

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

To: **Wise Nuqud Ltd.**  
15-141, Level 15  
Al Khatem Tower  
ADGM Square  
Al Maryah Island  
Abu Dhabi  
United Arab Emirates

Date: 25 August 2022

**1. DECISION**

- 1.1. For the reasons given in this Final Notice, the Financial Services Regulatory Authority (the “Regulator”) has decided to impose on Wise Nuqud Ltd. (“Wise”) a financial penalty of US\$360,000 under section 232 of the Regulations.
- 1.2. Wise agreed to settle this matter at an early stage of the Regulator’s enquiry and action in this matter. The Regulator has therefore exercised its discretion to apply a 20% discount to the financial penalty under the Regulator’s policies for early settlement. Were it not for this discount, the Regulator would have imposed a financial penalty of US\$450,000 on Wise.
- 1.3. The Regulator acknowledges that Wise and its senior management in the ADGM have cooperated fully with the Regulator’s enquiry and action. Wise has taken substantial steps to remediate the issues and deficiencies referenced in this Notice, including by conducting a gap analysis of its policies, systems and controls against the Regulator’s AML and Federal AML requirements.

**2. DEFINED TERMS**

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

**3. SUMMARY OF REASONS FOR THE DECISION**

- 3.1. The Regulator has decided to take the action set out in this Notice because it considers that, over the period from around 25 July 2019 to on or around 22 September 2021 (the “Relevant Period”), Wise failed to establish and maintain adequate anti-money laundering policies, procedures, systems and controls to ensure compliance with all applicable requirements of the Anti-Money Laundering and Sanctions Rules and Guidance Rulebook (“AML”) that applies in ADGM. In particular, the Regulator found that Wise failed to take sufficient steps to:



- a. identify and verify the Source of Funds and the Source of Wealth, as part of the Enhanced Customer Due Diligence (“EDD”) it undertook on a category of high risk customers (“Assessed High Risk Customers”<sup>1</sup>), prior to undertaking any Transaction on behalf of those customers;
- b. obtain the approval of Senior Management to establish business relationships with Assessed High Risk Customers;
- c. assess and consider its customers’ nationality when undertaking a risk-based assessment of its customers; and
- d. adequately identify, assess and consider the intended nature of the customers’ relationship, by not obtaining and assessing expected payment volumes as part of its: (i) risk-based assessment of its customers; and (ii) when undertaking Customer Due Diligence (“CDD”).

In so doing, Wise contravened a number of specific AML requirements as set out in this Notice.

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

##### **Background**

- 4.1. Wise is a private company limited by shares, incorporated and registered with the ADGM Registration Authority since 26 May 2019.
- 4.2. Wise was granted a Financial Services Permission by the Regulator on 25 July 2019, under which it was permitted to undertake the Regulated Activity of ‘Providing Money Services’. Wise became fully operational on 15 April 2020.
- 4.3. Wise provides payment services in the UAE to both personal and small business customers. Wise’s primary business is the provision of cross border money transfers for personal and small business customers. Wise does not maintain balances in customer accounts and its customers are required to fund transactions from a regulated bank account by way of funds transfer or debit card payment. Wise does not accept or provide payments in cash.
- 4.4. Wise operates as a subsidiary part of the wider Wise Group and its services are supported by the Group’s systems and support functions.

##### **Regulator Review**

- 4.5. In September 2021, the Regulator conducted a review (the “Review”) of Wise’s activities and operations covering the Relevant Period and focused on Marketing, AML and Sanctions Compliance practices.
- 4.6. The Review involved a detailed review of Wise’s systems and controls, policies and procedures in relation to AML and Sanctions Compliance and Marketing practices and included discussions with senior management and staff, the inspection of relevant documents and a detailed review of a sample of Client relationships.
- 4.7. On 13 October 2021, a meeting was held between the Regulator and Wise, at which the Regulator’s preliminary findings of the Review were discussed.

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<sup>1</sup> Assessed High Risk Customers are those customers that had been assessed by Wise as being high risk for money laundering and which had not been identified as being a Politically Exposed Person (“PEP”) or its beneficial owner(s) as being a PEP.



