

By email

20 June 2022

To: Senior Executive Officers of Authorised Persons  
Money Laundering Reporting Officers of Relevant Persons

## **RE: The Role of Money Laundering Reporting Officers at Relevant Persons**

The purpose of this letter is to reiterate certain elements of the DFSA's Rule requirements and accompanying guidance concerning individuals performing the role of Money Laundering Reporting Officer (MLRO) at Relevant Persons and to make clear the DFSA's expectations in determining compliance with these Rules.

### *Qualities of a MLRO*

There have been a number of occasions where applications and notifications for the role of MLRO have been assessed by the DFSA as not satisfying the requirements set out in GEN 7.6 - Application for Authorised Individual status<sup>1</sup> and AML Rule 11.3.1 – Qualities of a MLRO. Examples of the concerns that led to the DFSA's conclusion in these cases include, but are not limited to, instances where the individual:

- was unable to describe the firm's business and risk profile in respect of money laundering, terrorist financing, proliferation financing and targeted financial sanctions risk.
- was unable to outline the core legal and regulatory requirements applicable in the DFSA Rulebook or the related UAE Federal AML Legislation.
- did not have a sufficient level of seniority and independence within the firm, and was unable to demonstrate satisfactorily they could perform the role on their own authority.
- had little or no relevant experience and could not provide any reasonable assurance about how they would manage their responsibilities.
- was unable to demonstrate their competence and capacity to perform the function (e.g., no evidence of appropriate qualification or professional development).

### *Outsourcing the MLRO role*

The DFSA currently allows Relevant Persons to outsource the role of MLRO to an individual outside the Relevant Person provided that the relevant individual is and remains suitable to perform the MLRO role.

Over the past 12 months, the DFSA has noted instances where Relevant Persons outsource the role of MLRO without carrying out a proper assessment of the candidate's capability to carry out the role of the MLRO adequately, taking into account the profile of the firm(s) that the applicant will be acting for.

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<sup>1</sup> Specifically GEN 7.6.3, 7.6.7 & 7.6.13

### *Appointment of a MLRO & Use of Temporary Cover*

The MLRO function is a mandatory appointment. There have been a number of occasions where Relevant Persons have failed to appoint an MLRO on a timely basis. In such instances, Authorised Firms have sought to rely on GEN section 11.6 – Temporary Cover for the MLRO Role. However, no permanent replacement has been identified before the expiration of the Temporary Cover period. As a result, the MLRO function has remained vacant, in contravention of the DFSA's Rules, from the expiration of the Temporary Cover until such time as an application was processed by the DFSA.

### **DFSA's Expectations**

The DFSA would like to remind Relevant Persons that not satisfying the requirements under AML Rule 11.3.1 and GEN 7.6 for MLROs may raise more general concerns about the fitness and propriety of the Relevant Person under GEN 7.2.7 (for Authorised Persons) and AML 15.1.2 (for Designated Non-Financial Businesses or Professions).

When submitting applications or notifications for the appointment of the MLRO, it is imperative that Relevant Persons ensure the individuals being proposed can satisfy these requirements in full before they submit the application or notification to the DFSA.

Where an Authorised Firm is using GEN section 11.6 to allow a temporary MLRO replacement, the DFSA expects the Firm to find a permanent replacement before the end of the temporary cover period.

As part of the DFSA's application review process, MLRO applicants should expect to be interviewed (or in the case of DNFBPs, when a Form DNF2 notification is submitted) and will need to be able to demonstrate clearly that they have the necessary qualities to hold the position of MLRO and are able to fulfil properly the responsibilities of the role.

Finally, Authorised Firms are reminded that the DFSA's general expectations for the appointment of MLROs also apply to appointments for other Authorised Individual roles, such as the Compliance Officer role.

If you have any questions about the DFSA's expectations or how they may apply to your particular firm, we encourage you to submit an enquiry via the Supervised Firm Contact Form available on the DFSA's [ePortal](#).

Yours faithfully,



**Justin Baldacchino**  
**Managing Director, Supervision**

CC: Compliance Officers of Authorised Firms