

A Study on:

Coronavirus Pandemic (COVID-19) and its  
impact on AML/CFT systems in the Middle  
East and North Africa Region

**August 2020**



MIDDLE EAST AND NORTH AFRICA  
FINANCIAL ACTION TASK FORCE



# Coronavirus Pandemic (COVID-19) and its impact on AML/CFT systems in the Middle East and North Africa Region

**August 2020**

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## Introduction:

In late December 2019, the world was expecting an event that would fundamentally change the features of the economic and financial system, affecting all aspects of economic, social and political life – as Coronavirus pandemic, or Covid-19. By March 11, 2020, the World Health Organization (WHO) announced that the emerging coronavirus, or what had come to be known as COVID-19, had turned into a 'global pandemic'.

The report initially will address an introductory background on the Coronavirus that causes Covid-19, the latest global statistics on the number of infections, the size of deaths, and the most important economic and financial sectors most affected, as well as ML/TF risks. The efforts and initiatives issued by AML/CFT international and regional bodies, such as FATF and FSRBs, will be examined. At the end of the report, the most prominent challenges facing AML/CFT systems will be reviewed in the region in light of the Coronavirus pandemic and provided some recommendations to benefit the Member Countries.

This report aims mainly to provide support to Member Countries of MENAFATF on issues related to the Coronavirus (Covid-19) pandemic, through providing best practices and highlighting this pandemic and its links to ML/TF offences. While explaining the implications, and outcomes and addressing many case studies that faced the region countries during the study period. Moreover, it will present the most important suspicion indicators that could help in identifying and discovering ML/TF offences and identify the most prominent challenges that hinder these efforts.

To prepare this report, a special questionnaire was designed for requesting information and case studies, which disseminated to MENAFATF countries, to identify the effects of the Coronavirus (Covid-19) pandemic on AML/CFT systems in the region and the most important methods and trends used in committing related crimes. Based on such, ten responses were received from the following member states: Jordan, Bahrain, Algeria, Tunisia, Saudi Arabia, Iraq, Oman, Qatar, Morocco and Yemen. The number of case studies included in these responses reached 8 cases, varied from different aspects/fields, which shall be detailed hereunder.

## Coronavirus Pandemic (COVID-19) and Its Impact on AML/CFT Systems in the Middle East and North Africa Region

### **Section One: Coronavirus Pandemic (COVID-19) and its impact on AML/CFT systems, from previous studies' point of view:**

#### 1. What is Coronavirus?<sup>1</sup>

The newly discovered Coronavirus is the cause of Covid-19, a broad line of viruses that may cause disease to animals and humans causing respiratory diseases, ranging from common colds to more severe diseases such as the Middle East Respiratory Syndrome (MERS) and Severe Acute Respiratory Syndrome (SARS).

The disease is, mainly, spreading from person to person through the small droplets secreted by the person with Covid-19 from its nose or mouth when coughing, sneezing or speaking. These droplets are relatively heavy, as they do not travel to a remote location but rather fall quickly to the ground or objects and surfaces surrounding the person, such as tables, door handles, and stair handrails (So, for your health and safety, please find more information on the WHO website as attached below<sup>1</sup>).

#### 2. The disease spread and its effects on global economy<sup>2</sup>:

According to the UN's WHO, the epidemic has spread to more than 212 countries around the world. To 21 October 2020, the cases of Covid-19 disease reached approx. 41,042,579 while the number of deaths reached approx. 1,129,591 cases and the number of cases recovered from the disease was approx. 30,628,417 cases (for more information about the latest developments regarding pandemic figures and statistics, please find the attached link<sup>2</sup>).

A report issued by the World Economic Forum<sup>3</sup> regarding the pandemic, its spread and expected effects on the economies of countries, in general, during the period of the Corona pandemic (Covid-19). Despite the relatively low numbers of infections in the Middle East and North Africa compared to the rest of the most affected regions such as Europe and America, according to WHO reports (find the previous reference).

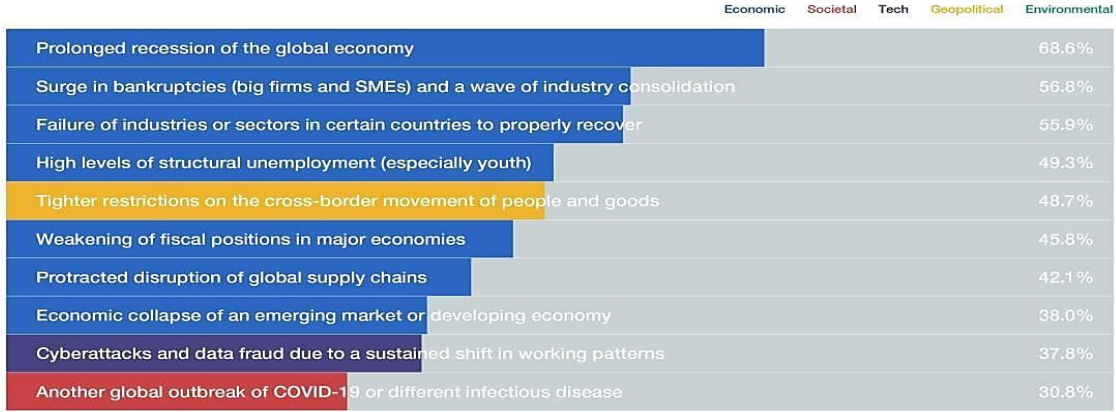
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<sup>1</sup> <https://www.who.int/ar/emergencies/diseases/novel-coronavirus-2019/advice-for-public/q-a-coronaviruses>

<sup>2</sup> <https://www.worldometers.info/coronavirus/>

<sup>3</sup> <https://www.weforum.org/reports/covid-19-risks-outlook-a-preliminary-mapping-and-its-implications>

## Most likely fallout for the world



COVID-19 Risks Outlook A Preliminary Mapping and Its Implications

- 6- زعزعة المراكز المالية في الاقتصادات الكبرى
- 7- اضطراب طويل الأمد لسلاسل التوريد العالمية
- 8- انهيار اقتصادي لبعض الدول النامية
- 9- زيادة الهجمات السيبرانية والاحتيال في البيانات بالتزامن مع زيادة مستويات العمل عن بعد
- 10- تفشي فيروس كورونا مرة أخرى أو مرض معدٍ آخر

- 1- ركود طويل الأمد للاقتصاد العالمي
- 2- موجة من إفلاس الشركات الكبيرة والصغيرة
- 3- فشل القطاعات التجارية في بعض البلدان
- 4- مستويات عالية من البطالة بين الشباب
- 5- قيود أكثر صرامة على تحرك الناس والبضائع

### 3. Previous studies in the field of ML/TF risks associated with the Coronavirus pandemic (Covid-19):

Some international and regional bodies specialized in AML/CFT, headed by the FATF, have studied and monitored the effects of Corona pandemic in the field of AML/CFT. As it issued data and guidelines to assist countries and relevant authorities to address the effects of Corona pandemic (Covid-19) 3), particularly countries that do not have policies for crisis management that would mitigate the impact of this crisis, and continue to enhance the resilience of the financial sector so that it can play its role in economic recovery.

