DECISION NOTICE

To:	Mirabaud (Middle East) Limited (**MMEL**)
DFSA Reference No:	F000505
Address:	24th Floor, North Tower Emirates Financial Towers, DIFC PO Box 506666, Dubai United Arab Emirates
Date:	18 July 2023

1. ACTION

1.1 For the reasons given in this Notice, and pursuant to Article 90(2) of the Regulatory Law 2004 (the **Regulatory Law**), the DFSA has decided to impose on MMEL a fine of USD 3,022,500, comprising disgorgement of USD 975,000 and a penalty (after a 30% settlement discount) of USD 2,047,500 (the **Fine**).

1.2 The notice is addressed to MMEL alone. Nothing in this notice constitutes a determination that any person other than MMEL breached any legal or regulatory rule, including those that relate to financial crime, the proceeds of crime or money laundering, and the opinions expressed in this notice are without prejudice to the position of any third party, or of the DFSA in relation to any third party.

2. DEFINED TERMS

2.1 Defined terms are identified in this Notice by the capitalisation of the initial letter of a word or of each word in a phrase and are defined in Annex B or the DFSA Rulebook, Glossary Module. Unless the context otherwise requires, where capitalisation of the initial letter is not used, an expression has its natural meaning.

3. SUMMARY OF REASONS

3.1 The DFSA is taking this action as it considers that between June 2018 and October 2021 (the **Relevant Period**), MMEL failed to:

a. ensure that it had in place adequate anti-money laundering and counter terrorist financing systems and controls;

b. identify clear inconsistencies in Customer Due Diligence (**CDD**) which called into question its veracity or adequacy and should have led MMEL to re-examine the information it held about customers;

c. have regard to the purpose and expected activity of accounts as recorded in CDD when processing transactions;

d. identify, prevent or report transactions which, based on the information and documentation provided, made no sense having regard to the nature of the account, raising clear red flags that should have led to suspicions of money laundering;

e. adhere to its own policy prohibiting customers classed as high risk or a Politically Exposed Person (**PEP**) from making commercial payments and PEP accounts from receiving payments from third parties; and

f. adequately evidence customers' prior trading experience, in order to be classified as a Professional Client, recording similar explanations for the lack of documentary evidence for 15 clients.

3.2 In doing so, MMEL failed to:

a. establish and maintain systems and controls that ensure, as far as reasonably practical, that it and its Employees did not engage in conduct or facilitate others to engage in conduct, which may constitute financial crime under any applicable U.A.E laws, contrary to General Module of the DFSA Rulebook (**GEN**) Rule 5.3.20(b);

b. establish and maintain effective systems and controls to report suspected financial crime to the relevant authorities, contrary to GEN Rule 5.3.28(b);

c. establish and maintain policies, procedures, systems and controls in order to monitor and detect suspicious activity or transactions in relation to potential money laundering or terrorist financing, contrary to the DFSA Rulebook Anti-Money Laundering, Counter-Terrorist Financing and Sanctions Module (**AML**) Rule 13.2.1;

d. have in place policies, procedures, systems and controls to ensure that whenever any Employee, acting in the ordinary course of his employment, either knows, suspects or has reasonable grounds for knowing or suspecting, that a person is engaged in or attempting money laundering or terrorist financing, that Employee promptly notifies the Relevant Person's MLRO and provides the MLRO with all relevant details, contrary to AML Rule 13.2.2;

e. conduct CDD on existing customers at appropriate times, such as when there was doubt over the veracity and adequacy of documents provided for the purposes of CDD, contrary to AML Rule 7.2.1 (2); and

f. perform adequate assessments when classifying clients as a Professional Client, contrary to Conduct of Business Module of the DFSA Rulebook (**COB**) Rule 2.3.1.

3.3 In addition, the conduct giving rise to the contraventions set out in paragraph 3.2 also demonstrates that MMEL failed to act with due skill, care and diligence in the execution of its anti-money laundering and customer classification obligations, contrary to Principle for Authorised Firms 2 (GEN Rule 4.2.2).

3.4 Given the nature and seriousness of MMEL's contraventions the DFSA considers it appropriate in the circumstances to impose the Fine on MMEL.

4. FACTS AND MATTERS RELIED ON

Background

4.1 MMEL was incorporated in the DIFC on 30 May 2007 and authorised by the DFSA on 21 June 2007. MMEL is part of the international banking group headquartered in Geneva Switzerland and operating from a network of global offices. As a DFSA Authorised Firm, MMEL was authorised to carry out Financial Services specified in its Licence, including:

a. Accepting Deposits;

b. Advising on Financial Products; and

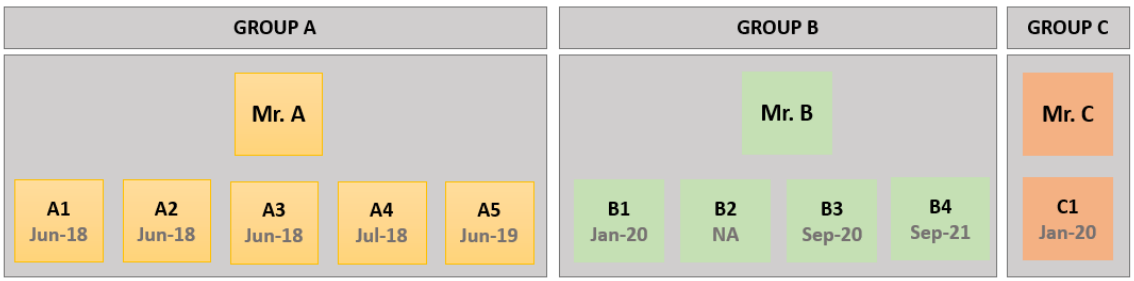
c. Arranging Deals in Investments.

4.2 MMEL provides wealth management services, including discretionary management and advisory services. MMEL provides these services to its clients through Relationship Managers. Each Relationship Manager has responsibility for managing a portfolio of clients.

The Associated Customers and Relationship Manager

4.3 The DFSA's investigation focused primarily on transactions undertaken by entities within three groups of companies that held accounts with MMEL (known as **Group A, Group B** and **Group C,** collectively known as the **Associated Customers**), see Chart A below showing relevant MMEL account opening dates for the relevant accounts A1 – A5, B1 – B4 and C1.

Chart A – Associated Customers



4.4 The settlor or beneficial owner of Group A entities was the founder and chairman of a Russian conglomerate (**Mr A**). The main contacts for the Group A entities, who the RM dealt with directly regarding the operation of accounts, were **Mr D** and **Mr E**.

4.5 The beneficial owner of Group B entities was a former international footballer and football agent residing in Cyprus (**Mr B**). He directly or indirectly owned three of the entities in Group B (B1, B2 and B3), and jointly owned B4 with a Cypriot PEP, each holding a 50% share.

4.6 The entity in Group C was solely owned by a Spanish national resident in Cyprus (**Mr C**).

4.7 During the Relevant Period, MMEL received more than USD 1.5 million of fees and charges in relation to the Associated Customers' accounts. These accounts were managed by a single Relationship Manager (the **RM**).

4.8 Under AML Rule 7.1.1 MMEL was required to perform CDD on each of its customers. MMEL Relationship Managers were responsible for coordinating the completion of CDD, collating supporting documents for their clients and assessing the risk of each client as low or high. The Relationship Manager would then submit this to MMEL Compliance for assessment and onboarding of the client, including validating the Relationship Manager's risk assessment.

Expected Account Activity

4.9 The CDD documentation compiled by the RM included a statement setting out the expected activity on the account, including the expected initial deposit and details of the expected transactions to be made through the account. For all of the Associated Customers the recorded expected activity was for investment purposes and (for most of them) a small number of personal outgoings.

4.10 All of the accounts held by entities in Group A and Group B were classified by MMEL as high risk, which under MMEL's policy prohibited them from being used to make payments of a commercial nature.

4.11 However contrary to this policy and the expected activity in the CDD documentation, the overall activity on the Associated Customers' accounts showed the accounts were primarily used for making and receiving payments of a commercial nature, as detailed in paragraphs 4.28-4.59 and 4.79-4.89 below, and not for making investments.

4.12 With the exception of B4, which made some investments in securities, the only activity on the Associated Customer accounts which could be classed as investments was simple short term fiduciary deposits, which were renewed at expiry until the funds were required to make payments. Rather than being in line with an investment purpose, the use of fiduciary deposits suggested a need to ensure funds were maintained in a liquid form instead of being invested to generate a return. This is borne out by the fact that the fees charged by MMEL exceeded the returns generated by the fiduciary deposits (see paragraph 4.13 below).

4.13 The Associated Customers paid very high fees to keep the accounts operational. Over the Relevant Period, the Associated Customers paid approximately USD 1.5 million in fees, and only received interest of USD 950,000, USD 850,000 of which was derived from fiduciary investments, resulting in an overall loss of almost USD 580,000. The use of such investment accounts, which charge higher fees than conventional current and savings accounts (which provide the services the Associated Customers were actually using) makes no commercial sense and should have therefore raised a red flag for MMEL.

