

# UAE KYC Essentials: A Complete Guide to Regulatory Compliance



# AML Compliance Risk Management Expert

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**Dipali is an Associate Member of ICSI and has a Bachelor's in Commerce and a General Law degree. She has an overall experience of 8 years in the compliance domain, including Anti-Money Laundering, due diligence, secretarial audit, and managing scrutinizer functions.**

She currently assists clients by advising and helping them navigate through all the legal and regulatory challenges of Anti-Money Laundering Law. She helps companies develop, implement, and maintain effective AML/CFT and sanctions programs. She knows Anti-money laundering rules and regulations prevailing in GCC countries and specializes in Enterprise-wide risk assessment, Customer Due Diligence, and ML/FT Risk Assessment.

# AML Regulatory Framework in UAE

## AML Regulatory Framework in UAE

Federal Decree Law No (20) of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Illegal Organisations

Federal Decree Law No (26) of 2021 to amend certain provisions of Federal Decree Law No (20) of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Illegal Organisations

Cabinet Decision No (10) of 2019 concerning the Implementing Regulations of Federal Decree Law No (20) of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Illegal Organisations

Cabinet Resolution No (24) of 2022 amending some provisions of Cabinet Resolution No (10) of 2019

## AML Regulatory Framework in UAE

Cabinet Resolution No (74) for 2020 concerning the UAE list of terrorists and 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

Cabinet Decision No (16) of 2021 Regarding the Unified List of the 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

Cabinet Decision No (109) of 2023 On Regulating the Beneficial Owner Procedures

# AML/CFT Compliance Requirements in UAE

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01

Appoint an  
AML/CFT  
Compliance Officer

02

goAML  
Registration

03

ML/FT Risk  
Assessment

04

AML/CFT Policy  
and Procedures  
Documentation

05

AML/CFT Training  
and Awareness

06

KYC

07

Name  
Screening

08

Customer Risk  
Assessment

09

Ongoing  
Monitoring

10

Regulatory  
Reporting

11

Record-  
Keeping

12

Independent  
Audit

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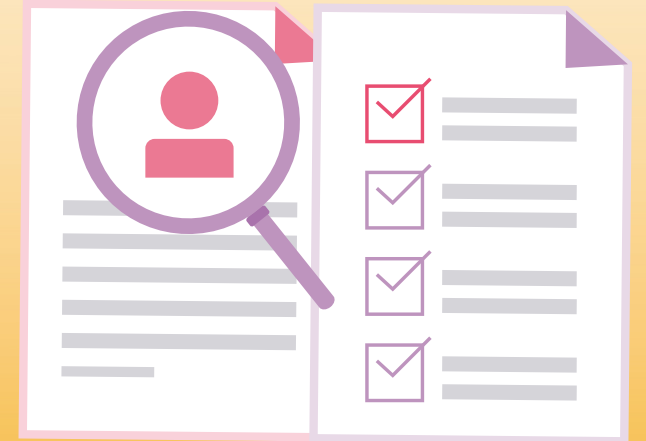
12

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# Key Elements of KYC

## What is KYC?

- KYC is an abbreviated form of Know Your Customer.
- It is a process used by DNFBPs, VASPs, and Financial Institutions
- to verify the identity of their customers.



