

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

To: **Pyypl Ltd**  
Office no. 207  
14, Al Sarab Tower  
Abu Dhabi Global Market Square  
Al Maryah Island  
Abu Dhabi  
United Arab Emirates

Date: 27 September 2023

**1. DECISION**

- 1.1. For the reasons given in this Notice, the Financial Services Regulatory Authority (the “Regulator”) has decided to impose on Pyypl Ltd (“Pyypl”) a financial penalty of US\$486,000 under section 232 of the *Financial Services and Markets Regulations 2015* (the “Regulations”).
- 1.2. Pyypl agreed to settle this matter at an early stage of the Regulator’s enquiry and action in this matter. The Regulator has therefore exercised its discretion to apply a 20% discount to the financial penalty under the Regulator’s policies for early settlement. Were it not for this discount, the Regulator would have imposed a financial penalty of US\$607,500 on Pyypl.
- 1.3. The Regulator acknowledges that Pyypl and its senior management have cooperated fully with the Regulator’s enquiry and action. Subject to final verification by the Regulator, Pyypl has remediated the issues and deficiencies referenced in this Notice, including obtaining an independent third-party report to conduct, among other things, a gap analysis of its policies, systems and controls against the Regulator’s AML and Federal AML requirements.

**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 extracts from 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, over the period from 28 March 2021 to 15 June 2022 (the “Relevant Period”), Pyypl failed to establish and maintain adequate anti-money laundering policies, procedures, systems and controls to prevent opportunities for money laundering in relation to its activities. In particular, the Regulator found that Pyypl failed to:
- a. ensure that its policies, procedures, systems and controls were adequate to ensure compliance with both the Anti-Money Laundering and Sanctions Rules and Guidance Rulebook (“AML Rules”) and Federal AML Legislation;
  - b. review the effectiveness of its Anti-Money Laundering (“AML”) policies, procedures, systems and controls at least annually and to ensure that regular risk assessments of the adequacy of its Anti-Money Laundering policies, procedures, systems and controls were undertaken;
  - c. adequately identify and assess the money laundering risks to which its business is exposed, taking into account the changes to the size and complexity of its activities;
  - d. ensure adequate Senior Management oversight of the operation and effectiveness of its AML systems and of regular management information on the operation and effectiveness of its Anti-Money Laundering policies, procedures, systems and controls.
  - e. adequately identify, assess and consider the intended nature of the customers’ relationship, by not obtaining and assessing expected payment volumes (i) as part of its risk-based assessment of its customers; and (ii) when undertaking Customer Due Diligence (“CDD”);
  - f. adequately identify, assess and consider all of its products when undertaking a risk-based assessment of its customers;
  - g. obtain and verify its customers’ residential address in undertaking CDD;
  - h. provide to the Regulator any semi-annual Money Laundering Reporting Officer’s (“MLRO”) reports since its Financial Services Permission (“FSP”) was varied on 28 March 2021; and
  - i. maintain policies, procedures, systems, and controls to monitor and detect suspicious activity or Transactions which were adequate in light of the nature, scale and complexity of the business.
- 3.2. In doing so, Pyypl contravened a number of specific AML requirements as set out in this Notice.
- 3.3. The Regulator did not identify any specific instances of money laundering in Pyypl’s business during the Relevant Period.
- 3.4. In addition, the Regulator has decided to take the action set out in this Notice because it found that Pyypl carried on the Regulated Activity of Insurance Intermediation in the ADGM over the period from around May 2021 to around November 2022, without having obtained the necessary Financial Services Permission.
- 3.5. In doing so, Pyypl contravened section 17(1) of the Regulations as set out in this Notice.

