



Middle East & North Africa Financial Action Task Force

Fourth Annual Report (2008)

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Foreword by MENAFATF President

Dear Members, Observers, Executive Secretary and Staff

To begin with, I would like to express my gratitude for the commendable efforts extended by the countries which held the MENAFATF Presidency prior to the UAE, namely, Republic of Lebanon, Arab Republic of Egypt and Hashemite Kingdom of Jordan and to all former MENAFATF Presidents for their relentless efforts in enhancing the role of MENAFATF regionally as well as globally in AML/CFT. My special thanks are due to Mr. Adel Bin Hamad Al-Qulish, Executive Secretary and to all other staff of the Secretariat for their hard work in this regard.

I would like to extend my thanks and appreciation to the Government of the UAE for their unwavering support and unstinted commitment to the MENAFATF. My special thanks, appreciation and gratitude are also due to H.E. Sultan Bin Nasser Al Suwaidi, the Governor of Central Bank of the UAE, Chairman of National Anti-Money Laundering Committee in the UAE, for his constructive leadership and invaluable guidance. I would like also to thank all member countries and observers for their incessant commitment to work together in a coordinated manner to counter the threat of ML/TF in the MENA region and for contributing to global efforts in this regard.

It is my pleasure to introduce the 4th Annual Report of the MENAFATF highlighting the achievements of the MENAFATF during the Presidency of the UAE.

MENAFATF has made great strides since it was established in November 2004 with Membership growing from 14 in 2004 to 18 in 2008 reflecting the success of the MENAFATF and its unique role in the region in the field of AML/CFT.

The 7th MENAFATF Plenary, the 6th Technical Assistance and Typologies Working Group (TATWG) and the 8th Mutual Evaluation Working Group (MEWG) meetings were held in Abu Dhabi, UAE, from 7-10 April 2008. The Plenary discussed, among other topics, and adopted the Mutual Evaluation Reports on UAE, Qatar and Yemen.

Additionally, the 8th MENAFATF Plenary, the 7th TATWG, the 9th MEWG Meetings and FIUs Workshop of MENAFATF were held in Fujairah, UAE, from 8-13 November 2008. Among the notable achievements at the Plenary were:

- The Great Socialist Peoples Libyan Jamahiriya became the 18th member of the MENAFATF.
- World Customs Organization (WCO) became the 13th observer of the MENAFATF.

- A Guidance of training was adopted for use as a reference by the MENAFATF and member countries for AML/CFT training.
- A proposal was adopted to extend invitation to FATF for holding joint meetings in order to enhance cooperation between the two bodies.

It is worth-mentioning that the MENAFATF FIUs Workshop was held on 12-13 November 2008 (directly after the 8th MENAFATF Plenary meeting). The Workshop was attended by around 43 delegates from members and observers and was conducted by distinguished experts from USA, Lebanon, IMF, World Bank & Egmont Group, including MENAFATF Secretariat. The workshop was very successful and hopefully will be organized periodically.

This year witnessed a challenge in terms of the global financial crisis. While we have endeavored to build a number of milestones on the road to future progress, it is likely that institutions and countries may reduce their budgets which in turn may have an impact on the AML/CFT activities ranging from training to capacity building and participation in regional and international forums. However, there is a need to be more vigilant as criminal elements and terrorists may take advantage of the situation and penetrate the financial system. Therefore, member countries are urged to maintain their efforts on AML/CFT in close cooperation with each other and in collaboration with regional and international stakeholders to meet the challenges facing the region.

Before I conclude, may I take this opportunity to reiterate that the UAE, as one of the founder member countries of the MENAFATF, supports and is fully committed to all its principles and activities, including, but not limited to, all proposals and initiatives submitted by the UAE prior to and during its Presidency and will continue to do so in future.

Finally, I am pleased to hand over the Presidency to H.E. Abdulrahman Mohammad Al-Baker, Executive Director, financial Institutions Supervision, Central Bank of Bahrain, Kingdom of Bahrain, who I am sure will successfully build on the foundations laid down by his predecessors. I wish to him and to the kingdom of Bahrain all the success in 2009.

Best Regards,

Mr. Abdulrahim Mohammed Al Awadi
President,
Middle East & North Africa
Financial Action Task Force



Foreword by the Executive Secretary

Mr. President, distinguished delegations of member countries and observers, and the MENAFATF Secretariat Members

It is my pleasure, after providing you with the annual reports of the first three years on the MENAFATF works and achievements, that the 4th MENAFATF annual report sheds the light on the achievements accomplished in 2008.

I am also honored that the presentation of the 4th annual report is synchronized with my reassigning as an Executive Secretary of MENAFATF for a second term of four years from 2009 to 2012. I would like to take this opportunity to express my thanks and appreciation for all member countries for the precious trust they vested in me and for reassigning me as the MENAFATF Executive Secretary, and I pray to the God to help me in the coming stage.

Since the Middle East and North Africa countries are part of the world, they have been affected by the international efforts that have started in the past decades to fight against ML/TF. The response of the governments of such countries was fast, whereby they have taken many procedures and measures for AML/CFT in order to ensure compliance with the international standards in this field. These procedures and measures are represented in issuing laws and legislations that included the criminalization of these acts, imposing sanctions on the perpetrators of those crimes as well as the establishment of FIUs to take the direct responsibility of receiving, analyzing and disseminating STRs.

As it is the desire of the countries of the region to combine their efforts and support the regional cooperation for combating these crimes, the MENAFATF has been established for AML/CFT in November 2004 pursuant to a Memorandum of Understanding (MOU) that includes many objectives the MENAFATF is working on achieving. Since the beginning of the MENAFATF, the level of development of the legislations, procedures and regulations in the member countries has been rising from one year to another, especially if this level is compared to that of the period before the establishment of the MENAFATF.

In assertion of the importance of the Mutual Evaluation process for the member countries, the MENAFATF continued to implement the schedule of the first round of the ME in 2008, where the MERs for three countries (UAE, Qatar and Yemen) were discussed, adopted and published on the MENAFATF website, making the total number of countries whose MERs have been adopted, rise to 8. Moreover, the MENAFATF has made the onsite visit to the Hashemite Kingdom of Jordan for evaluating its AML/CFT system from 6 to 17 July 2008 as part of the first round of the MENAFATF ME process. By that, the MENAFATF has completed the evaluation of the AML/CFT systems of half its members.

