

**Middle East and North Africa
Financial Action Task Force**



The 16th Annual Report for 2020



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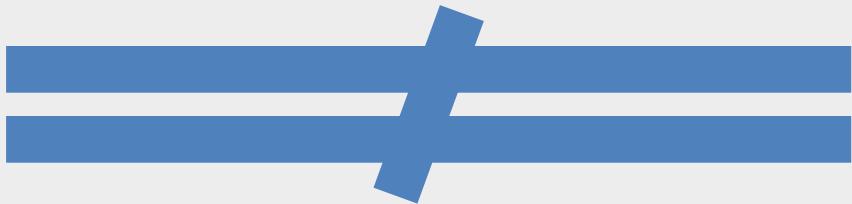
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بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِيْمِ



MENAFATF President Foreword



In the Name of God, the Most Compassionate, the Most Merciful, from Him we seek help,

Dear Brothers and Sisters,

Peace be upon you, God's Mercy and His Blessings,

First, I would like to extend my best regards and appreciation to all of you and kindly allow me to welcome you to the release of the 16th annual report of the Middle East and North Africa Financial Action Task Force which coincides with the Arab Republic of Egypt's presidency of the MENAFATF for 2020, wishing that you are all doing well and praying God Almighty to deliver our world from this pandemic.

During 2020, Egypt continue the reform path which was followed by the former MENAFATF presidents and sought to maintain their accomplishments and maximize the benefits they have achieved, namely the development of tools and capacities to increase the operational efficiency of the MENAFATF. Egypt also proceeded with the implementation of the work plan which was set to improve the effectiveness of the MENAFATF and the Secretariat performance in cooperation with the FATF. It also considered to execute this plan, starting by reviewing the basis for decision making at the Plenary and working group meetings, including the establishment of specific and clear criteria, making amendments to the criteria for accessing the MENAFATF for both members and observers, supporting and developing the MENAFATF financial resources and determining the optimal usages of any surplus in its budget, beside the enhancement of the work methodology which is followed by the working groups, forums and committees formed at the MENAFATF for the purpose of increasing their effectiveness and examining the most important challenges facing member countries, with the aim of studying and discussing them and finding the best solutions to overcome them, in line with the work plan established by the FATF.

In view of the delicate situations caused by the exceptional circumstances that countries all over the world are going through, due to the spread of the Corona virus (COVID-19) pandemic, which were accompanied by many strict measures, declaration of the state of emergency, confinement and work disruption at both government and private sectors, the MENAFATF and its Member Countries were also affected by these circumstances and forced to work remotely, as is the case for the MENAFATF Secretariat which started to apply this measure since the beginning of March 2020, just like the other FSRBs, in addition to the FATF itself. The MENAFATF was also forced to postpone the date of its 31st Plenary

Meeting which was scheduled for April 2020 in the Kingdom of Bahrain and was later held remotely (virtually) in November 2020.

In addition to the foregoing, the mutual evaluations, the timeline of the 2nd round of the mutual evaluation and the following on-site visits have been also impacted, causing the Plenary Meeting to decide to postpone the Follow-Up Reports and the mutual evaluation of all member countries for one Plenary cycle, as is the case for the FATF. The pandemic affected the ability of the expert team of assessors and reviewers to pursue their tasks and look for other alternatives to complete their current work. The on-site visit to the Arab Republic of Egypt was disrupted and postponed after it had started on 1 March 2020, discontinued on 9 March 2020 and later resumed virtually with the entities and stakeholders concerned with the mutual evaluation process with the attendance of representatives of the MENAFATF Secretariat, from 16 September to 7 October 2020. Furthermore, the evaluation processes for the State of Palestine and the Lebanese Republic were also postponed due to the exceptional circumstances. Regarding the Follow-Up Reports which were supposed to be discussed and adopted at the Plenary Meeting in April 2020 which was also postponed, they were discussed and adopted at the Plenary Meeting that took place in November 2020.

The implications of the pandemic also affected the abilities of the countries under assessment or follow-up to take actions similar to those taken in ordinary circumstances, such as benefiting from the training related to the mutual evaluation process. In this context, the training program on the international standards and the assessors training and qualification program were postponed, considering the challenges faced by the MENAFATF Secretariat and the donors in organizing these activities in-person, knowing that these forms of training require an active interaction of the participants and practical exercises to be conducted in practice. Nevertheless, the MENAFATF Secretariat managed to coordinate with the FATF Secretariat to hold a virtual training workshop which was attended by 7 experts from the member countries and one expert from the Secretariat.

On a similar note, the MENAFATF works on Technical Assistance and Typologies were impacted, as the training plan was almost temporarily paused, which prevented the execution of the relevant programs it contained and the establishment of a sub-plan aimed to virtually execute some programs comprised in the training plan was approved instead, in addition to setup another plan to execute a number of seminars and webinars to fill the gap resulted by the disruption of the plan. At the Typologies level, the work on the current Topologies Project on Money Laundering from the Human Trafficking and Migrant Smuggling Crimes which is currently being executed was affected and the execution period was extended to six months further, ending with the submission of the other draft of the typologies report in April 2021.

Despite the afore-mentioned challenges, the Presidency continued its efforts to achieve the MENAFATF objectives by cooperating with the observers and activating their role in overcoming the difficulties and challenges encountered by the MENAFATF during the pandemic. These entities mainly represented in the FATF, the international and regional organizations and counterparts were engaged to investigate the issues related to the mutual evaluations and on-site visits, particularly for the countries for which their conduct or completion was due over the last period. Therefore, we would like to extend our deepest thanks and appreciation for their strong attitude in this crucial time and the Presidency will

exert its best efforts to reach the targets and objectives set for this period, by joining forces and cooperating with you to overcome this phase.

Finally, I can only pray that God Almighty protects everyone from all harm, hoping to meet you again in better circumstances where we all enjoy health and wellness and we perform our works and resume our normal life as before and even better, God willing.

May God keep you safe, Peace be upon you, God's Mercy and His Blessings,

Ahmed Saeed Hussein Khalil

The Counsellor and deputy head of the Court of Cassation, the chairman of the board of trustees of the Egyptian Money Laundering and Terrorist Financing Combating Unit (EMLCU) and the MENAFATF president



MENAFATF Executive Secretary Foreword

In the Name of God, the Most Compassionate, the Most Merciful, from Him we seek help,

Dear Brothers and Sisters, Peace be Upon You, God's Mercy and His Blessings,

Greetings

In the release of this 16th issue of the MENAFATF annual report, kindly allow me to extend my best regards and appreciation to all the MENAFATF member countries and observers for supporting the MENAFATF in its journey to fulfill its mission during 2020. I would also like to thank the regional and international bodies for their presence and contribution to the achievements made during this year. I wish to express my special thanks to the MENAFATF Presidency for 2020, the Arab Republic of Egypt, represented by His Excellency, the Counselor /Ahmed Saeed Hussein Khalil - the MENAFATF President, deputy head of the Court of Cassation and chairman of the EMLCU board of trustees for its cooperation and well-advised instructions in leading the work at this critical juncture in the MENAFATF history, and the vital role it played in overcoming the challenges that the MENAFATF and the world, as a whole, are facing, namely in the MENA region, as a result of the spread of the Corona virus pandemic and its repercussions on the performance of the MENAFATF and its member countries in terms of effective implementation of their obligations toward the international AML/CFT standards.

The year 2020 was marked by the Corona virus pandemic which is an unprecedented advent that we are experiencing and are still grappling with it and whose impact extended to all the areas of the MENAFATF work. Regarding the MENAFATF internal work, the Secretariat had to pursue it remotely since March 2020, in order to mitigate the effects of this pandemic and to comply with the prudential measures which are applicable in the headquarter country. The MENAFATF also decided to postpone or cancel many events, namely the 31st MENAFATF Plenary Meeting which was scheduled for April 2020 in the Kingdom of Bahrain and later held remotely (virtually) in November 2020.

In the context of the mutual evaluation, the mutual evaluation process for the Lebanese Republic was postponed for one year, due to the exceptional circumstances that the country is witnessing amidst the Corona virus pandemic; and the on-site visit to the State of Palestine was also deferred. On the other hand, the pandemic affected the ability of the expert team of assessors and reviewers to pursue their tasks and look for other alternatives to complete their current work. The on-site visit to the Arab Republic of Egypt was disrupted and postponed

after it had started on 1 March 2020 to be disrupted shortly after on 9 March 2020 and later resumed virtually from 16 September to 7 October 2020.

In view of these facts, the MENAFATF adopted the paper on the exceptional measures to deal with the challenges related to the evaluation processes during the Corona virus pandemic, at the 31st Plenary Meeting, in addition MENAFATF passing of the Mutual Evaluation Report for the State of the United Arab Emirates for its member countries through email for adoption; and then published in April 2020.

On Technical Assistance and Typologies field, the MENAFATF training plan and the dates set for the workshops in 2020 were impacted. Accordingly, communication and coordination were undertaken with the donors which are participating in delivering of these programs, such as the FATF, the Arab Monetary Fund (AMF), the United Nations Office on Drugs and Crime (UNODC), in order to propose new dates and advance the dates of implementation of several programs for six months further. With respect to the training related to the mutual evaluation process, the international standards and the assessors trainings were also postponed to later dates. In an effort to make up for these effects, an alternative plan was adopted to execute a number of the programs listed in the 2020-2021 MENAFATF training plan, remotely (virtually), since the beginning of 2021.

