MENAFATF Biennial Typologies Report 2020

November 2020

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Introduction:

With reference to the approval of the 20th 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 and 2018.

In order to execute this project, the MENAFATF secretariat, for the purposes of preparing the fourth version of the report for 2020, prepared a questionnaire to request information and case studies from member countries according to the defined categories (or other categories, if any) in the Categories Annex attached to the 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) related to the period from May 2018 to May 2020, especially crimes related to COVID-19, and relevant crimes, especially cases related to the use of technology. The secretariat received 11 responses from the following member countries: Kingdom of Bahrain, Republic of Tunisia, Republic of Iraq, Sultanate of Oman, Kingdom of Saudi Arabia, Syrian Arab Republic, Lebanese Republic, State of Libya, State of Palestine, Arab Republic of Egypt, and Kingdom of Morocco. These responses included 37 case studies, which were reviewed in this report according to the categories defined in the annex. All the received case studies were analyzed and the most used techniques, methods, tools, and the prevailing trends of ML/TF operations were identified.

The current version of the MENAFATF biennial typologies periodic report is a distinguished version that is rich with remarkable diversity in terms of the methods and trends used in ML/TF crimes. The period of the report (May 2018 to May 2020) was an important period in which witnessed the COVID-19 pandemic, that affected all areas of the MENAFATF work, including the area of typologies, as the issuance of this report was delayed due to the delay in its adoption which was decided upon to be in May 2020, to November 2021. This was mainly due to the failure to hold a plenary for the MENAFATF in May 2020, and due to difficulties facing

member countries in providing case studies during the aforementioned period that caused a lack of case studies required for preparing the report, thus led to requesting an extension of the execution of the project until November 2021 instead of May 2021. These reasons are mainly due to the difficulties associated with the COVID-19, such as the comprehensive lockdowns that affected both private and government sectors.

First Topic:

Overview of MENAFATF typologies work from May 2018 to May 2020

First Theme: Adopted and Published Typologies Projects:

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

In late 2019, COVID-19 began to appear and then spread with an accelerating speed causing infections in various parts of the world, leading to WHO's declaring it a global pandemic in March 2020. Since then, MENAFATF has launched a dedicated study on the topic of the Coronavirus pandemic and its impact on the AML/CFT systems in the Middle East and North Africa region during the COVID-19 period, and the report was published on the MENAFATF website in October 2020, COVID-19 and its impact on AML/CFT systems in the Middle East and North Africa (MENAFATF Official Website).

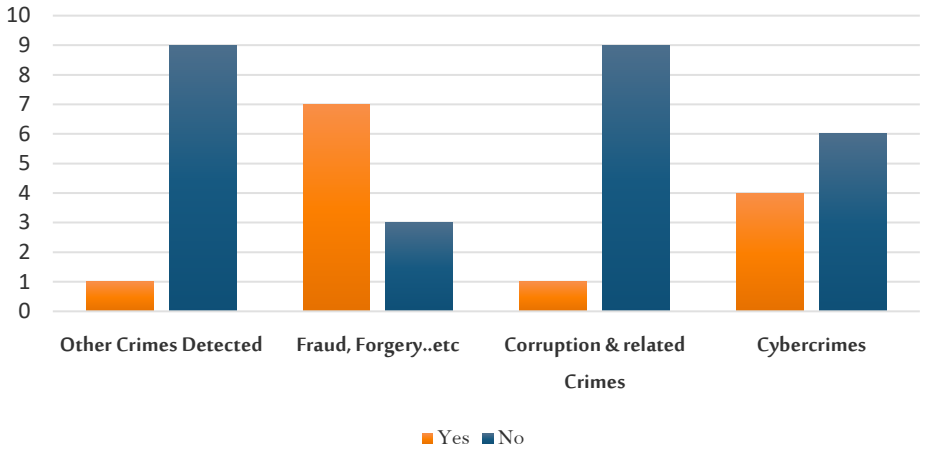
This report mainly aims to provide support to the MENAFATF member countries on the risks related to the COVID-19, provide them with best practices for how to address them, and present a number of case studies that countries of the region faced during the study period, in addition to provide a list of the most important suspicious indicators that may assist in identifying and detecting ML/TF crimes, and to identify the most important challenges that disrupt these efforts.

The report deals with an introductory background to the Coronavirus that causes COVID-19, the latest global statistics on the number of infections and the number of deaths, identifying the most affected economic and financial sectors, as well as the risks of ML/TF during the pandemic, in addition to the most important efforts and initiatives issued by international and regional bodies in the field of AML/CFT, for example, the FATF and FSRBs. At the end of the report, the most important challenges facing the AML/CFT systems in the region were reviewed considering the Coronavirus pandemic, and some recommendations that member countries can benefit from were as well provided.

According to the study regarding the ML/TF risks during the Coronavirus pandemic (COVID-19) at the MENA level, a number of crimes were monitored, including those related to technology, as 30% of the member countries that responded to the questionnaire reported that there are various forms of cybercrime that have been monitored during the pandemic period, in which patterns related to virtual currencies and social media have been used, such as spreading rumors about drugs that treat the Coronavirus, and practices related to fraud and electronic fraud.

The following chart demonstrates the ML/TF risks related to the Corona pandemic in the MENA region during the pandemic:

Figure (1) ML/TF risks/threats associated with the Coronavirus Covid-19 Pandemic, August 2020.



The study concluded a number of important points, as it became clear through the analysis of the received cases that none of them were related to TF, which means that the MENA region is characterized by a low risk of TF related to the Coronavirus pandemic (COVID-19), and it also became clear that emerging ML risks are not far from what is common globally, which can be contained and guarded against in the future. It was also clarified that there are legislative challenges related to the use of technology in committing financial crimes, and the lack of effective supervisory mechanisms necessary to implement existing legislation, especially in ML/TF crimes and the related crimes such as, for example, fraud and forgery, which occupy the largest share in the list of crimes committed electronically. Social media, as well, overlaps in a large proportion, which reveals that there is a digital gap and shortcomings in in technology and its effective application, which shows the clear differences between FIs and DNFBPs in application whereof, leading to impact on the utilization of e-services platforms.

The study also provided a number of valuable recommendations stating that the goal must not only be efforts to combat ML/TF during the pandemic period, and/or to restore the level of compliance to what it was before the COVID-19 pandemic, but also to build the foundations for strengthening anti-money laundering and terrorist financing systems in a continuous and sustainable manner in response to these times and crises. The times of the pandemic are also an opportunity for improvement and change, and to draw attention to other topics, specifically digital financial technologies, especially at a time when digital financial services may assistmitigate the spread of the virus by expanding financial inclusion and enabling financial technology, protecting the financial system, and addressing vulnerabilities in financial and economic systems while keeping risks under control.

Among the other recommendations covered by the study, activating international cooperation channels and responding to requests for information in a timely manner by using the available tools to provide international cooperation while giving priority to urgent requests, publishing and exchanging emerging methods and trends of ML/TF risks associated with the pandemic and exchanging them between international and regional bodies, as well as stressing on supervision of activities that may be a source of danger (more than others) in times of crisis, such as NPOs. However, its work should not be restricted, and the risk-based approach applied in due diligence measures, in addition to other recommendations.

The study also provided a number of demonstrative examples to deal with some issues related to the application of AML/CFT requirements during the pandemic period.

Second: The Typologies project on "Money Laundering Resulting from Human Trafficking and Migrants Smuggling":

The 30th Plenary held in Cairo, Arab Republic of Egypt, during the period from 26 to 28 November 2019, approved the execution of a new typologies project on "ML resulting from human trafficking and smuggling of migrants", starting from the beginning of 2020, whereas the State of Libya had proposed studying a new typologies project on the same topic "ML resulting from human trafficking and smuggling of migrants", and providing a basis for informing MENAFATF member countries of the effects arising from these crimes and their reflection on the policies pursued to combat this phenomenon, which can ultimately help in the efforts to prevent, detect and disrupt them.

The main objective of the project is to study the various aspects related to the issue of laundering proceeds from the crimes of human trafficking and smuggling of migrants, and to enhance the efforts of the MENAFATF member countries to effectively combat and address them. Whereby, this report is likely to contribute in: A) Assisting countries in better understanding the methods followed in laundering the proceeds of human trafficking and migrants smuggling in MENA region; B) Enhancing MENAFATF member countries' capabilities in prevention, detection, and disruption of these crimes; C) Enhancing AML systems adopted by MENAFATF member countries.

within the framework of preparing the report, 13 responses were received from FATF member countries, namely: Australia, Belgium, Germany, Ireland, Netherlands, Switzerland, Sweden. Responses were also received from FSRBs in Africa, namely: Burkina Faso, Botswana, Senegal, and Sierra Leone - members of GIABA - and Ethiopia and Lesotho - members of ESAAMLG - including 5 case studies. In addition, the project benefited from valuable contributions from the MENAFATF member countries, where 8 responses to the questionnaire

were received from MENAFATF member countries, namely: Tunisia, Lebanon, Kuwait, Sudan, Jordan, Egypt, Morocco, and Saudi Arabia (5 of the members of the project's team, except Libya) included 24 case studies.

The report reviews the methods and trends of laundering proceeds from human trafficking and human smuggling based on the information and case studies provided by the MENAFATF member countries, in addition to the member countries of FATF's International network. The report also provides an overview of the size and nature of crimes related to human trafficking and human smuggling and the extent of its relationship with ML in general, and in the MENA region in particular. The report will also touch on many indicators and suspicion indicators to assist FIUs identifying the proceeds of the two crimes, in addition to supporting the efforts exerted by all stakeholders (i.e., Regulatory authorities, LEAs and any other related operational authority) in order to prevent this phenomenon from occurring and putting in place combating and prevention mechanisms.

It is worth noting that the FATF has expressed its interest in this project since its launch, as it circulated a questionnaire requesting information to its member countries to participate in the project and submit case studies therein. FATF called for extending the deadlines' responses to the questionnaire due to the desire of some countries - which were affected by the Coronavirus pandemic - on filling out the questionnaire for the project, given the current conditions around the world, which hindered many countries, including the MENAFATF countries, in obtaining the required information from the concerned authorities in a timely manner in light of the quarantine.

The report was adopted on the sidelines of the MENAFATF 32nd plenary in June 2021, and was published on the MENAFATF website in August 2021 (ML resulting from the crimes of human trafficking and smuggling of migrants | MENAFATF Official Website).

Third: The dedicated Typologies Workshop on "money laundering resulting from human trafficking and smuggling of migrants" typologies project:

On 5 May 2021, a special Typologies workshop was organized to present the most important results that were reached in the draft report of the project, based on the outputs of the analysis of the information request questionnaire and case studies, the answers and responses received by member countries of the FATF global network, including MENAFATF countries, as well as through research and study.

During the workshop, the key findings were presented, including overview at the international conventions related to human trafficking and smuggling of migrants crimes, the position of member countries thereon and the challenges they face in their implementation, the common methods and trends in the Middle East and

North Africa for ML through human trafficking and migrants smuggling offenses, the most important results and outcomes of the questionnaire analysis and case studies, as well as an overview of AML international cooperation resulting from human trafficking and smuggling of migrant in the Middle East and North Africa region. The report also provided number of recommendations and best practices at the end of the presentation.

The workshop was attended by representatives from FATF and FSRBs, and a group of experts concerned with the project from MENAFATF member countries. The number of attendees exceeded 190 participants from around the world. This workshop was well received by the participants and the aforementioned parties.

Second Theme: Typologies Projects In-Progress:

First: Typologies project on the abuse of NPOs in TF Activities,

A new typologies project after the completion of the current project on ML resulting from the crimes of human trafficking and migrants smuggling were reviewed, member countries had been addressed on 17 February 2021, to provide the secretariat with its views on determining the appropriate topic for the MENAFATF's next typologies project, with clarification of some important data to help choose the topic, which includes a look at typologies projects that are currently being implemented across FSRBs, and the answers and responses received in this regard were also analyzed, as member countries unanimously agreed on the implementation and study of the topic on "Abuse of NPOs in Terrorist Financing Activities."

On the margins of the MENAFATF 32nd plenary meeting in June 2021, TATWG discussed at its 31st meeting in June 2021, a number of comments raised by MENAFATF member countries and observers (Sudan, Palestine, Tunisia, Egypt, Saudi Arabia, Libya, FATF and the UN), addressed important issues related to the importance of the project at this critical time and the need to implement it, especially since the MENAFATF has not conducted any study on the subject since its last report on best practices related to NPOs in 2005.

On a parallel level, FATF stressed on the importance of this project to the MENAFATF and the region, calling for identifying the risks associated with this important sector and ensuring that it is not misused in TF, and considering the relevant FATF recommendations (R.8 and IO.10). Ensuring the application of the risk-based approach in particular alongside other standards and emphasizing that this does not affect the work of these NPOs. In the same context, the United Nations indicated its support for the execution of this project and its connection to a number of important projects implemented in the region, as well as benefiting from the grants and technical assistance that have been allocated in this framework. The representative of (UNOCT) confirmed their willingness to participate in and contribute to the project working group.

The plenary approved the recommendation of the TATWG to approve the execution of the project from October 2021 to November 2022, and to submit a report that helps in understanding how NPOs can be exploited in carrying out activities related to TF at the regional and international levels, and the mechanisms and best practices used to mitigate risks of exploiting NPOs in TF activities, in addition to preparing a list of indicators that will assist FIs, DNFBPs, LEAs and other stakeholders in identifying suspicious activities related to TF activities.

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

Work is currently underway to update the aforementioned study in the first theme, given the important role played by the MENAFATF in protecting its member countries from ML/TF risks. Communication with

member countries in such cases would facilitate the MENAFATF's efforts to address to significant risks in a timely manner, and to contribute to FATF global network's works in combating the risks of ML/TF and proliferation, specifically in the MENA region, in particular with relation to the emerging threats such as the Coronavirus pandemic and others.

In order to execute 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 32nd meeting in November 2021, with the aim of approving it and making a recommendation to the plenary for adoption.

It is expected that this report will provide information and statistics that will help MENAFATF's member countries in identifying emerging and new risks related to the Coronavirus pandemic (COVID-19) with relation to ML/TF crimes in the MENA, in addition to providing a list With the most important indicators of suspicion that may assist in detecting these crimes, providing countries with the best practices for how to address them, and presenting a number of case studies from countries of the region during the study period.