## Role of KYC in AML/CFT Framework

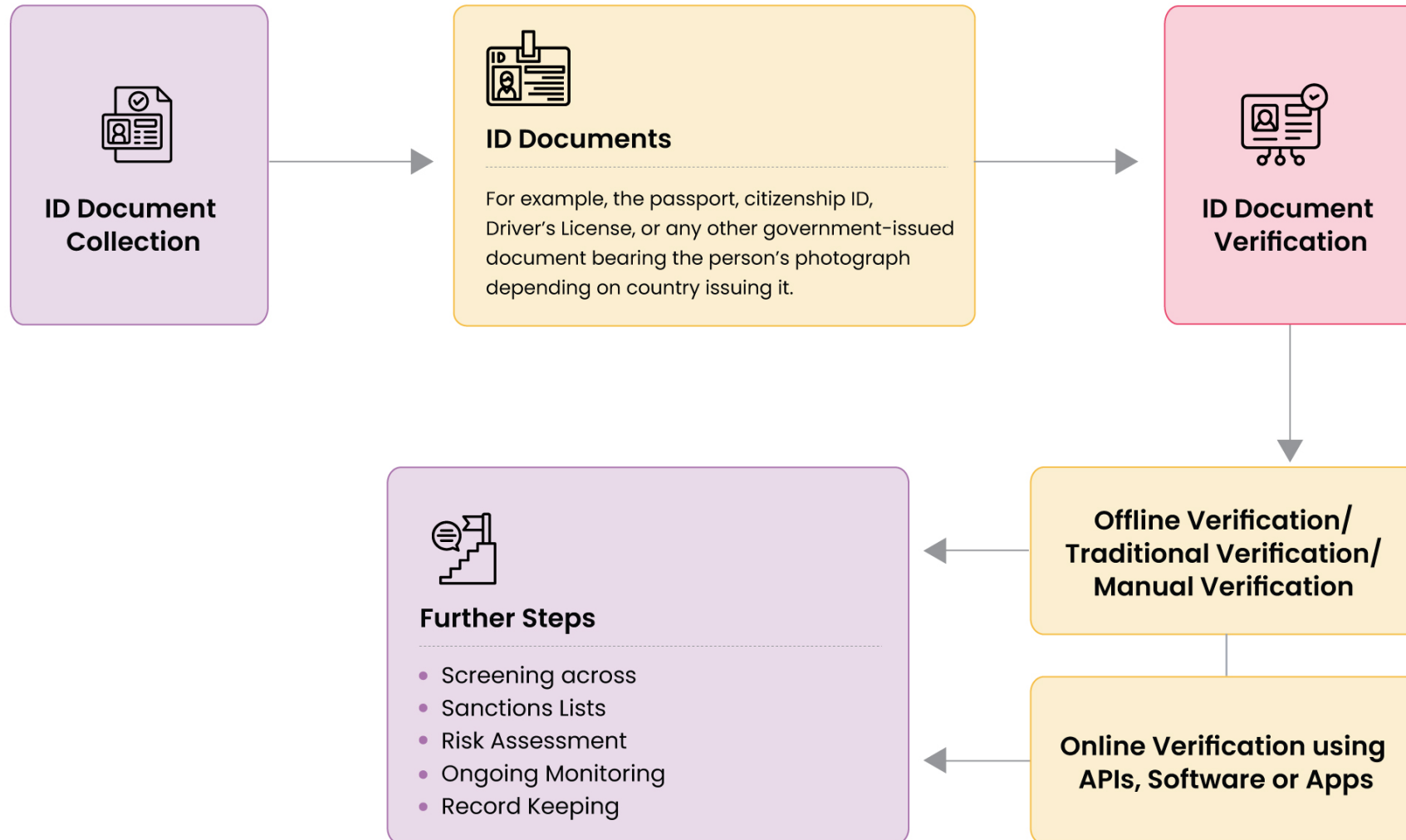
KYC acts as a First Line of Defence in countering ML/TF.

KYC establishes the true identity of customers.

