



**FINAL NOTICE ISSUED UNDER SECTION 251 OF
THE FINANCIAL SERVICES AND MARKETS REGULATIONS 2015**

To: **Prada Emirates L.L.C**
133 (SU), Level R1
The Galleria Mall
Abu Dhabi Global Market Square
Al Maryah Island
Abu Dhabi
United Arab Emirates

Date: 11 August 2023

1. DECISION

- 1.1. For the reasons given in this Final Notice, the Financial Services Regulatory Authority (the “Regulator”) has decided to impose on Prada Emirates L.L.C, trading as ‘Prada’ (“PEP”), a financial penalty of US\$13,500 under section 232 of the Regulations.
- 1.2. PEP and the Regulator have reached an agreement on the relevant facts and matters relied on, and the financial penalty imposed. The Regulator has therefore exercised its discretion to apply a 10% discount to the financial penalty under the Regulator’s policies for late settlement. Were it not for this discount, the Regulator would have imposed a financial penalty of US\$15,000.
- 1.3. The Regulator acknowledges that PEP and its senior management have cooperated fully with the Regulator’s enquiry and action and that PEP has remediated the failing the subject of this notice.

2. DEFINED TERMS

- 2.1. Defined terms are identified in the Notice in parentheses, using the capitalisation of the initial letter of a word or of each word in a phrase, and are either defined in a Rulebook, Glossary, or in the body of this Notice at the first instance the term is used. Unless the context otherwise requires, where capitalisation of the initial word is not used, an expression has its natural meaning.
- 2.2. Annexure A sets out the regulations, rules and guidance relevant to this Notice.

3. SUMMARY OF REASONS FOR THE DECISION

- 3.1 The Regulator has decided to take the action set out in this Notice because it considers that PEP failed to:
 - a. maintain effective Anti-Money Laundering policies, procedures, systems and controls by failing to complete its registration for the ‘goAML’ Anti-Money Laundering reporting system;
 - b. ensure that its policies, procedures, systems and controls are in compliance with Federal AML Legislation;
 - c. ensure that its policies, procedures, systems and controls are enabled for suspicious Persons and Transactions to be detected and reported; and



d. be open and cooperative in its dealings with the Regulator,

and in doing so, PEP contravened Rules 4.1.1(1), 4.1.1(2)(a) and (b), and 4.7.1(a) of the Regulator's Anti-Money Laundering and Sanctions Rules and Guidance ("AML").

4. FACTS AND MATTERS RELIED ON

Background

- 4.1. On 18 January 2017, PEP was incorporated and registered with the Abu Dhabi Global Market ("ADGM") Registration Authority ("RA") as a branch of a foreign company. PEP holds a commercial license to carry on retail (Category C) business activities of *"Retail sale of clothing, footwear and leather articles in specialized stores"*, *"Other retail sale in non-specialized stores"*, *"Other retail sale of new goods in specialized stores"*, and *"Retail sale of pharmaceutical and medical goods, cosmetic and toilet articles in specialized stores"*.
- 4.2. PEP is registered with the ADGM RA as a Designated Non-Financial Business or Profession ("DNFBP") as defined in AML Rule 3.2.1. On 18 January 2017, PEP was registered as a DNFBP.

Relevant Facts

- 4.3. The Federal Decree-law No. (20) of 2018 on *Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organisations* dated 23 September 2018 (the "Federal Decree-law No. (20) of 2018") created an obligation on all Relevant Persons to report suspicious activities directly through its electronic system or by any means approved by the Financial Intelligence Unit ("FIU") of the United Arab Emirates.
- 4.4. On 23 June 2019, the FIU announced the launch of the goAML reporting platform, and reporting entities were encouraged to complete their registration before 27 June 2019. All suspicious transactions and activity reports are to be submitted to the FIU using the goAML system.