Opening and Funding of Group A Accounts

4.14 Upon opening an account for a customer, MMEL's practice was to send the account holder a letter confirming the account had been opened and setting out the account details (**Welcome Letter**).

4.15 In June 2018, Welcome Letters were emailed by the RM to Mr D and other Group A staff confirming that accounts had been opened for A1, A2 and A3. Around the same time, in a separate email the RM wrote to Mr D and the same Group A staff "*…like I have said many times before, the more we have on Deposit & Manage, the more we can help with the commercial side.*"

4.16 A week later, the RM emailed Mr D on his personal email:

"*If possible? $15M would be much better so it's $5M for each account* [A1, A2, and A3] *and that's what I had discussed and agreed beforehand. The more we have to manage the more I can help with payments ok ! Also to inform you that I was able to open the 3rd Account (even though we were missing a document!), but I approved because of how important our relationship is."*

4.17 A few days later, a total of USD 15 million was deposited into the accounts of A1, A2 and A3 from an entity beneficially owned by Mr A, with each receiving USD 5 million.

4.18 In total, the MMEL account of A1 received USD 56 million over a 13-month period, all of which originated from a number of external accounts not in the name of A1.

Professional Client Classification

4.19 MMEL was only authorised to provide Financial Services to customers classified as Professional Clients. As part of the onboarding process Relationship Managers were required to obtain evidence that the customer possessed the requisite knowledge and experience to be classified as a Professional Client. In particular, Relationship Managers were expected to obtain copies of customers' portfolio statements, or similar evidence of experience of financial markets and products.

4.20 However, the account opening documentation for the majority of the Associated Customers noted that the customer was unable to provide evidence of financial markets experience, as they had stopped trading securities due to losses in a past financial crisis, such as the 2013 Cyprus financial crisis or "*problems with Russian banks*", with the RM instead providing their assessment of the customers' knowledge of financial markets based on conversations the RM claimed to have had with the customer.

4.21 Where an account had multiple beneficial owners, or a settlor and multiple beneficiaries in the case of trusts, the account opening documentation did not differentiate between each of the individuals, attributing the same rationale and explanation of why no evidence of financial markets experience was available to

each of the individuals. It is highly unlikely that all of the relevant individuals, albeit connected, would be unable to provide evidence of their financial markets experience for the exact same reason and be deemed to have the same level of knowledge and experience. For example, the CDD documentation for A1 noted "*The clients cannot provide bank statements showing Securities as they stopped trading Securities approx 6/7 years ago, due to the ongoing problems in Russia and the problems with Russian banks*." However, such a statement could not apply to all of A1's beneficial owners which included an 18-year-old, who would have been 12 years old when they are said to have stopped trading securities.

4.22 The DFSA identified 11 other examples of account opening documents completed by the RM where, like the Associated Customers (see paragraph 4.20 above), the RM provided their assessment of the customer's knowledge of financial markets based on very similarly described conversations, with no further supporting documents. In addition, it was noted that, along with those in respect of the Associated Customers, a limited range of reasons for a lack of evidence of financial markets experience were repeated across multiple clients such as to call into question their credibility. For example, 10 stated that the customer had had lost money in a historic market crash and four that the customer was unhappy with how banks had been managing their assets.

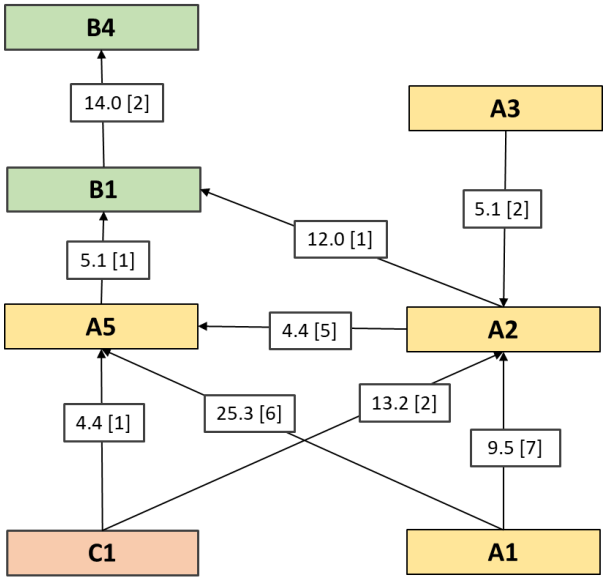
4.23 The DFSA identified only one instance where MMEL Compliance challenged the lack of evidence to support a Professional Client classification, whereby a member of MMEL Compliance requested evidence to verify the customer's knowledge and experience of financial products as they considered the explanation provided was not sufficient. The RM responded to this request with "*As per my Call Report, the Client has no Portfolio Statements, and I asked him numerous questions to therefore test his knowledge and experience in the Markets…*" MMEL Compliance did not accept this explanation responding "*an exception on the experience bank statement can be done but we would need an independent third party such as an attorney to verify that this client has experience of financial products, I think we would be deviating from regulatory requirements if we start accepting RM notes in replacement for this…"* The RM pushed back on this request escalating the issue to senior members of MMEL Compliance. As a result, the client was classified as a

Professional Client based on the contents of the RM's memo. This was despite the initial recognition by MMEL Compliance that the RM's memo was insufficient.

Transfers between MMEL Accounts

4.24 As per Chart B below, during the Relevant Period there were 27 transactions totalling approximately USD 123.5 million between seven of the Associated Customers.

Chart B



4.25 The majority of these transactions took place with no evidence of challenge from MMEL Compliance, despite the fact that transferring funds between accounts in the names of different entities (even when they have the same UBO) with no clear or credible rationale could be a red flag for the money laundering practice known as layering. In at least two instances MMEL Compliance did query transactions with the RM, including stopping a payment being made due to inconsistencies with the explanations provided, however, MMEL failed to submit a SAR as it was required to do when it had suspicions of money laundering (see paragraphs 4.84 and 4.93 below).

4.26 On 24 June 2019 a Group A staff member instructed that USD 5 million be transferred from A2 to A5. Almost a month later, on 30 July 2019 a Group A staff

member instructed that EUR 11 million be transferred from A1 to A5, referencing a real estate agency agreement.

4.27 On 5 August 2019, the Group A staff member requested an additional EUR 1.96 million be transferred from A1 to A5. In response the RM confirmed that the EUR 11 million payment had been completed noting:

"*I had some issues to approve with Compliance, because as per the KYC that we have on File, we were expecting the 'initial money' to come from an External one of your Banks*

But I course [sic] *approved ok*

Regarding the 2nd internal transfer, it will be done later in the week (I want to please keep Compliance quiet)."

Group A Entities' Transactions with Third Parties

4.28 As per paragraph 4.10 above, MMEL's procedures prohibited payments of a commercial nature for high risk customer accounts. In addition, PEP customer accounts were prohibited from receiving payments from third parties.

4.29 All of MMEL's customers in Group A and Group B were classified by MMEL as high risk, in addition customers B1 and B4 were designated as PEP accounts.

4.30 In September 2018, MMEL Compliance raised a query with the RM concerning a transaction whereby a payment was to be made from A1's account to an entity based in Hong Kong (**HK1**), of which Mr B was a Director, for the purchase of household goods and electronics.

4.31 This transaction was queried by MMEL Compliance as it did not fit with the business activity of A1 or the recorded expected activity of the account, which was investments and personal expenses. The RM replied that the IT equipment was to be used in apartments the client was constructing, which was his main business line. Compliance also questioned that:

"The delivery of goods is mentioned in a Port in Lithuania. Please clarify why a Hong Kong company (banking with a Singaporean bank) owned by a Slovak national is supplying goods to a Cypriot national residing in Cyprus via Lithuania. This just does not seem to fit the bill."

4.32 The RM replied that the client had a history of electronic goods trading, that all of the elements queried were normal for the industry and that the client had done business with Mr B many times before. When compliance explained that this unexpected transaction had led to red flags, the RM stated that the client was experiencing issues with some Latvian banks and that "*he has therefore asked me to assist him with paying this Contract and as he is a very important and substantial client, and as I am very comfortable with the transaction, I feel that it is my duty to do so.*"

4.33 MMEL Compliance concluded that they would run detailed checks on HK1. The following day, MMEL Compliance confirmed there were no negative hits from its screening and adverse media searches on the company or individual, however also noted the company did not have an online presence, so were unable to establish its commercial activities. MMEL Compliance therefore requested the RM to provide a document that showed HK1's activities as trading in electronic goods. In response the RM submitted some additional corporate documents and stated:

"*I asked one of my very close HK associate to check the company and he confirmed that it is a real active trading company*."

4.34 MMEL Compliance cleared the payment, commenting that "*the company documents reflect trading in electronic goods*" without any evidence being provided to:

a. corroborate the statements made by the RM;

b. verify trading in electronic goods;

c. confirm that HK1 had any actual operations; or

d. that the goods existed and were delivered.

4.35 The following day USD 803,745 was transferred from A1 to the HK1's bank account in Singapore.

4.36 Within a year, A1 made 16 more payments to HK1 totalling USD 8.5 million. The interactions with MMEL Compliance regarding these transactions became administrative in nature, without any evidence of challenge on the size and frequency of payments to HK1.

