



Reporting Obligations and Best Practices for the UAE's Legal Sector


THEMIS



LEGAL SECTOR REPORTING OBLIGATIONS

- The legal sector in the UAE has a key role to play in fighting financial crime, including through its legal obligation to file reports about suspicious activity or transactions to the UAE's Financial Intelligence Unit (FIU), using the goAML portal.
- As outlined in Federal Decree-Law No. 20 of 2018 and Cabinet Decision No. 10 of 2019, all designated non-financial businesses and professions (DNFBPs), including legal professionals, are obliged to report transactions where there is suspicion that the proceeds are related to crime or are intended to be used in a crime.
- The law defines crime as money laundering crime and related predicate offences – predicate offences are the criminal activities that produce illicit financial flows and can range from drugs and human trafficking to cybercrime and fraud.
- DNFBPs are required to assess all transactions and activity against a regularly updated list of indicators of potential criminal activity.
- Potentially suspicious activity must first be internally investigated and reported, before being reported externally to the FIU.
- If transaction monitoring processes, which may be conducted manually or automatically, produce an alert, staff should review and determine whether further investigation is warranted.
- If an alert requires immediate attention, employees should immediately escalate the activity to the designated STR or SAR decisioning authority (i.e. the Compliance Officer or the MLRO) for expedited review.

- In the case of expedited review, the Compliance Officer or the MLRO should review the activity and decide whether or not it is suspicious within 24 hours from the time of escalation and should file an STR or SAR to the FIU accordingly.
- If any employee or manager of a DNFBP fails to meet their reporting obligations, they are liable to a fine of AED100,000-1,000,000 and/or imprisonment.
- The law obliges reporting entities to submit reports 'upon suspicion or if they have reasonable grounds to suspect' that activity relates to crime – not only must they not submit unreasonable reports, they also must not ignore cases where there are reasonable grounds to suspect a connection to criminal activity.
- Good reporting therefore requires businesses to first familiarise themselves thoroughly with the typologies, risk indicators and red flags of financial crime.





LEGAL SECTOR REPORTING OBLIGATIONS – BEYOND SARS AND STRS

- Additionally, DNFBPs are required to report customers who are confirmed or partial matches to individuals or entities subject to UAE's Targeted Financial Sanctions (namely the UN Consolidated List and Local Terrorist List). [See here](#) for guidance on these sanctions.
- This is done through the submission of a Funds Freeze Report (FFR) or a Partial Name Match Report (PNMR) – these are used to report any freezing measure or suspension of transactions/services related to confirmed or partial matches.
- Law firms and legal professionals have additional obligations to report real estate transactions involving cash above a threshold of AED 55,000, and real estate transactions in which virtual assets (i.e. cryptocurrency) are used as direct or indirect payment – these types of transactions are associated with a high risk of crime exposure.



PROFESSIONAL CONFIDENTIALITY AND TIPPING OFF

- Under one specific condition, firms in the legal sector are exempted from the requirement to report suspicious activity.
- This is if they have obtained information concerning the activity/transactions in the course of interactions subject to professional secrecy, e.g. assessing clients' legal position, defending/representing them before judiciary authorities or in arbitration, or providing legal opinion with regards to legal proceedings.
- Another crucial provision of the UAE's AML law on suspicious activity reporting is that it is a federal crime for businesses to inform customers, directly or indirectly, "that a report has been filed or will be filed, or of any information or data contained in the report, or that an investigation is under way concerning the transaction" ([Central Bank of the UAE](#)).
- This is often referred to as the rule against "tipping off" - any person violating this prohibition is liable to a penalty of no less than AED100,000 and no more than AED500,000 and imprisonment for a term of not less than one year, according to Article 25 of the AML-CFT Law.
- It is not considered to be "tipping off" when legal professionals or independent legal auditors attempt to discourage customers from committing a ML/TF violation, including through the misuse of a legal entity or legal arrangement.
- However, even if firms succeed in dissuading customers from undertaking a suspected ML/TF crime, they must file a suspicious activity or transaction report and follow the mandated post-reporting processes.