Failure to register for goAML

- 4.5. The Regulator places considerable importance on DNFBPs completing their registration for the goAML system. Completion includes the pre-registration and finalisation of the registration for the goAML system.
- 4.6. In the period from May 2019 to June 2021, PEP was reminded on a number of occasions to register for the goAML system. In particular:
 - a. On 19 May 2019, the Regulator published Notice No. 15 of 2019 addressed to Senior Executive Officers, Money Laundering Reporting Officers ("MLROs") and Principal Representatives of Relevant Persons informing them of the mandatory requirement to register for the goAML system, the process and requirements for doing so and that the deadline to register for goAML was 20 June 2019;
 - b. On 26 June 2019, the Regulator published Notice No. 17 of 2019 announcing that the goAML platform would go-live on 27 June 2019, and the existing system for submitting Suspicious Transaction Reports ("STR") would end on 26 June 2019;
 - c. On 18 July 2019, the Regulator sent an e-mail to PEP informing PEP that it had failed to meet the deadline stipulated in the Regulator's Notice No. 15 of 2019. PEP was requested to cooperate and register on the goAML system no later than 23 July 2019 as there were no other acceptable means of submitting its STRs and Suspicious Activity Reports ("SARs");



- d. On 9 April 2020, the Regulator sent a first reminder by e-mail, informing PEP that registration for the goAML system was mandatory, enclosing a copy of the Regulator's Notice No. 15 of 2019, together with instructions to assist the MLRO in completing its goAML registration by the deadline of 31 May 2020. PEP was informed that failure to do so constituted a breach of Federal AML Legislation and ADGM's AML Rules;
 - e. On 21 July 2020, the Regulator sent a second reminder by e-mail to PEP that it was mandatory to complete its registration for the goAML system, enclosing its e-mail of 9 April 2020, together with instructions on how to register, reminding PEP that it had yet to complete its goAML registration, and requesting it to do so by 30 July 2020. PEP was informed that failure to complete the registration may lead to a referral to the Regulator's Enforcement Division;
 - f. On 30 August 2020, the Regulator sent a third reminder by e-mail to PEP giving it an extension until 13 September 2020 to complete its registration;
 - g. On 13 September 2020, the Regulator sent a reminder by e-mail to PEP to complete its registration that day;
 - h. On 16 September 2020, the Regulator published Notice No. 9 of 2020 noting the requirement for all Relevant Persons to be connected to the goAML online system in order to submit STRs and SARs. The MLRO, or the deputy MLRO in the absence of the MLRO, was responsible for submission of the STRs and SARs;
 - i. On 29 April 2021, the Regulator published Notice No. 10 of 2021 providing guidance to DNFBBPs as to the requirement to register on the goAML system by following the procedures manual and to maintain their registration in an active status, and that all DNFBBPs *"shall register themselves immediately so as to confirm their readiness for filing of STRs"*;
 - j. On 15 June 2021, the Regulator published Notice No. 15 of 2021 notifying DNFBBPs of the outcome of the Regulator's AML thematic review. The Regulator noted in its review that Relevant Persons must establish and maintain robust policies, procedures, and systems and controls to monitor and detect suspicious activities or transactions as prescribed by Federal AML Legislation. The Regulator also stated that Relevant Persons were required to register on the goAML portal as there was no longer any other acceptable means of referring STRs to the FIU. DNFBBPs were cautioned that failure to comply with this requirement on a timely basis would constitute a breach of Federal AML Legislation as well as the AML Rules; and
 - k. On 17 June 2021, the Regulator published Notice No. 17 of 2021, an 'AML/CFT Joint Supervisory Guidance on the common themes observed during inspections of FIs and DNFBBPs', and noted as an example of unsatisfactory practices that some regulated entities have not registered for goAML.
- 4.7. On or around 18 May 2020, PEP attempted to register on the goAML system. It received a notification from the FIU which stated:
- "Thank you for registering on the FIU goAML system. Your request has been given the following reference number: ..."*
- 4.8. However, PEP's registration was incomplete as it had failed to submit the required documents. Accordingly, on 18 May 2020, PEP's goAML registration application was rejected.



