

Mutual Evaluation Report 7th Follow-Up Report for Yemen

Anti-Money Laundering and Combating the Financing of Terrorism

17 June 2014

The Republic of Yemen

This report provides an overview of the measures that Yemen has taken to address the major deficiencies relating to Recommendations rated NC or PC since its last mutual evaluation. The progress shown indicates that sufficient action has been taken to address those major deficiencies, and in particular those related to R1, R3, R4, R5, R13, R23, R26, R36, R40, SRI, SRII, SRIII, SRIV and SRV. It should be noted that the original rating does not take into account the subsequent progress made by the country.

Seventh Follow Up Report for the Republic of Yemen

Application to Move from Regular Follow-Up to Biennial Updates

A. Introduction:

1. The 7th Plenary Meeting adopted the mutual evaluation report (MER) of the Republic of Yemen (Yemen) on 9 April 2008. At the same time, Yemen was placed in a regular follow-up process according to the paper on mutual evaluation process procedures. Yemen has submitted its 1st follow-up report in May 2010, 2nd follow-up report in November 2010, 3rd follow-up report in May 2011, 4th follow-up report in May 2012, 5th follow-up report in May 2013 and 6th follow-up report in November 2013. When discussing the 6th report, Yemen has expressed its hope that the 19th Plenary Meeting considers its request to move from regular follow-up to biennial updates.

2. This paper is based on the procedure for removal from the regular follow-up, as agreed by the 12th Plenary Meeting in November 2010. The paper contains a detailed description and analysis of the actions taken by Yemen in respect of the Core¹ and Key² Recommendations rated Non Compliant (NC) and Partially Compliant (PC) in the MER. It also contains a description and analysis of the other Recommendations rated PC or NC. In Annex 1, we are including a list of the major laws and documents relating to AML/CFT system in Yemen. The procedures require that the Plenary Meeting considers the removal of the country from the regular follow-up if it has, in the opinion of the Plenary Meeting, an effective AML/CFT system in force, under which the country has implemented the core and key recommendations at a level essentially equivalent to a C (Compliant) or LC (Largely Compliant) taking into consideration that there would be no re-rating.

3. Yemen was rated PC and NC on a total of 43 recommendations:

<i>Core Recommendations rated PC or NC</i>
R1, R5, R13, SR11, SR14
<i>Key Recommendations rated PC or NC</i>
R3, R4, R23, R26, R36, R40, SRI, SR11, SRV
<i>Other Recommendations rated PC</i>
R2, R14, R15, R18, R22, R24, R27, R30, R31, R33, R37, R39, SR11
<i>Other Recommendations rated NC</i>
R6, R7, R8, R11, R12, R16, R17, R19, R21, R25, R29, R32, R38, SR11, SR12, SR13

4. As prescribed by the procedures of exiting the regular follow-up, Yemen provided the Secretariat with a full report on its progress. The Secretariat has drafted a detailed analysis of the progress made by Yemen for the core and key recommendations rated NC or PC, as well as an analysis of the other Recommendations rated NC or PC. A draft analysis was provided to the Yemeni authorities (with a list of additional questions) for their review, and some

¹ The Core Recommendations as defined in the FATF procedures are: R1, R5, R10, R13, SR11 and SR14.

² The Key Recommendations as defined in the FATF procedures are: R3, R4, R23, R26, R35, R36, R40, SRI, SR11 and SRV.

comments from Yemen have been taken into account in the final draft. During the process, Yemen has provided the Secretariat with all information requested.

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

B. Main conclusion and recommendations to the Plenary Meeting:

Core Recommendations:

6. **R1 (Criminalization of Money Laundering):** The deficiencies related to this recommendation were addressed through the amendment of AML Law: the list of predicate offences was expanded to include the twenty crimes defined in the Methodology. The definition of funds was determined to include any type of properties. The definition of predicate offences was also extended to include the acts committed in another country. Accordingly, ML crimes are punished by law, even if they were committed outside Yemen, if they constitute crimes according to both the law of the country in which the crime is committed and the laws in force in Yemen.

7. **R5 (Customer Due Diligence):** Deficiencies pertaining to this recommendation have been addressed through amendments made to AML Law. The supervisory and monitoring entities for the financial institutions were defined, and the definition of financial institutions was amended to be based on the financial activities they carry out. The deficiencies pertaining to covering the basic obligations of the due diligence measures have also been addressed. The CDD includes identification of customer activities and their size, purpose and nature of business relationship, ongoing monitoring of transactions and operations, and designating the threshold of the occasional and several transactions which appear to be linked, requiring institutions to verify the identity of the person acting on behalf of the customer, identifying the beneficial owner and verifying that FIs identify the beneficial owner, and categorize their customers based on risk degree. The subjected persons were required to continuously update the files of their customers and terminate the business relationships with customers when failing to apply the required CDD measures.

8. **R13 and SRIV:** Deficiencies pertaining to this recommendation have been addressed through amendments introduced to AML Law by obligating the financial institutions to report transactions suspected of being associated with ML/TF. The deficiencies pertaining to the extension of predicate offences to include the twenty predicate crime categories set out in the Methodology. The persons subject to the law were required to report the attempt to carry out transactions suspected of being associated with ML offense and the related predicate offences and TF offense.

9. **SRII (Criminalization of terrorist financing):** Deficiencies pertaining to this recommendation have been addressed through AML/CFT Law No. (1) of 2010 and its amendments in Law No. (17) of 2013. The Yemeni legislative framework now criminalizes collecting, providing, securing access to, or transferring funds with the intention of using it or with the knowledge that they will be used by a terrorist or terrorist organization or to commit a terrorist act, and in a manner consistent with the definition on TF criminalization mentioned in the Convention for the Suppression of the Financing of Terrorism. A definition of Funds was set to include all the elements mentioned in the Convention for the Suppression of the Financing of Terrorism; TF offense was also considered a ML predicate offense, the criminal liability was extended to include the legal person, and both the natural and legal persons were subjected to criminal penalties for TF crimes.

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

Key Recommendations:

11. **R3 (Confiscation and Provisional Measures):** Deficiencies pertaining to this recommendation have been addressed through amendments made to AML Law and considering confiscation as a criminal penalty in case of being convicted for ML/TF. The confiscation penalty also includes now all funds and properties that constitute proceeds or instrumentalities that were used or will be used, or were intended to be used in the crime.

12. **R4 (Laws on the secrecy of information):** Deficiencies pertaining to this recommendation have been addressed through the Law and its amendments. The Unit now has the right to directly exchange information with counterpart units in other countries as long as it complies with the secrecy rules and the principle of reciprocity. The unit was given the right to sign MOUs with foreign units.

13. **R23 (Regulation and Supervision):** Most of the deficiencies related to this recommendation were addressed through identifying the regulatory and supervisory authorities competent to verify the compliance of the subject persons with the law requirements. The integrity of all shareholders, board members and employees of financial and banking institutions was required, in addition to providing support for the entities supervising insurance companies with respect to AML/CFT requirements.

14. **R26 (Financial Intelligence Unit):** Deficiencies pertaining to this recommendation have been addressed. It was stipulated that the FIU is competent to receive reports on TF operations, analyze such reports and refer them to the competent entities. The FIU was given direct and full power to request information from the reporting entities or the regulatory and supervisory entities. It was also stipulated that the Unit should release periodic reports on its activities. The FIU issued annual reports for the years (2010, 2011, and 2012). It was stipulated that the FIU should establish a database that includes all the information on reports and the analysis it undertakes, and provide the Public Prosecution with such database. The Unit issued forms for reporting suspicious operations and issued instructions for the reporting entity. However, the Unit still needs to increase the human resources in order to undertake more effectively its functions.

15. **R36 (Mutual Legal Assistance):** Deficiencies pertaining to the mutual legal assistance were addressed through Law No. (1) of 2010 amended by Law No. (17) of 2013, with regard to criminalizing terrorism financing and its impact on Yemen's ability to provide legal assistance in this field. The law granted the Yemeni judicial authorities the authority to cooperate with the foreign counterpart judicial authorities in executing the mutual legal assistance requests.

16. **R40 (Other Forms of Co-operation):** Large part of the deficiencies pertaining to this recommendation has been addressed through providing the unit with the powers to exchange information with the counterpart entities; granting the supervisors the powers to cooperate and coordinate with its counterparts in the area of AML/CFT to provide assistance.

17. **SRI (Implementing UN Instruments):** Yemen addressed the deficiencies relating to the implementation of the UN instruments, through joining the International Convention for the Suppression of the Financing of Terrorism, implementing the Security Council (SC) resolutions No. 1267 for 1999, No. 1373 for 2001 and the successor resolutions, and issuing executive procedures to implement these resolutions.

18. **SRIII (Freezing and Confiscating Terrorist Assets):** Deficiencies pertaining to establishing legal procedures to freeze funds of terrorists designated in accordance with UNSCRs 1267 and 1373. The procedures include immediate freezing of funds, properties and assets including those derived from other funds or assets, directly or indirectly, owned or controlled by persons and entities designated in the UNSCR. A mechanism was established to examine and give effect to the actions initiated under the freezing mechanisms of other countries and immediately freeze such requests. In addition, procedures were established to consider de-listing requests, to unfreeze funds and assets, and procedures to authorize access to such frozen assets. The regulatory and supervisory entities were assigned to verify the compliance of the institutions subject to their supervision in implementing such resolutions.

19. **SRV (International Co-operation in Terrorism Financing):** Deficiencies pertaining to international cooperation in the AML/CFT field were addressed. The amended law included provisions on handling mutual legal assistance requests and requests on the extradition of criminals.

Other Recommendations:

20. The Republic of Yemen addressed a large part of the deficiencies related to the other recommendations. It is noteworthy that making the decision for the removal of Yemen from the follow-up process is primarily based on the core and key recommendations. This report does not provide a detailed analysis on the other recommendations.

Conclusion:

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

22. With regard to core recommendations, it can be said that the level of compliance of Yemen with these recommendations can be rated at al level, which is, at a minimum, equivalent to "LC".

23. With regard to key recommendations, it can be said that the level of compliance of Yemen with the overall recommendations can be rated at al level, which is, at a minimum, equivalent to "LC".

24. With regard to the other recommendations where Yemen was rated NC or PC, it can be said that the level of compliance of Yemen with these recommendations in general can be rated at a level which is, at a minimum, equivalent to "LC".

25. With regard to effectiveness, Yemen has issued 4 convictions in ML cases and one conviction in TF crimes. At the level of reports, the number of STRs received by the FIU has increased during the past years, despite the low number in general and being mainly from the banking sector; no STRs from DNFBPs. As well, analyzing STRs may take time with the FIU, although a large part is being directed to the LEAs. The statistics reveal that the FIU received in 2010, 30 STRs in ML cases only and 29 STRs in ML cases and 2 STRs in TF crimes in 2011; while in 2012, the FIU received 114 STRs (ML cases), 6 STRs (TF crimes) and in 2013, the FIU received 166 STRs related to ML cases and 5 related to TF crimes.

26. With regard to the efficiency of the regulatory authorities in supervising FIs and DNFBPs, it can be said that Yemen has taken many steps that aim at reinforcing the human resources, improving the skills of the personnel of some supervisory authorities. Yet, there is a need to increase human resources in other authorities with more AML/CFT competent staff and train them on the requirements. As well, to provide more training to personnel of FIs and DNFBPs, increase the inspection rounds, which would help increase their awareness and the compliance with the requirements. On the level of LEAs effectiveness, it can be concluded that there are positive indicators to effective implementation through the convictions issued. However, Yemen has to take more steps towards improving the capabilities of the personnel, provide more staff and resources to improve the effectiveness of the system applied. In general, the tangible actions taken by Yemen with respect to issuing the law and its implementing regulations, strengthening the imposed requirements, issuing the guidelines for FIs and DNFBPs, improving the capacities of the supervisors and LEAs, would improve the effectiveness of its fighting regime.

27. As a result, since the level of Yemen compliance with the core recommendations is rated at a level equivalent to "LC" and the level of compliance with the key recommendations is rated at a level equivalent to "LC"; and there are positive steps towards improving the effectiveness of the fighting regime. The Plenary Meeting may approve the application of the Yemeni authorities to move from the regular follow-up to biennial updates.

C. Overview of Yemen's Progress:

Overview of the Main Changes since the Adoption of MER:

28. Since the adoption of the MER, Yemen has focused on issuing Law No. (1)/ 2010 on AML/CFT and amending it through Law No. (17) of 2013. It also has issued the Implementing/Implementing regulations (IR/Regulations) of the Law issued by the Presidential Decree No. (226) for 2010 and amended by Presidential Decree No. (2) for 2014

to address the deficiencies mentioned in the MER and continue executing some law provisions.