Moreover, the MENAFATF initiative to issue guidelines for enhancing the compliance of the member countries with the FATF Recommendations related to the DNFBPs and the PEPs proves the interest of the MENAFATF to improve the level of compliance of the countries with the international standards in the AML/CFT field, as well as its pursuit towards achieving the objectives for which it was established. The DNFBPs area is one of the important sectors which might be exposed to the risks of ML/TF and which have not received sufficient attention in the past.

Due to the importance of training the individuals and working on improving their skills, the MENAFATF has published guidance for training the different authorities in relation to AML/CFT, which should be a reference for the MENAFATF and the member countries in organizing the different courses, workshops and seminars according to the needs of the member countries.

In light of this guidance and for supporting the work of the MENAFATF in improving the level of the FIUs of member countries, especially in the typologies arena, the MENAFATF has organized a two-day workshop for the FIUs, attended by 43 experts from FIUs and other competent authorities in the member countries. Experts from World Bank, the IMF, Egmont Group and the USA participated as speakers, in addition to valuable participation from two experts from Lebanon, who presented a number of practical cases that enriched the workshop.

It is necessary not to overlook the extent to which the MENAFATF is interested in supporting the cooperation at regional and international levels. The approval of the Plenary to start cooperating with the Councils of Arab Interior and Justice Ministers and the admission of the World Customs Organization as an observer are good indicators of that.

I cannot but express my thanks and appreciation for everyone who contributed in helping the MENAFATF in its work to achieve its pursued objectives, especially Mr. Abdulrahim M. AlAwadi, the MENAFATF President representing the UAE. Moreover, I would like to thank all the MENAFATF Secretariat employees. I also wish all the success for Mr. Abdulrahman M. Al-Baker, Executive Director, Financial Institutions Supervision, Central Bank of Bahrain, as the President, representing the Kingdom of Bahrain during 2009.

At the end, I am honored to express my thanks and gratitude for all MENAFATF member countries and observers for their fruitful and constructive cooperation.

I ask God to extend the progress and advancement of this group and to always crown all our work and efforts with success.

Adel H. Al Qulish
Executive Secretary,
Middle East & North Africa
Financial Action Task Force

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First: Overview of MENAFATF.

1- Foundation and Establishment.

As the countries of the Middle East and North Africa are aware of the risks provoked by the ML/TF operations and that it is possible to confront these risks effectively through regional cooperation, keeping up with an international convoy and responding to the FATF initiative to call for the creation of FATF Style Regional Bodies, 14 countries from the MENA region decided to establish the MENAFATF¹ in November 2004 for AML/CFT and promote and implement international AML/CFT standards in the region.

Whereas, on November 30, 2004, a ministerial meeting was held in Manama in the Kingdom of Bahrain and decided to create MENAFATF, and the member countries signed the Memorandum of Understanding for the establishment of the MENAFATF. Item 2 of the MOU provides that "MENAFATF is voluntary and co-operative in nature and is established by agreement between its members. It does not derive from an international treaty. It is independent of any other international body or organization and sets its own work, rules and procedures. Its work, rules, and procedures will be determined by consensus between its members and it will co-operate with other international bodies, notably the FATF to achieve its objectives".

Item 8-2 of the MOU provides that MENAFATF Plenary will elect a President and President Elect/Vice President who will remain in that office for one year, from amongst its members, provided that the said President and President Elect are not from the same country.

During the said ministerial meeting, member countries agreed that the positions of President and Vice-President shall be assigned in rotation following the first two years, according to the Arabic alphabetical order, starting with the Hashemite Kingdom of Jordan, which will assume the presidency of MENAFATF in 2007. During the same meeting, member countries also decided to appoint Mr. Adel Hamad Al-Qulish from the Kingdom of Saudi Arabia, as Executive Secretary of MENAFATF for a period of four years that may be renewable once.

2- MENAFATF Objectives.

The MOU - pursuant to which MENAFATF was created – provides for six objectives which MENAFATF will work towards achieving:

- 1- To adopt and implement the 40 Recommendations of the FATF against money laundering;

¹ The MENAFATF in this report stands for the Middle East and North Africa Financial Action Task Force.

- 2- To adopt and implement the Special Recommendations of the FATF against terrorist financing;
- 3- To implement the relevant UN treaties and agreements and United Nations Security Council Resolutions dealing with countering money laundering and terrorist financing;
- 4- To co-operate together to raise compliance with these standards and measures within the MENA Region and to work with other international organizations to raise compliance worldwide;
- 5- To work together to identify money laundering and terrorist financing issues of a regional nature, to share experiences of these problems and to develop regional solutions for dealing with them; and
- 6- To build effective arrangements throughout the region to combat effectively money laundering and terrorist financing in accordance with the particular cultural values, constitutional framework and legal systems in the member countries.

3- MENAFATF Structure and Funding.

3/1 MENAFATF Structure.

MENAFATF comprises two bodies: the Plenary and the Secretariat.

a- The Plenary.

The Plenary is composed of appointed representatives by member countries and who have an experience in AML/CFT issues. The Plenary sets the structure of the organization, and will be the decision making body of MENAFATF and executes its work plan.

Item 8-4 of the MOU provides that the Plenary will meet at least once a year and will have the following functions:

- To determine MENAFATF policy,
- To determine MENAFATF rules and procedures;
- To approve the annual report, work plan, and budget for the organization;
- To appoint the Executive Secretary and approve the Secretariat's structure and other functions;

- To appoint an independent auditor;
- To adopt any revisions to this MOU that may be necessary in future.
- To decide upon new members and observers;
- To consider mutual evaluation reports of members' compliance with FATF standards;
- To identify technical assistance needs of member countries and co-ordinate delivery of such assistance needs of member countries and co-ordinate delivery of such assistance with countries and international and regional organizations providing such assistance; and
- To establish working groups, if needed, to undertake special tasks.

b- The Secretariat.

MENAFATF Secretariat, based in Manama in the Kingdom of Bahrain, fulfills all technical and administrative functions to perform MENAFATF work, as follows – according to item 9-4 of the MOU:

1. To prepare drafts of the annual report, financial reports, work plan and budget for the Plenary;
2. To implement the work programme as approved by the Plenary;
3. To submit to the Presidency, members and observers a regular progress report;
4. To administer the approved budget;
5. To co-ordinate mutual evaluation exercises;
6. To identify the training and technical assistance needs of member countries and facilitate the provision of appropriate technical assistance;
7. To liaise with other organizations and countries involved in combating money laundering and terrorist financing;
8. To monitor worldwide AML/CFT developments and provide appropriate information to the Plenary; and
9. To carry out any other functions assigned by the Plenary.

