



Middle East and North Africa
Financial Action Task Force

Mutual Evaluation Report 8th Follow-Up Report for Morocco

Anti-Money Laundering and Combating the Financing of Terrorism

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Kingdom of Morocco

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This report provides an overview of the measures that Morocco has taken to address the major deficiencies relating to Recommendations rated NC or PC since its last mutual evaluation. The progress shown indicates that sufficient action has been taken to address those major deficiencies, and in particular those related to R1, R3, R5, R13, R23, R26, R40, SRI, SRII, SRIII and SRIV. It should be noted that the original rating does not take into account the subsequent progress made by the country.

8th Follow-Up Report for the Kingdom of Morocco

Application to Move from Regular Follow-Up to Biennial Updating

A. Introduction

1. The 6th Plenary Meeting adopted the mutual evaluation report (MER) of the Kingdom of Morocco on 6 November 2007. As a result of the content of that report, Morocco was under regular follow-up according to the paper on mutual evaluation process procedures. Morocco submitted its 1st follow-up report in November 2009 and a number of follow-up reports as follows: 2nd follow-up report in May 2010, 3rd follow-up report in November 2010, 4th follow-up report in May 2011, 5th follow-up report in May 2012, 6th follow-up report in November 2012 and 7th follow-up report in May 2013. Upon discussing the 7th report, Morocco expressed its hope that the 18th Plenary Meeting examines its desire to exit the regular follow-up process to biennial update.

2. This paper is based on the procedure for removal from the regular follow-up, as agreed by the 12th Plenary Meeting in November 2010. The paper contains a detailed description and analysis of the measures taken by Morocco in respect of the core¹ and key² Recommendations rated Non Compliant (NC) and Partially Compliant (PC) in the MER. It also contains a description and analysis of the other Recommendations rated PC or NC. In Annex 1, we are including a list of the major laws and documents relating to AML/CFT regime in Morocco. The procedure requires that the Plenary Meeting considers the removal of the country from the regular follow-up if it has, in the opinion of the Plenary Meeting, an effective AML/CFT system in force, under which the country has implemented the core and key recommendations at the level essentially equivalent to a C (Compliant) or LC (Largely Compliant) taking into consideration that there would be no re-rating.

3. Morocco was rated C and NC on a total of 25 recommendations:

Core Recommendations rated PC or NC
R1, R5, R13, SR2, SR4
Key Recommendations rated PC or NC
R3, R23, R26, R40, SR1, SR3
Other Recommendations rated PC
R11, R18, R27
Other Recommendations rated NC
R6, R7, R8, R12, R15, R16, R17, R19, R20, R21, R22, R24, R25, R29, R30, R31, R32, SR6, SR7, SR8, SR9

4. As prescribed by the procedures of removal from the regular follow-up, Morocco provided the Secretariat with a full report on its progress. The Secretariat has drafted a detailed analysis of the progress made by Morocco for the core and key recommendations rated NC or PC, as well as an analysis of the other Recommendations rated NC or PC. The Secretariat presented its report to the Moroccan authorities including some inquiries and requests. Some comments made by the Kingdom of Morocco were taken into consideration. Morocco provided all the documents and information requested by the Secretariat during this process.

¹ The Core recommendations as defined in the FATF procedures are: R1,R5, R10, R13, SR2, and SR4.

² The key Recommendations as defined in the FATF procedures are: R.3, R.4, R.23, R.26, R35, R.36, R.40, SR.I, SR.III and SR.V.

5. As a general note on all applications for removal from regular follow-up: the procedure is described as a paper based desk review, and by its nature is less detailed and thorough than a mutual evaluation report. The analysis focuses on the Recommendations that were rated NC or PC, which means that only a part of the AML/CFT system is reviewed. Such analysis essentially consists of looking into the main laws, regulations and other material to verify the technical compliance of domestic legislations with the FATF standards. In assessing whether sufficient progress had been made, effectiveness is taken into account to the extent possible in a paper based desk review and primarily through a consideration of data provided by the country. Any conclusions in this report do not prejudice the results of the future assessments, as they are based on information which was not verified through an on-site process and was not as comprehensive as would exist during a mutual evaluation.

B. Main conclusion and recommendations to the Plenary Meeting

Core Recommendations

6. **R.1 (Criminalization of money laundering):** The majority of deficiencies relating to this recommendation were addressed through amending the AML law. ML criminalization forms were broadened and the predicate offences list was broadened to include the twenty offences set out in the Methodology, except human trafficking and illicit trade in goods, which were not criminalized in the Moroccan criminal law. Moreover, the ML act was extended to include the proceeds derived from predicate offences directly or indirectly, while noting that the amended AML law punishes the commission of ML crimes even if predicate offences are committed outside Morocco. It is noteworthy that one of the ML forms (acquisition, possession and use) were linked to a special purpose namely concealment or disguise of the real nature or illicit source of properties, which does not agree with the relevant international conventions.

7. **R.5 (Customer due diligence):** Deficiencies relating to this recommendation were addressed through amending the AML law and adding the financing of terrorism to all the obligations set out therein. The law covered the main obligations related to due diligence measures such as the requirement to gather all elements of information enabling the identification of customers by all subject persons, refraining from opening anonymous or shell accounts, identifying regular or occasional customers and beneficial owners, classifying customers according to the degree of risk, adding a definition of the beneficial owner, verifying the subject and nature of the business relationship, obliging the subject persons to update their customers' files continuously and terminating the business relationship in case of failure to apply due diligence measures by the subject persons. Bank Al-Maghrib issued instructions to the credit institutions regarding the due diligence obligations imposed on them. The Social Security Directorate also issued its circular regarding due diligence requirements. The CDVM issued a circular to companies under its control and the exchange office issued a circular to the foreign currency stores in this regard.

8. **R.13 and SR.IV:** Deficiencies related to this recommendation were addressed through amendments made to the AML law and expanding the range of predicate offences to include the twenty designated predicate offences in the Methodology. The persons subject to the law were also required to report all amounts, transactions or attempts to execute operations suspected of being associated to ML crimes and relevant predicate offences and the TF crime in addition to identifying the institutions addressed by the law and addressing the deficiencies related to the criminalization of the financing of terrorism.

9. **SR.II (Criminalization of terrorist financing):** Deficiencies in this recommendation were addressed through amending the chapter the criminalization of terrorist financing in the criminal code. Criminalization in Morocco now includes the criminalization of forms of collecting and using funds or

properties with the intention to be fully or partially used by a terrorist or a terrorist organization or to commit a terrorist act whether or not the act took place. In addition, a definition of funds was put in place to include all elements set out in international conventions.

10. As a general result, it can be said that the level of compliance of Morocco in these recommendations can be rated as equivalent to “LC”.

Key Recommendations

11. **R.3 (Confiscation and provisional measures):** Deficiencies related to this recommendation were addressed through the amendments made to the chapter on confiscation as a criminal sanction in case of conviction of a terrorist financing crime as part of the criminal code. The confiscation sanction for all objects, funds and properties used or would have been used in the crime, its derived proceeds or equivalent value in addition to the need to rule with confiscation in ML/TF crimes. Funds subject to confiscation were also expanded to include proceeds of crimes and for the provisional measure to include all properties that can be subject to confiscation.

12. **R.23 (Control and Supervision):** Deficiencies related to this recommendation were addressed through asking the competent regulatory and supervisory entities to ensure the compliance of subject persons with law. The remaining subject persons were also subjected to procedures of verification of integrity of owners or those in control of the legal persons; and money and value transfer companies were subjected to the AML/CFT law requirements.

13. **R.26 (Financial Information Unit (FIU)):** Deficiencies related to this recommendation were addressed as the FIU was established by virtue of the decree no. 2-08-572 as an entity with an administrative nature comprising the Unit's president and members representatives of the Ministries of Justice, Interior and Finance, Bank Al-Maghrib, the General Directorate for National Security, the Royal Moroccan Gendarmerie and the Customs and Indirect Taxation Department, CDVM and the exchange office. The internal law for the FIU was also issued by virtue of decision no. (05-10) by the Prime Minister, which includes in detail the competencies of the FIU and its president, its administrative and financial systems and method of operation. The FIU also issued a number of decisions in framework of implementing the AML/CFT law, which are related to the rules of freezing properties because of a terrorist crime and rules, conditions and method of reporting a suspicion by the persons subject to the law and the decision related to the obligations of the persons subject to the control of the FIU and the terms of this control.

14. **R.40 (Other Forms of Cooperation):** Deficiencies related to this recommendation were addressed when the competent authorities monitoring the financial sector activated cooperation with parallel entities in the field of exchange of information. The competent entities in Morocco also signed Memorandums of Understanding (MoUs) with a number of parallel and unparallel entities with the aim to reinforce international cooperation in exchange of information.

15. **SR.I (Implementation of UN instruments):** Morocco addressed deficiencies relating to the implementation of UN instruments through the ratification of Palermo Convention, Vienna Convention and the Terrorist Financing Convention, the implementation of the Security Council Resolution 1267 and subsequent resolutions and issuance of executive procedures regarding the implementation of such resolutions.

16. **SR.III (Freezing and confiscating terrorist assets):** A part of the deficiencies relating to the freezing of terrorist assets was addressed through the AML law. By virtue of Article 37, the law added a power to the competencies of the Unit in receiving and processing requests for freezing properties because of a terrorist crime issued by international agencies qualified to do that. The law also added that

the Unit can order the freezing of such properties as well. On 16 August 2013, the Unit issued decision no. (6) related to the procedures of freezing properties because of a terrorist crime. The decision aims to determine the procedures of applying the freezing of properties of persons mentioned in the lists of Security Council resolutions. Accordingly, it is clear that this legal framework and procedures include the SC Resolution 1267 only. With regard to implementing S/RES/1373, it can be stated that there are measures followed by the supervisors to implement such resolution; however, such measures are not provided for by virtue of a special legal tool in this regards.

Other Recommendations

17. The Kingdom of Morocco addressed a large part of the deficiencies relating to other recommendations. It is noteworthy that making the decision for the removal of Morocco from the follow-up process is primarily based on the core and key recommendations. This report does not provide a detailed analysis with regard to other recommendations.

Conclusion

18. The follow-up procedures indicate that, for a country to have taken sufficient action to be considered for removal from the process, it must have an effective AML/CFT system in force, under which it has implemented the core and key recommendations at a level essentially equivalent to C or LC, taking into account that there would be no re-rating. The Plenary does, however, retain some flexibility with regard to the key recommendations if substantial progress has also been made on the overall set of Recommendations that have been rated PC or NC.

19. With regard to core Recommendations, it can be said that the level of compliance of Morocco on these recommendations can be rated at a level equivalent to “LC”, at a minimum.

20. With regard to key Recommendations, it can be said that the level of compliance of Morocco on the overall Recommendations can be rated at a level equivalent to “LC”, at a minimum; except for SR. III, where Morocco can be rated as equivalent to “PC”.

21. With regard to other recommendations where Morocco was rated NC or PC, it can be said that the level of compliance of Morocco on these recommendations is generally equivalent to a level of “LC”.

22. With regard to effectiveness, Morocco issued 2 ML convictions and 4 convictions in TF crimes; on the level of STRs received during the previous years, the FIU received 97 STRs in 2011, 168 in 2012 and 147 till October 2013 with a total of 6 STRs on TF crimes since 2009 and until date.

23. With regard to the effectiveness of regulatory entities on the financial and non-financial institutions, the capacities of such entities were reasonably enhanced by increasing and training employees, increasing inspection visits of supervisors, which may improve the compliance of some entities with their obligations imposed by the laws and regulations issued related thereto; In general, there are indicators on the existence of an effective AML/CFT regime in Morocco.

24. As a result, and since the level of compliance of Morocco with the core recommendations is rated at a level equivalent to “LC” at a minimum, and the level of compliance with the key recommendations, except SR.III is rated at a level equivalent to “LC” at a minimum, While it can be concluded that Morocco rating with SR.III can be rated at ‘PC’ at a minimum; and whereas ME procedures provide the plenary meeting with some flexibility regarding key recommendations if a substantial progress was made at the level of all recommendations where the country was rated ‘PC’ or

‘NC’; the plenary may retain some flexibility with Morocco as it is an appropriate case for such flexibility.

C. Overview of Morocco’s Progress

Overview of the main changes since the adoption of the MER

25. Since the adoption of the MER, Morocco has focused on amending the AML Law no. (43-05) to correct deficiencies indicated in the MER and completes the execution of some of the law provisions which were not applied during the mutual evaluation of Morocco such as the establishment of the FIU.

