

Middle East and North Africa  
Financial Action Task Force



# Biennial Typologies Report, 2014



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## **Introduction:**

The plenary meeting (November 2014) approved TATWG recommendation regarding the adoption of the procedures on issuing "MENAFATF Biennial Typologies Report" which reflects the case studies and the recently developed patterns of ML/TF operations in the region and which are provided and identified by all Member Jurisdictions.

In order to execute this project, an Information Request form was prepared (Annex 1) to compile case studies from all Members where each Jurisdiction provides the Secretariat with 3 to 5 cases within any of the categories (or other categories, if any) defined in Annex No. (2) such as cases where convictions were made, cases pending before courts or still under investigation by the prosecution or cases in which the Unit found strong evidences of suspicion and were referred to law enforcement authorities. In order to access these cases, referral can be made to the database of the FIU and, if possible, to the databases of the law enforcement authorities.

This project contributed in the provision of 36 case studies from the following 14 Member Jurisdictions: Jordan, Bahrain, Tunisia, Saudi Arabia, Sudan, Syria, Iraq, Oman, Lebanon, Libya, Qatar, Egypt, Morocco and Yemen. 36 cases were reviewed and the most important ones are presented in this report according to the categories as defined in the Annex, thus covering most of the topics related to money laundering and financing of terrorism at the regional and international levels. All case studies received have been analyzed in order to determine the most common ML/TF techniques, methods and tools used as well as the prevailing trends.

The Biennial Typologies Report 2014 also highlights MENAFATF work in the area of typologies during the years 2013 and 2014, and the outcomes of the various studies, workshops and debates in such field with the view to provide a report that serves as a reference to such information and to highlight the most important case studies and regionally developed patterns.

## **First Topic:**

### **Overview on MENAFATF Typologies work 2013-2014**

#### **First Theme: Typologies reports**

##### **1. Typologies report on Trends and Indicators of ML/TF – Update.**

The MENAFATF adopted in 2013 the typologies report “Money Laundering and Terrorist Financing (ML/TF) Trends and Indicators in the Middle East and North Africa (MENA) Region –Update” which aims to identify the latest developments in this regard, to update the report which was previously adopted and to update the list of indicators that may be used by the private and public sectors to detect ML/TF potential activities.

Through the ML cases that have been analyzed, it is clear in comparison with 2010, that the trend to launder money derived from crimes of deceit, fraud and illicit drug trafficking remains; however, laundering of funds proceeding from counterfeiting crimes has decreased while the cases of laundering funds, being the proceeds of stealing funds has increased; which is a developing trend.

Among the ongoing trends is the misuse of financial institutions, especially banks and exchange companies, in ML operations. The use of these two types of financial institutions was highly recurring; which is confirmed by the fact that cash and checks are listed as the most misused tools in ML operations in addition to the recurrence of money transfer and deposit in bank accounts as the most used ML techniques. The new trends that were mentioned in some cases include among others: the use of internet to conduct suspected banking transfers and the use of ATM for withdrawal and deposits on a recurring basis.

The trends also involved, even if to a lower degree and varying between one country and the other, the misuse of the non-financial sector, particularly dealers in precious metals and dealers in precious stones, real estate agents and car dealers as well as dealing in the name of/establishing shell companies or shell contracts, cross border transportation of funds, decrease and increase (inflation) of invoices as part of import and export operations.

##### **2)Typologies Report on Proceeds of forgery & counterfeiting of financial instruments and documentary credits (Letters of Credit - LCs) and their relation with Money Laundering and Terrorism Financing.**

The study examines the financial instruments and documentary credits. The financial instruments covered under this study are: coins and currencies, checks, bills, promissory

notes and credit cards as well as financial and commercial papers that could be vulnerable to illicit activities undertaken by criminals in the area of counterfeit and forgery; those criminals and their associates launder the proceeds to create the perception of legitimacy.

On the other part, the study demonstrated how the documentary LCs are abused and their relation to ML crimes considering that the criminal misuse of documentary LCs goes through the forgery of documents and the proceeds are the outputs of ML operations; this occurs via several techniques such as alteration of information related to quantity, price or quality of imports or exports. The study provides a set of comprehensive suspicion indicators and evidence on forging and counterfeiting documentary LCs, mostly: STRs from AML unit, opening accounts then requesting immediately an LC, customer activity inconsistent with the type of goods imported and the significant discrepancies between the value of goods in the invoice and their actual and fair value in the market.

The study pointed out how important it is to consider the recommendations made with respect thereto for their considerable contribution in combating predicate offenses based on forgery and counterfeiting of financial instruments and documentary credits and the underlying money laundering operations.

## **Second Theme: Typologies Workshops**

### **1) FATF/MENAFATF joint Experts Meeting on Typologies, Doha, state of Qatar, 2-4 December 2014.**

This meeting, the first-of-its-kind to take place in the region, was attended by a large number of experts and representatives of member countries and regional and international organizations alike which exceeded 180 participants from 40 countries and 14 organizations to discuss and study the patterns of ML/TF operations and the prevailing trends and how to address them.

This event was a great opportunity for FATF, MENAFATF and the regional and international organizations alike to exchange information and expertise in many topics through the meetings and workshops related to the following typologies projects: Non-Profit Organizations, Financial flows linked to the illicit production and trafficking of Afghan drugs, ML through physical transportation of cash (joint FATF/MENAFATF project), Gold ML/TF Risks and Vulnerabilities (joint FATF/APG project).

#### **• Workshop on ML through physical transportation of cash:**

This workshop is the starting point of FATF/MENAFATF joint project. Qatar, UK, World Customs Organization (WCO), Lebanon, USA, the Netherlands, KSA,

MENAFATF, the Financial Action Task Force of South America against Money Laundering (GAFISUD) have all participated in the presentations. The workshop concluded the following:

- Importance of international cooperation for the effective control over the cross border transportation of cash; most of the countries stressed on that importance.
- Highlight the need for effective local cooperation and coordination; the team members found that in many cases, the responsibility of controlling the cross border transportation of cash lied under many related entities within the same country; and the absence of coordination among those entities resulted in hindering its tasks of effective control over the cash movements.
- It was noticed that the legislations in most countries including the advanced countries, include many gaps or are not effectively implemented, which makes them vulnerable to risks for non compliance with R. 32.
- The participating countries admitted that the largest risk lies in the cargos related to goods and commodities, unlike what everyone believes and what is prevailing; the efforts are limited to the passengers. While some countries detected large amounts of money estimated at millions of USD in cash or illicitly smuggled products in the form of cargos and commodities.
- Countries established as well that the declaration/disclosure of the cash shipments among countries is not adequate in an appropriate and effective manner; there are large amounts of money which were declared and transported through European airports and it was revealed later to be crime proceeds.

## **Second Topic: Case studies in Money Laundering and Financing of Terrorism**

### **First Theme: Case Studies**

Within the framework of this project, 14 jurisdictions submitted 36 case studies from the categories set forth in Annex No 1. All the cases have been reviewed and sorted under their categories while noting that many cases can fall within more than one category. The Weighting Method that has been adopted allows that each case is attributed to its direct category or the closest category in order to have the largest number of categories represented in this report and issue at the end a comprehensive and diverse report.

### **1) Cases related to corruption (corruption to facilitate ML/TF)**

#### **Case No. 1: Jordan**

The FIU received an STR from Bank (X) in State (O) concerning Mrs. (A) who is a government employee in an Arab State and who has embezzled approximately USD 4,999,828 from the institution she works for; Bank (X) received two transfers amounting to USD 4,999,828 from Bank (Y). The source of the funds was a transfer from an exchange company (Z) in the Arab State in which the embezzlement took place to a local exchange company then from the account of the local exchange company to the account of Mrs. (A) in Bank (Y). Mrs. (A) transferred the funds to Bank (Y) after convincing the exchange company of the legitimacy of such funds by submitting contracts for selling fictitious real estates in collaboration with another individual.

The most important suspicion indicators were as follows:

- The reporting bank stated that it received a letter from the Embassy of the Arab State - in which Mrs. (A) works – in State (O) requesting help in seizing the amount stolen by Mrs. (A) and informing that she has taken another name, using a forged identity and ran off to State (O).
- The FIU received from a regulatory authority the letter of the Embassy of the Arab State - in which Mrs. (A) works - in State (O) requesting that necessary procedures be taken to confiscate and freeze the amount in order to recover it as it represents stolen public funds.

The FIU analyzed the information received and reached the following conclusion:

- The Unit must contact banks in State (O) in order to determine the nature of the bank accounts' movements.
- None of the mentioned persons owns a company in State (O).

The suspects were convicted of money laundering offense, the collected funds amounting to USD 2,499,885 and USD 3,088,405 were seized and a verdict was issued for the imprisonment of the suspects for a period of three years with hard labor and the payment

of a fine equal to 10,000 Dinars each; It is worth to note that the verdict was rendered in absence and can be appealed.

### **Case No: 2: Libya**

The main FIU received a suspicious transaction report from the Unit's branch manager in bank (S.) in the form No (4) regarding a suspicious transaction made by Mr. (J), who holds an account in Bank (S.) branch (B.), to the effect that he deposited three checks amounting to 4,000,000 Libyan Dinars though he never made similar deposits before and there were no account movements during the last two years (2011 and 2012). Based on that, a qualitative inspection was conducted to his account revealing that the source of the funds is (W.), a suspect in a previous transaction.

Moreover, the suspect conducted several operations that raised suspicion such as:

- Over-invoicing
- Dealing with shell companies
- Structuring of cash deposits
- Mr. (W.) is a suspect in a previous transaction.

Accordingly, the Unit analyzed the information in its possession based on the previous suspicious transaction regarding which it received a report from the Unit's branch manager in (W.H) on the deposit of a check in the current account of Mr. (W.) amounting to 4,853,000,000 Libyan Dinars paid by company (G) for car imports to discover that this company received from a public sector company a funding amounting to 70,000,000 Libyan Dinars without having any commercial relationship established between the two. The case is being heard before the public prosecutor pending the final decision.

## **2) Laundering the Proceeds of Corruption.**

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

The FIU received a suspicious transaction report from a bank operating in State (O) regarding Mr. (S) who works as an employee in the reporting bank and who embezzled the amount of 3,7 Million Dinars on separate occasions by embezzling cash deposits of cash transfer companies and imposing fictitious restrictions on the accounts of correspondent banks. The bank also discovered differences when conducting reconciliations and settlements; and when the bank asked Mr. (S) about shipments receipts, he ran off State (O). The FIU also received a report from a regulatory authority stating that Mr. (S) accounts' movements are inconsistent with the size of his income.

The Bank submitted its STR to the FIU based on several transactions conducted with the customer that lead to suspicion:

- 1- The reporting bank discovered that one the correspondent banks' ceilings have been exceeded.

- 2- The reporting bank discovered differences when conducting reconciliations and settlements.
- 3- The suspect escaped State (O) in a rushed and sudden manner when the bank questioned him about the shipment receipts.
- 4- The Regulatory authority informed the FIU that Mr. (S) accounts movements are inconsistent with the size of his income.

Furthermore, the FIU analyzed the information and exercised its powers to clarify the position of the customer in order to submit the file to the judicial authority. The Unit was also able to reach several findings:

- 1- The suspect does not possess any company in State (O) but deals with a large number of real estate companies.
- 2- Real estates and cars were purchased in the name of the suspect, his wives and sons.
- 3- The suspect's accounts movements are inconsistent with the size of his income.
- 4- Mr. (S) holds accounts with four banks.
- 5- Mr. (S) and other individuals made cash and check deposits in Mr. (S) accounts.

After such findings, the Unit referred the file to the judicial authority. The case is still under investigation by the General Prosecutor.

#### **Case No. 4: Jordan**

The FIU received a suspicious transaction report from a regulatory and supervisory authority stating that while conducting an inspection over an entity subject to its control and supervision and while studying the accounts of one of its customers, the authority discovered that customer (B) holds several accounts and that most of the movements in such accounts are large cash deposits that are inconsistent with the nature of the customer's business. It also discovered that customer (B) focuses on dealing with cash deposits without the use of any other banking instruments.