The 4th MENAFATF Plenary Meeting that was held in the UAE in November 2006 has adopted the Secretariat Organizational Structure which forms the best way to provide the Secretariat with the suitable human cadres to fulfill its tasks. Since, the secretariat will be the core coordinator of all activities and shall utilize the countries assigned resources to achieve its objectives.

3/2 Funding.

Item 5 of the MOU provides that MENAFATF activities will be funded by contributions from its members on the basis agreed by the Plenary, and that the Kingdom of Bahrain, as host country for the Secretariat, has offered to meet reasonable start-up costs for creating the MENAFATF Secretariat and reasonable operating costs for a period of 5 years from the date of the MENAFATF Secretariat commencing its operations.

The 3rd MENAFATF Plenary, which was held in Cairo, Egypt, in March 2006, emphasized that the contributions of member countries in funding MENAFATF would be on an equal basis, according to the estimated budget the Secretariat would have submitted.

The aforementioned 4th MENAFATF Plenary has approved to fund the increase in the budget over the allocated amount by the Kingdom of Bahrain on an annual basis from contributions of member countries.

In 2007, member countries started funding the increase in the budget over the allocated amount by the Kingdom of Bahrain after the 6th MENAFATF Plenary, which was held in the Arab Republic of Syria in November 2007, had approved the estimated budget for 2008, the total amount of which was exceeding the contribution of the Kingdom of Bahrain.

4- Members and Observers.

The number of MENAFATF member countries is 18 namely, the Hashemite Kingdom of Jordan, the United Arab Emirates, the Kingdom of Bahrain, the Republic of Tunisia, the People's Democratic Republic of Algeria, the Kingdom of Saudi Arabia, the Republic of Sudan (joined in 2006), the Arab Republic of Syria, the Republic of Iraq (joined in 2005), the Sultanate of Oman, the State of Qatar, the State of Kuwait, the Republic of Lebanon, the Great Socialist People's Libyan Arab Jamahiriya (joined in 2008), the Arab Republic of Egypt, the Kingdom of Morocco, the Islamic Republic of Mauritania (joined in 2005) and the Republic of Yemen.

The observer status is granted to 13 countries, organizations, and entities namely, the Palestinian Authority (joined in 2006), the Republic of France, the United Kingdom of Great Britain and North Ireland, the USA, the Kingdom of Spain (joined in 2006), the International Monetary Fund (IMF), the World Bank, the Gulf Cooperation Council (GCC), FATF, the UN Office on Drugs and Crime (UNODC), Egmont Group and Asia-Pacific Group (APG) (joined in 2007), and the World Customs Organization (joined in 2008).

5- Criteria for Accession to MENAFATF Membership.

The 4th MENAFATF Plenary meeting adopted the following accession criteria to its membership:

- 1- The applicant country should belong to the MENA region.
- 2- The applicant country should have laws promulgated to combat money laundering and financing of terrorism, or at least laws are underway to take efficient steps and arrangement to promulgate them.
- 3- The applicant country should apply or be taking steps and measures to commit to the implementation of UN conventions and Security Council Resolutions relevant to AML/CFT.
- 4- The applicant country should adopt the FATF 40 Recommendations relevant to AML, as well as the 9 Special Recommendations relevant to CFT, or any upcoming amendments.
- 5- The accession of this country should not affect the MENAFATF competent and efficient work.

6- Criteria for Holding an Observer Status at MENAFATF.

The 4th MENAFATF Plenary meeting adopted the following accession criteria of holding observer status:

- 1- The country should be outside the region, and be compliant with AML/CFT international criteria.
- 2- The applicant country should enjoy rich experience in AML/CFT, and it should define the objectives sought behind holding an observer status at the MENAFATF, the results that would benefit it, the fields in which it could ensure support and assistance to the MENAFATF in its work, as well as the expected benefits for the MENAFATF if it held an observer status.
- 3- The country should be from the region, where it applied for the MENAFATF membership which has not been decided yet.
- 4- The organization should be international or regional, and it should not work according to private sector mechanisms.
- 5- The organization should be experienced in AML/CFT and should determine the objectives sought behind holding an observer status at the MENAFATF, the results that would benefit it, the fields in which it could ensure support and assistance to the MENAFATF in its work, as well as the expected benefits for the MENAFATF if it held the observer status.

- 6- The applicant organization should have a prominent role in the field of its work.
- 7- Holding the post of an observer at MENAFATF by a country/organization should not affect the MENAFATF continuous competent and efficient work.
- 8- It should be one of the counterparts FATF Style Regional Bodies that has granted the status of "Associate Member" in FATF, and it should approve of the reciprocity principle through offering MENAFATF the observer status.

Second: Implementation of the FATF AML/CFT Recommendations.

The adoption and implementation of the FATF AML/CFT recommendations are considered one of the most important objectives the MENAFATF is working on achieving and that are mentioned in the MOU. Since its formation, the MENAFATF has been seeking continuously to achieve and maintain this goal. One of the most important means on which the MENAFATF depends in this context is circulating the best practices and guidelines for helping the countries in implementing these recommendations.

Until its fourth year, the MENAFATF has established five ad-hoc committees, issued three Best Practices papers as well as guidelines for assisting the MENAFATF member countries in implementing some recommendations, according to the following:

1- Best Practical Practices.

2005

– Hawala ad-hoc Committee

The paper issued by Hawala ad-hoc committee included the definition of “Hawala”, its elements, parties, and reasons of prevalence, in addition to risks that might affect the Alternative Transfer System, which could be brought about by money launderers, or terrorism financiers. Ample exposition was also made as to the best practices that can be applied to those systems. The presentation also contained the recommendations issued by the Committee to the Plenary, urging the member countries to adopt the forty, and the special nine recommendations issued by the FATF especially those which offer the service of alternative (or informal) money transfer. Emphasis was also made upon the member countries to appoint competent authorities and setting regulations to organize this service, and to launch awareness campaigns for citizens of the countries concerned, and for those who offer transfer services. Stress was also made on the necessity to exchange information and on the need for international cooperation.

