

## Term of the Month

### Transaction Laundering

Transaction Laundering is a type of money laundering used by illicit businesses to process their transactions via a legitimate business. It is difficult to detect as the consent or knowledge of the legitimate business or payment processors are absent.

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## News Update

IntelleWings partnered with Khaleej Times for the groundbreaking NAFA Summit on June 21, 2023, in Dubai. The event, titled "Corporate Tax UAE Decoded - The Ultimate Guide to Navigating the New Era of Taxation," explored the transformative nature of Corporate Tax and its impact on the UAE business landscape. Over 150+ Attendees gained valuable insights into the evolving tax environment, equipping them with the necessary strategies for success. The collaboration between IntelleWings and Khaleej Times delivered an exceptional event, empowering businesses in the UAE.

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## News from the **AML world**

### India extends AML law to cover many more professionals

India's finance ministry issues notifications SO2036(E) and SO2135(E), expanding the Prevention of Money Laundering Act 2002. Notification SO2036(E) now includes practicing-chartered accountants, company secretaries, and cost accountants under the Act. SO2135(E) extends coverage to individuals offering trust and company services. The move aligns with the upcoming evaluation by the FATF. Law firms stress the need for further clarifications on certain aspects of the notifications.

### Albania Strengthens AML/CFT Measures, Achieves Compliance Ratings

Albania has enhanced its AML/CFT measures as compliance with FATF Recommendations 25 and 28 has improved, resulting in a re-rating from Partially Compliant to Largely Compliant. Albania implemented additional measures to address deficiencies, including subjecting trustees to AML/CFT requirements and improving access to beneficial ownership information. Regulatory oversight of notaries and real estate agents has also been strengthened. Albania has made significant progress in addressing compliance shortcomings identified in the 2018 Mutual Evaluation Report.

### UAE and Kazakhstan Strengthen Cooperation on AML/CTF Efforts

The UAE's Executive Office of AML/CTF and Kazakhstan's FMA held discussions to enhance bilateral cooperation in the field of AML/CTF. The meeting, which took place during the Eurasian Group's Plenary Session, focused on sharing experiences and best practices. Topics included IT technologies, asset recovery, and human capital development. Both parties expressed their commitment to deepening collaboration in combatting money laundering and terrorist financing. The Kazakh FMA commended the UAE's upcoming hosting of the Egmont Group's Plenary Session.

### Croatia added as only EU country on new FATF grey list, UAE remains

The FATF has included Croatia, an EU member state, in its "grey list" of countries under special scrutiny for deficiencies in AML & CFT measures. The FATF has urged Croatia to implement its action plan promptly, which involves assessing risks related to the misuse of legal persons and cash in the real estate sector. The FATF also emphasized the need for vigilance against circumvention of measures against the Russian Federation. No jurisdictions were removed from the grey list following the FATF's recent plenary meeting.

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### Iran Remains on FATF Blacklist, No Changes Made

The FATF announced that there have been no changes to its blacklist, which currently includes Iran, Myanmar, and North Korea. The decision was made during the FATF plenary meeting in Paris. Iran's position on the blacklist will remain until the country fulfils its Action Plan, including ratifying the Palermo and Terrorist Financing Conventions. The FATF expressed concern about the terrorist financing risk posed by Iran and called for effective counter-measures by its members and jurisdictions.

### Cayman Islands: Cayman Islands Satisfies All FATF Recommendations

The Financial Action Task Force (FATF) has confirmed that the Cayman Islands has fulfilled all 63 Recommended Actions (RAs) set by the FATF, establishing a robust and effective anti-money laundering/counter-terrorist financing (AML/CFT) regime. This achievement demonstrates the jurisdiction's strong commitment to adhering to international standards. Following an on-site inspection by the FATF, the Cayman Islands is expected to be removed from the FATF's Monitoring List (grey list) at the October 2023 plenary. The jurisdiction's removal from the EU's AML/CFT List is also anticipated, with ongoing discussions between the Cayman Islands and EU officials to facilitate this process.

### Central Banks Exploring the Potential of Issuing a Digital Currency

Central banks are exploring the potential of issuing digital currencies to adapt to the changing financial landscape. CBDCs offer advantages like financial inclusion, simplified payments, and improved efficiency. Challenges include technological and legal considerations, as well as the impact on commercial banks and monetary policy. CBDCs could reshape the financial system and require collaboration among stakeholders. Privacy concerns and the need for public education are also important. Pilots are already underway. Collaboration, research, and public involvement are crucial for successful implementation.

### Gulf Countries Bank on Digital Currencies to Boost International Trade

Gulf countries, led by the UAE and Saudi Arabia, are actively exploring the use of digital currencies to enhance international trade. Over half of the world's central banks are conducting studies on digital currencies, with over 100 projects underway. Digital currencies issued by central banks offer secure alternatives to non-state-controlled cryptocurrencies, improve financial inclusion, and streamline foreign trade. The UAE has made significant progress, with the upcoming launch of its Digital Dirham initiative and successful cross-border payment experiments. Saudi Arabia is cautious but studying the potential economic consequences. Other Gulf countries, including Qatar, Bahrain, Kuwait, and Oman, are also preparing to enter the digital currency market.

