



**FINAL NOTICE ISSUED UNDER SECTION 251 OF
THE FINANCIAL SERVICES AND MARKETS REGULATIONS 2015**

To: **Equiom Corporate Services (Middle East) Ltd**
2459, 24th Floor
Al Sila Tower
Abu Dhabi Global Market Square
Al Maryah Island
Abu Dhabi
United Arab Emirates

Date: 20 July 2023

1. DECISION

- 1.1. For the reasons given in this Final Notice, the Financial Services Regulatory Authority (the “Regulator”) has decided to impose on Equiom Corporate Services (Middle East) Ltd (“ECS”) a financial penalty of US\$72,000 under section 232 of the Regulations.
- 1.2. ECS agreed to settle this matter at an early stage of the Regulator’s enquiry and action in this matter. The Regulator has therefore exercised its discretion to apply a 20% discount to the financial penalty under the Regulator’s policies for early settlement. Were it not for this discount, the Regulator would have imposed a financial penalty of US\$90,000 on ECS.
- 1.3. The Regulator acknowledges that:
- ECS and its senior management in the Abu Dhabi Global Market (“ADGM”) have cooperated fully with the Regulator’s enquiry and action.
 - ECS has remediated the issues and deficiencies referenced in this Notice.
 - the issues and deficiencies referred to in this Notice only relate to ECS, and no other entities within the Equiom Group, and to the period from around 28 November 2019 to on or around 9 December 2021 (the “Relevant Period”), which predates a change of ownership and management within the Equiom Group and ECS.

2. DEFINED TERMS

- 2.1. Defined terms are identified in the Notice in parentheses, using the capitalisation of the initial letter of a word or of each word in a phrase, and are either defined in a Rulebook, Glossary, or in the body of this Notice at the first instance the term is used. Unless the context otherwise requires, where capitalisation of the initial word is not used, an expression has its natural meaning.

3. SUMMARY OF REASONS FOR THE DECISION

- 3.1. The Regulator has decided to take the action set out in this Notice because it considers that, over the Relevant Period, ECS failed to maintain effective anti-money laundering policies, procedures, systems and controls to ensure compliance with all applicable requirements of the AML Rules. In particular, the Regulator found that ECS failed to take sufficient steps to:



- a. adequately identify and verify the Source of Funds (“SOF”) and the Source of Wealth (“SOW”), as part of the Enhanced Customer Due Diligence (“EDD”) it performed on customers it had assigned a high-risk rating;
- b. verify the identity of its customers by failing to obtain certified true copies of its customers’ identification documents; and
- c. periodically review the adequacy of the Customer Due Diligence (“CDD”) information it holds on its customers assessed as high-risk to ensure that the information is kept up to date;

and in so doing, ECS contravened a number of specific AML requirements as set out in this Notice.

4. FACTS AND MATTERS RELIED ON

Background

- 4.1. On 28 November 2019, ECS was incorporated and registered with the Abu Dhabi Global Market (“ADGM”) Registration Authority as a branch of a foreign company.
- 4.2. By carrying on the business of a Company Service Provider, ECS is classified as a Designated Non-Financial Business or Profession (“DNFBP”) as defined in the Regulations.

Regulator Review

- 4.3. On 9 December 2021, the Regulator conducted a review (the “Review”) of ECS’s activities and operations which was focused on assessing ECS’s compliance with commercial legislation, anti-money laundering and combating financing of terrorism compliance practices.
- 4.4. The Review involved a detailed review of ECS’s anti-money laundering systems and controls, policies and procedures, which included discussions with senior management and staff, and detailed review of a sample of customer files.
- 4.5. On the same day a meeting was held between the Regulator and ECS, at which the Regulator’s preliminary findings of the Review were discussed.
- 4.6. On 15 August 2022, the Regulator sent a letter to ECS confirming its findings (the “Report”), together with a copy of the remediation plan (“Remediation Plan”). The Report set out findings from the Review, including findings of breaches of AML systems and controls, CDD, and EDD requirements.
- 4.7. On 2 September 2022, the Remediation Plan was acknowledged by ECS.
- 4.8. The Regulator’s findings concerned ECS’s failures to comply with AML systems and controls, to ensure AML compliance with all applicable requirements of the Regulator’s AML Rules as set out in paragraphs 4.9 to 4.25 below.

