Targeted Financial Sanctions Implementation

Date: 09 November 2022

Executive Office Mandate

Targeted Financial Sanctions TFS

The National Leader in the UAE to ensure the implementation of Targeted Financial Sanctions (TFS) imposed by the UAE and UN Security Council Resolutions.

UN Sanctions Implementation

Focal Authority in the UAE to coordinate the implementations of all UN imposed resolutions & sanctions

Import & Export Control of Dual-Use & Controlled items

The Authority responsible for import & export control of dual-use and controlled items

Executive Office's Role in Implementing Targeted Financial Sanctions (TFS)

Act as a focal authority to ensure implementation of TFS in the UAE.

Coordinate and exchange information between government agencies.

Circulate updates to the Local Terrorist List and UN Consolidated List.

Work closely with the SCNS with regard to the local listing.

Receive and process applications to use frozen funds as per sanctions lists.

Receive and process grievances related to Local Terrorist List and UN Lists.

Targeted Financial Sanctions (TFS) Legal Framework – Cabinet Decision No. 74 of 2020

Cabinet Decision No. 74 of 2020

- Set out the framework for implementing Targeted Financial Sanctions in the UAE.

- Defined the role and obligations of the UAE authorities and appointed the (EOCN) as the focal authority for TFS implementation.

- Defined the obligations on private sector (FIs & DNFBPs) in TFS implementation.

- Defined the procedures to process grievance requests, including de-listing, access to frozen funds, and lifting of freezing measures.

What is Targeted Financial Sanctions (TFS)?

WHY?

Aim

Stop the flow of funds or other assets to terrorists, proliferators of WMD, their supporters and prevent them from access to funding and other services that are used to commit terrorist or proliferation acts.

WHO?

Application

1- Individuals or entities listed on the UAE Local Terrorist List issued by the UAE Cabinet (in line with UNSCR 1373).

2- Individuals or entities listed by the United Nations Security Council through the multiple UN Sanctions Committees ("UN Consolidated List")

HOW?

Measures

1- Freeze funds or other assets of designated persons, without delay and without prior notice.

2- Prevent access to funds or other assets or services.

Who does TFS apply to?

Cabinet Decision 74 of 2020 enforce the following:

UAE Terrorist List	UN Consolidated List

TFS measures apply to:

a) Any Person (natural or legal) designated in these lists.

b) Any entity, directly or indirectly **owned or controlled by** an Person designated under a.

c) Any Person **acting on behalf of or at the direction of** any Person designated under a & b.

Who does TFS apply to?

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Financial Obligations and Measures

Freeze Without Delay

- Freezing of Funds
- Freezing of Real Estate Assets
- Freezing of Gold

Prohibition

- Services to create, operate of manager businesses
- Services to transfer ownership of assets
- Services to buy or sell real estate

Financial Obligations and Measures

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TFS Non-Compliance

Administrative penalties and criminal prosecutions Federal Law 26 OF 2021

- Financial Sanctions

- A suspension, restriction, or prohibition of activity, business, or profession causes either revocation or withdrawal of the business license.

- Supervisory authority may determine a ban of certain individuals from employment within the relevant sectors for a period of time.

- Increased scrutiny of future actions from the UAE Government

TFS Implementation Steps

TFS Implementation Steps

Subscribe

Screen

Apply TFS

Report

① ② ③ ④

- Requirement to subscribe to the EOCN Notification System to receive automated email notifications on any updates to the Sanctions Lists.

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TFS Implementation Steps

Subscribe — 1

Screen — 2

Apply TFS — 3

Report — 4

- Undertake regular and ongoing screening on the latest Local Terrorist List and UN Consolidated List.

- Screening should be conducted in the following circumstances:

  - Upon any updates to the Local Terrorist List or UN Consolidated List.

  - Prior to onboarding new customers.

  - Upon KYC reviews or changes to a customer's information.

  - Before processing any transaction.