The Legal and Regulatory Framework:

29. The AML/CFT system is based on AML/CFT Law No. 1 of 2010 amended by Law No. 17 of 2013, and the implementing regulations issued by Presidential Decree No. 226 of 2010 and its amendment by Presidential Decree No. 2 of 2014. Yemen has issued Law No. 1 of 2010 for the purpose of addressing the deficiencies specified in the MER. The Law caused some modifications on the legal level regarding the expansion of the scope of ML predicate offences, criminalizing TF, and imposing main obligations of CDD measures to include all financial and non-financial institutions and designated professions. This is in addition to determining the regulatory and supervisory entities that verify the compliance of the persons subject to them with the requirements of law implementation, and clarifying the obligations related to due diligence and monitoring and submitting STRs to the FIU. On the other hand, the law caused some modifications on the FIU level, with regard to its competences and establishing procedures to implement UNSCR 1267 and 1373. Yemen also has joined the International Convention for the Suppression of the Financing of Terrorism by virtue of Law No. 3 of 2010. The Central Bank issued Circular no 1/2012 addressed to the banks operating in Yemen and including regulatory instructions and controls on AML/CFT. The Central Bank issued as well circular no 1/2013 addressed to exchange companies licensed to operate in Yemen and including AML/CFT instructions to the exchange companies. The Ministry of Trade and Industry issued Resolution No. 58/2012, including AML/CFT instructions for the insurance companies. General Authority of Post and Post Saving issued circular No 11/2013 and circular no. 7/2014 on enhancing AML/CFT procedures at the post offices. The General Authority for Land Survey and Urban Planning (GALSUP) issued decision no 92 on AML/CFT instructions related to real estate brokers and agents. The Ministry of Industry and Trade issued Resolution No. 100/2012 on AML/CFT instructions related to the audit business and Resolution No. 73/2013 on AML/CFT instructions related to dealers of precious metals and precious stones. The Ministry of Social Affairs & Labor issued Resolution no. 502/2013 on AML/CFT instructions in public associations and organizations.

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

R1 – Rating PC:

Deficiency 1: Absence of a definition for ‘funds’ including any type of properties.

30. Yemen has amended Article 2 of Law No. 1 of 2010 through Law No. 17 of 2013; the funds definition reads now the following: *“Assets of any kind, tangible or intangible, movable or immovable, which are obtained by any means, and legal documents or instruments in any form including electronic or digital form, which indicate the ownership of such funds or interest therein. Such assets include, for example, all types of local and foreign currency, securities, trade instruments and bank credits, travelers’ checks, money orders, stocks, bonds, drafts and letters of credit, any interest or dividends or returns of such funds or the amount due or arising there from”*. Thus, the definition of funds in the Yemeni Law is consistent with the definition in the International Conventions and includes all types of property. It is also noteworthy that Yemen has amended Article 3 of Law No. 17 of 2013, which criminalizes ML in Yemen, in accordance with the following: *Any person, who*

commits one of the following acts inside or outside of the Republic, shall be guilty of a money laundering offense:

1. Converting or transferring funds by any person who knows or should have known that such property is the proceeds of crime for the purpose of concealing or disguising the illicit origin of such property, or for the purpose of assisting any person who is involved in the commission of the predicate offense to evade legal consequences for his actions.

2. Conceal or disguise the true nature, source, location, disposition, movement or ownership of or rights with respect to property by a person who knows or should know that such property is the proceeds of crime.

3. Acquisition, possession or use of property by any person who knows or should know at the time of receipt that such property is the proceeds of crime. Paragraph (b) of the Article stipulates that *any person, who initiates, participates in, instigates, orders, colludes, conspires, provides advice to or helps in committing any of the acts listed in Paragraph (a) of this Article, shall be guilty of a money laundering offense.* Considering the forms of criminalizing ML amended in Law No. 17, Yemen has criminalized ML forms to be consistent with the forms stipulated in the UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988 (Vienna Convention) and the United Nations Convention against Transnational Organized Crime of 2000 (Palermo Convention). Article 2 of Law No. 17/2013 defines the proceeds as: *"The funds derived from or obtained, directly or indirectly from any offense defined in the law hereto"*. Accordingly, ML crime in Yemen includes any type of properties, regardless of their value, which are considered the direct or indirect proceeds of a crime. Thus, Yemen has totally addressed the deficiency specified in this recommendation.

Deficiency 2: Failure to cover all the designated categories of predicate offences stated in Annex 1 of the Methodology.

31. Yemen has amended Article 3 (c) of AML/CFT Law with Law No. 17 of 2013 to define a list of ML predicate offences. It also considers all crimes that were not mentioned on the list and are punishable by virtue of provisions of laws in force as predicate offences for ML crimes. Thus, it can be concluded that Yemen adopted a mixture of threshold approach and the "All Crimes" approach. Below is a table that shows the extension of the scope of predicate offences in the Yemeni Law to include the twenty categories according to the Assessment Methodology. All twenty categories must be criminalized:

Category	Legislative Tool	Legal Articles Criminalizing the Act(s)
Participation in an organized criminal group and racketeering	Criminal and Punishment law.	Article (133)
	Anti-kidnapping and Highway Robbery law	Articles (1,3)
Terrorism, including terrorist financing	Terrorism Financing: Law No. (1) of 2010	Article (4)

Trafficking in human beings and migrant smuggling	Criminal and Punishment law	Article (248)
	Child Rights law	Article (164)
Sexual exploitation, including sexual exploitation of children	Criminal and Punishment law	Article (199) and articles (277-281)
	Child Rights law	Articles (95, 195 163)
Illicit trafficking in narcotic drugs and psychotropic substances	Criminal and Punishment law	Article (288)
	Law on criminalizing the trafficking in drugs and psychotropic substances	Articles (8, 9)
Illicit arms trafficking	Criminal and Punishment law	Articles (144, 146)
	Law regulating Carrying Firearms	Article (11)
Illicit trafficking in stolen goods, and other goods	Supply law	Articles (15, 16)
Corruption and bribery	Criminal and Punishment law	Articles (151-165)
	Anti corruption law	Article 30
Fraud	Criminal and Punishment law	Articles (310, 311)
Counterfeiting currency	Criminal and Punishment law	Articles (204-211) and article (312)
Counterfeiting and piracy of products	Criminal and Punishment law	Article 312
	Law on the protection of Intellectual Property Rights	Articles (15, 18, 19, 114)
	Law on Protection of Copyrights and Related Rights	Article (63)
Environmental crimes	Criminal and Punishment law	Articles (140, 141)
	Environment Protection Law	Article (76)
	Law on the protection of marine environment against pollution	Articles (3, 5, 26), (28-32), (34-35)
	Water Law	Articles (68, 69)
	Law of Urban Planning	Article (68)
	Hygiene Law	Article (31)
Law on private medical and health facilities	Articles (13, 32, 34)	

Murder and grievous bodily injury	Criminal and Punishment law	Articles (234-238) and (241-243)
Kidnapping, illegal restraint and hostage-taking	Law no. (12) of year 1994 on crimes and sanctions	Articles (249, 250, 252)
	Anti-kidnapping and Highway Robbery law	Full law
Robbery or theft	Criminal and Punishment law.	Articles (294-303) and (306-308)
Smuggling	Customs Law	Articles (191, 192, 198, 200, 201, 211, 221, 233, 244, 268, 269, 270, 271)
	Law on Mines and Quarries	Articles (42, 43)
Extortion	Criminal and Punishment law.	Articles (257, 313)
Forgery	Criminal and Punishment law.	Articles (212 -215) and (219)
	Customs Law	Article (196)
Piracy	Criminal and Punishment law.	Articles (138) and (306, 307, 308)
	Anti-kidnapping and Highway Robbery law	Articles (4, 9, 10)
Insider trading and market manipulation	Supply law	Articles (15, 16)
	Customs Law	Article (244)
	Law on Food control	Article (20)

Deficiency 3: The definition of predicate offences does not cover the acts that occur in other countries, and which would have constituted an offence in such countries.

32. Yemen has amended AML/CFT Law No. (1) with Law No. (17) of 2013: the predicate offences mentioned in Article 3 (a) include the predicate offences committed outside the Republic if they constitute crimes according to the law of the country where they were committed and at the same time according to the laws in force in the Republic, in accordance with Article 3 (d) of the Law. Thus, Yemen has addressed the deficiency pertaining to this recommendation.

R5 - Rating (NC):

Deficiency 1: The due diligence process is limited in most FIs, particularly the non-banking ones, to the identification of the customers without paying attention to the details and size of their activities.

33. Yemen modified the concept of the legally addressed financial institutions, as Article 2 of AML/CFT Law of 2010 and its amendments in Law No. 17 of 2013 stipulates that the

financial institutions defined in the Law are: Any financial institution practicing any kind of activities or operations for customers on behalf of them, of any legal form and whether it is in the form of a company or an individual enterprise; Thus, we can say that the obligations mentioned in the Law include all financial institutions, and the same applies to the implementing regulations. This allows listing several financial institutions which are engaged in any financial activities under the institutions subject to the requirements of AML/CFT Law. With regard to limiting the CDD process in most FIs to identifying customers without paying attention to the details and size of their activities, Yemen obligated the financial institutions, in accordance with AML/CFT Law No. 1 of 2010, to perform CDD measures in identifying customers and beneficial owners of natural or legal persons and taking reasonable measures to verify them. The Law refers to the implementing regulations on the measures to be followed concerning customer identification and verification, and on the purpose and intended nature of the business relationship, customer business and size of business, in a manner consistent with their business and risk profile. Article 11 of the implementing regulations also requires the financial institutions to obtain information from their customers on the purpose and nature of business relationship and the customer's activities and their size and to ensure that the transactions conducted are consistent with the customer's business and risk profile. In addition, Article 9 of the Law obligates the financial institutions to apply ongoing monitoring to transactions conducted by customers including the sources of their funds, when necessary, in order to ensure that they are consistent with the institutions' knowledge of the customer, their business and risk profile. Article 14 of the regulations requires the financial institutions to classify their customers and services according to the level of ML/TF risk, and take appropriate measures to address those risks as well as to pay special attention when dealing with persons and cases that pose high levels of risk, including identifying the details of the customers' activities. Circular No. 1 of 2012 issued by the Central Bank to the banks operating in the Republic included confirmation on the compliance of these banks to the provisions and implementing regulations of the Law. The same applies to Circular No. 1 for 2013, issued by the Central Bank to the exchange companies licensed to work in the Republic, and the instructions issued by the Ministry of Industry and Trade by virtue of Cabinet Decision No. 58 of 2012 regarding the implementation of AML/CFT measures in insurance business. The General Authority of Post and Post Saving issued circular No. (11) of year 2013 and circular No. (7) of year 2014 on enhancing AML/CFT instructions at the post offices.

Deficiency 2: The threshold of the occasional operations does not comprise the several transactions which seem to be linked.

34. Yemen has stipulated on performing the CDD measures in identifying the customer and the beneficial owner of natural or legal persons. Their identity shall also be verified in occasional transactions which exceed the value of the threshold limit defined by the regulations, which is equivalent to one million Yemeni Riyals (equivalent to USD £.650) or its equivalent in other currencies. This includes the cases in which the transactions are executed as one transaction or several transactions that seem to be linked. Yemen has stipulated in Article 7 (b) of the regulations on performing due diligence for such cases and defining the threshold limit upon which the financial institutions are obligated to perform the CDD measures.

Deficiency 3: There is no obligation to verify that the person who acts on behalf of the customer is actually authorized to do so and identify him.

35. Article 9 of the implementing regulations stipulates that the financial and non-financial institutions and the designated professions are required, in case of dealing with a person who acts on behalf of a customer, to ensure the existence of a legal power of attorney or an approved authorization and keep the power of attorney or authorization or original copies thereof. The institutions must also verify the identity of the agent and the principal according to the procedures stipulated by the regulations. Article 8 of the implementing regulations require the financial and non-financial institutions to fill out the data establishing the nature of the person and his legal entity, the names and data of the persons authorized to deal with the account and documents proving their nationalities. With regard to the legal person, the data includes the decision of the board chairman or the administrative official for opening the account and the person who has the right to deal with the account, in addition to verifying his identity.

Deficiency 4: The concept of beneficial owner or economic right holder has not been defined by the law or any other regulation.

36. Article 2 of AML/CFT Law No. (1) of 2010 and its amendments in Law No. (17) of 2013 defines the beneficial owner *as the natural person who owns or controls a customer or accounts, the person on whose behalf a transaction is being conducted, or according to his own will*. Article 7 of the Law obligates the financial institutions to perform due diligence in identifying and verifying the identity of customers and beneficial owners, whether natural or legal persons. Article 8 of the implementing regulations requires financial institutions to take reasonable measures to verify the identity of the beneficial owner. As well, the data, which the financial institutions are obligated to fill out, include identifying the beneficial owner with respect to the natural or legal person.

Deficiency 5: Most FIs do not verify the identity of the beneficial owners as they solely identify the customer without verifying if he works for his own benefit or for another person and without identifying the person who actually controls the legal person.