The customer adopted several conducts that raised the suspicion such as:

- Holding several accounts opened in his name.
- Placing in his accounts large cash deposits that are inconsistent with the nature of his business.
- Depositing in his accounts checks with large amounts that are inconsistent with the nature of his business.
- Focusing on cash deposits without the use of any other banking instruments.

The Unit studied this STR and concluded the following:

- 1- There are cash deposits made on several occasions to several bank accounts over several years until they reached millions of Dinars.
- 2- Cash deposits were made by several individuals working for the same organization where the suspect (X) works.

- 3- The suspect (B) holds many deposit accounts in different currencies between which the suspect (B) conducts internal transfers in order to obtain the best interest rates.
- 4- The suspect (B) transfers his salary to the deposit accounts without any movements reflecting personal expenses.
- 5- There are transfers incoming to the accounts of suspect (B) from offshore investment companies (outside State (O)).

Based on such information, the FIU was able to confirm the suspicion and referred the file to the competent authorities that convicted the suspect with the predicate offenses and ML crime and sentenced him to imprisonment for a period of 13 years and 3 months, 5 years for the ML crime, as well as a fine of 21,179 million Dinars, with the confiscation of the amounts acquired through these crimes and amounting to 24 million dinars; the verdict is conclusive.

### **3) Use of offshore banks, international commercial companies and offshore trusts**

#### **Case No. 5: Tunisia**

The FIU received a suspicious transaction report against Company (A), specialized in providing consultancies and export services, due to important monetary flows amounting to Euros 21 million and offshore transfers from State (B) that were shortly and promptly then transferred to several states namely State (C) and other states classified as Tax Havens.

There is no clear vision regarding the business of the company but there is information that contributed in building the suspicion, such as:

- Structured transactions, whether deposits or offshore transfers.
- Opening multiple accounts.
- Submitting fake invoices.
- Frequent cash transfers to numerous financial scenes.
- Using shell companies.
- Using offshore bank accounts to transfer the funds away from local authorities and hiding the identity of the persons controlling illegitimate funds.
- Intervention of Politically Exposed Persons (PEPs).

The financial investigations revealed that all creditor transfers were made through a public company located in State (B) in a structured manner and on monthly basis and soon enough, part of such amounts was transferred to shell companies located in several states, most of them classified as Tax Havens. The investigation also revealed that one of the companies located in State (C) benefited from the majority of these flows.

In order to activate international cooperation with counterpart financial units, a request of information was sent to 8 foreign financial units whose responses were analyzed revealing that Company (A) was misused for concealment of bribery proceeds from an international deal concluded between Politically Exposed Persons in State (B) and State

(C) regarding the acquisition of military equipment from the public company in State (B) for the benefit of a governmental authority in State (C). On another hand, the investigations revealed that the company located in State (C) which has benefitted from the biggest share of such transfers is owned by the brother of the individual mainly in charge of concluding the deal in state (C).

The FIU decided to refer the file to the Public Prosecution and to consider freezing all balances subject of the STRs noting that the predicate offense is bribery. The case is being under investigation.

#### **4) Trade based money laundering (TBML)**

##### **Case No. 6: Kingdom of Saudi Arabia**

The customer opened a credit to import machines from abroad and submitted shipment documents to the bank in order to complete the transfer procedures. The bank discovered that the merchandise, subject of the credit, did not reach the country and the customer claimed that the ship carrying the merchandise broke down in a port before its arrival; which prompted the bank to file a criminal case against the customer and the shipping company in the country of origin. The information that were gathered and analyzed revealed that the documents submitted to the bank were fraudulent so the suspect could transfer the amount of Euros 2,385,600. The documents appeared to be valid but were in fact false. The customer also conducted several suspicious acts that raised suspicion, such as:

- Providing false documents
- Claiming that the ship carrying the merchandise broke down in a port before its arrival.

The information gathered and analyzed also showed that the papers submitted to the bank were fraudulent for the purpose of enabling the suspect to transfer the amount of Euro 2,385,600 abroad through the bank.

The elements of the suspicion were all gathered and complete with the Unit, which has referred the file to the competent authority; Fraud being the predicate offense. The case is now before the prosecution awaiting a verdict to be rendered.

##### **Case No. 7: Syria (Please refer to the Chart on page 15).**

Mr. (S), owner of medical equipment company agreed with another person, Mr. (SS), owner of a commercial company to finance a commercial deal conducted by Mr. (S) in which the amount of USD 4 million will be transferred from the account of Mr. (SS) to the account of Mr. (S) in a bank located in Syria provided that merchandise are returned against bills of collection. However, Mr. (S) violated the agreement, having withdrawn USD 500.000 in cash and transferred the remaining amount, USD 3.500.000 to his account in a offshore bank (located in a neighboring country, State (B)) instead of paying for the commercial deal and then left the country after granting his brother with a power of attorney over his accounts.

Mr. (S) then transferred part of the amount of USD 3,500,000 from his account in State (B) as follows:

- 1- Part of the amount was transferred to the account of a local commercial company working in the field of industrial machines and customs clearance which in its turn transferred the amount, in installments, to the account of a Chinese company, its own account and the account of its manager opened in a Syrian bank.
- 2- Another part of the amount was transferred to the account of a person who works in general trade who, in his turn, transferred the amount to the account of a Hungarian company.
- 3- Another part was transferred to the account of a person working in informal exchange who, in his turn, transferred the amount to the account of a manager in the exchange company.
- 4- Another part of the amount was transferred to the account of a company trading in coffee beans which in its turn transferred the amount to the account of a company located in a country that does not comply with AML criteria, State (C).
- 5- Part of the amount was transferred to the account of an individual held with a local bank (in Syria) which in his turn transferred the amount to the account of a Dutch Company.
- 6- Part of the amount was transferred to two accounts opened in the Syrian bank (reporting the ML operation) held by two different individuals.

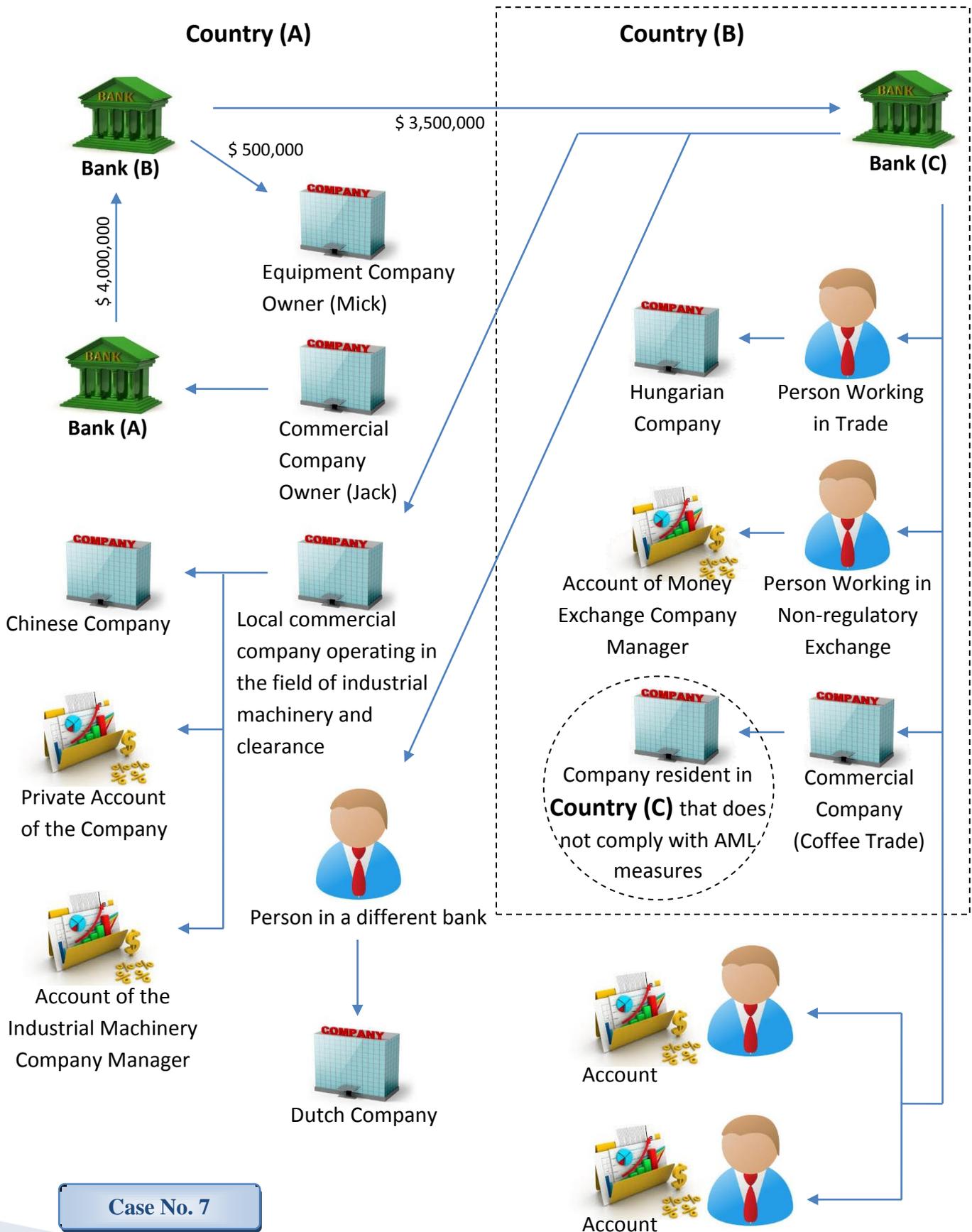
There are several reservations regarding the customer's transactions with the bank that have been detected during this transaction such as:

- Inadequacy of the values and justifications of the transfers with the income and business of the declaring person.
- Dealing with shell companies (the companies he dealt with and to whom the policies belong were fictitious)
- Forgery of official papers (Policies considering that the exporting companies are shell companies)

Based on the foregoing, the Unit reviewed and analyzed the file then reached the following outcomes:

- To review the bank accounts (incoming and outgoing movements) by communicating with the FIUs inside the country.
- To communicate with security authorities about the above and reveal that the funds resulted from an act of fraud.
- To communicate with the customs about the policies that appeared to be forged.
- To communicate with one of the Arab FIUs about import and export companies to whom the policies belong and that appeared to be forged.
- To communicate with the Interpol on circulating his name; He was then arrested in one of the Arab Countries.
- To file a case of common right against said person and completely freeze his funds.

The common right case against the said individual was initiated and all his accounts were frozen for committing theft and embezzlement crimes, acquiring the same through fraudulent means and illegitimately transferring them through computers as well as forging documents and official deeds. The case is being heard by the court.



Case No. 7

## **5) Underground banking / Alternative Remittance Systems / Hawala**

### **Case No. 8: Kingdom of Saudi Arabia**

The FIU received a suspicious transaction report from a financial institution about an individual making cash deposits and internal transfers that are inconsistent with the nature of his business. The large cash deposits were made by several individuals then he issues checks in favor of beneficiaries outside Saudi Arabia.

Cash deposits and internal transfers to the account that are inconsistent with the suspect's nature and business were the reason behind the suspicion. Accordingly, the FIU prepared a file for the case including the STR and the technical report and submitted the same to the Bureau of Investigation and Public Prosecution in order to investigate the regularity of the financial operations conducted by the suspect that are inconsistent with his business and financial situation. After conducting its investigations, the Bureau of Investigation and Public Prosecution charged the suspect with ML offense in accordance with Article 18 of the AML law for not having provided any evidence that prove the legitimacy of those financial operations, and referred the suspect to the public court demanding that a sentence be rendered in accordance with the mentioned law.

After several sessions, the suspect was unable to prove neither the legitimacy of his financial transactions nor the source of the funds (incoming to or outgoing from his account). The defendant also acknowledged what was stated in the case of the public prosecution. Thus the judge (hearing the case) was convinced that defendant committed the ML crime and issued a verdict of imprisonment for 10 years pursuant to the AML law.

