

# Anti-Money Laundering and Combating the Financing of Terrorism Policy and Process



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Laundering and  
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Financing of  
Terrorism Policy and  
Process

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## Foreword



**Ahmed Hassan Noor**  
Director of Compliance, DMCC

DMCC is determined to foster an ecosystem that protects its business as well as of its member companies. With the release of the newest version of the AML/CFT policy, DMCC would implement a world-class AML/CFT policy and extend the same policy to our member companies who have the opportunity to adopt this updated AML/CFT policy. Investing in appropriate implementation of the AML/CFT policy would result in heightened levels of protection as well as control of associated risks that we are all responsible to mitigate.

The DMCC Governance and Risk Committee is the custodian of the Authorities Manual. DMCC compliance may be contacted for any questions or suggestions regarding this policy and process.

Thank you.



**Hassan Nasser**  
Compliance Advisor, DMCC

DMCC has demonstrated a commitment to adhere to anti-money laundering and combating the financing of terrorism laws, rules, and regulations and globally accepted best practices.

Fighting against money laundering and the financing of terrorism should be everyone's priority in order to

protect the integrity and stability of the global business community, cutting off resources available to terrorists, and preventing those engaged in illicit activities to profit from their crimes.

Therefore, it is imperative to adopt internal best practice, and especially in relation to enhancing internal policies and processes to prevent money laundering and the financing of terrorism, undertake customer due diligence, introduce heightened surveillance of suspicious transactions and report it to national authorities.

The updated version 2.0 of AML/CFT and process seeks to capture all recently issued laws, regulations and best practice.

Thank you.



**Krysta Fox**  
Executive Director - Free Zone

DMCC is committed to creating an environment in which DMCC employees and members understand and value ethical business practices. Compliance with anti-money laundering (AML) and combating of the financing terrorism (CFT) laws, regulations and standards is an essential part of this commitment.

The first step to identifying and addressing AML/CFT risk is to implement a robust, up-to-date frame of reference. The latest update of the DMCC AML/CFT policy and process is essential to maintaining alignment with recent changes in laws, rules, regulations and standards.

I expect all members of the DMCC business community to adhere to principles and guidelines outlined in this policy.

I look forward to an excellent implementation.

Thank you.

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## Glossary of Terms

Affiliate	Branches, subsidiaries or related parties of, or any entity that directly or indirectly controls, is controlled by, or is under common control with, a Member
AML	Anti-Money Laundering
AMLSCU	Anti-Money Laundering & Suspicious Cases Unit based at the Central Bank of UAE
Applicant	An individual or a company that submits an application to DMCC in relation to its free zone services
Audited Financial Statements	Companies financial statements examined and disclosed by an independent auditor
Background checking	Checking in the public domain for any relevant information or documentation
CDD	Customer Due Diligence
CFT	Combating the Financing of Terrorism
DMCC	Dubai Multi Commodities Centre
DMCC Regulations	DMCC Free Zone regulations as posted from time to time under the section of "Compliance and Regulations" on the DMCC website: <a href="http://www.dmcc.ae/open-a-business-support-rules-and-regulations-and-compliance">http://www.dmcc.ae/open-a-business-support-rules-and-regulations-and-compliance</a>
ESCA	Emirates Security & Commodities Authority
FATF	Financial Action Task Force
DMCC Free Zone Committee	A Committee constituted of DMCC directors to take decisions on behalf of the DMCC Free Zone.
GRC	DMCC Governance and Risk Committee

ID	Identification
INTERPOL	International Police Organization
IOSCO	International Organization of Securities Commissions
KYC	Know Your Customer
Legitimate	Not related to illegal or unauthorized activities
Members	Companies registered by DMCC
Members Activity Monitoring	Review the activities of the members to make sure that it is conducted in a legal manner and in line with terms and conditions of its license
NID	National Identification Card
Non-publicly traded	Not listed on any exchange
Partner	An entity or an individual that have established any relationship with DMCC
Risk Assessment	Identify the risk and classify it accordingly
The UAE	The United Arab Emirates
SAR	Suspicious Activity Report
Screening	Checking against sanctions list
VR	Verification
UAE Regulatory system	All federal laws of the UAE and all laws, resolutions, decisions, orders and regulations relating to AML or CFL in the UAE and the emirate of Dubai including those set out in Section 15 of this Policy

## 1. Introduction

The combating of money laundering and the financing of terrorism has, in recent years, become a challenge of global proportions. Money launderers, terrorists, and criminal groups deploy increasingly sophisticated methods and techniques. For the purpose of this policy (“the Policy”):

Money Laundering is:

The process by which criminals attempt to conceal the true origin and ownership of the proceeds of criminal activities. If successful, the money may lose its criminal identity and appear legitimate. Criminals do this by disguising the sources, changing the form, or moving the funds to a place where they are less likely to attract attention.