The following demonstrates the most prominent initiatives and directives issued with relation thereto:

#### 3/1: FATF:

FATF issued a statement<sup>4</sup> on the Corona pandemic (Covid-19), in which it encouraged countries and governments to work with FIs to apply an RBA, that addresses the effects of the pandemic, and the responsible use of digital technology in identifying customers and providing financial services in light of social distancing. It also called on governments to enhance the effective implementation of standards when providing

<sup>4</sup> <http://www.fatf-gafi.org/publications/fatfgeneral/documents/statement-covid-19.html>



assistance and aid to those affected, to ensure the transparency of financial transactions and the confidence of donors in the aid reaching the beneficiaries ownership. The statement also stressed that the continuous implementation of standards will ensure the safety and security of the global payment system during and after the pandemic, through official and transparent channels containing appropriate levels of risk-based due diligence.

On the other hand, FATF issued a special paper as part of the coordinated response to the global COVID-19 pandemic<sup>5</sup>, as well as the aforementioned statement, to assist countries in their AML/CFT responses with relation to the COVID-19. In order, to identify challenges, best practices, and respond to threats and new emerging vulnerabilities such as risks arising from misuse of remote and digital financial services and virtual assets to transfer illicit funds, misuse of financial and relief aids and distribution to those who are not eligible thereto, and other points as emphasized by the previous statement.

### **3/2: GAFILAT:**

GAFILAT issued a statement<sup>6</sup> asserting that it is necessary to review potential emerging risks arising from the global health situation, fill the gaps opened by this phenomenon and establish measures to mitigate them, to prevent criminal organizations from benefiting from them. GAFILAT urged member countries and the international community, in general, to maintain continuous communication between the supervisory authorities, FIUs and relevant LEAs, to provide guidance and assistance to the private sector on how to implement AML/CFT national regulations and systems during the current crisis. It is also calling the need to ensure the integrity of banks and other financial institutions that provide digital/remote financial products and services \_ through technological measures that ensure the implementation of due diligence measures based on the risks of their customers and users. Moreover, it is also encouraging usage of digital identity and virtual assets, as necessary, to implement AML/CFT measures by following an RBA.

It also urged strengthening to monitor the NPOs operations, to ensure that donors' contributions reach their intended beneficiaries., it had pointed to some potential risks related to COVID-19, such as financial fraud, offers of fraudulent investments in the form of Ponzi schemes (Networking marketing), the illicit trade in counterfeit and fake goods related to the pandemic, and it expects a significant rise in corruption-related and cybercrime offences.

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<sup>5</sup> <http://www.fatf-gafi.org/publications/fatfgeneral/documents/covid-19-ml-tf.html>

<sup>6</sup> <https://www.gafilat.org/index.php/es/biblioteca-virtual/gafilat/documentos-de-interes-17/3823-gafilat-covid19-en-gafilat/file>



Among the important points mentioned in the report, are the expectation of a decrease in the volume of received STRs and the delay in obtaining the additional information required for the analysis or ongoing investigations.

### **3/3: INTERPOL:**

In light of international health emergencies, and the work of LEAs that is affected by Covid-19, the International Police (INTERPOL) has prepared a global assessment of the crime threats related to the Coronavirus pandemic<sup>7</sup> addressed to its 194 member countries. It briefly presented crime events in countries affected by COVID-19 and other topics related to AML/CFT activities related to the Coronavirus (Covid-19) pandemic. Among the emerging threats which outlined in the report during the Corona pandemic, there is a noticeable increase in the cyber or electronic threats, targeted the health service providers, increase in drug trafficking through the social networks, encrypted applications and the darknet and fraud and forgery operations.

#### **4. ML/TF risks feature associated with the Coronavirus pandemic (Covid-19):**

The prevailing ML/TF risks feature associated with Coronavirus (Covid-19) can be deduced from previous studies. In a related context, the FATF paper which was issued in May 2020<sup>8</sup> had addressed in its basic conclusion, which was on a large scale within the global FATF network (including its member states and FSRBs), as the increase in crimes related to COVID-19; i.e. fraud, cybercrime, misappropriation or misguidance of government funds and international financial aids in channels other than their intended destination (increased risk of corruption crimes).

Among the common features that can be observed; are the changing criminal behaviour, the trend towards specific economic activities and the increase in using technology in the implementation of criminal master plans. It is also noted that the effects of the Corona pandemic hit the governmental and private sectors alike, which poses a challenge in their ability to implement their AML/CFT obligations in many important aspects such as supervision and control, reform of AML/CFT guidelines and policies, STRs, FIUs analysis capabilities, and international cooperation.

The paper also identified the most important emerging ML/TF risks related to the Coronavirus (Covid-19) pandemic, for example, criminals attempting to exploit resilience in customers due diligence measures during the pandemic period, making it easier for them to access the financial and banking system(s). Increasing the misuse of financial services via the Internet and virtual assets to transfer and conceal illegal funds, and the exploitation of economic stimulus measures as a means for natural and legal persons to conceal and launder illegal proceeds, in addition to increasing the use of the

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<sup>7</sup> <https://www.interpol.int/en/News-and-Events/News/2020/Preventing-crime-and-protecting-police-INTERPOL-s-COVID-19-global-threat-assessment>

<sup>8</sup> <http://www.fatf-gafi.org/media/fatf/documents/COVID-19-AML-CFT.pdf>

unregulated financial sector and increasing cash dealing, which leads to heavily attracting criminals for economic activities that deal heavily in cash.

The paper provided Cases and clarifications for responding to the pandemic in terms of AML/CFT policies, such as local cooperation to assess the impact of the pandemic on ML/TF risks and systems, strengthening and enhancing communication with the private sector, and encouraging the use of an RBA when conducting CDD, supporting electronic and digital payment systems and options.

