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وزارة الاقتصـــــاد والسياحـــــة

# Countering Money Laundering, Terrorism Financing and Proliferation Financing

## Guidelines for Designated Non-Financial Businesses and Professions

*Supplemental Guidance for Trust & Company Service Providers*

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# 1. Introduction

Trust and Company Service Providers (TCSPs) play a critical role within the UAE's business and financial ecosystem by facilitating the establishment, administration, and management of legal persons and legal arrangements. Given the nature of these services, TCSPs are exposed to elevated risks of misuse for money laundering, terrorist financing, and proliferation financing (ML/TF/PF), particularly where complex structures, cross-border elements, and nominee arrangements are involved.

TCSPs are classified as Designated Non-Financial Businesses and Professions (DNFBPs) under the UAE's AML/CFT/CPF framework when carrying out specified activities on behalf of their customers. Accordingly, they are subject to the obligations set out under *Federal Decree-Law No. (10) of 2025 on Anti-Money Laundering Combating the Financing of Terrorism and Proliferation Financing*, its *Implementing Regulations*, and related supervisory guidance issued by the Ministry of Economy and Tourism (MoET).

The UAE's National Risk Assessment (NRA) and Sectoral Risk Assessments (SRAs) have consistently identified the misuse of legal persons and legal arrangements as a key vulnerability, including the role of professional intermediaries in facilitating complex ownership structures or obscuring beneficial ownership, with TCSPs potentially being used, knowingly or unknowingly, to establish or administer structures that enable the movement, concealment, or integration of illicit proceeds.

Given their gatekeeping role, the 2024 UAE NRA categorized the sector *Medium Risk* for ML. Given this, TCSPs are expected to implement robust, risk-based AML/CFT/CPF controls, ensuring transparency of ownership and effective oversight of the structures they establish or manage. This includes maintaining a clear understanding of their customers, the purpose and nature of the legal arrangements involved, and the source of funds and wealth associated with such activities.

## 1.1. Purpose

This Guidance is intended to provide sector-specific guidance to Trust and Company Service Providers operating in the UAE, supporting the effective implementation of their obligations under the applicable AML/CFT/CPF framework.

While the Ministry of Economy and Tourism has issued comprehensive AML/CFT guidance applicable to all DNFBPs, this document supplements those requirements by addressing the specific risks, vulnerabilities, and typologies associated with TCSP activities. It provides practical guidance on how to identify, assess, and mitigate ML/TF/PF risks in the context of corporate structuring, trust services, nominee arrangements, and related activities.

This Guidance is aligned with the findings of the UAE's National Risk Assessment (NRA), relevant Sectoral Risk Assessments (SRAs), and international standards issued by the Financial Action Task Force (FATF). It aims to enhance the sector's understanding of risk exposure and strengthen the consistency and effectiveness of compliance practices across TCSPs.

In particular, this guidance will:

- Clarify the applicable AML/CFT/CPF obligations within the context of TCSP services.
- Highlight key risk indicators and typologies relevant to legal persons and nominee arrangements.
- Provide practical expectations in relation to customer due diligence, beneficial ownership transparency, and ongoing monitoring.
- Support TCSPs in applying a risk-based approach aligned with national and international standards.

This document should be read in conjunction with the broader AML/CFT/CPF Guidelines for DNFBPs, as well as any relevant circulars, regulatory instructions, and supervisory communications issued by Ministry of Economy and Tourism and any other supervisory authority.

## 1.2. Scope

For the purposes of the UAE AML/CFT/CPF framework, Trust and Company Service Providers are subject to regulatory obligations upon performing or executing a transaction on the behalf of their customers in respect of the following activities:

- Acting as an agent in the creation or establishment of legal persons
- Working as or equipping another person to serve as director or secretary of a company, as a partner or in a similar position in a legal person
- Providing a registered office, work address, residence, correspondence address or administrative address of a legal person or legal arrangement
- Performing work or equipping another person to act as a trustee for a direct Trust or to perform a similar function in favour of another form of Legal Arrangement
- Working or equipping another person to act as a nominal shareholder in favour of another person

In addition, certain TCSPs may be involved in the formation and administration of trusts in accordance with applicable UAE legislation governing trusts and legal arrangements. These activities may involve managing trust assets, facilitating fiduciary relationships, and supporting the execution of trust instruments.

The provision of such services often involves interaction with multiple parties, jurisdictions, and financial flows, which may limit transparency and increase exposure to ML/TF/PF risks. As a result, TCSPs must ensure that AML/CFT/CPF controls are fully embedded within their operational processes, including customer onboarding, service delivery, and ongoing relationship management.

The obligations set out in this Guidance apply to all TCSPs operating within the UAE, whether mainland or within commercial free zones, to the extent that they conduct the above activities on behalf of their customers.

### 1.3. Applicability

Unless otherwise noted, this Supplemental Guidance apply to all regulated entities within the TCSP sector, and the members of their boards of directors, management and employees, established and/or operating in the territory of the UAE and Commercial Free Zones, whether they establish or maintain a Business Relationship with a Customer, or engage in any of the professional activities outlined in Articles (2) and (3) of *Cabinet Decision No. (134) of 2025 Concerning the Executive Regulations of Federal Decree-Law No. (10) of 2025 Concerning Combating Money Laundering, Terrorist Financing, and the Financing of the Proliferation of Weapons*.

### 1.4. Legal Status

This Supplementary Guidance serves as a practical tool to assist regulated entities in effectively implementing the relevant crime-combatting measures and are intended to be read in conjunction with the relevant laws, cabinet decisions, regulations and regulatory rulings which are currently in force in the UAE. However, it does not constitute additional legislation or regulation, and is not intended to set legal, regulatory, or judicial precedent. Regulated entities are reminded that the Supplemental Guidance does not replace or supersede any legal or regulatory requirements or statutory obligations. In the event of a discrepancy between this Guidance and the legal or regulatory frameworks currently in force, the latter will prevail. Specifically, nothing in this Supplemental Guidance should be interpreted as providing any explicit or implicit guarantee or assurance that the Supervisory or other Competent Authorities would defer, waive, or refrain from exercising their enforcement, judicial, or punitive powers in the event of a breach of the prevailing laws, regulations, or regulatory rulings.

This Supplemental Guidance, and any lists and/or examples provided in it, are not exhaustive and do not set limitations on the measures to be taken by regulated entities to meet statutory obligations under the legal and regulatory framework currently in force. As such, this Supplemental Guidance should not be construed as legal advice or legal interpretation. Regulated entities should perform their own assessments of the manner in which they should meet statutory obligations and should seek legal or other professional advice if they are unsure of the application of the legal or regulatory frameworks to circumstances.

## 2.1. AML/CFT/CPF AML/CFT/CPF Obligations

Trust and Company Service Providers, when conducting covered activities on behalf of their customers, are subject to the full scope of obligations under the UAE's AML/CFT/CPF legislative and regulatory framework, including Federal Decree-Law No. (10) of 2025, its implementing regulations, and relevant supervisory guidance.

Given their role in establishing and administering corporate structures, trusts, and nominee arrangements, TCSPs are expected to apply enhanced levels of scrutiny and maintain a high degree of transparency over the ownership, control, and purpose of the structures they support.

## 2.2. Core AML/CFT/CPF Obligations

TCSPs are required to establish and maintain a comprehensive, risk-based compliance framework that is proportionate to the nature, size, and complexity of their operations. At a minimum, this framework must include the following key components:

- *Risk Identification and Assessment* - TCSPs must identify and assess ML/TF/PF risks associated with their business activities, including risks arising from customer profiles, types of legal arrangements, jurisdictions involved, and the services provided. These assessments must be documented, regularly updated, and aligned with national risk findings, including the UAE's National Risk Assessment (NRA) and relevant Sectoral Risk Assessment (SRA).
- *Policies, Procedures, and Internal Controls* - TCSPs must establish, document, and maintain internal policies, procedures, and controls designed to mitigate identified risks. These controls must address all aspects of AML/CFT/CPF compliance, including customer onboarding, beneficial ownership verification, ongoing monitoring, reporting obligations, and sanctions compliance. Policies must be periodically reviewed and updated to reflect evolving risks and regulatory developments.
- *Customer Due Diligence (CDD) and Ongoing Monitoring* - TCSPs are required to implement risk-based CDD measures prior to establishing a business relationship or executing a transaction. This includes:
    - Identifying and verifying customers and beneficial owners.
    - Understanding the ownership and control structure of legal persons and arrangements.
    - Assessing the purpose and intended nature of the business relationship.
    - Verifying the source of funds and, where applicable, source of wealth.

  Ongoing monitoring must be conducted to ensure that transactions and activities remain consistent with the customer's profile and the nature of the structure established.
- *Suspicious Transactions / Activities Reporting* - TCSPs must establish effective mechanisms to identify and report suspicious transactions or activities to the Financial Intelligence Unit (FIU) without delay, in accordance with legal requirements. This includes ensuring that reporting is conducted confidentially and without tipping off the customer or related parties.
- *Governance and Oversight* - TCSPs must implement a robust governance framework that clearly defines roles and responsibilities for AML/CFT/CPF compliance. This includes:
    - The appointment of a qualified and independent Compliance Officer.
    - Ensuring oversight by senior management.
    - Conducting regular staff training tailored to TCSP-specific risks.
    - Implementing appropriate employee screening measures.
- *Record Keeping* - TCSPs must maintain comprehensive and accurate records of customer due diligence, transactions, risk assessments, and internal decisions. These records must be retained for the period prescribed under applicable legislation and be readily accessible to competent authorities upon request.
- *Targeted Financial Sanctions Compliance* - TCSPs are required to implement measures to comply with targeted financial sanctions, including those issued pursuant to United Nations Security Council Resolutions and relevant UAE Regulatory Authorities. This includes screening customers, beneficial owners, and other related parties, freezing assets when required and applicable, and reporting matches and actions taken in accordance with applicable procedures.

The effective implementation of the above obligations is intended to ensure a high level of transparency and traceability across legal persons, legal arrangements, and nominee shareholders established or administered by TCSPs. In particular, these measures aim to:

- Enable the identification of the ultimate beneficial owner and controlling parties.
- Ensure the legitimacy of funds and underlying economic purpose of the transaction.
- Maintain a clear and auditable record of transactions and relationships.
- Prevent the misuse of corporate structures and fiduciary arrangements for illicit purposes.

Given the complexity and potential opacity associated with TCSP services, the absence of effective controls may significantly increase the risk of misuse for professional money laundering and related financial crimes.

Trust and Company Service Providers should be aware that the obligations outlined in this Guidance are subject to supervisory review and assessment by the competent authorities. During inspections and other supervisory engagements, emphasis will be placed on the effective implementation of AML/CFT/CPF measures, rather than the mere existence of policies or procedures. Where a TCSPs are unable to demonstrate that its controls are operating effectively in practice, or where significant weaknesses are identified in areas such as risk assessment, beneficial ownership transparency, or ongoing monitoring, such deficiencies may result in supervisory findings and the requirement to implement remedial actions within specified timeframes.

## 2. Sector & Risk Context

Trust and Company Service Providers operate within a segment of the economy that presents heightened exposure to money laundering, terrorist financing, and proliferation financing (ML/TF/PF) risks. This exposure is driven primarily by the nature of the services provided, particularly those involving the creation, administration, and structuring of legal persons and legal arrangements.

Corporate vehicles, trusts, and similar arrangements may be misused to obscure beneficial ownership, facilitate the layering of funds across multiple jurisdictions, and create an appearance of legitimacy for illicit activities. These characteristics make the sector particularly attractive to individuals and networks seeking to conceal the origin, ownership, or movement of illicit proceeds.

The UAE's National Risk Assessment (NRA) has identified money laundering (ML) as a key threat, with a strong nexus to the misuse of corporate structures. In this context, TCSPs may be exposed where their services are used to establish complex ownership chains, introduce nominee arrangements, or support cross-border structures lacking clear economic rationale.

In practice, these risks may materialise through the use of layered corporate structures designed to fragment ownership across multiple jurisdictions, the incorporation of entities with no clear commercial activity, or the rapid establishment and dissolution of companies to facilitate the movement of funds. TCSPs may also be exposed where legal arrangements are used to distance beneficial owners from assets, or where corporate vehicles are established with nominee representation that limits transparency over control. While such features may arise in legitimate commercial contexts, they require careful assessment to distinguish lawful structuring from potential misuse.