- Screening should include existing customer databases, ultimate beneficial owners and parties to transactions.
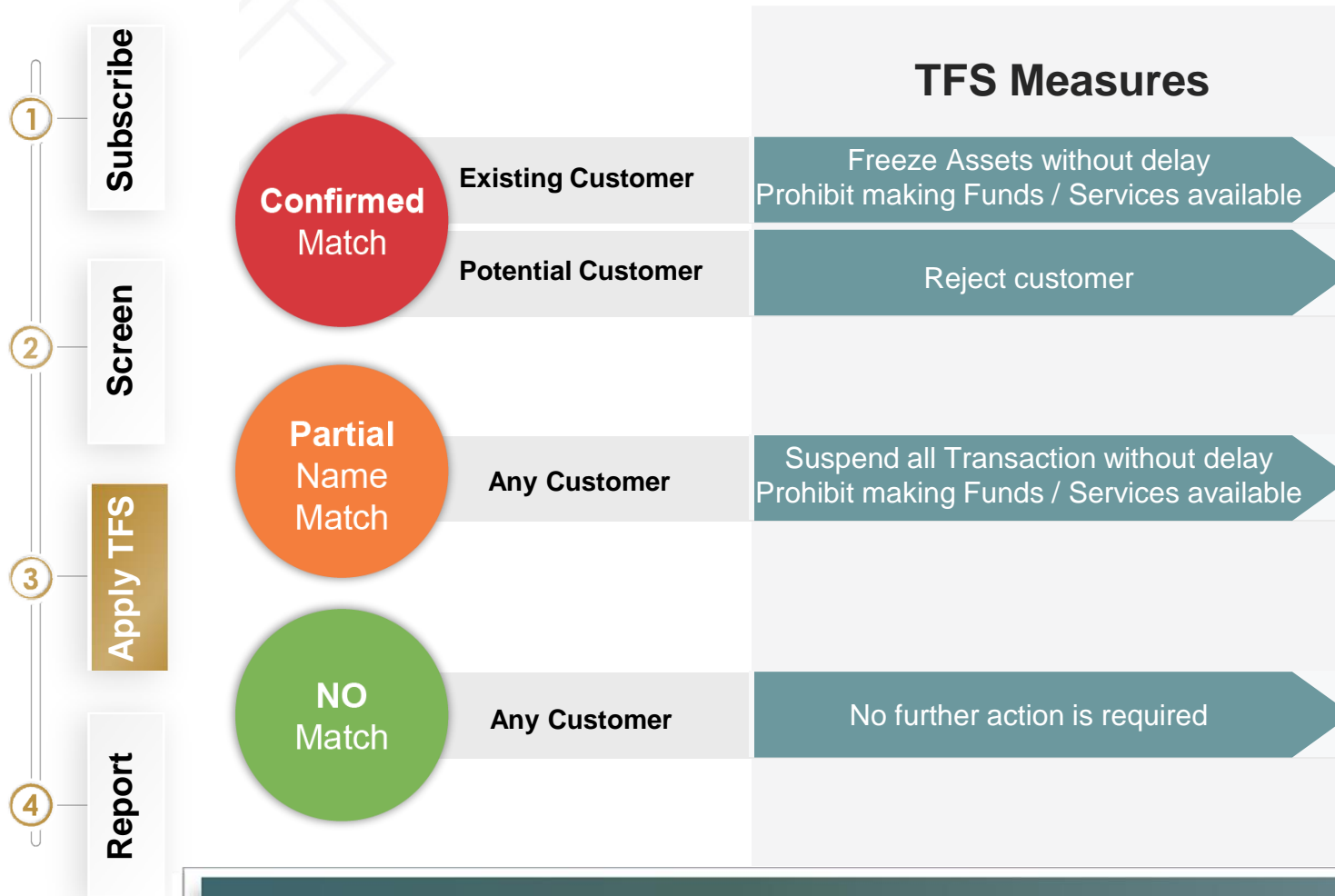
TFS Implementation Steps