– Cross-borders Cash Couriers ad-hoc Committee

The paper issued by Cross-borders Cash Couriers ad-hoc Committee included the importance of carrying cash, and the risks that the countries may face in case the money transfer through the borders was used as a means for laundering money, or for financing terrorism. The paper also included the SR. IX from the SR. 9 recommendations for CFT, which has been issued by the FATF; it also included

the regulations that could be implemented by the member countries on the basis and measure of the international best practices.

– **Charities ad-hoc Committee**

The paper issued by Charities ad-hoc Committee included the importance of the distinguished, great, humanitarian, and positive role which the charities are playing in an attempt to fortify the unity and social bonds among the different categories of the society on one hand. It also highlighted the risks that the charity organizations could be exposed to if exploited by money launderers or terrorist financiers on the other hand. The Committee submitted recommendations concerning the most functional practices which are marked as a guidebook to the member countries in order to organize the work of charities from the view of legal matters, and of supervision and financial aspects. The Committee also suggested a mechanism aiming at systematizing external charity operations.

2- Guidelines for the Member Countries for improving their Compliance with the Recommendations.

The MENAFATF has established two ad-hoc Committees on DNFBPs and PEPs for issuing guidelines in order for the member countries to enhance their compliance with the recommendations relevant to these subjects.

Moreover, both committees have held several meetings including a workshop that was held in the People's Democratic Republic of Algeria in November 2008. This workshop aimed at knowing the Best Practices in the work area of each committee through the experiences of the member countries and some MENAFATF monitoring countries and authorities, and benefiting from the discussion held among the experts participated in the said workshop.



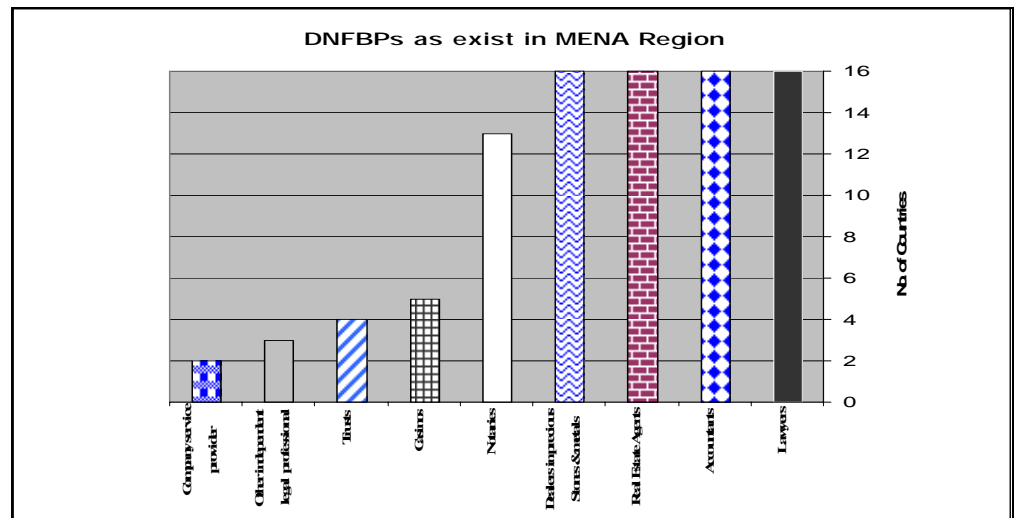
(Photo for the participants in the workshop)

Both committees have completed a job which was praised by all parties and lauded by the Plenary and the representatives of members and observers. The said ad-hoc Committees issued two extensive reports, which were presented to the 8th MENAFATF Plenary Meeting held in the UAE in November 2008. This Plenary Meeting approved to publish two papers on the MENAFATF website and circulate them among all member countries; such papers on these subjects included gridlines which each Committee had reached.

2/1 Guidelines of the DNFBPs Committee.

The report prepared by the DNFBPs ad-hoc committee included an Overview on DNFBPs and AML/CFT measures for DNFBPs. The report showed that four categories perform their activities in all the MENA countries, namely lawyers, accountants, real estate agents and dealers of precious stones and metals. The report also indicated that some DNFBPs categories do not exist in most member

countries such as casinos, trusts, other independent legal professionals and company service providers, as illustrated in figure No.1.



(Figure No. 1)

Moreover, the report showed that these categories are generally subject to control and supervision by self-regulatory organizations and governmental authorities and that most of the countries have legislative provisions and regulations, thus imposing some measures in the field of AML/CFT; however, such measures may not completely comply with the AML/CFT international requirements in some cases.

The committee issued guidelines to the MENAFATF member countries regarding DNFBPs within a paper² prepared by the committee on “DNFBPs in relation to AML/CFT”. This paper included also a presentation of risks related to DNFBPs, AML/CFT international requirements in relation to DNFBPs, implementation of the risk-based approach by DNFBPs and the other concerned entities, and examples to help some DNFBPs identify unusual transactions.

2/2 Guidelines of the PEPs Committee.

The PEPs committee prepared its report that included experiences of the MENAFATF member countries in the obligations imposed regarding dealing with the PEPs and what the Committee has reached concerning analyzing the definition for this category adopted by the FATF.

The Committee also issued guidelines concerning dealing with the PEPs within a paper² prepared by it on “PEPs in relation to AML/CFT”. This paper included also a review of the definition of PEPs, the international requirements on the way to deal with them, the risks connected thereto, Variables affecting the determination of the risk level connected to PEPs (e.g. Politically exposed person’s nationality, Person’s position, authority and powers, Business relationships volume and complexity, Types of Products or Services offered,

² Published on the MENAFATF website.

Foreign parties dealt with, and Challenges associated with the application of Enhanced CDD Measures), and Risk Management and Mitigation.

Third: Mutual Evaluation.

Item 11-1 of the MOU provides that the Plenary will establish an ongoing program of mutual evaluations coordinated by the Secretariat in which all members agree to participate. MENAFATF implements the first round of evaluation of its member countries to assess their compliance with the FATF 40 Recommendations on AML and the 9 Special Recommendations on CFT, by using the AML/CFT Methodology of 2004 and any amendments thereof.

The ME aims to assess the current AML/CFT systems of each country, by a group of experts specialized in AML/CFT. The ME process requires assessors to examine and review all AML/CFT laws and regulations currently applied in the country subject to evaluation, in order to evaluate their efficiency and compliance with the international standards.

1- Mutual Evaluation Working Group (MEWG).