The legal and regulatory framework:

26. The AML/CFT regime in Morocco is based on Law no. 43-05 related to AML and amended by virtue of law no. 13-10 amended by virtue of law (145-12) which came to change and complete the criminal code in addition to law no. 22-01 related to the criminal rules. The amendments made to the law no. (43-05) focused on expanding the range of predicate offences of the ML crime and for the ML act to include all ML forms, completing the criminalization of terrorist financing and drafting procedures to prevent ML/TF in addition to identifying the subject persons and clarifying their obligations related to due diligence, internal control and submitting STRs to the FIU. On the other hand, Morocco completed some aspects of implementing the provisions of law no. (43-05) regarding the establishment of an FIU and issuing its own decree. The supervisory and regulatory entities also issued a number of circulars and decisions related to the execution of the AML/CFT law requirements; Bank Al-Maghrib also issued circular no.2/G/2012 related to due diligence obligations for credit institutions and equivalent agencies. The CDVM also issued a circular related to the obligations of the entities under its supervision and control in the AML/CFT law requirements and the exchange office issued circular no. 9/2013 related to the obligations of the exchange stores regarding the AML/CFT law. The insurance and social welfare authority (DAPS) issued its circular no DAPS/EA/116 on 4/07/2011 related to the application of the AML law provisions by the insurance sector. The FIU issued also its circulars no 4 related to the reporting of the suspicion and communication of the information to the Unit no D5/12 on 16/11/2012 related to the obligations of the subject persons under the control of the FIU and to the terms of this control and the circular no 6 related to the rules of freezing properties because of terrorist crimes.

D. Review of the measures taken in relation to the Core Recommendations

Recommendation 1 – Rating (PC)

Deficiency 1: Non-criminalization of transfer of properties and concealing their source or place as one of the ML forms

27. Morocco addressed the deficiency in this recommendation through the legislative amendment in the law no. (13-10) where Chapter (574-1) (amended in law no. 13-10) of the criminal code stipulated that *"the following acts constitute a ML crime when they are committed deliberately and knowingly: "the acquisition, possession, use, replacement, conversion or transfer of property or its proceeds by a person knowing or should have known or suspecting that such property is the proceeds for the purpose of concealing or disguising the true nature or illicit origin of the property or of helping any person when they are derived from one of the offences designated in chapter 574-2"* *"the concealment or disguise of the true nature, source, location, disposition, movement or ownership of or rights with respect to the property knowing that such property is the proceeds of one of the crimes designated in chapter 574-2"*

"helping any person who is involved in the commission of one of the offences designated in chapter 574-2 to evade the legal consequences of his or her action"

"facilitating lying in any way about the source of property or proceeds of the committer of one of the crimes designated in chapter 574-2 through which he/she obtained a direct or indirect profit"

"providing assistance or advice in guarding, employing, concealing, replacing, converting or transferring the proceeds derived directly or indirectly from the commission of one of the crimes designated in chapter 574-2"

"attempting to commit the acts stipulated in this chapter". Accordingly, the ML criminalization includes all forms of money laundering stipulated in the Vienna and Palermo Conventions with regard to "conversion or transfer of property, "concealing or disguising the real nature, source, location, disposition, movement or ownership of property or rights thereof" and "acquisition or possession of property". It is noteworthy that Morocco linked the forms of acquisition, possession and use for a special purpose namely the aim to conceal or disguise its true nature, illicit source or for the benefit of another person, which is not in line with the international conventions as this association is for a special purpose only in forms of conversion or transfer of property only.

Deficiency 2: Not extending the ML act to include proceeds derived directly or indirectly.

28. ML crime in Morocco includes any type of property regardless of its value and constitutes directly or indirectly proceeds of a crime. According to Article 2(1) of Law no. 43-05, property is defined as any kind of tangible and intangible, movable and immovable assets owned by one person or jointly as well as legal contracts or documents that prove the ownership of such property or rights related thereof. Proceeds are defined to include all properties derived directly or indirectly from the commission of one of the predicate offences. Therefore, Morocco addressed the deficiency of this recommendation.

Deficiency 3: Predicate offences do not include all designated categories of predicate offences indicated in Annex 1 of the Methodology.

29. Chapter 574-2 of the AML/CFT law (amended in law no. 13-10) stipulated a list of the predicate offences of the ML crime. Below is a table showing the extension of range of predicate offences in the Moroccan law to include all twenty categories in the assessment Methodology as all twenty categories must be criminalized:

Category	Legislative Tool	Legal Articles Criminalizing the Act(s)
Participation in an organized criminal group and racketeering	Criminal Code	Para. 9 of Chapter 218-1
Terrorism, including terrorist financing	Criminal Code	Chapters 218-1 to 218-3 and 218-4
Trafficking in human beings and migrant smuggling	With regard to migrant smuggling: decree no. 196-03-1 dated 11/11/2003 related to the execution of law no. 03-02 related to entrance and residency of foreigners and illegal immigration issued on 11 November 2003 With regard to crime of human smuggling: penal law, law of smuggling immigrants, law 89-16 on donation, removal,	Chapters 51-55 Chapters (497-504), (471 and 478) and (327-328) of the Penal law.

	and transplantation of organs and human tissue.	
Sexual exploitation, including sexual exploitation of children	Criminal Code	Chapters 497-504
Illicit trafficking in narcotic drugs and psychotropic substances	Decree no. 282-73.1 dated 21 May 1974 related to the prohibition of drug addiction and prevention of drug addicts	
Illicit arms trafficking	Decree 31 March 1937 related to the regulation of acquiring, trading, carrying, possessing and use of arms Decree 30 January 1954 with regard to explosives control Decree 2 September 1958 with regard to the prohibition of violations of the special legislation of arms, gear and explosives.	
Illicit trafficking in stolen and other goods	Penal Code	Chapter 571 of the Penal Code
Corruption and bribery	Criminal Code	Chapters 241-256
Fraud	Criminal Code	Chapters 380-391 and Chapters 540-542
Counterfeiting currency	Criminal Code	Chapters 334-350 and Chapter 357
Counterfeiting and piracy of products	Law no. 17.97 related to the protection of industrial property Copyright and Related Rights Law	Chapters 201-209, 213-217, 225-229 Chapters 64 & 65
Environmental crimes	Law no. 13.03 related to combating air pollution and the Criminal Code	Articles 13-21 Chapter 599
Murder and grievous bodily injury	Criminal Code	Chapters 392-424
Kidnapping, illegal restraint and hostage-taking	Criminal Code	Chapters 436-439
Robbery or theft	Criminal Code	Chapters 505-539
Smuggling	Customs Code (Law 5 June 2000)	Chapters 278-299
Extortion	Criminal Code	505-539
Forgery	Criminal Code	Chapters 351, 358 and 360-367
Piracy	Criminal Code	Chapters 607 repeated and Chapter 218.1 (4)
Insider trading and market manipulation	Law no. 212.93.1 related to the CDVM	Chapter 24 and after

Deficiency 4: Not explicitly stipulating punishing the suspect in a ML crime derived from one of the crimes committed outside the Kingdom which is deemed a crime if committed inside the Kingdom.

30. Chapter 574-2 (amended in law no. 13-10) of the criminal code stipulated the punishment of the suspect in a ML crime derived from a crime committed outside the Kingdom by stating that, "the

predicate offences designated in this articles extend to also include the crimes committed outside the Kingdom". Thus, Morocco has addressed the deficiency related to this recommendation.

Recommendation 5: Rating (NC)

Deficiency 1: Not specifying a limit for the occasional transactions in line with the limit designated in the Methodology.

31. Morocco addressed the deficiency related to determining a limit to the occasional transactions that the subject entities must conduct due diligence measures. Morocco required the subject entities to apply the due diligence measures on all usual and occasional. Article (3) of the AML law stipulated that the subject persons must gather all elements of information enabling *the identification and verification of their regular and occasional clients and beneficial owners*. On the other hand, the indication in Article (5) was cancelled requiring persons who are legally qualified to open accounts to verify the identity of their occasional customers who ask them to conduct transactions the nature and amount of which are determined by the Unit and required all persons subject to the law to apply the due diligence measures on all regular or occasional customers. Article (9) of the circular of Bank Al-Maghrib with regard to the credit institutions included the requirement for credit institutions to gather information elements enabling the identification of each person who wishes to open a deposit account regardless of its type or bonds account or renting an iron safe or a person who seems their services to obtain a loan or execute any other transaction if it was of an occasional nature such as money transfer, placement under disposition, manual exchange and other transactions. Periodical (9/2013) of the exchange office, on the other hand, stresses the requirement to gather all information elements enabling recognizing the identity of their clients or the beneficial owners for whom the transaction takes place; this applies to transactions of 100000 Moroccan Dirhams or more, and whether they took place at one installment or at several installments that proved to be related. It is worth noting that the periodical of the exchange office indicates a general provision specifying a limit for exchange transactions whereas the law sets no particular limits, rather it requires gathering all information elements pertaining to regular or occasional customers. Nevertheless, identification should take place in manual exchange transactions in terms of business relations regardless of the 100000 Dirham threshold. Business relations were defined as that of a client benefiting regularly from the exchange office services for the purpose of carrying out several transactions or one transaction of continuous nature. Article (3.1.V) of the Conseil Déontologique des Valeurs Mobilières of Morocco (CDVM) periodical, updated on 8 April, 2013, indicates the obligation for intermediaries (i.e. stock exchange companies, bonds account keepers, companies managing mass recruitment institutions, and investment companies of variable capital when they are self-managed) to verify clients' identities once a business relation is established with them, and to create a file for each client.

32. The CDVM circular requires the subjected companies to establish a risk management framework with a view to prevent, assess and detect ML/TF risks; allowing the internal body to be more vigilant in classifying the customers under categories (including occasional customers) based on risk profile. It has required as well verifying the customer identity upon entering into business relationship and creating a file for each customer. Article 3 of the Circular no. (DAPS/EA/11/16) issued by the Department of Insurance and Social Welfare (DAPS: Direction des Assurances et de la Prevoyance Sociale) on 4 July 2011, requires the professionals to obtain all information needed for signing an insurance contract or upon capitalization such as: identifying and verifying the subscriber and the insured, and when necessary, the identity of the beneficial owner of the contract. Article 4 requires as well professionals to verify the subscriber, the insured and beneficiary of the insurance contract.

Deficiency 2: No obligatory provision to identify beneficiary natural persons or persons controlling customers in institutions unqualified for opening accounts

33. Morocco has addressed the deficiency regarding this recommendation by amending Article (3) of Anti-Money Laundry law and obliging subject persons to identify the client, if it is an artificial person, through necessary documents, data, and information pertaining to its naming, legal form, practice, social location address, the identity of its managers, the authority provided to those qualified to represent it before others or to act in its name through authorization, and the identity of beneficial owners. Also Article (5) of the law obliges subject persons to identify and verify persons acting in the name of their clients through authorization. Thus, Morocco has addressed this deficiency via obliging subject persons to identify the legal status of legal personality and identify persons in control of the artificial person, as well as identifying the authority given to the artificial person's representative. In addition, Article (3) defined the beneficial owner as the person himself for whom the client is acting or the person who himself supervises or owns the client at the end when the client is an artificial person. Article (6) of the law obliges subject persons who are legally qualified for opening accounts to identify the persons for whose benefit the account is opened and verify their identity when it seems that the persons applying for an account are not acting for themselves.

34. Details were stated in periodicals and circulars issued by supervising and monitoring authorities; Article (21) of Bank Al-Maghrib periodical no. 2/F/2012 on credit institutions stated that the process of identifying the beneficial owner within the relation between an account and a customer of legal personality involves identifying the person himself who monitors such legal personality directly or indirectly; credit institutions should also take the necessary measures towards understanding the nature of ownership or the method of supervising the customer. Exchange office periodical no. 9-2013, on the other hand, stated the necessity of identifying the persons acting in the name of their clients, yet it included no particular measures pertaining to the exchange office understanding the nature of the legal personality's ownership, except for what the law stipulates in the abovementioned article. The CDVM circular included as well a list on the documents required to verify the minimum requirements needed to identify customer; they include: documents proving customer identify and activity and the powers of the persons acting on his behalf; the entities subject to CDVM may add any other documents that are useful to identify the customer. The circular covered also some additions on identifying the beneficial owner of the insurance contract; whether natural or legal person. It has required the subjected companies to verify such documents; the identity of the subscriber, insured and beneficial owner of the insurance contract should be verified. Supervisory body of DAPS shall determine the forms to be filled by the customers and which reveal the documents and information to be stated by the customer; the subjected entities may request additional information, if and when necessary.

Deficiency 3: No provision compelling the institutions unqualified for opening accounts to obtain information on the nature and purpose of business

35. Morocco has addressed the deficiency regarding this recommendation by Article (5) of Combating Money Laundry law stipulating that all subject persons are required by law to comply with all due diligence procedures ,(without excluding the institutions qualified for opening accounts), and to confirm the subject and nature of the proposed business. Thus, Morocco has addressed deficiency regarding this recommendation. This is done through some supervision periodicals. Article 4 of periodical (9/2013) of the exchange office stipulated the due diligence procedures especially the confirmation of the subject and nature of the proposed business. Circular no 2/w/2012 article 19 requires credit institutions to examine the nature of the relationship to be established; CDVM circular requires subjected entities to identify the purposes of the relationship with the customer; It has covered as well an obligation to impose a due diligence system that enables such entities to identify the type of relationship and detect errors that fall on the level of the relationship with relation to ML or TF.

