

# MENAFATF BIENNIAL TYPOLOGIES REPORT - 2022

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## **Introduction:**

With reference to the approval of the 20<sup>th</sup> Plenary (November 2014) on the recommendation of the Technical Assistance and Typologies Working Group (“TATWG”) regarding the adoption of the procedures for issuing the “Periodic MENAFATF Biennial Typologies Report”, whereas the MENAFATF secretariat will prepare this report, which reflects the most prominent patterns of ML/TF regionally, by analyzing the case studies that are provided and identified by all member countries. The report also contains the MENAFATF latest work during the timeline in which the report is prepared, such as typologies workshops, completed typologies reports, future typologies reports, and any other work related to typologies. It is worth noting that three previous versions of this report were issued in this regard, starting in 2014, 2016, 2018 and 2020.

In order to implement this project, the MENAFATF secretariat, for the purposes of preparing the Fifth version of the report for 2022, prepared a questionnaire template to request information and case studies from member countries according to the defined categories (or other categories, if any) in the Categories Annex within the draft questionnaire, regardless of the situation of the case and the judicial ruling issued thereof, including cases in which a conviction has been issued, or cases still pending before the courts, cases under investigation by the Public Prosecution, or cases in which the FIU found strong evidence of suspicion and were accordingly referred to LEAs.

In this context, member countries were addressed to provide information and case studies (3-5 cases) pertaining to the period from May 2020 to May 2022, as the Secretariat received responses from 13 of the following member countries: The Hashemite Kingdom of Jordan, the People’s Democratic Republic of Algeria, the Arab Republic of Egypt, the Republic, the Iraqi Republic, the Kingdom of Saudi Arabia, the Syrian Arab Republic, the Lebanese Republic, the State of Libya, the State of Palestine, the Republic of Yemen, the State of the United Arab Emirates, the Kingdom of Morocco, and these included Responses to 44 case studies, which were reviewed in this report according to the categories defined in the Annex. All received case studies were analyzed, and the most used techniques, methods, tools, and prevailing trends in ML/TF operations were identified.

The current version of the periodic typologies report (biennial) by the MENAFATF is a distinguished version that is full of remarkable diversity in terms of the methods and trends used in money laundering and terrorist financing crimes, which was reflected in the large number of categories to which the cases belonged.

## First Theme:

### Overview of MENAFATF typologies work from May 2020 to May 2022

#### First Topic: Adopted and Published Typologies Reports:

##### First: Typologies project on the abuse of NPOs in TF:

The MENAFATF 32<sup>nd</sup> plenary, in June 2021, approved the implementation of a new typologies project on "abuse of NPOs in TF activities." The plenary approved the recommendation of the TATWG to approve the implementation of the project from October 2021 to November 2022, so that an integrated study will be conducted on the financing of terrorism through non-profit organizations, reviewing the methods, trends and techniques used in committing terrorist financing crimes through this sector, and contributing to uncovering and obstructing the exploitation of these organizations in carrying out terrorist activities or acts. The study also sheds light on the risks of exploiting NPOs in terrorist financing activities at the regional and international levels, and the best mechanisms and practices used to mitigate these risks.

This report has briefly dealt with some of the regional and international efforts to limit the abuse of this sector in carrying out terrorist financing activities, and the position of member countries in the MENA region in applying the international standards issued by the FATF in the context of limiting the abuse of the sector, and setting legal framework that deals with these crimes, and working to adapt the existing laws in this regard, and the challenges they face in order to reach a regulated sector with minor (monitored) loopholes, which makes it difficult for criminals and terrorist financiers to access and exploit it.

This report also devotes an estimated space to the risks that may result from the misuse of the sector by understanding and analyzing them in order to address them through the application of the risk-based approach, and identifying the best policies in monitoring the sector's compliance. It also provides an overview of the forms and methods of exploitation used by criminals and financiers of terrorism, and the role of the competent authorities such as the regulatory and supervisory authorities and financial institutions in understanding their role in protecting this sector from abuse. In the same context, the partnership between the public sector and the private sector was discussed and some important axes in this regard, such as consulting organizations about the risks they are exposed to and their role in sectoral and national risk assessments. It was also recognized through these organizations the extent to which the unintended consequences of policies resulting from the application of International standards, and what measures are taken to avoid being exploited, including examining the effects of the Covid-19 pandemic coinciding with the implementation period of this project for fear of increasing risks related to the pandemic that may result from working in difficult conditions and unstable areas, and as a result of these factors the work of sector and the activity of NPOs is curtailed.

In light of the foregoing, and a desire to identify the methods and patterns that may be possible for the implementation of terrorist activities through the NPOs sector, this project was implemented during the period referred to above, based on a proposal from the Republic of Sudan, so that the project will be chaired by the State of Palestine and the Republic of Tunisia, in addition to a working group formed specifically for the implementation of this project, with the participation of the team leaders and the following member countries: The Kingdom of Saudi Arabia, the Hashemite Kingdom of Jordan, the State of Qatar, the Republic of Sudan, the State of Libya, the State of Kuwait, and the Sultanate of Oman, in addition to the coordination and secretarial tasks undertaken by the MENAFATF Secretariat. It's also worth noting that United Nations Office on Drugs and Crime ("UNODC") has effective contribution in supporting the implementation of this project and participates in preparing the project's report as well as provides support with references, statistics, and indicators at hand in their database.

The full report can be seen through the following hyperlink: [الإرهاب تمويل أنشطة في للربح الهادفة غير المنظمات استغلال | MENAFATF Official Websites](#)

## Second Topic: Typologies Report In-Progress:

### **First: Typologies Report on ML/TF through legal persons and legal arrangements in the MENA region November 2022 - November 2023:**

Within the framework of the work of the MENAFATF in the field of typologies and the mechanism adopted for that, the 35<sup>th</sup> plenary approved the recommendations of the TATWG at its 34<sup>th</sup> meeting, in Rabat, Kingdom of Morocco, November 2022, which included the implementation of a new typologies project on ML/TF through legal persons and legal arrangements in the MENA region, during the period from November 2022 to November 2023:

The main objectives of the project are to understand and identify the risks of legal persons and legal arrangements in money laundering and terrorist financing operations by studying the threats and vulnerabilities, and identifying the methods, trends and techniques used in money laundering and terrorist financing based on legal persons and legal arrangements in the region, and extracting the most important indicators of suspicion through case analysis. This process will enable countries to detect and report on the exploitation of legal persons and legal arrangements in money laundering and terrorist financing operations.

The implementation of this project on the exploitation of legal persons and legal arrangements in money laundering and terrorist financing operations comes to explore the challenges associated therewith in the MENA countries, and to identify the challenges facing countries in detecting the misuse of legal persons and legal arrangements and making information related to the BOs available to the authorities. However, the FATF MEs showed an overall insufficient level of effectiveness in combating the misuse of legal persons for money laundering and terrorist financing globally, and that countries need to do more to implement the current FATF standards, expeditiously, completely, and efficiently.

## **Second: Project on Study Update (Recommendation 25 and Waqf):**

With reference to the decisions of the MENAFATF 34<sup>th</sup> plenary held in May 2022, in Manama, Kingdom of Bahrain, which is related to activating one of the priorities of the presidency of the Kingdom of Morocco for 2022, by launching the project to update the "Recommendation 25 and Endowments " study completed in 2012 in light of the ongoing amendments to Recommendation 25, the MENAFATF Secretariat began in April 2023 to work on launching the project immediately after publishing the amendments to Recommendation 25 on 10 March 2023.

In order to implement this study, a simplified questionnaire was designed to provide responses and case studies for this purpose, as the MENAFATF secretariat received a number of responses provided by member countries in this framework, and the first version of the report will be submitted for revision by member countries, and then the second version of the meeting will be presented to the next TATWG meeting at its 32<sup>nd</sup> meeting in November 2021, with the aim of approving it and making a recommendation to the plenary for adoption.

It is expected that this study will provide important assistance to the member countries of the MENAFATF in the matter of the endowment (Waqf) and the implementation of the obligations of Recommendation 25, and to identify best practices in dealing with the issue of the endowment through reviewing regional and international experiences on the subject. It is also hoped to focus on presenting recommendations through the study to work on improving member countries' compliance to Recommendation 25 and IO5, and to identify the challenges facing countries in the region during the study period.



## Second Theme

### Case Studies

#### Investment in capital markets and use of intermediaries:

##### **Case Study No.1:**

The FIU received an STR from a securities trading company regarding the suspect (X), born in 1974 and works as a director of account management in one of the business sector companies in the country. He opened an account for the company for the purpose of trading in securities. The suspect stated upon opening the account that the expected total transactions on the investment portfolio will be around USD 100,000 and that he is targeting a medium-term investment. It was found that his trading account received within a year about USD 500,000 from the accounts of his minor children held with a bank. In parallel, the said person used these amounts in securities trading operations and then all the purchased securities were sold, and the money was transferred to his children's accounts again.

Suspicion indicators related to the case:

- The large amount of the dealings on the trading account of the suspect in a manner that is not commensurate with the nature of his activity as a public official in the country and with what he reported about the expected volume of dealing and the objective of the investment.
- The suspect's use of the accounts of his minor children in transfers from and to his trading account held with the reporting entity.

*First: The FIU financial analysis:*

1. The securities trading account held with the reporting party (within a year approximately): The suspect's trading account received six transfers from the accounts of his minor children (A-B-C) held with bank (1) totaling around USD 500,000 \$. In parallel, the said person asked to buy (6234) shares from company "M" and (5000) shares from company "D" and (2500) shares from company "B", and then asked later to sell all the shares he owns and to transfer the amounts to the accounts of his minor children held with bank (1) without achieving any significant financial return, which is contrary to the investment behavior which is reflected in making profits.
2. By searching the FIU 's database and the databases it has access to regarding the suspect and associated parties (using name, surname, address, and telephone number), no information relating to those mentioned was found.
3. The FIU sent an inquiry to the Financial Regulatory Authority using the unified code of the suspect about any transactions in securities related to the said person made with securities trading companies other than the reporting entity, and it was found that his transactions were made only through the reporting entity.
4. The FIU requested financial information from the bank (1) about each of the suspect and his minor children. Concerning the suspect's account (within a year approximately), the dealings on his account were limited to a salary

added by his employer, totaling around USD 7200. In parallel, the amounts deposited were withdrawn. Regarding the accounts of his minor children (within a year approximately), it was found that around a total of USD 530,000 \$ were deposited in these accounts, in the form of cash deposits made by the suspect totaling around USD 200,000 \$ (their origin appeared to be two cheques disbursed in cash after by deducting them from this employer's account).

On the other hand, transfers were made from the account of his brother (Y) totaling around USD 200,000 \$: A transfer was made to the account of minor (C) amounting USD 130,000\$ approximately from the so-called (Z) for the purpose of selling a real estate property, and when the suspect was questioned about the documents supporting the transfer, he submitted to the bank a copy of the real estate sale contract between his wife (the seller) and the transferor called (Z) (the buyer).

On the other hand, the funds were transferred to the suspect's account held with the reporting entity totaling around USD 500,000\$ followed by a re-transfer of these funds to the accounts of his minor children and their use to purchase certificates totaling around USD 330,000\$ and by transfers made to the account of an insurance company (for the purpose of purchasing life insurance policies) totaling around USD 200,000\$.

5. Considering the large amount of the funds transferred from the account of the suspect's brother/Sharif, information on him was requested from the bank. It was found that a total of around USD 500,000 \$ was deposited in his account (during the same period), represented in two incoming transfers totaling around USD 315,000 \$ from the account of the suspect's employer (and by examining the transfer document, it was found that one of the signatories was the suspect), and in two deposits made by the so-called (D) totaling around USD 185,000 \$ (the origin of one of them was found to be a cheque disbursed in cash by deducting it from the account of the suspect's employer, and by examining the copy of the cheque, it was found that one of the signatories was the suspect). In parallel, the so-called (D) purchased saving pools and made transfers to the accounts of the suspect's minor children, and it was also found that a transfer of about USD 3700\$ was made to the account of his corporation (FHG) for import and export (for the purpose of issuing a certificate of incorporation for his corporation).

6. The FIU requested financial intelligence from the insurance company about each of the suspect and his minor children: It was found that the suspect has purchased life insurance policies totaling around USD 200,000\$ in his name and the ultimate beneficiaries of these policies are his minor children and wife.

7. By searching the databases that the FIU has access to:

a. Real estate property database: It was found that the suspect's wife gave up a property of 500<sup>M2</sup>, which was transferred to her through a waiver by the suspect.

b. Commercial register database: It was found that the so-called (Y) has recently established a sole corporation in the name of (FHG) for imports and exports with a capital of USD 3500\$.

*Second: Investigations by law enforcement entities:*

Within a year and a half, it was found that the suspect took hold of an amount equivalent to about USD 800,000\$ from the company's funds - his employer - in participation with his brother who is the accused (Y), thereby taking some actions in violation of the company's disbursement systems and controls, before mentioned of the negligence of his subordinates as well as exploiting the trust of the Director of the Internal Control Department, until he was able to illegally take hold of the funds of his employer and share them with his afore-mentioned accused brother. The Investigations also concluded that the accused committed two criminal behaviors, represented in the following:

- 1- Preparing a transfer letter addressed by the company - his employer - to Bank 1 to transfer the amounts of USD 120,000 \$ and USD 195,000 \$ from the company's account to his brother's account illegally and for the purpose of seizing that amount until he was able to accomplish his intent.
- 2- He prepared a number of promissory notes stating the numbers of insurance policies payable to their customers, and as a result, three cheques were issued for a total amount of USD 485,000 \$ drawn on the company's accounts in favor of two beneficiaries, namely the accused and his brother (Y), for the purpose of taking hold of and dividing the amounts of those cheques among them, pointing out that there were no promissory notes prepared for these cheques in the first place.
- 3- By interrogating the accused, he confessed that he committed all the mentioned facts, indicating that he was the one who took hold of these sums of money and that he resorted to his brother, the accused (Y).
- 4- The accused and his brother carried out several acts to conceal and legitimize the proceeds of the crime, represented in conducting banking operations (deposits, transfers, keeping saving pools), buying and selling of real estate, shares, and insurance policies, and establishing a legal entity.

Seizure of public funds and money laundering. The predicate offense and the ML crime are still being examined before the court.

### Dealing in precious stones and precious metals:

#### **Case Study No.2:**

A gang consisting of (29) persons of different nationalities was observed, after monitoring one of the suspects in other cases, collecting funds of unknown origin, hiding them within commercial transactions and trading them by buying and selling jewelry and depositing them in a local bank (X) and then transferring them outside the Kingdom. The value of the seizures reached (21,614,717) dollars.

Suspicion indicators related to the case:

Frequent visits of workers of nationality (X) and nationality (Y) to one of the parties to the case who was previously pursued for being suspected in a number of other cases, and who seemed, through Investigations, to have received money from them.

Through the parallel financial investigation conducted by the FIU regarding the bank accounts (of the suspected party), other persons associated with the suspected party were identified, where undercover sources were deployed, and a research team was formed for monitoring and follow-up. The results of the investigations, after search and inquiry and collection of information, resulted in their arrest in coordination with the Public Prosecution and in the confiscation of all seizures. Their statements were heard, preliminary evidentiary procedures were completed, and they were referred to the Public Prosecution.

The predicate offense is money laundering – it was referred to the Public Prosecution.

### Gold smuggling:

#### **Case Study No.3:**

Truck (X) carrying (11) camels arrived at the land border (Y) for the purpose of entering the country. After it was admitted to the X-Ray screening area and the images captured were analyzed, a strange density was found on the bodies of some camels, which raised suspicion. When the truck was referred for thorough inspection, a number of bags wrapped with a (brown) plastic adhesive tape around (5) camels were found hidden inside a cover containing hidden pockets laid over the camel. By opening the bags, (66) kilos of gold jewelry suspected of being linked to a predicate offense were found hidden inside the cover, and their value exceeded USD 2,000,000\$.

The suspicion indicators related to the case consisted of a suspicion of a strange density on the bodies of some camels, after analyzing the X-Ray images captured. The financial analysis' findings showed that the seizures are associated with a predicate offense or a ML crime and were accordingly referred to the competent authority. The case was also referred to the competent entity following the necessary investigations and the criminal court sentenced the defendant to prison, fined him, banned him from traveling, and confiscated the seized funds.

### Distortion of competition and impairment of the investment climate:

#### **Case Study No.4:**

The FIU received notification regarding the so-called (M.M.S.), for a suspicion raised by multiple deposits made in structured (small) amounts. These amounts would total (a huge sum) within one year and at close intervals of time without justification for those operations and the division of financial operations in one day into more than one operation with equal amounts in many transactions. Accordingly, the FIU, after receiving the notification, conducted search and analysis, and requested information from financial institutions. A number of money transfers from different sources (multiple persons) were actually detected, and then the suspect is sending those received remittances to other persons and these operations are repeated continuously and by different people each time (pyramid networks). The same scenario is repeated in each operation where they are received and then sent to another person.

It was also revealed first / by searching the internal databases that - there are many remittances from different persons made to the same recipient in largely equal amounts and then the amounts deposited are withdrawn by the person and sent to other people without any justification, which confirms through these movements or financial transactions, that the suspect is not the beneficial owner but just an intermediary (promoter) of what is called pyramid marketing, where victims are being persuaded that the money they are sending are being invested in an international company and then some of the profits would be sent to them.

Second/ By searching open sources, it was found that the suspect works in the field of pyramid marketing for a company called (T).

Suspicion indicators related to the case were Structured cash transfers totaling high amounts, which contradicts the nature of the customer's activity and the expected movement in the account at close intervals of time between the transfers (deposits).

Results of the FIU's financial analysis showed a money laundering suspicion through the structuring of the proceeds of an unlicensed business characterized by fraud and trading in these proceeds in the financial system, by engaging in a business that might be internationally prohibited, known as (pyramid marketing) and which is locally prohibited under the Labor Law (commerce, agency) if practiced without a license or without monitoring.

The predicate offense (fraud) and the case is under investigation before the Prosecution.

### Use of offshore banks, international commercial companies, and offshore trusts.

#### **Case Study No.5:**

The FIU received two suspicion reports from two local banks regarding "N", an international trading company registered in the local commercial register since 2013 and its agent, called "N", who is African. The reasons for the two suspicion reports were the financial transactions recorded on the two accounts of company "N", involving incoming and outgoing transfers or carrying out fund investments without being able to determine the relationship between the source of these amounts, their destination and their beneficial owner and the absence of evidence showing the existence of a real commercial activity. In addition, the two reporting banks mentioned they received a request for information about the so-called "Najm" from a judicial authority.

The suspicion indicators related to the case consist of the absence of evidence showing that the transactions recorded on the two accounts of company "N" are linked to a real commercial activity and that it did not carry out any export and supply operations according to the nature of its activity as international trading company.

The findings of the financial analysis revealed that the main source of supply for the two accounts of company "N" is incoming transfers of about USD 46,000,000\$ made by companies "S" and "R" registered in the local commercial register and their agent is a person named "Ahmed" who holds the same nationality as the so-called "Najm", and these amounts

were exploited by investing them and then transferring and distributing them to several accounts: local accounts in the name of company "N", local and foreign accounts in a European country opened in the name of the so-called "Najm", an account opened in the name of a person called "Mustafa" and local and foreign accounts opened in the name of several companies, including transfers in favor of "AIR" company that were justified by forged invoices.

By reviewing the customs operations database, it was found that company "N" did not carry out any export or supply operation, which contradicts the nature of its activity as a company active in international trade, which raised doubts about the real activity practiced by this company and the economic background of the financial operations recorded in its accounts.