4.37 As per MMEL's policy, "*all PEP accounts once opened will be blocked on the system to track the 1st incoming payment…*" In addition, MMEL Compliance would put a block on an account when it made an assessment that it was necessary because they wanted to monitor what was happening in the account. Although it was not a PEP account, MMEL Compliance placed a block on A1's account, meaning that MMEL Compliance had to remove the block each time A1 made a payment.

4.38 For example, in February 2019 MMEL Compliance were instructed that:

"*Can you please unblock the account as we need to make a payment for 2 invoices(already given to you) to* [HK1] *?*"

4.39 Also further transactions between March and May 2019, which were initiated with the following requests respectively:

"*Can you please unblock account to pay 2 invoices to* [HK1] *for the amount of $762 814.29 ? We have paid this Beneficiary many times before..*"; and

"*Can you please unblock the account to pay an invoice to* [HK1] *for the amount of €620,708.08 ? We have paid this Beneficiary many times before.*"

4.40 There is no evidence to suggest that at any point did MMEL Compliance raise any questions in relation to these transactions, or attempt to understand or verify the legitimacy of these transactions, such as requesting to see proof of existence or delivery for any of the purchases to which these payments related.

4.41 These payments clearly represented commercial payments which, as per paragraph 4.28, A1 was prohibited by MMEL's policy from making, and were outside of the activity expected, as recorded in A1's CDD documentation.

Payments to other Hong Kong Based Entities

4.42 HK1 was based at an address in Hong Kong. A1 made payments to three other entities based at exactly the same address (**HK Address**) totalling USD 30.5 million. Two of these entities (**HK2** and **HK3**) had the same Director as HK1, Mr B. The Director of the third entity (**HK4**) was Mr E, who was also a Director at A1 and had signed the agreements with HK1, HK2, HK3 and HK4 on behalf A1.

4.43 Agreements and invoices referencing the HK Address and signed by Mr B and Mr E accordingly, were provided to MMEL Compliance in support of payments from A1's account.

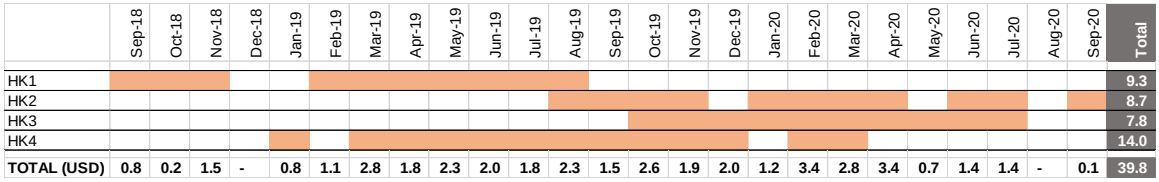
4.44 As per Table A below, over a period of two years A1 made 68 payments to these four HK entities registered at the HK Address totalling almost USD 40 million, to accounts at the same bank in Singapore.

Table A

Supplier	Director	Payment Date Range	Number of Payments	Total Amount (USD million)	Products
HK1	Mr B	Sep-18 to Aug-19	17	9.3	IT Equipment Air Purifiers
HK2	Mr B	Aug-19 to Sep-20	15	8.7	Water purification and desalination equipment Printers (3D and industrial) Smart home equipment IT equipment
HK3	Mr B	Oct-19 to Jul-20	12	7.8	Domestic and industrial sewing machines
HK4	Mr E	Jan-19 to Mar-20	24	14.0	Domestic and industrial sewing machines
TOTAL			**68**	**39.8**	

4.45 One or more transfers from A1 to the HK entities took place on an almost monthly basis over the two years (see Chart C), averaging USD 1.6 million per month.

Chart C – HK Entities Payments by Month



	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Total
HK1																										9.3
HK2																										8.7
HK3																										7.8
HK4																										14.0
TOTAL (USD)	0.8	0.2	1.5	-	0.8	1.1	2.8	1.8	2.3	2.0	1.8	2.3	1.5	2.6	1.9	2.0	1.2	3.4	2.8	3.4	0.7	1.4	1.4	-	0.1	39.8

4.46 Similarly to payments described above, the scale and nature of these transfers clearly suggested that they were commercial payments, which A1 was prohibited by MMEL's policy from making, and were outside of the activity expected, as recorded in A1's CDD documentation.

4.47 In May 2019, an international bank sent MMEL a series of questions to be able to understand the business purpose of the transaction and activities of A1. The international bank had asked for this information because its anti money laundering monitoring system had flagged a transfer of approximately EUR 9.1 million from its customer into A1's MMEL account. MMEL Compliance asked the RM to respond to these questions to which the RM responded that A1 was an investment vehicle and the funds would be used for *'investment purposes only'*. This was despite approximately USD 10.6 million having already been transferred to the HK entities and no material investment activity occurring on A1's account. MMEL Compliance responded to the international bank's questions with the information provided to them by the RM without any further input. Such requests to MMEL for information were relatively uncommon.

4.48 In addition to the payments made by A1 to the HK entities, in 2019 13 payments totalling USD 7.1 million were made to HK1 and HK4 from A4's account with MMEL.

4.49 In total, approximately USD 47 million was transferred over a two year period from A1 and A4 MMEL accounts to the four HK entities registered at the same address.

4.50 A sales agreement dated 20 February 2020 between A1 and HK2 listed the goods being provided as "electronic sewing equipment" however the invoices issued by HK2 listed a range of goods (see Table A above), none of which matched the description in the agreement.

4.51 The agreement between A1 and HK4 was signed by Mr E, representing both parties to the agreement, effectively signing for both the seller and the buyer. Mr E also signed each of the invoices supplied to MMEL Compliance in support of the payments to HK4 and was also called to approve the payments out of A1. Mr E was therefore effectively requesting and authorising payments from A1 to a company for which he was a director and had signed the invoices.

4.52 The calls to Mr E to approve payments out of the A1 account, as referenced in paragraph 4.51 above, did not provide any independent verification or additional confirmation of the payments being requested, since they contained no measures to verify:

a. that MMEL was speaking to the correct individual;

b. in relation to which MMEL customer the call and payment were being made; or

c. any details of the invoice, the payer or the amount of the payment.

4.53 None of the HK entities had an online presence to support their purported commercial activities or ability to supply the number and type of equipment claimed on the invoices, including supplying nearly 22,000 sewing machines as indicated in the invoices provided to MMEL Compliance.

4.54 With the exception of the initial payment from A1 to HK1 (see paragraphs 4.31-4.35 above), the DFSA was unable to find evidence that MMEL Compliance had challenged any aspect of the payments to the HK entities, including the inconsistencies in the supporting documents for these transfers, the close connections or the similarities between the HK entities.

4.55 As part of its investigation, the DFSA interviewed a member of MMEL Compliance to obtain information about, amongst other things, how MMEL's relationship with the Associated Customers was managed from an anti-money laundering perspective. In this interview, the member of MMEL Compliance indicated that when the RM was asked during an internal investigation interview, carried out by an external consultant in early 2022, why A1 was purchasing such large quantities of sewing machines, the

RM told them that they were to be put into maid's rooms in apartments owned or being constructed by Mr A. MMEL Compliance stated to the DFSA that they did not think this was a credible explanation noting "*it doesn't make sense because who would be putting sewing machines in a -- in an apartment nowadays, and who's -- are they to stitch the owner's garments?" We were having a good laugh*". However, they accepted the RM's explanation that he had physically seen the machines stating "*what can we ask beyond that?*".

4.56 The DFSA notes that many of the sewing machines listed on these invoices were commercial machines and not suitable for domestic use, either due to their size (2.8 by 2.8 metres) or being for specialist purposes, for example machines to produce vehicle upholstery. This information was easily available based on the information included in the invoices, and yet this was not considered by MMEL Compliance, either at the time of approving the transactions or later when the RM was asked as part of MMEL's internal investigation.

4.57 The instructions to MMEL Compliance from MMEL's Wealth Management team for payments to HK2, HK3, and HK4 were similar to those detailed in paragraphs 4.38 and 4.39 above. For example, in August 2019 in the first transfer to HK2, the instructions to MMEL Compliance stated:

"*Can you please unblock the account to pay an invoice to* [HK2] *for the amount of $389,382.23?* [the RM] *has already supplied you in the past with the complete Supporting Documents and you have already pre approved this Beneficiary.*"

4.58 The size, frequency and regularity of the third party payments being made by the Group A entities to HK1, HK2 and HK3, should have caused MMEL Compliance to scrutinise those transactions more carefully. Especially as MMEL Compliance previously raised concerns about not being able to verify the commercial activities of HK1 (see paragraph 4.33 above). However, the DFSA found no evidence of MMEL Compliance scrutinising these transactions.

4.59 Rather, in February 2020, without recording a written explanation and despite its questionable payments to the HK entities, MMEL Compliance decided to permanently remove the block it had previously placed on A1's account (see above

at paragraph 4.37). Following a request from the Wealth Management team to unblock the account to affect a transfer to HK3, MMEL Compliance responded:

"Done, we have left the account unblocked now and don't see a current need to block it back."

