

# Patterns of Abusing Financial Institutions in Drug Trafficking and Laundering its Proceeds

***#“Join us to stop it”***

A Strategic Analysis Report

August 2023

UAE Financial Intelligence Unit – P.O.Box 854, Al Karamah Street – International

Tower, Abu Dhabi.

Phone No: +97126919955

Email address: [uaefiu@uaefiu.gov.ae](mailto:uaefiu@uaefiu.gov.ae)



## Disclaimer

All findings and contents of this report are the property of the United Arab Emirates Financial Intelligence Unit (UAEFIU) or the concerned entities credited as the provider of the data employed in this document. You may not reproduce, distribute, duplicate, alter, create derivative works, or make any modification in any form to exploit or change this document's content and identity.

For any enquiries regarding this document, please contact [rsas@uaefiu.gov.ae](mailto:rsas@uaefiu.gov.ae).

## TABLE OF CONTENTS

LIST OF ACRONYMS.....	iv
EXECUTIVE SUMMARY .....	i
INTRODUCTION.....	1
OBJECTIVE.....	3
METHODOLOGY .....	3
BACKGROUND.....	4
OVERVIEW OF THE RELEVANT DATA AND INFORMATION UNDERLYING THE ANALYSIS .....	7
1. Relevant data and information available within the UAEFIU databases.....	7
1.1. Analysis of STRs and SARs reported through goAML.....	7
1.2. Analysis of information available from international cooperation .....	10
1.3. Analysis of cases and information available from IEMS.....	10
2. Challenges and other observations related to the reviewed data and information.....	11
IDENTIFIED TYPOLOGIES AND PATTERNS.....	12
1. The abuse of bank accounts in drug trafficking and money laundering.....	12
2. The abuse of MSBs in drug trafficking and money laundering .....	14
3. The abuse of legal persons in drug trafficking and money laundering .....	14
4. A potential link between TBML techniques and legal entities involved in drug trafficking ..	16
5. Laundering the proceeds of drug trafficking through real estate.....	16
6. Potential pattern of employing virtual assets in drug trafficking and money laundering ....	17
DEVELOPED RISK INDICATORS .....	19
CASE EXAMPLES .....	21
CONCLUSION.....	33

## LIST OF ACRONYMS

<b>FATF</b>	Financial Action Task Force
<b>FIs</b>	Financial Institutions
<b>FPP</b>	Federal Public Prosecution
<b>GoAML</b>	The Financial Intelligence Unit Reporting System
<b>ICP</b>	Federal Authority for Identity, Citizenship, Customs and Port Security
<b>IEMS</b>	Integrated Enquiry Management System
<b>LEA</b>	Law Enforcement Authority
<b>LP</b>	Legal Person
<b>ML</b>	Money Laundering
<b>MSBs</b>	Money Service Businesses
<b>MOI</b>	Ministry of Interior
<b>OCG</b>	Organized Crime Group
<b>PP</b>	Public Prosecution
<b>PMLs</b>	Professional Money Launderers
<b>RE</b>	Reporting Entity
<b>RFI</b>	Request for Information
<b>RFR</b>	Reason for Reporting
<b>RSAS</b>	Research and Strategic Analysis Section
<b>SAR</b>	Suspicious Activity Report
<b>SD</b>	Spontaneous Dissemination
<b>STR</b>	Suspicious Transaction Report
<b>TBML</b>	Trade-based Money Laundering
<b>UAEFIU</b>	UAE Financial Intelligence Unit
<b>UNODC</b>	United Nations Office on Drugs and Crime
<b>VAs</b>	Virtual Assets
<b>VASPs</b>	Virtual Assets Service Providers

## EXECUTIVE SUMMARY

Drug trafficking and money laundering are challenging to all nations as two-thirds of countries have identified drug trafficking as a major predicate offense involving money laundering, followed by corruption, fraud, and tax crimes (according to the Financial Action Task Force 4th round of Mutual Evaluations).<sup>1</sup> Organized crime groups generate billions of dollars annually from their trade in illicit drugs. Subsequently, laundering the proceeds of drug trafficking includes a wide range of methods such as cash smuggling, abusing financial institutions' services, establishing shell companies, employing trade-based money laundering techniques, and the services of professional money launderers.<sup>2</sup> Furthermore, online drug trafficking has been observed as a growing global trend in recent years. The growing use of the internet and increasing use of digital platforms, including dark web markets, has facilitated drug trafficking and laundering its proceeds in innovative ways, making drug supply chains shorter, cheaper, and more easily accessible.<sup>3</sup>

This report is in line with the UAE's efforts to combat drug trafficking and money laundering, including the recent national campaign launched in May 2023 by His Highness Lt. General Sheikh Saif bin Zayed Al Nahyan, Deputy Prime Minister of the United Arab Emirates and Minister of Interior, to fight illegal drug promotion and trafficking under the slogan "Join us to stop it". It addresses different elements and attributes associated with the abuse of narcotics and psychotropic substances involving financial institutions. This report identifies the most common patterns and trends of how financial institutions are abused in transacting funds associated with the illicit narcotics trade. Moreover, it highlights different examples of how the proceeds of drug trafficking could be laundered in the UAE. This report scope also develops the understanding of how financial institutions in the UAE are misused in the growing trend of drug trafficking through social media platforms, and highlights different observations related to the potential employment of virtual assets in drug trafficking and laundering its proceeds.

The United Arab Emirates Financial Intelligence Unit (UAEFIU) identified a total of **2556 suspicious reports** that were reported in the goAML concerning drug trafficking and the laundering of its proceeds during the period **1 April 2020–31 March 2023**. The Research and Strategic Analysis Section (RSAS) team thoroughly examined 60% of these reports, comprising a total of **1546 suspicious reports** that include 1395 suspicious transactions reports (STRs) and 151

<sup>1</sup> FATF (2022) "Report on the State of Effectiveness and Compliance with the FATF Standards". Available at: [www.fatf-gafi.org/media/fatf/documents/recommendations/Report-on-the-State-of-Effectiveness-Compliance-with-FATF-Standards.pdf](https://www.fatf-gafi.org/media/fatf/documents/recommendations/Report-on-the-State-of-Effectiveness-Compliance-with-FATF-Standards.pdf)

<sup>2</sup> FATF (2022) "Money Laundering from Fentanyl and Synthetic Opioids". Available at: <https://www.fatf-gafi.org/en/publications/Methodsand Trends/Money-laundering-fentanyl-synthetic-opioids.html>

<sup>3</sup> UNODC (2023) "World Drug Report 2023". Available at: <https://www.unodc.org/unodc/en/data-and-analysis/world-drug-report-2023.html>

suspicious activity reports (SARs). Out of said suspicious reports, 39 cases were disseminated to Law Enforcement Authorities (LEAs), noting that a case may combine one or more suspicious reports. The RSAS team also conducted in-depth analysis on a total of **129 cases associated with 292 subjects**, initiated by different law enforcement authorities through the UAEFIU Integrated Enquiry Management System (IEMS). These are in addition to examining 70% of the total intelligence reports exchanged with counterpart FIUs related to narcotics concerns during the period reviewed.

The following typologies and their associated risk indicators constitute the key findings of the analysis, wherein risk mitigation is required:

1. Abusing the banking sector in drug trafficking and money laundering.
2. Abusing the money services businesses (MSBs) in drug trafficking and money laundering.
3. Misusing legal persons in drug trafficking and money laundering.
4. Employing trade-based money laundering (TBML) techniques in drug trafficking and laundering the proceeds of illicit drugs.
5. Abusing the real estate sector in laundering the proceeds of drug trafficking.
6. Employing virtual assets in drug trafficking and money laundering.

The report concludes with the necessary actions required to tackle drug trafficking and laundering of its proceeds in the UAE by the relevant competent authorities and reporting entities, including updating the list of risk indicators and monitoring systems.

FIU

## INTRODUCTION

Drug abuse is one of the most serious global problems that impacts individuals, especially young people, and society's values exceedingly. In the UAE Cabinet meeting held on June 7, 2023, His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, stated on establishing the Narcotics Control Council<sup>4</sup>:

Drugs are the scourge of this era, the cancer of societies, and an epidemic targeting our dearest possessions, targeting youth. Fighting it is a patriotic duty for every guardian and every government and security official.<sup>5</sup>

Due to the UAE's geographical location as a sea and air transportation hub, as well as a business and tourist destination, the country has been used as a transit route for narcotic source countries and couriers headed to different countries and continents, including Africa and Asia, and neighboring countries in the Middle East.<sup>6</sup>

The UAE has a zero-tolerance policy on the drug menace and robust legal and regulatory frameworks to combat drug trafficking and money laundering. Unless drugs are used as part of the supervised and regulated medical or scientific activities, UAE law criminalizes the production, import, export, transport, purchase, sale, promotion, possession, and storage of narcotic and psychotropic substances.<sup>7</sup> Federal Law No. (30) of 2021 concerning 'Combating Narcotics and Psychotropic Substances', and its amendment by Federal Law No. (53) of 2022, specify different provisions on narcotic abuse. According to **Article (65) of Federal Law No. (30) of 2021**, imprisonment and a penalty of no less than AED 100,000 shall apply to whomever possesses or conceals or conducts any operation of funds when there is sufficient evidence or presumption of the crimes indicated in said law.

**Drug trafficking** is "a global illicit trade involving the cultivation, manufacture, distribution, and sale of substances which are subject to drug prohibition laws."<sup>8</sup> Drug trafficking and money laundering are closely linked since the substantial amount of criminal proceeds generated from drug trafficking will ultimately be laundered. Criminals typically disguise the proceeds of illegal

<sup>4</sup> According to article (3) of the Federal Law No. (30) of 2021 concerning 'Combating Narcotics and Psychotropic Substances', an Anti-narcotics Council shall be established to develop a comprehensive national strategy for drug control in the UAE.

<sup>5</sup> *Gulf Today* (2023) "UAE Cabinet approves formation of Narcotics Control Council", 07 June 2023. Available at: <https://www.gulftoday.ae/news/2023/06/07/uae-cabinet-approves-formation-of-narcotics-control-council>

<sup>6</sup> Al Awadi, A. (2012) "UAE Efforts in Combating Drug Abuse", Abu Dhabi, The Emirates Center for Strategic Studies and Research. Available at: [https://www.ecssr.ae/en/reports\\_analysis/uae-efforts-in-combating-drug-abuse/](https://www.ecssr.ae/en/reports_analysis/uae-efforts-in-combating-drug-abuse/); U.S. Department of State Bureau of International Narcotics and Law Enforcement Affairs (2016) International Narcotics Control Strategy Report. Available at: <https://2009-2017.state.gov/j/inl/rls/nrcrpt/2016/>

<sup>7</sup> Federal Law No. (14) of 1995 on the Countermeasures against Narcotic Drugs and Psychotropic Substances, which has been revoked by Article (99) of the Federal Law No. (30) of 2021 concerning Combating Narcotics and Psychotropic Substances.

<sup>8</sup> UNODC (no date) "Drug trafficking". Available at: <https://www.unodc.org/unodc/en/drug-trafficking/index.html>

activity as legitimate funds by abusing both the financial and non-financial sectors. Within this context, **Article (2) of the Federal-Decree Law No. (20) of 2018** on “Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organisations” defines the perpetrator of the crime of money laundering as anyone who willfully commits any of the following acts:

1. Transferring or converting proceeds or conducting any transaction with the aim of concealing or disguising their Illegal source.
2. Concealing or disguising the true nature, source or location of the proceeds, or the method involving the disposition, movement or ownership of the Proceeds or rights related thereto.
3. Acquiring, possessing or using proceeds upon receipt.
4. Assisting the perpetrator of the predicate offense to escape punishment.