- 4.8. On 31 October 2021, the Regulator provided Wise with a draft 'Report: Findings and Remedial Actions' (the "Draft Report") for confirmation of factual accuracy and comment.
- 4.9. On 8 November 2021, Wise provided the Regulator with its comments on the Draft Report (the "Initial Response"). The Initial Response confirmed a number of the Regulator's findings and set out a number of proposed remediation measures to be undertaken by Wise to remediate.
- 4.10. On 16 November 2021, a meeting was held between the Regulator and Wise at which residual points of clarification regarding the Draft Report and Initial Response were discussed and confirmed.
- 4.11. On 21 November 2021, the Regulator sent the final version of the Report: Findings and Remedial Actions' (the "Report") to Wise. The Report set out the Regulator's findings from the Review, including concerns regarding AML systems and controls, AML customer risk assessment and customer due diligence.
- 4.12. On 30 November 2021, Wise sent the Regulator a further 'Analysis report' in which it provided additional submissions in relation to the Regulator's findings contained in the Report.
- 4.13. On 14 December 2021, the Regulator sent a letter to Wise stating that it had considered Wise's additional submissions and was of the view that Wise had not provided sufficient evidence and rationale to change its findings.
- 4.14. Since the Review to the date of this Notice, Wise has cooperated fully with the Regulator to remedy the deficiencies found during the Review.
- 4.15. The Regulator's findings concerning Wise's failures to establish and maintain adequate anti-money laundering policies, procedures, systems and controls to ensure compliance with all applicable requirements of AML are set out in paragraphs 4.16 to 4.40 below.

**Failure to identify and verify Source of Funds and Source of Wealth for Assessed High Risk Customers prior to undertaking a Transaction**

- 4.16. Wise was required under AML Rule 8.4.1 to undertake EDD, in addition to CDD under AML Rule 8.3.1, for all customers it had:
  - a. assessed as being high risk for money laundering (i.e. Assessed High Risk Customers); or
  - b. identified as being a PEP (or its beneficial owner(s) as being a PEP).
- 4.17. Wise was required under AML Rule 8.2.1 to undertake EDD (in addition to CDD) on those customers before it undertook any Transaction on behalf of the customer.
- 4.18. For Wise to fulfil all of its EDD obligations for each of its Assessed High Risk Customers, it was required to, among other things, identify and verify the Source of Funds ("SOF") and the Source of Wealth ("SOW") of the customer and, where applicable, all Beneficial Owners.
- 4.19. During the Relevant Period, Wise performed measures to identify and verify SOW and SOF prior to undertaking a Transaction only on customers that it had identified as being a PEP (or had identified its beneficial owner(s) as being a PEP). However, for Assessed High Risk Customers, Wise performed measures to identify and verify SOW and SOF only when the customer's payments met a certain threshold over a rolling 28-day period, and not prior to undertaking any Transaction on behalf of the customer.



- 4.20. The Regulator considers the approach undertaken by Wise to be inadequate, in that it did not ensure that Wise fulfilled its obligation to identify and verify the SOW and SOF of Assessed High Risk Customers prior to undertaking any Transaction on behalf of those customers.
- 4.21. In addition, the Regulator considers the threshold applied by Wise to Assessed High Risk Customers (personal customers) was not an effective risk mitigant, because it was too high due when compared to the average transaction amount for those customers. Therefore, the threshold applied by Wise to perform checks on SOW and SOF was rarely triggered. As a result, the majority of Assessed High Risk Customers (personal customers) were permitted to perform transactions without having been subject to required EDD measures under AML.
- 4.22. Approximately 1,532 Assessed High Risk Customers were affected by this failing during the Relevant Period.
- 4.23. Accordingly, the Regulator therefore considers that Wise contravened AML Rule 8.4.1(c).
- 4.24. The Regulator acknowledges that Wise's process of only allowing its customers to fund transactions through bank account and debit card transactions, and of not maintaining account balances for customers in part mitigated the impact or risk associated with Wise's failure to comply with the requirements of AML Rule 8.4.1(c).