### **Case No. 9: Kingdom of Saudi Arabia**

The FIU received a suspicious transaction report from a local bank stating that an individual gathered funds from different persons of his nationality and made deposits and internal transfers to the account then deposits and internal transfers to the accounts of several companies. Several indicators and evidences show that the financial transactions of the suspect are suspicious and that there is a possibility of money laundering reflected in the cash deposits and internal transfers, which are inconsistent with the nature and business of the suspect, who was purchasing sample materials and exporting them against a specific percentage. Investigations also showed that the amount he collected on a monthly basis varies between 150,000 to 200,000 Saudi Riyals.

Accordingly, the FIU prepared a file for the case including the STR and the technical report and submitted the same to the Bureau of Investigation and Public Prosecution in order to investigate the regularity of the financial operations conducted by the suspect and which are inconsistent with his business or financial situation in accordance with AML law. After conducting its investigations, the Bureau of Investigation and Public Prosecution charged the suspect with ML offense in accordance with Article 18 of the AML law whereas the suspect did not provide any evidence that prove the legitimacy of those financial operations, and referred the case to the public court demanding that a sentence be rendered in accordance with the AML law.

After several sessions, the suspect was unable to prove neither the legitimacy of his financial transactions nor the source of the funds (incoming to or outgoing from his account). The defendant also acknowledged what was stated in the case of the public prosecution and admitted committing the ML crime by gathering funds from unknown sources and transferring them abroad. Thus, the judge issued a verdict of imprisonment for three years and six months and the confiscation of the funds in the suspect's account pursuant to the AML law. The defendant accepted the verdict rendered against him which was considered as conclusive.

### Case No 10: Tunisia

The FIU received a suspicious transaction report against the newly established company (A) specialized in providing services to institutions working in the areas of research, development and marketing due to the presence of large cash flows within a small period of time to the benefit of several natural persons without any clear justification or financial background. By analyzing the company's financial data and conducting an inquiry regarding the rapid increase in the wealth of the company's attorney Mr. (O), it was also revealed that the company's financial activity (company A) was marked by suspicious indicators that were based on a system known as "Charles Ponzi pyramid scheme" that promotes an investment company (or other synonyms like development company...) as investing in certain sectors while in fact the company receives at the beginning large sums of money from investors then actually pays them from the funds of new customers thus increasing their trust in injecting more money. However, this scheme eventually makes the company unable to pay the amounts they promised to the investors (A first of its kind in the jurisdiction).

There are numerous suspicion indicators behind the actions of this company that lead to detecting its suspicious activities such as:

- Deposit and withdraw of large amounts within a short period of time.
- Real coincidence between the clearance of bank instruments and account feeding as no deductions are made unless there is a reserve in the account resulting from cash or bonds deposits.
- Rapid increase of monetary flows and expansion of the base of involved persons benefiting from the process
- Cautious behavior by the attorney of the company in distributing the cash flows between the company's account and his own account.
- Structured operations related to deposits or transfers.
- Opening several accounts.
- Use of nominees, family members or other parties to hide the identity of the persons controlling illegal funds.

Based on the foregoing, the FIU decided to refer the file to the Public Prosecution and consider freezing the account balances subject of the STRs for the predicate offense of fraud. A verdict of conviction and imprisonment was rendered.

## **6) Use of Internet (Encryption, access to personal data, banking activities, etc)**

### **Case No. 11: Lebanon**

A person opened a bank account in a foreign bank in the country and soon after he received two transfers via the internet banking service, not exceeding USD 10,000 each. The operations were made from the account of another customer in the same bank, who soon filed a complaint when he knew about the withdrawal. The bank started investigating the case and when asking the beneficiary customer about the transfers, he alleged that he verbally agreed with persons who claimed to be the directors of an offshore textile company and that they will transfer the value of the deals they conduct with clients to his account so he can in his turn transfer the money abroad, after deducting his commission, through an electronic money transfer company. Whereas he had no proof to his statement, the bank froze the value of the transfers and notified the Special Investigation Commission (SIC) about the case. The bank suspected the customer for the following reasons:

- 1- The transfers were received shortly following the account opening.
- 2- There are no documents that prove the relationship between the customer and the foreign company.

After conducting the necessary investigations and requesting information about the customer from all banks and financial institutions operating in the country, the SIC took the decision of lifting the banking secrecy on the account of the beneficiary who received the transfer in the reporting bank and referring the file to the Appellate Public Prosecution. The investigations conducted by the SIC revealed to the Appellate Public Prosecution that the funds transferred to the beneficiary account may result from piracy, fraud and falsification operations to which he contributed by cashing the amount then re-transferring them abroad through an electronic money transfer company.

The Appellate Public Prosecution decided to prosecute the beneficiary for the crime of money laundering. The case is still being heard by the court.

## **7) Use of new payment systems**

### **Case No. 12: Tunisia**

Company (S) opened an account in Bank (B) and benefited from the electronic payment service provided by the bank considering that it is a services company that sells cards through its website and which enables the purchaser from enjoying several services (medical and legal assistance, tax levying, car rentals and transportation of cars in case of breakdown for a certain period of time depending on the type of the card). Many operations registered on the company's website in the first six months exceeding 77 operations. However, the increase in the number of registered sale operations coincided with the inclusion of the company's name on Master Card list for doubtful operations. Based on that, Bank (B) decided to suspend the company's use of the electronic payment service. As an alternative solution, the company opened a bank account in Bank (B) and started using the electronic payment service provided by that bank for the benefit of its customers, in an attempt to continue misusing that service. The website of the company

registered 58 clearance operations within the period of only one month against selling service cards to customers, most of them are residing in foreign countries. The list issued by Master Card Company showed that these are fraud operations estimated at 135,000 Dinars which is equal to 60% of the total operations conducted over the company's website. Most of this amount has been withdrawn in cash from the company's bank account.

The activities conducted by the company raised suspicion for many reasons:

- The company sold cards for fictitious customers through the company's website using pirated credit cards.
- Company (S) was included on the list of Master Card Company for suspicious operations.
- The company withdraws cash money.

The Unit analysis showed that Company (S) may be part of a banking accounts piracy network that operates over the internet using pirated banking cards to transfer funds for its own benefit. Considering the fact that funds cannot be transferred directly from pirated accounts to the accounts of the fraudulent to avoid exposing their identity, Company (S) was established to sell cards on its website (guarantees the customers a series of services) while clearing them using pirated banking cards to transfer funds from the pirated accounts to the accounts of the company and laundering them under the cover of electronic trade then withdraw them in cash and distribute them to the members of the network.

The file was referred to the competent authority, with the fraud being the predicate offense. The case is still being heard by the court.

## **8) Real Estate and the role of real estate agents**

### **Case No. 13: Syria**

Mr. (S) who trades in electrical equipment agreed with Mr. (SS) to transfer amounts from a local bank to a bank in a neighboring country against a certain commission, in order to pay the price of the imported merchandise. Mr. (SS) transferred the amount to a bank operating in a neighboring country and took the commission agreed on in cash then provided Mr. (S) with swift messages proving that the value of said merchandise has been paid. When Mr. (S) contacted the bank operating in the neighboring country to ask about the payments by virtue of the swift messages in his possession, he discovered that the messages were fraudulent which means that Mr. (SS) took the funds that he was supposed to pay against the imported merchandise in a fraudulent manner.

Mr. (SS) concealed the source of such funds by opening bank accounts, purchasing new cars and real estate and registering them in the name of his wife and children before traveling abroad.

Based on these suspicious acts, the FIU (the Commission) asked counterpart units for information about the real estates, bank accounts and transportation means of Mr. (SS), his wife and children.

Immediately, the case was referred to the Public Prosecution for the crime of ML. Mr. (SS) bank accounts were frozen and an attachment was executed on all his movable and immovable assets and those of his wife and children as well. The Interpol was also contacted and the suspect was arrested in one Arab Jurisdiction.

He was accused of a number of charges and predicate offenses being theft, embezzlement of public or private funds, acquisition of the same through robbery, burglary or other fraudulent means or illegal transfer through computer systems in addition to the falsification of currency, other payment means, official documents, valuable papers and deeds. The case is still being heard by the court.

## **9) Human Trafficking and Smuggling**

### **Case No. 14: Libya**

A suspicious report was submitted by the branch FIU in Bank (J) about Mr. (M.), holder of an Arab nationality and a self-employed, who received internal transfers from bordering regions and made cash deposits varying between 50,000 to 200,000 Libyan Dinars (LYD), with a total of LYD 6,205,275,000 in his account in Bank (J), branch (M) then distributing them through internal transfers and issuing checks that he deposits himself for the benefit of (B), in an account in Bank (J), for the benefit of the Company in Branch (Z), its account held with bank (J), branch (z).

The branch unit also mentioned several suspicion indicators, namely:

- The account is used to receive and distribute amounts of money for high-risk bordering areas to the accounts of natural and legal persons with no clear relationship with them.
- Cash deposits and internal transfers of large amounts which are inconsistent with the customer business.
- Dealing with bordering regions.
- Conducting activities that are different from those of (B) as stated by Bank (J)
- The movement and activity of the account do not reflect the nature of Mr. (B) business as the account is categorized under government employees current accounts; the statement of the account (B) between 1/1/2013 to 10/7/2013 showed a total debit balance of LYD 42,465,319,000 and a total credit balance of LYD 42,523,769,000 which is inconsistent with the customer business whether in he time period or the amounts.

The FIU took in charge the case and is using its powers to obtain the necessary information. The case is still under investigation.

## **10) Use of nominees, Trust, Family members and other parties**

### **Case No 15:**

The person, subject of the STR, made deposits in his mother's account. He then, by virtue of a Power of Attorney withdrew them in cash and by purchasing saving schemes. The reasons behind the suspicion include the fact that he is the beneficial owner of his

mother's account and that the operations made to the account are inconsistent with his nature being an employee for a governmental authority.

After examining and analyzing the situation, the FIU discovered that the person subject of the STR reserved the right to dispose of his mother's account and that within a year he made deposits amounting to USD 600K then withdrew the full amount in cash and bought saving schemes. He stated that these amounts were acquired from selling real estate belonging to his mother and he provided documents evidencing his statement.

Investigations showed that the abovementioned person is facilitating the construction of real estate that violates the regulations against shares in such real estate registered in the name of his mother (without her knowledge) then he sells or rents the real estate and deposits the value thereof in his mother's account held at the reporting bank. That same person was previously being accused of bribery. The case is still under investigation.

### **Case No. 16: Oman**

The FIU received a report about a suspicious transaction from a financial institution. The suspect opened a new bank account and deposited several checks amounting to 1,000,000 Riyals (OMR) on the same day. These amounts were withdrawn on the same day, over two installments, which raised the suspicion of the financial institution regarding the person subject of the STR for several reasons such as:

- New account that received transfers with large amounts.
- Sudden account activity in an inactive account with an increase in the value of deposits.
- Deposits shortly followed by withdrawals.
- Value of the transactions and the nature and expected movement of the account are inconsistent.
- Suspect has a criminal record.

The analysis of the transaction conducted by the FIU showed that the suspect has established a trust fund, which has allowed him to receive large amounts from a group of people but at the end he failed to meet his obligations and pay their returns.

The file was submitted to the competent authorities after charging him with the violation of the Penal Code and the Banking Law. The case is still being heard by the court.

## **11) Precious purchases (Artifacts, antiquities, race horses, cars, etc)**

### **Case No. 17: Syria (Please refer to the Chart on page 23).**

A Security Authority requested the assistance of the FIU regarding Mr. (S) who is engaged in drug trafficking and smuggling on a broad scope; as a result, he made a fortune from the illicit proceeds generated from the drug trafficking and smuggling offence and he strived thereafter to launder such funds in order to conceal their true illegal source by dealing with a number of individuals who helped him in this regard.