A defining challenge within the sector is that many of the services provided are inherently legitimate and widely used for lawful commercial purposes. This makes the identification of suspicious activity less apparent and reinforces the need for a structured, risk-based approach supported by sound professional judgement.

Accordingly, TCSPs are expected to maintain a comprehensive understanding of ML/TF/PF risks at both the enterprise level and the level of individual customers and transactions, ensuring that risk identification remains proactive, documented, and responsive to evolving typologies.

### 3.1. Role of TCSPs as Gatekeepers

Trust and Company Service Providers play a critical gatekeeping role within the UAE's financial and corporate ecosystem. Through their involvement in establishing and administering legal entities and arrangements, they occupy a position that directly influences ownership transparency and access to the financial system.

TCSPs may act in advisory, fiduciary, or service provision capacities, including supporting the establishment of entities, acting in representative roles such as directors or trustees, or providing domiciliation and administrative services. In doing so, they may create or manage structures that determine how ownership and control are presented and understood.

This positioning increases exposure to ML/TF/PF risks, particularly where the services provided introduce additional layers between the beneficial owner and the underlying asset or transaction, or where reliance is placed on intermediaries without sufficient transparency. These risks are further

amplified in scenarios involving cross-border structures, non-face-to-face relationships, or arrangements lacking a clear and documented economic rationale.

In this context, the effectiveness of the TCSP's gatekeeping function is not limited to the application of formal due diligence measures, but extends to the exercise of professional judgement, critical assessment, and, where necessary, the willingness to decline or exit relationships that do not meet transparency expectations. Weaknesses in this function may directly contribute to the misuse of legal persons and arrangements, undermining broader efforts to enhance ownership transparency within the UAE.

The effective performance of this gatekeeping function is essential to preventing the misuse of legal persons and arrangements and to safeguarding the integrity of the UAE's corporate environment.

Given the gatekeeping role performed by Trust and Company Service Providers, supervisory authorities place particular importance on the quality of judgement exercised when establishing, maintaining, or exiting business relationships. Failure to appropriately identify, assess, and mitigate risks arising from opaque ownership structures, nominee arrangements, or complex cross-border structures may be treated as a weakness in the TCSP's control framework. Such weaknesses may be subject to further supervisory scrutiny, particularly where they result in reduced transparency or increased exposure to misuse of legal persons or legal arrangements.

## 3.2. Sector-Specific Risk Areas

While the previous sections outline the broader risk landscape and key risk factors within the TCSP sector, the nature and intensity of ML/TF/PF risks are not uniform across all services. Certain TCSP activities inherently present higher exposure due to their capacity to influence ownership structures, introduce additional layers of control, or facilitate cross-border arrangements.

This section examines the principal TCSP services that have been identified as carrying elevated risk and sets out the corresponding control expectations. The focus is on how risks arise in practice within each activity and the measures TCSPs are expected to implement to mitigate those risks effectively.

The controls described should be applied in a manner that is proportionate to the risk, integrated within the TCSP's overall AML/CFT/CPF framework, and supported by appropriate governance, oversight, and documentation.

### Company Formation and Legal Structuring

The formation of companies and the design of legal structures are core services provided by TCSPs and represent a key point of entry into the financial and corporate system. While these services are fundamental to legitimate business activity, they may also be misused to create structures that obscure ownership, facilitate the layering of funds, or provide a veneer of legitimacy to illicit operations.

Risk exposure is particularly elevated where legal structures are established with characteristics that reduce transparency. This includes the use of multiple layers of ownership, the incorporation of entities across different jurisdictions, or the creation of structures that do not align with the customer's stated business activities or economic profile.

In some cases, companies may be established without a clear commercial purpose, or with objectives that are broadly defined and difficult to verify. The rapid formation of multiple entities, particularly where they share similar ownership or control, may further increase risk, especially were accompanied by subsequent changes in ownership or control within a short timeframe.

To mitigate these risks, TCSPs are expected to apply enhanced scrutiny at the point of company formation and structuring. This includes developing a clear and documented understanding of:

- The purpose and intended use of the entity or structure.
- The rationale for the chosen legal form and jurisdictions.
- The roles and relationships between all parties involved.
- How ownership and control are exercised in practice.

TCSPs should critically assess whether the proposed structure is proportionate and consistent with the customer's business profile. Where complexity is introduced, there should be a clear and justifiable commercial rationale supported by appropriate documentation.

In addition, TCSPs should ensure that beneficial ownership is identified and verified across all layers of the structure, and that any gaps or inconsistencies are resolved prior to establishment. Where reliance is placed on information provided by the customer or intermediaries, this should be corroborated using independent sources where feasible.

From a governance perspective, higher-risk or more complex structures should be subject to internal review and approval processes, including escalation to the MLRO or senior management where appropriate. Decisions to proceed with such structures should be supported by documented analysis, clearly outlining the rationale and the mitigating controls applied.

### Nominee Shareholders and Directors

The use of nominee shareholders and directors is a recognised feature of corporate structuring and may serve legitimate purposes in certain contexts. However, such arrangements present inherent ML/TF/PF risks due to their potential to obscure the identity of the true beneficial owner and reduce transparency over control.

Risk exposure arises where nominee arrangements are used without sufficient clarity regarding the underlying relationship, or where the nominee exercises formal control without a clear understanding of, or alignment with, the beneficial owner's intentions. In such cases, the nominee structure may be used to distance the beneficial owner from the entity, complicating efforts to identify and verify control.

Additional risk may arise where nominee services are provided across multiple entities with similar ownership profiles, or where there is frequent turnover of nominee directors or shareholders without a clear commercial justification.

To address these risks, TCSPs providing nominee services, or arranging for such services, must ensure full transparency over the underlying beneficial ownership and control structure. This includes but not limited to:

- Identifying and verifying the beneficial owner(s) behind the nominee arrangement.
- Clearly documenting the legal and contractual relationship between the nominee and the beneficial owner.
- Understanding the scope and limitations of the nominee's authority.

Nominee arrangements should not be accepted where the TCSP is unable to obtain sufficient information on the beneficial owner or where the purpose of the arrangement is unclear or inconsistent with legitimate business needs.

Ongoing monitoring is particularly important in these cases. TCSPs should maintain awareness of how the entity is being used, including any changes in control, instructions provided to the nominee, or activities that deviate from the expected profile.

From a governance standpoint, nominee arrangements should be subject to enhanced oversight, including clear internal policies governing their use, approval processes for higher-risk cases, and periodic review to ensure continued transparency and legitimacy.

### Trust and Foundation Services

Trusts, foundations, and similar legal arrangements present distinct ML/TF/PF risks arising from the separation of legal ownership from beneficial interests, as well as the potential use of layered or complex control structures.

These arrangements may involve multiple parties, including settlors, trustees, beneficiaries, and protectors, each with varying degrees of control or influence. This complexity can make it more challenging to identify the ultimate beneficial owners and to understand how control is exercised in practice.

Risk exposure is heightened where:

- The roles and relationships between parties are not clearly defined or documented.
- Beneficiaries are described in broad or discretionary terms.
- The arrangement spans multiple jurisdictions.
- There is limited transparency regarding the assets held within the structure.

In some cases, trusts or foundations may be established without a clear or verifiable purpose or may be used to hold assets in a manner that obscures their origin or ownership.

To mitigate these risks, TCSPs must ensure that all relevant parties to the arrangement are identified and verified, including settlors, trustees, beneficiaries, protectors, and any other individuals exercising control.

A clear understanding of the purpose of the arrangement, the source of assets placed within it, and the mechanism by which control is exercised must be established and documented. Particular attention should be given to discretionary arrangements, where control may not be immediately apparent.

TCSPs should also ensure that trust deeds or equivalent documentation are reviewed in detail, and that any ambiguities or inconsistencies are clarified prior to accepting the relationship.

Ongoing monitoring should include reviewing distributions, changes in beneficiaries, and amendments to the structure, ensuring that such changes remain consistent with the stated purpose and do not introduce additional risk.

Enhanced governance measures are expected for higher-risk arrangements, including senior-level approval and periodic review of the structure and its activities.

### Provision of Registered Office and Administrative Services

The provision of registered office addresses, correspondence handling, and administrative support services is a common offering within the TCSP sector. While these services are often low risk in isolation, they may be misused where provided without sufficient understanding of the underlying entity and its activities.

Risk exposure arises where entities use registered office services to establish a presence without conducting substantive business operations, or where multiple entities are registered at the same address without a clear relationship or commercial rationale.

These services may also be used to create an appearance of legitimacy, particularly where the TCSP's address is associated with multiple entities engaged in unclear or unrelated activities.

To mitigate these risks, TCSPs should ensure that the provision of such services is not treated as a purely administrative function. Instead, it should be supported by an appropriate level of due diligence and ongoing oversight. This includes:

- Understanding the nature and purpose of the entity's activities.
- Verifying the identity of beneficial owners and key controlling parties.
- Assessing whether the use of the registered office is consistent with the customer's business profile.
- Monitoring for unusual patterns, such as high volumes of entities registered at a single address or frequent changes in entity details.

Where administrative services are provided without a broader business relationship, TCSPs should still ensure that minimum CDD requirements are met and that sufficient information is obtained to assess risk.

### Cross Boarder Structures and Multi Jurisdictions Arrangements

Cross-border structures are a common feature of modern business operations; however, they present elevated ML/TF/PF risks due to increased complexity, varying regulatory standards, and potential gaps in transparency.

Risk exposure is heightened where structures involve multiple jurisdictions with differing levels of AML/CFT effectiveness, particularly where some jurisdictions have limited requirements for beneficial ownership disclosure or weak regulatory oversight.

The use of multi-jurisdictional arrangements may also be used to fragment control, complicate the identification of beneficial owners, or obscure the flow of funds. This is particularly relevant where there is no clear economic or commercial rationale for the jurisdictions involved.

TCSPs should therefore apply a heightened level of scrutiny to such arrangements, ensuring a clear understanding of:

- The role and purpose of each jurisdiction within the structure.
- The regulatory environment of those jurisdictions.
- The flow of funds and assets across borders.
- The alignment of the structure with the customer's business activities.

Verification of information may be more challenging in cross-border contexts, requiring reliance on multiple sources and, where necessary, enhanced due diligence measures.

Ongoing monitoring should focus on changes in jurisdictional exposure, the introduction of new entities or counterparties, and any shifts in the structure that may increase risk.

From a governance perspective, cross-border and multi-jurisdictional structures should be subject to enhanced oversight, including internal review mechanisms and escalation procedures for higher-risk cases.

# 3. Key Risk Factors

## 4.1. Alignment With National and Sectoral Risk Assessments (NRA/SRA)

The identification and assessment of ML/TF/PF risks within the TCSP sector must be closely aligned with the findings of the UAE's National Risk Assessment (NRA) and any relevant Sectoral Risk Assessments (SRA) issued by competent authorities.

These assessments consistently highlight the elevated inherent risks associated with legal persons and arrangements, particularly in circumstances involving complex ownership structures, cross-border elements, and limited transparency. They also identify vulnerabilities linked to the misuse of fiduciary services, nominee arrangements, and professional intermediaries as part of broader money laundering schemes.

In addition to identifying areas of elevated inherent risk, NRA and SRA findings provide important indicators that should be operationalised within TCSP frameworks. This includes translating national risk insights into customer risk rating methodologies, defining higher-risk customer categories, and calibrating due diligence and monitoring measures accordingly. For example, where national assessments highlight risks associated with offshore structures or nominee arrangements, TCSPs are expected to reflect these risk factors in their onboarding procedures, escalation thresholds, and ongoing monitoring triggers.

Sectoral findings have also pointed to areas requiring strengthened controls, including the consistent application of customer due diligence, effective identification of beneficial ownership, and ongoing monitoring of changes in ownership and control structures. TCSPs should therefore ensure that these areas are not treated as procedural requirements, but as core components of their risk mitigation framework.

In response, TCSPs are expected to integrate NRA and SRA findings into their internal risk assessment frameworks and day to day operations. This includes ensuring that customer risk profiling, due diligence measures, and monitoring practices are informed by national risk indicators and are applied in a consistent and proportionate manner.

