

# Ministry of Economy reviews cabinet resolution on organisation of real beneficiary procedures

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ABU DHABI, 22nd December, 2023 (WAM) -- The Ministry of Economy held a briefing, during which it reviewed the main updates related to the development of the anti-money laundering and counter-financing of terrorism system (AML/CFT) in the country, namely the Cabinet Decision No. 109 of 2023 on the organisation of the real beneficiary procedures. Another update is the Cabinet Decision on administrative sanctions for breaches of the provisions of Cabinet Decision No. 109 of 2023 on the organisation of the real beneficiary procedures, which aims to support the competitiveness of the national business environment and enhance the UAE economy's leading position at regional and global levels.

Abdullah Ahmed Al Saleh, Undersecretary of the Ministry of Economy, said that developing real beneficiary procedures is a key focus area within the UAE's AML/CFT system.

He noted that the latest resolutions represent a new milestone in supporting the country's ongoing efforts, strengthening efforts to address suspicious financial activity. It is designed to develop the economic regulatory and legislative environment and to promote the national business environment and its governance. These are among the Ministry's strategic objectives and are in line with the global standards issued by the Financial Action Task Force (FATF).

Al Saleh said that adopting these two new resolutions constitutes an important addition to the previous AML legislation promulgated by the country, particularly the regulation of the real beneficiary procedures. It includes new updates to improve the collection, assessment, and registration of real beneficiary data of all private sector enterprises within the country, including those in commercial-free zones, in cooperation with relevant local licensing entities. The move ensures that the real beneficiary data of all relevant private enterprises are collected and recorded, as there are nearly 700,000 enterprises operating in various sectors in the UAE.

The Undersecretary explained that the amendments include new mechanisms for registration authorities in the country through the measures of registrars and legal persons to provide the minimum regulation of the real beneficiary procedures in accordance with licensing, registration, partner

or shareholder registry procedures.

These amendments aim to achieve the highest compliance levels and enhance the UAE's overall economic standing. They also include the development of effective and sustainable operational and regulatory mechanisms and procedures to regulate the real beneficiary procedures of all registered companies in the country, per the best international standards for transparency.

The Ministry emphasised that these amendments better support the regulation of the real beneficiary procedures. They also create partnerships based on consolidating procedures according to a unified national system involving all registrars, submitting semi-annual performance reports from them. It strengthens the coordination and follow-up mechanism and gives indications of the Registrar's compliance with the provisions of the resolution.

The Cabinet Resolution No.109 highlights regulating real beneficiary access in complex structures and setting grievance standards and controls. It obliges registrars to apply a risk-based approach to enhance their access to risk identification, policies, and measures. This is to reduce risk by applying simplified due diligence or enhanced due diligence requirements and support their ability to report suspicious transactions to the Financial Information Unit, supporting integrated national efforts to strengthen the country's AML system.

Furthermore, the amendments include a series of clauses on the organisation of the real beneficiary's procedures. They

stipulate that a nominal member of the Department, as any natural person acting following the directives, instructions or will of another person, be formally appointed or hold a position in the legal person and usually as a representative of shareholders, members or any other interested party.

The decision also defines the complex structure as an institutional mechanism that identifies the legal/juridical person as part of a group of different and complexly linked entities to conceal the identity of the natural person who owns or controls the legal person.

Under the decision, the real beneficial owner of the legal person shall be the person, whoever he is, that ultimately owns or controls, whether directly through a chain of ownership or control or by other means of control and holds the right to appoint or dismiss the majority of its directors, 25 percent or more of the shares or 25 percent or more of the voting rights in the legal person.

The resolution also lays down five steps to identify the real beneficial owner. First, the application of the Registrar's risk-based approach, particularly in the complex structures of the legal person, shall be considered; second, the real beneficial owner shall be traced through any number of legal persons or arrangements of any kind; and third, if more than one person jointly owns or controls a ratio of the legal person's capital, all of them shall be deemed as joint owners or controllers of such ratio.

Fourth, if no natural person is identified as an ultimate beneficial owner even after considering all reasonable means,

or if there is reasonable doubt that any natural person identified as an ultimate beneficial owner is the real beneficial owner in the legal person, then the natural person who controls the legal person by other means of control shall be deemed as the real beneficial owner; fifth, the natural person who serves as the senior management officer shall be deemed as the ultimate beneficial owner.

The resolution also defines the duties of the nominee board members as follows. First, a manager or board member who acts as a nominee board member shall inform the legal person that he is a nominee board member and provide all the data referred to in Article 10 hereof within 15 days of becoming a nominee board member. A nominee board member who acquired such capacity prior to the promulgation of this decision shall inform the legal person of this fact within 30 days of the promulgation date of this decision.

Second, a nominee board member shall inform the legal person of any change to the data referred to in Article 10 hereof within 15 days of making such change; and third, a nominee board member shall inform the legal person that he ceased to be a nominee board member within 15 days of such cessation.

The decision also emphasises the need to apply a certified risk management-based approach to registered enterprises to ensure that the legal person is not used for money laundering and terrorism financing.

The approach includes classifying, assessing, addressing, and

mitigating the potential risks related to money laundering and terrorism financing operations annually; taking the necessary measures to reduce and prevent these risks through legal persons' risk assessment, verification, and monitoring; and implementing the procedures required to manage risks and ensure their effective implementation.

Furthermore, it addresses the establishment of a Registrar's AML/CFT unit as follows: the Registrar shall have an administrative unit responsible for the implementation of policies, procedures, and requirements for countering money laundering offences, combating the financing of terrorism and illicit organisations in accordance with the provisions of the decree-law, its executive regulation, and relevant regulatory decisions.

The unit shall submit real-time reports and updates to the Ministry. The Registrar shall issue a decision on the mechanism and functions of the unit after coordination with the Ministry and per the organisational structure. This unit shall adhere to the Registrar's senior management.

Meanwhile, the Cabinet Decision on administrative sanctions focuses on sanctions imposed on violators of the provisions of Resolution No. 109 through 16 items, ranging from a warning to the first financial penalty and then a second financial penalty in case of non-compliance and leaving the suspension of the license for one month or more based on the Registrars' discretion.


Al Saleh affirmed that the Ministry of Economy, in its capacity as a regulatory entity, will spare no effort in strengthening the

national AML/CFT system. It strives to raise awareness and compliance levels among companies targeted by all these legal requirements, thereby enhancing the UAE's position as a global economic hub.

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