The MEWG was created at the first Plenary under the chairmanship of Egypt and membership of Tunisia, Algeria, KSA, Syria, Kuwait and Egypt, in addition to the IMF, the World Bank and the FATF as observers. This WG aims at working with MENAFATF Secretariat to prepare and organize the Mutual Evaluation program of MENAFATF member countries. The MEWG fulfills the following tasks:

1. Be responsible for the preparation and review of the ME procedures and process, using the AML/CFT methodology approved by the FATF, IMF, and World Bank, and the submission thereof to the Plenary.
2. Cooperatively work to ensure that there is a mutual understanding on the methodology used in accordance with the concepts agreed upon by FATF, IMF and the World Bank.
3. Prepare standards and criteria for the skills and qualifications assessors must have.
4. Prepare and update the timeline of the member countries' mutual evaluation, in cooperation with other financial institutions to avoid duplication or contradiction among members' mandates.
5. Work toward increasing assessor's effectiveness and efficiency in coordination with the style working groups.
6. Study the whole results of the member countries' mutual evaluation to identify weaknesses or root problems in the arena of combating money laundry and terrorist financing which require special attention and

present proposals needed to overcome these problems. It shall then submit the resultant material to the Plenary.

The MEWG held in 2008 its 8th and 9th meetings; the following table illustrates the meetings that the MEWG has held since it was established:

No.	Date	Place
1	11 July 2005	Damascus, Arab Republic of Syria
2	25 September 2005	Beirut, Republic of Lebanon
3	19 March 2006	Cairo, Arab Republic of Egypt
4	3- 4 July 2006	Tunisia, Tunisian Republic
5	12 November 2006	Al Ain, UAE
6	1 April 2007	Dead Sea, Hashemite Kingdom of Jordan
7	4 November 2007	Damascus, Arab Republic of Syria
8	6 April 2008	Abu Dhabi, UAE
9	8 - 9 November 2008	AL Fujairah, UAE

During the said two meetings, the MEWG discussed a number of important, technical issues about ME, followed up on the developments that occurred in this regard and submitted its recommendations regarding the same to the Plenary. Among the issues the MEWG discussed:

- Timeline of ME Process.
- Revised ME Procedures.
- Process of Follow-up of the assessed countries.
- Study of the whole results of the member countries' mutual evaluation which have been evaluated.
- Difficulties in the application of some recommendations.
- Assessor's effectiveness and efficiency.
- Issue of the unavailability of evaluators.
- Executive Mechanism for the Technical Study of Issues within the Mandate of MEWG.

2- First Round of ME.

In order to verify the compliance of AML/CFT systems in MENAFATF member countries with FATF Recommendations, the MENAFATF adopted a timeline for the ME and kept on implementing it.

2/1 Previous MEs

The MENAFATF started implementing the timeline schedule for the first round of MEs in 2006 and kept doing so until end of 2008. So 8 countries have been evaluated until now, and their MERs were adopted according to the following statement:

No.	Country	Entity that conducted the Evaluation	Date of Discussion and Adoption
1	The Kingdom of Bahrain	IMF	The 4 th MENAFATF Plenary

2	The Islamic Republic of Mauritania	WB	Meeting (November 2006)
3	The Arab Republic of Syria	MENAFATF	
4	The Republic of Tunisia	WB	The 5 th MENAFATF Plenary Meeting (April 2007)
5	The Kingdom of Morocco	MENAFATF	The 6 th MENAFATF Plenary Meeting (November 2007)
6	The State of Qatar	IMF	The 7 th MENAFATF Plenary Meeting (April 2008)
7	The United Arab Emirates		
8	The Republic of Yemen	MENAFATF	

In 2008, three MERs were adopted and published on the MENAFATF website.

[2/2 MER of the State of Qatar.](#)

A team of assessors composed of staff of the International Monetary Fund (IMF) and one expert (from the MENA region) acting under the supervision of the IMF conducted the assessment of AML/CFT regime in the state of Qatar using the AML/CFT assessment Methodology 2004, as updated in February 2007. The assessment team considered all the materials supplied by the authorities, the information obtained on site during their mission from 4 to 20 February 2007, and other verifiable information subsequently provided by the authorities. During the mission, the assessment team met with officials and representatives of all relevant government agencies and the private sector.

The assessors reviewed the institutional framework, the relevant AML/CFT laws, regulations, guidelines and other requirements, and the regulatory and other systems in place to deter and punish money laundering (ML) and the financing of terrorism (FT) through financial institutions and Designated Non-Financial Businesses and Professions (DNFBP). The assessors also examined the capacity, implementation, and effectiveness of all these systems.

The MER provides a summary of the AML/CFT measures in place in the State of Qatar at the time of the mission or shortly thereafter. It describes and analyzes those measures, sets out the State of Qatar's levels of compliance with the FATF 40+9 Recommendations and provides recommendations on how certain aspects of the Qatar's AML/CFT system could be strengthened. The report was presented to the MENAFATF and FATF and adopted by these organizations at their respective plenary meetings of April 2008 and June 2008.

[2/3 MER of the UAE.](#)

A team of assessors composed of staff of the International Monetary Fund (IMF) and two experts (one of them is from the MENA region) acting under the supervision of the IMF conducted the assessment of AML/CFT regime in the UAE using the AML/CFT assessment Methodology 2004, as updated in February 2007. The assessment team considered all the materials supplied by the authorities, the information obtained on site during their mission from 28 February to 15 March 2007, and other verifiable information subsequently provided by the authorities. During the mission, the assessment team met with

officials and representatives of all relevant government agencies and the private sector.

The assessors reviewed the institutional framework, the relevant AML/CFT laws, regulations, guidelines and other requirements, and the regulatory and other systems in place to deter and punish money laundering (ML) and the financing of terrorism (FT) through financial institutions and Designated Non-Financial Businesses and Professions (DNFBP). The assessors also examined the capacity, implementation, and effectiveness of all these systems.

The MER provides a summary of the AML/CFT measures in place in the UAE at the time of the mission or shortly thereafter. It describes and analyzes those measures, sets out the UAE's levels of compliance with the FATF 40+9 Recommendations and provides recommendations on how certain aspects of the UAE's AML/CFT system could be strengthened. The report was presented to the MENAFATF and FATF and adopted by these organizations at their respective plenary meetings of April 2008 and June 2008.

2/4 MER of the Republic of Yemen.