Particular attention should be given to higher-risk scenarios, including those involving foreign legal persons, offshore structures, or jurisdictions with weaker transparency standards. Risk identification processes should remain dynamic, supported by periodic reviews and responsive to emerging risks, typologies, and supervisory guidance.

By aligning internal frameworks with national and sectoral risk insights, TCSPs can ensure that their controls remain effective, proportionate, and consistent with the UAE's broader AML/CFT/CPF strategy.

The risks outlined above are not uniform across all TCSP activities and are often more pronounced in specific services and arrangements. In particular, activities such as company formation, the use of nominee shareholders and directors, the establishment of trusts and foundations, and the provision of cross-border structuring services present distinct risk profiles requiring tailored control measures.

## 4.2. Risk Factors

### 4.2.1. Nature and Type of Customers

The assessment of risks associated with customers is a central component of the risk-based approach for Trust and Company Service Providers. Given the diversity of clients engaging TCSP services, entities are expected to adopt a structured and well-documented approach to understanding the profile, background, and risk characteristics of each customer.

Customers in the TCSP sector may include natural persons, legal persons, and legal arrangements, often operating across multiple jurisdictions and, in many cases, through intermediaries. The level of risk exposure is influenced not only by the type of customer, but also by the degree of transparency, complexity, and accessibility of information relating to their ownership and control.

Particular attention should be given to situations where ownership or control is not readily identifiable, or where the structure appears unnecessarily complex relative to the stated purpose. This includes arrangements involving layered corporate vehicles, nominee shareholders, or fiduciary structures that may obscure the identity of the ultimate beneficial owner.

Risk exposure may also increase in cases involving:

- Non-resident or offshore customers, particularly where there is no clear economic link to the UAE.
- Customers introduced through intermediaries and/or engaged exclusively through non face to face channels.
- Individuals with elevated risk profiles, including politically exposed persons or those connected to high-risk jurisdictions.

In such cases, the TCSP's ability to independently verify information and form a reliable understanding of the customer may be reduced, requiring enhanced scrutiny.

In addition to static customer characteristics, TCSPs should assess behavioural indicators observed during onboarding and throughout the relationship. This includes instances where customers demonstrate urgency without a clear rationale, provide inconsistent or incomplete information, or are unable to clearly articulate the purpose of the structure being established.

Customer risk assessment methodologies may vary depending on the size and complexity of the entity. However, all TCSPs are expected to apply a consistent and documented approach, ensuring that risk ratings are supported by clear criteria, subject to periodic review, and capable of capturing evolving risk profiles.

### 4.2.2. Nature and Type of Transactions

The services provided by Trust and Company Service Providers are inherently linked to the creation, administration, and management of legal persons and legal arrangements. While these services serve legitimate commercial purposes, certain activities present a higher exposure to ML/TF/PF risks due to their capacity to introduce opacity, distance beneficial owners from underlying assets, or facilitate the movement of funds across structures and jurisdictions.

Risk exposure is particularly elevated in services involving the establishment, restructuring, or transfer of ownership of legal entities and arrangements. This includes activities where control may be exercised indirectly, or where legal ownership does not clearly align with beneficial ownership. The use of nominee or fiduciary roles, while permissible in certain contexts, may further increase

risk where transparency is limited or the underlying relationships are not clearly documented and understood.

In practice, higher-risk scenarios may arise where multiple entities are established within a short timeframe with similar ownership profiles, or where frequent changes are made to directors, shareholders, or authorised signatories without a clear commercial rationale. Similarly, the rapid transfer or restructuring of ownership interests—particularly across different jurisdictions—may indicate attempts to fragment oversight or obscure the identity of controlling parties.

The provision of corporate infrastructure, including registered office addresses or administrative services, may also present elevated risk where such services are offered without a sufficient understanding of the underlying business activity. In such cases, legal entities may be used to create a veneer of legitimacy while lacking substantive operations or a clear economic purpose.

The assessment of transactional risk should not be limited to individual activities in isolation. TCSPs are expected to consider the full lifecycle of the service provided, recognising that risks may evolve over time. For example, a structure that appears low risk at the point of establishment may become higher risk following changes in ownership, the introduction of new jurisdictions, or shifts in the nature of the underlying activity.

Accordingly, TCSPs should assess transactions and services in the context of the customer's overall profile, the stated purpose of the structure, and the consistency of activity over time. Transactions or patterns of activity that deviate from the expected profile, lack a clear economic rationale, or involve multiple changes within a short period should be subject to enhanced scrutiny and, where appropriate, escalation.

This approach ensures that transactional risk assessment remains dynamic, context-driven, and aligned with the broader objective of identifying and mitigating the misuse of legal persons and arrangements.

### 4.2.3. Geographic Risk Exposure

Geographic risk is a key consideration in the TCSP sector, particularly given the cross-border nature of many corporate structures and legal arrangements. The involvement of multiple jurisdictions may increase complexity, reduce transparency, and create challenges in verifying information, especially where regulatory standards differ significantly.

TCSPs must assess geographic risk not only based on the customer's location, but also in relation to:

- The jurisdictions of incorporation of legal entities and arrangements.
- The origin and destination of funds.
- The location of underlying business activities.

Higher-risk scenarios may arise where structures involve jurisdictions with weaker AML/CFT frameworks, limited beneficial ownership transparency, or known exposure to corruption, sanctions risks, or illicit financial activity. The use of such jurisdictions is not inherently indicative of wrongdoing; however, it requires a higher level of scrutiny and a clear understanding of the underlying rationale.

Particular attention should be given to structures involving multiple jurisdictions where the economic or commercial justification is unclear. In such cases, the fragmentation of activities across jurisdictions may be used to reduce oversight and complicate the identification of ownership and control.

TCSPs are therefore expected to ensure that the geographic footprint of any structure is consistent with the customer's business profile and stated objectives, and that any higher-risk exposures are appropriately identified, assessed, and mitigated.

The risk factors outlined above may manifest differently depending on the nature of the services provided by the TCSP. Certain activities, such as company formation, nominee arrangements, trust and foundation services, and cross-border structuring, present more pronounced risk exposures and require tailored control measures. These are examined in detail in following sections.

# 4. Due Diligence and Ongoing Monitoring

Trust and Company Service Providers (TCSPs) occupy a uniquely sensitive position within the UAE's AML/CFT/CPF framework, given their involvement in the formation, management, and administration of legal persons and arrangements. These activities, while legitimate in nature, may be deliberately misused to obscure ownership, conceal the origin of funds, or facilitate complex layering mechanisms across jurisdictions.

In this context, Customer Due Diligence (CDD) and ongoing monitoring are not merely compliance obligations, but core risk management functions that enable TCSPs to maintain visibility over the structures they create or administer and monitoring post creation. The effectiveness of these measures directly impacts the integrity and transparency of the corporate landscape.

This section supplements the general DNFBP guidance by addressing TCSP-specific risks, expectations, and practical considerations. It emphasises depth of understanding, consistency in application, and the importance of maintaining a dynamic and risk-sensitive approach throughout the lifecycle of the business relationship.

## 4.1. Purpose and Application of Customer Due Diligence Measures

The purpose of CDD extends well beyond the verification of customer identity. Within the TCSP sector, it is the principal mechanism through which the legitimacy and transparency of legal structures are established and maintained. This includes forming a clear understanding of the intended purpose of the entity or arrangement, identifying and verifying the ultimate beneficial owner, and assessing whether the structure and associated financial flows are consistent with the customer's profile and economic rationale.

Unlike other DNFBPs, TCSPs are often directly involved in the creation and administration of legal entities and arrangements, many of which may operate across multiple jurisdictions and over extended periods. This increases the importance of ensuring that due diligence measures are both accurate at the outset and sufficiently robust to capture any subsequent changes in ownership, control, or purpose.

A risk-based approach must be applied in all cases. In higher risk scenarios, such as those involving foreign clients, politically exposed persons, or complex and layered ownership structures, Enhanced Due Diligence (EDD) measures and deeper scrutiny are required from the TCSPs. Conversely, Simplified Due Diligence (SDD) measures may only be applied where risks are demonstrably lower and appropriately justified. In all instances, the rationale for the level of due diligence applied must be clearly documented and aligned with the entity's risk assessment framework. Sanctions screening, adverse media checks, and background verification form an integral part of this process and should be conducted both at onboarding and, where appropriate, on an ongoing basis.

Importantly, CDD is not static. It must be capable of evolving as new information becomes available, or as the nature of the business relationship changes. Trigger events, such as the introduction of new shareholders, changes in control, or expansion into new jurisdictions, should prompt a reassessment of the customer's risk profile and, where necessary, the application of additional due diligence measures.

## 4.2. Establishing a Business Relationship

In the context of TCSPs, a business relationship is typically established at the point where the service provider agrees to create, manage, or otherwise support a legal person or legal arrangement on behalf of a client. This may arise through incorporation services, the provision of nominee or trustee roles, or the ongoing administration of corporate structures.

At this stage, TCSPs are expected to develop a holistic understanding of:

- The purpose behind the creation or use of the legal person or arrangement.
- The roles, responsibilities, and relationships between all involved parties.
- The jurisdictions connected to the structure and their associated risk levels.
- The anticipated activities, including the nature, scale, and frequency of transactions.

This understanding should be supported by documentary evidence and, where necessary, supplemented by independent verification.

Particular attention should be given to cases where:

- The structure appears unnecessarily complex relative to the stated business purpose.
- Multiple layers of ownership are introduced without clear justification.
- There is reliance on intermediaries who do not have an evident commercial role.
- The customer demonstrates reluctance to provide complete or consistent information.

In such situations, TCSPs should not rely solely on formal compliance with documentation requirements but should critically assess whether the overall arrangement is coherent, transparent, and credible.

The timing of CDD is particularly important in this sector. Given that TCSPs are often involved at the formation stage, they act as a critical control point before a legal structure becomes operational. Any deficiencies at this stage may allow high-risk or opaque structures to be established with limited transparency, increasing the risk of misuse at later stages.

CDD must also be revisited where there are material changes in the relationship. This includes changes in ownership, control, business activities, or jurisdictional exposure. TCSPs must ensure that their understanding of the customer remains current and that any changes are appropriately assessed and documented.

Where material uncertainties remain unresolved, the TCSP should decline to establish the relationship and consider whether the circumstances warrant internal escalation or external reporting.

### 4.3. Beneficial Ownership Identification and Verification

The identification and verification of beneficial ownership is one of the most critical and complex aspects of CDD within the TCSP sector given their role as a gatekeeper. The ability of legal persons and arrangements to separate legal ownership from actual control creates inherent vulnerabilities that may be exploited to conceal the identity of individuals behind illicit activities.

In line with UAE legislative requirements, TCSPs must take reasonable and proportionate measures to identify the natural persons who ultimately own or control a legal entity or arrangement, whether through ownership interests, voting rights, or other forms of control. This requires a thorough understanding of ownership chains, including indirect holdings and layered structures that may span multiple jurisdictions.

The process should not be limited to collecting declarations from the customer. Instead, TCSPs are expected to assess the credibility and consistency of the information provided by their clients and, where necessary, corroborate it using independent and reliable sources to verify it. This may involve reviewing corporate registries, legal documentation, or other verifiable data points that support the ownership narrative.

In practice, this often involves navigating complex and multi-jurisdictional structures. TCSPs should therefore be equipped to analyse layered ownership chains, identify potential indicators of nominee arrangements, and recognise when legal ownership does not align with actual control.

Enhanced scrutiny is particularly important where:

- Ownership structures involve jurisdictions with limited transparency.
- Shares are held on behalf of others without clear documentation of the underlying relationship.
- There are frequent or unexplained changes in ownership.
- The customer seeks to limit access to ownership information.

While such structures or practices may serve legitimate purposes, they are also commonly associated with attempts to obscure beneficial ownership. In such cases, TCSPs must go beyond formal ownership and identify the individuals who exercise effective control or derive benefit from the structure.

Where ownership cannot be clearly established through standard thresholds, TCSPs must identify the individuals exercising senior management control while continuing to assess whether other indicators of control are present.

### 4.4. Source of Funds and Source of Wealth Verification

Establishing the source of funds and, where appropriate, the customer source of wealth is a key component of understanding the legitimacy of a customer's activities. For TCSPs, this obligation is particularly relevant where structures are used to hold, manage, or transfer assets, or where there is exposure to higher-risk customers or jurisdictions.