Deficiency 4: No provision compelling the termination of business relation with customers in case the financial institution failed to apply due diligence procedures

36. Morocco has addressed the deficiency regarding this recommendation by Article (5) of the Law stipulating that in case subject persons failed to verify the identity of clients and beneficial owner or failed to get the necessary information related to the business relation and nature, they shall not establish or resume such relation. Thus, all subject liable persons (whether a financial or non-financial institutions) are not allowed to establish or pursue any business relation when the subject person fails to apply due diligence measures. The periodicals issued by the supervision and monitoring authorities stated this verdict such as the periodical No. 2/2012 issued by Bank Al-Maghrib about credit institutions. The periodical obliges credit institutions not to perform any operations if they fail to verify the identity of the concerned persons or if the identity seemed to be incomplete or fake. In addition, Article 18 of the periodical states that a welcome message shall be sent to the address of the new client for the sake of verifying the address, and in case the address is not right, the credit institutions shall, by all means, determine the right address. In case of failure, the credit institution is entitled to terminate the relation with the client and, if necessary, to close the account. Exchange Office's Periodical No. 9/2013 provides that in case exchange businesses failed to verify the identity of their clients or the beneficial owners and they failed to get the necessary information related to the business relation and nature, they shall not establish or resume such relation. Article (3.1.V) of the Conseil Déontologique des Valeurs Mobilières of Morocco (CDVM) periodical required intermediaries not to perform any operations for the clients who did not fulfill all the conditions related to their identity. Art 6 of the CDVM circular stipulates that no transaction should be made when failing to identify the subscriber or insured or beneficial owner or when the identity is incomplete or fictitious.

Deficiency 5: Nothing compelling other financial institutions, except for banks, to regularly update the files of the clients

37. Morocco has addressed the deficiency regarding this recommendation by compelling subject persons to immediately and regularly update the files of the clients and to verify whether the transactions performed by the clients are fully identical to the data they have about those clients, their activities and the risks they pose (Article 5 of the Law). Thus, all subject persons liable to Combating Money Laundry Law are obliged to perform such data update. Bank Al Maghrib's Periodical No. 2/W/2012 dated April 18th, 2012 concerning credit institutions' due diligence requires credit institutions to track and monitor transactions effected by customers, especially those of significant risk, maintain and update files and documentation of customers and their transactions. The periodical also states in Article 13 that credit institutions shall regularly and immediately maintain clients' identity data as stated in articles (11) and (12) of the periodical. Morocco has also updated the periodical issued by Conseil Déontologique des Valeurs Mobilières of Morocco (CDVM) dated April 8, 2013 which stated the importance of regularly updating the clients' data in accordance with the nature of the transactions performed by the client. The Exchange Office issued Periodical No. 9/2013 directed to exchange businesses and concerned with the obligations of exchange businesses as stipulated in Law No. 43-05. Article (11) of the Law states the exchange businesses shall maintain all documents related to the transactions performed by their regular or casual clients, especially the documents related to the identity of the clients, the beneficial owners and originators. Moreover, Article 12 states that exchange businesses shall regularly maintain and update the records and data of the clients and examine the existed documents and data especially where the persons or transactions are of high risk nature. Insurance and Social Welfare Directorate (DAPS) in Morocco has also issued a periodical concerned with due diligence, internal control and Suspicious Transaction Report (STR) in the field of money laundry and terrorism funding. Article 6 requires subjected entities to update on regular basis the information related to the subscriber, insured and beneficial owner.

Recommendation 13: Rating (Non Compliant)***Deficiency 1: Predicate offenses that may be related to transactions do not include the classification of the 20 predicate offenses specified in the recommendations***

38. It is previously mentioned that the Moroccan authorities would treat this issue through broadening the scope of the predicate offenses of money laundry by the Moroccan legislator to include the 20 ML predicate offenses stated in the methodology except for illicit trafficking in goods. Thus, Morocco has nearly addressed most of the deficiencies regarding this recommendation.

Deficiency 2: No legal provision compelling the report of any suspicious transactions

39. The amendment of Law No. 43-05 by virtue of Law No. 13-20 obliges subject persons to present suspicious transaction reports to the unit regarding any amounts, transactions or efforts that are exerted to carry out operations belonging to one or more of the crimes pointed at in chapters 574-1 and 574-2, or any transaction of which the identity of the originator or beneficiary is suspicious. It is noteworthy to state that chapter no. (574-1) mentions money laundry crimes while chapter no. (574-2) mentions the predicate offenses of money laundry crimes. Therefore, the legislative amendment has legally obliged subjective persons to report any suspicious transactions of efforts. The Unit, in its methodology related to reporting suspicious transactions and data, has clarified that in Article 4 the suspicious transaction reports include any attempt to perform transactions suspected to be related to money laundry. Also, Article (32) of Combating Money Laundry law stipulates that the Law applies to all actions and operations stated in chapter (574-1) of the Criminal Law (incriminating terrorism funding) in case the origin of such properties or revenues is connected to a terrorist crime or if the purpose of such actions or operations is to finance terrorism as stipulated in Section 1 (refined) of Volume 3 of the Criminal Law. Therefore, suspicious transaction reports shall be presented for any terrorism crime or terrorism funding crimes or any effort exerted for the sake of such crimes. Thus, Morocco has addressed the deficiency related to this recommendation.

Deficiency 3: No Financial Intelligence Unit (FIU) has been established up-to-date.

40. This deficiency has been addressed via establishing An administrative Financial Intelligence unit in accordance with Decree No. 2-08-572 dated December 24, 2008, with a unit head appointed in February 2009 pursuant to Article No. (14) of Law No. 43-05 The unit is competent to receive suspicious transactions reports from all the persons subject to law according to Article No (9) of the Law, it is also competent to gather and process all the information related to money laundering and make decisions regarding the results of the cases submitted to it. Further details on the unit shall be provided in recommendation No. (26). Thus, Morocco has fully addressed the deficiencies stated in this recommendation.

SR.II: Rating: Partially Compliant (PC)***Deficiency 1: Terrorism financing is restricted to committing terrorist acts.***

41. Morocco has addressed deficiencies related to incriminating terrorism financing through the amendment made to Law No (43-05), by Law No. (13-10) and Law No. (145-12), approved in May 2013, Chapter (218-4), stating the following: *"the following acts constitute terrorism financing, even if committed outside Morocco, and regardless of whether the funds were actually used or not:*

- *Deliberate direct or indirect provision, collection or generation of money or properties by any means, even if legitimate, with the purpose of using them or knowing that they are going to be totally or partially used:*
 - *to commit a terrorist act (acts) whether it actually takes place or not;*

- *by a terrorist; or*
- *by a terrorist group, gang or organization;*
- *Providing assistance or advice for such purpose;*
- *Attempting the above acts.*

42. Accordingly, incriminating terrorism financing in Moroccan legislation now complies with the TF Convention, since the definition now includes "Providing, offering, collecting or acquiring funds or properties", "directly and indirectly", "knowing that whole or part of it is or would be used", as well as "providing funds for committing terrorist acts or by a terrorist group or person". Thus, Morocco has fulfilled the deficiency specified in this recommendation.

Deficiency 2: No definition for the funds that includes all the items stated in the Convention for the Suppression of the Financing of Terrorism has been provided.

43. Morocco has fulfilled the deficiency stated in this recommendation via the amendment made to Law No. 43-05 by Law No. (13-10) and Law No. (145-12) of the criminal code, where properties have been comprehensively defined in Chapter No. (218-4.2) as: *any type of funds and assets, tangible or intangible, movable or immovable, owned by one person or common property, as well as all the agreements or legal documents evidencing the ownership of such assets and the rights related to them, in any form, including soft copy documents*". Thus, the definition stated in the Moroccan law is now compliant with the definition of funds stated in the International Convention for the Suppression of the Financing of Terrorism. Consequently, Morocco has fulfilled the deficiency specified in this recommendation.

Deficiency 3: No evidence for the effectiveness of the legal system with regard to the crime of terrorism financing.

44. Morocco issued 4 judgments of conviction in TF crimes during the previous years.

SR. IV: Rating: NON Compliant (NC)

Deficiency 1: Ambiguity of the institutions targeted by the Anti-Money Laundering law.

45. Morocco has addressed the deficiency specified in this recommendation by defining who is subject to the law through the amendment made to Law No. (43-05) of the Criminal code by Law No. (13-10) and Law No. (145-12), whereby Article (2) of the second chapter of the law applies the provisions of this section to natural persons and legal persons subject to general or specific law: These are Bank Al-Maghrib, credit institutions, the concerned authorities, banks, free holding companies, financial firms, money transfer brokers, exchange offices, insurance and reinsurance businesses, insurance and reinsurance brokers, stock exchange companies, financial asset managing companies, account controllers, external accountants, tax advisors, persons with legal independent professions, when they enter in the name of their clients and for them in a financial or real estate transaction; or when they help them arrange or carry out the operations related to the sale and purchase of properties; help them with commercial businesses; help them acquire funds, bonds or other assets owned by the client; open bank accounts, savings or bonds; arrange the shares required to form companies (or for similar purposes); or when they establish or manage credit businesses or companies (or for similar purposes); as well as persons who use or run gambling casinos or facilities, including online gambling casinos or facilities; real estate agents and brokers when they carry out transactions for their clients relating to purchase or sale of real property; traders of gemstones or precious metals, where the transaction is in cash and exceeds MAD 150000, and persons who regularly trade in antiquities and artwork; and service providers engaging in the creation, organization and localization of businesses. Therefore, Moroccan legislation has clearly defined the persons subject to anti-money laundering law.

It is worth noting that pursuant to Articles (32) and (33) of the Law, subject persons shall fulfill their duty of reporting suspicious acts and processes stated in chapter (574-1) if the source of the assets or the revenues is related to a terrorist crime or if the purpose of these acts or processes was financing terrorism.

Deficiency 2: Forms of financing terrorist are restricted to committing a terrorist act.

46. As aforementioned above, Moroccan authorities have addressed deficiencies related to financing terrorism in accordance with the International Convention for the Suppression of the Financing of Terrorism (refer to SR 2). Furthermore, Article No. (32) of the anti-money laundering law states that the law applies to acts and processes mentioned in Chapter (574-1) of the criminal code (incrimination of terrorism funding) if the source of these assets or revenues is related to a terrorist crime or if the purpose of such was financing terrorism, as stipulated in that first chapter repeated in the first volume of the third book of the criminal code. Accordingly, suspicious transactions reports shall be submitted pertaining to terrorist crimes or crimes of financing terrorism or attempting these acts. Morocco has, thus, fulfilled the deficiencies specified in this recommendation.

Deficiency 3: No active reporting system as the FIU does not exist.

47. Establishment of the FIU and its authority to receive STRs by persons those are subject to the Anti-Money Laundering Law will be addressed in more details in R26. Generally, Morocco has now a reporting system after the FIU has been established and has become receiving STRs by persons those are subject to the AML Law. Section 3 of the IFU Decision 11/D.4 has defined how to report STRs to FIU by one of two means: (1) by UTRFNet system, where eligible persons will have to be pre-registered in the system and use it exclusively to provide the FIU with any information; (2) by any other communication means consistent with the FIU interests. FIU can identify special measures for certain subject persons. UTRF receives STRs on transactions suspected to be associated to ML, predicate offenses or TF or the like from public institutions, other natural persons covered by public and private law, with the violations they detect when they practice their work. UTRF processes such STRs based on the mechanism adopted. UTRF has received 97 STRs for ML crimes (2011) and 168 (2012) and 147 (October 2013); while STRs for TF crimes accounted for 1 in 2012 and 3 until October 2013.

E. Review of actions taken in relation to Key Recommendations

Recommendation 3: Rating (Non Compliant)

Deficiency 1: permitted confiscation in money laundering crimes, non-mandatory confiscation in terrorism financing crimes.

48. Morocco has remedied the deficiency relating to permitted confiscation sentences, which previously allowed courts to rule in their discretion for total or partial confiscation of funds used in, and proceeds from the crime. Section 574-5 (amended by Law No. 13-10) states “in case of conviction of a money laundering crime, all things, tools and property used, or would have been used in the crime and the proceeds from the crime should always be subject to confiscation or payment of an amount equal to the value of such things, tools, property and proceeds, without prejudice to the rights of good faith third party.” As such, the Moroccan confiscation system became comprehensive after adoption of confiscation of property that have been laundered or would have been used in laundry or that constitute proceeds from money laundering crime. It also covers property that results directly or indirectly from the proceeds, irrespective of whether such property is in the possession of the convicted person or a third party. With respect to mandatory confiscation in terrorism financing crimes, Section (218-4.1) of the Criminal Law (as amended by Law No. 13-10) addresses the

deficiency relating to non-mandatory confiscation of all property in terrorism financing crimes. Confiscation had become mandatory in case of conviction of terrorism financing or terrorist crime with respect of all things, tools and property that have been or would have been used in the crime and resulting proceeds, or an amount equal to the value of such things, tools, property and proceeds, without prejudice to the right of good faith third party. Accordingly, the court should rule for confiscation of property in terrorism financing crimes. Therefore, Morocco has remedied the deficiency relating to this Recommendation.

Deficiency 2: confiscated property does not include criminal proceeds relevant to terrorism financing crimes.

49. Section (218-4-1) of Criminal Law (amended by Law No. 13-10) provides that confiscated property includes criminal proceeds relevant to terrorism financing crimes. Section (218-4-1) provides that in case of conviction, confiscation shall include things, tools and property that have been or would have been used in committing the crime and resulted proceeds. Section (2-4-218) of Criminal Law defines proceeds as all property resulted directly or indirectly from committing a crime provided for in Sections (218-4) and (218-4-1). Therefore, Morocco has remedied the deficiency identified in this Recommendation.