## **4. FACTS AND MATTERS RELIED ON**

### **Background**

- 4.1. Pyypl was registered with the Abu Dhabi Global Market (“ADGM”) Registration Authority as a private company limited by shares on 21 January 2018.
- 4.2. On 29 January 2018, Pyypl was authorised to conduct the Regulated Activity of Developing Financial Technology Services within the RegLab, a specially-tailored regulatory framework which provides a controlled environment for FinTech participants to develop and test innovative FinTech solutions. Pyypl was then a “start up” Fintech company which provided money services from its place of business in the ADGM subject to certain restrictions.
- 4.3. On 28 March 2021, Pyypl “graduated” from the RegLab, when the Regulator varied its Financial Services Permission by permitting Pyypl to undertake the Regulated Activity of ‘Providing Money Services’.
- 4.4. Pyypl provides money services, using blockchain and other technologies, in the form of pre-paid cards and payment facilities to individuals. Pyypl provides its customers with both physical and virtual prepaid cards, and inter-customer and international money transfers.
- 4.5. Pyypl provides its services exclusively to customers who are individuals residing outside sanctioned countries or territories. During the Relevant Period, Pyypl’s total transaction volumes were on average less than US\$10 million per month, with an average transaction value of approximately US\$75.
- 4.6. Pyypl is a wholly owned subsidiary of a holding company domiciled in the British Virgin Islands.

### **Regulator Review**

- 4.7. In June 2022, the Regulator conducted a review (the “Review”) of the effectiveness of Pyypl’s AML, Combating the Financing of Terrorism (“CFT”) and Targeted Financial Sanctions (“TFS”) policies, procedures, and systems and controls over the Relevant Period.
- 4.8. The Review involved discussions with senior management and staff, and inspection of Pyypl’s documents to assess these key areas.
- 4.9. On 1 July 2022, a meeting was held between the Regulator and Pyypl, at which the Regulator’s preliminary findings of the Review were discussed.
- 4.10. On 25 July 2022, the Regulator provided Pyypl with a draft ‘Report: Draft Findings and Remedial Actions’ (the “Draft Report”) for confirmation of factual accuracy and comment.
- 4.11. On 1 August 2022, Pyypl provided the Regulator with its comments on the Draft Report (the “Response”).
- 4.12. On 12 August 2022, the Regulator sent the final version of the ‘Report: Findings and Remedial Actions’ (the “Report”) to Pyypl. The Report set out the Regulator’s findings from the Review, including concerns regarding Pyypl’s AML/CFT and TFS policies and procedures, systems and controls and set out a number of measures to be undertaken by Pyypl to remediate its AML/CFT and TFS practices.

- 4.13. One of the remedial actions Pyypl was required to undertake was to appoint an appropriately skilled person to conduct an independent review of the effectiveness of its AML/CFT and TFS framework.
- 4.14. In September 2022, Pyypl engaged an independent third party (“Independent Third Party”) to undertake an independent review.
- 4.15. On 30 November 2022, a copy of the report from the Independent Third Party was provided to the Regulator (“the “Independent Third Party Report”). The Independent Third Party Report covered a review of Pyypl’s compliance with the Regulator’s AML Rules for the period from 1 October 2021 to 30 September 2022. The Independent Third Party Report identified a number of concerns regarding Pyypl’s AML/CFT and TFS policies and procedures, systems and controls.
- 4.16. On the same day, Pyypl also provided to the Regulator a copy of an Internal Audit Report (the “Internal Audit Report”) dated 7 November 2022. The Internal Audit Report set out the findings of an internal audit review of the effectiveness of Pyypl’s AML/CTF function for the period from January 2021 to June 2022. This internal audit review was in progress at the time of the Regulator’s Review. The Internal Audit Report identified a number of weaknesses in Pyypl’s AML/CFT and TFS policies and procedures, systems and controls.