Mr. (S) was dealing with many individuals as follows:

- Mr. (P) is helping Mr. (S) in drug trafficking and smuggling.
- Mr. (A) who used to work in cattle and cement trade purchased many real estate with the funds (of Mr. (S)) generated from drug trafficking and registered the same in his own name in order to conceal the source.
- Mr. (T) facilitates the real estate transactions in favor of Mr. (S), whereas he registered some real estates in the name of Mr. (N) and re-transferred the property thereof to Mr. (A).
- Mr. (M) was also helping Mr. (S) in drug trafficking and smuggling and he purchased a ranch from the drug proceeds and registered it in the name of Mr. (F) who is the janitor at the ranch; such ranch was used to manufacture Captagon tablets in agreement with many drug traffickers and to smuggle them outside the jurisdiction.
- Mr. (S) registered many real estates, cars and purebred horses in his name, the price of which was paid by Mr. (S).
- Mr. (R) received large amounts of money estimated in millions of Syrian Liras whereas he used to participate in tenders and bids, to enter into contracts for the provision of barley to governmental institutions; the barley was imported from many foreign countries from the funds belonging to Mr. (S).
- Note: all the above-mentioned persons are aware of the illegal source of Mr. (S)'s funds.

The suspicion in this case regarding the suspected persons revolves around two major points:

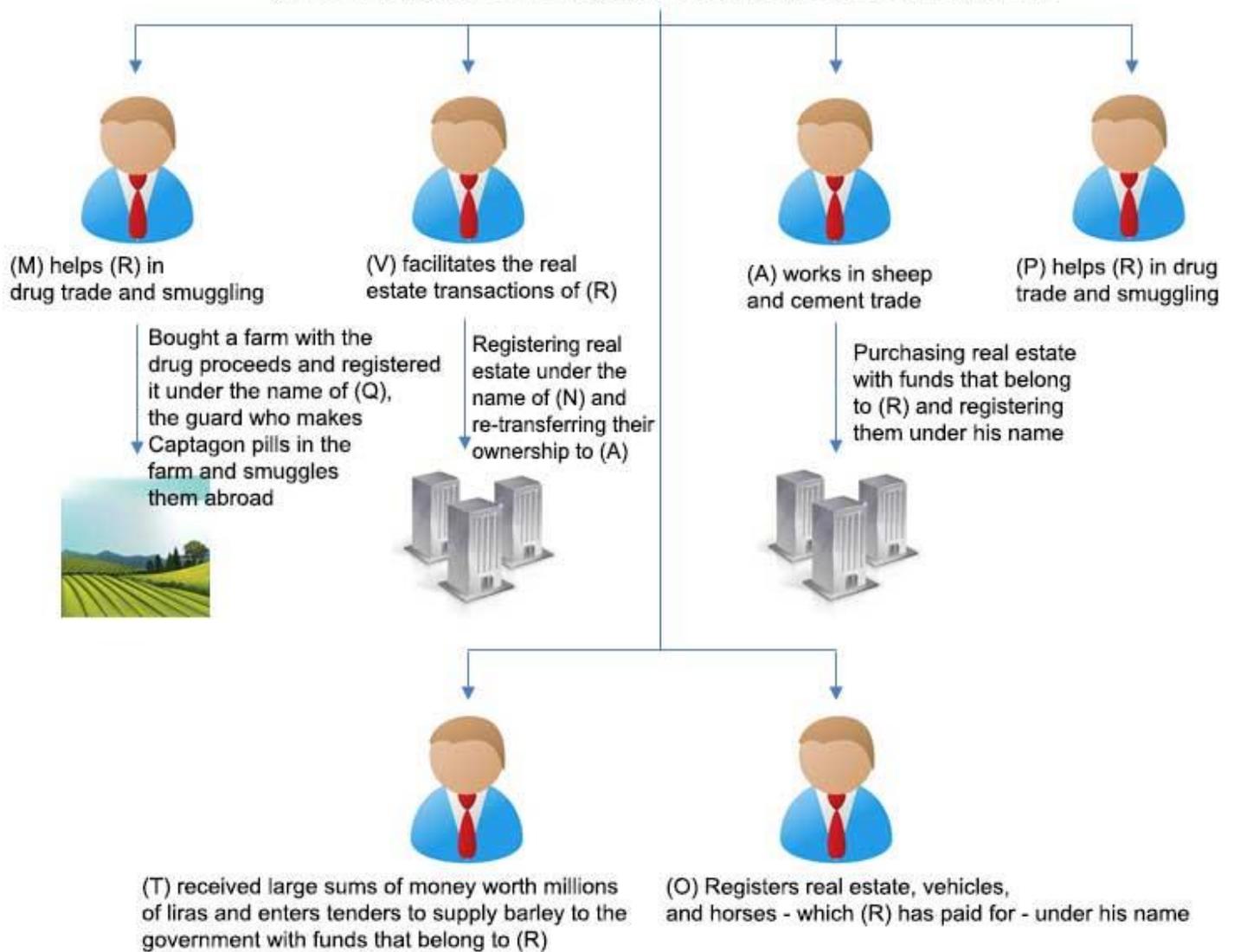
1. Purchasing real estate in the name of other persons and transferring the property thereof to conceal the real identity of the owner and trading in the name of other persons.
2. Entering in bids and tenders to buy barley in favor of public institutions in the name of other persons.

The Unit analyzed the case: the movement of the bank accounts of the said person held with the operating banks was audited, and information was requested on the movables and immovables of Mr. (S), his wife and children; in parallel, there is an ongoing collaboration with the security authorities to follow-up on the subject.

The public interest lawsuit was instituted against the said person and anyone who is evidenced to be involved in the crime. In this regard, their bank accounts were blocked. The predicate offence being the cultivation, manufacturing, smuggling, transportation or illicit trafficking in drugs or psychotropic substances; the lawsuit is still under consideration before the courts.



(R) works in drug trade and smuggling through which he has acquired a wealth



Case No. 17

## 12) Using shell companies

### Case No. 18: Oman

The FIU received a report on a suspicious financial transaction from a financial institution, stating that a company is receiving many cash deposits from partners and authorized signatories, in addition to deposits made by other persons. The suspected company is also paying amounts of money to a group of persons, without having any business activities carried out by such company; the amounts deposited in the suspected company's account were very large.

The financial institution presented many indicators which justify the suspicion about the company as follows:

- The nature of the movement of the company's account is inconsistent with the absence of any actual business activity.
- Deposits and transfers into the company's account with some persons followed by cheques issued in favor of the same persons more or less.
- Submitting false data and information about the investments of the suspected company and its subsidiaries in order to attract the citizens.
- Establishing shell companies to legitimize the business of the company which is subject of suspicion.

The results of the analysis conducted by the FIU confirmed the accuracy of suspicion regarding the establishment of shell companies by the suspected company in order to make investments which would, illicitly, attract the funds of the citizens, which confirms the suspicion that it is a shell company with no economic or commercial activity. The suspected company violated the penal code, the banking law and the AML/CFT law; the case is still under investigation.

### Case No. 19: Tunisia

A person named T. opened two bank accounts at Bank S: the first one is personal and the second in the name of Company B. The company's account recorded a money transfer in the amount of TND 134,000 three months following its establishment, issued from the public treasury account, under the title of VAT recovery. The manager of the company named T. transferred the full amount to his personal account opened at the same bank and used it to purchase two plots of land. Then, he withdrew the remaining amount estimated at TND 9250 in cash. During the same period, an individual M established Company C in the region of. Z.; Only 3 months following the establishment, the bank account witnesses a money transfer amounting to TND 276,965, issued by the public treasury account as VAT recovery. The manager of the company named M.A. withdrew the full amount in cash directly upon the collection thereof. There are many transactions which raise suspicion in the activity of the two companies, as follows:

- Newly established industrial companies
- Accepting transactions with large amounts.
- Transferring the funds to the personal account of the company manager.
- Withdrawing the funds in cash.

Investigations and analysis conducted by the FIU proved that the accounts of both companies have not known any financial operations which reflect that they have conducted any activities within the scope of their business, entitling them to recover the VAT in sums amounting to thousands of Dinars and within a period not exceeding three months following their establishment; specifically that it was verified that Company C has no real existence, whereas its headquarters is merely an upper floor in a flat whose owner leased it to the person named M. for 3 months only and the latter left it at the end of the period. It was also found that the transfer of funds from the public treasury account in favor of the two newly established companies was made by the same money collector and such two transfers were followed by withdrawal of money in cash and a transfer in favor of a third party which resulted in a zero balance in both accounts. It was also verified that some funds were used for the purchase of real estates; such case is likely to consider the establishment of B and C companies as an organized crime to acquire public funds that was involved in all the money laundering stages from placement to integration.

The file was referred to the competent authorities; the predicate offence being the acquisition of public funds; and the case is under consideration by the court.

### **13) Currency smuggling**

#### **Case No. 20: Kingdom of Saudi Arabia**

A disclosure statement issued by the Customs Authority on the disclosure from a resident regarding the amounts of SAR 140,000 and CHF 25,000, both amounts equaling to USD 64,585 upon his departure from the country through one of the exit borders to a neighboring country, indicating that the purpose of his trip is to purchase real estates in such country and that the source of his funds is his account held at a local bank. When the FIU received such report, it has processed it according to the mechanism used for that purpose. The accounts of the suspect held at local banks were detected and security authorities were contacted to make onsite investigations in order to identify the nature of his business and the source of his funds. The study case showed that the suspect held no bank accounts at any of the local banks unlike what he stated in the disclosure form, and that he stays in the country for a limited period of time after which he leaves to a neighboring country; he makes many trips to several Arab States and he is an irregular resident in the country, which enhances the suspicion of financial transactions and his possible involvement in money laundering. The indicators of suspicion related to the case are represented as follows:

- The massive amounts declared within short intervals of time.
- The suspect came to the KSA as a guard and he does not have the right to work.
- Traveling from different border crossing points.

- Being in the KSA for limited periods after which he travels to a neighboring country and he makes many trips to several States.
- Submitting false information in the disclosure form/False Declaration (stating that funds are from his account held with a bank and it was found out that he has no accounts).

Therefore, the FIU prepared a file for the case which contains the STR and the technical report and referred it to the investigation committee and the General Prosecution in order to verify the regularity of the financial transactions conducted by the suspect, which are inconsistent with his business and financial position and the soundness of the source of funds. The case is being investigated by the investigation committee and the General Prosecution.

### **Case No. 21: Syria**

Mr. (O) agreed with Mr. (R) to transfer the title of a plot of land from the property of (R) to the property of (O), to submit it as a real estate guarantee against an investment loan in order to build a touristic complex, from a local bank and to return the property of the real estate to (R) after the settlement of the loan, against a cheque for the value of the land which was found later to be falsified. Mr. (O) withdrew the loan from a Syrian bank to build a touristic complex on this real estate and transferred the amount of the loan abroad without continuing the payment of the bank dues under the loan and without continuing the building of the complex. Mr. (O) left the country and the bank suspected the customer after it was found that he presented a falsified check and that he was always evading and travelling abroad.

The FIU initiated the investigation and the analysis and decided the following:

- To address the Immigration and Passports Office with a view to identify his arrivals and departures.
- To address the operating banks in order to reveal the bank accounts of the said person which indicate that the bank transfers made from his accounts to other countries are the result of the loan which is withdrawn from one of the local banks.

The FIU prosecuted the said person for committing a ML offence and his accounts were irrevocably frozen; the predicate offence being fraudulent misappropriation of public and private funds. The case is being considered by the courts.

### **Case No. 22: Morocco (Please refer to the Chart on page 30).**

The following persons “S1” (The central personality), “S2” (member of the group) and “S3” (the mother of “S2”) introduced, within one week, foreign paper currencies of unknown source into country “M” through the same border crossing point where the customs office is located after declaring the same before the customs. “S1” declared that he works in the real estate sector in country “B”; however, shortly thereafter, he transferred the same amount abroad.

“S3” opened a bank account at the same bank agency and issued a power of attorney in favor of “P2” to manage the account; He credited the account with a significant cash payment of paper currency which was brought to country “M” in the same above mentioned way. The account of “P1” recorded “financial transfers within country “M” from “P2” and “P3” and “P4” which increased the doubts about the declarant.