It is worth noting that FATF has issued a number of very important papers, which were referred to in this paper, such as the financial inclusion<sup>9</sup>, the digital identity paper<sup>10</sup>, and the virtual assets<sup>11</sup>. These papers have an effective role in shedding light on the main issues that help implement AML/CFT international standards and requirements, particularly in the Coronavirus (Covid-19) pandemic era.

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<sup>9</sup> <http://www.fatf-gafi.org/publications/fatfgeneral/documents/financial-inclusion-cdd-2017.html>

<sup>10</sup> <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/digital-identity-guidance.html>

<sup>11</sup> <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/guidance-rba-virtual-assets.html>

## **Section Two: Coronavirus Pandemic (COVID-19) and its impact on AML/CFT systems in the Middle East and North Africa Region:**

The Middle East and North Africa region is considered one of the most important strategic areas in the world in terms of economic, social, political and other fields, It has an impact from the reality of its vital and important location in the world in all fields, and it is also affected by what is happening around it in terms of events, including the ML/TF risks in normal times and extraordinary times, such as the Corona pandemic (Covid-19), and the repercussions of this pandemic on AML/CFT systems in the MENA region.

MENAFATF plays an important role at the international and regional level in protecting its member countries and the region as a whole from ML/TF and proliferation risks, so it was required to assess ML/TF risks during times of the pandemic to know the extent to which AML/CFT regulations are affected in the region, and developing appropriate solutions to address it and address its effects, particularly addressing some important sectors such as FIs, DNFBPs, and NPOs, for example.

For this purpose, as mentioned in the introduction to this paper, a questionnaire was prepared to request information and case studies, analyze the responses received from member countries and reflect the findings that were reached to achieve the desired goal.

In light of the foregoing, we will discuss some aspects related to the questionnaire, and reviewed findings that were reached, accompanied by the case studies, as mentioned below:

### **1. AML/CFT National Risk Assessment associated with the Coronavirus pandemic (Covid-19) for MENA countries:**

At the level of MENAFATF countries, we find that only 10% of the countries responded to the questionnaire conducted a comprehensive exercise concerning the national risk assessments regarding the arising risks associated with the risks of Coronavirus pandemic on AML/CFT systems and procedures in the sectors under their supervision. Where the NRA outcomes indicate significant developments in behaviour and financial patterns in light of the Coronavirus pandemic, as banks and banking customers made most of the transactions remotely via the Internet and mobile applications. It has helped FIs to conduct such transactions through distinct and secure electronic systems. On the other hand, and in the light of the NRA, guidance papers were issued providing a summary of the challenges, good practices and best ways to implement policies for new threats of money laundering and terrorist financing and the vulnerabilities arising from the Coronavirus pandemic.

Concerning DNFBPs, the outcomes are summarized in the absence of additional risks, but simple brochures were issued to raise awareness and alert that the due diligence

measures should be applied to customers in all remote or online sales transactions, particularly those related to gold, jewellery and precious stones, where the compliance was measured among the entities subject to the implementation of these instructions, this is in addition to the continuation of the work of law firms and notaries, both public and private, without any changes in the course of the existing regulatory procedures, as statistical data showed that there are no indicators monitored changes in the level of risk assessment related to money laundering and terrorist financing. On the other hand, the transformation projects to digital means that have been implemented have contributed to enhancing the effectiveness of supervisory procedures, particularly at the level of financial transactions through the approval of payment by officially approved electronic means.

As for the countries that did not conduct an ad-hoc assessment to mitigate the risks of money laundering and terrorist financing during the Coronavirus pandemic (Covid-19), they have taken many important measures to meet the developments that may arise, the most important of which are drawn as follows:

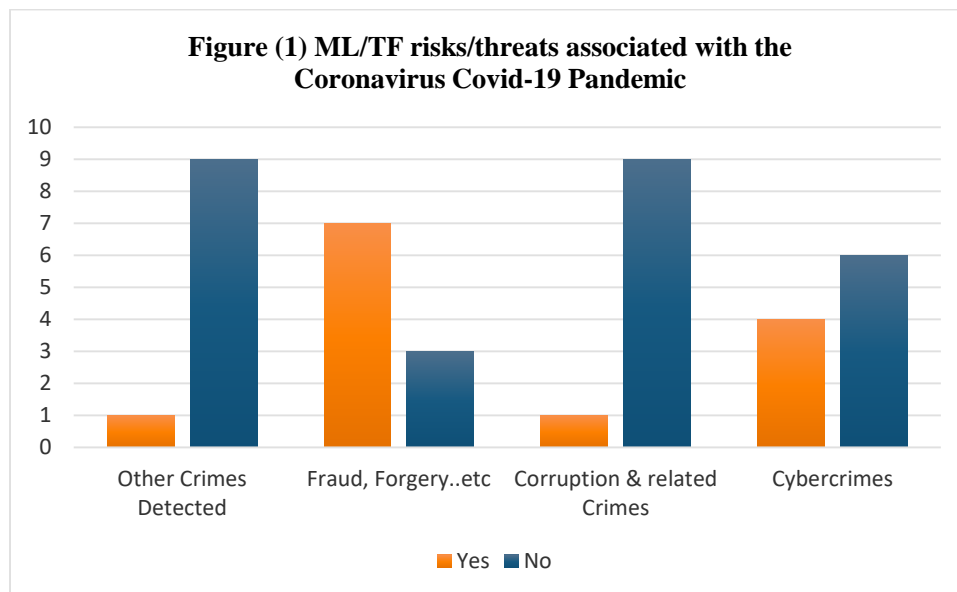
**First: procedures related to ML/TF Risks:**

1. Countries have researched and studied of many papers related to the subject, on top of which, are the FATF's Coronavirus pandemic (Covid-19) paper related to money laundering and terrorist financing and the policies in response to these risks.
2. Guidance has been published as stated in item (1) above, in a number of central banks sites and supervisory and monitoring bodies on financial Institutions and non- financial institutions, as well as holding awareness meetings for these entities and entities subject thereto.
3. Supervisory authorities had issued instructions regarding the importance of implementing CDD requirements and circulating the same to the concerned authorities and all banks and financial Institutions, studying the risks associated with simplifying or postponing these procedures in light of the current situation, since most sectors do exercise their activities remotely under the health ban.
4. Financial transactions should pass through combat money laundering and terrorist financing automated systems to ensure their safety and the absence of the entities therein on particularly international lists, especially the ingoing/outgoing money transfers and commercial financing transactions (LCs and collection policies).
5. Continuously monitoring alerts/notifications sent by AML/CFT automated system, process and monitor them according to the approved systems and give them the highest priority in prompt reporting in case of suspicions, and keep communication lines open with the FIU and consult with them in implementing the requirements for any unusual situations.
6. Follow-up with correspondent banks regarding potential risks, as well as external branches and subsidiaries in direct coordination with the compliance officer.