**Failure to establish and maintain effective Anti-Money Laundering policies, procedures, systems and controls**

- 4.17. AML Rule 4.1.1(1) states that a Relevant Person must establish and maintain effective AML policies, procedures, systems and controls to prevent opportunities for money laundering, in relation to the Relevant Person and its activities.
- 4.18. AML Rule 4.1.1(2) requires that a Relevant Person’s AML policies, procedures, systems and controls must:
  - a. ensure compliance with Federal AML Legislation (AML Rule 4.1.1(2)(a)); and
  - b. ensure compliance with the Relevant Person’s obligations under AML (AML Rule 4.1.1(2)(d)).
- 4.19. AML Rule 4.1.1(4) requires Relevant Persons to review the effectiveness of its AML policies, procedures, systems and controls at least annually.
- 4.20. The Regulator’s Review found that the AML policies and procedures maintained by Pyypl were inadequate to ensure compliance with both the Regulator’s AML Rules and Federal AML Legislation. In particular, the Regulator found that:
  - a. the Board of Pyypl Group adopted the AML/CFT/Sanctions policy (version 7) on 20 November 2019 (“AML Policy”). However, the AML Policy had not been updated since that date, even following the firm’s graduation from the RegLab in March 2021, following which the scale of activities of Pyypl changed materially;
  - b. the AML Policy maintained by Pyypl did not adequately consider AML Rules and requirements in relation to Regulatory Reporting, the role and responsibilities of the MLRO and compliance monitoring;
  - c. the AML Policy maintained by Pyypl did not adequately consider all applicable AML Rules and Federal AML Legislation requirements, including:

- i. UAE National Money Laundering and Terrorist Financing Risk Assessment updated report of 2019, in accordance with the Regulator's Notice 'FSRA – FCPU Notice No. 18 of 2019 – UAE Updated National Risk Assessment (NRA) for 2019' which was shared with Pyypl on 14 June 2021; and
  - ii. certain aspects of the Cabinet Resolution No. 74 of 2020.
- d. the AML procedures maintained by Pyypl, which were maintained in the form of a technical manual which supplemented Pyypl's AML Policy, were too high level and did not adequately cover key AML requirements. In addition, the AML procedures manual maintained by Pyypl was incomplete in certain areas, in that it contained several areas that had been highlighted with a note to "*fill in*".
- 4.21. The Independent Third Party Report also found that Pyypl's AML policies and procedures were deficient in that they only set out AML processes and controls at a very high level and failed to include a number of key AML requirements under Regulator's AML Rules and Federal AML Legislation.
- 4.22. In addition, the Internal Audit Report found no evidence in support of the results of the review required under AML Rule 4.1.1(4) of the effectiveness of Pyypl's AML policies, procedures, systems and controls, which was required to be performed at least annually. The Internal Audit Report also found that Pyypl's AML Policy required it to be reviewed every two years, which was inconsistent with the annual review required under AML Rule 4.1.1(4).
- 4.23. Accordingly, the Regulator considers that Pyypl has contravened:
- a. AML Rule 4.1.1(1), AML Rule 4.1.1(2)(a) and (d) for failing to establish and maintain effective AML policies, procedures, systems and controls that were adequate to ensure compliance with the Regulator's AML requirements and Federal AML Legislation; and
  - b. AML Rule 4.1.1(4) for failing to review the effectiveness of its AML policies, procedures, systems and controls at least annually.

**Failure to take appropriate steps to identify and assess money laundering risks to which its business was exposed**

- 4.24. AML Rule 6.1.1 requires that a Relevant Person must:
- a. take appropriate steps to identify and assess money laundering risks to which its business is exposed, taking into consideration the nature, size and complexity of its activities;
  - b. when identifying and assessing the risks in (a), take into account, to the extent relevant, any vulnerabilities relating to:
    - i. its type of customers and their activities;
    - ii. the countries or geographic areas in which it does business;
    - iii. its products, services and activity profiles;
    - iv. its distribution channels and business partners;

