



## ANTI-MONEY LAUNDERING POLICY BRIEF

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### Part 1: GENERAL

#### Policy Statement

Aldar is committed to preventing money laundering, terrorist financing and sanction avoidance. Strict adherence to the laws and regulations will protect Aldar's reputation and preserve public confidence in Aldar.

As such, it is recommended that Aldar adopt an AML policy to set out the parameters to be followed to ensure the effective implementation of guidelines that will contribute to the achievement of overall organizational objectives while ensuring compliance to the regulatory framework governing designated non-financial businesses and professions (**DNFBP**) in the United Arab Emirates (**UAE**). Any AML policy should extend to all companies within which Aldar has holdings.

#### Policy Objectives

- To define Aldar's policies relating to money laundering, terrorist financing and sanction avoidance
- To explain clearly and simply the compliance obligations of all employees
- To guide employees in the conduct of their day-to-day business
- To assist in the training of any new employees
- To promote a culture of compliance in the way employees carry out their work

#### Laws and Regulations

- UAE Federal Law No. 20 of 2018: Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organizations (**AML Law**)
- Cabinet Resolution No. 10 of 2019: Implementing Regulations of Federal Law No. 20 of 2018 (**AML Regulations**)
- UAE Federal Law No. 7 of 2014: Combating Terrorism Crimes
- UAE Federal Penal Law No. 3 of 1987 as amended (**Penal Code**)
- UAE Federal Penal Procedures Law No. 35 of 1992 as amended (**Penal Procedures Law**)
- Regulations regarding declaration by travellers entering or leaving the UAE carrying cash and monetary or financial bearer instruments (issued in 2011)
- UAE Federal Law No. 5 of 2012: Combating Cyber Crimes
- SCA Decision (17/R) of 2010 Concerning Anti-Money Laundering and Terrorism Finance Combating Procedures
- UAE Central Bank Regulations Concerning Procedures for Anti-Money Laundering, in particular Circular No. 24/2000 and its amendments by Notices No. 1045/2004 and 2922/2008
- Any United Nations sanctions that are applicable through ratification by the UAE (singularly and collectively, **Regulation** and **Regulations**).



The Regulations require UAE financial institutions and DNFBPs to apply a risk-based approach in order to satisfy their legal obligations, eg. when on-boarding customers and conducting regular AML assessments during the course of business.

Since DNFBPs includes those involved in the real estate industry, Aldar is committed to applying a rigorous risk-based compliance program as a matter of law and industry-leading best practice.

### **Investigatory Powers and Criminal Enforcement**

The Financial Intelligence Unit (**FIU**) of the UAE Central Bank is responsible for receiving and investigating reports regarding suspected illicit financial activity in the UAE. The Public Prosecution has jurisdiction over prosecuting such crimes, which are enforced through the criminal courts.

### **What is Money Laundering?**

Article 2 of the AML Law defines the offence of money laundering as any of the following acts done in the knowledge that the funds are derived from a crime:

- Transferring, moving, or conducting any transaction with proceeds with the aim of concealing or disguising their illegal source;
- Concealing or disguising the true nature, source or location of the proceeds as well as the method involved in their disposition, movement, ownership or rights;
- Acquiring, possessing or using proceeds upon receipt; or
- Assisting the perpetrator of the predicate offense to escape punishment.

Money laundering is always an intentional act and may not be committed simply by negligence, however Aldar appreciates that criminal liability will apply to grossly negligent acts relating to failing to report to the FIU suspicions of criminality.

### **Defences**

There are no statutory defences in the Regulations specific to charges of money laundering. The defences available under UAE law to charges of money laundering are not different from those available in respect of any other criminal offence.

Criminal actions for money laundering may not be settled or subject to plea agreements. Where the Public Prosecutor decides that actions constitute a money laundering offence, there is no permitted prosecutorial discretion and the Public Prosecutor is obliged to refer the matter to the criminal courts.

### **Resolutions and Sanctions**

In cases where compliance standards have not been met, administrative sanctions are available to ensure proper application of the Regulations, eg. warnings, fines, restriction/suspension of business activity, arrests of board members and senior management found responsible for violating the regulations, and/or restrictions on the power of the board and senior management, facilitated by the appointment of a temporary observer. If convicted of a money laundering offence, the AML Law provides punitive measures including fines ranging from AED 100,000 to AED 10m and imprisonment of up to 10 years.

### **Aldar's Obligations**

- Identify risks to criminal acts within its business;
- Maintain a continual review of any such risks;
- Develop internal controls and policies to manage the relevant risks;
- Adopt appropriate due diligence requirements as further highlighted below; and
- Apply any United Nations (**UN**) directives that relate to the suppression of the financing of terrorism and proliferation of weapons of mass destruction.

## **PART 2: KYC PROCEDURES**

## **Customer and Business Partner Due Diligence**

Dealers in real estate<sup>1</sup> and non-resident customers (especially those from high-risk countries), foreign and local politically exposed persons (**PEP**), complex legal entities and third-party buyers are examples of high-risk counterparties, which therefore require enhanced due diligence procedures.