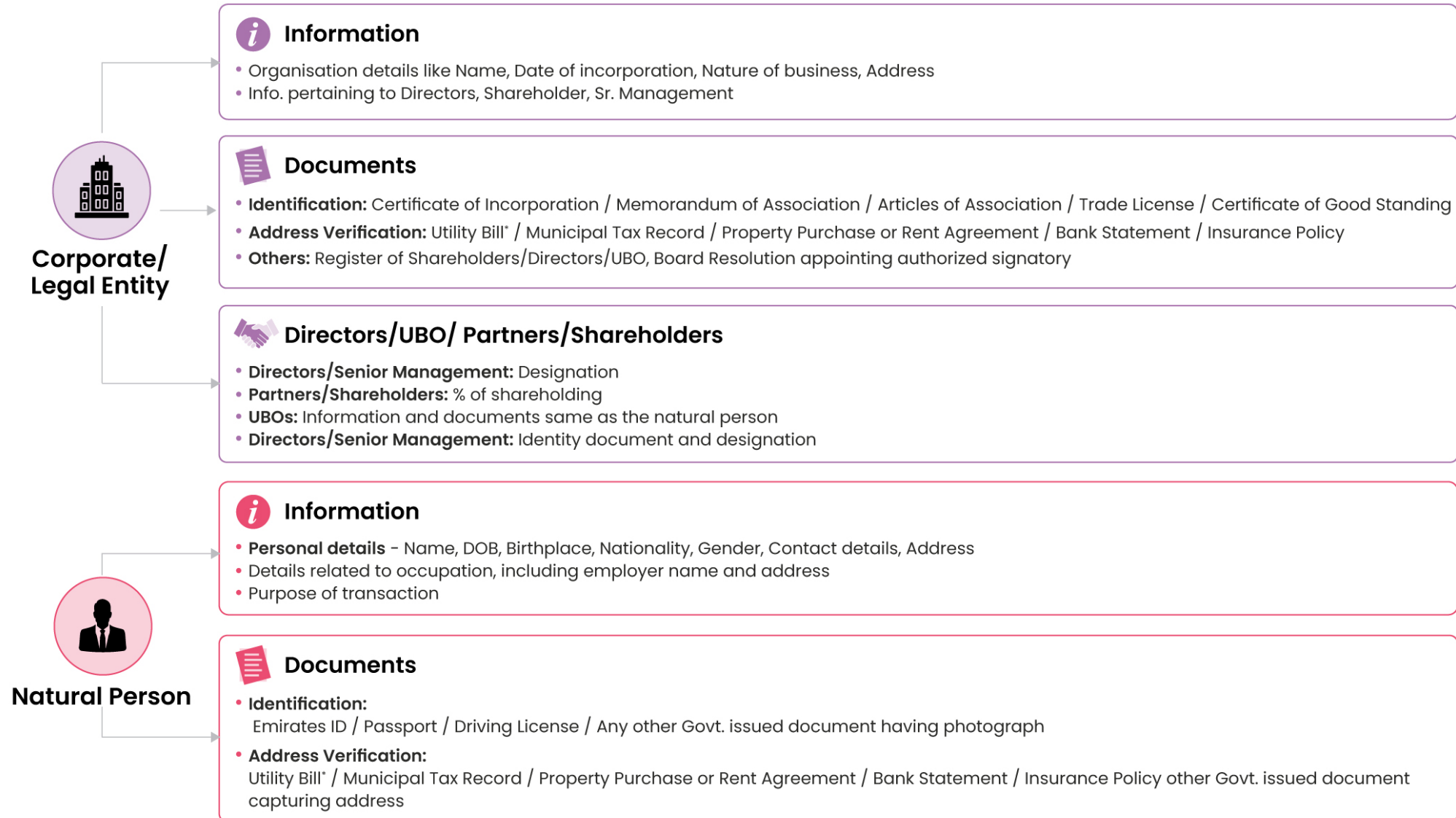
KYC helps understand customer profile – nature of business, source of funds, nationality, etc.

KYC helps understand ML/TF/PF risks associated with a customer or potential customer.