Deficiency 3: Interim action does not include freezing of all property that may be subject to confiscation

50. Article 19 of the AML Law authorizes the King's representative to order, during the intelligence period and for a maximum period of one month to be renewable only once, for freezing by temporary banning of transfer, replacement, disposal or movement of property. Article 1, Chapter 2, defines "Property" as any sort of funds and property, whether tangible or intangible, movable or immovable, individually or jointly owned, and contracts or instruments that prove the title to such property or associated rights, of whatsoever nature, including electronic or digital. Accordingly, the temporary freezing now includes all property that may be confiscated in a money laundering crime. Definition of Property in Section (218-4-2) on terrorism financing crimes is similar to the above definition in Article 1 of Chapter 2. Therefore, Morocco has remedied the deficiency relating to inclusion of all property subject to confiscation under the temporary freezing action.

Deficiency 4: Absence of evidence of efficient legal system in relation to confiscation and freezing

51. Morocco did not submit any statistics to demonstrate the effectiveness of the legal regime on confiscation and freezing.

R23: Rating (Partially Compliant)

Deficiency 1: No explicit provisions for efficient controls or control entity responsible for ensuring compliance of persons who are subject to the Law

52. Morocco has addressed the deficiency relating to this Recommendation through Article 13-1 of the AML Law that provides for the supervisory/controlling authorities, namely: Government Authority of Justice, Bank Al-Maghrib, Social Insurance and Reserve Control Authority, Capital Market Control Authority, Exchange Office, FIU, for subject persons not available to a defined supervisory/control authority under any law. Article 13-1 of the AML Law states "Without prejudice to the powers of supervisory and controlling authorities under the Law, supervisory and controlling authorities shall ensure the following towards subject persons operating in their area of jurisdiction: to ensure that subject persons comply with the requirements of this Law and identify how to implement the

requirements of Articles 3, 8 and 12 of this Law. Article 13-2 vested the authority to supervise and control non-profit organizations and entities upon such authorities that have jurisdiction over such organizations; the General Secretariat of the Government grants licenses to such entities while the Ministry of Interior monitors the activities of the NPOs in order to ensure that non-profit organizations and entities are not used for the purposes of financing terrorists or money laundering.

53. Bank Al Maghreb has conducted many onsite visits to inspect the compliance of its institutions with AML/CFT law requirements. The onsite visits made were 10 visits with 18 inspectors, 3 out of them are AML/CFT specialists. CDVM conducted 11 onsite visits to stock exchange companies and the subjected with 12 inspectors, 5 out of them are AML/CFT specialists.

Deficiency 2: Non establishment of FIU for financial institutions with respect to compliance with anti-money laundry

54. Financial Intelligence Unit has been established under Decree No. 2-08-572. It will be addressed in details in R26.

Deficiency 3: Procedures for verification of the integrity of owners and controllers of subject persons do not include all types of subject persons

55. Morocco has addressed certain issues relating to deficiencies identified in this Recommendation. Article 165 of the Insurance Code issued by Law No. 17-99 provides for requirements for practice of insurance and reinsurance businesses, by giving accreditation to businesses that are subject to Moroccan laws and the registered office of which is located in Morocco. Consideration of applications includes integrity and efficiency of persons responsible for running of such businesses. It has also been noted in the said Article that the documents to be provided to support the application are identified by a regulatory decision. Resolution no 1548-05 issued by the Minister of Finance on 10 October 2005 stipulates the following: persons in charge of managing insurance and reinsurance companies should submit a detailed statement including information on their activities; the statement covers as well a description of the current type of their activities, and the previous before the request made, and whether they have been subject to disciplinary sanctions imposed by a supervisor or a competent professional entity or they were not listed into a professional list; or whether they have been rejected or a similar procedure due to an error; whether they have ever ended the tasks of a manager that were subject to corrective measures or liquidation procedures.

56. For businesses that are under the control of the CDVM, Article 36 of the Exchange Act provides that any exchange company must have an accreditation license prior to proceeding with practicing its activity. After obtaining an approval from the CDVM, the accreditation license is given by the Minister of Finance. An exchange company must also provide sufficient guarantees, particularly with respect to its organization, technical and financial resources, and experience its managers have. Article 3-1-1 CDVM Periodical provides that an application for accreditation license must be supported by several documents and information, including a list of members of managing, running and controlling bodies (collectively the “Governing Bodies”), in addition to their professional biographies and recent extracts from their criminal records of members of governing bodies not old than one month.

Deficiency 4: Procedures of monitoring and supervision over persons and entities providing money transfer services are not clear

57. Morocco has remedied the deficiencies relating to subjecting entities and persons providing money transfer services to control and supervision procedures as persons who are subject to the AML Law. As provided for in Article 15 of the Banking Law, entities practicing such activity are under the

control of Bank Al Maghrib and the Governor of Bank Al Maghrib gives approval to any entity for practicing such activity, as provided for in Article 27 of the Banking Law. Accordingly, the provisions for credit institutions and similar entities, as defined in the Banking Law, are applied.

Deficiency 5: Financial institutions that are not subject to Basle Core Principles are not required to comply with registration, licensing and monitoring requirements for purposes of anti-money laundering and terrorism financing

58. Under Law No. 43-05 as amended by Law No. 13-10, Morocco has addressed the deficiency identified through Article 13-1 that includes subjecting of all financial institutions (whether or not they are subject to Basle Core Principles) within organizations that have supervisory and controlling authorities in anti-money laundering and terrorism financing. The Law identified the authorities that have control over AML/CFT requirements, namely: Bank Al Maghrib, Social Insurance and Reserve Control Authority, Capital Market Control Authority, Exchange Office. The Law noted that any institution that does not have a supervisory authority shall be under the control of the FIU in AML/CFT fields and entrusted such supervisory and monitoring authorities to ensure that subject persons comply with the requirements of this Law.

R.26: Rating (Non Compliant)

Deficiency 1: No FIU is established

59. Based on Article 14 of the AML Law which states “A financial intelligence unit is to be created by a Prime Ministerial Resolution”, the Moroccan FIU has been established by Decree No. 2-08-572 of 24 December 2008 by the Prime Minister. A chairman for the FIU has been appointed in February 2009. FIU has been officially launched by the Prime Minister in early April 2009. Article 15 of the AML Law provides for the FIU’s tasks, including: collection, processing and requesting of information related to acts suspected to be related to money laundering, decision-making on issues presented to the FIU, creation of a database for money laundering operations, and such other tasks as set forth in the Law. It should be noted that the Law provided that the FIU has the authority to identify requirements for the said operations within the scope of application of the provisions of this Law. In accordance with Articles 9, 13, 32, 33, 34, the FIU is responsible for receiving STRs on AML/CFT in Morocco. Persons who are subject to the Law are required under its provisions to report suspicions to the FIU as provided for in Article 9 of the Law. By access to the FIU’s powers and responsibilities, FIU has administrative nature. Decree 2-08-572 includes provisions for FIU Chairman’s authorities and other provisions for the FIU composition and running by its chairman and members representing Ministry of Justice, Ministry of Interior, Ministry of Economy, Bank Al Maghrib, and General Directorate for National Security, Royal Gendarmerie, Customs and Indirect Tax Department, CDVM and Exchange Office. Therefore, deficiencies relating to this Recommendation have been addressed.

Deficiency 2: Currently, due to the fact that the FIU has not been established and its regulatory resolution has not been made by the Prime Ministry, the FIU independence, efficiency, training of its staff and all other relevant standards in Recommendation 26 cannot be verified.

60. Based on Article 14 of the AML Law, the FIU has been created by the Prime Ministry and is not under any existing authority. FIU chairman is appointed by the Prime Minister based on a recommendation from the Ministry of Justice, Ministry of Interior and Ministry of Finance for a period of 4 years renewable only once. The FIU also comprises representatives of several ministries and parties related to anti-money laundering and terrorism financing. FIU takes decisions and proposals by majority of votes of present members. If there is equality of votes, the chairman will have a casting vote. As provided for in Article 11 of Decree 2-8-572, allocations dedicated for running and processing of the FIU are included within the budget of the Prime Minister. This Decree provides that the FIU shall have a

general secretary who will act as the chairman if the Chairman is absent or unable to attend. After obtaining the FIU opinion, the general secretary shall be appointed by the Prime Minister and shall act under the authority of the FIU Chairman. General secretariat shall be composed of administrative and technical departments (as provided for in Articles 6, 10 of the Decree). FIU organizational chart comprises 4 sections that operate under the supervision of the Chairman and general secretary, namely: legal, documentation and analysis, international studies and cooperation, information and logistics.

61. Prime Minister has passed a resolution No. 05-10 dated 5 May 2010, approving the by-laws of the FIU. Article 1 of the Resolution defines the FIU legal status as being a State Administration Facility of the Prime Ministry, having its headquarters in Rabat, but the FIU may hold meetings in any other Moroccan city. Chapter 2 of the By-laws defines how the FIU is to be run. FIU Terms of Reference are defined in details in Chapter 3 of the By-laws. Section 1 includes the FIU terms of reference, while Section 2 includes the Chairman's terms of reference. Chapter 4 addresses the FIU financial and administrative structure. FIU has moved to a new office that is consistent with relevant international standards and has enhanced its human and logistic resources in order to be able to carry out its functions. FIU has 29 staff members who have received training and attended workshops in which the FIU participated through corporate partnership with European Union, technical assistance provided by the International Monetary Fund, the U.S. Treasury Department or workshops and trainings held by the MENAFATF, or other workshops and trainings. FIU has also conducted several workshops to train and qualify persons who are subject to the Law whether in financial or non-financial sectors. FIU has joined Egmont in July 2011.

62. Based on the powers vested upon the FIU by Article 37 of the Law, the FIU has passed a decision No. 3 superseded by the decision # 6 concerning the Code on Property Freezing due to a terrorist crime that applies to all subject persons. It specifically addresses the application of the Security Council's resolution No. 1267 and consequential resolutions and defines how to apply freezing procedures to property of target persons under such resolutions that is communicated to the FIU by the Ministry of Foreign Affairs and Cooperation. FIU has also passed a decision No. D4/11 that applies to all subject persons and defines the code and requirements for STRs. Decision D4/11 supersedes Decision No. 2 that has previously been passed by the FIU in 2009 and defines the code of authorization for operations that are suspected of being associated with money-laundering and financing of terrorism, how to provide the FIU with information and includes confidentiality conditions that the subject persons must take into account when communicating with the FIU. Another decision No.D5/12 is taken by the FIU to address obligations of persons under the control of the FIU.

R.40: Rating (Partially Compliant)

Deficiency 1: No cooperation between authorities monitoring financial sector and their international peers

63. Morocco has taken steps to increase compliance with this Recommendation, including signing several international cooperation conventions with a number of global control organizations and joining financial groups that allow for sharing information and cooperation on controls. Bank Al Maghrib has signed cooperation MOUs with the Central Bank of Guinea, Banking Commission of France, Central Bank of Bahrain, Central Bank of Tunisia, and Central Bank of Western Africa. It also joined the Group of Francophone Observers, Swiss and Belgium control authorities. In addition, Morocco has entered into many relevant international conventions. CDVM has signed a number of international agreements for information sharing and international cooperation, such as the UAE Securities and Commodities Authority, Capital Market Council of Tunisia, Exchange Operation Commissions of France, and Taiwan Financial Supervisory Board. It has also joined a cooperation and information sharing agreement between commissions supervising movables in the Mediterranean countries (Morocco, Tunisia, Algeria, Egypt, France, Italy, Spain and Portugal) and other international agreements. The insurance and welfare authority (DAPS) is member of a number of international and regional associations interested in controlling the

insurance sector such as international association of insurance supervision and the Arab forum of supervisory insurance bodies and the international association of social security.

SR.I: Rating (Partially Compliant)

Deficiency 1: Non-application of Recommendation with respect to both SC resolutions

64. Under Article 37, the AML Law entitles the FIU to receive and process applications for funds freezing as a result of a terrorist crime made by the qualified international organizations. FIU may order for freezing of such funds. Resolutions of the Security Council on freezing are included under this Article. The term “International Organizations” includes the UN and its sub-organizations. FIU has passed a decision No. 6 concerning freezing of property as a result of a terrorist crime. It relates to the application of the UN lists in accordance with the SC Resolution No. 1267. There are actions yet to be taken by Morocco with respect to application of the SC Resolution No. 1373. Special Recommendation 3 will address the application of the SC resolutions in more details.

SR III: Rating (Partially Compliant)

Deficiency 1: There is no legal system that governs the procedures for freezing of funds and property of persons listed in the SC resolutions

65. Article 37 of the AML Law states that the FIU may, in addition to such powers vested upon the FIU in Article 15, receive and process applications for funds freezing as a result of a terrorist crime made by qualified international organizations. Therefore, the SC resolutions may be considered as “qualified international organizations”, where the term “international organizations” includes the UN and its sub-organizations. In addition, based on Article 37, the FIU may order for freezing of funds of terrorists and terrorist entities. There is no defined time-limit for issuance or execution of a freezing order. However, Decision No. 6 concerning the Code of Property Freezing as a result of a terrorist crime has been made, defining how the freezing of property in possession of target persons is to be applied and the actions to be taken by concerned departments and subject persons in that regard.