#### **Approval of Senior Management to commence business relationship with Assessed High Risk Customers**

- 4.25. As an Authorised Person, and a Relevant Person for the purposes of AML, Wise was required under AML Rule 8.4.1(e) to obtain the approval of Senior Management to commence a business relationship with a customer assessed as being high risk for money laundering (and therefore in relation to which EDD was required).
- 4.26. The Regulator found, however, that during the Relevant Period Wise did not obtain Senior Management approval to commence a business relationship with all Assessed High Risk Customers.
- 4.27. Rather, Wise maintained a process under which:
- a. customers it had identified as being a PEP (or had identified its beneficial owner(s) as being a PEP) were subject to Senior Management Approval locally; and
  - b. approval of Senior Management to commence a business relationship with Assessed High Risk Customers was outsourced to a Wise Group EDD team.
- 4.28. Wise was permitted to outsource Senior Management approval of high risk customers within its group to a suitably qualified individual or committee. However, during the Relevant Period, Wise did not have in place adequate arrangements to govern the outsourcing of this function. In particular, Wise had in place a written contract with the relevant Wise Group entity for the Wise Group EDD team to undertake EDD on Assessed High Risk Customers. However, the outsourcing contract did not specifically cover requirement for Senior Management approval to commence a business relationship with Assessed High Risk Customers.
- 4.29. Approximately 1,532 Assessed High Risk Customer relationships were affected by this failing.
- 4.30. By failing to obtain the approval of Senior Management to commence a business relationship with Assessed High Risk Customers, Wise contravened AML Rule 8.4.1(e).



#### **Failure to assess and consider its customers' nationality when undertaking a risk-based assessment**

- 4.31. AML Rule 7.1.1(1) requires a Relevant Person to undertake a risk-based assessment of every customer; and to assign the customer a risk rating proportionate to the assessed money laundering risks associated with the customer.
- 4.32. AML Rule 7.1.1(3)(d) requires a Relevant Person, when undertaking a risk-based assessment of a customer and any Beneficial Owners, to identify, assess and consider, among other things, the customer's country of origin, residence, nationality, place of incorporation or place of business.
- 4.33. However, the Regulator found that, as at the date of the Review, Wise did not consider the nationality of its clients as a risk factor when undertaking a risk-based assessment of its clients. Accordingly, Wise contravened AML Rule 7.1.1(3)(d).
- 4.34. Further, the Regulator had previously raised with Wise its concerns in relation to Wise's failure to consider nationality as part of its risk-based assessment of its customers. In particular:
- a. On 2 September 2020, prior to the Review, the Regulator communicated to Wise its concern that Wise did not collect the nationality of its customers and notified Wise that "*obtaining details regarding nationality is a requirement of FSRA AML Rulebook (AML Rules 7.1.1(3) and 8.3.2(2)) and Cabinet Resolution 10 of 2019 (Article (8)1.(a))*" and that this was "*an important requirement from both a Customer Due Diligence and Customer Risk Assessment perspective ...*";
  - b. On 6 September 2020, Wise notified the Regulator that it would start collecting the nationality of its customers though it considered nationality as a legacy factor which should not be a factor in assessing the customer risk level;
  - c. On 7 September 2020, the Regulator re-confirmed with Wise that, as per the requirement under AML 7.1.1(3)(d), nationality must be identified, assessed and considered in the customer risk assessments; and
  - d. On 25 May 2021, Wise confirmed to the Regulator that, whilst customers' nationalities were collected as part of their identification document, the nationality of 6,137 customers had not been used as part of the customer risk assessment. Wise also confirmed that "*...to ensure that we are fully compliant with the regulations, no customer can perform any transaction now unless the nationality is fully updated on our system.*"
- 4.35. Accordingly, the Regulator considers that Wise should have addressed and remediated this issue prior to the Review but failed to do so.
- 4.36. The Regulator acknowledges that Wise's customer risk assessment process did involve consideration of other risk factors, including the customer's residency, address and IP location which, in part, mitigated its failure to consider customer nationality.

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

- 4.37. As an Authorised Person and a Relevant Person for the purposes of AML, Wise was required by:
- a. AML Rule 7.1.1(3)(b), to identify, assess and consider, among other things, the purpose and intended nature of the business relationship, and the nature of the customer's business when undertaking a risk-based assessment of the customer; and



- b. AML Rule 8.3.1(1)(c), to assess and understand and, as appropriate, obtain information on the purpose and intended nature of the business relationship when undertaking CDD for a customer.

4.38. However, the Regulator found that, at the customer on-boarding stage for personal customers, Wise obtained information on the purpose of the account but failed to adequately consider the intended nature of the business relationship, in that it did not obtain information on expected volumes of business. In contrast, Wise did this information for business customers.

4.39. Wise had in place processes to consider and monitor actual volume of transactions undertaken by customers following the establishment of a business relationship. However, by failing to identify the expected volumes of transactions of its personal customers at the time of establishment of the business relationship, Wise did not have a baseline from which to monitor its customers' activities.

