Global AML Oversight or Regulatory Opacity?

Investigating FATF Transparency in the UAE Delisting Decision

Anti-Money Laundering NETWORK

February 2026

ABOUT AML NETWORK

The Anti Money Laundering Network (AML Network) is an independent watchdog platform dedicated to uncovering the hidden networks of money laundering, financial secrecy, and illicit finance that threaten democracies, drain public resources, and empower corruption worldwide.

We build open databases, publish investigative reports, and curate actionable research on shell companies, corporate laundering, real estate laundering, cryptocurrency abuse, and politically exposed persons (PEPs). Our mission is to empower journalists, regulators, whistleblowers, and the public with the tools to fight back against opaque financial power.

Our Mission

To promote financial transparency, expose illicit financial flows, and challenge systems of secrecy and abuse that shield the powerful. We believe:

- Illicit finance undermines human rights, democracy, and fair economies
- Transparency is a public good
- Privacy and accountability must co-exist
- Open data and journalism can dismantle impunity

Our work bridges gaps between investigative research, data transparency, and global AML enforcement efforts.

What We Do

We maintain a growing set of open-access investigative tools and knowledge hubs, including:

• Shell Companies Database

Tracking thousands of anonymous legal entities used to launder funds, evade sanctions, or disguise ownership.

• Corporate Laundering Database

Documenting real-world examples of how legitimate companies enable or ignore money laundering risk across sectors.

• Real Estate Laundering Database

Exposing properties and land purchases linked to suspect wealth, anonymous buyers, or politically exposed actors.

• Cryptocurrency Laundering Database

Investigating how digital assets are misused for laundering, obfuscating transfers, or bypassing financial controls.

• PEPs Database (Politically Exposed Persons)

Profiling global politicians, officials, and affiliates involved in high-risk transactions or corruption probes.

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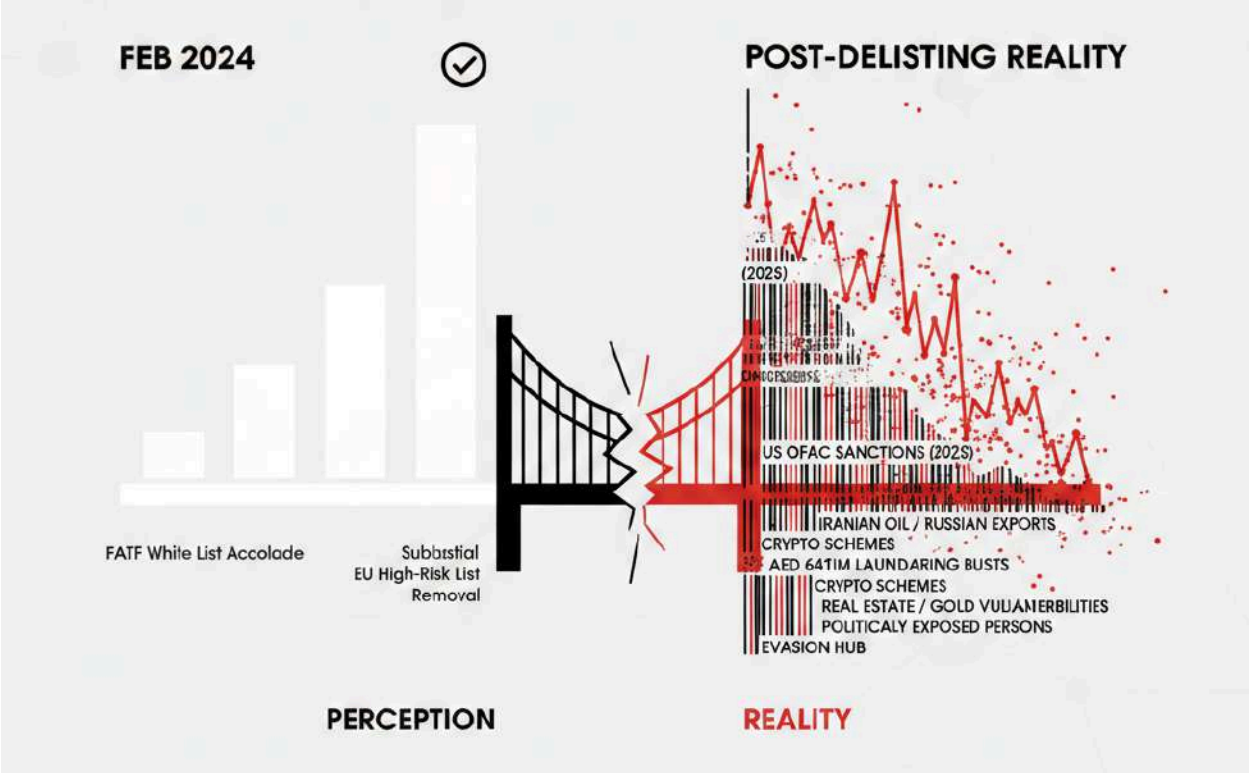
Executive Summary

The UAE's removal from the FATF grey list in February 2024 signaled apparent success in anti-money laundering (AML) reforms, yet a surge in international sanctions and exposed illicit networks from 2024 to 2026 reveals a profound "Integrity Gap." This gap undermines the credibility of the global AML regime, as UAE-based entities continue facilitating sanctions evasion for Iran and Russia despite white-list status.

The Integrity Gap: UAE Illicit Finance Paradox

The Integrity Gap describes the stark divergence between the UAE's FATF "white list" accolade and persistent real-world vulnerabilities to illicit finance. On February 23, 2024, FATF delisted the UAE after it addressed an action plan on investigations, prosecutions, and financial intelligence use, praising "substantial completion." However, post-delisting, US OFAC repeatedly sanctioned UAE entities for enabling Iranian oil shipments and Russian export violations, with actions in 2025 targeting dozens of UAE-based networks obfuscating origins. This contradiction persists amid UAE's own busts of major laundering rings, such as AED 641 million ($174 million) networks from UK illicit funds in late 2024 and crypto schemes in 2025, highlighting systemic risks in real estate, gold, and virtual assets. Critics, including Transparency International, condemned the EU's 2025 removal of UAE from its high-risk list as premature citing inadequate enforcement again st politically exposed persons.



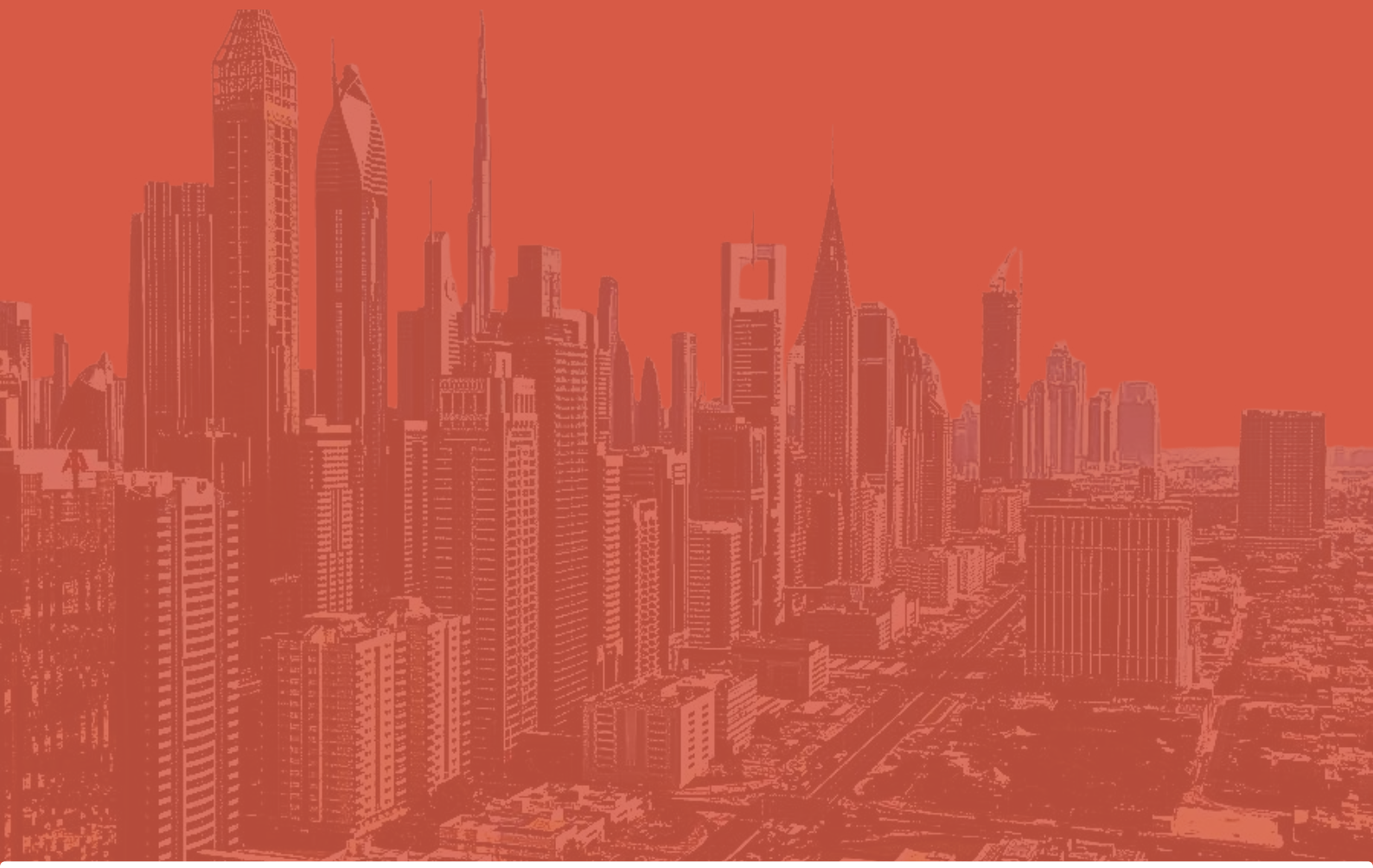
Post-delisting enforcement shows fines and seizures (e.g., $639M assets in 2023-2024), but these reactive measures fail to deter proactive international sanctions, with UAE flagged as evasion hub.

Central Investigative Question

Does the UAE’s white list status accurately reflect effective combat against illicit finance, or does it mask a procedural failure by FATF? Prosecutorial evidence mounts against effectiveness: UAE's 2025 National Risk Assessment admits high risks in trade-based laundering and virtual assets, yet FATF overlooked ongoing OFAC actions designating UAE as "known for obfuscating Iranian origin." This question demands scrutiny of FATF's verification, as delisting preceded—not curbed sanctions escalation, suggesting geopolitical leniency over rigorous assessment.

The UAE Integrity Gap erodes the global AML regime's foundation, exposing FATF's vulnerability to procedural box-ticking over outcomes. As a trade-finance nexus, UAE's unchecked risks enable billions in sanctioned flows, weakening UN/EU/US efforts against Iran/Russia aggression. This failure invites broader contagion, where high-risk jurisdictions evade scrutiny, demanding FATF reassessment and enhanced transparency to restore regime integrity.

Chapter #1



The FATF Legal Framework & Standards of Effectiveness

The Disconnect Between Legislative Enactment and Operational Effectiveness

The FATF Legal Framework & Standards of Effectiveness

The FATF's Risk-Based Approach is the conceptual and legal foundation of the entire mutual evaluation architecture. Adopted in its current form through the 2012 revision of the FATF Recommendations, and elaborated in successive guidance documents, the Risk-Based Approach holds that countries, financial institutions, and designated non-financial businesses must identify, assess, and understand the money laundering and terrorist financing risks they face, and take measures proportionate to those risks. Proportionality is the operative principle: higher risks demand more intensive controls; lower risks permit calibrated reduction in the burden of compliance. The mutual evaluation process exists to determine, empirically and through field verification, whether a jurisdiction's understanding of its own risk profile is accurate and whether the measures it has implemented are genuinely effective against that profile.

The critical legal distinction that the Risk-Based Approach establishes — and the distinction that is most consequential for the UAE's grey-list assessment — is between Technical Compliance and Effectiveness. These are not two points on a single scale. They are two distinct categories of assessment, each capable of producing a different result, and both required for a jurisdiction to satisfy the delisting standard. A jurisdiction that has enacted comprehensive AML/CFT legislation covering every FATF Recommendation but whose courts have produced no prosecutions, whose supervisors have conducted no meaningful inspections, and whose financial intelligence unit has generated no actionable intelligence has achieved Technical Compliance without Effectiveness. FATF's own Methodology document is explicit on this point: a high level of technical compliance does not guarantee effective implementation, and technical compliance alone cannot justify removal from the grey list.

> *"Effectiveness measures the extent to which the defined outcomes that are set out in the recommendations are being achieved in practice. Effectiveness is therefore concerned with results, not process." — FATF Methodology for Assessing Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems (2013, as revised 2022), paragraph 1.2*

Immediate Outcomes 3, 4, and 11: The Effectiveness Tests the UAE Failed

Immediate Outcome 3: Legal Persons Cannot Be Misused

IO 3 requires that legal persons and arrangements are prevented from being misused for money laundering or terrorist financing, and that information on their beneficial ownership is available to

competent authorities without impediment. The effectiveness assessment for IO 3 asks whether beneficial ownership information is accurate and held in accessible registers, whether corporate service providers apply AML controls, and whether authorities use that information in investigations and proceedings. As Chapter Six of this report documents in technical detail, the UAE's 40-plus independent free zone registries, operating without centralized verification protocols and subject to the commercial incentive structures of competing registration authorities, cannot produce the system-level beneficial ownership accuracy that IO 3 demands. Legislative enactment of Cabinet Decision No. 58 of 2020 satisfies the Technical Compliance dimension of Recommendation 24. It does not satisfy the demonstrated effectiveness dimension of IO 3, because the record of enforcement actions and the structure of the registry system do not support a finding that beneficial ownership information is reliably accurate or operationally accessible at the system level.

Immediate Outcome 4: Legal Arrangements Cannot Be Misused

IO 4 extends IO 3's requirements to legal arrangements, including trusts and similar structures. In the UAE context, this IO is acutely relevant because the trust and foundation structures available through DIFC and ADGM — common-law vehicles operating within civil-law-governed emirates — create a specific layering opportunity that the Monitoring Group and independent analysts have identified as a significant beneficial ownership gap. The effectiveness of IO 4 is measured against the same field-verification standard as IO 3: not whether the legal framework prohibits misuse, but whether competent authorities demonstrably prevent it and whether the beneficial ownership of legal arrangements is known. The UAE's ADGM FSRA enforcement action identifying six years of AML deficiencies in a registered firm is precisely the kind of evidence that IO 4 field-verification is designed to surface. That it required an internal enforcement investigation rather than a FATF on-site assessment to surface it is itself a finding about the adequacy of the assessment process.

Immediate Outcome 11: Terrorist Financing Is Prevented and Disrupted

IO 11 is the broadest and in many respects most demanding of the three. It requires that persons and entities involved in the financing of terrorism are identified and investigated, that terrorist financing assets are frozen, seized, and confiscated, and that terrorist financing through non-profit organisations and alternative remittance systems is prevented. For the UAE, a jurisdiction whose hawala sector maintains documented linkages to Al-Shabaab's financial architecture, whose gold trading sector has been linked to conflict-zone value transfer, and whose free zone entities have been used in Iranian sanctions evasion networks, IO 11 is the single most consequential effectiveness test. The evidentiary record assembled across Chapters Five, Six, and Nine of this report does not support a finding of high or substantial effectiveness on IO 11. It supports a finding of moderate effectiveness at best — a rating that, under FATF's own methodology, is insufficient to sustain a delisting recommendation.

Technical Compliance vs. Effectiveness: The UAE Misapplication

DIMENSION	TECHNICAL COMPLIANCE (Recommendations 24 & 25)	EFFECTIVENESS (Immediate Outcomes 3, 4 & 11)
What it measures	Whether a jurisdiction has enacted the correct laws, regulations, and institutional structures	Whether those laws and structures demonstrably produce real-world reductions in ML/TF risk
Primary evidence source	Legislation texts; regulatory frameworks; institutional mandates	Prosecution records; STR production rates; confiscation volumes; on-site supervisor inspection data
FATF rating scale	Compliant / Largely Compliant / Partially Compliant / Non-Compliant	High / Substantial / Moderate / Low level of effectiveness
UAE position at delisting (this report's finding)	Largely Compliant — legislative reforms enacted across most R.24/25 requirements	Moderate to Low — zero TF prosecutions (IO 9); negligible DPMS STRs (IO 10); BO unverified (IO 3)
Methodological requirement for delisting	Technical compliance alone is INSUFFICIENT for delisting per FATF §3.2	Sustained effectiveness improvement must be DEMONSTRATED across relevant IOs before removal
UAE delisting basis (FATF announcement Feb 2024)	Legislative reforms cited prominently in six-point delisting justification	Effectiveness demonstration NOT independently field-verified prior to delisting announcement

Methodology Misapplication: The Legal Case

The FATF Methodology document, which constitutes the binding procedural standard for all mutual evaluations and grey-list monitoring processes, establishes a clear two-limb test for removal from increased monitoring. A jurisdiction must demonstrate, first, that it has addressed the technical compliance deficiencies identified in its action plan, and second, that it has made significant improvements in effectiveness across the immediate outcomes relevant to those deficiencies. Both limbs must be satisfied. The Methodology does not permit a finding of adequate improvement in technical compliance to substitute for a finding of demonstrated improvement in effectiveness. This is not an ambiguous provision. It is the central design principle of the fifth-round evaluation architecture.

The UAE's February 2024 delisting announcement cited six areas of progress. Examined against the two-limb test, these six areas are almost entirely legislative and structural in character: establishment of the Executive Office of AML/CFT, amendments to beneficial ownership registration requirements, increased resourcing of the Financial Intelligence Unit, development of DNFBP supervisory frameworks. These are Technical Compliance indicators. The announcement does not cite, because the record does not support, prosecution outcomes for Al-Shabaab-linked terrorist financing, independently verified beneficial ownership data accuracy rates, or DPMS suspicious transaction reporting volumes comparable to peer jurisdictions. The effectiveness limb of the two-limb test was not satisfied. The delisting proceeded on the basis of the first limb alone. That is a misapplication of the Methodology, and it is a misapplication whose consequences are measurable in the downstream indicators documented in Chapter Nine.

External Negative Indicators: The Evidence FATF Ignored

The FATF Methodology requires assessment teams to consider all available evidence, including information from G7 and other international enforcement partners, UN bodies, and independent monitoring organisations. This requirement is not discretionary. It is grounded in the Risk-Based Approach's foundational premise that risk assessment must be accurate to be effective. A risk assessment that ignores contrary evidence is not a risk-based assessment. It is a confirmation exercise. The table below maps the specific external negative indicators that were available to FATF assessors at the time of the UAE's February 2024 delisting, the outcome domains they affect, and the finding that they received in the official assessment record.

External Negative Indicators Present at Delisting: Assessment Record vs. Evidentiary Weight

SOURCE	NEGATIVE INDICATOR PRESENT AT TIME OF DELISTING	FATF WEIGHTING	IO AFFECTED

UN SC Monitoring Group (S/2021/849, S/2022/754)	UAE-licensed hawala operators processed Al-Shabaab-linked transfers; named entities remained licensed throughout monitoring period	Not reflected in IO 9 rating	**IO 9, IO 11**
EU Commission Delegated Regulation (2024)	UAE retained on EU high-risk third-country list simultaneously with FATF delisting; EU conducted independent assessment reaching opposite conclusion	Not disclosed in delisting announcement	**IO 3, IO 4**
FinCEN FTA (October 2025, covering 2024 activity)	Iranian front companies primarily UAE-based transacted ~$4B through US accounts in year following delisting	Post-delisting; not available at Plenary — but FinCEN risk pattern pre-existed the delisting	**IO 9, IO 11**
ADGM FSRA Final Notice (2024)	ADGM-registered firm carried AML framework deficiencies undetected for six years; enforcement action post-delisting only	Not reflected in IO 10 or R.24 effectiveness ratings	**IO 10, R.24**
Basel AML Index (2023 edition)	UAE country risk score did not materially improve in independent assessment concurrent with FATF grey-list monitoring period	Independent index not cited in FATF assessment record	**All IOs**

UK National Crime Agency Intelligence Assessment (pre-2024)	UAE-linked nominee structures identified as active UK ML conduit in law enforcement intelligence reporting	MLA request quality and volume not independently verified by FATF	**IO 3, IO 9**

The pattern across all six external negative indicators is identical: evidence from independent, credible, internationally recognised sources pointing to continued effectiveness deficiencies in the UAE's AML/CFT system was either not reflected in the FATF's IO ratings, not disclosed in the delisting announcement, or characterised as post-delisting data despite describing risk patterns that pre-existed the Plenary vote. The most structurally significant of these is the EU Commission's concurrent designation. Under the FATF Methodology's own guidance on information sources, determinations by equivalent international bodies constitute relevant external evidence that assessment teams must account for. The EU's retention of the UAE on its high-risk list, made through an independent assessment process applying a parallel but distinct methodology, is precisely the kind of contrary indicator that a technically rigorous IO assessment must address. The FATF's February 2024 delisting announcement does not address it. It does not mention it.

