

The 'zero-tolerance' policy

An insight into the UAE's continuous efforts to combat corruption during unprecedented times by Rebecca Copley and Shibani Kapur of Eversheds Sutherland.

At the start of the year, Transparency International issued its Corruption Perception Index report for 2020, which once again highlights the UAE as one of the leading countries in the region with a score of 71/100 and an overall ranking of 21. Each year, the index ranks 180 countries and territories by their perceived levels of public sector corruption according to experts and business people using a scale of 0-100 (with 100 being considered 'very clean').

The 2020 report largely focusses on the worldwide response to the global Covid-19 pandemic and the effects of corruption on crisis management protocols. It highlights the cracks that can be exposed in times of a crisis and identifies some of the key challenges facing the healthcare sector as authorities across the globe continue to battle with the unprecedented levels of risk surrounding the safe delivery of essential medical supplies, treatment and services.

It has long been recognised that corruption shifts public spending away from essential services including healthcare. Consequently, after such a tumultuous year, it was broadly anticipated that the levels of corruption across the globe would be more widely exposed than in previous years. As a result, the fact that over 2/3rds of the countries scored below 50/100, sadly came as no surprise to many.

However, despite these challenges, the UAE demonstrated that its investments over the years in combatting corruption has created the framework needed to navigate through these unprecedented times. These have included the implementation of the Federal Law of 2018 on Anti-Money Laundering (the "AML Law"), similar developments within the UAE's freezones with both the DIFC and the ADGM paying

particular attention to the controls around DNFBPs (Designated Non-Financial Business and Professions), the expansion of the UAE Penal Code in 2018, which broadened the scope of the Anti-Bribery and Corruption laws and the introduction of an independent Financial Crime Prevention Unit at the Central Bank. It is as a result of these ongoing efforts to combat corruption that the UAE maintained its 2019 position as a safe jurisdiction for both its residents and investors, notwithstanding the turbulent times we are encountering.

PRACTICAL STEPS TO COMBAT FINANCIAL CRIME

There is no doubt that the efforts invested by the UAE in preparing for and responding to the 2020 Financial Action Task Force (FATF) report, have played a key part in the country's ability to remain resilient during these troubled times. Whilst the report praised the UAE for many of the positive steps already taken towards creating a robust regulatory framework, we continue to see the UAE taking ongoing action to implement FATF's recommendations for the future. Over the course of 2020 and at the start of this year, the UAE has taken proactive and practical steps to enhance its legislative and regulatory framework and to embed a culture of compliance which the UAE's Central Bank has played a pivotal role in communicating.

In January, the Central Bank held its first Compliance Officer's Forum to open a dialogue with Chief Compliance Officers under its supervision, communicating its expectations of the compliance function and risk management controls. According to news reports¹, the forum encouraged UAE banks to assess the scope and skills of their compliance function and properly



embed compliance risk within the overall risk appetite framework. It is reported that during the forum, the Central Bank introduced the supervisory agenda of its Anti-Money Laundering Department with a particular focus on complying with the actions recommended by FATF. There were also updates on the progress of the national initiative for digitalising the “Know-your-customer” process across the banking sector. This has been followed up with the launch of two programmes in the UAE to train and certify professionals on global compliance standards and procedures in respect of financial crime.

The UAE further demonstrated its ongoing commitment to combatting financial crime when it was announced that the Central Bank was imposing fines of over AED45,000,000 against 11 banks for violating Anti-Money Laundering and Countering Terrorism Financing (AML / CTF) regulations². The banks were reportedly given ample time to remedy the described shortcomings but failed to meet the requisite standards. Consequently, the fines were imposed under the AML Law and its executive regulation. In March this year, the Ministry of Economy reported and imposed financial sanctions in respect



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of 26 violations by DNFBPs for failing to comply with their AML/CTF obligations. This follows fines imposed against 200 UAE law firms last year for similar failings which also led to the firms being suspended from practising for one month.

Further, the numerous meetings held by the UAE’s Higher Committee Overseeing the National Strategy on AML and Countering the Financing of Terrorism throughout 2020 and into 2021 continue to highlight the UAE’s ongoing commitment to the implementation of FATF’s recommendations. For example, the September 2020 meeting reported the launch of a smart platform “FAWRI TICK” that supports communication and coordination between relevant government authorities and features rapid detection of financial risks. The tool comes under the supervision of both the National Committee for Combatting Money Laundering and the Financing of Terrorism and Illegal Organisations and the Federal Authority for Nuclear Regulation (FANR). Its development aligns with the requirements of FATF and the United Nations Security Council to use smart technology to control, respond to and eliminate financial crimes in a timely manner. Another example of the UAE’s use of smart technology is the “Go AML” platform, launched back in 2019. All financial entities and DNFBPs are required to register on the Go AML system, its use of which is designed to facilitate the analysis of suspicious transactions and the submission of reports to the concerned authorities.

The UAE’s investment in data analysis and reporting is being reinforced by the establishment of its Executive Office of AML and CTF, reportedly approved in February 2021. The function of the Executive Office will be to oversee the implementation of the National AML/CTF Strategy and National Action Plan, the programme designed to strengthen the UAE’s anti-financial crime system and controls. The Executive Office’s responsibilities will include; improving national and international coordination and cooperation on AML/CTF issues at the policy and operational levels; tackling money laundering and terrorist financing threats by working with regional and international groups, such as FATF, G20 and the Gulf Cooperation Council Working Group on AML/CTF.

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around AML/CTF compliance at ground level and to encourage them to not only implement their obligations ‘on paper’, but also to ensure that there is a robust compliance architecture and culture embedded within the firm. This includes, for example, adequate systems and controls to mitigate risk and training to all staff, including those on the front line to ensure escalation of financial crime red flags.

It is clear that the UAE is taking its mandate to minimise the risks around financial crime and corruption seriously. The events of 2020 proved that the importance of doing so cannot be overstated. By embedding the recommendations of FATF and cascading a clear message of zero-tolerance to corruption at all levels, the UAE will not only continue to maintain its position as a resilient jurisdiction in these challenging times but more importantly, continue to be able to offer those who live and work here the levels of security and protection we all now value in ways we could not previously have anticipated. 🇦🇪

1. <https://wam.ae/en/details/1395302905097>

2. <https://wam.ae/en/details/1395302905920>



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