- v. the complexity and volume of its Transactions;
  - vi. the development of new products and business practices including new delivery mechanisms, channels and partners;
  - vii. the use of new or developing technologies for both new and pre-existing products and services; and
- c. take appropriate measures to ensure that any risk identified as part of the assessment in (a) is taken into account in its day-to-day operations and is mitigated, including in relation to:
- i. the development of new products;
  - ii. the taking on of new customers; and
  - iii. changes to its business profile.
- 4.25. In addition, AML Rule 4.5.3 requires a Relevant Person to document, and provide to the Regulator immediately the risk assessment of its business as required under AML Rule 6.1.1.
- 4.26. The Regulator's Review found that Pyypl had not conducted a Business Risk Assessment since 15 December 2020. Given the nature, scale and complexity of Pyypl's business, and the material change to the scale of its business activities following the variation of its FSP on 28 March 2021, an updated Business Risk Assessment should have been undertaken by Pyypl. Further, the Regulator found that the Business Risk Assessment undertaken by Pyypl in December 2020 was inadequate in that it failed to take into consideration the UAE National Money Laundering and Terrorist Financing Risk Assessment updated Report of 2019, as per 'FSRA – FCPU Notice No. 18 of 2019'.
- 4.27. In addition, the Internal Audit Report identified that, during the period relevant to its review:
- a. the Business Risk Assessment was inadequate and was not documented by Pyypl; and
  - b. no assessment of the vulnerabilities relating to customers (new and pre-existing), related countries or geographic areas, products, services and activity profiles, its distribution channels and business partners, the complexity and volume of its transactions the use of new or developing technologies for both new and pre-existing products and services had been documented by Pyypl.
- 4.28. Accordingly, the Regulator considers that Pyypl has contravened AML Rule 6.1.1 by failing to:
- a. take appropriate steps to identify and assess money laundering risks to which its business is exposed, taking into consideration the nature, size and complexity of its activities;
  - b. take into account the vulnerabilities relating to its business activities; and
  - c. take appropriate measures to ensure that all risks identified as part of the assessment in (a) was taken into account in its day-to-day operations and was mitigated.

**Failure to adequately identify, assess and consider the intended nature of the customers' relationships prior to establishing a business relationship**

- 4.29. As an Authorised Person and Relevant Person for the purposes of AML, Pyypl was required by:
- a. AML Rule 7.1.1(3)(b), to identify, assess and consider, among other things, the purpose and intended nature of the business relationship, and the nature of the customer's business when undertaking a risk-based assessment of the customer; and
  - b. AML Rule 8.3.1(1)(c), to assess and understand and, as appropriate, obtain information on the purpose and intended nature of the business relationship when undertaking CDD for a customer.
- 4.30. However, the Regulator found that, at the customer on-boarding stage, Pyypl had failed to adequately identify, assess, and consider the intended nature of the business relationship, in that it did not obtain information on the expected volumes of business of all its customers. By failing to identify the expected volumes of transactions of its customers at the time of onboarding, Pyypl did not have a baseline from which to monitor its customers' activities.
- 4.31. In addition, Pyypl had also failed to adequately assess and understand the intended nature of the business relationship when undertaking CDD for its customers, in that it failed to obtain information on the expected volumes of business of all of its customers. During 2021, Pyypl had 16,210 customers, of which 640 were Assessed High Risk Customers. In 2022, Pyypl had 215,687 customers
- 4.32. The Regulator therefore considers that Pyypl contravened AML Rules 7.1.1(3)(b) and 8.3.1(1)(c).

**Failure to adequately identify, assess and consider the relevant product when undertaking a risk-based assessment of its customers**

- 4.33. AML Rule 7.1.1(3)(e) requires Relevant Persons to adequately identify, assess and consider the relevant product, service or Transaction when undertaking a risk-based assessment of a customer and its Beneficial Owners.
- 4.34. As mentioned in paragraph 4.4 above, Pyypl offers various types of services to its customers, including but not limited to, cross border remittances, peer to peer local and international transfers, prepaid virtual and physical cards.
- 4.35. During the Review, Pyypl confirmed that product type was not a factor that was included in its customer risk rating.
- 4.36. Accordingly, the Regulator considers that Pyypl has contravened AML Rule 7.1.1(3)(e).