- 4.9. As set out in the Regulator's Notice No. 15 of 2019 dated 19 May 2019 (referenced in paragraph 4.6.a above), there are two stages to the goAML registration process. Relevant Persons are first required to pre-register to secure access to the goAML launch portal and then complete the registration by submitting the required documentary evidence.
- 4.10. On 19 May 2020, the Regulator's Financial Crime Prevention team sent an email to PEP's MLRO informing them that the required documents were not attached to PEP's goAML registration, with an explanation of what needed to be attached to ensure the registration was successful.
- 4.11. On 25 April 2023, PEP was subject to an onsite assessment during which it was informed that it had failed to register for goAML and that the matter had been referred to Enforcement.
- 4.12. On 8 May 2023, PEP was given a warning notice in which the Regulator proposed to take action against PEP for failing to register for goAML.
- 4.13. On 10 May 2023, PEP successfully registered on the goAML system.
- 4.14. On 14 July 2023, PEP was given a decision notice in which the Regulator made its decision to impose a financial penalty on PEP for its failure to register for goAML in the period from 27 June 2019 to 10 May 2023.
- 4.15. PEP's failure to complete its registration for goAML meant that from 27 June 2019 to 10 May 2023, PEP:
 - a. has not been connected to the FIU, and has not been able to report external SARs to the FIU, as required under AML Rule 14.3.1, in the form and manner which the FIU requires such reports to be submitted;
 - b. has not had any effective systems or means to make the necessary reports to the FIU since the discontinuation of the pre-goAML system on 26 June 2019; and
 - c. does not have any systems and controls to enable suspicious Persons and Transactions to be detected and reported.

Failure to maintain effective Anti-Money Laundering policies, procedures, systems and controls by failing to complete the registration for goAML

- 4.16. AML Rule 4.1.1(1) requires Relevant Persons to establish and maintain effective Anti-Money Laundering policies, procedures, systems and controls to prevent opportunities for money laundering in relation to the Relevant Person and its activities. AML 4.1.1(2) requires that a Relevant Person's Anti-Money Laundering policies, procedures, systems and controls must, among other things, ensure compliance with Federal AML Legislation and enable suspicious Persons and Transactions to be detected and reported.
- 4.17. As described in paragraph 4.6 above, PEP failed to complete its registration for goAML between 27 June 2019 and 10 May 2023 despite having been reminded to register on numerous occasions, as well as having been given ample time to do so.
- 4.18. PEP's failure to complete its registration for the goAML system has resulted in PEP not being connected to the FIU for a significant period of time, and not being able to report external SARs to the FIU, as required under AML Rule 14.3.1, in the form and manner which the FIU requires such reports to be submitted.



- 4.19. As a result, PEP did not have any effective systems or means to make the necessary reports to the FIU after the discontinuation of the pre-goAML system on 26 June 2019 until PEP completed its registration on 10 May 2023.
- 4.20. Accordingly, PEP has failed to establish and maintain effective Anti-Money Laundering policies, procedures, systems and controls, in contravention of AML Rule 4.1.1(1) as it could not report STRs and SARs as required by the FIU.

Failure to ensure policies, procedures and systems and controls are in compliance with Federal AML Legislation

- 4.21. AML Rule 4.1.1(2)(a) states that a Relevant Person's Anti-Money Laundering policies, procedures, systems and controls must ensure compliance with Federal AML Legislation.
- 4.22. The Federal Decree-law No. (20) of 2018 made it mandatory for all Relevant Persons, including DNFBPs, to report suspicious activities directly through any means approved by the FIU.
- 4.23. As set out above, from 27 June 2019 to 10 May 2023, PEP was unable to report suspicious activities as required by Federal AML Legislation.
- 4.24. Accordingly, PEP contravened AML Rule 4.1.1(2)(a) for failing to have policies, procedures, systems and controls that ensured compliance with Federal AML Legislation.

Failure to ensure policies, procedures and systems and controls are enabled for suspicious Persons and Transactions to be detected and reported

- 4.25. AML Rule 4.1.1(2)(b) states that a Relevant Person's AML policies, procedures, systems and controls must enable suspicious Persons and Transactions to be detected and reported.
- 4.26. As set out above, from 27 June 2019 until 10 May 2023, PEP did not have the required systems and controls to enable it to report suspicious Persons and Transactions to the FIU. PEP therefore breached AML Rule 4.1.1(2)(b).