Information extracted from open sources and through the information system of the declarant revealed that “P2” has a personal and family name that corresponds to the name of a person who was convicted of drug trafficking abroad.

Based on the surrounding of such act, many indicators of suspicion were revealed such as:

- The concerned persons are known in, at least, 3 countries and have previous convictions related to drug trafficking and money laundering.
- Importing significant amounts of foreign currencies of anonymous source.
- Circulating large amounts without economic justification
- Selection of the same banking agency to open their bank accounts in the first city close to the border crossing point.
- Using several persons and many bank accounts to integrate such amounts in the Moroccan banking system with the same method and technique.
- The concerned persons conducted many financial transactions aiming at misleading and concealing the source of the funds.
- Transferring such funds later to the account of the ultimate beneficiary who is “P1”.
- Using part of such funds to purchase a real estate (or real estates) in country “B”.
- The quasi immediate presence of the “P1” whenever any of the persons makes a deposit in his bank account.

On the basis of the results of the FIU analysis, the following was revealed:

- All the accounts are opened in the same bank agency and in the same small city (around 60,000 citizens) considered as one of the closest cities to the borders towards Europe.
- All the opened accounts are “transferable Dirhams” type.
- The number of accounts went from one account in year “O” to two accounts in year “O+1”, to 3 in year “O+3”, to 4 in year “O+4” and to 6 in year “O+5”.
- Among the accounts, there was one account opened in the name of “P3”, the mother of “P2” and it was managed by virtue of a power of attorney given by the son.
- The concerned persons used the same methods to introduce the foreign bank notes in cash into the country through physical transportation, where they made their declaration and carried out the necessary administrative procedures at the customs office; Customs authorities had no clear indicators or doubts about the source of the funds.

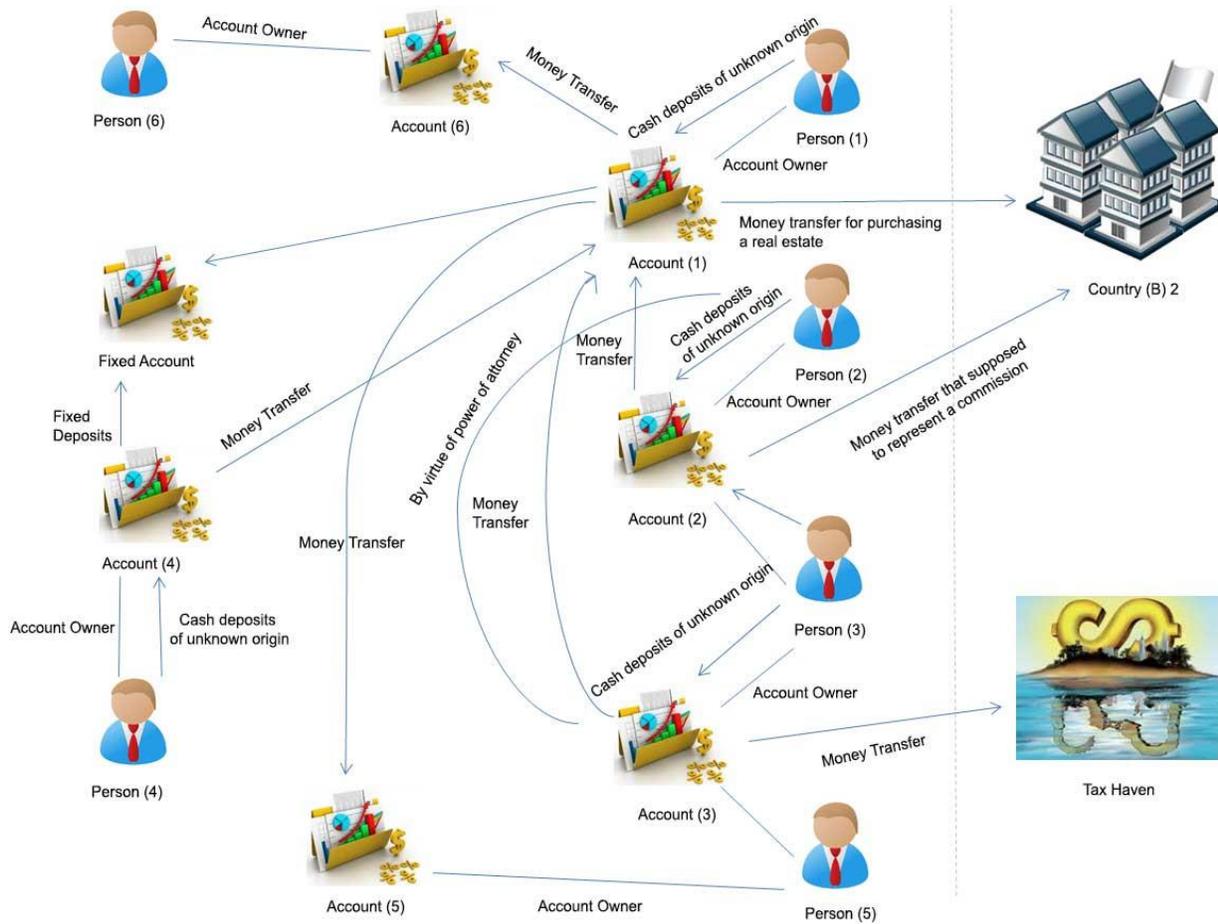
- The concerned persons made cash payments with the foreign paper currencies at their branch and answered the questions of the agency head within the context of the due diligence; they submitted official documents proving that they declared to the customs authorities.
- The sum of the deposits made by P.1, 2 and 3 are 15 cash deposits.
- The analysis revealed that the persons have only declared to the customs authorities five operations; the total sum does not exceed MAD 5 million.
- All the financial transactions were conducted at the same agency and in the presence of “P1”.
- Many transfers were recorded among the accounts of persons “P1”, “2”, “4”, “5” and “6”.
- It was found that “P1” was working alone in the beginning before he expanded his network which comprised new individuals; some of them are family members.
- “P1” and “P4” made many investments in the form of term deposits for a period not exceeding 3 months.
- Each of “P2”, “P3” and “P4” made many transfers from their accounts opened in country “M” to the account of “P1” also opened in country “M”.
- “P1” transferred the amounts collected in his account in country “M” to his personal account in country “B” for the purpose of “acquiring a real estate property”.
- “P3” transferred an amount to his personal account held in country “B”; it is likely that such amount represents a commission for the participation of “P2” and “P3” in such operations.
- “P5” transferred a significant amount from his account to another account in a country regarded as a tax haven.

The international cooperation among the FIUs revealed the following:

- “P1” holds 3 bank accounts in country “A” and is a member of an organized crime group involved in illicit distribution of drugs and money laundering of criminal source and he has many real estate properties in country “B”; he is also convicted of many criminal offences due to fraud, theft, assault, drug trafficking and he was sentenced in country “F” to 7 years of imprisonment for possessing cocaine for trading purposes.
- “P1” was sentenced abroad to 9 months of imprisonment for possessing Indian cannabis for trading purposes.
- The analysis showed that “P1” is the main character in this case.
- The method is based on importing money in the form of foreign paper notes to country “M” through physical transportation, declaring a part thereof only and integrating the same in the country’s banking system, in order to legitimize such funds then transferring a part thereof abroad for investment purposes.
- After the analysis, the massive amounts of money were not linked to any specific economic activity in the country.
- The time analysis of the total operations recorded in the various bank accounts and the previous records of the involved persons in other countries show that

some operations were carried out on the same day, which fosters the possibility of coordination between those persons and the hidden intention to launder the money which might have a criminal source.

Therefore, in light of the referral made by the FIU, the Law Enforcement Authorities (LEAs) initiated an investigation in this file and ordered to freeze the properties and assets of the involved persons. The case was referred to the court and the countries are coordinating among each other at the security level to arrest the members of the group in order to bring them to justice.



**Case No. 22**

## **14) Structuring / Smurfing**

### **Case No. 23:Lebanon**

The Authority received a report from bank “A” regarding the account of its customer "S" who owns and runs a hairdressing salon for women. The bank stated that the suspected account was fed since its opening with cash deposits each not exceeding USD 10,000, as well as transfers and cheques from persons who have no clear business relationships with S. Doubts increased when each cash deposit transaction was followed by withdrawals through cheques all drawn in favor of K, who has no clear business relationship with S.

The findings of the analysis conducted by the FIU were as follows:

- Cash deposits totaling USD 578,000, the value of each deposit does not exceed USD 10,000 followed by cheques withdrawn to the order of one beneficiary that has no clear business relationship with the customer.
- Upon reviewing the account opening documents and the “Know Your Customer” card, no additional information on the customer was found other than he owns four cars he leases to make an additional income.
- The concerned bank questioned S. about the transactions recorded in his account but he did not give any logical justifications about them or any related documents.

The “SIC” decided to refer the file to the Public Attorney at the court of cassation who in turn referred it to the appellate public prosecution for follow up; the public attorney at the court of cassation issued an order to prosecute S. before the appellate public prosecution by virtue of the provisions of law No. 318/2001.

## **15) Financial transfers/Using bank accounts abroad**

### **Case No. 24: Sudan**

The suspect receives transfers of large and repeated amounts of money from abroad for the sole same purpose in every transfer (family obligations). Having perused the transfers made in a definite period, it was noted that they were made during short intervals of time by only three individuals handling all the transfers subject of suspicion. There are indicators that raise suspicion regarding such transactions such as:

- Structuring the transfers.
- Using a repeated purpose in the transfers (family obligations) and the significance of the amount.

The FIU analyzed the case and requested additional information where it contacted the FIU in the country issuing the transfers in order to provide us with information about the originator of the transfer and to verify whether any of them is a suspect in his home country. After perusing the transfers made in a certain period, it was noted that they were executed during short intervals of time by only three persons handling all the transfers subject of suspicion. The FIU in the country issuing the transfers was contacted in order to provide us with information about the transfer originator and to verify whether any of them is a suspect in his home country. The case is still under investigation.

## Case No. 25: Lebanon

The Special Investigation Commission received a report from the local bank (A) stating it has doubts regarding the movement of one of its customer's account who works as a school bus driver and who received an electronic transfer of USD 480,000 from bank ("B") outside the country, shortly after opening the account, which is inconsistent with his declared business. The customer declared, when he was questioned, that he is not the beneficiary owner of the funds and that the transfer is generated from the trade of real estates in favor of the originator. Then, he transferred the full amount to the beneficiary owner's account held at the same bank. After a short period, bank "A" received a letter from bank "B" regarding the subject of the same transfer, stating that there is a forgery in the signature of the account holder. Therefore, it requested to freeze any unpaid balance to the customer. The bank also suspected the customer as the transactions made are inconsistent with his declared business and the transfer was made shortly following the opening of the bank account.

The findings of the investigations conducted by the SIC and the inquiry made at the Financial Intelligence Unit in country "B" revealed the following:

- The investigations revealed that the real source of the funds is generated from the crime of forgery, embezzlement and misappropriation committed outside the country and the proceeds of this crime were transferred to a bank account inside the country which was opened with forged evidentiary documents.
- The customer's account was opened at bank "A" with a false ID.
- There is a kinship between the beneficiary owner of the funds and one of the employees of bank "B" who forged the signature of the account holder and who executed the transfer.
- The originator reported the fraudulent operation to bank "B" and requested to recover the amount.
- As a result of the investigation in the accounts of the beneficiary owner of the funds, it was found that he withdrew all the amount of the transfer by virtue of two cheques that he deposited in his account at bank "C" inside the country. Afterwards, he withdrew part of the funds in cash and transferred the remaining balance to the account of one of his relatives in the same bank.
- The SIC took many decisions to freeze the accounts of all the above mentioned persons in the concerned banks, to lift the banking secrecy on such accounts and to refer the file to the competent judicial authority. It has also decided to provide the Financial Intelligence Unit in country "B" with the content of the above mentioned decisions and the balances of the accounts which were frozen.

