

A semi-annual newsletter issued by the Secretariat of MENAFATF





Dear Brothers and Sisters,

It is my pleasure to welcome each of you to the e-newsletter that highlights the most important events and activities organized and held by the MENAFATF.

No doubt that both ML and TF crimes are largely hitting and affecting the financial and economic institutions as well as the international markets; combating such crimes has taken a significant place in the agenda of the regional and international meetings at the highest levels due to their serious effects on the financial, economic and social components around the world.

Within this framework, the MENAFATF is performing a pivotal role in the region; it links the member countries with each other, on one part, and with the rest of the world on the other part by participating, represented by the President and the Secretariat staff, in the meetings of the most important international AML/CFT entities such as the FATF. On the other part, the MENAFATF encourages member countries to adopt and implement the international standards and increases the awareness on ML/TF methods, techniques and trends to reach the best regional combating solutions.

Perhaps the most significant proof of MENAFATF achievements and successes is translated by the end of the first round of ME, which has largely and considerably reinforced the combating regimes in the member countries. Within the same efforts made in the evaluation, the follow up process is the phase following the mutual

evaluation in order to measure the level of corrections and actions taken by the country in the combating area and to measure the effectiveness of their current systems and laws; the follow up process contributes in motivating the countries to proceed with the ongoing improvement and reinforcement of the combating laws and regulations in order to address the deficiencies identified in the mutual evaluation reports as an AML/CFT strategy. This objective is especially important to the safety and stability of the financial and economic system in each country. To this end, the MENAFATF is endeavoring to improve the compliance with the related international standards in the MENA countries.

As an extension to MENAFATF achievements, the Republic of Sudan is seeking, during and through the presidency term, to contribute in the expected achievements based on its firm belief in the importance of the objectives the Group was established for.

MENAFATF  
President

## 17th Plenary Meeting held in Khartoum

The Republic of Sudan hosted MENAFATF 17th plenary meeting in Khartoum from 30 April to 2nd of May 2013. The Plenary meeting was inaugurated by H.E. Mr. Ali Mahmoud Abdul Rasool, Minister of Finance and National Economy in Sudan in the presence of H.E. Dr. Mohamed Khair Al Zubair, Governor of the Central Bank of Sudan.

The meeting was chaired by H.E. Mr. Esam Eddine Abdul Gadir Al Zain, Undersecretary of the Ministry of Justice and President

of the Administrative Committee for combating ML/TF crimes. A large number of AML/CFT experts participated in the plenary meeting, representing 18 member countries in addition to observer countries and organizations (Palestinian National Authority, UK, Spain, World Bank, International Monetary Fund, Gulf Cooperation Council, Financial Action Task Force, Arab Monetary Fund, Eurasian Group and the United Nations).

The discussions held during the meeting covered all the topics



listed on the agenda and which are related to a series of issues on MENAFATF work and activities.

On the other part, it was decided to hold the 18th plenary meeting in November 2013.

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### The new AML/CFT assessment methodology

The FATF and FSRBs as well as the international financial institutions such as the International Monetary Fund and the World Bank adopt in their AML/CFT assessments a standard assessment methodology, well agreed on by all such organizations and institutions. The assessment methodology is one of the most important tools that the experts of the mutual evaluation or detailed assessment rely on in measuring the extent of compliance of the assessed countries with the FATF standards. The first methodology was issued in 2002 following a Joint work between the FATF, IMF and WB. Most of the worldwide countries underwent the evaluation process based on such methodology and the following amendments until the end of the evaluation process rounds on the 40 Recommendations on combating money laundering and 9 Special Recommendations on fighting terrorism financing.

When the FATF finished the review of the 40Rs and 9 SRs in February 2012 and issued the 40 Recommendations instead, it has focused on amending the previous methodology of 2004 where the main objective was to introduce

the element of effective implementation in addition to the technical compliance, an aspect that was not largely covered in the previous methodology, in view of the importance of effectiveness in identifying the extent to which the technical criteria mentioned in the methodology are met. The new assessment methodology was issued in February 2013 following the amendment process.

The new assessment methodology consists of 2 main sections, in addition to the introduction, the first section sets out the criteria to evaluate the technical compliance with each Recommendation; while the second section identifies the outcomes, indicators and data used in assessing the effectiveness of the implementation of the FATF recommendations.

