

# UAE Enforcement Update: The FSRA and the DFSA Issue New AML-Related Fines

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The UAE's two financial free zones, established in the Emirates of Abu Dhabi and Dubai, possess their own civil and commercial legal frameworks, inclusive of court systems modeled closely on international standards and principles of common law and, importantly, autonomous financial services regulation. In the Abu Dhabi Global Market ("ADGM"), which was established by UAE Federal Decree No. (15) of 2013, the financial services regulatory authority is the Financial Services Regulatory Authority ("FSRA"). In the Dubai International Finance Centre ("DIFC"), which was established by UAE Federal Decree No. (35) of 2004, the financial services regulatory authority is the Dubai Financial Services Authority ("DFSA"). The FSRA and the DFSA have been and continue to be absolutely committed to maintaining Anti-Money Laundering ("AML"), Combating the Financing of Terrorism ("CFT") and Counter Proliferation Financing ("CPF") regimes that significantly deter any criminal elements, including money launderers and persons wishing to support, in any way, acts of terrorism and the proliferation of weapons of mass destruction. That commitment includes the rigorous supervision and enforcement of "Rulebooks", which contain all the regulatory requirements applicable in the respective jurisdictions broken out into "Modules", such as a "Recognition" Module, a "Conduct of Business" Module, an AML/CFT/CPF-related Module, and more. And in the latest example of their willingness and readiness to take enforcement actions against firms or individuals that violate those Rulebooks, the FSRA and the DFSA recently have imposed substantial fines on financial services businesses in the ADGM and the DIFC for AML/CFT/CPF- and reporting-related noncompliance. We examine those two enforcement actions in this article.

## The FSRA's Enforcement Action

In December 2024, the FSRA [announced a financial settlement](#) of USD 504,000 (AED 1.85 million) with a multi-asset brokerage firm operating in the ADGM ("the ADGM firm"). The settlement was reached after an investigation found that the ADGM firm had violated key AML provisions in the relevant Module of the FSRA Rulebook, particularly with regard to its failure to implement adequate measures to detect and report suspicious transactions over a period of nearly six years. Specifically, the ADGM firm failed to establish and maintain an effective AML framework—comprising policies, procedures, systems and controls—causing deficiencies related to customer due diligence, customer risk assessment, recordkeeping, and transaction monitoring. For further details, the FSRA's Final

Notice can be viewed [here](#).

## The DFSA's Enforcement Action

Then in January 2025, the DFSA [announced a provisional fine](#) of USD 25,000 (AED 91,813) on a trading and investment business operating in the DIFC ("the DIFC trader"). The fine was issued following the DIFC trader's failure to report certain suspicious transactions in violation of DFSA rules. Specifically, the DIFC trader neglected to report a series of alleged "wash trades," which are fictitious transactions that create the false impression of genuine market activity but which involve no actual market risk as the same ultimate beneficial owner is both the seller and the buyer. Wash trades are widely recognized as illegal market manipulation as they generate misleading trading volumes, misrepresent demand, and artificially inflate asset prices. The fine is considered provisional as the DIFC trader has lodged an appeal. For further details, the DFSA's Decision Notice can be viewed [here](#).

## Additional Considerations

Firstly, it should be noted that, while the DIFC trader allegedly failed to report market abuse that did occur, in the sense that the wash trades in question resulted in a 27% temporary spike in share price, the FSRA's investigation into the ADGM firm identified no instances of actual money laundering. In other words, the USD 504,000 settlement amount did not relate to a sum of dirty money actually having been laundered by or via the ADGM firm. Rather, the ADGM firm was fined for deficiencies in its AML-related policies, procedures, systems and controls that could, in the future, lead to dirty money being laundered. Therefore, the FSRA action underscores the importance of devising, deploying and maintaining a robust compliance framework that provides for effective AML/CFT/CPF prevention, detection and reporting, particularly when operating in or from one of the UAE's financial free zones given that the FSRA and the DFSA continue to exhibit zero-tolerance for violations and voracious appetites for enforcement.

Secondly, while the ADGM firm agreed not to dispute the FSRA's findings and to settle at the earliest opportunity, the DIFC trader chose instead to contest the DFSA's findings and to appeal the resultant financial penalty. The ADGM firm earned a discretionary discount of 20% off the financial penalty that would otherwise have been imposed on account of its election to settle the matter, and a further discount of 10% for cooperating with the FSRA's investigation and for commencing remedial actions promptly. Should the DIFC trader's appeal prove unsuccessful, then we expect it will qualify for no such discounts. In conclusion, the FSRA and the DFSA, just like many other regulators worldwide, view unfettered cooperation and meaningful remediation as fundamental prerequisites for mitigation credit.

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