Second Topic:

Case studies received through the requesting information questionnaire from MENAFATF member countries

1. Mingling: Mingling the illicit proceeds with licit funds then investing them in businesses:

Case (1):

The FIU received STRs from a financial institution, about a person making suspicious cash deposits. Accordingly, direct contact was made with the Anti-Narcotics Department, and they reported after a while, that they had redhandedly arrested the person for trafficking in narcotics, and that he had a sum of cash and copies of deposit receipts in banks. Accordingly, the FIU collected information about the suspect, and by investigating with him, it turned out that he had been dealing in narcotics for three years and had carried out ML operations using those amounts through the purchase of restaurants and cars, and exploiting the accounts of a member of his family to deposit cash amounts belonging to him obtained from the crime of trafficking in narcotic substances; It also became clear through investigations that he was making cash deposits in the bank accounts of restaurants in order to integrate the proceeds of crime with the actual income of the restaurant.

The proceeds of the crime on which ML operations were carried out were apprehended, and a ruling was issued convicting the accused of the predicate offense (trafficking in narcotics), in addition to a ML case. The suspect was sentenced with imprisonment, a fine, confiscation of funds and deportation from the country.

2. Use of the Internet (encryption, access to personal data, international banking, etc.):

Case (2):

A report was personally submitted by the victim regarding a crime committed in another country of which the victim holds the nationality. The content of the report was that a group of people who were working for him, in one of the companies he owned (a lawyers' and legal consultation office), acquired the personal information and data of the customers (clients) with whom the owner of the company has business relationship with by exploiting the powers granted to them by the owner (the victim) and by encryption. These employees, then, resorted to a fraudulent way to attract those customers by using the e-mail of the victim's company and sending E-mails to them, requesting them to transfer company dues to other bank accounts that are not related to the actual owner (the victim). In addition, these employees have established many companies, law firms and legal consultation offices, deluding clients that these companies are new branches of the victim's company. This resulted in the transfer of the proceeds of crime in an amount exceeding 200,000.00 Dinars to new branches

of companies of those criminal employees within the country and in other countries for the purpose of laundering and legalizing them.

The results of the FIU's financial analysis showed the following:

1- The proceeds of crime that were laundered within the country were monitored and separated from the licit proceeds of commercial activity.

2- All bank accounts, transfers, movable and immovable property of the new companies and their owners have been subject to precautionary seizure.

3- The headquarters of the companies involved were searched and all papers and documents were seized, in addition to extracting all electronic devices.

4- All the persons involved were circulated to security services in the country and it was found that all of them are outside the country.

5- A financial analysis report on the bank accounts of these companies has been prepared.

Accordingly, the case was referred to the Public Prosecution to take the necessary legal measures.

The predicate offense is embezzlement of funds, possession of confidential data and information, and exploitation of the job

A judgment was issued convicting the accused of imprisonment, a fine, confiscation of funds and seizure of bank accounts.

3. Human Trafficking and Migrants Smuggling:

Case (3):

The incident can be summarized as follows: The main suspect (A) brought girls of different nationalities for prostitution. He also has several girls of the same nationalities working and taking orders from him to run a prostitution network in several hotels through, by handing them physical and moral coercion. The girls collect the money resulting from the predicate offense and hand it over to (A) who deposits these amounts in his and his partners' accounts. They round the funds with the aim of concealing the true source of them. As soon as (A) learned that he was wanted by the security agencies, he went to the house of his brother, the second suspect (B), and handed him and the third suspect (C) two safes and other movables related to the incident that were later seized.

The results of the FIU's financial analysis showed an increase in the number of foreign transfers or the exchange of foreign currencies. Investigations revealed a human trafficking crime where the funds transferred or

exchanged came from the proceeds of that crime. Accordingly, the case was referred to the Public Prosecution and is currently pending in court.

A conviction has been issued for the crime of money laundering, the predicate offense (Human trafficking), imprisonment and confiscation of the funds subject of the crime or any funds owned by the suspect.

4. **Use of the insurance sector:**

Case (4):

The suspect (SM) concluded insurance and investment policies in the name of her minor daughter, about 1.4 million pounds. Indicators of suspicion related to the case are represented in the large sums of documents in a short period of time.

The results of the FIU's financial analysis showed the following:

1. SM, within 3 months, concluded insurance and investment policies in the name of her minor daughter, about 1.4 million pounds, through incoming transfers from the account of a company that she claimed owns.
2. The FIU referred to the bank in which the transferring company maintains an account, showing that the mentioned company is newly established, and that there are no transactions that reflect the activity of the mentioned company, and that the movement was limited to receiving two transfers; the first of about 800,000 pounds from the account of the suspect's husband (SM) with another local bank, and another transfer of about 700,000 pounds from the sister-in-law of the suspect to a third local bank.
3. The FIU referred to the second and third banks, where it was found that the suspect's husband was an electrical engineer working abroad, and that he had issued a bank power of attorney to his father in order for the latter to manage the account, and that the movement on the husband's account was limited to cash deposits from his father and sister, in addition to transfers received from his account in a foreign country. On the other hand, transfers were made to the account of his wife's company and transfers to the account of his sister, who turned out to be a pharmacist. After examination of her account at the third local bank, it was revealed that the movement thereon was limited to transfers from her brother's account and deposits from her father, and in return transfers were made to the account of her brother's wife's company (SM).
4. Investigations carried out by LEAs resulted in the suspect's father-in-law carrying out fraud operations against a number of citizens and seizing sums of money from them under the pretext of establishing real estate projects and owning apartments, contrary to the truth, after submitting forged land contracts, and then laundering the money obtained from this activity. The criminal deposited it in the account of his son

and his daughter, and his son's wife establishment of a fictitious company that does not carry out any activities, as well as opening an account for that company to receive transfers from the account of his son and daughter-in-law to conclude insurance policies in the name of his junior granddaughter.

The father and others in the fraud/scam case as a predicate offense were sentenced to 7 years in prison, and the money laundering case is still pending before the court.

5. **Use of Offshore Non-Resident Banks, IBCs, and Trusts:**

Case (5):

The account of the suspect (NT) received a transfer of about USD 1,000,000 from the account of a company in a foreign country. The size of the amount was a suspicious indication itself because it was not commensurate with the aforementioned activity as a teacher, nor with its previous dealings with the bank.

The results of the FIU's financial analysis showed the following:

1. The account of the suspect NT received a transfer of about USD one million from the account of a company in a foreign country for the purpose of buying an apartment, where she noted that the transferee is her fiancé, who owns the transfer company, and in return the aforementioned exchanged the amounts for the equivalent in the local currency and linked them as savings deposits.
2. The aforementioned obtained a credit facility with her savings deposits as guarantee, where she transferred about 2 million pounds to the account of a foreign person called (OA) for the purpose of buying a piece of land and transferred about 1 million pounds to a personal account called (EE) for the purpose of buying goods from a foreign country and withdrawing the rest in cash.
3. After the FIU referred to the bank whose (OA) holds an account with, it was found that he holds a high-risk nationality, and by examining the account, it was found that the movement was limited to the aforementioned transfer, as the aforementioned withdrawn the amount in cash.
4. After the FIU referred to the bank in which the named (EE) holds an account with, it was found that he is the owner of an import and export company, and by examining the account, it was found that the movement was limited to feeding the account with cash deposits in addition to the aforementioned transfer, and in return all the money was withdrawn in cash.
5. Investigations by LEAs resulted in the suspect (NT) and others forming a criminal group that scammed a foreign company dealing with an Egyptian company, whereby OA impersonated the identity of an official at the Egyptian company, sending forged invoices to the foreign company, of which, in turn, transferred funds to the account of NT instead of the account of the Egyptian company, the aforementioned resorted

to money launder the proceeds of their criminal activity referred to by conducting financial operations thereon.

Predicate offence: Fraud/scam, whereby money laundering and predicate offenses are still pending in court.

6. Smuggling of Gold:

Case (6):

Smuggling a quantity of processed gold into the country through a land port, where the quantity amounted to 2.7 kilograms. There suspicion indicators were represented in the driver's confusion when asked whether he had anything to declare. The car model he was driving, compared to the nature of the driver's condition was not commensurate. X-rays, then, confirmed the suspicions.

The results of the FIU's preliminary investigations and the financial analysis of showed that the suspect aimed to evade the payment of customs duties and other taxes. He had beneficiaries in the country, and assistants from outside the country. All have been linked to the case.

Through international cooperation, by requesting information from counterparts through the liaison officers in the customs of the two countries, also through the Regional Intelligence Sharing Office in the Middle East (RILO), answer was received from the counterpart within a short period that did not exceed two weeks, leading to its use in the financial analysis included in the case file.

Predicate offence: Customs smuggling with punishment of confiscation, fine, and vehicle confiscation, in addition to directing charges for money laundering crime and its consequences, including (imprisonment). The case is still under investigation and in the process of being referred to the court.

7. Real estate including the role of real estate agents:

Case (7):

A local bank sent several STRs related to customers who made cash deposits, claiming that they were revenues from real estate sales. These customers presented several sales documents that were used in the executed operations, promising to provide additional supporting documents. Immediately after that, the FIU began its investigations by analyzing the statements of accounts of suspected customers and circulating their names to all banks, financial institutions, and money transfer companies, in search of any related bank operations and accounts. The FIU also inquired with the relevant local authorities, including LEAs and the Land Registry, looking for any property belonging to the suspects.

On the other hand, during the investigations, the FIU received assistance request from the Public Prosecutor of cassation regarding persons accused of drug trafficking, so it also circulated their names to all banks, financial institutions, and money transfer companies, which allowed the identification of more accounts and banking operations. The analysis showed that the suspected customers whose names were mentioned in the reports, have sold their properties to drug dealers in exchange for cash. Accordingly, the FIU also circulated the names of the suspects to notaries to identify any real estate transactions that took place under sales contracts or under POAs of the suspects.

Suspicions indicators related to the case:

1- Cash deposits, allegedly from real estate sales, through the use of various sales documents.
2- Failure to provide additional supporting documents to justify the deposits.
3- The names of customers cross-checked with information received by the Public Prosecutor of cassation regarding persons accused of drug trafficking

Based on the results of the FIU's financial analysis, the FIU decided the following:

- Freezing the balances of identified bank accounts
- Marking the real estate property of the suspects
- Referring the results of the investigations to the Public Prosecutor at the Court of Cassation

Predicate offence: Illicit drug trafficking, and according to the data, the Public Prosecutor at the Court of Cassation decided to refer the case to trial based on Article 2/3 of Law No. 44/2015.

The case is still pending before the relevant court.

8. Investing in the capital markets and the use of intermediaries:

Case (8):

An STR was received by the FIU from the securities sector supervisory authority pointing out a fake trading movement on securities were monitored on the account of the suspect in a misleading manner for investors in the financial market. The mentioned trading movements did not achieve any material return on the account, which contradicts the normal behavior of investors in order to achieve profits. In view of the merits of suspicions identified, it is suspected that the one who was managing the account was the trading company itself.

Suspicions indicators related to the case:

1. The trading movements that took place on the customer's trading account are considered fictitious trading in securities in a misleading manner for the investors from the financial market according to what was reported by the supervisory authority. These trading operations after deducting commissions and value added tax did not achieve any material return, and they have no clear investment objective because the financial liquidity of this security is very weak.

2. It is suspected that the one who manages the account, and the beneficial owner thereof is the securities company and not the customer himself. The customer's background (scientific, professional and location) does not indicate that he has sufficient experience and ability to carry out high-frequency trades with huge values and in multiple financial markets. The customer's failure to update his data, although according to the data of the KYC card, the customer attends to the company periodically, and the method of receiving orders is by virtue of written orders, signed by the customer in the company. There is no evidence that the customer signs the written orders related to the purchase and sale operations performed on his account. Although according to the KYC card data, the method of receiving orders is by virtue of written orders signed by the customer at the company;

3. Finally, it was not proven that there were incoming/outgoing phone calls or text messages between the company and the customer, proving the receipt of purchase and sale orders made on the customer's trading account on the company's manager mobile phone.

The results of the FIU's financial analysis indicated that the trading operations that took place on the customer's account on securities, which the supervisory authority reported as being a fictitious trading on a security in a misleading manner for the investors in the financial market. Since they did not achieve a significant financial return on the account, which contradicts the natural behavior of investors in order to achieve profits, therefore, the continuous and successive trading operations that took place on the customer's account, are suspected to include money laundering operations, in order to conceal or disguise the illicit origin of the funds resulting from fake trading operations, and these resulting funds are considered equities or other benefits may be realized by the trading company which is suspected of being the beneficial owner and controller of the trading account belonging to the customer. Based on the above-mentioned facts and since the fictitious trading of securities in the financial market is one of the predicate offenses of money laundering crime, the financial operations that took place on the customer's trading account may involve the customer and the trading company committing the crime of money laundering.

Predicate offence: Fictious trading in securities in the financial market.

Case is under investigation.

9. Use of fake identity:

Case (9):

An STR was received by the FIU from a bank stating that the suspect (George) opened an account using a forged foreign identity document impersonating another person's, in addition to providing the bank with a forged profession document translated into Arabic, after which the suspect requested to obtain a cheque book in return for depositing a small amount as cash guarantee.

By reviewing and analyzing the STR and the information received by the FIU, it was found that the aforementioned had opened an account in one of the banks operating in the country using the false identity, which is the account opened with the bank sending the STR. Where this account was used to carry out financial transactions represented by cash payments totaling the equivalent of USD 19,500, part of which was withdrawn using cheques, without finding convincing reasons about the sources of those cash deposits. Through analysis of the names of the recipients of the cheques, it became clear that most of them are merchants.

The information received from LEAs stated that they had received a complaint from a citizen that the suspect had impersonated and forged his lost identity card. The information received also indicated that the suspect had been arrested more than once for the crimes of forgery, fraud, and scamming citizens.

Indications of suspicion related to the case are the opening of a bank account with suspected forged foreign identity documents, and cash deposits of unknown source.

The results of the FIU's financial analysis showed that the suspect opened a bank account under a false identity, and then made cash deposits in the account suspected to be the proceeds of crimes, as the suspect is considered to have a history of fraud and forgery, and then used this money to buy goods from a number of merchants he paid for by cheques.

Predicate offence: Fraud and falsification of official papers, the remaining funds in the account, amounting to the equivalent of USD 5,200, were seized.