# The Identify Verification Process



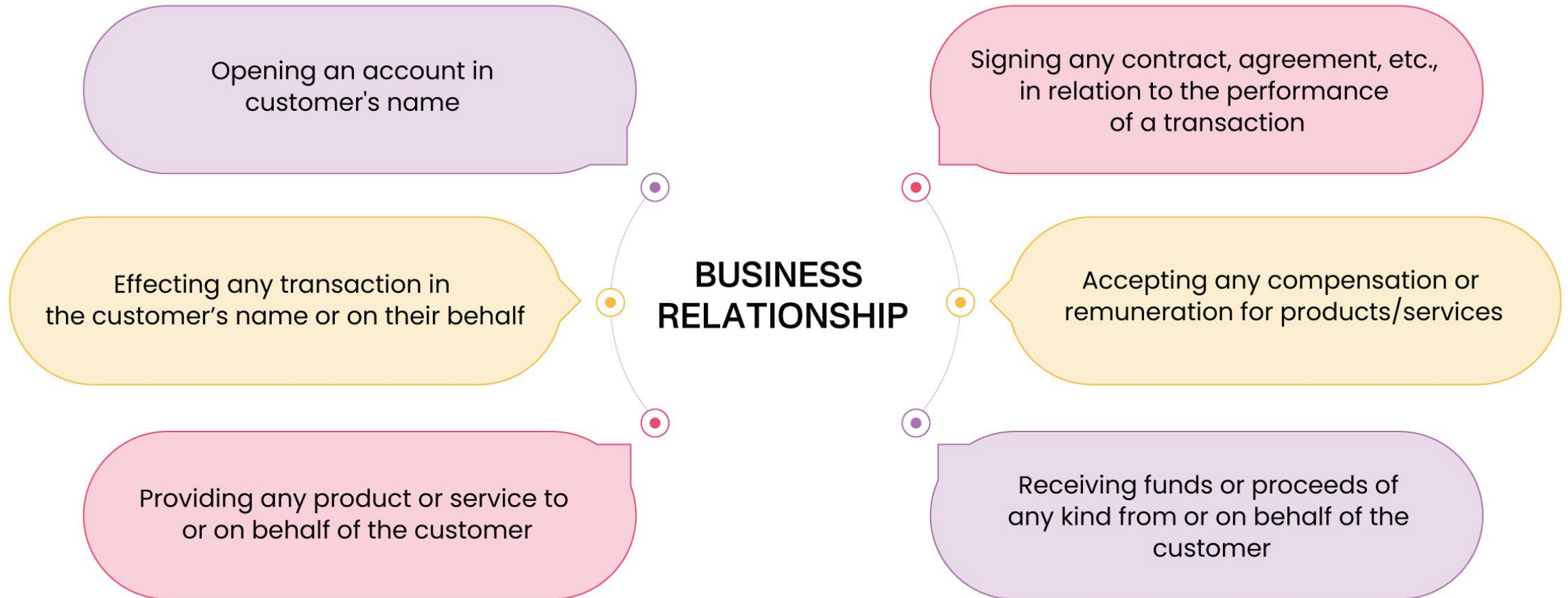
# Know Your Customer (KYC)