Furthermore, **Article (25) of Federal Decree Law No. (26) of 2021** to amend certain provisions of Federal Decree Law No. (20) of 2018 indicates that “Imprisonment for no less than (3) three months and a penalty of no less than AED 50,000 (fifty thousand dirham) or any of these two sanctions shall apply to whomever possesses, conceals, or performs any operation of funds when there is sufficient evidence or presumption of the illegality of its source.”

This report addresses different elements and attributes associated with the abuse of narcotics and psychotropic substances using financial institutions, whether as a predicate offense through drug trafficking or through money laundering by concealing and disguising its proceeds. It identifies the most common patterns and trends of how financial institutions are abused in transacting funds associated with the illicit trade of narcotics. The report also highlights different examples of how the proceeds of drug trafficking could be laundered in the UAE. Essentially, this report is in line with the national campaign launched in May 2023 to fight illegal drug promotion on social media under the slogan “Join us to stop it.”



## OBJECTIVE

As part of the Strategic Analysis Plan (SAP) and in line with the United Arab Emirates Financial Intelligence Unit (UAEFIU)'s continuing efforts to address and identify patterns of possible money laundering crimes, the UAEFIU is delivering this report for the following purposes:

1. To develop the understanding of patterns and trends used for drug trafficking.
2. To identify patterns of how the illicit proceeds of drug trafficking are possibly laundered in the country.
3. To develop different risk indicators associated with drug trafficking and laundering its proceeds.
4. To provide case examples underlining the major risk indicators.
5. To raise awareness in the public and private sectors concerning the abuse of financial institutions in drug trafficking and the laundering of its proceeds.

## METHODOLOGY

This report illustrates patterns and typologies related to the abuse of financial institutions in drug trafficking and money laundering from **April 1, 2020 – March 31, 2023**. The RSAS has drawn up different hypotheses on how drug trafficking and laundering the proceeds of illicit drugs are conducted in the UAE using preliminary data and insights collected from the UAEFIU stakeholders and different publications, including United Nations Office on Drugs and Crime (UNODC) and Financial Action Task Force (FATF) reports. Thereafter, the RSAS proceeded to test them using data available from the UAEFIU databases. The developed hypotheses comprise the following elements:

1. Abusing the banking sector in drug trafficking and money laundering.
2. Abusing the money services businesses (MSBs) in drug trafficking and money laundering.
3. Misusing legal persons in drug trafficking and money laundering.
4. Employing trade-based money laundering (TBML) techniques in drug trafficking and laundering the proceeds of illicit drugs.
5. Abusing the real estate sector in laundering the proceeds of drug trafficking.
6. Employing virtual assets in drug trafficking and money laundering.

The data used in this report are derived from information in the UAEFIU's databases, particularly suspicious transaction reports (STRs) and suspicious activity reports (SARs) available in the reporting system (goAML), the cases escalated from these reports, cases and freeze requests available in the Integrated Enquiry Management System (IEMS). These are in addition to reports related to international requests involving the UAE in narcotic cases (Inward Spontaneous

Dissemination, Inward Requests for Information, Outward Spontaneous Dissemination, and Outward Requests for Information).

The sample chosen to test the previously mentioned hypotheses was determined based on drug-related **“Reasons for Reporting” (RFRs)** selected by reporting entities in filling their STRs/SARs and **keyword searches** carried out on the goAML system. These are in addition to verification requests<sup>9</sup> sent to different financial institutions and virtual asset providers (VASPs) via the goAML message board (Internal Annex for the UAEFIU use).

In sum, the methodological approach followed in this report enabled the RSAS to identify patterns related to drug trafficking and laundering the proceeds of illicit drugs that were consistent in the said databases, as well as with the data and insights collected from domestic stakeholders.

## BACKGROUND

According to the UNODC, one in every 17 people between the ages of 15 and 64 had used a drug in 2021 worldwide, with an estimate of users reaching 296 million.<sup>10</sup> In the Middle East and South-West Asia, opioids are the most-used drugs, followed by psychoactive substances and amphetamine-type stimulants.<sup>11</sup> Within the same framework, the FATF underlined the diversity of synthetic opioid supply chains and the methods employed to launder the proceeds from one country to another. Although illicit drug suppliers face several business risks, such as losing their investment and inventory and the risk of being arrested and prosecuted, organized crime groups (OCGs) still generate billions of dollars annually from their trade in illicit drugs, including synthetic opioids.<sup>12</sup> Consequently, they use a wide range of methods to launder drug trafficking proceeds, including bulk-cash smuggling, cash couriers, shell companies, trade-based money laundering, and the services of professional money launderers. Criminals also use the dark web and accept virtual assets to market and sell their products due to the anonymity offered by these sites.<sup>13</sup> Inevitably, drug trafficking and laundering the proceeds are challenging to all nations, as two-thirds of countries identified drug trafficking as a major predicate offense involving money

---

<sup>9</sup> Verification requests here refer to contacting FIs through the goAML message board to verify their reported STRs/SARs and then to be compared with what the RSAS team extracted from the system.

<sup>10</sup> UNODC (2023) “World Drug Report 2023”. Available at: <https://www.unodc.org/unodc/en/data-and-analysis/world-drug-report-2023.html>

<sup>11</sup> Ibid

<sup>12</sup> Ibid; FATF (2022) “Money Laundering from Fentanyl and Synthetic Opioids”. Available at: <https://www.fatf-gafi.org/en/publications/Methodsandrends/Money-laundering-fentanyl-synthetic-opioids.html>

<sup>13</sup> FATF (2022).

laundering, followed by corruption, fraud, and tax crimes (according to the FATF 4th round of Mutual Evaluations).<sup>14</sup>

In 2013, H.H. Lt. General Sheikh Saif bin Zayed Al Nahyan—Deputy Prime Minister of the United Arab Emirates, Minister of Interior, ordered to “strike with an iron fist the big drug cartels and secure further cooperation and coordination with drug enforcement agents regionally and internationally.”<sup>15</sup> The UAE law enforcement authorities spare no effort to deter drug abuse and smuggling offenses. They have been collaborating with many countries worldwide in anti-drugs operations, including providing vital drug-related information to arrest drug rings and cartels.<sup>16</sup> Furthermore, the UAE is a signatory to several international conventions on narcotic and psychotropic substances and complies with the international controlling measures required to ensure that narcotic and psychotropic substances are not freely available to layman.<sup>17</sup> Nevertheless, drug smugglers employ different creative patterns in moving narcotic drugs to or passing by the UAE by land and through seaports and airports. Customs and police authorities have thwarting several attempts by drug traffickers. These patterns included stashed drugs in containers on ships, notebook devices, wallpaper rolls, shipment of refrigerated containers, and mixing drugs with different products such as canned food, dried fruits, broad beans, and nuts. These are in addition to hiding narcotics in tires and auto parts through land borders, in travelers’ bag linings or capsules filled with heroin and crystal meth in their bowels.<sup>18</sup>

Simultaneously, recent statistics show the increasing efforts by law enforcement authorities over the years to seize narcotics and prohibited substances being smuggled across the UAE borders. For example, Abu Dhabi Customs recorded 4,663 drug seizures in all customs ports of the Emirate from the beginning of 2019 until the end of May 2023, with a total estimated value exceeding AED170 million.<sup>19</sup> During 2020–2022, Dubai customs successfully prevented more than 2600 attempts of drug smuggling, with 829 seizures in 2020, 941 seizures in 2021, and 834 seizures in

<sup>14</sup> FATF (2022) “Report on the State of Effectiveness and Compliance with the FATF Standards”. Available at: [www.fatf-gafi.org/media/fatf/documents/recommendations/Report-on-the-State-of-Effectiveness-Compliance-with-FATF-Standards.pdf](https://www.fatf-gafi.org/media/fatf/documents/recommendations/Report-on-the-State-of-Effectiveness-Compliance-with-FATF-Standards.pdf)

<sup>15</sup> Dubai Police (2013) “Nation without Drugs, Awareness and Cultural Magazine”, 13th Issue October 2013, Published by The General Department of Anti-Narcotics - Dubai Police.

<sup>16</sup> For example, see *Khaleej Times* (2023) “Watch: UAE helps seize 55 tonnes of drugs worth \$750 million in joint international operation”, 26 June 2023. Available at: <https://www.khaleejtimes.com/world/watch-uae-helps-seize-55-tonnes-of-drugs-worth-750-million-in-joint-international-operation>; Europol (2022) “Heat is rising as European super cartel is taken down in six countries”. Available at: <https://www.europol.europa.eu/media-press/newsroom/news/heat-rising-european-super-cartel-taken-down-in-six-countries>; and U.S. Department of State Bureau of International Narcotics and Law Enforcement Affairs (2016) International Narcotics Control Strategy Report.

<sup>17</sup> The official Portal of the UAE government (no date) “Drugs and controlled medicines”. Available at: <https://u.ae/en/information-and-services/health-and-fitness/drugs-and-controlled-medicines>

<sup>18</sup> See for example: *Khaleej Times* (2019) “Police in UAE reveal most common drug smuggling methods”, 28 Oct 2019; *AlArabiya News* (2022) “Dubai Police seize 436 kilograms of illegal drugs smuggled in shipment of broad beans”, 27 Oct 2022; *AlArabiya News* (2022) “Dubai Customs thwart smuggling of 12.5kg of marijuana hidden in bag lining”, 21 Oct 2022. *Arbian Business* (2023) “UAE drug smugglers thwarted by authorities”, 29 May 2023.

<sup>19</sup> *WAM* (2023) “4,663 drug seizures conducted since 2019 valued at AED170mn: Abu Dhabi Customs”, 26 June 2023. Available at: <https://wam.ae/en/details/1395303172943>

2022.<sup>20</sup> In the first quarter of 2023, Sharjah Customs alone seized more than 60 kg of narcotics and 14,378 illegal painkillers.<sup>21</sup>

The growing use of the internet and the increasing number of digital platforms, including dark web markets, facilitated drug trafficking and laundering the proceeds in innovative ways, making drug supply chains shorter, cheaper, and more easily accessible.<sup>22</sup> Furthermore, the pseudo-anonymous nature of the dark web offers drug traffickers the probability of a lower detection rate. Accordingly, online drug trafficking has been identified as a growing trend globally. Social media platforms, particularly, are favorable to drug traffickers and buyers due to their popularity and direct accessibility. At the same time, dark web markets account for a limited share of all drug transactions, but they are increasingly favored by drug distributors.<sup>23</sup>

The UNODC analysis of block chain transactions on the dark net suggested a shift toward wholesale distribution, with a noted increase in the value of the average transaction from \$100 in 2018 to \$500 in 2021, despite the decline in the number of users and total transactions. In terms of the payment for illicit drugs, cryptocurrency is the preferred method. Nevertheless, the UNODC analysis pointed out that most of the transactions conducted in cryptocurrency are still legal, with only around 0.1% to 0.9% of all cryptocurrency transactions over the period 2017–2022 involving transactions linked to illegal goods and services (0.24% in 2022).<sup>24</sup>

Typically, the way of selling drugs online starts with advertising the product on the darknet or clearnet, followed by customer orders paid in cryptocurrency or through online platforms, and the drugs usually delivered by post or via drops.<sup>25</sup> Within the same framework, this report's scope aims to develop the understanding of how financial institutions in the UAE are abused in the growing trend of drug trafficking through social media platforms, and highlights different observations related to the potential employment of virtual assets in drug trafficking and laundering the proceeds.