10. Use of virtual currencies/assets:

Case (10):

The FIU received a number of STRs relating to the so-called "S" and "R" and the company "Innovate" specialized in media activities. It was stated in the STRs related to the two natural persons that they approved the deposit

and carried out intensive cash withdrawal and the transfer of funds between one another. Regarding the company "Innovate", the STRs' grounds were based on the practice of the company concerned, through its website, the activity of payment institutions.

Suspicions indicators related to the case:

• By reviewing the institutions' register, it was found that the so-called "S" is a legal agent for "BETA" company, which is active in providing services via the Internet. As for "R", he specializes in creating websites and in the field of online activities (Freelance). An investigation into the open sources revealed that those concerned had created websites and pages on social media that promoted a number of virtual currencies and vouchers for purchases returned owned by foreign payment institutions. These vouchers enable residents to pay for their purchases in foreign currency, in contrast to exchange and foreign trade arrangements.

• Within the framework of national cooperation between the FIU and LEAs, it turned out that the so-called "S" and "R" are subject to judicial proceedings for their illegal trading in virtual currencies. virtual currencies have been seized and confiscated by the state.

• As for "Innovate", it was found that it had launched an electronic payment platform. This platform provides multiple services, mainly opening virtual wallets (V-Wallet), payment, bill payment, transfer, and purchase. By examining the financial flows completed on the company's accounts, it was found that it practices the profession of banks by accepting deposits from the public and setting up means of payment for its customers, which is against the law and without a license from the relevant authority.

• The financial services provided by "Innovate" are based mainly on the exploitation of virtual accounts included on its electronic platform, which makes it difficult to trace the money and its owner as well as the historical records of transactions and thus the possibility of concealing suspicious operations related to trading in virtual currencies and their association with suspicious transactions in connection with predicate offenses such as trafficking in drugs or weapons, as well as in relation to terrorism and its financing.

• The e-platform updated by the company "Innovative" remains exposed to high threats of burglary, seizure or destruction of funds contained in virtual accounts and deposited in the company's own accounts and penetration of its information system in view of the vulnerabilities related to the legal framework (and the precautionary standards of such institutions and the information safety of its information system). Therefore, this platform entails systemic or structural risks that threaten all those dealing therewith.

The results of the FIU's financial analysis indicated that the operations subject of the case could be linked to suspicious operations related to trading in virtual currencies and foreign currencies as well as practicing the profession of banks in non-legal form, given the high risks, especially the systems' risks associated with the

platform and the payment of funds related to serious crimes through that platform, in particular, terrorism and terrorism financing.

The case was referred to the judiciaries and is under investigation.

11. Use of Remittances/Bank Accounts Abroad:

Case (11):

We received information from one of the supervisory authorities on financial institutions regarding the suspect (R) obtaining sums from the foreign sector through a financial institution for the purpose of financing the import of goods. However, the aforementioned suspect left the country for one of the Arab countries without completing the operations to import the goods before mentioned above.

An investigation was started in the FIU's database, and it was not found that there was any information related to the suspect. The FIU, then started to collect information related to the entity associated with the mentioned financing process, which was financially inquired about, and it was found that there are several bank accounts and financial operations related thereto, including the presence of several outgoing remittances in the same amount as the amount collected by the suspect.

The FIU located in the country to which the suspect transfers were issued, and it was found that there is a bank account linked to the suspect, where those transfers were received. The Department of Immigration and Passports was also addressed to inform us of the entry and exit movement of the called (R), and it was found that he had left the country on the same day the transfers to one of the Arab countries were issued.

By reviewing the results of the analysis, the case was transferred to the prosecution against the crime of money laundering resulting from fraud with the aim of fraudulent import and smuggling of cash outside the country with the freezing of his accounts.

The case is under consideration by the court.

12. Use of Authorized Persons, Trust funds, Family Members, or Other Parties:

Case (12):

The so-called (RE), made two deposits into her account with a large amount within one day, as she stated that the source of the money was her account with another local bank, then she issued a bank POA to her mother (SK) for the management of the account, who holds a high government position.

Indicators of suspicion related to the case are represented in the disproportion of the deposited amounts with the activity of RE and her annual income, as well as her previous dealings with the bank, considering that SK is the UBO of the operations, which is not commensurate with her governmental position.

The results of the FIU's financial analysis and the results of the investigations led to the following:

• RA made two deposits totaling about USD 31,806, during the same day in a way that is not commensurate with her activity or previous dealings. As she stated that the source of the funds was her account with another local bank.

• RA issued a bank POA to her mother SK to manage the account, where the reported bank noted that by searching on the international information network, it was found that the latter holds a high government position.

• The FIU referred to the other local bank, where it was found that her account was closed a year ago.

• Investigations by LEAs resulted in SK receiving a bribe from a businessman in exchange for concluding his interests with SK's government authority in which she worked with. SK sought the assistance of her daughter (RE) to disguise and conceal the bribe money by depositing the amounts in her account, then issuing POA in the name of her mother so she can dispose the money.

The predicate offense was bribery. SK and others in the bribery case were sentenced to imprisonment, and RE and her mother were sentenced in money laundering case.

Case (13):

Numerous transfers between the accounts of several persons with a G-BANK financial institution with high amounts of money and RTGS transfers without justification or a clear purpose or the existence of a specific business relationship between them. The UBO thereof is (A) whom against exist a legal case, some of which are related to money laundering and others related to taking advantage of the position, as a former senior position in L-BANK which was consequently placed under the custody of the Central Bank.

Suspicion indicators were represented in the presence of transfers between accounts and the deposit of funds and cheques between a number of persons without any relationship between them, or any clear purpose or real activity to the relationship thereof, as well as the issuance of cheques by one of the suspects in favor of company B which was dealing in food stuff. Upon scrutinizing the invoices and customs clearances of the aforementioned company, it turned out that it imports steel iron and different goods contrary to its main activity.

The results of the FIU's analysis revealed the anonymity of the sources of funds that were transferred between the accounts of the suspects in favor of (A), against whom several cases pending before the judiciary are recorded, as well as depositing sums in the accounts of suspect (O) for the value of real estate not belonging to him or possessing a certain percentage therein, in addition to acts of forgery, manipulation and concealment of the true purpose of multiple financial transactions.

The case is under investigation.

Case (14):

The authorized person is suspected of exploiting the health crisis caused by the COVID-19 epidemic by carrying out a fundraising campaign through social networks of a suspicious nature accompanied by an unusual development in their activity and wealth.

Indications of suspicion related to the case were:

1- Frequency and volume of executed transactions;
2- The non-compatibility of the executed transactions with the economic situation of the persons concerned;
3- extraordinary increase in wealth;
4- Lack of supporting documents under the pretext of quarantine;
5- Customer activity on social networks.

The results of the FIU's financial analysis showed that the concerned persons received local and international cash transfers, cash payments from third parties, in addition to high-frequency cash transfers within a short period without economic justification or commercial relationships, by several natural persons who could be victims of fraud.

The predicate offense was fraud, and the case was referred to the Court of First Instance.

Case (15):

The declaring suspect is suspected of belonging to a drug smuggling network, according to the suspicious indications that were available regarding the residence of the recipients of the funds in areas known to grow cannabis in the country, in addition to sending money from cities known for significant tourist activity, as well as the disproportionate operations compared to the economic position of the persons concerned.

The FIU's financial analysis showed that some people received significant and high-profile cash transfers, without economic justifications or commercial relations, from several natural persons who could be part of a

drug smuggling network in the country, and that those concerned, in turn, might be drug dealers' suppliers who target tourists.

The predicate offense was trafficking in narcotics and psychotropic substances, the case was referred to the Court of First Instance.

13. Use of credit cards, cheques, and bills of exchange:

Case (16):

The declaring person disclosed forged cheques submitted for collection through clearing between banks, with the aim of fraud and scam. Indications of suspicion related to the case were that the information on the cheques differed from that available in the bank's database.

According to the results of the FIU's financial analysis, the person concerned deposited forged cheques, for clearing, as it was found that the information recorded on these cheques and those available in the bank's database (name of the account holder) did not match. It was found that the cheques mentioned were received through the clearing system, drawn on accounts opened with previously closed bank branches.

The predicate offense was counterfeiting currency or public credit instruments and other means of payment, and the case was referred to the Court of First Instance.

Case (17):

Complaint was received from one of the commercial banks in the country that the suspect goes to several ATMs belonging to the victim bank in State M and State B, where he withdraws an amount of USD 1,560.46. The usual procedures for withdrawing a sum of money from the ATM is to enter the bank card with the password then choosing the amount to be withdrawn. Following the same method, and when the device counts the amounts, the suspect pressed the cancel button which enables him to receive the amount of USD 1,560.46. this process, does not allow the withdrawal of (deduction from) the amount from the account, nor does it appear in the statement. Afterwards, he contacts the customer service center and submits a report that the amount did not come out of the ATM. When the bank reviews the amounts deducted from the ATM, it becomes clear that there is a shortage of amounts. The suspect repeated this process multiple times using his colleagues' accounts, where he performed the same fraudulent steps as before, and obtained illegal sums. The suspect admitted carrying out this fraudulent method, informing the bank that he obtained USD 9,336.80 from several branches of the bank and transferred to another country through one of the exchange companies.

The bank card was entered into the ATM then the password was inserted as well, then choosing the amount to be withdrawn. Following the same method, and when the device counts the amounts, the suspect pressed the cancel button which enables him to receive the amount of USD 1,560.46. this process, does not allow the withdrawal of (deduction from) the amount from the account, nor does it appear in the statement. Afterwards, he contacts the customer service center and submits a report that the amount did not come out of the ATM. When the bank reviews the amounts deducted from the ATM, it becomes clear that there is a shortage of amounts. The suspect repeated this process multiple times using his colleagues' accounts, where he performed the same fraudulent steps as before, using more than one card – frequently visiting ATMs.

The results of the FIU's financial analysis showed that the suspect made several financial transfers abroad to Asian countries. The total amounts transferred to the first country amounted to USD 19,684.96. The total amounts transferred to the second country amounted to USD 1,066.31, and the total amounts transferred to the two countries amounted to USD 20,751.28.

The court ruled, in person, convicting the suspect of the crime attributed thereto and punishing him for the crime of money laundering, as it is the most severe imprisonment for a period of three years and a fine of USD 130,039, of which USD 5,201.56 are executed, and the suspend execution of the rest. The suspect is ruled to deportation after serving his sentence and confiscating USD 9,336.80 subject of the ML crime, in addition to obligating him of the expenses thereof.

Civic: Obligating the convicted suspect to return the claiming bank a civil right of USD 7,802.34, the value of the money seized, and to pay USD 1,300.39, in return for reparation for moral damages, as amended by the court.

Case (18):

A complaint was received from a local bank that it was a victim of forgery and embezzlement of sums estimated at USD 15,552,918, because of a suspicion of forgery of signatures of authorized signatories and seals in the number of (30) cheques written in favor of the companies of a number of suspected beneficiaries (seven suspects) issued and drawn on the same bank. The embezzlement of these sums was pre-planned by the first and second suspects by stealing cheque books from their storage warehouse, as he was an employee of the victim's bank. These cheques were used to pay the dues to the service and goods providers registered with the victim bank, the amounts of which were originally paid by the bank via bank transfer. After conducting the search and investigation procedures and gathering inferences, it was found that (10) cheques totaling USD 6,020,806.24 were drawn in favor of a commercial company owned by the fourth suspect, (7) cheques totaling

USD 3,674,317, drawn in favor of a commercial company owned by the third suspect, and (1) cheque for a total amount USD 517,305, drawn in favor of a company owned by the fifth and seventh suspects, in addition to (11) cheques with a total amount of USD 4,954,306, drawn in favor of a company in which the third and sixth suspects are partners of, and (1) cheque in the amount of USD 386,085, Drawn in favor of one of the commercial companies in which the third and seventh suspects are partners of, where the total amounts withdrawn from those cheques amounted to USD 15,552,918.

The results of the analysis showed that the suspects exploited the previously suspended cheques that the bank paid to the suppliers, and the signatures of the authorized signatories with the bank and the official seal were forged. Subsequently, they transferred the cheques in the names of number of companies in which the latter, deposited those cheques in different local banks in the country, then transferred the funds to multiple accounts of persons and companies within the country.

By analyzing the bank accounts, whether the accounts of the companies in which the victim's bank cheques were deposited, or the accounts to which the funds were transferred to, it was later found that there is a link in terms of benefit between the suspects and several persons.

The case is under consideration by the court.

14. Use of fake (shell) companies:

Case (19):

The FIU has received an STR issued by an FI. The reasons for the STR stated that the so-called "A.H", a local citizen, had cashed a bank cheque, amounting to about USD 724,000 in the account of his company (Company "A"). The named "A.H" stated to the reporting bank that the cheque was issued by the consulate of a foreign country within the framework of a contract concluded therewith for the purpose of providing 2,000 foreign citizens stranded in the country during the COVID-19 pandemic with housing, medicines, and tests to diagnose COVID-19.

On the same day the said cheque was cashed, "A.H" transferred the entire amount to different accounts opened in the names of natural persons and clinics as well as a company owned by his brother (Company "B").

Soon after, the FIU received another STR from a different financial institution, stating that Company C's account received five identical transfers from Company A on the same day for a total amount of USD 145,000.

Based on the investigations carried out by the FIU, it was found that the so-called "A.H" used a fictitious company "Company A", companies in which his family members run, and false invoices to embezzle public funds allocated by a foreign country to its citizens stranded in the country due to the COVID-19 pandemic.

By studying the suspicious indicators related to the case, it became clear that the contract concluded between the so-called "A.H" and the consulate does not provide for the services required from the company or the prices, and that Company "A" has no other bank accounts or other economic activity.

Under further investigation, the results of the FIU's financial analysis showed that the account of Company "A" recorded only six bank transfers, with a total amount of approximately USD 2.5 million, issued by the said consulate within a short period of time (less than 6 months after opening the account). Soon after, USD 182,000 in cash was withdrawn, and USD 910,000 was transferred to the account of Company "C" owned by "A.H", and USD 255,000 was transferred to the personal account of "A.H". A.H used Only 15% of the amount he received from the foreign consulate to pay the value of hotels, clinics, and pharmacies in the framework of the execution of the contract concluded between the so-called and the consulate, and at the same time, it was found that the transfers sent to Company "B" are based on false invoices, containing: Unusually high prices compared to those normally charged.