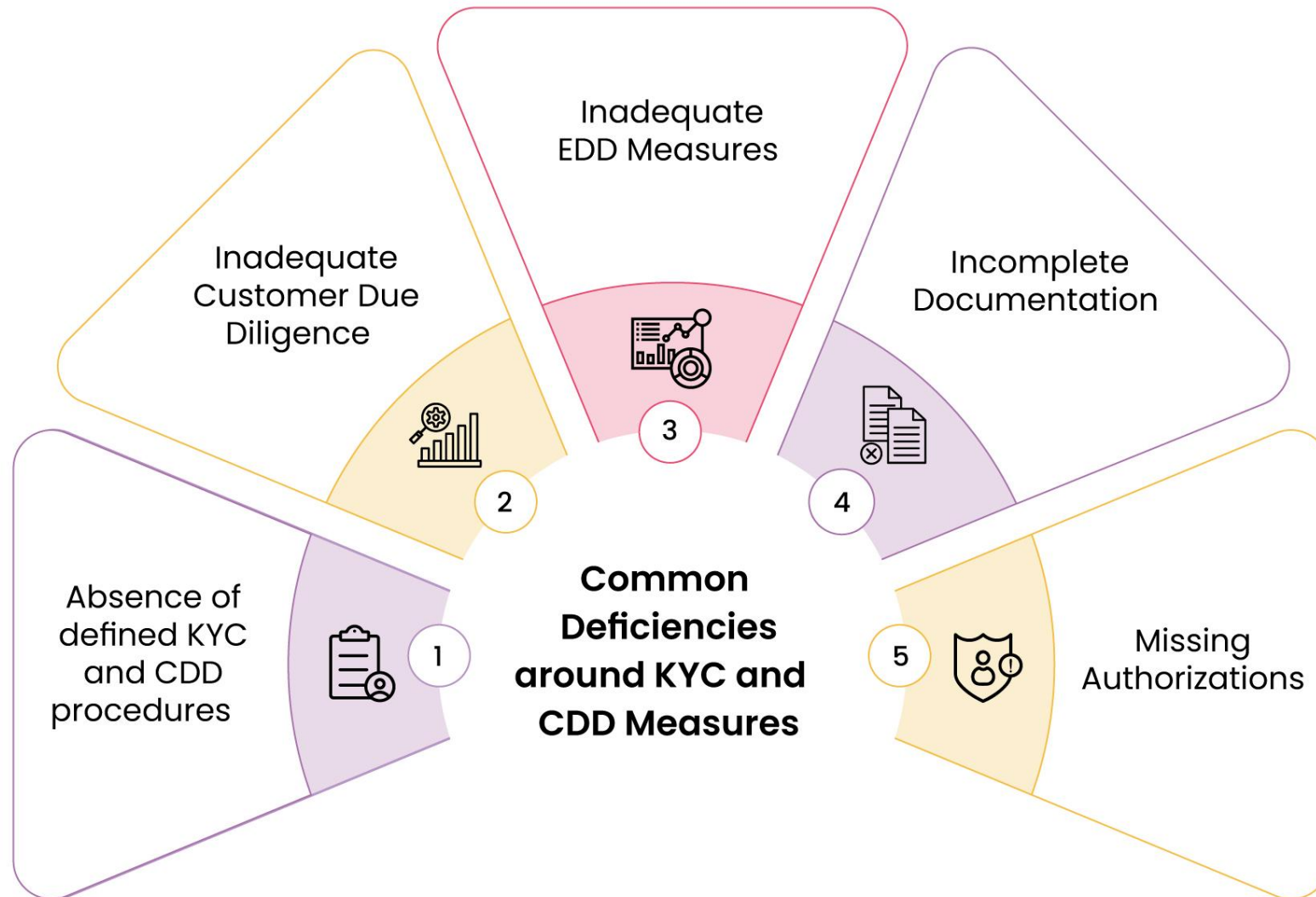
\*Not older than 3 months

## Circumstances & Timing for Conducting KYC

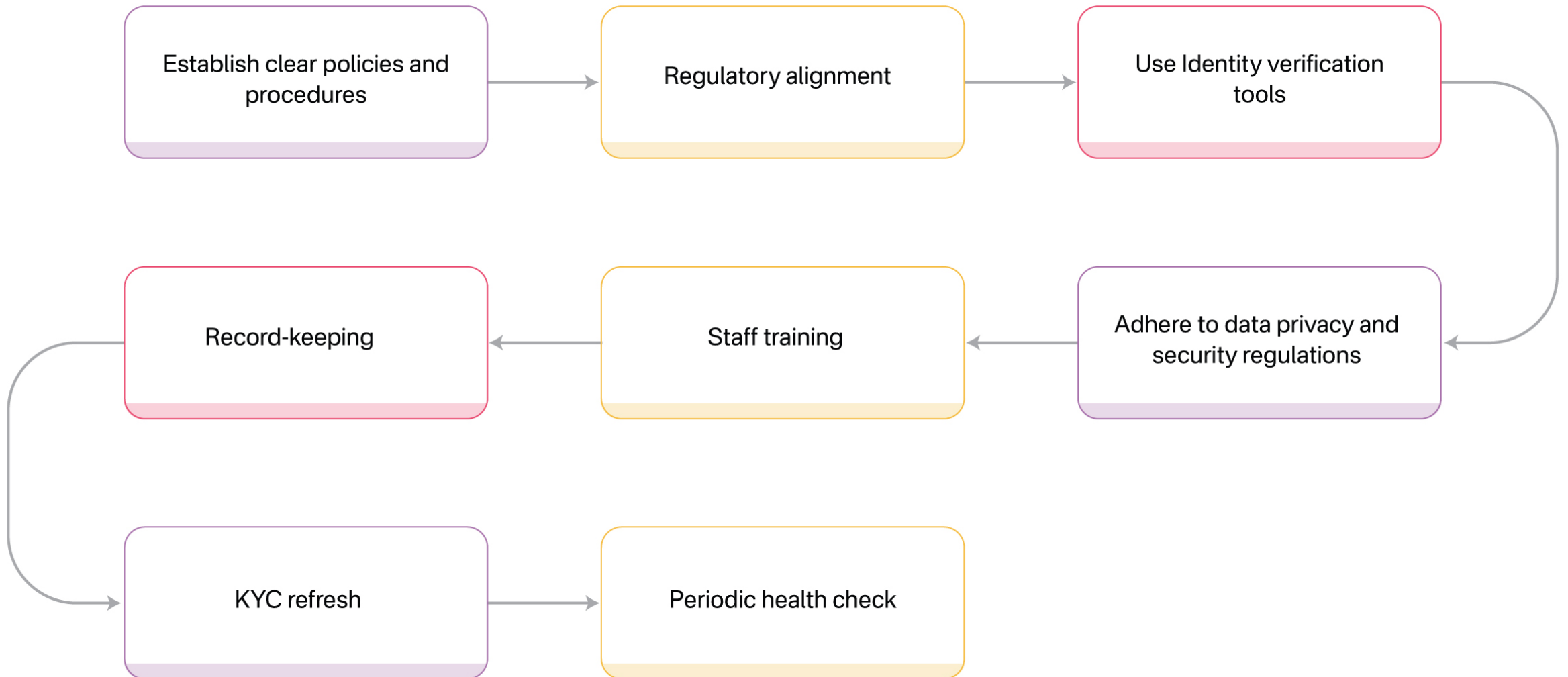
To verify the identity of customer or UBO as part of CDD, **prior to or at the time** of following :