66. These actions start from making the lists by the UN Security Council and forwarding the same to the FIU by the Ministry of Foreign Affairs and Cooperation. FIU promptly circulates such lists as amended to subject persons who should execute the order of freezing the property of such person and entities whose names are mentioned in those lists and stop any transactions where those persons are party therein. The decision provides for considering the lists published by one part is a freezing order. Freezing orders can be appealed against in the Administrative Court in Rabat. Therefore, these actions clearly address the lists made under the SC Resolution No. 1267.

67. It is worth to indicate that the expression under article 37 of the law and which enables the UTRF to make the freezing process is within the “can” context as per the authorities’ explanation; ML law has added such powers to the UTRF in addition to those stipulated in the article 15 of the law.

68. With respect to application of the requirements of the SC Resolution No. 1373, authorities stated that that the Ministry of Justice and Freedom agreed with the Ministry of Foreign Affairs and Cooperation and the UTRF on implementing S/RES/1373; MOFA should receive via the diplomatic channels the request to freeze funds of the concerned countries and should send the request to the UTRF for information and action. The UTRF should inform financial and non financial institutions with the names; and whenever any names match, the subjected persons should inform the UTRF urgently and refrain from carrying out any transaction concerning the properties of the concerned persons during 2 working days, In turn, UTRF refers the file to the General Public Prosecutor who submits the freezing request to the Judge who in his turn freeze the assets of persons designated.

Reviewing the mechanism of implementing S/RES/1373, reveals that it does not meet the requirements of SR.III in relation thereto due to the absence of the mechanism of immediate freezing and laws or regulations to implement the resolution. Therefore, Morocco level of compliance with this recommendation is equivalent to “PC”.

Deficiency 2: There is no evidence of the efficiency of freezing actions in accordance with the SC Resolutions

69. The authorities stated that until date of the report, freezing requests did not reveal any properties of such persons under the freezing request.

E. Review of measures taken in relation to other recommendation classified as partially compliant/non-complaint

R6: Rating (Non Compliant)

70. Morocco has added a provision in Article 5 of the AML Law requiring the subject persons to take a special caution and develop appropriate due diligence measures for transactions made by high risk customers. It also provides for applying extensive due diligence to high risk customers, business relations or transactions. While the Law does not oblige subject persons to take specific actions against those customers, the Periodical of the governor of the central Bank No.2/G/2012 concerning due diligence obligation imposed on credit institutions has stated in Article 30 that the credit institutions are required to ensure a special caution and develop a due diligence system towards high risk customers or transactions. It also stated that credit institutions shall impose such obligations on Moroccan or non-Moroccan persons who hold or held high-level public positions. However, it should be noted that this Periodical did not oblige credit institutions with specific measures, such as obtaining the approval of the senior management to establishing a business relationship with a risk-exposed politician or measures to identify the source of wealth and funds of risk-exposed politicians. Exchange Office’s Periodical No. 9/2013, Article 5, includes the need to take extensive due diligence where the nature of persons or transactions is of high risk, especially for transactions effected by risk-exposed politicians, their family members or partners. A risk-exposed politician is defined as everyone of Moroccan or foreign nationality who holds high-level public position in Morocco or abroad or has been assigned to a prominent position within or for an international organization. Article 6 of the Periodical defines due diligence as:

- a) developing appropriate codes in order to identify the identity if high risk customers and intensify means of verification of their identity;
- b) obtaining the approval of the management of the exchange store prior to effecting the transaction or holding a business relationship with such sort of customers;
- c) verifying the source of the money;
- d) applying intensive and consistent monitoring of business relationship; and
- e) Regularly informing the managers of the exchange store in writing of transactions effected by high risk customers.

71. CDVM’s periodical requires persons under the control of the CDVM to develop a regulation and provide all tools and codes that enable them ensure that they have a thorough and accurate knowledge of customers and to track transactions effected by them for such customers and to provide a risk management policy that allows for identifying the identity of high risk customers. However, this periodical does not include any reference to specific measures taken by persons under the control of the CDVM towards risk-exposed politicians. Authorities stated that the CDVM and Insurance Directorate are updating their periodicals so that they include specific measures towards risk-exposed politicians. On other hand, Article 15 of the FIU Decision No. 5D/12 requires persons controlled by the FIU to take more due diligence with respect to risk-exposed politicians. Moroccan authorities

have also stated that the Insurance Directorate and CDVM are regularly updating their periodicals to include similar requirements. Therefore, Morocco has addressed a part of deficiencies relating to this Recommendation.

R7: Rating (Non Compliant)

72. Morocco required subject persons not to establish or maintain corresponding banking relationships with any fake financial institutions and to ensure that their overseas agents are under the same obligation. Section 4 of Bank Al Maghrib's Periodical No. 2/W/2012 includes that credit institutions are required to ensure by all means, in particular by a question form, prior to open an account for a foreign corresponding bank, that such corresponding bank is under a law relating to money laundering and terrorism financing that is at least similar to the applicable law in Morocco, and that the corresponding bank's due diligence system is regularly reported or controlled by the relevant supervising authority. Credit institutions must collect sufficient information about the business and reputation of the correspondent. Article 33 provides that the credit institution's managing body must obtain a license prior to enter into an engagement with foreign corresponding bank and the credit institutions must update regularly their information on verifying the identity of their correspondents. The authorities stated that all persons under the control of the CDVM and UTRF do not deal with correspondent companies and are not under the requirements of Recommendation 7. Also, credit institutions are under no obligation to evaluate the corresponding institution's controls on anti-money laundering and terrorism financing and to ensure they are sufficient and effective or to document the responsibility of each institution in anti-money laundering and terrorism financing.

R8: Rating (Non Compliant)

73. Morocco has developed a provision in Article 5 of the AML Law requiring the subject persons to develop protective measures against risks associated with using of new technologies in money laundering. Article 3 of Bank Al Maghrib's Periodical No. 2/W/2012 requires credit institutions to create a system for avoiding risks of using new technologies in money laundering or terrorism financing. For that purpose, credit institutions must have systems for managing risks specifically associated with business relations and transactions that do not require personal appearance of parties. CDVM and UTRF circulars provided for obligations in this regard

R11: Rating (Partially Compliant)

74. As provided for in Article 2, Chapter 2, AML Law, Morocco has changed the persons that are subject to the requirements of the AML Law. Morocco has also identified the organizations supervising and controlling such subject persons and developed a provision requiring the supervising and controlling organizations to ensure that subject persons comply with the requirements of law. Article 8 of the same Law requires subject persons to consider each and every transaction, irrespective of whether they are within the scope of the provisions for STRs as provided for in Article 9 of the Law, where such transaction is under unusual or complex circumstances or seems to have no economic justification or apparent legal purpose. Subjected person will inquire from the customer on the source and purpose of money and the identity of beneficiaries. As provided for in Article 7 of the Law, subject persons shall maintain the documentation of transactions effected by customers for 10 years from the date of fulfillment. It should be noted that Morocco has canceled the limit for unusual or complex transactions, where all unusual or complex transactions are being examined, irrespective of their amount.

R12: Rating (Non Compliant)

75. AML Law provides in Article 2 for the persons subject to the requirements of the law. The list includes the following, among non-financial business and professions:

- a. Auditors, external accountants and tax consultants;
- b. Independent legal persons, when they engage on behalf of their client in a financial or property transaction or when they help the client in preparation or performance of transactions for:
 1. Purchase and sell commercial property or businesses;
 2. Manage money, securities or other assets owned by the client;
 3. Open or manage bank accounts, savings or securities;
 4. Manage shares required to form, run or manage companies or similar structures; and
 5. Establish, run or manage credit businesses, companies or similar structures.
- c. Persons who use or run gambling casinos or facilities, including online gambling casinos or facilities;
- d. Real estate agents and brokers when they carry out transactions for their clients relating to purchase or sale of real property;
- e. Traders of gems or precious metals, where the transaction is in cash and exceeds MAD 150,000, and persons who regularly trade in antiquities and artwork; and
- f. Service providers engaging in creation, organization and localization of businesses.

76. The above list shows that the non-financial business and professions include all non-financial business and professions included in the methodology. Those persons are now under the same obligations as the subject persons as such obligations are set forth in the Law, including application of due diligence, STRs and other obligations. Article 13-1 of the Law provides for identification of the authority of supervision and control over such persons with respect to the requirements of anti-money laundering and terrorism financing. Subject persons that are under no defined supervisory or control authority shall be under the supervision of the FIU. Decision No. D5/12 of the FIU on obligations of persons under the FIU control set forth the powers vested upon the FIU as a supervisory and control authority.

77. FIU is currently, in association with the Ministry of Justice and within the technical assistance program with the International Monetary Fund, developing an overall framework for supervision and control of non-financial sector in anti-money laundering and terrorism financing. This project includes assessment of non-financial professions risks, a general guidance note showing some of the requirements of AML Law, a guidance note for each individual sector, training campaigns for such sectors and a monitoring manual for such professions.

R15: Rating (Non Complaint)

78. Morocco has amended Article 12 of the AML Law that requires subject persons to develop internal procedures for due diligence, detection, monitoring and management of money laundering risks. Section 1 of the Bank Al Maghrib's Periodical No. 2/W/2012 provides for details of such internal procedures that should be developed by credit institutions. Article 1 of this Periodical includes that credit institutions should develop internal procedures and systems that enable them better verifying the identity of their customers and beneficial owners, tracking and monitoring transactions effected by customers, especially those of significant risk, maintaining and updating files and documentation of customers and their transactions. Internal procedures also include a guide approved by the managing body of the credit institution and to regularly update such guide, as the credit institution's activity develops, in order to be consistent with applicable legislative and regulatory provisions. Periodical also requires that credit institutions should create a separate unit to manage the due diligence internal system. Such unit will ensure communicating with the FIU, avoiding risks associated with money laundering and terrorism financing activities, reviewing restrictions on unusual

or suspicious transactions, special following-up of accounts that register transactions considered to be unusual or suspicious, keeping the management informed of high risk customers, and ensuring consistent compliance with due diligence rules.

79. Credit institutions are also required by the Periodical to include, within the compliance functions activity report that they are required to provide Bank Al Maghrib with, a special section specifying due diligence systems developed and control activities done. Credit institutions are also required to provide AML/CFT training and education to their staff and to train staff on the risks of liability that the institution may have if it is used in illegal purposes and the techniques of monitoring and preventing unusual or suspicious transactions.

80. Article 8 of the Exchange Office's Periodical provides that exchange businesses should develop internal procedures for due diligence, detection, monitoring and management of ML/CFT risks and includes details thereof. Such measures must include a system for anti-money laundering and terrorism financing, a guide for codes that should be approved for risk management, codes of regular and permanent monitoring of ML/TF risks, identification of a specific pace for updating information in order to keep favorable knowledge of customers or beneficial owners, and regularly conducting, at least every 2 years, internal control in order to ensure effective due diligence. Such control should be made by an internal or external controller. But such procedures do not include assignment of appropriate compliance management measures. Article 2.1.V of CDVM Periodical provides for the development, administration and provisions of all tools and codes that enable them ensuring that they have thorough and accurate knowledge of customers, to track transactions made for customers, provide a risk management policy that allows for verifying the identity of high risk customers, including accidental customers, to keep all documentation and information of verifying customer identity, to identify transactions made for favor of customers and to prepare a relevant consistent training plan for anti-money laundering to their staff. However, such Periodical does not include the appointment of a compliance officer within such entities that has timely access to information, or a separate unit with sufficient resources to test compliance with such controls and procedures.

81. Article 13 of CDVM circular requires the subjected entities to put in place an internal procedure to detect and manage ML/TF risks. The system may provide regulation on AML/CFT considering the size of risks, classifying ML/TF underlying risks taking into account the importance of being vulnerable ; identify risks based on the type of products and guarantees provided, the conditions of deals and channels of distribution used and particularities of each customer as well as other obligations provided for therein.

R.16: Rating (Non Compliant)

82. It has previously been said that Morocco has addressed the deficiencies relating to expanding the scope of the 20 original crimes of money laundering. Morocco has addressed the deficiencies relating to criminalizing terrorism financing and expanding the scope of persons subject to the AML Law and requiring them to report any attempted suspicious transaction. Subject persons are required by law to develop internal procedures for due diligence, detection, monitoring and management of money laundering risks, including defined non-financial business and professions. These were addressed in more details in the FIU Decision No. D5/12. The decision required NFBPs to establish due diligence procedures pursuant to article 12 of the law. It should include written policies and procedures for internal monitoring including monitoring compliance, approved by Presidents of NFBPs; The persons covered by this law should appoint a compliance officer of the managerial level to authorize access to information on customers and other info related to due diligence measures and documents related to transactions and other related information. Non-financial business and professions are required by law to comply with all due diligence measures.

R17: Rating (Non Compliant)

83. . Morocco has addressed the deficiencies relating to this Recommendation by amending Article 28 of AML Law so that the subject persons, their managers and associates, where applicable, who breach the obligations under Articles 3, 4, 5, 6, 7, 8, 9, 11, 13, 13-1, 16, 33 of the Law will be punished with penalties from MAD 100,000 to 500,000. This penalty shall be imposed by the authority under which the subject persons operate, in accordance with the code applicable to them, if they breach their obligations or professional code of conduct. If a person has no supervisory or control authority, the penalty shall be imposed by the FIU.