The FIU froze the accounts of companies' "A", "B" and "C" and the bank account of the so-called A.H.

Within the framework of international cooperation, the FIU has sent a Spontaneous Disclosure to the Foreign FIU.

The FIU decided to refer the file to the Public Prosecution, which authorized the opening of an investigation that included all the parties involved.

Case (20):

Reliable information was received from one of the sources stating that the accused collected money from some people wishing to make quick profits, including the victim, provided that the customer pays an amount of USD 7,802.34 and gets a monthly profit of about USD 1,170. Whenever the customer pays a larger amount, the monthly interest amount shall be doubled according to the amount paid, in addition to a certified cheque written by the suspect for the amount of capital previously paid by the customer. The suspect is also tempting customers who wish to join by handing them a gift that is an (iPhone-type mobile phone) as well as granting rewards for the customer whenever they bring new customer(s).

The suspect takes the jurisdiction of S/M in the province of M as the headquarters of his company. By research and investigation, it was confirmed that there is not any type of investment that generates profits, but rather follows the network/hierarchical marketing system. After the search and investigation procedures and gathering of evidence, coordination was made with the Public Prosecution to obtain judicial permissions, and the suspect was arrested, and sums of money, documents, contracts, and cheques were seized, leading up to the confession to the crime attributed thereto.

Suspicion indicators related to the case are fraud and delusion of the victims of quick profit and doubling the monthly interest, as well as temptation through gifts (mobile phones/electronic devices).

The file was referred to the Public Prosecution on charges of fraud and money laundering, the case is present before the court.

15. Laundering of proceeds from tax offenses:

Case (21):

Company X supplies empty boxes and cartons with a value of USD 35,338,000, and the total value of credits amounting to USD 108,000,000. Indicators of suspicion related to the case were the suspicion of the volume and repetition of requests, with a suspicion of tax evasion due to conflicting data and documents submitted to both the Tax Authority and the Investment Promotion Authority.

The results of the FIU's financial analysis showed that very modest net profits were presented to the Tax Authority compared to the activity and size of the company during the years of work, and at the same time the profits submitted to the Investment Promotion Authority were inflated.

The predicate offense was tax evasion, and the matter was referred to the Public Prosecutor.

Case (22):

An STR was received by the FIU from one of the banks operating in the country regarding the issuance of an external transfer of USD 80,000 in order to pay for the purchase of vegetable oil from the account of the Triangle Company, a food company. What touched-off the bank's suspicion, that most of the remittances issued for commercial purposes were made from the personal account of one of the company's owners.

The FIU studied the STR, and the information contained therein. The FIU found the following:

- The volume of financial transactions that were made on the personal accounts of one of the owners of the company exceeded the size of the financial transactions that were carried out on the company's accounts, as the financial transactions on the accounts of the company and one of its owners were cash deposits,

deposited cheques, and some internal transfers, which were accompanied by external transfers to several countries for the purpose of Importing goods. It was found that there were accounts opened in the names of the minor children of one of the owners of the company and joint accounts with his wife. It was also found that there was large financial transactions through these accounts, most of which were cash deposits, which were found to be sourced according to the bank's statement resulting from the company's sales, and accordingly the FIU inquired from The Ministry of Finance for the tax disclosures of the company and its owners.

- By comparing the total amounts of financial transactions on the accounts of the company and the personal accounts of its owners with the tax data declared by the Ministry of Finance, it was found that there are large differences between them. It was also found that the total values of funds deposited in the accounts of the company and its owners are equivalent to USD 17,000,000, while it was found that the total transactions of the amounts declared with the Ministry of Finance amounted to the equivalent of USD 3,500,000 for the same period. Whereas the data received from the Ministry of Finance indicates that there is no import data for the company, despite the presence of remittances issued to foreign countries for the purpose of importing goods from the company's accounts totaling the equivalent of USD 4,500,000, also, the non-compliance of the company's partners to pay income tax.
- Based on the above, the FIU shared the financial data of the company and its owners with the Ministry of Finance to estimate the amount of tax evasion, if any. The tax evasion on the company amounted to the equivalent of USD 1,800,000, during the period under suspicion, and the tax owed by one of the company's owners was estimated at the equivalent of USD 2,100,000.
- It was also found that one of the owners of the company owned several cars and lands during the period under suspicion.

Suspicions indicators related to the case:

1. The existence of a crime of tax evasion against the company, according to what was reported to the FIU by the Ministry of Finance.
2. The company's partners were non-compliant to pay income tax to the General Administration of Income Tax.
3. One of the company's owners opening accounts for his minor children and joint accounts with his wife and carrying out financial operations on them in large amounts.

The results of the FIU's financial analysis showed the following:

1. The presence of large discrepancies between the amounts deposited in the accounts of the company and its owners with what was declared by the Ministry of Finance. The suspicion was supported by the commission of tax evasion crime, as the tax owed by the company was estimated at the equivalent of USD 1,800,000, during the period under suspicion, and the tax owed by one of the owners of the company was estimated to USD 2,100,000.
2. The lack of compliance by the company's partners to the General Administration of Income Tax in 2018, which supports the suspicion of the having committed the crime of tax evasion, which is a predicate offense of money laundering.
3. One of the company's owners owning a car and a plot of land during the suspicious period, as it is suspected that the money used to purchase the car and the land are proceeds from the crime of tax evasion.
4. The lack of clarity of the purpose of the financial operations carried out on the accounts of the wife of one of the company's owners and his minor children, most of which were deposits and cash withdrawals in large amounts; all of which supports the suspicion that he is trying to use these accounts to disguise and conceal part of the actual volume of his commercial operations.
5. The company and its owners using banks operating in the country to enter the funds resulting from the exercise of their commercial activities, which include the funds evaded from payment to the competent tax departments, represented by cash deposits in large amounts, deposited cheques, incoming transfers and the accompanying transfers issued to several countries for the purpose of importing goods, and one of the company's owners owning a car and a plot of land during the suspected period, which falls within the scope of the suspected money laundering crime.

The predicate offense of tax evasion.

16. Terrorism Financing:

Case (23):

While applying CDD measures, the reporting entity noticed the existence of an open account in the name of P1 which is the subject of a decision to freeze assets by the authorities of country C1.

The results of the FIU's financial analysis did not record any suspicious transactions regarding the bank account of P1.

The predicate offense was TF. The case was appealed, led to the issuance of 12-years imprisonment.

Case (24):

The U.S. Department of the Treasury's Office of Foreign Assets Control - OFAC imposed sanctions on the branch of Company X which are seen as an extension of the continued joint efforts made with the US Department of the Treasury to eliminate financial facilitators and close down small businesses worldwide which are moving funds on behalf of ISIL.

Following the liberation of the provinces occupied by ISIL terrorist gangs in 2018, Law Enforcement Authorities (LEAs), particularly the Counter-Terrorism Service and the National Intelligence Service, monitored the free zones to deplete the funding sources of this organization, based on information from the Us Department of the Treasury in cooperation with LEAs.

The suspicion indicators were represented in the breach of the IQ Card systems to conduct unmonitored withdrawals and deposits and this company is exploiting this field to provide financial services to ISIL.

The case is still under investigation.

Case (25):

The FIU received an assistance requesting information from a local LEA regarding a detained person and several fugitives suspected of being involved in TF-related activities, to identify what financial accounts or operations are associated with them in the country or abroad, after the preliminary investigations revealed that the suspects have moved across several countries.

The FIU initiated its investigations at the domestic level by disseminating the names of the suspects to all the banks, financial institutions and money transfer companies operating in the country. As a result, bank accounts held by two of them were identified. The analysis of the statements of accounts and bank records revealed that all these accounts have recorded a similar movement represented in the cash deposits of small amounts, cash withdrawals and through the ATM. Moreover, two money transfer companies reported outgoing and incoming transfers that they have conducted at the request, or for these two persons.

At the international level, the FIU sent assistance requests to several counterpart units. One of them provided information on one of the suspects being involved in terrorist activities and on an arrest, warrant issued against him. Another FIU reported that it has received a bank notification concerning the same suspect, with respect to suspicious transactions, resulting from cash deposits and a transfer which are unjustified.

Moreover, the FIU received information from two other FIUs on two more suspects. The first unit stated that its database included three unusual transactions reports regarding one of the suspects which have not been

executed, due to missing documents and lack of cooperation. As to the second FIU, it reported a bank account with a small balance belonging to the other suspect, which has been used to settle debts and to conduct transactions through credit cards in many countries.

The suspicion indicators related to the case:

- Investigations conducted by LEAs with respect to persons suspected of being involved in TF-related activities and their movement across several countries.
- Smurfing the cash deposits and withdrawals.
- Information received from several counterpart FIUs indicates that one of the suspects is involved in terrorist activities and that he was arrested. It also indicates that suspicious transactions reports were received as a result of cash deposits and a transfer which are unjustified.

Based on the results of the FIU financial analysis, the bank accounts which have been identified were frozen and the investigation results and information received from counterpart FIUs were communicated to the Public Prosecutor at the court of cassation who decided to refer the case for trial for the charge of terrorist financing.

The case is still being heard by the concerned court.

Case (26):

A terrorist attack took place in the North of the country killing officers from LEAs and the army and injuring many civilians. The terrorist person known for his affiliation to ISIL shot at the army before blowing himself up after being pursued and confronted by LEAs. As a result, the FIU received an assistance request from the Public Prosecutor at the court of cassation to identify any bank accounts and transactions belonging to the terrorist and those involved with the case who were arrested for investigation.

The FIU initiated its investigations by disseminating the name of the terrorist and related persons to all operating banks, financial institutions, and money transfer companies, but no open bank accounts or any real estate property belonging to the terrorist were found. However, two money transfer companies reported two transfers involving small amounts conducted years ago. A counterpart FIU was reached out in this regard. It also appeared to the FIU that the investigations conducted by LEAs showed that the terrorist used self-financing, by selling his house furniture and using the proceeds of the sale to finance the terrorist attack. It was also found that he did not receive any instructions from ISIL and rather executed the operation by himself as a lone wolf, after he did time in prison on the charge of joining ISIL.

After reviewing the results of the financial analysis, the FIU decided to be requesting all money transfer companies to refrain in the future from carrying out any transfer for any of the persons arrested for interrogation and associated with the case, and to refer the information they have to the Public Prosecutor at the court of cassation; the predicate offense is terrorist financing.

The case is still being heard by the concerned court.

Case (27):

Information was received from a LEA regarding the so-called (T.R) and the so-called (S.H) who were exercising the profession of internal and external transfer of funds in illegal ways. The necessary reports were issued against them, and they were duly brought to justice. The search was first carried out within the FIU database, which revealed several transfers associated with one of these two persons. A social media search revealed a link between the second so-called (S.H) and the Money Transfer Company M located in a neighboring country, amidst the areas under the control of armed terrorist groups.

By addressing one of the security agencies and by monitoring the communications of these two afore-mentioned parties, it was found that they had handed over remittances within some neighborhoods which are outside the control of the State, and to several terrorists belonging to the armed terrorist groups which were operating in those areas.

By monitoring some beneficiaries of their remittances, it was found that most of them had left for an area which is still outside the control of the State, after refusing to settle their security situation.

Financial institutions were reached out for information about the financial activities of the said persons and the beneficiaries of their remittances. It was found that they were behind many financial activities. By inquiring about the criminal records of all the beneficiaries of the remittances of the said persons, it was found that many of them were under criminal suspicions some of which were related to terrorist operations.

The FIU was reached out for information about the financial transactions recorded in the neighboring country to provide us with the information it has about the said company and its owner called (S H) and to present all transfers issued by the said company to the inquiring country and details of the identities of the senders and beneficiaries. The response was negative because what was requested was unavailable.

The suspicion indicators related to the case were represented in the following:

1. Exercising the profession of money transfer internally and externally without a license
2. Existence of criminal records against some beneficiaries, some of which are related to terrorist operations.

3. Some persons associated with the case insisted to stay in areas out of the control of the State and refused to settle their security situation.

After examining the analysis results, the case was referred to prosecution on the charge of TF crime and it is currently being heard by the courts.

17. Use of social media for terrorist financing:

Case (28):

We received a notification from an exchange company about unknown persons who are handing over remittances made by Exchange and Remittance Company S located in a foreign country, impersonating the name of the reporting company. The reporting company denied its relationship with the company located outside the country and disclaimed any dealing with it.

Search was first initiated in the FIU database, revealing a lack of information on the offshore company. A social media search was also carried out, revealing advertisements made by a branch of Company S, having its address located in an area which is still under the control of armed terrorist groups within the State and managed by the so-called (F.A) and it conducts internal and external transfers worldwide. It was also found that some telephone numbers appeared in the said advertisement.

By communicating with a security service, it appeared that these numbers were used by the so-called (SH.R.A and A.H.O) and the Company K which is located in the rural area of a province within the State.

The suspicion indicators which were detected in this case are represented in the branch of the said company being located in an area which is under the control of armed terrorist groups in the State; the impersonation of the licensed company's name, the delivery of remittances in its name; and the publication of advertisements about companies conducting transfers without a license.

Through the analysis, verification, and cooperation with local authorities, it was found that the said Company S is based in an Arab country and has several offices in Arab and foreign countries, in addition to several centers in some areas which are under the control of the armed terrorist groups in the State.

The case is under investigation.

18. Trade-based money laundering:

Case (29):

The FIU received STRs regarding the so-called "Mustafa" who is residing in a foreign country and his Company "General Agriculture" registered in the commercial register of the same country. The reasons for these STRs included the fact that "the concerned company opened a documentary collection of USD 10.288.170.44 for the supply of soft wheat through one of the ports in the country, and then exported them by trucks to the African country. However, a difference in the number of the trucks which is registered in the transportation documents and the number registered in the shipping documents was noticed. The value of the documentary collection in the account of the "General Agriculture Company" was settled by accepting a bank transfer of USD 10.347.853.11, originating from a governmental institution in the foreign country.

By inquiring about the bank transfer of USD 10.347.853.11, subject of the wheat export, it appeared that it was received based on the documents of an export operation which appear to be fictitious, since the file of this operation contained forged commercial documents, such as invoices, cargo manifest and certificates of origin.

