

UAE Central Bank: Modernisation of Identification Procedures

Ibtissem Lassoued - Partner, Head of Advisory - Financial Crime / Family Business

i.lassoued@tamimi.com - Dubai International Financial Centre

Adam Wolstenholme - Senior Associate - Financial Crime

- Dubai International Financial Centre

December 2016 – January 2017

On 14 December 2016, the UAE Central Bank issued a resolution (the 'Resolution') (*which, as of the date of writing was under process of being published in the Official Gazette*) utilising its increased powers of monitoring and regulation of financial institutions to strengthen anti-money laundering ('AML') regulations and reinforcing its objection to the use of fraudulent bank accounts.

In accordance with the Resolution, when opening a new bank account, a bank must ensure that it has obtained all the requisite information and necessary documentation to identify the beneficial owner. The protocol when opening an account is now to check either the passport or the UAE identity card whereas the Circular used to relate solely to passports. The requirements for banks are now as follows:

- Obtain the full name of the account holder as it appears in the identification document;
- Record the current residential address and place of work;
- Physically examine the UAE ID card or the passport used to open the account; and
- Maintain a copy of the identification document initialled by the account opening officer.

This Resolution is to be communicated to all those concerned with its implementation, namely; all banks, exchange houses/moneychangers, investment and finance companies and other financial institutions. The amendment is to be published in the Official Gazette in both Arabic and English.

The amendment to the Circular typifies the Central Bank's initiatives to provide transparency and security in banking by modernising its procedures. The Circular maintains its position in protecting the UAE against money laundering, re-confirming its commitment to ensuring accounts are not opened under fraudulent or assumed names or numbers.

The Central Bank has long been progressive in its approach to AML through the use of strict identification procedures. The mandatory identification requirements appeared in the original Circular. This is a contemporary but important approach that forms part of the FATF (Financial Action Task Force) Recommendations for the International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation as published in October 2016 (the 'Recommendations'). The Recommendations provide an international standard and a framework of measures for countries to utilise in order to combat money laundering and terrorist financing. Relevantly, the Recommendations state:

'The principle that financial institutions should conduct CDD should be set out in law. Each country may determine how it imposes specific CDD obligations, either through law or enforceable means.'

The CDD measures to be taken are as follows:

- *Identifying the customer and verifying that customer's identity using reliable, independent source documents, data or information.*
- *Identifying the beneficial owner, and taking reasonable measures to verify the identity of the beneficial owner, such that the financial institution is satisfied that it knows who the beneficial owner is. For legal persons and arrangements this should include financial institutions understanding the ownership and control structure of the customer.*
- *Understanding and, as appropriate, obtaining information on the purpose and intended nature of the business relationship.*
- *Conducting ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the institution's knowledge of the customer...*
- *...These requirements should apply to all new customers.'*

The Resolution, by adding and updating the mandatory requirements, reinforces the integrity of the AML framework in the UAE. It obliges the banks to satisfy the criteria above and, as the account opening officer remains responsible to verify the information, confirms the transparency in banking and continues to provide a greater level of accountability and a deterrent to those seeking to subvert the banking laws in the U.A.E.

In our view the UAE Central Bank's Resolution satisfies all of the recommendations under the 'Preventative Measures of Customer Due Diligence ('CDD') and Record Keeping' of the Recommendations and evidences the leading role the UAE has long adopted in combating anti-money laundering and the financing of terrorism.

If you have any queries regarding AML, CFT, or any of the issues addressed above, please contact Ibtissem Lassoued, Partner, Financial Crime Department at: i.lassoued@tamimi.com (<mailto:i.lassoued@tamimi.com>) or Adam Wolstenholme, Associate, Financial Crime Department at: a.wolstenholme@tamimi.com (<mailto:a.wolstenholme@tamimi.com>).