

United Arab Emirates

UAE grants Russian lender rare banking licence

Move would meet growing demand for financial services from Russian expatriates in the Gulf state



The Burj al-Arab hotel in Dubai. Tens of thousands of Russians have settled in the UAE since the war in Ukraine © Karim Sahib/AFP /Getty Images

Simeon Kerr in Abu Dhabi 10 HOURS AGO

The United Arab Emirates has approved a licence for Russia's MTS Bank, a move that risks exacerbating concerns among western nations over the emergence of the Gulf state as a potential financial haven for Moscow.

Officials and executives briefed on the matter said the decision by the central bank to issue the banking licence to the lender, which is not subject to western sanctions, would meet growing demand for financial services from [Russian](#) expatriates. "It's all about the business case [and] the number of Russians living here now," said one person briefed on the decision.

Tens of thousands of Russians have [settled in the UAE](#), mainly in Dubai, in the 12 months since the Ukraine invasion to escape financial restrictions in Europe or avoid the military draft back home. Many have complained of difficulty in opening bank accounts, especially corporate facilities, at those lenders already operating in the country. The Russian lender is the first foreign bank in several years to receive a licence in the UAE.

The US and European nations have become concerned about the [UAE's](#) financial interaction with Russia since sanctions were ramped up after the invasion. Brian Nelson, US Treasury under-secretary for terrorism and financial intelligence, raised

the issue of the Russian bank's licence on a visit to Abu Dhabi last week. "[He] conveyed broad concerns about financial connectivity with Russia, even via non-sanctioned banks," said a person familiar with the discussions.

Nelson met with government counterparts and financial institutions to convey the US's determination to enforce its sanctions aggressively, according to a Treasury statement ahead of his trip. "Permissive jurisdictions" risk losing access to developed markets for conducting business with sanctioned entities or failing to carry out effective due diligence, the statement added.

MTS Bank, a subsidiary of Russia's largest mobile operator, and the UAE central bank declined to comment.

The development comes at a sensitive time for the UAE, which was last year placed under enhanced supervision by the Financial Action Task Force, the global anti money-laundering watchdog. The Middle East's financial hub has hoped to demonstrate that it has tightened financial compliance and boosted criminal enforcement sufficiently to come off the FATF's so-called grey list. A decision is set to be made later in February.

The presence of assets, such as yachts, belonging to sanctioned Russian oligarchs have [raised concerns](#) about deeper illicit financial links between the UAE and Russia.

Abu Dhabi officials have rejected these concerns, saying it endeavours to halt financial flows from sanctioned Russian entities while refusing to discriminate against non-sanctioned companies and individuals.

The authorities urge financial institutions to enforce western sanctions to reduce the risk of losing correspondent banking relationships with US and European lenders.

The Gulf state, frustrated at a perception of the US's detachment from the Middle East, has been rebalancing its relations towards a multipolar world view that includes Russia, which has engaged aggressively in the region, as well as China, a growing trading and investment partner.

One person briefed on the MTS's operations said the licence would ease access to bank accounts for Russians and open a new channel for the flow of money into the UAE.

Ilya Filatov, the bank's chair, visited the UAE last week as the lender prepared to roll out its services in the coming months, the person said.

Rumours of the bank's imminent arrival have spread in the UAE's Russian community. "Everyone is trying to track them down here," said one banker. "This is going to be a game-changer."

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