Failure to Verify Customers’ Identity

- 4.9. A DNFBP that is a Company Service Provider is required by AML Rule 8.1.1(2) to undertake CDD (and, if applicable EDD) of its customers. Under AML Rule 8.2.1(2), a DNFBP that is a Company Service Provider must fulfil its CDD (and where applicable EDD) obligations before it prepares for or carries out a Transaction or provision of a service to the customer.



- 4.10. AML Rule 8.3.2 requires ECS to identify and verify its customers' identity as part of its CDD on its customers.
- 4.11. ECS was required to verify its customers' identity, in the absence of a first-hand inspection of an original identification document, by obtaining certified true copies of its customers' original identification documents.
- 4.12. As part of the Review, the Regulator conducted a detailed review of ECS's files for five of its sixteen (16) customers (representing approximately 31 per cent of its customers). The Regulator identified that ECS had failed to produce certified true copies of identification documents in relation to four out of the five customer files reviewed.
- 4.13. As a result, the Regulator found from the Review that ECS had failed to adequately verify its customers' identity on at least four occasions.
- 4.14. Accordingly, the Regulator considers that ECS has contravened AML Rule 8.3.2.

Failure to Identify and Verify Source of Funds and Source of Wealth for High-Risk Customers

- 4.15. AML Rule 8.4.1 requires ECS to undertake EDD, in addition to CDD under AML Rule 8.3.1, for all customers it had:
 - a. assessed as being high-risk for money laundering; or
 - b. identified as being a PEP (or its beneficial owner(s) as being a PEP).
- 4.16. For ECS to fulfil its EDD obligations for each of its assessed high-risk customers, it was required to, among other things, identify and verify the SOF and the SOW of the customer, and where applicable all Beneficial Owners.
- 4.17. As part of the Review, the Regulator conducted a detailed review of ECS's files for four of its nine customers that it assessed as high-risk for money laundering (representing approximately 44 per cent of its assessed high-risk customers).
- 4.18. As a result, the Regulator found from the Review that ECS had failed to adequately identify and verify the SOW and SOF, as part of EDD, for some of its assessed high-risk customers reviewed by the Regulator. However in respect to one reviewed assessed high-risk customer file ECS was able to demonstrate that it had identified SOW and SOF in relation to another client with common beneficial ownership. ECS has failed to identify how its assessed high-risk customers accumulated their wealth, resulting in ECS failing to ensure that its customers were risk assessed appropriately and that necessary measures and controls were taken.
- 4.19. Accordingly, ECS failed to undertake adequate EDD for certain of its customers that it had assigned a high-risk rating. The Regulator therefore considers that ECS has contravened AML Rule 8.4.1(c).

Failure to Conduct On-going CDD

- 4.20. ECS was required under AML Rule 8.3.1(1)(d) to conduct on-going due diligence of the business relationship as required under Rule 8.6.1.
- 4.21. AML Rule 8.6.1(d) states that when undertaking on-going CDD, a Relevant Person, must periodically review the adequacy of the CDD information it holds on customers and Beneficial



Owners to ensure that the information is kept up to date, particularly for customers with a high-risk rating.