By reviewing the FIU's internal database, the following was found:

- The so-called "Ahmed" and his companies, "S and R", had previously been subject of suspicion reports that were referred to the judiciary, as the file had strong evidence indicating that bank accounts of legal and natural persons have been exploited in smuggling funds from a foreign country by using fictitious documentary credits and forged commercial documents, and the so-called "Ahmed" was assumed to be the beneficiary of the financial operations mentioned in the file.
- The FIU has previously received a request for information from a law enforcement authority specializing in terrorism crimes regarding the so-called "Ahmed" pursuant to judicial instructions.

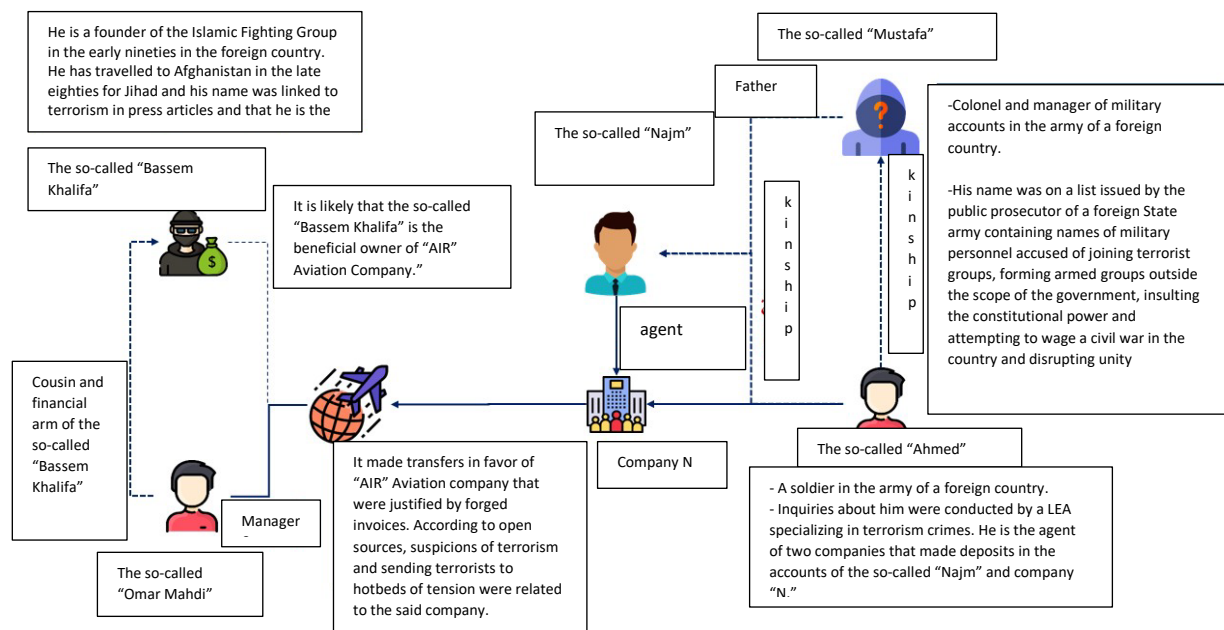
Open-source Investigations regarding the implicated parties revealed the following:

- It was found that the so-called "Mustafa" is the father of the so-called "Najm", he has a high military rank in a foreign country and is responsible for military accounts. According to the same open sources, the Public Prosecutor of the foreign country's army issued a decision to arrest military personnel in order to bring them to military trial, on charges of joining terrorist groups, forming armed groups outside the scope of the government, insulting the constitutional power and finally attempting to wage a civil war in the country and disrupting unity.
- It was found that the so-called "Ahmed" who is the agent of company's "S" and "R", is a soldier in the army of a foreign country (he is also a relative of the so-called "Mustafa" and "Najm", according to the bank).
- "AIR" aviation company is a private airline owned by a person called "Bassem", the founder and leader of a party in a foreign country, and he is considered among the founders of one of the fighting groups in the early nineties in the foreign country, and he had traveled to Afghanistan to fight in the late eighties. Most of the articles also pointed to the latter's relationship with the said company represented in sending young people to hotbeds of tension and conflict zones, and that he imports and exports weapons and secures the entry of large groups of Al-Qaeda members and leaders who were his former colleagues from Al-Qaeda."

By conducting further investigations about "AIR" aviation company, it was found that it is registered in the commercial register of the foreign country and was established by several people and has a local branch, and the so-called "Omar Al-Mahdi" is a shareholder and chairman of the company's board of directors. However, by reviewing the airline

company's legal file, the name of the so-called "Bassem" did not figure in any document as a shareholder or director, while other reports and articles in open sources indicated that the so-called "Omar Al-Mahdi" is the cousin of the so-called "Bassem" and his financial arm, which suggests that the latter is the beneficial owner of "AIR" aviation company and that he used the so-called "Omar Al-Mahdi" as a front.

By conducting further investigation in order to establish the link between the so-called "Bassem" and the so-called "Omar Al-Mahdi", especially that they do not have the same family name, we found, from open sources, copies of documents stating that the real surname of the so-called "Bassem" is "Al-Mahdi", which confirmed the assumption of kinship with the so-called "Omar Al-Mahdi", who is shareholder and chairman of the board of directors of "AIR" aviation company.



It is likely from what we have reached that the financial operations recorded on the bank accounts of both company "N" and its agent called "Najm" are linked to the seizure and smuggling of funds from a foreign country, with the assumption that these funds are linked to the financing of the conflict happening the foreign country and the travel of young people to conflict areas and hotbeds of tension in the world, due to the implication of a well-known politician in the foreign country (Bassem) and a colonel in the foreign army (Mustafa), who can be both considered according to the international standard as politically exposed persons representing high ML/TF risks through the exploitation of company "N" and "AIR" aviation company.

The financial flows identified in this file are the proceeds of funds seized in a foreign country that have been laundered using international trading companies.

The FIU decided to freeze the funds allocated in the bank accounts opened with the two reporting banks in the name of both company "N" and the so-called "Najm" (about USD 6,000,000\$) and to refer the file to the Public Prosecution.

## Trade based money laundering.

### Case Study No.6:

The FIU received a notification regarding the so-called (SDA) on behalf of (T1), where the reported person is a fraudster who wants to defraud the bank by opening a documentary credit based on incomplete and doubtful documents. Accordingly, the bank notified the FIU which in turn checked the accuracy of the data provided by the reporting entity and verified the possibility of a ML/TF crime.

Following the search, the following was found:

- There are indicators that the suspect is not the beneficial owner of the credit.
- The reported customer, company (T1) submitted to the reporting bank in country (1) a request to open a revolving documentary credit for the purpose of purchasing one million tons of ... from an agent of foreign company (T2), which is a commercial institution (T3) , worth approximately half a billion dollars (the agreement was signed by T3 only - without the signature of the reported customer T1), and the customer requested that the bank communicates with the reported customers - who were reported to the bank - and asks them to open credits in country (2) in favor of the reported customer T1 Yemen - and then open a credit against these credits in favor of T3.
- The reported customer provided to the bank documents supporting its relationship with companies and institutions in country (2) and country (3).
- Information about these companies and institutions was requested from the FIU in country (3) on 18/5/2022, which in turn replied on 13/8/2022, that it has no information about the companies subject of the query except for one company, which is company (T4) for construction and building and regarding which a STR was received from a local bank, because the purpose of transactions made on its account could not be perceived. This would increase the likelihood that most of the companies the customer has reported dealing with do not have a Physical presence.
- Information about institutions and companies located in country (2) was also requested from the FIU on 10/12/2022 but there was no response until the date of filing the STR on 18/12/2022.
- Information about the accounts of the reported customer held with banks operating in Yemen was requested on 15/11/2022, and it was concluded that it has accounts in three local banks, but no financial movements were recorded on its accounts. It should be noted that the reported customer submitted a request to open a non-deferred revolving documentary credit to one of these banks and provided documents different from the documents it has previously submitted to the reporting bank... which increases the likelihood that the reported customer attempted to defraud the banks.



- By searching open sources, it was found that a partner - in T1 - owns a small commercial shop, and there is a possibility that he is indebted, which gives us indicators that he cannot establish a partnership and open international credits.
- The reported customer concluded a contract with an institution in country (2) for the purchase of... and concluded, at the same time, contracts with several companies and institutions to sell them. The reported company is a local company...so what made the companies and institutions in country (2) deal with the local company, although they can buy from any of the agents of (T2) in country (2) and save the interest that the amount will entail? This is a suspicion in itself.
- By reviewing the official papers submitted by the reported company, it was noted that it has two commercial registers, one under No. 7020/14, and the other under No. 15585/4, and after communicating with the Ministry of Commerce and Industry, it confirmed that only the latter is the one it has issued.
- The difference in the price of one ton of ... when selling from one customer to another and with a large difference, although the sale is sometimes done on the same day, in addition to the fact that the contract allegedly concluded with (T3) contains the stamp of the institution only and was not stamped by the reported company... This raises doubts about the accuracy of these papers.

The suspicion indicators show that the customer is not the beneficial owner, the goods and their movement and the funds movement will all take place abroad in favor of one of the agents of "T2", the customer is new to the local market and has a commercial register issued from Taiz governorate and a business license from Ibb governorate, while it requested the banking transaction from Aden governorate.

The findings of the FIU's financial analysis show that there are high chances that the suspect attempted to commit the fraud crime or to launder other money. The reported customer requested to open a documentary credit for more than half a billion dollars, although he does not have financial solvency as a guarantee, as no financial movements were recorded on all his accounts in banks, which is an indicator that the reported is planning a fraud until proven otherwise.

The predicate offense (fraud) and the case is under investigation.

#### **Case Study No.7:**

There is a suspicion about acts that may have been committed by suspected Person "1", through his newly established company, which would constitute a money laundering crime, by applying for a documentary credit for an enormous value to finance an export. In this regard, information has been received from a counterpart FIU in country "A" that the newly established company in question is also implicated in another similar operation in that country.

Suspicion indicators related to the case:

- A newly established company.
- The significant value of the business operation.

- Receipt of information from a counterpart FIU.
- Implication of several companies based in high-risk countries.

Results of the FIU's financial analysis, and the findings of the Investigations and/or investigations:

1. By analyzing and reviewing the file for opening the documentary credit, it was found that the company in question is recently established, and that the value of the transaction is not commensurate with the size of the company (its capital is small). The analysis of the documentary credit file also revealed the following various points of suspicion:
  - The origin of the imported goods is country "C."
  - The exporting company is based in country "T."
  - A company based in country "D" is the final destination of the goods.
  - The port of discharge is located in the country "E".
  - The shipping company is based in the country "F".
2. Information was also received from a counterpart FIU indicating that the company in question is also implicated in another similar operation, as the information received shows that this company acted as an intermediary in the context of the acquisition of a quantity of a certain fertilizer by a company in country "B" from a company in country "A". To this end, the company in country "A" was going to purchase fertilizers from a company in country "T". The goods were supposed to be delivered to the company in Country "B" from a port in Country "F", to Country "J".

At the end of the operation, the company in country "A" aims to transfer the funds covered in the documentary credit in a significant amount, in favor of the account of the company in question.

Based on the foregoing, person "1" may be involved in a scheme to launder money through international business operations, by resorting to companies located in high-risk countries. Accordingly, the file was referred to the competent prosecution for investigation.

### Use of social media for terrorist financing:

#### **Case Study No.8:**

In 2020, the security forces arrested a member of a terrorist group in the west of the country. During his interrogation, the latter revealed that the most important means the terrorist group used to finance its activity consisted of donations and charitable works through social media websites, which were deposited in the account of person "A". A parallel financial investigation was initiated by various stakeholders, in particular the security authorities, the FIU, banks and the Post Office.

The investigation regarding person "A" revealed the following: Mr. "A": the head of a post office in Algiers – the main fund collector at the postal institution he is in charge of.

Over the period from 2018 to 2020, Mr. "A" received funds at a high frequency (an average of fifteen transactions per day) in small amounts of approximately USD 30\$. The money was sent by dozens of persons from different parts of Algeria, without a clear connection with Mr. "A".

The analysis revealed that the money received by Mr. "A" was paid in cash by natural persons, through post offices located in different regions of the country.

The analysis of the financial flows recorded on Mr. "A"'s account revealed very important financial movements. This account was credited either through:

- Payment in cash: Mr. "A"'s account recorded about five hundred payments per month, enabling him to raise USD 14,000\$ per month, which means a total of USD 335,000\$ from 2018 to 2020.
- Transfers from one account to another: The majority of transfers sent to Mr. "A"'s account come from four main accounts owned by four natural persons:
  - I. Mrs. "B": From the west of the country, she has a postal account whose main purpose is to receive donations and charitable works for a terrorist group that is active in the west of the country. Mrs. "B" ordered monthly transfers from one account to another, i.e. from her account to Mr. "A"'s. The total amount of these monthly transfers amounted to USD 7,000\$.
  - II. Messrs. "C", "D" and "E": three members of the same family, owners of 3 postal accounts, are doing the same work as Mrs. "B". The total amount of the monthly transfers for these people was USD 8,500\$ each.

Suspicion indicators related to the case are Using small amounts of cash in a high frequency, receiving cash from persons who do not have a clear link with the postal account holders (kinship, business, ... etc.), and the large geographical coverage of the postal transfers (throughout the national territory).

Results of the FIU's financial analysis, and the findings of the Investigations and/or investigations:

When the FIU received the suspicion report from Post Office, it took the following actions, after it analyzed and processed the said report:

- Administrative freezing of the accounts of persons "A," "B," "C," "D" and "E" for seventy-two hours.
- Referring to the file to the competent Republic attorney general.
- Requesting the competent judicial authorities to issue a decision to extend the freezing.

Suspected predicate offense: financing of terrorism. The case is being considered by the courts and no court ruling has been rendered.

### Currency smuggling.

#### **Case Study No.9:**

Based on cooperation in the field of reports of ML/TF suspicions between the Anti-Money Laundering and Terrorism Financing Office and government departments, this office received a report from the Ministry of Finance - the General

Authority of Customs about the so-called (M), a foreigner, coming from a foreign country, who declared the entry of an amount of USD 190,800\$. A form was organized for the said amount, and it was deposited in the Airport Bank.

The General Authority of Customs was reached out to provide us with the cash declaration form and the documents evidencing the validity of the deposit. It was found that the so-called (M) declared the funds and their source (inheritance) as a result of selling a property for the mother of the deceased and there are no documents proving that the so-called (M) converted the amount to Iraqi dinars in the foreign country, through an exchange company. The law enforcement authorities were reached out to provide us with the available information about the so-called (M). It was found that he travels a lot between Iraq and the foreign country and that he carries money in and out of the country and the foreign country. One of his sons was arrested on charges of trafficking in human organs and was released. The counterpart FIU in the foreign country was reached out to provide us with the available information about the so-called (M) and the property sold (inheritance). It was found that the property still exists and has not been sold and is owned by his paternal grandfather.

The counterpart FIU was reached out to approve upon the use of the response as evidence and the approval was granted.

Results of the analysis:

Failure to find the source of the deposited funds, as the so-called (M) stated that the source of the funds is the result of the sale of a property in the foreign country, but the property in the foreign country has not been sold. The sources of funds and their legitimacy are unknown, based on the Anti-Money Laundering and Combating the Financing of Terrorism Law. The report was referred to by the Presidency of Public Prosecution.

#### **Case Study No.10:**

The FIU received a report from a bank stating that company (S), which is engaged in importing cars and spare parts, requested to transfer funds abroad using direct transfer SWIFT. The suspicion indicators related to the case consisted of the fact that the imported vehicles were dual-use vehicles with special specifications.

Results of the FIU's financial analysis, and the findings of the Investigations and/or investigations:

- 1- Inaccuracy of some customs declarations
- 2- By searching the open sources for the persons in charge of company, they were the same persons in charge of the beneficiary company abroad.
- 3- The port of shipment is located in free zones where control procedures are weak.

The predicate offense is smuggling currency abroad, supplying machineries for dual use by private parties. The company's accounts were frozen, and the case was referred to the Attorney General and is being considered before the Attorney General.

## Money transfers/use of offshore bank accounts.

### **Case Study No.11:**

The Anti-Money Laundering and Terrorism Financing Unit received (10) suspicion reports from several banks operating in the Kingdom regarding ten persons and a company. The subject of the suspicion consisted of financial transfers of large amounts made from a foreign country by one person to all the suspected parties, with similar purposes for all transfers.

The suspicion indicators related to the case were represented in the unclear reason for the repeated purpose of all remittances sent to several different parties, and unclear relationship between the parties benefiting from the remittances.

After the Anti-Money Laundering and Combating the Financing of Terrorism Unit examined all the suspicion reports, collected all information and data on all the parties concerned and examined all financial movements recorded on their accounts, the following was concluded:

- One of the beneficiaries of the remittances was working for a government entity. He and his wife received foreign remittances in very large amounts that are not commensurate with the nature of his work or financial situation, which indicates a suspicion of financial and administrative corruption through the aforementioned person exploiting his position before he was referred to retirement.
- The associated foreign persons and companies that were detected by examining the movement of remittances are linked to a person residing in a foreign country against whom there is negative information published on websites that reinforces the suspicion contained in the suspicion reports, and he was using his son as a front to launder money generated from the predicate offense he committed and of which he was convicted in that country.
- The FIU reached out to the counterpart FIU in the foreign country to verify the negative information that appeared. The counterpart FIU replied that the sender of their remittances was convicted of the crime of forgery.
- The aim of the money transfers was to move the proceeds of the crime he committed abroad to Jordan through several beneficiaries.
- The nature of the operations carried out on the accounts of the suspects subject to the notifications is similar in terms of receiving large transfers with similar purposes and then withdrawing their value in cash. After tracing the final destination of these amounts, it was found that they are delivered to a person in Jordan who has a business relationship with the main sender of the remittances in the foreign country.
- The process of moving the funds was carried out through multiple parties with the aim of complicating their traceability and hiding their real source and final destination, which is considered an act of money laundering. Accordingly, all the suspicions were referred to the Public Prosecutor for suspicion of money laundering in order to take the necessary legal action.

- After the Public Prosecutor investigated the merits of the case by relying on the financial analysis provided by the FIU and through the delegation of specialized technical experts, in addition to a request for judicial assistance sent to the country from which the remittances were received based on the information provided by the counterpart FIU, the subject matter of the case was referred to the competent court in order to take the necessary legal actions.
- After the competent court examined the case papers and evidence presented to it and heard all witnesses, it issued its verdict as follows:
  1. Convicting (6) persons of the ML crime and sentencing each of them to three years of imprisonment, including the payment of USD 22566995\$ equivalent to the proceeds of the ML crime and a fine of the same value of the money subject to the crime.
  2. Confiscation of all movable and immovable property of all the accused, equivalent to the value of the proceeds of the crime.
  3. Confiscation of movable and immovable property belonging to the accused person who was sending money from the foreign country.

The predicate offenses of the case is stand-alone money laundering , and a conviction was issued against (6) people for the ML crime, and each of them was sentenced to three years of imprisonment, including the payment of USD 22566995\$, which is the equivalent of the proceeds of the ML crime and a fine of the same value of the money subject of the crime, and the confiscation of all movable and immovable funds of all the accused persons, and the equivalent of the value of the proceeds of the crime.

#### **Case Study No.12:**

The FIU received a report from a local bank that a person named (P) was suspected of receiving foreign money transfers from his bank account in country (B) to his account in the local bank (A), where the total of these transfers amounted to USD 4,000,000\$ ". After searching the financial investigation databases, it was found that there was an information notice from a counterpart FIU, stating that (P) received money transfers on his account in country (B) in Euros by a foreign company (O) without a clear justification. It was therefore concluded according to the data that the purpose of opening the account in country (B) is to pass money transfers suspected of being the proceeds of a corruption crime to the account of the suspect (P) inside the Kingdom. Therefore, the financial investigation directorate prepared a file for the case and referred it (to the competent authority which is the Audit and Anti-Corruption Authority) along with a report containing the suspicious financial transactions, their routes, their potential link to the corruption crime, in support of the finding reached.