## Second: general procedures which issued in related risks to the pandemic:

7. A number of the regulatory authorities concerned have resorted to alternative methods of identifying and verifying the customer that has been considered and accepted with the imposition of additional guarantees for any customers with high risks.
8. Instructions were also issued to ensure that financial services are not interrupted, and the continuation of financial and payment systems to operate and that necessary precautions are taken.
9. Guidelines were issued, encouraging the use of technology and electronic channels in carrying out financial transactions to maintain social distancing, and to mitigate the number of employees present at the workplace.
10. Put-call centres and customer services On-call and fully prepared throughout the day to receive any complaints and suggestions.
11. Issuing directives to banks and payment service providers to increase the limits of purchasing point of sale, raise the maximum e-wallets as well as cancelling fees for internal financial transfers between banks in the country to enhance the use of social distance touchless payment methods to limit the spread of the virus.

## 2. Potential ML risks related to the Coronavirus (Covid-19) pandemic at the regional level in the Middle East and North Africa:



Through a survey of the study sample, many ML/TF related crimes, which may be associated with potential risks/threats related to the Coronavirus (Covid-19) pandemic, were addressed through the study sample survey. These crimes have been specifically focused on through investigation and research in several global indicators related to the crimes that have been detected during Corona pandemic (Covid-19) from previous research and studies. These countries were surveyed and the answers and responses received from them were analyzed in this regard, as some crimes were monitored at the level of the Middle East and North Africa regions, such as cybercrime, corruption

crimes, fraud and forgery, and other crimes. Below, we will discuss the most important outcomes and indicators that have been reached, as follows:

### **2/1: Information Technology Crimes (Electronic and Cybercrimes):**

Countries responded to the questionnaire reported that 70% of them no Electronic and Cybercrimes threats or risks were detected concerning the Coronavirus pandemic (Covid-19). The remaining percentage of countries reported the existence of different forms of electronic crime that were monitored during the pandemic period, for example, the use of virtual currency patterns, as well as the rumours spread for medicines treating the Coronavirus, while other fake news via social media, and the existence of practices related to fraud and electronic fraud through the use of social networking sites regarding the theft of electronic wallet data for clients and the withdrawal of funds from them later.

**Case (1):** Someone has created a fake page on the social networking website “Facebook” and claimed that he is an employee of an electronic payment company and is trying to help people who have problems receiving cash support from the government and directed to people through e-wallets, where the fraudster takes all the necessary data to enter the electronic wallets and change the e-wallet password, to withdraw funds through one of the company's agents.

Many complaints from customers; were received by the company and it tried to reach the fraudster, but his page on Facebook is closed and the fraudster is not found to be a customer with the company, and the company also reported to the Electronic Crime Unit to take their procedures in this event.

### **2/2: Corruption, particularly cases related to politically exposed persons (PEPs) who hold positions in the current or previous governments:**

90% of the sample surveyed reported that corruption, in general, or cases related to influential political persons holding positions in the current or previous governments were not monitored, while 10% reported that one corruption case was monitored, represented in bidding and lease contracts of many hotels that were used as sites for quarantine and social isolation, in coordination with government employees. As this case had also links to an attempt to exploit government support/aid provided to affected groups through the use of false data for beneficiaries who are not entitled to them in exchange for a percentage of the amount of support/aid representing 50% of the total amounts allocated for this purpose.

**Case (2):** Information was provided to the FIU about some people (citizens and residents) taking advantage of the government's initiative to secure apartments for quarantine in coordination with persons in the Ministry of Health in exchange for procedures for awarding lease contracts to a number of hotels and apartments in several cities and they were arrested and are being tried.

This case was linked to another related to exploiting the government's support/aid to the private sector affected by the pandemic and bearing to pay a percentage of the employees' salaries, by

registering a number of company A's employees and entering false data in exchange for obtaining 50% of the support/aid provided to each employee and the company's continued to spend their full salaries. Persons involved were arrested and are being tried.

**2/3: Fraud and forgery, and fraud in counterfeit goods/medical products used to counter the Coronavirus pandemic (Covid-19), such as masks, drugs, Acids, and others:**

30% of the countries surveyed reported that there were no practices related to fraud and forgery. While 70% reported a number of related practices, the details are as follows:

- Fraud Donation without a license.
- Counterfeiting of goods, and cheating in specifications of goods used in pandemic treatment, such as sterilizers, masks, and disinfectants.
- Manipulating prices of some products used in pandemic treatment, such as sterilizers, masks, and disinfectants.

**Case (3):** A person has collected significant amounts of donations via social media claiming that he will disburse them to a group of families affected by the pandemic Covid-19, but through reviewing and search, it turned out to be a method of fraud and scam to make illicit funds and use the current circumstance.

Most important suspicion indicators have represented in:

- Receiving cash and bank transfers from a large group of people within a short period,
- The reporting bank suspected the source of funds and that it is linked to the crime of fraud and scam whose returns are considered a crime for money laundering,
- The person communicated with the public through social media and asked for donations to help those economically affected from the pandemic, without a license from the competent authorities.
- It was clear, from the FIU reviewing and search the existence of significant amounts of money received by the party concerned, without a clear economic reason.

A lawsuit of fraud and scam has been filed, for collecting donations from the public without the competent authorities' license. Necessary procedures are being taken for trial.