1. Subscribe
2. Screen
3. Apply TFS
4. Report

Confirmed Match

Partial Name Match

NO Match
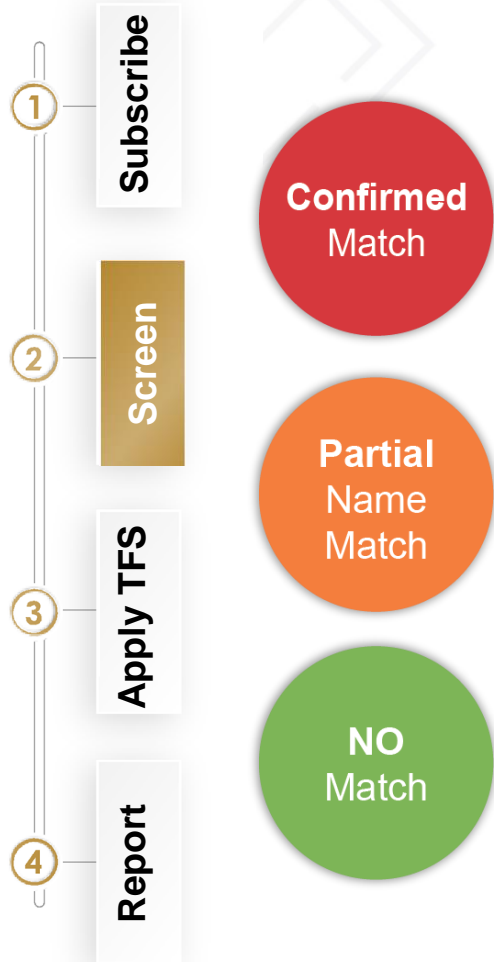
- Three Possible Screening results as follow:

TFS Implementation Steps

Depending on the type of match, the following TFS measures should apply:

Subscribe (1)		**TFS Measures**
Confirmed Match	Existing Customer	Freeze Assets without delay Prohibit making Funds / Services available
	Potential Customer	Reject customer
Screen (2)		
Partial Name Match	Any Customer	Suspend all Transaction without delay Prohibit making Funds / Services available
Apply TFS (3)		
NO Match	Any Customer	No further action is required
Report (4)		

TFS measures remain in effect until delisting or instructions received from EOCN

TFS Implementation Steps

1 Subscribe

2 Screen

3 Apply TFS

4 Report

There are two TFS Reports that are required from the Private Sector

1. Fund Freeze Report (FFR)

2. Partial Name Match Report (PNMR)

These are submitted via goAML system. The reports are received directly by the EOCN.

TFS Implementation Steps
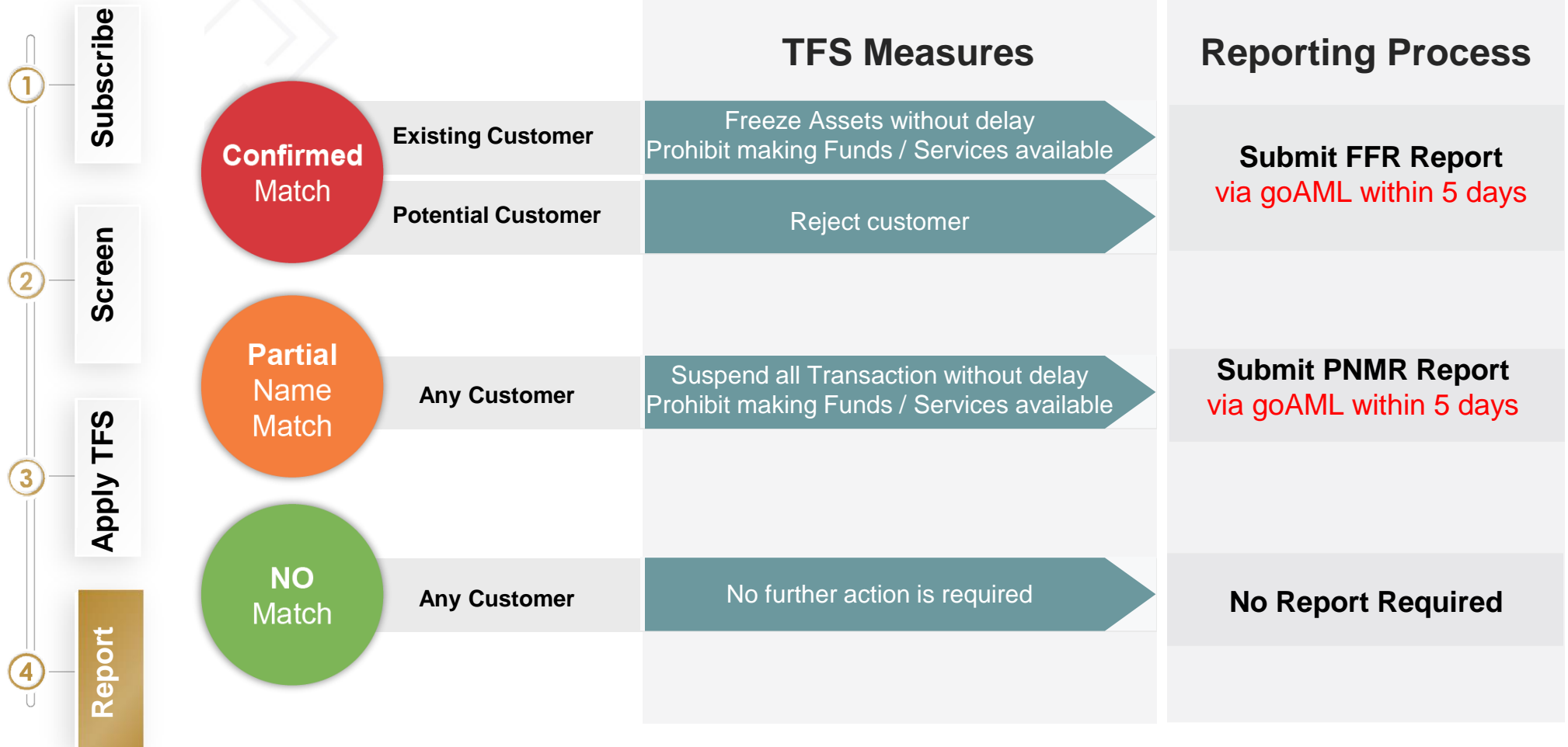
1. Subscribe
2. Screen
3. Apply TFS
4. Report