It includes any act mentioned in Article (2) of Federal Law No. (9) of 2014 [United Arab Emirates] regarding the amendment of some provisions of the Federal Law No. (4) of 2002 Regarding Combating Money Laundering [United Arab Emirates].

The Financing of Terrorism is:

Offering, collecting, ensuring access to, or transporting funds by any direct or indirect means to any society, organization, establishment, center, group, gang or any other persons to whom the provisions of Federal Law No. (7) of 2014 regarding terrorist acts, apply.

The UAE, cognizant of the need for regulatory legislation, has enacted numerous laws at federal level to prevent and criminalize money laundering and the financing of terrorism.

Article 22 (7) of Rule No. 4 of 2002 for Organizing Operations at the Dubai Commodities and Metals Centre (DMCC) stipulates that any activities that violate the laws of the state, including money laundering, are prohibited. Under this law, DMCC is obligated to establish a set of policies and procedures to ensure that neither it is Members nor their Affiliates facilitate money laundering and/or the financing of terrorist activities. Section 15 provides a list of these laws.

## **2. DMCC'S Commitment**

As a responsible commodities center and in its capacity as a government entity, DMCC is committed to supporting both domestic and international efforts and initiatives aimed at combating money laundering and the financing of terrorism, in addition to implementing and enforcing such internal measures as may be deemed necessary.

The issuance of this Policy together with the implementation, operation, and enforcement of the procedures and controls therein, are a reflection of DMCC's commitment in this regard.

In an effort to combat money laundering and/or the financing of terrorism, DMCC shall co-operate with UAE and international government agencies, and recognized law enforcement agencies.

## **3. Policy Custodian**

DMCC's GRC shall be the appointed custodian of this Policy and shall be ultimately responsible for the implementation and enforcement of this Policy.

The DMCC compliance director who will provide expertise and assistance regarding the implementation and enforcement of this Policy will support the GRC.

## **4. Purpose and Rationale**

This Policy sets out those provisions, procedures, and controls as enacted by DMCC concerning Anti-Money Laundering ("AML") and Combating the Financing of Terrorism ("CFT").

The rationale behind the Policy is unequivocally clear; DMCC will only accept those Members and Affiliates; whose sources of funds can be reasonably established as legitimate; and that do not pose any risk (actual or potential) to DMCC's reputation.

In light of the foregoing, DMCC will not tolerate any involvement in illegal activities or unauthorized activities by its staff, Members or its Affiliates.

## 5. Policy Scope and Penalties

The provisions, procedures, and controls detailed below are mandatory and shall apply to:

- DMCC staff;
- DMCC Members and Affiliates; and
- DMCC Partners

Breach of the Policy by any DMCC staff, Member or its Affiliate or Partner shall constitute a disciplinary offence and DMCC reserves the right to take any action as it, in its sole discretion, deems fit in securing the diligent and proper implementation and enforcement of this Policy.

Penalties applicable to Members and their Affiliates that are found to have violated the provisions of this Policy and process may include any or all of the following:

- Warning;
- Monetary fine;
- Temporary suspension of the operations of the Member;
- Temporary or permanent restrictions on the authorities of the board of directors, directors or
- managers of the Member; and
- Termination of the Member's license

## 6. Procedures and Controls

This Policy contains, as an integral part to it, certain procedural checks and balances (collectively "procedures and controls") to ensure the vigilant and effective operation of the Policy.

The procedures & controls are as follows:

- Identification, verification and KYC;
- Updating of KYC information;
- Monitoring of Members' activities;
- Reporting of suspicious activities;
- Training and awareness; and
- Record keeping,

and are dealt with in more detail in Section 8 below.