---

<sup>20</sup> WAM (2023) "Dubai Customs: Championing fight against drugs and ensuring economic prosperity", 25 June 2023. Available at: <https://wam.ae/en/details/1395303172509>

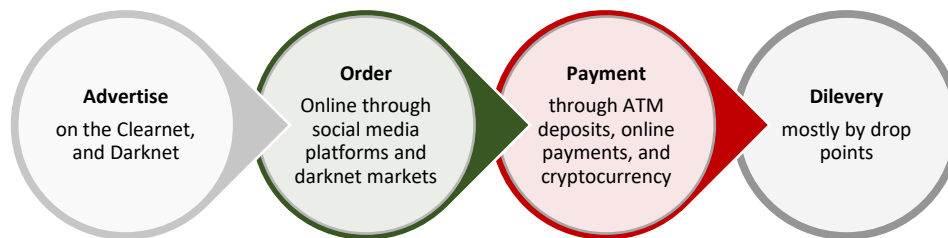
<sup>21</sup> *The National* (2023) "Sharjah Customs seize 60kg of drugs after thwarting nine smuggling attempts", 29 May 2023. Available at: <https://www.thenationalnews.com/uae/courts/2023/05/29/sharjah-customs-seize-60kg-of-drugs-after-thwarting-nine-smuggling-attempts/>

<sup>22</sup> UNODC (2023).

<sup>23</sup> Ibid.

<sup>24</sup> Ibid.

<sup>25</sup> UNODC (2021) "UNODC Tools and Programs to Address Illicit Online Drug Sales on the Open and Dark Web". Available at: <https://www.state.gov/wp-content/uploads/2021/11/UNODC-Tools-and-Programs-to-Address-Illicit-Online-Drug-Sales-on-the-Open-and-Dark-Web.pdf>



**Diagram 1:** Process of selling drugs online (drawn from UNODC “Tools and Programs to Address Illicit Online Drug Sales on the Open and Dark Web”)

## OVERVIEW OF THE RELEVANT DATA AND INFORMATION UNDERLYING THE ANALYSIS

This section provides an overview of the collected data and information underlying this report’s analysis. It discusses different features and possible attributes of drug trafficking and laundering the proceeds of illicit drugs. These attributes include nationalities, individuals’ occupations, age ranges, the jurisdictions involved, types of suspicions, and modes of transactions used by the subjects involved. The analysis of said data is summarized below.

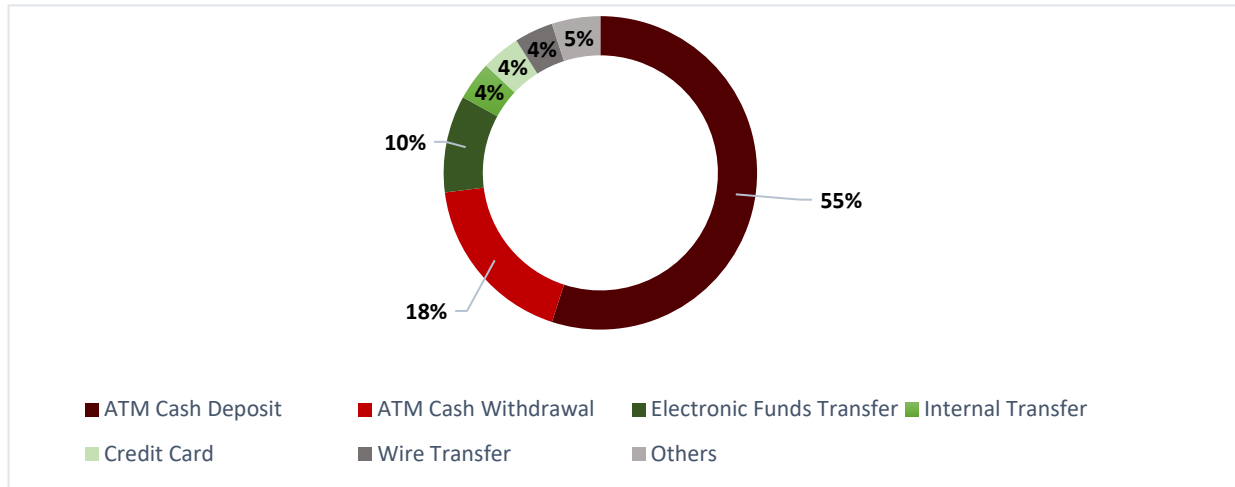
### 1. Relevant data and information available within the UAEFIU databases

#### *1.1. Analysis of STRs and SARs reported through goAML*

The UAEFIU identified a total of **2556 suspicious reports** that were possibly related to drug trafficking and the laundering of the proceeds during the period **April 1, 2020–March 31, 2023**, reported mainly by banks and MSBs, but also VASPs and a few corporate service providers (CSPs). For the purpose of this report, the RSAS team thoroughly reviewed and analyzed **60%** of said reports (comprising a total of **1546 suspicious reports that include 1395 STRs and 151 SARs**), in addition to 14 additional information files with transactions (AFTs) and additional information files without transactions (AFAs). Out of said suspicious reports, 39 cases were disseminated to Law Enforcement Authorities (LEAs), noting that a case may combine one or more suspicious reports.

In terms of the mode of transactions, the main two modes of transaction were **cash deposits** followed by **cash withdrawals**, among others as indicated in CHART 1.

**CHART 1**–Main mode of transactions employed



Consistently, a large percentage was reported due to a customer who is suspected to be involved in/connected to potential drug trafficking/narcotics trade, followed by transactions that are inconsistent with the account's normal activity. TABLE 1 reveals the main RFRs used by reporting entities in the received STRs and SARs involving drugs.

**TABLE 1**–RFRs used by the reporting entities

SN	Reason for Reporting	% of reports
1	Customer suspected of being involved in/connected to potential drug trafficking/narcotics trade	24%
2	Transactions that are inconsistent with the account's normal activity.	15%
3	Lack of appropriate documentation to support transactions.	11%
4	Customer conducts several cash deposits in small amounts at ATMs.	8%
5	Account shows high velocity in the movement of funds	8%
6	Transactional activity (credits and/or debits) inconsistent with a customer's alleged employment, business or expected activity, or where transactions lack a business or apparent lawful purpose.	6%
7	Negative media reports or adverse news which suggests that the account holder is linked to alleged crimes or related to criminals.	6%
8	The transaction is not economically justified considering the accountholder's business or profession.	4%
9	Multiple cash deposits and withdrawals with suspicious references.	3%
10	A customer's A/C appears to function as a funnel A/C whereby cash deposits occur in cities/states where the customer does not reside or conduct business.	3%



The majority of subjects involved in the reviewed sample were related to **individual accounts** (with **94%** of the total sample) while the remaining **6%** involved **legal persons** (LPs). Of the individuals involved, 96% were **residents** in the UAE, while 3% of transactions were non-residents' transactions, and 1% were not identified/not available as per information provided from the reporting entity.

Another observation made is that most of the individuals involved were in the age range between **23 and 35 years old**. As indicated in TABLE 2, the majority of these individuals were blue-collar workers<sup>26</sup> and/or individuals who were low wage earners, but also a notable proportion of individuals were white-collar workers<sup>27</sup> or owners of businesses. The table also highlights that approximately 5% of the total individuals involved were found to be working as drivers of light or heavy vehicles, which might indicate the mode of delivery. Nevertheless, an analysis of STRs/SARs data emphasized a critical gap in some financial institutions' documentation and Anti-Money Laundering and Countering the Financing of Terrorism AML/CFT requirements such as completing an adequate Know Your Customer (KYC) form. It was noted that various KYC forms did not include the account holder's basic information such as occupation, which is crucial to verify the source of income and expected turnover. Some of these KYCs indicated the place of work but did not include the customer position (for example, stating that the customer is employed at XXX LLC). The reason for such inadequacy could be linked to the fact that some of these KYCs were completed online by the customer. Other institutions did not disclose any information related to their customers' occupation, which was identified by the UAEFIU as Unknown or Not Available. Therefore, reporting entities are urged to obtain from their customers evidence of their source of income, including the name of the employer and the customer's occupation.

**TABLE 2**—Occupations of involved subjects

SN	Occupation	No. of individuals
1	Blue-collar worker (e.g., laborer, cleaner, mechanic, electrician, carpenter, builder, bricklayer, concrete mason, tile polisher, farmer)	26.3%
2	Blue-collar worker (light/heavy vehicle driver)	4.7%
3	Administration (e.g., directors, managers, supervisors, officers, assistants, executive and other administrative jobs)	12.1%
4	Partner/investor/owner/shareholder/self-employed	11.4%
5	Accountant/clerk	6.2%

<sup>26</sup> Blue-collar worker refers to individuals who usually engage in hard manual labor, typically in agriculture, manufacturing, construction, mining, or maintenance sectors, and truck drivers.

<sup>27</sup> The term "white-collar" refers to individuals who usually work in offices or other similar professional environment.

<b>6</b>	Salesperson	5.3%
<b>7</b>	Working in recruitment companies	1.4%
<b>8</b>	Computer programming/software specialist	0.9%
<b>9</b>	Working in tourism companies	0.7%
<b>10</b>	Unemployed/housewife	0.6%
<b>11</b>	Visitor/tourist	0.3%
<b>12</b>	Unidentified occupation with low wages	5.8%
<b>13</b>	Unknown/not provided	7.8%
<b>14</b>	Others different occupation	16.5%

With respect to the legal persons, the majority of entities involved in the sample examined were established on the “**Mainland**” with an approximate percentage of **65%**, and **30%** were established in the “**Free zone**” while the remaining **5%** were identified as ‘**unknown**’ as their information was not provided by the reporting entity. The majority of these entities’ legal forms were “**Limited Liability Company,**” followed by “**Sole Establishment.**” No specific observations related to the business activity were noted during the analysis.

### ***1.2. Analysis of information available from international cooperation***

During the period examined, the UAEFIU exchanged a **total of 154 intelligence reports** with counterpart FIUs related to narcotics concerns with the objective of identifying any relevant criminal drug-related patterns that involved the UAE. The RSAS team of UAEFIU examined **70%** of these reports thoroughly in order to identify any possible patterns or typologies related to drug trafficking and possibly laundering of its proceeds in the UAE.

### ***1.3. Analysis of cases and information available from IEMS***

During the period examined, the UAEFIU received through its **Integrated Enquiry Management System (IEMS)** a total of **763 requests** for database checks, name searches, freeze and unfreeze orders, technical reports requests, and other types of information requests associated with drug trafficking/drug-related money laundering. These requests included **37** requests from the **Federal Public Prosecution**, **283** drug-related requests from the **Ministry of Interior (MOI)**, and **443** requests from other **Law Enforcement Authorities (LEAs)** and **local public prosecutions**.

The RSAS conducted in-depth analysis on a total of **129 cases** associated with **292 subjects**, initiated by different LEAs and public prosecutions. The majority of the individuals involved were



employed in the UAE and were using bank accounts for illicit purposes, while the majority of legal persons involved were licensed for cash-intensive businesses.

The analysis of said cases supported the findings of STRs/SARs analysis as the identified patterns were consistent. Specifically, data in the IEMS illustrated the significant number of different bank accounts owned by one subject who also managed to obtain several MSBs services across the UAE. While the type of bank accounts included savings and current accounts, MSBs services included remittances, exchange of currencies, and the misuse of travel cards. Furthermore, different subjects of law enforcement investigation have been found to be subject to fraud-related STRs. At the same time, other subjects' bank accounts did not show any suspicious transactions, and the account transactions matched the customer profile of using the account for salary purposes but were subject to law enforcement investigation due to the possession of drugs.