The suspicion indicators related to the case consisted of a suspicion report received from financial institution (A) stating that a person had received large foreign remittances that were not commensurate with the nature of the accounts of the person receiving the funds.

Findings of the financial analysis: The findings of the financial analysis of the information accompanying the notification, as well as the information available for the financial investigation directorate and the information received from the counterpart entity concluded the following: Person (P) is an employee who receives a monthly salary, and his financial status is not commensurate with the size of the financial transactions. (P) receives money transfers from company (O) whose business activity is similar to the employee (P)'s work field, and these transfers are being deposited in bank account of (P) held in country (B).

The findings of the Investigations: Investigations indicated that company (S) has contracts with foreign companies, including a large company (R) which provides products in the work field of employee (P) and the money transfers received in the account of person (P) from the foreign company (S) do not have an apparent commercial or economic purpose, knowing that company (R) has contracts with the employer of person (P).

The predicate offense is corruption - it was referred to by the competent authority.

#### Use of new payments systems:

##### **Case Study No.13:**

The FIU received a notification from a bank that included suspicion of transactions recorded on the accounts of Al-Badr Company and Al-Hadaf Company (both engaged in wholesale and retail trade and were newly established), where their accounts received within 6 months transfers totaling around USD 800,000 \$ from T-PAY. In parallel, transfers of about the same amount were made to the account of Direct Pay Company held with the reporting bank (the last two companies are engaged in the provision of electronic payment services) and to the account of a company called Al-Sahm held with another local bank.

Suspicion indicators related to the case:

- A. The large amount of the transactions recorded on the accounts of the two suspected companies within a short period of time, in a manner disproportionate to the recency of their establishment and size.
- B. The transactions recorded on the accounts of the two suspected companies are not commensurate with their activities, and they do not have any apparent economic purpose, which raises the suspicion that they are shell companies.
- C. The frequency and large amount of transfers from and to the companies without apparent purpose.

Results of the FIU's financial analysis, and the findings of the Investigations and/or investigations:

##### First: The FIU financial analysis:

1. Accounts of the two suspected companies held with the reporting bank:

- Al-Badr Company account:

- The commercial register document of the said company shows that it is a sole corporation, whose activity is wholesale and retail trade, with a capital of about USD 3300, and it is owned by the so-called (A) (who holds an industrial diploma, born in 1995) and is located at 7 Al-Sa'ada Street.

- The corporation maintains an account with the bank and by examining the movement recorded on this account, for 6 months, it was found that the account received transfers totaling around USD 500 ,000 \$ from T-PAY for electronic payments. In parallel, transfers were made for Direct PAY company for electronic payments totaling around USD 410 ,000 \$ and for Al-Sahm company totaling around USD 60 ,000 \$ from the second bank, and a total of about USD 30 ,000 \$ for different persons (for the purpose of: paying salaries).

- Al-Hadaf Company account:

The commercial register document of the said company shows that it is a limited liability company, whose activity is wholesale and retail trade, with a capital of around USD 5000, and it is co-owned by the so-called (B) (who holds a Bachelor of Arts, born in 1991) and is located at 7 Al-Sa'ada Street.

The company maintains an account with the bank and by examining the movement recorded on this account, for 6 months, it was found that the account received transfers totaling around USD 320 ,000 \$ from T-PAY for electronic payments. In parallel, transfers were made for the Direct PAY company for electronic payments totaling around USD 270 ,000 \$ and the rest mostly consisted of cheques issued to a person called JQ.

The bank noted that by asking the authorized signatories on behalf of the two companies subject of suspicion about the purpose of the intensity of transactions recorded on their accounts with electronic payment service providers, as well as the nature of their activity and the source of the funds dealt with, the aforementioned persons said that the contracts and invoices supporting the transactions are in the possession of a person called / JQ, as he is the owner of the idea of establishing the two companies, but since he holds the nationality of a foreign country and did not obtain the necessary security approvals to establish the two companies, he requested the assistance of the two aforementioned persons to establish these two companies and open accounts for them.

By searching the FIU 's database and the databases it has access to, the following was found:

a. At the beginning of the year, the FIU received a foreign exchange disclosure report regarding the so-called JQ who disclosed around USD 50,000 coming from country (x), and a week after receiving the disclosure report, the FIU received a notification from an exchange company that the so-called JQ (whose passport shows that he holds the nationality of country Y and that he works as an engineer) has conducted within about a month (7) exchanges involving relatively large amounts (around USD 42,000) into the equivalent amount in local currency. The examination concluded with a request for information from country (Y which is his country of nationality), and country (X which he is coming from) to determine the nature of his activity, the source of his income, the extent to which suspicion reports have been received about him and the extent to which he is linked to any crimes or activities they consider suspicious. The



counterpart FIU in country (X) reported that the source of the aforementioned funds is the sale of a store he owned in the country.

b. By searching the other databases that the FIU has access to, no information was found about the operators of the two suspected companies and the parties dealing with them.

The FIU requested information from bank (2) on the transactions of Al-Sahm company, where it was found that:

- The commercial register document of the said company shows that it is a single person limited liability company, whose activity is mobile software design and information and telecommunication technology industry, with a capital of around USD 3000 and it is owned by the so-called XT (his passport shows that he holds the nationality of country Y and that he is a telecommunication engineer), and is located at: 3 Youssef Ibrahim Street.
- The company holds an account with the bank and by examining the movement recorded on this account during about 6 months, it was found that the account received transfers totaling around USD 310 ,000 \$, about USD 250 ,000 \$ of which were from T-PAY electronic payments company, while the rest consisted of transfers received from Al-Badr company. In parallel, transfers for the total sum were made in favor of Direct PAY electronic payments company.

The FIU backed up the request for information made to the counterpart FIU in country (Y) regarding the so-called/ JQ, by a request for information regarding the so-called/ XT to determine the nature of his activity, the source of his income, the extent to which suspicious notifications concerning him have been received, and the extent to which he is linked to any crimes or activities their consider suspicious.

The FIU requested information from the bank (1) to identify the dispositions made on the funds transferred from the two suspected companies and Al-Sahm company in favor of Direct PAY electronic payments company.

Bank (1) provided the FIU with the transactions made on the transferred funds, and by examining them, it was found that after receiving the transfers to the account of Direct PAY electronic payments company from each of the two suspected companies and Al-Sahm company, transfers were made for the total amounts in favor of several electronic wallets, part of which (\$ 200,000) was returned to the electronic wallets of the so-called persons (A), JQ (B) and his so-called wife (C), while the rest (\$ 790,000) was transferred to 20 electronic wallets (they were intended for the payment of salaries).

The FIU requested information from banks that maintain the aforementioned e-wallets considering the following:

- The significance of the transferred amounts in a manner that is not commensurate with the purpose referred to.
- The large number of electronic wallets the transfers were made to.
- Frequency of the transfers
- Recent establishment of the companies.

It was found that the electronic wallets belonged to a number of employees of the suspected companies, namely:

- ✓ The so-called J (born in 1995) keeps 3 e-wallets and is an employee of Al-Sahm company
- ✓ The so-called E (born in 2000) keeps 2 e-wallets and is an employee of Al-Bader company
- ✓ The so-called F Lotfy (born in 1989) keeps 3 e-wallets and is an employee of Al-Sahm company
- ✓ The so-called G (born in 1994) keeps an e-wallet and is an employee of Al-Hadaf company
- ✓ The female so-called H (born in 1995) keeps 3 e-wallets and is an employee of Al-Hadaf company.
- ✓ The so-called V (born in 1990) keeps 3 e-wallets and is an employee of Al-Bader Company
- ✓ The female so-called W (born in 1996) keeps 3 e-wallets and is an employee of Al-Bader Company
- ✓ The so-called K (born in 2000) keeps 2 e-wallets and is an employee of Al-Sahm company

It was found that the so-called persons (A), JQ, (B) and his wife (C), and the employees of the aforementioned companies withdrew all the amounts transferred to them in cash.

By searching the FIU 's database and the databases it has access to, no information related to the employees of the suspected companies was found.

The FIU received information from the counterpart FIU in country (Y), which included the following:

- No STRs have been received concerning the two people mentioned.
- The two persons mentioned work in the field of telecommunications and information technology engineering and have previously worked for a company in country (Y) and their services were discontinued for suspecting their involvement in leaking the data of some of the company's customers, and no report was made concerning the said incident and the incident did not result in any financial proceeds.
- Following the said incident, the so-called JQ left country (Y) for country (X).
- Following the said incident, the so-called XT left country (Y) for the country requesting the information.

*Second: Investigations by law enforcement entities:*

The accused persons JQ and XT, in cooperation with the accused Emad, the accused Tamer, the accused Rania, committed the crimes of passing international telephone calls through servers outside the country by establishing internal entities as a front (Al-Hafad - Al-Badr - Al-Sahm) engaged in the field of passing international calls to the country illegally. By searching the headquarters of the companies (headquarters where the passing of telephone calls was taking place), it was found that there are communication devices - they turned out to be international call passing devices. The accused made money from passing calls by misusing the electronic payment companies which did not know the underlying objective behind the activity of these companies. The accused also carried out several actions on these illegal funds represented in possessing, acquiring and managing these funds, conducting banking operations on those funds by using the services of the electronic payment companies and collecting the amounts in the accounts of the companies referred to after they transfer most of the amounts in favor of another payment company and from this company to electronic wallets belonging to the accused and those working for them (bona fide) and then withdraw all the amounts in cash from the wallets and force the employees to hand them over to each of the accused / JQ, and / XT, with the

intention of concealing their nature, legitimizing them and preventing the discovery of their source; which provides evidence of committing the crime of money laundering generated from the crime of passing international telephone calls without obtaining a license.

The predicate offense is illegal profiteering by passing international calls in violation of the Telecommunications Regulatory Law, and the two cases of the predicate offense and money laundering are being considered before the court, and an order preventing the disposal of funds has been issued by the Public Prosecution in the predicate offense and the ML crime.

#### **Case Study No.14:**

A group of employees in a large company (X) embezzled sums of money that exceeded two million dollars over long periods of time from the company, through the use of mobile points of sale (POS). In this context, the employee would select sales operations involving multiple small amounts for the company for goods previously delivered to a customer, then he would request a refund for the operation, exploit the authority to change the recovered IBAN and transfer it to a third party (Y) (a friend of the employee who has no relationship with the company) who is the employee's accomplice and embezzle the amount and disguise the amounts by structuring them and transferring them to other accounts.

The suspicion indicators related to the case were represented in the loss of the company's funds.

Results of the investigations: After conducting a parallel financial investigation regarding the bank accounts of the suspected employees, several money transfers were sent to the suspected employees by a third party (a friend of one of the employees). After analyzing the accounts of the third party, it was found that the money that the third party is transferring to the suspected employees is the result of purchase refunds and that these refunded sums have no corresponding purchases equivalent to the refund process made by the third party, and that the third party is disguising the amounts resulted by the embezzlement operations carried out by the suspected employees by transferring them between his bank accounts for the purpose of structuring the embezzlement amounts to avoid raising suspicion, and then he transfers them to the accounts of the suspected employees.

As for the findings of the investigations, through the search and inquiry conducted with respect to the employees and the tracing of suspicious funds received in the accounts of those employees, there were suspicious funds received from the accounts of the employee's friend (the third party).

The predicate offense is embezzlement of funds - forgery - money laundering - it is under investigation.

#### **Case Study No.15:**

We received a report from one of the banks operating in the country about the so-called G.S. who carried out several deposits and withdrawals under the pretext of trading in foodstuffs, knowing that the aforementioned person's activity is completely different from the nature of the justifications provided (e-commerce). The transportation of money from

one governorate to another for different purposes (depositing in one governorate and withdrawing from another) raised the suspicion of the bank.

On a later date, we received a letter from one of the ministries concerned with tracking communications that includes a reference to an Internet application called Q.T. whose operating principles are based on choosing a main distributor at the level of one of the governorates, where a huge amount of money is paid to the owner of this application in one of the banks operating in the country, and then a balance is sold to secondary distributors in specific amounts, and through these accounts, the bills of customers dealing on this application are paid without any regulated contracts or agreements that regulate the business, and without obtaining the necessary licenses to practice this business.

The suspicion indicators related to the two cases are the nature of the customer's activity is inconsistent with the justifications of the movements recorded in his accounts. Additional information regarding the application was received from a law enforcement authority.

Results of the FIU's financial analysis, and the findings of the Investigations and/or investigations:

- Information was complimented from the reporting bank about the nature of the activity of some persons who made deposits in the accounts of the aforementioned person and their relationship with him. It was found that there is no correlation between them in terms of the nature of the activity, and by examining the financial movements at the reporting bank, a significant number of movements represented in 1000 deposits were found, totaling more than USD 199,000\$ during a period of about a year and a half, and then these amounts were withdrawn by the aforementioned person and some other persons with justifications, mostly food trade, and it was also found that the nature of the activity of some of them was related to the payment of bills and the transfer of phone units.
- Financial Investigations were made regarding the suspect, and it was found that there were financial movements and transfers that he conducted with some financial institutions.
- A confidential study regarding the aforementioned person was requested by a law enforcement authority, and it was found that he works as an accountant at Q.T. Limited Liability Company owned by the two so-called (K.A.-K.S.), the latter is the uncle of the so-called G.S., and the scope of the company's work is communications technology, and that the aforementioned person follows up the company's business to a large extent due to his uncle's advanced age.
- Accordingly, it was found that the so-called G.S. was using his personal accounts to pass the company's business to a large extent.
- It was also found that the account of the so-called G.S. is an intermediary account used to make payments between his uncle's company and the customers of that company.
- Information about the tax statement of the so-called G.S. and Q.T company was required. It was found that the said company did not submit any tax declaration and has no tax statement and there is no related information

or data, and the company received a warning from the competent authority to submit its statements for the works of several years.

- The information about the application Q.T. which is held by the authority responsible for granting licenses to electronic payment companies was requested, and it was found that this authority had stopped the work of the application because the business of the company that owns the application falls within the scope of work of electronic payment companies, and did not obtain the regulated license, and the suspension will continue until all the necessary documents are submitted and the license is duly granted.
- Financial institutions were urged to keep the so-called G.S. and Q.T. company under enhanced due diligence measures.

Both cases are still under investigation and follow-up.

### Money laundering resulting from drug trafficking:

#### **Case Study No.16:**

Operation Desert Light was a merger of several international operations that began nearly two years ago in terms of information and intelligence exchange between law enforcement entities, These entities identified the cartel's shipping routes, identified their global business and agents, then these entities started to collect all financial data, KYC forms and other financial documents from the UAE Financial Information Unit (FIU), and other ad hoc information from the FIU, the Federal Authority for Identity and Citizenship, Customs and Port Security. Furthermore, the parallel financial investigation is still ongoing.

Overall, Operation Desert Light led to the seizure of more than 30 tons of cocaine worth an estimated € 2.4 billion (or USD 2.46 billion\$). Currently working to complete the parallel financial investigation and trace the assets of all suspects.

#### **Case Study No.17:**

Two banks sent two STRs to the FIU in 2021 after taking notice of press articles mentioning the name of a main person accused in a case of smuggling a quantity of drugs. Law enforcement authorities arrested the persons involved and shut down the companies and businesses suspected of being a front.

The suspicion indicators related to the case consisted of repeated cash deposits and press articles about a case of smuggling a quantity of drugs.

The "FIU" initiated its investigations and by searching its database, it found that the main accused was involved with persons who were subject of previous investigations that led to the freezing of their bank accounts and the referral of the case of the Cassation Public Prosecutor to expand the investigation. The name of the accused, the names of his family members and the company subject of two STRs received were circulated to all banks, financial institutions and money transfer companies operating in Lebanon in search of financial operations or related bank accounts. The "FIU" also

requested information from several local entities, including the Land Registry, the Commercial Register, and the Vehicles Registration Department. Real estate properties and vehicles were identified.

It was found that there were accounts in the name of the accused, his family members, and the company which was held with four banks. While processing the case, the "FIU" received a request for assistance from the Cassation Public Prosecutor regarding the suspect himself and other persons arrested on charges of drug trafficking. The new data contained in the request for assistance was considered and the analysis and investigation conducted by the "FIU" were expanded.

The bank accounts were freezing and asking money transfer companies not to conduct any operation for the benefit of the suspects, and a non-disposal order was imposed on the identified real estate properties and vehicles. The case was referred to the Cassation Public Prosecutor - the prosecution was initiated - and the case is still being considered before the court.

#### **Case Study No.18:**

The FIU received a report from a law enforcement entity stating that the company subject of suspicion is supplying "drugs" through a documentary credit for the purpose of importing frozen chicken, where the suspicion indicators related to the case consisted of the company supplying drugs within the commercial commodity supplied, and that the persons in charge of the beneficiary company abroad are the same persons in charge of the company subject of the report.

Through examination and investigation about international relations the drugs crime. The findings of the FIU financial analysis and the results of the investigations concluded that the person in charge of the beneficiary company abroad proved to be the same persons in charge of the suspicious company and for the same family. The findings of the analysis also showed that the agency contract between the two companies is false.

The predicate offense is the supply of drugs, the balances of the company's accounts were frozen, the beneficiary company abroad was banned from dealing, and the case was referred to the Attorney General.

#### **Case Study No.19:**

Person "1", person "2" and person "3" have previously been implicated in crimes related to international drug trafficking, kidnapping, restraint, violence to death, and forgery, and have been sentenced with custodial sentences.

Suspicion indicators related to the case were the Persons with precedents and the Accumulation of significant amounts of money in a short period without economic justification.

Results of the FIU's financial analysis and investigations:

- Based on the financial Investigations conducted, it was found that person "1" has five bank accounts, person "2" has one bank account, while person "3" has two bank accounts, all of which have been frozen.
- Person "1" has one real estate property, while person "2" has six which have been frozen pending further search.
- It was found that person "2" has two companies, which were also seized pending further search.
- It was also found that person "2" has two cars, and person "3" also has two cars that were seized pending further search.

Based on the results of the search conducted, it was found that the persons concerned accumulated significant amounts of money during the period in which they began their criminal activity, which was yielding important financial profits without justifying their sources, nor could they justify the source of the funds that were seized pending further search or that these funds were not generated from their criminal activity. They were prosecuted for the misdemeanor of money-laundering and the case was referred to the court for trial in accordance with the law, whereby the court issued a ruling ordering the conviction of the persons concerned and the punishment of each with imprisonment, a fine and the confiscation of all their real and movable property, as well as their seized bank accounts.

### Money laundering resulting from environmental crimes:

#### **Case Study No.20:**

The FIU received a suspicion report issued by a banking institution, stating that the so-called "A.B." is a resident citizen and is the legal agent of company "P", which is active in the plastic waste recycling sector, and his name was mentioned in an electronic press article as being involved in the illegal trade in waste by obtaining facilities from influential persons in the country to supply prohibited household waste through a foreign company located in A-LAND country.

Suspicion indicators related to the case:

1. By examining the so-called "A.B."s personal accounts, it was found that the deposits made were limited to cheques issued by company "M," which is active in the metal processing and recycling sector. The suspect stated that he was supplying company M with copper without providing any documents proving the commercial relationship between them.
2. Through further inquiry about of the business operations carried out on the account of company M, it was found that one of its most important clients is a company located in A-LAND country and is active in the field of metal waste disposal and recycling, which is the same sector of activity as company P which is the subject of the suspicion report. The so-called "A.B." transferred part of the funds deposited in his account to his company's account and withdrew the rest in cash. It is likely that the person concerned resorted to creating an overlap between his personal accounts and those of his company in order to disguise the destination of these funds.