- 4.22. ECS had stipulated in its AML Procedures Manual that periodic reviews are to be conducted annually on its customers assigned a high-risk rating.
- 4.23. As part of the Review, the Regulator conducted a detailed review of ECS's files for five of its 16 customers (and four of its nine assessed high-risk customers). The Regulator identified that ECS had failed to undertake a periodic review of adequacy of CDD information it held for two assessed high-risk customers annually, as required under its AML procedures.
- 4.24. As a result, the Regulator found that during the Relevant Period, ECS had failed to periodically review the adequacy of the CDD information it holds on some of its customers assessed as high-risk, to ensure that the information is kept up to date.
- 4.25. Accordingly, the Regulator therefore considers that ECS has contravened AML Rule 8.3.1(1)(d).

Remediation actions undertaken by ECS

- 4.26. Since becoming aware of the Regulator's concerns identified by the Review, ECS undertook a remediation program to address the various issues that had been identified.
- 4.27. ECS has addressed and remediated each of the Regulator's concerns found as part of its Review and as set out in the Report.
- 4.28. The Regulator acknowledges ECS's co-operation, and that ECS has taken substantial steps to remediate each of the issues and deficiencies set out in this Final Notice.

5. CONTRAVENTIONS

- 5.1. The Regulator alleges that ECS has contravened the following AML Rules:
 - a. AML Rule 8.3.2 by failing to verify the identity of certain of its customers when undertaking CDD;
 - b. AML Rule 8.4.1(c) by failing to adequately identify and verify the SOF and the SOW as part of the EDD it undertook on certain of its assessed high-risk customers; and
 - c. AML Rule 8.3.1(1)(d) by failing to conduct on-going due diligence periodically by reviewing the adequacy of the CDD information it holds on certain of its assessed high-risk customers to ensure that the information is kept up to date.

6. SANCTION

- 6.1. In deciding to impose a financial penalty on ECS, the Regulator has taken into account the factors and considerations set out in sections 8.2 to 8.4 of the Regulator's Guidance & Policies Manual ("GPM").
- 6.2. Annexure A sets out extracts from the Regulations, Rules and guidance relevant to this Notice.

Decision to impose a financial penalty

- 6.3. With reference to section 8.2 of GPM, the Regulator considers the following factors to be of particular relevance in deciding to impose the financial penalty on ECS:



- a. 8.2.1(a) - the Regulator's objectives under section 1(3) of the Regulations to:
 - i. foster and maintain confidence in the ADGM;
 - ii. promote and enhance the integrity of the ADGM Financial System;
 - iii. prevent, detect and restrain conduct that causes or may cause damage to the reputation of the ADGM through appropriate means including the imposition of sanctions; and
 - iv. promote public understanding of the regulation of the ADGM.
- b. 8.2.1(b) - the deterrent effect of the penalty and the importance of deterring other persons from committing similar contraventions.
- c. 8.2.1(c) – In terms of nature, seriousness, duration and impact of the contravention:
 - i. the contraventions reveal systemic weakness of the systems and controls in relation to ECS's CDD practices; and
 - ii. ECS's failings exposed its business, and the ADGM to increased risk of money laundering and financial crime over the Relevant Period.

Determination of the level of financial penalty

- 6.4. With reference to section 8.4 of GPM, the Regulator has taken into account the factors and considerations set out in the five-step framework in section 8.5 of GPM in determining the level of the financial penalty it has decided to impose:

Step 1: Disgorgement

- 6.5. This step is not considered to be relevant, as the Regulator has not seen ECS deriving any financial benefit from the contraventions.

Step 2: The seriousness of the contraventions

- 6.6. The Regulator considers ECS's conduct to be material because:
- a. ECS carried out inadequate CDD on certain customers, and inadequate EDD on certain of its high-risk customers;
 - b. the contraventions revealed systemic weaknesses in ECS's CDD practices; and
 - c. ECS failings exposed its business and the ADGM to increased risk of money laundering and financial crime over the Relevant Period.

- 6.7. Taking the above factors into account, the Regulator considers that a financial penalty of US\$90,000 appropriately reflects the seriousness of the contraventions.