The MENAFATF Secretariat took advantage of the current circumstances caused by the pandemic by holding webinars with a panel of international experts on several topics that are of particular interest to the region aimed at introducing the ML/TF risks. A large number of webinars and seminars organized by the MENAFATF were conducted with the participation of prominent regional and international bodies in this field, during the period of November 2019-November 2020. They covered important topics, namely with respect to the Corona virus, pandemic, such as: Trade-based money laundering, fundamentals, red flags and risks - 12 May 2020, trade-based money laundering, advanced topics on money laundering and fraud in the time of Covid-19 -21 May 2020, compliance with the AML/CFT requirements in the field of encryption - block chains and the Bitcoin currency - 17 June 2020, compliance with the AML/CFT requirements in the field of encryption - advanced topics - 14 July 2020, flexibility and money laundering risks, flexibility in the time of Covid-19 - 26 August 2020, combating proliferation - 8-9 September 2020, the use of financial intelligence in cooperation with the EGMONT Group - October 2020. These webinars ended with a session on cryptocurrency and combating the financing of proliferation on 10 December 2020. On a similar note, the MENAFATF Secretariat engaged in studying the needs of member countries in terms of technical assistance, where the technical assistance matrix presented to the 31st Plenary Meeting in this regard was adopted and the Secretariat was delegated to pursue the delivering of the assistance requested by the MENAFATF member countries, once the needs for this assistance are identified and it was also commissioned to coordinate with the donors. In order to assist the member countries in facing the AML/CFT challenges in the time of Covid-19, the MENAFATF Secretariat prepared a paper on the Corona Virus (COVID-19) Pandemic and its Impact on the AML/CFT Systems in the Middle East and North Africa Region, which was published on the MENAFATF website in October 2020.

Regarding the typologies, the period for implementing the Typologies Project on Money Laundering Resulting from Human Trafficking and Migrant Smuggling“ which is being currently undertaken, was extended to April 2021, instead of November 2020, as a result of

the effect of the pandemic on the project's progress, particularly the phase of collection of data and information which was delayed due to the lockdown measures, the absence of most of the relevant governmental entities or their engagement in combating the pandemic and the allocation of resources for this particular mission, in addition to the difficulties found in reaching out to the private sector for the collection of this information for the same reasons.

During 2020, the MENAFATF faced many challenges in performing its functions. It is also sharing with other FSRBs, in addition to the FATF, these effects which have become a benchmark and are still being discussed, in an attempt to find alternatives and options that help these bodies perform their functions and tasks, in line with the requirements of the current phase and the exceptional circumstances that require joined forces to overcome this overly complex situation which poses many challenges to the MENAFATF, namely in implementing the work plan set to improve the effectiveness of the MENAFATF and the Secretariat performance in cooperation with the FATF. On this note, many actions were taken in this regard, including the review of the basis for decision-making at the Plenaries and working groups meetings, including the development of specific and clear criteria to this effect, making amendments to the criteria for accessing the MENAFATF for both members and observers, supporting and developing the MENAFATF financial resources and determining the optimal usages of any surplus in its budget, together with the improvement of the work methodology which is followed by the working groups, forums and committees formed at the MENAFATF for the purpose of increasing their effectiveness, examining the most important challenges facing member countries, with the aim of studying and discussing them and finding the best solutions to overcome them, in line with the work plan established by the FATF. The MENAFATF will continue its efforts to optimize the use of its resources with the aim of achieving its objectives by promoting the relationship and direct engagement with the FATF and the FSRBs.

In conclusion, I hope that this report would mirror the efforts and achievements made by the MENAFATF during 2020 and that its content would be to your satisfaction and expectations. I would also like to thank all my colleagues at the Secretariat for their efforts and all member countries and observers for their continuous support and cooperation, wishing everyone success.

Peace be upon you, God's Mercy and His Blessings,

Your brother,

Al-Waleed Bin Khalid Al-Sheikh

MENAFATF Executive Secretary

Section One: Overview of the MENAFATF

Overview of MENAFATF and its Objectives

In 2003, the idea of founding a FATF style regional body for the Middle East and North Africa for combating money laundering and terrorist financing was officially proposed. It was followed by a series of official meetings during the period from October 2003 to July 2004. On 30 November 2004, the governments of 14 Arab countries decided at an inter-ministerial meeting held in Manama, the Capital of the Kingdom of Bahrain, to establish the aforementioned group, and it was called “the Middle East and North of Africa Financial Action Task Force” (MENAFATF). Five more countries have subsequently joined the Group. All member countries signed a memorandum of understanding, which represented a historic achievement for the Arab Countries, given that it shows their seriousness in facing all the risks that result from ML/TF operations.

The Kingdom of Bahrain hosts the headquarters of the MENAFATF Secretariat which became operational since the MENAFATF establishment, knowing that the Kingdom of Bahrain provided it with all necessary resources in this regard. To confirm the importance of MENAFATF role, the headquarters agreement was signed between the Kingdom of Bahrain and MENAFATF and approved by the Consultative Council and the Parliament; His Majesty the King of Bahrain, Hamad Ben Issa Al-Khalifa, promulgated Law No. (5) of 2009 to ratify the agreement on 26 March 2009; and it was published in the official Gazette on 2 April 2009.

Given that the stability of the financial and economic regime in any country or region in the world is greatly and negatively affected by ML and TF crimes, MENAFATF member countries and observers are continuously seeking to implement and disseminate relevant international policies and standards, and to increase the level of effective compliance therewith, particularly the FATF recommendations and the relevant UNSCRs.

MENAFATF Objectives

- To adopt and implement the FATF 40 Recommendations on combating money laundering and financing of terrorism and proliferation.
- To implement the relevant UN treaties and agreements and United Nations Security Council Resolutions.
- To co-operate among each other to raise compliance with these standards within the MENA Region and to cooperate with other international and regional organizations, institutions, and agencies to improve compliance worldwide.
- To work jointly to identify issues of regional nature related to money laundering and terrorist financing and to share relevant experiences and to develop solutions to deal with them.
- To take measures throughout the region to effectively combat money laundering and terrorist financing in a way that does not contradict with the cultural values, constitutional frameworks and legal systems in the member countries.

General Structure of MENAFATF



The Plenary Meeting is the body in charge of taking decisions within the MENAFATF. It is composed of representatives from member countries, who are experienced in the AML/CFT fields.

The Secretariat is responsible for executing the technical and administrative functions in order to carry out the activities of the MENAFATF, such as coordinating the mutual evaluation processes and cooperating with international and counterpart authorities, especially the FATF, in addition to other tasks as decided by the Plenary Meeting.

The **Mutual Evaluation Working Group (MEWG)** is formed at the MENAFATF with the aim of preparing and organizing the mutual evaluation program for member countries, developing the procedures, working on qualifying and training assessors and following up the international developments in this regard.

The **Technical Assistance and Typologies Working Group (TATWG)** is formed to undertake the execution of the typologies programs and projects, identify the needs of member countries in terms of technical assistance, training and coordination for the provision of such assistance, and follow -up the latest global developments with a view to benefiting from them in improving the AML/CFT regimes in the region.

The **FIUs Forum (FIUF)** is the communication channel and mechanism between FIUs of member countries. It aims at promoting regional cooperation and exchange of expertise among them. The Forum is convened on the margins of the MENAFATF plenary meetings and when necessary; the Secretariat acts as the coordinator of the Forum.

In addition, the **Operational Experts Forum on Terrorist Financing (OFTF)** was formed to discuss operational matters, monitor the developments, and consider the pertinent subjects on an ongoing basis, while making recommendations in their regard to the plenary meeting. The forum is held on the margins of the MENAFATF Plenaries and when necessary; the Secretariat acts as the coordinator of the Forum.

The **Risk Committee (RC)** was also formed to work under the Technical Assistance and Typologies Working Group. It is charged with discussing the subject of national risk assessment and exchanging expertise and best practices in this regard. The membership of the committee is open to the experts in the field of ML/TF risk assessment from all member countries, observers and regional financial action task forces, who meet the academic

qualifications and have the work experience needed for the national risk assessment. The committee holds its meetings on the margins of the MENAFATF plenary meetings and whenever deemed necessary by the committee, and the Secretariat acts as the coordinator of the committee.

Member Countries and Observers of the MENAFATF

The MENAFATF currently has 21 Arab countries as members, in addition to 17 countries and international organizations which hold the observer status; which reflect the interest in the activities and work of the MENAFATF. The MENAFATF is also an Associate Member of the FATF since 2007 and holds the observer status on a reciprocal basis with: The Egmont Group of Financial Intelligence Units (EGMONT), the Asia/Pacific Group on Money Laundering (APG), and the Eurasian Group (EAG). It is worth noting that the request of the European Commission, which is the European Union's executive body and one of the founding members of the FATF, to obtain the observer status in the MENAFATF, was approved at the 31st MENAFATF Plenary Meeting which was virtually held during the period of 17-19 November 2020.

MEMBER COUNTRIES:

 Hashemite Kingdom of Jordan	 United Arab Emirates	 Kingdom of Bahrain	 Republic of Tunisia
 People's Democratic Republic of Algeria	 Republic of Djibouti	 Kingdom of Saudi Arabia	 Republic of Sudan
 Syrian Arab Republic	 Federal Republic of Somalia	 Republic of Iraq	 Sultanate of Oman
 State of Palestine	 State of Qatar	 State of Kuwait	 The Lebanese Republic
 State of Libya	 Arab Republic of Egypt	 Kingdom of Morocco	 The Islamic Republic of Mauritania
 Republic of Yemen			

OBSERVERS:

			
Republic of France	United Kingdom of Great Britain and Northern Ireland	United States of America	Kingdom of Spain
			 THE WORLD BANK
Australia	Federal Republic of Germany	International Monetary Fund	World Bank
			
Co-operation Council for the Arab States of Gulf	Financial Action Task Force	Egmont Group of Financial Intelligence Units	Asia/Pacific Group on Money Laundering
			
World Customs Organization	Arab Monetary Fund	Eurasian Group on combating money laundering and financing of terrorism	United Nations
			

The European Commission

- For more information, please visit the MENAFATF official website: www.menafatf.org.