37. Through circular No. (1) of 2012 issued to the banks operating in Yemen, the Yemeni Central Bank has asserted the importance of identifying the beneficial owner and verifying his identity; accordingly it should be considered one of the key requirements of CDD measures. The instructions issued by the Ministry of Industry and Trade for combating ML/FT in insurance companies included the importance of obligating insurance companies and brokers to identify the customer and the beneficial owner and verify their identity, whether they were natural or legal persons. The instructions issued to exchange companies also included considering customer and beneficial owner identification among the key requirements of CDD measures. The General Authority of Post and Post Saving issued Circular No. (11) of year 2013 and Circular No. (7) Of year 2014 on enhancing AML/CFT procedures at the post offices.

Deficiency 6: FIs are not obliged to obtain information relating to the purpose and nature of the business relationship.

38. Article 7 of AML/CFT Law No. (1) of 2010 requires financial institutions to verify the identity of customers and beneficial owners of natural or legal persons. The Article also indicates that the implementing regulations define the measures and controls to be followed concerning customer identification and verification as well as checking the expected purpose of the relationship and its nature in a manner consistent with the nature of each business, each customer and risk profile. Article 11 of the regulations requires FIs to obtain information from their customers on the purpose and nature of business relationship and the customer's activities and their size in a manner consistent with the nature of each customer, each business and the risk profile.

Deficiency 7: CDD measures do not explicitly require inspecting the transactions carried out with the institution's knowledge of the customers, along with their business and risk profile.

39. Article 9 of the AML/CFT Law No. (1) of 2010 obligates the financial institutions to accurately and continuously monitor the transactions conducted by customers including the sources of funds, when necessary, in order to ensure that they are consistent with the information available on their identity, the business nature and risk profile.

Deficiency 8: Absence of practical application related to the update of the customers' data and documents.

40. Article 8 of AML/CFT Law No. (1) of 2010 requires the financial institutions to update the data, information and documents for the cases stipulated in Article 7 of the Law, in accordance with the measures set by the Regulations. Article 19 of the implementing regulations stipulates that the financial institutions are obliged to update data, information and documents of the cases stipulated in Article 7 of the Law, especially the high-risk customers, in accordance with the measures set by the Regulations. The updating process shall be implemented for the data, information and documents mentioned in Article 8 of the Regulations for the individuals, legal persons, joint-stock companies and NGOs every five years, when reasons arise for it, or when the financial institution is having doubts about the veracity or accuracy of the data and information previously registered. The update of private documents is done according to the following mechanism:

- With regard to the accounts for individuals opened with personal or family IDs or passports, the update shall be done every five years if their validity period exceeds this duration or three months before their expiration.
- With regard to the accounts opened under the license to practice a profession or the commercial register (commercial institutions and companies), the update shall be done upon the expiration of the license or register.
- With regard to the accounts opened under official letters or notes – from the competent entity- to the NGOs like charity associations and institutions, the update shall be done upon the end of the duration specified according to the laws in force.
- With regard to the accounts of correspondent banks, the update of data and information shall be done every three years or when necessary.

Deficiency 9: FIs are not required to apply enhanced CDD measures on high risk categories of customers, business relationships or transactions.

41. Article 10 of AML/CFT Law No. (1) Of 2010 and its amendments in law no (17) of 2013 stipulates that the financial institutions are obliged to classify their customers and services according to the level of ML/TF risk, and to take sufficient measures to address such risks. The financial institutions shall pay special attention in dealing with the cases that pose high risks, including the unusual transactions which do not have economic reason and the persons and transactions connected to countries that do not have effective AML/CFT measures in accordance with the international principles and standards. Article 14 of the implementing regulations addressed in detail the application of this obligation by the financial institutions. FIs shall classify their customers on two levels; the classification shall be reviewed every two years and depends on several elements, with the following minimum requirements: 1) Customer type; 2) Product type; 3) Type of transaction performed by the customer; 4) Geographic location of the customer. The regulatory and supervisory entities shall lay out the instructions for customer classification based on the nature and business of the institution.

42. The Article requires the financial institutions to pay special attention when dealing with persons and cases that pose high risks. The article defined the persons (customers) who are considered of high risks as follows: 1) Politically Exposed Persons (PEPs). 2) Non-resident customers. 3) Customers who are connected to countries that do not apply effective AML/CFT measures or apply the international principles and standards. 4) Customers who request carrying out special banking transactions. 5) Companies that have nominee shareholders or bearer shares. The article also defined the cases which are considered of high risks as follows: 1) Transactions that are connected to countries that do not apply effective AML/CFT measures or do not apply the international principles and standards. 2) Unusual, large-scale or complex transactions or patterns of transactions that do not have a clear legal or economic purpose, those that are inconsistent with the customer transactions and account movements or transactions that are not related to the customer business. 3) Cash transactions that exceed 10 million Yemeni Riyals or the equivalent in other currencies. The financial institutions are required to pay special attention to these cases by conducting the required analysis and examination to verify the sources of funds and take any other necessary measures to verify the nature of the transaction.

43. Article 15 of the implementing regulations stipulates that the financial institutions are obliged to apply the CDD measures when identifying high risk customers. The minimum level of such measures should be the following: 1) Obtaining additional information from the customer. 2) Referring to any information available to the public or the databases on the Internet. 3) Obtaining the approval of the senior management when opening an account for a customer. 4) Taking reasonable measures to determine the source of funds and wealth of customers and beneficial owners.

44. Circular No. (1) Of year 2012 issued by the Central Bank requires the banks to adopt a risk based approach when dealing with customers according to the requirements of law, the implementing regulations and the instructions issued therein. The circular represents a guide to the operating banks on how to apply the risk based approach. The circular No. (1) of year 2013 addressed to exchange companies does not include any obligations to exchange companies to adopt the risk based approach when dealing with customers as required by law or the implementing regulations. As to the instructions issued by the Ministry of Industry and

Trade regarding insurance companies, article (8) thereof includes obligations for the insurance companies on customer classification on a risk sensitive basis and paying special attention towards individuals and cases that pose high risks as indicated in the law and regulations; however, it does not present the details required from the supervisory authorities to set instructions related to customer classification based on the nature and activity of the institution.

Deficiency 10: The threshold relating to the use of the reduced due diligence applied on transfers exceeds the threshold stated in the interpretative note to SR VII, which provides that it should not exceed USD 1000.

45. Article 7 of the AML/CFT Law No. (1) of 2010 requires FIs to verify the identity of customers and the beneficial owners of natural or legal persons in many cases, among others, when carrying out a transaction for a walk-in customer with a value that exceeds the threshold defined by the regulations, or when carrying out wire transfers, whether local or international, above the threshold set out in the regulations. The regulations defined the threshold by 200,000 Yemeni Riyals or its equivalent in other currencies; provided that this amount does not exceed the threshold stipulated in SR.VII. Thus, the financial institutions are obliged to apply the CDD measures when the amount specified (200,000 Yemeni Riyals) is exceeded; and to enclose with the transfer customer identification data among other obligations imposed on FIs that carry out wire transfers.

Deficiency 11: There is no obligation to observe the criteria relating to the identification of existing customers.

46. Article 10 (e) of AML/CFT Law No. (1) of 2010 and its amendments in Law No. (17) of 2013 stipulates that the financial institutions are obliged to put in place internal AML/CFT measures, policies and controls and apply them to existing and new customers. Article 27 of the implementing regulations also includes in detail the obligations imposed to financial institutions in this area. The financial institutions are obliged to put in place the systems required for the application of the law provisions and the regulations in accordance with the measures and criteria set by the regulatory and supervisory entities. These include putting in place AML/CFT internal policies, measures, and controls and applying them to existing and new customers, as well as notify the employees accordingly and make sure they are applied. The board of directors, the general manager, the owner or the person authorized in the financial institution is responsible for issuing, applying and developing these internal policies, measures and controls.

47. On the other hand, Article 17 of the implementing regulations requires financial institutions not to open an account for a customer or maintain a business relationship with him or execute any transaction with him if they cannot meet the required obligations to verify the customer identity and perform the CDD measures. When necessary, FI should report to the Unit in accordance with the provisions of the law and the implementing regulations.

Deficiency 12: The Central Bank is not comprised in the CDD measures relating to the accounts opened for the employees and the Public Debt Department with regard to the treasury bonds.

48. Yemen has modified the definition of financial institutions subject to the provisions of the AML/CFT Law No. (1) of 2010 and its amendments in Law No. (17) of 2013. The definition mentioned in Article 2 of the Law now defines the financial institutions according to the financial activities practiced by the institutions. The definition now includes: *Any financial institution practicing any kind of activities or operations for customers on behalf of them, - of any legal form and whether it is in the form of a company or an individual enterprise - which is engaged in any of the businesses included under the definition of FIs subject to the law.*; to include all financial institutions that carry out such activities in the AML/CFT requirements. Thus, the Yemeni Central Bank became subject to the AML/CFT requirements in practicing its financial activities such as opening accounts for its employees and dealing in securities. Thus, natural persons are allowed to participate in the auctions of the issued treasury bonds, in addition to the participation of banks, pension funds and the institutions, including the charity associations. The Postal Saving Fund also became subject to AML/CFT Law requirements, as it falls among the financial activities specified according to FI definition.

R13: Rating (NC):

Deficiency 1: FIs are obliged to report transactions targeting ML when they have evidence to establish that, and not on the basis of mere suspicion.

49. Yemeni Law stipulates that FIs that suspect, or has reasonable reasons to suspect, that funds or property are related or connected to ML or are proceeds of predicate offences mentioned in Article 3 of the AML/CFT Law shall immediately report such transactions to the Unit, whether such transactions occurred or not. Article 25 of the implementing regulations includes in detail the controls and procedures for reporting these transactions to the Unit. Thus, Yemen has cancelled the previous obligation for the financial institutions to report the transactions targeting ML if the FI had confirmations in this regard.

Deficiency 2: Absence of obligation to report the suspicious transactions related to TF.

50. Yemen has addressed the deficiency pertaining to this recommendation through Article 13 of Law No. (17) of 2013, which obligated the financial institutions to immediately report to the Unit, when they suspect or have reasonable reasons to suspect, that funds or properties are connected or related to terrorism, terrorist acts or financing terrorism, or to be used for terrorist acts or by terrorist organizations or those who finance terrorism, whether such acts occurred or not. As previously noted, the implementing regulations include the controls and measures to be followed by institutions when reporting these transactions to the Unit.

Deficiency 3: the predicate offences suspected to be associated to the transactions do not cover the twenty categories of offences specified in the Recommendations.

51. It was previously discussed that the Yemeni authorities have addressed this issue by expanding the scope of ML predicate offences to include the twenty predicate crimes mentioned in the Methodology. Thus, Yemen has completed addressing the deficiency pertaining to this recommendation.

Deficiency 4: No practical application on the reporting of the operations, which are suspected to be associated with money laundering transactions.

52. The statistics submitted by the Yemeni authorities regarding the reports received during the last years show an increase in the number of reports received by the Unit during the past three years as follows:

Table 1: Statistics on the number of STRs received by the Unit

Year	Number of STRs received by the unit
2011	29
2012	114
2013	166

Table 2: Statistics by the reporting entities in 2013

Reporting entities	Number of cases
Banks	69
Exchange companies	28
Customs	1
Governmental authorities	5
Judicial authorities	8
LEAs	47
Counterpart Units	3
External/Foreign entities	5
Non financial institutions	0
Designated Professions	0
Supervisors	0
Others	0

Table 3: Statistics on the fate of the STRs submitted to the Unit in 2013

Last measure	Number of cases
Custody	32
Provisional custody	2
Under analysis	71
Judicial authorities	3
Governmental authorities	2
LEAs	53
Counterpart Units	1
External/Foreign entities	2

53. Although the number of reports received by the Unit during the last period is considered generally low, we can say that there is a noticeable increase in the number of STRs and in referring them to LEAs, when compared to the number of reports received by the Unit before 2011. This may be due to the increase of awareness of some reporting entities. In parallel, the STRs are mainly incoming from specific sectors such as banks, exchange companies more than other sectors, with the absence of STRs from insurance companies and DNFBPs. It can be concluded as well, that analyzing STRs takes time with the FIU, knowing that a large part was sent to the LEAs compared to the number of STRs, for which convictions were issued. Accordingly, Yemen still needs to improve the capacities of the reporting entities, financial and non-financial institutions and DNFBPs on ML/TF methods; Also awareness of these institutions needs to be increased on ML/TF risks, and the abilities of financial sector and its internal systems to detect suspicious transactions needs to be increased; the capacities of regulatory and supervisory entities should be reinforced.

Deficiency 5: No obligation on FIs to report the attempts of carrying out suspicious transactions.

54. The statement “whether they occurred or not” mentioned in Article 13 of the Law requires financial institutions to report the attempt to execute suspicious transactions. Thus, Yemen has addressed the deficiency pertaining to this recommendation.

SRII: (Rating: NC):

Deficiency 1: Failure to criminalize TF offense.