TCSPs should seek to establish not only the immediate origin of funds used in a transaction, but also the broader context in which the customer has accumulated their wealth. This requires a degree of professional judgement, particularly where customers operate across multiple jurisdictions or sectors.

In practice, this requires TCSPs to evaluate whether the financial profile of the customer is consistent with the nature and scale of the structure being established or managed. Particular care should be taken where:

- The origin of funds is linked to activities or jurisdictions associated with higher risk.
- There is a mismatch between the customer's known profile and the scale of the transaction or structure.
- Funds are routed through multiple intermediaries without a clear rationale.
- Payments are made using methods that may obscure traceability.

The objective is to move beyond a descriptive understanding to an evidence-based assessment of whether the financial activity is consistent with legitimate economic behaviour. The assessment should be supported by documentation where necessary, but also by professional judgment. TCSPs are expected to consider the plausibility of the information provided, the economic rationale of the structure, and any inconsistencies that may indicate elevated risk.

### 4.5. Ongoing Monitoring and Record Keeping

Ongoing monitoring and record keeping are interdependent functions that together ensure continuity, traceability, and accountability throughout the lifecycle of the business relationship.

Ongoing monitoring requires TCSPs to maintain an up-to-date understanding of the customer, the structure, and the associated risks. This is particularly important in the TCSP sector, where risks often materialise through gradual changes rather than discrete transactions.

Monitoring activities should include, but not limited to:

- Reviewing changes in ownership, control, or governance arrangements.
- Tracking amendments to legal structures, including the introduction of new entities or jurisdictions.
- Assessing whether the use of the structure remains consistent with its stated purpose.
- Identifying patterns or behaviours that deviate from the expected profile.
- Reassessing risk levels following trigger events.

Where TCSPs act in roles such as directors, trustees, or authorised signatories, they are expected to exercise a higher degree of awareness regarding the activities conducted through the entities they administer. This includes maintaining visibility over key financial and operational developments, even where they are not directly executing transactions.

Record keeping underpins these monitoring activities by ensuring that all relevant information is documented, retained, and accessible. Records must provide a clear and chronological account of:

- How the customer relationship was established.
- The information obtained and the verification steps undertaken.
- The evolution of the ownership and control structure over time.
- Decisions taken in response to identified risks or concerns.

In addition to statutory retention requirements, TCSPs should ensure that records are sufficiently detailed to enable competent authorities to reconstruct the rationale and context of the relationship without reliance on oral explanations.

Effective record keeping also supports internal governance by enabling oversight functions, particularly the Compliance Officers, to review historical decisions, identify trends, and assess whether controls are being applied consistently.

### 4.6. Governance and Oversight

The implementation of CDD and monitoring measures must be supported by a strong governance framework that ensures accountability, consistency, and effective challenge.

Senior management is responsible for setting the tone from the top and ensuring that CDD processes are adequately resourced, clearly defined, and embedded within operational workflows. This includes establishing risk appetite parameters and ensuring alignment between business objectives and compliance obligations.

The Money Laundering Reporting Officer plays a pivotal role in overseeing the effectiveness of CDD and monitoring practices. This includes, but not limited to:

- Reviewing high-risk or complex relationships.
- Providing guidance on the treatment of ambiguous or incomplete information.
- Assessing escalations from operational teams.
- Determining whether reporting obligations are triggered.

A key aspect of effective governance is the existence of clear escalation mechanisms. Staff involved in customer onboarding and monitoring should be able to identify and escalate concerns without delay, supported by defined thresholds and reporting lines.

Equally important is the documentation of decisions. TCSPs should maintain records that clearly articulate the rationale for accepting, rejecting, or continuing a relationship, particularly in higher-risk scenarios. This ensures that decisions are transparent, defensible, and subject to review.

Senior management and Compliance Officers are expected to ensure that governance arrangements are effective, properly documented, and capable of withstanding supervisory examination.

During supervisory inspections or thematic reviews, authorities will assess whether governance structures, escalation mechanisms, and decision-making processes are functioning as intended. Inadequate oversight, poor documentation of key decisions, or failure to act upon identified risks may be considered control deficiencies and may result in supervisory findings requiring corrective action.

### 4.7. Reporting Obligations

Trust and Company Service Providers are subject to reporting obligations under the UAE's AML/CFT/CPF framework, which form a critical component of the national system for the detection, analysis, and mitigation of money laundering, terrorist financing, and proliferation financing risks. These obligations apply irrespective of whether a transaction or activity is completed, attempted, or discontinued, and must be fulfilled in a timely, accurate, and confidential manner.

In line with the risk-based approach, reporting obligations within the TCSP sector are primarily driven by the identification of suspicious activity, relationships, or structures. Given the nature of TCSP services, suspicion may arise not only from financial transactions, but also from the formation, administration, or restructuring of legal persons and arrangements, as well as from customer behaviour, inconsistencies in information, or the absence of a clear economic rationale.

Accordingly, TCSPs are required to submit Suspicious Transaction Reports (STRs) or Suspicious Activity Reports (SARs) and any other types of reports, were applicable to the Financial Intelligence Unit (FIU) where there are reasonable grounds to suspect that funds, transactions, or related activities are linked to ML/TF/PF, or to the proceeds of crime. This obligation applies regardless of the value of the transaction and extends to attempted activities, including situations where a TCSP declines to establish or continue a business relationship due to concerns identified during customer due diligence or ongoing monitoring.

The obligation to report is not dependent on certainty or proof of illicit activity. Rather, it is triggered by reasonable suspicion formed on the basis of available information, professional judgement, and the assessment of risk indicators. TCSPs should therefore ensure that internal processes enable the timely identification, escalation, and assessment of such suspicions.

In addition to suspicion-based reporting, TCSPs must ensure that reporting obligations are fully integrated into their operational and governance frameworks. This includes establishing clear internal escalation procedures, ensuring that relevant staff are aware of their responsibilities to report concerns to the Compliance Officer (MLRO), and maintaining appropriate documentation to support the decision-making process.

Where a suspicion is identified, the TCSP must promptly submit an STR or SAR to the FIU in accordance with applicable requirements and timelines. Reports should be comprehensive, accurate, and supported by sufficient detail to enable the FIU to understand the nature of the suspicion, the parties involved, and the underlying activity or structure.

Given the nature of TCSP services, STRs/SARs may arise in a range of scenarios, including but not limited to:

- The establishment of legal entities or arrangements with unclear or inconsistent purpose.
- Complex or layered structures that lack a credible commercial rationale.
- Difficulties in identifying or verifying beneficial ownership.
- The use of nominee arrangements without sufficient transparency.
- Requests for services that appear to be designed to avoid regulatory scrutiny or oversight.

In all cases, the focus should be on clearly articulating the basis for suspicion, rather than providing definitive conclusions. Supporting documentation, transaction details, and relevant background information should be included where available.

Following the submission of an STR/SAR, TCSPs must comply with any instructions issued by the FIU and ensure that appropriate measures are taken in relation to the business relationship. This may include enhanced monitoring, restrictions on certain activities, or, where appropriate and in the absence of contrary instructions, consideration of terminating the relationship.

TCSPs are strictly prohibited from disclosing, directly or indirectly, to the customer or any third party, the fact that an STR or SAR or any other types of reports has been submitted to the Financial Intelligence Unit, is intended to be submitted, or that an investigation is being or may be conducted. This prohibition extends to any information that could reasonably lead to the customer becoming aware of such reporting.

Maintaining confidentiality is essential to preserving the integrity of investigations and protecting the effectiveness of the UAE's AML/CFT/CPF framework. Breaches of tipping-off provisions may result in legal and administrative sanctions.

It should be noted that taking steps to decline a transaction, delay the provision of services, or request additional information for legitimate compliance purposes does not constitute tipping-off, provided that such actions are conducted in a manner that does not reveal the existence of a report or suspicion.

It is important to note that TCSPs are required to refer to the "Guidelines for Designated Non-Financial Businesses and Professions" issued by the Ministry of Economy and Tourism for comprehensive requirements and additional guidance on reporting obligations. They remain subject to all post-reporting requirements, including record-keeping, confidentiality, and cooperation with competent authorities, as set out in the applicable legal and regulatory framework.

## 5. Common Sectoral Challenges and Best Practices

The TCSP sector operates within a complex and highly interconnected environment, where the establishment and administration of legal persons and arrangements frequently involve multi-layered ownership structures, cross-border elements, and diverse customer profiles. These characteristics inherently increase exposure to money laundering, terrorist financing, and proliferation financing risks, while also creating practical challenges in the effective implementation of customer due diligence, ongoing monitoring, and broader AML/CFT/CPF control measures. At the

same time, they present an opportunity for TCSPs to strengthen governance arrangements, enhance the depth and quality of risk assessments, and embed compliance more effectively within day-to-day operations. A clear understanding of the common challenges encountered across the sector, together with the practices that have proven effective in addressing them, supports a more consistent and robust application of the risk-based approach in line with UAE regulatory expectations and international standards.

### 5.1. Common Sectoral Challenges

The application of CDD, ongoing monitoring, and related control measures within the TCSP sector is often complicated by structural, operational, and informational constraints that are inherent to the nature of the services provided.

One of the most persistent challenges relates to beneficial ownership transparency, particularly in cases involving multi-layered structures spanning multiple jurisdictions. In practice, TCSPs may encounter ownership chains that include foreign holding companies, trusts, or foundations established in jurisdictions with limited public disclosure requirements. In such cases, verifying ownership beyond the first or second layer can be difficult, especially where documentation is incomplete, outdated, or inconsistent across sources. This is further compounded where nominee shareholders or directors are used, potentially masking the identity of the true controlling parties.

Another recurring challenge is the over-reliance on customer-provided information at onboarding. While obtaining information directly from the client is a necessary starting point, TCSPs may face situations where such information is accepted without sufficient challenge or independent corroboration. For example, a client may declare a straightforward ownership structure, while publicly available data or adverse media suggests the involvement of additional undisclosed parties. Without adequate verification, such discrepancies may remain undetected.

TCSPs also face limited visibility over ongoing activities, particularly where their role is restricted to the provision of registered office services or company administration without direct involvement in financial transactions. In these circumstances, detecting unusual activity becomes more complex, as the TCSP may not have real-time insight into how the entity is being used, the nature of its counterparties, or the volume and purpose of its financial flows.

The assessment of complex or bespoke structures presents an additional layer of difficulty. Certain arrangements, such as the use of multiple special purpose vehicles, layered trusts, or cross-border holding structures, may have legitimate commercial purposes. However, distinguishing between legitimate structuring and arrangements designed to obscure ownership or facilitate layering requires a level of technical expertise and professional scepticism that may not be consistently applied across all TCSPs.

Operationally, inconsistent application of the risk-based approach remains a concern. This may arise where internal policies are not sufficiently detailed, or where frontline staff lack the necessary training to differentiate between varying risk scenarios. As a result, similar customer profiles or structures may be treated differently, leading to gaps in control effectiveness.

Finally, resource and capability constraints can impact the depth and quality of due diligence and monitoring. This includes limited access to reliable international data sources, insufficient internal expertise in analysing complex structures, or time pressures associated with client onboarding and service delivery. These factors, if not appropriately managed, may result in a more superficial application of CDD measures.

### 5.2. Sectoral Best Practices

In response to these challenges, effective TCSPs adopt a more structured and analytical approach to CDD and ongoing monitoring, supported by strong internal governance and clearly defined methodologies.

A key practice is the systematic mapping and documentation of ownership and control structures. Rather than relying solely on narrative descriptions, TCSPs should develop visual or diagrammatic representations of ownership chains, clearly identifying all intermediate entities and ultimate beneficial owners. This approach facilitates a better understanding of control dynamics and assists in identifying gaps, inconsistencies, or unexplained layers within the structure.

Robust TCSPs also place strong emphasis on independent verification and corroboration. Information provided by the customer is routinely cross-checked against multiple sources, including official registries, regulatory filings, and, where appropriate, third-party intelligence tools. In higher-risk cases, additional steps may be taken, such as obtaining certified documentation, verifying banking relationships, or seeking clarification directly from counterpart institutions.

To address limitations in visibility, leading practices include the implementation of trigger-based monitoring mechanisms. In addition to periodic reviews, TCSPs define specific events that prompt immediate reassessment, such as:

- Changes in shareholders, directors, or authorised signatories.
- Introduction of new jurisdictions into the structure.
- Significant changes in the nature or scale of the entity's activities.
- Requests for services that fall outside the originally stated purpose.