3. By verifying the collection dates of the bank cheques issued by company M, it appeared that all the withdrawals took place in short and close periods of time, directly after the opening of the personal accounts of the so-called "A.B.", which supports the possibility of the suspect resorting to opening these accounts in order to exploit them in commercial operations that are likely to be suspicious, especially in light of the absence of continuity in the financial and commercial relationship between the concerned and company M, raises several questions about the nature of the relationship, as the customer usually deals with its supplier on several occasions, which has not been perceived.
4. Inspection of the company's accounts - The accounts opened in the name of company P since 2013, i.e. from their date of opening until 2020, have not recorded any financial operations, which suggests that the company in question is not engaged in any actual and real activity.
5. The supply of company P's accounts was limited to the acceptance of money transfers totaling USD 252241\$ issued by ROSA company based in A-LAND country, intended for the settlement of invoices for the supply of industrial waste for disposal and treatment.
6. By inquiring about the destination of the funds, it was found that 50% of the total amounts were withdrawn in cash, while the rest of the funds were sent to several natural persons and company "3A", which turned out, according to the investigations, to be an analysis laboratory that was an accomplice in the waste supply process, as it examined samples of waste from A-LAND country and it is likely that it provided false results about the samples, as the results of the examination submitted showed that the imported waste is non-hazardous and recyclable plastic waste, while it was later found that they are prohibited household waste.

The funds recorded on the account of company P were distributed to a network of persons who do not have any direct relationship or any economic activity with the concerned and it is likely that these funds are commissions in exchange for facilities provided to complete the waste supply process. It is also likely that the persons involved are just intermediaries who have been exploited in order to conceal the beneficial owners of these funds, especially that the open sources confirmed the implication of many officials affiliated with some ministries in the "illegal waste trade" case, which may justify the broadening of the sphere of actors to prevent the eventual identification of the beneficial owners of these funds.

The findings of the FIU's financial analysis indicated the following:

*International cooperation:*

- By seeking information from a counterpart FIU regarding ROSA company which is located in A LAND country, it was found that one of its managers is the subject of judicial prosecutions on suspicions of manipulating deals related to waste disposal. The same source also reported that several STRs abroad were related to ROSA company on suspicions of fraudulent invoices and transfers of significant amounts made in favor of several foreign companies, including company P. By searching for information in open sources, we found that domestic Politically Exposed Persons were



implicated in the supply of prohibited hazardous household waste as covered under international laws and treaties, which, according to the same source, are likely to have facilitated the completion of this business operation.

- By examining the contract and the invoices related to the supply operation subject of the business transaction between Rosa company and P company, many violations were detected, such as:

- The invoices involved a total amount of USD 197,406 \$, while the transfers received against the business transaction amounted to USD 252,241 \$, which raises several questions regarding the economic background about the difference estimated at USD 54,835 \$, as the amount set out in the invoice represents about 75% of the total amounts received on the account while 25% of the funds remain anonymous.

- The payment process provided for in the contract, which will take place for "each ton of waste", is not consistent with the subject matter of the contract which is represented in "waste estimation" and the payment method was supposed to be based on the volume of waste to be exported. The payment method applied raises doubts about the seriousness and veracity of the operations which will be carried out. The concluded contract did not expressly provide for the re-exportation of the part of the waste that cannot be estimated to the country of origin.

- By referring to international treaties and agreements and by examining the contract concluded between company ROSA and company P, it was found that the waste subject of supply is classified under code 46Y, which corresponds to the classification contained in Annex II of the agreement on "the collected municipal waste" and the transport of this type of waste, in accordance with Chapter VI of the same agreement, requires notification and approval of the competent authorities of the receiving country. Therefore, the export process cannot take place without the Italian authorities obtaining prior approval from the Ministry of Local Affairs and Environment in Tunisia, specifically the "General Directorate of Environment and Quality of Life". On the other hand, open sources revealed that approval was obtained from the "National Agency for Waste Management." It should also be noted that according to the provisions of the "Bamako Convention on the Prohibition of the Import of Hazardous Wastes," the entry of household waste into African countries is prohibited on the grounds that it is considered hazardous.

- ✓ The predicate offense is illicit trafficking in waste, which is an environmental crime, considered in turn as a money laundering predicate offense.
- ✓ The case was referred to the Public Prosecution, which permitted them to initiate an investigative inquiry that covered all the implicated parties.
- ✓ Judicial rulings on the waste case were rendered against a minister and executives working in a number of ministries in addition to the owner of the company.

This waste was re-exported to the country from which it came.

## Money laundering resulting from tax crimes:

### **Case Study No.21:**

In March 2022, the exchange of information and intelligence has been accelerated to arrest the foreigner S.Sh. He was a key player in one of the largest corporate tax return fraud schemes and was responsible for the alleged defraud of the X government of an estimated USD 2 billion between 2012 and 2015. Upon receipt of the red alert, a working team was formed along with the sub-investigation team that included the FIU, the Federal Authority for Identity (formerly the Federal Customs Authority) and the Ministry of Economy, in coordination with the Ministry of Justice and the Public Prosecution. The police arrested S.Sh. on June 2, after he was under close surveillance and a financial investigation was initiated – prior to his arrest, which was fruitful in tracing and identifying all his assets inside, which were eventually frozen.

In addition to the arrest of S.Sh in June 2022, and the preliminary verdict rendered by the Court of Appeal in September 2022 rejecting the extradite request on procedural grounds, the prosecutor at the Public Prosecution appealed against the verdict, which allowed S.Sh. to remain in judicial custody, and the case was referred to the Court of Cassation, and the rendering of the verdict is expected before the end of the year.

### **Case Study No.22:**

The FIU received a notification from a law enforcement authority concerning the so-called (A) that there was a suspicion of tax evasion in respect of the said person that might involve money laundering by concealing his incomes generated from several commercial activities.

The findings of the FIU 's financial analysis concluded the following:

1. The so-called (A) maintains personal accounts with a bank, and his identification data indicates that he is engaged in commercial activities with a monthly income of USD 7052 \$.
2. The so-called (A) owns two sole establishments whose objectives include, among others, (trade in food supplies, trade in cigarettes, trade in soft drinks).
3. The aforementioned person does not keep any accounts with the bank in the names of the sole establishments he owns.
4. The total credit financial transactions recorded in the accounts of the aforementioned person amounted to USD 3340550 \$ and the total debit financial transactions USD 3388288 \$.
5. By examining the transactions made in the personal accounts of the so-called (A), it was found that the cash deposits and cheques deposited in the accounts resulted from his business activity in the sole establishments he owns.
6. The FIU found that the volume of financial transactions conducted on the aforementioned accounts is not commensurate with the amount of the monthly income of USD 7052 \$ per month declared to the bank.

7. The existence of tax evasion indicators by using his personal bank accounts held with the bank for commercial purposes instead of opening accounts in the names of the sole establishments he owns.

The reporting entity was provided with the findings of the financial investigation and analysis in accordance with the provisions of the Anti-Money Laundering and Combating the Financing of Terrorism Law, and the case was referred to the Public Prosecutor for a suspicion of money laundering generated from the tax evasion crime.

#### **Case Study No.23:**

The FIU received reports on suspicious financial operations involving three natural persons from the same family whose bank accounts recorded cash deposits amounting to the equivalent of USD 10 million within a few months. They were received after they opened their bank accounts. When the bank was asked about the source of these funds, it reported that they belonged to their son-in-law, the so-called (G), the husband of the female so-called (T), who owns five companies engaged in metal trade and recycling.

Suspicion indicators related to the case:

Recording financial operations involving significant amounts that are not commensurate with the declared activity of the persons subject of the STRs, uncertainty about the identity of the beneficial owner of the financial operations subject of the STRs.

The financial Investigations resulted in the following:

- The so-called (G) has a personal bank account that recorded financial operations related to the business activity of his companies.
- The accounts opened in the name of companies belonging to the so-called (G) recorded incoming transfers of around USD 35,3 million from abroad, made by companies engaged in the same field of activity as the concerned activity and located in different countries. In parallel, around 80% of these amounts were withdrawn in cash.
- By cross matching the financial data of the so-called (G)'s companies and the personal accounts of (A), (B), (T) and (G), it was found that cash deposits recorded on the personal accounts coincided with cash withdrawals recorded on the companies' accounts, with a similarity between the value of the amounts deposited and those withdrawn.
- Reliance of the so-called (G) on more than one account to distribute the proceeds of his activity in order to disperse the real size of the activity, and for the purposes of tax evasion.

The Investigations conducted by the General Administration of Customs in the context of national cooperation resulted in the following:

- Implication of the so-called (G) previously in the export of goods resulted by smuggling.
- By cross-matching the data obtained from the General Administration of Customs regarding the exports made by the companies of the so-called (G), with the bank data provided to the FIU regarding these companies, the FIU concluded the following:

- The size of incoming transfers made to the bank accounts opened in the name of the companies exceeds 25% of the size of export operations declared to the customs services. Consequently, this difference can be explained by the fact that the so-called (G) deliberately reduced the value of the goods declared to the customs services in order to reduce the value of the dues imposed and payable, assuming that the invoices and customs declarations on which the export operations conducted by these companies were based were false and doubtful.
- Based on the time scale, it appears that the so-called (G) established his first company in 2013 and exploited it to pass the exports of copper metal until 2016, and then abandoned it and established a second one in 2016 to pass the exports of copper until 2018. Then, he established a third company that he used to export copper until 2020 and then established a fourth company during 2020 to continue his activity in the export of copper. This is a method of work based on the formation of companies and their use for a specific period before they are detected by law enforcement authorities, in order not to draw attention.

The inquiry results concluded that the so-called (G) adopted the recognized pattern of trade-based money laundering, by submitting false invoices to the customs services for a reduced financial value of the goods declared (under-invoicing) in order to evade the payment of dues. He then withdraws the funds received in his company's accounts and deposits them in the personal accounts of his family members for tax evasion purposes.

The predicate offense is: - tax evasion - trade-based money laundering.

The FIU decided to freeze the accounts subject to the reports on suspicious financial operations and to refer the file to the Public Prosecution in accordance with the law. An investigation into the case has been initiated and is still ongoing.

#### **Case Study No.24:**

We received a request for international assistance in mid-2019 from a counterpart FIU in neighboring countries, which includes a request for information regarding someone named (Joseph), because their FIU received several reports concerning cash deposits he made in his accounts opened with banks and then withdrew them in cash without any justifications or supporting evidence for those operations or proof for the source of the deposited funds in addition to the sources of remittance funds received.

When (Joseph) was asked by a bank about the source of these funds, he said that he is authorized to sign and manage the account of the company (Traditional Trading) for general trading and contracting, a company owned by his brothers and has accounts with (XYZ Bank) and receives foreign transfers in large amounts as a result of its activity a board.

The FIU indicated that the required information is about the nature of Joseph's activity inside Iraq, his sources of income, the nature of the activity of (Traditional Trading) Company and its shareholders, and whether we have previously received a relevant report, whether there are any security restrictions or any other information useful to the investigation. The FIU also requested the approval to share the information that will be provided by us with law enforcement agencies for intelligence purposes only.

Information analysis revealed the following:

First: The information received was incorporated into the financial analysis department databases.

Second: After searching the comprehensive search databases, it was found that (Traditional Trading) Company is licensed by the Ministry of Commerce and is owned by the four brothers (Joseph / owner of the largest share by 60%), (Robert / 30%), (Jack / 5%), (Smith / 5%).

Third: Information collected from all licensed banks showed that the company has bank accounts with (11) banks, and when examining the KYC form, the bank statement and the movements of deposits and withdrawals, and tracking the movement of funds, internal and external transfers, letters of guarantee issued for the company, documentary credits, certificate of incorporation and minutes of the meeting, we found that it had a partnership contract with (Clarink) Trading and Contracting Company during 2015. Also, (Traditional Trading) Company has ordinary financial movements in (9) banks, and it was noted that it did not have a financial transaction for the company or one of its owners with those banks after 2016 and 2017.

After tracking the movement of the funds received in the account of (Traditional Trading) Company held with bank (MZW), we found that there are cash deposits in the company's account that exceeded USD 152,638 \$ which were transferred afterward to (Wilson) Company owned by the same shareholders of (Traditional Trading) Company, for the purposes of importing building materials and it is located in the neighboring country (the reporting FIU) and officially licensed by their government agencies. There were also unjustified remittances from the account of (Traditional Trading) Company to (Flake) Company / located in the same reporting country for legal consultancies.

When bank (MZW) was asked about the source of the funds deposited in the company's account, it stated that it is the result of the profits generated from the company's participation in a government contract with one of the governorates for the development of the potable water pipe project. When inquiring whether the government projects implemented by the company (traditional trading) really exist, it was found that in 2014, the company had a contract in partnership with (Clarinec) company for the amount of USD 763,179 \$ the company's share is 50%) and suffered a loss as a result of the deterioration of the security situation in the country at that time. Consequently, the implementation of the project was not completed, therefore, there is no actual activity for the company and no profits were generated. This indicates that (there are many foreign remittances for (Traditional Trading) Company through bank (VVP) made to the account of (Flake) Company. When the bank was asked about the reason why the company executed those remittances and the sources of the transferred funds, the bank stated that the reason for the transfer is the existence of (14) documentary credits for (Flake) company which is owned by the same shareholders for an amount that exceeded (USD 10,000,000) and the source of funds was (profits from its actual activity). The bank enclosed the financial statements of (Traditional Trading) Company which showed profits generated for the company during the years (2018-2019-2020), which is the result of the execution of a government project in one of the Iraqi governorates, and this is what the company's financial reports have actually shown as (projects under execution).

Fourth: After inquiring whether the project undertaken by the governorate council really exists, we were told that they do not have any information about a company called (Traditional Trading) or any of its shareholders and they have not previously dealt with it, and it was concluded that the company did not file tax declarations.

Fifth: Intelligence information on the company and its shareholders was collected by law enforcement entities and it was found that (Joseph) and (Robert) had a criminal history/had previously been engaged in illegal acts (theft) and (death threats), and in 2002, they were arrested and sentenced to imprisonment and fines in addition to undertakings not to repeat the violations they committed in the future, along with another person called (Marcus) who got arrested with them.

Legal actions were taken:

1. Referral of (VPP) and (MZW) banks to the supervisory authority in the Central Bank for failure to take proper due diligence towards the (traditional trade) company and financial fines were imposed on the two banks, amounting to high amounts in millions, stopping their participation in the investment buying and selling window in specific termination of contracts. The currencies of the employees complicit in the implementation of the company's financial operations, binding the two banks, as they were transferring amounts from the bank without having customs permits proving their entry into the country in exchange for those transferred abroad.
2. The data was sent to the neighboring counterpart FIU, and the indicators were extracted from this case, then the Counterpart feedback that Flick Company owned by (Marcus), and there was no negative information was indicated against (Jack) and (Smith), Also, it indicated that (Marcus is an Arabic nationality) has also been present in their country since 2005, and therefore the FIU took the relevant legal measures and referred the matter to their competent courts.

The case was also referred to the Investigation Court specialized in cases of money laundering, supported by documents and papers proving a (tax evasion and fraud), and a suspicion of (money laundering). The case is still under investigation.

### Use of shell companies:

#### **Case Study No.25:**

The FIU received information showing that Company (X) requested to transfer the amount of profits amounting to USD 30291187 \$ from dinars to dollars and to transfer it abroad through the Central Bank. The amount to be transferred is the result of the profits of Company (X) for 2011, as it owns (49%) of the capital of the said company (Y).

The suspicion indicators are the sole owner of company (x) is Company (z) registered in the (Cayman Island), which is an indication that it has not been subject to official due approvals, i.e. it is an "offshore" company (areas not subject to government control). The financial statements issued for 2011 showed that company (X)'s capital is USD 2289538 \$ and did not practice any activity during the mentioned year (zero revenue). Also, showed that the financial statements issued for 2012 showed that the company has achieved a net profit of USD 30280647 \$.

Actions taken: The Ministry of Finance/General/Tax Authority cleared that company (X) declared until the year 2016 and it was marked as non-taxable, meaning that the company did not make profits. Securities Market Authority/ Depository Center indicated that there was no purchase of shares in the market in favor of (X) and that the ownership of shares came through the deposit of a share certificate dated 2012.

The case was presented to the Account Monitoring and Auditing Council on 31/12/2018 to clarify the difference in the financial statements of Company (X) for the years 2011 and 2012 which are certified by approved chartered accountants. The matter is being considered before the Disciplinary Committee and we will be provided with the results of the Committee's work.

The Council indicated a difference in the accounts prepared for the years 2011 and 2012 and the matter was presented to the Disciplinary Committee.

Legal action was taken by the Account Monitoring and Auditing Council regarding the chartered accountant who prepared the accounts for 2011 and 2012.

The Ministry of Commerce / Companies Registration Department indicated that Company (X) has purchased shares and subscribed to Company (Y) in the amount of USD 373957 \$, which generated a revenue of USD 30280647\$ and the same amount of shares is still recorded in the last accounts submitted in 2017, and that the process of depositing the subscription amount was made in 2011.

#### Results and Recommendations:

Company (X) submitted financial statements for 2012 which included the amounts of the comparative year (2011), and they were completely different from the amounts stated in the financial statements issued for 2011.

In 2011, it also increased its capital to USD 206070190 \$. Accordingly, company (X) owns (49%) of the value of company (Y)'s shares, which is the equivalent of (132,300,000,000) shares at the cost of USD 373957 \$. This is illogical, given that if the value of the share is (1) pound, then the cost of the shares must be (132,300,000,000) pound.

Company (X) did not provide any evidence establishing the sources of funds. A suspicion report was prepared in this regard and sent to the Presidency of Public Prosecution. An urgent and immediate investigation was opened by the competent court with the authorities regarding the information received from the relevant authorities.

#### Case Study No.26:

The FIU received reports on suspicious financial operations regarding the female so-called "L", a national, holder of the nationality of S-Land country, and her husband, the so-called "M", holder of the nationality of L-Land country and E-Land country. The reasons mentioned in the STRs consisted of the fact that the concerned persons received several transfers from companies abroad whose activities are not in line with the activity of the concerned and that the female so-called "L" is subjected to enhanced due diligence due to the nature of the financial transactions she conducted,

especially since both of them have declared to the bank that the purpose of these transfers is the acquisition of a real estate property.

Suspicion indicators related to the case:

- The female so-called "L" opened 10 bank accounts in dinars and foreign currency in one bank during the period from 2012 to 2018, while her husband, the so-called "M", opened two accounts in foreign currency during the same period and in the same bank.
- The accounts of those concerned recorded transfers issued by companies located in E-Land without a clear economic background, especially since most of the transfers made were intended to settle the costs of services, most of which were consulting services, and were supposed to be transferred to professional accounts instead of personal accounts.
- The female so-called "L" made a life insurance contract in the amount of USD 929537 \$, with an insurance company for a period of 10 years, then rescinded the contract a year later and recovered the sum insured.

Results of the FIU's financial analysis and findings:

- The two accounts of so-called "M" recorded seven transfers made by KP LTD for a total value of USD 107793\$, and a transfer of USD 19747 \$, which was made by EK LTD. The accounts of the female so-called "L" have also recorded 07 transfers made by KH LTD for a total value of USD 683965 \$.
- The accounts of the female so-called "L" recorded transfers issued made from her husband's two accounts and it appeared that there was an overlap between all her personal accounts, as her accounts were supplied through flows between them.
- The transactions recorded on the debit side of the female so-called "L"'s accounts mainly consisted of a subscription to an insurance contract for the amount of USD 929537\$, the amount was later redeemed through a cash voucher in the amount of USD 780031\$ which was recovered, and the operation was repeated within a short period of time.
- Issuing cheques in favor of a number of people that seem related to the acquisition of a plot of land, and issuing cheques in favor of a sanitarium and its agent, which seem related to a contribution to the capital of this entity.