4.40. The Regulator therefore considers that Wise contravened AML Rules 7.1.1(3)(b) and 8.3.1(1)(c).

#### **Remediation undertaken by Wise**

4.41. Since becoming aware of the Regulator's concerns identified by the Review, Wise undertook a remediation programme to address the various issues that had been identified.

4.42. Wise has now remediated its AML processes to address each of the Regulator's concerns identified from the Review and as set out in the Report for new and ongoing business relationships, and has completed remediation for prior business relationships (subject to validation by the Regulator).

4.43. In addition, following the Review, Wise ceased onboarding new business customers while it developed capacity and improved its systems and controls in relation to CDD/EDD. In doing so, Wise took action to mitigate the risk associated with this area of its business whilst it undertook remedial action.

4.44. The Regulator acknowledges Wise's co-operation and the substantial steps that Wise has taken to remediate each of the issues and deficiencies set out in this Final Notice.

#### **5. CONTRAVENTIONS**

5.1. The Regulator has found that, during the Relevant Period, Wise contravened the following Rules:

- a. AML Rule 8.4.1(c) by failing to identify and verify the SOF and the SOW as part of the EDD it undertook on Assessed High Risk Customers prior to undertaking any Transaction on behalf of the customer;
- b. AML Rule 8.4.1(e) for failing to obtain the approval of Senior Management to commence business relationships with Assessed High Risk Customers;
- c. AML Rule 7.1.1(3)(d) by failing to assess and consider its customers' nationality when undertaking a risk-based assessment of its customers; and
- d. AML Rules 7.1.1(3)(b) and 8.3.1(1)(c) by failing to adequately identify, assess and consider the intended nature of business relationships, as part of its risk-based assessment and CDD of all of its customers.



5.2. As a result, the Regulator considers that Wise also contravened AML Rule 4.1.1(2) by failing to establish and maintain adequate AML policies, procedures, systems and controls to ensure compliance with Wise's obligations under the Regulator's AML Rules.

## **6. SANCTION**

6.1. In deciding to impose a financial penalty on Wise, the Regulator has taken into account the factors and considerations set out in sections 6.2 to 6.4 of the Regulator's Guidance & Policies Manual ("GPM").

6.2. Annexure A sets out extracts from the Regulations, Rules and guidance relevant to this Notice.

### **Decision to impose a financial penalty**

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

- a. 6.2.1(a) - the Regulator's objectives under section 1(3) of the Regulations to:
  - i. foster and maintain confidence in the Abu Dhabi Global Market ("ADGM");
  - ii. promote and enhance the integrity of the ADGM Financial System;
  - iii. prevent, detect and restrain conduct that causes or may cause damage to the reputation of the ADGM through appropriate means including the imposition of sanctions; and
  - iv. promote public understanding of the regulation of the ADGM.
- b. 6.2.1(b) - the deterrent effect of the penalty and the importance of deterring other persons from committing similar contraventions.
- c. 6.2.1(c) - In terms of nature, seriousness, duration and impact of the contravention:
  - i. Wise did not maintain adequate systems and controls to ensure compliance with AML for a period of approximately two (2) years;
  - ii. During this two (2) year period, Wise had over fifteen thousand (15,000) customers; and
  - iii. The contraventions revealed material weaknesses in Wise's AML systems and controls.
- d. 6.2.1(f)(iv) - The Regulator considers there is a high likelihood that the same type of contraventions (by other Relevant Persons in the ADGM) may occur if no action is taken.

### **Determination of the level of financial penalty**

6.4. With reference to section 6.4 of GPM, the Regulator has taken into account the factors and considerations set out in the five-step framework in section 6.5 of GPM in determining the level of the financial penalty it has decided to impose:

#### *Step 1: Disgorgement*

6.5. This step is not considered to be relevant, as the Regulator has not seen Wise deriving any financial benefit from the contraventions.



*Step 2: The seriousness of the contraventions*

- 6.6. The Regulator considers Wise's conduct to be serious because:
- a. It resulted in Wise not having adequate systems and controls to ensure compliance with AML for a period of approximately two (2) years.
  - b. It carried out inadequate CDD on certain customers and inadequate EDD on Assessed High Risk Customers; and
  - c. The contraventions revealed material weaknesses in its AML systems and controls.
- 6.7. Taking the above factors into account, the Regulator considers that a financial penalty of US\$500,000 appropriately reflects the seriousness of the contraventions.