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TFS Implementation Steps

		TFS Measures	Reporting Process
Confirmed Match	Existing Customer	Freeze Assets without delay / Prohibit making Funds / Services available	**Submit FFR Report** via goAML within 5 days
	Potential Customer	Reject customer	
Partial Name Match	Any Customer	Suspend all Transaction without delay / Prohibit making Funds / Services available	**Submit PNMR Report** via goAML within 5 days
NO Match	Any Customer	No further action is required	**No Report Required**

Steps:
1. Subscribe
2. Screen
3. Apply TFS
4. Report

Sanctions Evasion

What is Sanction Evasion?

Any **attempt to disguise or conceal** the involvement of sanctioned individuals, entities, or groups in a transaction or series of financial or non-financial transactions or services to avoid financial sanctions imposed by UN or local terrorist list.

How to uncover it?

- Raising awareness of sanction evasion techniques

- Filing STRs to the FIU via GoAML

- Understanding the risks associated with the sector

- Private public partnership and information sharing.

Terrorist Financing (TF) Red Flags

- Transactions involving certain high-risk jurisdictions

- No apparent business connection

- Inconsistent funds compared to purpose

- Negative media findings on involved parties

- Multiple accounts of NPO's to collect funds

- Irregularities during the CDD process

Suspicious Transaction / Activity Report go**AML**

Proliferation Financing (PF) Red Flags

- Transaction involves person or entity in foreign country of proliferation concern.

- Transaction involves possible shell companies.

- Identifying documents that seemed to be forged or counterfeited.

- Complex legal entities or arrangements that seem to be aiming to hide the beneficial owner.

- Complex legal entities or arrangements that seem to be aiming to hide the final destination / end user.