For more information on reporting obligations, see Chapter 7 of the [AML-CFT Guidelines for DNFBPs](#) and [supplementary guidance for Trust and Company Service Providers](#) in the UAE (also reference AML-CFT Law Articles 9.1, 15, 25, 30; AML-CFT Decision Articles 16-18).

THE IMPORTANCE OF REPORTING

- Although it may seem individually insignificant, each report contributes to the bank of information being accumulated by the FIU.
- This information is used to prosecute criminals, ensure national security, and identify new trends in the ever-evolving threats of organised crime and terrorism.
- Reports have real-world impact: in 2022, money laundering investigations by UAE law enforcement confiscated over AED 3 billion, and approximately 45% of these investigations were instigated by FIU intelligence.
- Improving reporting is essential, as high-quality reports offer great help to investigators, while low-quality reports can hinder them.

HOW TO REPORT

- Firms in the legal sector file reports in the same way as all other DNFBPs, by using the [goAML platform](#) (an application for FIUs developed by the UNODC).
- After creating an account via the [Services Access Control Manager \(SACM\)](#) website (using the details of the nominated money laundering reporting officer), a business receives login details for the goAML portal, where it can submit reports.
- The platform offers a set of template reports, each of which is to be used for a specific reporting obligation.





TYPES OF REPORTS

- **Suspicious Transaction Report (STR)** – STRs are used by all DNFBPs with reporting obligations; they are used to report transactions suspected to be illicit. They should be submitted without delay after suspicions are raised.
- **Suspicious Activity Report (SAR)** – SARs are very similar to STRs but are used to report activity or attempted transactions suspected to be illicit. They should be submitted without delay after suspicions are raised.
- **Fund Freeze Report (FFR)** – FFRs are used to report measures taken in response to a business finding a confirmed match when screening a customer against lists of sanctioned entities. These measures include asset freezing and denial of business services to the customer. Fund freezing measures must be taken without delay (within 24 hours of identity confirmation); the FFR must be submitted within five business days of identification.
- **Partial Name Match Report (PNMR)** – PNMRs are used to report measures taken when a business finds a partial match when screening a customer against lists of sanctioned entities. These measures include the suspension of transactions and any further provision of services and must also be taken without delay. The PNMR must be submitted within five business days of identification.
- **Real Estate Activity Report (REAR)** – REARs are used to report transactions involving large amounts of cash, and/or cryptocurrency. Real estate agents, brokers and lawyers are required to file a REAR when a transaction involves cash payment of more than AED 55,000, or when it involves payment made with virtual assets (i.e. cryptocurrency) or funds converted from virtual assets. Cash and cryptocurrency payments are associated with a high risk of financial crime exposure.
- **Additional Information Reports** – Additional Information Reports are used to supply further information to the FIU when it requests follow-up to an initial reporting submission.





TIPS FOR A GOOD REPORT – CONTENT

- The goAML report templates require users to fill out a number of data fields – this should be done as accurately as possible, with reporters double-checking the details of their submissions.
- This includes the selection of the most appropriate keyword from the template menu provided under 'Reasons for Reporting'.
- STRs/SARs also require the reporting entity to provide the internal transaction reference number for the suspicious activity they are reporting.
- The most important section of a report is its description, or narrative, section – for every type of report, this should include a comprehensive account of the activity or transaction in question, with information on the background to the report and a description of the parties involved.
- The reports for which the description is most important are the STR and SAR types – this section is needed to outline the reasons why transactions or activity are suspicious.
- A report's description should aim to answer six key questions:
 - Who is involved in the suspicious activity/transaction?
 - What exactly is being done in the apparently criminal underlying activity?
 - When did it take place/for how long has it been taking place?
 - Where is the suspicious activity/transaction being carried out? (This will likely involve multiple locations/jurisdictions, not exclusively the UAE)
 - Why is/was this activity/transaction carried out?
 - How is the apparently criminal activity being carried out?
- In addition, the description should include a list of any red flags for criminal activity – the inclusion of direct references to financial and predicate crime typologies/indicators is very helpful for the FIU to organise and link together its database.