A team of assessors consisted of members from MENAFATF Secretariat and MENAFATF experts in criminal law, law enforcement, as well as financial and banking issues conducted the evaluation of AML/CFT regime in the Republic of Yemen using the AML/CFT assessment Methodology 2004, as updated in February 2007. The evaluation team considered all the materials supplied by the authorities, the information obtained on site during their mission from 21 July to 1 August 2007, and other verifiable information subsequently provided by the authorities. During the mission, the assessment team met with officials and representatives of all relevant government agencies and the private sector.

The assessors reviewed the institutional framework, the relevant AML/CFT laws, regulations, guidelines and other requirements, and the regulatory and other systems in place to deter and punish money laundering (ML) and the financing of terrorism (FT) through financial institutions and Designated Non-Financial Businesses and Professions (DNFBP). The assessors also examined the capacity, implementation, and effectiveness of all these systems.

The MER provides a summary of the AML/CFT measures in place in the Republic of Yemen at the time of the mission or shortly thereafter. It describes and analyzes those measures, sets out the Republic of Yemen's levels of compliance with the FATF 40+9 Recommendations and provides recommendations on how certain aspects of the Yemen's AML/CFT system could be strengthened. The report was presented to and adopted by the 7th MENAFATF plenary meeting of April 2008.

2/5 Onsite Visit to the Hashemite Kingdom of Jordan.

The MENAFATF completed the onsite visit to the Hashemite Kingdom of Jordan from 6-17 July, 2008 for evaluating the AML/CFT system, and the MER will be presented before the 9th MENAFATF Plenary Meeting (during 2009) for adoption.

3- Assessors Training.

The achievement of the ME process requires training the experts of the member countries in the AML/CFT field on implementing the AML/CFT methodology 2004 issued by the FATF in measuring to which extent the member countries comply with the FATF recommendations. For this reason, the MENAFATF always ensures to train and qualify a number of evaluators through holding specialized workshops to train them, whereas two workshops have been held until now.

3/1 First Assessors Training Workshop, State of Kuwait, December 2005.

The 1st workshop was held from 17-21 December, 2005 in collaboration with the Central Bank of Kuwait, the IMF, the World Bank and the FATF. Most of the member countries participated with their AML/CFT experts for training and qualifying them in order to enable them perform the evaluation process efficiently and effectively. Forty Five experts were trained in this workshop.

3/2 Second Assessors Training Workshop, State of Qatar, November 2007.

The 2nd workshop was held from 11-15 November, 2007 in collaboration with the National Committee for AML/CFT in the State of Qatar, the IMF, the World Bank and the FATF. Most of the member countries participated with their AML/CFT experts for training and qualifying them in order to enable them to perform the evaluation process efficiently and effectively. Forty experts were trained in this workshop.

3/3 Third Assessors Training Workshop.

In continuation of the great efforts for training and qualifying a sufficient number of evaluators, the MENAFATF is planning to organize a yearly training and qualification workshop for the evaluators in a regular way, where the MENAFATF intends to organize the third workshop for training and qualifying the evaluators in collaboration with the IMF, the World Bank and the FATF in 2009.

Fourth: Study of the Methods and Trends of ML/TF.

1- Technical Assistance & Typologies Working Group (TATWG).

The TATWG was formed with the chairmanship of the UAE, and membership of Bahrain, Lebanon, Morocco and Yemen, in addition to the following observers: IMF, World Bank, UNODC, FATF, and USA. The TATWG shall assist and advise the secretariat to fulfill the following tasks:

- 1- Undertake detailed analysis of particular available typologies information to produce useful and timely material on "typologies" methods and trends of ML/TF in the MENA region.

- 2- Prepare typologies material that will be published to enhance public and private awareness.
- 3- Organize typologies workshops on sanitized ML/TF cases occurring within the MENA region and identify typologies and indicators to participants.
- 4- Provide the needed training on ML/TF according to the member countries needs through the MENAFATF solely or in coordination with international and regional organizations or with other countries to enhance expertise experiences and promote awareness among MENAFATF's members.
- 5- Organize special seminars within the scope of MENAFATF work.
- 6- Compile training material and make it available to concerned public agencies as well as the private sector mainly banks and financial institutions of MENAFATF members.
- 7- Identify the needs of member countries with regard to technical assistance; determine the means and tools necessary to satisfy such needs; and facilitate the provision of technical assistance, either solely by MENAFATF or in coordination with countries and international and regional institutions that provide such technical assistance.

The TATWG held in 2008 its 6th and 7th meetings, the following table illustrates the meetings that the TATWG has held since it was established:

No.	Date	Place
1	25 September 2005	Beirut, Republic of Lebanon
2	19 March 2006	Cairo, Arab Republic of Egypt
3	12 November 2006	Al Ain, UAE
4	1 April 2007	Dead Sea, Hashemite Kingdom of Jordan
5	4 November 2007	Damascus, Arab Republic of Syria
6	6 April 2008	Abu Dhabi, UAE
7	9 November 2008	AL Fujairah, UAE

During the said two meetings, the TATWG discussed a number of important technical issues in the technical assistance and typologies, followed up on the related developments, and submitted its recommendations to the Plenary. Among the issues the team has discussed:

- Efforts of the donors in providing technical assistance for the MENAFATF member countries.
- Project of the training guidance for the different authorities in the AML/CFT field.
- Developments of the stance of the 1st Annual Conference for the Regional Groups on coordinating, cooperating and promoting cooperation between them and the FATF and the 1st Annual Conference for the Licensing and Control Authorities on the Charitable/ Civil Societies and the 3rd assessors training workshop.
- Holding the FIUs workshop and the law enforcement authorities' seminar.

2- Typologies Topics.

One of the main objectives of MENAFATF is to work together to identify ML/TF issues of a regional nature, to share experiences of these problems and to develop regional solutions for dealing with them. The identification of ML/TF methods and techniques are conducted through studying the proposals of member countries on Typologies topics. This is followed by the formation of sub working groups to gather information related to case studies and discuss them in special workshops.

Workshop on the FIUs Role, Al Fujairah, UAE, from 12-13 November, 2008

The MENAFATF organized an FIUs workshop on 12-13 November 2008, on the margin of the 8th MENAFATF Plenary meeting in Fujairah, UAE. This workshop aimed at enhancing capacities and raising awareness of MENAFATF member countries on the AML/CFT role of FIUs in general and in the field of typologies in a more detailed manner. Thirty four experts most of them are specialists in receiving and analyzing the STRs participated in this workshop representing the majority of the MENAFATF member countries.



