



Common Financial Crime Risks in the UAE's Legal Sector


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The FATF has recognised the legal sector as a gatekeeper for money laundering, putting it in a vulnerable position where it could be exploited by launderers and other financial criminals.

There are a range of legal services that criminals may look to exploit. Criminals often target legal professionals to help them devise complex money laundering schemes. These criminals exploit the fact that legal experts are essential for carrying out legitimate transactions, which can be used to mask the proceeds of crime. Criminals look to involve lawyers unknowingly to create an appearance of legitimacy and add complexity to their transactions, making it harder for law enforcement to trace their activities. Additionally, the large sums of money that legal professionals handle make them appealing targets for money launderers.

Key risk areas associated with the legal sector in the UAE include:

- Transactions involving the real estate sector (which is high-risk for money laundering and, in the UAE, has an increasingly international client base).
- Transactions involving shell companies.
- Legal services for charities (which the FATF identifies as a key mechanism for terrorist financing).
- Merger or acquisition of companies and conveyancing services.
- Management of client accounts, which can be misused (for example, through sham litigation or scam investments).
- Creation of powers of attorney, legal persons, trusts and companies, or financial instruments.
- Advice on and drafting of contractual arrangements.
- Corporate deals where the ultimate beneficial owner is unknown.
- Legal services involving Commercial Free Zones and Financial Free Zones.

Below is a breakdown of the key financial crime risk typologies associated with the legal sector in the UAE.

Money laundering

Conveyancing solicitors may be at risk of money laundering if they unknowingly help to disguise criminal transactions (handling large amounts of money or providing services that facilitate the laundering process). Client accounts can also be used to add a layer of transaction to disguise dirty money.

The real estate sector is particularly high-risk for money laundering, which legal professionals may be exposed to through their services. The UAE real estate sector poses an attractive prospect to illegitimate actors wishing to launder illicit proceeds from a range of crimes, since the property market can be used to disguise the origin of the funds and invest the proceeds of criminal activities in legitimate assets.

Corruption and bribery

The involvement of politically exposed persons (PEPs), or their relatives or close associates (RCAs), in any transaction may expose legal professionals to corruption and bribery risks – either that proceeds from a crime may be laundered with the legal professionals' (unwitting or witting) help or that any of the participants involved in the deal may offer or accept bribes.





Terrorist financing and sanctions evasion

Legal professionals can be exposed to terrorist financing and sanctions evasion risks through clients - for example, in relation to the acquisition or merger of a company that is exposed to sanctions, or the purchase of real estate by sanctioned individuals. In the past, for example, property in the UAE has been linked to two Iranians formerly sanctioned for their involvement in Iran's missile programme and a sanctioned cousin of Syrian President Bashar Assad.

Tax crimes

The introduction of corporate income tax in June 2023 increases the risk of tax evasion by corporations, which may look to abuse legal services to evade taxes (for example, in relation to the formation of shell companies and trusts, which can be used to conceal ownership of assets and ultimate beneficial owners).

Fraud

In the purchase of real estate, virtual currencies can provide a level of anonymity with respect to the source or beneficial ownership of funds, and thus can increase the possibility of illicit funds being used in the transaction. With the UAE establishing itself as a prominent global crypto hub, certain real estate developers in the country allow properties to be bought using cryptocurrency, heightening exposure to crypto-related risk.

Organised crime and drugs, arms and human trafficking

The real estate market in the UAE has been known to attract organised criminal groups, with property purchase and investment in the local economy helping to facilitate their stay in the wider Middle East region (a key location for arms and human trafficking). For example, major criminals from the Balkans have invested large amounts of money in the UAE through the real estate sector. Lawyers involved in real estate transactions should therefore be aware of potential links to organised crime. Legal services related to immigration may also be exploited, which can leave legal professionals exposed to modern slavery and human trafficking risks.





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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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