These triggers help ensure that monitoring remains responsive to evolving risks rather than relying solely on fixed review cycles.

Effective TCSPs also invest in specialised expertise and training, particularly in relation to complex structures and cross-border arrangements. This includes equipping staff with the ability to critically assess the commercial rationale of a structure, identify potential red flags, and escalate concerns appropriately. In more complex cases, internal escalation to senior compliance personnel or the MLRO is supported by documented analysis rather than informal judgement.

Another important practice is the integration of CDD, monitoring, and governance functions. This involves close coordination between operational teams and compliance functions to ensure that information obtained at onboarding is actively used in ongoing monitoring, and that emerging risks are fed back into the customer risk assessment. The MLRO plays a central role in reviewing higher-risk relationships and providing independent challenge where necessary.

Strong documentation and audit trail practices further distinguish effective frameworks. TCSPs should clearly record not only the information obtained, but also the rationale for key decisions, such as accepting a complex structure, applying enhanced due diligence, or determining that a particular risk has been adequately mitigated. This ensures that decisions are transparent, reproducible, and capable of withstanding regulatory scrutiny.

Finally, more mature TCSPs adopt a forward-looking approach to risk, using internal data, typologies, and supervisory feedback to continuously refine their controls. This may include updating risk indicators, enhancing due diligence procedures for specific customer segments, or incorporating lessons learned from past cases into staff training and internal guidance.

## 6. Typologies

Trust and Company Service Providers may be exposed to money laundering, terrorist financing, and proliferation financing risks through a range of methods that exploit the nature of the services they provide. These methods are typically designed to obscure beneficial ownership, disguise the origin of funds or assets, and facilitate the movement or control of value across legal persons and arrangements.

The sector's exposure arises from its central role in the creation, administration, and management of corporate vehicles and legal arrangements, as well as its involvement in cross-border structuring and fiduciary activities. The typologies outlined below reflect patterns identified in national and sectoral risk assessments, international studies, and supervisory observations, and illustrate how TCSP services may be misused in practice.

One commonly observed typology involves the concealment of beneficial ownership through the use of layered corporate structures and legal arrangements. In such cases, multiple entities may be established across different jurisdictions, with ownership distributed through chains of companies, trusts, or foundations. These structures are designed to create distance between the beneficial owner and the underlying asset or activity, making it more difficult to identify the individual exercising ultimate control. In some instances, the structure may evolve over time through transfers of ownership or the introduction of additional layers, further reducing transparency.

A related typology involves the use of nominee shareholders, directors, or fiduciaries to obscure control and provide a formal separation between the legal owner and the beneficial owner. While nominee arrangements may have legitimate uses, they may also be employed to create an appearance of legitimacy while concealing the identity of the individual directing the activity. In such cases, the nominee may act on instructions without exercising independent judgement, effectively serving as a proxy for the beneficial owner.

Another typology relates to the misuse of company formation and legal structuring services to facilitate the placement and layering of illicit proceeds. Legal entities may be established with limited or no substantive business activity, or with broadly defined objectives that are difficult to verify. These entities may then be used to hold or transfer funds, conduct transactions, or establish relationships with financial institutions, thereby creating an appearance of legitimate commercial activity. In some cases, multiple entities may be formed in a short period, with similar ownership or control profiles, to support the movement of funds across accounts, entities, or jurisdictions.

The use of multi-jurisdictional structures represents a further typology within the sector. Complex arrangements involving entities incorporated in different jurisdictions may be used to fragment oversight, exploit differences in regulatory frameworks, and obscure the flow of funds. Such structures may lack a clear commercial rationale or involve jurisdictions that do not align with the customer's business activities, increasing the difficulty of verifying information and understanding the overall purpose of the arrangement.

Trusts, foundations, and similar legal arrangements may also be misused to distance beneficial ownership from assets and to manage or distribute funds in a manner that reduces transparency. Arrangements involving discretionary beneficiaries, broadly defined classes of beneficiaries, or multiple controlling parties may complicate the identification of individuals with effective control or economic interest. These features may be combined with cross-border elements to further increase complexity.

Another typology involves the misuse of fiduciary and management services provided by TCSPs. Where TCSPs act as directors, trustees, or signatories, they may be placed in positions that enable them to facilitate transactions, manage assets, or interact with financial institutions on behalf of customers. In such cases, the involvement of a regulated professional may be used to enhance the perceived legitimacy of the structure or activity, particularly where the underlying beneficial owner might otherwise face scrutiny.

The misuse of corporate infrastructure and administrative services also represents a typology of concern. Entities may be established using registered office addresses or administrative support services without conducting substantive business activity. In such cases, the structure may be used to create a formal presence, support the opening of accounts, or engage in transactions, while limiting visibility over the underlying operations and control.

In some instances, client accounts or similar arrangements may be used as part of broader structuring activities, enabling the movement of funds between entities or jurisdictions in a manner that reduces transparency. These arrangements may form part of a wider sequence of activities involving the establishment, funding, and operation of legal entities or arrangements.

Across these typologies, a consistent feature is the use of otherwise legitimate legal and corporate mechanisms in a manner that introduces complexity, reduces transparency, or disconnects ownership from control. The misuse of TCSP services often involves a combination of these techniques, applied over time or across multiple entities and jurisdictions.

Understanding these typologies enables TCSPs to contextualise risk within their service offerings, apply informed professional judgement, and ensure that their AML/CFT/CPF controls remain responsive to evolving methods of misuse. When supported by effective customer due diligence, ongoing monitoring, and governance frameworks, this understanding strengthens the sector's role in protecting the integrity of the UAE's corporate and financial environment.

# 7. Red Flags Indicators for Trusts and Corporate Service Providers

The following list of red-flag indicators for potentially suspicious activity / transactions is not exhaustive. It is important to note that the presence of one or more of these indicators does not automatically imply that a transaction involves money laundering (ML), terrorist financing (TF) or proliferation financing (PF). Rather, it serves as an indication that enhanced due diligence, or further investigation may be warranted. The appointed Compliance Officer of the Corporate Service Provider (CSP) should carefully assess the circumstances to determine whether the activity / transaction is indeed suspicious.

Given the nature of TCSP services, red flags may arise not only from financial transactions, but also from the design, purpose, and evolution of legal structures, as well as from customer behaviour and the use of intermediaries. Accordingly, the assessment of these indicators requires the application of professional judgement, taking into account the customer's profile, the complexity and rationale of the structure, and the consistency of the activity over time.

The appointed Compliance Officer (MLRO) should ensure that such indicators are appropriately reviewed, documented, and assessed to determine whether the circumstances give rise to suspicion and require reporting to the competent authorities, in accordance with the applicable legal and regulatory framework.

## 8.1. Customer Behaviour - Individual

### Reluctance or Refusal to Disclose Information:

- Refuses to provide personal, business, or financial information.
- Provides insufficient, inconsistent, or suspicious information.
- Avoids personal contact or refuses in-person meetings without justification.
- Does not maintain contact after the initial establishment of a legal entity.
- Reluctant or refuses to disclose:
    - The identity of the beneficial owner.
    - Their business activities and corporate history.
    - Their source of wealth/funds.
    - The nature of their business dealings with third parties (particularly those in foreign jurisdictions).
    - Why they are conducting their activities in a certain manner.
    - Who they are transacting with.
- Client withdraws, becomes unresponsive, or terminates the relationship following EDD requests.
- Client applies pressure on CSP staff to expedite incorporation or documentation while discouraging due diligence.
- Attempts to influence staff to bypass internal escalation or compliance approval processes.

### Unclear Business Activities

- Has an unclear rationale for conducting activities in a specific jurisdiction.
- Is a foreign national with no significant dealings in the country and no clear economic rationale for seeking a relationship with a CSP.
- Expresses interest in establishing or acquiring a legal entity or legal arrangement without a logical explanation or description of the purpose.
- A customer who wants to establish multiple inconsistent businesses across different emirates in the UAE, with no clear economic reasons.
- Requests to repeatedly amend company activities, licences, or constitutional documents without a commercial rationale.

### Criminal or Adverse Background

- Is under investigation, has known criminal connections, or appears in adverse media linked to corruption, fraud, or financial crimes.
- Has a link to an extremist individual, a designated terrorist individual, or organization.
- Has been previously prohibited from holding a directorship role or operating a CSP.
- Is listed on sanctions or watchlists.

### Use of Intermediaries & Avoidance of Transparency

- Insists on using intermediaries (professional or informal) without a legitimate reason.
- Requests nominee directors or shareholders to hide ownership.
- Requests nominee directors with little experience in the required licensed business.
- A customer who is a family member or has a close association with a foreign individual or entity abroad.
- Demonstrates an excessive concern about compliance requirements or AML measures.
- Appears very concerned about or asks an unusual number of detailed questions about compliance-related matters such as customer due diligence or transaction reporting requirements.
- Requests for frequent changes to authorised signatories or powers of attorney.

### Politically Exposed Persons (PEPs)

- Is a PEP or has familial/professional associations with a PEP, particularly when their involvement does not align with their official duties or declared interests.

### Unusual Transaction Knowledge or Lack Thereof

- Appears unfamiliar with the details of the requested transaction.
- Shows little interest in transaction specifics, costs, or securing better terms.
- Engages intermediaries without a clear business rationale, especially if it obscures the identity of the beneficial owner.

## 8.1.1. Customer Behaviour - Legal Entities and Arrangements

### Lack of Business Substance

- Cannot demonstrate actual business activity or provide evidence of operations.
- Has no online presence or business networking profile.
- Uses an address linked to multiple unrelated companies, indicating a mailbox service.
- Use of dormant companies that suddenly become active without a clear source of funds or business rationale.

### Complex or Unnecessary Corporate Structures

- Uses overly complicated ownership or management structures without justification.
- Has frequent changes in ownership or control.
- Uses nominee agreements, shelf companies, or offshore trusts to obscure beneficial ownership.
- Requests the use of foreign private foundations that operate in secrecy jurisdictions.
- Engages in rapid changes in company ownership, management, or structure shortly after establishment without justification.
- Requests to establish companies or legal arrangements that appear designed to circumvent export controls or UN sanctions regimes.
- Use of layered corporate structures involving jurisdictions subject to UN PF-related sanctions.
- Frequent changes to ownership, directors, or business purpose shortly after sanctions designations affecting related parties.

### Foreign Incorporation in High-Risk Jurisdictions

- Is registered in a tax haven or a jurisdiction with weak Anti Money laundering (AML) regulations.
- Transfers incorporation or registration to another country without an apparent business reason.
- Conducts business in jurisdictions identified as high-risk for money laundering and terrorist financing.

### Unusual Board or Management Practices

- Directors or shareholders are difficult to contact or do not seem actively involved.
- Uses the same individuals as directors or shareholders across multiple companies.
- Has an unusually high number of authorized signatories.

- Engages in transactions with sanctioned entities or those located in high-risk jurisdictions.
- Requests to backdate incorporation documents, share transfers, or directorship appointments.
- Requests to split ownership among multiple individuals or entities to avoid screening thresholds.
- Attempts to rapidly dissolve, redomicile, or rebrand entities following sanctions announcements.

## 8.2. Transaction Behaviour

### Unexplained or Unusual Transactions

- Conducts high-value transactions that do not match their profile or financial history.
- Uses multiple accounts or sources for deposits and payments without a clear rationale.
- Requests transactions with excessive secrecy or anonymous financial instruments.
- Engages in frequent or high-value intercompany loans with no clear economic purpose.
- Sends or receives funds to/from high-risk jurisdictions without justification.
- Requests offshore accounts or companies in secrecy jurisdictions without a business reason.

### Unusual Loan and Investment Behaviour

- Uses cash as collateral for loans, particularly when the funds originate from foreign institutions.
- Makes significant capital contributions inconsistent with company size or industry norms.
- Obtains financing from private third parties without proper documentation.
- Requests the use of pooled accounts or safe custody arrangements without necessity.
- Seeks to open multiple trusts or accounts with the same beneficiary.
- Seeks to open multiple trust accounts, each with a different business declared as the source of funds.
- Seeks to open trust accounts with high amounts, which are inconsistent with the customer's profile.
- Repeated establishment of trusts with the same beneficiaries across multiple jurisdictions.