Ultimately, data available from law enforcement cases and requests showed that bank accounts involved in drug trafficking are divided into different purposes among the narcotic network group, including the promoter of drugs through social media who share the bank account details related to selling drugs, the bank account owners (mules or legal persons), and the manager or controller of funnel accounts. For example, most cases included using multiple ATM cards of multiple mules' accounts by one person. Furthermore, it was noted that not all subjects' bank accounts are necessarily following the same identified typical pattern in this report, as some of them were dormant or did not show any sign of using bank accounts while showing some unusual transactions using MSBs. Some of the said MSBs' suspicious remittances also included transactions conducted by non-residents. In some instances, the total withdrawal amount was found to be delivered to a legal person claiming it was for trade purposes (e.g., a tailor's shop). These are in addition to subjects who were caught in possession of drugs, and the investigation uncovered their communication with international parties for the marketing of goods including drugs.

## **2. Challenges and other observations related to the reviewed data and information**

In addition to the nature of the topic and the difficulty of establishing a decisive link between reported suspicious transactions/activities and drug trafficking in most cases, the UAEFIU team noted that many of the suspicious reports examined were "defensive" reporting as a result of requests for information/search or a freeze notice by law enforcement authorities. As such, these requests influenced the quality of reported information and analysis conclusions arrived at by different financial institutions, for example, reporting entities referring to the possibility of customer involvement in drug trafficking while there was no single transaction or an indication of the recognized pattern of drug trafficking in the STR, or any documents to clearly support the drugs-related claim, except for the unusual turnover. The possibility that some of the reported

transactions might involve other illegal activities such as fraud, unlicensed hawala, or facilitating third-party transactions have been ruled out by the reporting entities. However, some other financial institutions developed further information on the subject of law enforcement's requests, adequately contributing to this report's analysis and findings.

Another challenge was establishing a solid link between reported suspicious transactions/activities and the possibility of laundering the proceeds of drugs using the UAE financial or trade system. Nevertheless, the RSAS team noted different suspicious reports that could be linked to money laundering with some indications of drug involvement, such as linking the subjects to adverse media and screening results related to drugs. These are in addition to MOI reports of a subject in possession of drugs, as well as lists of foreign regulatory authorities, for example, the Office of Foreign Assets Control (OFAC)'s list for Specially Designated Nationals (SDN) Trafficker Kingpin.

## IDENTIFIED TYPOLOGIES AND PATTERNS

This section provides an overview of the identified typologies and patterns related to drug trafficking and possibly laundering of its proceeds in the UAE. The identified patterns discussed in this section are the outcome of analysis of data collected from the UAEFIU databases.

### **1. The abuse of bank accounts in drug trafficking and money laundering**

The UAEFIU identified the majority of the reviewed sample to be significantly related to abusing bank accounts in drug trafficking and money laundering. The typical pattern identified is when a customer opens different bank accounts claiming the purpose would be for a salary transfer and ultimately to be used as a funnel account for drug trafficking and money laundering. The account usually witnesses no actual salary credits. It would be funded predominantly by cash deposits, values ranging between AED 10 and AED 5000, through several cash deposit machines (CDMs) locations across the UAE by multiple individuals, which appear to be made by third parties and subjects of different nationalities. In many suspicious reports, the names of the individuals were noticed to be frequent and subjects of multiple suspicious reports raised by different reporting entities. As such, the total suspected (credit) amount associated with the subject was found to be significant.

Although most of the deposits were found to be in small amounts, some incidents showed more significant (structured) amounts credited, ranging from AED9000 to AED30,000. Subsequently, funds are directly withdrawn from the account through ATM cash withdrawals, internal account transfers or/and outward transfers to the own account or accounts of other individuals/entities either maintained with the same financial institution or another local financial institution in the UAE. Some transfers were routed to different countries through the subject's bank accounts. The

receiving accounts abroad were found to be subject to adverse foreign media related to drugs. Eventually, said accounts are usually left with nil or low balances.

The bank accounts of the individuals involved were mainly savings accounts, and current accounts were also used, including multiple accounts that were newly opened through online banking and digital platforms. The accounts' activity showed a noticeable and sudden surge in deposit and withdrawal activities over a short period. The analysis also revealed that following the closure of many subjects' bank accounts, due to the bank's concern about the customer's unusual transactions, the subject would open a new account with another bank or use one of their dormant accounts.

Most of these accounts were opened by low to medium-income workers, including blue-collar workers, in the age range of 20 to 35 years old, which suggests that these account owners are employed as mules. Furthermore, there was a noticeable involvement of individual accounts who were found to be working as drivers in different local companies, which implies that these individuals could also be employed as a means of delivery. Still, several of these account owners held managerial positions in different companies or partners (some of these corporates/owners were found to be subject to and/or counterparts in other STRs/SARs). In addition, some individuals were found to have transactional links with common legal entities, indicating shell companies' possible involvement in drug trafficking.

Moreover, it was noted that different individuals involved (the subjects of STRs) worked at the same place (or were recruited/employed by the same companies), suggesting the recruitment of new mules through colleague referrals or word of mouth. The examination of cases and requests extracted from the IEMS was consistent with the data available in STRs and SARs, including the same nationalities and occupations of individuals involved and using the services of both the banking sector and MSBs.

Ultimately, the RSAS team suggested that STRs with a highly atypical amount of suspected funds (credit/turnover) while having a link to adverse media and screening results related to drugs or national regulatory authorities' narcotic lists would be most likely to be abused for laundering the proceeds of drugs. However, these STRs involved foreign organized groups known for conducting criminal activities, including fraud, embezzlement, tax evasion, and other wrongdoing. Therefore, money laundering in such incidents could involve multiple predicate offenses.

At the same time, the typical pattern discussed earlier was correlated with laundering the proceeds of drug trafficking through financial institutions in the UAE. As with the most recognized pattern in money laundering, the scenario starts with different unlinked individuals depositing cash into the subject's bank account (either an account held by an individual or an entity). The account would witness two transactional patterns; one relates to the identified typical pattern in

terms of previously indicated amounts (cash in and cash out), and the second underlines multiple highly structured amounts and layering of cash from unknown sources. In such a case, the account owner might just be a mule or might also be one of the masterminds of laundering the proceeds of illicit activities associated with organized crime, including drug rings. Moreover, other accounts reviewed have revealed unjustifiable immediate debts to third parties or independent accounts of individuals or entities after accumulating small cash deposits. Transferring and moving such funds or changing the form of them suggests the typical characteristics of money laundering.

## **2. The abuse of MSBs in drug trafficking and money laundering**

Based on the analysis of the reviewed sample, particularly reports received from the MSBs, the UAEFIU team noted that different residents of the UAE sent relatively insignificant amounts to beneficiaries residing in countries known for trafficking drugs. Some of the said beneficiaries were found to be subject to or linked to adverse media reports related to drug trafficking. Such an observation suggested that the transaction amount is transferred to the source country or the sellers of illicit drugs from addicts and dealers in the UAE, noting that transaction amounts are transferred to one or specific beneficiaries by different individuals of different nationalities and ages.

Another noted pattern is linked to what has been explained earlier concerning employing mules to use their bank accounts as funnel accounts for drug trafficking and money laundering; the same mules would also abuse the service of the MSBs to receive or transfer multiple funds related to drug trafficking. In some instances, the possible mules are found to be employed by the same entity, while the beneficiary in the foreign country could be a natural or legal person. Ultimately, the alleged drug trafficking funds would be collected from the mules and transferred through the MSBs via multiple structured (or typical) amounts to specific beneficiaries abroad. The mules may exchange different amounts of cash from AED to other currencies, including the US dollar, the Euro, and the Saudi and Omani Riyal, while using unreasonable justifications and purposes. They may also approach the MSB in a group of individuals who will split the amount between them to avoid the detection and reporting threshold.

## **3. The abuse of legal persons in drug trafficking and money laundering**

The analysis of the sample reviewed by the UAEFIU illustrated different patterns of abusing legal structures by different companies in drug trafficking and money laundering. One of the patterns is establishing a cleaning service company, electronic shops, or cash-intensive businesses, which later receive cash deposits from multiple individuals and other companies with different business

lines, with immediate cash withdrawals and outward clearing cheques following the funds received. In different incidents, companies were found to be subjects of a suspicious transaction report while several of their employees were also subjects of STRs of suspected drug trafficking. Furthermore, some of the individuals involved in the previously discussed patterns in this report were also transacting with entities wherein those individuals might be partners or shareholders or have no apparent relationship other than a transactional history with the said entities.

Furthermore, the analysis of IEMS data affirmed the involvement of different mules who were found to be working at the same place but also implied the possible involvement of some employer companies. These companies are not necessarily subject to a suspicious transaction report or a suspicious activity report. However, they are subject to law enforcement investigation based on ATM cards under the company names found in possession of said mules or the accounts controller when arrested. The analysis also implied some suspicion related to the possible abuse of legal entities, with several mules' accounts being mainly funded through salary. However, it was noted that the salary does not match the customer profile. For example, the individuals would receive the same monthly salary amounts but multiple times, followed by an immediate withdrawal. Such an observation requires further investigation as it indicates a high possibility of abusing the legal entities in drug trafficking and for other illicit purposes. It was also noted that MSBs services were used by the subjects under law enforcement investigation, which included remittances to local and foreign legal entities.

Moreover, the analysis illustrated further observations on legal entities suspected of drug trafficking, but the number of such observations was insufficient to establish a pattern. These observations include a company licensed as a "drugstore" with suspicious transactions of large credits, mainly through ATMs and CDMs, followed by frequent withdrawals. Another instance relates to a suspicious transaction report concerning a legal person established in the Free Zone for trading in chemicals, which triggered the reporting entity's suspicion of supplying substances known to be used in the manufacturing of drugs. The account activities revealed a high value of remittances from a "transport and clearing" company suspected of acting as a third party and conducting payment on behalf of a foreign entity located in a jurisdiction known for drug trafficking. Other remittances were also received from another foreign entity and were suspected to be linked to the purchase of the same substance.

Ultimately, analysis of the reviewed sample implied criminals' tendency to abuse legal entities' accounts in drug trafficking and disguise its proceeds. The entities are either controlled by the criminals themselves or owned by their affiliates, associates, or relatives. For example, the beneficiary of drug trafficking proceeds might be detained or under the law enforcement authorities' investigation. Foreign regulatory authorities might also list the trafficker name for the involvement in an organized crime, money laundering activities, or conspiracy to produce

and traffic narcotics. Subsequently, the subject would use the legal owner of an entity to deposit ill-gotten funds in the entity's bank account and conceal its origin. Thereafter, funds would be layered through transfers to different local and foreign accounts and then transferred back again from other parties to the entity account through clearing cheques favoring the entity's name.

#### **4. A potential link between TBML techniques and legal entities involved in drug trafficking**

The abuse of legal entities in money laundering schemes usually involves TBML techniques in different schemes to integrate the illicit funds with the international trading system and conceal the beneficial owner's identity. Further to what has been discussed in the previous pattern, data implied some TBML techniques being used by some subject legal entities suspected to be involved in drug trafficking. These techniques include, for example, a scenario of a legal person licensed for a "general trading" business and declaring its imports of a specific product for re-exporting overseas. The company's transactions and invoices revealed that other "undeclared" products were imported, among them one product that was suspected by the reporting entity to be a drug substance. The price of this product was specifically overvalued by a considerable margin over the market value of the claimed product. The subject was unable to provide a reasonable justification concerning the price and could not provide supporting documents to substantiate the transaction or to identify the ultimate end-user of the products.