Onboarding of Group B Accounts

4.60 As part of opening the account for B1 in January 2020 (the first of the Group B entities to open an account with MMEL), as the beneficial owner a copy of Mr B's curriculum vitae (**CV**) was provided as part of the CDD process. The CV outlined the individual's professional experience as a footballer and football agent. This was supplemented by the onboarding form which also noted that he was an introducer for investors in real estate projects. The CV made no reference to HK1, HK2 or HK3, of which Mr B was a director.

Onboarding of B3

4.61 In August 2020, Mr D sent an email from an email address at A5 to the RM requesting an account be opened for B3 (despite having no documented role in the ownership or control of the entity) stating:

"*I wanted to discuss…one more issue - opening account for one more Hong-Kong company (with the same UBO as [B1]) and receiving money from Singapore bank by the cheque (as [the Singapore bank] closed account without any explanation and without any debit transaction*."

4.62 However, despite knowing and accepting this information, the RM appears to have fabricated certain information in the CDD documentation produced by the RM in support of opening the account for B3. He states that:

"The main reason why [the client] received Bankers Cheques is that [their former bank] in Singapore wanted him to hold much more substantial Deposits with them and he wasn't willing to do so, hence why he closed the Account."

4.63 This explanation contradicted the explanation provided to the RM by Mr D, that the account was closed without explanation. Had the true circumstances of the account

closure been stated, it is likely that this would have raised a red flag in respect of the account opening and prompted further queries about the closure.

Onboarding of B4

4.64 In March 2021, a Group A member of staff requested the RM to open an account for B4 describing it as *'our new company – [B4] where [B1] holds a 50% ownership'.* B1 was providing the share capital to B4 from a real estate transaction it was involved in with A2 and A5. As B4 was also jointly-owned by a PEP, enhanced CDD was required on its source of wealth and source of funds.

4.65 Notably, during the on-boarding of B4, MMEL Compliance identified an adverse media report regarding Mr A, A5 and the group of companies they were connected to. MMEL Compliance commented that this type of structure could be used to launder money. The RM relayed MMEL Compliance's concerns to A5 and in turn responded back to MMEL Compliance that "*our client strongly denies any possibility of money laundering and the facts referred to in the article are both untruthful and totally fabricated*." He noted that A5 received dividends from subsidiaries in Russia and that its accounts were audited by the largest international auditing and consulting firm. To address the matters in the article MMEL Compliance sought a letter from a reputable law firm, which the RM received from the client and attached to their response to MMEL Compliance. It is not clear how the response from the RM addressed MMEL Compliance's concerns that the structure of the Group A entities could be used to launder money (especially as MMEL Compliance recognised that the letter provided from a lawyer did not dismiss the adverse information) or why this adverse media article did not trigger a review of the activities of A5 and the rest of the Group A entities.

Missing CDD Information

4.66 The information contained in the CDD documentation helped to establish the basis for assessing whether the activity on an account was suspicious. However, whole sections of CDD forms for all of the Associated Customers contained no information about the activity, financial situation, revenue or origins of wealth, with each question marked as "*N/A*", suggesting that the relevant entities were non-operational and for

the purpose of holding assets and making investments. It should have been evident to MMEL once payments made through the accounts indicated that the entities were undertaking activities that suggested they were operational, that this lack of information was not appropriate and should therefore have been queried by MMEL

Operation of Group B Accounts

B1 Payments

4.67 During the Relevant Period, B1 made 14 payments. In September 2021 two payments totalling almost USD 14 million were made to B4, the instructions for which were given to the RM by a member of Group A's staff writing from an email address at A5. The first of these payments immediately followed a transfer of the same precise operational currency amount from A2 to B1, and both were described in the instructions as "internal transfers", a point which was not questioned by the RM, who simply asked for the number to call to "verify the transfer".

4.68 The other payments, totalling USD 5.25 million, included a payment of USD 5.1 million relating to a real estate investment made on behalf of A5 on the advice of B1 (see paragraph 4.86 below) and at least one payment was made under instructions from a member of Group A staff.

B4 Payments

4.69 During the Relevant Period, B4 made three payments totalling more than USD 2.25 million to external third parties. Two of these payments, totalling almost USD 2.1 million, related to the purchase of real estate in the UAE and a third payment of USD 145,500 to an entity owned and controlled by Mr D, who was one of the main contacts for the operation of Group A accounts.

4.70 The payment to the entity controlled by Mr D was instructed by the PEP who jointly owned B4 with Mr B. In support of those instructions the PEP provided a copy of a consultancy agreement, under which Mr D's company provided services in relation to real estate investments.

4.71 The other two payments out of the account appeared to relate to the initial payments towards the purchase of 12 units from a well-known Dubai based property developer. Documents supporting these transactions were not identified.

Group B Beneficial Ownership

4.72 As per the CDD documentation held for Group B companies, with the exception of B4 which was jointly owned with a PEP (see paragraph 4.5 above), Mr B was the ultimate sole owner and controller of all Group B entities.

4.73 However, there were a number of indicators calling into question whether Mr B was the beneficial owner and/or controller of the accounts opened by entities in Group B.

Correspondence Regarding Onboarding

a. As per paragraphs 4.61 and 4.64 above, the correspondence regarding the onboarding of Group B entities, including the requests to open accounts, were with Group A staff including Mr D, who appear to have no direct role in the ownership or control of Group B entities. The RM accepts these instructions, without querying their involvement, despite no explanation of why or how Mr D and other Group A staff were instructed or authorised to act on behalf of the Group B entities or Mr B and no record of any communications between the RM or his staff and Mr B to confirm or verify those instructions.

Welcome Letters

b. Notably, and without any explanation, the Welcome Letters confirming the opening of accounts for the three Group B entities for which MMEL opened accounts were emailed to Mr D and other members of Group A staff and not to the account holder Mr B. The DFSA has been unable to find any direct connection of Mr D to the ownership or control of the Group B entities, such as to provide any reason why MMEL considered it appropriate to address the Welcome Letters in this way.

Dormant Account Contact

c. On the CDD forms for B1, B3 and B4 it was noted that Mr B had been introduced by Mr D and that Mr D was the dormant account contact, i.e. the person to contact if the account became dormant and the account holder (Mr B) could not be contacted. It is unusual for an individual without any direct connection to an entity to be named as a dormant account contact without any explanation.

Payment instructions

d. Instructions to make payments from Group B's accounts, including large payments to Group A entities, were made by Group A staff and not Mr B (see paragraphs 4.67 and 4.68 above).

4.74 Notably, the DFSA has been unable to find any correspondence between Mr B and the RM. Instead, correspondence regarding the onboarding and operation of Group B accounts were primarily with Group A staff (such as Mr D).

4.75 Based on the indicators listed above, there is a strong inference that the Group B accounts were established and operated by and for the benefit of Group A, and the purported UBO Mr B had little to no involvement in or benefit from these accounts.

C1 Transactions

4.76 Mr D introduced Mr C to MMEL, who set up an account for C1. As part of the introductions, the RM stated that *'As long as we are Managing (even holding Deposits) some of your Assets, we can then handle some of your Commercial Banking needs'*. The RM nonetheless described the expected account activity in the CDD documentation to be that of an investment account with "*approx. 6 outflows per annum for personal/expenses*."

4.77 There are several commonalities between the C1 account and those of Group A entities, as follows:

a. In the account opening memo dated December 2019, the explanation for not having portfolio statements to demonstrate prior trading experience was the same as some of those used for Group A and Group B entities, namely the 2013 Cyprus Financial Crisis.

b. Similar to Group A, the investment activity was largely limited to simple short term fiduciary deposits (see paragraphs 4.11 to 4.13 above).

c. All the material transfers through C1's MMEL account involved entities in Group A, as per Table B below.

Table B

Transfer IN	Transfer OUT
USD 6.6m from **C1** 23 Jan 2020	USD 6.6m out to **A2** 20 Feb 2020
USD 4.5m from **A5** 4 Feb 2020	USD 4.5m out to **A5** 16 Sep 2020
USD 7m from a **C1** subsidiary 15 Jun 2020	USD 6.6m out to **A2** 29 Jun 2020

d. When discussing the USD 6.6m transfer out to A2 in February 2020, the RM writes to Group A staff regarding the sequencing of transactions between the Associated Customers: "*I have already agreed with [Mr D] that we first need to finish the [B1] Transaction ($1.8M) and then we will handle the [C1] to [A2] Transaction ($6.6M).*"

e. In making the USD 4.5m deposit from A5 to C1 in February 2020, the RM flags to Group A staff that they should delay the transfer because '…[C1] *is a very new Account and we need to therefore keep Compliance quiet*'.

f. The explanation provided in relation to this transaction was convoluted, describing complex assignment and reassignment of debt with various discounts, involving a number of parties including A2 and C1.

4.78 On 29 September 2021, C1's account with MMEL was closed at the request of staff of C1.

Payments between Group A and Group B entities purportedly for the purpose of Real Estate Transactions

4.79 Between April and August 2020 there was a series of communications between the RM and MMEL Compliance regarding requested transfers between Group A entities and Group B entities purportedly connected to a real estate transaction. The transfer being requested was for USD 12 million from A5 to B1.