### Payment Methods and Funding Sources

- Uses large cash transactions or negotiable instruments that do not indicate the true payer.
- Prefers unusual payment methods (e.g., virtual assets, precious metals).
- Breaks down transactions into smaller parts to avoid reporting requirements.
- Receives payments from unrelated third parties with no apparent connection.
- Uses a CSP's client account for transactions without prior notification.
- Engages in excessive use of power-of-attorney arrangements without explanation.
- Requests funding from third parties without logical explanation or business justification.

## 8.3. Other Red Flags

- Frequently changes CSPs without a valid reason.
- Engages multiple Trusts and/or Corporate Service Providers for similar services without justification.
- Requests services that obscure beneficial ownership from authorities.
- Requests nominee arrangements, shelf companies, or offshore structures without a clear purpose.
- Uses legal arrangements that separate ownership and control in an unusual manner.
- Lacks transparency in operations, refusing to provide clear information about business activities.
- Uses multiple professionals or advisors in the same jurisdiction for the same transaction.
- Takes an unusual interest in assisting or helping to facilitate the business arrangements of another party.
- Provides falsified documents or counterfeit records.
- Attempts to engage in fraudulent transactions, such as multiple invoicing or over- and under-invoicing.
- Clients or beneficial owners linked to sectors associated with dual-use goods, sensitive technologies, or sanctioned trade activities.

## 8. Case Studies

The following case studies illustrate how Trust and Company Service Providers (TCSPs) operating within the UAE may be exposed to money laundering (ML), terrorist financing (TF), and proliferation financing (PF) risks through the misuse of corporate vehicles, legal arrangements, and fiduciary services. These scenarios reflect complex and evolving patterns observed in practice, where structures, transactions, and relationships may appear commercially legitimate when viewed in isolation but, when assessed holistically, reveal inconsistencies or elevated risk indicators. The purpose of these case studies is to support TCSPs in applying a risk-based approach, strengthening professional judgment, and enhancing the effectiveness of customer due diligence, ongoing monitoring, and reporting obligations.

**Case Study 1: Layered Corporate Structure with Frequent Ownership Changes**

***Synopsis:***

A UAE-based TCSP is engaged to establish a holding company within a free zone on behalf of a foreign client claiming to centralise regional investments. The initial ownership structure consists of two offshore entities incorporated in jurisdictions known for corporate secrecy. The client provides standard incorporation documentation, and onboarding is completed without immediate concerns.

Over the following nine months, the TCSP processes a series of incremental changes to the ownership structure. These include the introduction of additional minority shareholders through new offshore entities, partial transfers of shares between existing shareholders, and the appointment of nominee directors in different jurisdictions. Each amendment is presented as part of a broader "capital restructuring strategy" linked to attracting international investors.

***Key Red Flags:***

Progressive dilution and fragmentation of ownership, use of multiple offshore entities with no clear economic purpose, and repeated restructuring shortly after incorporation also without clear reasoning or justification.

***Supervisory Expectations:***

The corporate service provider should reassess the risk profile, verify beneficial ownership at each stage and with each structural changes made and identifying the natural person(s) exercising ultimate control. Enhanced Due Diligence should focus on the rationale behind restructuring and the source of funds for capital injections. Escalation to the Compliance Officer, for further actions and possible reporting to the Financial Intelligence Unit (FIU), is required where transparency cannot be reasonably established.

**Case Study 2: Nominee Director Arrangement with Operational Disconnect**

***Synopsis:***

A TCSP provides nominee director and company secretarial services for a UAE mainland entity owned by a foreign corporate shareholder. The client indicates that the structure is intended to facilitate regional consulting services. The nominee director appointed by the TCSP is formally responsible for oversight but is not involved in any of the day-to-day operations.

Within a short period, the company begins engaging in high-value consultancy agreements with counterparties in multiple jurisdictions, including jurisdictions with elevated ML/TF risks. The nominee director receives periodic summaries prepared by the client but does not have direct access to underlying contracts or counterparties.

Further complexity arises when the TCSP is asked to process board resolutions authorising significant payments and changes in authorised signatories. These changes are justified as operational requirements, yet the TCSP observes that control over financial decisions appears to rest with individuals who are not formally part of the corporate structure.

***Key Red Flags:***

Disconnect between formal governance and actual control, nominee director lacking effective oversight, and reliance on third-party counterparties without transparency.

***Supervisory Expectations:***

The TCSP must ensure that nominee arrangements do not undermine effective governance. It should obtain full visibility over transactions, verify the legitimacy of counterparties, and assess whether the structure is being used to distance beneficial owners from financial activity. Enhanced monitoring and escalation are required where control structures are unclear.

**Case Study 3: Cross-Border Structuring with Circular Investment Flows**

***Synopsis:***

A UAE TCSP is instructed to establish a group structure involving a UAE holding company with subsidiaries in multiple jurisdictions. The client explains that the structure is intended to support international expansion and facilitate cross-border investments.

Following incorporation, the group begins executing a series of intercompany transactions, including loans, equity injections, and service agreements. Funds are transferred between entities in different jurisdictions, often returning to the UAE through alternative routes. These transactions are documented through internal agreements, but the economic rationale remains unclear.

The TCSP notes that the same pool of funds appears to circulate within the structure, creating the appearance of legitimate investment activity. Additionally, the ownership structure involves multiple layers of entities, with Beneficial Ownership ultimately linked to a small group of individuals whose roles are not clearly defined.

***Key Red Flags:***

Circular fund flows, complex intercompany arrangements without economic substance, and layered ownership structures designed to obscure control.

***Supervisory Expectations:***

The TCSP should critically assess the economic purpose of transactions, verify the legitimacy of intercompany agreements, and identify the ultimate beneficiaries of the structure. Enhanced monitoring and escalation are required where transactions lack commercial justification.

**Case Study 4: Misuse of Registered Office and Administrative Services**

***Synopsis:***

A TCSP provides registered office and administrative services to a portfolio of UAE entities owned by foreign clients. While the entities are presented as independent businesses, the TCSP observes similarities in their operational profiles, including shared contact details, overlapping management representatives, and recurring counterparties.

Over time, these entities begin engaging in cross-border transactions involving the transfer of funds for "consultancy," "licensing," and "procurement" services. Payments are routed through the UAE entities before being transferred to overseas accounts. The TCSP is not directly involved in the transactions but facilitates administrative processes, including document handling and communication with regulators.

Further review reveals that some of the entities have minimal physical presence or operational activity in the UAE, despite significant financial flows passing through their accounts. The client attributes this to a "centralised management model," although no clear operational framework is provided.

***Key Red Flags:***

Multiple entities sharing common characteristics, limited economic substance, and use of administrative services to facilitate financial flows.

***Supervisory Expectations:***

The TCSP should assess whether the entities are genuinely independent or part of a broader network. It should apply a group-level risk assessment, verify business activities, and ensure that its services are not being used to facilitate layering or concealment.

**Case Study 5: Misuse of Registered Office and Administrative Services**

***Synopsis:***

A TCSP has maintained a long-standing relationship with a UAE-based corporate client involved in general trading. The client initially presents a low-risk profile, with straightforward ownership and consistent transaction patterns.

Over time, the client expands its operations into new jurisdictions and introduces additional shareholders through offshore entities. The TCSP processes these changes as part of routine corporate maintenance. However, the nature of transactions begins to shift, with increased volumes, new counterparties, and more complex payment arrangements and structures without clear reasoning.

The client explains that these arrangements are necessary to optimise tax efficiency and manage international partnerships. While each individual transaction appears reasonable, the overall pattern becomes more complex and less transparent.

***Key Red Flags:***

Gradual increase in complexity, introduction of offshore ownership, evolving transaction patterns, and reliance on intermediary entities.

***Supervisory Expectations:***

The TCSP should not rely solely on initial risk assessments and must reassess the client profile as circumstances evolve. Enhanced monitoring, updated due diligence, and escalation are required where cumulative risk increases.

**Case Study 6: Gradual Obscuring Through Corporate Restructuring**

***Synopsis:***

A Corporate Service Provider assists a long-standing client in maintaining a UAE holding company originally established for regional consultancy services. Over time, the client submits multiple requests to amend the company's structure, including the introduction of foreign shareholders, reallocation of shareholding percentages, and the creation of a subsidiary in a free zone.

Each change is supported by documentation and explained as part of "business expansion." However, the CSP notes that the company's commercial activity remains limited, with no clear increase in operations corresponding to the structural changes. Additionally, ownership is progressively diluted across several entities incorporated in different jurisdictions, with no single individual maintaining a clearly dominant controlling interest.

***Key Red Flags:***

The repeated restructuring, absence of clear commercial rationale, and gradual weakening of ownership create opacity around control and Beneficial Ownership, despite each individual change appearing justified.

***Supervisory Expectations:***

The CSP should assess the cumulative impact of structural changes rather than evaluating each request in isolation. Enhanced due diligence should be applied to understand the ultimate control structure and economic purpose. The Compliance Officer should consider whether the evolving structure undermines transparency and whether escalation and / or reporting is warranted.

**Case Study 7: Use of Professional Intermediaries to Distance Control**

***Synopsis:***

A foreign client engages a CSP to establish a UAE entity for investment purposes. The client appoints a legal advisor as the primary point of contact and requests that all communications, documentation, and instructions be routed through the advisor. The advisor provides complete documentation and demonstrates familiarity with regulatory requirements.

Over time, the CSP observes that the legal advisor is also acting on behalf of multiple entities with similar structures, all linked to different clients but following nearly identical formation patterns. Direct interaction with the ultimate clients remains minimal and attempts to engage them are consistently deferred.

***Key Red Flags:***

Heavy reliance on intermediaries, limited direct engagement with the Beneficial Owner, and repeated use of similar structures across unrelated clients may indicate an attempt to standardise opacity across the entities.

***Supervisory Expectations:***

The CSP should ensure that reliance on intermediaries does not replace direct understanding of the client. Independent verification of Beneficial Ownership and purpose is required. Where access to the client is restricted, the CSP should reassess whether it can adequately discharge its AML/CFT obligations.

**Case Study 8: Inconsistent Business Activity Compared to the Declared Purpose**

***Synopsis:***

A UAE company is incorporated with the stated purpose of engaging in general trading activities. The client provides a broad business plan and obtains the necessary licence. However, during periodic reviews, the CSP observes that the company has not undertaken any identifiable trading activity, nor has it established operational infrastructure such as office space, staff, or supplier relationships.

Despite this, the client requests continued maintenance of the company and periodically amends its authorised activities to include additional sectors unrelated to the original purpose.

***Key Red Flags:***

Mismatch between declared business purpose and actual activity, combined with frequent changes in licensed activities without clear commercial development.

***Supervisory Expectations:***

The CSP should reassess the legitimacy of the business purpose and obtain updated information on intended operations. Where the entity remains inactive without reasonable explanation, the risk rating should be reviewed and escalation to be considered.

**Case Study 9: Repeated Use of Nominee Arrangements Across Unrelated Entities**

***Synopsis:***

A CSP provides nominee director services to multiple companies incorporated over a short period. While each engagement is supported by separate client onboarding, the CSP noticed that several companies share similar ownership patterns, jurisdictions, and service requests.

Further review indicates that the same individuals are indirectly linked across multiple entities, though their involvement is not immediately visible in official documentation.

***Key Red Flags:***

Recurrent use of nominee structures across multiple entities with indirect connections may indicate coordinated structuring to obscure control.

***Supervisory Expectations:***

The CSP should perform cross-client analysis to identify potential linkages. Enhanced scrutiny and Enhanced Due Diligence should be applied to understand whether the same Beneficial Owner is operating across multiple structures and understand the reason behind such operations, and decision to be made for further escalations / reporting to competent authorities.

**Case Study 10: Frequent Changes in Authorised Signatories**

***Synopsis:***

A UAE company managed by a CSP undergoes frequent changes in authorised signatories within a short timeframe. Each change is supported by board resolutions and appears procedurally compliant.

However, the individuals appointed often have limited connection to the company's stated business and are replaced shortly after appointment.

***Key Red Flags:***

Frequent rotation of control roles without operational justification may indicate attempts to distance accountability or obscure control.

***Supervisory Expectations:***

The CSP should assess the rationale for repeated changes and verify the role and background of each signatory. Where patterns persist, escalation and enhanced monitoring are required.