*Step 3: Mitigating and aggravating factors*

- 6.8. The Regulator considers that the following factors have a mitigating effect on the contraventions:
- a. Wise does not have any previous history of non-compliance with the Regulations or Rules;
  - b. Wise acknowledged the Regulator's concerns and agreed to a course of action to remediate the issues identified by the Regulator at an early stage;
  - c. Wise has been open and fully co-operative with the Regulator, and has been responsive to the remedial actions required by the Regulator;
  - d. The significant steps undertaken by Wise to remediate the weaknesses in its systems and controls;
  - e. Wise ceased onboarding new business customers while they developed capacity and improved its systems and controls in relation to CDD/EDD, and in doing so took action to mitigate the risk associated with this area of its business whilst it undertook remedial action; and
  - f. Wise's business model and certain aspects of its AML process during the Relevant Period in part mitigated the risks associated with certain of the failings referred to in this Notice.
- 6.9. The Regulator considers that the following factor has an aggravating effect on the contraventions:
- a. The Regulator had previously reminded Wise of its requirement to consider nationality as part of its risk-based assessment of customers. Wise was therefore on notice of this issue and should have addressed and resolved it prior to the Review but failed to do so.
- 6.10. Having taken the above factors into account, in particular the extent of mitigating factors in paragraph 6.8 above, the Regulator considers it appropriate to reduce the level of the financial penalty by 10%.
- 6.11. Accordingly, the figure after Step 3 is US\$450,000.

*Step 4: Adjustment for deterrence*

- 6.12. Section 6.5.9 of GPM provides that if the Regulator considers the level of the financial penalty which it has arrived at after Step 3 is insufficient to deter the firm that committed the contravention, or others, from committing further or similar contraventions, then the Regulator may increase the



financial penalty. Section 6.5.9 of GPM sets out the circumstances in which the Regulator may do this.

- 6.13. In this instance, the Regulator considers that the figure arrived at after Step 3 is sufficient for the purposes of deterring Wise and others from committing further or similar contraventions. Accordingly, the Regulator does not consider it necessary to adjust the amount of the fine arrived at after Step 3 for the purposes of deterrence.
- 6.14. Accordingly, the figure after Step 4 is US\$450,000.

*Step 5: Adjustment for cooperation/early settlement*

- 6.15. Where the Regulator and the firm on which the financial penalty is to be imposed come to an agreement on the amount of the financial penalty, section 6.5.10 of GPM provides that the amount of the financial penalty which might have otherwise been payable will be reduced to reflect the stage at which the agreement is reached.
- 6.16. The Regulator and Wise have reached an agreement on the relevant facts and matters relied on, the regulatory action to be taken and the financial penalty to be imposed. Having regard to the stage at which this agreement has been reached and in recognition of the benefit of this agreement, the Regulator has applied a 20% discount to the level of the financial penalty which it would have otherwise imposed.
- 6.17. Accordingly, the figure after step 5 is US\$360,000.

**The level of the financial penalty**

- 6.18. Given the fact and matters set out above and all the circumstances, the Regulator has determined that it is proportionate and appropriate to impose on Wise a financial penalty of US\$360,000.

**7. PROCEDURAL MATTERS**

**Settlement**

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

**Payment of financial penalty**

- 7.2. The financial penalty imposed by this Final Notice is to be paid by Wise on or before 23 September 2022.
- 7.3. Payment of the financial penalty is to be made by electronic funds transfer according to the instructions set out in the table below:

Account Name	[REDACTED]
Account Number	[REDACTED]
IBAN Number	[REDACTED]
Account Type	[REDACTED]



Bank Name	[REDACTED]
Swift Code	[REDACTED]
Reference	[REDACTED]

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

**Publicity**

7.5. As this Final Notice has now been given to Wise, pursuant to section 252(3) of the Regulations the Regulator may publish the details about the matter at its discretion. Pursuant to section 252(4) of the Regulations, a person to whom a notice is given may not publish the notice or any details concerning it unless the Regulator has published the notice or those details in accordance with section 252(3).

7.6. The Regulator will publish on its website:

- a. This Final Notice (not including Annexure A); and
- b. Subject to section 252(5) of the Regulations, a press release in a form and manner the Regulator considers appropriate.

Signed:

[REDACTED]

Emmanuel Givanakis  
Chief Executive Officer  
Financial Services Regulatory Authority