AED 5,000,000 (five million dirham) for each violation.
- The violator may be banned from working in the sector related to the violation for the period determined by the supervisory authority.
- Limiting the powers of the Board members, supervisory or executive management members, managers or owners who are proven to be responsible of the violation including the appointment of temporary inspector.
- Suspend Managers, board members and supervisory and executive management members who are proven to be responsible of the violation for a period to be determined by the Supervisory Authority or request their removal.
- Suspend or restrict the activity or the profession for a period to be determined by the supervisory authority.
- Cancel the License.



## 6. Requesting an Exemption or Permission to Access Frozen Funds

An individual or entity listed in the Local Terrorist Lists, or his/her legal representative, and any stakeholder may request access to all or part of the frozen funds for any of the following purposes:

- To cover necessary or basic expenses (including for humanitarian needs),
- To pay professional fees and costs relating to rendered legal services and other exceptional expenses within reasonable limits
- Extraordinary expenses to cover extraordinary expenses or costs

### How Premier Brains can HELP

None of the entity covered under the aforementioned obligations can avoid the compliance with the law as it would attract deterrent penalties. Non-compliance with the AML laws may put the Companies to reputation risk and this could also lead to license cancelation. **At Premier Brains** we have **highly qualified professionals** and **expert team** who are **well versed with the AML-CFT laws**, screening of entities, **development of internal controls and policies for AML**. We at Premier Brains believe in "Always Doing the Right Things" can help you to assist with compliance of AML laws and benefit you by saving the penalties and any associated reputational risk.