Section Two: Regional and International Coordination and Cooperation

Regional and international cooperation plays an important role in the AML/CFT field. The MENAFATF seeks to achieve its objectives through the coordinating role it has in the context of cooperation among its member countries to enhance compliance with the international standards on combating money laundering and the financing of terrorism and proliferation issued by the FATF; and cooperation with international and regional organizations, institutions and agencies to improve compliance worldwide. It also seeks to achieve its objectives through joint work to identify issues of regional nature related to money laundering and terrorist financing, to share relevant experience and expertise, to develop solutions to deal with them, to review the latest developments in the AML/CFT field, which help to share expertise, knowledge and experience, thereby promoting the countries' legislative and procedural tools and enhancing and strengthening the AML/CFT systems.

The joint meetings and other forms of regional and international coordination and cooperation between the parties concerned with the MENAFATF system and areas of work present a real opportunity to achieve outreach and engagement at the regional and international levels. In this regard, the MENAFATF held many periodical meetings and mutual encounters during 2020 and the main outcomes and issues discussed are presented hereinafter, as follows:

First: MENAFATF Plenaries and Working Groups Meetings during 2020:

The 31st MENAFATF (Virtual) Plenary Meeting, 17-19 November 2020

The MENAFATF held its 31st Plenary meeting remotely through the Zoom Implementation Platform from 17 to 19 November 2020, under the presidency of the Arab Republic of Egypt, represented by his Excellency, the Counselor /Ahmed Saeed Hussein Khalil - the MENAFATF President, deputy head of the Court of Cassation and chairman of the Egyptian Money Laundering and Terrorist Financing Combating Unit (EMLCU) board of trustees.

The MENAFATF Plenary Meeting was attended by a large number of AML/CFT experts from all the member countries (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 Republic of Djibouti, the Kingdom of Saudi Arabia, the Republic of Sudan, the Arab Republic of Syria, the Federal Republic of Somalia, the Republic of Iraq, the Sultanate of Oman, the State of Palestine, the State of Qatar, the State of Kuwait, the Lebanese Republic, the State of Libya, the Arab Republic of Egypt, the Kingdom of Morocco, the Islamic Republic of Mauritania and the Republic of Yemen). The Plenary Meeting was also attended by representatives of several countries and observers at the MENAFATF (the French Republic, the United Kingdom, the United States of America, the Kingdom of Spain, Australia, the Federal Republic of Germany, the International Monetary Fund, the World Bank, the Cooperation Council for the Arab Countries of the Gulf, the Financial Action Task Force (FATF), the Eurasian Group (EAG) and the United Nations (UN)).

The Plenary Meeting tackled, during its sessions, several important subjects related to the MENAFATF areas of work and activities, and took several important decisions in this regard, the most important of which included the approval upon the appointment of Mr. Suliman Bin Rachid Al-Jabrin from the Kingdom of Saudi Arabia, as the Executive Secretary for the MENAFATF as of the 1st of January 2021 for the period of 2021-2024. The Plenary Meeting reviewed a number of membership requests submitted to hold the observer status at the MENAFATF and the request of the European Commission which is the European Union's executive body and one of the founding members of the FATF, to obtain the observer status in the MENAFATF, was accepted. Furthermore, the Plenary Meeting approved the final accounts, the independent auditor's report on the MENAFATF financial statements, the Annual Report of the MENAFATF for 2019, a report on the MENAFATF activities from November 2019 to November 2020, a summary of the MENAFATF Secretariat work and performance during the exceptional circumstances related to the Corona virus pandemic and its impact on the works of the MENAFATF and its member countries, in addition to the adoption of the paper presented in this regard.

On a similar note, the Plenary Meeting heard an updated report on the items achieved in the work plan proposed by the FATF to increase the effectiveness of the MENAFATF performance. Members and observers praised the works completed in this regard and the Plenary called for the continued pursuit and endeavors to carry out the remaining work in due course. It stressed that the participants in the meeting should provide the Secretariat with their views about their proposals to amend the Memorandum of Understanding and the internal regulation and reflect them in the current draft, in order to present them to the next Plenary Meeting for discussion and adoption, for more consistency between the internal regulation and the true reality of the MENAFATF works and in implementation of the principles of internal good governance. On a different note, the Plenary Meeting approved upon the request made by the Arab Republic of Egypt to extend the term of its presidency of the MENAFATF to 2021, due to the circumstances that have emerged in 2020 as a result of the pandemic, while the Kingdom of Morocco holds the position of vice-president.

Two meetings for the Mutual Evaluation Working Group (MEWG) and the Technical Assistance and Typologies Working Group (TATWG) were held on the margins of the Plenary Meeting, from 8 to 10 November 2020. The Plenary Meeting adopted the working groups co-chairs reports and approved upon their recommendations. On the mutual evaluation, the Plenary Meeting adopted the timeline for the first round of follow-up and the timeline for the second round of mutual evaluation, the paper on the second round of mutual evaluation and follow-up based on the comments raised at the MEWG meeting. The Plenary Meeting also adopted the paper on the exceptional measures to deal with the evaluation processes during the Corona virus pandemic and the request made by the Lebanese Republic to postpone its mutual evaluation process for one year due to the exceptional circumstances of the country was accepted.

Regarding the second round of follow-up and evaluation of member countries for their compliance with the (revised) international standards on combating money laundering and the financing of terrorism and proliferation issued by the FATF in 2013, the Plenary Meeting adopted the Enhanced Follow-Up Reports for each of the Islamic Republic of Mauritania and the Kingdom of Morocco which both included a request for re-rating technical compliance

and the report of the Republic of Tunisia without a request for re-rating technical compliance. In addition, two reports on the Voluntary Tax Compliance Program presented by the Kingdom of Morocco and the Republic of Tunisia were adopted. Regarding the first round, the Plenary Meeting adopted five Update Reports for the Republic of Yemen, the Republic of Sudan, the People's Democratic Republic of Algeria, the Arab Republic of Syria and the Republic of Iraq, which comprised the latest developments and measures taken by these countries to enhance their AML/CFT systems.

Regarding Technical Assistance and Typologies, the Plenary Meeting approved upon the recommendations made by the working group at its meeting that took place on Tuesday, 10 November 2020 and upon the major items which were discussed, and the relevant decisions taken. In this context, the request to extend the period for the implementation of the Typologies Project on “Combating Money Laundering resulting from Human Trafficking and Migrant Smuggling Crimes” to April 2020 and the updated time plan of the project were approved and member countries were urged to actively participate in the project. The 2020-2021 training plan which was presented was also approved after taking account of the related comments raised by member countries. The preparation of a list for the training programs which can be held as virtual events “remotely” for 2021 was considered and will be presented to member countries once it is finalized.

On a similar note, the matrix concerning the identification of the needs of member countries in terms of technical assistance was approved and the Secretariat was delegated to pursue the provision of assistance in coordination with the donors. This endeavor was highly appreciated and praised by the members and observers, particularly the FATF. The Plenary Meeting examined the webinars organized by the MENAFATF during the period of November 2019 - November 2020 and urged the countries to benefit from these sessions and to efficiently participate in them.

On the work of the Risk Committee, the Plenary Meeting adopted its report and the items discussed, mainly to replace the name of “the National Risk Assessment Committee” with the “Risk Committee” in order to broaden the Committee’s scope of work, so that it would be concerned with the examination of the risks overall and all the issues related to the understanding of the risks of money laundering and the financing of terrorism and proliferation. The paper prepared by the MENAFATF Secretariat was distributed to member countries and observers, for their views about the mandates of the Committee. In addition, the updated status of member countries in the stages they reached in the national risk assessment process was identified and they were urged to complete it at the soonest. Member countries which completed their NRA process were encouraged to promptly initiate the update process.

It was also decided to hold the next 32nd Plenary Meeting during May 2021, where it shall be determined later if it can take place either in-person or virtually and announced as soon as possible. It is worth noting that the 31st Plenary Meeting was held in November 2020, instead of the date scheduled for April 2020, as a result of the global health situation caused by the Corona virus pandemic.

36th Meeting of the Mutual Evaluation Working Group, 8 -9 November 2020

The 36th meeting of the Mutual Evaluation Working Group was held on Sunday and Monday, 8 and 9 November 2020 on the margins of the 31st Plenary Meeting. The working group discussed several important topics that included the 2nd Enhanced Follow-Up Report for the Islamic Republic of Mauritania (with a request for re-rating technical compliance for 32 Recommendations), the 1st Enhanced Follow-Up Report for the Kingdom of Morocco (which also included a request for re-rating technical compliance for 13 Recommendations) and the report on the exit of the Republic of Tunisia from Enhanced to Regular Follow-Up. The Meeting also discussed the amendments made to the MENAFATF Procedures in line with the new amendments adopted by the FATF for the Universal Procedures.

Regarding the evaluation processes in the time of the pandemic, the Plenary Meeting discussed the paper on “the exceptional measures to deal with the evaluation processes during the Corona virus pandemic”. It has eventually adopted the paper with the incorporation of some amendments raised by the Meeting. The paper aims to ensure the continuity of the evaluations while providing more flexibility by conducting some sides of the on-site visit virtually, in response to the exceptional circumstances of the Covid-19 crisis. It also aims to continue the implementation of the procedures and the requirements of the international standards by all members countries, in a way that ensures equality of treatment among them.

