The United Arab Emirates has been added to the Financial Action Task Force’s «grey list» for increased monitoring for money laundering.

Countries on the grey list are working with the Financial Action Task Force (FATF) to address deficiencies in countering money laundering, terrorist financing and proliferation financing. Being placed on the list means the jurisdiction is working actively to address the issues within agreed-on time frames, according to the FATF website. The FATF is a global money-laundering and terrorist-financing watchdog, setting international standards.

The addition of the United Arab Emirates (UAE), which is a regional wealth management center, to the grey list came at the FATF’s March plenary. Countries on the grey list might face consequences such as economic sanctions or difficulty getting loans from multilateral organizations such as the International Monetary Fund (IMF) or World Bank, as well as a potential reduction in international trade. In some jurisdictions, including Germany, grey list
countries will require additional due diligence obligations.

**Potential «Significant Negative Impact»**

In a May 2021 report, the IMF said a machine-learning study found a «significant negative impact» on a country’s capital inflows after being added to the grey list, potentially via banks exiting relationships with customers in high-risk countries to reduce compliance costs.

The FATF said the UAE will work to show an increase in mutual legal assistance efforts for investigating terrorism financing, money laundering and other high-risk activities, and will work to increase effective investigations and prosecutions of money-laundering cases.

The UAE will also work to proactively identify and combat sanctions evasion, among other efforts, FATF said.

**UAE to Work With FATF**

The UAE’s central bank did not immediately respond to finews.asia’s emailed request for comment, which was sent outside of regional office hours. Reuters reported the UAE government stated it had a «strong commitment» to work with the FATF.

«Robust actions and ongoing measures taken by the UAE government and private sector are in place to secure the stability and integrity of the country’s financial system,» the UAE said in a statement, according to the Reuters report.

The FATF said the UAE has made significant progress since adopting a Mutual Evaluation Report (MER) in early 2020, which included recommendations such as establishing a system to implement sanctions without delay and improving the ability to confiscate criminal proceeds.