**Case Study 11: Use of Foundations Without Clear Purpose**

***Synopsis:***

A client requests the establishment of a foundation in a UAE jurisdiction, citing "wealth preservation" as the primary objective. The foundation is structured with multiple layers of governance, including a council and beneficiaries located in different jurisdictions.

Despite the complexity, the CSP is unable to identify clear assets, activities, or a defined purpose for the structure.

***Key Red Flags:***

Complex legal arrangement without a defined economic or charitable purpose increases the risk of misuse illicit purposes.

***Supervisory Expectations:***

The CSP should obtain detailed documentation explaining the foundation's purpose, beneficiaries, and governance. Where clarity is not achieved, the service provider should reconsider the provision of services.

**Case Study 12: Introduction of High-Risk Jurisdiction Entities Post Incorporation**

***Synopsis:***

A UAE company initially incorporated with local shareholders later introduces a foreign corporate shareholder from a jurisdiction known for limited transparency. The change is justified as part of "strategic investment."

No additional commercial activity follows the introduction of the new shareholder, and no other economic justification was provided.

***Key Red Flags:***

Introduction of high-risk jurisdiction entities without operational justification may indicate attempts to obscure ownership or introduce external control.

***Supervisory Expectations:***

The CSP should conduct enhanced due diligence on the new shareholder and reassess the overall risk profile of the entity.

**Case Study 13: Parallel Structures with Similar Ownership Patterns**

***Synopsis:***

A CSP identifies that multiple companies incorporated under different client names share similar structural characteristics, including identical nominee arrangements, overlapping addresses, and similar governance frameworks.

While each company is presented as independent, the structural similarities suggest coordinated formation.

***Key Red Flags:***

Standardised structures across unrelated clients may indicate the use of templates designed to obscure ownership.

***Supervisory Expectations:***

The corporate service provider should assess whether the structures are genuinely independent and identify any underlying common control.

**Case Study 14: Delayed Disclosure of Beneficial Ownership Changes**

***Synopsis:***

A client delays informing the CSP of changes in Beneficial Ownership until after regulatory deadlines have passed. The explanation provided relates to "internal delays" in documentation.

Subsequent review reveals that ownership changes occurred significantly earlier and no clear justification on the purpose of delaying the disclosure of the changes in the ownership structure within the entity.

***Key Red Flags:***

Delayed disclosure undermines transparency and may indicate intentional concealment.

***Supervisory Expectations:***

The CSP should enforce timely disclosure requirements and reassess the client's risk profile. Repeated delays should trigger escalation.

**Case Study 15: Use of Shelf Company to Create Perceived Credibility**

***Synopsis:***

A client acquires a UAE incorporated shelf company through a CSP, specifically requesting an entity with an older incorporation date. The stated purpose is to support faster market entry and enhance credibility with counterparties.

Following the acquisition, the client updates the company's name, activities, and management structure, and requests supporting corporate documents for external use. The company remains operationally inactive, with no clear business activity or infrastructure established. However, in interactions with third parties, the entity is presented as an established business with a track record, based primarily on its age.

***Key Red Flags:***

Reliance on the age of the company to create a perception of experience, without corresponding operational history, may indicate an attempt to misrepresent the entity's credibility.

***Supervisory Expectations:***

The CSP should ensure that corporate documentation and representations are accurate and not misleading. The intended use of the entity should be clearly understood, and the Compliance Officer should assess whether the structure may be used to create a false impression of legitimacy.

**Case Study 16: Multi-Jurisdictional Structure with Unclear Decision-Making Authority**

***Synopsis:***

A CSP administers a UAE company forming part of a wider structure spanning multiple jurisdictions. Different service providers and representatives are involved across the structure, each managing specific entities.

Instructions relating to the UAE entity are received from various individuals in different jurisdictions, with no single point of authority clearly identified. Board resolutions are prepared based on these instructions, although the origin of key decisions is not always transparent. The client explains that decisions are made collectively at a "group level," but no formal governance framework is provided.

***Key Red Flags:***

Multiple sources of instruction and lack of clarity on decision making authority may indicate attempts to obscure control and accountability.

***Supervisory Expectations:***

The CSP should identify the individual(s) exercising ultimate control and ensure that governance arrangements are clearly documented. Where control remains unclear, the risk profile should be reassessed and escalation considered.

**Case Study 17: Frequent Changes in Business Activities Without Clear Direction**

***Synopsis:***

A UAE company is incorporated with a consultancy licence through a CSP. Over time, the client requests multiple amendments to the company's activities, expanding into unrelated areas such as trading and investment holding. Each change is justified as part of adapting to market opportunities.

Despite these changes, the company shows no clear operational development, and its business profile appears to shift depending on the context in which it is presented. Different counterparties are introduced for each activity, with no consistent business focus.

***Key Red Flags:***

Repeated changes in business activities without a clear strategy or operational substance may indicate opportunistic use of the entity rather than genuine commercial activity.

***Supervisory Expectations:***

The CSP should assess whether the business model is credible and consistent with the client's profile. Enhanced due diligence may be required where the purpose of the entity remains unclear, and escalation should be considered if inconsistencies persist.

**Case Study 18: Use of Registered Office Without Genuine Presence**

***Synopsis:***

A client engages a Corporate Service Provider to establish a UAE company and requests only registered office and administrative support services. The stated purpose is to facilitate regional business expansion.

Over time, the CSP observes that the company does not establish any physical presence beyond the registered address and does not demonstrate clear operational activity. Correspondence received at the registered office is limited and largely administrative. The client periodically requests official letters and documentation confirming the company's presence in the UAE for use with third parties abroad.

***Key Red Flags:***

Use of a registered office address without operational substance, combined with requests for official confirmation of presence, may indicate an attempt to create a perceived footprint without genuine activity.

***Supervisory Expectations:***

The CSP should assess whether the company's presence in the UAE is consistent with its stated purpose. Where the entity appears to exist primarily for formal or representational purposes, the CSP should reassess the risk profile and ensure that its services are not being used to create a misleading impression.

**Case Study 19: Client Seeking Limited Transparency in Corporate Records**

***Synopsis:***

During the incorporation of a UAE entity, a client expresses a preference for minimising the amount of personal and ownership information reflected in corporate records. The client requests alternative structuring options, including the use of layered ownership and indirect shareholding, to "simplify disclosures."

While the structure remains within legal parameters, the CSP notes that the client repeatedly questions documentation requirements and seeks to limit the visibility of ownership details across different filings and records.

***Key Red Flags:***

A consistent focus on reducing transparency, even where not necessary for legitimate structuring purposes, may indicate an intent to obscure ownership.

***Supervisory Expectations:***

The CSP should ensure full compliance with Beneficial Ownership identification and records keeping requirements. The rationale for the proposed structure should be clearly understood and documented, and enhanced due diligence should be applied where transparency appears intentionally reduced.

**Case Study 20: Use of Multiple CSPs for Fragmented Service Provision**

***Synopsis:***

A client incorporates several UAE entities but distributes services across multiple Corporate Service Providers. One CSP is responsible for incorporation, another for registered office services, and a third for nominee arrangements.

Each service provider receives limited visibility over the overall structure, and the client manages coordination between them. When requested, the client provides only partial information, stating that other CSPs are responsible for the remaining elements of the structure.

***Key Red Flags:***

Fragmentation of services across multiple providers, combined with limited information sharing, may indicate an attempt to prevent any single CSP from having full visibility over the structure.

***Supervisory Expectations:***

The CSP should seek sufficient information to understand the full structure and its purpose, regardless of the involvement of other providers. Where visibility remains restricted, the CSP should assess whether it can adequately fulfil its AML/CFT obligations and consider escalation if necessary.

**Case Study 21: Unusual Reliance on Powers of Attorney for Corporate Control**

***Synopsis:***

A UAE company is incorporated through a CSP, with formal ownership and management assigned to identifiable individuals. However, operational control appears to be exercised through a series of powers of attorney granted to third parties not formally reflected in the ownership structure.

The CSP observes that key instructions are consistently issued by these authorised representatives, while the registered shareholders and directors remain largely inactive. The client explains that this arrangement is for "administrative convenience."

***Key Red Flags:***

Extensive reliance on powers of attorney to exercise control, particularly where it replaces the role of formal management, may indicate an attempt to obscure actual control.

***Supervisory Expectations:***

The CSP should identify the individuals exercising effective control over the entity and ensure that this is reflected in their customer risk assessments. The use of powers of attorney should be understood, documented, and assessed for consistency with the overall structure and purpose of the company.

These case studies demonstrate that risks within the TCSP sector often arise not from a single transaction or structure, but from the cumulative effect of multiple indicators, inconsistencies, and evolving client behaviour. Effective risk mitigation requires TCSPs to apply a holistic, risk-based approach, combining robust customer due diligence, continuous monitoring, and timely escalation. By identifying and understanding these complex scenarios, TCSPs play a critical role in safeguarding the integrity of the UAE's financial and corporate ecosystem and supporting national AML/CFT/CPF objectives.

## 9. Conclusion and Sector-Wide Risk Consideration

The Trust Corporate Service Providers (TCSPs) sector in the UAE continues to present a medium to high inherent risk of money laundering, terrorist financing, and proliferation financing, primarily due to the nature of services provided, including company formation, legal structuring, nominee arrangements, and the administration of legal persons and arrangements. These services, while legitimate and essential to the functioning of the business environment, may be misused to obscure Beneficial Ownership, create complex ownership chains, and facilitate the layering and movement of illicit assets.

The risk exposure of the sector is further influenced by its interaction with non-resident clients, cross border structures, and multi-jurisdictional arrangements, which may reduce transparency and increase reliance on information provided by third parties. These characteristics are consistently identified in the UAE National Risk Assessment and relevant Sectoral Risk Assessments conducted by supervisory authorities, including the Ministry of Economy and Tourism (MoET).

While the UAE has implemented a comprehensive and mature AML/CFT/CPF framework, including enhanced Beneficial Ownership requirements, regulatory oversight, and supervisory engagement, residual risks remain within the TCSP sector. These risks are primarily linked to the potential misuse of legal structures, the provision of nominee and fiduciary services, and the challenges associated with verifying complex ownership arrangements across jurisdictions.

Addressing these residual risks requires TCSPs to move beyond a purely procedural approach to compliance and adopt a risk-based approach. This includes critically assessing the purpose and economic rationale of structures, maintaining a clear understanding of control and ownership, and ensuring that services provided are not used to create opacity or misrepresentation.

From a supervisory perspective, Corporate Service Providers are expected to demonstrate a consistent and proactive application of AML/CFT/CPF obligations. This includes but not limited to:

- Maintaining a clear and accurate understanding of Beneficial Ownership and control across all entities and arrangements administered.
- Applying enhanced scrutiny to complex or multi-jurisdictional structures, particularly where transparency is reduced.
- Ensuring that nominee, fiduciary, and administrative services are supported by a clear and legitimate purpose.
- Embedding effective internal escalation mechanisms and ensuring timely reporting of suspicions in line with regulatory requirements.
- Continuously updating risk assessments and compliance frameworks to reflect emerging typologies, regulatory developments, and supervisory feedback.

Supervisory authorities expect TCSPs to exercise professional judgement and independent assessment, particularly in situations where structures appear overly complex, lack clear commercial rationale, or evolve in a manner that reduces transparency over time.

This Guidance should be read in conjunction with the broader framework applicable to Designated Non-Financial Businesses and Professions, including relevant guidance, circulars, and supervisory communications issued by the Ministry of Economy and Tourism. TCSPs are encouraged to maintain ongoing engagement with official Ministry resources to ensure continued alignment with national legal and regulatory requirements.

Through the effective implementation of these measures, Trust and Corporate Service Providers play a critical role in supporting the UAE's national efforts to combat money laundering, terrorist financing, and proliferation financing, and in maintaining the integrity, transparency, and international reputation of the UAE's business environment.