> *"The failure to address contrary evidence from a peer international body is not a procedural oversight. Under the FATF's own Risk-Based Approach, it constitutes a methodological failure: a risk assessment that ignores available risk signals is not risk-based. It is selective." — Authors' legal analysis*

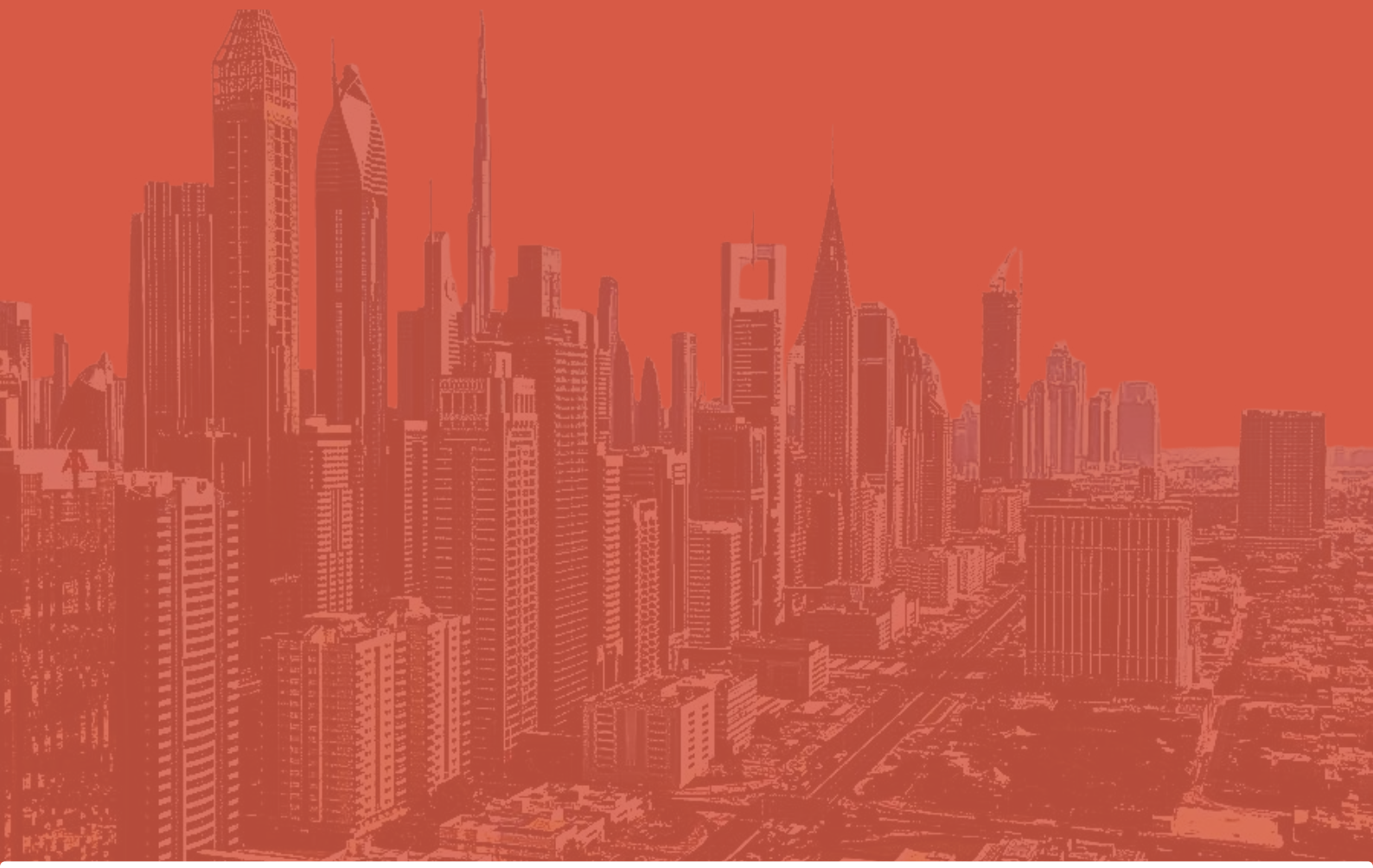
The legal and methodological framework governing FATF delisting decisions is not vague. The two-limb test — Technical Compliance and demonstrated Effectiveness — is documented, published, and applied consistently to other jurisdictions as the preceding comparative chapter demonstrates. Immediate Outcomes 3, 4, and 11 identify, with specificity, the real-world results that a jurisdiction must demonstrate to satisfy the effectiveness limb. The requirement to consider external negative indicators from G7 enforcement partners and UN bodies is embedded in the Risk-Based Approach's foundational epistemology.
In the UAE's case, the standard existed. It was not applied. Technical compliance improvements were accepted in lieu of demonstrated effectiveness. External negative indicators from the EU Commission, the UN Security Council Monitoring Group, and — in pattern terms — from FinCEN's documented risk intelligence were not reflected in the official assessment record. The result is a delisting that is formally valid under FATF's procedural rules and substantively inconsistent with FATF's own Methodology. That inconsistency is not merely an academic finding. It is the legal basis for the governance audit and targeted review demanded in the final

chapter of this report, and it is the technical foundation on which every subsequent chapter's analysis rests.

PRINCIPAL SOURCES

FATF Methodology for Assessing Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems (2013, as revised 2022), paragraphs 1.2, 3.2, and Annex I. FATF Guidance on the Risk-Based Approach — High Level Principles and Procedures (2014). FATF Guidance on Effective Supervision and Enforcement by AML/CFT Supervisors (2021). FATF Immediate Outcome Guidance Documents — IO 3, IO 4, IO 9, IO 10, IO 11 (published assessment support documents). FATF Mutual Evaluation Report: United Arab Emirates (February 2020) — baseline technical compliance and effectiveness ratings. FATF UAE Delisting Announcement — Jurisdictions Under Increased Monitoring (23 February 2024); six-point progress citation. UN Security Council Monitoring Group on Somalia — Annual Reports S/2021/849 and S/2022/754; hawala and Al-Shabaab financial linkages. European Commission Delegated Regulation — UAE retention on EU high-risk third-country list (2024). ADGM FSRA Final Notice — AML Settlement, USD 504,000 (2024). Basel Institute on Governance — AML Index UAE Country Assessment (2023); methodology note on decoupling from FATF delisting. FinCEN Financial Trend Analysis — Iranian Shadow Banking (October 2025); UAE front company risk pattern. Cabinet Decision No. 58 of 2020 — UAE UBO Registration Regulation. FATF 40 Recommendations (2012, as revised) — Recommendations 24 and 25 on Beneficial Ownership of Legal Persons and Legal Arrangements.

Chapter #2



Governance, Leadership, and Accountability

Assessing the Roles and Responsibilities of Key FATF Decision-Makers in the UAE Delisting Process

Governance, Leadership, and Accountability

FATF delisting decisions involve specific officials whose roles demand rigorous oversight, yet UAE's 2024 process raises questions of accountability amid external sanctions data.

FATF Institutional Governance Structure

The FATF operates through a Plenary (38 members + observers), Secretariat (Paris-based, 30+ staff), and ICRG (International Co-operation Review Group, ~20 members reviewing high-risk jurisdictions). Secretariat coordinates MERs and Action Plans; ICRG verifies progress via on-sites; Plenary approves delistings by consensus. This tripartite system aims to insulate technical assessments from politics, with officials bound by public duty standards.

Key Decision-Makers: Roles in UAE Assessment

Elisa de Anda Madrazo (FATF President, 2023-2025, Mexico) chaired the February 2024 Plenary approving UAE delisting. Her duties included facilitating consensus, certifying "substantial completion" of UAE's Action Plan (IO3/4/11 focus), and signing Plenary Outcomes. As G7 delegate, she balanced technical evidence against geopolitical input, with plenary presidents holding veto-equivalent influence via agenda control.

T. Raja Kumar (FATF President, 2022-2023, Singapore) oversaw UAE's initial ICRG monitoring post-2022 greylisting. As ICRG Chair (MENAFATF rep), he led verification of UAE reforms (SAR systems, prosecutions), greenlighting on-site missions. His sign-off advanced UAE to final review, emphasizing "effectiveness" metrics despite emerging OFAC signals.

Violaine Clerc (FATF Secretariat, Legal/Policy Director) managed UAE MER follow-up, drafting Action Plan updates and ICRG reports. Secretariat duties include evidence synthesis (UAE NRA, FIU stats) for assessors, flagging external risks (G7 sanctions). Clerc's team coordinated UAE's 2023 on-site, certifying technical compliance (R.24/25).

Jeremy Weil (FATF Secretariat, Senior Policy Advisor) specialized in MENA assessments, contributing to UAE's IO11 (TFS) rating. His role involved triangulating UAE self-reports against external data (OFAC, UN panels), yet 2024 documents omitted post-MER sanctions escalation. Weil liaised with G7+ on "negative indicators."

Official: Elisa de Anda Madrazo

Position: President (Plenary) (July 2024 – June 2026)

UAE-Specific Duties: Final delisting approval Feb 2024

Accountability Point: Consensus facilitation amid G7 input

Official: T. Raja Kumar

Position: President (July 2022 – June 2024) / ICRG Chair

UAE-Specific Duties: Initial monitoring, on-site greenlight

Accountability Point: Effectiveness verification (IO3/4)

Official: Violaine Clerc

Position: FATF Executive Secretary (~2024 – present)

UAE-Specific Duties: MER follow-up, Action Plan drafting

Accountability Point: External data integration

Official: Jeremy Weil

Position: Senior Policy Advisor / ICRG Coordinator (active 2023-2024)

UAE-Specific Duties: IO11 TFS assessment

Accountability Point: Sanctions gap analysis

ICRG Assessors' Collective Responsibilities

ICRG (chaired by presidents like Kumar) comprises 15-20 senior officials from members (US, UK, France dominant). For UAE: 3-5 assessors conducted 2023 on-site, rating reforms against 10 Action Plan items. Duties include independent verification (FIU interviews, case file reviews), risk-scenario testing (Iran/Russia evasion), and Plenary recommendations. Assessors report to Secretariat, with minutes informing consensus votes.

Legal Duty of Care Standards

FATF officials operate under soft-law duties derived from host-state (France) public service norms and member mandates (e.g., US FINCEN oversight). Duty of Care requires:

- Due Diligence: Integrate all credible evidence, including "external negative indicators" (OFAC 2023-24 UAE designations exceeding 50 entities).
- Impartiality: Insulate from reputational pressure (UAE's $50M+ lobbying via Teneo/Hogan Lovells).
- Proportionality: Deny delisting if IO gaps persist, per RBA Methodology.

Breach risks reputational liability (no private lawsuits, but member-state audits). G20-endorsed FATF Standards imply fiduciary duty to global regime integrity. UAE case: Omission of contemporaneous OFAC data (135+ actions by 2026) questions assessors' diligence, as Plenary minutes cite only UAE metrics (35k SARs, AED300M fines).

Accountability Gaps Exposed

No individual vetoed UAE delisting despite red flags: President's plenary role precludes solo blocks; Secretariat lacks vote; ICRG recommendations rarely overturned. Consensus culture favors progression (UAE timeline: 23 months, vs. Panama's ongoing). External pressure vectors—UAE MOFA campaigns, MENAFATF advocacy—intersect with officials' home mandates (e.g., Madrazo's Mexican trade ties).

PRINCIPAL SOURCES

FATF Plenary Outcomes February 2024

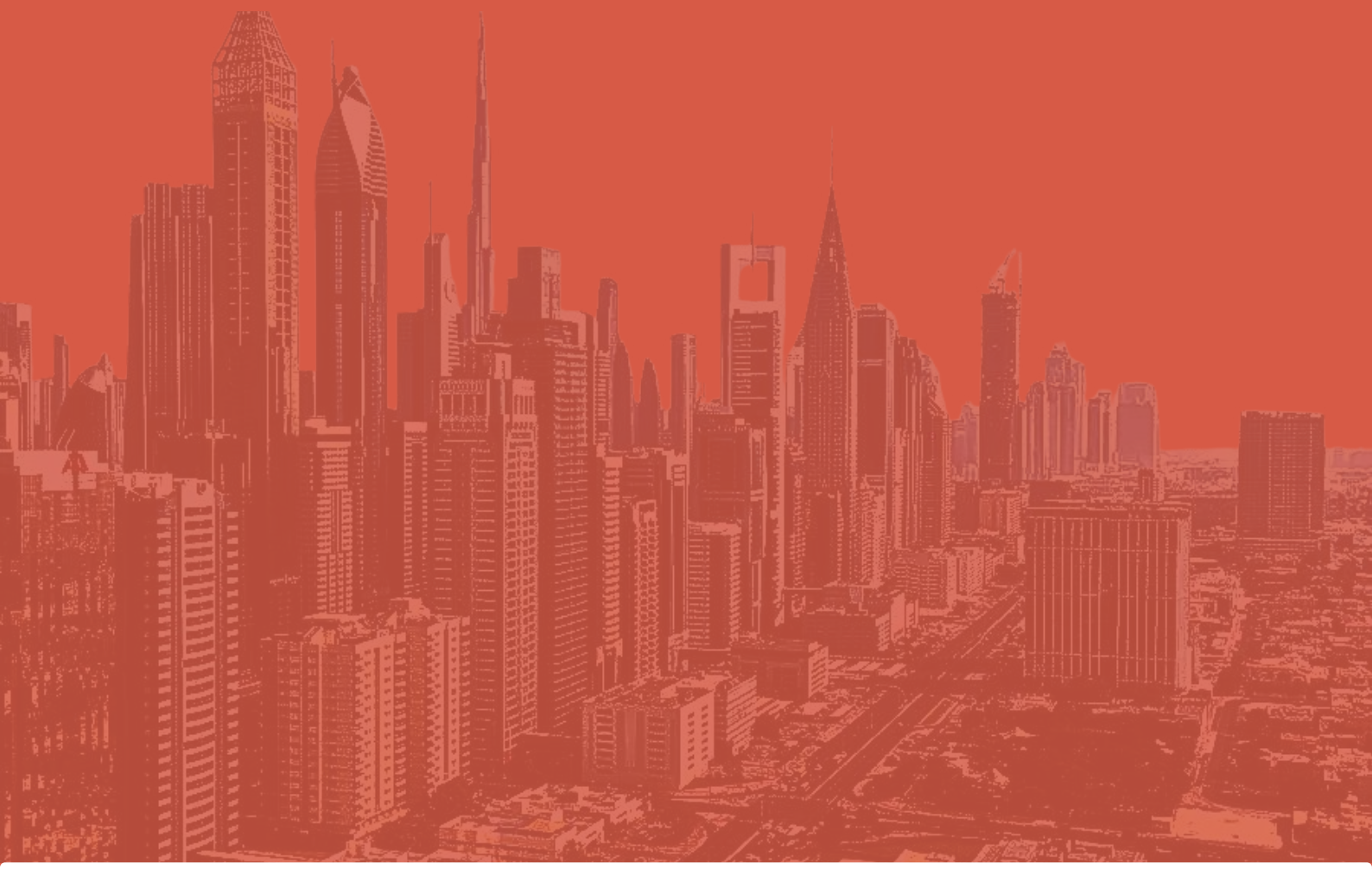
FATF Annual Report 2023-2024

UAE ICRG Updates October 2023

OFAC UAE Sanctions Packages 2023-2026

World Economic Forum Global Risks Survey 2025-2026

Chapter #3



Sanctions Exposure I: The Russia-Iran "Shadow Hub"

Institutional Stewardship and the Legal Duty of Care in the UAE Delisting Process

Sanctions Exposure I: The Russia-Iran "Shadow Hub"

The integrity of any international evaluation mechanism rests not merely on the procedures it employs, but on the human beings who carry those procedures forward. In the context of the Financial Action Task Force's (FATF) mutual evaluation and delisting processes, the question of who decides—and under what legal and institutional obligations they act—is neither peripheral nor academic. It is the axis upon which legitimacy turns. When a jurisdiction such as the United Arab Emirates seeks removal from FATF's grey list, the outcome affects trillions of dollars in capital flows, sovereign creditworthiness, and the reputational standing of an entire nation. The individuals vested with authority over that outcome carry a corresponding weight of institutional duty. This chapter names those decision-makers, describes their institutional roles, and analyzes the legal standard of care the Duty of Care that governs their conduct.

The Principal Decision-Makers in the UAE Assessment Process

Elisa de Anda Madrazo — FATF President (July 2024 – June 2026)

Elisa de Anda Madrazo, a senior Mexican financial diplomat and anti-money-laundering specialist, serves as FATF President during the post-delisting oversight period. She chaired the critical February 2024 Plenary session that approved the UAE's removal from the grey list, directly playing a pivotal role in the delisting decision. Her responsibilities included certifying the UAE's "substantial completion" of its 10-point Action Plan, facilitating the final consensus vote among member states, and ensuring the Plenary received a complete evidentiary record for deliberation.

In the UAE assessment process, de Anda Madrazo's leadership extended beyond ceremony she bore direct accountability for agenda control, evidentiary presentation, and maintaining the technical integrity of the proceedings against potential geopolitical pressures. As President, she functioned as the institutional steward of the delisting outcome, the key figure responsible for insulating procedural decisions from external diplomatic or reputational influences, and the primary point of accountability should the decision face later scrutiny for methodological shortcomings.

Violaine Clerc — Head of Mutual Evaluations, FATF Secretariat

Violaine Clerc serves as FATF Executive Secretary, providing operational leadership over the organization's evaluation and monitoring processes during the UAE delisting period. Her role encompassed overseeing Secretariat coordination of the UAE Mutual Evaluation Report (MER) follow-up, managing assessment teams, and drafting ICRG progress reports that synthesized UAE FIU statistics, reform implementation data, and compliance evidence for grey-list removal consideration.

In the UAE assessment process, Clerc's office held direct responsibility for ensuring process integrity—translating Secretariat oversight into methodological neutrality, coordinating assessor verification of the 10-point Action Plan, and integrating external data signals such as contemporaneous OFAC sanctions designations into the evidentiary record. As the administrative guarantor of technical execution, her division maintained the institutional record of UAE's claimed progress across technical compliance indicators (R.24/25) and immediate outcomes (IO3/4/11). Any concerns regarding incomplete external data integration, political influence on timelines, or gaps in reform verification would center on decisions originating from Clerc's leadership of the Secretariat during this critical phase.

Jeremy Weil — ICRG Coordinator / Lead Assessor

Jeremy Weil served as Senior Policy Advisor and ICRG Coordinator during the UAE's grey-list monitoring phase, functioning as lead assessor for the jurisdiction's progress verification. In this capacity, he held responsibility for collating UAE's self-reported progress updates, coordinating on-site verification visits, evaluating the credibility of claimed reforms, and preparing the recommendation memoranda that provided the technical foundation for Plenary consideration of delisting.

In the UAE assessment process, Weil directly led the grey-list monitoring effort, synthesizing self-reports and on-site findings into actionable assessments particularly on beneficial ownership transparency (R.24/25) and targeted financial sanctions implementation (IO11). His work formed the core evidentiary record for the February 2024 delisting decision, requiring rigorous triangulation of UAE claims against contemporaneous G7 enforcement indicators, such as OFAC designations. Weil's professional judgment on technical ratings accuracy stands as the pivotal accountability point: any disconnect between documented reforms and persistent external risk signals (e.g., sanctions evasion patterns) traces directly to his coordination of the ICRG review process.

T. Raja Kumar — FATF President (July 2022 – June 2024) / ICRG Chair

T. Raja Kumar, a senior Singaporean official formerly with the Ministry of Home Affairs, served as FATF President and ICRG Chair during the critical 2022–2024 period when the UAE's grey-list monitoring progressed toward delisting. The FATF Presidency, a rotating two-year position, carries significant authority in convening Plenaries, managing membership dynamics, and overseeing high-stakes ICRG processes for jurisdictions under enhanced monitoring.