### **Know Your Customer (KYC)**

The purpose of the KYC procedures is to provide a mechanism through which potential counterparties can be identified and resolved in a simple, streamlined fashion, but at the same time provide a mechanism which ensures that all interested parties have been consulted.<sup>2</sup>

It is important for Aldar to obtain such information because this process effectively mitigates the risk of being exploited for the purpose of money laundering and terrorism financing, which can be reduced to a minimum. The process would also enable suspicious transactions to be detected because they are incompatible with the information received.

Aldar is required to undertake KYC measures for all proposed transactions and business relationships. Under general KYC measures, Aldar should:

- (a) Verify the identity of the counterparty on the basis of original or properly certified documents, data or information issued by or obtained from a reliable and independent source;
- (b) Identifying the ultimate beneficial owner, and taking reasonable measures to verify the identity of the ultimate beneficial owner such that Aldar is satisfied that it knows who the ultimate beneficial owner is. For legal persons<sup>3</sup> and arrangements<sup>4</sup>, this should include Aldar taking reasonable measures to understand the ownership and control structure of the counterparty. In the event of a counterparty claiming to be acting on behalf of another, it must be verified that this person has the proper legal authority to do so;
- (c) Obtaining information on the purpose and intended nature of the business relationship to develop the counterparty risk profile;
- (d) Seek to understand source of wealth and source of funds; and
- (e) Undertake ongoing due diligence of the business relationship with the counterparty and scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with Aldar's knowledge of the counterparty, their business and risk profile.<sup>5</sup>

Aldar should apply each of the KYC measures under Items (a) to (e) above, but may determine the extent of such measures on a risk sensitive basis depending on the type of counterparty, business relationship or transaction. It is recommended that measures taken should be consistent with any guidelines issued by competent authorities. For higher risk categories, Aldar should perform enhanced due diligence. Records should be kept for a minimum of five years.

***Where Aldar is unable to comply with Items (a) to (c) above, it must not commence business relations or perform the transaction; and it must terminate the business relationship; and must make a suspicious transactions report in relation to the counterparty.***

<sup>1</sup> The real estate sector is an area of particular concern due to its global vulnerabilities to exploration by criminal actors who seek to utilise property purchases to place illegitimate/criminal funds into the legitimate financial system. Specifically, the purchase of property can be utilised to 'layer' funds, whereby funds are distanced from their original illegitimate source and then ultimately the funds can be integrated into the legitimate financial system. Global cities are viewed as high risk for global money laundering practices.

<sup>2</sup> Internal controls such as 'KYC form' for use by customer facing employees to be implemented/reviewed. The KYC form should cover off paragraphs (a) through (d).

<sup>3</sup> Eg. companies, partnerships, associations.

<sup>4</sup> Eg. trusts.

<sup>5</sup> To capture change of details. Internal controls such as 'updated details form' to be sent to counterparties annually.



These requirements should apply to all new counterparties and Aldar must also apply these requirements retrospectively to existing counterparties on the basis of materiality and risk, and should conduct due diligence on such existing relationships at least annually.

## **Identity**

Aldar will establish and verify the identity of any counterparty with or for whom it acts or proposes to act. Initially Aldar will adopt the following approach in establishing and verifying a counterparty's true identity. Aldar may update as appropriate any counterparty identification policies, procedures, systems and controls having considered its risk assessment in respect of the counterparty.

The following list should be considered as guidance regarding the type of information and evidence which must be obtained by Aldar to establish and verify the identity of a counterparty before conducting any transactions or entering any business relationships:

### Natural Persons

- (a) Full name<sup>6</sup>
- (b) Date of birth
- (c) Nationality
- (d) Legal domicile<sup>7</sup>
- (e) Current residential address (not a PO box)
- (f) Name and address of employer
- (g) Approval of higher management if the customer or beneficial owner is a PEP

Items (a) to (g) at minimum must be obtained from the "would-be" beneficial owner<sup>8</sup> of the property. A beneficial owner is one who owns or exercises effective ultimate control, whether directly or indirectly, over a customer.

Items (a) to (c) above should be obtained from a current valid passport or, under exceptional circumstances where a counterparty does not possess a passport, an official identification document which includes a photograph.

Documentary evidence of address (any of the following):

- (a) Tenancy agreement
- (b) Utility bill
- (c) Letter from employer or sponsor (as the case may be) confirming residential address

### Legal Persons and Arrangements

- (a) Full business name and any trading name
- (b) Registered or business address
- (c) Name and address of legal representative in the UAE, if person is located outside of the UAE
- (d) Date of incorporation or registration
- (e) Place of incorporation or registration
- (f) A copy of the certificate of incorporation or registration
- (g) A copy of the articles of association or any similar documents
- (h) A valid commercial or professional license
- (i) The identity of the directors, partners, trustees or equivalent persons with executive authority of the legal person
- (j) For a trust, a certified copy of the trust deed to ascertain the nature and purpose of the trust and documentary evidence to the appointment of the current trustees

<sup>6</sup> As it appears in the identity document, eg. passport.