In the context of domestic cooperation, the FIU received data from one of the administrative authorities indicating that the female so-called "L" did not acquire a real estate property as she declared to the bank. It was also found that she did not register the contract for the sale of the plot of land she acquired.

In the context of international cooperation, the so-called "M" and the female so-called "L" are involved in an organized crime network that attracts foreigners (especially D-Land nationals) to come to E-Land for a day or two to establish companies or open bank accounts. These Mule Accounts record the acceptance of funds, resulting from financial fraud

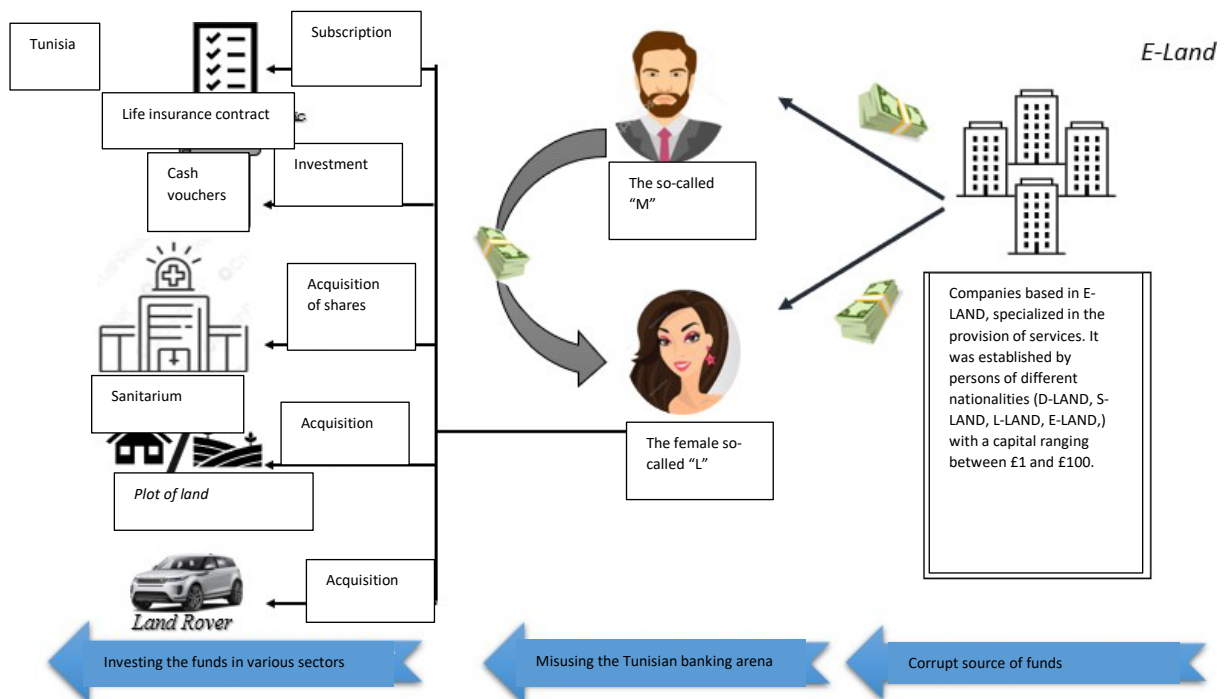


and corruption, most of which are later transferred to accounts opened in C-Land and H-Land and some of them are exploited for living costs and expenses in E-Land, as it was found that the two so-called persons have established a number of these companies and opened a number of these accounts and were behind some of these financial operations, where the victim is entrapped and lured into transferring the amount of USD 218869 \$, in favor of EK LTD account in E-Land, after which a transfer is made in favor of the so-called "M"(same pattern adopted for KH LTD in London and the female so-called "L".)

By searching the open sources:

- ✓ A foreign newspaper publishes the most important cases presented to the courts of E-Land: the female so-called "L" is accused of being implicated in a multi-million-pound fraud and was heard in this case at the E-Land Court of First Instance. It was found that she was a member of a gang of fraudsters during the period from April 2016 to September 2018, where she entrapped victims and robbed them of significant sums by deluding them with the provision of services. This group also exploited dealers and casinos to launder the cash it took hold of. She was also implicated with a group of people in electronic fraud operations against a global financial services company and robbing it of significant sums by exploiting a network of dissolved companies, during the period from November 2015 to September 2018.
- ✓ The National Company Register in E-Land: it was found that the ordering companies and the companies incorporated by both the female so-called "L" and the so-called "M" in E-Land hold the following data:  
"Single-person companies, the activity is general "other services" (without specifying the type of services provided). The capital of these companies is between £1 and £100. The founders have close ages, are young and have the D-Land nationality or any foreign nationality (as indicated in the correspondence of the counterpart FIU). The duration of the company's activity does not exceed two years and therefore these companies seem fictitious and do not engage in any real activity".

Below is an illustration showing the sequence of the operation according to the facts of the case:



Indicators assuming that there is a crime of financial fraud and corruption, followed by the laundering of the proceeds of these crimes in the financial arena, by creating a network of corrupts to obtain illegal gains, were identified. The FIU decided to temporarily authorize the bank to freeze the funds allocated in the bank accounts opened in the name of both "L" and "M" and to refer the file to the Republic attorney general, who opened an investigative case.

### Laundering the proceeds of corruption:

#### Case Study No.27:

The Federal Public Prosecution initiated an investigation based on the Securities and Commodities Authority report after examining a public joint stock company (PJSC) over a complaint made by the company's board members that the chief executive officer (CEO) and several senior managers had embezzled the company's funds.

The Public Prosecution formed a working team consisting of sub-investigation teams including the FIU and the Ministry of Economy. Investigations revealed that the CEO, his immediate family members, and his peers in senior management positions took hold of hundreds of real estate properties from a listed real estate company (a public joint stock company) at reduced prices in flagrant violation of the entity's policies and rules of professional ethics, by creating and using legal persons as means for purchasing assets. It was also discovered that the suspects used a professional money laundering group to place and hide their illegal gains from the properties that were later resold at higher values. Funds from the sales were given in cash during the same period where the real estate properties were sold, to the members of the CEO's family. The CEO and his relatives, through their investment company, also took hold of more shares in the listed real estate company to increase control and influence over the voting to raise share prices, and eventually sell them at huge profits (trading using insider information).

The Public Prosecution concluded its investigations with the assistance of 82 stakeholders from both the private and public sectors, including the Financial Market, and Emirates Auction, resulting in the arrest of twenty-two persons and the confiscation of assets held by 9 legal entities. 31 raids were carried out on homes, offices, and warehouses. By order of the Federal Public Prosecution, 182 real estate properties worth a total of more than USD 91,218,516 \$ were seized, along with twelve luxury cars valued at around USD 2,532, 335 \$ and jewelry, and more than USD 545,000\$ in cash. A total of 262,219,197 \$ has been identified as crime proceeds and more than 95,302,927 \$ has been confiscated at the time of writing this case study.

Three requests for mutual legal assistance (MLA) were sent out to three foreign authorities requesting the confiscation of the funds traced and identified. Charges were brought against all 22 accused ranging from (1) abuse of power; (2) failure to report a common interest/misuse of information; (3) disclosure of company secrets; (4) providing false information in the financial statements and concealing losses; (5) breach of trust; (6) forgery; (7) money laundering, (8) third party money laundering; (9) fraud; and (10) trading using insider information. The case is currently presented at the Federal Public Prosecution Bureau pending foreign central authorities processing foreign MLA requests before referral to the Money Laundering Court.

#### **Case Study No.28:**

In April 2021, the former CEO, the head of human resources and other members of the company embezzled more than USD 2,450,647\$ from the company's accounts by directing the other suspects to establish several consulting and commercial companies in various free zones in the country for the sole purpose of facilitating the receipt, transfer and concealment of illegally obtained proceeds. The modus operandi was through the issuance of forged invoices and forged contracts for fictitious services.

The facts surfaced when an auditor appointed in 2021 reported to the Ministry of Interior an embezzlement in a company engaged in the health care sector, and he concluded in his report that the scheme had been going on for years and was only discovered through the introduction of the Value-Added Tax in 2017.

The working group formed from relevant authorities(Public Prosecution – FIU – Ministry of Interior, Ministry of Economy – Federal Customs Authority/Federal Authority for Identity) was assigned to investigate the case at hand given its priority. The FIU produced financial intelligence to highlight many natural and legal persons involved in the complex scheme. A financial technical report was prepared by the working team, in addition to the auditor's report. Moreover, the Public Prosecution issued arrest warrants for eight suspects, who were later interrogated by the Public Prosecution with further witness statements taken from the company's shareholders.

On September 29, 2022, the Money Laundering Court issued its final verdict in the case by convicting the suspects of theft, embezzlement, breach of trust, fraud, and money laundering, in addition to:

1. Confiscation of all assets including property, vehicles and funds in various bank accounts held by natural and legal persons in the name of suspects (1) and (2) worth up to USD 2,503,706\$ of money laundering funds.
2. Sentencing the accused (1) and (2) to 3 years of imprisonment each.
3. Sentencing the suspects 3, 4, 5, 6, 7, and 8 to 1 year of imprisonment each.
4. Deportation of all accused after completing their time, settling fines, confiscation order, and closing the civil action filed by the embezzled company.
5. Legal persons 1, 2, 3, 4, 5 and 6 were fined USD 136,147 \$ each, for a total value of USD 816,882\$.

**Case Study No.29:**

In 2021, the FIU received an STR from a bank about a customer who is a public sector employee, on suspicions of being implicated in corruption and bribery operations. The suspicion indicators related to the case consisted of cash deposits in small amounts below the threshold of 10,000 US dollars.

The FIU initiated its investigations by obtaining from the reporting bank all the available bank records, including the KYC form, statements of accounts and copies of the supporting documents belonging to the customer. It was found that the Bank continued to apply enhanced due diligence measures toward the customer as he is classified among the high-risk category of customers despite reporting a change in his profession while the bank was updating the KYC forms. The analysis of the statement of account showed that cash deposits were made in small amounts below the threshold of 10,000 US dollars. While processing the case, the "FIU" received a request for assistance from the Cassation Public Prosecutor regarding the customer himself given the existence of investigations into crimes related to bribery and embezzlement of public funds that he has committed.

The "FIU" decided to circulate his name to all banks, financial institutions and money transfer companies operating in the country, where it was found that there were other bank accounts, and information was requested from the Vehicles Registration Department and from the Land Registry.

The predicate offense is corruption, banking secrecy was lifted from bank accounts, a non-disposal order was imposed on the identified real estate properties, and the results were referred to the Cassation Public Prosecutor, who initiated the prosecution - the case is still being considered by the court.

**Case Study No.30:**

The FIU received a report regarding a suspicious transaction from a reporting entity, stating that a charitable institution deposited a cheque worth USD 16,308,267\$ in its bank account and that cheques were issued in favor of one beneficiary.

The suspicion indicators related to the case consisted of the integration of the charity's funds with private commercial funds, and the inconsistency of the charity's objectives with the activity of the beneficiaries of the funds.

The findings of the FIU's analysis revealed that the executive director of the institution committed the crime of fraud, illicit gain, and money laundering.

The predicate offense is fraud, the status of the case - under investigation before the Attorney General.

**Case Study No.31:**

We received a report from one of the public banks operating in the country about the female so-called S.M. (an employee of the bank who allegedly works in the clothing and real estate trade) who embezzled private funds worth approximately USD 3816\$ from the accounts of customers dealing with that bank.

She made many withdrawals and deposits into multiple accounts without having authorizations on those accounts, and she would also sign cheques and add her fingerprint on these cheques on behalf of customers.

In order not to allow anyone to detect the embezzlement operations she was carrying out; she used the numbers and usernames of other employees in the bank.

When a customer of that bank carries out an operation on his account, and this account would be among the accounts from which she embezzled money and the balance would not be sufficient to carry out the customer's requested transaction, she would withdraw the amount he needs from another customer's account and give it to him without carrying out regulated deposits and withdrawals, in order to cover the missing amount.

The suspicion indicators related to the case:

- Withdrawals and deposits into multiple accounts without having authorizations on those accounts.
- Signing cheques and adding her fingerprint on them on behalf of the customers.
- Using the numbers and usernames of other employees in the bank

Results of the FIU's financial analysis, and the findings of the Investigations and/or investigations:

1. A request was made to impose a distraint on the said funds, and a travel ban was requested against her by the reporting bank.
2. The file was referred to an anti-corruption entity for follow-up in due form.
3. In order to pursue the illicit money she obtained, a financial inquiry was initially carried out to examine the financial movements made in her accounts and the transfers she executed.
4. The Directorate of Real Estate Services was reached out to show her properties and their dates of ownership in order to compare them with the dates when she took hold of the private funds from the accounts with which she was dealing.
5. Investigations into her commercial registers were made.
6. The findings that would be reached by the entity in charge of the investigation into the corruption crime were requested.

The Predicate offense is embezzlement of private funds through fraudulent means, corruption.

The case is under inquiry and follow-up.

#### **Case Study No.32:**

Person "1" (a politically exposed person (PEP)) committed a series of violations and breaches in the operation and management of the financial affairs of a public facility.

Suspicion indicators related to the case:

- The amount of accumulated funds and real estate properties without a justification for their source.
- Unusual use of legal persons and their multitude.

Results of the FIU's financial analysis, and the findings of the Investigations and/or investigations:

- Purchase of real estate properties by person "1" and his wife through certain persons who publicly appear as the real owners of the real estate properties and handing over illegal administrative certificates for the division and sale of the said real estate properties.

- Person "1" sent a significant amount of money to a NPO as a subsidy and the financial search found that the president of this association is person "1" himself.

- Person "1" created an enterprise in the name of a close associate and sent him a large amount of money by falsifying documents, even though it was found, through financial search, that the said enterprise did not carry out any works for the public facility, as it appeared that the works were conducted by other contractors without a contract and that the company registered in the name of one of the close associates of the concerned person is just a fictitious company and a front for the embezzlement of funds. The financial search showed that it did not carry out any similar activity and does not have workers declared to the concerned authorities and the close associate of the concerned person was withdrawing the money through cheques presented by person "1", and returning them to the latter.

Based on the financial search carried out, it was found that person "1" has a set of bank accounts that are replenished with significant amounts, and also has more than 19 real estate fees.

Based on the results of parallel financial investigations, person "1" was first prosecuted for the predicate offense for the felony of wasting and embezzlement of public funds and was sentenced to imprisonment and a fine, and second, given that person "1" was not able to justify the source of the large funds he obtained and the rest of the real estate and movable properties which were seized pending further search, an action was initiated in the context of money laundering.

#### **Case Study No.33:**

Person "1" got involved in a crime related to an embezzlement of public funds, and the case is still being considered before the court pending a verdict to be rendered against him.

Suspicion indicators related to the case were unusual use of legal persons and their multitude.

Results of the FIU's financial analysis, and the findings of the Investigations and/or investigations:

- Based on the financial Investigations carried out, it was found that person "1" has a set of twelve bank accounts that recorded a set of suspicious banking operations before, concurrently with and after the date of the crime.
- It was found that person "1" has a set of twelve properties distributed between agricultural lands, residential properties, and apartments, which were frozen pending further search.
- It was also found that person "1" has shares in a group of more than thirty commercial companies with partners, some of whom are the beneficiaries of what was generated from the predicate offense.
- It was also found that person "1" has shares in a private company for the transportation of goods and ten cars that were seized pending further search.

Based on the results of the search conducted, it was found that person "1" accumulated significant amounts of money during the period in which he began his criminal activity, which was yielding important financial profits without justifying their sources, nor could he justify the source of the funds that were seized pending further search. The person concerned was prosecuted for the misdemeanor of money laundering and the case was referred to the court for trial in accordance with the law, where the court issued a judgment punishing him with imprisonment, a fine, and the total confiscation of the funds subject of the transfers he received during the period specified in the search and the resulted seized proceeds.

#### **Case Study No.34:**

In 2019, the FIU received 3 suspicion reports from a private bank regarding the so-called B.A., the head and director general of a public administration and former minister, regarding suspicious and unusual cash financial transactions for a prominent official in the country.

According to the report received from the bank on 12/03/2019, the aforementioned person 02/11/2017, where made two prepayments for a car loan and cash payments amounting to USD 32800\$ and spent half of this amount in Spain by Visa card. He also established several companies for his son named B.A., the last of which was a company specialized in the same field as the Administration for which he was appointed as a director, and which is established in "Draria" on the property of the so-called G.A.

His son's company is also the subject of a suspicion report received from the same bank on 12/03/2019, given that two payments were recorded on the bank account, on 14 and 18/02/2019 for an amount of USD 10943\$ per transaction, and a payment of USD 7350\$ on 07/02/2019, while the source of these operations remained unknown, according to the Bank .

As for the third report received from the same bank on 28/03/2019, it concerns the female so-called A.J., born in 1928, and she is the mother of the main suspect B.A. The report stated that a bank account which was opened on 28/03/2019 in the name of the latter recorded a payment of USD 100, knowing that this account has been dormant since its opening and she also opened two other accounts (savings and in hard currency euro) without paying any amount in them or even operating them, while there are no economic grounds for opening them, which raised the bank's suspicions.

In this regard, the FIU analyzed the above-mentioned banking operations and prepared a report that concluded the following:

- The bank accounts that are the subject of suspicion reports belong to a politically exposed person and the matter concerns the so-called B.A., the head and director general of a public administration as at the date these reports were received, to his son B.A., his mother A.J., and a former Minister.

Suspicion indicators related to the case:

- The absence of an economic justification for most of the banking operations, especially those related to his mother's account.
- Establishing limited liability companies for his son, in the same field as the public administration in which he holds a prominent administrative office.

Actions taken by the FIU:

Based on the foregoing, the FIU concluded that there is a crime of corruption, basically abuse of position, which is an act punishable by Law the prevention and fight against corruption.

- In accordance with Article as amended and supplemented, on the prevention and fight against money laundering and the financing of terrorism, which states that: "the competent authority shall communicate the financial information to the security and judicial authorities when there are justifications on suspicion of money laundering and terrorist financing", the FIU decided, on 25/07/2019, to communicate financial information to the Central Agency for the Suppression of Corruption.

- The latter, in turn, opened an investigation regarding the so-called B.A., which initially revealed a suspicion of corruption linked to the circumstances where companies owned by the so-called G.B., the owner of the property on which the son of the head and director general has established his companies, his brothers and partners reaped benefits and the existence of common interests between them, the so-called B, and his family."

- In the context of cooperation between our two institutions, the FIU, through the search process in its database, provided the Central Office for the Suppression of Corruption with all the information subject of the suspicion reports regarding the new suspect G.A., his companies, brothers and partners, in order to complete the process of collecting and analyzing information related to them.



- The Investigations carried out by the Central Office for the Suppression of Corruption, based on supplementary information it received from the FIU, proved that the main company of G.A. benefited from several deals belonging to the administration headed by B.A., through favoritism, and in violation of the regulation governing public procurements.
- Therefore, in accordance with the provisions of the said articles 17 and 18 of Law No. 05-01 of 6 February 2005, as amended and supplemented, on the prevention and combating of money-laundering and the financing of terrorism, the FIU took precautionary measures against all those concerned, and it circulated, since the first order issued by the President of the Court, and until today, around 20 orders on the extension of the period for objections against all banking operations of the persons concerned at the level of all Algerian banks and financial institutions.