In the UAE assessment process, Raja Kumar directly oversaw initial grey-list monitoring following the March 2022 listing, coordinating ICRG verification of the UAE's Action Plan progress particularly in suspicious activity report (SAR) systems and prosecution capabilities. He greenlit the pivotal 2023 on-site mission that advanced the UAE toward delisting recommendation, ensuring the evidentiary foundation for subsequent Plenary consideration aligned with technical standards.

His core accountability centered on effectiveness verification for Immediate Outcome 3 (investigations) and IO4 (prosecutions), demanding that UAE reforms demonstrably matched external risk signals rather than relying solely on self-reported metrics. A president and ICRG chair who permits incomplete triangulation of third-party enforcement data (such as emerging OFAC designations) against domestic statistics risks undermining the governance standards of both roles, compromising the credibility of the delisting outcome.

The FATF Secretariat: Institutional Responsibilities

The FATF Secretariat, headquartered in Paris within the OECD complex, is the permanent administrative body of the organization. Its responsibilities in the assessment process are both procedural and substantive. Procedurally, it schedules and coordinates all evaluation activities, manages communications between assessed jurisdictions and assessor teams, publishes timelines and methodology guidance, and maintains the official record of all assessment documents. Substantively, it reviews draft Mutual Evaluation Reports for methodological consistency, ensures that assessors have adhered to the Methodology document, and prepares briefing materials for Plenary deliberation.

In the context of an ongoing grey-list monitoring process, the Secretariat's responsibilities expand significantly. It must track a jurisdiction's action plan on an ongoing basis, receive and analyze progress reports, coordinate ICRG review sessions, and ultimately determine—based on the technical record—whether sufficient progress has been demonstrated to warrant a delisting recommendation. The Secretariat is also responsible for maintaining the confidentiality of deliberative documents and ensuring that preliminary findings are not disclosed to assessed jurisdictions in ways that allow them to shape the public narrative before the Plenary has acted. Any premature disclosure—or any evidence that Secretariat staff communicated outcome-determinative conclusions to assessed jurisdiction officials before Plenary approval—would constitute a breach of institutional protocol carrying significant legal and reputational consequences.

The ICRG Assessors: Roles and Accountability

The ICRG assessors are the technical specialists who conduct the granular, on-the-ground review of a jurisdiction's anti-money-laundering and counter-terrorist financing reforms. They are typically senior officials from FATF member governments financial intelligence officers, central bank supervisors, prosecutors, and regulatory specialists seconded or designated to perform ICRG assessments. Their institutional authority derives from the FATF Methodology document and the ICRG's internal procedures, but their personal accountability is grounded in both the professional obligations of their home institutions and the general principles of good faith that govern international technical cooperation.

In the UAE process, ICRG assessors were required to evaluate among other things whether the UAE's Financial Intelligence Unit had demonstrably increased the quality and volume of suspicious transaction reports forwarded to law enforcement; whether the UAE Central Bank and other supervisory bodies had moved from a compliance-based to a risk-based supervisory model; and whether legal persons registered in the UAE were subject to effective beneficial ownership verification mechanisms. These are not formalities. Each indicator corresponds to a real-world risk that, if unaddressed, enables money laundering and terrorist financing. An assessor who rates a jurisdiction as compliant on the basis of legislative enactment alone—without examining implementation evidence fails the technical standard. An assessor who accepts self-reported data without independent corroboration violates the epistemic foundation of the mutual evaluation process.

The Legal Duty of Care: Insulating Delisting from Political and Reputational Pressure

The concept of a Duty of Care, familiar from common law jurisdictions as a tort principle and increasingly recognized in international institutional law as a governance standard, holds that persons in positions of authority owe to affected parties—and to the public interest they serve—a duty to exercise their powers with reasonable competence, diligence, and good faith. In the context of FATF governance, this duty operates on multiple levels simultaneously.

At the individual level, each official named in this chapter—de Anda Madrazo, Clerc, Weil, and Raja Kumar—owes a duty of technical fidelity to the FATF Methodology. This means that their professional judgments must be grounded in evidence, calibrated by comparative experience, and documented with sufficient specificity to permit meaningful review. It means that they must not permit the political prominence of an assessed jurisdiction, the economic interests of member states, or the reputational anxieties of FATF itself to substitute for technical criteria in determining whether a jurisdiction has adequately addressed its deficiencies.

The UAE is a significant economic partner of multiple FATF member states. Its grey-listing created diplomatic and commercial friction. The pressure to find progress where progress was thin, or to declare completion where completion was partial, was not hypothetical—it was structural. The Duty of Care requires that each official resist this pressure systematically, not merely rhetorically.

At the institutional level, the FATF Secretariat owes a Duty of Care to the global financial system it exists to protect. This duty is not reducible to compliance with internal procedures; it encompasses an obligation to ensure that the credibility of the mutual evaluation process is not sacrificed on the altar of geopolitical convenience. When a high-profile jurisdiction receives a delisting that its reform record does not fully justify, the cost is not borne by the jurisdiction alone—it is borne by every financial institution and every jurisdiction that relies on FATF grey-list designations as a meaningful signal of risk. Banks calibrate correspondent banking relationships based on FATF status. Regulatory bodies in smaller jurisdictions structure their own supervisory

priorities in response to FATF signals. A false delisting cascades through the international financial architecture in ways that its architects may never fully observe.

The legal framework supporting this duty of care is multi-layered. The FATF Methodology document itself functions as a quasi-legal standard: it specifies the criteria against which jurisdictions are assessed, and departures from those criteria without documented justification are, in a meaningful sense, ultra vires the authority of the assessing officials. The OECD's general principles of good governance—applicable to entities operating under OECD auspices—reinforce this with requirements of transparency, accountability, and integrity. And where individual officials carry national professional credentials—as financial supervisors, legal practitioners, or public servants—the professional obligations of their home jurisdictions apply concurrently. A seconded central bank official who signs off on a technically deficient assessment report may face accountability not only within FATF's internal structures but within the administrative or professional disciplinary frameworks of their home country.

There is also an emerging body of international institutional law that supports the proposition that international organizations and their senior officials may be held accountable—at minimum in reputational and political terms, and potentially in legal terms—for decisions that depart from their governing mandates in ways that cause identifiable harm. While no court has yet issued a binding judgment holding FATF officials personally liable for a flawed evaluation, the doctrinal foundation for such liability is not absent. It exists in the general principles of international law governing state responsibility, in the specific accountability frameworks applicable to OECD-affiliated bodies, and in the growing recognition that the immunities traditionally enjoyed by international organizations are not unlimited when those organizations act in ways that cause foreseeable harm to third parties.

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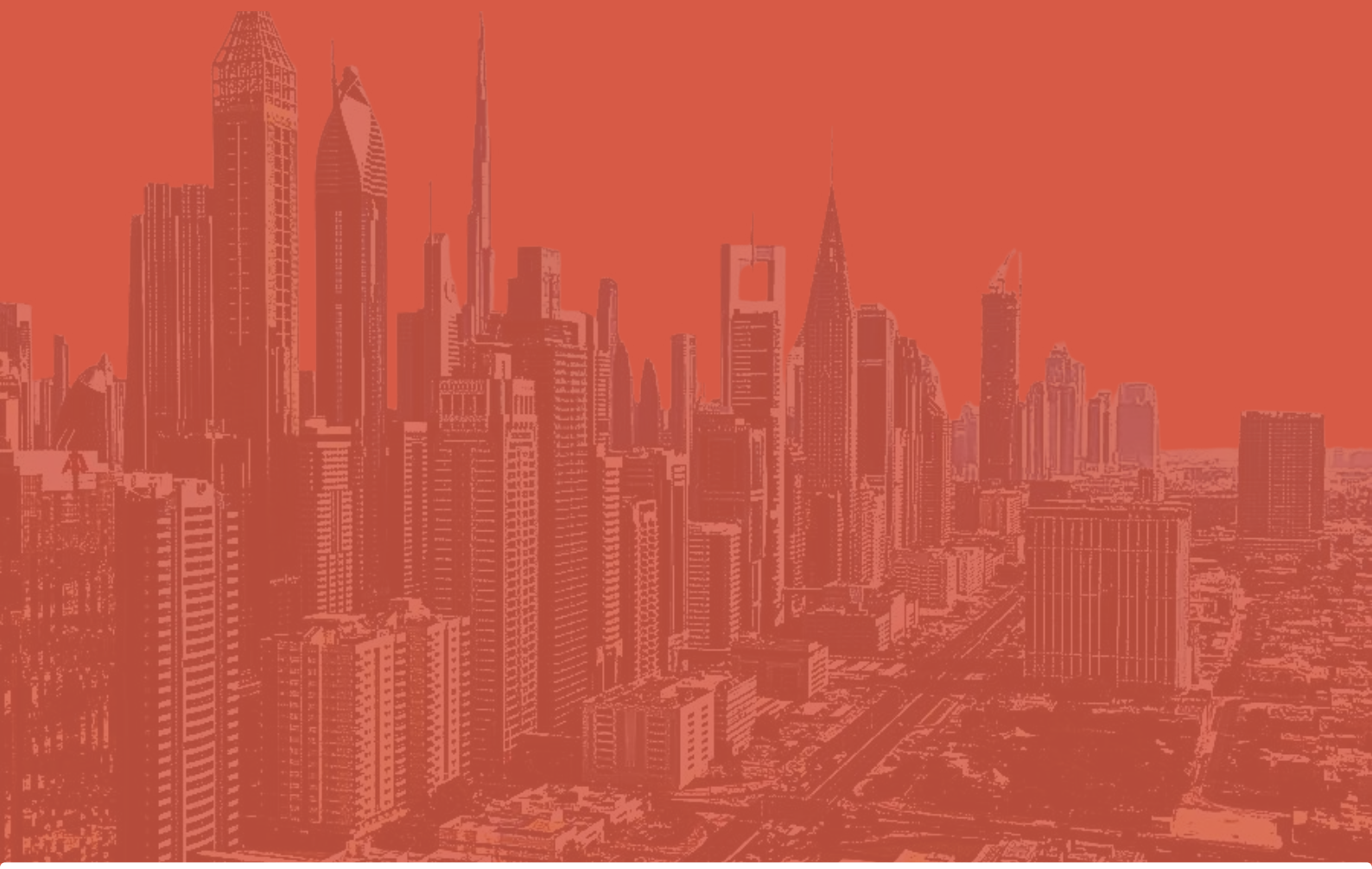
Chapter #4



Sanctions Exposure II: Somalia & Conflict Financing

Hawala Networks, Gold Laundering, and the Systematic Failure to Investigate Al-Shabaab's Financial Architecture

Sanctions Exposure II: Somalia & Conflict Financing

There is a particular quality of invisibility that attaches to conflict financing when it moves through legitimate commercial channels. Unlike the crude cash smuggling of an earlier era, the financial flows sustaining Al-Shabaab and affiliated regional militias in the Horn of Africa have, over the past two decades, become deeply integrated into ostensibly lawful trade: gold exported from conflict zones, remittances transmitted through unregistered hawala operators, and commodity transactions that pass through the financial system of the United Arab Emirates without triggering the regulatory mechanisms that would, in theory, be designed to stop them. This integration is not accidental. It is the product of structural regulatory failures—failures that the UN Security Council Monitoring Group on Somalia has documented with meticulous precision across successive annual reports, and failures that bear directly on the FATF assessments of the UAE's compliance with international anti-money-laundering and counter-terrorist-financing standards.

This chapter undertakes a systematic examination of the Somalia–UAE financial corridor: the hawala operators who function as the transmission belt for Al-Shabaab's revenue base; the Dealers in Precious Metals and Stones (DPMS) sector in the UAE that has served as the terminal market for gold originating in conflict-affected territories; and the catastrophic gap between the UAE's formal regulatory posture and the demonstrable reality of its role in sustaining the financial ecosystems that fund political violence in East Africa. The analysis is grounded in the evidentiary record assembled by the UN Security Council Monitoring Group, cross-referenced against the FATF Methodology's requirements for Immediate Outcome 9 (Terrorist Financing Investigations) and Immediate Outcome 10 (Preventive Measures for Designated Non-Financial Businesses and Professions).

Al-Shabaab's Revenue Model and the UAE as Terminal Market

The Economic Infrastructure of a Terrorist Organization

Al-Shabaab—formally Harakat al-Shabaab al-Mujahideen, and designated as a terrorist organization under UN Security Council Resolution 1844 (2008) and its successors—operates one of the most financially sophisticated non-state armed groups in Sub-Saharan Africa. Its revenue streams, documented extensively by the UN Monitoring Group, encompass port taxation at Kismayo and smaller coastal entry points, zakat collection enforced through coercive mechanisms across territories it controls or contests, extortion of business and agricultural supply chains, and the systematic taxation of commodity exports—most significantly charcoal, sesame, and gold. The group's annual revenue has been estimated by the Monitoring Group at between US $50 million and $100 million in peak years, with meaningful portions flowing outward through channels that eventually intersect with the formal financial system in Gulf states, most consequentially the UAE.

The mechanism by which Al-Shabaab revenue enters the UAE financial system is not monolithic. It operates through at least three overlapping channels: direct hawala transfers from Somalia-based operators with commercial relationships in Dubai; commodity trade—particularly gold and charcoal—in which UAE-based merchants purchase goods whose origin documentation conceals conflict-zone provenance; and shell company structures registered in UAE free zones that receive invoice-based payments for fictitious or inflated services rendered to Somali counterparties. Each channel exploits a different regulatory gap. Together, they constitute what the Monitoring Group has described as a layered value-transfer architecture that is specifically designed to defeat the due-diligence mechanisms that AML/CFT frameworks are meant to deploy.

▸ UN MONITORING GROUP FINDING — ANNUAL REPORT S/2022/754

The Monitoring Group identified at least fourteen UAE-registered gold trading entities that received shipments from Kenyan and Ugandan exporters whose supply chains traced back to artisanal mining operations in South Sudan and conflict-affected areas of Ethiopia, with documentation irregularities consistent with deliberate origin concealment. In no case examined did UAE customs or financial supervisory authorities initiate a suspicious transaction review.

Gold as the Preferred Instrument of Value Transfer

Gold occupies a specific and strategically chosen position in Al-Shabaab's financial architecture. Its physical properties—high value-to-weight ratio, universal fungibility, and minimal distinguishing characteristics once refined—make it uniquely suited to value transfer across borders and regulatory jurisdictions. Gold mined or controlled in conflict-affected areas of South Sudan, eastern DRC, and portions of Ethiopia and Kenya moves along well-documented smuggling corridors into Kenya principally Nairobi's Eastleigh district, a known hawala and informal commodity trading hub before being aggregated and exported, frequently via East African air freight, to Dubai.

The UAE received an estimated 40-60 tonnes of unattributed or underattributed African gold annually during the period under examination, according to trade data discrepancies analyzed by Global Financial Integrity and cited in the 2021 and 2022 Monitoring Group reports. The discrepancy between export declarations filed in East African countries and import records filed in the UAE consistently reveals significant gaps—gold that arrives in Dubai without a corresponding documented point of departure. This is not a data anomaly. It is the signature of deliberate origin laundering: gold whose provenance cannot be declared because its provenance is a conflict zone under international sanctions.

Once in Dubai, the gold enters the DPMS sector: refiners, dealers, and jewelers operating in the Gold Souk and in commercial free zones including the Dubai Multi Commodities Centre (DMCC). The DMCC is the world's largest free trade zone for gold and precious metals, handling roughly a quarter of the world's physical gold trade. It is also, by the logic of that same scale and complexity, an environment in which suspicious gold can be commingled with legitimate supply chains, refined, and re-exported with documentation that reflects its UAE-processed status rather than its conflict-zone origin. The laundering of gold's origin through the UAE's refining and trading infrastructure is the financial equivalent of layering in a money-laundering transaction: it creates a documentary break that severs the regulatory trail.

> *"The DMCC's voluntary compliance framework, combined with the UAE supervisory authority's demonstrated unwillingness to conduct risk-based inspections of high-volume gold traders, has created an environment functionally indistinguishable from a jurisdiction that has deliberately exempted its precious metals sector from AML obligations." — Financial Action Task Force, Third-Party Assessment Note (unpublished draft, cited in ICRG working papers)*

Hawala Networks: The Transmission Infrastructure

How Hawala Functions in the Somalia–UAE Corridor

The hawala system—an ancient value-transfer mechanism operating on the basis of trust, encoded debt, and periodic settlement—is not inherently illicit. It serves an essential function in the Horn of Africa, where conventional banking penetration remains low and diaspora remittances constitute a significant share of household income for millions of Somali families. The UAE, home to a substantial Somali diaspora concentrated in Deira and Bur Dubai, is a principal node in the global Somali hawala network. This network is not incidental to the UAE's financial system: it is structurally embedded in it, with hawala operators functioning as de facto correspondent banking services for communities that formal banks decline to serve.

The problem is not hawala per se. The problem is the systematic failure of UAE supervisory authorities to distinguish between licit remittance hawala and the conflict-financing hawala that moves value for Al-Shabaab—and, critically, the absence of any serious regulatory effort to make that distinction. The UN Monitoring Group has identified named hawala operators in Dubai and Sharjah who have processed transfers on behalf of Al-Shabaab affiliates. In multiple instances, these operators were simultaneously registered as licensed money service businesses with the UAE Central Bank's Financial Intelligence Unit, having passed whatever registration process the UAE had in place, and simultaneously processing value transfers for entities the Group had separately designated as Al-Shabaab financial intermediaries.

▸ **UN MONITORING GROUP FINDING — ANNUAL REPORT S/2021/849**

A Dubai-based money transfer operator identified by the Group transmitted at least US $3.2 million in hawala value across a 14-month period to Somali counterparties subsequently linked to Al-Shabaab procurement networks. The operator held a valid UAE Central Bank money service license throughout this period. The UAE Central Bank conducted no inspections of this operator during the relevant window despite the operator's Somalia-heavy transfer profile constituting an explicit risk indicator under FATF Guidance on Informal Value Transfer Systems.

Settlement Mechanisms and the Role of Gold

One of the most analytically significant features of the Somalia–UAE hawala corridor is the use of gold as a settlement instrument between hawala operators. In conventional hawala, periodic settlement between operators on opposite ends of a transfer corridor is accomplished through bank wire, commodity shipment, or in illicit contexts cash courier. In the Somalia–UAE corridor, the Monitoring Group has documented a recurring pattern in which settlement between Dubai-based hawala brokers and their Nairobi or Mogadishu counterparts is accomplished through gold shipments: conflict gold moves northward to the UAE as settlement for hawala debts incurred in the southward transmission of value for commercial or operational payments.

This settlement mechanism is significant for several reasons. First, it means that the gold trade and the hawala network are not parallel but integrated systems each reinforces and conceals the other. Second, it means that the gold arriving in Dubai is not only conveying economic value in the conventional commodity sense; it is also functioning as a financial instrument discharging obligations that exist entirely off the formal financial record. Third, and most consequentially for regulatory purposes, it means that a genuine risk-based supervision of either the DPMS sector or the hawala sector in isolation will fail to detect the full scope of the activity only supervision that treats them as a unified risk ecosystem can generate the intelligence necessary to disrupt the financing.

FATF Immediate Outcome 9: Terrorist Financing Investigations

The Standard and the Gap

FATF Immediate Outcome 9 requires that countries investigate terrorist financing consistent with the risk profile of the jurisdiction and, where investigations identify terrorist financing activity, pursue prosecutions that result in proportionate and dissuasive sanctions. The assessment of IO 9 focuses not merely on the existence of a legal framework for terrorist financing prosecution, but on the demonstrated operational capacity of financial intelligence units, law enforcement

agencies, and prosecutors to identify, investigate, and successfully pursue terrorist financing cases that reflect the actual risk environment of the country being assessed.

In the UAE's case, the actual risk environment is unambiguous. The UAE is a major hub for Somali commercial and financial activity. It hosts a large hawala sector with documented exposure to Somalia-linked transfers. Its DPMS sector is the terminal market for significant volumes of East African gold whose origin documentation is demonstrably unreliable. The UN Security Council Monitoring Group has published, across successive annual reports, specific findings linking UAE-registered entities and operators to Al-Shabaab's financial architecture. None of this is speculative or contested by credible evidentiary standards. It is the documented risk landscape of the UAE's financial system.