Another scenario involved a company licensed for jewelry trading—a dealer in precious metal and stones (DPMS) and was found to be transferring money to a foreign company owned by an individual who was prosecuted in three different countries for drug trafficking and money laundering. The DPMS claimed that the remitted fund was for a business deal that involved importing gold bars to the UAE and provided the supporting documents. Nevertheless, the reporting entity's due diligence initiated a verification from the International Maritime Bureau (IMB) which responded that the Air Way Bill (AWB) could not be verified as there is no record of such a shipment. Therefore, it was suspected by the reporting entity that the remitted fund was possibly proceeds of drug trafficking and money laundering.

#### **5. Laundering the proceeds of drug trafficking through real estate**

While establishing a decisive link between reported suspicious transactions and drug trafficking was challenging in most cases, analysis of the reviewed sample illustrated a few possible patterns that could potentially link the suspected fund to the historical profile of the account owner. The first scenario is when a foreign individual (be they a resident or non-resident of the UAE) opens a bank account for savings. Then, the bank account would witness different business credits for "rental income" and the "sale of properties." At the same time, the customer is found to be a subject of adverse media related to the trafficking of a commercial quantity of narcotics or being



subject to criminal proceedings abroad. In other incidents, it was noticed that some reported subjects bought a property and made a down payment in cash or settled a real estate outstanding balance in cash, while it was suspected that these funds originated from money mules who smuggled the proceeds of drug trafficking to the UAE.

Another scenario was noted when a subject of a suspicious report was under law enforcement radar for a drug trafficking investigation, and the analysis of the subject's bank account revealed receiving significant amounts, mainly through ATM deposits. Thereafter, the total funds were used by a manager cheque for a final payment of a property. A similar scenario is observed when screening results on a subject would hit a positive match with a subject of narcotics trafficking offenses. Analysis of the customer's transactional pattern shows that the subject used exchange house services to conduct multiple transfers with different individuals and legal entities and layered different remittances through the banking sector. Thereafter, the fund is funneled into purchasing different properties in the UAE.

Furthermore, a potential pattern was observed in a case of a customer who has a personal account in one of the UAE local banks. The customer was suspected of being part of a foreign OCG associated with drug trafficking and money laundering, according to adverse media. The organized group is allegedly suspected of setting up multiple shell companies overseas to abuse them in importing large quantities of cocaine and heroin. Upon reviewing the customer account, transactions showed that the account is mainly funded by "cheque deposits" originating from a company partially owned by the customer. Thereafter, different structured amounts were primarily redirected to a real estate developer through cheques. A similar transactional pattern was reported by another reporting entity against the subject, leading to the assumption that the subject's partially owned entity could be a front company established to launder the proceed of drugs through investments in real estate.

#### **6. Potential pattern of employing virtual assets in drug trafficking and money laundering**

To identify a pattern related to the abuse of virtual currencies in drug trafficking and laundering its proceeds, the RSAS team of UAEFIU examined a sample of 200 STRs/SARs/AFTs reported by VASPs. The currencies used most frequently in reported transactions were Bitcoin Cash (BCH), Bitcoin (BTC) wallet/Exchange, Ethereum (ETH), and Ripple (XRP). The transaction amount (as equivalent to AED cash) of the majority of reviewed reports was noted to be insignificant (typically in a few thousand). In most reported cases, customers' accounts were left with no balance.

Reporting subject individuals by VASPs is usually triggered by the result of a specific risk screening platform's alert. In essence, this tool allows the reporting entity to track the history of transactions to ensure that it is risk-free. Risk exposure could be further categorized into two risks; direct and indirect. Direct risk exposure denotes that the wallet held by the subject with

the VASP has a direct connection to a tainted wallet.<sup>28</sup> On the other hand, indirect risk exposure means that a wallet held by the subject has an indirect link to a tainted wallet. In other words, transactions with an indirect risk exposure can involve more than one wallet or intermediaries segregating the virtual asset's source from its destination. Adding more layers of transactions could be part of the layering (laundering) activity to break up the trail of virtual assets. Consequently, there is a high probability that drug traffickers have abused digital platforms for their trading and money laundering activities in both direct and indirect ways. Nevertheless, there is also a possibility that a suspected subject could be just transferring or receiving virtual assets while not aware of any criminal activity.

The examined sample of suspicious reports was mainly related to global dark webs<sup>29</sup> that involved trading in many other illicit items besides drug trafficking. These sites function as black markets for selling or advertising illicit goods and services such as bank card details, stolen identities, fraudulent materials, and weapons. Still, some of the reported dark webs are known for selling different illegal items abroad, including various drugs, such as stimulants, cannabis, hash, drug paraphernalia, barbiturates, Ecstasy, and opioids. For example, one of these webs offers Android apps that connect to TOR<sup>30</sup>, providing customers with easy access to web services. Delivering said items does not require meeting the customer, as it mediates the deal between the buyer and seller anonymously. Following the customer's purchase of drugs (in cryptocurrency), drugs would be hidden for collection in different locations. Once payment is complete, the buyer will be given GPS coordinates and find their purchases concealed in public locations. The customer may also use the dark web with a mixer. Mixers are websites or software that disconnect a user's deposit and withdrawal. Mixing is done either as a general privacy measure or specifically for covering up the movement of funds obtained from theft, darknet markets, or other illicit sources. Mixers typically pool incoming funds from many users and redistribute those funds with no direct connection to the original source.

The common reason for reporting by VASPs was related to "lack of appropriate documentation to support transactions," noting that the VASPs contacted the users to provide more details into the nature and purpose of these transfers; no response has been received. Another reason for reporting was "transactions inconsistent with the account's normal activity," due to unusual activity where the user had sent exposures to the dark net market. In other reports, the reason for reporting was the "inclusion of the individual/entity in the international sanctions list."

Eventually, the sample examined was found to be indirectly relevant, indicating different transactions with indirect links to dark webs known for drug trading. However, whether the

---

<sup>28</sup> A tainted wallet is considered to be high-risk due to a previously identified possible connection of the wallet or its owner to a criminal activity.

<sup>29</sup> The Dark net or the dark web is an underground website that can be used by criminals to facilitate the trade of illegal goods and/or services, or purchase data and information to be utilized for illegal activities.

<sup>30</sup> Tor is shorthand for "The Onion Router," which is free, open-source software for enabling anonymous communication.



subjects were actually trading in illicit drugs or if drugs could be delivered to individuals in the UAE is still inconclusive.

## DEVELOPED RISK INDICATORS

As an outcome of the analysis conducted in this report, the RSAS team of UAEFIU has developed a list of risk indicators that are directly or indirectly relevant to drug trafficking and laundering the proceeds. The purpose of this list is to guide reporting entities, including financial institutions, and UAEFIU's stakeholders, in detecting suspicious transactional patterns and activities related to drug trafficking and money laundering. It is pertinent to mention that such indicators can raise suspicions and trigger investigations that lead to further identification of other indicators. Nevertheless, criminal activity cannot explicitly be concluded based on a single indicator.

1. An individual opens an account where the purpose is for a salary transfer with no actual salary credits found in the account.
2. An individual opens multiple accounts with different financial institutions without reasonable purpose or inconsistent with the customer profile and income.
3. An individual account opened for salary or savings purposes shows multiple cash deposits inconsistent with the customer profile, followed by immediate structured withdrawals from different locations on the same day.
4. An individual account shows transactions that are inconsistent with the customer profile and has an occupation that could be associated with or has a role in drugs supply chain.
5. An individual uses a personal account instead of the company account for business transactions.
6. An individual receives through a money service business frequent multiple small remittances without reasonable purpose.
7. An individual or a group of individuals conducts multiple foreign currency exchange transactions with a money service business involving multiple currencies.
8. An individual or a group of individuals approaches a money service business to send multiple transfers to a single or frequent beneficiary, especially if the beneficiary is located in a jurisdiction known for drug trafficking.
9. A company account shows frequent cash deposits in relatively small amounts, followed by multiple transfers to different individuals and legal persons where the relationship of the parties and the purpose of transactions are not established.
10. A company account that does not show any actual business transactions.
11. A company account which exceeds its declared annual turnover with the rapid movement of funds.
12. A company that trades in drug substances receives payments from a foreign legal person(s) based in a jurisdiction known for drug trafficking.
13. Payment for imported/re-exported commodities is made by a third party for no apparent economic reasons, e.g., by a company that is not involved in the trade transaction.

14. Inconsistencies in the trade entity's provided documents, e.g., discrepancies in the described imported/re-exported product name, quantity, and price.
15. Incoming wire transfers to a company account followed by outward transfers to multiple unknown individual accounts or having declared no commercial purposes to the financial institution when the customer opened the account.
16. Company trade documents, such as contracts and invoices have vague descriptions of traded chemicals or pharmaceutical products.
17. A customer account that appears to function as a funnel account whereby it receives multiple frequent cash deposits followed by immediate withdrawals using different ATMs/CDMs across the UAE.
18. An account is suspected of being used by a third party(ies), especially if the account holder appears to be outside the country.
19. A customer (natural or legal person) who was found to be listed by foreign regulator authorities due to drug trafficking and money laundering, such as an OFAC Designated Narcotics Trafficker Kingpin.
20. An account shows an unusual pattern of transactions that could be linked to adverse media on organized crime and drug cartels.
21. Transfers that had an indirect receiving exposure to a wallet address linked to a dark website known for selling or advertising drugs.
22. An account holder conducts structured deposits or transfers and issues frequent multiple cheques in favor of a legal professional or real estate broker, inconsistent with the customer profile.
23. Inconsistencies between the information provided in the account KYC and the customer's transactional pattern.
24. An account that is only funded via inward remittances and cash deposits.
25. Source of funds and purpose of withdrawals cannot be ascertained.
26. A company account that shows inconsistencies between the company transactions and trading supporting documents and provided invoices.
27. An account owner cannot provide proper justifications or supporting documents to sustain the legitimacy of funds and transactions carried out in the account or attempts to close an account to avoid due diligence questioning.
28. The use of an account for purposes other than the declared one when establishing the relationship with the financial institution.
29. Account activity shows high velocity in the movement of funds.

## CASE EXAMPLES

**Case example 1:** Illicit trafficking in narcotic drugs and psychotropic substances leading to multiple accounts freeze

The UAEFIU received from the public prosecution search and freeze requests related to four individuals who are linked to an investigation of a drug trafficking case. The individuals involved had the same nationality (**Country X**) and were receiving low salaries according to their bank KYC(s). The UAEFIU analysis of data received from financial institutions corroborated the pattern used in this case as the same typical pattern identified in this report (cash in and cash out) using multiple bank accounts and MSBs. Hundreds of ATM/CCDM cash deposits were received on the same or sequential dates, followed by immediate multiple cash withdrawals and inward and outward transfers. Some of the subjects' accounts also recorded a few cheque deposits and bounced cheques.

**Subject (A)** was suspected to be an owner of a bank account that was used in drug trafficking through social media. The subject was found to be the authorized signatory of the company "XXX Maintenance and Cleaning LLC," whose account details were used. The UAEFIU database showed no suspicious reports or criminal records linked to this company. However, analysis of the company transactions showed significant cash deposits and withdrawals, including transfers with other legal persons and individuals.