55. The Yemeni legal framework for criminalizing TF is based on Law No. (1) of 2010 and its amendment through Law No. (17) of 2013. The criminalization in Article 4 of the Law is as follows: “Every person shall be guilty of an offense of financing of terrorism if he:

- a) *directly or indirectly, collects or provides funds, intentionally and willfully, by any means, and whether such funds are from licit or illicit sources, with the intention that they should be used or in the knowledge that they will be presented to a terrorist organization or body or a terrorist association, or to a terrorist or a terrorist act. The ‘knowledge’ can be inferred from objective factual circumstances. The criminal responsibility shall remain valid whether such funds have been used in full or in*

part, or not used, and whether such acts have occurred inside or outside the Republic.

- b) Initiates, participates in, incites, orders, colludes, conspires, provides advice to or assists to commit any of the acts mentioned in paragraph (a) of this Article.*
- c) Organizes the committing of an offense set forth in paragraph (a) or Paragraph (d) of this Article.*
- d) Involves in a group of people with a common purpose of committing one or more crimes of the offenses referred to in paragraph (a) of this Article, and such involvement is intentional and implemented in order to:*
 - 1. Expand the criminal activity or purpose of the group when such activity or purpose involves the committing of an offense referred to in Paragraph (a) of this Article.*
 - 2. Commit an offense referred to in Paragraph (a) of this Article.*

56. Article 4 of the Law stipulates that it is necessary for most of the elements to be available to criminalize TF. This article includes any person who collects or provides, secures access to or transfers funds, by any direct or indirect means, with the intention of using them or with the knowledge that they will be totally or partially used or not yet used by: a) A terrorist organization, association or authority, b) a terrorist, or c) a terrorist act. The terrorist, the terrorist act and the terrorist organization were defined in Article 2 of the Law. The terrorist act was defined as any act that constitutes an offense under any of the nine international conventions attached to the International Convention for the Suppression of the Financing of Terrorism. It is also defined as *any other act intended to cause death or serious bodily injuries to a civilian, to any other person not part in the hostilities or in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate the population, or to compel a government or an international organization to take a particular action or to abstain from doing any act.* The definition of the terrorist act in the Yemeni Law is consistent with the definition set out in the International Convention for the Suppression of the Financing of Terrorism. It is worth to note that Yemen has ratified all conventions annexed to the International Convention for the Suppression of Terrorism financing.

57. The terrorist was defined as: *Any natural person doing any of the following acts: a) commits or attempts to commit terrorist acts, by any means, directly or indirectly, and willfully; b) Participate as an accomplice in terrorist act.; c) Organizes or direct others to commit terrorist acts; d) Contributes to the commission of terrorist acts by a group of persons acting with a common purpose where the contribution is made intentionally and with the aim of furthering the terrorist act or with the knowledge of the intention of the group to commit a terrorist act.* While the terrorist organization definition includes: *Any group of terrorists that commits any of the following acts: a) Commits or attempts to commit terrorist acts, by any means, directly or indirectly unlawfully and willfully. b) Participates as an accomplice in terrorist acts. c) Organizes or direct others to commit terrorist acts. d). Contributes to the commission of terrorist acts by a group of persons acting with a common purpose where the contribution is made intentionally and with the aim of furthering the terrorist act or with the knowledge of the intention of the group to commit a terrorist act.*

58. The material element of the TF offense in the Yemeni Law is based on the knowledge and will “deliberately and willingly”, as it extends to include the material elements specified in Article 2, paragraphs (1a) and (b) of the United Nations Convention for the Suppression of the Financing of Terrorism.

59. As previously noted, the funds are defined in Article 2 of the law. This definition is also accurately specified in Article 1 of the United Nations Convention for the Suppression of the Financing of Terrorism for 1999. TF criminalization in the Yemeni Law extends to include any funds, whether they are from a legitimate or illegitimate source.

60. TF criminalization in the Yemeni Law does not require the actual use of funds to execute or attempt to carry out terrorist act(s). This can be inferred from the statement: “*The criminal responsibility shall remain valid whether such funds have been used in full or in part, or not used*”. The connection of the funds with a specific terrorist act is not required, as it can be inferred from the language of criminalization in Article 4 of the Law. According to the Law, mere financing is a crime. According to the Yemeni Law, attempting to participate, participating, inciting, ordering, colluding, conspiring, providing advice to or assisting to commit any act of financing, crime organization, or participating with a group of persons with the purpose of committing a TF crime is all considered equal to committing a TF crime.

61. The TF offense is considered one of the predicate offences of ML crime; Article 3 (c) stipulates that the crimes of terrorism, including TF crime, are considered ML predicate offences. The application of the Yemeni laws that are related to TF crimes extends, regardless of the place where the offense was committed whether inside or outside the Republic.

62. Article 4 of the Yemeni Law stipulates that the knowledge element may be inferred from the objective factual circumstances, and the criminal liability extends to include all the legal persons in Yemen. The Yemeni authorities have a large set of sanctions for punishing the TF crimes. Article 41 (b) of the Yemeni Law stipulates that the natural person shall be sanctioned by imprisonment for no longer than ten years. A penalty of confiscation shall be imposed on the funds that constitute criminal proceeds including proceeds that got mixed with other property, property of corresponding value to these proceeds, funds that constitute the subject of the crime, funds that constitute other proceeds and products derived from these funds or properties or from the criminal proceeds, instrumentalities and tools of the crime, or funds that have been disposed to any party; unless the court finds out that the funds have been acquired against an adequate price or against providing services proportionate with their value or based on other legitimate reasons, the party was not aware of their illicit origin. The Court may order any complementary penalty according to the laws in force. The sentence of imprisonment shall be doubled if the crime is committed through an organized criminal group or a terrorist organization, or was committed as part of other criminal acts, or through abuse of power or position.

63. Article 44 of the Law stipulates that when the crime is committed by a legal person, the natural person responsible for actual management of the violating legal person shall be penalized by the same penalties stipulated for the acts committed in violation of the provisions of this Law, if knowledge thereof is established, and the crime was committed as a result of the violation or the negligence of the job duties of such person. The legal person shall be jointly liable for the payment of any financial penalties if the crime committed in violation of the provisions of this Law is perpetrated by one of its staff in his name or for his interest. Article 44 (a) bis also stipulates that the legal person, which the TF crime was committed in his name or for his interest, by a person who is a leader, in a leading position or has an authorization to act on behalf of a leader, or authorized to exercise the power, shall be

penalized by a fine not less than five millions, whether or not the natural person is convicted with the crime.

64. Article 44 (b) bis stipulates that the penalty imposed on the legal person does not prevent imposing the same penalty on the natural person responsible for the actual management of the legal person for violating the provisions of the law if knowledge thereof is established or if the crime was committed as a result of the violation or the negligence of the job duties of such person. The Court may also add one of the following complementary penalties to the fine imposed on the legal person: 1) Suspending the practice of the profession or business 2) Withdrawing the license of practicing the profession or business 3) Temporarily or permanently closing the place of the profession or business which has been used in committing the crime. 4) Liquidation of business. 5) Imposing conservatorship. 6) Publishing the judgment against the violator.

65. In terms of effectiveness, the authorities stated that one conviction judgment was issued in TF crime during the last period.

SRIV: Rating: (NC):

Deficiency 1: The legislations do not oblige FIs to report suspicious transactions when reasonable grounds are available to suspect that funds are related or linked to terrorism or terrorist acts or used for terrorist purposes or terrorist acts by terrorist organizations or financiers.

66. The AML/CFT Law No. (1) of 2010 and its amendment in Law No. (17) of 2013 requires the financial and non-financial institutions and the designated professions to report to the FIU any funds or property that are reasonably suspected to be connected or related to terrorism, terrorist acts or financing terrorism, or being used for terrorist acts or by terrorist organizations or those who finance terrorism, whether such acts were committed or not. Article 25 of the implementing regulations stipulates the need to immediately send the STR via e-system or e-mail, or by hand or any other means determined by the Unit. The STR should include full information on the reporting entity, details on the persons involved in the suspected transaction, names and numbers of the concerned persons, senders or recipients of the transfer, amount and nature of the transaction, source of the funds and the reasons of suspicion. All those who work in the financial and non-financial institutions and the designated professions are prohibited to disclose any procedure of reporting, investigation or inspection undertaken in the suspected transaction, directly or indirectly or by any means to any customer, beneficiary or other party than the authorities and the entities competent to apply the provisions of law. The implementing regulations also stipulate that the Unit shall issue the necessary instructions on stating the measures to be taken when submitting a STR and the reporting form. The Yemeni FIU issued guidelines on the STRs submitted to the Unit on 27 September 2010 and updated those guidelines on 11 December 2013.

67. On the other hand, the Unit has received 5 notices on TF during 2013 and 6 STRs in TF cases in 2012; while it has received in 2011, 2 STRs.

E. Review of the measures taken in relation to the Key Recommendations:

R3: Rating (PC):

Deficiency 1: Failure to criminalize TF (implicating confiscation).

68. The proceeds of TF crime are confiscated based on the provisions of AML/CFT Law No. (1) of 2010 and its amendments in Law No. (17) of 2013. Article 41 of the Law provided for the penalty of confiscation in case of conviction in TF crime. The confiscation shall be imposed by virtue of a Court judgment for the benefit of the public treasury. The next paragraph will address this in detail.

Deficiency 2: Incapacity to confiscate properties that constitute instrumentalities used or intended for use in the commission of ML offences.

69. According to AML/CFT Law No. (1) of 2010 and its amendments in Law No. (17) of 2013, in case of conviction in one of the crimes stipulated in the Law, the Court orders to confiscate: 1) Funds that represent criminal proceeds, including proceeds that got mixed with other property, or property equivalent in value to these proceeds. 2) Funds that constitute the subject of the crime, 3) Funds that constitute other proceeds and products derived from these funds or property or from the criminal proceeds, 4) Instrumentalities and tools of the crime, and 5) Funds referred to in the previous paragraphs, which have been disposed to any party; unless the Court finds out that the funds have been acquired against an adequate price or against providing services that are commensurate with their value or based on legitimate reasons, and that the party was not aware of their illicit origin. However, it is noteworthy that the definition of confiscation in Article 2 of the executive regulations refers that confiscation includes tools and instrumentalities used or intended to be used in the commission of the offense. The same applies when referring to the right of the public prosecution to issue temporary decisions or orders of precautionary seizure or freezing of proceeds and tools used or prepared to be used in ML and predicate offences in Article 40 of the Law. Therefore, it can be said that the confiscation penalty in the Yemeni Law includes confiscating the property that constitute instrumentalities used or intended to be used in ML/TF crimes.

70. In terms of effectiveness, the authorities stated that 2 confiscation judgments for ML cases were issued and funds were returned; the first judgment issued by the Penal Court included the confiscation of some properties and destroying the drugs and forged amounts while the second judgment issued by the Court of Public Funds included the confiscation of USD 35,000.

Deficiency 3: Limiting confiscation or seizure to accounts only.

71. During the process of investigation and filing penal actions before the Court in ML/TF crimes and the related predicate offences, the public prosecution may issue temporary decisions or orders of precautionary seizure or freezing of: funds and assets that represent laundered properties; proceeds and tools used or prepared to be used in ML and predicate offences; and properties derived from, used, or prepared to be used in terrorist acts or financing terrorism or terrorist organizations. The precautionary seizure or freezing also includes the properties corresponding in value to the funds or assets, to prevent trading or transferring them or disposing thereof, without prejudice to the rights of bona fide third parties. The public prosecution may issue temporary decisions or orders of precautionary

seizure or freezing pursuant to a request from the Unit or the competent entity. It is noteworthy that Article 2 of the AML/CFT Law No. (1) of 2010 and its amendments in Law No. (17) of 2013 defines the seizure and freezing and the difference between them.

R4: Rating (PC):

Deficiency 1: The approval of the judicial authorities constitutes a condition to provide information to foreign parties, and the submission of the foreign parties for a judicial request is also a condition.

72. Article 50 of the AML/CFT Law No. (1) of 2010 stipulates that *No one can use financial or banking confidentiality as a reason for not cooperating with the FIU or the investigation or prosecution authorities in assuming their duties in implementing the law hereto.* The Unit also may request any additional information from the persons subject to the reporting obligation, as long as this information is related to information previously received during performing its functions or based on a request received by the counterpart units, in accordance with Article 31 of the Law and Article 40/3 of the implementing regulations. In accordance with Article 32 of the law, the Unit may, spontaneously or pursuant to a request from counterpart units in other countries, exchange information with them provided such units comply with the secrecy rules and the principle of reciprocity. The Law requires that such information may not be used for purposes other than those related to AML/CFT. The law requires the approval of the entities providing information in case the entity requesting the information was seeking to use such information for purposes other than AML/CFT.

R23: Rating (NC):

Deficiency 1: Inefficient supervision on FIs.