**Failure to obtain and verify customers' residential address in undertaking CDD**

- 4.37. An Authorised Person is required by AML Rule 8.1.1(a) to undertake CDD (and, if applicable, EDD) on its customers. Under AML Rule 8.2.1, an Authorised Person must fulfil its CDD (and where applicable EDD) obligations before it undertakes or is involved in the provision of a service to the customer.
- 4.38. AML Rule 8.3.2(1) requires Pyypl to identify and verify its customer's identity as part of its CDD on its customers.

- 4.39. AML Rule 8.3.2(2) requires Pyypl to obtain and verify its customer's current residential address, where the customer is a natural person.
- 4.40. As part of the Review, the Regulator conducted a detailed review of Pyypl's files and identified that Pyypl had failed to obtain and verify the residential address of all of its customers at the time of onboarding.
- 4.41. In addition:
- a. the Independent Third Party Report also identified that Pyypl had failed to obtain and verify the residential address of its customers based on a review of thirty (30) client relationships reviewed by the Independent Third Party; and
  - b. the Internal Audit Report identified that the customer identification process applied by Pyypl did not include collection of current residential address information.
- 4.42. Pyypl did apply alternative measures to identify the location and domicile of its clients, such as geolocation using GPS, ID tracking and mobile number. The Regulator considers that, whilst the application of these measures was prudent in the circumstances, they were not substitutes to the requirement to obtain and verify the residential address of each of its clients.
- 4.43. Accordingly, the Regulator found from the Review that Pyypl had failed to adequately identify and verify the residential address of all of its customers.
- 4.44. The Regulator therefore considers that Pyypl has contravened AML Rule 8.3.2(2).

**Inadequate policies, procedures, systems, and controls to monitor and detect suspicious activity or Transactions**

- 4.45. AML Rule 14.2.1 requires a Relevant Person 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.
- 4.46. The Regulator's Review found Pyypl's policies, procedures, systems, and controls to monitor and detect suspicious activity or Transactions to be inadequate. In particular, the Regulator identified during the Review that:
- a. Pyypl had not reviewed the parameters it used in its transaction monitoring system to detect suspicious activity or Transactions for over two (2) years and that it had not had an independent assessment of the effectiveness of its transaction monitoring function undertaken;
  - b. Pyypl's process for transaction monitoring was over reliant on the manual review of all transaction alerts (of approximately 50-60 transactions a day) which, in the absence of effective guidance and procedures to identify suspicious transactions, could give rise to an inconsistent approach; and
  - c. Pyypl's policies and procedures concerning Transaction Monitoring and Suspicious Activity Reporting was at too high a level and did not reference the Regulator's and Federal AML requirements, and did not adequately cover the approach to transaction monitoring, external reporting of suspicious activity or transactions, the roles and responsibilities of employees in the transaction monitoring process and reporting via the GoAML System. In addition, as



referred to in paragraph 4.20.a above, Pyypl's AML Policy (version 7) had not been reviewed and updated since 2019.

- 4.47. The Independent Third Party Report also identified that Pyypl's AML policies and procedures in relation to transaction monitoring were deficient in that they did not include Pyypl's transaction monitoring process.
- 4.48. Further, during the Review, the Regulator identified two (2) incidents which were potentially suspicious but there was no evidence that further enquiries were made by Pyypl or reported internally as potential suspicious activity.
- 4.49. Accordingly, the Regulator considers that Pyypl has contravened AML Rule 14.2.1.