Suspicious Transaction / Activity Report

Fund Freezing Report VS Suspicious Activity Report

Fund Freezing Report and Partial Name Match Report

Confirmed match to a Designated Person

Partial name match to a Designated Person

Established legal relationship to a Designated Person or Party

Submit FFR or PNMR

Suspicious Activity Report

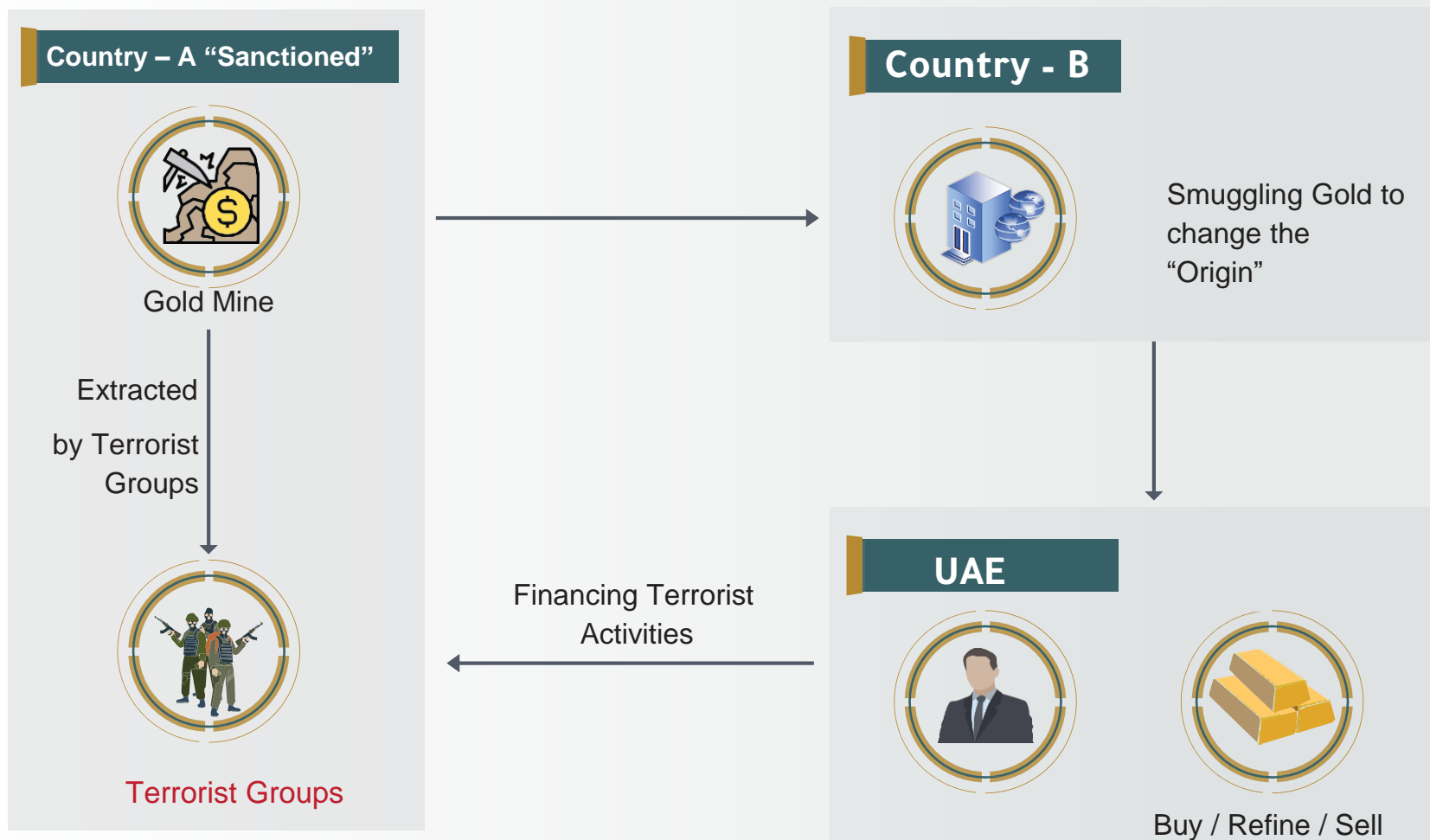Identified red flags or reasons to report.

Does not include confirmed or partial name match to a Designated Person

Does not involve any established legal relationship to a Designated Person or Party

Submit SAR

Typology: Smuggling of Gold

Country – A "Sanctioned"

Gold Mine

Extracted by Terrorist Groups

Terrorist Groups

Country - B

Smuggling Gold to change the "Origin"

UAE

Financing Terrorist Activities

Buy / Refine / Sell

Recommendations

Identify, understand, and assess TFS risks for customers, products and services, and delivery channels.