73. The AML/CFT Law No. (1) of 2010 includes details of the regulatory and supervisory entities supervising the application of AML/CFT Law provisions. Article 2 includes the supervisory and regulatory authorities: 1) Central Organization for Control and Auditing (COCA), 2) Yemeni Central Bank, 3) Ministry of Industry and Trade, 4) Ministry of Communication and Information Technology, 5) General Authority for Lands, Survey and Urban Planning, 6) Yemen Standardization Metrology and Quality Control Organization, 7) Ministry of Justice, 8) Ministry of Social Affairs and Labor, 9) Customs Authority, and 10) Any other entity competent, by virtue of a Prime Minister Decree, as a supervisory and regulatory authority to supervise any activities of the financial and non-financial institutions referred to in the Law, upon suggestion of the National AML/CFT Committee. Article 21 also includes details on the obligations of the regulatory and supervisory authorities with respect to the application of law provisions. Such authorities were granted the power to verify the compliance of the financial and non-financial institutions under their supervision to the obligations stipulated in accordance with the provisions of this Law. They also have the power to issue instructions, guidelines and recommendations to help the financial and non-financial institutions in applying the provisions of this law, including suspicion indicators in line with the local and international standards. The obligations for the regulatory and supervisory authorities include assigning specialized and competent staff to meet the requirements included in this law. Article 29 of the implementing regulations requires the regulatory and supervisory authorities to verify the compliance of the financial and non-financial institutions under their supervision with the obligations stipulated by virtue of the law and regulations.

74. On the other hand, Yemen has adopted a plan for improving the AML/CFT regime through forming a supervisory committee chaired by the Minister of Finance and with membership of supervisory, regulatory and security entities, by virtue of decision of the Cabinet No. (21) of 2009. The aim is to implement the action plan for improving AML/CFT systems. The committee supervised and monitors the entities involved in implementing the plan and their tasks to ensure improving the procedures, addressing the deficiencies mentioned in the MER, following up the constitutional procedures for issuing the Law, and holding periodical meetings to evaluate the executive program of the plan, which includes giving directions to the supervisory and regulatory entities and law enforcement agencies by assigning an AML/CFT compliance officer within the organizational structure of these entities.

75. With regard to the Central Bank, it performs its role of supervision and monitoring the institutions subject to it (banks, exchange offices). The Bank issued instructions on AML/CFT measures, CDD measures and indicators of suspicion. Staff was hired to undertake supervision operations, and was trained on those procedures and methods of risk-based approach in financial institutions. The private sector supervises the subjected institutions (banks and exchange houses) by conducting on-site and offsite inspection in such institutions. The Central Bank has currently 55 inspectors.

76. The Central Bank also received technical assistance with an amount of USD 20 million from the World Bank to enhance its supervisory role. The project, under the name "Banking Infrastructure Development Project for Yemen", includes: 1) Installing Real Time Gross Settlement (RTGS) system. 2) Installing a core banking system for the Central Bank. 3) Installing a Credit Registry. 4) Updating the supervisory mechanism in Banking Supervision.

77. With regard to the Ministry of Industry and Trade, Yemen established a Unit for combating ML/TF which supervises insurance companies operating in Yemen and monitors the application of AML/CFT systems in insurance companies. The Ministry issued AML/CFT instructions for insurance companies. The FIU comprises 5 employees, who received 7 training sessions: 6 local and 1 abroad. Those employees conduct inspection visits to 16 insurance companies licensed in Yemen. It is worth to indicate that 14 insurance companies were subject to inspection where the authorities found no violations. The measures taken by the Ministry of Industry and Trade provide an indicator on the presence of supervision in the sector; yet, the need to increase human resources and provide specialized training for such entities remains in order to improve their effectiveness.

78. The Ministry of Communications and Information Technology is undertaking its role in supervising and monitoring the General Authority for Post and Postal Savings (GAPPS) which supervises in its turn, the post offices. The General Authority has established an AML/CFT unit in 2009 and issued circulars No. (11) of year 2013 and circular no. (7) of year 2014 on enhancing AML/CFT procedures at the post offices. The General Authority established an electronic system that links 355 post offices in Yemen with GAPPS computer network, which facilitates the supervision process to all financial services that occur in the post offices. GAPPS General Department for Supervision and Inspection conducts 28 inspection visits during the year, covering 14 branches (2 visits/month) and the inspection departments at the GAPPS branches conducts 48 inspection visits monthly to the post offices within its scope of competence with a total of 672 inspection visits. The inspection visits cover everything related to post affairs, among others, to verify the compliance of branches

and post offices with AML/CFT procedures. It is worth to note that employees of inspection and supervision amounts to 50 employees, 2 experts in AML/CFT. The Authority sent its employees to 8 training sessions. The authorities stated that they did not detect any violations to the entities overseeing the General Authority for Post and Postal Savings. On the other part, it can be said that Yemen has taken many actions that help control the compliance of such entities with AML/CFT requirements; however, the authorities should reinforce their human resources with sufficient number of employees specialized in AML/CFT and establish mechanisms to collect comprehensive statistics on the measures taken in this regard in order to review the effectiveness of the system applied to those entities.

79. The Central Organization for Control and Auditing (COCA) has established a committee to monitor and evaluate the compliance of entities subject to COCA supervision with AML/CFT requirements under the decision of COCA President; the AML/CFT as well as monitoring and evaluating the compliance of the subjected authorities was listed under the annual plans for years (2012, 2013 and 2014) as an implementation to the rules of AML/CFT law and its amendments. COCA has detected, through the inspection visits, a series of violations related to predicate offenses; the AML/CFT inspectors in COCA are 15 employees, 5 among them are in the Central office and 10 on the branches level. The COCA has delegated some employees to 19 training sessions: 12 local and 7 abroad.

Deficiency 2: No condition was set concerning the availability of the validity and integrity elements for all main shareholders and members of board of directors for all banking and FIs.

80. Yemeni Law stipulates that regulatory and supervisory entities shall take the necessary measures to set standards for the ownership, management and operation of the financial institutions. The implementing regulations provide more details, as they include that the regulatory and supervisory entities should adopt the necessary measures to identify standards for the ownership, management and operation of the financial institutions in accordance with the laws that regulate the establishment and management of such institutions in a manner that guarantees that they are not misused in ML/TF operations, in addition to the integrity of all shareholders, board members, and senior staff of these institutions. These institutions also must verify the appropriate licensing and registering of financial/ non-financial institutions and designated professions and regulate them in the appropriate form and subject them to the risk-based supervision.

81. The Central Bank issued “Guide of corporate governance of banks in the Republic of Yemen” that included the measures required to the activities of Board of Directors, in terms of establishment and the requirements of their members, their roles and regulating the work of the BOD such as planning, recruitment, ethics which provides for integrity and avoiding conflict of interests, self evaluation and evaluation of performance, as well as the environment of internal supervision that includes regulations of internal and external controls and review, risk management, declaration, transparency on the organizational and administrative aspects, shareholders rights and other stakeholders. It was announced in the 2nd conference on Corporate Governance in Yemen on 23 November 2013 to become applicable as of 2014. However, there are no procedures or measures taken by Yemen with respect to exchange companies and insurance companies in this regard.

Deficiency 3: Absence of the periodicity and the continuity of onsite monitoring to verify the banking and FIs' compliance with their statutes and risk management, as well as monitoring laws and directives regulating their work on one hand, and their compliance with AML/CFT standards on the other hand.

82. The Yemeni Central Bank issued Circular No. (1) of 2012 addressed to all banks operating in Yemen and related to AML/CFT instructions and regulatory controls for banks. It also issued Circular No. (1) of 2013 addressed to all exchange companies operating in Yemen. The Ministry of Industry and Trade also issued AML/CFT instructions for the insurance companies.

83. Periodic Circular No. (1) of 2012, which is addressed to all banks operating in Yemen, includes four key principles. These principles include the responsibility of the board of directors and the senior executive management to adapt the internal policies, controls and measures of the bank with the AML/CFT Law and its implementing regulations and these instructions. The banks also are to depend on or adopt a risk-based approach in dealing with customers, in accordance with the requirements of the Law and its regulations and the instructions issued by the Central Bank. Circular No. (1) of 2013, which is addressed to all exchange companies operating in Yemen, includes the responsibility of the Board to have effective AML/CFT programs and to adapt the internal policies, measures, procedures and regulations of the bank with the AML/CFT Law and its regulations and the instructions issued by the Central Bank; and that they sufficiently and appropriately consider all AML/CFT requirements. These circulars cover customer identification, CDD measures, AML/CFT internal policies, compliance measures and many other subjects. The authorities stated that, since 2010, supervision in the AML/CFT field became part of the banking supervision undertaken by the banking supervision sector. Special reports are dedicated to the supervision with schedules and timetable for onsite inspections.

84. The Authorities provided the following statistics which reflect the efforts made by Yemen to implement effectively AML/CFT requirements in the banking sector, which indicates a relative effectiveness in the sector and potential reporting of suspicious transactions. Although the number of such STRs is still low, yet it reveals the efforts deployed by Yemen in this respect. On the other part, the statistics reveal a decrease in the number of inspectors during the previous years; however they show that inspection rounds have covered a large part of the banks and imposed financial penalties. But they did not reveal the nature of such violations committed by banks. As to the statistics related to the exchange companies, they show a low number of inspection visits, yet indicators on improvement of supervision through the increase in the number of violating entities although the nature of such violations is unclear, which would call for supervision over the exchange sector and funds transfer companies to increase inspection rounds, human resources, particularly with the low number of inspectors in this sector, compared to the large number of entities operating in this business.

Table 4: Number of Employees in the sector supervising banks

Year	Onsite inspectors	Offsite inspectors	Affairs of foreign currency and exchange	Total
2010	21	26	11	58
2012	21	24	11	56
2013	21	23	11	55

Table 5: Inspection visits conducted by the Central Bank

Year	Inspection visits	Number of Banks operating in Yemen	Number of violating banks
2011	11	16	11 banks; financial penalties imposed on 2 banks
2012	15	16	10 banks; financial penalties imposed on 10 banks
2013	10	16	4 banks and one financial sanction was imposed on 3 banks

Table 6: Inspection visits to the exchange sector

Year	Inspection visits	Number of exchange offices	Number of violating offices	Number of companies that undertake transfer business	Number of companies referred to Prosecution
2011	None	486	None	27	None
2012	None	549	65	30	45
2013	7	483	128	37	65

85. On the other hand, the instructions issued by the Ministry of Industry and Trade included details on the CDD requirements, the internal policy and procedures that must be available to combat ML/FT and the compliance procedures. Yemen provided the below statistics on the inspection conducted by the Ministry of Industry and Trade to the insurance companies.

Table 7: Inspection visits conducted by the Ministry of Industry and Trade³

Year	Inspection visits	Number of insurance companies	Number of violating companies
2011	-	-	-
2012	-	-	-
2013	14	16	None

Deficiency 4: Absence of the supervisory authorities on the insurance sector.

86. As previously explained, the AML/CFT Law No. (1) Of 2010 stipulates that the Ministry of Industry and Trade is one of the regulatory and supervisory entities in the AML/CFT field, and it is competent to supervise and monitor insurance companies. The Ministry established AML/CFT Unit by virtue of decision no. (360) of 2009. This Unit undertakes preparing plans and programs, suggesting the appropriate mechanisms for executing its respective tasks, coordinating with the competent department and offices in the Ministry to insure the execution of AML/CFT tasks, and following up and coordinating with the competent authorities. The Ministry of Industry and Trade conducts inspection visits to

³ The authorities stated that the Ministry of Industry and Trade did not conduct any inspection rounds during 2011 and 2012 due to the damages incurred by the premises of the Ministry following the strikes at that period of time.

the insurance companies in order to verify the compliance of insurance companies with AML/CFT law, peruse the procedures followed by their compliance officers and how adequate they are with the internal procedures in supervising their customers, to verify the beneficial owner and suspicious cases and verify CDD measures and risk management.

R26: Rating (NC):

Deficiency 1: Scope of functions of the FIU is restricted to ML issues, without TF issues.

87. Article 31 of the AML/CFT Law No. (1) of 2010 and its amendments in Law No. (17) Of 2013 stipulates the jurisdiction of the Yemeni FIU. The Unit became competent to receive and analyze the STRs sent by the financial and non-financial institutions, the designated professions, and the regulatory and supervisory entities on the transactions suspected to include ML/TF or any of the related predicate offences. The Unit also shall refer the final result of the analysis to the competent entities to deal with it, when necessary. Paragraph (d) of the Law stipulates that the Unit shall inform the public prosecution with the result of STR analysis when there are serious indicators of suspected ML/TF or any related predicate offences, attached with the necessary evidence. The Unit shall also inform the committee and the competent regulatory and supervisory entities with any violation of law provisions by the financial and non-financial institutions and the designated professions which are subject to law provisions. It is worth to mention that the Unit has received 166 STRs during 2013; 5 on TF crimes and 20 on ML offense. The remaining STRs vary between predicate offences related to ML.

Deficiency 2: Failure to issue reporting forms to FIs, banks and other reporting entities.