**2/4: Other crimes Detected:**

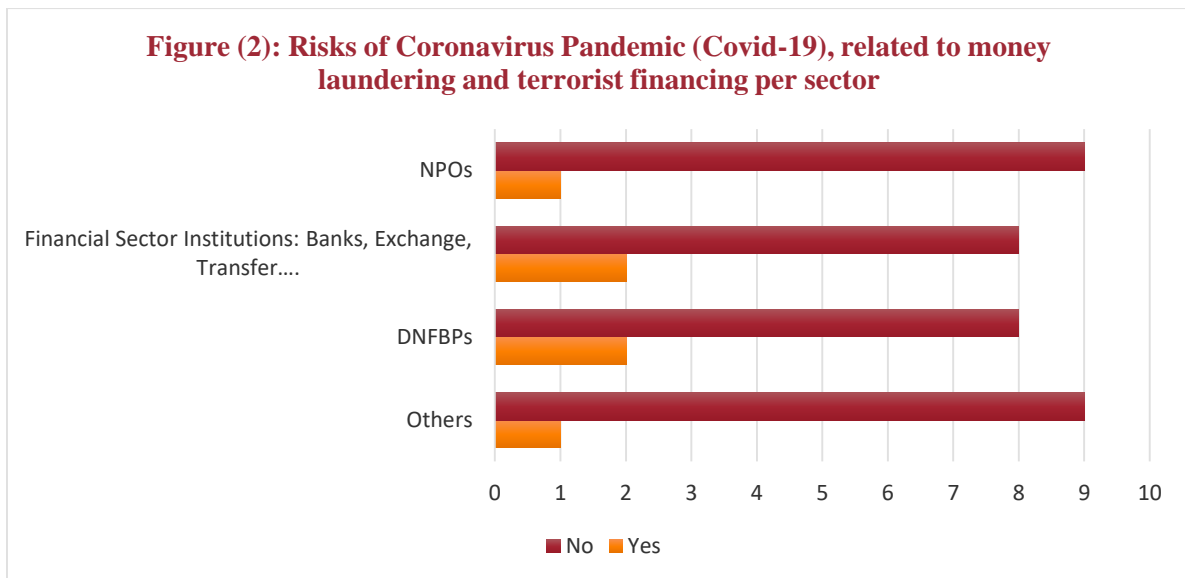
A case was detected through a country reporting the existence of a practice related to cross-border smuggling of cash through the physical transportation of cash, as listed below:

**Case (4):** A driver of foreign nationality has been caught leaving a border port to a neighbouring country, and a routine examination has been carried out on the driver and the truck. After having completed the x-ray tests on the truck, it turned out that the driver was trying to smuggle excess amounts of funds of approximately \$ 320,000 by hiding it in a professional manner inside the driving cabin, and after completing the questioning procedures, the case was referred to the competent investigating authority with evidence that proves the connection of these amounts with money laundering crime, this case occurred during the

implementation of the precautionary and preventive measures against the Coronavirus pandemic.

## **2/5: Potential risks linked to Covid-19, related to ML/TF in financial and non-financial sectors:**

There are some financial and non-financial sectors of special importance, as they directly affect other sectors, particularly in times of the Corona pandemic (Covid-19), and they include charitable organizations, NPOs, and financial sector institutions such as banks, tellers, money transfer companies, and some sectors related to DNFBPs such as dealers in gold, precious metals and stones. The following demonstrates the most important indicators related thereto:



### **2/5/1: Financial sector institutions such as banks, money exchange and money transfer companies and others:**

80% of the sample surveyed reported that there were no cases of exploitation of financial Institutions, while 20% reported cases related to the use of bank accounts in activities suspected of being linked to money laundering and terrorist financing crimes related to the Coronavirus pandemic, as these accounts were used to raise funds through Online Payment channels and promotion via social media.

Of the good practice made, was a designation of accounts through official and government channels to receive donations related to combating Coronavirus pandemic, and ensure that they are delivered to those who are entitled thereto at home and abroad, with those accounts considered to be of high risk, any other unauthorized accounts that are often linked to external bank accounts with which they are deposited were suspended.



## **2/5/2: DNFBPs Sector:**

80% of the countries surveyed reported that it was not proven that this sector was abused in money laundering or terrorist financing operations during times of this pandemic, while 20% acknowledged that there were practices for dealing in gold, jewellery, and precious metals through direct selling or social media or a new form of electronic auctions without obtaining a license from the competent authorities, where it was practised in one of the countries where it was monitored that electronic auctions, for individual cases of opening accounts on Instagram to sell expensive goods and bid on them electronically without a license and link the account to a lawyer who controlled these account(s).

**Case (5):** The FIU responded to a case of suspicion from the bank (A) that during the ban period and the absence of entities exercising its commercial activities, (MEPs) was practised for the favour of the person (X) increased significantly, which owns a sole establishment operating in the trade of jewellery, where these movements (MEPs) were followed by large cash withdrawals.

When Bank (A) inquired from the so-called (X) about the reason for the increase in these movements on the account at the time of the ban and the absence of institutions operating in the business, (X) stated that he is selling gold from the house and that before starting the ban, he transferred a large amount of the gold available in the shop to his house to complete his work without being interrupted by the ban period, (X) provided bank (A) with a sample of invoices, but it was not original.

### **Suspicious indicators related to the case:**

1. Transfers of large sums received to his bank account
2. Large cash withdrawals
3. The customer has provided the bank with the original documents supporting the suspected transactions

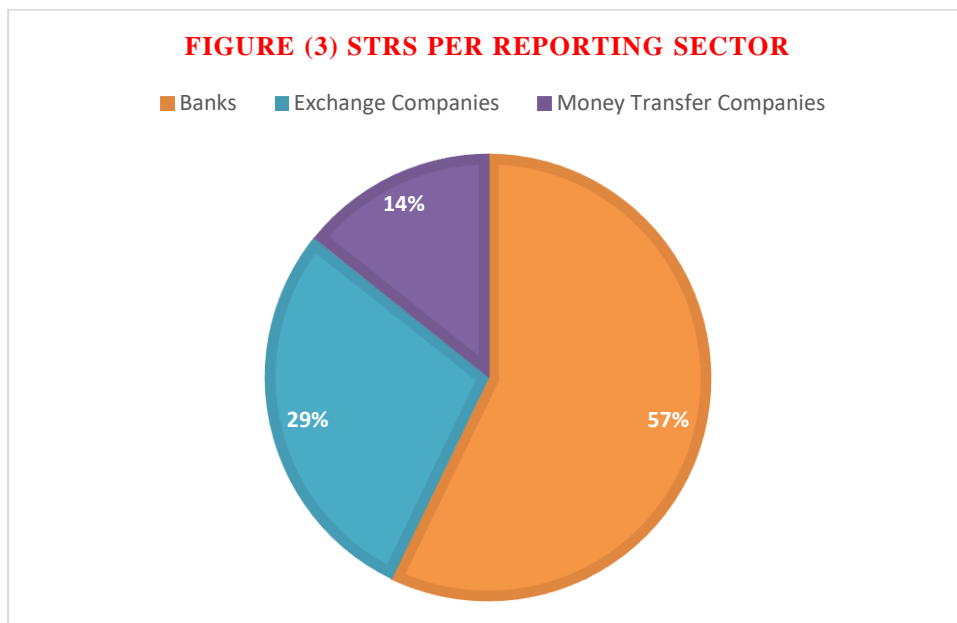
The case is under study, and the amounts under investigation reach about US dollar 753,154\$.