4.80 The RM provided or confirmed the following information to MMEL Compliance regarding these transactions:

a. In May 2015, B2 loaned A1 USD 15 million for the purpose of a joint real estate development projects.

b. In July 2019, A1 appointed A5 as its agent to invest in real estate and agreed to transfer almost EUR 13 million to A5 for this purpose. A5, on behalf of A1, entered into an agreement to purchase a property in Cyprus for USD 10.9 million (plus VAT).

c. In December 2019, A5 terminated the sale agreement with the vendor citing delays in completion.

d. In January 2020, A1 cancelled the agency agreement with A5, entering into an agreement with B1 instead. In addition, an offsetting agreement was entered into between A1 and B2 to reimburse B2 USD 12 million for the loan detailed at point a) above.

4.81 MMEL Compliance highlighted several inconsistencies in the information and documentation provided by the RM in support of the USD 12 million transaction to be paid to B1, including:

a. inconsistencies between the terms of the agreement and the stated purpose of the agreement;

b. questions over the timing and role of B1 in the arrangement, with MMEL Compliance being unclear why the funds were not returned directly to B2;

c. several typos in the legal documents, including the date of the agreement being incorrect, the vendor and purchaser being the wrong way round and other mistakes which raised questions as to the legitimacy of the documents;

d. no record of any transfers from A5 to the property vendor as indicated by the RM; and

e. the price agreed for the property, as indicated in paragraph 4.80b, being disproportionate to other properties in the same building, with MMEL

Compliance estimating that the property should have been valued at EUR 4.5 million with reference to other properties.

4.82 MMEL Compliance also noted that they had not been provided with a copy of the initial loan agreement and that the transaction was highly complex for the purpose of effectively repaying a loan.

4.83 As per the CDD performed on Mr B (the beneficial owner of B2), Mr B had a total estimated net worth of USD 10 million, therefore it is unclear how MMEL Compliance was satisfied that an entity wholly owned by him could realistically or legitimately have loaned A1 USD 15 million for over 5 years when this exceeded the beneficial owner's total net worth.

4.84 Given the numerous issues it raised with the transaction, MMEL Compliance did not give clearance for the transfers and the cash remained in A5's MMEL account. However, those issues did not cause MMEL Compliance to scrutinise the relationship between the Group A Entities and the Group B Entities or submit a SAR in relation to these transactions.

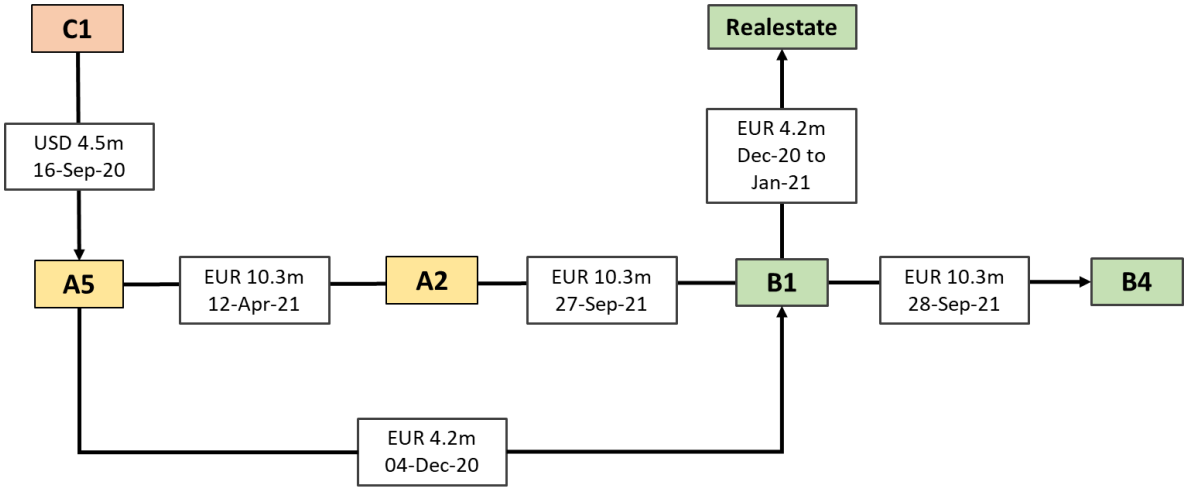
4.85 A month later in September 2020, A5 received almost USD 4.5 million from C1. In support of this payment, the RM provided MMEL Compliance with documentation showing that it was a refund related to a terminated investment in a residential property being constructed in Cyprus for EUR 10 million.

4.86 Three months later in December 2020, EUR 4.2 million (USD 5.1 million) was transferred directly to B1 from A5, which according to information provided to MMEL Compliance by the RM was for the purpose of an investment in Polish real estate which B1 was to make on A5's behalf (as its agent, see paragraph 4.80d above).

4.87 In April 2021 EUR 10.3 million (USD 12.25 million) was transferred from A5 to A2, then in September 2021, in line with a sale and purchase agreement between A2 and B1, USD 10.3 million was transferred from A2 to B1 in exchange for B1's investment in a construction project. Under the same payment instructions, from a member of Group A staff, the next day the USD 10.3 million was transferred from B1 to B4 (see paragraph 4.67 above).

4.88 See Chart D below which sets out the flow of funds outlined above.

Chart D - Payments Between Associated Customers



4.89 Despite having concerns regarding a previous transaction of USD 12 million between A5 and B1 in August 2020, ultimately stopping the transaction, (see paragraphs 4.79 to 4.84 above), MMEL Compliance allowed other transactions with similar characteristics and value (as detailed in paragraph 4.87 above) to be processed without any evidence to suggest they had questioned the legitimacy of the transaction.

Payment purportedly for Redeemable Shares

4.90 In August 2021, the RM made a request for EUR 10 million to be transferred from A5 to Mr D. MMEL Compliance flagged this transaction with the RM who responded that the transaction related to redemption of Mr D's shares in A5. MMEL Compliance made a number of queries regarding the transfer, including noting that:

"*The cash sitting on [A5] account and used for the contemplated redemption initially came from another account, [A1], for approx. USD 10Mio. We are failing to understand the in and out on the accounts*"

to which the RM responded:

"*What is there to understand? A Client has the full right to move his own money between his own Accounts that are already held with us, whenever he wants as*

these are the Clients Own Funds and Accounts, and the Funds all belong to the same Client (Group) Period."

4.91 At his point MMEL Compliance said they were "*not, at this stage, in favour of such a transaction*", to which the RM responded:

"*I think you mean 'you are not Comfortable' and I do not accept your comments"*.

4.92 Rather than address MMEL Compliance's concerns, the RM indicated that A5 would transfer the funds to an account it held with another bank in order to make this payment. In addressing criticism from the RM of their enquiries, MMEL Compliance noted:

"*We need to review the full relationship of the client to understand what the purpose of multiple accounts being held with MMEL. We note that there are no investments in most of these accounts.*"

There is no evidence to suggest this review took place.

4.93 Despite having sufficient concerns to stop the payment, MMEL did not conduct a detailed review of all the transactions between the Group A entity accounts nor file a SAR in relation to this transaction as it was required to do if it had suspicions that the transfer was not legitimate.

5. CONTRAVENTIONS

5.1 Having regard to the facts and matters set out above, the DFSA considers that, during the Relevant Period, MMEL contravened DFSA administered laws and Rules as set out below.

Anti-Money Laundering Systems & Controls

5.2 Under GEN Rule 5.3.20(b) MMEL was required to establish and maintain systems and controls that ensured, as far as reasonably practical, that MMEL and its employees did not facilitate others to engage in financial crime.

5.3 MMEL established systems and controls to manage the risk of facilitating financial crime, however they were ineffective and easily circumvented by the RM. MMEL Compliance failed to provide adequate challenge, accepting less than convincing responses from the RM to their queries.

5.4 As outlined in the Facts and Matters Relied On section above, the RM was able to circumvent MMEL's systems and controls by providing or withholding information they knew to be misleading when preparing CDD documentation for the Associated Customers. For example:

a. the expected account activity described in CDD documentation, was always recorded as for investment purposes, suggesting low risk activity, when it was known to the RM that the purpose of the account was for commercial purposes (see paragraphs 4.9-4.18, 4.24-4.59 and 4.76-4.92).

b. CDD for Group B entities omitted that they were in effect controlled by Mr D and Group A staff and not by Mr B, which would have been known to the RM who:

i. received the request to open accounts from Group A staff (see paragraphs 4.61, 4.64 and 4.73a);

ii. sent Welcome letters to Group A staff and not the recorded beneficial owner of Group B (see paragraphs 4.73b);

iii. communicated with Group A staff with regards to the operation of Group

B entities' accounts (see paragraphs 4.67 and 4.68; and

iv. did not correspond by email with Mr B or to any of the registered emails for the Group B entities (see paragraph 4.74).

c. CDD for Group B entities omitted from Mr B's profile and source of wealth that he was a director of several Hong Kong based entities, which received USD 14 million from accounts held with MMEL by entities in Group A (see paragraph 4.614.60).