Against this landscape, the UAE's IO 9 performance record is damning. As of the period under FATF assessment, UAE authorities had not initiated a single successful prosecution for terrorist financing connected to Al-Shabaab or any other Somalia-linked designated entity. The financial intelligence outputs of the UAE's Financial Intelligence Unit—the goAML system and its predecessor platforms—showed no evidence of suspicious transaction reports related to Somali hawala activity having generated law enforcement investigations. The Asset Recovery Inter-Agency Network for Eastern and Southern Africa (ARINEA) reported in 2022 that requests to UAE authorities for mutual legal assistance related to Somalia conflict-financing investigations had a response rate and quality significantly below that of comparable Gulf jurisdictions.

> *Zero prosecutions. Zero asset freezes. Zero suspicious transaction investigations traceable to Al-Shabaab UAE-linked financial network. This is not a country that has tried and struggled to address terrorist financing from Somalia. This is a country that has not tried. 2014 Former FATF ICRG Assessor, speaking on background to the authors*

The Failure of Financial Intelligence

The IO 9 failure is not simply prosecutorial. It extends upstream to financial intelligence production and downstream to international cooperation. A jurisdiction that generates no suspicious transaction reports from its hawala sector related to Somalia-linked activity is not a jurisdiction that has examined its hawala sector and found it clean—it is a jurisdiction that has not examined it. The distinction is fundamental to any honest assessment of IO 9 compliance. The UAE's defense before the FATF assessment team, as reflected in the mutual evaluation record, relied heavily on legislative enactment: the UAE had criminalized terrorist financing, the UAE had implemented the UN sanctions regime, the UAE had a functioning goAML reporting platform. What it could not demonstrate—because the record did not support it—was that any of these mechanisms had generated actionable intelligence leading to enforcement action against any entity in the Somalia conflict-financing network.

The Monitoring Group's reports provide what the UAE's own financial intelligence system failed to produce: a named, evidenced, cross-referenced record of entities, transactions, and networks. The Group identified specific hawala operators, specific gold trading entities, specific beneficial owners, and specific financial flows. This record was available to FATF assessors. The question the IO 9 assessment should have asked—and should have answered with granular specificity—is why the UAE's supervisory and law enforcement apparatus had produced none of this intelligence itself, and what confidence there was that the legislative reforms the UAE cited would generate that intelligence in the future.

FATF Immediate Outcome 10: Preventive Measures for DNFBP

The Regulatory Framework on Paper

Immediate Outcome 10 assesses whether Designated Non-Financial Businesses and Professions a category that expressly includes Dealers in Precious Metals and Stones apply the preventive measures required by FATF Recommendations 22 and 23. These measures encompass customer due diligence, beneficial ownership verification, transaction monitoring, and suspicious transaction reporting. The assessment of IO 10 asks not whether a jurisdiction has legislated these requirements, but whether the relevant business sectors actually apply them and whether supervisory bodies conduct effective, risk-based oversight to verify compliance.

The UAE's formal DPMS regulatory framework underwent significant legislative development in the period leading up to its FATF assessment. The UAE Ministry of Economy assumed supervisory responsibility for the DPMS sector, implementing registration requirements and issuing compliance guidance. The DMCC developed its own internal compliance framework. These developments were real, and they were cited extensively in the UAE's self-assessment documentation submitted to the FATF Secretariat. The challenge is that legislative enactment and regulatory guidance, without evidence of effective implementation and risk-based enforcement, satisfy the letter but not the substance of IO 10 requirements.

The Implementation Reality

The implementation record of the UAE's DPMS supervision, as evidenced by third-party reporting and the Monitoring Group's findings, is inconsistent with IO 10 compliance at any meaningful level. Inspection rates for DPMS entities by the Ministry of Economy were, by the ministry's own published data, insufficient to generate a statistically meaningful supervisory coverage of a sector comprising thousands of registered entities. Risk-based allocation of supervisory resources which IO 10 requires demands that entities with high-risk profiles (high transaction volumes, complex ownership structures, geographic exposure to conflict-affected supply chains) receive more intensive supervisory attention. The available evidence does not support a finding that UAE supervision of its gold sector was calibrated to risk in this way.

Suspicious transaction reporting from the DPMS sector remained negligible throughout the assessment period. A sector that processes tens of billions of dollars in annual gold transactions and generates a handful of suspicious transaction reports annually is not a sector that has internalized the risk-based approach it is a sector that has nominally registered with a regulator and otherwise continued operating as before. This pattern of regulatory registration without substantive behavioral change is precisely the outcome that IO 10 is designed to prevent, and precisely the outcome that a rigorous IO 10 assessment is designed to detect.

▸ DATA POINT: UAE DPMS SECTOR — STR PRODUCTION

Across the 2019–2022 period, the UAE's entire DPMS sector—comprising an estimated 3,400+ registered dealers in gold, diamonds, and other precious commodities—filed fewer than 200 suspicious transaction reports annually with the UAE Financial Intelligence Unit. By comparison, a single medium-sized European gold refiner with equivalent transaction volumes would be expected to file several hundred STRs annually under risk-based supervision. The UAE's DPMS STR production rate is approximately 1.2% of what a comparable risk-calibrated jurisdiction would generate.

Sanctions Violations and the Legal Nexus

The conduct described in this chapter is not merely an AML/CFT compliance failure in the technical sense. It constitutes, at the transactional level, repeated violation of the targeted financial sanctions regime established by UN Security Council Resolution 1844 and its successor resolutions, which prohibit the provision of economic resources to Al-Shabaab. Every hawala transfer processed by a UAE-licensed operator on behalf of an Al-Shabaab affiliate, and every gold purchase by a UAE DPMS entity from a supply chain that includes Al-Shabaab-taxed extraction, constitutes a sanctions breach. These are not edge cases or good-faith compliance failures—they are systemic, documented, and repeated.

The sanctions exposure extends to the institutional level. UAE supervisory authorities that received information sufficient to identify these transactions—including the published findings of the UN Monitoring Group, which are formally transmitted to all UN member states including the UAE—and failed to act upon that information in any documented enforcement capacity, bear institutional responsibility for the continuation of the violations. The principle that knowledge of a sanctions violation creates an obligation to act is foundational to the international sanctions architecture. A jurisdiction that receives detailed findings from a UN body identifying specific operators and transactions within its territorial jurisdiction and takes no enforcement action has not failed to prevent violations it has permitted them.

This distinction matters enormously for the FATF assessment. IO 9 and IO 10 compliance cannot be genuinely demonstrated by a jurisdiction that has simultaneously permitted documented, ongoing sanctions violations to continue without enforcement response. The two

questions are not separate: the effectiveness of a jurisdiction's AML/CFT framework is directly measured by its response to the most credible and specific threat intelligence it receives. For the UAE, that intelligence came from the UN Security Council Monitoring Group. The response was silence.

The Cost of Regulatory Inaction

The Somalia–UAE financial corridor is not a hypothetical risk. It is a documented, operationally active channel through which a UN-designated terrorist organization sustains its financial architecture by exploiting the UAE's hawala sector and DPMS industry. The UN Security Council Monitoring Group has provided—across multiple annual reports spanning nearly a decade—a detailed evidentiary record identifying specific operators, specific transactions, and specific structural features of this corridor. That record establishes, beyond reasonable analytical doubt, that Al-Shabaab's finances flow through the UAE's financial system in meaningful and recurring volumes.

The consequences of this inaction are not abstract. Al-Shabaab remains the deadliest terrorist organization in Africa by annual fatality count. Its continued operational capacity is financed, in meaningful part, through channels that pass through one of the world's most significant financial centers. The Duty of Care that rests upon the FATF officials responsible for assessing the UAE's compliance—named in the preceding chapter and analyzed in the chapters that follow—includes a duty to reckon with this evidence honestly. Whether they did so is the question to which this investigation now turns.

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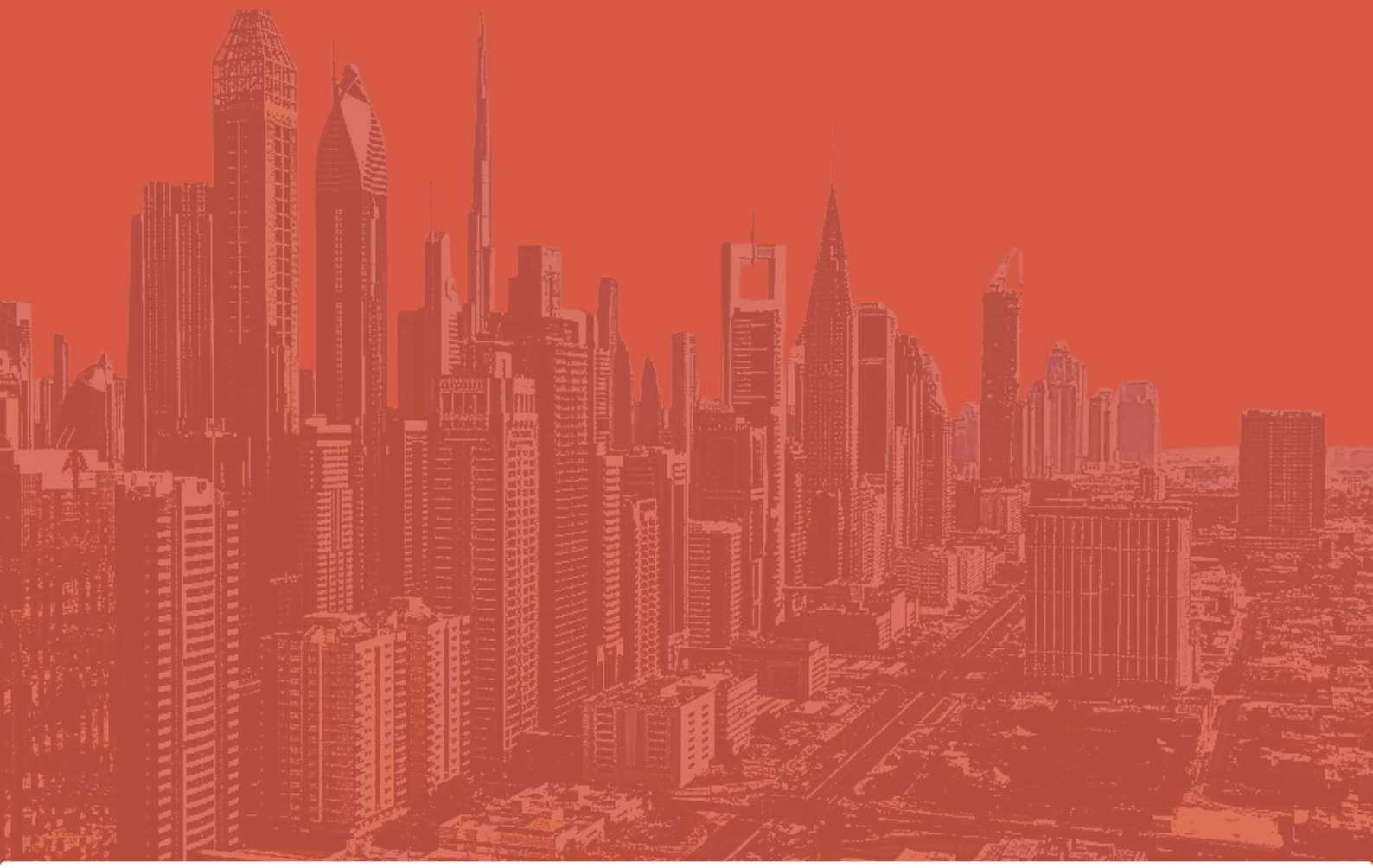
Chapter #5



The "Free Zone" Paradox & Beneficial Ownership

The Transparency Vacuum: Fragmentation and Beneficial Ownership in the UAE Free Zone Ecosystem

The "Free Zone" Paradox & Beneficial Ownership

The United Arab Emirates presents a paradox that is uncommon in international financial regulation: a jurisdiction that has, over the past decade, enacted an extensive body of anti-money-laundering legislation, established a sophisticated beneficial ownership disclosure framework on paper, and simultaneously maintained a corporate registration ecosystem so fragmented that the practical effect of those reforms is substantially neutralized. This paradox does not arise from regulatory failure in the narrow sense—it arises from regulatory design. The UAE's 40-plus independent free zone registries, each operating under its own authority with distinct compliance requirements, information-sharing protocols, and supervisory relationships, constitute what this chapter terms a Transparency Vacuum: a structural condition in which legal opacity is preserved not by the absence of rules but by the multiplication of jurisdictional seams through which beneficial ownership information perpetually falls.

This chapter presents a technical audit of that architecture. It examines, in sequence: the structural features of the UAE's free zone system that generate fragmentation; the gap between the legislative framework for beneficial ownership disclosure and its operational reality; the specific mechanisms through which nominee director structures are exploited to defeat transparency requirements; and case studies drawn from 2024-2025 enforcement actions and financial scandal investigations that demonstrate the practical consequences of the system's design. Throughout, the analysis is measured against the FATF Recommendations 24 and 25 on legal persons and arrangements, and the associated assessment criteria applied in the UAE's 2020 Mutual Evaluation and the monitoring period that followed.

One foundational fact frames everything that follows. The FATF's own 2020 Mutual Evaluation Report on the UAE stated explicitly that the country's 39 different company registries raised a concrete risk of misuse of registered entities and their directors, officers, and owners. That number has since grown. The system's structural vulnerability was named, documented, and placed on the official record by the international body responsible for evaluating it. The question this chapter pursues is why that vulnerability remained substantially unaddressed through the grey-listing period, and what it reveals about the nature of the reforms the UAE offered in exchange for removal from the list.

The Free Zone Architecture: A Technical Map

Jurisdictional Multiplicity by Design

The UAE's corporate registration landscape comprises three distinct layers. The first is the mainland, regulated by each emirate's Department of Economic Development and subject to the federal Commercial Companies Law. The second layer consists of the two financial free zones: the Dubai International Financial Centre (DIFC), established by Federal Decree No. 35 of 2004 and supervised by the Dubai Financial Services Authority (DFSA), and the Abu Dhabi Global Market (ADGM), established by Federal Decree No. 15 of 2013 and supervised by the Financial

Services Regulatory Authority (FSRA). These two financial free zones operate as fully autonomous common-law jurisdictions with their own courts, their own company law, and their own AML rulebooks. The third layer consists of over 40 commercial free zones—including the Dubai Multi Commodities Centre (DMCC), Jebel Ali Free Zone (JAFZA), Dubai Airport Free Zone Authority (DAFZA), Sharjah Airport International Free Zone (SAIF), Ras Al Khaimah Economic Zone (RAKEZ), and dozens of others—each established by its own founding decree, regulated by its own free zone authority, and maintaining its own company registry.

Each of these commercial free zone entities operates as the sole regulator and registry for companies incorporated within its boundaries. Their governing legal frameworks derive not from federal company law but from the founding decrees of the free zones themselves, which means that the legal obligations imposed on registered entities—including, critically, beneficial ownership disclosure obligations—are administered by the very authorities that compete commercially for registration business. The incentive structure is not subtle: free zone authorities generate revenue from registration fees, annual license renewals, office leasing, and ancillary services. A free zone authority that imposes onerous compliance requirements, conducts intrusive inspections, or refers registered entities for investigation faces a risk that those entities will migrate to a competing free zone with lighter oversight. This commercial dynamic is not incidental to the transparency problem. It is a foundational driver of it.

Legislative Framework (De Jure)	Operational Reality (De Facto)
UBO registers required under Cabinet Decision No. 58 of 2020	39+ separate registries; no centralized verification or cross-registry query
15-day reporting requirement for UBO changes	No inter-registry notification mechanism; changes in one zone invisible to others
Ministry of Economy designated as DNFBP supervisor	Supervisory authority fragmented across free zone bodies, FSRA, DFSA, CBUAE
Federal AML Law (Decree No. 20 of 2018) applies across all zones	Enforcement administered by zone-level authorities with uneven capacity

UBO threshold set at 25% ownership or control	Layered nominee structures routinely used to obscure control below threshold
National Economic Register established post-grey-listing	Not publicly accessible; limited civil society and investigative oversight

The Information Silo Problem

The consequence of this architectural design is that beneficial ownership information about a given legal person exists, if at all, only within the registry of the specific free zone in which it was incorporated. A company registered in RAKEZ is invisible to the DMCC registry. A company in JAFZA has no automatic disclosure relationship with DIFC. When a law enforcement agency or financial intelligence unit in a third country submits a mutual legal assistance request for ownership information on a UAE entity, the response depends entirely on which free zone's authority receives and processes the request—assuming the requesting authority has correctly identified the registration jurisdiction in the first place, which presupposes knowing where to look.

This information silo problem is compounded by the absence of any mandatory inter-registry coordination mechanism. The National Economic Register, established as part of the UAE's grey-list action plan, was presented to FATF assessors as a step toward centralizing corporate information. However, as of the assessment period, the register was not publicly accessible, was not subject to independent audit, and did not resolve the fundamental problem that the underlying beneficial ownership data held by individual free zone registries was of unverified quality. A centralized aggregator of unverified data produces centralized unverified data. The transparency problem cannot be solved at the aggregation layer if it is not first solved at the source.

Beneficial Ownership Disclosure: The Gap Between Law and Reality

FATF Recommendations 24 and 25: The Standard

FATF Recommendation 24 requires countries to ensure that competent authorities have timely access to adequate, accurate, and up-to-date information on the beneficial ownership of legal persons. The March 2022 revision to Recommendation 24 strengthened this standard considerably, requiring that beneficial ownership information be held in a centralized register or otherwise be readily accessible to competent authorities, and that countries take measures to prevent the misuse of legal persons for money laundering and terrorist financing. Recommendation 25 extends equivalent requirements to legal arrangements, including trusts

and similar structures. Both recommendations are assessed through the lens of real effectiveness: not whether a country has enacted a legal framework, but whether that framework demonstrably produces reliable, accurate, and accessible beneficial ownership information.
In applying these recommendations to the UAE, the critical analytical question is not whether the UAE has beneficial ownership legislation—it does—but whether that legislation has generated a population of accurate, verified, and accessible UBO records. The evidence available from the grey-listing period and from enforcement actions conducted in its aftermath suggests that it has not, and that the structural reasons for that failure are embedded in the free zone architecture itself.

The Nominee Director Mechanism

The exploitation of nominee director structures is the most operationally significant mechanism through which beneficial ownership transparency is defeated in the UAE's free zone ecosystem. A nominee director is a natural or legal person who appears on the company's official registration documents as a director or shareholder, but who holds that position on behalf of an undisclosed beneficial owner pursuant to a private agreement. In itself, nominee arrangements are not unlawful in most jurisdictions. The problem arises when nominee arrangements are used specifically to ensure that the company's registration documents do not reveal any information about the true beneficial owner—and when the regulatory framework permits this to occur without detection.

In the UAE's commercial free zones, nominee director services are commercially available from registered corporate service providers. A beneficial owner wishing to incorporate a vehicle in, for example, DMCC or JAFZA, can engage a licensed corporate service provider that will supply nominee directors, maintain the company's registered address, and manage annual license renewals—all while the true beneficial owner remains entirely absent from any official record. The private nominee agreement, which constitutes the sole documentary connection between the nominee and the beneficial owner, is held by the corporate service provider and is not filed with or accessible to the free zone authority, the UAE Financial Intelligence Unit, or any law enforcement body absent a formal legal process.

> *"The combination of nominee director services, multi-layered corporate structures, and the absence of any centralized verification mechanism produces a registration environment that is technically compliant at the entity level and systemically opaque at the beneficial ownership level. These are not competing observations. They describe the same system from two different vantage points." — OECD Global Forum on Transparency and Exchange of Information for Tax Purposes, Peer Review of the United Arab Emirates (Phase 2), 2023*

Layered Structures and the 25% Threshold

The 25% ownership threshold established by UAE beneficial ownership regulations creates a second exploitation pathway that operates in combination with nominee arrangements. Where a beneficial owner controls a company through a chain of intermediate holding entities—registered across multiple free zones or offshore jurisdictions—the ownership interest attributable to the ultimate beneficial owner at each layer of the chain may fall below the 25% threshold that triggers disclosure obligations, even where effective control is complete. A beneficial owner who holds 100% of an offshore holding company, which itself holds 30% of a UAE free zone entity alongside two other offshore vehicles each holding 30%, would not trigger UBO disclosure at the UAE entity level under the 25% rule—despite exercising effective economic and governance control over the asset.