Regarding the timeline for the 2nd round of mutual evaluation, the Plenary Meeting agreed upon the request made by the Lebanese Republic to postpone its mutual evaluation process for one year and adopted the timeline for the 1st round of the follow-up process. It also adopted the timeline for the 2nd round of the follow-up process.

30th Meeting of the Technical Assistance and Typologies Working Group, 10 November 2020

The 30th Meeting of the Technical Assistance and Typologies Working Group, on Tuesday, 10 November 2020 on the margins of the 31st MENAFATF Plenary Meeting. Given that the ad-hoc meeting of the Risk Assessment Committee could not be held (due to the pandemic and only the TATWG and MEWG meetings were held), many of the Committee's items listed on the agenda of the TATWG were presented considering their relevance and also the fact that the committee's rules of procedures do not conflict, in terms of principle and governance, in submitting its reports to the TATWG since its inception under the said Working Group, according to the decisions and papers issued on the regulation of the MENAFATF ad-hoc working groups and committees.

Regarding the items related to technical assistance and typologies, the meeting discussed important issues, beginning with the membership of the Advisory Committee, where the candidacy of Mr. Ghazi Al-Abdul Jalil, acting head of Kuwait Financial Intelligence Unit and president of the National Committee for AML and CFT was admitted as a representative of the working group in the MENAFATF Advisory Committee.

In the typologies field, the meeting reviewed the work progress in the Typologies Project on Money Laundering Resulting from the Human Trafficking and Migrant Smuggling Crimes and the co-leader of the project working group, the representative of the Arab Republic of Egypt, Mr. Wael Rafiq, presented an update of the most important steps taken in the work progress according to the project timeline, taking into account some delay resulted by the global health situation and the pandemic, which caused a delay in receiving the responses to the questionnaire for the request of information. The working group held a meeting on 26 October 2020 to divide the work among its members, for them to participate in drafting and preparing the project report. Furthermore, the co-leader of the project, the representative of the Republic of Tunisia, Mr. Maher Bouhani, made an intervention where he stated that Tunisia is undertaking the analysis of the questionnaire for the request of information and presented a summary of the major findings of the analysis and the progress made in this regard. He called upon the working group to urge member countries which did not participate in the project to answer the draft questionnaire and to contribute to it by providing information and case studies that support the results that will be reached and that will meet the expectations sought.

On the same note, several important interventions were made concerning this item, where the FATF asserted its continuous support to the implementation of this project and urged to benefit from the typologies project it has executed in participation with the AGP in 2018 and which comprised several important red flag indicators related to the human trafficking phenomenon. It also urged to benefit from the regional experiences of the FSRBs of the FATF global network, to make use of the integration and consistency between these projects which are currently underway, to identify the impact of the Corona virus pandemic on the human trafficking and migrant smuggling crimes, as well as the emerging methods and techniques and the novel red flag indicators in this regard. The working group recommended to extend the period for implementing the project to April 2021 instead of November 2020 for these reasons. The revised timeline for the implementation of the project was approved and the meeting urged member countries to efficiently participate and to cooperate with the co-leaders of the project and to provide as much data, information and case studies as possible.

In the technical assistance field, the meeting discussed the 2020-2021 training plan item and the MENAFATF Secretariat presented a clarification on the implementation of the programs listed in this plan and the circumstances caused by the pandemic which affected the global health situation and cast a shadow over the progress of the plan and delayed its implementation. It also clarified that it is continuously communicating with the donors (namely the FATF) and the other bodies on the one hand and host countries and bodies on the other and that it is giving priority to some important programs, such as the training on the international standards and the assessors training, given their high importance in the MENAFATF work plan and the fact that their implementation affects other programs. In addition, it added that it is trying to exploit the global health situation to execute training sessions remotely, in order to fill the gaps resulted by the failure to implement the training plan which has been established. The working group decided to make a recommendation to the Plenary Meeting to adopt the 2020-2021 training plan, while taking account of the comments of member countries and to approve upon the Secretariat being entrusted to continue to communicate with host countries and to coordinate with the international donors

on their participation in the execution of the events of the plan and that the Secretariat would prepare a list of the training programs that can be implemented virtually as listed in the 2021 “Remote” plan and to present it to member countries once finalized.

On a similar note, the meeting was presented with the webinars organized by the MENAFATF during the period of November 2019–November 2020 which tackled important and vital topics in order to keep abreast of the current changes, namely as a result of the Corona virus pandemic, such as trade-based money laundering, compliance with the AML/CFT requirements in the field of encryption, flexibility and money laundering risks and flexibility in the time of Covid-19 and combating of the proliferation financing. The Secretariat reported that it has established a plan to execute several sessions that extends until the end of the year and comprises an array of useful topics and that it is being executed with specialized and prominent international and regional bodies. The working group urged member countries to determine the topics they would like to discuss in coordination with the Secretariat and consider providing expert speakers and to efficiently participate in these sessions.

In the same context related to technical assistance, the meeting discussed the MENAFATF technical assistance matrix, and the Secretariat made a presentation on the matrix it has prepared to seek information from the MENAFATF member countries on their status and needs in terms of technical assistance and training, including the existing cooperation with the donors and the areas in which these countries expect to receive technical assistance. The Secretariat clarified that this paper is aimed to develop a clear picture of the requirements mentioned above, to enable the MENAFATF member countries to obtain the technical assistance they need and to pursue the provision of such assistance in coordination with the donors. The working group recommends the Plenary Meeting to adopt the submitted matrix, to reach out to member countries concerning the identification of their needs in terms of technical assistance and to delegate the Secretariat to pursue the provision of such assistance in coordination with the donors.

On a different note, regarding the items related to the ML/TF risks, the TATWG briefed the president of the Risk Committee who handles the items that concern the National Risk Assessment Committee, by clarifying that the MENAFATF reviewed the paper on forming the National Risk Assessment Committee which was adopted at the 28th MENAFATF Plenary Meeting held in November 2018 and that many amendments were made in view of the developments experienced by the MENAFATF member countries since 2016, in terms of the ML/TF risk assessments and the establishment of national AML/CFT strategies and policies, the most important of which was the replacement of the Committee's designation with “the Risk Committee” instead of the “National Risk Assessment Committee”, for the purpose of broadening the Committee's scope of work, executing and examining several projects that fall within its scope and focusing on various risks related to money laundering and the financing of terrorism and proliferation.

In this context, the MENAFATF coordinated with member countries and observers and determined a list of topics that serves as a road map for the projects and studies which will be prepared over the coming period, namely the sectorial risk assessment of the virtual assets, virtual asset service providers and new technologies, the NPO risk assessment, the assessment of the ML/TF risks associated with legal persons of all types. The Risk

Committee will update the list of projects and studies as the risks evolve and depending on the extent to which member countries would take account of these risks and the mechanisms for addressing them. It will also continue to collect information on the national risk assessment process and to follow up on it and to continuously monitor the updates of the national risk assessment, given that the NRA serves as a basis for understanding and addressing the countries' risks in any efficient manner that meets the requirements of the international standards.

Second: Coordination and Cooperation with the FATF during 2020:

The MENAFATF – as a FSRB – has a close relationship with the Financial Action Task Force, since it seeks to adopt, publish and promote, on the regional scale, the AML/CFT international standards issued by the FATF. It is also an Associate Member of the FATF since 2007. This relationship allows greater participation in the work of the FATF by presenting member countries with the opportunity to attend the FATF plenaries and working group meetings, to participate in discussions and decision-making and to express the regional point of view and member countries participate regularly in these meetings.

Participation of the MENAFATF Secretariat and some Member Countries in the FATF Meetings

in 2020

21-23 October	<ul style="list-style-type: none"> • Participation of the MENAFATF Secretariat and some member countries in the Plenary Meeting and related working group meetings held "remotely" as virtual events.
18-24 June	<ul style="list-style-type: none"> • Participation of the MENAFATF Secretariat and some member countries in the Plenary Meeting and working group meetings held "remotely" as virtual events.
16 – 21 February	<ul style="list-style-type: none"> • Participation of the MENAFATF Secretariat and some member countries in the Plenary Meeting and related working group meetings in-person. These member countries are: The Hashemite Kingdom of Jordan, the People's Democratic Republic of Algeria, the Sultanate of Oman, the State of Libya, the State of Kuwait, the Kingdom of Morocco, the Islamic Republic of Mauritania and the Arab Republic of Egypt.

Participation of the MENAFATF in other events in participation with the FATF, during 2020

Participation of the MENAFATF Secretariat in the workshop on FATF Supervisors' Forum on supervising virtual assets, held by the FATF, in Paris, France.	9 January 2020
The MENAFATF Secretariat participated in the face-to-face meeting of the Africa/Middle East Joint Group of the FATF, Rabat, the Kingdom of Morocco.	15 – 17 January 2020
The MENAFATF Secretariat participated in the joint workshop between the FATF Secretariat and other FSRBs on the mutual evaluation, Paris, France.	24 – 28 February 2020
The MENAFATF Secretariat co-organized with the FATF Secretariat a guiding workshop to prepare the assessors participating in the mutual evaluation for the Arab Republic of Egypt, Cairo, the Arab Republic of Egypt.	25 – 27 February 2020
The MENAFATF participated in the workshop on training assessors on the mutual evaluations and follow-up processes virtually, in participation and coordination with the FATF-Style Regional Bodies (FSRBs), including the MENAFATF.	14 - 18 December 2020

Section Three: Building and Promoting AML/CFT Frameworks in the MENA Region

The MENAFATF is eager to build robust and effective frameworks for anti-money laundering and terrorist financing in the region, according to the objectives set forth in the Memorandum of Understanding. The MENAFATF is, therefore, pursuing several important steps in this endeavor, the most important of which is following up on the commitment of countries to the implementation of the international standards through mechanisms and tools adopted in this regard. They mainly include mutual evaluations and all types of follow-up processes which follow the mutual evaluation.