# Common Deficiencies in KYC measures



## Best Practices for conducting KYC



# How to Identify Ultimate Beneficial Owners

# Identifying UBOs

Customer Due Diligence is incomplete without the identification of the Ultimate Beneficial Owner and their due diligence

## Who would be considered as UBO?

- **By way of Ownership:** Natural Person who owns the entity definitively, through direct/indirect ownership of 25% shares or more.
- **By way of Voting rights:** Natural Person who holds 25% or more of the entity's voting rights.
- **Through Controlling rights:** Natural Person who holds the right -
  - To appoint/dismiss the majority of the entity's managers, or
  - Any other means by which the person exercises ultimate control over the entity.

When UBO cannot be determined by either of the way described above, then -

**Senior Management Official:** Natural Person holding the Senior Managerial position in the entity.

## Keynotes around UBO & AML Compliance

- A corporate entity or a legal person cannot be UBO. UBO has to be a natural person.
- If UBO is a high-risk (e.g., PEP or coming from a high-risk country), the entity is also to be treated as high-risk, and Enhanced Due Diligence is to be conducted for UBO and entity both.
- No business transaction with corporate customers when UBO/s are unknown.

## Restriction on establishing Business Relationship under UAE AML Law



**Designated Persons** on the UAE Local Terrorist List or UNSC Consolidated List



Individuals and entities where **Customer Due Diligence can not be concluded**



Legal Person where **Ultimate Beneficial Owner (UBO) is unidentified**



Shell or Fictitious Banks



Business relationships under **anonymous names** or by **pseudonyms**

## Identifying a Shell Company

01

Lack of physical presence

02

Inadequate staffing

03

Limited business transactions/No transactions

04

UBO is not easily identifiable

05

Registered in tax havens

06

Bank accounts in various countries

07

Prolonged Inactivity

## Red Flags

Inconsistencies in KYC information

Frequent changes in ownership information

Reluctance to provide KYC information

Activities not aligned with customer profile

High-Risk Jurisdictions

Adverse media

Complex Business Structure

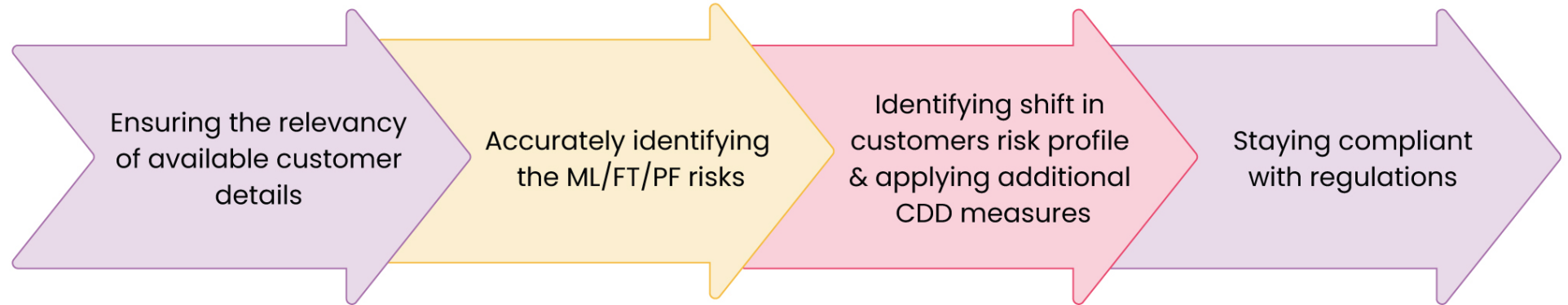
Cash-intensive business

Politically Exposed Persons (PEPs)