Suspected predicate offense is Corruption The case is being considered before the courts.

### Underground banking/alternative remittance services/money transfer.

#### **Case Study No.35:**

In February 2022, The Police were informed by a local foreign liaison officer that one of the multinational shipping companies had fallen victim to a fraud through the company's email. A group of Internet hackers intercepted their chief financial officer's email communications through electronic calls, deepfake and fraudulent emails, which enabled the transfer of more than USD 17,154,527\$ to local company through four international wire transfers over the course of a week. The liaison officer provided the Police with the criminal complaint number for their case and shared all electronic evidence from the email threads and account numbers of the financial institutions of the originator (the victim) and beneficiary (the suspect).

The Police launched a time-bound investigation through which 24 suspects and 5 legal entities were identified. Furthermore, it was discovered that during the week before Police was notified by the foreign liaison officer, the beneficiary (the legal person) collected the illicit proceeds locally through local transfers made to a network of legal persons under the control of the beneficial owner, who in turn was acting as an international facilitator for an organized criminal group based in another European country. In addition, the layers across many legal persons through more than 16 bank accounts were accompanied by large cash withdrawals, cheques and unlicensed remittance activities by many natural persons controlled by the beneficial owner. To avoid being reported by financial institutions and increasing suspicions, the professional money laundering group provided fake invoices and fictitious shipping documents, this group was ranked as the first professional money laundering group in this operation.

The cash was transferred and collected by the beneficial owner, and was eventually divided, where half of it was handed over to 2 foreign nationality (male and female) and the other half to a professional money laundering group specializing in virtual assets, which runs an unlicensed virtual asset service company. The latter was ranked as the second professional money laundering group in this operation. The former group handed over the money to a professional money launderer, who in turn issued an administrative cheque.

The analysis of the FIU, the cash declarations, customs transactions and activities by the Federal Authority for Identity, and the beneficial owner information obtained from the Ministry of Economy, revealed, and confirmed the involvement of several legal entities (limited liability). The FIU analyzed all financial transactions and activities in which funds were deposited. Legal persons and all bank accounts involved, owned, or controlled by all persons were immediately frozen by the FIU, and a total of USD 5,173,587\$ was secured. The Police then carried out 17 raids in various residential and commercial buildings associated with 24 natural persons and 29 legal persons. It seized documents, invoices, records, electronic devices, jewelry, cash, and insurance policies and arrested 20 suspects of different nationalities. In addition, 4 real estate properties owned by the beneficial owner of the first professional money laundering group were also seized.

It was determined - from the operational analysis of the evidence and financial conclusions collected - that the case was related to a previous criminal investigation, presented before the Money Laundering Court under the name of Operation Monopoly 1.0 of 2021). The motive behind this operation was to obtain funds, and then hire a professional money launderer to issue an administrative cheque to find bail for one of the accused in the previous operation, thus ensuring his temporary release.

Approximately USD 14159292\$ of the value of assets has been identified, traced, frozen and confiscated. The Public Prosecution issued four international arrest warrants; and 3 MLA requests to confiscate the funds transferred abroad and to provide information on the recipient legal persons. The case is currently presented before the Public Prosecution pending its presentation to the Money Laundering Court. All suspects were charged with money laundering, operating, and inciting the activities of unlicensed financial institutions (hawala) and unlicensed virtual asset service providers.

The country has not received yet responses to the MLA requests sent to three foreign judicial authorities. Nevertheless, the Public Prosecution's investigation with the Police led to the arrest of a new suspect of North African origins currently wanted by a European judicial authority for attempted murder and drug trafficking, based on the informal exchange of information between law enforcement authorities.

The suspect was arrested for attempting to free a suspect in the investigation on bail by arranging an administrative cheque (bank cheque) of USD 2,722,941\$ through a third-party money launderer (also arrested) for the purpose of depositing the amount with the Public Prosecution for bail purposes. The bail procedure for the suspect in Operation Monopoly 2.0 was rejected and later suspended by the Public Prosecution. A new line of investigation has been initiated against the new suspect, the natural and legal person who issued the cheque. The investigation is ongoing.

#### **Case Study No.36:**

We received information from a security agency that the so-called M.D. is engaged in illegal money transfers and trade in counterfeit currencies, and he is a resident of an area outside the control of the State, and he practiced this business in cooperation with the so-called M.T. and the so-called S.T., both residing in a neighboring country. His role consisted of receiving the counterfeit amounts of money in dollars through persons with whom the so-called S.T. coordinated,

among them the nicknamed A.I., and then the so-called M.D. transports those amounts and delivers them to persons engaged in distributing illegal remittances (without knowing that they are counterfeit). The so-called S.T. was active with a network dealing in counterfeiting and smuggling of currency in another neighboring country, where these counterfeit currencies are sent to the state through a smuggler. Their working mechanism is based on defrauding illegal remittance offices located in the area of the so-called M.D. or one of the other areas outside the control of the State, by handing over sums of money in frozen US dollars to the representatives of those offices under the pretext that it is a transfer sent to the so-called S.T. in the neighboring country. The so-called S.T. receives that transfer in the neighboring country in regular dollars, and the role of the so-called M.D. is to deliver the amount of the remittance in frozen dollars to one of the representatives of the remittance offices located within that area which is outside the control of the Syrian State. After making the delivery, the representative informs his remittance office in the neighboring country of his receipt of the remittance amount, and then the so-called M.T. receives the amount of the remittance in regular dollars from the branch of the remittance office in the neighboring country.

The so-called M.D. agreed to this work in the hope of getting material benefit, as he receives /100/ regular dollars for every /1000/ frozen dollars transferred. He was arrested with more than \$30,000 in counterfeit money in his possession, while he was receiving it from the so-called A.E., who was driving the car.

The suspicion indicators related to the case was Engaging in illegal remittances.

The FIU's financial analysis key findings:

- The telephone communications of the suspects were tracked, and the details of their identities and communications were obtained, as well as all the mobile numbers of the distributors of illegal remittances.
- Their criminal records were also obtained, and it appeared that the suspects have various criminal precedents, including crimes of forgery and exchange of foreign currency, as well as crimes of illegal transfer and receipt of funds.
- Ownership of a car was obtained from one of the cars used in the transport and delivery of these remittances.
- The information held by another security agency was requested and showed that some suspects were wanted by the said agency, and the information it held was cross matched with the information held by the FIU.
- Financial information regarding the suspects was required and it was found that there were a few financial movements associated with them, which confirmed their use of the informal financial system to pass their remittances.
- Searches conducted by law enforcement authorities revealed that the suspects possessed large amounts of counterfeit foreign currencies.
- The case was referred to the judiciary for the money laundering crime resulting from illicit trade in goods and foreign currency.

The predicate offense is the illicit trafficking in goods and foreign currency and the case is still being considered by the court.

### Human trafficking and smuggling.

#### **Case Study No.37:**

The FIU received a notification from a bank (bank 1) regarding suspect (A), born in 1967 who works as a doctor at a hospital, and maintains two accounts with the bank. Within a year and a half, a total of around USD 910,000\$ represented in transfers received from different persons and cash deposits made with his knowledge were deposited in the first account. In parallel, the total amount was used to keep saving pools and make transfers in favor of a car showroom and transfers to person (B) from bank (2), as well as transfers and cheques in favor of a real estate company. For the second account, a total of around USD 175, 000\$ represented in deposits made by the suspect, was deposited in it, and in parallel, it was used in a transfer made to the account of a medical center (C) from bank (2).

Suspicion indicators related to the case were the Suspect (A)'s accounts receive transfers, some of them intended for surgical expenses. And, the large number of transactions recorded on suspect (A)'s accounts in a manner disproportionate to his salary that is added to his account.

*First: The FIU financial analysis:*

1. The suspect's accounts held with the reporting bank (within a year and a half):

#### The suspect's first account:

The total credit transactions on the account amounted to USD 910,000\$ approximately, most of which resulted from transfers from different persons totaling around USD 620,000\$ (some of which are intended for surgery expenses) and deposits he made totaling around USD 145,000\$, and the addition of a loan totaling around USD 145,000\$, and on the debit side, the following was found:

- Keeping saving pools totaling around USD 265,000\$, and the aforementioned person obtained a loan by using part of them as a guarantee (amounting to USD 145,000\$)
- Transferring (USD 100,000\$) to a car showroom (for the purpose of: buying a car).
- Issuing transfers to the so-called (B) amounting to USD 300,000\$ from bank (2).
- Making a transfer and cheques totaling USD 165,000\$ in favor of a real estate company.
- Making withdrawals and purchases inside and outside Egypt (mostly from Country G) totaling around USD 70,000\$.
- Adding a salary totaling around USD 10,000\$.

#### The suspect's second account:

1. The total credit transactions on the suspect's account amounted to USD 175,000\$, represented in deposits by the suspect, and on the debit side, it was found that a transfer was made to the account of the Medical Center (C) from bank (2).

2. By searching the FIU 's database and the databases it has access to, the following was found:

a. No notifications have previously been received in the FIU 's database regarding the suspect and those dealing with his account.

b. Commercial register and tax registration database: The suspect owns a newly established medical center (C) based in a high-class area.

c. Real estate property database: The suspect owns a housing unit of 205<sup>M2</sup> in a new urban area.

3. Search in open sources: Suspect (A) is a nephrologist, who has recently been known for performing kidney transplants and patients consulting him from different countries, and he became famous for providing such medical services in neighboring countries.

4. Considering the large amount and frequency of transfers to the two accounts of both the so-called Essam and the said medical held with bank (2), related information was requested from the said bank and resulted in the following:

a- Person (B): it was found that he holds a Bachelor of Commerce and reported an annual income of about USD 10,000 from his work as director of Al-Shifa Medical Center.

b- Within a year and a half, transactions recorded on the account were limited to incoming transfers totaling around USD 300,000 from the suspect (A)'s account, met with cheques made totaling around USD 170,000 and transfers totaling around USD 130,000 to a group of persons (some of whom were found to be working in the medical and nursing field).

c- The medical center owned by the suspect: Within a year and a half, a total of around USD 200 ,000 \$ represented in transfers received from the suspect's account, totaling around 175,000\$ was deposited in the account of the medical center owned by the suspect, and the rest consisted of deposits by the so-called / Essam. In parallel, two transfers were made, the first for about USD 165,000 in favor of an import company for the purpose of: importing medical equipment, and the second for about USD 35,000 in favor of Mr. (D) in country (G).

5. Given that a transfer of a significant amount was made in favor of a person in country (G) and that several transactions in which the suspect is involved were conducted in the same country, the FIU requested information from the FIU in country (G) about the beneficiary of the transfer who is Mr. (D) and his relationship with the suspect / Hussam and the extent to which he had transactions in country (G).

The FIU received information from the FIU of country (G) as follows:

- The FIU reported that there were no STRs' filed regarding person (D) who is subject of inquiry.
- The said person has a famous medical center in the country and the transfer he received from the medical center owned by the suspect is intended for: Training in kidney transplants.
- Suspect (A) frequent visits to the country for tourism and business.

*Second: Investigations by law enforcement entities:*

The accused (A) practiced a large-scale criminal activity represented in the trade of human organs for several years - outside the legal scope - where he jointly formed with the accused (B) a gang specialized in the sale and purchase of human organs (kidney organ) and the latter had the role of mediation between patients and victims in exchange for material compensation after attracting them, taking advantage of the patients' need to preserve their lives and the financial condition and financial difficulties of the victims and the use of deception as a means to deprive them of their will, and the Investigations added that the travel of the accused (A) to country (G) was for the purpose of receiving training in kidney transplant.

The Investigations indicated that the accused (A) resorted to money-laundering as a result of his said criminal activity through several methods, such as purchasing housing units, depositing sums of money into the account of the medical facility he owns, purchasing cars, as well as depositing a part of this money with banks with the aim of concealing and disguising its nature and breaking the link between this money and its illicit origin.

The Investigations revealed that the accused (A) made many dispositions on these funds in order to conceal their nature, legitimize them and prevent the detection of their origin by depositing part of them with banks. He also kept saving pools, purchased a housing unit and a car and opened a medical center.

The case considered is organ trade and money laundering. The predicate offense and the ML crime are still being considered by the court.

#### **Case Study No.38:**

The FIU was provided with a notification by a financial institution regarding the so-called (K.M.M.A.) for a suspicion of financial transactions that are inconsistent with the nature (activity) of the account, as it was suspected that the above-mentioned person sent transfers in fictitious names to several persons repeatedly and periodically, without any justification for such financial operations or any connection between the suspect and the addressees, and there is no apparent purpose with respect to such transactions.

When FIU received the report, it made a search and investigation regarding the above-mentioned case, and it was found that there was a suspicion of the crime of smuggling and human trafficking (slavery), as predicate offense in addition to the ML crime by integrating the proceeds generated into the financial system, where Money is collected from people (victims), and then sent abroad or to other people within the country, close to border areas, some of which may be high-risk areas, which is how human smuggling or trafficking procedures are arranged.

After considering the case presented by the FIU team, the following was found:

First, based on the FIU's databases, there is a large number of money transfers between the suspect and other persons suspected of conniving with him. Also, Money transfers made to neighboring countries, which may indicate a crime of smuggling humans across the borders, while noting that the financial operations are carried out by different people each

time through a number of financial institutions. In addition, Government agencies and institutions were also reached out and it was found that there was no commercial register for the above-mentioned suspect.

Second: by searching the open sources, it was found that there are many designations for the suspect, including, for example, (smuggler, smuggling to country two, the smuggler, .).

Suspicion indicators related to the case were sending and receiving multiple transfers that are not commensurate with the nature of the activity.

The findings of the FIU's financial analysis concluded that there are multiple remittances made to high-risk border areas, and structuring of the remittances sent and received.

The predicate offense is the smuggling crime, and the case is under investigation by the Public Prosecution.

### **Case Study No.39:**

The FIU received reports on suspicious financial operations involving 16 natural persons of African descent who benefited from a significant number of remittances through "Dakika" system (a national money transfer system) involving relatively significant amounts, all issued by persons, without establishing any economic or commercial link between the senders and the recipients of the remittances. The reporting entity suspected that these financial transactions may be linked to suspicious activities.

Suspicion indicators related to the case:

- There is a network of persons that is deliberately exploiting the "Dakika" hawala system, which is an occasional financial operation, in order to break the link with the source of funds and their destination and to carry out suspicious activities.
- Uncertainty about the identity of the beneficiaries (Bos) from the remittances.
- A group of people are associated with suspicious activities.

The financial Investigations key findings was the following:

- Occasional financial operations being exploited by a group of natural persons of African nationality to collect in a short period of time 1,178 transfers estimated at a total of USD 679435\$, through Dakika system, all issued by persons located in the same geographical area, without any economic or commercial link between these parties.
- Some people use different passports to collect remittances through Dakika system, which could be intended to conceal the true identity of the beneficiaries of the funds.
- These persons do not maintain any bank accounts in the country and only deal with occasional financial operations and do not engage in any economic or commercial activities in the country, which suggests that there is a network of persons who is deliberately exploiting these financial operations in order to conceal their identities to carry out suspicious activities.

Investigations conducted at the level of law enforcement agencies showed that some natural persons who are implicated in a search initiated by a law enforcement authority, are benefiting from the remittances in order to form a group and join a gang to attack property and persons and deceive by abusing the influence of the position, in addition to other persons also implicated in a search conducted, for deceiving and trafficking in human beings, as revealed by the exchange of information in the context of a request for national cooperation.

Predicate offenses: Human trafficking: The FIU decided to refer the file to the Public Prosecution, along with the circulation of a notice across the banking arena, to freeze funds that suspected persons may benefit from or which are authorized to be converted in dinars or foreign currencies through transfers via Dakika system or money transfer service providers, and to freeze all accounts opened or that may be opened in local or foreign currencies under the names of these persons. The investigation has been initiated and is still ongoing.

### Use of virtual currencies/assets:

#### **Case Study No.40:**

In 2021, in the context of international cooperation between the FIU and its counterparts from different countries, the FIU received financial information from the British "National Crime Agency" stating that a local citizen has an account on the digital platform for virtual currency - Binance Markets Limit - and that after the British agency analyzed the various financial transactions he conducted to and from this account, it was found that his account was linked to the website Dark Scandals Com, which is active in the field of sexual exploitation of children.

In order to complete all stages of inquiry and verify the accuracy of the information obtained, the FIU conducted a search based on open sources. It was found that this was an international investigation involving several countries - (the Dutch police - the American authorities) - the Internal Revenue Service - Criminal investigations, Internal Security investigations, Ministry of Justice (German Federal Criminal Police and Europol) about the Dark Scandals com website which is available on both the dark web and the clear web (it contains more than 2,000 videos and photos related to the sexual exploitation of children and videos of young girls around the world).

The investigations led to the arrest of the website's administrator and the removal of Dark Scandals website from the Internet, which displays violent rape videos and child abuse material. Videos are acquired by purchasing them in cryptocurrency.

Suspicion indicators related to the case:

- Using legally prohibited cryptocurrency in the country.

Results of the FIU's financial analysis, and the findings of the Investigations and/or investigations:

- All banks, FIs and financial agencies of "Poste office" were reached out, in order to identify the bank accounts opened in the name of the concerned person.
- The suspect's bank account was analyzed



- All security entities were reached out to obtain as much information as possible regarding the suspect.
- The number of dates of the suspect's movements outside the homeland was identified.
- The number of the suspect's transactions on the virtual currency digital platform, BINANCE MARKETS LIMIT was identified.
- The suspect's accounts were frozen.

The case was sent to the Public Prosecutor, the suspected predicate offense: sexual exploitation of children/use of cryptocurrency. The concerned person is being interrogated by the judicial police.

#### **Case Study No.41:**

The bank account of person "1", a university student working in e-commerce, recorded important bank transfers through the Internet at a high and increasing frequency, which is not commensurate with his economic situation. According to the reporting entity, the bank transfers are related to trading in virtual currencies.

Suspicion indicators related to the case:

- Person "1" made many bank transfers involving significant amounts, at an increased frequency and within short periods of time with many natural persons.
- Significant banking operations that are not commensurate with the economic situation declared by person "1".
- Operations linked with virtual asset trading, as stated by person "1".

Results of the FIU's financial analysis, and the findings of the Investigations:

According to the information collected, the credit balance of the bank account of person "1" recorded a large number of bank transfers involving a large total amount, and these operations were concentrated during August 2022, accounting for 99.68% of the number of transfers.

In the same context, the debit balance of the aforementioned account recorded several transactions that consisted of bank transfers involving a large amount, as most of the transactions were recorded during August 2022, accounting for 99.83% of the number of transfers.

These operations were conducted with many natural persons who may be parties to virtual currency trading. Furthermore, the size of the amounts is not commensurate with the economic situation declared by person "1" (a university student practicing e-commerce).

Acts that may constitute a ML crime through trading in virtual currencies. Accordingly, the case was referred to the competent prosecution for investigation.

#### **[Gambling activities \(casinos, horse racing, online gambling, and others\).](#)**

#### **Case study No.42:**

The FIU received a notification from a bank regarding the female so-called (A), the so-called (A) is making repeated cash deposits through the ATM without a clear justification. By reviewing the prepaid card of the said person, it was found that she carried out financial transactions represented in gambling through the Internet, as she received on her Credit Voucher account a transfer from Company (X), which was followed by the purchase of jewelry. The company (X) is a company engaged in electronic gambling and dealing in Bitcoin, and is located in country (Y). The financial transactions conducted on the account are not commensurate with the nature and activity of the female so-called (A) which are declared to the bank.