The key objectives for creating the MENAFATF also include the identification of issues of regional nature related to money laundering and terrorist financing, through typologies projects and to find the best solutions to face them. They also include raising awareness about the ML/TF ways, trends and methods and related typologies, by providing the necessary technical assistance and training to member countries and thriving to activate joint cooperation with counterpart task forces in this regard and sharing experiences with them.

Beside the study of typologies, technical assistance has a particular importance in supporting the MENAFATF countries at the regional or national level, in raising their level of compliance with the international requirements and in order to build and increase the capacities of their concerned entities and institutions. The major technical assistance tools include: Reviewing and drafting legislations, holding workshops to raise awareness and to train and guide the concerned staff, holding training courses to train instructors and build the capacities of stakeholders and issuing specialized publications and guidelines. Technical assistance also covers primary topics in the AML/CFT field, with the aim of promoting the combating operations, such as: Assessing risks, developing national AML/CFT strategies, promoting legislations and the activities of institutions concerned with combating money laundering and terrorist financing, increasing the ability and efficiency of FIUs, supervisors and actors in the criminal justice field.

Based on the foregoing, the following is the main events and developments at the MENAFATF level in mutual evaluation, technical assistance and typologies, during 2020:

First: On Mutual Evaluation:

The MENAFATF Work during the Exceptional Circumstances Related to the Corona Virus Pandemic, with Respect to Mutual Evaluations and Follow-Up Processes

Considering the emerging health developments caused by the Corona virus pandemic at the international level since the beginning of March 2020 and the resulting decisions taken by member countries to contain its effects, like imposing quarantine, closing the national borders, working remotely than at the office, this pandemic has affected various regional task forces, including the MENAFATF, in terms of following up the effective implementation of the AML/CFT standards by member countries. This has required joined international efforts

and coordination with stakeholders, namely the FATF, in order to find alternatives to face these challenges at the international level and ensure the continuity of the AML/CFT efforts.

The pandemic affected the ability of the MENAFATF member countries, the Secretariat, the assessors and the reviewers to conduct and to continue to follow up on the mutual evaluations of some member countries (like the State of Palestine for example), as set forth in the paper on the procedures and the dates agreed upon. Given that the timeline for the mutual evaluations which are conducted by the MENAFATF or in cooperation with the FATF was affected by these conditions, the MENAFATF reviewed the timeline for the second round of mutual evaluations and made some amendments to it, namely the date of commencement of the on-site visit to the State of Palestine. The MENAFATF also deferred the date for the discussion of the Mutual Evaluation Report for the Arab Republic of Egypt for six months, and postponed all the reports for one plenary cycle, while continuing to reconsider the timeline in the future, as the situations of the MENAFATF countries would permit.

In the same context, given that the Secretariat has cooperated with experts from the MENAFATF to re-rate the technical compliance for some Recommendations which were the subject of two requests made by the Kingdom of Morocco and the Islamic Republic of Mauritania, according to the procedures, for their discussion in April 2020, it continued the process, by taking the views of the global network and reflecting them in the matrix and report of both countries. In view of the reasons mentioned above, although the MENAFATF Plenary Meeting was postponed, the Secretariat applied an exceptional mechanism for the discussion and adoption of the Follow-Up Reports, through which it continued the follow-up process and re-published the reports of the Kingdom of Morocco and the Islamic Republic of Mauritania on the global network at a later stage to request any additional comments, in an attempt to adopt both reports by circulation according to the decision of the Plenary Meeting in this regard. However, it received other comments to change the ratings in both reports, which prevented their adoption by circulation and caused the Secretariat, in implementation of the said decision of the Plenary Meeting, to wait and defer the examination of both reports until the 31st Plenary Meeting held in November 2020, during which the reports were discussed, adopted and published on the MENAFATF website.

Regarding the Biennial Update Reports for the 1st round for each of the Republic of Yemen, the People's Democratic Republic of Algeria, the Republic of Sudan, the Republic of Iraq and the Arab Republic of Syria which were scheduled for discussion in April 2020, the Plenary Meeting decided by circulation to defer their presentation until the 31st Plenary Meeting.

With respect to the Follow-Up Reports for the 2nd round, and for the same reasons mentioned above, the MENAFATF deferred their presentation to the Plenary Meeting for one Plenary cycle and to amend the timeline for the second round of follow-up, accordingly. In addition, the MENAFATF postponed the discussion of the request of the Republic of Tunisia to move from enhanced to regular follow-up in the 2nd round, until the 31st Plenary Meeting. It discussed all these reports at the Plenary Meeting which was held remotely in November 2020.

The following is a summary of the most important measures taken regarding the mutual evaluations, in response to the circumstances caused by the Covid-19 pandemic:

- I. *The Mutual Evaluation Report for the State of the United Arab Emirates:* The postponement of the Plenary Meeting scheduled for April 2020 did not permit the discussion of the MER by the member countries and it was adopted by circulation particularly that it has already been discussed and adopted by the FATF at its meeting held in Paris in February 2020, around the time of the Covid-19 outbreak. Coordination was undertaken afterward with the FATF Secretariat in order to adopt the MER by both task forces and it was published on their websites on 30 April 2020.
- II. *Mutual evaluation process for the Arab Republic of Egypt:* On 01/03/2020, the assessment team initiated the implementation of the on-site visit program but could not complete it, as the team members were forced to leave Cairo on 09/03/2020, in coordination with the authorities, provided that they will arrange for the conduct of the second part of the on-site visit when the circumstances will permit so. Indeed, the MENAFATF agreed, by circulation, to conduct the second part of the visit remotely, with the presence of two of the Secretariat staff in Cairo. The remote visit extended from 16 September to 07 October 2020. The assessment team prepared the first draft of the MER according to the procedures, as the evaluation process continued in accordance therewith.
- III. *The State of Palestine:* The MENAFATF was forced to postpone the date of the on-site visit; yet, the assessment team pursued its desk-based works, namely the analysis of the Technical Compliance Annex and the preparation of the scoping note. The State of Palestine made another request to postpone the evaluation process and the deadline for submitting information about effectiveness. The MENAFATF Secretariat presented the request and its justifications to the member countries, in coordination with the Presidency and the Advisory Committee, and the approval upon the request was obtained by circulation.

Mutual Evaluation and Follow-up of the MENAFATF Member Countries

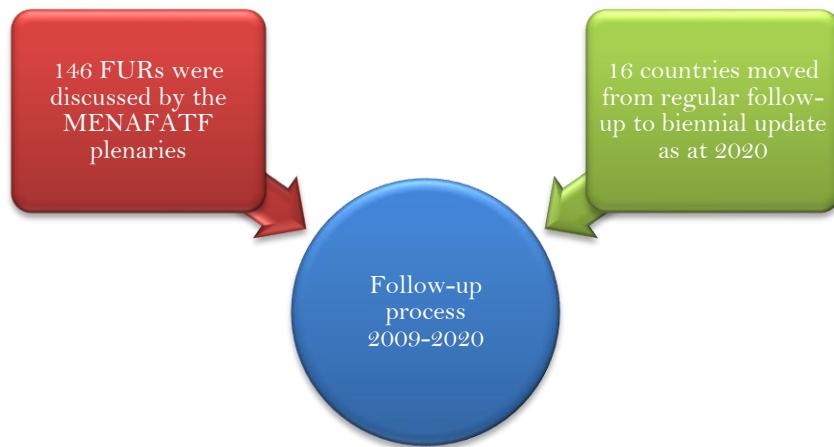
Based on the MENAFATF Procedures and according to the 2012 FATF international standards and relevant amendments and the 2013 Methodology and relevant amendments, the MENAFATF conducts the mutual evaluation process to assess the anti-money laundering and countering the financing of terrorism and proliferation regime of member countries, in respect of their technical compliance with the Forty Recommendations and effectiveness of their systems. In 2020, the MER for the State of the United Arab Emirates was adopted, the evaluation of the Arab Republic of Egypt was continued, and the evaluation of the State of Palestine was initiated as mentioned above.

As regards the (regular or enhanced) follow-up process, the MENAFATF monitors the progress made by member countries to verify that their AML/CFT systems are being developed continuously, to encourage and urge them to address the deficiencies set out in the MER, and to take the necessary steps within reasonable periods of time in order to execute the priority actions and the recommended actions set out in the said report. In the context of the follow-up assessment in the second round of mutual evaluation and five years after the adoption of the MER of the assessed country, a short on-site visit is made to the concerned country, for the purpose of assessing the efforts made at the effectiveness level.

During 2020, the Plenary Meeting adopted five Follow-up Reports in the context of the first round (the biennial update reports for the Republic of Yemen, the People's Democratic Republic of Algeria, the Republic of Sudan, the Arab Republic of Syria and the Republic of Iraq), two Enhanced Follow-up Reports (with a request for technical compliance re-rating) in the 2nd round for the Islamic Republic of Mauritania and the Kingdom of Morocco and one report on the Republic of Tunisia's exit from enhanced to regular follow-up. These reports highlighted the progress made by these countries in terms of improving their AML/CFT systems based on the comments mentioned in their respective Mutual Evaluation Reports and Follow-Up Reports.