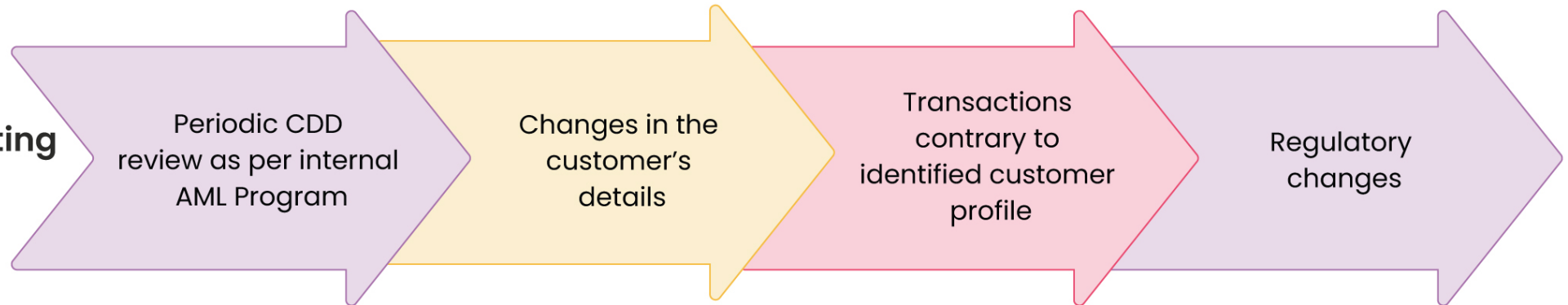
# Process of KYC Refresh (re-KYC)