<sup>7</sup> The concept of domicile generally refers to the place which a person regards as his permanent home and with which he has the closest ties or which is his place of origin.

<sup>8</sup> (a) a person who owns more than 25% of the equity interests in a counterparty; or (b) a single natural person who exercises control over the counterparty.

### Legal Representatives

- (a) Legalised<sup>9</sup> power of attorney
- (b) Legalised memorandum of association or articles of association
- (c) If (a) or (b) do not provide for the authority of the legal representative, a legalised board resolution and power of attorney
- (d) Items (a) to (e) listed above under Natural Persons

Where identification documents cannot be obtained in original form, for example, because Aldar has no physical contact with the counterparty, the counterparty should be considered high-risk, and Aldar should always obtain a copy certified as a true copy by a person of good standing such as a registered lawyer or Notary Public, a chartered accountant, a bank manager, a police officer, an employee of the person's embassy or consulate, or other similar person.

Downloading publicly available information from an official source (such as a regulator's or other official government website) is sufficient to satisfy the requirements of counterparty verification. KYC information and research obtained from a reputable company or information-reporting agency may also be acceptable as a reliable and independent source as would banking references and, on a risk-sensitive basis, information obtained from researching reliable and independent public information found on the internet or on commercial databases.

### Source of Wealth / Source of Funds

As a general rule, but particularly in the case of high-risk counterparties, Aldar should obtain:

- (a) Information regarding the origin of the funds
- (b) Information regarding the structure of the funds, if loans or credit finance
- (c) Information regarding the source of wealth and income

***Where Aldar is unable to obtain satisfactory evidence of Items (a) - (c) above, it must not commence business relations or perform the transaction, or it must terminate the business relationship; and should consider making a suspicious transactions report in relation to the counterparty.***

Aldar should only accept payment from authorised and recognised banks.

### Indicators of Suspicious Activity<sup>10</sup>

- Non-transparent or unusually complex ownership structure
- Counterparty and/or its funds originate from high-risk countries
- Payment in cash
- Counterparty has an unusual income (eg. the counterparty has no income or there is an inconsistency in the counterparty's income and standard of living)
- Unusual rise in counterparty's financial means
- Transactions are anonymous
- Use of front companies, shell companies, trusts and other corporate structures to purchase property
- Use of complex loans, credit finance, or mortgage schemes to purchase property
- Reliance on third parties to conduct a sale or purchase of a property on a counterparty's behalf
- Manipulation of the property's valuation (eg. successive sales on the same property at higher prices)

### Sanctions

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<sup>9</sup> Means, for documents originating from the UAE, attested by a Notary Public in the UAE. For foreign documents, means attested by a Notary Public, attested by the UAE Embassy in the foreign country, attested by the UAE Ministry of Foreign Affairs in the UAE.

<sup>10</sup> The Organisation for Economic Co-operation and Development (OECD) provides a non-comprehensive list of indicators that members of the real estate industry should use to identify suspicious activity.



Once the identity of a counterparty has been determined, Aldar must ensure sanctions compliance by screening the counterparty on all applicable sanctions lists. This should be a mandatory process which must be followed by Aldar in respect of each counterparty prior to the establishment of a business relationship.<sup>11</sup>

***Where Aldar discovers the counterparty appears on any applicable sanctions list, it must not commence business relations or perform the transaction; it must terminate the business relationship; and must make a suspicious transactions report in relation to the counterparty.***

High-level overview of the obligations for DNFBP's in the UAE in relation to sanctions as provided by the UAE Central Bank:

- (a) Maintain a continuously up-to-date awareness of the persons and organisation listed in the relevant UN Security Council Sanctions Committee's lists and comparing these on an ongoing basis with its counterparty databases;
- (b) Ensuring, prior to entering into business relationships or conducting any transactions with natural persons or organisations, that such persons or organisations are not included in the relevant sanctions list<sup>12</sup> as per the UAE's obligations as a member of the UN;
- (c) Freezing (or unfreezing when so instructed by the competent authorities) the funds of listed persons or organisations, which the supervised institutions hold, have access to, or otherwise control; and
- (d) Immediately reporting to the supervisory authorities (federal or local regulator) when listed persons or organisations are identified and/or when the funds of such persons or organisations are frozen.

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<sup>11</sup> It is recommended Aldar register on <https://www.uaeiec.gov.ae/en-us/united-nations-security-council-sanctions> to ensure it is kept apprised of the UAE's internal sanctions restrictions. This is an obligation for DNFBP's operating in the UAE.

<sup>12</sup> UN Security Council resolutions under Chapter VII of the Charter of the United Nations.