## **7. Periodical Review**

This Policy shall be reviewed on at least an annual basis. All reviews shall take into account legislative changes regarding AML and CFT and shall examine the previous 12 months implementation of the Policy, considering improvement opportunities. Any amendments made to the Policy under this section 7 must have received prior written sign-off from the DMCC senior management team represented through the GRC whereupon they shall take effect immediately.

## **8. Identification (ID), Verification (VR) and Know-Your-Customer (Kyc)**

ID, VR, and KYC together form the first key step in the procedures and controls and shall be conducted prior to the granting of any DMCC membership to an Applicant. Following Applicant screening and background information checks, together with review of the business plan, sources of funds and expected level of activity, an initial decision will be made with respect the application status (acceptance, rejection, obtain more information).

The completion of ID, VR and KYC procedures are mandatory.

Where the Applicant is an individual person seeking to form a DMCC company, section 8.4 applies.

The ID, VR and KYC process must cover the following details regarding each individual Applicant:

- Applicant's full name (as per NID or passport);
- Date and place of birth;
- Nationality;
- Physical address (residential and business / home country and UAE);
- Contact details;
- Previous personal / business activities / occupation (type and volume);
- Anticipated type and volume of company's activities; and

Together with the following, for enhanced CDD:

- Bank reference and introductory letter; and
- Source of funds.

A more detailed checklist is attached in Appendix A.

Where Applicant is a company seeking to form a DMCC company, section 8.6 applies.

The ID, VR, and KYC process must cover the following details regarding the Applicant Company:

- Incorporated name;
- Shareholders<sup>1</sup> (in case applicant company being non-publicly-traded);
- Ultimate beneficial owners<sup>2</sup> (in case applicant company is not publicly-traded);
- Managers<sup>3</sup>;
- Signatories<sup>4</sup>;

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<sup>1</sup> To include 'active' and 'silent' or 'sleeping' partners

<sup>2</sup> In this particular context, 'Ultimate Beneficial Ownership' means where a person owns or controls 5% or more of the Applicant Company's capital

<sup>3</sup> That person having day-to-day control of the company if not a shareholder/partner

<sup>4</sup> Any individual who is authorized to sign on behalf of the company

- Country of origin / UAE physical address (if applicable);
- Contact details;
- Previous business activities (type and volume);
- Anticipated type and volume of activities; and
- Last two years audited financial statements.

Together with the following, for enhanced CDD:

- Source of funds; and
- Banking reference and introductory letter.

A more detailed checklist is attached in Schedule Appendix B.

### KYC Process

1. KYC is to be carried out according to two (2) mandatory checklists:
  - Individual shareholders / directors/manager KYC checklist (please refer to Appendix A); and
  - Corporate KYC checklist (please refer to Appendix B).
2. The granting of DMCC membership to shell companies is strictly forbidden. For the purposes of this section 8.7(2), a "shell company" shall mean an institution that has no physical presence in any country, no active business and which merely exists on paper.
3. An integral part of the KYC process is the carrying out of Applicant screening and background checking and risk assessment.
  - Screening checking is designed to ensure that an Applicant is not listed on an international official sanction lists issued by government and departments and law enforcement agencies;
  - Background checking is designed to identify any adverse information about the past conduct of an individual that may influence their suitability as an Applicant; and
  - The risk assessment process classifies the applicants into three risk categories: low, medium and high. Applicants classified under high risk, including applicants

defined as "Politically Exposed Persons" (PEP's), shall be subject to enhanced CDD during both the approval and monitoring process and applications shall be submitted to senior management represented through the DMCC Committee for a decision.

4. When conducting the KYC process, there shall be no reliance on third party information or 'hearsay'. DMCC staff, who are independent and have no conflict of interest with respect to the Applicant and/or application, must carry out all ID, VR, and KYC. Example, if the Applicant is introduced to DMCC by a third party, DMCC is still under a clear obligation to perform the ID, VR, and KYC procedures.
5. It should be borne in mind that KYC is more than a procedure and is actually a discipline that is to be encouraged and developed. To that end, KYC should become second nature so that in addition to the foregoing, any significant information related to the Applicant / Member obtained during meetings, telephone discussion, visits, press releases, etc. and which is deemed relevant for the purposes of the Policy should be recorded and reported. Fresh CDD should be undertaken, especially if it appears that the veracity or accuracy of previous information is in doubt.