Subject A was found to have three bank accounts and four accounts with different exchange houses. According to the bank's KYC, Subject A was a Managing Director at "TTT Construction Maintenance LLC." Analysis of the subject's personal accounts showed significant cash deposits and withdrawals, as well as outward transfers and multiple inward transfers using seven exchange houses. Outward remittances were sent to different individuals in the UAE and Country X. Subject A was the subject of a suspicious transaction report due to unusual transactions identified in the subject's account. The said STR reported information from the market that a Senior Manager at the company "TTT Construction General Maintenance LLC" had attempted to bribe a field inspector to conclude with satisfactory remarks on the company. It was also noted that the company's employees received unreasonably high salaries.

The case investigation also included a link with **Subject (Y)** and Subject (KZ). The latter had no accounts found in the UAE, while the former was caught holding a bank card named **Subject (Z)**. Subject Y had an inactive bank account but was noted to use the service of different exchange houses, including wire transfers and receiving amounts consistent with the identified pattern from specific frequent individuals. This was in addition to outward remittances sent by Subject Y to Country X, who registered his name as a beneficiary. The bank account of Subject Z, whose card was found with Subject Y, showed the typical pattern of cash deposit and withdrawal

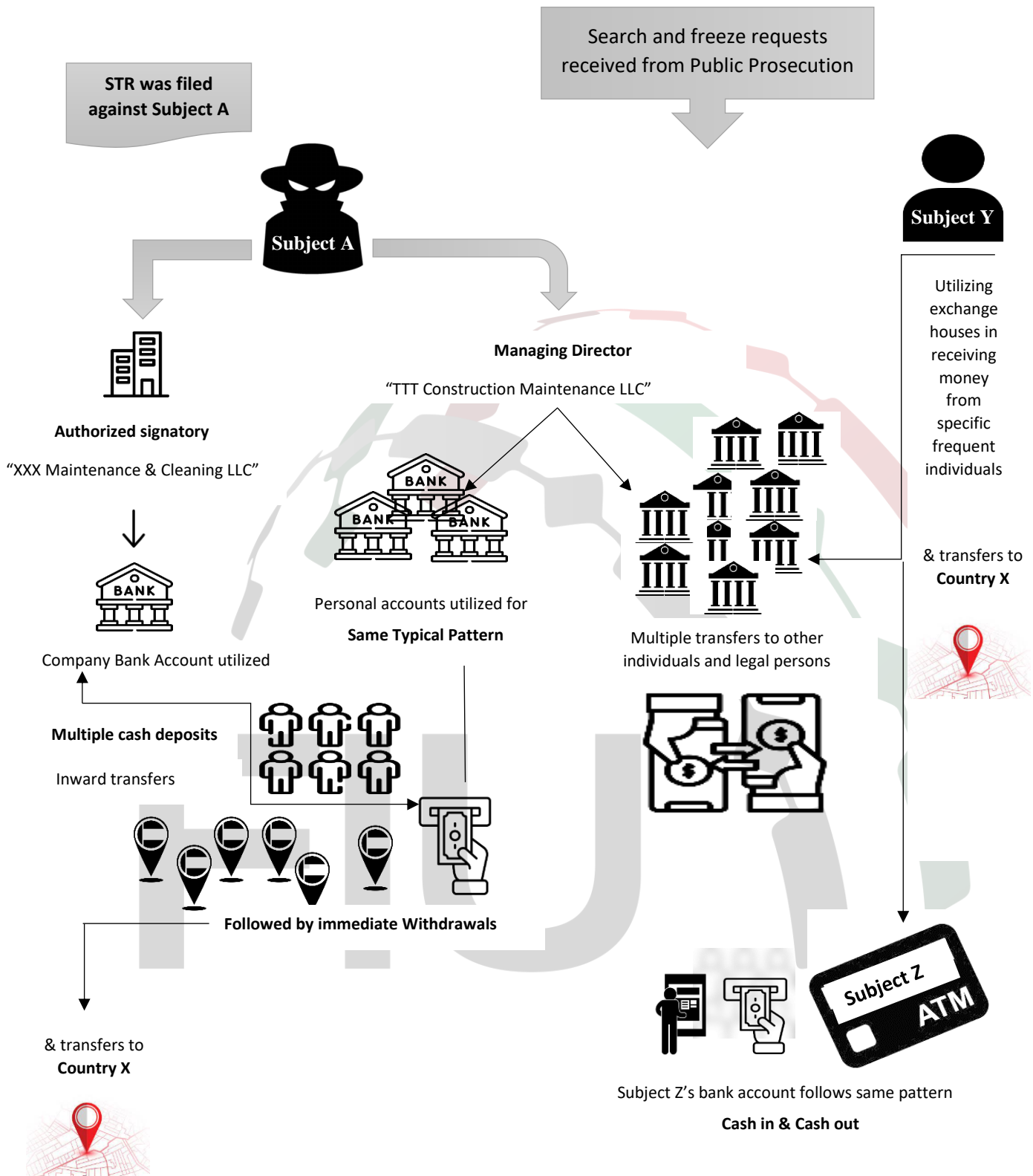
transactions. At the same time, the subject's salary did not match the significant amount of such transactions. Subject Z's account also included a few transfers to a local legal person and an individual.

Ultimately, the accounts of the subjects involved were subject to freeze requests sent to all UAE financial institutions.

**Risk Indicators:**

- Significant cash inflows and unusual turnover in the account do not match the customer profile.
- The account is only funded via inward remittances and cash deposits.
- The account is merely opened for the placement of funds.
- Immediate ATM withdrawals in accumulated amounts, leaving the account with nil balance.
- Suspicion of a third party using the account.
- A company account that does not shows any actual business transactions.
- The company account exceeds its declared annual turnover coupled with a rapid movement of funds.

FIU



**Diagram 2:** Illicit trafficking in narcotic drugs and psychotropic substances leading to multiple accounts freeze

**Case example 2:** Adverse media links a subject of suspicious transactions to drug trafficking

The UAEFIU received a SAR raised by a financial institution on **(Subject A)**, a resident from **(Country X)** working in **(Company Y LLC)** as a salesperson with a low income. The reason for reporting was a positive match of the subject name, nationality, and residency status with adverse media. It was suspected that Subject A was involved in a criminal conspiracy, which included the smuggling and distributing of a significant amount of narcotics from **(Country Z)** to Country X through the sea route. The UAEFIU sent multiple requests for information to different financial institutions, and based on the responses received, subject A had a high turnover in his/her bank accounts which did not match his/her profile. Subject A was a client of five banks and one exchange house. However, only one of these accounts showed suspicious transactions, and the other accounts were either dormant or used for salary remittances, credit card and loan accounts.

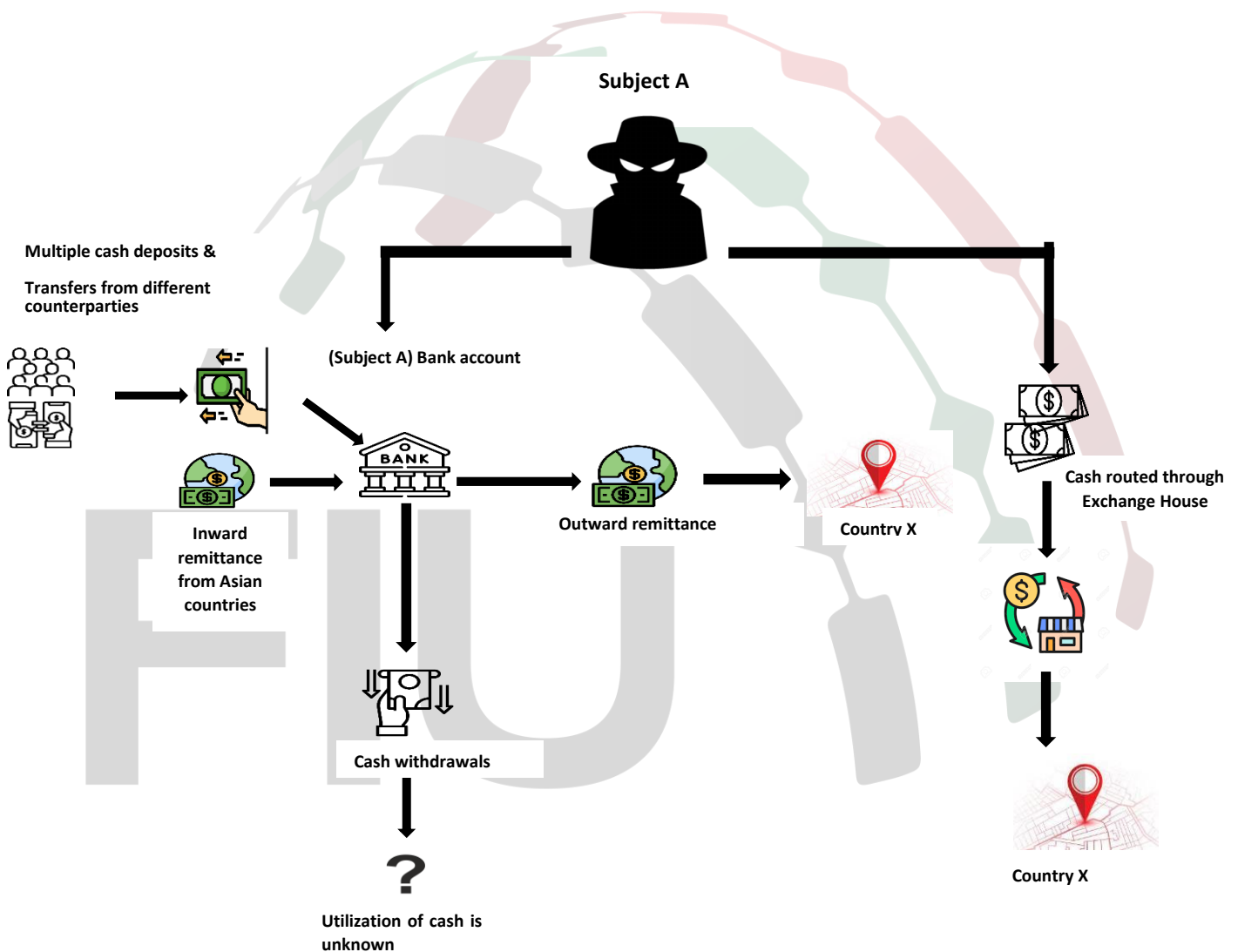
The subject's bank account was mainly funded by cash deposits, inward internal transfers and international transfers from Asian countries and then transferred to Country X. The source of funds was unknown, but it was suspected to be the proceeds of drug trafficking. The analysis of the subject's transactions indicated that the dates of different suspicious cash deposits correlated with the adverse media of the subject smuggling drugs. Furthermore, Subject A's account previously recorded a dishonored cheque, and the UAEFIU found a criminal record on the subject. Subject A also transferred funds to Country X for an unknown purpose, while the purpose of the transaction was recorded as family maintenance.

Therefore, Subject A was suspected of receiving the illicit funds in installments from Asian countries for unknown purposes, followed by cash withdrawals and transfer of the illicit funds to Country X using different financial institutions. Since Subject A's profile, including his/her low income, did not match the declared transactional pattern while being subject to adverse media associated with drug trafficking, the UAEFIU disseminated the case to the relevant Law Enforcement Authority.

**Risk Indicators:**

- The transactions do not align with the customer's known profile as declared in the KYC documents.
- The account is mainly funded through cash deposits, inward internal transfers, and inward international remittances, followed by cash withdrawals through an ATM and outward remittances.