R18: Rating (Partially Compliant)

84. . Morocco has addressed the deficiencies relating to this Recommendation by requiring the subject persons qualified to open accounts not to establish or maintain corresponding banking relations with any fake financial institutions and to ensure that their overseas agents are under the same obligation, as provided for in Article 6 of the Law.

R19: Rating (Non Compliant)

85. . No information has been provided for this Recommendation by Moroccan authorities.

R20: Rating (Non Compliant)

86. A reference was made that Morocco has expanded the scope of defined non-financial business and professions subject to AML/CFT Law to include all defined non-financial business and professions as recommended by FATF. Morocco has added regular traders of antiques and artworks to the list of persons subject to the requirements of the AML/CFT Law. It should also be noted that Morocco is developing, within the technical assistance of the IMF, an overall framework for supervision and control of non-financial sector in AML/CFT. This project, as noted above, includes assessment of risks relating to non-financial professions.

R21: Rating (Non Compliant)

87. . Morocco developed a provision in Article 5 of the Law requiring persons subject to the requirements of the AML Law to give special attention to business relations and transactions originated or received by persons belonging to countries that pose high risk in AML/CFT. In addition, Bank Al Maghrib's Periodical No. 2/W/2012 included requirements relating to the need for ensuring a special monitoring and enhanced due diligence system applied to high risk customers/transactions, particularly such customers or transactions originated or received by persons belonging to countries that pose high risk in AML/CFT, especially these listed in the regulations of competent international organizations. However, there is no evidence of effective procedures to ensure that financial institutions are kept informed of weaknesses in AML/CFT systems in the other countries or counter measures if a country continues not to apply the FATF recommendations.

88. Exchange Office's Periodical No. 9/2013 provides that exchange businesses are required to take extensive due diligence where the persons or transactions are of high risk nature, particularly business relations and transactions originated or received by natural or legal persons belonging to countries that pose high risk in AML/CFT. CDVM circulars provided for obligations in this regard.

R22: Rating (Non Compliant)

89. Article 5 of the Law requires subject persons (financial and non-financial institutions) to ensure compliance with the obligations in this Law by affiliates or associates of subject persons with overseas offices. If the local legislation of the respective country precludes compliance with the obligations in this Law, subject persons must inform the FIU. However, Article 5 does not provide for the need to apply the tightest standard if the procedures of AML in Morocco differ from other countries. While article 7.1.V provides that companies and branches abroad should adopt high AML/CFT standards in the case of xx of the obligations provided for by the Moroccan Law and those in the host country.

R24: Rating (Non Compliant)

90. . It has previously been highlighted that Morocco has subjected non-financial business and professions to AML/CFT procedures through Article 2 of the Law, where gambling casinos are now subject to the requirements of AML/CFT Law and the supervision and control of the FIU pursuant to Article 13-1 which designates the FIU as the supervisory and controlling agency for such sectors that do not have supervisory and controlling authority defined by Law. Despite the fact that gambling casinos are actually under the supervision of the Ministry of Interior and the Exchange Office, the FIU has passed the Decision D5/12 on the requirements of supervision over non-financial business and professions sector

R25: Rating (Non Compliant)

91. Moroccan authorities provide some measures that provide feedback to financial institutions and non-financial business and professions. Article 10 of the Law includes that the FIU shall notify in writing upon receiving a STR. In addition, annual reports prepared by the FIU provide statistics on STRs provided to the FIU and the results of such STRs. They also provide the applicable methods and techniques of money laundering. Under Article 18 of the Law, Public Prosecution shall report to the FIU about all decisions made with respect to cases referred to it. Morocco has also furnished annual reports for 2009, 2010, 2011, and 2012.

R27: Rating (Partially Compliant)

92. . Morocco has amended some clauses in the Criminal Code no. 01-22 by Code no. 10-13 which included the addition of some specific clauses of controlled delivery. These amendments provided a definition of controlled delivery i.e. the technique of allowing illicit or suspect consignments to pass out of, through or into Morocco without confiscation, after removing or fully or partially replacement of such under the supervision of the competent authorities with a view to identifying its destination, investigate the offence, persons involved in the commission of the offences and suspend them. Such amendments added a definition of an illicit consignment i.e. possession of any goods or money which shall be deemed, arising out of or a part of the commission of an offence. Moreover, these amendments conferred upon the General Public Prosecutor before the Court of Appeal the permission to control delivery whereas the judicial police shall execute the said permission and shall inform the General Public Prosecutor of any action taken. The General Public Prosecutor may postpone any investigation procedures related to controlled delivery or the suspension of persons involved in the commission of the offences till knowing the final destination of the consignment.

93. . Morocco has amended the controlled delivery clauses of the Criminal Code upon the request of a foreign country as these amendments in Clause 1-749 and 2-749 stipulated the King's representative's powers to grant permission to controlled delivery with the consent of the Minister of Justice. Whereas, the General Public Prosecutor may postpone any permitted investigation procedures related to controlled delivery till knowing the final destination of the consignment or till the interference of the competent foreign authorities as the case may be. The General Public Prosecutor

may agree with these foreign authorities on the date and manner of such interference (Authorities are kindly requested to provide us with any statistics with regard to this matter).

R29: Rating (Non Compliant)

94. . Clause 1-13 of law defined supervision and monitoring authorities over those persons subject to AML law namely: Government Authority of Justice, Bank Al-Maghrib, Social Insurance and Reserve Control Authority, Capital Market Control Authority, Exchange Office, FIU, for subjected persons not available to a defined supervisory/control authority under any law. Supervisory and controlling authorities shall ensure the following towards subjected persons operating in their area of jurisdiction: to ensure that subjected persons comply with the requirements of this Law and identify how to implement the requirements of Articles 3-8 and 12 of this Law.

95. Morocco has amended Article 28 of law in order to include those persons subjected to law in case of non –compliance with their duties stipulated by law under sanctions. Such sanctions include managers and associates. The Supervisory authorities shall impose such sanctions on those subject persons according the applicable code for their non-compliance with duties, rules and professional conduct. These penalties are financial sanctions of MAD 100,000 up to 500,000.

R30: Rating (Non Compliant)

96. The Moroccan authorities stated that supervisory bodies (Bank Al Maghreb, DAPS, Exchange Bureau, CDVM and the Ministry of Justice and the Unit) have human resources specialists in AML/CFT. Many training sessions were held; the UTRF has 29 employees who attended many training sessions whether in the framework of the twinning programme with the European Union or MENAFATF training sessions, and those held within the context of technical assistance provided by IMF and US Treasury. UTRF has 18 inspectors, 3 out of them are AML/CFT specialists. CVDM has many inspectors, 5 out of them are AML/CFT specialists. Yet, there is a need to provide supervisory bodies with more specialized employees and with more specialized training sessions.

R31: Rating (Non Compliant)

97. FIU has executed a number of cooperation and information exchange agreements with Customs Department, Exchange Office, Bank Al Maghrib and Social Insurance and Reserve Control Authority whereas the Financial Intelligence Unit shall cooperate with entities and other national agencies associated with anti- money laundering and terrorist funding. The authorities reported that all entities entrusted with AML/CFT continuously cooperate: the UTRF structure including representatives of all such entities support the cooperation and coordination.

R32: Rating (Non Compliant)

98. Authorities provided a set of statistics related to many aspects of AML/CFT, which reflect the availability of useful statistics; particularly, in relation to some supervisory bodies; yet, more regulation should be made with regard to obtaining complete and detailed information and statistics on a regular basis that would help review the effectiveness of AML/CFT regime.

SR VI (Non Compliant)

99. Morocco has included natural persons responsible for management of agencies subjected to law under sanctions whereas Morocco – as above mentioned- has amended Article (28) to impose sanctions upon those managers and associates upon their non-compliance with AML’s duties and obligations. Article (35) of the said law stipulated the implementation of articles 28,29& 30 of the said

law with regards to any actions or procedures stipulated in Article (32) which refer to the implementation of this law concerning the actions and procedures mentioned in section 1-574 of the Criminal Law if the origin of properties or proceeds is related to a terrorist crime or if the purpose of such acts and procedures is terrorism financing.

SR VII: Rating (Non Compliant)

100. Morocco stipulated in Article (2) that money transfer businesses shall subject to the AML law requirements. Therefore, such businesses became subject to the obligations imposed on all persons under the law, especially the obligations imposed by Article (3) which states that all kinds of information enabling the identification and verification of regular and occasional clients and beneficial owners shall be collected and verified. Further, such businesses become subject to the requirements set forth in Article (5) and all other Articles of due diligence obligations stipulated by law. However, these rules do not fulfill the requirements of SR7 which stipulates the availability and retention of information on the originator of wire transfer, the necessity to include complete information on the originator in the cross-border wire transfers, and the requirements of local wire transfer. Further, to oblige the money transfer and beneficiary institutions to verify all information of the originator accompanying wire transfers, to adopt effective measures to follow-up the compliance of financial institutions with rules and regulations governing this recommendation, and to impose penalties in case of non-compliance.

SR VII: Rating (Non Compliant)

101. In Article 13.2 of Law, Morocco vested the authorities that have jurisdiction over non-profit organizations and entities to ensure that non-profit organizations and entities are not used for the purposes of terrorism financing or money laundering. Morocco exerted considerable efforts to regulate this sector. The Minister of Interior and the General Secretary of the Government issued the joint circular No. 1/2010 on raising charity funds from the public without obtaining prior authorization from the General Secretariat of the Government. The circular regulates the fundraising process carried out by charitable organizations through soliciting public fundraising. The circular requires the charitable organizations to file a request in this regard by its duly authorized representative with certain authorities such as the Secretariat of the Government. The request shall be accompanied by receipt of last renewal of the charitable organization; a copy of its financial statements; the nature, place, date, program and purpose of the fundraising campaign; the identity, capacity of persons charged therewith, and details of the bank account in which the funds will be deposited. Moreover, the circular includes special procedures to process the incoming requests, procedures of public fundraising for building and maintenance of mosques, special procedures of fundraising by charitable organizations recognized as public interest and the procedures of the total funds. Each charitable organization shall, directly or through the local administrative authority, provide the Secretary General of the Government with a detailed report on the total funds accompanied by a statement for the returns and their outcomes as well as the so evidencing accounting documents.

SR IX: Rating (Non Compliant)

102. Morocco has remedied the deficiency relating to this recommendation through the circular of the Exchange Office updated in April 2011; expanding the range of report disclosure to include incoming and outgoing foreign currencies and bearer negotiable instruments for residents and others whether they are Moroccans or non- Moroccans. The Customs Department developed an information system to maintain passengers' data carrying amounts exceeding the national applicable limit. Such system has been in service since January 2012. Moreover, the Customs and Indirect Tax Department issued Memorandum No. 9978 /400 dated 8 August 2013 on the protection and anti-money laundering. The Memorandum includes notifying the Financial Intelligence Unit (FIU) of any breach

of disclosing the methods of payment and any breach of the applicable legislations of money laundering. Further, the Memorandum, in case of strong suspicions, requests investigating resources of funds and notifying local security authorities and the FIU to take the necessary measures regarding the suspicious activities of money laundering.

103. The customs Department and FIU conducted a series of meetings in order to develop a framework regulating the ways and channels of cooperation in order to combat money laundering and terrorism financing. The FIU also entered into an Agreement of Cooperation and Exchange of Information with the Customs and Indirect Tax Department and the Exchange Office whereas such departments shall provide the FIU with all of the information they have in relation to anti-money laundering and terrorism financing and to enable the FIU to access the information they have. Further, to obtain all information it needs to carry out its duties and which is available at the data base of such departments. The authorities also reported ongoing coordination between the Customs Department and the Office of Exchange in order to enhance the procedures and to adopt regulatory texts necessary to extensively implement the recommendation. The Moroccan Customs Department has also expanded the range of cooperation with its foreign counterparts to include the area of cooperation in anti-money laundering and terrorism financing as it participates in many events and training courses aimed at developing the capacity of the sector. It should be noted that there are no penalties for false disclosures of currency or bearer negotiable instruments in the possession of foreign travelers besides the penalty of confiscation.

104. STRs received by the Customs authority until October 2013 accounted to 3448 of MAD 1.313 milliards against 4379 STRs in 2012 amounting to MAD 1.640 milliards.

Moroccan AML/CFT legal system

The following text take into account the provisions incorporated by the following laws : Law 43-05 (2007) , Law 13-10 (2011) and law 145-12 (2013)

- **Penal Code provisions**

Chapter I bis of Part I of Book III:

Article 218-4:

The financing of terrorism is considered as an act of terrorism.

The following acts shall be considered as a financing of terrorism, even if they are committed outside Morocco and regardless of whether the funds were actually used:

- supplying, providing, gathering or managing deliberately, by any means whatsoever, directly or indirectly, funds or properties, even lawful ones , with the intention of using them or knowing that they will be used, in whole or in part:
 - to commit an act or acts of terrorism, regardless the occurrence of the act of terrorism;
 - by an individual terrorist;
 - or by a terrorist group, band or organization.
- providing assistance or advice to this end;
- attempting to commit the aforementioned acts.