(Photo from the workshop)

Experts from the World Bank, the IMF, Egmont Group, the USA and some MENAFATF member groups gave speeches in this workshop. Many subjects were addressed in this workshop:

1. Defining FIU, its duties, functions, and requirements for its establishment
2. The relation between FIU and different local entities
3. International Cooperation.
4. Financial analysis and its role in extracting suspicion indicators.
5. Typologies and the FIU role:
6. Presenting some case studies from representatives of MENAFATF member countries.

3- Identifying and Coordinating for the Provision of Member Countries TA Needs.

TA and training are considered an important part of MENAFATF work plan to help member countries implement international standards. Identifying member countries' needs of TA and training, and the provision of such TA are one of the major tasks fulfilled by TATWG in cooperation with the Secretariat, and in coordination with international organizations and countries providing this assistance (donors). The importance of this issue for MENAFATF lies in identifying the aspects in need of support in AML/CFT systems in member

countries. Therefore, MENAFATF will be able to help member countries remedy the deficiencies and strengthen their commitment to international standards.

On such basis, MENAFATF has put in place a clear work strategy which covers the identification of member countries' needs (by preparing a relevant questionnaire), the study and discussion of these needs to reach an appropriate mechanism and, setting practical frameworks to provide TA and training in the best available ways. In addition, donors are directly providing TA to member countries through bilateral agreements.

In 2008 the donors made appreciated efforts in providing the necessary assistance for the MENAFATF member countries in different areas, the most important of which:

- Training the trainers on executing the financial analysis.
- Training judges and prosecutors regarding filing the ML cases.
- Multi-training in the banking supervision.
- Training program for the supervisory authorities in the securities field regarding the AML/CFT.
- Legislative drafting in the AML/CFT.
- Strengthening the FIUs role.
- The international legal instruments for Counter of Terrorism.
- Protecting the human rights for CT and CFT.
- Mechanisms of international cooperation for the LEAs in the international, legal framework for CT.
- Counseling program over 18 months for assisting one of the countries in establishing the FIU.
- Counseling program over 18 months for assisting another country in establishing an effective AML/CF control program for the banking sector.
- Improving the skills of the criminal justice officials concerned about activating the international, legal deeds of CT.
- Mechanism of international cooperation in CT and CFT.
- Legislative drafting of the legal framework for CT and CFT.
- Effective implementation of the provisions and texts mentioned in the international legal deeds for CT, CFT and the United Nations Convention against Transnational Organized Crime.

Fifth: Coordination and Cooperation on the Regional and International Levels.

This section presents the MENAFATF activities and achievements regionally and internationally, where the MENAFATF has performed many activities on the regional level, of which was holding its 7th and 8th Plenary Meetings as well as the WGs meetings. On the international level, the MENAFATF kept on communicating with the FATF, supported its relation with the FSRBs and participated in many international meetings, conferences and seminars.

1- MENAFATF Plenary Meetings.

The 7th MENAFATF Plenary.

The MENAFATF held its 7th Plenary Meeting in Abu Dhabi, UAE from 7-9 April 2008. AML/CFT experts from members and observers participated in that meeting, during which the agenda items were discussed and the most important decisions were as:



(Photo from the 7th Plenary)

- Reassigning the MENAFATF Executive Secretary for a second session from 2009 to 2012.
- Adoption of the 3rd MENAFATF annual report of 2007, closing accounts of the same year and the external auditor's report.
- Adopting the MERs for the UAE and State of Qatar (prepared by the IMF) as well as the Republic of Yemen (prepared by the MENAFATF).
- Holding the FIUs' workshop.
- Approving on organizing a mutual meeting with the FATF.

The 8th MENAFATF Plenary.

The MENAFATF held its 8th Plenary Meeting in Al Fujairah, UAE from 10-11 November 2008. AML/CFT experts from members and observers participated in that meeting, during which the agenda items were discussed and the most important decisions were as:



(Photo from the 8th Plenary)

- Approval of the MENAFATF work plan and the budget for 2009.
- To approve the paper prepared about DNFBS in the field of AML/CFT and to approve its distribution among all member countries and its publication on the MENAFATF's website.
- To approve the paper prepared about PEPs in the field of AML/CFT and to approve its distribution among all member countries and its publication on the MENAFATF's website.

- To adopt the Guidance of Training Different Authorities in the field of AML/CFT.
- Approval of the membership of Great Socialist People's Libyan Arab Jamahiriya.
- Approval for granting the World Customs Organization the status of observer.

2- Relation with the FATF.

The MENAFATF enjoys strong relationships with FATF, as MENAFATF is one of the 8 FSRBs worldwide. The MENAFATF used to have the status of observer at FATF It participated as such in its Plenary meetings and in the meetings of its WGs as well as other events and activities organized by the FATF until June 2007. Since then, the relationship has developed after the MENAFATF was granted the status of “Associate Member” at FATF during the 3rd FATF plenary meeting, at the eighteenth session held at the headquarters of the OECD in Paris, France from 27 till 29 of June 2007.

With the status of Associate Member, MENAFATF is entitled to expand its participation in the works of the FATF by giving five of its member countries the opportunity to attend the meetings held by the FATF and its WGs, to take part in the deliberations and decisions and to express the regional perspective. The following table shows the MENAFAT participations in 2008:

No.	Meeting	Date	Place
1	FATF Plenary Meeting	25-29 February 2008	Paris, France
2	FATF Plenary Meeting	16-20 June 22008	London, UK
3	Meeting of the FATF WGTM and WGEI.	14-17 September 2008	Toronto, Canada
4	FATF Plenary Meeting	13-17 October 2008	Rio Di Janeiro, Brazil
5	FATF Typologies Meeting and workshops.	24-26 November 2008	Monaco

3- Relationship with the Other International and Regional Bodies Authorities and Organizations.

The MENAFAT ensures continuously to support its relationships with the other regional and international bodies and organizations such as the IMF, the WB, the UNODC, the GCC for Arab countries, Egmont Group and APG. All those bodies and organizations are observers in the MENAFATF. In addition, some of them can provide the MENAFATF member countries with the technical assistance and benefit from their experiences in the field of AML/CFT.