#### **Failure to provide semi-annual MLRO reports to the Regulator**

- 4.50. AML Rule 12.4.3 requires Relevant Persons to provide to the Regulator a copy of its semi-annual reports provided to its Senior Management on the Relevant Person's compliance with AML laws, including the AML Rules, and a copy of the assessment and any action taken by Senior Management to identify any identified deficiencies.
- 4.51. The Regulator's review found that Pyypl had not submitted any semi-annual MLRO reports to the Regulator since its FSP was varied on 28 March 2021.
- 4.52. Further, the Internal Audit Report identified, among other things, that:
  - a. no formal MLRO reports have been provided by Pyypl to the Internal Auditor during its review and that, instead, a generic AML dashboard without adequate recording of analysis, conclusions or deficiencies identified had been provided for the period from January to June 2022; and
  - b. no validation or review of the AML dashboard by Senior Management was evident.
- 4.53. Pyypl confirmed in its AML Return dated 28 April 2022 that it had not submitted its semi-annual reports to the Regulator.
- 4.54. The Regulator therefore considers that Pyypl has contravened AML Rule 12.4.3.

#### **Failure to demonstrate the provision to Senior Management of regular management information on the operation and effectiveness of its Anti-Money Laundering systems and controls**

- 4.55. AML Rule 6.2.1(b)(i) requires Relevant Persons to ensure that its systems and controls include the provision to Senior Management of regular management information on the operation and effectiveness of its AML systems and controls to prevent opportunities for money laundering in relation to the Relevant Person and its activities.
- 4.56. During the Review, whilst Pyypl had stated that it held regular senior management meetings with agendas that included the effectiveness of its AML systems and controls, the Regulator found a lack of documentary evidence of Pyypl's Senior Management having received and considered information concerning the effectiveness of Pyypl's AML systems and controls on a regular basis.

- 4.57. Similarly, the Internal Audit Report identified that ‘No Minutes are kept for discussion of AML risk assessment at Governing Body Meetings’, which also indicates that lack of provision to Senior Management of regular management information on the operation and effectiveness of Pyypl’s AML systems and controls.
- 4.58. Accordingly, the Regulator considers that Pyypl has contravened AML Rule 6.2.1(b)(i).

#### **Conducting Insurance Intermediation activities without a Financial Services Permission**

- 4.59. Section 17(1) of the Regulations provides that an Authorised Person must not carry on a Regulated Activity in ADGM, or purport to do so, otherwise than in accordance with an FSP.
- 4.60. In the period from May 2021 to November 2022, Pyypl enrolled a total of 1,956 of its customers into a Group Personal Accident Insurance Scheme from a third party provider through its Pyypl Application. The enrolment was conducted on a voluntary basis by the customer who had to be an active Pyypl customer resident in the UAE, and the product offered a lump sum benefit for Accidental Death and Permanent Total Disability (due to an accident).
- 4.61. Pyypl made arrangements for its customers to buy contracts of insurance, in particular:
- a. Pyypl’s customers had to agree to the insurance policy by signing up to the policy through the Pyypl Application, website or customer care champion;
  - b. Pyypl had to send records or details of its customers who had signed up to the Policy or cancelled their cover once a day to the third party provider; and
  - c. Pyypl negotiated the terms of coverage and amended its master policy to include its customers.
- 4.62. By doing so, Pyypl conducted the Regulated Activity of Insurance Intermediation as defined in paragraph 33(2) of Schedule 1 of the Regulations, which Pyypl was not allowed to do without authorisation to carry on such activity.
- 4.63. As mentioned in paragraph 4.3 above, under its FSP, Pyypl has only been authorised to conduct the Regulated Activity of Providing Money Services, and not Insurance Intermediation. Pyypl therefore contravened section 17(1) of the Regulations by carrying on a Regulated Activity outside the scope of its FSP.

#### **Remediation undertaken by Pyypl**

- 4.64. Since becoming aware of the Regulator’s concerns identified by the Review, Pyypl undertook a remediation programme to address the various issues that had been identified. That remediation process has been completed, subject to the Regulator’s verification and the completion of an independent skilled person review.
- 4.65. The Regulator acknowledges Pyypl’s co-operation and the steps that Pyypl has taken to remediate each of the issues and deficiencies to date set out in this Final Notice.