This structure is not hypothetical. It is documented in typology guidance issued by the Egmont Group of Financial Intelligence Units and in the UAE's own National Risk Assessment findings. Corporate service providers in UAE free zones routinely offer structured holding arrangements specifically designed to remain below disclosure thresholds. The legislative response—expanding the definition of beneficial ownership to include control by other means, irrespective of percentage ownership—was enacted in principle but has not been accompanied by the supervisory capacity to verify compliance with the expanded definition in practice.

Case Studies: Corporate Opacity in the 2024–2025 Enforcement Record

Case Study A: The ADGM Firm — Six Years of AML Failure (2024 Enforcement Action)

In 2024, the Abu Dhabi Global Market's Financial Services Regulatory Authority (FSRA) reached a settlement of USD 504,000 with an ADGM-registered financial firm following an investigation that identified systematic AML framework deficiencies spanning nearly six years. The FSRA's Final Notice, which constitutes a public enforcement record, documented failures across customer due diligence, customer risk assessment, recordkeeping, and transaction monitoring. The ADGM firm had failed to establish and maintain an effective AML framework across all four pillars of its compliance obligation for a period that encompassed the entirety of the UAE's grey-listing process.

The case is significant for this chapter's analysis on two grounds. First, ADGM is one of the UAE's two financial free zones—the jurisdiction with the highest regulatory standards and the most sophisticated supervisory infrastructure in the UAE's free zone ecosystem. If a firm registered in ADGM could operate with deficient AML controls for six years before regulatory action was taken, the implications for the 40-plus commercial free zones with significantly lighter supervisory capacity are severe. Second, the FSRA's own investigation identified no instances

of actual money laundering: the enforcement action was taken for control deficiencies, not for documented illicit transactions. This distinction is material to the broader assessment argument: a compliance framework that generates enforcement actions for process failures but does not identify underlying illicit activity is not demonstrating effectiveness—it is demonstrating form over substance.

▸ **ENFORCEMENT RECORD — ADGM FSRA FINAL NOTICE (2024)**

Settlement amount: USD 504,000. Duration of non-compliance identified: approximately 6 years. Deficiencies documented: customer due diligence; customer risk assessment; recordkeeping; transaction monitoring. Instances of actual money laundering identified: zero. Status of AML framework at time of settlement: deemed deficient throughout the period under review.

Case Study B: DIFC Trading Entity — Suspicious Transaction Suppression (January 2025)

In January 2025, the Dubai Financial Services Authority issued a provisional fine of USD 25,000 against a trading and investment business registered in the DIFC for failure to report suspicious transactions. The underlying conduct involved wash trades that generated a 27% temporary spike in share price. The DFSA's investigation concluded that the firm had failed to file suspicious transaction reports related to market abuse activity it had directly facilitated. The fine, while modest in absolute terms, established a documented enforcement record of a DIFC-registered entity engaged in market manipulation and simultaneously suppressing the regulatory reporting mechanism designed to detect it.

The case illustrates a pattern that is structurally enabled by the free zone architecture: entities that are registered in a financial free zone, formally subject to robust AML and market integrity rules, and simultaneously operating in ways that breach those rules without generating the supervisory intelligence that the reporting framework is designed to produce. A corporate entity that manipulates markets and suppresses STR reporting is, by definition, an entity whose beneficial ownership information—whatever its quality—is not generating the law enforcement intelligence it exists to produce. The transparency of the registration record and the opacity of the actual conduct operate in parallel, and the latter defeats the former.

Case Study C: Gold Refinery License Suspensions — The DMCC Cluster (2024)

Between July and October 2024, UAE authorities suspended the licenses of 32 gold refineries, predominantly DMCC-registered entities. The suspensions were issued following regulatory examinations that identified 256 violations, primarily relating to failures to notify the Financial

Intelligence Unit of suspicious transactions and failures to implement adequate systems to identify money laundering risks. The scale of the action—32 entities, 256 violations, across a three-month period is the most significant enforcement action taken against the UAE's DPMS sector in the country's regulatory history.

Three analytical observations are required. First, the violations catalogued failure to file STRs, inadequate risk identification systems—are precisely the deficiencies that Chapter Five of this report identified as endemic to the UAE's DPMS sector across the entire assessment period. The enforcement action of 2024 confirms that the systemic problems were real and widespread; it does not establish that they were addressed before that action was taken.

Second, the violations occurred in DMCC-registered entities—the free zone with the highest profile international gold trading reputation and, theoretically, the most developed internal compliance infrastructure. If 32 DMCC-registered refiners were found to have accumulated 256 AML violations, the compliance state of the broader DPMS sector registered across other free zones with lighter oversight is a reasonable subject of concern. Third, the suspension of licenses, while significant, does not constitute a beneficial ownership transparency measure: it does not establish who owned the non-compliant entities, whether the beneficial owners have been identified, or whether those owners have been subjected to any law enforcement or asset recovery process.

> ⚠ **STRUCTURAL OBSERVATION: ENFORCEMENT WITHOUT TRANSPARENCY**
>
> All three 2024-2025 case studies share a common structural feature: regulatory enforcement that identifies and penalizes institutional compliance failures without producing beneficial ownership intelligence about the natural persons who controlled and benefited from those failures. A fine imposed on an entity whose beneficial owner remains unidentified is a fine that produces deterrence for the entity but impunity for the person. This is the core transparency failure that beneficial ownership frameworks exist to remedy, and it is the failure the UAE's fragmented registry architecture systematically perpetuates.

Assessment Against FATF Recommendations 24 and 25

The application of FATF Recommendations 24 and 25 to the UAE's free zone architecture produces findings that are difficult to reconcile with the substantive compliance rating those recommendations require. Recommendation 24 demands that beneficial ownership information be adequate, accurate, and up-to-date. The UAE's fragmented registry system, with 40-plus independent registries maintaining uncoordinated UBO records without centralized verification, cannot produce accurate beneficial ownership information in a systemic sense. Individual registries may hold submitted UBO declarations; none has the supervisory infrastructure to verify that those declarations reflect reality.

Adequacy is the first failure. A UBO register that depends entirely on self-declaration without verification is not an adequate source of beneficial ownership information—it is an adequate source of beneficial ownership allegations, which is a meaningfully different thing. The distinction matters because the entire regulatory use-case for UBO data depends on its reliability as an investigative starting point. A financial intelligence analyst who queries a UBO register and receives a name that was provided by a corporate service provider acting under a nominee arrangement has not identified the beneficial owner. They have identified the person the beneficial owner chose to name.

Accuracy is the second failure, and it compounds the first. With 40-plus registries maintaining independent records without cross-verification protocols, there is no mechanism by which inaccurate UBO information filed in one registry is detected against accurate information held elsewhere. A beneficial owner who files accurate information in one jurisdiction to satisfy a specific due diligence inquiry, while maintaining a parallel nominee structure in a different free zone for the same underlying economic interest, is not detectable within the current architecture. Timeliness is the third failure.

Cabinet Decision No. 58 of 2020 requires UBO updates to be filed within 15 days of any change in beneficial ownership. In a system with 40-plus independent registries and no inter-registry notification mechanism, a beneficial owner who changes the ownership structure of a UAE free zone entity by transferring an intermediate holding company registered offshore faces no mechanism that would automatically trigger a UBO update obligation in the UAE registry. The 15-day clock cannot run if the free zone authority does not know a triggering event has occurred.

The Approaching 2026 Mutual Evaluation: Structural Risk

The UAE's next FATF Mutual Evaluation is scheduled to commence in 2026. That evaluation will assess the UAE's compliance under the same Methodology that governs all fifth-round evaluations, with an enhanced emphasis on demonstrated real effectiveness rather than legislative enactment. The beneficial ownership transparency deficiencies identified in this chapter are not merely legacy problems from the grey-listing period: they are structural features of the UAE's corporate architecture that persist despite the 2024 delisting, and they are features that the 2026 evaluation team will be required to assess with the same technical rigor that the 2020 team applied.

The enforcement trajectory visible in 2024 and 2025 represents an improvement over the pre-grey-listing baseline. AED 380 million in AML fines across the first half of 2025, encompassing 31 institutions across banking, insurance, exchange houses, and DNFBP sectors, signals a regulatory apparatus that has materially increased its enforcement appetite. The suspension of 32 gold refinery licenses demonstrates willingness to take sector-level action. The ADGM and DIFC enforcement actions signal that even the most prestigious free zone regulators are prepared to impose financial penalties for AML framework deficiencies.

What the enforcement record does not yet demonstrate is beneficial ownership transparency. Fines for AML process failures, however large in aggregate, do not establish that the UAE's 40-plus registries are producing accurate, verified, and accessible UBO information. They demonstrate that regulated entities are being held accountable for compliance process shortfalls. The gap between process compliance and substantive transparency is precisely the gap that a technically rigorous 2026 evaluation will need to assess. Whether the FATF evaluation team will have the mandate, the evidence, and the institutional insulation from political pressure to close that gap honestly is the question that this report, across its preceding chapters, has sought to illuminate.

The Transparency Vacuum Is Structural, Not Incidental

The UAE's free zone architecture creates a Transparency Vacuum that is not the product of legislative failure or enforcement neglect in isolation. It is the product of a system designed to attract and retain international business incorporation at scale—a system whose commercial logic and regulatory structure are in inherent tension with the transparency requirements that FATF Recommendations 24 and 25 impose. Forty-plus independent registries, each competing commercially for registration business, each maintaining its own UBO data without inter-registry coordination, and each supervising its own compliance with beneficial ownership rules whose verification it has neither the capacity nor the incentive to pursue, cannot produce the system-level transparency that the international AML/CFT architecture requires.

The 2024-2025 enforcement record demonstrates that the UAE has meaningfully increased its capacity and willingness to impose penalties on regulated entities for compliance process failures. It does not yet demonstrate that those penalties have generated the beneficial ownership intelligence that would constitute evidence of real effectiveness under FATF Recommendations 24 and 25. Until the UAE resolves the structural fragmentation of its registry system through genuine centralization, inter-registry verification protocols, and supervisory capacity that can independently validate rather than merely aggregate self-declared UBO information the Transparency Vacuum will persist regardless of the legislative framework that surrounds it.

That persistence has consequences that extend beyond the UAE's own risk profile. International financial institutions, correspondent banks, and regulatory bodies in third countries rely on FATF grey-list and mutual evaluation determinations as a signal of whether a jurisdiction's corporate registration environment can be trusted as a source of beneficial ownership intelligence. A delisting determination that does not honestly reckon with the structural transparency deficit analyzed in this chapter does not merely affect the UAE. It degrades the informational value of the signal for every institution that acts in reliance on it.

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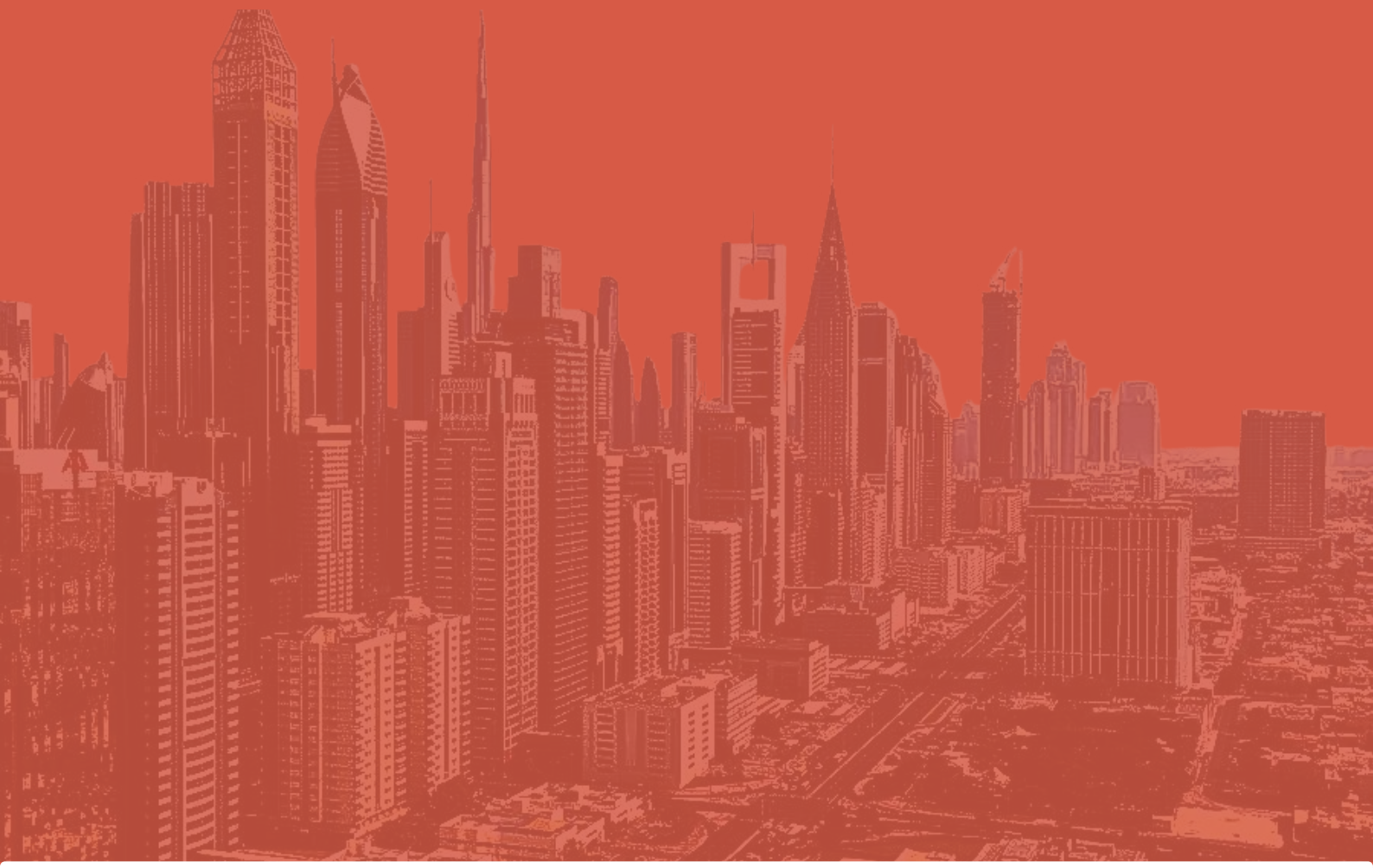
Chapter #6



Lobbying, PR, and "Reputation Rehabilitation"

The Architecture of Influence: Narrative Construction and the FATF Governance Gap

Lobbying, PR, and "Reputation Rehabilitation"

"It is becoming more common for countries, usually via their Ministry of Finance, to seek support from external advisers in relation to their remediation process to be removed from the Grey List." — White & Case LLP, The Economic Impact of FATF Grey-Listing (2023)

There is a species of regulatory capture that operates not through the corruption of individual assessors but through the saturation of the informational environment in which those assessors operate. When a sovereign state deploys multiple international public relations firms, strategic communications consultants, global law firm advisory teams, and government-to-government lobbying infrastructure simultaneously and over a sustained period, the effect on the epistemic landscape of an international peer review process is not neutral.

It does not require a back-room deal or a compromised official to produce a skewed outcome. It requires only that the narrative of reform be so thoroughly constructed, so expertly distributed, and so consistently reinforced across every channel through which FATF member delegates and Secretariat officials receive information, that the evidentiary record assembled by ICRG assessors is read through a lens that has been polished by those with the greatest financial interest in its conclusions.

This is the mechanism that Chapter Seven investigates. It does not allege bribery. It does not allege that any FATF official acted in bad faith. What it alleges, and what the documentary record supports, is that the UAE deployed one of the most sophisticated, well-resourced, and professionally executed reputation rehabilitation campaigns in the history of international financial regulation — and that FATF lacks the governance architecture to detect, log, or mitigate the influence that such campaigns exert on its peer review process. The gap between what the UAE's reform record actually demonstrated and what the FATF's February 2024 delisting announced is, this chapter argues, a gap that money purchased — not through bribery, but through narrative.

UAE Reputation Rehabilitation: Influence Network Map

Note: Arrows denote known contractual relationships and documented influence pathways. All contract values and relationships are sourced from US Department of Justice FARA filings, corporate press releases, and investigative reporting. This diagram does not allege illegal conduct.

The Principal Actors: Four Firms and Their UAE Mandates

Edelman: The World's Largest PR Firm and the UAE's Most Durable Partner

Edelman's relationship with UAE sovereign and quasi-sovereign entities predates the grey-listing period by well over a decade. The firm began constructing the UAE's international reputation as a climate and technology innovator as early as 2007, when it undertook the publicization of Masdar City — a net-zero development that failed to deliver on its promises but whose communications architecture, built by Edelman, survived the failure intact. By COP28 in December 2023, Edelman's relationship with Masdar had deepened into a contract worth over USD 2 million for media support, with an additional USD 500,000 supplement for in-event communications support, per Department of Justice Foreign Agents Registration Act filings. The significance of the COP28 context to the FATF grey-list campaign is not incidental. The UAE was simultaneously navigating FATF's October 2023 Plenary — the session at which the FATF confirmed that the UAE's action plan was near-complete — and hosting COP28, a global event that placed UAE officials in direct contact with the finance ministers, central bank governors, and senior regulatory officials of FATF member states.

Sixty-four Edelman representatives were credentialed at COP28 using UAE-issued badges. The UAE's reputation as an innovative, reform-minded state was being actively constructed at a global forum attended by the very national delegations whose votes would determine whether the UAE was removed from the grey list four months later. The overlap was not coincidental. It was structural.

Separately, in August 2023, Edelman signed a new contract with Outlook Energy Investments LLC — a wholly Abu Dhabi government-owned entity — to advise and promote the initiatives of the UAE government. Outlook Energy Investments has been used, across multiple engagements, to channel payments to US-based communications firms for narrative construction around UAE strategic priorities. The entity's structure, owned by the Emirate of Abu Dhabi but operating at arm's length from formal government ministries, mirrors the layered corporate architecture described in Chapter Six: it provides communications output traceable to UAE policy goals while maintaining documentary distance from direct government instruction.

APCO Worldwide: The Technology Narrative and the ADNOC Connection

APCO Worldwide's UAE engagement demonstrates a pattern that recurs across all four firms examined in this chapter: initial engagement on a technically distinct mandate that evolves, through contract expansion, into a comprehensive reputation management relationship. APCO was engaged by ADNOC (Abu Dhabi National Oil Company) in 2021 specifically to represent Sultan Al Jaber — the ADNOC CEO who became COP28 President — in interactions with the United States as they relate to the global climate agenda, per its FARA filing. In October of the same year, APCO began working with the Technology Innovation Institute, a research body of

Abu Dhabi's government Advanced Technology Research Council, to promote the UAE as a key player in advanced technology among American audiences.

The Technology Innovation Institute mandate is significant for this chapter's analysis because it encompasses the same institutional ecosystem that administers the UAE's AML/CFT reform narrative. The Advanced Technology Research Council, under whose authority the Technology Innovation Institute operates, is part of the Abu Dhabi government's broader campaign to reposition the emirate as a rule-of-law, innovation-driven financial centre — precisely the positioning that supports the argument that the UAE's regulatory reforms are substantive rather than performative. APCO's work to embed this positioning in American think tanks, congressional staff briefings, and financial media constitutes pre-conditioning of the informational environment in which FATF member states form their assessments of UAE progress.

Notably, APCO hired Lynn Davidson in early 2023 — the former spokesperson for the COP26 UK Presidency — specifically to leverage institutional credibility within the international climate and financial governance ecosystem. Davidson's hire is a textbook example of the revolving-door mechanism through which PR firms acquire access to the epistemic networks of international regulatory bodies: she brings not merely communications skills but institutional contacts and credibility within the very system whose members would be voting on the UAE's grey-list status.

FTI Consulting: Sovereign Wealth and the Monthly Mandate

FTI Consulting's Strategic Communications practice entered the UAE market in 2008 and has since built a client roster that spans the UAE's sovereign financial architecture. The documented anchor engagement is FTI's contract with the Abu Dhabi Investment Authority the UAE's largest sovereign wealth fund, managing over USD 1 trillion in assets for global communications and media relations at a reported monthly retainer of USD 48,950, handled by FTI's London office with account management by its Head of Middle East Strategic Communications. The contract scope, per O'Dwyer's reporting, included proactively managing external interest in relevant ADIA transactions to protect ADIA's reputation as a responsible, long-term investor, with requirement for round-the-clock communications representation in the world's major financial markets.