Failure to be open and cooperative in all its dealings with the Regulator

- 4.27. AML Rule 4.7.1(a) requires that all Relevant Persons, including DNFBPs, be open and cooperative in all their dealings with the Regulator. As a DNFBP, PEP was therefore required under the AML Rules to be open and cooperative in all its dealings with the Regulator.
- 4.28. As set out in paragraph 4.6 above, the Regulator notified PEP on a number of occasions from May 2019 and to June 2021 of the requirement to register for the goAML system. In particular on 18 July 2019, 9 April 2020, 21 July 2020, 30 August 2020 and 13 September 2020, the Regulator specifically informed PEP that it was required to register for the goAML system. The Regulator also published six notices in the period from May 2019 to June 2021 regarding the requirement to register for the goAML system. Despite these general notices, and specific notifications to PEP, it failed to respond to the Regulator's communications regarding its registration for goAML until it received a warning notice on 8 May 2023.
- 4.29. Given the importance of registering for goAML, the Regulator considers that PEP should have taken all reasonable steps to respond fully and promptly to each of the Regulator's communications and reminders to complete its registration for goAML until 10 May 2023. However, PEP failed to do so and failed to complete its registration for goAML. PEP was specifically on notice of the Regulator's requirements to register for goAML yet, despite being aware, PEP failed to engage with the Regulator or respond by taking the required action.



4.30. The Regulator therefore considers that by failing to respond or take the required action, PEP failed to deal with the Regulator in an open and cooperative manner in contravention of AML Rule 4.7.1(a).

5. CONTRAVENTIONS

5.1. The Regulator is of the view that PEP has contravened the following AML Rules:

- a. 4.1.1(1) by failing to establish and maintain effective Anti-Money Laundering policies, procedures, systems and controls by failing to complete the goAML registration;
- b. 4.1.1(2)(a) by failing to have policies, procedures, systems and controls to ensure compliance with Federal AML Legislation;
- c. 4.1.1(2)(b) by failing to have policies, procedures, systems and controls that enabled suspicious Persons and Transactions to be detected and reported; and
- d. 4.7.1(a) for failing to be open and cooperative in all its dealings with the Regulator.

6. SANCTION

6.1. In deciding to impose a financial penalty on PEP, the Regulator has taken into account:

- a. the factors and considerations set out in sections 8.2 to 8.4 of the Regulator's Guidance & Policies Manual ("GPM"); and
- b. PEP's representations in this matter.

Decision to impose a financial penalty

6.2. With reference to section 8.2 of GPM, the Regulator considers the following factors to be of particular relevance in deciding to impose the financial penalty on PEP:

- a. 8.2.1(a) - the Regulator's objectives under section 1(3) of the Regulations, including to:
 - i. prevent, detect and restrain conduct that causes or may cause damage to the reputation of ADGM through appropriate means including the imposition of sanctions; and
 - ii. promote public understanding of the regulation of ADGM;
- b. 8.2.1(b) - the deterrent effect of the financial penalty and the importance of deterring other DNFBPs from committing similar contraventions;
- c. 8.2.1(c) – in terms of nature, seriousness, duration and impact of the contravention:
 - i. PEP's delay in completing its registration for goAML of approximately three (3) years and eleven (11) months;
 - ii. PEP was not connected to the FIU's goAML system and was not able to report suspicious transactions and activities to the FIU in the manner and form the FIU requires for a significant period of time;



- iii. PEP demonstrated disregard of the requirements of the FIU and of Federal AML Legislation;
 - iv. PEP did not have any means of reporting suspicious transactions and activities to the FIU for a prolonged period of time, i.e. from 27 June 2019 to 10 May 2023;
 - v. PEP did not have any systems and controls to enable suspicious Persons and Transactions to be detected and reported from 27 June 2019 to 10 May 2023;
 - vi. failure to register for the goAML system is indicative of poor governance within PEP.
- d. 8.2.1(k) - PEP failed to respond to numerous publications and reminders from the Regulator of its obligation to complete its registration for goAML.

Determination of the level of financial penalty

- 6.3. With reference to section 8,4 of GPM, the Regulator has taken into account the factors and considerations set out in the five-step framework in section 8.5 of GPM in determining the level of the financial penalty it has decided to impose:

Step 1: Disgorgement

- 6.4. This step is not considered to be relevant, as we do not see PEP deriving any financial benefit from the contraventions.