Step 3: Mitigating and aggravating factors

- 6.8. The Regulator considers that the following factors have a mitigating effect on the contraventions:
- a. ECS does not have any previous history of non-compliance with the Regulations or Rules;



- b. ECS had the relevant AML policies and procedures in place even though these were not fully implemented; and
- c. ECS has been co-operative with the Regulator and has been responsive to the remedial actions required by the Regulator.

6.9. The Regulator considers that the following factor has an aggravating effect on the contraventions:

- a. The contraventions had been ongoing for approximately two (2) years. During this time, ECS's business and the ADGM was exposed to risk of money laundering and financial crime.

6.10. Having taken the above factors into account, the Regulator does not consider it necessary to adjust the financial penalty.

Step 4: Adjustment for deterrence

6.11. Section 8.5.9 of GPM provides that if the Regulator considers the level of the financial penalty which it has arrived at after Step 3 is insufficient to deter the firm that committed the contravention, or others, from committing further or similar contraventions, then the Regulator may increase the financial penalty. Section 8.5.9 of GPM sets out the circumstances in which the Regulator may do this.

6.12. In this instance, the Regulator considers that the figure arrived at after Step 3 is sufficient for the purposes of deterring ECS and others from committing further or similar contraventions. Accordingly, the Regulator does not consider it necessary to adjust the amount of the fine arrived at after Step 3 for the purposes of deterrence.

6.13. Accordingly, the figure after Step 4 is US\$ 90,000.

Step 5: Adjustment for cooperation/early settlement

6.14. Where the Regulator and the firm on which the financial penalty is to be imposed come to an agreement on the amount of the financial penalty, section 8.5.10 of GPM provides that the amount of the financial penalty which might have otherwise been payable will be reduced to reflect the stage at which the agreement is reached.

6.15. The Regulator and ECS have reached an agreement on the relevant facts and matters relied on, the regulatory action to be taken and the financial penalty to be imposed. Having regard to the stage at which this agreement has been reached and in recognition of the benefit of this agreement, the Regulator has applied a 20% discount to the level of the financial penalty which it would have otherwise imposed.

6.16. Accordingly, the figure after step 5 is US\$72,000.

The level of the financial penalty

6.17. Given the facts and matters set out above and all the circumstances, the Regulator has determined that it is proportionate and appropriate to impose on ECS a financial penalty of US\$72,000 for the alleged contraventions.



7. PROCEDURAL MATTERS

Settlement

- 7.1. The Regulator and ECS have reached an agreement on the relevant facts and matters relied on, the regulatory action to be taken and the financial penalty to be imposed. In agreeing to the action set out in this Final Notice and deciding to settle this matter, ECS has agreed not to refer this matter to the Appeals Panel.

Payment of financial penalty

- 7.2. The financial penalty imposed by this Final Notice is to be paid in full by ECS on or before 19 August 2023.
- 7.3. Payment of the financial penalty is to be made by electronic funds transfer according to the instructions set out in the table below:

Account Name	[REDACTED]
Account Number	[REDACTED]
IBAN Number	[REDACTED]
Account Type	[REDACTED]
Bank Name	[REDACTED]
Swift Code	[REDACTED]
Reference	[REDACTED]

- 7.4. In the event that any part of the financial penalty remains outstanding on the date by which it must be paid, then the Regulator may recover the outstanding amount of the financial penalty as a debt owed by ECS and due to the Regulator.

Publicity

- 7.5. As this Final Notice has now been given to ECS pursuant to section 251 of the Regulations, the Regulator may, pursuant to section 252(3) of the Regulations, publish the details about the matter at its discretion. Pursuant to section 252(4) of the Regulations, a person to whom a notice is given may not publish the notice or any details concerning it unless the Regulator has published the notice or those details in accordance with section 252(3).
- 7.6. The Regulator will publish on its website this Final Notice (not including Annexure A).

Signed:

[REDACTED]

Emmanuel Givanakis
Chief Executive Officer
Financial Services Regulatory Authority