Offences under this shall be sanctioned:

Offences under this shall be sanctioned:

- For natural persons, from five to twenty years of prison and a 500,000 to 2,000,000 Dirhams fine;
- For legal persons, a 1,000,000 to 5,000,000 Dirhams fine, without prejudice to penalties that may be imposed against their managers or agents involved in the offences.

The penalty shall be increased to ten years and to thirty years of prison and the fine shall be doubled:

- When the offences are committed using facilities afforded by the exercise of a professional activity;
- When the offences are committed by an organized criminal group;
- In case of recidivism.

Article 218.4.1:

In case of conviction for an offence of financing of terrorism or for an offence of terrorism, the total confiscation of all things, objects and properties used or had to be used to commit the offence and their products, or the total confiscation of the equivalent value of these things, objects, properties and products must be imposed, subject to the rights of bona fide of third parties.

Article 218.4.2:

For the implementation of provisions of articles 218.4 and 218.4.1 of this Law, shall be meant by:

- "*Products*": all properties resulting, directly or indirectly, from committing one of the offences under the two aforementioned articles;
- "*Properties*": all types of funds or assets, tangible or intangible, movable or immovable, divided or undivided, as well as acts or legal documents certifying ownership of such properties or rights connected thereto, whatever is their support including electronic or digital documents.

Penal Procedure Code provisions

CHAPTER III: SPECIAL INVESTIGATION TECHNIQUES

SECTION 1: OF CONTROLLED DELIVERY

Article 82-1:

The controlled delivery is the method that allows the passage inside or through or outside Morocco of an illegal shipment or a shipment suspected of being so, without being seized or after being removed or replaced in whole or in part, under the supervision of the competent authorities, in order to identify its final destination, to investigate an offence, to identify and to arrest the offenders and those involved in.

For the purposes of this section, shall be meant by illegal shipment, things or funds whose detention is an offence, or which are the product of the offence or used or had to be used to commit the offence.

Article 82-2:

The controlled delivery shall be authorized by the General Public Prosecutor at the Court of Appeal.

The Judicial Police shall proceed to the execution of the authorization referred to above and inform the General Public Prosecutor of any taken measure.

At the end of the operation of the controlled delivery, the Judicial Police officers shall prepare a report or reports describing the taken measures, which are communicated to the Public Ministry that granted the authorization.

Judicial Police officers and agents shall be required to keep confidential the measures provided in this section.

Article 82-3:

The General Public Prosecutor who authorized the controlled delivery shall postpone any measure of investigation related to the controlled delivery operation or related to the arrest of the offenders and those involved in, until he ensures the arrival of the shipment to its final destination.

**CHAPTER VII
OF CONTROLLED DELIVERY**

Article 749-1:

A foreign State may request from the Moroccan competent authorities the execution of a controlled delivery operation inside the Kingdom of Morocco.

The controlled delivery requests submitted from a foreign State shall be executed within the territory of the Kingdom of Morocco in accordance with the provisions of the single section, Chapter III, Part II, Book I of this law, relative to the controlled delivery and in accordance with the national legislation.

The General Public Prosecutor at the Court of Appeal cannot authorize the controlled delivery before the approval of the Minister of Justice.

However, controlled delivery requests cannot be executed if their execution is likely to affect the sovereignty of the Kingdom of Morocco, its security, its public order or its other fundamental interests.

Article 749-2:

The General Public Prosecutor who authorizes the controlled delivery shall postpone any measure of investigation, related to the controlled delivery operation authorized upon request of a foreign State or related to the arrest of the offenders and those involved in, until he makes sure of the arrival of the shipment to its final destination and, if need be, until the intervention of foreign authorities competent in this field.

To this end, the General Public Prosecutor may agree with the authorities of the foreign State on a common date and modalities of intervention.

The General Public Prosecutor may also entrust the competent Judicial Police services to coordinate with their foreign counterparts a common date and modalities of the intervention.

Law # 43-05 as amended and completed by Law #13-10 and law 145-12.

Article one:

CHAPTER I: PENAL PROVISIONS

Chapter IX of Part I of Book III of the Penal Code, approved by Dahir # 1-59-413 of 26 November 1962, shall be completed by section VI bis as follows:

SECTION VI BIS: Of MONEY LAUNDERING

Article 574-1:

Shall be considered as money laundering, the following acts, when committed intentionally and knowingly:

- acquiring, holding, using, converting, transferring or transporting properties and their products with the aim to conceal or disguise the true nature or illegal origin of these properties, for the interest of the offender or a third party when they are the product of any offence under article 574-2 below;
- concealing or disguising the true nature, or origin, or location, or disposition, or movement or ownership of properties or rights thereto knowing that they are the products of the offences under article 574.2 below.
- helping any person involved in committing any offence under article 574-2 below to avoid the legal consequences of his actions;
- facilitating, by any means, false justification of the origin of properties or products of the offender who commits one of the offences under article 574-2 below, which has brought him a direct or indirect profit;
- Providing assistance or advice concerning an operation of guard, or placement, or concealment, or conversion, or transfer, or transport of the direct or indirect products of one of the offences under article 574-2 below.
- Attempting committing acts under this article.

Article 574-2:

The definition provided in article 574-1 above shall be applied to the following offences, even if they are committed outside Morocco:

- Illegal trafficking in narcotic drugs and psychotropic substances;
- Trafficking in human beings;

- Migrant smuggling;
- Illicit trafficking of arms and ammunitions;
- Corruption, bribery, influence peddling and embezzlement of public and private funds;
- Terrorism offences;
- Counterfeiting or forgery of currency or instruments of public credits and other means of payment;
- Belonging to an organized criminal group, formed or established for the purpose of preparing or committing an act or acts of terrorism;
- Sexual exploitation;
- Concealment of things originated from a crime or misdemeanor;
- Breach of trust;
- Fraud ;
- Offences impairing industrial property;
- Offences impairing copyright and neighboring rights;
- Environmental crime;
- Voluntary homicide, violence and assaults;
- Kidnapping, illegal restraint and hostage-taking;
- Theft and extortion;
- Smuggling;
- Fraud on goods and foodstuffs;
- Forgery, counterfeiting and usurpation professions, titles or names or their use with no right ;
- The diversion or the degradation of aircraft or ships or any other means of transport, or degradation of air, water and land navigation facilities, or the destruction, degradation or deterioration of communication means;
- The fact of having access during the performance of a profession or a function to inside information and the use of this information to realize or knowingly help the realization of on the market of one or more operations ;

- The infringement of the automated data treatment systems.

Article 574-3:

Without prejudice to other severer sanctions, money laundering shall be sanctioned:

- For natural persons, from two to five years of prison and a 20,000 to 100,000 Dirhams fine;
- For legal persons, a 500,000 to 3,000,000 Dirhams fine, without prejudice to other penalties that may be imposed on their managers and agents involved in the offences.

Article 574-4:

Imprisonment sentences and fines shall be doubled:

- When the offences are committed using facilities afforded by the exercise of a professional activity;
- When the person is usually engaged in money laundering operations;
- When the offences are committed by an organized criminal group;
- In case of recidivism.

Shall be in a recidivism situation, the offender, who commits the facts within five years after a judgment, which has the force of res judicata, relative to one of the offences stipulated in article 574-1 above.

Article 574-5:

In case of conviction for an offence of money laundering, the total confiscation of all things, objects and properties used or had to be used to commit the offence and their products, or the total confiscation of the equivalent value of these things, objects, properties and products, must always be imposed, subject to the rights of bona fide of third parties.

Persons convicted of money laundering can also be sentenced to one of the following additional sanctions or more:

- Dissolution of the legal person;
- Publication, by all appropriate means, of conviction judgments that have the force of res judicata, at the expense of the convicted offender.

the offender committing the offence of money laundering can also be prohibited temporarily or permanently from the direct or indirect exercise of a profession or many professions, activities or arts, that the exercise of which had been involved in the offence.

Article 574-6:

The penalties laid down in this Law shall concern, according to the case, the managers and the officials of legal persons involved in money laundering operations, when their personal responsibility is proved.

Article 574-7:

Shall be freeing them, under the conditions laid down in articles 143 to 145 of the Penal Code, the offender, the co-offender or the accomplice, who informs the competent authorities, before they have been otherwise informed, of the constituents of an attempted offence of money laundering.

If the denouncement occurs after committing the offence, the penalty shall be reduced by half.

Article two

CHAPTER II: OF MONEY LAUNDERING PREVENTION

SECTION 1: DEFINITIONS

Article 1:

For the purposes of this law, shall be meant by:

- “Products”: any property resulting, directly or indirectly, from any offence under 574-2 of the Penal Code;

“Properties”: all types of funds or assets, tangible or intangible, movable or immovable, divided or undivided, as well as acts or legal documents certifying ownership of such properties or rights connected thereto, whatever is their support, including electronic or digital documents.

Article 2:

Shall be subjected to the provisions of this chapter, natural persons and legal persons under public or private law, designated hereafter:

1. Bank Al-Maghrib;
2. Credit institutions and bodies considered as credit institutions;
3. Banks and offshore holding companies;
4. Finance companies;
5. Intermediation companies in the transfer of funds;
6. Exchange offices;
7. Insurance and reinsurance companies and insurance and reinsurance intermediaries;

8. Financial assets managers;
9. stockbroking firms;
10. Auditors, external accountants and tax advisors;
11. members of an independent legal profession, when they participate for the interest of their customer and on his behalf, in a financial operation or a real estate property transaction, or when they assist their customer in the preparation or execution of transactions related to:
 - a) buying and selling real estate or business entities;
 - b) managing funds, securities or other assets of the customer;
 - c) opening or managing bank accounts, savings or securities accounts;
 - d) organizing contributions necessary for the creation, the management or the exploitation of companies or similar structures;
 - e) establishing, operating or managing trustees, companies or similar structures;
12. Persons operating or exploiting casinos or gaming establishments, including online casinos or gaming establishments;
13. Real estate agents and middlemen, when they carry out transactions for their customers regarding the purchase or sale of real estate properties;
14. Dealers in precious metals or gemstones when the transaction is in cash and its amount exceeds 150,000 DHs, in addition to people who usually engage in trade of antiquities and works of art;
15. Service providers involved in the creation, organization and localization of companies.

SECTION 2: OBLIGATIONS OF SUBJECTED PERSONS

SUB-SECTION 1: DUE DILIGENCE

Article 3:

Subjected persons shall be required to collect all pieces of information allowing the determination and verification of the identity of their usual or occasional customers and the beneficial owners.

Shall be meant in this law by beneficial owner any natural person, on whose behalf acts the customer or any natural person who controls or owns ultimately the customer, when the customer is a legal person.

When the customer is a legal person, the subjected persons must verify through the necessary documents and indications, all information regarding its name, legal form, activity, address of its registered office, capital, identity of its managers and powers granted to persons who can duly represent it vis-à-vis third parties or act on its behalf by virtue of power of attorney, in addition to beneficial owners.

Article 4:

Subjected persons must not carry out any operation when the identity of the persons concerned can't be verified or when it is incomplete or obviously fictitious.

Article 5:

The subjected persons must:

- verify the object and nature of the intended business relationship;
- verify the identity of the ordering parties for the execution of operations, of which the beneficiary is a third party;
- determine and verify the identity of persons acting on behalf of their customers pursuant to a power of attorney;
- obtain information on the origin of funds.
- pay special attention to business relationships and transactions carried out by or for the benefit of persons from countries presenting a high risk of money laundering and terrorism financing;

- verify that the obligations defined by this law are applied by their subsidiaries or branches whose headquarters are abroad, unless the domestic law precludes it, in which case they shall inform the Unit referred to in 14 below;
- Setting up risk management systems;
- Implement enhanced due diligence measures when dealing with high risk customers, business relationships or transactions, particularly regarding operations executed by non-residents or on their behalf;
- Setting up measures to prevent from risks related to the use of new technologies for the purpose of money laundering;
- Ensure the regular updating of their customers' files;
- verify that operations carried out by their customers are fully consistent with what they already know about these customers, their activities and their risk profiles;
- Ensure special surveillance and set up appropriate due diligence measures for operations made by high risk customers.

When the subjected persons are not able to determine and verify the identity of their customers and beneficial owners or to obtain information on the purpose and nature of the business relationship, this relation should not be established or pursued.

Article 6:

Subjected persons legally entitled to open accounts must, before opening an account, verify the applicant's identity, in accordance with the provisions of article 488 of the Commercial Law.

They must also:

- verify, before opening an account, if the applicant has other accounts opened on their books.
- obtain information on the reasons why an application to open a new account is submitted;
- determine and verify the identity of the persons for whose benefit an account is to be opened when it appears to them that those who apply to open the account would not have acted on their own behalf;
- refrain from opening anonymous accounts or accounts with fictitious names;
- refrain from establishing or maintaining correspondent banking relationships with any fictitious financial institution and verify that their correspondents abroad are subject to the same obligation.

Article 7:

Without prejudice to other provisions with more constraining obligations, the subjected persons shall keep records of the documents relative to the operations of their customers for ten years, starting from the date of their execution.

They shall also keep records, for ten years, of documents related to the identity of their regular or occasional customers, starting from the closing date of their accounts or the date on which their relations stop, including the ordering parties, referred to in article 5 above, and the beneficial owners.