Step 2: The seriousness of the contraventions

- 6.5. The Regulator considers PEP's conduct in failing to complete its registration for goAML before 10 May 2023 to be serious because:
- a. PEP was not connected to the FIU's goAML system and it was therefore unable to report suspicious transactions and activities to the FIU in the manner and form the FIU required, and this failure has endured for an extended period of time;
 - b. PEP failed to comply with Federal AML Legislation for a considerable period of time, despite having been reminded of its obligations;
 - c. PEP's failure to ensure that it did not contravene AML requirements may be indicative of poor governance or weaknesses in its procedures, management systems or internal controls; and
 - d. PEP's failure to respond to the numerous reminders to register for goAML issued between 19 May 2019 and 17 June 2021 or take action on these reminders indicated that it had not been open and cooperative in all its dealings with the Regulator.

- 6.6. Taking the above factors into account, the Regulator considers that a financial penalty of US\$15,000 appropriately reflects the seriousness of the contraventions.

Step 3: Mitigating and aggravating factors

- 6.7. The Regulator considers that the following factors have a mitigating effect on the contraventions:
- a. PEP does not have any previous history of non-compliance with AML Rules; and



- b. PEP promptly took steps to complete its registration for goAML after it received a warning notice on 8 May 2023 informing it that the Regulator was proposing to take action for its failure to register for goAML; and
 - c. During the relevant period, PEP did not affect a sale involving receipt of payment in cash above the value of AED 55,000 and, as a result its failure exposed the ADGM to a lower level of risk.
- 6.8. The Regulator considers that the following factors have an aggravating effect on the contraventions:
- a. PEP was made aware of the requirement to register for goAML in May 2019 but failed to address the requirement for a significant period of time; and
 - b. PEP has failed to respond to numerous communications from the Regulator.
- 6.9. Having taken the above factors into account, the Regulator considers the mitigating and aggravating factors balance each other.
- 6.10. Accordingly, the figure after Step 3 is US\$15,000.

Step 4: Adjustment for deterrence

- 6.11. Section 8.5.9 of GPM provides that if the Regulator considers the level of the financial penalty that it has arrived at after Step 3 is insufficient to deter the firm that committed the contravention, or others, from committing further or similar contraventions, then the Regulator may increase the financial penalty. Section 8.5.9 of GPM sets out the circumstances in which the Regulator may do this.
- 6.12. In this instance, the Regulator considers that the figure arrived at after Step 3 is sufficient for the purposes of deterring PEP and others from committing further or similar contraventions. Accordingly, the Regulator does not consider it necessary to adjust the amount of the proposed fine arrived at after Step 3 for the purposes of deterrence.
- 6.13. Accordingly, the figure after Step 4 is US\$15,000.

Step 5: Adjustment for cooperation/early settlement

- 6.14. Where the Regulator and the firm on which the financial penalty is to be imposed come to an agreement on the amount of the financial penalty, section 8.5.10 of GPM provides that the amount of the financial penalty which might have otherwise been payable will be reduced to reflect the stage at which the agreement is reached.
- 6.15. The Regulator and PEP have reached an agreement on the relevant facts and matters relied on, the regulatory action to be taken and the financial penalty to be imposed. Having regard to the stage at which this agreement has been reached and in recognition of the benefit of this agreement, the Regulator has applied a 10% discount to the level of the financial penalty which it would otherwise have imposed.
- 6.16. Accordingly, the figure after Step 5 is US\$13,500.



PEP's written representations

- 6.17. On 8 May 2023, the Regulator gave PEP a warning notice in which it proposed to impose on PEP a financial penalty of US\$26,000 on the basis of the facts and matters set out above.
- 6.18. PEP was provided with an opportunity to make written representations regarding the Regulator's concerns and the action proposed.
- 6.19. On 8 May 2023, PEP provided written representations via email ("Representations") to the Regulator that it believed it had registered for goAML in May 2020. It was therefore surprised to learn on 25 April 2023 (see paragraph 4.11 above) that it was not registered.
- 6.20. PEP also made representations that cash transactions in its store were very limited and it did not sell any item above the value of AED 55,000 (i.e., equivalent to US\$15,000, which is the threshold for a dealer of a saleable item to be classified as a DNFBP), and it had very limited transactions in jewellery with an average price of less than AED 10,000. PEP also shared its updated policies and 'customer due diligence' (CDD) form with the Regulator.
- 6.21. PEP therefore asked the Regulator to reconsider the action proposed against it.
- 6.22. On 14 July 2023, the Regulator gave PEP a decision notice in which it decided to impose on PEP a financial penalty.
- 6.23. On 27 July 2023, PEP provided further written representations to the Regulator to settle this matter. PEP stated that it has never sold any item in cash above AED 55,000 and requested that the Regulator reconsider its financial penalty against PEP.