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### Proposed Updates to Canada's Anti-Money Laundering and Terrorist Financing Regime

Canada's AML and anti-terrorist financing (ATF) regime is set to undergo proposed updates to address emerging threats and align with changing global standards. The Department of Finance has introduced a package of regulatory amendments under the Proceeds of Money Laundering and Terrorist Financing Act (PCMLTFA). The proposed amendments include bringing all mortgage lenders under the regulatory scope, introducing AML obligations for armoured car companies, aligning correspondent banking regulations with international recommendations, increasing penalties for illicit cross-border cash movements, and enhancing information requirements for money service business registration. These updates aim to enhance the effectiveness of Canada's AML and ATF framework and combat financial crime. Regulated entities should stay informed about these proposed changes and review their compliance obligations accordingly.

### Offshore hubs have made progress fighting money laundering, says int'l watchdog

The FATF, an international watchdog, has acknowledged the significant progress made by Panama and the Cayman Islands in strengthening their AML and terrorism financing controls. Both jurisdictions have implemented a range of measures to improve the monitoring of their financial systems, as part of an action plan developed with the FATF. As a result, the FATF has considered conducting on-site visits and assessments to verify the sustainability of these controls. If the progress continues, Panama and the Cayman Islands could potentially be removed from the FATF's "gray list" of jurisdictions that require increased monitoring. The FATF also praised Barbados for its implementation of stronger AML controls but noted that it had not fully completed a previously agreed-upon action plan. The gray list currently includes 26 jurisdictions that have committed to addressing money laundering and terrorist financing issues.

### UAE and Malta organize workshop to exchange experiences in anti-money laundering & countering the financing of terrorism

UAE and Malta held a workshop to exchange experiences in AML/CFT. The event aimed to enhance cooperation and share knowledge on tackling money laundering and financing of terrorism. Topics discussed included UAE's efforts in combating financial crimes and Malta's successful AML/CFT strategy. Both countries emphasized the importance of ongoing cooperation. The workshop contributes to the UAE's compliance with international standards and ensures the country's reputation in global markets. The Ministry of Economy imposed fines on violating companies to enforce compliance with AML/CFT regulations.

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## Regulatory Information from the **AML world**

### IMF Executive Board Concludes 2022 Article IV Consultation with UAE

The IMF concluded its 2022 Article IV consultation with the UAE. The UAE demonstrated robust economic growth in 2022, driven by an effective COVID response, fiscal support, and previous reforms. Non-hydrocarbon GDP is expected to grow by 5.3 percent, and hydrocarbon GDP by 11.1 percent, aided by elevated oil prices and the OPEC+ agreement. The IMF praised the UAE's progress in enhancing AML/CFT measures and highlighted the positive economic outlook, subject to global uncertainties. The UAE's ongoing reform efforts and commitment to green transition goals were commended, with emphasis on fiscal stability, financial sector resilience, economic diversification, and transparency.

### FATF Updates List of AML/CFT Deficient Jurisdictions

The FATF has released an updated list of jurisdictions with deficiencies in AML & CFT measures. Financial institutions are advised by FinCEN to review their risk-based policies and procedures regarding involvement with the identified jurisdictions. The updated list includes jurisdictions under increased monitoring, referred to as the "grey list," such as Albania, Cayman Islands, Nigeria, and others. The FATF also highlighted "high-risk jurisdictions," including North Korea, Iran, and Myanmar, urging members to enhance due diligence and apply countermeasures where necessary to safeguard the international financial system.

### SEBI asks stock exchanges, intermediaries to identify money laundering, terror financing risks

SEBI, the market regulator in India, has directed stock exchanges and market intermediaries to identify potential money laundering and terror financing risks associated with new products and business practices. They are required to undertake risk assessments before launching or using such products and technologies. SEBI also mandates the registration of client information, including non-profit organizations, on the DARPAN portal of Niti Aayog. The use of advanced technological methods to meet sanctions requirements and implement name screening effectively is encouraged. Additionally, enhanced due diligence of PEP and refinement of the definition of beneficial owners have been introduced.

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European Banking Authority finds that money laundering and terrorist financing risks in payments institutions are not managed effectively

The European Banking Authority (EBA) has published a report highlighting concerns over the management of money laundering and terrorist financing (ML/TF) risks in the EU payment institutions sector. The EBA's assessment revealed that payment institutions often have insufficient internal controls to prevent ML/TF, despite the high inherent risks in the sector. The report also noted that some competent authorities are not adequately supervising the sector, allowing payment institutions with weak AML/CFT controls to operate in the EU. Failure to address these risks can impact the integrity of the EU's financial system. The EBA emphasizes the importance of robust implementation of AML/CFT provisions to mitigate these risks.

UAE remains on FATF 'grey list' but has made progress in addressing its AML issues, watchdog says

FATF has added the UAE to its 'grey' money laundering watch list, subjecting the country to increased monitoring. Being on the list can lead to reputational damage, ratings adjustments, and higher transaction costs. The UAE will work to implement a FATF action plan to strengthen its AML and counter-terrorism financing regime. The government stated its commitment to working with FATF to improve areas of concern. The UAE has taken steps to tighten regulations and combat illicit money flows, but further improvements are needed in areas such as facilitating international investigations and managing risks in specific industries.

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