## **9. Updating of KYC Information**

Reasonable steps must be taken to ensure that ID, VR and KYC information is updated as and when required. As a minimum standard, KYC information must be updated every year.

KYC updating is mandatory and carried out according to the KYC update checklists in Appendices C and D.

## **10. Monitoring of Members' Activities**

DMCC is mandated to monitor, supervise, and inspect the activities of its Members and their Affiliates.

As such, the Members Activity Monitoring will be undertaken as follows:

- Collect and retain members' annual Audited Financial Statements.
- Reviewing the members' annual Audited Financial Statements.
- Conducting inspections on Members premises to ensure that their operations are conducted in accordance with UAE Regulatory System and DMCC Regulations.

## **11. Reporting of Suspicious Activities**

Article 15 of UAE Federal Law No. 4 of 2002 Regarding Criminalization of Money Laundering places a clear obligation on all DMCC staff, Members and their Affiliates to report any suspicious activities or information which may point to transactions, instructions, or arrangements related to illegal or unauthorized activities, with which DMCC or any of its Members or their Affiliates is involved.

As such, it is the legal duty of management, staff and Members and their Affiliates to report any suspicious activity or information to the AMLSCU. In doing so, it is important that:

- The reason for the suspicion is fully explained;
- No mention of the suspicion is made to the Applicant, Member, its Affiliate or any third party of the subject of the suspicion (failure to observe this requirements may result in the divulging party being prosecuted for the offence of 'tipping off'); and
- Any additional information as may be deemed necessary to conduct the investigation is furnished.

Any transaction settled in cash and which has a value of AED 100,000 or above should be accompanied by a certificate of source of funds such as bank cash payment certificate or slip, customs declaration certificate, etc.

If such a transaction is considered as suspicious, it should be reported to AMLSCU.

## **12. Training and Awareness**

Training shall be carried out at least once every one year for all relevant staff within DMCC, its partners and Members and their Affiliates so as to ensure they are aware of

those AML and CFT regulations, controls and responsibilities which require their compliance and which form the basis of this Policy.

Within one month of joining, all new DMCC staff must be provided with an initial induction to the AML and CFT Policy, together with the obligation to report suspicious activities or transactions. Such induction may be carried out as part of the normal induction procedure.

Please refer to Appendix E for practical issues concerning training and awareness.

### **13. Record Keeping**

#### **KYC Documentation**

For the purposes of this section 13, "KYC documentation" shall refer to:

- All Members' documentation and/or correspondence regarding DMCC registration;
- All Members' documentation and/or correspondence regarding DMCC licensing;
- Rejected registration and licensing applications;
- All documentation concerning a suspicious activity report concerning a Member together with any response/follow up; and
- Records of AML/CFT training sessions attended by DMCC staff, Members and their Affiliates, the dates, content and attendees.

Please refer to Appendix F for practical issues concerning record keeping.

#### **Retention Periods**

All documentation required under this Policy should be retained in accordance with DMCC's records management policy for a period of at least six (6) years from the date of expiration/termination of a third party's DMCC membership.

## Investigations

Where a Member or its Affiliate is the subject of an investigation of any kind then all documentation relating to the investigation must be retained for such time until the authority conducting the investigation (e.g. ESCA, Dubai Police, and Interpol etc.) informs DMCC otherwise in writing.

## 14. DMCC Management and Staff Responsibilities

### Scope of Responsibility

In carrying out the proper discharge of their duties under the Policy, both DMCC staff and management alike will be expected to:

- Undertake their due diligence role;
- Ensure their and their team's awareness of and compliance with ID, VR and KYC, record keeping and reporting;
- Undergo such ongoing AML/CFT training as DMCC deems necessary from time to time;
- Ensure the independency of the compliance function; and
- Support the compliance function.

## 15. References

In this Policy reference has been made to the following legislation, directives and regulations (collectively "the Regulations"). In the event of any material change being effected to the Regulations following the date of this Policy coming into force, DMCC shall make such amendments to the Policy as are necessary so as to ensure that the intent, spirit and letter of the Regulation is reflected in the Policy.

- UAE Federal Law No. (9) of 2014 Regarding the Amendment of some Provisions of the Federal
- Law No. 4 of 2002 Regarding Criminalization of Money Laundering.