The suspicion indicators related to the case consisted of an unclear relationship between the parties, and the findings of the FIU 's financial analysis concluded the following:

- By examining the financial analysis of the account of the female so-called (A) held with the reporting bank, the following was found:
- The financial movements made on the account are not commensurate with the said person's nature of activity and size of income of USD 599\$ per month which are declared to the bank, and she works as head of the social media department in company (Z).
- The total credit financial transactions conducted on the account during the period amounted to USD 69887\$ most of which consisted of cash deposits (made by the so-called (B) and the so-called (C) and incoming internal transfers (between her accounts and from the so-called (B) and (C). There are also movements on the prepaid card, most of which were incoming transfers for a total of USD 109286\$ from company (X) which is an unlicensed company that provides electronic gambling services and dealing in Bitcoin, noting that the incoming transfers represent (30.2%) of the total credit transactions.
- The total debit financial transactions conducted on the account during the period amounted to USD 69774\$, most of which consisted of outgoing internal transfers (between her accounts and to the so-called (B) and her female friend (D)) and purchases made by credit card.
- The transfers received from company (X) were followed by purchases of jewelry from one of the (4) companies for a total of USD 6297\$ using the prepaid card.
- The FIU found a suspicion of online gambling and dealing with an unlicensed company that provides virtual assets activity.

The predicate offense is the practice of electronic gambling. The Public Security Directorate was provided with the findings of the investigation and financial analysis, and the case is still under Investigations.

### Terrorist financing.

#### **Case Study No.43:**

The FIU received information from one of the law enforcement authorities . After obtaining the official judicial approvals, an investigation and inspection was conducted at the headquarters of the Exchange Company (X), and the suspicion relates to the said company's mediation work in the sale and purchase of foreign currency and the conduct of financial transfers internally and externally.

After analyzing the information received, it was found that there were internal remittances to many hot spots that were under the control of the terrorist organization Daesh, in addition to external remittances to other 3 countries between 2015 and 2018, with an indication that the remittances were made without obtaining an official approval by the Central Bank.

The Exchange Company (X) conducted many money transfers involving high amounts in US dollars and local currency. The transfers it conducted took place during the period when some areas were under the control of the terrorist organization Daesh, in addition to the presence of an external activity of the organization, especially in (country S). Those transfers were also made without obtaining official approvals for fear of the ongoing inspection and control carried out by the regulatory authorities.

Suspicion indicators:

First: Remittances carried out by the exchange offices without authorization or license by the Central Bank and without being subject to its supervision lead to their exploitation by terrorist organizations and organized crime gangs for the purpose of financing their operations, expanding their activities, and laundering their dirty money.

Second: The Exchange Company (X) dealt with a financial transfer company blacklisted by the Central Bank, and a decision was issued against it to freeze its movable and immovable assets and economic resources by the Committee for the Freezing of Terrorist Funds, for some indicators related to the financing and support of armed terrorist groups.

Third: The Exchange Company (X) dealt with Exchange Company (Y), which is not officially authorized by the Central Bank, and Exchange Office (W) which is also unauthorized, in addition to the QI Card payment outlet dedicated to the payment of salaries of retired State employees and people with social welfare, and it is not licensed to conduct and execute transfers, whether internal or external, or to carry out mediation work in the sale and purchase of foreign currencies.

Fourth: The Exchange Company (X), which carried out illegal acts and is licensed by the official authorities, made financial transactions of high amounts to internal conflict areas and external areas represented by high-risk countries.

Actions taken:

First: Referring the case to the concerned authorities, and as a result a decision was issued to freeze the movable and immovable assets and economic resources of the managing director of Exchange Company (X) by the Committee for the Freezing of Terrorist Funds, for indicators related to the financing and support of armed terrorist groups.

Second: Investigations and collecting information on the natural and legal names contained in the minutes related to the transcription of the remittances executed by (X) Exchange Company, the text chats available on mobile phones that were seized at the company's headquarters through social media, the phone call records and computers, all resulted in the detection of transactions made with legal entities not authorized by the Central Bank and entities whose funds are frozen for indicators against them related to the financing of terrorism.

In addition, the analysis and Investigations undertaken regarding the natural names contained in the minutes related to the transcription of remittances and mobile phone conversations revealed the names of many persons proven to have dealt with Exchange Company (X), against which there are serious indicators and information related to terrorism and its financing, murder, theft, and persons accused and arrested in accordance with the provisions of Article (4 / terrorism) of the Anti-Terrorism Law, which proves the exploitation of this company by Daesh through its suspicious financial transactions to finance and support its operations and dormant cells and to expand its criminal activities.

Third: The case was referred to the supervisory authority in the Central Bank in view of the internal and external money transfers and foreign currency buying and selling operations made by (X) Exchange Company, without a license, based on the provisions the Central Bank Law and the Banking Law. They also informed us that they addressed a letter to the Ministry of Interior - Directorate of Combating Organized Crime to form a joint body from the bank and the ministry to examine the accounts, books, and records of the exchange company subject of suspicion, in accordance with the aforementioned Central Bank Law.

Fourth: The matter of (Y) Exchange Company which is not authorized by the Central Bank, the unauthorized (W) Exchange Office, and the QI Card outlet has been referred to the law enforcement authorities in Iraq in order to obtain official judicial approvals to conduct inspection and inquiry at the headquarters of the aforementioned legal entities in order to establish their implication in financing Daesh terrorists.

The investigations revealed that the QI card outlet carried out foreign money transfers to (country T) involving high amounts exceeding (\$ 50,000) per transfer, and the owner of the outlet was arrested and referred to the competent courts in accordance with the provisions of the Penal Code to take the necessary actions against him in accordance with the law, in addition to including his name in the criminal evidence database in the country as a person with precedents, for negative indicators against him, which is also the case for the other unauthorized exchange offices.

Fifth: Information was collected from all banks, money transfer companies and exchange companies authorized by the Central Bank on the financial bank accounts, internal and external money remittances, account statements, know-your-customer form, and amounts of deposits and withdrawals for all natural persons involved in the suspicious transaction in order to track the course of the funds, the method of their transfer and the areas to which the transfer was made. In addition, other entities and persons benefiting from those funds were also detected. This resulted in the identification of banking financial transactions for some suspects, and it appeared that they conducted several money remittances

involving amounts exceeding (4,000,000 dollars), but others had financial transactions that consisted of withdrawals and deposits made on old dates, while others closed their accounts and emptied their balances with banks during the period of suspicion.

Sixth: With reference to the requirements of the supervisory work and given that the suspicious financial transactions made by (X) Exchange Company were established, an official letter concerning the said company was sent to the head of the Anti-Money Laundering and Terrorism Financing Council/Governor of the Central Bank to obtain his official approval to suspend the company from dealing in the window of buying and selling foreign currency because it is subject to legal actions.

After obtaining his approval on the same date of referral, the supervisory authority and the competent committees in the Central Bank were informed of this action in order to cease its participation in the currency window and to designate it on the blacklists. In addition, the reporting entity (a law enforcement entity) was informed of the aforementioned action.

Seventh: Based on the foregoing, the act committed by (X) Exchange Company and other unauthorized legal entities, the company whose funds are frozen, natural persons against whom there are negative indicators, as well as persons accused and arrested in accordance with the provisions of the Anti-Terrorism Law constitutes a terrorist financing. Based on the provisions of the same law, a suspicion report was referred to the Presidency of Public Prosecution - Public Prosecution Department / Presidency of the Court of Appeal/Federal Court to take legal action in this regard and in turn referred the matter to the Investigation Court specialized in terrorist financing cases.

#### **Case Study No.44:**

During 2020, Some persons, while they were in the process of searching for explosives in stone quarries, killed three people who intercepted their way. The arrests and investigations of the security agencies and the intelligence information showed that there was a decision to form a terrorist group that rented safe houses in border areas and used them to hold meetings and collect weapons and explosives. The suspicion indicators appeared through interrogations and investigations with the arrested persons and through intelligence information.

The security agencies followed up the parties of the case. Based on the information they collected and their investigations, all members of the terrorist group were arrested, and a parallel financial investigation was initiated. As a result, it was found that this group began to finance itself independently through acts of theft that they were carrying out in addition to limited amounts of money of its members.

The Cassation Public Prosecutor sent a request to the "FIU" to identify and freeze any bank accounts, operations, and movable and immovable assets belonging to the involved persons. As a result, their names were circulated to all FIs operating in the country, and information about their properties was also requested from the Vehicles Registration

Department and from the Land Registry. It was found that there were local financial transfers in small amounts, and other transfers with a number of foreign countries. The Cassation Public Prosecutor was provided with the available information.

The predicate offense is terrorist financing - the arrested persons were prosecuted (some of them with TF crime), the explosives, arms and funds were confiscated. The case is still being considered before the court.

## Third Theme

### Analysis of case studies and the most important results and outputs

According to what was mentioned in the introduction to this report, MENAFATF member countries provided 44 case studies for the purpose of preparing this report. These cases fall within the time frame of the period from May 2020 to May 2022. Below, we review the most important results and outputs of the analysis of the mentioned cases, with the aim of extracting the most prominent patterns of money laundering and terrorist financing operations in the region, and identifying the techniques, methods and tools used and the prevailing trends in money laundering and terrorist financing operations, and other outputs.

In order to obtain information and case studies for the purpose of preparing this report, an information request form (Annex 1) was prepared to collect case studies from member countries, whereby each country provided the secretariat with a number of case studies falling within any of the defined categories (or otherwise if (found) in Annex No. (2), regardless of the position of the case and the judicial ruling thereon, so that it includes cases in which a judgment of conviction has been issued, or it is still pending before the courts, or it is still under investigation in the Public Prosecution stages, or cases in which the FIU concluded that there are strong indications of suspicion and it was forwarded to LEAs.

The process of analyzing case studies was carried out by following a methodology to determine the following:

- 1- The category into which the case falls according to the categories defined in the Annex.
- 2- The authority through which the case was passed: (Bank/Securities/Insurance/exchange house/Non-financial Institution etc.)
- 3- The instruments used in the case: (Cash/cheques/letters of credit/life insurance policies/shares etc.)
- 4- Technical methods: Deposits or withdrawals or opening multiple accounts/submitting inflated or reduced invoices/transferring funds across borders/replacing small banknotes with large ones/transfers/using false identification documents/shell companies/repayment of loans, etc.....).
- 5- Suspicion indicators related to the case (use of authorized persons, disproportionate activity with the nature of the account, lack of a clear economic justification, persons/countries designated or listed on international lists, customs evasion, etc.).

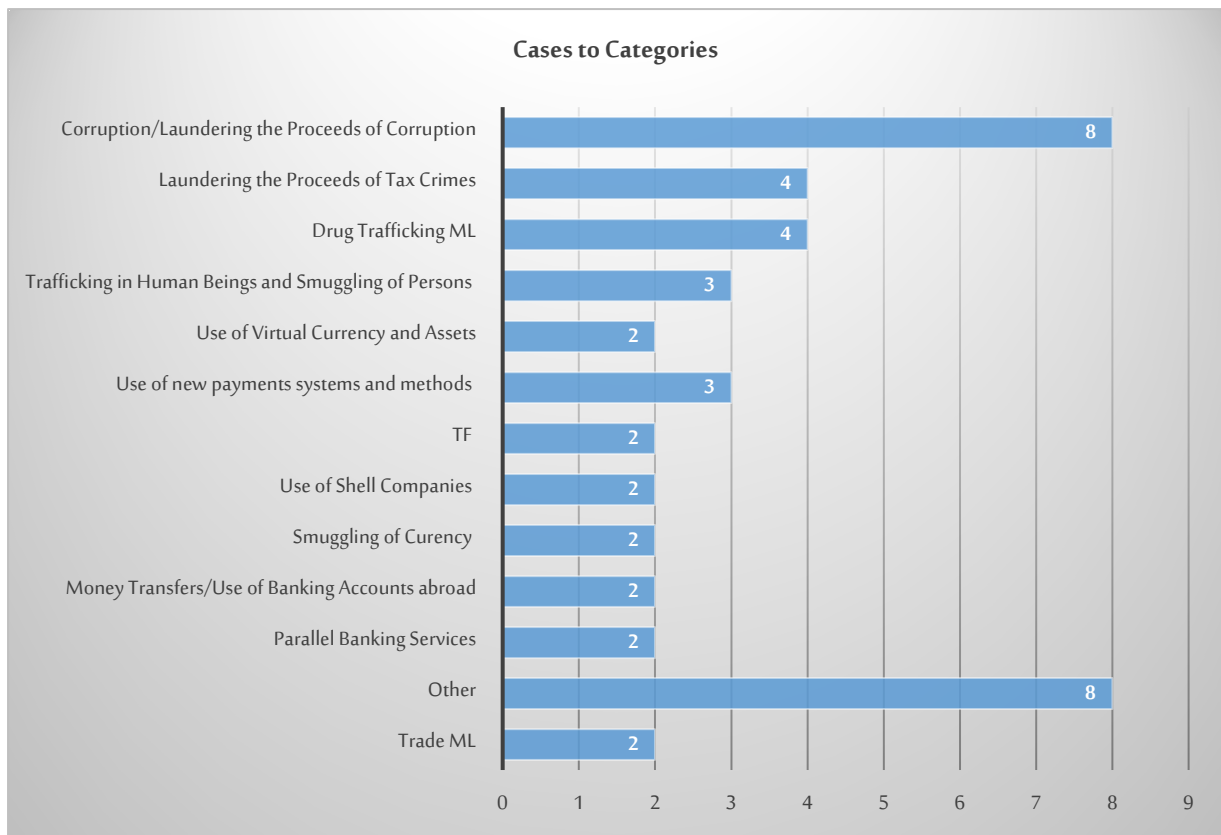
- 6- The predicate offence that was proven and the penalty that was imposed for the crime of money laundering or terrorist financing.
- 7- The legal position of the case (under investigation, before the court, in which the court ruling was issued).

The following are the results of the analysis:

**1. The category in which the case falls according to the categories defined:**

For the purposes of the analysis, the cases were dealt with according to the classification of the categories defined (or otherwise, if any) in the Annex of the categories within the draft questionnaire, so that the cases are distributed to the category that they represent directly, noting that a number of cases can be included in more than one category. In order for the report to be comprehensive and diverse, the weighting (materiality) method was used so that cases do not tend towards specific categories, which reflects a clear tendency in the report, so that each case is directly attributed to its category, or to the closest other category that fits it and lacks case studies, and then the next one, and so on.

With regard to assigning cases to categories after applying the above-mentioned principles, they were placed in two categories, including the categories that received more than one case, and the other single categories that did not match any of the aforementioned categories. Below, we take a look at the distribution of cases according to the above:





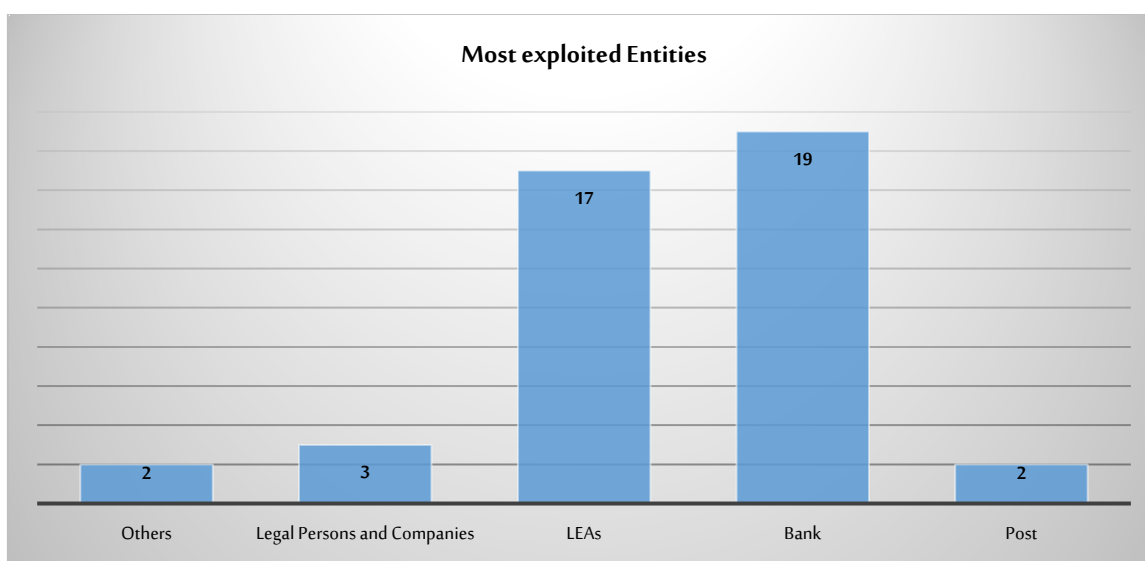
**First: Categories containing more than one case:**

1. Corruption/Laundering the proceeds of corruption.
2. Laundering of proceeds from tax offenses
3. ML resulting from Trafficking in Drugs
4. Trafficking in Human Beings and Smuggling of Migrants
5. Use of virtual currencies/assets
6. Use of new payment methods
7. TBML.
8. Use of fake (shell) companies
9. Parallel Banking Services / Alternative Transfer Services / Hawala
10. Smuggling of Currency

**Second: Other single categories:**

11. Gambling Activities
12. Trade in Precious Stones
13. Distorting competition and spoiling the investment climate
14. Use of social media channels in TF
15. Use of Offshore Non-Resident Banks, IBCs, and Trusts:
16. Investing in the capital markets and the use of intermediaries:
17. Smuggling of Gold:

**2. Entities Exploited**



The report dealt with a number of entities that were exploited in money laundering or terrorist financing activities, which included: Border crossings of all kinds, financial institutions (banks, money exchange, etc.), non-financial institutions, exchange companies, money transfer companies, and other entities.

It is noted during this report that there is a diversity in the exploited parties, as we mentioned above, despite the clear tendency towards the financial and banking sector in particular, and this can be concluded through the case studies used in preparing the report, as 43% of the cases indicated that banks were targeted in a clear manner, and it represents the largest groups among the entities that have been targeted to pass suspicious activities related to money laundering and terrorist financing operations. Also, this may be attributed to the intensity of banking operations to finance business and commercial and economic activities during 2020-2021, after the stagnation and recession that the world witnessed as a result of the comprehensive closure imposed as a result of the repercussions of the Corona pandemic.

On the other hand, it is noted that the percentage of reports from the competent authorities has increased by up to 39%, and this indicates an increase in awareness among these authorities and their effective involvement in efforts to combat money laundering and terrorist financing, and they are now providing FIUs with more suspicious reports. It is also noted the emergence of financial services provided through postal institutions, such as postal and cash transfers. In addition, we find that 7% of cases in which criminals are directed towards companies and legal persons, and this is consistent with the hypothesis of economic openness and the diversity of methods and trends taken by criminals.

Other entities have also been targeted, but to a lesser extent, among a number of other entities, such as securities, the real estate sector, the insurance sector, border crossings, and money transfer companies.

As an important result that can be reached through this analysis, it is the continued targeting of the financial and banking sector at a large rate, which calls for concerted efforts to fill potential loopholes that are likely to be exploited by criminals and money launderers.

### **3. Tools, methods, and techniques used:**

It is noted from the methods included in the case studies that the largest percentage of them tend towards the methods related to financial transfers and the use of tools related to transfers by more than 23% of the case studies received.

Also, among the most prominent methods that were monitored were related to cash and monetary tools, at a rate of about 18% of the group of case studies received. This is consistent with the previous analysis regarding the exploited parties, as all methods related to these categories target the banking sector directly, as these groups together represent a total of 41% of the methods and tools used in the execution of money laundering and terrorist financing crimes, as well as there are some other tools that was associated with methods used in case studies such as cheques, deeds, bills of exchange, transfers between internal accounts, and letters of credits within the methods and tools used in cases.