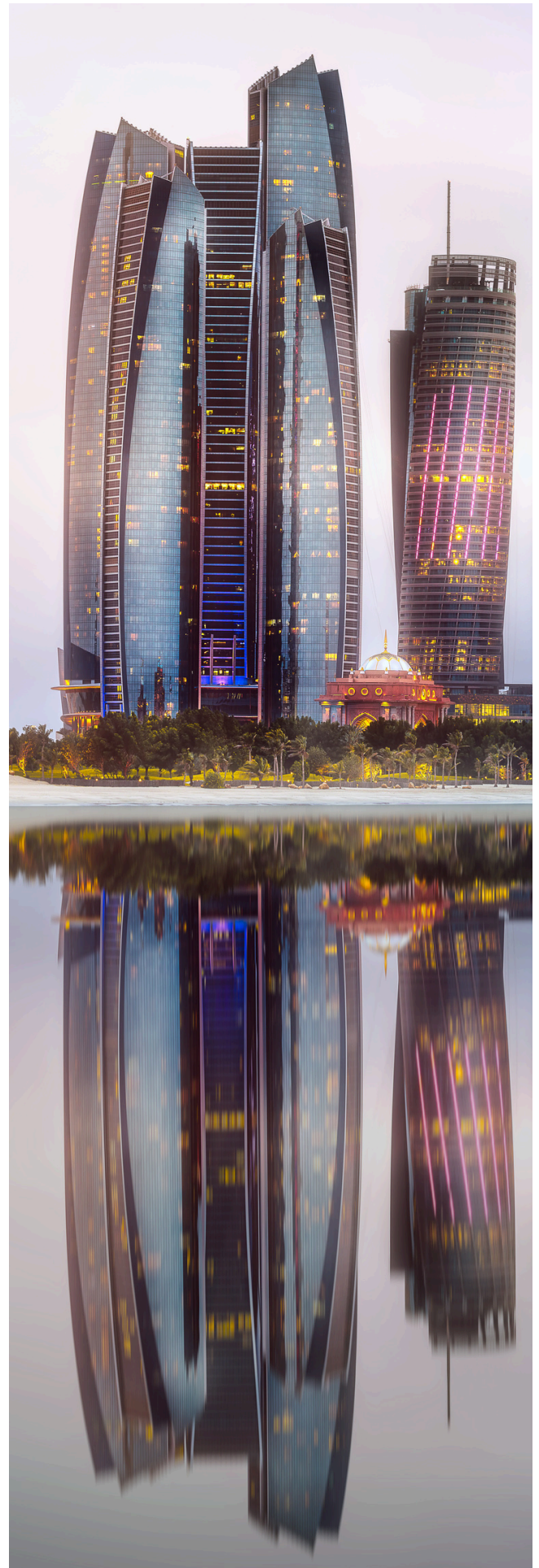


TIPS FOR A GOOD REPORT – STYLE

- Write clearly and concisely – make all information, especially the reasons for suspicion, easy to understand.
- Structure logically – give a chronological account of transactions and take the reader through the story of suspicious activity step-by-step.
- Avoid jargon/acronyms as much as possible.
- Give a simple explanation of technical terms you need to use.

POST-REPORTING PROCESS

- After submitting a report, the FIU may respond with requests for further information, or it may give the reporting entity instructions on continuing transactions.
- For sanctions reports, businesses should not adjust any measures taken without receiving instructions to do so from the FIU.
- After submitting an STR or SAR, the related customer or business relationships should immediately be classified as high risk.
- This may result in a business wishing to terminate its relationship with a customer; this is permitted, unless the FIU gives instruction that it is to be continued for the sake of further investigation.
- If the relationship is continued, the business should conduct appropriate risk-based enhanced due diligence and implement ongoing monitoring procedures.





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About Themis

Themis helps clients identify and manage their specific financial crime risks, through a combination of innovation, insight and intelligence.

Our cutting edge platform helps organisations understand these strategic threats through an ESG and socio-economic lens and protects their clients, suppliers and 3rd parties from criminal attacks or association. Founded, developed and delivered by financial crime subject matter experts.

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