The first section of the new methodology is to a large extent similar to earlier versions of the assessment methodology (2004) in relying on specific technical criteria to verify the extent to which the country has addressed and met the identified requirements for each recommendation and mainly its legal link and the institutional framework as well as the related powers and measures; it is worth to mention that new technical criteria were added to the new Recommendations which have no specific technical criteria in the previous methodology. The assessment of the effectiveness varies substantially from the technical compliance whereby it measures the extent of sufficiency of applying the recommendations and identifying the extent

to which the subjected country has achieved a series of outcomes that are considered main for a robust AML/CFT regime. Therefore, the assessment of the effectiveness focuses on measuring the extent to which the legal and institutional framework is capable of achieving the expected outcomes.

In general, both sections provide a comprehensive basis for an integrated analysis of the extent to which the country is compliant with the Recommendations and how effectively and successfully it maintains a robust AML/CFT regime. It is to indicate that the ratings of technical compliance (section 1) include 4 key ratings: Compliant (C), Largely Compliant (LC), Partially Compliant (PC) and Non Compliant (NC). In specific cases, the rating Not Applicable (NA) may be used as well. As to the effectiveness, it is measured through the extent to which defined Outcomes are achieved (Eleven Immediate Outcomes), such as: "Money laundering and terrorist financing risks are understood and, where appropriate, actions co-ordinated domestically to combat money laundering and the financing of terrorism and proliferation." The Immediate Outcomes feed into 3 Intermediate Outcomes representing main objectives of the AML/CFT measures; knowing that at the highest level, the objective is to protect financial and economic systems from the threats of ML/TF and proliferation with a view to strengthen the integrity of the financial sector and to contribute in the safety and security.

MENAFATF  
Executive Secretary

### Adopting the updated typologies project on ML/TF trends and indicators

During the 16th TATWG meeting held on the sidelines of the 17th plenary meeting on Monday 29 April 2013 in Khartoum, Republic of Sudan, many important items related to the working group activities were discussed; the most important were: typologies project on "ML/TF trends and indicators – Update" and proposing to hold a workshop for member countries on the updated standards and the methodology of mutual evaluation and strategic analysis within the scope of providing technical assistance and typologies. The 17th plenary meeting adopted the typologies project on "ML/TF trends and indicators- Update" which focused on analyzing the most recent information on ML/TF trends and indicators in the MENA region compared to the information which was identified in the previous project in 2010. The most important results reached by the report on ML cases compared to 2010 were: the ongoing ML trend via fraud and illicit trafficking means and misusing the banks and exchange companies, recurring transfer and deposit of funds in banking accounts as being the highest ML means in the region; while the emerging trends that were mentioned in some cases cover, among others, the use of internet to effect suspicious banking transfers and the use of automatic withdrawal and deposit machines.

### 7th meeting of the FIUs Forum in Khartoum

MENAFATF FIUs Forum discussed in its 7th meeting held in Khartoum, Republic of Sudan on Sunday 28 April 2013 topics of common interest such as encouraging and following up the process of joining the Egmont Group, the mechanism of building and promoting FIUs capacities and the relation of the forum with MENAFATF related bodies. It is worth to mention that 10 FIUs have already joined the Egmont Group during the last period; while the FIUs of Algeria (July 2013), Sudan, Oman, Iraq, Kuwait, Libya, Mauritania and Yemen are currently seeking to adhere in the coming period.

In the framework of exchange of expertise based on the Best Practices, FIU of Saudi Arabia made a presentation on its experience in the information systems at FIUs. The presentation clarified the means used or that could be used in maintaining data received and analyzed by the FIU as part of tracing the suspected operations in addition to the most important topics related to the secrecy of maintained data.

## Hashemite Kingdom of Jordan exits the regular follow up process

The Hashemite Kingdom of Jordan moves from regular follow up to biennial update; Jordan submitted its 3rd follow up report to the 17th Plenary meeting which commended the achievements made in enhancing the AML/CFT regime. Jordan underwent the mutual evaluation in 2009 by an assessment team made of MENAFATF Secretariat and experts from the member countries.

## Timeline of the mutual evaluation process within the 2nd round

On the margin of the 17th plenary meeting, MEWG held its 20th meeting on Monday 29 April 2013 in Khartoum, the Republic of Sudan. The Group discussed a set of important topics, among which, proposing to hold a workshop for member countries on the revised standards and the methodology of mutual evaluation during the 2nd half of 2013 as well as amending the mutual evaluation procedures and preparing for the 2nd round of the mutual evaluation process with

the study of the related timeline. Reviewing the timeline of the 2nd round aims at identifying the criteria for designing the timeline of mutual evaluation processes for the member countries as well as determining a reasonable timeframe between the first time the country was assessed in the 1st round and the date at which it will be assessed during the 2nd round. The 17th plenary meeting adopted MEWG Chair's report on the Group recommendations agreed on during its meeting.