The public attorney's office at the court of cassation decided to submit the documents to the appellate public prosecution to take the necessary action against the persons involved in the case according to law No. 318/2001 related to combating money laundering.

## Case No. 26:Lebanon

The SIC received a suspicious transaction report from a local bank (A) regarding (T), a residing foreigner working as legal and economic consultant who opened an account with it. He provided the bank with names from different companies abroad as source of his funds and he stated that he intended to establish many companies for commercial purposes.

One week following the account opening, (T) came to the bank accompanied by a lawyer and 2 individuals (X) and (I) and requested to issue a deposit certificate for the establishment of a company, after depositing the value of the capital in the account distributed among the partners (T), (X) and (I). After one more week, (I) came to the bank and claimed that he represents the owner of the account (T) and requested the branch management to withdraw a transfer for the amount of USD 10,000,000 sent to the order of (T) from an offshore bank. The bank verified the documents submitted and found that the transfer request is forged. (T) returned to the bank to follow-up the transfer and requested to issue a cheque book for his account. The bank rejected his request in view of the doubts it had regarding (T) and his companions. The latter withdrew the balance of his account and closed it and withdrew the amount deposited as capital of the company after he produced the contract for the cancellation of the articles of association of this company. The bank suspected this transaction and submitted a report to the SIC, stating that it has suspicions regarding the above mentioned persons for the following reasons:

- Submission of forged transfer documents
- Attempt to issue a cheque book
- Establishment of a company to carry out suspected business

The SIC initiated analysis regarding the facts and upon verifying the names of the involved persons, it has found out that the name (T) was mentioned in a report of unknown source stating that R. was trying to open accounts in Lebanese banks in order to transfer suspected funds without mentioning any additional details. The SIC also asked the banks and the financial institutions about the names of the persons and companies mentioned above, where most of them stated that they held no accounts, except for some banks which showed that they have either closed accounts or accounts with minimal amounts. It also decided to lift the banking secrecy regarding such account opened at bank “A” and to refer the file to the general attorney’s office at the court of cassation.

The investigations also revealed that the attorney’s office at the court of cassation discovered that Mr. (X) and (I) were victims of an act of fraud perpetrated by (T) who tried, through them, to open bank accounts to be used for the deposit of suspicious funds.

The attorney’s office at the court of cassation decided to prosecute Mr. (T) only for money laundering offence and to drop any measures taken against Mr. (X) and (I).

## **16) Using a Fake ID Card**

### **Case No. 27: Yemen**

The General Director of a governmental authority signed eight cheques and deposited them with the Financial Director of the said authority in case he suddenly travelled outside the country. Blank cheques were stolen from the office of the Financial Director by a group of experienced persons; they forged the seal, deducted the tax in relation to the amounts thereof and the cheques were submitted to the Central Bank for collection from a Commercial Bank. An account under a fake name was opened in the day preceding the operation using fake identity cards. The amount was transferred to the said bank in order to transfer the cheque currency into USD by the exchange company. The accused used a part of the money to buy a large vehicle (locomotive) and transfer another part outside the country through the family of one of them by hiding it in the airports during their travel to another country. Several suspicion factors emerged of these transactions, namely:

- The Central Bank received a report from the governmental authority on the loss of five exchangeable blank cheques + 3 tax cheques.
- Opening an account in a commercial bank for the purpose of transferring an amount from the Central Bank only and exchanging the cheque's currency to USD.
- Withdrawing amounts directly after deposit.
- Using fake identity cards.
- Smuggling funds abroad.
- Suborning anyone assisting them against small services such as a gift against the facilitation or provision of a service.

When the Unit conducted financial analysis to the transaction, several results appeared; upon inquiring about the suspected in financial institutions, an account for the suspected was found in the commercial bank (where the money was transferred to) which was opened during the same period for the same purpose above, it was further revealed that part of the money was transferred to USD on the same day. Additionally, the collected papers proved that signatures were forged on stolen governmental cheques. The Unit received a notice from the Prosecution on an inquiry of persons related to the suspect and suspicious transaction. An inquiry in this regard was requested from other units since part of the stolen money was transferred outside the country and they were provided with all necessary information.

The analysis proved the money laundering act by transferring the amounts from one bank to another and to a fake account and transferring their majority into USD as well as providing false data in official papers and hiding the source of funds by buying a locomotive as a tangible method to spend the money the soonest. The case was referred to the Prosecution with the misappropriation of funds as the predicate offense in addition to other crimes, namely:

- Crime of forging seals
- Crime of money laundering.
- Crime of forging and falsifying official documents.
- Crime of misleading justice.
- Crime of providing false data (false declaration) in official documents.

Two of the main accused were imprisoned for seven years for each of the crimes mentioned above, along with taking into consideration the most serious crime (misappropriation of public funds) and paying the litigation expenses. Five accused were imprisoned for two years for the most serious crime which is money laundering along with returning the acquired funds and selling the locomotive. The employee responsible for the negligence in maintaining the documents and cheques despite the existence of a safe box was punished with one year imprisonment.

## **18) Terrorism Financing**

### **Case No. 28: Bahrain**

The Financial Investigation Department (FID) received information stating that an armed terrorist group exists in the Kingdom. The investigations conducted by the FID revealed the existence of an armed terrorist group whose members are receiving training on using weapons and explosives in addition to communicating with State (A) in order to execute terrorist plans and finance the missions of the organization by several persons.

By virtue of the permits issued by the Public Prosecutions to reveal and seize the movables and immovable accounts of the accused as well as the investigations conducted by the Department revealed several financing operations by external sources associated with international terrorist groups through one of the accused who is distributing them in hand or through banking transfers to the remaining members of the group.

It was also revealed that a member used Asian individuals residing in State (B) to transfer such amounts (through exchange companies) to the Kingdom as well as to receive amounts by Asians residing in Bahrain against a small commission for the transfer in order to hide the illegal source of funds while taking into consideration that the accused used State (B) as an intermediary to transfer money from and to the country.

Another method was used to conceal the source of illicit funds, where one of the organization members deposited the cash amounts received from other terrorist groups in bank accounts belonging to one of the individuals outside the Kingdom, then transferred the same to the account of another member inside the Kingdom; also a bank account was used for a commercial register closed since 2006 and belonging to one of the group members, where large amounts were injected therein, then a number of checks were drawn to the order of another member, who used the amount for recruiting, mobilizing and sending persons to the State (a) to be trained on the execution of terrorist acts inside the Kingdom.

Moreover, it was revealed that many of the accused members transferred relatively small cash amounts to several key individuals in the terrorist group, while being outside the Kingdom, through several exchange companies, in order to scatter any doubts about the source of these funds, given their small amounts, and hide the formation of the terrorist cell and any state used as relevant headquarters. Furthermore, it was found out that some accused own many boats, that have no doubt helped them in their own transportation and in the transportation of the funds from/to the Kingdom.

The operations above revealed a number of suspicion indicators, namely:

- Cash deposits in bank accounts abroad.
- Use of other individuals of foreign nationalities.
- Misuse of a bank account for a closed commercial register.
- Deposit of large cash amounts then issuing checks to the order of third parties without clear relationship.
- Many transfer operations locally and abroad.

The findings of FID analysis revealed important information, whereas the Central Bank provided the Unit with all required bank statements belonging to the accused, which actually prove their conviction, given the social situation of some of the involved individuals and the amount of money transferred and received by them, in addition to the states from which the funds are received, the methods of transfer / receipt of funds (using other persons for the transfer and receipt of funds in their name), and the use of bank accounts in other states for the transfer of funds through the account of a commercial register closed since about 7 years inside the Kingdom. It has been revealed, through the analysis of the statements of the exchange companies, that one of the involved has made small money transfers to a state which was proved to include high support for terrorism in order to scatter suspicions on the source of the funds, and not to detect the terrorist cell and relevant financing in any state considered as its headquarters. The Unit was also provided with all data related to the commercial registers owned by the accused along with the current status of those commercial registers, which indicate that the commercial register where the amount was injected is closed since 2006. In cooperation with the Coast Guard Directorate, we were able to identify that some of the accused own boats that they used within the scope of terrorism organization and the transportation of funds across states.

The Financial Investigation Unit requested information from a counterpart Unit in the State (b) through the Interpol, concerning the accused individuals, namely the operations they undertake and the suspicious financial movements. Accordingly, it was revealed to the competent authorities in the state (b) that many suspicious transactions do exist, and which are certainly beyond the legitimate limits of both states.

Based on the information submitted as stated above, which were actually perused by the Head of the Public Prosecutor's Office, a case was filed and considered before the Supreme Criminal Court, and the latter rendered final judgments against some of the accused in the case, pending the appealed judgment against the others.

### Case No. 29:

Many persons made deposits in the account of the person subject of the STR, and amounts were used to be withdrawn in cash. It is worth noting that these transactions are not proportionate to the previous transactions with the reporting bank, which constituted the first suspicion indicator against that person.

The FIU started analyzing the case and relevant findings were as follows:

- Upon checking, it was revealed that about 2 years ago, the account of the person subject of the STR received many deposits from several persons, which are inconsistent with his previous transactions; and lately, he has withdrawn most of the amounts that were held in his account.
- Upon checking the open sources, it was revealed that the person subject of the STR was previously arrested for holding weapons and Molotov bottles.
- Upon investigation, it was revealed that the aforementioned person is one of the leading members financing an undeclared group; and he has previously provided the elements of the aforesaid group with weapons to be used in the latest events witnessed in the country. The case is still under investigation.

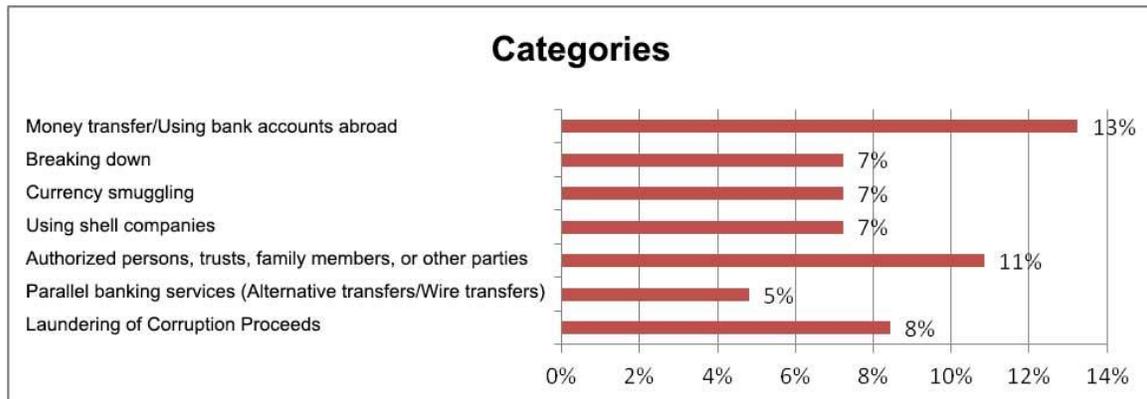
## **Second Theme: Analysis of the Case studies**

A certain methodology was adopted to analyze the case studies in order to determine the following:

- 1- The category within which the case falls according to the categories set forth in the annex.
- 2- Type of the party/entity through which the case was executed: (bank / securities company / insurance company / exchange company / non-financial institution, etc...).
- 3- The tools used in the case: (cash / checks / documentary credit / life insurance documents / shares, etc...).
- 4- The techniques: (Structuring/Smurfing whether in the deposits, withdrawals, or the opening of several accounts/ under or over invoicing/cross border money transfer/replacing small banknotes with large banknotes/ transfers/use of falsified credentials/shell companies/ settlement of loans, etc...).
- 5- The case related suspicion indicators.
- 6- The predicate offence proven and the penalty/sanction imposed for the ML or TF crime.
- 7- The findings reached by the FIU following the financial analysis of the case, and the results of the inquiries and/or investigations made by law enforcement authorities.