Article 8:

Any operation that, without getting into the application scope of the provisions of the suspicious transaction report stipulated in article 9 below, is presented in unusual or complex conditions and appears to have no apparent economic justification or lawful purpose, must be subject to a special examination by the subjected person.

In this case, the subjected persons shall obtain information from the customer about the origin and destination of such amounts and the identity of the beneficiaries.

The characteristics of the operation shall be recorded in a document and stored by the subjected persons under the conditions laid down in article 7 above.

SUBSECTION 2: Suspicious Transaction Report

Article 9:

The subjected persons shall make a suspicious transaction report to the Unit on:

- 1) All amounts, operations or attempts to carry out operations suspected of being related to one or many offences laid down in articles 574-1 and 574-2 above ;
- 2) Any operation which the identity of its ordering party or the beneficiary is doubtful.

The indications to be on the suspicious transaction report shall be defined by the Unit referred to in article 14 below.

Subjected persons must provide the Unit with the identity of managers and agents duly entitled to make suspicious transaction reports and to ensure contact with the said Unit, in addition to a description of the internal diligence system they implement to ensure compliance with the provisions of this chapter.

Article 10:

The suspicious transaction report, referred to in article 9 above, shall be in writing. However, in an emergency, it can be made orally, but subject to a written confirmation.

The Unit shall acknowledge receipt of the suspicious transaction report in writing.

When the suspicious transaction report involves an operation that has not yet been executed, it must include an indication of the deadline of execution of the transaction, which cannot be, in any case, lower than the deadline laid down in article 17 below.

The suspicious transaction report must not be on file when it is communicated to the Public Ministry or to the investigating judge.

Article 11:

The suspicious transaction report shall also concern already executed transactions that were impossible to delay. Alike when it appeared, after the completion of the transaction that the amounts in question result from money laundering.

SUBSECTION 3: INTERNAL MONITORING OBLIGATIONS

Article 12:

The subjected persons must have internal measures of diligence, of detection, of surveillance and of risks' management linked to money laundering.

Persons entitled to make a suspicious transaction report referred to in paragraph 1 of article 9 above, shall:

- centralize information collected on transactions with an unusual or complex characteristic;
- inform regularly their managers, in writing, on transactions carried out by customers presenting a high risk profile.

Article 13:

The subjected persons shall be required to report to the Unit and to the supervision and control authorities referred to in article 13-1 below, upon their request, within the deadlines they set, all documents and information necessary to accomplish their missions, laid down in this Law.

The professional secrecy cannot be brought by the subjected persons against the Unit or against the supervision and control authorities.

Article 13.1:

The supervision and control authorities referred to in article 13 above are:

- The government authority in charge of justice;
- Bank Al-Maghrib;
- Authority in charge of controlling insurance and social welfare;
- Authority in charge of controlling capital markets;
- Exchange Office;
- The Unit referred to in article 14 below, for subjected persons who don't have a supervision and control authority determined by virtue of law.

Without prejudice to their competences under the law, the supervision and control authorities are, vis-à-vis the subjected persons under their jurisdiction, in charge of:

- Ensuring compliance of the subjected persons with the provisions of this law ;
- Determining modalities for the enforcement of provisions of articles 3 to 8 and 12 of this law.

Article 13.2:

The supervisory authorities of nonprofit organizations and institutions must verify that these bodies are not used for terrorist financing or money laundering purposes.

SECTION 3: FINANCIAL INFORMATION PROCESSING UNIT

Article 14:

There shall be established by regulation, a Financial Information Processing Unit referred to in this Law by "the Unit". It shall be affiliated to the Prime minister.

Article 15:

The Unit shall be in charge of:

1. collecting, processing and requesting information related to acts suspected to be linked to money laundering and deciding over cases referred to it;
2. building a database on money laundering transactions;
3. collaborating and participating with other concerned divisions and institutions to the study of measures to be implemented to fight against money laundering;

4. ensuring compliance of the subjected persons with the provisions of this Law, without prejudice to missions assigned to each supervision and control authority laid down in 13.1 above;
5. ensuring the common representation of divisions and national institutions concerned by the fight against money laundering;
6. proposing to the government any required legislative, regulatory or administrative reform related to the fight against money laundering;
7. advising the government on the content of the enforcement measures of this chapter.

The Unit shall fix particular conditions relative to the operations that fall within the application scope of this Law.

The Unit shall prepare an annual report on its activities and submit it to the Prime Minister. In this report, which is published by the Unit, the said Unit shall report all its activities, mainly cases handled or transferred to judicial authorities, and the typology of money laundering transactions.

Article 16:

Any information, which would alter the already made conclusion of the subjected person in the suspicious transaction report, should be immediately reported in writing to the Unit.

Article 17:

The Unit may appeal against the execution of any transaction object of a suspicious transaction report. The execution of this transaction shall be postponed for a period not exceeding two working days, starting from the date the Unit receives the said report.

The President of the Court of First Instance of Rabat, upon request of the Unit and after the Public Prosecutor of the said court presents his conclusions, may extend the deadline specified in the first paragraph of this article, for a period not exceeding fifteen (15) days after the expiration of the first deadline. Such order shall be immediately enforceable.

If no objections are filed or if, after the expiration of the objection deadline, no order of the President of the Court is given to the subjected person who made the suspicious transaction report, the subjected person can execute the transaction.

Article 18:

Once the information collected by the Unit reveal facts that may constitute a money laundering offence, the Unit shall refer it to the Public Prosecutor at the Court of First Instance of Rabat, specifying, if need be, the administrations, public institutions and other legal persons of public or private law that provided the Unit with the relevant information or documents.

The Public Ministry shall notify the Unit of all the decisions taken upon the cases referred to it in accordance with the provisions of the 1st paragraph of this article .

Article 19:

The Public Prosecutor may order, during the investigation phase for a period that does not exceed one month, renewable once:

- 1) the freeze by temporarily prohibiting the transfer, conversion, disposition or movement of properties, or
- 2) the designation of an institution or a private organization in order to ensure temporarily the custody or control of properties.

The investigating judge may designate an institution or a private organization in order to ensure temporarily the custody or control of properties.

The Public Prosecutor or the investigating judge may also order the seizure of properties belonging to the natural or legal persons suspected of being involved with persons, organizations or activities related to the money laundering offences, even if they are not committed inside the territories of the Kingdom.

Article 20:

All persons participating in the works of the Unit and more generally all persons that, in any capacity, are to know or use information related to the mission of the Unit, shall be strictly bound by the professional secrecy under the terms and conditions of article 446 of the Penal Code.

These persons cannot, even after leaving office, use the information they **may** have knowledge of, for purposes other than those stipulated in this chapter.

Article 21:

Information gathered by the Unit and the supervision and control authorities from the subjected persons cannot be used for purposes other than those stipulated in this chapter.

However, notwithstanding the previous paragraph, the Unit shall be entitled to send the documents and information collected during the performance of its missions to the Public Prosecutor or the investigating judge, upon their request and for the execution of their duties, except the suspicious transaction report.

Article 22:

To achieve its missions, the Unit shall have a staff composed of agents especially authorized thereto by the Unit.

Administrations, public institutions and other legal persons governed by public or private law shall:

- provide the Unit, upon its request, with any documents and information likely to facilitate the accomplishment of its missions;
- Inform the Unit of any non-compliance with the provisions of this Law they may discover during the course of their missions.

Article 23:

The Unit must keep records for ten years, starting from the date it completes its work concerning a case referred to it, of all information or documents relative to the case, on hardcopy or electronic forms.

Article 24:

The Unit can exchange, within the framework of international conventions the Kingdom of Morocco ratified and duly published or under the principle of reciprocity, in compliance with the provisions in force, financial information related to money laundering with similar foreign competent authorities.

SECTION 4: PROTECTION OF SUBJECTED PERSONS, THEIR MANAGERS, THEIR AGENTS, THE UNIT AND ITS AGENTS

Article 25:

For the amounts or transactions having been subject to a suspicious transaction report, referred to in article 9 of this Chapter, no legal action based on article 446 of the Penal Code or on the special provisions related to professional secrecy, can be brought against the subjected person or against its managers and agents who made, in bona fide, this report.

Article 26:

No civil legal action can be brought and no sanction can be ordered, especially for false accusation, against a subjected person, its managers or agents, when the suspicious transaction report was made in bona fide.

The provisions of this article shall be applied even if the proof of the illegal characteristic of facts that were behind the suspicious transaction report is not provided or if the facts were subject to a dismissal or an acquittal decision.

When the operation is executed as provided in article 11 above and, except in connivance with the owner of the amounts or the author of the transaction, the subjected person shall be held free from any liability and no legal action can be brought against its managers or agents.

Article 27:

No action of penal responsibility or of civil liability shall be brought against:

- the Unit or its agents ;
- the supervision and control authorities or their agents ;
- the subjected persons or their agents ;
- the administrations, public institutions or other public or private legal persons or their agents ;

due to the accomplishment, in bona fide, of the missions assigned to them under this chapter.

SECTION 5: SANCTIONS AND MISCELLANEOUS PROVISIONS

Article 28:

Without prejudice to severer penal sanctions and sanctions applied to them by law they are subjected to, the subjected persons, or their managers and their agents, if need be, who do not respect the obligations of articles 3, 4, 5, 6, 7, 8, 9, 11, 13, 13.1, 16 and 33 of this chapter, may be sentenced to a pecuniary sanction ranging from 100,000 to 500,000 Dirhams imposed by the body under the control of which they are placed, following the procedure in force in case of dereliction of duty or violation of professional or ethical rules.

When the subjected person does have no supervision and control authority, the pecuniary sanction shall be imposed by the Unit.

Decisions taken by the Unit in accordance with this article may be appealed before the competent administrative court.

Article 29:

The managers or agents of the subjected persons who knowingly, either inform the person concerned, or a third party, about the suspicious transaction report on that person, or provide her with information on actions taken upon the report or who use deliberately information collected for purposes other than those of this chapter, shall be subject to the sanctions laid down in article 446 of the Penal Code, except if the facts constitute an offence that is more severely sanctioned.

Article 30:

If afterward, either due to a serious lack of diligence, or to a deficiency in the internal control system, a subjected person does not execute the obligations of this chapter, the Unit shall refer its case to the competent body empowered to control and sanction the said person, to impose sanctions against it, on the basis of the law that applies to that person.

Article 31:

In order to facilitate international cooperation on money laundering, provisions of articles 595-6, 595-7 and 595-8 of the Penal Procedure Code shall also be applied in the fight against money laundering.

CHAPTER III: SPECIAL PROVISIONS OF TERRORISM OFFENCES

Article 32:

This Law shall be applied to acts and operations specified in article 574-1 of the Penal Code, when the origin of properties or products is related to a terrorism offence or when the said acts or operations are intended to finance terrorism as provided in Chapter I bis of Part I of Book III of the Penal Code, approved by *Dahir* No. 1-59-413 of 26 November 1962.

Article 33:

The subjected persons, in accordance with article 2 of Chapter II of this Law, shall ensure due diligence and internal monitoring and make suspicious transaction reports on acts and operations meeting the definition of article 32 above.

Article 34:

The suspicious transaction reports must be referred to the Financial Information Processing Unit. The Unit may receive information specified in articles 9, 15, 22 and 24 of this Law when it has to deal with cases referred to in article 32 above.

Once the information collected by the Unit reveal facts that may constitute an offence of terrorism financing, the Unit shall refer it to the General Public Prosecutor at the Court of Appeal of Rabat, specifying, if need be, the administrations, public institutions and other legal persons of public or private law that provided the Unit with the relevant information or documents.

The General Public Prosecutor shall notify the Unit of all the decisions taken upon the cases referred to it in accordance with the provisions of the 2st paragraph of this article.

The Unit may appeal against the execution of any transaction subject of a suspicious transaction report that can be related to one or many offences referred to in article 218-4 of the Penal Code. The execution of this transaction shall be postponed for a period not exceeding two working days, starting from the date the Unit receives the said report.

The first President at the Court of Appeal of Rabat, upon request of the Unit and after the General Public Prosecutor of the said court presents his conclusions, may extend the deadline specified in the 4th paragraph of this article, for a period not exceeding fifteen (15) days after the expiration of the first deadline. Such order shall be immediately enforceable.

If no objections are filed or if, after the expiration of the objection deadline, no order of the first President of the Court is given to the subjected person who made the suspicious transaction report, the subjected person can execute the transaction.

Article 35:

The subjected persons, their managers and agents are subject to the provisions of articles 28, 29 and 30 of this Law for the acts and operations referred to in article 32 above.

Article 36:

When the Unit, in accordance with article 14 above, deals with a case related to a terrorism offence, it may rely on persons of public law concerned by the subject.

Article 37:

In addition to its competences, laid down in article 15 above, the Unit can receive and process requests from international empowered bodies, to freeze properties, for a terrorism offence.

The Unit may order the freeze of the said properties.

Decisions taken by the Unit under this article may be appealed before the administrative court of Rabat.

CHAPTER IV: FINAL PROVISIONS

Article 38:

Notwithstanding the jurisdictional rules of the Penal Procedure Code or other laws, the courts of Rabat shall be competent for the prosecution, investigation and judgment of acts constituting money laundering offences.

The said courts may, for reasons of public security and exceptionally, hold their hearings in the headquarters of other courts.