88. Article 40/4 of the implementing regulations of the AML/CFT Law, issued by Presidential Decree No. (2) of 2014, and the amendment to the regulations of Law No. (1) of 2010 stipulates that the Unit shall create reporting forms of the transactions which are suspected to include ML/TF or represent proceeds of predicate offences. This shall include all the data that help the Unit undertake its work in data collection, analysis and recording in the database. The reporting form shall include the following data: a) the suspicious transaction details, its parties, the detection conditions and its current status. b) The amounts of the suspicious transaction. c) The reasons for suspicion upon which the compliance officer or the institution owner relied and his signature. The form shall be updated when necessary. The Unit also issued reporting forms to financial and non-financial institutions and designated professions on 27 September 2010 with guidelines on the STRs sent by the subjected entities.

Deficiency 3: The FIU is not effective and not autonomous.

89. Article 30 of Law No. (1) of 2010 provides for the establishment of an independent unit in the Central Bank called Financial information Unit (FIU). This Unit shall be formed by virtue of a Prime Minister Decree and based on a proposal submitted by the Governor of the Central Bank. The Unit shall comprise a head, specialized and competent members, and experts in law, finance, law enforcement, and information systems. The Prime Minister Decree No. (350) of 2010 was issued to form an FIU in the Central Bank which comprises seven persons. The Law also stipulates that the Unit shall be provided with the required staff that is practically and technically qualified to perform the functions. The Law requires that all employees and members should work on full time basis. The Unit is preparing internal

regulations for its work that include the organizational structure and the administrative and operational systems. The regulations are to be referred to the Prime Minister for adoption. The authorities stated that they have established the draft internal regulations of the FIU and they are currently submitted to the Council of Ministers for approval. It is noteworthy that the Unit has the authority to refer STRs to the competent entities to deal with them when necessary, as stipulated in Article 31. The Article also stipulates that the Unit shall inform the public prosecution with the result of the STR analysis conducted by the Unit. In addition, the Unit shall inform the competent committee and regulatory and supervisory entities with any violation of law provisions by the financial institutions. The Unit also has an independent budget covered by the Central Bank.

Deficiency 4: Absence of sufficient financial and human resources.

90. The Unit increased the staff and the administrators; the FIU has currently 11 employees, including the Head, its deputy and a number of financial analysts, and one descriptive analyst, 1 employee for international cooperation, 1 for information systems. The authorities stated that they are planning to increase in the future the number of staff.

91. The Yemeni authorities also stated that the Unit has participated in local and external training courses and workshops as follows:

Table 8: Statistics on the training sessions in which the FIU participated

Year	Number of sessions	Number of employees
2010	8	15
2011	6	16
2012	8	15
2013	13	26

92. The above statistics (Paragraph 52 of the report, Tables 1, 2 & 3) reveal that there is a large number of STRs under analysis with the FIU and that Yemen should increase their human resources to enable the FIU perform its tasks more efficiently and improve the FIU effectiveness; moreover, the authorities did not provide any proof evidencing that enough financial resources are provided for FIU operations.

Deficiency 5: FIU is not granted the authority to receive information from other competent authorities without referring to AML Committee or CB Governor.

93. Yemen has granted the FIU the direct and full power to request any additional information from the subject persons. The Unit also has the authority to request any additional information from the regulatory and supervisory entities and any other government entities, as stipulated in Law No. (1) of 2010 and its amendments in Law No. (17) of 2013 in Article 31 (c, e). As the law stipulates, the bodies required to report suspicious cases are committed to provide the Unit with such information within a duration that does not exceed one week from the request date, unless the Unit specifies another deadline. The law also stipulates that the Unit may decide on a shorter deadline to provide the required information in case of emergencies. Article 40 of the implementing regulations defines the following measures to identify the emergency cases in which the Unit may specify a shorter deadline to

provide the information: a) If the required information from the investigation and trial entities is related to a ML/TF crime that is currently before these entities b) If the required information results in taking precautionary measures and procedures for seizing and freezing funds and properties resulting from ML/TF crime c) If the required information is related to freezing the funds of persons or entities whose names are listed on the standard list or the other lists issued by the Security Council d) If the required information requires taking urgent measures to avoid damage that is difficult to address. The Law defined a duration of two weeks for the regulatory and supervisory entities to provide the Unit with the required information. The measures taken by Yemen by granting the FIU the required powers to request information and the considerable percentage of STRs referred to LEAs, provide a positive indicator that the FIU requests the information from the reporting entities, which resulted in referring those STRs to the LEAs.

94. It is noteworthy that the law punishes whoever violates the provisions of Article 31 (c); whoever does not provide the Unit with the requested information from the reporting entities shall be punished by imprisonment for a period that does not exceed two years or with a fine that does not exceed five million Yemeni Riyals.

Deficiency 6: Failure to issue any annual report.

95. The AML/CFT Law No (1) of 2010 and its amendments in Law No. (17) of 2013 stipulate that the Yemeni FIU shall publish annual reports on its activities that include in particular statistical data and analytical studies in the AML/CFT field. The Unit issued annual reports for 2010, 2011 and 2012, but no annual report was issued for 2013 until this date. These reports include information on the activities of the FIU, the regulations and guidelines issued, and the statistical data on the STRs received during the mentioned years. However, it is noteworthy that these reports do not include any general typologies or trends on AML/CFT.

Deficiency 7: Absence of any complete and safe database.

96. The AML/CFT Law No (1) of 2010 and its amendments in Law No. (17) of 2013 stipulates that the Unit shall create a database on the available information and make it available to the public prosecution in accordance with the the provisions of the Code of Penal Procedures. Article 40/2 of the regulations also includes details on what the database should include; The Unit should record the STRs and information it receives in the database, STR number; date and time of receiving it; summary of data details in the STR including the suspicious transaction; reasons for suspicion; information, analysis and measures taken in relation to responding to the STR and the court orders and decisions issued in relation therewith. On the other hand, the authorities stated that a database was created and new premises have been arranged for the Unit to ensure work secrecy.

R36: Rating (PC):

Deficiency 1: Impossibility to provide MLA in the TF field.

97. As previously clarified, Yemen has criminalized TF in accordance with the International Convention for the Suppression of the Financing of Terrorism. The AML/CFT Law No (1) of 2010 and its amendments in Law No. (17) of 2013 in Article 34 (b) provides for the legal assistance forms, which include: letter rogatory in hearing witnesses and experts;

declaring the judicial documents received from the counterpart authorities; providing the original documents or records or copies thereof; detecting or tracing criminal proceeds, funds, properties, tools, or other things as evidence or for the purpose of confiscation; taking the necessary precautionary measures including freezing or seizure; executing inspection and seizure procedures; and any other form of legal assistance forms that do not conflict with the laws in force, pursuant to the bi-lateral and multilateral agreements related to mutual legal assistance signed by Yemen and to the principle of reciprocity.

Deficiency 2: Unavailability of a clear efficient mechanism to execute, in a timely manner, the requests seeking mutual legal assistance.

98. Yemen established a mechanism to execute the requests for obtaining mutual legal assistance. Yemen has specified the public prosecution as the entity that receives the information reported by any country on a person residing or existing in Yemen committing any of the crimes stipulated in AML/CFT Law. The public prosecution also investigates this information in accordance with the laws in force and the provisions of the AML/CFT Law. Article 34 (c) included the information that must be available in the legal assistance requests. The Yemeni authorities may request more information in order to execute the request. Article 34 (e) also specified the cases of rejecting legal assistance requests. The authorities stated that they did not receive any MLA requests submitted by any other countries; as well, they did not submit any request to counterparts.

R40: Rating (PC):

Deficiency 1: Absence of a mechanism that facilitates the procedures relating to the exchange of information locally and internationally.

99. Article (32) of AML/CFT Law No. (1) of 2010 and its amendments in Law No. (17) of 2013 granted the Yemeni FIU full and direct authority to exchange information with the counterpart units in other countries, as long as they comply with the rules of confidentiality and the principle of reciprocity. To this effect, the unit may conclude MOUs with the foreign counterpart units that perform similar functions and are subject to similar rules of secrecy and confidentiality. Article (21) of the Law provides for the commitment of the regulatory and supervisory entities to effective cooperation and coordination with all the competent local and counterpart authorities to provide help in the interrogations and all investigation and trial stages in AML/CFT fields. Despite the powers granted to the supervisors, there is no proof on any supervisory authority (except the FIU) entering into agreements on the exchange of information.

Deficiency 2: The competent authorities do not have the power to exchange information relating to AML/CFT with counterpart and non counterpart authorities.

100. The Yemeni FIU has the power to exchange information with the counterpart entities. The judicial authorities also may exchange information with the counterpart entities. Furthermore, the public prosecution may cooperate with the foreign counterpart entities in this area. Article (21, Para. 5) provides for the powers of the competent authorities in supervision for the effective cooperation and coordination with other counterparts authorities to provide assistance in the interrogations and all investigation and trial procedures related to AML/CFT.

Deficiency 3: Absence of statistics on international cooperation with regard to the exchange of information.

101. The Yemeni authorities provided the following statistics related to the international cooperation in the field of exchange of information.

Table 9: Requests of exchange of information with regard to FIU

Year	Incoming requests	Status	Outgoing requests	Status	Total
2010	-	-	-	-	-
2011	3	Answer received or not	-	-	3
2012	7	Answer received or not	4	Answer received or not	11
2013	8	Answer received or not	4	Answer received or not	12

SRI: (Rating: NC):

Deficiency 1: Not joining the Convention for the Suppression of the Financing of Terrorism.

102. Yemen has addressed the deficiency pertaining to this recommendation; to this effect, it has joined the International Convention for the Suppression of the Financing of Terrorism by virtue of Law No. (3) of 2010. Subsequently, Yemen has totally addressed the deficiency specified in this recommendation.

Deficiency 2: Non-implementation of the Recommendation with regard to Security Council Resolutions.

103. Yemen has taken many measures in relation to implementing the Security Council resolutions on combating terrorism financing. This will be discussed in detail when addressing SR.III.

SR.III: Rating (NC):

Deficiency 1: Absence of any legal system governing the procedures of freezing funds and properties of persons designated in UNSC resolutions.

104. The AML/CFT Law No (1) of 2010 and its amendments in Law No. (17) of 2013 in Article 17 stipulate a legal mechanism for implementing UNSCR 1267 and its successor resolutions on designating individuals and entities by the United Nations Al-Qaida and Taliban Sanctions Committee according to the lists issued by the Committee. The Ministry of Foreign Affairs provides the Public Prosecutor with those lists as soon as they are issued. Upon receiving the lists, the Public prosecutor issues the necessary decisions to freeze the funds and assets of the persons whose names are designated in the lists. The regulatory and supervisory entities circulate these decisions across the financial and non-financial institutions, the designated professions, and natural and legal persons. These entities immediately freeze the funds, assets, or properties without any prior notice. The regulatory

and supervisory entities verify that financial and non-financial institutions comply with the decisions of the Public Prosecutor.

105. With regard to executing UNSCR 1373, Article (17) bis stipulates that the competent bodies to combat financing of terrorism shall prepare lists of the persons and entities that commit, or attempt to commit, terrorist acts or participate in, or facilitate the commission of terrorist acts, in accordance with the laws in force, UNSCR 1373 and its successor resolutions. The Public prosecutor issues decisions to freeze funds, properties and assets of the persons and entities whose names are designated in the lists. The regulatory and supervisory entities circulate these decisions across financial and non-financial institutions, designated professions, and natural and legal persons. These entities shall immediately freeze the funds, assets, or properties without any prior notice to the persons or the entities against whom the freezing decisions are issued. They shall also report the frozen funds, properties and assets immediately to the unit. The regulatory and supervisory entities verify that the financial and non-financial institutions comply with the decisions of the Public Prosecutor on freezing the funds, properties and assets of persons and entities designated in the issued lists.

106. Article (17) bis paragraph (1) stipulates that the Public Prosecutor shall receive freezing requests to freeze funds, properties or assets of persons residing in Yemen from any country. The Public Prosecutor shall examine such requests and reach a decision. In case of approval, he shall issue a decision to freeze the funds, properties or assets. Upon issuance by the Public Prosecutor, the regulatory and supervisory entities shall circulate these decisions across the financial and non-financial institutions and the designated professions which immediately freeze the funds, assets or properties without any prior notice to the persons or the entities against whom or which the freezing decisions are issued. The regulatory and supervisory entities undertake verifying the commitment of the financial institutions to the freezing decisions.