Here below are the results of the analysis:

### **First: The Category**

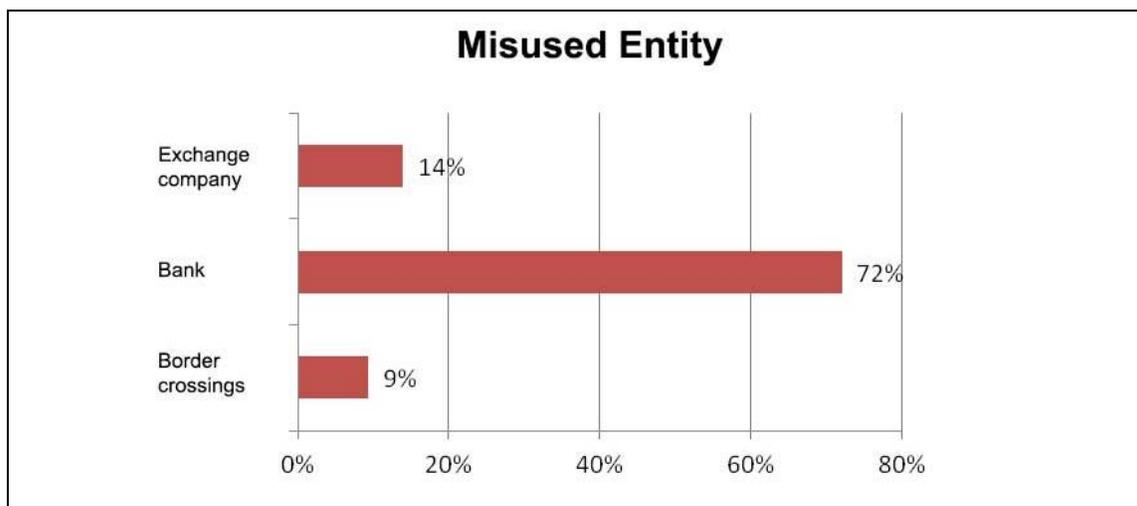


The cases were listed according to the classification of the categories: the case is allocated to the category that most describes it, knowing that many cases may be classified within more than one category. To produce a comprehensive report, and in order not to allocate the cases to specific categories which would reflect some clear partiality in the report, the weighting method was adopted so each case is allocated to its pertinent category directly; if such category includes a sufficient number of cases, the classification will be made in the closest category lacking case studies.

Following the review of all cases, and after taking into consideration all categories to which the case can be allocated, the above illustration was designed to represent the main categories within which the case studies fall; the category of the “money transfers / use of bank accounts abroad” is the main one, followed by the category of “use of nominees(authorized persons), trusts, family members or other parties”, with the category of “laundering the proceeds of corruption” ranking third, followed by the categories of “Structuring/Smurfing (breaking down)”, “currency smuggling”, and “use of shell companies”.

## Second: Misused Entity

The report covered several parties misused for money laundering or terrorism financing purposes and which include: border crossing points in all its forms, financial institutions (banks, exchange companies/offices, etc...) and other non-financial institutions.

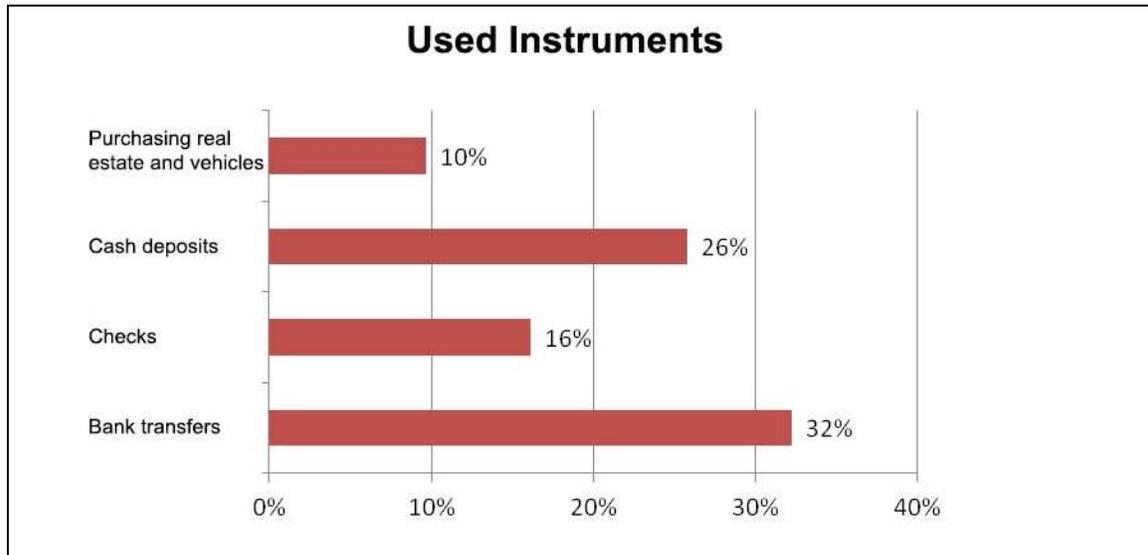


The illustration above explains that banks are the most targeted and misused parties by money launderers and terrorism financiers (72%), followed by the exchange companies (14%), which means that the banking sector in both parts thereof (banks and exchange entities) obtained 86%, and which also indicates that the financial institutions are clearly targeted – this conclusion actually is consistent with the findings of the last typologies report on ML/TF trends and indicators in the MENA region issued by the MENAFATF in 2010, and the subsequent update thereof issued in 2013.

The percentage of misusing the sector of the border crossing points (ports and airports) represents 9% according to the case studies.

### Third: Used Instruments/Tools

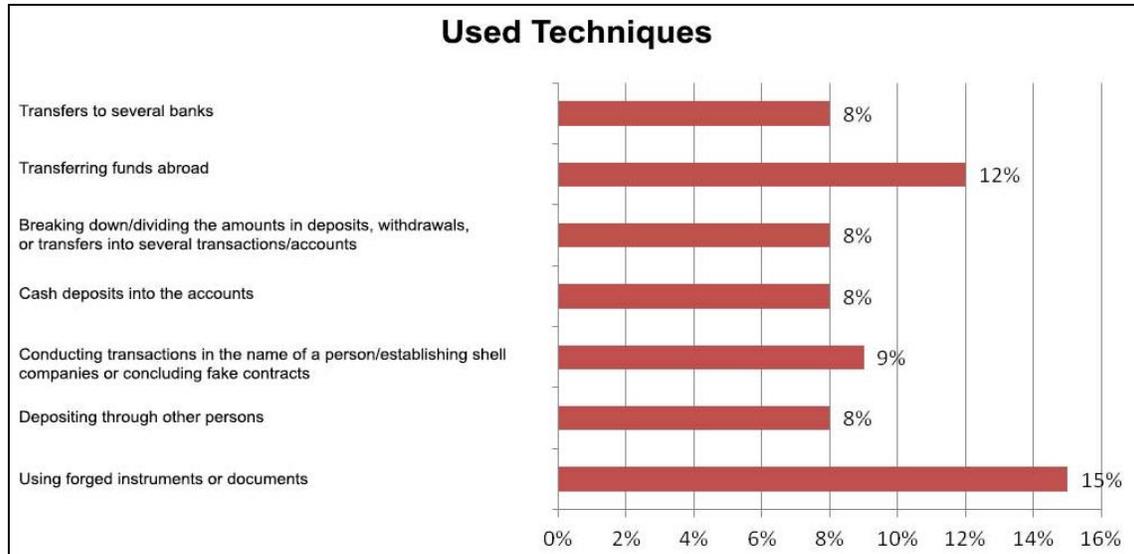
The tools used by money launderers and terrorism financiers include according to the cases listed in the study, those reproduced below:



**Bank transfers:** This tool was present in most of the cases, where it reached 32% of the total, being the most used one.

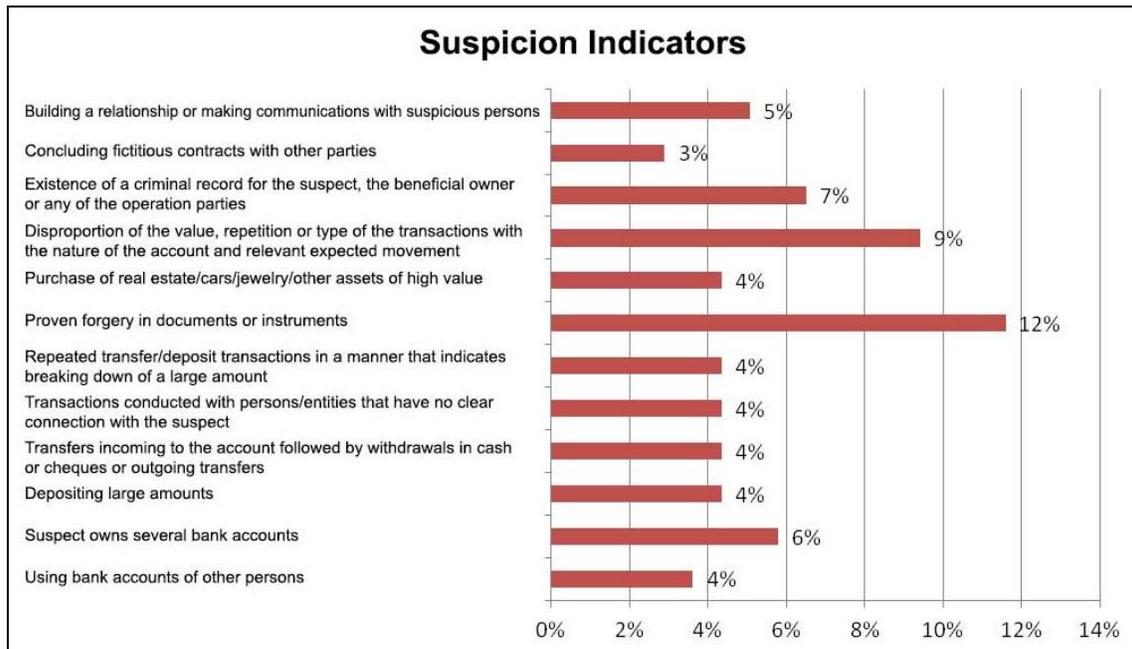
1. **Cash deposits:** This tool represented 26% of the cases; this is common in the society subject of the study, whose economy is based on cash.
2. **Checks:** This tool is ranked third with 16% of the total tools used. It is noted that the bank transfers, cash transfers and checks all together represent 80% of the tools used, which confirms what the study revealed as to the targeting of the financial and banking sector in particular by the criminals.  
The study showed as well other banking tools, including the cash dealing (2%), check deposits (3%) and documentary credits (2%).
3. **Purchase of properties and cars:** This technique is highly used; it represents by itself 10% of the total tools; it is worth noting since the criminals have recourse to it when clearly filling all gaps in the financial and banking sector.

## Fourth: Techniques



The techniques consist of the technical means followed to execute the decided plans comprehensively, including all tools and methods deemed necessary for the execution process. A number of techniques was used, mainly the “use of falsified/forged documents” (15%), followed by the “money transfer” (12%), then the “dealing through shell companies or concluding fictitious contracts” (9%).