Consideration

- 6.24. The Regulator has considered the facts and circumstances of this matter and taken PEP's Representations into consideration as set out below.
- 6.25. As set out in paragraph 4.7 above, PEP attempted to register for goAML on 18 May 2020. This was in any event after the initial deadline of 20 June 2019. While PEP may have been under the mistaken belief it had successfully registered for goAML, it had in fact only completed the first stage and it had failed to submit the required documentation. The Regulator informed PEP of this on 19 May 2020. Despite this, and the other reminders sent subsequently as set out in paragraph 4.6 above, PEP failed to complete its registration until 10 May 2023. Accordingly, the Regulator does not consider this to have a material bearing on its decision to take the action set out in this Notice.
- 6.26. Further, the Regulator does not consider PEP's claim that it has only limited cash transactions and does not sell any single item above the value of AED 55,000 to be relevant. The fact remains that PEP is a Relevant Person and registered as a DNFBP. Having voluntarily registered as a DNFBP with the ADGM RA, PEP is required to register for goAML which it failed to do. Accordingly, the Regulator expects all entities to register for goAML and to have systems and controls in place to avoid contraventions of its Rules and Regulations. Further, it is PEP's and its MLRO's responsibility to ensure that:
 - a. it is in compliance with Federal Anti-Money Laundering legislation;
 - b. PEP maintains effective Anti-Money Laundering policies, procedures, systems and controls; and



- c. its policies, procedures, systems and controls are enabled for suspicious Persons and Transactions to be detected and reported.

6.27. The Regulator does, however, recognise the prompt steps taken by PEP to complete its registration for goAML after it received the Warning Notice on 8 May 2023.

The level of the financial penalty

6.28. Given the factors and considerations set out above, the Regulator has determined that it is proportionate and appropriate to propose to impose on PEP a financial penalty of US\$13,500 for the alleged contraventions.

7. PROCEDURAL MATTERS

Settlement

7.1. The Regulator and PEP have reached an agreement on the relevant facts and matters relied on, the regulatory action to be taken and the financial penalty to be imposed. In agreeing to the action set out in this Final Notice and deciding to settle this matter, PEP has agreed not to refer this matter to the Appeals Panel.

Payment of financial penalty

7.2. The financial penalty imposed by this Final Notice is to be paid by PEP on or before 11 September 2023.

7.3. Payment of the financial penalty is to be made by electronic funds transfer according to the instructions set out in the table below:

Account Name	[REDACTED]
Account Number	[REDACTED]
IBAN Number	[REDACTED]
Account Type	[REDACTED]
Bank Name	[REDACTED]
Swift Code	[REDACTED]
Reference	[REDACTED]

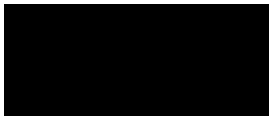
7.4. In the event that any part of the financial penalty remains outstanding on the date by which it must be paid, then the Regulator may recover the outstanding amount of the financial penalty as a debt owed by PEP and due to the Regulator.



Publicity

- 7.5. As this Final Notice has now been given to PEP, pursuant to section 252(3) of the Regulations the Regulator may publish the details about the matter at its discretion. Pursuant to section 252(4) of the Regulations, a person to whom a notice is given may not publish the notice or any details concerning it unless the Regulator has published the notice or those details in accordance with section 252(3).
- 7.6. The Regulator will publish on its website:
- a. This Final Notice (not including Annexure A); and
 - b. Subject to section 252(5) of the Regulations, a press release in a form and manner the Regulator considers appropriate.

Signed:



Emmanuel Givanakis
Chief Executive Officer
Financial Services Regulatory Authority