Implement effective employee training programs to the different lines of defense.
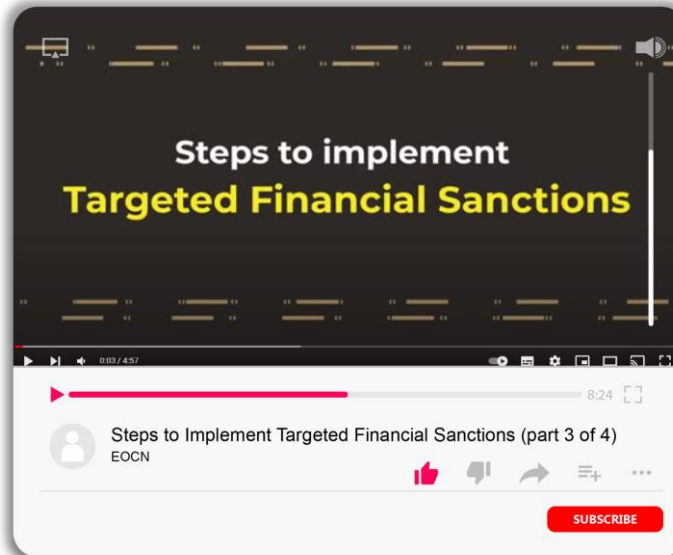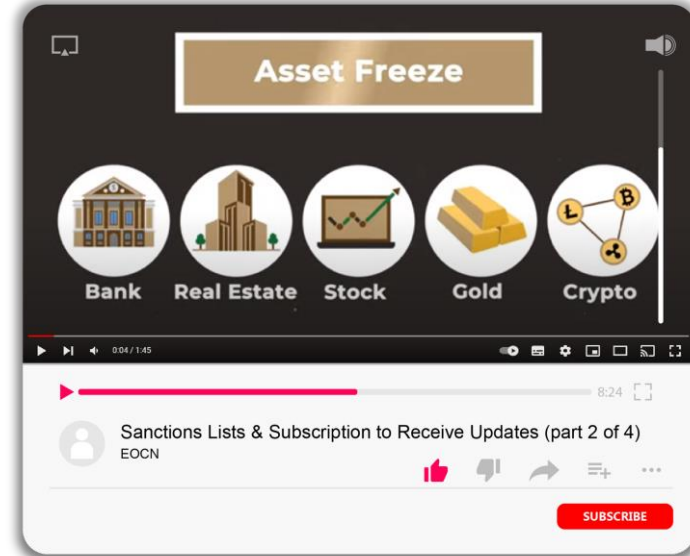
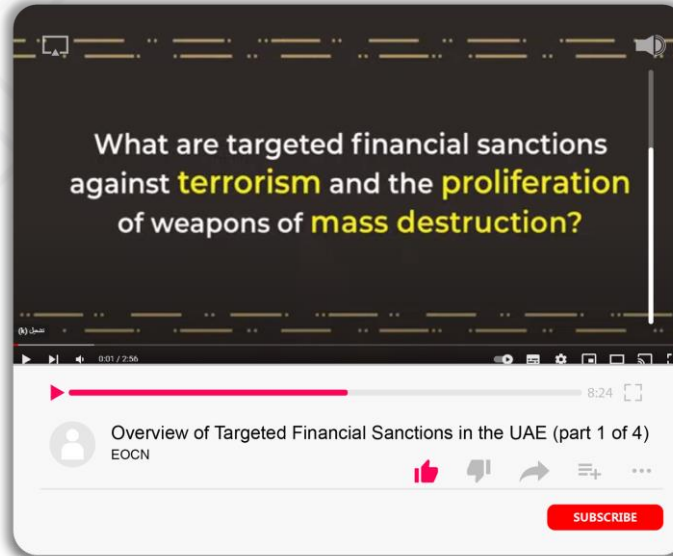Monitor for the presence of front companies when engaging in company formation services and verify the ultimate beneficial owners.

Integrate the red flags in the screening system to detect suspicious transactions related to TF, PF and sanctions evasion.

Conduct enhanced due diligence to cases involving high-risk jurisdictions

Verify all parties of deals and ensure there is clear economic purposes.

Executive Office TFS Implementation Videos

Overview of Targeted Financial Sanctions in the UAE (part 1 of 4)
EOCN

Sanctions Lists & Subscription to Receive Updates (part 2 of 4)
EOCN

Steps to Implement Targeted Financial Sanctions (part 3 of 4)
EOCN

Procedures to Lift Freezing Measures, De-listing, and Access Frozen Funds (part 4 of 4)
EOCN

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For More Information

Executive Office Materials & Publications

Strategic Review on Targeted Financial Sanctions Case Studies 2019-2021

EXECUTIVE OFFICE FOR CONTROL & NON-PROLIFERATION

Simple Guideline for Targeted Financial Sanctions

EXECUTIVE OFFICE FOR CONTROL & NON-PROLIFERATION

EXECUTIVE OFFICE FOR CONTROL & NON-PROLIFERATION

Typologies on the circumvention of Targeted Sanctions against Terrorism and the Proliferation of Weapons of Mass Destruction

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Targeted Financial Sanctions Implementation Guideline

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