It can be said overall that member countries have made great efforts and experienced significant developments, given that this period witnessed the issuance of several AML/CFT laws and regulations, whether to enhance the criminalization of money laundering and terrorist financing or to impose new requirements on FIs and DNFBPs, such as the customer due diligence requirements, the implementation of UNSCRs, the activation of the recommended actions in respect of effectiveness, in addition to the improvement of the efficiency and effectiveness of various authorities, including supervisors and law enforcement authorities, by providing training to their staff through programs delivered by the MENAFATF or through other specialized programs. This year has also witnessed the release of several guidance and instructions to entities required to report suspicious transactions, and a number of requirements to enhance the subject entities' internal regulations related to risk management, detection, verification of information and data submitted by customers and follow-up and monitoring of unusual and suspicious transactions.

The follow-up process in figures from 2009 to 2020



Timeline of the Second Round of Mutual Evaluations

The MENAFATF started implementing the member countries' assessment program within the second round in order to verify the level of effectiveness of the systems applied and their extent of consistency with the international standards on combating money laundering and the financing of terrorism and proliferation, based on the new assessment methodology issued by the FATF (February 2013) and its subsequent amendments. The 22nd Plenary Meeting adopted the timeline of the second round of the mutual evaluations, where 2 to 3 countries will be assessed every year and where all the laws and controls related to combating money laundering, the financing of terrorism and proliferation which are in effect in member

countries will be examined and the effectiveness of their implementation reviewed. The MENAFATF continuously monitors the progress made by member countries in improving their AML/CFT systems. Following their evaluation, countries submit follow-up reports within periods specified in the evaluation and follow-up process procedures which are adopted by the MENAFATF Plenary Meeting.

During this round, the MENAFATF adopted, as of 2020, the timeline for the evaluation of member countries as follows:

Timeline for the Second Round Mutual Evaluation of Member Countries as of 2020

Country	Assessing authority	Date of on-site visits for the 2 nd round of mutual evaluations (1)	Plenary discussions of MERs within the second round
The Republic of Tunisia	The World Bank	February 2015	April 2016
The Islamic Republic of Mauritania	The MENAFATF	19 - 30 December 2016	April / May 2018
The State of Libya (2)	-	First half of 2017 (2)	November 2017
The Kingdom of Bahrain	The MENAFATF and the FATF	07 – 22 November 2017	June 2018
The Kingdom of Saudi Arabia	The MENAFATF and the FATF	08 - 23 November 2017	June 2018
The Arab Republic of Syria (2)	The MENAFATF	February / March 2018	November 2018
The Kingdom of Morocco	The MENAFATF	05 - 20 March 2018	April 2019
The Republic of Yemen (2)	The MENAFATF	August / September 2018	May 2019
The Hashemite Kingdom of Jordan	The MENAFATF	08 - 23 July 2018	November 2019
The United Arab Emirates	The MENAFATF and the FATF	01 - 17 July 2019	February 2020
The State of Qatar	The MENAFATF and the FATF	June - July 2021	February 2022
The Arab Republic of Egypt	The MENAFATF	First part: 01 - 09 March 2020 Second part (remotely): 16 September - 07 October 2020	May 2021
The State of Palestine	The MENAFATF	10 - 15 August 2021	April / May 2022
The Sultanate of Oman	The MENAFATF and the FATF	25 October - 09 November 2021	June 2022
The Lebanese Republic	The MENAFATF	July / August 2022	April 2023
The State of Kuwait	The MENAFATF and the FATF	06 - 22 March 2022	October 2022
The People's Democratic Republic of Algeria	The MENAFATF	July / August 2022	April / May 2023
The Republic of Sudan	The MENAFATF	January / February 2023	November 2023
The Republic of Iraq	The MENAFATF	July / August 2023	April / May 2024

Country	Assessing authority	Date of on-site visits for the 2nd round of mutual evaluations (1)	Plenary discussions of MERs within the second round
The Republic of Djibouti	The MENAFATF	January / February 2024	November 2024
The Federal Republic of Somalia	The MENAFATF	July / August 2024	April / May 2025

(1) The date for submitting the technical questionnaire is fixed in coordination between the MENAFATF Secretariat and the assessed country or between the FATF, the MENAFATF Secretariat and the assessed country.

(2) It was agreed to defer the mutual evaluation process for the State of Libya, the Republic of Yemen and the Arab Republic of Syria, pending the improvement of their security circumstances.

Voluntary Tax Compliance Follow-Up (VTC) Program of the MENAFATF

The Voluntary tax compliance program refers to any program that is designed to facilitate legalization of the taxpayer's situation vis-à-vis assets or funds that were previously unreported or incorrectly reported, particularly those involving asset repatriation, and the programs that fully or partially accompany the VTC Program are considered as tax amnesty, with immunity from prosecution. On this note, the 21st Plenary Meeting held in April 2015 approved upon the revised procedures for the VTC follow-up program implemented by MENAFATF member countries. The 31st MENAFATF Plenary Meeting held from 17 to 19 November 2020 also heard a brief presentation made by the Kingdom of Morocco and the Republic of Tunisia regarding the VTC program, the major points that were included in the program, the effects resulting from a person being subjected to the VTC Program and the compliance with the four basic principles of the FATF. The Plenary Meeting decided to adopt the update reports presented in this regard.

Latest Updates Related to The FATF Recommendations, the international anti-money laundering and combating the financing of terrorism and proliferation (AML/CFT) standards, and the FATF Methodology to assess the effectiveness of AML/CFT systems

The FATF Plenary Meeting held in October 2020 took decisions regarding the update of the international standards on combating money laundering and the financing of terrorism and proliferation and the methodology for assessing technical compliance with the FATF Recommendations and the effectiveness of AML/CFT systems. The MENAFATF reflected all the updates on its Arabic version of the FATF Recommendations and the Methodology once the changes were made and disseminated them to member countries for adoption and publication on the documents portal and on the MENAFATF website.

Regarding the methodology for assessing technical compliance with the FATF Recommendations and the effectiveness of the AML/CFT systems, the latest update was issued in November 2020 and is related to Recommendation 17, for which a reference was added to clarify that Recommendation 17 does not apply to outsourcing or agency relationships, as set out in interpretive note (INR) 17.

As regards the latest updates of the FATF Recommendations, they were made in October 2020 and included the following:

- I. Revision of Recommendation 1 and INR. 1 to require countries, financial institutions and DNFBPs to identify and assess the risks of potential breaches, non-implementation or evasion of the targeted financial sanctions related to proliferation financing, as contained in Recommendation 7, and to take action to mitigate these risks.
- II. Revision of Recommendation 2 and insertion of a new Interpretive Note to Recommendation 2, with a minor consequential amendment in R.2 to insert a reference to counter proliferation financing in the context of national co-operation and co-ordination; in addition to the insertion of a new interpretive note that sets out the inter-agency framework to promote domestic cooperation, coordination and information exchange.

Training and Qualification of Countries and Assessors for Mutual Evaluations and Follow-Up Processes

In view of the exceptional circumstances caused by the Corona virus pandemic, the FATF held a virtual workshop on the training and qualification of assessors for the mutual evaluations and follow-up processes in participation and coordination with the FATF-style regional bodies (FSRBs), including the MENAFATF, from 14 to 18 December 2020. The workshop was aimed to train and qualify a number of experts in the AML/CFT field and increase their knowledge of the mutual evaluation and how to conduct it, by using the methodology for assessing technical compliance with the FATF Recommendations and the effectiveness of AML/CFT systems and to provide a number of qualified assessors among financial, legal and law enforcement experts, to participate in mutual evaluations and follow-up processes which include a re-rating request.

The virtual workshop tackled several important topics related to the conduct of the evaluation process and the discussion of the most important results reached. Participants largely benefited from the valuable information provided by the FATF experts and were informed of the requirements of the assessment methodology, how to assess technical compliance and effectiveness of the AML/CFT systems, by verifying the extent to which the international standards are met, and the immediate outcomes set in the methodology are achieved. Participants realized the importance of identifying the assessed country's context and ML/TF risks and how to take them into consideration in the mutual evaluation process. This workshop was attended by 7 experts from seven member countries of the MENAFATF, in addition to one expert from the MENAFATF Secretariat.

On a similar note, in the context of training and qualification of assessed countries for the mutual evaluations and follow-up processes, the MENAFATF Secretariat organized a workshop on the preparation of the country for the mutual evaluation, in Beirut, the Lebanese Republic, on 14 January 2020. The workshop included the presentation of the requirements of the Methodology, how to assess the technical compliance and the effectiveness of the AML/CFT systems, how to meet the international standards and how to achieve the Immediate Outcomes set out in the Methodology, how to prepare for the on-site visit by the

assessment team and how to arrange the documents and papers supporting the effectiveness and the ratings of the technical compliance.as required for the on-site visit.

Second: Technical Assistance and Typologies:

❖ Typologies:

Typologies Project on Money Laundering Resulting from the Human Trafficking and Migrant Smuggling Crimes

The 30th MENAFATF Plenary Meeting held in Cairo, the Arab Republic of Egypt, from 26 to 28 November 2019 approved the execution of the new Typologies Project on “Money Laundering through the Human Trafficking and Migrant Smuggling Crimes”, at the beginning of 2020. The State of Libya had proposed to study a new typologies project on “Money Laundering through Human Trafficking and Migrant Smuggling” and to provide a basis to brief the MENAFATF member countries about the affects arising from these crimes and to reflect them on the policies aimed at countering this phenomenon and that may eventually contribute to the efforts made to prevent, detect and hinder it.

The main objective of the project is to study the various aspects related to the laundering of the proceeds generated from the crimes of human trafficking and migrant smuggling and to promote the efforts of the MENAFATF member countries to efficiently combat and counter these crimes, with the hope that this report would contribute in: (A) Helping countries understand the methods and techniques used to launder the proceeds generated from the human trafficking and migrant smuggling crimes in the Middle East and North Africa Region; (b) increasing the capacities of member countries in the Middle East and North Africa Region to prevent, detect and reduce the risk of these crimes; (c) improving the AML/CFT systems of the MENAFATF member countries.