5.5 When processing transactions, MMEL failed to consider information contained in CDD or other information available to it which would have called in to question the validity and veracity of the information held about the Associated Customers and the economic substance of the transactions undertaken by them (see paragraphs 4.9-4.18, 4.24-4.59 and 4.76-4.92), for example:

a. the transactions undertaken were outside the expected activity on the accounts;

b. the accounts were being used for purposes prohibited under MMEL's policy;

c. the transactions were not consistent with the profile of the customer; and

d. the information provided in support of payments to entities connected to the customer was inconsistent with the information held about the customer.

5.6 In particular, MMEL's systems and controls failed to identify clear patterns of transactions between the Associated Customers consistent with the characteristics of the layering phase of a professional money laundering operation.

5.7 The Financial Action Task Force describe the layering phase of a professional laundering operation as;

"*The layering stage is managed by individuals responsible for the co-ordination of financial transactions…Funds that were transferred to bank accounts managed by PMLs [Professional Money Launderers] are, in most cases, moved through complex layering schemes or proxy structures. Proxy structures consist of a complex chain of shell company accounts, established both domestically and abroad. The funds*

from different clients are mixed within the same accounts, which makes the tracing of funds coming from a particular client more difficult."

5.8 The transactions undertaken by MMEL on behalf of the Associated Customers were consistent with this description because:

a. despite Group A and Group B having separate and distinct beneficial owners, the opening and operation of their accounts was managed or coordinated by a small group of individuals closely connected to Group A (see paragraphs 4.15, 4.61, 4.64, 4.73a and 4.73b);

b. the transactions undertaken between the Associated Customers were often overly complex or lacked commercial sense (see paragraphs 4.24-4.27 and 4.76-4.90);

c. significant funds were transferred to entities, which had the appearance of shell companies, established overseas, with complex ownership structures and operating bank accounts in multiple jurisdictions (see paragraphs 4.28-4.59); and

d. the funds involved in the transactions flowed repeatedly between the Associated Customers accounts, adding numerous layers in the flow of funds, making it difficult to trace their original source (see paragraphs 4.24-4.27 and 4.76-4.92).

Anti-Money Laundering Systems & Controls – Reporting

5.9 MMEL was required under AML Rule 13.21.1 to establish and maintain policies, procedures, systems and controls in order to monitor and detect suspicious activity or transactions in relation to potential money laundering or terrorist financing; and under GEN Rule 5.3.28(b) MMEL to establish and maintain effective systems and controls to report suspected financial crime to the relevant authorities.

5.10 In addition, under AML Rule 13.2.2 was required to have policies, procedures, systems and controls to ensure that whenever any Employee, acting in the ordinary course of his employment, either knows, suspects or has reasonable grounds for knowing or suspecting, that a person is engaged in or attempting money laundering

or terrorist financing, that Employee promptly notifies the Relevant Person's MLRO and provides the MLRO with all relevant details.

5.11 With reference to the transactions described in the Facts and Matters Relied On section above, MMEL's systems and controls were ineffective as they failed to identify and report clear instances of suspicious transactions, including transactions that MMEL Compliance had stopped due to inadequate responses from the RM to their queries with regards to the transaction (see paragraphs 4.84 and 4.91).

Professional Client Assessment

5.12 Under COB Rule 2.3.1 MMEL was required to perform an adequate assessment when classifying clients as a Professional Client.

5.13 By reasons of the facts set out in paragraphs 4.19-4.22 above, MMEL failed to adequately assess whether clients had the required level of knowledge and experience of financial markets to be classified as a Professional Client.

5.14 As per DFSA guidance, a firm should not rely on self-certification that an individual has the requisite net assets or knowledge and experience to be classified as a Professional Client. Instead, firms are required to base their assessment on objective and independent means and retain evidence to demonstrate compliance with the requirements.

5.15 The RM repeatedly used and MMEL repeatedly accepted the same explanations as to why documentary evidence could not be provided to evidence customers' financial markets experience. MMEL relied on undocumented assessments by the RM, based on conversations they indicated they had had with the customers as evidence of the customers' knowledge and experience of financial markets. This evidence was neither objective or independent, as the RM was incentivised to onboard the customers, nor was it particularised sufficiently to demonstrate the customers had the requisite knowledge.

5.16 In addition, the repeated use by the RM of the same or similar explanation as to why customers could not provide portfolio statements (as required by MMEL's policy)

was not credible and failed to explore other types of evidence that the customers could provide to support this requirement.

Timing of CDD

5.17 Under AML Rule 7.2.1(2), MMEL was required to undertake appropriate CDD if, at any time:

a. it doubts the veracity or adequacy of documents, data or information obtained for the purposes of CDD;

b. it suspects money laundering in relation to a client; or

c. there is a change in risk-rating of a customer, or it is otherwise warranted by a change in circumstances of the customer.

5.18 By reason of the facts set out in the Facts and Matters Relied On section above, MMEL failed to undertake appropriate CDD in circumstances where it had identified clear instances that called into question the adequacy of the information held about the Associated Customers and their circumstances. For example:

a. Accounts were not being used for investment purposes as recorded in CDD (see paragraphs 4.9-4.18, 4.24-4.56 and 4.76-4.92).

b. In September 2018 MMEL Compliance questioned why payments were being made to a Hong Kong company owned by a Slovak national, banking with a Singaporean bank, to supply goods to a Cypriot national via Lithuania. After establishing the entity had no online presence, meaning they were unable to establish its commercial activities, MMEL Compliance accepted unsubstantiated, unevidenced assurances from the RM before approving the transaction (paragraphs 4.28-4.41).

c. Between January 2019 and March 2020 MMEL processed 24 payments worth $14m between A1 and HK4 notwithstanding the fact that Mr E signed the contracts for both A1 and HK4 (the buyer and seller), signed the invoices issued to A1 by HK4 and approved the payments by A1 (see paragraphs 4.44, 4.45 and 4.51).

d. MMEL was requested to unblock the A and B Group accounts on numerous occasions to allow payments to be made from those accounts, however there is no evidence to suggest they questioned the size, frequency or regularity of the third party payments despite them being inconsistent with the account being an investment account and the other concerns it had about the accounts. Eventually MMEL Compliance told the RM and his team that they would leave the account unblocked even though the transactions raised a number of reg flags and they had not satisfied themselves that the transactions were not in breach of anti-money laundering requirements (see paragraphs 4.36, 4.39, 4.57 and 4.59).

e. In 2019 MMEL received a request for information from an international bank regarding a payment to A1 as the payment had triggered an alert of the international bank's anti-money laundering systems. Despite such requests being relatively uncommon, and the fact that information in MMEL's possession directly contradicted the response provided by the RM, MMEL did not review the activity or CDD of A1 (see paragraph 4.47).

f. Between September 2018 and September 2020 MMEL received invoices and agreements in support of 68 payments totalling almost USD 40 million by A1 to four entities with addresses in Hong Kong. MMEL failed to query that all four entities were based at the same office in Hong Kong (see paragraphs 4.42-4.59).

MMEL Compliance had sufficient concerns about the proposed $10 million payment from A5 to Mr D to stop the transaction and identify the need to look into why Group A had so many accounts and was transferring money between them but failed to do so (see paragraphs 4.90-4.93).

6. SANCTION

6.1 In deciding whether to take the action set out in this Notice, the DFSA has taken into account the factors and considerations set out in sections 6-2 and 6-3 of the DFSA's Regulatory Policy and Process Sourcebook (**RPP**).

6.2 The DFSA considers the following factors to be of particular relevance in this matter:

a. the DFSA's objectives, in particular to prevent, detect and restrain conduct that causes or may cause damage to the reputation of the DIFC or the Financial Services industry in the DIFC, through appropriate means including the imposition of sanctions (Article 8(3)(d));

b. the nature and seriousness of the contraventions, as set out in paragraph 6.11 Step 2 below; and

c. the deterrent effect of the action and the importance of deterring MMEL and others from committing further or similar contraventions.

6.3 The DFSA has considered the sanctions and other options available to it and has concluded that a fine is the most appropriate action given the circumstances of this matter.

Determination of the Fine

6.4 In determining the appropriate level of financial penalty to impose in this matter, the DFSA has taken into account the factors and considerations set out in Sections 6-4 and 6-5 of the RPP as follows.

Step 1 – Disgorgement

6.5 As per paragraph 6-5-1 of RPP, the DFSA will seek to deprive a firm of the economic benefits derived directly or indirectly from a contravention (which may include the profit made or loss avoided) where it is practicable to quantify this.

6.6 At the time that MMEL onboarded the Associated Customers and during its relationship with them, MMEL failed to comply with its obligations as described in

this Notice. The provision of services to the Associated Customers was therefore predicated on MMEL's failure to:

a. perform adequate assessments when classifying clients as a Professional Client;

b. conduct adequate CDD; and

c. ensure their accounts were operating in line with that recorded in CDD.

6.7 Accordingly, the DFSA considers that the fees earned by MMEL from the Associated Customers, less the direct costs associated with generating these fees, represent the economic benefit derived from its contraventions.