A difference was noticed between the number of trucks registered in the transport documents and the number registered in the shipping documents. It was mentioned that the shipping documents included 5,000 tons of soft wheat, while the amount subject of the credit exceeded 34,000 tons, raising the committee's doubts about the possibility of these documents being forged. It was also mentioned that not exporting the wheat by sea is considered as an unusual operation.

Results of the FIU financial analysis and results of inquiries and/or investigations:

- The value of the documentary collection in the account of the "General Agriculture Company" was settled by accepting a bank transfer of USD 10.347.853.11, issued by a governmental institution in the foreign country.
- Regarding the results of the proceeds of this documentary collection, examination of the money transfers made from the accounts of the "General Agriculture Company" revealed a significant number of operations made in the context of the company's business activity. But in parallel, it was noticed that a set of transfers that arise doubts was recorded, such as several transfers involving significant amounts of money being made to the personal accounts of the so-called "Mustafa" opened in foreign countries other than his place of residence and a bank transfer of USD 236.513.61 being issued for a person who appeared, by reviewing open sources, to be the chairman of the board of directors of the afore-mentioned governmental institution.
- As part of the national cooperation between the FIU and the police, 5,200 tons of soft wheat were transited for the benefit of the "General Agriculture" Company and were found to be the subject of the only cross-border wheat export operation in five years.

- It was also found, using the "Toggle Investigation" application, that the cargo ship was carrying only 5,567 tons, contrary to the shipping documents obtained by the reporting bank from the concerned company and used to pay for the said documentary collection.

The predicate offense refers to corruption in view of the financial flows detected in this case, which are likely to be the proceeds of financial corruption operations in a foreign country, which were laundered using international trading operations (under-shipment).

The case is under investigation.

Case(30):

The FIU received STRs regarding a person named (A), a person named (B) and a person named (C). The reasons for these STRs included the fact that the concerned persons are exercising the trade in second-hand clothing and their accounts recorded cash deposits involving significant amounts of money from persons having the nationality of "C-Land" country and all the deposited amounts were then transferred to legal persons in the country and abroad.

The most important transactions recorded on the account of the so-called (A): This account was mainly fed by cash deposits with a total value estimated at USD 668,504.55 from 2015 to 2017, and the amount of USD 556,079.07 was transferred to company (1) which accounts for approximately 83% of the funds deposited.

The most important transactions recorded on the account of the so-called (B): This account was supplied through several transfers with a total value estimated at USD 886,671.45, issued by several persons having the nationality of C-Land, A-Land and N-Land. Regarding the debit side, this account recorded several transfers for legal persons in the country and abroad for the settlement of "second-hand clothing purchase" invoices for a total value of USD 708,092.97.

Transfers recorded on the account of the so-called (B) amounted to USD 886,565.91 approximately, and the amounts of USD 429,893.43 which is around 48% of the funds received, and USD 20,690.49, which is around 2.3% of the funds received were transferred to both company (2) and company (1), respectively.

The most important transactions recorded on the account of the so-called (C): This account was supplied by accepting a transfer of USD 158,100, from a person having the nationality of C-Land country and a cash deposit of USD 97,000, but on the debit side, this account recorded several transfers made to legal persons in the country and abroad with a total value of USD 398,100.

About 51% of the funds deposited in the account of the so-called C were transferred to company 1.

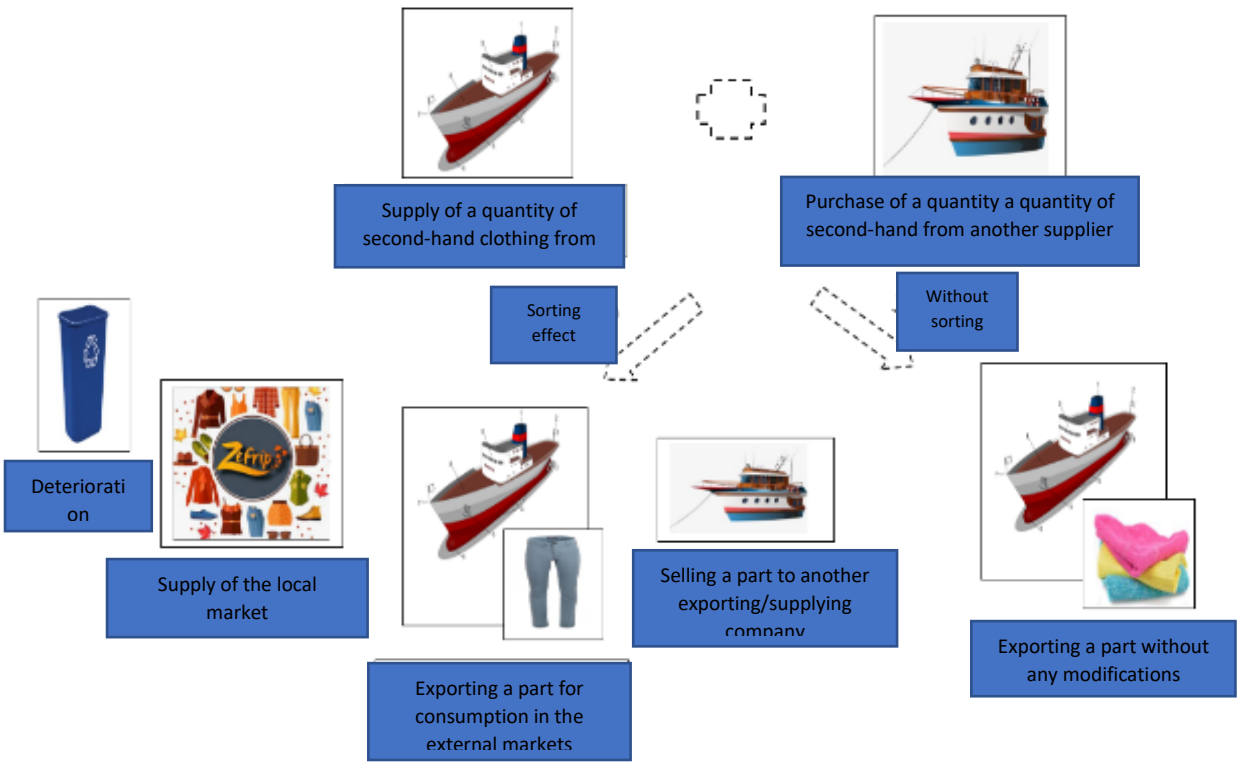
The suspicion indicators related to the case:

According to a reporting bank, a transfer of USD 13,000 made from the account of the so-called (C) to the account of an offshore company was rejected by the correspondent bank without giving the reasons. The bank also indicated that the purpose of this transfer is to pay for a shipment of second-hand clothing, which will be sorted in the country to export it afterward to C-Land country.

By referring to the C-Land Customs Police website, it was found that the supply of second-hand clothing "second-hand clothing" has been prohibited in C-Land country for years and that 90% of the second-hand clothing displayed in C-Land country are smuggled from the country through B-Land area located in C-Land country.

By checking the passports of the persons who made cash deposits in the accounts of the so-called (A), the so-called (B) and the so-called (C), some of whom have the nationality of C-Land country, it was found that they were all from the B-Land region located in C-Land country.

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



Results of the FIU financial analysis:

In the context of the national cooperation with the Police, all the transactions conducted by company (1) and company (2) were examined and the following was found:

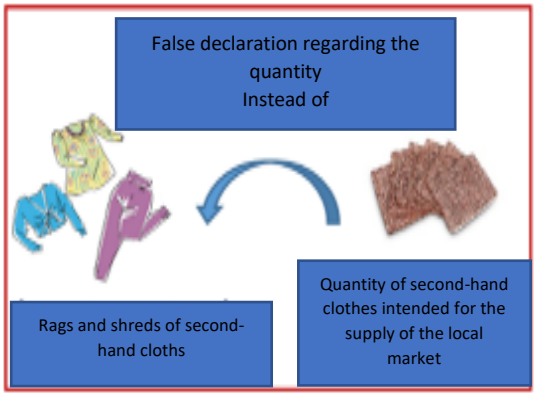
- ✓ No export of second-hand clothing bound to C-Land country has been declared by both company (1) and company (2);
- ✓ Comparing the quantities exported or supplied to the local market by company (1) and company (2) with the quantities they supplied, large quantities of second-hand clothing with unknown purpose were seized, between 2015 and 2018, given that they were not re-exported or distributed to the local market or sold to other exporting or importing companies, as indicated in the following tables:

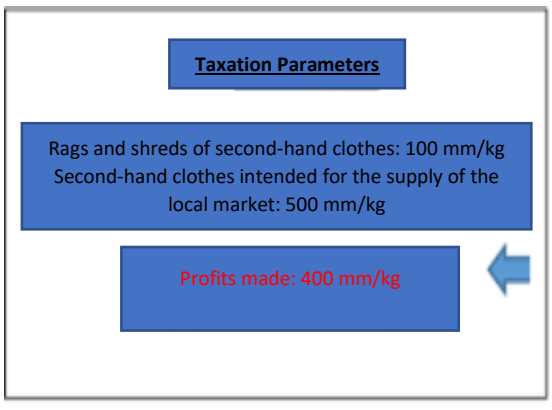
The differences perceived, in kilograms		
Company 2	Company 1	**Year**
1,724,318 Kg	514,782 Kg	**2015**
1,387,546 Kg	-	**2016**
706,417 Kg	-	**2017**
173,970 Kg	917,363 Kg	**2018**

Differences perceived in US Dollars (amounts payable to the State Treasury)		
57.228	140.043	**2015**
277.879	-	**2016**
75191	-	**2017**
35.408	244.360	**2018**

Indicators of trade-based money laundering:

In addition to the false declaration regarding the quantity of the goods, company (1) and company (2) also deliberately gave a false declaration about the quality of the goods, by declaring that they were supplying rags and shreds of second-hand clothes instead of clothes intended for the supply of the market due to the difference in the applicable taxation parameters:





The false declaration regarding the quality of the goods (rags instead of second-hand clothing) involves in turn the false declaration in the supply prices and the false statement in the quantity of goods supplied (clothes weigh more than the rags) or also known as "the under-shipment".

Therefore, the following can be concluded:

1- All the said accounts are mere transit accounts that have been used for some time to launder the proceeds of the smuggling of second-hand clothing to C-Land country.

2- Companies located in country 1 and country 2 are being potentially exploited for the supply and subsequent smuggling of second-hand clothing to C-Land country in violation of the legal texts, since differences between supply, re-export and distribution operations to the domestic market have been perceived, represented in the embezzlement of goods under tax limitation, which is a ML predicate offense.

3- Methods of trade-based laundering:

- False declaration regarding the quality of goods;
- False declaration regarding the quantity and price of goods;
- False declaration regarding the real recipient.

The predicate offense under consideration is represented in trade-based money laundering, and the FIU decided to refer the case to the Public Prosecutor's Office, which authorized the opening of an investigative search involving all overlapping parties.

19. Laundering the proceeds of corruption:

Case (31):

The FIU received STRs from a financial institution (a bank) stating that: There are cash deposits in the account of the business entity (C) followed by money transfers to a bank account held by a woman called (A) amounting to USD 4,000,000 which is not consistent with the sums generated from the profession of (A) which is registered in the registers of financial institutions (as housewife). When these amounts are deposited into the account of (A), several operations are conducted on those amounts such as (cash withdrawal), (issuance of a cheque) or (transfer) to several persons, including a person named (H). The analysis and study of the STR, the available information and the obtainable revealed that the account of (A) has an authorized person named (H) and who is the husband of (A). (H) carries out several financial transactions on his own (cash deposit) and (deposit and issuance of cheques for his benefit). (H) works for a government agency and his salary does not exceed USD 4,000. He owns several cars that are not consistent with his income and has investment portfolios with amounts that are not commensurate with his sources of income.

Accordingly, the results of the FIU analysis were referred to the competent authority, because there were grounds to suspect that the STR was associated with a corruption crime, and it reached a number of findings, including that (H) is specialized in project management and has authority and powers in the government agency where he works, and that the business entity (C) is carrying out one of the agency's projects. By investigating the accused and confronting them with evidence and presumptions proving their implication in the crime.

By cooperation between the FIU and LEAs led to the following:

First: The results of the financial analysis, as follows:

• It was found that the bank account held by (A) is managed by her husband, named (H), a public official with a salary which does not exceed USD 4,000, who works in the management of a project for a government agency where he has authority and powers.

• The financial transactions of the account revealed the receipt of remittances through the business entity (C).

• The amounts transferred are moved out of the Kingdom to purchase (shares, real estate), and in coordination with counterparts to inquire how those funds transferred abroad were disbursed. It was found that an amount equivalent to USD 800,000 was transferred from the account of (A) to country (F) where shares were purchased, and an amount equivalent to USD 533,000 was transferred to country (B) to purchase a property there.

• The FIU findings concluded that there are sufficient grounds to suspect that such funds might have been the proceeds of a corruption crime. Accordingly, the Inquiry Department prepared a file for the case and referred it (to the competent authority at the time) along with a financial technical report containing the amount of funds and documents supporting the findings reached.

Also, the Investigation and Inquiry Department which interrogated the accused and searched their dwellings, by virtue of the arrest warrant issued against them, found copies of financial transactions, bank receipts, cheques, remittances, cash deposits and a copy of the bank account owned by (A), a cash amount of USD 1,300,000, bonds related to the purchase of shares from the bank account of (A) in country (F) and deeds related to the purchase of real estate in country (B).

By checking the premises of the business entity (C), financial statements proving that amounts had been debited from the account of the business entity (C) to the account of (A) were found, in addition to the existence of bank account numbers belonging to (H) and (A) held with (C). By hearing the statements of the accused and confronting them with the findings, the case was referred for investigation.

The predicate offense is bribery. Following the lawsuit filed against the accused persons, the court issued the following ruling:

1. Sentencing (H) with imprisonment for ten years and a fine equivalent to USD 266,000, based on the anti-bribery and money-laundering systems, the confiscation of the bribe amount equivalent to USD 4.000.000, based on the anti-bribery system and his removal from the public office and deprivation from occupying public functions.

2. Imprisonment of the director of the business entity for a period of ten years and a fine equivalent to USD 266,000, based on the anti-bribery system and a fine by paying four times the amount of the bribe equivalent to USD 16.000.000, based on the anti-bribery system, and his deprivation from concluding contracts with ministries, government departments or public corporate services, carrying out projects and conducting business, based on the anti-bribery system.

