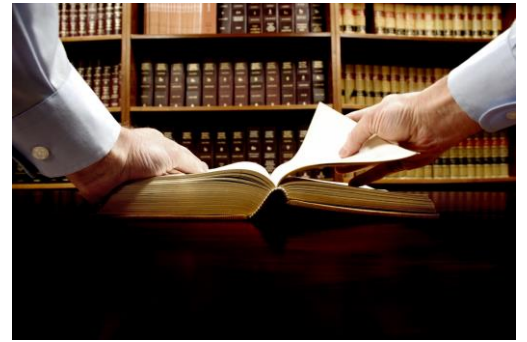


inBrief



New Reporting Requirements for Specific Real Estate Transactions

By Shahram Safai and Eoin O'Flaherty | 23 September 2022

In a joint statement made by the UAE Ministry of Economy and the UAE Ministry of Justice the implementation of the new Anti-Money Laundering reporting requirements, which are set out in Circular No. 5/2022 (the '**Circular**') and which will apply to specific (cash and virtual currency related) real estate transactions that are conducted in the UAE, was announced over the summer. As outlined in the Circular, these additional reporting requirements are now in force from 1 July 2022.

This joint statement and the additional reporting requirements contained in the Circular are an important sign of the UAE's concerted efforts to combat the investment of illicit funds in the real estate market and aim to make the policies and procedures in this area consistent with international standards.

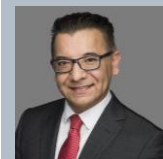
Globally, individuals routinely attempt to launder illicit funds through the purchase of real estate assets. The implementation of these additional reporting requirements by the UAE government is intended to curb such activities in this country.

In this inBrief, we look at the additional reporting requirements that shall apply and the implications that they may have on the UAE's real estate market.

Who is Required to Report?

The Circular applies to real estate brokers and real estate agents licensed in the UAE as the reporting parties in relation to the applicable transactions. However, in the joint statement made by the Ministry of Economy and the Ministry of Justice, it was noted that law firms must also comply with these new reporting

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requirements (real estate brokers, real estate agents and law firms together referred to herein as the “Reporting Parties”).

Reporting Requirements

Pursuant to the Circular, the Reporting Parties are required to comply with additional reporting requirements where a freehold property is being purchased using any of the methods of financing below:

- a. where any single physical cash transaction, or several related transactions, equal or exceed AED 55,000 either as the entirety or a portion of the value of the property;
- b. where the method of payment is a virtual asset for either a portion or the entire property value; or
- c. where either part or the entire amount of the funds used to finance the purchase were converted from a virtual asset.

Where a buyer seeks to fund a freehold property using any of the above methods, the Reporting Parties must:

- a. obtain and record copies of identity documents (Emirates ID or passport) from the party transferring the funds;
- b. obtain and record receipts, invoices, contracts and Sale & Purchase Agreements relating to the transaction; and
- c. submit a “Real Estate Transaction Report” via the Financial Intelligence Unit’s goAML platform.

Where the buyer is a corporate entity, the Reporting Parties must obtain and record:

- a. the entity’s Trade License;
- b. the entity’s Articles of Association;
- c. register of Beneficial Owners of the entity;
- d. Emirates ID or passport copy for all Beneficial Owners of the entity; and
- e. Emirates ID or passport copy for all shareholders/partners of the entity.

Further, the Reporting Parties are required to retain all documents and information relating to such transactions as those highlighted above for a minimum period of five years.

Conclusion

The new reporting requirements have placed a responsibility on real estate brokers, real estate agents and law firms to assist in ensuring that the funds being used for real estate transactions are not part of an attempt by the investor to engage in money laundering or the financing of terrorism.

We anticipate that the implementation of the new reporting requirements will enhance the UAE’s ability to protect the country’s real estate market from the investment of illicit funds and provide greater confidence to authentic investors who are looking to invest in the country’s growing real estate market. This in turn, will result in the continued growth of the UAE’s real estate market.

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