6.8 The DFSA's investigation found that MMEL generated fees of USD 1.5 million from the Associated Customers, on which it paid a 35% profit share of USD 525,000 to the RM.

6.9 With reference to paragraph 6-5-1 of the RPP, the DFSA ordinarily charges interest on such a benefit. In this particular matter, the DFSA considers it not appropriate to apply interest on the fees earned by MMEL from the Associated Customers.

6.10 The figure after Step 1 is therefore USD 975,000.

Step 2 – The seriousness of the contraventions

6.11 The DFSA considers MMEL's contraventions to be particularly serious because:

a. by failing to establish and maintain adequate systems and controls, MMEL failed to identify and prevent significant suspicious transactions for Client A and Client B;

b. the weaknesses in MMEL's systems and controls resulted in an unacceptable risk that MMEL may have facilitated financial crime, not only by Client A and Client B but also by other clients whose activities were subjected to systems and controls;

c. they could damage the confidence of investors in international markets and

the reputation of the DIFC; and

d. occurred over a significant period, more than four years.

6.12 Taking the above factors into account, the DFSA considers that a penalty element of USD 2,925,000 appropriately reflects the seriousness of the contravention. This figure represents three times the amount disgorged at Step 1.

Step 3 – Mitigating and aggravating factors

6.13 In considering the appropriate level of financial penalty, the DFSA had regard to the factors set out in RPP 6-5-8.

6.14 The DFSA has taken into consideration that since the DFSA highlighted the issues to MMEL as outlined in this Notice, MMEL commissioned an independent report to review the transactions undertaken by the Associated Customers. Based on the findings of that report, MMEL submit a number of SARs and took steps to close any remaining accounts the Associated Customers held with MMEL.

6.15 However, the DFSA does not consider it appropriate to adjust the amount of the fine arrived at after Step 2 for the factors set out in RPP 6-5-8, as it does not consider any of these factors to be relevant for the purposes of this Notice.

6.16 Accordingly, the figure (excluding the disgorged benefit under Step 1) after Step 3 is USD 2,925,000.

Step 4 – Adjustment for deterrence

6.17 Pursuant to RPP 6-5-9, if the DFSA considers that the level of the financial penalty which it has arrived at after Step 3 is insufficient to deter the firm who committed the contravention, or others, from committing further or similar contraventions, then the DFSA may increase it. RPP 6-5-9 sets out the circumstances where the DFSA may do this.

6.18 The DFSA considers that the figure after Step 3 is sufficient for the purposes of deterring MMEL and others from committing further or similar contraventions.

Accordingly, the DFSA does not consider it appropriate to adjust the amount of the fine arrived at after Step 3 for the purposes of deterrence.

6.19 Accordingly, the figure (excluding the disgorged benefit under Step 1) after Step 4 is USD 2,925,000.

Step 5 - Settlement discount

6.20 Where the DFSA and the firm on whom the financial penalty is to be imposed agree on the amount and other terms, RPP 6-5-10 provides that the amount of the financial penalty which might otherwise have been payable will be reduced to reflect the stage at which agreement is reached. The settlement discount does not apply to any amount which represents disgorgement at Step 1.

6.21 The DFSA and MMEL have reached agreement on the relevant facts and matters relied on and the amount of fine that would be imposed. Having regard to its usual practice and in recognition of the benefit of this agreement to the DFSA, the DFSA has applied a 30% discount to the level of fine (except that which represents disgorgement under Step 1) which the DFSA would have otherwise imposed.

6.22 Accordingly, the figure after Step 5 is USD 2,047,500.

The Level of the Fine

6.23 Given the factors and considerations set out in paragraphs 6.4-6.22 above, the DFSA has determined that it is proportionate and appropriate to impose on MMEL the Fine of USD 3,022,500, comprising:

a. disgorgement of USD 975,000 in fees earned from the Associated Customers, less a profit share paid to the RM; and

b. a penalty of USD 2,047,500.

7. PROCEDURAL MATTERS

Decision Making Committee

7.1 The decision which gave rise to the obligation to give this Notice was made by a Settlement Decision Maker on behalf of the DFSA.

7.2 This Notice is given to MMEL under paragraph 3(2) of Schedule 3 to the Regulatory Law.

Manner and time for payment

7.3 The Fine must be paid no later than 28 days from the date on which this Notice is given to MMEL.

7.4 If all or any part of the Fine remains outstanding on the date by which it must be paid, the DFSA may recover the outstanding amount as a debt owed by MMEL and due to the DFSA.

Evidence and other material considered

7.5 Annex A sets out extracts from some statutory and regulatory provisions and guidance relevant to this Notice.

7.6 The DFSA made available to MMEL a copy of the relevant materials that were considered in making the decision which gave rise to the obligation to give this Notice.

Referral to the Financial Markets Tribunal (FMT)

7.7 Pursuant to Article 90(5) of the Regulatory Law, MMEL has the right to refer this matter to the FMT for review. However, in deciding to settle this matter and in agreeing not to contest the action set out in this Decision Notice, MMEL has agreed that it will not refer this matter to the FMT.

Publicity

7.8 Under Article 116(2) of the Regulatory Law, the DFSA may publish, in such form and manner as it regards appropriate, information and statements relating to

decisions of the DFSA and of the Court, censures, and any other matters which the DFSA considers relevant to the conduct of affairs in the DIFC.

7.9 In accordance with Article 116(2), the DFSA will publicise the action taken in this Notice and the reasons for that action. This may include publishing the Notice itself, in whole or in part.

7.10 MMEL will be notified of the date on which the DFSA intends to publish information about this decision.

DFSA contacts

7.11 For more information concerning this matter generally, please contact the Administrator to the Decision Making Committee on +971 4362 1500, or by email at DMC@dfsa.ae.

Signed:

 ……..

Brad Douglas

Director, Head of Markets

As a Settlement Decision Maker for and on behalf of the DFSA

ANNEX A – RELEVANT LEGISLATION & REGULATORY PROVISIONS

RELEVANT LEGISLATION

DIFC Law No. 1 of 2004 – The Regulatory Law

Article 8(3) of the Regulatory Law 2004 sets out the DFSA's objectives.

8. The Powers, Functions and Objectives of the DFSA

(…)

(3) In performing its functions and exercising its powers, the DFSA shall pursue the following objectives:

(a) to foster and maintain fairness, transparency and efficiency in the financial services industry (namely, the financial services and related activities carried on) in the DIFC;

(b) to foster and maintain confidence in the financial services industry in the DIFC;

(c) to foster and maintain the financial stability of the financial services industry in the DIFC, including the reduction of systemic risk;

(d) to prevent, detect and restrain conduct that causes or may cause damage to the reputation of the DIFC or the financial services industry in the DIFC, through appropriate means including the imposition of sanctions;

(e) to protect direct and indirect users and prospective users of the financial services industry in the DIFC;

(…)

90. Sanctions and directions

(1) Where the DFSA considers that a person has contravened a provision of any legislation administered by the DFSA, other than in relation to Article 32, the DFSA may exercise one or more of the powers in Article 90(2) in respect of that person.

(2) For the purposes of Article 90(1) the DFSA may:

(a) fine the person such amount as it considers appropriate in respect of the contravention;

(b) censure the person in respect of the contravention;

(c) make a direction requiring the person to effect restitution or compensate any other person in respect of the contravention within such period and on such terms as the DFSA may direct;

(d) make a direction requiring the person to account for, in such form and on such terms as the DFSA may direct, such amounts as the DFSA determines to be profits or unjust enrichment arising from the contravention;

(e) make a direction requiring the person to cease and desist from such activity constituting or connected to the contravention as the DFSA may stipulate;

(f) make a direction requiring the person to do an act or thing to remedy the contravention or matters arising from the contravention; or

(g) make a direction prohibiting the person from holding office in or being an employee of any Authorised Person, DNFBP, Reporting Entity or Domestic Fund.

(…)

(5) If the DFSA decides to exercise its power under this Article in relation to a person, the person may refer the matter to the FMT for review.

116. Publication by the DFSA

(…)

(2) The DFSA may publish in such form and manner as it regards appropriate information and statements relating to decisions of the DFSA, the FMT and the Court, sanctions, and any other matters which the DFSA considers relevant to the conduct of affairs in the DIFC.

RELEVANT DFSA RULEBOOK PROVISIONS

Anti-Money Laundering, Counter-Terrorist Financing and Sanctions Module (AML)

7.1 Requirement to undertake customer due diligence

7.1.1 (1) A Relevant Person must:

(a) undertake Customer Due Diligence under section 7.3 for each of its customers; and

(b) in addition to (a), undertake Enhanced Customer Due Diligence under Rule 7.4.1 in respect of any customer it has assigned as high risk.

(…)

7.2 Timing of customer due diligence

(…)

(2) A Relevant Person must also undertake appropriate Customer Due Diligence if, at any time:

(a) in relation to an existing customer, it doubts the veracity or adequacy of documents, data or information obtained for the purposes of Customer Due Diligence;

(b) it suspects money laundering in relation to a person; or

(c) there is a change in risk-rating of the customer, or it is otherwise warranted by a change in circumstances of the customer.