Case (32):

The FIU received a notification from a local bank about a suspicion in financial dealings of a person named (P) who had been receiving external remittances from his bank account in country (B) to his bank account with the local bank, amounting to USD 4,729.251.44. In addition, the FIU databases contained intelligence notification from a counterpart FIU stating that (P) received remittances on his account in country (B) in Euro from a foreign company (S) without a clear justification. By analyzing and examining the notification and the available information, the results of the FIU analysis were referred to the Audit and Anti-Corruption Authority, because there were grounds to suspect that the remittances are linked to the money laundering offense resulting from a corruption crime. By referring the case to the competent investigative authority to carry out inquiry and investigations, it was found that (P) received amounts of money (bribe) from a foreign intermediary company (S) which has dealings with company (R) which has in turn a contractual relationship with the employee (P)'s employer, in exchange for his contribution to the acceptance of products as being a member of the relevant committee, and (P) was charged with the crime of bribery, abuse of power, and money laundering in exchange for remittances received from the foreign company (S).

The suspicion indicators related to the case:

- Large financial transactions which are not consistent with the customer's nature and income.
- Transfers in foreign currency received in the customer's account from outside the Kingdom.

The FIU communicated with another counterpart FIU, and the search results reached by the counterpart led to the following available information:

1. Person (P) is an employee who receives a monthly salary, and his financial status is not commensurate with the size of the financial transactions.
2. (P) receives money transfers from company (S) whose business activity is similar to the employee's work field, in his bank account held in country (B).
3. Open-source information indicates that company (S) has contracts with foreign companies, including a large company (R) which provides products in the work field of employee (P)
4. The money transfers received in the account of person (P) from the foreign company (S) do not have an apparent commercial or economic purpose.
5. Company (R) has contracts with the employer of person (P).
6. The facts indicate that the purpose of opening the account in country (B) is to pass on money transfers.

The results of the FIU inquiries and financial analysis revealed the existence of corruption indicators concerning the citizen (P) and other persons associated with the case, where it was found that (P) received amounts of money (bribe) from the foreign company (S) for his contribution to the acceptance and purchase of the company's products because he is a member of the Committee on the Acceptance of Products, in addition to his colleagues who cooperated with him and obtained funds illegally. The FIU findings concluded that there are sufficient grounds to suspect that funds sent to the account of the employee at company (S) might be the proceeds of a corruption crime. Therefore, a file for the case was prepared and referred (to the competent authority which is the Audit and Anti-Corruption Authority) along with a financial technical report containing the suspicious financial transactions, the size of funds and the documents supporting the findings reached.

Accordingly, charges were laid against person (P) for bribery, abuse of power and money laundering in exchange for money transfers received from the foreign company (S), deposited in his account outside the Kingdom and then transferred into his account within the country, and against his colleagues who helped him in exchange for receiving amounts of money illegally.

The predicate offense is bribery, and the case is still being heard by the court.

Case (33):

The FIU received two notifications from two local banks regarding a customer who owns several companies. The first bank started to have doubts after it took notice of a press article naming the customer as being arrested on the charge of corruption and payment of bribery to officers to cover illegal business, such as drug trafficking by other persons. The second bank had doubts after it noticed that bank accounts held by the customer's companies are being used as transitional accounts and that the cash deposits are being directly withdrawn from

the accounts by cheques. The compliance officer in each of the two banks could not obtain justifications or convincing documents concerning some accusations and the movement of the accounts.

The FIU initiated its investigations with the two reporting banks to obtain the available bank records, including the KYC forms, the statements of accounts and copies of the identification documentation. The first bank found that cash deposits made in the customer's account did not exceed the threshold of ten thousand US Dollars, which were justified by the customer as being proceeds from real estate operations. It also found that the cheques deposited in this account were issued by persons who had no business relationship with the customer. At the second bank, the analysis of the movement of the customer's corporate accounts showed that the cash deposits were followed by cash withdrawals and cheque withdrawals, without being able to justify the relationship with the beneficiaries of the cheques.

During the investigations, the FIU received additional information from law enforcement authorities on the suspect and decided to circulate his name to all operating banks, financial institutions, and money transfer companies, in search of relevant bank accounts and operations. A third bank reported accounts belonging to the suspect and his companies. By analyzing the statements of accounts, a similar pattern of operations was found.

The suspicion indicators related to the case were represented in the following:

1- The customer's name was mentioned in a press article indicating that he had been arrested on corruption charges.
2- The compliance officer was not able to obtain justifications or convincing documents concerning the movement of the accounts.
3- Cash deposits in the account do not exceed the threshold of $10,000, followed by cash withdrawals and cheque withdrawals, without being able to justify the relationship with the beneficiaries of the cheques.
4- Bank accounts belonging to companies that appear to be used as transitional accounts.

Based on the results of the financial analysis, the FIU took the following decisions:

- Lift the bank secrecy on the identified bank accounts.
- Refer the audit results to the Public Prosecutor at the court of cassation for further investigation.

The predicate offense is corruption; the Appellate Prosecutor's Office sued the person involved in the money laundering offense and the case is still being heard by the concerned court.

20. Underground banking/alternative money transfer services/remittances:

Case (34):

Person Z who is a shareholder in the exchange company X and who owns all the shares of the exchange company Y deposited significant amounts of money and clearing instruments with the banking financial institution M-BANK and withdrew them again on the same day or the following day without giving a clear justification. This has raised the suspicions of the bank and accordingly, it prepared a suspicious report on the case.

The exchange company W is exercising illegal business at the headquarters of Company N for Oil Services, thereby exploiting its position as it does not exercise any real activity. Person Z who works at this company is authorized to make withdrawals and deposits in the company's account held with BANK-M, in fear of supervisors, as the exchange companies operating in Iraq are not allowed to conduct external money transfers and their work is only limited to foreign exchange and execution of internal transfers.

The suspicion indicators of the case were represented in cash deposits without clear justification or evidence supporting the legitimacy and origin of the funds, illegal business being carried out by company subject of suspicion which is exploiting the position of another company engaged in a different type of activity, for fear of being uncovered by supervisors and inspectors of the Central Bank.

The results of the FIU financial analysis showed that the legitimacy or validity of the funds deposited with the bank was not established and that the deposits made in the account of company N for oil services by Mr. Z who deposits them himself did not have an apparent source because the company does not exercise any activities, nor does it make profits generated by a real activity. The same applies to the money transfers made illegally, the unknown source of the funds deposited and transferred through the exchange company W. Therefore, they might be associated with the financing of terrorist activities or operations and the transfer of illicit funds.

The case is still under investigation before the judicial authorities, through the lawsuit filed by the Central Bank.

Case (35):

The General Directorate of Public Security received information from one source (A) about ML operations being carried out by five persons of nationality (R), where source (A) was asked to allow them to use the account of one of its business enterprises (K) to follow up and monitor the movement of those funds. It was found that these persons deposited cash and received remittances from local banks, and then transferred them to accounts in offshore banks against a certain percentage agreed for each external transfer, and asked (A) to provide (2) electronic bank safe boxes to make the deposits directly from the enterprise's location without having to move to the bank, to obtain chip cards for mobile phones in order to link them to the bank accounts, and to allocate

an office for them within the facility of source (A), and asked him to open a branch for the enterprise in country (A) and open a bank account for the branch abroad in order to make the transfers directly to it.

The suspicion indicators related to the case are represented in the accused persons using bank accounts of a business enterprise owned by citizen (A) to deposit amounts of money and receive remittances from local banks, against a certain percentage for each external transfer.

The General Directorate of Public Security initiated the case, and the Financial Intelligence Unit was reached out to prepare a detailed analytical report regarding the accounts of the accused persons and the individual enterprise.

The results of the FIU analysis revealed that there are on-going deposits and withdrawals involving very large amounts of money. Accordingly, the Public Prosecution was requested to issue an arrest warrant against the (10) accused persons who have the nationality of country (s). By searching their dwellings, sums over USD 187,000 and official deeds and papers for business entities establishing their implication in ML crimes were found, seized, and confiscated. The accused persons are still being interrogated by the Public Prosecution. Monitoring of the account also revealed that there were on-going deposits and transfers involving very large amounts to bank accounts outside the Kingdom without any economic purpose or convincing justifications.

Accordingly, an arrest warrant was issued against the (10) accused persons who have the nationality of country (S) and the said sums and official deeds and papers for business entities establishing their implication in ML crimes were all seized and confiscated.

The predicate offense is a stand-alone ML offense.

The case is still under investigation.

21. Distortion of competition and impairment of the investment climate:

Case (36):

A notification was received from a company benefiting abroad from the contracts of the General Electricity Company regarding a falsification in the data of the contract which has a value of USD 500 million, using a name which is similar to the reporting beneficiary company, in addition to the conspiracy of the local company's employees (the electricity company) with the beneficiary company in deception and fraud involving public funds.

The results of the FIU financial analysis showed that there was a near negligence and lack of due diligence on the part of the External Operations Section, and the contract between the parties was signed away from the diplomatic representation recognized in such contracts of a strategic nature

The case is being heard by the court.

Case No.37:

The case concerns a contract for the supply of an aircraft for a public government agency for USD 1,477,920.80.

The suspicion indicators related to the case are represented in the following:

1- The type of the aircraft is not consistent with the nature and activity of the importing entity

2- Overpricing the aircraft

3- The aircraft's date of manufacture is old and goes back to 1968

The results of the FIU financial analysis revealed that the beneficiary company is not registered in the registers of the country of the beneficiary and the said country is among the countries known as being safe havens which are designated on the Panama papers lists and which are related to companies and financial transactions involving corruption crimes.

The case was referred to LEAs.

Third Topic

Analysis of case studies and the most important outcomes and findings

As cited in the introduction of this report, the MENAFATF member countries provided 37 case studies with a view to preparing this report. These cases were recorded during the period from May 2018 to May 2020. The following are the most important results and findings of the analysis of these cases, to detect the main trends in ML/TF operations at the regional level and to identify the techniques, methods and tools used and the prevailing ML/TF trends, in addition to other findings.

In order to obtain the information and case studies to prepare this report, an information request form was prepared (Annex 1) to collect case studies from member countries, as each country provided the Secretariat with a number of case studies that fall under one of the defined category (or other categories, if any) in Annex (2), regardless of the status of the case and the judicial verdict rendered in relation thereto, where it contains cases regarding which convictions are rendered, cases being still heard before the courts, cases being still under investigation by the Public Prosecution or cases where the FIU found strong evidence of suspicion and which were referred to LEAs.

The analysis of the case studies was conducted by following a methodology to identify the following:

1- The category to which the case belongs, according to the categories defined in the Annex.
2- The type of authority through which the case was executed: [Banks/securities company/insurance company/exchange company/non-financial institution, etc.
3- The instruments used in the case: (Cash/cheques/documentary credits/life insurance policies/shares, etc.....).
4- The technical methods: (Deposits, withdrawals, opening of multiple accounts/provision of inflated or undercharged invoices/cross-border transportation of funds/replacement of small denomination banknotes with large ones/transfers/use of forged identification documentation/shell companies/settlement of loans, etc.....).
5- The suspicion indicators related to the case (use of nominees, inconsistency of the activity with the nature of the account, lack of apparent economic purpose, persons/countries designated or designated on the international lists, customs evasion, etc.).
6- The predicate offense, which is established, and the sentence ordered for the ML/TF offense.

7- The legal status of the case (case under investigation, heard before the court, or regarding which the court judgment is rendered).

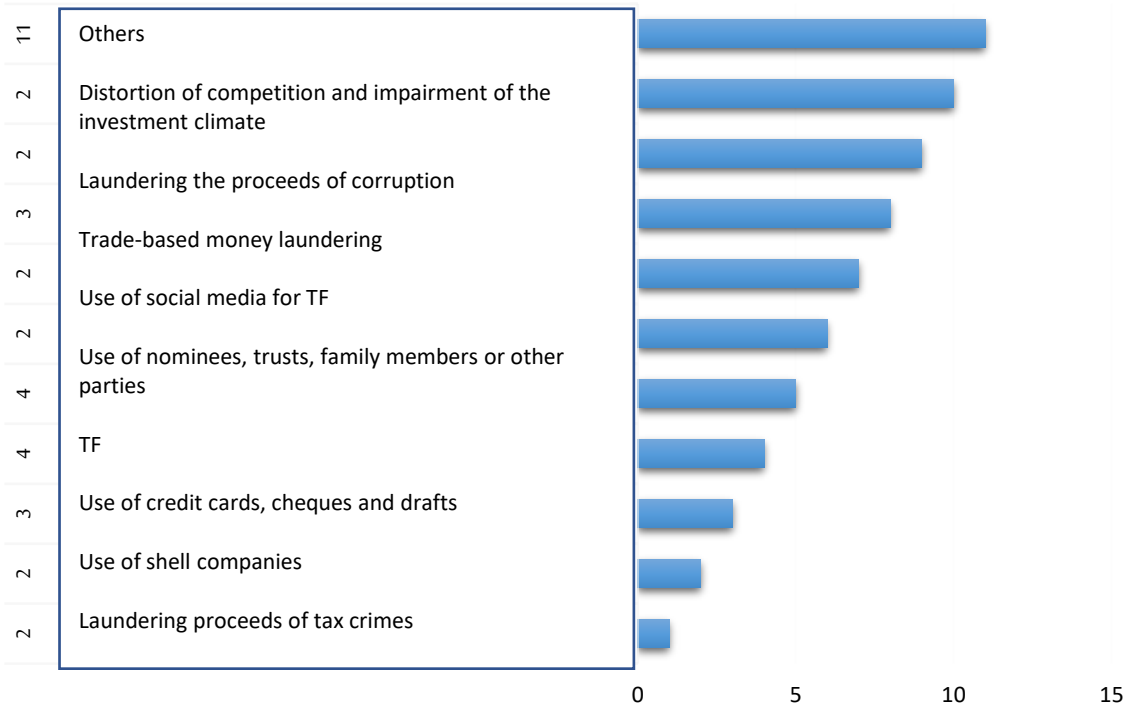
The analysis results are as follows:

1. The case category, according to the categories defined:

For analysis purposes, cases were treated based on the classification of the categories (or other categories, if any) defined in the annex related to categories in the draft questionnaire, by placing the case into the category that directly represents it, knowing that many cases could be placed into more than one category. In order to have a comprehensive and diverse report, the weighing method was used with a view to be preventing the cases from being directed toward specific categories, which would reflect a clear bias in the report, where each case is directly assigned to its respective category or to another nearest category that fits it and lacks case studies, or to the one next, and so on.