# Significance of KYC remediation in AML compliance

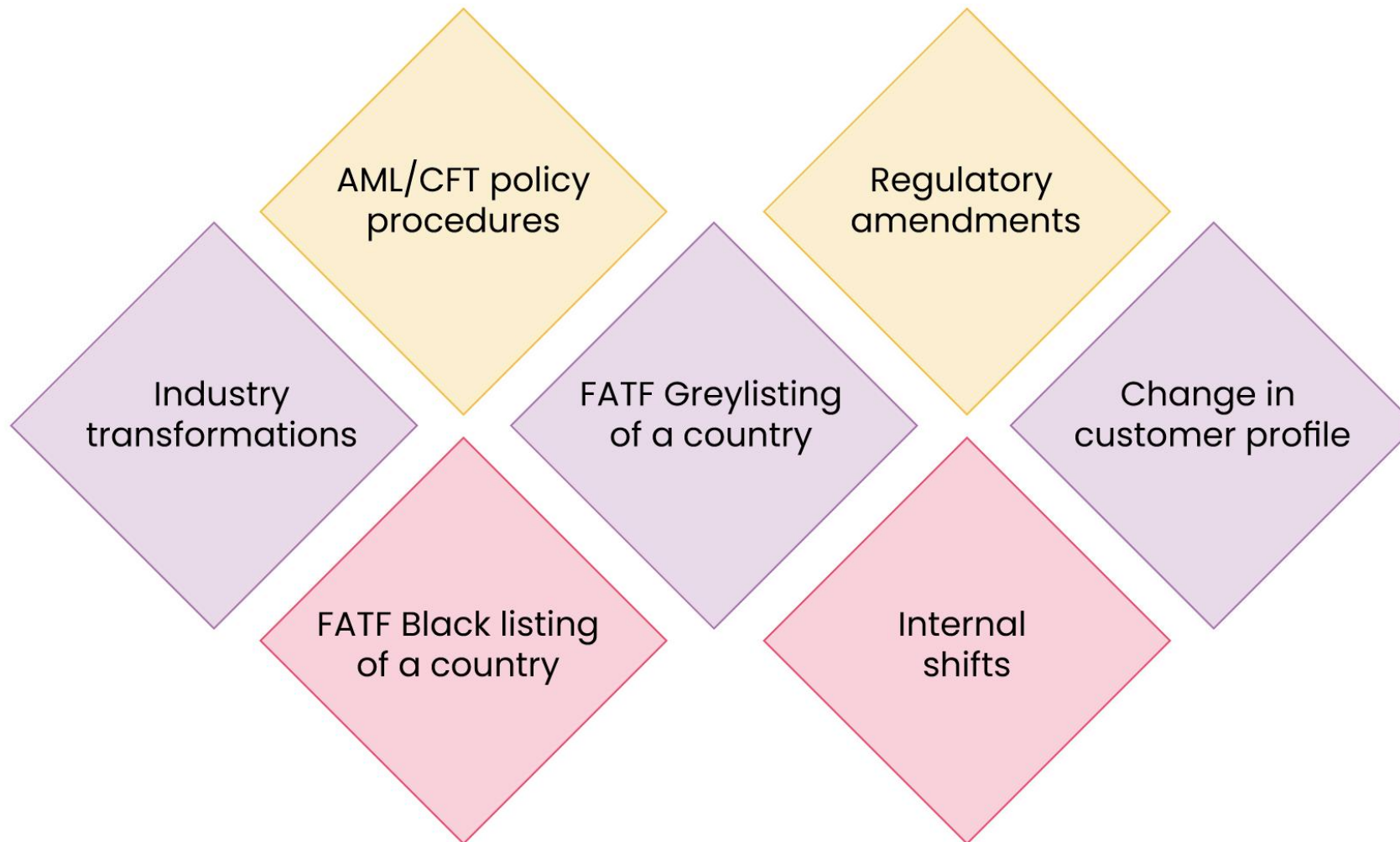
## Need for KYC Remediation



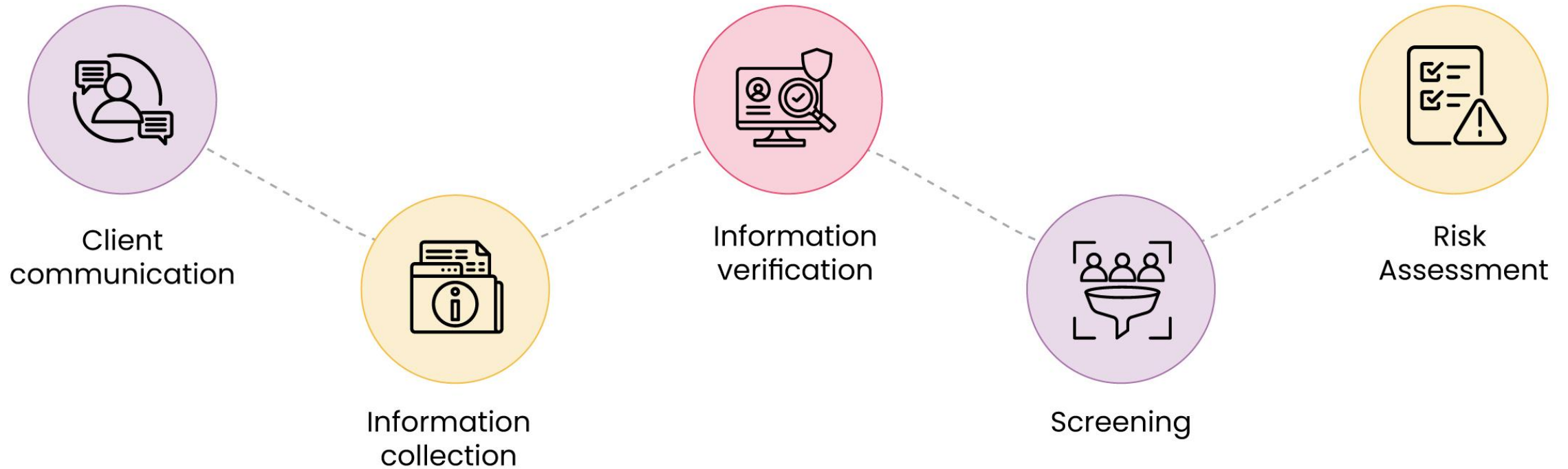
## Situations warranting KYC remediation



## Why is re-KYC of customers essential?



## Steps of re-KYC process



# Best practices in re-KYC of customers





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**Questions?**  
**Reach out to us at:**

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