7.4 Enhanced customer due diligence

7.4.1 Where a Relevant Person is required to undertake Enhanced Customer Due Diligence under Rule 7.1.1(1)(b) it must, to the extent applicable to the customer:

(…)

(f) where applicable, require that any first payment made by a customer in order to open an account with a Relevant Person must be carried out through a bank account in the customer's name with:

(i) a Bank;

(ii) a Regulated Financial Institution whose entire operations are subject to regulation and supervision, including AML regulation and supervision, in a jurisdiction with AML regulations which are equivalent to the standards set out in the FATF recommendations; or

(iii) a Subsidiary of a Regulated Financial Institution referred to in (ii), if the law that applies to the Parent ensures that the Subsidiary also observes the same AML standards as its Parent.

13.2 Internal reporting requirements

13.2.1 A Relevant Person must establish and maintain policies, procedures, systems and controls in order to monitor and detect suspicious activity or transactions in relation to potential money laundering or terrorist financing.

13.2.2 A Relevant Person must have policies, procedures, systems and controls to ensure that whenever any Employee, acting in the ordinary course of his employment, either:

(a) knows;

(b) suspects; or

(c) has reasonable grounds for knowing or suspecting;

that a person is engaged in or attempting money laundering or terrorist financing, that Employee promptly notifies the Relevant Person's MLRO and provides the MLRO with all relevant details.

(…)

Conduct of Business Module (COB)

2.3 Types of Clients

2.3.1 (1) An Authorised Firm must, before carrying on a Financial Service with or for a Person, classify that Person as a:

(a) Retail Client;

(b) Professional Client; or

(c) Market Counterparty,

in accordance with the requirements in this chapter.

General Module (GEN)

4.2 The Principles for Authorised Firms

(…)

Principle 2 - Due skill, care and diligence

4.2.2 In conducting its business activities an Authorised Firm must act with due skill, care and diligence.

5.3 Systems and controls

Conduct

5.3.20 An Authorised Person must establish and maintain systems and controls that ensure, as far as reasonably practical, that the Authorised Person and its Employees do not engage in conduct, or facilitate others to engage in conduct, which may constitute:

(a) market abuse, whether in the DIFC or elsewhere; or

(b) a financial crime under any applicable U.A.E. laws.

Fraud

5.3.28 An Authorised Person must establish and maintain effective systems and controls to:

(a) deter and prevent suspected fraud against the Authorised Person; and

(b) report suspected fraud and other financial crimes to the relevant authorities.

ANNEX B – DEFINITIONS

A1, A2, A3, A4 and A5	Entities beneficially owned by Mr A.
Accepting Deposits	The Financial Service defined in GLO and GEN section 2.4, namely, accepting Deposits where; (a) money received by way of Deposit is lent to others; or (b) any other activity of the Person accepting the Deposit is financed, wholly or to a material extent, out of the capital of or returns on any money received by way of Deposit.
Advising on Financial Products	The Financial Service defined in GLO and GEN section 2.11, namely, giving advice to a Person in his capacity as an investor or potential investor, or in his capacity as agent for an investor or a potential investor, on the merits of his buying, selling, holding, subscribing for or underwriting a particular financial product (whether as principal or agent).
AML	Has the same meaning provided in GLO, namely, either "anti-money laundering" or the Anti-Money Laundering, Counter-Terrorist Financing and Sanctions module depending on the context.
Arranging Deals in Investments	The Financial Service defined in GLO and GEN section 2.9, namely, making arrangements with a view to another Person buying, selling, subscribing for or underwriting an Investment or Crypto Token (whether that other Person is acting as principal or agent).
Associated Customers	The collective term for the entities in Group A, Group B and Group C.
B1, B2, B3 and B4	Entities beneficially owned by Mr B.
C1	An entity beneficially owned by Mr C.
Certificate of Incumbency	A document issued by a corporation or limited liability company that shows the names of the company directors, officers, and shareholders involved in the organisation.
COB	The Conduct of Business Module of the DFSA Rulebook.

CDD	Means Customer Due Diligence as defined in GLO and AML Rule 7.3.1, namely, the requirements on a Relevant Person to: (a) identify the customer and verify the customer's identity; (b) identify any Beneficial Owners of the customer and take reasonable measures to verify the identity of the Beneficial Owners, so that the Relevant Person is satisfied that it knows who the Beneficial Owners are; (c) if the customer is a legal person or legal arrangement, take reasonable measures to understand the nature of the customer's business and its ownership and control structure; and (d) undertake on-going due diligence of the customer business relationship under Rule 7.6.1.
CV	Mr B's curriculum vitae.
DFSA	The Dubai Financial Services Authority.
Authorised Firm	Has the same meaning provided in GLO, namely, a Person, other than an Authorised Market Institution, who holds a Licence.
DIFC	The Dubai International Financial Centre.
Director	Has the same meaning provided in GLO, namely, a Person who has been admitted to a register which has a corresponding meaning to the Register of Directors or performs the function of acting in the capacity of a Director, by whatever name called.
Employee	Has the same meaning provided in GLO, namely, an individual: (a) who is employed or appointed by a Person in connection with that Person's business, whether under a contract of service or for services or otherwise; or (b) whose services, under an arrangement between that Person and a third party, are placed at the disposal and under the control of that Person.
EUR	Euro.
Financial Services	Has the same meaning provided in GLO and GEN Rule 2.2.1, namely, an activity constitutes a Financial Service under the Regulatory Law and these Rules where: (a) it is an activity specified in Rule 2.2.2; and (b) such activity is carried on by way of business in the manner described in section 2.3.
the Fine	A fine of USD 7,027,000 imposed on MMEL by the DFSA.
the FMT	The Financial Markets Tribunal.
GEN	The General Module of the DFSA Rulebook.
Group A	The collective term for A1, A2, A3, A4 and A5.

Group B	The collective term for B1, B2, B3 and B4.
Group C	The collective term for C1.
HK Address	An address in Hong Kong listed as the address for B1, HK1, HK2, HK3 and HK4.
HK1	An entity located in Hong Kong, to which Mr B is a Director.
HK2	An entity located in Hong Kong, to which Mr B is a Director.
HK3	An entity located in Hong Kong, to which Mr B is a Director.
HK4	An entity located in Hong Kong, to which Mr E is a Director.
KYC	Know Your Client.
Licence	Has the same meaning provided in GLO, namely, a Licence granted by the DFSA under Chapter 2 of Part 3 of the Regulatory Law 2004.
the MLRO	The Money Laundering Reporting Officer, as defined in GLO, namely: (1) For the purposes of AMI, the Key Individual function described in AMI Rule 5.3.8. (2) For the purposes of an Authorised Firm other than a Credit Rating Agency, the Licensed Function described in GEN Rule 7.4.8. (3) For all other purposes, has the meaning in AML Rule 3.2.1.
MMEL	Mirabaud (Middle East) Limited.
MMEL Compliance	The Compliance department within Mirabaud (Middle East) Limited.
Mr A	The founder and chairman of a Russian conglomerate who was the settlor or beneficial owner of Group A entities.
Mr B	A former international footballer and football agent residing in Cyprus who was the beneficial owner of Group B entities.
Mr C	A Spanish national resident in Cyprus who solely owned the entity in Group C (C1).
Mr D and Mr E	The main contacts for the Group A entities, who the RM dealt with directly regarding the operation of accounts.

PEP	Has the same meaning provided in GLO, namely, a natural person (and includes, where relevant, a family member or close associate) who is or has been entrusted with a prominent public function, including but not limited to, a head of state or of government, senior politician, senior government, judicial or military official, ambassador, senior executive of a state owned corporation, or an important political party official, but not middle ranking or more junior individuals in these categories.
the PEP	An individual classified as a Politically Exposed Person who beneficially owned B4 with Mr B.
a Person	Has the same meaning provided in GLO, namely, a Person includes any natural person, Body Corporate or body unincorporated, including a legal person, company, Partnership, unincorporated association, government or state.
Professional Client	Has the same meaning provided in GLO, namely, a Client specified under COB Rule 2.3.3.
Regulatory Law	The Regulatory Law 2004.
Relationship Manager	An Employee who has responsibility for building and managing relationships with an Authorised Firm's customers.
Relevant Period	June 2018 and October 2021.
Relevant Person	As defined in GLO and AML Rule 1.1.2, namely: (a) an Authorised Firm other than a Credit Rating Agency; (b) an Authorised Market Institution; (c) a DNFBP; or (d) a Registered Auditor.
the RM	The Relationship Manager responsible for managing the relationships with the Group A, Group B and Group C entities.
RPP	The DFSA's Regulatory Policy and Process Sourcebook.
SAR	As defined in AML Rule 3.2.1, namely, a report regarding suspicious activity (including a suspicious transaction) made to the FIU under Federal Law No. 20 of 2018 and Cabinet Decision No. 10 of 2019.
UBO	Ultimate Beneficial Owner.
USD	US Dollar.
Welcome Letter	A letter sent to MMEL customers confirming an account had been opened and setting out the account details.