## **5. CONTRAVENTIONS**

- 5.1. The Regulator has found that during the Relevant Period, Pyypl contravened the following Rules and Regulations:
- a. AML Rule 4.1.1(1) and AML Rule 4.1.1(2)(a) and (d) for failing to ensure that its Anti-Money Laundering policies, procedures, systems and controls were adequate to ensure compliance with both the Regulator's AML Rules and Federal AML Legislation;
  - b. AML Rule 4.1.1(4) for failing to review the effectiveness of its AML policies, procedures, systems and controls at least annually;
  - c. AML Rule 6.1.1 for failing to take appropriate steps to document money laundering risks to which its business is exposed, take into account the vulnerabilities of its business activities;
  - d. AML Rule 6.2.1(b)(i) for failing to ensure that its systems and controls include the provision to its Senior Management of regular management information on the operation and effectiveness of its AML systems and controls;
  - e. AML Rule 7.1.1(3)(b) for failing to identify, assess and consider the purpose and intended nature of the business relationship, and the nature of the customer's business when undertaking a risk-based assessment of the customer;
  - f. AML Rule 7.1.1(3)(e) for failing to adequately identify, assess and consider all relevant products when undertaking a risk-based assessment of its customers;
  - g. AML Rule 8.3.1(1)(c) for failing to obtain information on the purpose and intended nature of the business relationship when undertaking CDD for a customer;
  - h. AML Rule 8.3.2(2) for failing to obtain and verify the residential address of its customers in undertaking CDD;
  - i. AML Rule 12.4.3 for failing to provide to the Regulator any semi-annual MLRO reports;
  - j. AML Rule 14.2.1 for failing to establish and maintain adequate policies, procedures, systems and controls in order to monitor and detect suspicious activity or Transactions; and
  - k. section 17(1) of the Regulations for carrying on the Regulated Activity of Insurance Intermediation in the ADGM without the appropriate Financial Services Permission.

## **6. SANCTION**

- 6.1. In deciding to impose a financial penalty on Pyypl, the Regulator has taken into account the factors and considerations set out in sections 8.2 to 8.5 of the Regulator's Guidance & Policies Manual ("GPM").

### **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 Pyypl:
- a. 8.2.1(a) - the Regulator's objectives under section 1(3) of the Regulations to:

- i. foster and maintain confidence in the ADGM;
  - ii. prevent, detect and restrain conduct that causes or may cause damage to the reputation of ADGM through appropriate means including the imposition of sanctions;
  - iii. promote public understanding of the regulation of ADGM; and
  - iv. promote the safety and soundness of Authorised Persons.
- b. 8.2.1(b) - the deterrent effect of the penalty and the importance of deterring other Authorised Persons from committing similar contraventions;
- c. 8.2.1(c) – in terms of nature, seriousness, duration and impact of the contravention:
- i. the totality of Pyypl's failures is indicative of inadequate governance;
  - ii. the various AML related contraventions lasted at least for a period of approximately one (1) year and three (3) months, and the contraventions related to Pyypl's carrying on of the Regulated Activity of Insurance Intermediation outside of the scope of its FSP lasted for a period of approximately one (1) year and six [6] months; and
  - iii. the contraventions revealed weaknesses of Pyypl's management systems or internal controls relating to its business.
- d. 8.2.1(k) – Pyypl has not acted fully in accordance with the Regulator's guidance and other publications.

#### **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 and it has decided to impose:

##### *Step 1: Disgorgement*

- 6.4. This step is not considered to be relevant, as the Regulator did not find that Pyypl derived any financial benefit from the contraventions.