## **2/6: Charities and NPOs:**

Despite the vital and important role that NPOs play in times like of Coronavirus pandemic, they are most vulnerable and may be exploited. 90% of the countries surveyed reported that there was no reported misuse of the organization's sector to pass money laundering or terrorist financing during times of pandemic. Whilst there are individual cases in an unorganized manner that aim to collect funds for purposes that might be legitimate, however, the necessary licenses/permits were not obtained from competent authorities to collect donations, therefore, they were referred to the prosecution directly.

### 3. Suspicious indicators extracted from case studies:

In general, the effects of COVID-19 varied on the countries of the Middle East and North Africa region, resulting in many indicators that were extracted through an analysis of case studies related to ML/TF risks in the region, included in the answers and responses to the survey sample, 60% of the countries reported a significant decrease in suspicious transaction reports/notifications, at a noticeable rate of nearly half, in some of them, as a result of being affected by the decline in economic activities and quarantine conditions. Whilst 20% of countries have not responded. As 10% of the study sample indicated that there are no significant changes in terms of the number of suspicious reports/notifications received, the reporting entities, and the other most reporting sectors, while 10% of them reported an increase in suspicion reports/notifications after national efforts and campaigns in raising awareness of ML/TF risks associated with the pandemic. The following figure demonstrates the suspicion reports according to the reporting sectors and the number of reports received therefrom:



On the other hand, the countries surveyed reported monitoring observations related to suspicion reports and the process of reporting suspicious transactions, through the mechanisms of action of the authorities in charge of addressing ML/TF risks and threats during the Corona pandemic, including, for example, the following:

1. The decline in the number of suspicious reports/notifications, and delay in response when requesting information from subjected and reporting entities.
2. Banks, exchange houses and money transfer companies are among the most reporting bodies on suspicious transactions, and in general, the Financial Institutions and the financial sector, are the most exposed to risks through the monitored data and indicators, the weakness of other sectors, is also noted, in reporting and notifying compared to the financial sector.

3. Receiving cash and bank transfers from a large group of people within a short period, or the existence of large cash withdrawals without clear justifications.
4. The reporting authorities suspected on the source of funds and that it is linked to the crime of fraud and scam whose returns are considered a crime for money laundering,
5. Person's communicate with the public, through the social media and asked for donations to help those economically affected by the pandemic, without a license from the competent authorities.
6. Scam and fraud, as well as invite the public for investments in beneficial projects, without a license from the competent authorities.
7. The customers refuse to provide the bank with the documents supporting the suspected transactions
8. Impersonating companies or well-known entities and using social media or phone calls and text messages to request personal data, or sending links to use them to fill them with the data required to renew important documents, or obtain personal loans.
9. Monitoring personal behaviours and noting any stress when asking/requesting official papers and documents.

#### 4. Challenges face combating AML/CFT with relation to COVID-19, on the MENA region level:

In times like the Coronavirus pandemic, there are many common challenges that all financial and non-financial sectors in the country share, and it is their responsibilities to overcome the difficulties to limit the outbreak of the virus and its impact on these sectors. As the countries that were surveyed, revealed the most important challenges they face in mitigate risks and potential threats related to money laundering and terrorist financing related to the Coronavirus pandemic (Covid-19), the following are mainly addressed according to the analyzed data:

1. The weak technical infrastructure of some countries presents an obstacle to the option of working remotely in conditions of partial or full health embargo, which may force some of them to stop fully or partially.
2. The impact of political and economic instability in some countries, in light of the conflicts in the Middle East and North Africa region, which makes it difficult to protest from the outbreak of infection and weakens communication and cooperation between the competent authorities in combating ML/TF.
3. Local cooperation between the competent authorities under quarantine is weak, which makes it easier for criminals to exploit this factor in implementing their criminal plans and increases the possibility of exposure to more attacks and cybercrimes.
4. The failure of government authorities to respond to the appeal of the authorities concerned with combating ML/TF to increase the number of employees,

particularly those specializing in the field of combating ML/TF, in light of the governments and economic plans of countries to tackle the covid-19 crisis.

5. It is noted that resources are redirected towards combating the spread of the pandemic while neglecting the training aspect of the competent authorities in combating ML/TF, and the lack or absence of training courses.
6. There is a clear weakness in sharing information and international cooperation, as a result of many countries being affected by the conditions of quarantine and remote work and their inability to keep up with technical development, which caused them difficulty in communicating with the outside world.
7. Raising the activity of NPOs and charitable work, in general, during pandemic times poses a challenge to monitoring their activities and their sources of income, taking into account not restricting them in their work due to the sensitivity of the role they play in limiting the effects of the pandemic.
8. The work of the supervisory and monitoring bodies concerned with the implementation of onsite inspections has been affected. Therefore, communication between anti-money laundering, terrorist financing, may, as a result, be weakened, thus, leading to working remotely.
9. Technical difficulties may delay the receipt of STRs and may decrease significantly in countries that do not have automatic/electronic money-laundering systems, which casts a shadow on FIUs work and the significant impact this has on all anti-money laundering and terrorist financing agencies.
10. Lack of human resources may be a factor affecting the implementation of the due diligence requirements in financial Institutions and their impact on quarantine and remote work conditions.
11. Use of the remote working methods might have serious security dimensions regarding the confidentiality and sensitivity of AML/CFT information being circulated.
12. The nature of financial crimes dealt with, particularly as they are transcontinental and cross-border crimes, thus making it difficult to track and prosecuted, and the time required to do so may be lengthy depending on the degree of their complexity.
13. Among the effects that were also monitored was the emergence of informal transactions by people who did not have a relationship with the technology or who do not have access to it to carry out electronic financial transactions, in return a large movement of cash was monitored.
14. The change in the methods of committing financial crimes using technology may hinder the ability of regulatory agencies to prosecute criminal activity.