- Cabinet resolution No.(38) of 2014 Regarding the Executive regulation of the Federal Law 4 of 2002 Regarding Criminalization of Money Laundering.
- UAE Federal Law No. (7) of 2014 Regarding the Combating of Terrorist Offences.
- UAE Federal Law No. 4 of 2002 Regarding Criminalization of Money Laundering
- UAE Federal Law No. 1 of 2004 on Combating Terrorism Offence
- UAE Federal Law No. 8 of 2004 Regarding the Financial Free Zones
- Federal Law No. 4 of 2000 Regarding The Emirates Securities and Commodities Authority and Market
- ESCA regulation concerning procedures for Anti-Money Laundering
- Rule No. 4 of 2002 for Organizing Operations at DMCC
- Rule No. 1 of 2003 Amending Certain Provisions of Rule No. (4) for DMCC
- Dubai Multi Commodities Centre Authority Free Zone Rules and Regulations Third Edition - March 2012
- Guidance For Risk-Based Compliance for Designated Non-Financials Business and Professions - DNFBPs: G - 01
- FATF 40 AML and 9 CFT Recommendations
- Basel Committee on Banking Supervision Recommendations

## 16. Appendices

Note:

In the following Appendices, where a document is asked to be provided as an authenticated copy, then, unless the original is provided to and retained by DMCC, the copy must be authenticated as a true copy of the original by any of the following:

- Registered and practicing lawyer; or
- Registered Notary Public; or
- Chartered accountant; or
- Government ministry; or
- Embassy or consulate; or
- UAE Ministry of Foreign Affairs.

## Appendix A - Individual Shareholder KYC Checklist

The following information/documents must be collected and retained:

A1 Authenticated valid NID card (for UAE nationals) or passport clearly showing:

- Legal name (change of name deed in the case of change of name);
- Date and place of birth; and
- Nationality

A2 Authenticated proof of country of origin and physical address therein of individual in the form of:

- Passport; or
- Home country NID; or
- Home country driving license

A3 Authenticated proof of individual's physical address in the UAE in the form of:

- Original utility bill; or
- Copy of lease / purchase agreement

Where the individual is living at a temporary address, the details must be obtained and verified as per A3 above and an undertaking provided by the individual that they will advise DMCC of the new permanent address once obtained. DMCC client relations department should follow this up.

A4 Contact details of the individual:

- Telephone number(s) (land and mobile);
- Fax number(s); and
- Email address.

A5 Verification of contact details in A4 above via their testing by DMCC.

A6 Previous personal and business profile of each individual shareholder, director, manager, such profiles to include previous occupations and/or types of businesses operated:

- Names and addresses of previous businesses or employers;
- Main products;
- Owners;
- Main customers and suppliers;
- Main activities geographical areas; and
- Volume of previous activities

A7 Indication of the anticipated volume and type of activity to be conducted by the individual's Applicant Company

A8 Understanding the source of funds (income, assets, net worth, etc.) of each individual shareholder/manager (for enhanced CDD)

A9 First class bank reference whereby the individual has been known to the issuing bank for at least two years (for enhanced CDD)

## Appendix B - Corporate KYC Checklist

The following information/documents must be collected and retained:

B1 Authenticated proof of legal existence of Applicant company:

- Trade license (if relevant in country of incorporation);
- Certificate of incorporation;
- Memorandum and articles of association; and
- Board resolution permitting DMCC application.

B2 Authenticated proof of Applicant company's physical address in country of origin and physical address within the UAE (when applicable):

- Original utility bill;
- Copy of lease/purchase agreement;
- Original statement from a financial institution; or
- Letter from public authority or external auditor.

B3 Contact details of Applicant company:

- Office telephone number(s);
- Office fax number(s);
- Office email address; and
- Website address.

B4 Names and addresses of all controlling individuals<sup>5</sup> of the Applicant company and its assets (verified as per Appendix A, Sections A1 and A3)

B5 Authenticated declaration by authorized signatories of the Applicant Company that the ultimate beneficial owners mentioned in B4 is the sole ultimate beneficial

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<sup>5</sup> The expression "Controlling Individual" here means a shareholder, ultimate beneficial owner, director or a manager

owners of the Applicant Company (in case of Applicant Company not being publicly traded)

B6 Authenticated identities and addresses of all signatories of Applicant company (verified as per Appendix A, Sections A1 and A3 if different to those at B4 above)

B7 Identities and addresses, if different to those at B4 and B6, of:

- Individuals holding powers of attorney from Applicant company; and
- Third party mandate holders of Applicant company,

and verified as per Appendix A, Sections A1 and A3.