The following table showed a list of the technical tools and techniques included in the cases:

technical tools	Technical techniques
Cash	Unlicensed company offering virtual assets activity

<b>Letters of Credit</b>	Collecting funds of unknown origin and disguising them by merging them into several purchase and sale operations and transferring funds resulting from sales outside the country
<b>Transfers</b>	Account-to-account transfers
<b>Real estate</b>	The case is linked to a politically exposed person
<b>Companies</b>	Incorporating the funds of the charitable organization with private commercial funds
<b>precious purchases</b>	suspected shell activity
<b>Use of virtual currencies</b>	Using deposits and withdrawals to camouflage unauthorized activity
<b>Shares</b>	Using personal accounts to pass the work of a company that does not have an official license
<b>Life insurance contracts</b>	Unjustified money transfers to several accounts and then withdrawing that money in cash
<b>credit cards</b>	Foreign money transfers received in large amounts
<b>Establishing companies and legal entities</b>	Unlicensed company offering virtual assets activity
<b>electronic payments</b>	Recurring cash deposits
<b>Dark net use</b>	Cash deposits in small amounts below the allowed ceiling on a regular basis or at specific time intervals.
<b>cheques</b>	Suspicion of a crime
<b>e-wallets</b>	Forging contracts and official papers
<b>Credit facilities</b>	Billing fraud
<b>Purchase and sale of securities</b>	Forging contracts and official papers
<b>Purchase and sale of securities</b>	Withdrawing and depositing into customer's bank accounts by an unauthorized person for the purpose of embezzling funds

#### **4. The most important indicators of suspicion extracted from the cases:**

In the case studies, the report contained an estimated number of suspicion indicators that can help in identifying and detecting suspicious activities related to money laundering and terrorist financing operations, among which we mention the following:

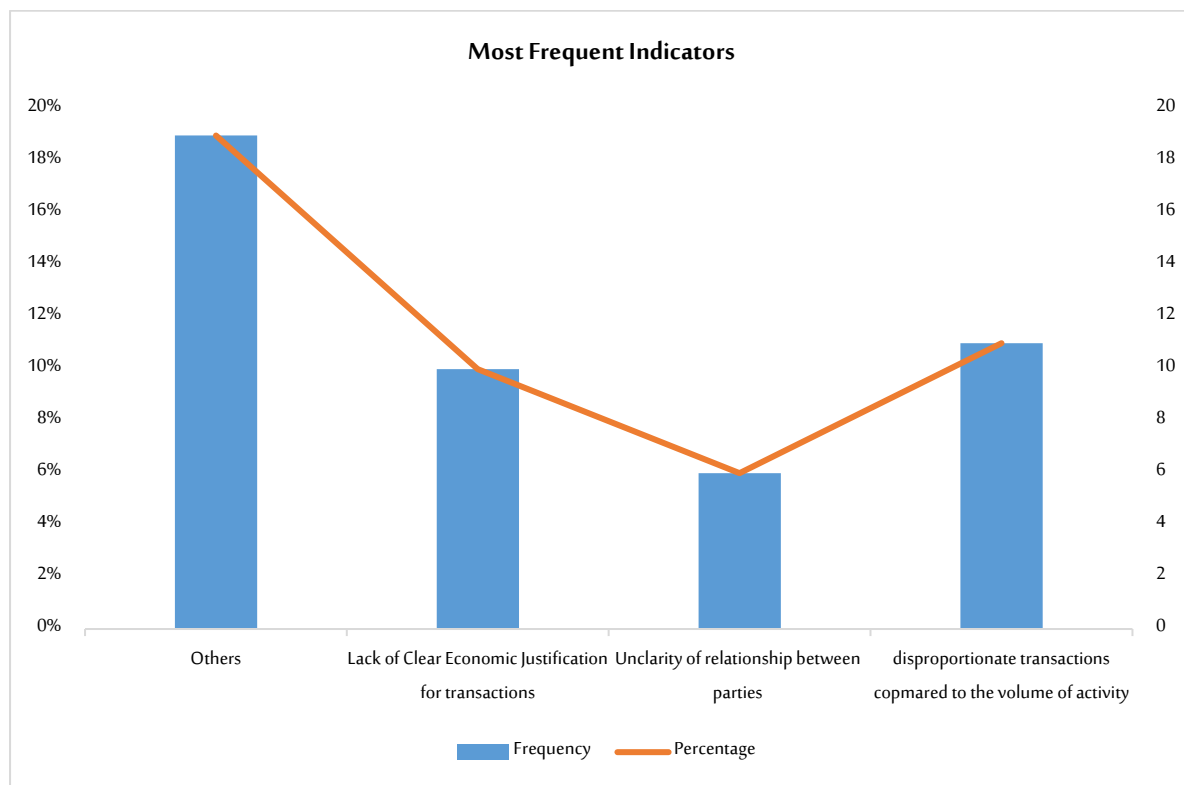
1. Use cash in small amounts and at a high frequency.
2. Receiving cash from persons who do not have a clear relationship with the postal account holders (relative, work, etc.).
3. The absence of an economic justification for most banking operations.
4. Establishing LLC companies of (sons), and occupying a senior administrative position therein,

5. Operations related to the trading of virtual currencies,
6. Receiving transfers whose intent is illogical, suspicious, or bizarre,
7. The disproportionate transactions with the volume of activity,
8. The magnitude of transactions on the account of public official in the country,
9. Use minors accounts for transfers to and from a personal trading account,
10. The volume of transactions on the accounts of modern facilities during a short period in a way that is not commensurate with the novelty of its establishment and size.
11. The frequency and intensity of transfers to and from companies without a clear purpose,
12. Exploiting personal bank accounts for commercial purposes,
13. the lack of clarity of the relationship between the parties,
14. Lack of clarity on why the same reason or justification is repeated in transfers sent to several different parties.
15. A person receives large foreign transfers that are not commensurate with the nature of the accounts of the person receiving the funds.
16. Frequency of a number of persons visiting one person, often to supply funds.
17. The entry of a public official of the country into one of the fields of private investment,
18. Financial transactions between managers' accounts and employee accounts.
19. Suspicion of the presence of objects that do not appear to be of the original nature of the body (in the case of smuggling through land ports).
20. The presence of suspected funds received from the accounts of the employee's friend (the third party).
21. There is no clear commercial or economic purpose of funds transfers.
22. Suspicion that the proceeds of a corruption crime, especially if they are related to influential political figures,
23. The existence of an informational notice from a counterpart FIU,
24. Collecting funds from an unknown source and hiding them in transactions.
25. Overlapping of several companies with its headquarters in high-risk countries,
26. Linking the case to persons with criminal records,
27. The accumulation of significant funds in a short period without any economic justification.
28. Unusual dealing with legal persons and their multiplicity.
29. segmentation of sent and received remittances,
30. Withdrawals and deposits into multiple accounts without authorizations.

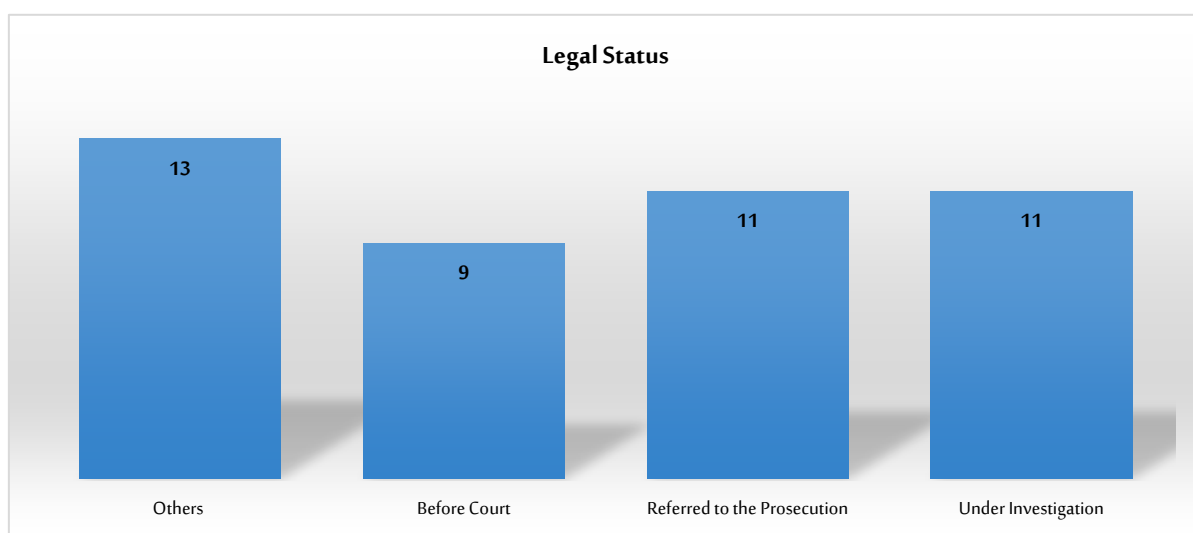
Referring to the indicators mentioned above, we find that these indicators were repeated over the course of the case studies submitted, which may contain a number of these indicators, which were collected and revised to arrive at common factors between them to determine one main indicator that represents a category of these indicators that are similar to each other, for example the indicator of the use of cash in the case studies indicate the use of cash in different ways and multiple methods

of withdrawing and depositing, for example, or increasing the volume of cash supplies, or inflating bank accounts as a result of unjustified cash deposits.

The analysis of case studies also concluded that key indicators were frequently repeated in the cases, which often include more than one indicator in one case, so that we can divide these indicators into major categories, as follows:



### 5. The legal position of the cases:



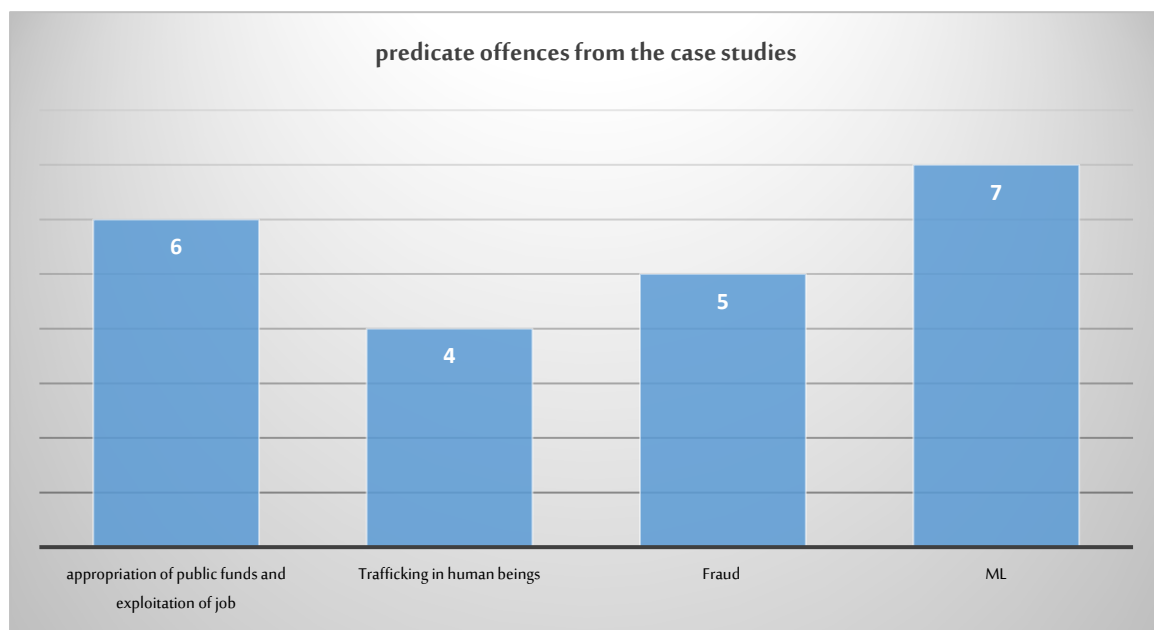
The parties dealing with cases received from LEAs, investigative agencies, and other agencies were effective in dealing with money laundering and terrorist financing cases, given the legal position of the analyzed cases, as it became clear

that 46% of them are before the courts or in which a ruling has been issued. They are detailed according to the above figure as follows:

1. Twenty percent of cases are before the competent courts.
2. Twenty-six percent of cases were referred to the prosecution.
3. Twenty-six percent of cases are under investigation.
4. Twenty-eight percent of the cases involved partial judgments of seizure, freezing or confiscation, or other related judgments such as: Fine, seizure and freezing, confiscation, and others.

## 6. The predicate offense proven and the penalty in the crime of money laundering or terrorist financing:

Through the analysis, it became clear that there is a diversity in the list of predicate offences received as a result of the diversity in the methods used to commit money laundering and terrorist financing crimes, as appeared in the cases that were dealt with, which included a number of various crimes such as drugs, job abuse, corruption, and appropriation of public funds or theft of personal data, banking business without a license, counterfeiting and forgery, fraud including electronic fraud or IT crimes, human trafficking, tax evasion, and others. The following is a figure illustrating the most important predicate offenses that were extracted from the case studies included:



Through the analysis, it became clear that there is a diversity in the list of predicate offences received as a result of the diversity in the methods used to commit money laundering and terrorist financing crimes, as appeared in the cases that were dealt with, which included a number of various crimes such as drugs, job abuse, corruption, and appropriation of public funds or theft of personal data, banking business without a license, counterfeiting and forgery, fraud including electronic fraud or IT crimes, human trafficking, tax evasion, and others.

**Annex No. (2): Categories of the case studies**

**Annex No. (1): Sharing information and case studies form.**

Kindly provide 3 to 5 case studies as explained above. *(Please state the following information for each case)*

Reference No: .....
<b>Case description:</b> ..... ..... .....
<b>Category (according to Annex No.2):</b> .....
<b>The type of authority through which the case was executed:</b> .....
<b>The tools and techniques used in the case:</b> ..... .....
<b>The suspicion indicators related to the case:</b> .....
<b>Findings of the FIU analysis and results of Investigations and/or investigations:</b> ..... .....
<b>Predicate offense and sanction/status of the case (heard before the courts/under investigation/under Investigations):</b> ..... .....

### **Annex No. (3): Illustrative examples of categories of case studies**

1. Laundering the proceeds of corruption.
3. Misuse of charities for terrorist financing.
4. Use of offshore banks, international commercial companies, and offshore trusts.
5. Use of virtual currencies / assets
6. Use of professional services (lawyers, notaries, and accountants).
7. Trade based money laundering.
8. Underground banking/alternative remittance services/money transfer.
9. Use of Internet (encryption, access to personal data, international banking transactions, etc.).
10. Use of new payments systems. 11. Laundering proceeds of tax evasion crimes.
12. Real estate, including role of real estate agents. 13. Dealing in precious stones and precious metals.
14. Human trafficking and smuggling.
15. Use of nominees, trusts, family members or other parties...
16. Gambling activities (casinos, horse racing, online gambling, and others).
17. Purchase of valuable goods (art, antiques, racehorses and cars, etc.).
18. Investment in capital markets and use of intermediaries.
19. Mingling: Mingling illicit proceeds with legitimate funds and investing them in commercial activities.
20. Use of shell companies. 21. Use of falsified identity.
21. Financing the proliferation of Weapons of Mass Destruction (WMD).
22. Illicit felling of trees.
23. Currency exchange. 24. Currency smuggling.
24. Use of credit cards, cheques, and drafts... etc.
25. Structuring / smurfing.
26. Money transfers/use of offshore bank accounts.
27. Commodities exchange (swapping - for example: re-investing in illicit drugs).
28. Terrorist financing. 30. Financing foreign terrorist fighters.
31. Use of social media for terrorist financing. 32. Crowdfunding.
33. Use of the insurance sector. 34. Fictitious judicial disputes. 35. Gold smuggling. 36. Distortion of competition and impairment of the investment climate.

**Please refer to Annex No. (3) for illustrative examples.**



**Laundering the proceeds of corruption (proceeds of corruption and lax AML/CFT procedures):** Laundering the proceeds of bribery and other corrupted payments. Corruption cases facilitate money laundering through lax AML/CFT procedures, including potential influence and power of PEPs: such as investigators, compliance officers in the private sector who are bribed or influenced to allow money laundering.

**Alternative transfer services (remittance or others):** Informal or semi-formal remittance systems based on trusted networks - which may be banned in some jurisdictions. Settlement systems that may be through the formal financial sector, trade or cash couriers and others. They may be misused to carry funds without disclosing them and to hide the identity of the person controlling such funds.

**Trade Based Money Laundering and Terrorist Financing:** Use of trade, commercial financing, structures/shares of companies to facilitate, hide or transfer illicit funds locally and internationally.

**Real Estate - Purchasing Valuable Assets:** Investing the crime proceeds in high value and negotiable assets to make use of the limited reporting requirements and hide the source of the proceeds of crimes.

**Misuse of Non-Profit Organizations:** They can be used to raise terrorist funds and conceal their source and nature and distribute them for terrorist financing.

**Use of Professional Services (Lawyers, Accountants and Intermediaries):** Use of other parties to hide the identity of the person in control of the funds and to conceal the source of funds. They may include corrupted individuals, who provide, by impersonating consultants, services to the criminals to launder their funds.

**Structuring/Smurfing:** It covers many transactions (deposits, withdrawals, and transfers) and mostly, a group of individuals, a large number of small transactions and in some cases, several accounts to avoid being detected through reporting procedures.

**Transfers:** They are used to move funds quickly from one place to another, such as wiring the criminal proceeds through postal services.

**Investing in Capital Markets:** Technique to conceal the source of criminal proceeds to buy negotiable instruments where, in most cases, the relatively limited reporting requirements are misused.

**Use of Shell Companies:** Used as a technique to hide the identity of the individuals who control the funds and where the relatively limited reporting requirements are misused.

**Use of Offshore Banks and Companies:** Used to hide the identity of the individuals who control the funds and to move the funds away from local regulatory authorities.

**Use of Credit Cards, Cheques and Drafts and Others:** Used to access the funds deposited in the financial institutions in other cities and jurisdictions.

**Commodities Exchange (Swapping):** Avoids using cash or financial instruments or tools in high value transactions in order to evade AML/CFT measures applicable in the financial sector - such as direct trading in heroin against gold bullion.

**Forex/Cash Exchange:** To assist in smuggling cash to other areas and misuse the limited reporting requirements of the exchange companies in order to mitigate the risk of being detected - for example, purchase of travelers checks to transfer funds to other countries.

**Use of Nominees, Trusts, Family Members, or other Parties, etc.:** To hide the identity of the individuals who control the illicit funds, particularly the cases where third parties are obliged to cooperate in ML schemes.

**Use of Offshore Bank Accounts:** Used to move funds away from the local authorities and to hide the identity of the individuals who control the illicit funds.

**Use of Social Media (Facebook, Twitter, ...):** They are largely used by terrorists and terrorist organizations as information on social media is easily and quickly spread allowing direct communication between one individual and another, influence, and transmission of thoughts and beliefs. Social media can also be used to collect funds aiming at financing terrorist acts and recruiting terrorist fighters.

**Crowdfunding:** The Internet can be misused by terrorist individuals and organizations to raise funds for the purpose of financing terrorist acts and transferring funds away from common financial channels.

**Judicial Disputes:** For example, a certain case can be solved between two companies through legal conciliation, where a deal can be reached and through which the precedent company (the defendant) pays an agreed sum of money to the successor company (the plaintiff) or a judgment is rendered in favor of the successor company and the precedent company pays to the first. Another example: a company is established in Country A and concludes a loan or borrows goods from another company in Country B. When it is time to settle the loan, the first company declares its inability to meet its obligations. As a result, proceedings are instituted in the country where money laundering will take place, a settlement is reached, the funds are transferred from the first company in Country A to the second company in Country B; and accordingly, the funds are transferred in a legal way between both countries.