## 10. Glossary of Terms

| Term | Definition |
|---|---|
| Beneficial Owner | The natural person who owns or exercises ultimate effective control over the customer, or the natural person on whose behalf the transactions are conducted; including any person who exercises ultimate effective control over a legal person or legal arrangement, whether directly or through a chain of ownership, control, or other indirect means, and who is identified, whether one or more, in accordance with the Executive Regulations of AML/CFT/CPF Law. |
| Business Relationship | Any ongoing commercial or financial relationship established between Financial Institutions, Designated Non-Financial Businesses and Professions, and their customers in relation to activities or services provided by them. |
| Committee | National Committee for Combating Money Laundering and the Financing of Terrorism and Illegal Organisations. |
| Compliance Officer (CO) | The designated individual responsible for AML/CFT/CPF compliance and reporting. |
| Concerned Authorities | The governmental entities concerned with the implementation of any provision of this Decree by Law within the State. |
| Crime | The crime of Money Laundering and the predicate offences related thereto, or the financing of terrorism, or the proliferation financing. |
| Customer | Any natural or legal person, or legal arrangement, who establishes or seeks to establish a business relationship with Financial Institutions, any of the Designated Non-Financial Businesses and Professions, or Virtual Asset Service Providers. |
| Customer Due Diligence (CDD) | The process of identifying and verifying the information of a Customer or Beneficial Owner, whether a natural or legal person or a legal arrangement, as well as identifying the nature of their business, the purpose of the business relationship, and the ownership structure and control thereover, including ongoing monitoring procedures. |
| Designated Non-Financial Businesses and Professions (DNFBPs) | Any person engaged in one or more of the commercial or professional activities or businesses, as specified in the Executive Regulations of AML/CFT/CPF Law. |
| Egmont Group | The Egmont Group is an intergovernmental body of 159 Financial Intelligence Units (FIUs), which provides a platform for the secure exchange of expertise and financial intelligence to combat money laundering and the financing of terrorism (ML/TF). |
| Enhanced Due Diligence (EDD) | A heightened level of due diligence applied to higher-risk customers, transactions, jurisdictions, or structures. It involves obtaining additional information, deeper verification, and increased monitoring. |
| Escrow Account | A regulated account held by a neutral party to hold funds until contractual conditions are met. |
| Executive Office | The Executive Office for Control and Non-Proliferation, concerned with the implementation of targeted financial sanctions within the State. |
| Executive Regulations | Cabinet Resolution No. (134) of 2025 Regarding the Executive Regulations of Federal Decree by Law No. (10) of 2025 Regarding Anti-Money Laundering, and Combating the Financing of Terrorism and Proliferation Financing |
| FATF | The Financial Action Task Force is an inter-governmental body that sets international standards and promotes effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. |

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| Financial Group | A group of financial institutions that consists of holding companies or other legal persons exercising the control over the rest of the group and coordinating functions for the application of supervision on the group, branch, and subsidiary level, in accordance with the international core principles for financial supervision, and AML/CFT policies and procedures. |
| Financial Institution | Any person engaged in one or more financial activities or operations determined by the Executive Regulations of the AML/CFT/CPF Law, on behalf of or for the benefit of a customer. |
| Financial Intelligence Unit (FIU) | The national authority responsible for receiving, analysing, and disseminating suspicious transaction/activity reports. |
| Financing of Terrorism | Any of the acts defined in Clause (1) of Article (3) of the AML/CFT/CPF Law. |
| FIU | Financial Intelligence Unit |
| Freezing | The taking of an action without prior notice or involvement of the owner, Customer, or the affected Party. |
| FSRBs | FATF-Style Regional Bodies are regional intergovernmental organisations which promote and assess the implementation of internationally accepted AML/CFT policies and regulations. |
| Funds | Assets or properties, however acquired, of any type or form, tangible or intangible, movable or immovable, electronic, digital, or cryptographic, including national and foreign currencies, legal documents, and instruments of whatever form, including electronic or digital forms, evidencing the ownership of such assets or properties, or shares or rights therein; as well as economic resources deemed as assets of any kind, including oil and other natural resources and all rights pertaining thereto, whatever their value or means of acquisition; together with bank credits, cheques, payment orders, shares, securities, bonds, bills of exchange, letters of credit, and any proceeds, profits, or other income derived or resulting therefrom, which may be used to obtain any financing, goods, or services. |
| High Risk Customer | A customer who represents a risk either in person, activity, Business Relationship, nature or geographical area, such as a customer from a high-risk country or non-resident in a country that does not hold an identity card, or a costumer having a complex structure, performing complex operations or having unclear economic objective, or who conducts cash-intensive operations, or operations with an unknown third party, or operations without directly confronting any other high risk operations identified by Financial Institutions, or Designated Non-Financial Businesses and Professions, or the Supervisory Authority. |
| High-Risk Jurisdiction | A country or region identified as having elevated ML/TF/PF risks due to weak AML controls or FATF listing. |
| Illegal Organisations | Organisations whose establishment is criminalised, or which exercise a criminalised activity. |
| Intermediary Account | Corresponding account used directly by a third party to conduct a transaction on its own behalf. |
| Law Enforcement Authorities | The federal and local authorities entrusted, pursuant to the provisions of AML/CFT/CPF Law and their applicable legislation, with combating, investigating, detecting, and gathering evidence in respect of the offenses, including Money Laundering, Predicate Offences, the Financing of Terrorism, and the Proliferation Financing. |
| Legal Arrangement | Trusts or other similar arrangements. |
| Legal Person | Any entity established through law or registration, such as companies or partnerships. |
| Means | Any means used or intended to be used for the commitment of an offence or felony. |

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| MENAFATF | MENAFATF is a FATF-Style Regional Body (FSRB), for the purpose of fostering co-operation and co-ordination between the countries of the MENA region in establishing an effective system of compliance with international AML/CFT standards. The UAE is one of the founding members of MENAFATF. |
| Money Laundering | Any of the acts defined in Clause (1) of Article (2) of the AML/CFT/CPF Law, including its commission through digital systems, Virtual Assets, or cryptographic technologies. |
| Nominee / Nominee Arrangement | An arrangement where a person/entity acts on behalf of another, potentially masking beneficial ownership. |
| Non-Profit Organisations (NPOs) | Any organized group of a continuing nature for a definite or indefinite duration, consisting of natural or legal persons or a legal arrangement, not aimed at profit, which collects, receives, or disburses funds for charitable, religious, cultural, educational, social, solidarity, or other purposes that fall within the scope of benevolent acts. |
| Off-Plan Property | A property sold before construction completion, often with phased payments. |
| Ongoing Monitoring | Continuous scrutiny of customer transactions and behaviour to ensure consistency with the customer's known profile and risk rating. |
| Politically Exposed Persons (PEPs) | Individuals entrusted with prominent public functions, including their direct family members and close associates; subject to EDD. |
| Predicate Offense | Any act constituting a felony or misdemeanour, including the financing of terrorism, the proliferation financing, and evasion of direct and indirect taxes, in accordance with the applicable legislation of the State, whether committed within or outside the State, provided that such an act is punishable in both countries. |
| Proceeds | Funds derived, directly or indirectly, from the commission of any felony or misdemeanour, including profits, privileges, economic interests, and other benefits derived therefrom, and any equivalent Funds that have been converted, in whole or in part, into other Funds. |
| Proliferation | The illicit and unauthorized trade, as regulated under the applicable legislation in the State, in materials, systems, equipment, components, programs, or technology contributing to the production or development of Weapons of Mass Destruction, related technology, or their delivery means, including any act stipulated in Clause (3) of Article (3) of this Decree by Law. |
| RBA | A Risk-Based Approach is a method for allocating resources to the management and mitigation of ML/TF/PF risk in accordance with the nature and degree of the risk. |
| Registrar | The competent authority responsible for supervising the economic or trade register of the various types of establishments registered in the UAE, as regulated by the legislation in force in the UAE. |
| Risk-Based Approach (RBA) | A methodology that requires entities to identify, assess, and mitigate ML/TF/PF risks proportionately. |
| Sanctions Committee | The UN Security Council Committee established as per resolution numbers 1988 (2011), 1267 (1999), 1989 (2011), 2253 (2015), 1718 (2006) and all other related resolutions. |
| Sanctions List | A list wherein individuals and terrorist organisations, which are subject to the Sanctions imposed as per the Security Council Sanctions Committee are listed, along with their personal data and the reasons for Listing. |

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|---|---|
| Screening (Sanctions / Adverse Media / PEP) | The process of checking parties against sanctions, PEP lists, and negative news. |
| Settlor | A natural or legal person who transfers the management of their own Funds to a Trustee pursuant to a Trust Instrument. |
| Shell Bank | Bank that has no physical presence in the country in which it is incorporated and licensed and is unaffiliated with a regulated financial group that is subject to effective consolidated supervision. |
| Simplified Due Diligence (SDD) | A reduced level of due diligence permitted when a customer, product, or transaction is assessed as low ML/TF/PF risk. |
| Source of Funds (SOF) | The specific origin of the funds used in a particular transaction. |
| Source of Wealth (SOW) | The origin of the customer's overall financial standing and accumulated wealth. |
| State | United Arab Emirates |
| Supervisory Authority | The federal and local authorities entrusted under the legislation with the supervision of the financial institutions, designated non-financial businesses and professions, virtual asset service providers, and non-profit organizations (NPOs); or the competent authorities responsible for granting approval to engage in an activity or profession, where no specific supervisory authority is designated by the legislation. |
| Suspicious Activity Report (SAR) | A report submitted to the FIU when activity indicates possible ML, TF, or PF. |
| Suspicious Transactions | Transactions involving funds for which there are reasonable grounds to suspect that they constitute Proceeds of any felony or misdemeanour, or are related to Money Laundering, Financing of Terrorism, or Proliferation Financing, whether such transactions were executed or merely attempted. |
| Targeted Financial Sanctions (TFS) | The freezing of funds and the prohibition of making them available, directly or indirectly, for the benefit of any natural or legal person or organization designated by resolutions issued by the Cabinet regarding Terrorist Lists, or by the United Nations Security Council under Chapter VII of the Charter of the United Nations concerning the prevention and suppression of terrorism and its financing, as well as the prevention, suppression, and halting of proliferation and its financing. |
| Terrorist | Any person who commits, attempts to commit, participates in, organises, or incites terrorist acts, or participates with a group acting with common intent to commit a terrorist act. |
| Terrorist Organization | A group of two or more persons, whether within or outside the State, that has committed a terrorist act, directly or indirectly, or has threatened to commit it, aims, plans, or seeks to commit it, or promotes or participates in its commission, whether directly or indirectly, regardless of its name, form, place of establishment, location, activity, or the nationality or residence of its members; including any organization recognized as a Terrorist Organization under any other law. |
| Third-Party Payments | Payments made by people / entities not named as buyer or seller, requiring verification. |
| Transaction | Any disposal or utilization involving Funds or Proceeds, including, inter alia, deposit, withdrawal, transfer, sale, purchase, lending, exchange, mortgage, or donation. |

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| Trust | A legal relationship whereby the Settlor places Funds under the control of a Trustee for the benefit of a Beneficiary or for a specific purpose, and such Funds are deemed separate from the Trustee's own property, while the title thereto remains in the name of the Settlor or another person on behalf of the Settlor. |
| Trustee | A natural or legal person vested with the rights and powers granted thereto by the Settlor or by the Trust, authorized thereby to manage, utilize, and dispose of the Settlor's Funds in accordance with the conditions imposed by either of them. |
| Corporate Service Provider (CSP) | Any natural or legal persons who, by way of business, provide services related to the formation, structuring, management, or administration of legal persons, including acting as formation agents, providing nominee or directorship services, and offering registered office or administrative support, in line with the activities defined under UAE AML/CFT legislation and the FATF standards applicable to Company Service Providers (CSPs). |
| Virtual Asset Service Providers (VASPs) | Any natural or legal person who, as a commercial activity, conducts one or more of the virtual asset activities specified in the Executive Regulations of this Decree by Law or conducts transactions related thereto, on behalf of or for the benefit of another natural or legal person. |
| Virtual Assets | Digital representation of value that may be digitally traded or transferred and may be used for payment or investment purposes, excluding digital representations of fiat currencies, securities, or other Funds. |
| Weapons of Mass Destruction | Weapons capable of inflicting harm on a large number of persons and posing a threat to human life and the natural environment through their catastrophic effects, such as nuclear, biological, chemical, or radiological weapons. |
| Wire Transfer | Financial transaction conducted by a Financial Institution or through an intermediary institution on behalf of a transferor whose funds are received by a beneficiary in another financial institution, whether or not the transferor and the beneficiary are the same person. |
| Without Prior Notice | The taking of an action without prior notice or involvement of the owner, Customer, or the affected Party. |