The Republic of Tunisia and the Arab Republic of Egypt volunteered to co-lead the project working group. The team members were from the following member countries: The Hashemite Kingdom of Jordan, the Republic of Sudan, the State of Libya, the Kingdom of Morocco, in addition to the coordination and secretarial tasks handled by the MENAFATF Secretariat. It is worth noting that the United Nations Office on Drugs and Crime (UNODC) is efficiently taking part in the support of the project’s execution and participating in the provision of supporting references, statistics and indicators which are available in its database.

The working group is expected to produce a report on the methods and trends of laundering the proceeds generated from the human trafficking and migrant smuggling crimes, based on studies and questionnaires to which member countries have contributed. The report will also assess the scale and nature of the said crimes and their relationship with money laundering, by presenting a technical approach that draws upon the study of the phenomenon of sending persons to hotbeds of tension around the world.

It will also address several red flags and indicators to help FIUs identify the proceeds relating to the human trafficking and migrant smuggling crimes, in addition to the support of the combating efforts made by all the concerned entities (i.e. the regulatory entities, LEAs and any other concerned operational authorities), to reduce these crimes and establish relevant combating mechanisms.

It should be noted that the FATF expressed its interest in this project since its launching, by disseminating the questionnaire for the request of information to member countries, so that they participate in the project and provide case studies. In this context, the FATF called upon the working group to extend the deadline given to respond to the questionnaire, as some of the countries which were affected by the Corona virus pandemic wished to fill it out and the current circumstances that the countries around the world are going through have prevented many of them, including the MENAFATF member countries, from obtaining the information required from stakeholders in a timely manner, due to the quarantine restrictions. The request to postpone the deadline for receiving the responses of all the task forces until the beginning of July 2020 was approved. As a result, some stages of the project with respect to the collection of information and data were delayed and their analysis was re-scheduled for July 2020 instead of March 2020. On this note, the 31st MENAFATF Plenary Meeting agreed to extend the period for implementing the project to April 2021 instead of November 2020, as a deadline to submit the final draft of the project report.

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

The MENAFATF conducted an ad-hoc study on the Corona virus pandemic and its impact on the AML/CFT systems in the Middle East and North Africa Region during the period of the pandemic and the report was published on the MENAFATF website in October 2020 (<http://www.menafatf.org/information-center/menafatf-publications/coronavirus-pandemic-covid-19-and-its-impact-amlcft-systems>).

The report provides an introductory background of the Corona virus which caused the COVID-19 disease, the latest global statistics on the number of cases and the death toll, in addition to the identification of the major economic and financial sectors which suffered the most and the ML/TF risks during the pandemic, and the major efforts and initiatives made by international and regional bodies in the AML/CFT field, such as the FATF and the FSRBs. The report ends with a presentation of the major challenges facing the AML/CFT systems in the region due to the Corona virus pandemic, together with some recommendations that the member countries can benefit from.

This report is chiefly aimed to provide support to the MENAFATF member countries on the issues related to the Corona virus (COVID-19) pandemic, by presenting the best practices and highlighting its risks and its connection with the ML/TF crimes. It also elaborates on the effects resulted by the pandemic and how to counter them, presents several case studies experienced by the countries in the region during the period of the study, identifies the major red flag indicators that can help identify and detect ML/TF crimes and examines the major challenges that hinder these efforts.

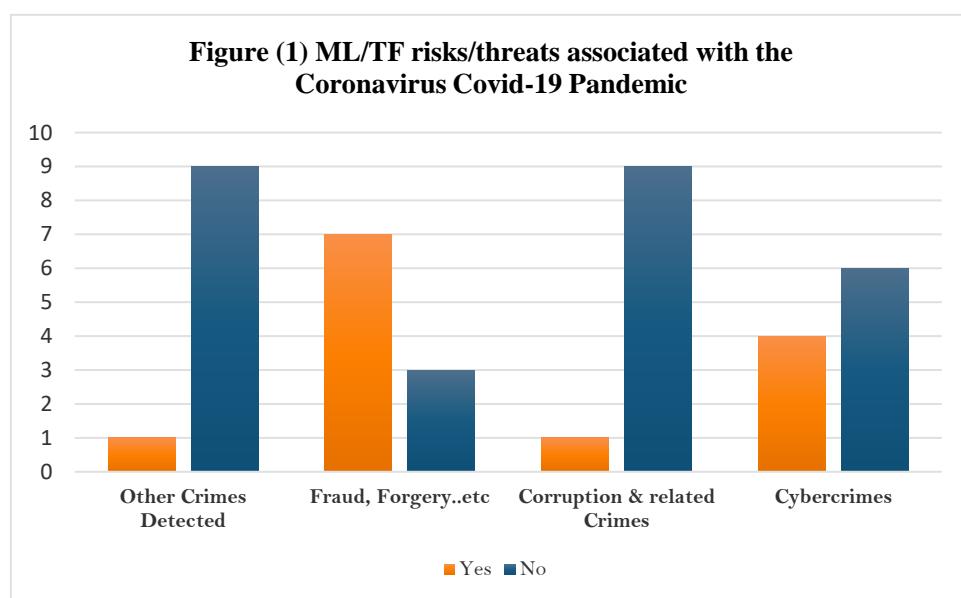
For the purpose of preparing this report, a questionnaire for the request of information and case studies was designed and distributed to the MENA countries, in order to identify the effects of the Corona virus (Covid-19) pandemic on the AML/CFT systems in the region and the most important methods and trends used in committing the related crimes. Accordingly, ten responses were received from the following member countries: The Hashemite Kingdom of Jordan, the Kingdom of Bahrain, the People's Democratic Republic of Algeria, the Republic

of Tunisia, the Kingdom of Saudi Arabia, the Republic of Iraq, the Sultanate of Oman, the State of Qatar, the Kingdom of Morocco and the Republic of Yemen. These responses included 8 case studies that covered various areas, as detailed in the body of this report.

The key findings of the study addressed several COVID19-related money laundering and terrorist financing crimes which were brought into focus by inquiring and examining a number of global indicators, research and studies issued in this regard and which defined the traits and characteristics of the COVID 19 - related ML/TF risks. It also tackled the rise in the COVID19 - related crimes, such as fraud, cybercrimes, misappropriation, or mis implementation of government funds and international financial aid and corruption.

At the level of the Middle East and North Africa region, according to the facts revealed in the study and the examples of ML/TF risks in times of the Corona virus (COVID-19) pandemic, which were previously mentioned, several crimes such as information technology crimes were detected. 30% of the member countries which responded to the questionnaires reported various forms of cybercrimes which were detected during the period of the pandemic, where methods related to virtual assets and social media were used, such as spreading rumors on medicines that treat the corona virus and practices related to electronic fraud.

The following graph illustrates the COVID 19 - related ML/TF risks in the Middle East and North Africa Region during the pandemic:



The study reached several important points and revealed through the analysis of the cases provided that none of these points was related to terrorist financing, which means that the MENA region is marked by a low level of TF risks related to COVID 19. It also appeared that the emerging ML risks are not far from what is prevalent worldwide and can be contained and that precautions against their emergence in the future can be taken. It was also found that there are legislative challenges related to the use of technology in committing financial crimes, there are no effective monitoring mechanisms required to implement the existing legislations, particularly in the field of money laundering and terrorist financing crimes and associated offenses, such as fraud and forgery which rank first on the list of cybercrimes and where the use of social media is largely involved; revealing a digital gap and insufficient

attention to technology and to its implementation in an effective manner, which clearly varies among FIs more than DNFBPs, thereby affecting the utilization of the e- service platforms.

The study presented many valuable recommendations advising that the objective of the AML/CFT efforts during the pandemic should not only consist of restoring compliance to its former level before COVID-19 but also laying the foundations to strengthen the AML/CFT systems in an on-going and sustainable manner that would respond to times and crisis of the sort. Besides, the times of the pandemic present an opportunity to improve, change and draw the attention to other dimensions, more specifically to digital financial technology, namely at a time where the digital financial services can help contain the spread of the virus, by expanding financial inclusion through the strengthening of financial technology, protecting the financial system and addressing the vulnerabilities in the financial and economic systems, while keeping risks under control.

The other recommendations that the study comprised included the activation of the international cooperation channels and accurate response to the requests for information in a timely manner by using the available tools to provide international cooperation, while giving priority to urgent requests, the dissemination and exchange of the emerging methods and techniques of COVID 19-related ML/TF risks and sharing them among the international and regional bodies, tightening of control over the activities which may be a source of risk more than others in times of crisis, such as the NPOs. However, their work should not be hampered, and the implementation of the risk-based approach should be observed, especially while implementing the CDD measures, in addition to other recommendations.

The study provided several clarifying examples to deal with some issues related to the implementation of the AML/CFT requirements during the pandemic.

❖ **Technical assistance program:**

The MENAFATF Training Plan for 2020-2021

The MENAFATF training plan for 2020-2021 faced tremendous challenges in executing the programs it contained due to the circumstances caused by the Corona virus (COVID-19) pandemic which affected the global health situation as a whole and cast a shadow over the progress of the plan, thereby delaying its execution. The MENAFATF is eager to continuously reach out to the donors (namely the FATF) and other bodies on the one hand and the host countries and bodies on the other, to coordinate with them with respect to the conduct of the events of the plan, whenever it is possible and to reschedule new dates, while considering the possibility to conduct some of these programs virtually and prioritizing some important ones, such as the training on international standards and assessors training, given their high importance in the MENAFATF work plan and the fact that their implementation affects other programs.

