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NAMLCFTC issues guidance on combating the use of unlicensed virtual asset service providers

Abu Dhabi (November 6, 2023): The National Anti-Money Laundering and Combating Financing of Terrorism and Financing of Illegal Organisations Committee (NAMLCFTC), in collaboration with UAE supervisors, has issued guidance on combating the use of unlicensed virtual asset service providers, which is prepared by the supervisory subcommittee.

The guidance, which aims to educate licensed financial institutions (LFIs) and the wider public sector on the risks associated with unlicensed virtual asset service providers, has been issued pursuant to the Decree Federal Law No. (20) of 2018 on Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) and Illegal Organisations, and is in alignment with the Financial Action Task Force (FATF) publication on updated guidance for a risk-based approach to virtual assets and virtual asset service providers.

The guidance provides the reporting entities including LFIs, Designated Non-Financial Businesses and Professions (DNFBPs), and Licenced Virtual Asset Service Providers (VASPs) with a comprehensive roadmap to enhancing their governance and operational processes. It also highlights how to identify and address governance challenges and emerging risks, underlining the importance of compliance with regulatory obligations under AML legislation and the regulations, instructions, guidelines, notices, and rules issued by the Supervisory Authorities.

The guidance directs the reporting entities to consult the FATF Report on Red Flag Indicators of Money Laundering and Terrorist Financing regarding Virtual Assets. It specifically requires them to remain vigilant of the various fraudulent methods unlicensed VASPs adopt; continue to manage money laundering, financing of terrorism, and proliferation financing risks effectively; ensure emerging risks are factored into their business and customer risk assessments; and ensure due diligence is conducted to identify instances of forged documents and sanctions evasion.

The supervisors remind the sector that VASPs operating in the UAE without a valid license will be subject to civil and criminal penalties including, but not limited to, financial sanctions against the entity, owners, and senior managers. Furthermore, reporting entities that demonstrate wilful blindness in their dealings with unlicensed VASPs and have weak AML/CFT and Counter Proliferation Financing controls may be subject to enforcement action.

His Excellency Khaled Mohamed Balama, Governor of the CBUAE and Chairman of the NAMLCFTC, said: "The new guidance on combating the use of unlicensed virtual asset service providers comes at a time when virtual assets become more accessible through digital channels. As our digital economy matures, our work on



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combating all kind of financial crimes intensifies through raising awareness of their risks and emphasizing the importance of compliance with relevant regulations and legislation to ensure the integrity of the UAE's financial system.”

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