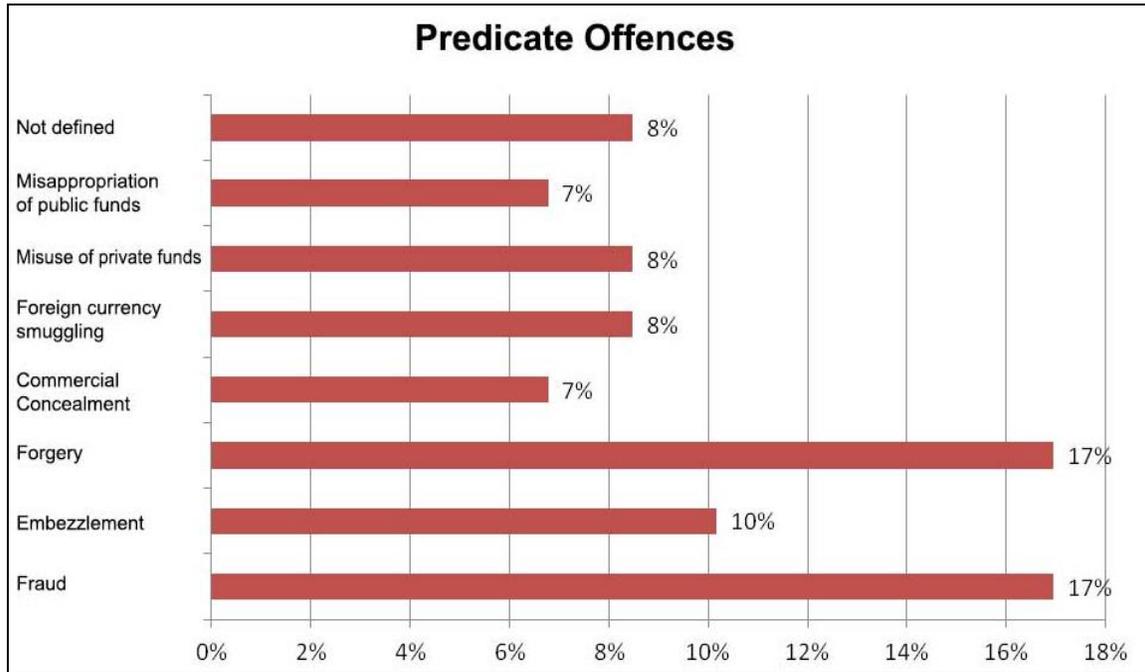
## Fifth: Suspicion Indicators



The study covered a number of indicators, the most important of which were:

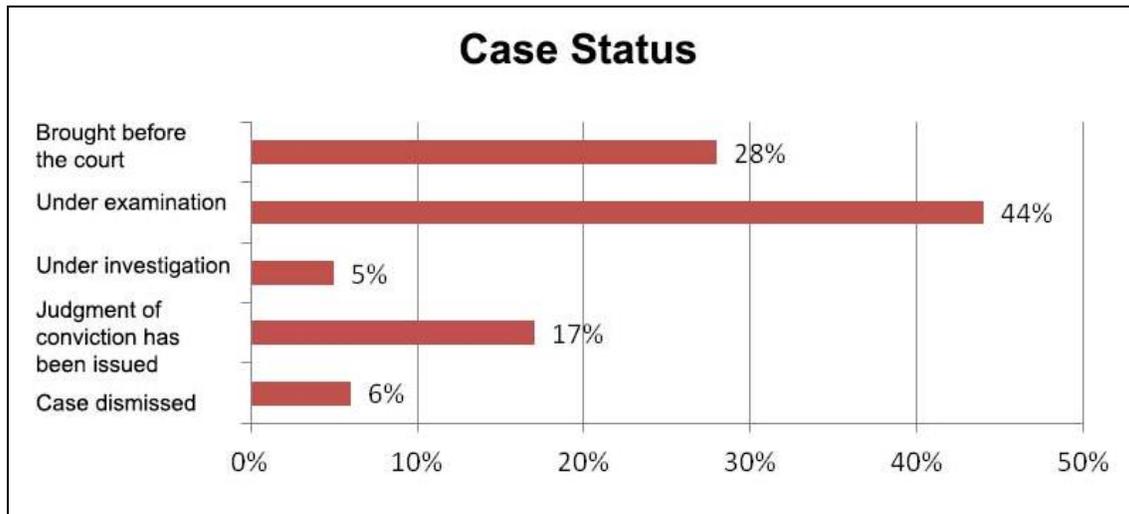
1. The highest percentage was 12% of the cases and it is related to the category of “falsification proved in official documents and papers”; this is probably the result of the predicate offences committed as indicated in the report.
2. The indicator which ranked second with 9% is the “disproportion of the value or type of the transactions with the nature of the account and relevant expected movement”.
3. The percentages of the remaining indicators are various and do not constitute a considerable part; they are considered as normal; however, the “presence of a criminal record for the suspect” was also one of the indicators reaching 7% of the cases.

## Sixth: Predicate Offence



The cases revealed that most of the predicate offences are familiar crimes, with no complicated crimes such as the electronic crimes, even if some of the offences are unquestionably serious like the drug trafficking crimes. In this report, the highest percentage of predicate offences is represented by the “forgery crimes” with 17%, and a similar percentage was recorded for the “fraud crime”, same being a complementary offence to the first. The “embezzlement crimes” ranked third with 10%, followed by the crime of “currency smuggling” with 8%, and the rest of the crimes reached relatively low percentages according to the statistics. This result is consistent, to a great extent, with the outcomes of the report on ML/TF trends and indicators of the year 2010 mentioned above.

## Seventh: Case Status



The legal status of the case is the summary of the efforts expended by all local and international authorities involved in fighting money laundering and terrorism financing; it clearly shows the efficiency of the AML/CFT system in the country, which is actually linked to many aspects like the extent of progress made by the state at the legislative and legal levels. The case status in the MENA jurisdictions revealed the following:

1. 44% of the cases are under investigation/examination.
2. 28% of the cases are brought before the courts.
3. 17% of the cases were a conviction judgment was issued.
4. In 6% of the cases, the results showed the absence of ML/TF suspicions and were accordingly dismissed.
5. 9% of the cases are under investigation.

The cases provided by the jurisdictions are of good quality, given that approximately 45% of them reached the judicial stage (the cases for which a judgment was rendered and the cases that are brought before the courts); such percentage would increase to reach 89% should we add the cases that are still under investigation.

# (ANNEXES)

## **ANNEXES:**

### **Questionnaire for Submitting Information**

### **MENAFATF Biennial Typologies Report - 2014**

#### **Introduction**

The plenary meeting (November 2014) approved Technical Assistance And Typologies Working Group (TATWG) recommendation on adopting the procedures to issue a biennial typologies report which reflects the most recent case studies and patterns of ML/TF transactions in the region which are identified and provided by the members.

The report will be made of around 50 cases studies and will rely on gathering 2 to 5 cases from each member jurisdiction related to the categories listed in annex no (2) and supported with guiding examples in annex no (3); the categories will represent the most common and prevailing ML/TF operations on the regional and international level.

To this end, this questionnaire (annex no 1) was drafted to compile case studies from member jurisdictions according to the instructions below:

#### **1) Cases required and the categories:**

Each member jurisdiction shall provide the Secretariat with case studies (3 to 5 cases) that fall under any of the identified categories (or others, if any) in annex no. (2) and which were either convicted or still heard before courts or under investigation or cases where the FIU found strong evidence of suspicion or were referred to law enforcements agencies (LEAs). Reference can be made to the database of the FIU of the jurisdiction and the databases of LEAs to reach such cases.

#### **2) Aspects to be considered when filling the questionnaire**

1- Each case should have a reference made of the first 3 letters of the name of the jurisdiction in English and a serial number, for ease of reference with regard to some cases (Example for the Kingdom of Bahrain: BAH 01).

2- Identify the category where the case belongs to according to the categories listed in annex no (2).

3- Case Description (summary of the case and the sequence of events since beginning) using fictitious names and numbers or symbols for the names of natural and legal persons, names of cities, jurisdictions, FIs and non FIs, accounts numbers; only the amounts and currencies may remain unchanged.

4- Type of entity through which the case was completed: (Bank/Securities Company/Insurance Company/Money Exchange House/Non-Financial Institution (to be mentioned) etc....).

5- Used Tools: (Cash/Cheques/Documentary Credits/Life Insurance policies/Shares/Bonds,etc..).

6- Techniques: (Structuring whether in deposits or withdrawals or opening several accounts/over or under invoicing/ cross border transportation of funds/replacing small denominations with large denominations/transfers/ providing fake or false identification documents/shell companies/ settlement of loans, etc....).

7- Case Suspicion Indicators.

8- Outcomes of FIU financial analysis, and outcomes of LEAs investigations and/or inquiries.

9- Proved Predicate offense and the sanction for ML/TF crime.

**Accordingly, members are kindly invited to fill this questionnaire and provide the case studies based on the previous presentation through the form attached no later than Sunday 27 April 2014.**

**Annex No. (1):**

**Form To Submit Information Regarding The MENAFATF Biennial  
Typologies Report - 2014**

Kindly provide 3 to 5 case studies as explained above.

*(Please state the following information for each case)*

<b><u>Reference No:</u></b> .....
<b><u>Case Description :</u></b> ..... .....
<b>Category (According To Annex No.2):</b>
<b>(Type of) Entity Where The Case Occurred:</b> .....
<b><u>Tools And Techniques Used:</u></b> ..... ..... .....
<b><u>Suspicion Indicators:</u></b> ..... ..... .....
<b><u>Outcomes Of FIU Financial Analysis And The Findings Of The Investigations And/or Inquiries:</u></b> ..... .....
<b><u>Predicate Offense And Sanction/Status Of The Case (Heard Before The Courts/Under Investigation/Under Inquiries):</u></b> ..... .....

## **Annex No. (2)**

### **Categories Of The Case Studies**

- 1) Transactions related to corruption (Corruption to facilitate money laundering and terrorism financing).
- 2) Laundering corruption proceeds.
- 3) Misusing Charities for terrorism financing.
- 4) Using offshore banks, international commercial companies and offshore trusts.
- 5) Using virtual currencies.
- 6) Using professions such as (lawyers, notaries and accountants).
- 7) Trade Based Money Laundering
- 8) Underground Banking/Alternative Remittance Services/Hawala.
- 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 metals and precious stones.
- 14) Human trafficking and smuggling.
- 15) Use of nominees, trust, family members or other parties.
- 16) Gambling activities (Casinos, Horse- Riding, Internet Casinos, etc).
- 17) Purchasing high-value goods (Art, Antiques, Horse Racing and Vehicles, etc)
- 18) Investing in capital markets and use of intermediaries.
- 19) Mingling: Comingling illicit proceeds with legitimate funds and investing them in commercial activities.
- 20) Use of shell companies.
- 21) Financing the proliferation of Weapons of Mass Destruction.

- 22) Illicit Felling trees.
- 23) Currency Exchange.
- 24) Currency Smuggling.
- 25) Use of Credit Cards, Cheques and drafts...etc.
- 26) Smurfing / Structuring.
- 27) Financial transfers/Use of offshore accounts.
- 28) Commodities Exchange (Swapping - for example: reinvesting in illicit drugs).
- 29) Using false or fake identity.

**Kindly check Annex no (3) for guiding examples.**

### Annex No. 3

#### **Guiding Examples On The Categories Of The Cases**

**Transactions related to corruption (corruption proceeds 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 were bribed or influenced to allow money laundering.

**Alternative Remittance Services (Hawala and others):** Unofficial or Underground Remittance Systems based on trust- that may be prohibited in some jurisdictions. Settlement systems that may be through official financial sector or through trade or cash couriers or the like. They may be misused to carry funds without disclosing them and to hide the identity of the person controlling such funds.

**Cash Courriers/ Currency Smuggling:** Physical transportation of cash to avoid implementing currency reporting procedures.

**Trade Based Money Laundering:** Use of trade, finance leasing, structure and share of companies to facilitate or hide or transfer illicit funds locally and internationally.

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

**Exploiting Non Profit Organizations:** They can be exploited to gather terrorist funds and hide their source, nature and distribute them for terrorism financing.

**Using professions such as (lawyers, notaries and accountants...etc.):** Using other parties to hide the controlling person and the source of funds. They may include corrupted individuals, who provide, as undercover consultants, services to the criminals to launder their funds.

**Structuring/Smurfing:** 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 and reported.

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

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

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

**Offshore Banks and Companies:** Used to hide the identity of the individuals who have a controlling share of the funds and to move away funds from local regulatory authorities.

**Credit Cards, Cheques and drafts:** 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 facilitate smuggling cash to other areas and misuse the limited reporting requirements of the exchange companies in order to mitigate the risk of being detected - whether purchase of travelers checks to transfer funds to other countries.

**Nominees, Trusts, Family members or other parties:** 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.

**Offshore banking accounts:** Used to move funds away from the local authorities and to obscure the identity of the individuals who control the illicit funds.