- Adverse media on the subject being involved in a criminal conspiracy, which included smuggling and distributing significant amounts of illegal narcotics.
- Account activity shows a high velocity in the movement of funds/rapid movement of funds.
- The source of funds, use of funds, and purpose of withdrawals cannot be ascertained.
- Possible third-party payments and the use of the account by parties other than the actual owner.
- A positive criminal record found on the subject.



**Diagram 3:** Adverse media links a subject of suspicious transactions to drug trafficking.



**Case example 3:** Information from the Federal Customs Authority leading to identifying suspicious transactions of possible drug trafficking and money laundering

The UAEFIU received a suspicious transaction report from the Federal Customs Authority filed on a truck driver with an Emirati plate number heading to the UAE from a neighboring country. When the vehicle reached the goods inspection area, the driver stated that he was not carrying any cash, and nothing was found in the truck upon inspection. However, while searching the individual himself, the customs officer found an amount of undeclared cash totaling AED90,000 (in Emirati Dirhams and other currency); the cash was deliberately hidden under the subject's clothes.

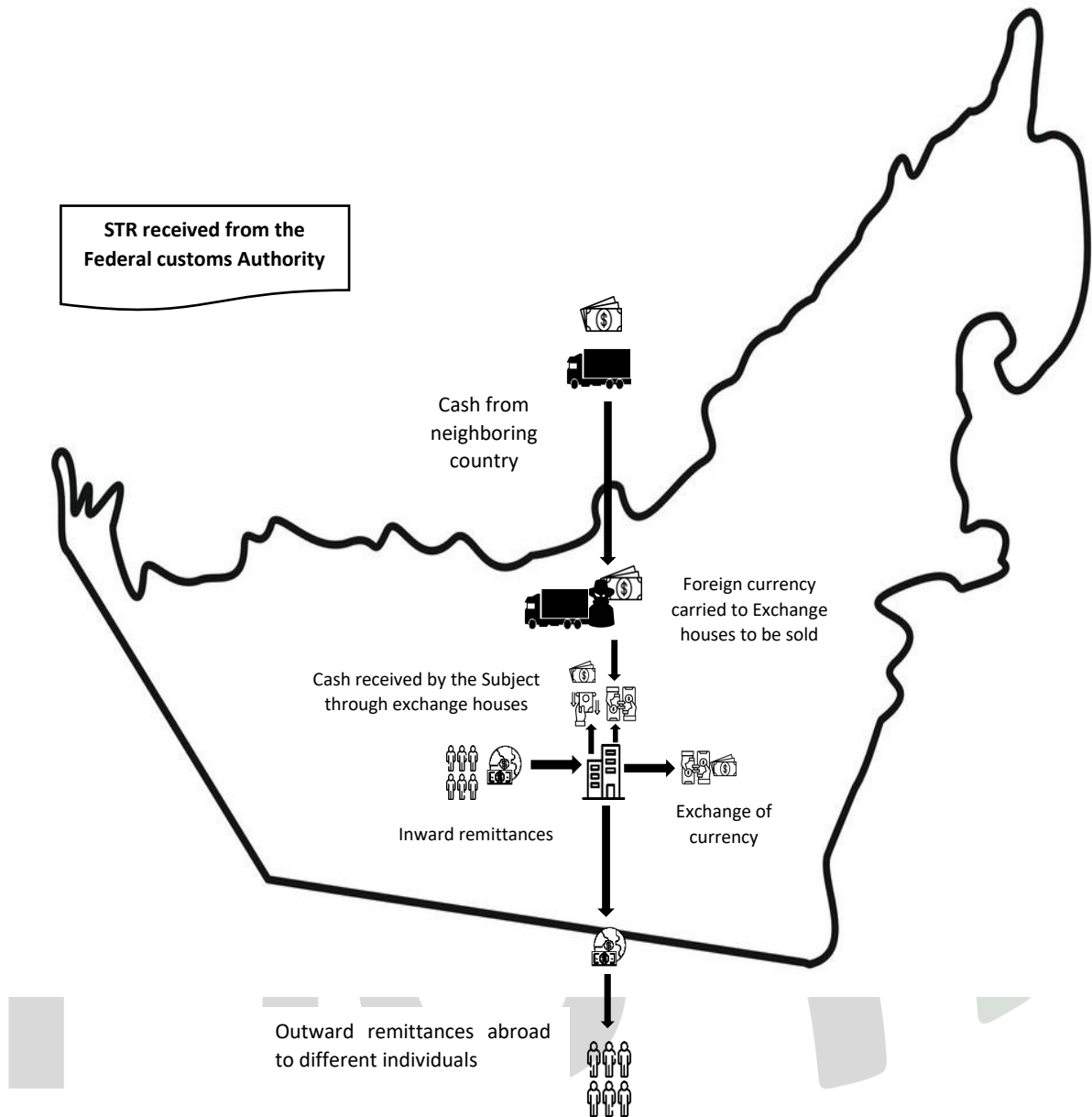
The Federal Customs Authority took the necessary action, reported the incident to law enforcement authorities, and raised a suspicious transaction report to UAEFIU. Based on the information provided, the UAEFIU investigated the subject using its databases, including sending requests for information from the financial institutions to identify and understand the suspect's profile and financial history. The UAEFIU found that the suspect held accounts in five banks in the UAE, which did not match with the customer's apparently low income. Only two accounts were active, but no significant amount or suspicious transactional pattern was noticed. However, other data within the UAEFIU database showed that the subject conducted multiple foreign currency exchanges and purchases of Emirati Dirhams from 2016 to 2021 through different MSBs. The subject also received several inward remittances from individuals residing in the UAE, followed by outward remittances to **Country X**, known for drug trafficking.

The UAEFIU's analysis suggested that the subject was carrying cash from a neighboring country that was possibly generated from drug trafficking. The proceeds were to be smuggled to the UAE in foreign and local currencies. Subsequently, the cash was to be exchanged using MSBs and mixed with multiple remittances to be sent eventually to Country X for settlement. Therefore, the UAEFIU disseminated the case to the relevant Law Enforcement Authority.

**Risk indicators:**

- Subject works as a truck driver enabling him to be employed in moving goods and cash across jurisdictions.
- Opening multiple accounts with different financial institutions in the country with no justifiable purpose.
- Exchanging different currencies while the source and destination of funds are unknown and hard to trace.
- Funds remitted to a country known for drug trafficking.
- Avoiding declaration of a substantial amount of cash but carried in a small denominations.





**Diagram 4:** Information from the Federal Customs Authority leading to identifying suspicious transactions of possible drug trafficking and money laundering

**Case example 4:** Misusing one's profession in facilitating drug trafficking and money laundering

The UAEFIU received a “search” request from the public prosecution on **Subject A**, followed by a freeze request as a result of reviewing the subject's transactions. It was suspected that the subject was exploiting his occupation in prescribing drugs to addicts and receiving the proceeds of sale through his personal accounts. According to the banks' KYCs, Subject A worked as a practicing psychiatrist in the UAE. However, other supporting documents revealed that the subject holds a managerial position in a different field.

Following database checks, the UAEFIU found that Subject A had multiple bank accounts in four local banks. Said accounts were opened as savings and current accounts, including loan and credit card services. Two accounts that were opened with one bank witnessed many unusual transactions. Moreover, the subject was registered in three exchange houses to conduct inward and outward remittances and used currency exchange services.

Subject A's transactions indicated receipt of salary, recurring inward remittances, cheques and cash deposits mainly from individuals based in the UAE. Funds were in small values ranging between AED600 and AED1,500 (mainly cash deposits and inward domestic remittances), which did not match his account profile. The primary beneficiaries of these funds were family members, sons and spouse. Subject A claimed that additional income was received from the polyclinic or his patients for providing psychiatric services, which is usually paid in cash. Conversely, the bank's customer due diligence affirmed that the subject's funds were received from different individuals, as well as a salary from an employer with a different business line.

Based on the transactional pattern revealed in this case, a freeze request was received from the Public Prosecution on Subject A. All his accounts were frozen for misusing the profession by prescribing controlled drugs for illegal use.

**Risk indicators:**

- Inconsistency between information provided in the account KYC and the customer transactional pattern.
- Customer justification of transactions contradicts available supporting documents.
- Unusual activities in the account triggered mainly by ATM deposits and remittances from third parties.
- Deposits in the account were relatively small amounts ranging between AED600 – AED1500, but aggregating to a large amount.
- Customer's occupation could be linked to drug trafficking.

**Case example 5:** Multiple suspicions of different subjects abusing the UAE’s financial institutions in drug trafficking and money laundering

The UAEFIU received a suspicious transaction report on **Subject A**, who works as a light vehicle driver. The reason for reporting was that the customer received multiple cash deposits through ATMs from unknown individuals from various locations in the UAE, followed by remittances to different persons. The UAEFIU analysis on subject A revealed a suspected transactional pattern consistent with the typical identified pattern associated with drug trafficking and money laundering. The analysis also uncovered Subject A’s main counterparts; Subject B, Subject C, and Subject D, who were suspected of being part of a larger criminal group. The four subjects worked in different occupations; two of them had the same nationality, while the others had different ones.

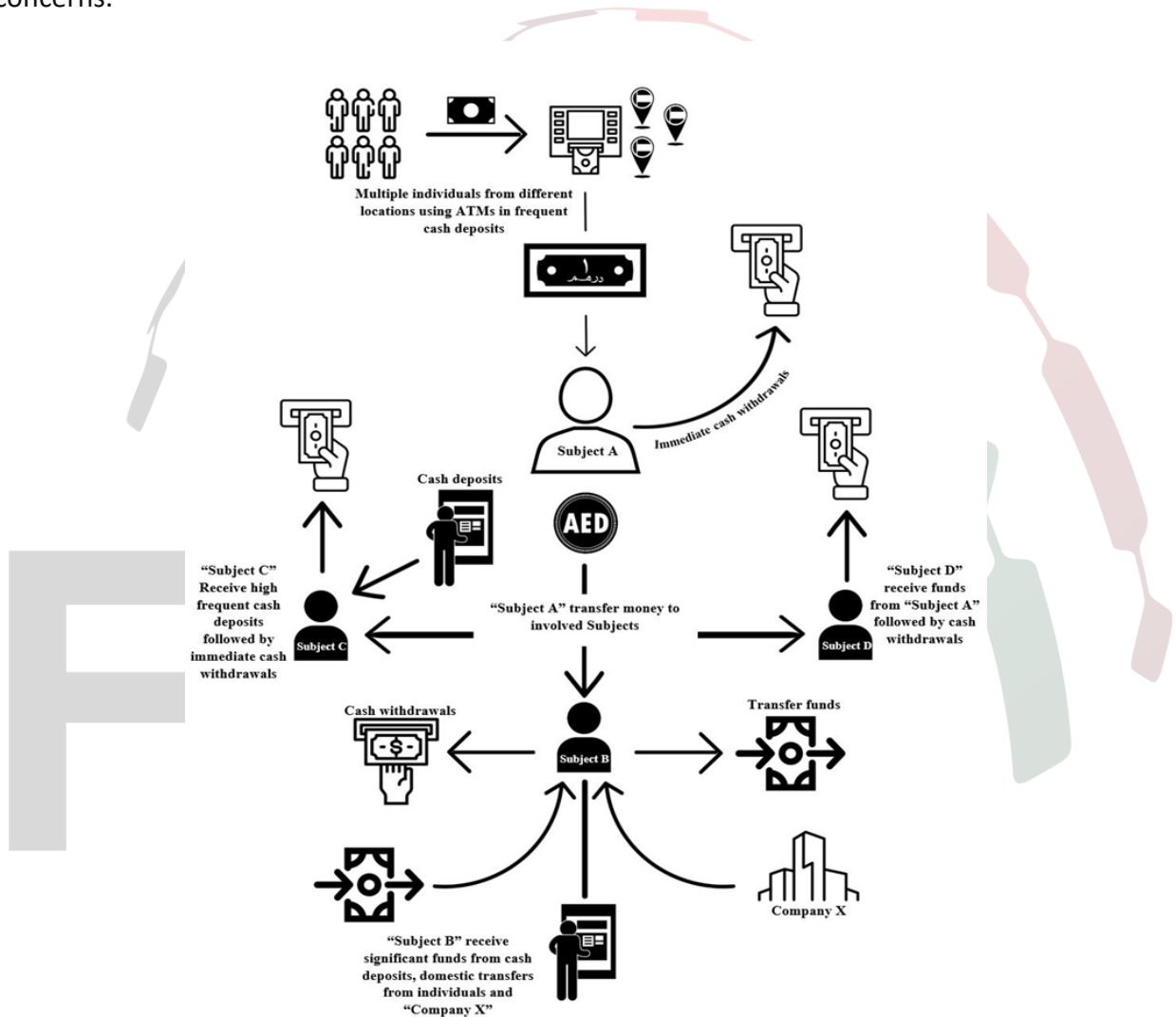
**Subject B** was found to be a partner in **Company S**, which provides typing services, and also the owner of a travel agency. Subject B owned a current and a savings account in two banks and three accounts in different exchange houses. Another reporting entity raised a suspicious transaction report against Subject B due to the unusual movement of funds and significant amounts received through transfers and cash deposits followed by immediate cash withdrawals or outward transfers to third parties. Subject B was also linked to another STR filed against **Company X**, a cleaning services company. The company was reported due to similar concerns of receiving large cash deposits from different individuals followed by cash withdrawals. Upon the bank’s due diligence, Subject B provided invoices under the name of Company S, leading to a suspicion of abusing legal entities for illicit purposes.