The participation in the events organized by these bodies and organizations is one of the most important means on which the MENAFATF depends to reinforce its relationships with these bodies and organizations. The MENAFATF participated in the following events in 2008:

No.	Date	Place	Event
1	22-29 March 2008	KSA	The MENAFATF represented by the Executive Secretary participated in the UN Team for visiting the KSA for evaluating its compliance with the relevant UNSCR.
2	26-30 May 2008	Seoul, South Korea	Egmont Group Meeting

4- Participation in Conferences and Seminars.

The MENAFATF continuously follows up on the recent developments in the AML/CFT, by participating in many meetings, conferences and seminars; It has contributed in 2008 in organizing many of these events in collaboration with some bodies, namely:

No.	Date	Event
1	15 June 2008	Participation of the Executive Secretary as a speaker in a seminar on ML in the KSA.
2	20-24 August 2008	Participation of the Executive Secretary as a speaker in a workshop held in collaboration with the IMF, the World Bank and the UNODC in order to raise the awareness of the officials of the Iraqi Republic in the AML/CFT in Sharam Sheikh, the Arab Republic of Egypt.
3	12-13 November 2008	Workshop on the role of the FIUs' role of the MENAFATF member countries in collaboration with the Central Bank of UAE.
4	14-18 December 2008	Participation of the Executive Secretary as a speaker in the 3 rd Annual Forum for Compliance in Dubai, UAE.
5	21-22 December 2008	Participation of the Executive Secretary as a speaker in the forum for the Challenges of Transparency and Disclosure in the Banking Sector in Damascus, the Arab Republic of Syria.

5- Dialogue with the Private Sector.

The MENAFATF seeks to reach the private sector in the AML/CFT. Through cooperation with the Union of Arab Banks, the MENAFATF has launched a dialogue with it through establishing a real partnership amongst the commercial banks from the MENA and the USA for AML/CFT, spreading the international initiatives of ML/TF as well as cooperating in providing the technical assistance and the training and educational programs for raising awareness, improving the communication channels and building a link between the different cultures.

The MENAFATF is currently studying a suitable mechanism for holding a dialogue with the private sector aiming at strengthening communication with it, identifying the challenges it is facing, providing suitable solutions for them,

benefiting from the experiences of this sector and reflecting them on relevant guidelines and papers issued by the MENAFATF, in addition to submitting the features of the region to the FATF to reflect them in the international standards, if necessary.

Sixth: The External Auditor Report and the Financial Statements.

1- Auditor's Report.



BDO Jawad Habib
Public Accountants
Management Consultants
CR No. 10201

9th floor, UCB Tower
PO Box 787, Manama
Kingdom of Bahrain
Telephone (973) 17330077
Facsimile (973) 17330088
www.bdojawadhabib.com

INDEPENDENT AUDITORS' REPORT TO THE PLENARY OF MIDDLE EAST AND NORTH AFRICA FINANCIAL ACTION TASK FORCE (MENAFATF)

We have audited the accompanying financial statements of Middle East And North Africa Financial Action Task Force ("MENAFATF"), which comprise the balance sheet as at 31 December 2008, the statement of income and expenditure and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility of the management for the financial statements

The management of MENAFATF is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free of material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

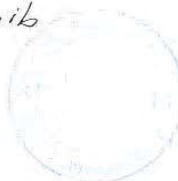
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of MENAFATF as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

BDO Jawad Habib

Manama, Kingdom of Bahrain
30 April 2009

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2- Financial Statements.

Middle East And North Africa Financial Action Task Force (MENAFATF)
Balance sheet at 31 December 2008
(Expressed in United States Dollars)

	<u>2008</u>	<u>2007</u>
ASSETS		
Non-current assets		
Machinery and equipment	<u>20,724</u>	<u>29,652</u>
Current assets		
Other receivables	60,170	7,449
Cash and bank balance	<u>186,189</u>	<u>59,301</u>
	<u>246,359</u>	<u>66,750</u>
Total assets	<u>267,083</u>	<u>96,402</u>
FUNDS EMPLOYED AND LIABILITIES		
Funds employed		
Accumulated funds	<u>102,758</u>	<u>9,646</u>
Non-current liabilities		
Employees' terminal benefits	<u>12,814</u>	<u>6,444</u>
Current liabilities		
Other payables	<u>151,511</u>	<u>80,312</u>
Total funds employed and liabilities	<u>267,083</u>	<u>96,402</u>

These financial statements were approved by the Secretariat on 30 April 2009 and signed on its behalf by:


Adel Al Qulish
Executive Secretary



Middle East And North Africa Financial Action Task Force (MENAFATF)
 Statement of income and expenditure for the year ended 31 December 2008
 (Expressed in United States Dollars)

	<u>2008</u>	<u>2007</u>
Income		
Kingdom of Bahrain funding	500,000	500,000
Members contribution	<u>234,112</u>	<u>-</u>
	<u>734,112</u>	<u>500,000</u>
Expenditure		
Staff costs	(356,790)	(323,354)
General and administrative expenses	(272,519)	(299,875)
Depreciation	<u>(11,691)</u>	<u>(9,649)</u>
	<u>(641,000)</u>	<u>(632,878)</u>
Net surplus/(deficit) for the year transferred to accumulated funds	<u>93,112</u>	<u>(132,878)</u>

These financial statements were approved by the Secretariat on 30 April 2009 and signed on its behalf by:



Adel Al Qulish
 Executive Secretary



Middle East And North Africa Financial Action Task Force (MENAFATF)
Statement of cash flows for the year ended 31 December 2008
(Expressed in United States Dollars)

	<u>2008</u>	<u>2007</u>
Operating activities		
Net surplus/(deficit) for the year	93,112	(132,878)
Adjustment for:		
Depreciation	11,691	9,649
Changes in operating assets and liabilities:		
Other receivables	(52,721)	(1,425)
Other payables	71,199	35,248
Employees' terminal benefits, net	<u>6,370</u>	<u>(8,021)</u>
Net cash provided by/(used in) operating activities	<u>129,651</u>	<u>(97,427)</u>
Investing activities		
Purchase of machinery and equipment	<u>(2,763)</u>	<u>(25,163)</u>
Net cash used in investing activities	<u>(2,763)</u>	<u>(25,163)</u>
Net increase/(decrease) in cash and cash equivalents	126,888	(122,590)
Cash and cash equivalents, beginning of the year	<u>59,301</u>	<u>181,891</u>
Cash and cash equivalents, end of the year	<u>186,189</u>	<u>59,301</u>