In this context, several member countries (the Arab Republic of Egypt, the State of Palestine, the State of Qatar, the Kingdom of Saudi Arabia) made important interventions at the last TATWG meeting held in November 2020, which were in line with giving priority to training programs related to the FATF international AML/CFT standards and to the assessors training and prioritizing their execution. Furthermore, these countries called for the consideration of the possibility to execute some programs listed in the plan remotely - if

possible and made some proposals such as the NPO and DNFBP training program, for example, considering that these sectors need more attention, according to the requirements of the second round of mutual evaluation and given the importance of these topics for member countries. Several members of the group also pointed out the importance of preparing a list of the training topics that can be held virtually (remotely) during 2021.

On the other hand, the FATF made an intervention during the said meeting, stating that it is currently conducting internal discussion strategically, in coordination with FSRBs to take into consideration the existing health circumstances, that it could not execute any of the programs on the ground over the last period and so far, there is no clear picture about practically holding training events with the FATF or with the FSRBs it is consulting with in this regard. The FATF reported that around two weeks ago it has virtually executed a training program on the qualification and training of assessors, and it is planning to execute it again between December 2020 and January 2021 and it will work with the MENAFATF to consider whether to execute this program in practice or virtually.

MENAFATF technical assistance matrix

This matrix was prepared for the purpose of inquiry and request of information from the MENAFATF member countries on their status in terms of technical assistance and training, including the existing cooperation with donors and on the areas where these countries would like to receive technical assistance. In general, this paper is aimed to develop a clear picture of the requirements mentioned above, to enable the MENAFATF member countries to obtain the technical assistance they need and to pursue the provision of this assistance in coordination with the donors. It is worth noting that this matrix was adopted by the 31st Plenary Meeting and then sent to member countries to respond to it and pursue the provision of the required needs mentioned in it. This matrix will also be used in the future to draft the next training plans, subject to the status of countries in terms of the mutual evaluation (countries that were assessed, countries currently subject to assessment and countries that will be assessed in the future).

It is worth mentioning that this matrix was highly appreciated during the 30th TATWG meeting in November 2020, where the FATF made an intervention in which it praised this initiative that it has considered as a clear method and an approach that should be followed with respect to an important topic, such as the technical assistance topic and this method is important to define the needs in a clear manner, adding that it is looking forward to seeing its results.

Webinars organized by the MENAFATF for the period of November 2019-November 2020

During the period from November 2019 until the end of October 2020, the MENAFATF Secretariat engaged in holding online webinars (webinars) with the participation of international experts about several topics related to money laundering and terrorist financing, particularly topics about the COVID 19-related ML/TF risks, as a result of the nearly total suspension of the interactive training activities according to the MENAFATF training plan.

These webinars aim at introducing the ML/TF risks and the major methods, trends and techniques which prevailed during the pandemic. On this note, several important topics in which the participants from member countries were highly engaged were tackled and the MENAFATF will continue to hold webinars in the future, after reaching out to member countries to take their views on the topics they wish to discuss. It will also continue to seek to implement them in participation with the appropriate bodies in 2021, to focus on cooperation with the private sector and the NPO sector and to diversify the category of participants in order to ensure utmost benefit from these sessions. The following is a table of the webinars held during the said period:

Table of the Webinars held by the MENAFATF, November 2019-November 2020

Topic	Number of participants	Date
Trade-based money laundering, fundamentals, red flags and risks.	83	12 May 2020
Trade-based money laundering, advanced topics on money laundering and fraud in the time of Covid-19.	80	21 May 2020
Compliance with the AML/CFT requirements in the field of encryption - block chains and the Bitcoin currency.	130	17 June 2020
Compliance with the AML/CFT requirements in the field of encryption - advanced topics.	90	14 July 2020
Flexibility and money laundering risks and flexibility in the time of Covid-19.	103	26 August 2020
Combating proliferation.	120	8 and 9 September 2020
Use of financial intelligence in cooperation with the Egmont Group	215	End of November 2020
Virtual currency in cooperation with FSRBs in Africa	174	10 December 2020

It is worth noting that the MENAFATF held several training courses in the context of mutual evaluation and preparation of member countries for the mutual evaluation process, as set forth in clause “first” of this section, under the part related to the MENAFATF areas of work in the mutual evaluation context (see page 30).

Section Four: Policy Development & Quality Assurance

The Policy Development and Quality Assurance Department has been recently created in July 2019. It performs its functions under the supervision of the MENAFATF Executive Secretary and is presided by an executive officer who is currently working with a senior officer and is also assisted by an external reviewer. The department mainly handles the review and subsequent follow-up of the Mutual Evaluation Report, to verify that it meets the standards of quality and to ensure its consistency with similar MERs already published. The department is also entrusted with the files related to the development of the MENAFATF policies at the operational and strategic levels, thereby achieving quality and consistency of the MENAFATF procedures, activities and documentation in this regard, namely those related to the mutual evaluations and the follow-up processes. It takes part in the projects entrusted to the (FATF) Policy Development Team with the assistance of a team of experts from the MENAFATF, by studying the thematic papers, making comments and giving views in their regard or by taking part in the projects as experts participating in the drafting of the project reports. Besides, the department monitors the ICRG process and provides possible assistance regarding the reports on the progress made, the face-to-face meetings and other stages of the international cooperation review.

The main activities that the department undertook in 2020 are represented in the follow-up of the implementation of the work plan for the improvement of the MENAFATF effectiveness, the review of the quality and consistency of the Follow-Up Reports with a request for re-rating some Recommendations, for the Kingdom of Morocco and the Islamic Republic of Mauritania, the follow-up of the drafts of Egypt MER and commenting on the issues related to quality and consistency, assistance of the MENAFATF member countries during the Africa/Middle East Joint Group meetings (a working group formed under the FATF International Cooperation Review Group (ICRG)) which currently comprises Yemen, Syria and Morocco. In addition, the department seeks to improve the system for combating money laundering and the financing of terrorism and proliferation by implementing the items of the adopted work plan in cooperation with a team of the MENAFATF experts.

On the other hand, it closely monitors the FATF strategic review of the fifth-round evaluation and follow-up procedures and reflects them in the draft MENAFATF 3rd round mutual evaluation procedures.

The department is currently giving utmost priority to the FATF work plan regarding the follow-up of the MENAFATF effectiveness and performance and the relevant progress made. It participated in all the stages of the work plan for the improvement of the MENAFATF effectiveness since its preparation was started and continued to follow up the plan and relevant reports and discussions and to coordinate and cooperate with the relevant parties (the contact group, the follow-up team, the FATF Secretariat). The following is a summary of the efforts made by the department in executing the items of the plan:

- Drawing up a work system for the “Policy Development and Quality Assurance” Department.

- Preparing a detailed matrix to determine the milestones of all the evaluation and follow-up stages.
- Amending the by-laws and creating the section related to the principles of internal governance.
- Establishing a medium-term strategic plan for 2020.
- Participating in improving the MENAFATF work plan for 2021 and ensuring its consistency with the previous work plan for 2020.

The department aspires in the short term to develop and activate a mechanism for assisting countries subject to active supervision by the ICRG, to intensify the MENAFAFT activity in projects related to the development of policies, by cooperating with experts from the MENAFATF, particularly those related to the MENAFATF countries and its activities.

Section five: Final accounts and financial statements

for the year ending on 31 December 2020

Statement of the Financial Position as of 31 December 2020

(Amounts in US \$)

Statement	2020	2019
<u>ASSETS</u>		
<u>Non-Current Assets</u>		
Equipment	<u>9,556</u>	<u>9,920</u>
Right-of-use assets	<u>72,370</u>	<u>18,838</u>
	<u>81,926</u>	<u>28,758</u>
<u>Current Assets</u>		
Members' contributions receivables	563,646	<u>238,489</u>
Prepayments and other receivables	45,298	<u>21,319</u>
Cash and bank balance	<u>1,823,261</u>	<u>2,172,944</u>
	<u>2,432,205</u>	<u>2,432,753</u>
<u>Total Assets</u>	<u>2,514,130</u>	<u>2,461,511</u>
ACCUMULATED FUNDS AND LIABILITIES		
<u>Accumulated Funds</u>		
Strategic reserve	300,000	300,000
Accumulated funds	<u>979,207</u>	<u>496,093</u>
<u>Total Accumulated Funds</u>	<u>1,279,207</u>	<u>796,093</u>
<u>Non-Current Liabilities</u>		
Employees' terminal benefits	269,949	225,330
Deferred grants	<u>191,928</u>	<u>119,104</u>
Non-current portion of lease liability	<u>19,005</u>	-
	<u>480,883</u>	<u>344,434</u>
<u>Current Liabilities</u>		
Current portion of lease liability	54,795	19,005
Trade and other payables	149,654	150,452
Deferred income - members	<u>549,590</u>	<u>1,151,527</u>
	<u>754,040</u>	<u>1,320,984</u>
<u>Total Accumulated Funds and Liabilities</u>	<u>2,514,130</u>	<u>2,461,511</u>

Statement of Revenues and Expenses for the year ending on 31 December 2020.

(Amounts in US \$)

Statement	2020	2019
<u>Income</u>		
Contributions from members'	2,031,016	1,745,319
Other income	<u>185,277</u>	<u>40</u>
<u>Total Income</u>	<u>2,216,293</u>	<u>1,745,359</u>
<u>Expenses</u>		
Direct costs	1,676,957	1,551,556
General and administrative expenses	47,902	112,372
Depreciation	<u>8,319</u>	<u>7,971</u>
<u>Total Expenses</u>	<u>1,733,178</u>	<u>1,671,899</u>
<u>Surplus for the year</u>	<u>483,114</u>	<u>73,460</u>