Another reporting entity filed a suspicious transaction report against **Subject C** based on a request for information from a law enforcement authority. Subject C’s account activities showed no salary credits as opposed to the purpose of opening the account indicated in the KYC document. Subject C worked as a carpenter with a low wage, but he received significant cash deposits followed by immediate withdrawals, leaving the account with a low balance. Despite several attempts by the reporting entity to clarify the transactions, Subject C could not provide a satisfactory explanation. It was further found that Subject C maintained an account with another financial institution funded similarly by large cash deposits and local transfers to other beneficiaries.

Lastly, it was also found that **Subject D** received significant amounts from Subject A via inward remittances, which were followed by immediate cash withdrawals. Ultimately, the UAEFIU disseminated the case on to the relevant law enforcement authority and also shared it via an outward spontaneous dissemination to a counterpart FIU.

**Risk indicators:**

- Significant multiple cash deposits, ranging between AED100 and AED1,200, followed by immediate cash withdrawals.
- The frequency of cash transactions appears to be highly unusual for a personal account.
- An unusual pattern of transactions in a company account without any business rationale.
- The ultimate source of funds and purpose of transactions cannot be ascertained.
- Transacting with parties (individuals or entities) on whom STRs were raised due to similar concerns.



**Diagram 5:** Multiple suspicions on different subjects abusing the UAE financial institutions in drug trafficking and money laundering

**Case example 6:** Suspicion of abusing bank accounts by different subjects in drug trafficking and money laundering

The UAEFIU has received multiple STRs against (**Subject Y**), who is a resident of the UAE and has the nationality of **County X**. Subject Y was working as an "assistant mechanic" at "Company XY LLC" licensed as a technical services provider, with a low salary. The UAEFIU investigation revealed that the subject was involved in four criminal cases of possessing narcotic substances with intent to traffick. The UAEFIU accordingly sent a request for information to X country, where the subject owned an account, as shown in the subject's bank statement associated with a local bank account.

Local **Bank A** and **Bank B** filed two STRs against Subject Y. The subject's account in Bank A showed a significant ATM cash deposit value ranging between (AED350 - AED1,600) followed by immediate cash withdrawals. The source and destination of these funds were unknown. At the same time, the subject's account with Bank B showed only 1 ATM deposit by a counterparty (**Subject Z**), a former customer of the bank. Subject Z's bank account was closed due to receiving a fraudulent transaction. Subject Z was found to be using Subject Y's bank card to deposit AED100, which raised suspicion.

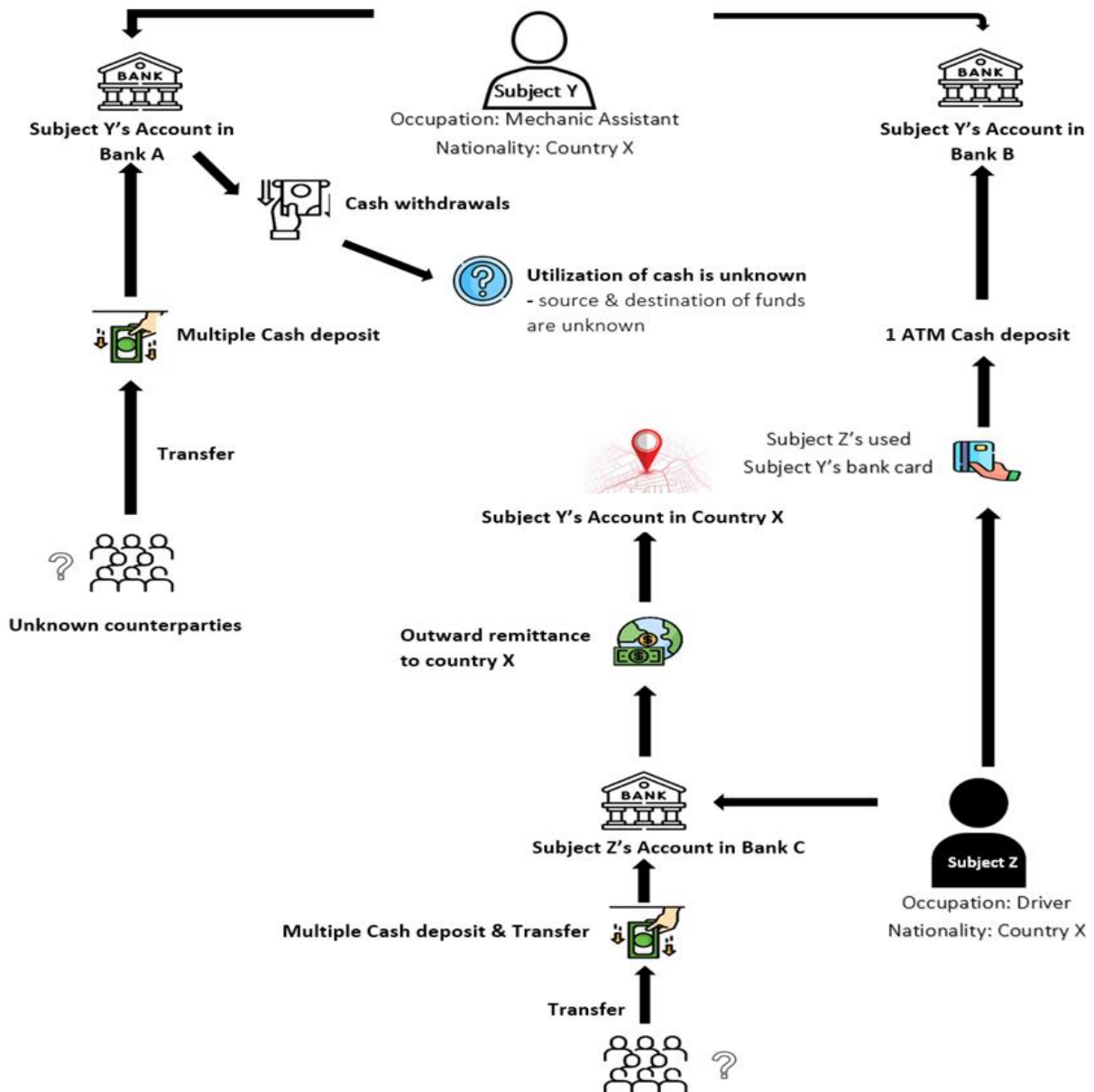
Available supporting documents showed that both subjects had the same nationality of Country X. Subject Z worked as a light vehicle driver in a trading company, and subject of a STR filed by **Bank C** due to receiving a high amount of funds which surged over a two-month period. Transactions of Subject Z's bank account indicated a remittance sent to Subject Y's account in Country X (Subject's home country).

The UAEFIU disseminated the case to the relevant law enforcement authority for further investigation in relation to possible drug trafficking and money laundering.

**Risk indicators:**

- Unknown source of funds, and the subject failed to provide satisfactory explanations as to the source and purpose of transactions carried through the account.
- Unusual transactions not in line with the customer's known profile.
- Customer account seems to be used for facilitating third-party transactions.
- The account was mainly funded by multiple cash deposits (ranging between AED350 – AED1,600), followed by cash withdrawals through an ATM.
- The account showed a high velocity in the movement of funds, rapid movement of funds, and sudden surge in transactions.
- STRs were filed against the subject and counterparts due to the same concern.

- A lack of supporting documents to justify customer transactions.
- The personal account is possibly used as a funnel account.



**Diagram 6:** Suspicion of abusing bank accounts by different subjects in drug trafficking and money laundering

## CONCLUSION

This report identified different patterns and trends related to drug trafficking and money laundering, highlighting different scenarios and case examples. It developed a list of risk indicators for consideration of reporting entities in detecting drug traffickers and money launderers' relevant transactional patterns and activities. Reporting entities should update their risk indicators and monitoring systems accordingly.

Different data, including the review of cases available in the UAEFIU's databases, emphasized law enforcement efforts in tracing and detecting a significant number of drug promoters and traffickers across the UAE. This is in addition to law enforcement international cooperation in different jurisdictions worldwide. Nevertheless, due to the size of the global drugs market and menace, more efforts are still needed to consider the broader ecosystem of illicit drugs markets and supply chains rather than single cells or shipments. This should also include developing the understanding of suppliers' strategies to enable the evaluation of drug-related threats and the measures required to control targeted borders, as well as understanding the segments of this market and how drugs are sold and delivered to potential customers in the UAE, including the involvement of foreign and local legal persons.

The patterns of drug trafficking and money laundering identified in this report underline the importance of pursuing drug-related offenses with a parallel financial investigation. A thorough investigation should consider further sophisticated financial analysis approaches, especially by those who have an extensive background in financial investigations and new technologies, including virtual assets and the dark web. Within the same framework, obtaining relevant technical training and programs is recommended to increase the number of specialists in the field and train them in investigating the financial factors associated with the drug trafficking supply chain, the use of cryptocurrency in drug trafficking and money laundering, and conducting periodic threat analyses.

Analysis of the STRs and SARs conducted in this report illustrated some shortcomings in reporting entities, such as the adequacy of financial institutions' KYC and customer due diligence procedures, especially for newly opened accounts through online banking and digital platforms. These are in addition to the effectiveness of reporting entities monitoring systems in detecting drug-related patterns and alerting their institutions of scenarios relevant to drug trafficking and money laundering. The tendency of some reporting entities to file defensive reports or limit their investigation scope is counterproductive in addressing the purpose of these reports. Therefore, reporting entities are encouraged to enhance the quality of their reported suspicious activities and transactions.