Regarding the categorization of the cases after the application of the principles mentioned above, these cases were divided into two categories that cover the categories to which more than one case were assigned and the other separate categories which did not match any of the said categories. We will take a look below at the distribution of the cases as previously mentioned:

Distribution of cases according to the defined categories



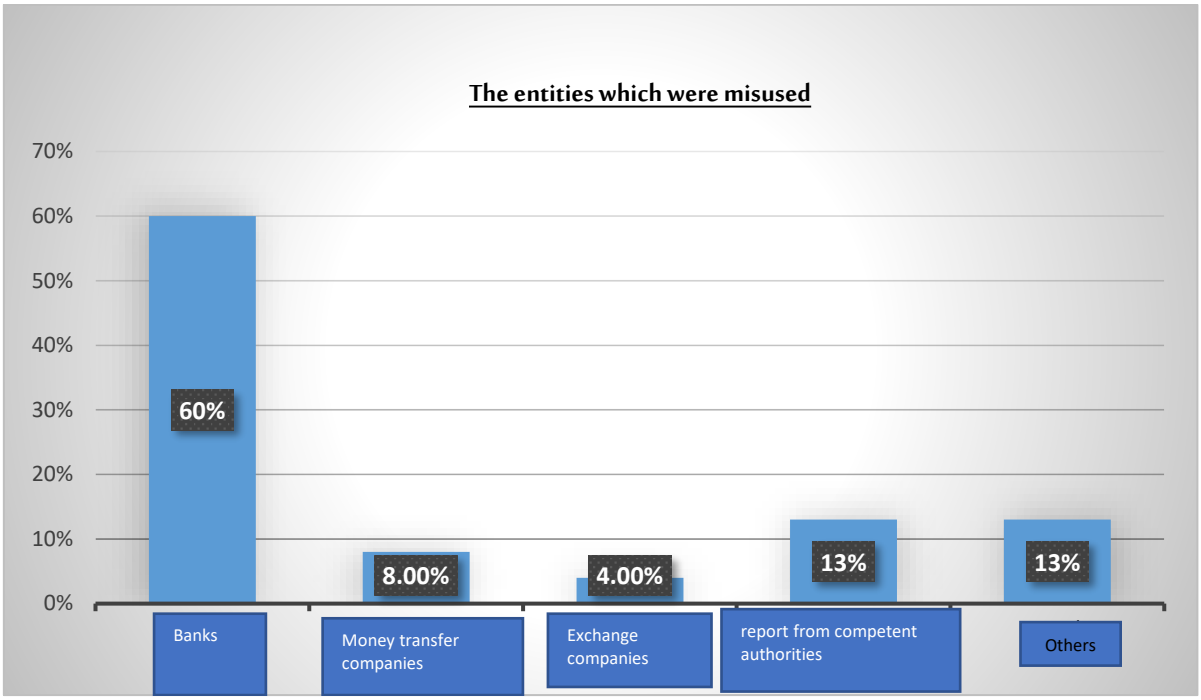
First: Categories to which more than one case were assigned:

1. Laundering proceeds of tax crimes;
2. Use of shell companies;
3. Use of credit cards, cheques, and drafts;
4. Terrorist financing;
5. Use of nominees, trusts, family members or other parties;
6. Use of social media for terrorist financing;
7. Trade-based money laundering;
8. Laundering the proceeds of corruption;
9. Underground banking /alternative money transfer services/remittances;
10. Distortion of competition and impairment of the investment climate.

Second: The other single categories cases:

11. Mingling: Mingling illicit proceeds with legitimate funds and investing them in commercial activities;
12. Use of Internet (encryption, access to personal data, international banking transactions, etc.);
13. Human trafficking and smuggling of persons;
14. Use of the insurance sector;
15. Use of offshore banks, international commercial companies, and offshore trusts;
16. Investment in capital markets and use of intermediaries;
17. Use of forged identity;
18. Trade in virtual currencies;
19. Gold smuggling;
20. Real estate, including role of real estate agents;
21. Underground banking/alternative money transfer services/remittances.

2. The entities which were misused:

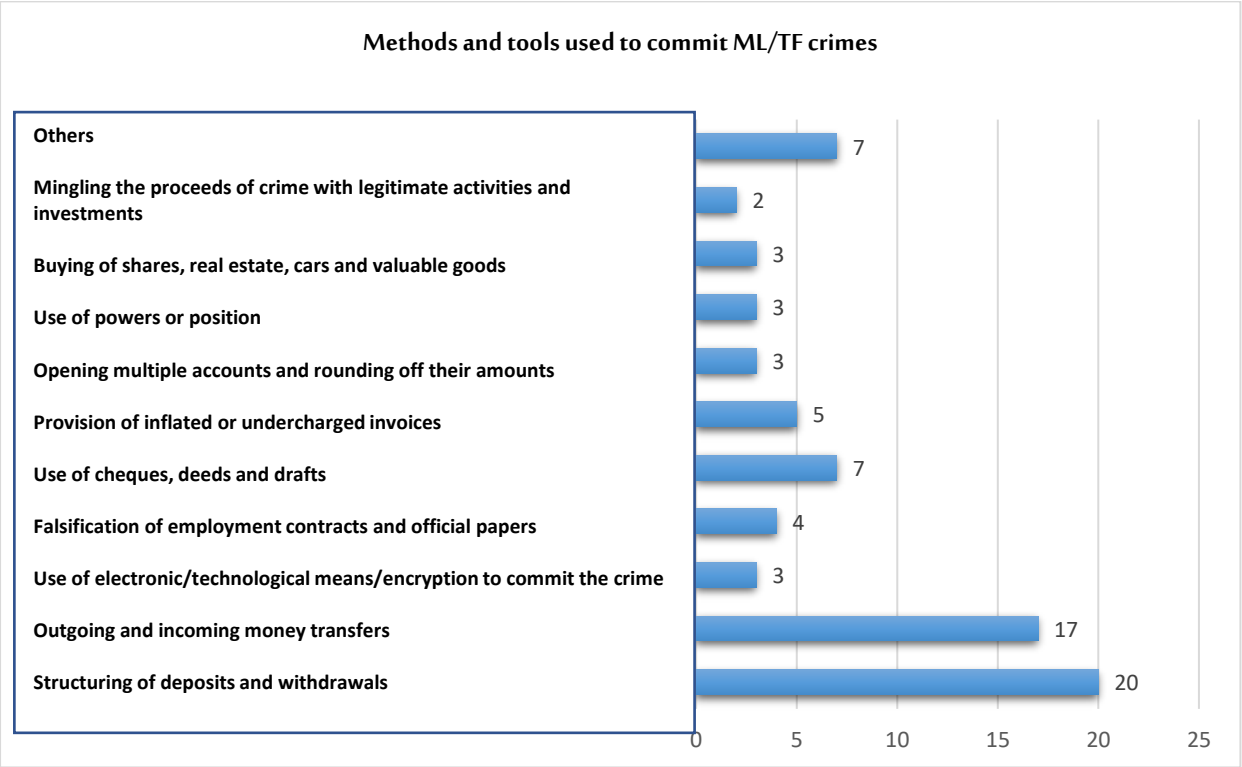


The report covered several entities which were misused for money laundering or terrorist financing activities, which included the following: all types of border posts, financial institutions (banks, exchange companies, etc...), non-financial institutions, exchange companies, money transfer companies and other entities.

It is noticed throughout this report that there are various misused entities as mentioned before, despite the clear tendency toward the financial and banking sector specifically. This can be concluded from the case studies used to prepare the report, given that 60% of the cases indicated that banks are clearly targeted and represent the largest categories among the targeted entities to conduct the suspicious activities associated with ML/TF. Moreover, this may be due to the tendency of the trading and economic business and activities, including banks, during 2020 and 2021, to provide their services virtually (remotely), as a result of the total lock down due to the Covid 19 pandemic. In parallel, an increase up to 13% was noticed in the STRs made by competent authorities, indicating an improved awareness among them and their effective engagement in the AML/CFT efforts. In addition, we find that 13% of the STRs varied among several other targeted entities, including securities companies, the real estate sector, the insurance sector, the border posts, corporate consultancy service providers, and service providers. As to the money transfer companies, they occupy the fourth place in the ranking of targeted entities in several relevant cases. The last and fifth place is occupied by the exchange companies, accounting for 4% of the cases approximately. This may be attributed to the limited role of exchange companies in most of the MENAFATF member countries, as most of their dealings are focused on foreign exchange and internal transfers and could therefore be linked to suspicious activities, but at specific

stages within the chain of the conspiracy plots against the financial systems to apply criminal schemes for the conduct of ML/TF activities.

3. Tools, methods, and techniques used:



The illustration above shows that the highest percentages are directed at cash operations, money transfers, use of cheques, deeds, and drafts, which is in line with the previous analysis concerning the misused entities. All the methods related to these categories directly target the banking sector, as these three categories, collectively, represent a total of 59% of the methods and tools used to commit ML/TF crimes, bearing in mind that banks are the main entities that conduct (outgoing and incoming) money transfers, in addition to some money transfer companies partly. Some other entities, such as the exchange companies, only conduct some of the internal money transfers; moreover, cheques, deeds and drafts are noticed again, representing around 9% of the methods and tools used in the cases.

On a different note, there is a clear diversity in the other methods and tools used which account for approximately 9% of the total methods used. They comprise several methods such as mingling criminal proceeds with legitimate activities and investments, pyramid or network marketing and provision of false tax declarations. The self-financing method also appeared with respect to TF crimes, known as the lone wolves.

This diversity is also manifested through equal percentages represented by all the following methods and tools: The use of electronic/technological means/encryption to commit the crime, opening of multiple accounts and rounding off the amounts, abuse of powers or the position, buying shares, real estate, cars, and valuable goods, which represent collectively around 16% of the total methods used, at a percentage of around 4% for each method.

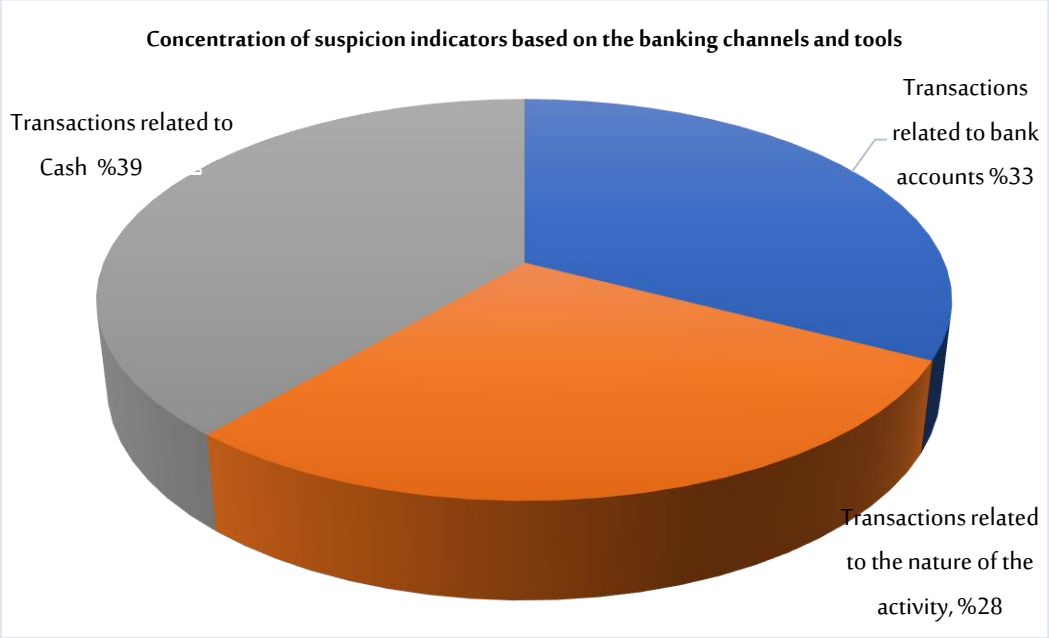
Accordingly, we conclude that there are desperate attempts to mislead investigative, judiciary and law enforcement authorities by diversifying the methods and techniques used by the perpetrators, which proves the effectiveness of the entities dealing with these cases and the quality of the case studies provided for analysis.

4. The most important suspicion indicators concluded from the cases:

The case studies provided in the report mentioned a significant number of suspicion indicators that may assist in identify and detect suspicious activities associated with ML/TF operations, such as:

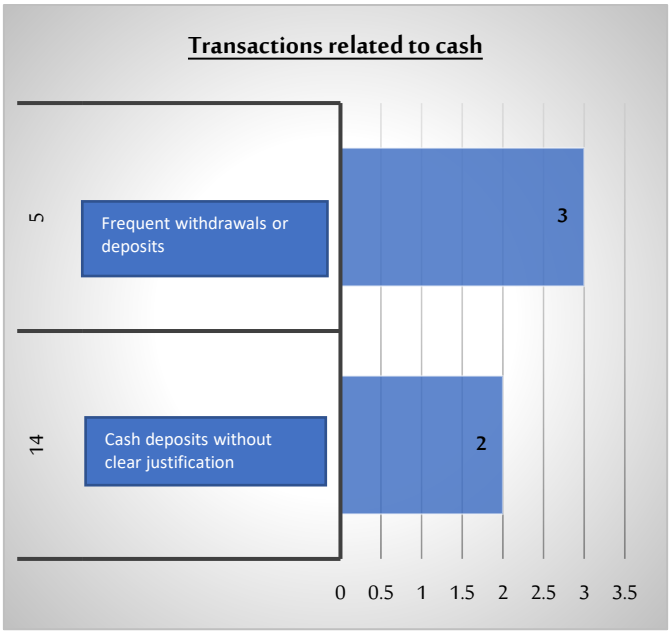
1. Cash deposits without clear justification;
2. Large remittances which are not consistent with the nature of the activity;
3. Designation of the suspects on suspicious lists;
4. Falsification of contracts and manipulation of official papers;
5. Frequent withdrawals or deposits;
6. Outgoing or incoming money transfers;
7. The nature of the actual activity is different than the declared activity, or the real activity is not clear;
8. Use of the bank accounts of a legal entity;
9. Misuse of social media for fund raising;
10. Transfers between accounts (in a sense that there are accounts which serve as a point to deposit and direct funds to other accounts);
11. Inability to obtain documents or the provision of unconvincing justifications for the financial transactions;
12. Abuse of position for fraud or misappropriation of public funds;
13. Tax evasion and fiscal crimes;
14. Troubled behavior by the suspect;
15. Corruption-related transactions (such as the circulation of the suspect's name in the media as being involved in corruption, embezzlement, or similar affairs).