## 5. The procedures were taken by MENA region countries to mitigate the effects of COVID-19:

By surveying several countries in the MENA region in the sample included in this study to prepare this report, these countries have reported many measures that they have taken to deal with this pandemic to mitigate the effects of the Coronavirus pandemic, focusing on major pillars, such as charitable work and donations to NPOs, the use of technology, pros and cons to make use of technology and avoid its harms, as well as cooperation between the local AML/CFT authorities related to the Coronavirus pandemic. Below we review the most important of these procedures:

1. One of the best practices for regulatory and supervisory agencies in some countries to rely on electronic software to communicate remotely with the subjected institutions with regards to AML/CFT without being affected by not carrying out onsite visits. However, financial capabilities hinder some countries to obtain software.
2. Applying due diligence measures to maintain the security and integrity of the financial and banking system and the appropriateness of procedures for electronic payment methods for these requirements.
3. Publish the emerging trends of ML/TF risks in the times of the pandemic, issue relevant guidelines, and continually update suspicion indicators.
4. Initiate communication groups between local authorities equipped with communication data and contact addresses, identify points of contact in each of the concerned local authorities, and try to link them electronically to secure programs and channels of communication.
5. Continuously monitor and follow-up potential risks by identifying the most vulnerable sectors and supporting those responsible for protecting them.
6. The need to intensify supervision over the areas of voluntary work in particular, and ensure that aid reaches those who deserve it during times of pandemic and similar crises, and not to deal with websites that call for fundraising, particularly on social media platforms, except through specific channels through an official agency.
7. Reducing the minimum use of cash and resorting to electronic payment options in financial transactions, and work to support and develop electronic payment systems and encourage dealing through them.
8. Overcoming the difficulties of using electronic systems to report suspicious transactions, and linking the various entities to a database easily accessible by the supervisory and monitoring authorities as well as FIUs.

## Summary

1. The report, through the received case studies, clearly showed that the Middle East and North Africa region has no TF risks related to the Coronavirus (Covid-19) pandemic, and it has also become clear that the emerging ML risks are not far from what is common globally, and it is possible to work to contain them and guard against their occurrence in the future.
2. The Corona pandemic (Covid-19) is a unique event that has contributed into attracting the attention of the authorities concerned with AML/CFT to the necessity to reconsider international laws and standards to include similar circumstances that may occur in the future, as the crime continues to evolve and keep up-to-date with the latest technical developments, more, it even outruns AML/CFT authorities, which poses a challenge towards authorities to raise its human, financial and technological capabilities and the world must be prepared for that by providing tools and legislation from now on.
3. It is clear that there are legislative challenges, linking the use of technology and the commission of financial crimes, the lack of effective supervision mechanisms in implementing the existing legislation, particularly ML/TF crimes, and related crimes such as fraud and forgery, which occupies the largest share in the list of crimes committed electronically where social media is heavily intertwined.
4. There are a digital gap and a deficiency in the aspect of technology and its effective implementation, which is visible between financial Institutions and DNFBPs, which affected on benefiting from electronic services platforms.
5. The challenges of work remotely have proven that some businesses can continue well, but this situation strongly affects the effectiveness of supervision over these businesses, particularly financial institutions.

## Recommendations

According to what was reviewed in the report, and through the information and case studies received about responses on the questionnaire, it was suggested that some areas that the FATF and the MENAFATF could focus on to assist the competent authorities in the countries, in their efforts to address the risks of money laundering and financing terrorism, In light of the Coronavirus pandemic, we mentioned some recommendations that these entities can do individually or jointly based on their responsibilities, represented in:

1. The goal must not only be efforts to combat ML/TF during the pandemic period, and/or to restore the level of compliance to what it was before the COVID-19 pandemic, but also to build the foundations for strengthening anti-money laundering and terrorist financing systems continuously and sustainably even in these times of crisis.
2. The COVID-19 crisis, though devastating, can be an opportunity for improvement and change - particularly at a time when digital financial services can help reduce virus spread by enabling financial technology, protecting the financial system, and addressing weaknesses in financial and economic systems while keeping the risks under control.
3. Develop a unified risks map associated with money laundering and terrorist financing related to the Coronavirus pandemic, and work to find measures to mitigate it and similar crises as a document that represents a permanent strategy.
4. Review the adequacy of the anti-money laundering and terrorist financing regulations and their compliance to meet critical and crisis conditions, taking into account the participation of relevant authorities in stimulating economic activities.
5. Activating international cooperation channels and responding accurately to requests for information in a timely manner by using available tools to facilitate international cooperation with priority given to urgent requests.
6. Disseminating and exchanging the emerging methods and trends of ML/TF risks associated with the pandemic and exchanging them among concern regional and international bodies.
7. Ensure well supervision on the activities that may cause serious threats than others in the crisis era, such as the Coronavirus pandemic, for example, NPOs. However, its work should not be restricted and the risk-based approach applied in due diligence measures.
8. Countering some suspicious activities such as practising banking and financial business without a license such as cross-border transfers and investments, and

strengthening the role of supervisory bodies and those concerned with combating economic crimes.

9. Focusing on the DNFBPs sector, and dealers in gold and precious metals sector in particular, as it is considered one of the havens that criminals resort to in laundering the proceeds of crime in these circumstances, in addition to the phenomenon of using auctions for valuable possessions and precious metals through the Internet.
10. Increase electronic financial services platforms and support financial inclusion while continuing to apply an RBA to financial Institutions in line with current conditions, taking into account the updating of sectorial assessments due to the development of payment methods during and after the pandemic period.
11. Activating the electronic linkage between the AML/CFT authorities to counter the effects of the Corona pandemic (Covid-19), besides, to engage with the private sector on an ongoing basis.
12. The necessity to have a form of coordination with Internet service providers to support the use of digital identity and combat electronic fraud, and to develop and apply a regulatory framework to provide a safe and effective environment for payment and clearing, and to fully enable electronic payment services and touchless payment tools with appropriate precautions to prevent fraud and breaches.
13. Study the effect of such conditions on countries subjected to mutual evaluations process, and the inability of some countries to enact appropriate laws and legislations in a relatively narrow time frame.



## Appendix

### Case Studies of applying AML/CFT standards

#### During COVID-19

The times of the Corona pandemic are exceptional circumstances that require dealing with different cases with some resilience in applying AML/CFT regulations and procedures, and the same conditions may not apply to them in normal circumstances. As a result, some financial institutions may fall victim to the trade-off between; applying strict regulations to avoid financial and administrative sanctions, Or being exposed to ML/TF risks due to simplifying the implementation of regulations and dealing with some resilience, While keep watching ML/TF risks.

Some financial institutions have applied good practices in dealing with similar cases, which we cite here, for information's sake. It is worth noting that the cases provided below are considered good practices issued by one of the leading FIUs<sup>12</sup> (for more relevant information, see the attached link).

