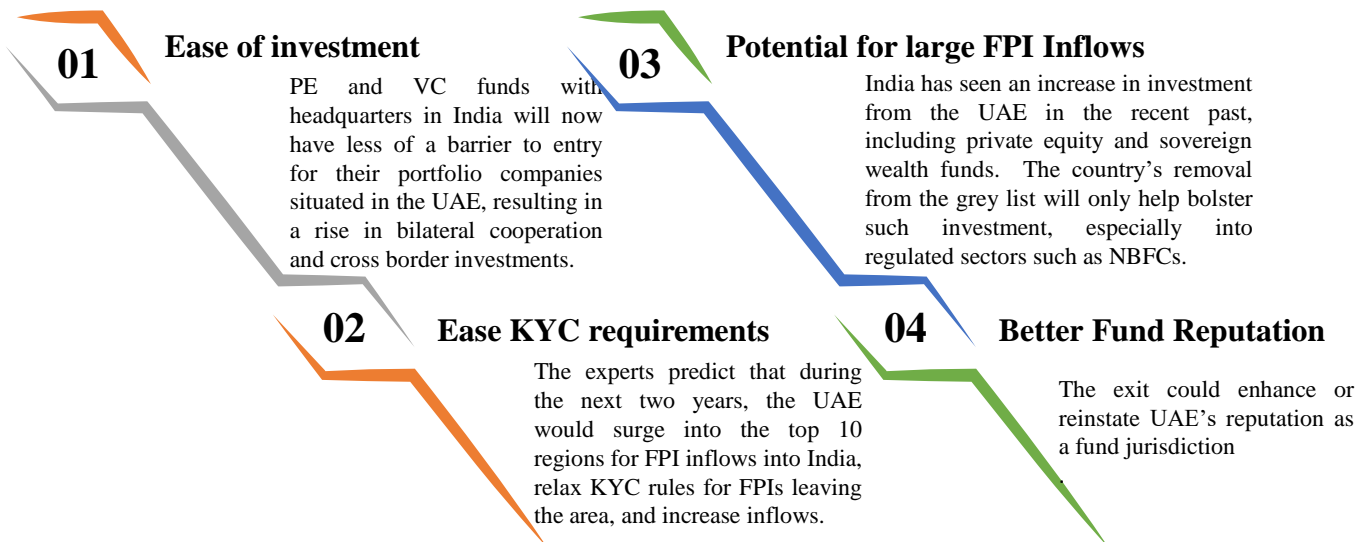


UAE Exit from FATF Grey List drives a rise in Investments in India

Background

- The UAE has been recently removed from the grey list of global watchdog Financial Action Task Force (FATF) after the country met all the required reforms to clamp down on illicit financial flows. FATF President Raja Kumar made the announcement about the outcomes of the plenary in a statement recently.
- An exit from the grey list marks a swift turnaround for the UAE, which was initially added to the list of jurisdictions under increased monitoring in March 2022. UAE was placed under closer scrutiny in 2022, when the FATF highlighted the risk of money laundering and terrorist financing involving banks, precious metals and stones as well as property.
- A 2021 RBI circular delineated investment regulations for Non-Banking Financial Companies (NBFCs), categorizing investments from compliant and non-compliant FATF jurisdictions.
- Restrictions were imposed on acquiring 'significant influence' in the investee company, either directly or indirectly to New Investors who were from or through non-compliant FATF Jurisdictions, whether in existing NBFCs or in Companies seeking Certificate of Registration. New Investors were disallowed from having voting power exceeding the 20% threshold.
- European Union lists UAE as high-risk country for money laundering and terrorist financing. The business line of Credit (bloc's) financial markets watchdog European Securities and Markets Authority (ESMA) in 2023 barred European banks and others from clearing trades with Dubai Commodities Clearing Corporation.
- The UAE founded an Executive Office for Anti-Money Laundering and Counter-Terrorism Financing in 2021 after passing an anti-money laundering (AML) and terrorism financing (CTF) law in 2018.

Rationale & Benefits



UAE's removal from the FATF grey list is a significant milestone. The country has undertaken substantial reforms in recent years to enhance its AML/CTF systems. This positive development will likely lead to the benefits mentioned above, boosting the UAE's position as a global business hub.

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