With reference to the indicators mentioned above, we can reach a number of important results through these indicators being repeatedly mentioned in the case studies, where mostly a single case would include more than one indicator. As such, we were able to divide them into main categories, as follows:



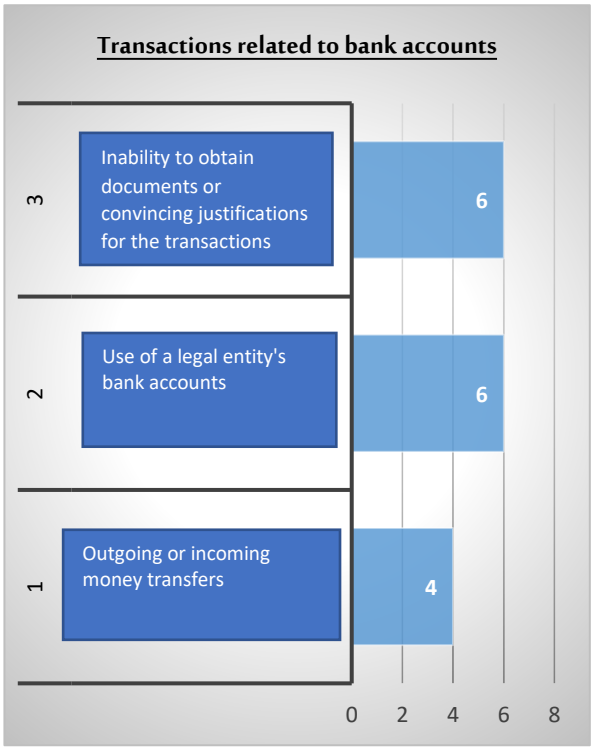
1. Indicators related to cash:

Cash deposits without a clear relationship between the depositor and the account holder or without dealings that justify these deposits represent an important percentage of 73% and they figured in most of the cases. As to the remaining percentage, it is represented in frequent withdrawals and deposits, which is consistent with what is cited with respect to the methods and tools used to conduct ML/TF operations, as mentioned above.



Indicators related to bank accounts:

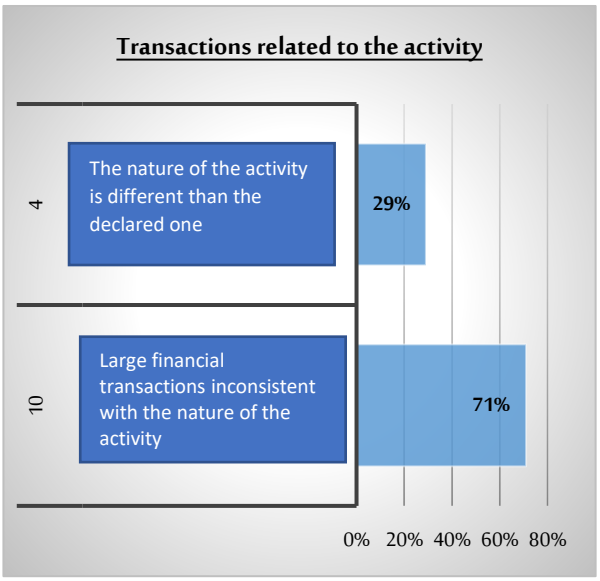
Outgoing and incoming money transfers account for around 25% of the transactions related to bank accounts, while bank accounts of legal entities were being used in around 37% of these transactions. The important indicators in this category included one indicator showing the inability to obtain documents or convincing justifications for the transactions. This fact was noticed in around 37% of the transactions related to bank accounts, placing it at an equal level of importance with the previous category. This requires verification of the strict implementation of the internal systems and regulations in order to limit the manipulation of legal entities' accounts; persistence in obtaining the required documents before conducting any transactions, followed by granular inspections to avoid any laxity in this regard.



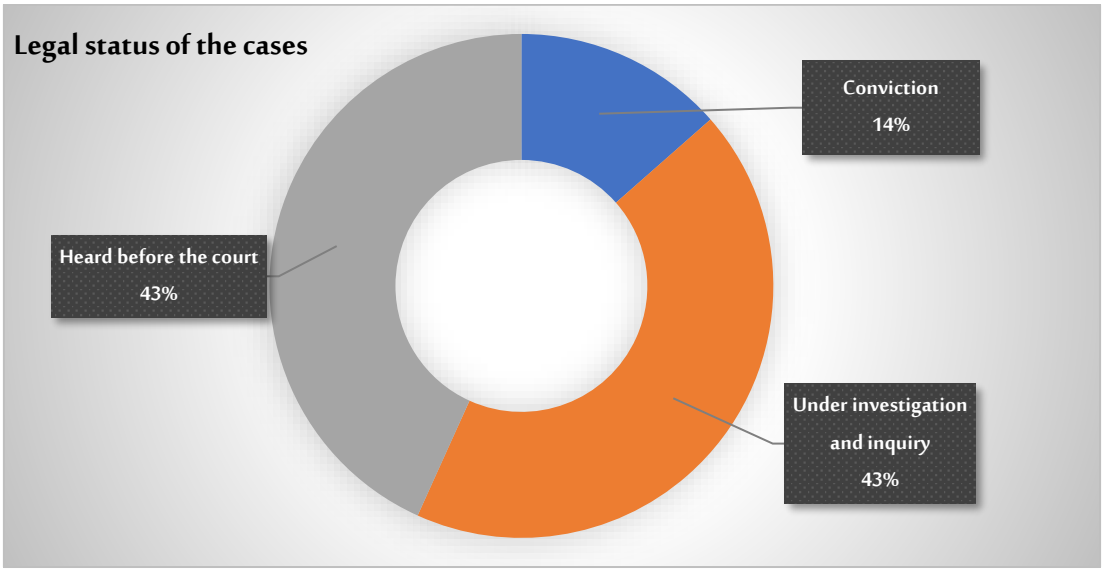
2. Indicators related to the activity:

Regarding the indicators related to activities and business areas which were mentioned in the case studies, it appeared that 71% of the indicators are related to large financial transactions which are not consistent with the nature of the activity, while 29% of the indicators are related to the nature of the activity which is different than the declared one.

It is worth noting that the declared activity is sometimes exploited in legitimate ways, but the value of the payable amounts or invoices is manipulated, where some funds are transported in this way and smuggled out of the country. It is necessary to examine the non-suspicious regular transactions and take this point into account, given that there might not be any actual red flags in such cases, and they would only appear through scrutiny and examination.



5. Legal status of the cases:

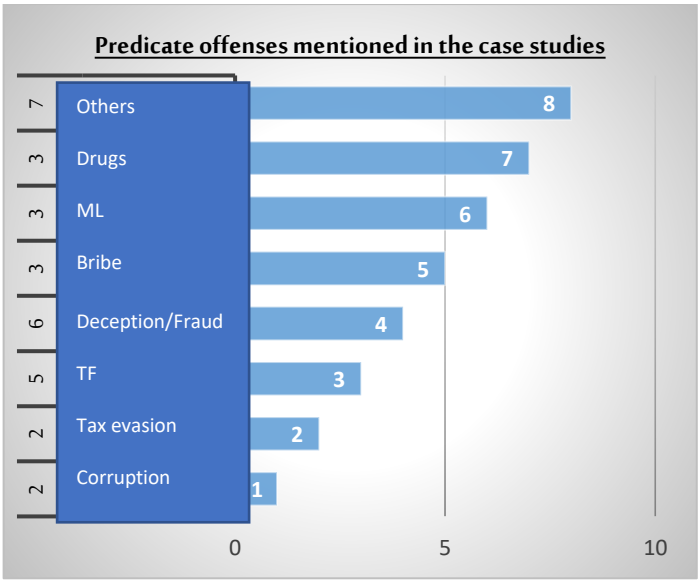


Entities dealing with the cases provided by judicial, law enforcement, investigative and other authorities were efficient in handling ML/TF cases, considering the legal status of the cases which have been analyzed. On this note, it appeared that 57% of these cases were being heard before the courts or adjudicated. They are detailed according to the illustration above as follows:

1. 43% of the cases are being heard before the competent courts.
2. 14% of the cases regarding which convictions were rendered.
3. 43% of the cases are under investigation.

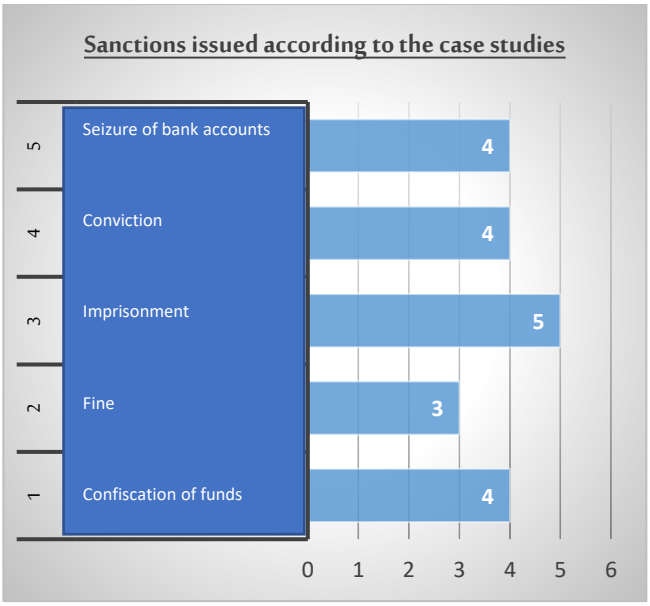
6. The predicate offense, which is established, and the sentence ordered for ML/TF crime:

The analysis showed that there is a diversity in the list of predicate offenses received, as a result of the variety of methods used to commit the ML/TF crimes, as shown in the cases which were processed and which included a number of various crimes, such as drugs, abuse of position, corruption, misappropriation of public funds, misappropriation or theft of personal data, practicing banking activities without a license, counterfeiting and forgery, fraud and deception



including electronic fraud or cybercrimes, human trafficking, tax evasion, and others.

It also appears that there is a diversity in the sanctions imposed against money launderers and terrorist financiers, which varied between the confiscation of funds, fine, imprisonment, seizure of bank accounts, up to conviction for the ML and the TF crimes. The percentage of the imprisonment sanctions reached around 25% in the case studies, while the sanctions of confiscation of funds, seizure of bank accounts and ML conviction accounted for 20% each and the fines represented 15% of the total judgments rendered.



Annexes

Annex No. (1): Information request form regarding the Periodical (Biennial) Typologies Report of the Middle East and North Africa Financial Action Task Force – 2020.

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

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

Annex No. (2): Categories of the 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.

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

Laundering the proceeds of corruption (proceeds of corruption and lax AML/CFT procedures): Laundering the proceeds of bribery and other corrupted payments. Corruption cases to 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 bullions.

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.

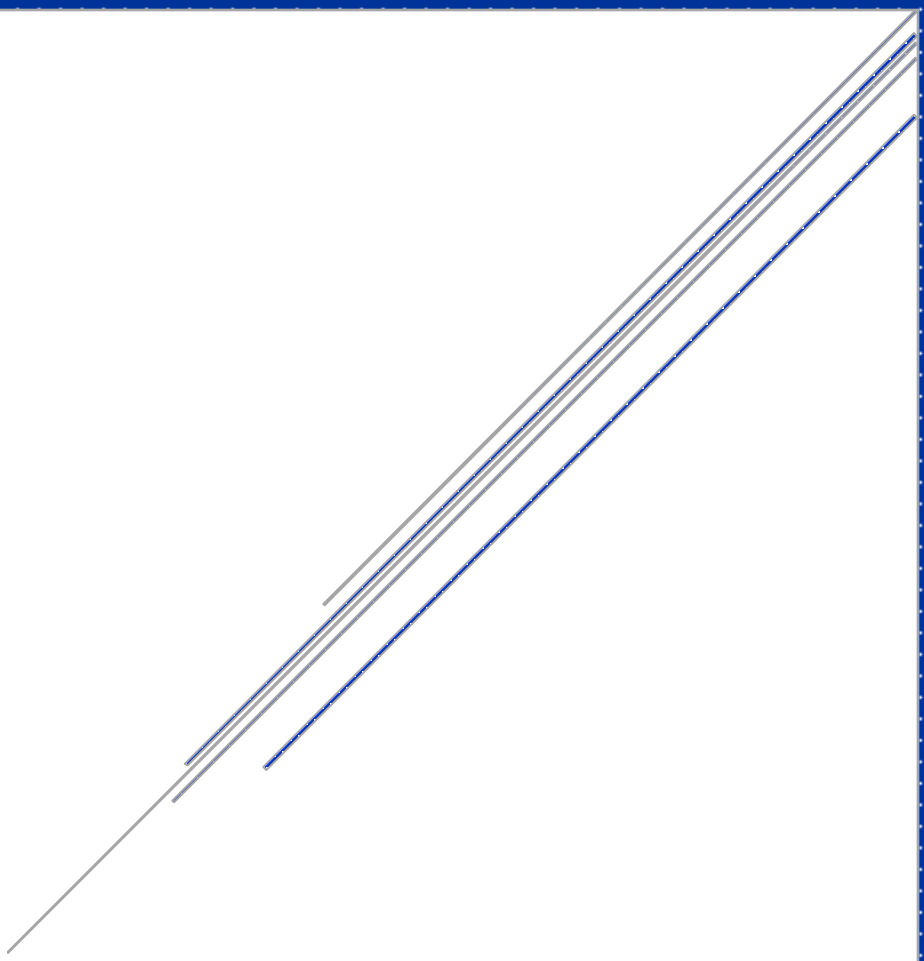
Use of Nominees, Trusts, Family Members, or other Parties, etc.: To hide the identity of the individuals who control the illicit funds, particularly the cases where third parties are obliged to cooperate in ML schemes.

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.



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