B8 Understanding the relationship that exists between the principals of the Applicant Company and the powers of attorney/third party mandate holders

B9 Names and address of all partners in partnerships (verified as per Appendix A, Sections A1 and A3).

B10 Details of Applicant company's previous business including:

- Main products;
- Name and address of previous business;
- Main customers and suppliers;
- Main activities geographical areas; and
- Volume of activities over last two years.

B11 Indication of the anticipated volume and type of activity to be conducted by the Applicant Company.

B12 Understanding the source of funds originating from the Applicant Company.

B13 First class bank reference whereby Applicant Company has been known to the issuing bank for at least two years (for enhanced CDD)

B14 Last two years Audited Financial Statements.

## Appendix C - Corporate KYC Updating Checklist

The following information/documents must be collected and retained:

C1 Authenticated same year proof of physical address of Member Company in the form of:

- Original utility bill; or
- Copy of lease/purchase agreement

C2 Recent contact details of Member Company:

- Office telephone number(s);
- Office fax number(s);
- Office email address; and
- Website address

C3 Names and address of all new (since registration date or last update) ultimate beneficial owners and controlling individuals (directors and managers) of the Member company and its assets (verified as per Appendix A, Sections A1 and A3).

C4 Authenticated declaration by each Member company authorized signatory that the latest ultimate beneficial owners mentioned in C3 above are the sole beneficial owners of the Member company

C5 Description of Member company's activities (types and volume) for the last two years

C6 Member Company's Audited Financial Statements for the last two years

## Appendix D - Individual Shareholder / Director / Manager

### KYC Updating Checklist

The following information/documents must be collected and retained:

D1 Authenticated valid NID (in the case of UAE nationals) or passport clearly showing:

- Legal name (change of name deed in the case of change of name);
- Date and place of birth; and
- Nationality.

D2 Authenticated same year proof of physical address of individual:

- Valid original utility bill; or
- Valid copy of lease agreement.

D3 Latest contact details of the individual:

- Telephone number(s);
- Fax number(s); and
- Email address

## Appendix E - Practical Issues Concerning Training and Awareness (Section 12)

E1 Any training provided under section 12 must include:

- An introduction into what is money laundering/financing of terrorism;
- Developing the ability to recognize suspicious activities or "early warning" signs (particularly regarding commodities trading);
- The requirements of local and international regulatory legislation and their ramifications; and
- The Policy.

E2 Training and awareness can be raised through the following tools:

- Handbooks;
- Awareness messages;
- Courses (internal and external);
- Induction programs; and
- Online training (e learning).

## Appendix F - Practical Issues Concerning Record Keeping (Section 13)

### F1 Storage Location

If it is not possible or practicable (for example due to space constraints) to store KYC documentation on site, then a suitable external location may be utilized.

Suitable external locations may be:

- A secure area (e.g. warehouse, office) owned and/or operated by DMCC; or
- A secure area owned and/or operated by a reputable third party provider.

Regardless as to whether KYC documentation is stored on or off-site, the documents themselves must be stored in a secure, fireproof location such as a safe from a reputed manufacturer.

### F2 Use of Other Storage Media

As an additional safeguard, the company may elect to scan images of original documents onto CD-ROM format. CD-ROM's should be stored in a secure environment suitable for the long-term storage of electronic/digital media.

### F3 Data Retrieval/Accessibility

The robustness of the security offered by any given storage option should not compromise the efficacy of data retrieval. Storage locations that prevent a reasonably fast retrieval of data should be disregarded in favor of suitable alternatives. The requirement for swift data retrieval is particularly important when dealing with third party conducted investigations where DMCC may be requested to source and forward on data within a stipulated period.

- As such, stored KYC documentation should be indexed by reference to:-
- Member name;
- Date stored;
- Data type (e.g. registration, license, correspondence, report); and
- Details of the individual responsible for filing the KYC documentation in storage.