##### *Step 2: The seriousness of the contraventions*

- 6.5. The Regulator considers Pyypl's conduct to be serious because:
- a. Pyypl's failure to perform adequate customer risk assessments and CDD affected all of its 16,210 customers and occurred over a period of approximately one (1) year and three (3) months;
  - b. Pyypl's carrying on of the Regulated Activity of Insurance Intermediation outside the scope of its FSP occurred over a period of approximately one year and six months and involved 1,956 clients;

- c. Pyypl's numerous contraventions is indicative of systemic compliance failures, poor governance and weaknesses in its procedures, management systems or internal controls; and
  - d. Pyypl's failures in relation to AML requirements could have exposed the ADGM to an increased risk of money laundering or financial crime.
- 6.6. However, the Regulator acknowledges that Pyypl's Insurance Intermediation activities which breached section 17(1) of the Regulations does not appear to have resulted in any customer detriment.
- 6.7. Taking the above factors into account, the Regulator considers that a financial penalty of US\$675,000 appropriately reflects the seriousness of the contraventions. This amount comprises a financial penalty of US\$600,000 for the contraventions of AML requirements (at paragraph 5.1(a) to (j) above) and a financial penalty of US\$75,000 for the contravention of section 17 of the Regulations.

*Step 3: Mitigating and aggravating factors*

- 6.8. The Regulator considers that the following factors have a mitigating effect on the contraventions:
- a. Pyypl does not have any previous history of non-compliance with AML Rules;
  - b. Pyypl cooperated with the Regulator at all times, including by engaging the Independent Third Party to produce the Independent Third Party Report; and
  - c. Pyypl commenced its remedial actions upon being informed of the contraventions by the Regulator and has now completed its remedial actions (subject to verification by the Regulator).
- 6.9. The Regulator considers that the following factors have an aggravating effect on the contraventions:
- a. Pyypl's failure to perform adequate customer risk assessments and CDD related to all of its customers; and
  - b. the Regulator's findings revealed systemic weaknesses and governance shortcomings by Pyypl during the Relevant Period.
- 6.10. Having taken the above factors into account, the Regulator considers that the mitigating factors outweigh the aggravating factors, and therefore has applied a 10% discount to the level of the financial penalty which it would have otherwise imposed.
- 6.11. Accordingly, the figure after Step 4 is US\$607,500.

*Step 4: Adjustment for deterrence*

- 6.12. Section 8.5.9 of GPM provides that if the Regulator considers the level of the financial penalty which 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.

6.13. In this instance, the Regulator considers that the figure arrived at after Step 3 is sufficient for the purposes of deterring Pyypl and others from committing further or similar contraventions. Accordingly, the Regulator does not consider it necessary to adjust the amount of the fine arrived at after Step 3 for the purposes of deterrence.

6.14. Accordingly, the figure after Step 4 is US\$607,500.

*Step 5: Adjustment for cooperation/early settlement*

6.15. 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.

6.16. The Regulator and Pyypl 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 20% discount to the level of the financial penalty which it would have otherwise imposed.

6.17. Accordingly, the figure after Step 5 is US\$486,000.

**The level of the financial penalty**

6.18. Given the fact and matters set out above and all the circumstances, the Regulator has determined that it is proportionate and appropriate to impose on Pyypl a financial penalty of US\$486,000.

**7. PROCEDURAL MATTERS**

**Settlement**

7.1. The Regulator and Pyypl 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, Pyypl 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 Pyypl on or before **30 days from the date of this Notice**, unless varied or otherwise agreed by the Regulator.

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 Pyypl and due to the Regulator.

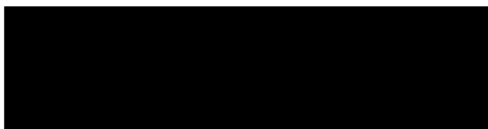
**Publicity**

7.5. As this Final Notice has now been given to Pyypl, 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, Pyypl is not permitted to 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:



Financial Services Regulatory Authority