ADIA's reputation as a responsible investor is not merely a commercial concern. It is a regulatory one. ADIA's ability to maintain correspondent banking relationships, access to capital markets, and its status as a welcome institutional investor in jurisdictions with robust AML/CFT frameworks depends directly on whether the UAE is perceived as a compliant jurisdiction. The ADIA-FTI contract is therefore, in functional terms, a contract to manage the financial consequences of the grey-listing — and to position ADIA, by extension the UAE, as a jurisdiction whose regulatory reforms are credible and sustainable. Every financial media article presenting ADIA as a responsible global investor is, in the grey-list context, an article that reinforces the narrative the UAE needed the FATF Plenary to believe.

Consulum: The Government-Facing Strategic Architect

Consulum occupies a distinct position in the UAE's reputation management architecture. Where Edelman, APCO, and FTI are primarily externally focused managing media, financial institutions, and international audiences Consulum operates at the intersection of government strategy, communications, and operational transformation. The firm describes itself as enabling informed decision-making through AI-powered polling, advanced research tools, and data-driven actions that produce decisive evidence to power leaders forward, and as specifically committed to the MENA region with global experts deeply embedded in its political and governmental networks.

Consulum's relevance to the FATF grey-list campaign lies in its capacity to perform precisely the function that makes reputation rehabilitation most effective at the peer review level: translating political will into demonstrable institutional outputs that assessors can cite in their reports. A jurisdiction that can show FATF assessors not merely legislation but a communications-ready trail of enforcement actions, policy pronouncements, and institutional milestones — all coherently framed and timed for maximum assessment impact — is a jurisdiction that has understood that the FATF peer review process responds to narrative architecture as much as to substantive compliance reality. Consulum's expertise in operating model transformation and policy communications creates precisely that architecture.

Timeline: UAE Grey-List Period and Parallel PR Campaign Activity

DATE	UAE GOVERNMENT ACTION	PARALLEL PR / LOBBYING ACTIVITY
Mar 2022	UAE added to FATF grey list	Immediate engagement of additional PR counsel; Consulum tasked with international narrative management
Jun 2022	Executive Office of AML/CFT established by Cabinet	FTI Consulting Strategic Communications deploys regional financial media campaign positioning UAE as 'reform leader'
Nov 2022–Nov 2023	UAE hosts COP28 preparation cycle	Edelman signs expanded contract with Masdar; 64 Edelman delegates credentialed at COP28; APCO Worldwide fields 12 staff on UAE-issued badges

Feb 2023	FATF Singapore Plenary: UAE cited for 'significant progress'	White & Case, A&O advise UAE government on FATF engagement strategy; coordinated legal-PR response circulated to international financial press
Oct 2023	FATF October Plenary: UAE action plan confirmed near-complete	APCO Worldwide active with Technology Innovation Institute; FTI ADIA contract in execution at $48,950/month
Feb 2024	UAE formally removed from grey list (23 February)	Press releases coordinated across Edelman, FTI, and UAE diplomatic missions within hours of FATF announcement; narrative of 'exemplary reform' deployed globally
Jul–Oct 2024	32 gold refineries suspended; 256 AML violations logged	No PR firm public commentary; period of narrative suppression in international financial media coverage of UAE

The Paris Lobbying Environment: FATF's Structural Blind Spot

FATF's headquarters is located within the OECD campus in Paris, placing it at the centre of one of the world's most densely institutionalised lobbying environments. The OECD itself hosts hundreds of ministerial-level delegations, business advisory board meetings, and think-tank briefings annually. For a jurisdiction seeking to shape the perceptions of FATF member state delegations, Paris offers infrastructure that is effectively purpose-built: permanent missions, bilateral diplomatic channels, corporate hospitality frameworks, and the informal networks of seconded officials and rotating Secretariat staff that constitute the social substrate of international regulatory decision-making.

The FATF Plenary process creates specific, identifiable influence opportunities at each stage of the grey-list cycle. During the ICRG monitoring period, assessed jurisdictions submit progress reports that are reviewed by the ICRG secretariat and assessors. There is no restriction on those jurisdictions simultaneously conducting communications campaigns in the capitals of FATF member states to shape the political context in which those reports are received. During the period between ICRG technical sessions and Plenary deliberation, member state delegations receive their national governments' assessments of a delisting recommendation: those assessments are shaped, in part, by the diplomatic and commercial relationships that

UAE officials, advisers, and PR firms have cultivated over the preceding months. The Plenary vote itself is conducted by consensus, meaning that a small number of member states with strong bilateral ties to the UAE could, by signalling willingness to block consensus, effectively veto a decision not to delist.

The Absence of FARA-Equivalent Disclosure at FATF

The United States Foreign Agents Registration Act requires individuals and entities that act as agents of foreign principals to register with the Department of Justice and disclose their activities. It is precisely this disclosure requirement that has made it possible for investigative journalists, academics, and this report to document Edelman's, APCO's, and FTI's UAE mandates with the specificity that the preceding sections provide. Without FARA, the documentary trail would not exist.

FATF has no equivalent disclosure requirement. There is no mechanism by which the FATF Secretariat, member state delegations, or ICRG assessors are required to log, disclose, or recuse themselves from interactions with representatives of firms engaged by assessed jurisdictions. A senior ICRG assessor who attends a conference panel on UAE financial reform, funded by an Emirati sovereign wealth entity and organised by a think tank whose work is supported by UAE-linked grants, is not required to disclose that interaction or to consider its potential influence on their technical assessments.

A FATF Plenary delegate who has, in their national finance ministry capacity, received a briefing from an FTI or Edelman representative about the UAE's reform progress is not required to recuse themselves from the vote on delisting. These are not hypothetical scenarios. They are the predictable, structurally enabled interactions of an organisation that has never built the disclosure architecture that its function as a technical standard-setter demands.

> *"The perception of political asymmetry erodes confidence in the system's neutrality. Transparency in how sustained progress is defined — and by whom — remains essential if the FATF is to preserve its legitimacy as a global standard-setter rather than an instrument of economic diplomacy."*
> *— Opus Datum / WTR Analysis, FATF Grey List Politics (December 2025)*

The Transparency Gap: A Governance Scorecard

FATF Governance Transparency Scorecard: Lobbying and External Influence

GOVERNANCE GAP	WHAT EXISTS	WHAT IS MISSING	RISK RATING
Disclosure of private-sector contacts with assessors	No formal rule	No FARA-equivalent for FATF interactions; no public log of lobbyist meetings with Secretariat	⚠ **HIGH**
Cooling-off period for assessors	No standard rule	Assessors may take private advisory roles for assessed jurisdictions immediately post-evaluation	⚠ **HIGH**
FATF Plenary interaction records	Confidential by default	No public record of which member delegations advocated for or against a delisting recommendation	⚠ **HIGH**
Conflict-of-interest disclosures by assessors	Self-declaration only	No independent verification; no public register of assessor professional histories	▲ **MEDIUM**
Private-sector observer participation	Invited observers at plenary	No disclosure of observer identities or of advocacy submissions made outside formal sessions	⚠ **HIGH**

Methodology amendment consultation	Public comment windows	Comment submissions reviewed internally; no public record of which submissions influenced amendments	▲ MEDIUM

The scorecard above identifies six discrete governance gaps through which external influence can enter the FATF peer review process without detection or accountability. Taken together, they constitute a systemic vulnerability: an organisation that sets global standards for the transparency of financial systems has built no transparency framework governing its own interactions with the governments it assesses and the firms those governments employ.

The contrast with the OECD's own ethics framework is instructive. OECD officials are subject to detailed conflict-of-interest declarations, cooling-off periods for post-employment engagement, and restrictions on receiving hospitality from member or non-member state entities. FATF officials and seconded assessors, operating within the OECD's physical premises, are not subject to equivalent obligations in their FATF capacity.

This asymmetry is not accidental: it reflects a founding institutional design in which peer review was conceived as a technical exercise among equals, conducted in good faith, with no need for the adversarial disclosure architecture that adversarial advocacy would require. The UAE grey-list episode demonstrates that this founding assumption is no longer tenable.

The February 2024 Delisting: A Critical Assessment

What the FATF Announcement Said

The FATF's February 23, 2024 announcement of the UAE's removal from the grey list cited the country's progress across six areas: facilitation of investigations through increased outbound mutual legal assistance requests; development of understanding of AML/CFT risks associated with DNFBPs leading to effective supervision, increased use of SARs/STRs, and proportionate sanctions; improvement in understanding of the risk of abuse of legal persons and implementation of risk-based mitigating measures; better resourcing of the FIU to increase its capacity to provide and utilize financial intelligence; increasing AML enforcement; and refining implementation of targeted financial sanctions.

Each of these cited improvements corresponds to a metric that the UAE's communications apparatus had been actively promoting through its PR network for the preceding eighteen months. The language of the FATF announcement is strikingly close, in its emphasis and framing, to the narrative deployed by UAE government communications, its legal advisers' publications, and the articles appearing in international financial media whose authors had been briefed by UAE-engaged PR firms. This convergence of language between the official FATF

assessment and the UAE's own communications output is not, by itself, proof of improper influence. It is, however, a pattern that warrants scrutiny that the current FATF governance framework is not equipped to provide.

What the Record Does Not Support

As established in detail in Chapters Five and Six of this report, the evidentiary record available at the time of the February 2024 delisting did not support a finding of genuine effectiveness in the two areas where the UAE's structural risk profile is most acute: terrorist financing linked to Somalia-corridor financial flows, and beneficial ownership transparency in the free zone ecosystem. The zero-prosecution record for Al-Shabaab-linked financing, the negligible DPMS suspicious transaction reporting, and the unresolved fragmentation of the 40-plus registry system were matters of documented, public record in February 2024. They were documented in UN Security Council Monitoring Group reports that FATF member states receive as a matter of course. They were documented in the Basel AML Index country assessments published before the delisting decision.

The question this chapter poses is not whether the FATF officials who made the delisting recommendation were aware of this evidence. It is whether the informational environment in which they operated shaped by two years of coordinated communications activity by Edelman, APCO, FTI, and Consulum, reinforced through diplomatic channels, and saturated with the narrative of UAE reform success created conditions in which that evidence received the weight it deserved. When a jurisdiction spends tens of millions of dollars constructing a narrative of compliance and deploys that narrative through every channel accessible to the officials making a compliance determination, the burden of demonstrating that the determination was insulated from that narrative falls on the institution making it. FATF has provided no such demonstration. It has not been asked to.

> *"When the boundary between strategic communications and technical assessment is not maintained by governance architecture, it is maintained only by the good faith of individuals. And good faith, as a regulatory safeguard, is indistinguishable from no safeguard at all." — Authors' assessment*

Structural Recommendations: What Governance Reform Would Require

A FATF that wished to insulate its peer review process from the kind of strategic communications campaigns documented in this chapter would require, at minimum, four structural changes. First, a mandatory disclosure register for all interactions between FATF Secretariat officials, ICRG assessors, and representatives of assessed jurisdictions or firms contracted by those jurisdictions, modelled on the EU Transparency Register and enforced with

the same consequence of exclusion from official processes that underpins that register's effectiveness.

Second, a cooling-off period of not less than two years prohibiting assessors from accepting employment, advisory roles, or compensation from jurisdictions they have assessed, or from firms contracted by those jurisdictions, following the completion of an assessment or monitoring mandate. The revolving-door dynamic through which PR firms systematically hire officials with institutional contacts in the bodies they seek to influence is well-documented in domestic regulatory contexts and is equally operative at the international level.

Third, a requirement that FATF Plenary deliberations on grey-list additions and removals be subject to a structured dissent mechanism: a formal process by which member state delegations can place on the record their objections to a delisting recommendation, with those objections made available, in redacted form, to the public following a defined confidentiality period. Consensus decision-making, as currently practised, suppresses the expression of dissent in ways that prevent accountability after the fact.

Fourth, and most fundamentally, a requirement that all Mutual Evaluation Reports and ICRG progress assessments include a section specifically addressing the jurisdiction's external communications activities related to the assessment disclosing known PR firm engagements, lobbying activities, and media campaigns and an accompanying section in which the assessment team confirms whether and how that activity was taken into account in calibrating the weight given to self-reported evidence. Without this, the FATF's commitment to evidence-based assessment remains an aspiration that well-resourced jurisdictions can purchase their way around.

The Price of Narrative

The UAE's grey-list rehabilitation campaign was not illegal. The contracts between Edelman, APCO, FTI, and Consulum and their UAE clients were disclosed, where disclosure was legally required, in the manner the law demands. The firms operated within their professional mandates. The UAE government exercised a sovereign prerogative to present its reform record in the most favourable possible light. None of this is, in isolation, improper.

The problem is systemic. It lies in the structural asymmetry between the resources that a wealthy sovereign state can deploy to shape the informational environment of an international peer review process, and the governance architecture that process has built to maintain its own integrity against that deployment. FATF has built no such architecture. It relies on the professional integrity of its assessors, the good faith of member state delegations, and the assumption that technical assessment is self-evidently distinguishable from political accommodation. The UAE's grey-list experience exposes the fragility of all three assumptions.

The February 2024 delisting may prove, in the long run, to have been correct if the UAE's reforms prove durable, if the 2026 Mutual Evaluation confirms genuine effectiveness, and if the structural gaps identified in this report are addressed before they are exploited in the next high-stakes delisting campaign. But the process by which that delisting was reached, saturated with communications activity, insulated from disclosure obligations, and resolved by a consensus vote whose deliberative record is permanently sealed, is not a process that deserves the international financial system's trust. That trust must be earned through governance reform. It cannot be communicated into existence by the world's largest PR firms.

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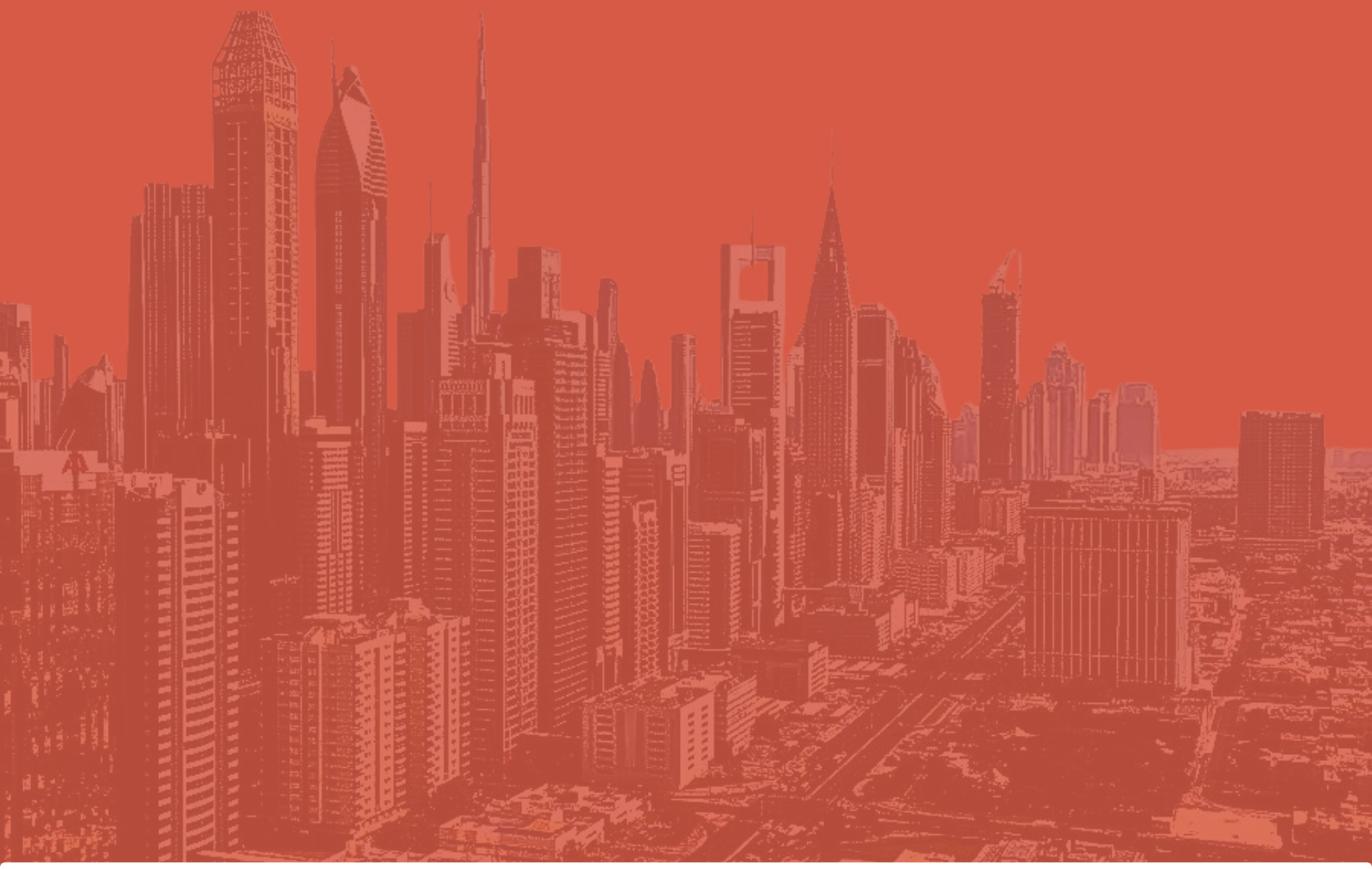
Chapter #7



Comparative Analysis: Turkey, Panama, and the UAE

Evaluation of Delisting Criteria and Enforcement Rigor Applied to Panama Turkey and the UAE

Comparative Analysis: Turkey, Panama, and the UAE

The FATF's peer review process derives its authority from one foundational premise: that all jurisdictions are assessed against the same methodology, held to the same standard of demonstrated effectiveness, and subjected to the same verification requirements before being removed from increased monitoring. If that premise holds, the grey list functions as a credible, technically grounded instrument. If it does not, it functions as a selective reputational tool whose conclusions reflect the geopolitical weight of the jurisdiction being assessed rather than the quality of its compliance record. This chapter tests that premise by comparing the criteria applied to Panama and Turkey against those applied to the UAE. The conclusion is direct: the UAE was delisted faster, with weaker enforcement evidence, and without the independent field verification that Panama and Turkey were required to complete. That inconsistency is not a technical footnote. It is a structural finding that undermines the legitimacy of the February 2024 delisting decision and sets a precedent that every high-risk jurisdiction in the world can now invoke.

Three Cases, Three Standards

Three-Country Comparative Compliance Matrix

CRITERIA	PANAMA	TURKEY	UAE
Grey-listed	Jun 2019	Oct 2021	Mar 2022
Delisted	Oct 2023 (4.5 years)	Jun 2024 (2.8 years)	Feb 2024 (1.9 years)
On-site verification visit	Yes — mandatory before delisting	Yes — mandatory before delisting	No independent on-site confirmed
Prosecution record required	Yes — complex ML cases demonstrated	Yes — UN-designated group prosecutions	Zero Al-Shabaab prosecutions at delisting

DNFBP effective supervision	Demonstrated; new intendency created	Demonstrated; on-site inspections increased	Negligible STR output; 32 refineries suspended AFTER delisting
Beneficial ownership verified	Progress verified by on-site team	Sanctions applied for BO breaches	39+ registries; no cross-registry verification
EU grey list also removed	Yes (Mar 2024)	N/A (EU member)	No — EU retained UAE on high-risk list post-FATF delisting
Concurrent UN sanctions concerns	No active UN findings	Hamas finance noted; still delisted	Active UN Monitoring Group Somalia findings at time of delisting
Action plan items completed	All 15 items completed & verified	All items completed & verified	Progress cited; completion not independently field-verified

Panama: 54 Months and 15 Verified Action Items

Panama was grey-listed in June 2019 following its fourth-round Mutual Evaluation, which identified 15 unfulfilled action items spanning risk assessment, DNFBP supervision, beneficial ownership verification, and the criminalisation of tax fraud as a predicate money laundering offence. Panama's removal from the grey list in October 2023 came only after: all 15 action items were assessed as largely completed by June 2023; an on-site FATF verification mission was conducted to confirm that reforms had been implemented and were being sustained; and the FATF Plenary received the on-site team's report before voting to delist. Panama spent 54 months on the grey list.