107. The freezing actions referred to in the Law extend, when implementing UNSCR 1267, to the funds derived or resulting from other funds or property that are directly or indirectly subject to the persons whose names are designated in the lists or who act on their behalf or under their direction, whether these funds are financial or non-financial institutions or designated professions or with natural or legal persons, without prejudice to the rights of bona fide third parties. Article 31/8 stipulates that despite the freezing decision, the frozen accounts shall benefit from revenues and profits. It is noteworthy that freezing shall mean based on Article 2 as *prohibiting the transfer, conversion, disposition or movement of funds or other property on the basis of, and for the duration of the validity of, a decision of a judicial or other competent judicial authority under a freezing mechanism for the duration of the procedure or until a confiscation order is taken. The frozen funds, property, equipment, tools or other assets shall remain the property of the natural or legal person(s) or entities that held an interest in the specified funds, property, equipment or tools at the time of freezing, and may continue to be administered by the financial institution assigned by the natural or legal person(s), or by a third party pursuant to a decision from the competent authority or the competent judicial authority which issued the freezing order before taking a decision under the freezing mechanism.*

108. The financial sector is informed about the decisions of the Public Prosecutor through the circulars issued by the regulatory and supervisory entities. Article 31/3 of the implementing regulations stipulates that the Public Prosecutor shall inform the regulatory and supervisory entities with the issued freezing decisions the day following the issuance,

according to UNSCR 1267. Upon receiving the decision from the Public Prosecutor, the regulatory and supervisory entities shall circulate such decisions among the financial institutions. In addition, paragraph (c) of Article 32 bis of the implementing regulations includes the same mechanism related to implementing UNSCR 1373.

109. The law and regulations include clear obligations on financial and non-financial institutions and designated professions to execute the freezing decisions issued in accordance with the Security Council resolutions. The implementing regulations also stipulate in Article 31/7 that financial and non-financial institutions and designated professions are responsible for verifying that the persons and entities designated in the list issued by the Sanctions Committee of the Security Council according to UNSCR 1267 are the designated. If the designated persons and entities are not the ones intended, these entities shall report the same to the Unit to take the necessary measures to unfreeze the funds. It is noteworthy that, except what has been mentioned in the law or regulations, the authorities have not issued any specific guidance to the authorities that might be holding other targeted funds or assets.

110. Article 17 (e) includes the procedures to consider delisting requests from the lists issued by the Sanctions Committee of the Security Council. The Article granted the affected persons all the possible diplomatic, legal, or judicial means to cancel the freezing or seizure or delist their names, in accordance with the international obligations of Yemen. Article 31/6 of the implementing regulations includes details on the procedures that the affected person may follow in this area. Such procedures include: a) Filing a grievance to the Minister of Foreign Affairs requesting the cancellation of freezing or deleting or correcting the name, according to the mechanisms specified by the Security Council b) Filing a case before the court to unfreeze the funds, according to the law and the provisions of the regulations.

111. If the financial or non-financial institutions or the designated professions reported to the Unit, after investigation undertaken by such institutions, that the person on the list is not the person designated in the lists issued in accordance with UNSCR 1267, the Unit shall take the necessary measures to unfreeze the funds according to what is stipulated in Article 31 (7) of the implementing regulations. Article 17 (e) bis stipulates that those who are affected by the freezing decisions according to the lists issued in accordance with UNSCR 1373 may file grievance before the competent court within 30 days from being notified with the freezing decision. If the court issued a decision to unfreeze, the Public Prosecutor shall take the legal measures to unfreeze at a date not exceeding one week as of the issuance of the decision and inform the competent authorities accordingly.

112. The implementing regulations of the Law indicate the procedures that authorize access to the frozen funds. Article (32) of the regulations stipulates that those who are affected by the freezing request shall submit a request to the Public Prosecutor to use their frozen accounts in order to pay the expenses of the following humanitarian situations: 1) Basic expenses, including expenses for food, clothing, medicine, rent and debt payments 2) Expenses owed to the state such as taxes, Zakat and others 3) Necessary expenses paid for the acceptable professional fees, legal services, wages, or the cost of services related to the regular maintenance of frozen funds. The Public Prosecutor shall send the request to the Minister of Foreign Affairs to take the necessary measures according to the mechanisms specified in the Security Council Resolutions.

113. The supervisory and regulatory entities shall verify that financial and non-financial institutions and designated professions meet the obligations specified in the freezing

decisions issued by the Public Prosecutor in accordance with the Security Council resolutions. The institutions that violate their obligations shall be punished by criminal sanctions; imprisonment for a period not exceeding three years or a fine for an amount not more than 10 million Yemeni Riyals.

Deficiency 2: Absence of evidence on the effectiveness of procedures related to freezing according to the Security Council Resolutions.

114. The Public Prosecutor issued decision No. 282 of 2013 on freezing funds, properties, and assets of individuals and entities whose names are listed in UN Security Council lists of Al Qaeda and Taliban. The authorities informed that the supervisory and regulatory entities circulate the lists across the financial and non-financial institutions and the designated professions once they are received. The authorities also stated that funds have been frozen before for 2 cases within the scope of implementing UNSCR 1267. The authorities did not provide any statistics on implementing UNSCR 1373.

SRV: Rating (NC):

Deficiency 1: Non-criminalization of the financing of terrorism in the first place.

115. As previously mentioned, Yemen has criminalized TF according to the International Convention. Chapter 6 of the AML/CFT Law No. (1) of 2010 and its amendments in Law No. (17) of 2013 includes many articles that regulate international cooperation in TF field, in addition to the content of the Criminal Procedures Law. Article (33) of the Law stipulated that the Public Prosecution shall receive the information reported by any country concerning any resident in Yemen committing a TF crime. The Public Prosecution shall undertake the investigation in such crimes. The public prosecutor may receive the information directly or through diplomatic channels.

116. With respect to the forms of mutual legal assistance the Yemeni Judicial authorities may provide, it was previously mentioned that article 34 (b) includes the forms of mutual legal assistance that can be provided by the Yemeni judicial authorities. These forms include providing documents from financial institutions and other bodies, detecting and tracing criminal proceeds, and taking the necessary precautionary measures including seizure and freezing of funds. The legal assistance forms also includes letter rogatory in hearing witnesses and experts, declaring the judicial documents received from the counterpart authority, executing inspection and seizure procedures, and other legal assistance forms that do not conflict with the Yemeni laws. In case of confiscation requests that are wholly or partially related to terrorist financing crimes, the request shall be submitted to the judicial authorities through diplomatic channels. The confiscation must be based on a court order that shall be attached with the confiscation request submitted to Yemen. The authorities require some information to be included in the submitted legal assistance request. The information include the name of the authority requesting the assistance, a summary of the facts related to the subject matter of the request, and the form of the assistance needed and the purpose for which it is requested. The authorities may request more information in order to execute the request. Article 34 (e) included the cases specified for rejecting a legal assistance request. The restrictions do not include any unreasonable or disproportionate or unduly restrictive conditions. Generally, it can be concluded that the Yemeni authorities enacted mechanisms and measures for executing MLA requests.

117. Yemen requires dual criminality as a condition for providing mutual legal assistance. However, nothing prevents the Yemeni authorities from providing legal assistance to the maximum extent possible in case of absence of dual criminality.

118. It can be said that the Yemeni authorities can provide legal assistance with regard to the proper procedures of the prompt and effective response to the legal assistance requests submitted by foreign countries which are related to identifying, freezing, seizing, or confiscating properties or proceeds resulting from TF crimes or instrumentalities used, or intended to be used in TF crimes. Article 34 (b) stipulates that detecting or tracing criminal proceeds, funds, properties, tools, or other things as evidence or for the purpose of confiscation, taking the necessary precautionary measures including freezing or seizure as a form of legal assistance provided by the judicial authorities. With regard to confiscation, Yemen requires a court order for the execution of confiscation. The implementing regulations indicate that this requires sharing the confiscated funds with the country requesting the confiscation upon signing a bilateral agreement with this country to enable the requesting country to confiscate the funds. As previously mentioned, the confiscation definition includes the properties used in crime, the criminal proceeds, the instrumentalities used or intended to be used in a crime, or property corresponding in value of such funds or assets. On the other hand, the authorities did not create an asset forfeiture fund where all confiscated properties or part thereof are deposited and used for law enforcement, health care, education or other appropriate purposes.

119. Article (36) of the Law stipulates that the non-Yemenis convicted in any of the crimes stipulated in the AML/CFT Law may be extradited, in accordance with the laws in force and the international agreements that Yemen ratified, and on the basis of the principle of reciprocity after the approval of the public prosecutor. In parallel, the Yemeni authorities may not extradite any Yemeni national to any foreign authority, but the public prosecutor shall undertake the investigation in the cases in which information is available by other country. The information includes that a person who resides or exists in Yemen has committed one of the crimes stipulated in the AML/CFT Law.

120. On another part, the authorities stated that they did not receive any MLA requests in the area of CFT from any foreign entity and the authorities did not submit any requests to foreign entities in this regard.

F. Review of the measures taken in relation to the other recommendations rated PC or NC:

R.2: (Rating: PC):

121. Law No. (1) and its amendments in Law No. (17) Article (3) provided for allowing inferring the knowledge existing in the any forms of ML crimes from objective factual circumstances. The law indicated in its amendments in Article (44 bis) that criminal liability of ML crimes extend to include the legal persons. It stipulated imposing a fine penalty (not less than five million Yemeni riyals) on each legal person who committed the crime (whether ML or TF) for the benefit of the legal person; or even when committed in the name of that legal person by a natural person who holds a leading position in it; or if he has a mandate to take decisions on behalf of the legal person, or authorized to exercise power in it, regardless of whether the natural person is convicted of committing the crime or not. Additionally, the

penalty imposed on a legal person does not preclude the natural person from punishment as he is responsible for the actual management of the violating legal entity with the same penalty/sanction for acts committed in violation of the provisions of the law. In terms of the criminal penalties imposed on the natural or legal person, Law No. (1) amended by Law No. (17) provided for imprisonment sentence for a period not exceeding seven years, against whoever commits a ML crime, in addition to the confiscation of funds. It also stipulated a penalty on the natural person who is committing a ML crime through a legal person, being responsible for the actual management of the legal person, with the same penalties/sanctions imposed by law. The penalties are doubled if the offense was committed by a criminal group, or through abuse of power or influence.

R 6: (Rating: NC):

122. Law No. (1) amended by Law No. (17) included the definition of Politically Exposed Persons, as "*Any natural person who is or has been entrusted with prominent public functions or holds/has held senior public office positions in the Republic or a foreign country such as the heads of state or government; other high-ranking politicians; senior government, judicial or military officials; senior executives of state-owned corporations; important political party officials; or persons assigned by a regional or international organization in senior positions, including family members or close associates of the PEPs*". This definition shall not apply to middle ranking or more junior individuals. This definition is fully consistent with the definition set out in the Glossary of the Methodology. It should be noted that the definition is extended to include local PEPs As for the measures that financial institutions must take towards such category of customers, Article 10 of Law No. (1) amended by Law No. (17) requires financial institutions to put in place appropriate risk management systems to determine whether a potential customer or the customer or the beneficial owner is a politically exposed person. If so, following measures must be taken:

- Obtaining the approval of the senior management before establishing or continuing a business relationship with such customer;
- Taking reasonable measures to identify and determine the source of funds of the customer and identify the beneficial owner;
- Applying enhanced ongoing monitoring to the business relationship.

R 7: (Rating: NC):

123. Yemen obliged FIs not to deal with other FIs that do not have a physical presence in the country where they are registered, and are not subject to effective monitoring in its registered country. Yemeni FIs were required not to deal with FIs that have business with internationally banned FIs, pursuant to Article (6) of law No. (1) of 2010. Article 7 of Law No. (1) obliged FIs to verify that correspondent FIs have effective AML/CFT regimes in addition to undertaking CDD measures in identifying customers and beneficial owners among natural or legal persons,

124. Article (10) of the implementing regulations comprised details of this obligation on FIs, where it required FIs to apply CDD measures with the correspondent banks and FIs upon the establishment of a business relationship with these institutions and take the following measures: 1) collect sufficient information to understand fully the nature of the respondent's business, and determine from publicly available information the reputation of the institution

and the quality of supervision they underwent, including whether they have been subject to ML/TF investigation or other regulatory action, 2) obtain the approval of senior management before establishing business relationship with correspondent banks or institutions, 3) assess AML/CFT controls used by these institutions and ensure they are effective and sufficient, which could be made through a questionnaire or investigation to which correspondent institutions are obliged to answer, and reveal the status of the institution regarding its compliance with the local legislation and supervisory controls, the CDD measures applied to their customers, their AML/CFT efforts, and the extent to which effective domestic policies and procedures are available in this regard, 4) document the respective AML/CFT responsibilities of each institution, 5) ascertain that the respondent institution's AML/CFT controls are adequate and effective, 6) document all obtained information, documents and written agreements with the correspondent FIs, and make them available to the competent authorities, when necessary, and 7) make sure that the correspondent institutions that hold payable through accounts at local banks are applying CDD measures on customers who are entitled to access those accounts, and that these institutions are able to provide customer identification data.

R 8: (Rating: NC):

125. Paragraph (f) in Article (7) of Law No. (1) of 2010 requires FIs to pay special attention to transactions carried out by electronic means. In addition, article 10 of Law No. (1), amended in Law (17) obliged FIs to take the necessary measures to prevent the misuse of technological developments for ML/TF purposes.