#### **Alternate identifying customer's measures:**

During the Corona pandemic, it is expected that the authorities will remain obligated to implement AML/CFT regulations and systems, in particular before they enter into new business relationships, particularly before providing financial services to ongoing customers or accept new customers. In all these cases, identity checks and identification documents are among the basic requirements. Many of the reporting entities rely on electronic verification, others use direct procedures i.e. face to face or rely on documents. Under the Coronavirus (Covid-19) pandemic, there may be obstacles in implementing a "know-your-customer" due diligence, face-to-face. But according to AML/CFT rules and regulations for simplified due diligence processes and procedures, other methods that can be followed in verifying the identity and fulfil KYC requirements, for example through:

- Use a video call, such as Skype, Zoom, or Face Time to compare the customer's actual identity with scanned or photocopied copies of identity documents;
- Request the customer to provide a clear "selfie", which can be compared to scanned or photocopied copies of identity documents; or
- Contact the customer to ask questions about his identity, the reason for requesting a specific service or other questions that will help in ascertaining whether the customer is the one who he/she claims to be.

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<sup>12</sup> <https://www.austrac.gov.au/business/how-comply-and-report-guidance-and-resources/customer-identification-and-verification/kyc-requirements-covid-19>

Notify the customer of these additional systems and regulations before providing scans, to prevent attempts by criminals to use fake names or identity. This means that a new business relationship can be established with the customer, provided verification is completed as soon as possible after the COVID-19 pandemic has subsided or disappeared.

**Case Studies of implementing resilience KYC<sup>13</sup> measures, during the pandemic era:**

**Case 1: Opening a new account when the customer is in quarantine:**

Bank Y received a request from Ms X to open an account during the quarantine period, and X. stated that she is currently in quarantine due to the Coronavirus pandemic and was unable to come to the bank. Bank Y provided information to Customer X that it has a new technology to provide services to customers that may include following up on phone calls, using "selfies" and/or video calls to verify identity. Bank Y requires Mrs X to complete the account opening form and provide a copy of two identification documents. Bank Y then asked Mrs X to verify her identity in person and show her original documents by arranging a video call with a bank representative to complete identity checks, where bank's Y representative asked customer X, her identity documents, the reasons for opening it, and her financial history. During the call, X, showed her driver's license and passport clearly on the screen, so this can be verified against the copies presented in her application. X will take a copy of the driver's license and passport and send it via e-mail to bank Y, along with a form to request the account opening.

Bank Y recently updated anti-money laundering and terrorist financing software and operations to allow for a more flexible approach when managing situations arising from the Covid-19 pandemic. In light of this, Bank Y reviewed customer X's documents and felt satisfied with the identity of X and that it is the person referred to in the original documents and the same person in the video call. Therefore, it was decided to open the bank account for customer X. Bank Y also maintains the recorded video call, and a written record of the call made with X.

**Case 2: Inability to verify the customer's identity:**

Bank B recently updated KYC's procedures to allow more resilience in verifying customer identity due to the COVID-19 pandemic. Mr. G called Bank B and asked to open a new account. As required by Bank B, as per the followed procedures, Mr. G provided a scanned copy of the driver's license and health insurance card by e-mail.

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<sup>13</sup> <https://www.austrac.gov.au/business/how-comply-and-report-guidance-and-resources/customer-identification-and-verification/kyc-requirements-covid-19>

The bank started the verification process through a video call with Mr. G. At the beginning of the call, the bank representative noticed that the person in the call did not match the image on the driver's license. The bank representative asked to speak with Mr. G, and the person said in the video call that he is Mr. G. The representative of Bank B asked Mr. G to show his driver's license and view it on the video call, but Mr. G apologized that he could not do so at the meantime. The bank representative offered to reschedule the call for a more convenient time; however, when the call was made later, Mr. G could not be contacted. The bank maintained a call log and another written record of the calls. The bank has not opened the account and has filed a complaint of suspicion to the FIU, on the grounds of fraud or identity theft.

**Case 3: Unable to provide a certified copy of the original document for trustee account:**

Bank L has received an order from a customer, trustee of XYZ Trust, to open an account on behalf of the trust fund. According to the bank's procedures, a certified copy of the documents is usually required to complete identity checks according to the customer identification procedures, at which time the customer apologized that he was unable to provide a certified copy because the local authorities concerned with issuing these certified documents were closed due to Covid-19 measures.

Given the government procedures for lockdown, the bank L decided to rely on an alternative measure for verifying information about the customer. Subsequently, the bank has requested the customer to obtain a scanned copy of the unauthorized trust document that he previously presented to them. Also, the bank L called the customer F to asks specific questions about the trust document, including the purpose of opening an account, where the bank applied a higher level of ongoing due diligence to customers including monitoring transactions for the account, and since this process is unfamiliar within AML/CFT measures, a written record has been kept stating that the change in procedures is due to the exceptional circumstances created by Covid-19 measures.

After the COVID-19 pandemic has passed, the bank will be reviewing all requests of customers who joined it during the epidemic and request certified copies of the bonds from customers who were unable to provide them during the COVID-19 pandemic including customer F.

**Case 4: A customer cannot gain access to technology:**

Ms. M is 85 years old, and doctors have advised her, given her current medical conditions, not to leave the house for fear of the risk of Coronavirus. Ms. M contacted one of the securities agents and stockbrokers to open an account so that she could buy shares owned by her 15-year-old grandson.

Usually opening a customer account requires proof of identity issued by trusted government agencies that prove the age of the applicant. Since Ms. M cannot use

technology and does not have access to it, including photocopying the identity card and sending it via e-mail, she requested the use of an alternative means of identification.

The stockbroker communicated with Ms. M on the phone and asked her some questions about the account she wants to open, and whether she knows a reliable and independent person who can provide data confirming her identity. Ms. M suggested the local church bishop to make available such information.

The stockbroker communicated with the bishop and asked him to send some information and documents via e-mail that includes information about the name of the customer who requested the account opening, his address, and his birth date, and how long had he known the customer with the signature, all subscribed with the bishop's signature and pledging its accuracy and bearing absolute responsibility thereto.

The securities company decided, after studying the request, that the information provided to open the account is correct and that it the customer is who she claims to be. despite this, the company decides to wait until it becomes clear whether there is a need for more due diligence for customers contrary to the procedures currently followed while maintaining a written record of calls and documents, and it was decided based on risk, that it is not necessary to open the account now at this particular time due to the exceptional circumstances of the Coronavirus, and it is possible to proceed immediately after the demise of the Coronavirus pandemic.

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