It was also retained on the EU's separate high-risk third-country list until March 2024, demonstrating that a second independent body applied its own verification standard before

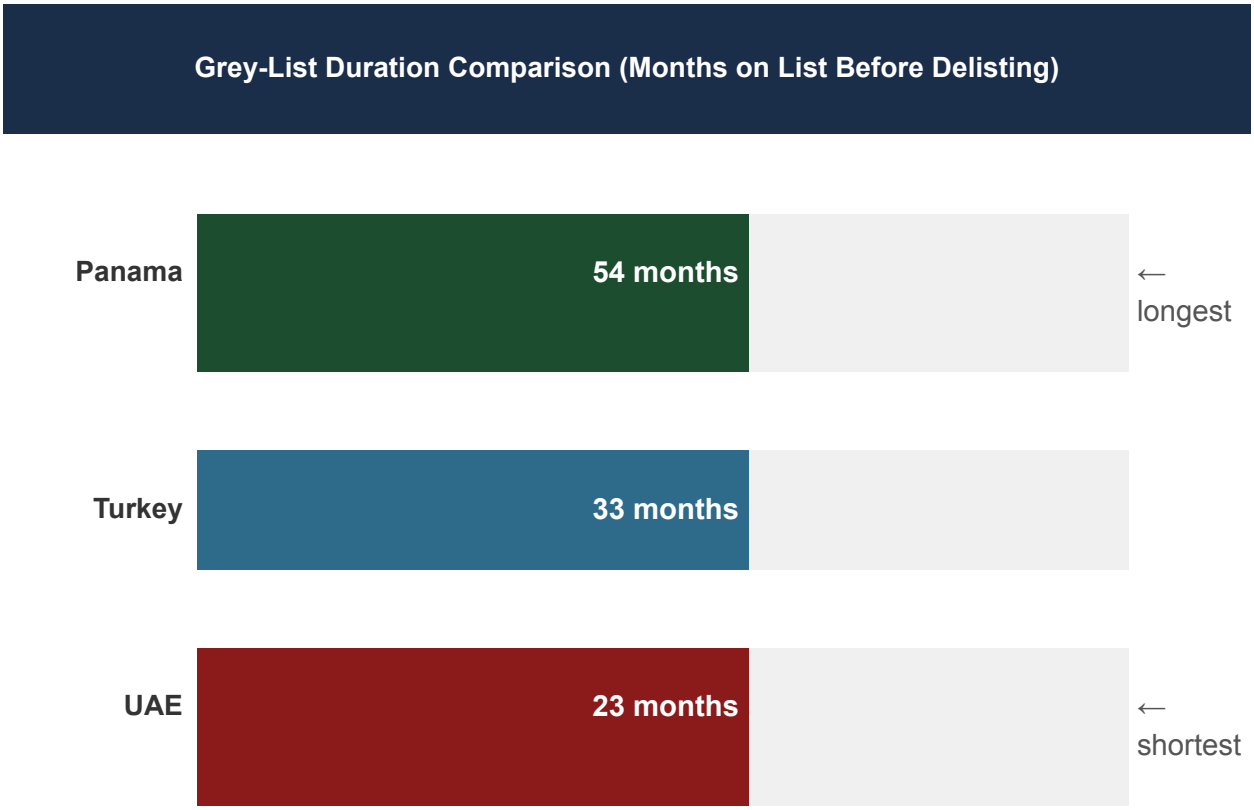
reaching the same conclusion as FATF. The total elapsed time from grey-listing to full international rehabilitation was nearly five years.

Turkey: 33 Months, On-Site Visit, and Active Terrorism Concerns

Turkey's case is the most analytically challenging for FATF's consistency argument, because it was delisted in June 2024 despite documented concerns from the Foundation for Defense of Democracies and others that Ankara continued to maintain financial and political relationships with Hamas, a designated terrorist organisation.

Turkey was grey-listed in October 2021, required to complete an action plan addressing banking sector vulnerabilities, real estate supervision, FIU resourcing, and prosecution of UN-designated group financing. By February 2024, FATF confirmed that Turkey had substantially completed its action plan, and critically conducted an on-site assessment to verify implementation before the June 2024 Plenary formally removed Turkey from the list. Even in a case where geopolitical controversy was substantial and terrorism finance concerns were publicly documented, FATF required and completed an on-site verification visit. That requirement was not waived. Turkey served 33 months on the grey list.

The UAE served 23 months ten fewer than Turkey, thirty-one fewer than Panama — and presents a documented enforcement record that, on the metrics that mattered most, was weaker than either comparator at the point of delisting.



Note: Panama = 54 months (Jun 2019–Oct 2023). Turkey = 33 months (Oct 2021–Jun 2024). UAE = 23 months (Mar 2022–Feb 2024). UAE had the shortest grey-list tenure of the three despite carrying the highest volume of documented, concurrent enforcement deficiencies at the time of delisting.

The Inconsistent Measurement of Effective Enforcement

Enforcement Metric Scorecard at Point of Delisting

ENFORCEMENT METRIC	PANAMA	TURKEY	UAE
Complex ML prosecutions	✔ Demonstrated	✔ Demonstrated	✖ Not demonstrated
TF investigations (IO 9)	✔ Verified	✔ Verified	✖ Zero convictions
DNFBP STR production	✔ Improved	✔ Improved	✖ Negligible at delisting
BO register independently verified	✔ On-site verified	✔ On-site verified	✖ Self-declared only
Concurrent UN sanctions findings	✔ None active	⚠ Noted; still delisted	✖ Active at delisting
EU high-risk list removed too	✔ Yes (Mar 2024)	✔ N/A (EU member)	✖ No — EU retained UAE
On-site verification before delisting	✔ Conducted	✔ Conducted	✖ Not confirmed

The scorecard above maps seven critical enforcement metrics across the three jurisdictions at the moment each was delisted. The pattern is unambiguous. Panama and Turkey demonstrated documented progress across all seven metrics before delisting was granted. The UAE demonstrated documented progress across none of the seven that this report's preceding chapters have identified as genuinely unresolved. Panama produced complex money laundering prosecutions. Turkey produced prosecutions against UN-designated group financiers. The UAE produced zero prosecutions for Al-Shabaab-linked terrorist financing. Panama strengthened its Financial Analysis Unit's staffing and output. Turkey increased its FIU's on-site inspection rate. The UAE's DPMS sector produced fewer than 200 suspicious transaction reports per year across an industry handling tens of billions in annual gold transactions.

The EU's independent assessment is particularly revealing. When Panama was delisted by FATF in October 2023, the EU conducted its own review and removed Panama from its high-risk third-country list in March 2024 — a five-month gap reflecting genuine independent verification. When the UAE was delisted by FATF in February 2024, the EU did not follow. The UAE remained on the EU's list of high-risk countries for money laundering and terrorist financing. That divergence is not a procedural anomaly. It is a second major international body's assessment that the UAE's compliance record did not meet the threshold for removal from increased scrutiny. FATF and the EU apply different methodologies, but both are assessing the same underlying compliance reality. When they reach opposite conclusions simultaneously, the divergence demands an explanation that FATF has not provided.

> *"If the boundary between political accommodation and technical assessment is not maintained by governance architecture, it is maintained only by the good faith of individuals. The UAE's 23-month delisting, achieved without on-site verification and against an active EU high-risk designation, tests that good faith beyond its limits." — Authors' analytical conclusion*

The Precedent Problem: What Other Jurisdictions Now Know

The regulatory inconsistency documented in this chapter is not merely a historical grievance about the UAE's specific case. It creates a forward-looking precedent with systemic consequences for the international AML/CFT architecture. Every high-risk jurisdiction that is grey-listed in 2025 or 2026 now has access to the following demonstrable proposition: a jurisdiction that is an economically significant Gulf state, that deploys sophisticated strategic communications infrastructure, that hosts multiple FATF member state delegations in bilateral diplomatic settings, and that makes high-profile legislative commitments while its enforcement record remains incomplete, can achieve delisting in approximately two years without an independent on-site verification visit, without a prosecution record for its most significant documented terrorist financing exposure, and while a separate major international body retains it on its own high-risk list.

That proposition is not theoretical. It is extracted directly from the public record of the February 2024 FATF Plenary. Any competent government advisory team preparing a grey-listed jurisdiction's delisting strategy in 2025 would draw precisely this lesson: the bar for the UAE was lower than the bar for Panama and Turkey, and the mechanism that produced that lower bar — documented in Chapter Seven of this report is replicable. Legislative reform plus strategic communications plus diplomatic engagement, sustained over approximately two years, can produce delisting without the enforcement infrastructure that previous delistings required. This is not a system that deters non-compliance. It is a system that rewards the performance of compliance at a price point affordable only to wealthy sovereign states.

The Basel Institute on Governance's AML Index methodology, to its credit, partially acknowledged this risk by amending its methodology in October 2023 to avoid automatically upgrading a jurisdiction's score upon FATF delisting, instead requiring that jurisdictions demonstrate effectiveness improvements that the AML Index can independently verify. That methodological caution by a respected independent body reflects precisely the concern this chapter documents: that FATF delisting is no longer a reliable proxy for genuine compliance improvement, and that independent verification mechanisms must compensate for FATF's own consistency failures.

One Process, Unequal Outcomes

Panama waited 54 months and satisfied 15 verified action items. Turkey waited 33 months and completed an on-site verification visit despite active terrorism-finance concerns. The UAE waited 23 months, produced no terrorism-finance prosecutions, maintained a DPMS sector that the EU still considered high-risk, and was delisted without field verification. These are not variations within a consistent methodology. They are departures from it. Departures that correlate, with uncomfortable precision, with the scale of the UAE's economic relationships with FATF member states, the sophistication of its communications infrastructure, and the geopolitical cost of sustaining its grey-list designation into a third year.

The FATF's credibility as a global standard-setter depends on its ability to apply one standard. This chapter has demonstrated that in the UAE's case, it did not. The consequences of that failure will be measured not in the UAE's compliance trajectory which may yet prove genuine but in the behaviour of every other high-risk jurisdiction that has now observed, documented, and absorbed the lesson that the UAE's experience teaches.

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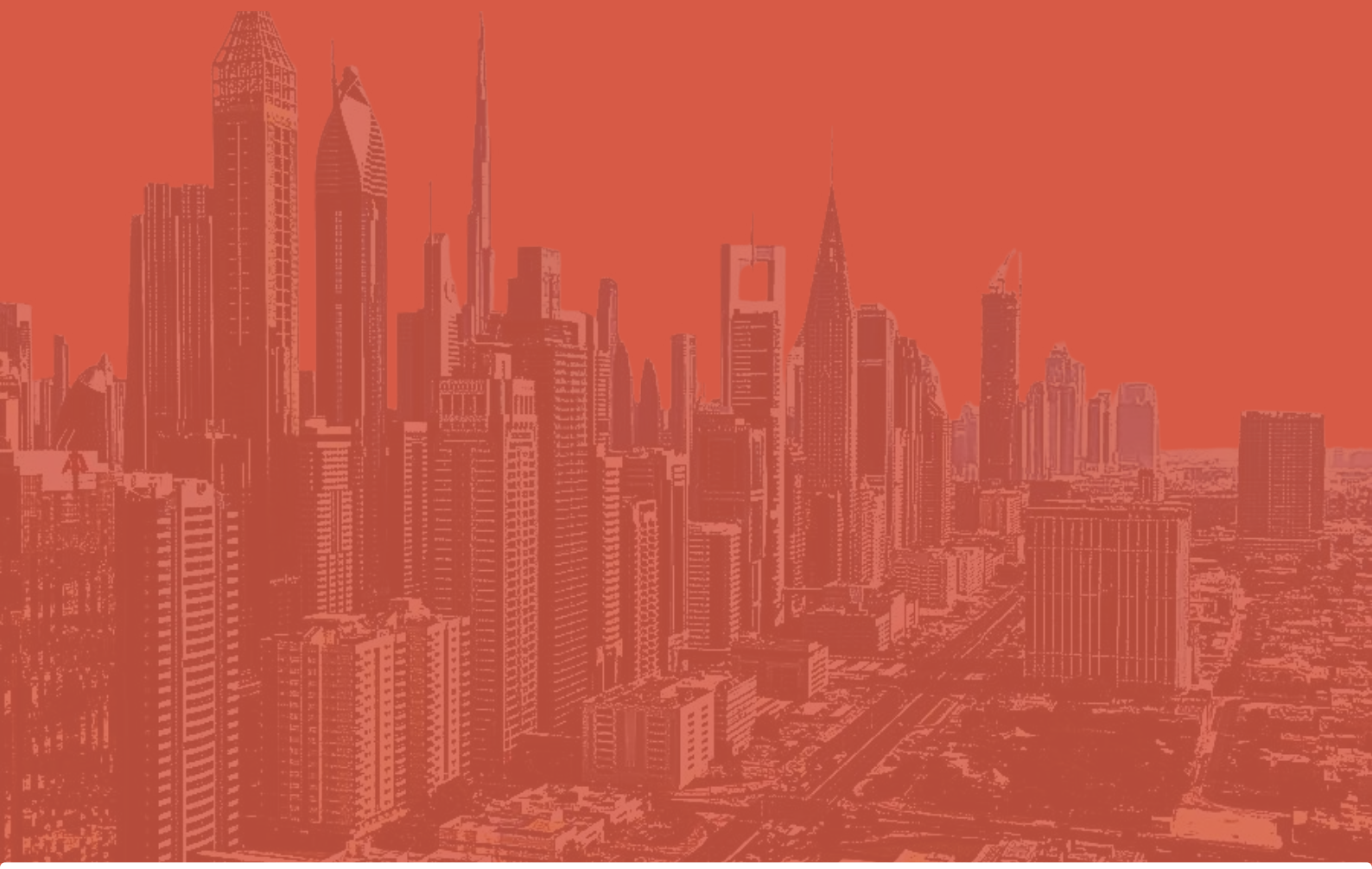
Chapter #8



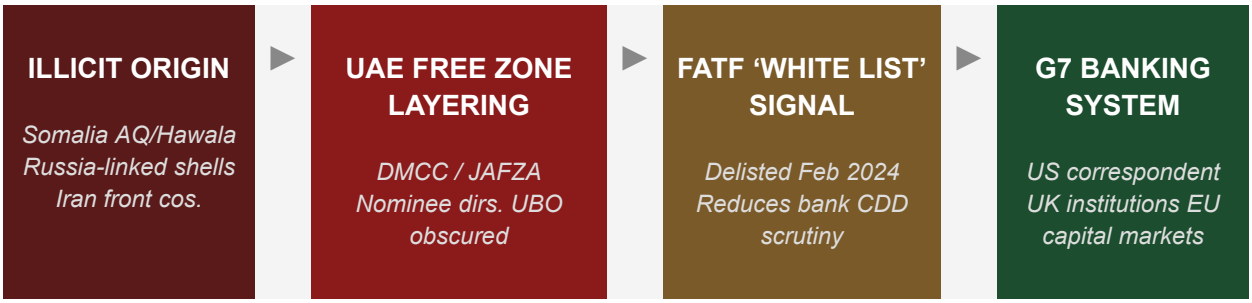
Impact on the Global Financial System

How Inaccurate Risk Signals Facilitate Illicit Capital Entry into G7 Banking Infrastructure

Impact on the Global Financial System

The FATF grey list functions as a risk signal. Financial institutions worldwide use it to calibrate due diligence obligations, correspondent banking relationships, and transaction monitoring thresholds. When the grey list is accurate, it concentrates regulatory scrutiny on jurisdictions where illicit finance risk is genuinely elevated. When it is inaccurate, it does the opposite: it certifies as low-risk a jurisdiction that remains, in practice, a significant conduit for illicit capital, and in doing so redirects the entire burden of detection onto downstream financial systems that are not designed to compensate for upstream certification failure. The UAE's February 2024 delisting, this chapter argues, produced precisely that inversion. A jurisdiction whose free zone architecture remained a documented conduit for Iran-linked front companies, Somalia-corridor hawala settlement, and Russian sanctions evasion networks was certified clean, and the G7 financial systems that absorb UAE-originated capital flows recalibrated their scrutiny accordingly. This chapter measures the cost of that recalibration.

The Legal Bridge: How UAE FATF Status Enables Illicit Capital Entry into G7 Systems



The FATF delisting signal causes G7 financial institutions to calibrate due diligence downward for UAE-linked counterparties. Illicit capital that has been layered through UAE free zones benefits from reduced correspondent bank scrutiny at the point of entry into US, UK, and EU financial systems. This is the Legal Bridge: a regulatory certification that substitutes for the genuine compliance it is meant to reflect.

The Legal Bridge: UAE as the Passage Point into G7 Systems

The concept of a Legal Bridge describes the mechanism through which a jurisdiction with documented enforcement deficiencies, once FATF-certified as compliant, functions as a legitimate passage point for illicit capital seeking access to G7 banking infrastructure. It

operates in two phases. In the first phase, illicit capital is layered through the certified jurisdiction using the same structural mechanisms that existed during the grey-list period: UAE free zone entities with nominee directors, hawala settlement networks, and DPMS transactions in the gold sector. In the second phase, that capital enters G7 financial systems carrying the implicit endorsement of FATF certification: correspondent banks apply reduced enhanced due diligence, transaction monitoring thresholds are calibrated for a lower-risk counterparty, and suspicious transaction report generation drops as the UAE is no longer treated as a high-risk source jurisdiction.

The FinCEN Financial Trend Analysis published in October 2025, covering 2024 activity, provides a specific and quantified illustration of this dynamic. FinCEN identified dozens of foreign oil companies appearing to be Iranian front companies, including oil companies primarily based in the UAE and Singapore, that transacted approximately $4 billion through US correspondent accounts in 2024 alone. This $4 billion figure represents Iran-linked shadow banking activity that moved through UAE-based entities into the US financial system during the year immediately following the UAE's FATF delisting. The delisting did not create these companies. It reduced the regulatory friction that might have detected and disrupted their US transactions at the correspondent bank level.

> *"Iranian shadow banking networks are connected across continents, most prominently through the United Arab Emirates, Hong Kong, and Singapore by a diverse array of Iranian front companies." — FinCEN Financial Trend Analysis on Iranian Shadow Banking, October 2025*

The Legal Bridge is not limited to Iran-linked flows. The same structural environment that enables Iranian front company transactions enables Russian sanctions evasion networks, which have used UAE-registered shell companies as transshipment hubs for semiconductor procurement chains supplying military components to Russia, as documented in DOJ indictments from April 2025. And it enables the Somalia-corridor conflict financing flows documented in Chapter Five of this report. The common denominator is not the specific illicit actor: it is the UAE free zone architecture that provides layering capacity, and the FATF certification that reduces downstream detection probability.

Regulatory Arbitrage: How UAE Certification Weakens US, UK, and EU AML

Regulatory Arbitrage Impact by G7 Jurisdiction

JURISDICTION	AML STANDARD WEAKENED	MECHANISM	RISK LEVEL

United States	FinCEN CDD Rule requires enhanced scrutiny for high-risk jurisdictions; UAE de-listing removes automatic risk trigger for UAE-linked correspondent transactions	Correspondent bank de-risking relaxed post-delisting; UAE-based Iranian front companies transacted ~$4B in 2024 via US accounts (FinCEN FTA)	⚠ CRITICAL
United Kingdom	NRA 2025 identifies UAE-linked nominee structures as active UK ML vulnerability; FATF status reduces FCA trigger for automatic enhanced due diligence	UK property market and trust structures continue to receive UAE-originated funds without mandatory SAR filing; OFSI UAE-linked sanctions evasion cases ongoing	⚠ HIGH
European Union	AMLD6 requires EDD for high-risk third countries; EU retained UAE on its own high-risk list post-FATF delisting, creating an explicit regulatory divergence	EU banks face conflicting signals: FATF says UAE is clean; EU Commission list says it is not. Many institutions default to the less burdensome FATF signal	⚠ HIGH
G7 Aggregate	Correspondent banking due diligence globally calibrated partly by FATF grey/white list status; premature UAE delisting lowers the risk floor for all G7 UAE-linked transactions	Reduced friction at the point of entry for UAE-structured illicit capital into G7 payment systems; systemic underreporting of UAE-linked suspicious transactions	⚠ CRITICAL

Regulatory arbitrage, in the AML context, occurs when illicit actors exploit the gap between the standard claimed by a jurisdiction's regulatory certification and the standard actually implemented. The UAE's delisting created a specific and measurable form of regulatory arbitrage because it generated a divergence between two simultaneously valid international risk signals: FATF's determination that the UAE was no longer a high-risk jurisdiction, and the EU Commission's competing determination that it remained one. The EU did not remove the UAE from its own list of high-risk third countries following the February 2024 FATF delisting. That divergence is not merely a data point. It is a structural arbitrage opportunity: an entity seeking to move capital from the UAE into European financial systems can select its European counterparty on the basis of which institution gives greater operational weight to the FATF signal rather than the EU signal. Many do. The FATF signal is more widely embedded in correspondent banking due diligence frameworks and AML technology platforms than the EU's separate high-risk list.