## A regional workshop highlighting the supervisory sectors of non banking financial institutions



MENAFATF held, within the framework of its training plans, a regional workshop in cooperation with the World Bank and the Tunisian Financial Analysis Commission (CTAF), for training non banking financial institutions supervisors on AML/CFT compliance Supervision in Tunisia, from 11 to 13 March 2013. The workshop aimed at promoting the

application of the RBA concept as a basis to conduct both onsite and offsite examinations and inspections on the non banking financial institutions; the workshop exposed as well the most recent international standards adopted by the FATF in February 2012 covering money transfer, insurance and securities. The workshop, which is the first of its kind in the region, targeted 3 sectors of high importance

on the level of supervising non banking financial institutions. This workshop comes as a part of MENAFATF training plans seeking to improve the capacities of the supervisors. Around 35 experts in the sector of money transfer services, insurance and securities from the member countries participated in the workshop.

## Corruption and Money Laundering

The countries around the world are taking prompt actions in combating corruption under all types due to its political, economic and social effects that impede the development and threaten the stability of the countries. A UNODC report indicates that “More than \$1 trillion dollars (US\$1,000 billion) is paid in bribes each year all over the developed and developing countries”. Corruption practitioners are seeking secretly to make use of the profits whether individually or collectively in an illicit way which has serious repercussions on the international security and peace. The relationship between the corruption and ML operations contributes in increasing the rate of criminal activity, whereby corruption criminals legitimize their illicit wealth which lead to encouraging its existence under all forms and types; therefore, the success of such 2 crimes

support the criminal and terrorist acts that threaten stability in all the sectors. Although such 2 crimes may occur in any country worldwide, yet their economic and social effects are considered to be higher in less developing countries.

### **Manipulation under its different types; misusing the authority being the most serious:**

Absence of effective preventive policies and measures to detect and deter such crimes contribute in conducting and increasing the manipulation operations towards ending in having illicit activities; which would oblige the perpetrator of this crime to launder such proceeds in order to hide their illicit source (concealment or disguise); naturally, such type of corruption contributes in the expansion of ML operations; for example, criminals attempt to bribe governmental officials or lawyers or other legal or financial or non financial professionals allowing them to proceed with their illicit activities; the more the combating laws and legislations are dissuasive and effective, the higher the

rate of stability in such sectors.

### **How does the FATF support the fight against corruption?**

In this context, the FATF issued a Reference Guide and Information Note on the use of the FATF Recommendations (Recommendations adopted in February 2012) to support the fight against corruption which highlights the related recommendations and the link between corruption and money laundering. The FATF Reference Guide highlighted 31 recommendations out of the 40 recommendations which effective implementation can help countries better safeguard the integrity of the Public sector, protect the private sector from abuse, increase transparency of the financial system and facilitate the detection, investigation and prosecution of corruption and money laundering, and the recovery of stolen assets.

The Reference guide also indicates that a culture of compliance with AML/CFT standards creates an environment in which it is more difficult for corruption to thrive undetected and unpunished.

## Forgery and Counterfeiting of financial instruments and their relation with ML/TF

MENAFATF is currently working on the typologies project of “proceeds of forgery and counterfeiting of instruments and documentary credits and their relation with ML/TF” which was approved by the 14th plenary meeting (Algeria, People’s Democratic Republic of Algeria, November 2011). The importance of the project lies in that the forgery and counterfeiting operations are considered serious crimes on the economic level and are linked – as one of the predicate offenses – with ML offense; Both forgery and counterfeiting are one of the most widespread predicate offenses. The outcomes of the typologies report made by the MENAFATF and adopted by the plenary meeting in 2010 on “ML/TF trends and indicators in the MENA region ” indicate that forgery crime is one of

the most recurring predicate offense in the cases that were studied, which suggests that this offense has its effect on all MENAFATF member countries. As well, the project seeks to increase the understanding of the nature and scope of forgery and counterfeiting crimes as well as the risks emanating there from and to identify the most used means in laundering the proceeds of forgery and counterfeiting of financial instruments and documentary credits. It aims as well at developing better means to support the efforts made by the concerned entities in combating forgery crimes and laundering their proceeds and assist them in performing more efficiently their role. Further, the final draft of the report will be submitted to the TATWG at the 18th plenary meeting for adoption by end of November 2013.