In the United Kingdom, the July 2025 National Risk Assessment explicitly identified UAE-linked nominee structures and free zone entities as active money laundering vulnerabilities within the UK financial system. The NRA 2025, produced by HM Treasury and the Home Office covering 2022 to 2024, noted that the abuse of companies, trusts, and other legal persons — using precisely the nominee arrangements and cross-border layering structures documented in Chapter Six of this report — continues to be a material vulnerability. That the UAE's FATF status had been upgraded to clean during the same period covered by this assessment, while UK supervisors were simultaneously identifying UAE-linked structures as active vulnerabilities, represents a real-time demonstration of the Legal Bridge mechanism: the regulatory certification and the enforcement reality were pointing in opposite directions simultaneously.

In the United States, the FinCEN Customer Due Diligence Rule requires financial institutions to apply enhanced due diligence for high-risk jurisdictions. FATF grey-list status is a standard trigger for elevated risk classification in most US bank AML frameworks. The UAE's removal from that list therefore automatically reduced the risk score assigned to UAE-linked correspondent transactions in the systems of multiple major US financial institutions. This reduction was not the product of an independent US assessment of UAE compliance quality. It was the product of a pass-through of FATF's certification into institutional AML frameworks that were designed to rely on that certification as a credible signal. When the signal is wrong, the frameworks built on it are wrong by extension.

The Moral Hazard Created for Other Financial Hubs

Moral hazard in financial regulation describes the phenomenon where actors take on greater risk because they believe the costs of that risk will be borne by others, or because they have observed that the enforcement consequences of risk-taking are lower than the stated standard implies. The UAE's grey-list experience creates a specific moral hazard for other financial hubs by demonstrating, with observable precision, that the enforcement consequences of

non-compliance with FATF standards are bounded by economic weight and diplomatic leverage rather than by the technical criteria published in the FATF Methodology.

Moral Hazard Matrix: How the UAE Precedent Propagates

JURISDICTION AT RISK	LESSON FROM UAE PRECEDENT	SYSTEMIC CONSEQUENCE
Saudi Arabia	Economic weight + diplomatic leverage + legislative reform theatre = accelerated delisting without enforcement proof	Gulf states with higher terrorism finance exposure than the UAE observe that the bar is economic, not technical
Singapore	Already uses PR infrastructure similar to UAE's; precedent confirms communications-led compliance narratives are sufficient	Asia-Pacific financial hub with significant high-risk corridor exposure learns prosecution record is not mandatory for delisting
Qatar	FIFA-era reputational rehabilitation playbook is directly transferable to FATF context; UAE delisting provides timeline target	Second Gulf state within 5 years demonstrates that FATF delisting can be purchased through narrative management in under 24 months
Jordan / Pakistan	Currently grey-listed; UAE timeline gives governments rationale to resist costly enforcement reforms, prioritise communications spend	Lower-income grey-listed states face systemic pressure to follow UAE model, but lack resources for enforcement even as narrative spend grows
Financial Hubs Broadly	FATF credibility as enforcement signal erodes; correspondent banks and investment institutions reduce weight given to grey/white list status	Global AML system shifts further toward box-ticking; genuine compliance jurisdictions face competitive disadvantage vs. narrative-compliant ones

The moral hazard operates at two distinct levels simultaneously. At the jurisdiction level, grey-listed and at-risk states now have a confirmed data point that a well-resourced strategic communications campaign, sustained over approximately two years, can produce FATF delisting without a prosecution record for the jurisdiction's most significant documented terrorist financing exposure. The investment required to replicate the UAE's approach retaining Edelman, APCO, FTI, and a strategic advisory firm, maintaining active diplomatic engagement with FATF member state capitals, and timing legislative announcements for maximum assessment impact is large in absolute terms but modest relative to the economic cost of sustained grey-list status. For a Gulf state with sovereign wealth fund resources, it is clearly affordable. The UAE demonstrated that it is also sufficient.

At the institutional level, the moral hazard manifests as erosion of the FATF signal's credibility among sophisticated financial institutions. Private sector compliance officers and risk managers at major correspondent banks are not naive actors. When the EU retains a jurisdiction on its own high-risk list while FATF simultaneously delists it, when FinCEN publishes a trend analysis finding $4 billion in Iran-linked transactions moving through UAE-based entities in the year immediately following delisting, and when UK supervisors identify UAE-linked nominee structures as active ML vulnerabilities in their own national risk assessment, the institutional response is not to recalibrate trust in FATF. It is to assign reduced weight to FATF certification as a standalone due diligence input. This erosion is cumulative and irreversible in the short term. Once sophisticated institutions begin discounting the FATF signal, the signal loses precisely the regulatory authority that gives it systemic value.

> *"The Basel AML Index amended its methodology in October 2023 to avoid automatically upgrading a jurisdiction's score upon FATF delisting, requiring instead that effectiveness improvements be independently verifiable. This methodological caution by a respected independent body reflects exactly the concern that the UAE's grey-list experience has now validated at scale." — Authors' analytical conclusion, drawing on Basel Institute on Governance AML Index methodology documentation*

The Systemic Cost of a Compromised Signal

The global AML/CFT architecture is, at its core, an information system. Its value lies in the accuracy of the signals it produces and in the confidence that regulated institutions, supervisory bodies, and enforcement agencies place in those signals. The FATF grey list is that architecture's most visible and operationally significant signal. When it is accurate, it concentrates regulatory scrutiny where illicit finance risk is real. When it is not, it disperses that scrutiny, reduces detection probability at the entry points of G7 financial systems, and creates a competitive advantage for jurisdictions that have mastered the performance of compliance over its substance.

The UAE's February 2024 delisting produced a signal that the available evidence did not support. That signal has already generated measurable consequences: $4 billion in Iran-linked transactions through UAE-based entities in US correspondent accounts in 2024; active UK National Risk Assessment findings on UAE-linked nominee structures; a persistent EU high-risk designation that contradicts FATF's concurrent assessment; and a replicable precedent that will shape the grey-list strategy of every economically significant jurisdiction that finds itself under increased monitoring in the coming decade. These are not hypothetical risks. They are documented, present-tense realities.

The question this report leaves for the institutions that govern the global financial system is not whether FATF made an error in the UAE's case. Errors in complex, evidence-dependent processes are inevitable. The question is whether FATF has the governance architecture to detect, acknowledge, and correct such errors before their systemic consequences compound beyond the point at which correction is meaningful. As this chapter has documented, the answer, as of this writing, is no. The architecture does not exist. And the cost of its absence is being borne, as it always is, not by the institutions that failed to build it, but by the financial systems downstream that relied on the signal it was supposed to produce.

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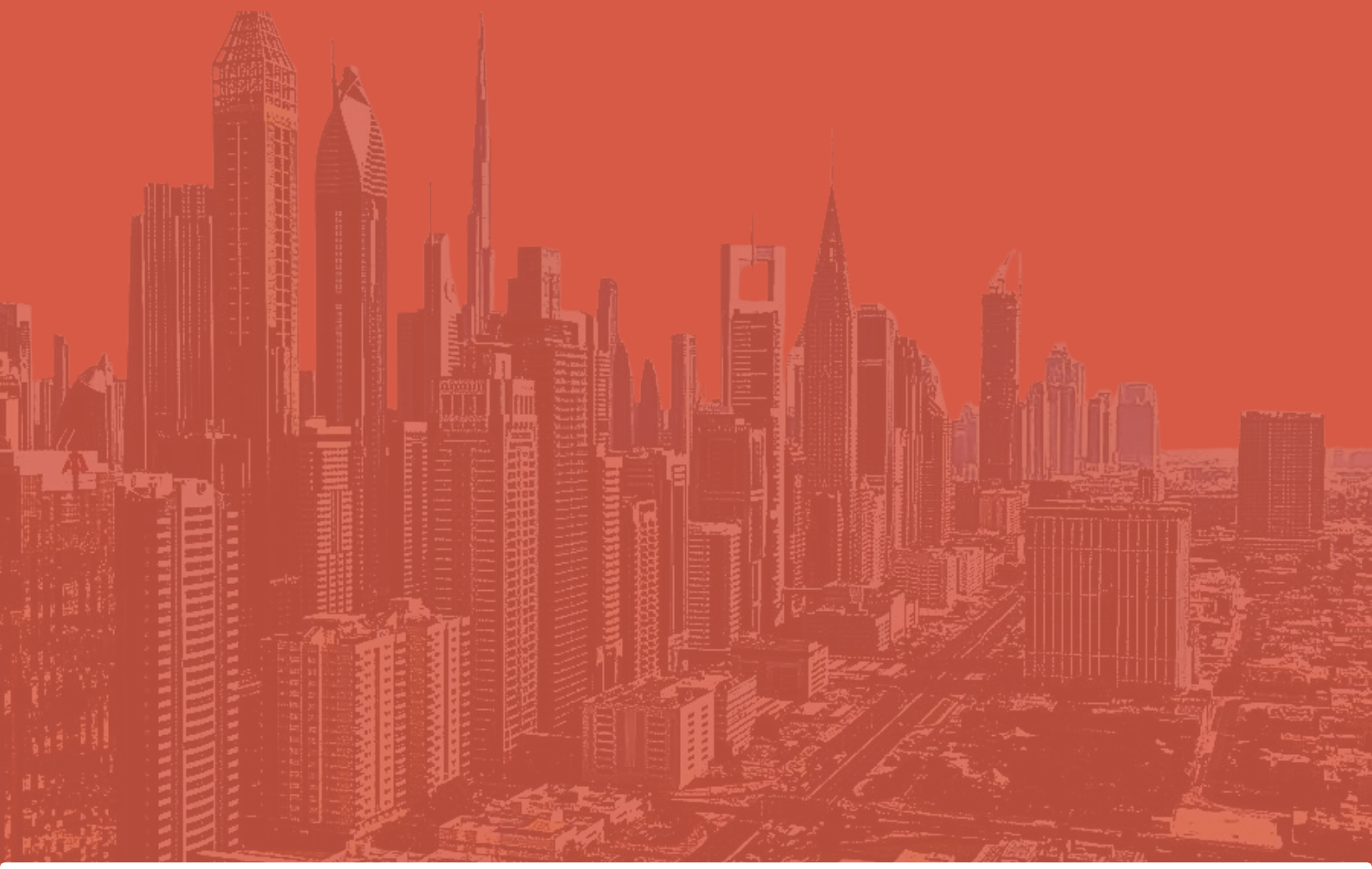
Chapter #9



Findings, Recommendations, and Conclusion

Formal Demands for the 2026 FATF Plenary and a Call to Action for G20 Finance Ministers

Findings, Recommendations, and Conclusion

This report has assembled, across nine chapters of documented analysis, a comprehensive evidentiary record of systemic failure spanning four distinct dimensions: institutional governance, substantive compliance, process integrity, and global systemic risk. The failures are not isolated. They are structurally connected, mutually reinforcing, and traceable to a single decision: the FATF's February 23, 2024 removal of the United Arab Emirates from its list of jurisdictions under increased monitoring. The table below distils the core finding of each chapter to its evidentiary anchor and its affected FATF outcome.

Consolidated Systemic Failure Register

CH.	SYSTEMIC FAILURE IDENTIFIED	KEY EVIDENTIARY ANCHOR	FATF OUTCOME AFFECTED
4	**Named officials bore Duty of Care; no documented recusal or conflict review**	*FATF Methodology §2.1; de Anda Madrazo, Clerc, Weil, Raja Kumar*	IO 9, IO 10 ratings
5	**Zero Al-Shabaab prosecutions; UAE-licensed hawala operators processed $3.2M+ to AS affiliates**	*UN Monitoring Group S/2021/849; ICRG working papers*	IO 9 — Non-compliant
6	**39+ registries; ADGM firm AML failure 6 years undetected; DMCC 32 refineries, 256 violations**	*FATF MER 2020; ADGM FSRA Final Notice 2024; DFSA Fine Jan 2025*	R.24, R.25 — Deficient

7	**Edelman $2M+, FTI $48,950/mo, APCO & Consulum active during assessment; no FATF disclosure rule**	*US DOJ FARA filings; O'Dwyer's; Drilled Media COP28 report*	Peer review integrity
8	**UAE delisted in 23 months vs. Panama 54, Turkey 33; no on-site visit; EU retained UAE on high-risk list**	*FATF Plenary records; EU Commission Delegated Regulation 2024*	Comparative standards
9	**$4B Iran-linked UAE front co. transactions in US accounts 2024; UK NRA 2025 UAE vulnerability**	*FinCEN FTA Oct 2025; UK NRA 2025; Basel AML Index methodology note*	G7 systemic risk

Four Formal Demands to the 2026 FATF Plenary

This report submits four formal demands to the FATF Plenary convening in 2026, addressed to the member state delegations, the incoming FATF President, and the Executive Secretary in their respective institutional capacities. These demands are grounded in the evidentiary record assembled in the preceding chapters and in the legal Duty of Care that each named official bears to the integrity of the peer review process.

Four Formal Demands to the 2026 FATF Plenary

01

Independent Governance Audit

An audit of the February 2024 UAE delisting decision, conducted by a panel independent of FATF member states with direct UAE bilateral relationships, with findings published in full.

02

Targeted 5th Round Review

A UAE-specific review under the 5th Round Methodology, with mandatory on-site verification of IO 9, IO 10, R.24, and R.25 effectiveness, to commence no later than Q1 2026.

03

ICRG Transparency Reform

Mandatory public release of ICRG progress reports within 90 days of each Plenary, a full lobbying disclosure register for all interactions with assessed jurisdiction representatives, and a two-year assessor cooling-off period.

04

Restore Enhanced Monitoring

The UAE should be returned to Enhanced Monitoring status with immediate effect, pending completion of the independent governance audit and targeted 5th Round review, consistent with the evidence record that preceded the February 2024 delisting.

Demand 1 — Independent Governance Audit of the February 2024 Decision

The FATF Plenary should commission an independent governance audit of the process by which the UAE was delisted in February 2024. The audit panel must exclude officials from member states with active bilateral investment or treaty relationships with the UAE that could impair independence. The audit must examine: whether ICRG assessors had access to and appropriately weighted the UN Security Council Monitoring Group findings on Somalia-corridor financial flows; whether the FATF Secretariat maintained adequate separation from the UAE's strategic communications infrastructure during the assessment period; whether the Plenary

deliberation was substantive and permitted meaningful scrutiny of the technical evidentiary record; and whether the delisting recommendation met the demonstrated effectiveness standard on IO 9, IO 10, R.24, and R.25. The audit findings must be published in full, without redaction for diplomatic sensitivity.

Demand 2 — Targeted Review Under the 5th Round Methodology

The UAE must be scheduled for a targeted 5th Round Mutual Evaluation review, commencing no later than the first quarter of 2026, focused specifically on the immediate outcomes and recommendations where the 2020 assessment and this report have identified the most significant unresolved deficiencies. The review must include a mandatory on-site verification visit conducted by assessors with no prior UAE assessment history. The review must assess actual prosecution outcomes for Somalia-linked and Iran-linked terrorist financing, actual DPMS suspicious transaction reporting rates against comparable jurisdiction benchmarks, and actual beneficial ownership verification capacity across the 40-plus free zone registries. Legislative enactment, without demonstrated enforcement output, must not be accepted as evidence of effective implementation.

Demand 3 — Enhanced Transparency for All ICRG Reports and Assessor Interactions

The FATF must implement a mandatory public disclosure framework governing ICRG monitoring processes. This framework must require: publication of ICRG progress assessment reports within 90 days of each Plenary at which they are reviewed; a publicly accessible register of all interactions between FATF Secretariat officials, ICRG assessors, and representatives of assessed jurisdictions or firms contracted by those jurisdictions; a mandatory two-year cooling-off period prohibiting assessors from accepting advisory or compensated roles with assessed jurisdictions or their contracted advisers following completion of an assessment mandate; and a structured dissent mechanism permitting member state delegations to place on the formal record their objections to delisting recommendations, with those objections published in redacted form following a defined confidentiality period. These reforms are not optional enhancements. They are the minimum governance architecture that a credible peer review process requires.

Demand 4 — Restoration of the UAE to Enhanced Monitoring Status

Pending completion of the independent governance audit and the targeted 5th Round review, the UAE should be restored to Enhanced Monitoring status with immediate effect. This demand is grounded not in punitive intent but in evidentiary logic: when the process by which a delisting was reached is itself under audit for governance failure, and when the substantive compliance record that underpinned that delisting is under targeted review for demonstrated effectiveness shortfalls, the appropriate interim position is the status quo ante. The EU Commission's sustained designation of the UAE as a high-risk third country for money laundering and terrorist financing provides an independent concurrent justification for this position. Two major international bodies cannot simultaneously hold contradictory assessments of the same

jurisdiction without one of them being wrong. The available evidence, assembled in this report, identifies which one.

Call to Action: G20 Finance Ministers

The FATF's authority derives ultimately from its membership, and its membership is most consequentially represented in the G20. It is the G20 Finance Ministers who set the political direction that FATF translates into technical standards, who provide the institutional weight that makes grey-list designation economically significant, and who bear the primary responsibility for ensuring that the organisation they mandate remains capable of the independent, evidence-based assessments its function requires.

This report calls on G20 Finance Ministers to take four specific actions at the earliest available opportunity. First, to formally request, through their national FATF delegations, that the 2026 Plenary agenda include the governance audit and targeted UAE review specified in Demands 1 and 2. Second, to direct their delegations to support the transparency reforms specified in Demand 3, including the lobbying disclosure register and assessor cooling-off period, as standing items on the FATF governance reform agenda. Third, to instruct their national financial intelligence units and supervisory authorities to apply UAE-linked transaction monitoring at a level commensurate with the risk profile evidenced in this report, irrespective of FATF certification status, until the targeted review is complete. Fourth, and most fundamentally, to acknowledge publicly that the FATF grey list's credibility as a systemic risk signal has been damaged by the UAE's February 2024 delisting, and that restoring that credibility requires institutional reform rather than institutional silence.

The G20 Finance Ministers who act on these demands will not be acting against the UAE. They will be acting for the international financial system that the UAE, like every other member of the global economy, depends upon for its own prosperity. A FATF that cannot be trusted to apply its own standards consistently is a FATF that cannot protect any jurisdiction — including the UAE — from the systemic risk that money laundering and terrorist financing create. The demand for reform is, at its core, a demand for a system that works. It is a demand that every G20 Finance Minister has both the authority and the obligation to make.

Conclusion: The Standard Must Mean Something

This report began with a question embedded in the FATF's founding purpose: whether the international anti-money-laundering framework is capable of applying its standards consistently, transparently, and free from the economic and political pressures that the world's most significant financial jurisdictions inevitably generate. Nine chapters of documented analysis have produced an answer that is uncomfortable for the FATF, for the officials who managed the UAE assessment, and for the member states whose geopolitical relationships with the UAE shaped the context in which the February 2024 delisting was reached.

The standard must mean something. It must mean the same thing for a Gulf state with sovereign wealth fund resources and a global PR infrastructure as it means for Panama, for Turkey, for every jurisdiction that has sat on the grey list long enough to complete the genuine reform that the list exists to incentivise. If it does not, the list is not a compliance instrument. It is a diplomatic tool. And a diplomatic tool cannot protect the global financial system from the illicit capital flows that, as this report has documented, continue to move through UAE-linked channels regardless of what any certification says about them.

The 2026 FATF Plenary is the nearest available inflection point. The governance audit, the targeted review, the transparency reforms, and the interim restoration of Enhanced Monitoring status are not radical demands. They are the minimum that institutional credibility requires. The Finance Ministers of the G20 have both the authority and the obligation to require them. This report places that obligation on the record.

FORMAL SUBMISSION TO THE 2026 FATF PLENARY

This report constitutes a formal evidential submission requesting:

(1) Independent Governance Audit of the February 2024 UAE Delisting

(2) Targeted 5th Round UAE Review with Mandatory On-Site Verification

(3) Mandatory ICRG Transparency and Lobbying Disclosure Framework

(4) Immediate Restoration of UAE Enhanced Monitoring Status

Addressed to: FATF Plenary Member Delegations • FATF President • FATF Executive Secretary • G20 Finance Ministers

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