126. Article (12) of the implementing regulations require FIs as set out in the law, in addition to undertaking CDD measures with non-face to face customers . The article comprised a number of measures that FIs could take; they are entitled to request complementary documents to the originally required, or to establish independent communications with the customer, or to rely on a third party who applies the CDD measures. It is noteworthy that CDD measures are designated in Article (15) of the implementing regulations by a number of measures, which represent the minimum FIs have to comply with.

127. On another part, Circular No. (1) of 2012, issued by the Central Bank, includes that banks should evaluate and document AML/CFT risks and other illegal activities posed by electronic channels, and that enhanced CDD measures are to be applied with ongoing monitoring in accordance with the degree of apparent and potential risk posed by these channels. In general, the circular included instructions for banks on the application of risk management for risks associated with electronic channels, but the instructions issued to insurance companies did not include any specific guidance on risk management measures related to electronic channels or non face to face business in insurance companies, and they emphasized on the obligation set out in the provisions of the law and the implementing regulations. In parallel, the circular issued to exchange companies comprised the obligation to conduct due diligence to the transactions conducted or executed via electronic means, and non face-to-face business or by using modern technology.

R 11: (Rating: NC):

128. Law No. (1) and its amendments in Law No. (17) Article (10) requires FIs to classify their customers and services according to the risk level and take adequate measures to address those risks, in addition to paying special attention when dealing with cases that pose high risks including unusual transactions that do not have any economic justification. Moreover, Article (14) of the Implementing regulations obliged financial institutions to classify customers and services provided based on several elements, including the type of transaction conducted by the customer, and the need to pay special attention when dealing with people and cases that represent a high degree of risk. That article included the cases that pose high risk, including: unusual, large-scale or complex transactions or patterns of transactions that do not have a clear legal or economic justification, those that are not consistent with the customer activity and movement of his accounts, or transactions that are not related to the customer business. In addition, it stipulated on considering cash transactions exceeding 10 million Yemeni Riyals or their equivalent in other currencies as cases which represent a high degree of risk.

129. Regarding the measures that FIs must take against those transactions, the law stipulated in article (10) on the need to pay special attention to those transactions, and to take measures to address the risks resulting from those transactions, as well as to examine the background and purpose of complex, large transactions, and to set forth their findings in writing and make them available to the competent authorities and auditors, when necessary, for a period of minimum five years. Moreover, the implementing regulations required financial institutions to pay special attention to large, unusual and complex transactions by conducting the analysis and study required to verify the sources of funds and any other necessary measures to verify the nature of the transaction, in addition to checking and examining the background of these transactions and record the findings in writing as stipulated by the law. It is worth to indicate that these transactions are the cases to which CDD is applied as per Article (15) of the implementing regulations.

R12: (Rating: NC):

130. The AML/CFT law in Yemen extends to include the non-financial institutions and designated professions, according to the definition in Article (2) of Law No. (1), amended by Law No. (17); each institution is subjected, if practicing any of the activities or the following operations for the benefit of customers or on their behalf, regardless of the legal form, whether it is in the form of a company or a sole proprietorship:

- a. Real estate brokerage.
- b. Trading in precious metals or precious stones; and attorneys and notaries
- c. Lawyers or accounting activities through private offices
- d. Company incorporation services and activities related thereto

131. In view of the above mentioned list, it is clear that they comprised all non-financial businesses and professions included in the methodology except casinos, which are prohibited according to Yemeni law (286/287 Criminal and Punishment Law). Other activities could be added to the list of non-financial institutions and designated professions by a decision of the Prime Minister pursuant the committee proposal. In accordance with article (7) of Law No. (1), CDD is required for the identification and verification of customer and beneficial owners (natural and legal persons) in the cases stipulated in the law. In general, non-financial

institutions and designated professions and businesses are required to take all the measures imposed by the law and the implementing regulations to apply due diligence against customers, pay special attention in dealing with cases that pose high risks, like large and complex transactions, and dealing with Politically Exposed Persons; and pay special attention to transactions that are conducted through electronic means; and to classify customers and performed operations on risk basis sensitivity; as well to keep records and documents on customer identification, update such documents, together with records of data and information that have been obtained in accordance with the provisions of law or the implementing regulations for a period of five years.

R 14: (Rating: PC):

132. Law No. (1) of 2010 covered the protection of existing natural or legal persons required to report suspicious transactions; where Article (16) of the law protects against criminal, civil or administrative or disciplinary liability, whoever reports any suspicious transactions, or provides information or data on suspicious information pursuant to the provisions of the law. Article (15) of the law prohibits whoever works in financial or non-financial institution to disclose, directly or indirectly, by any means, to a customer, beneficiary or any person other than the competent authorities and entities responsible for enforcing the provisions of this Law, on any of the reporting, investigation or examination procedures taken with regard to financial transactions suspected to involve ML/TF crimes.

R 15: (Rating: PC):

133. Law No. (1) of 2010 (Article 18) requires financial and non-financial institutions to establish internal procedures, policies and controls, compliance programs and training systems and to appoint compliance officers according to the regulations, standards and rules set by competent authorities. The implementing regulations of the law (Article 27) extends in stating the obligation on the financial institutions, where it obligates them to implement monitoring and compliance systems and CDD measures, record-keeping, detection of unusual and suspicious transactions and the reporting obligation. It requires the establishment of a compliance unit on headquarter and branches levels responsible for AML/CFT measures, reporting and communicating with the Unit. As for the sole proprietorship, it shall be conducted through the owner of the institution directly or through his authorized representative. It also obliges all financial institutions to appoint compliance officers with expertise and integrity at headquarter level and liaison officers at the branches level, and enable compliance officers to access the identification data of the customers and all other information obtained from CDD measures, transaction logs and other relevant information. It also stipulates the establishment of an independent internal audit function to test compliance with policies, measures and controls including compliance samples testing according to controls, standards and rules set by the competent entities.

134. It should be noted that Circular No. 1/2012 issued by the Central Bank addressing the banks operating in Yemen stipulated the obligation to implement systems that enable the internal audit function to examine the established systems to ensure its efficiency and effectiveness in AML/CFT; To propose what is necessary to complete, update and develop those systems, which are also required to be independent and adequately resourced for compliance testing (including sample testing), assess the extent of compliance with AML/CFT policies and procedures, systems and controls and issue special reports to this effect. Circular No. 1/2013 issued by the Central Bank addressed and prompted the exchange

companies to establish an independent audit function to test the level of compliance of AML/CFT systems. The circular also included the criteria of the internal audit function.

135. The instructions issued to insurance companies comprised a general obligation to create an independent audit function to test the compliance with these internal policies, measures and controls ensuring compliance through sample testing. These instructions do not include any special criteria of the audit function as detailed in the instructions issued by the Central Bank.

136. On the other hand, Yemen is still required to compel financial institutions to apply screening procedures to ensure high standards of expertise and integrity when hiring employees.

R 16: (Rating: NC):

137. Law No. (1) and its amendments in Law No. (17) (article 13) stipulates that non financial institutions and designated professions are obliged to report any funds that they suspect, or have reasonable reasons to suspect, that these funds or properties are: related or connected to ML or are proceeds of predicate offences mentioned in Article 3 of the AML/CFT Law; or connected or related to terrorism, terrorist acts or financing terrorism or to be used for terrorist acts or by terrorist organizations or those who finance terrorism. The reporting obligation falls on non-financial institutions and designated professions to the FIU and should be in accordance with the controls and measures set forth in Article 25 of the implementing regulations, which includes the need to immediately report to the Unit via internet, e-mail or fax, or via manual delivery or any other means determined by the Unit; the STR should contain adequate information on the reporting entity.

138. It is noteworthy that Article 14 of the law includes that reporting is not enforced on lawyers and accountants, if the information they received had been obtained during their evaluation of legal status of the customer, representing him in court, or while providing a legal opinion in judicial proceedings including advice on initiating or avoiding such proceedings; Whether such information has been obtained before, during, or after the end of judicial proceedings. The reporting obligation does not apply on dealers in precious metal with respect to cash transactions that are below three million Yemeni Riyals or its equivalent in other currencies. The same goes for real estate brokers when they conduct business for the benefit of their customers not related to buying and selling.

139. Article (15) of the Law prohibits the protection of whoever conducts business in non-financial institutions to disclose, directly or indirectly and by any means, to the customer, beneficial owner or any person other than the competent authorities and entities in charge of applying the provisions of the AML/CFT law, any of the reporting, investigation or examination procedures taken with regard to the transactions suspected of involving ML/TF. Article (16) of the Law also provides for the protection against criminal, civil, administrative or disciplinary liabilities on every natural or legal person who - in bona fide - reports any suspicious transaction, or provides information or data in accordance with the provisions of the law.

140. On the other hand, the law imposed on non-financial institutions to put in place systems that ensure the application of law provisions, providing that they include internal policies, measures, monitoring and compliance systems, training and to appoint compliance

officers in those institutions, in accordance with the controls, standards and rules laid down by the competent authorities. Article (27) of the implementing regulations require non-financial institutions to put in place AML/CFT policies, procedures and internal controls, and make sure they are applied on new and existing customers, to inform the staff and train them accordingly and ensure the application. The board of directors or the general manager or the owner or their delegate in the non-financial institutions is responsible for the issuance and the application and development of these internal policies, procedures and controls.

141. Non-financial institutions and designated professions are obliged to establish monitoring and compliance systems, undertake CDD measures, recordkeeping and detecting unusual suspicious transactions as well as to comply with the reporting obligation, establishing a compliance unit at headquarters and branches level responsible for AML/CFT measures, reporting and communicating to the Unit. As for the sole proprietorships, either the owner directly or his authorized representative assumes this role. Moreover, all FIs are to appoint compliance officers with high level of expertise and integrity in headquarter level and liaison officers at branch level, enabling compliance officers to access customer identification data and other information obtained from the CDD records of transactions and other relevant information. It also stipulates the establishment of an independent internal audit function to test compliance with policies, measures and controls ensuring compliance testing through sample testing, by virtue of the controls, standards and rules laid down by the competent authorities.

142. The non-financial institutions are required to implement an ongoing program to train staff on the definition of the laws, regulations, instructions and international agreements related to AML/CFT, in particular: CDD requirements; reporting suspicious transactions and all related information to methods, technologies and general trends in AML/CFT field; introducing the staff with penal and civil liability imposed against whoever violates AML/CFT laws, regulations and instructions; and adopting plans, programs and special financial budgets for training employees in relation to AML/CFT depending on its size and activity and in coordination with the supervisory bodies.

143. Supervisory and regulatory authorities issued instructions to the bodies under its control in AML/CFT field. The General Director of the General Authority for Lands, Survey and Urban Planning (GALSUP) issued Decree No. (92) of 2012 on AML/CFT instructions, improving them and the related manual for private dealers and real estate brokers; Minister of Industry and Trade Decree No. (100) for 2012 on AML/CFT for the profession of auditing, and the Minister of Industry and Trade decree no (73) of 2013 on AML/CFT for private dealers in precious metals and precious stones (jewelers and gold dealers). On the other part, the authorities did not issue any instructions for lawyers or public notaries.

144. In the course of the application of Recommendation 16, Law No. (1) and its amendments in Law No. (17) pursuant to article (10) requires non-financial institutions and designated professions to consider transactions and persons associated with countries that do not apply effective AML/CFT measures in accordance with the principles and international standards as cases representing high risks. In addition to the customer classification required by non-financial institutions and designated professions, the law imposes on those institutions to take adequate measures to address the risks, and to pay special attention to those cases. The implementing regulations also included the need to apply specific CDD measures to those transactions, with analysis and study to verify the sources of funds together with any other measures needed to verify the nature of the transaction.

R 17: (Rating: NC):

145. Law No. (1), as amended by Law No. (17) comprised a series of criminal sanctions against individuals covered by the obligations stipulated in the law, whereas Article 43 includes such detail as follows:

a. Whoever violates the provisions of articles (6,13, 15, 17, paragraph "c" 17 bis, paragraph "c", 18, 20, 23, and 25) of the Law, is punishable by imprisonment for a period not exceeding three years or a fine not exceeding 10 million riyals;

b. Whoever violates the provisions of articles (12, 31, paragraph "c") is punishable by imprisonment for a period not exceeding two years or a fine not exceeding five million riyals;

c. Whoever violates the provisions of articles (7, 8, 9, 10, and 11) of the Law is punishable by imprisonment for a period not exceeding one year or a fine not exceeding one million riyals;

d. In addition to the penalties stipulated in paragraphs (a, b, c) of this Article, the court may rule in one of the following complementary penalties:

- 1) Withdraw the license*
- 2) Prohibit from practicing the profession or business*
- 3) Change managers or restrict their authorities*
- 4) Publish the judgment against the violator*
- 5) Any other complementary sanctions*

146. In addition to the provisions of Article (55) of the implementing regulations, regulatory and supervisory bodies are entitled to gradually impose the appropriate penalties, if financial and non-financial institutions and designated professions violate the provisions stipulated in the regulations, including notice, warning and non-renewal of the license. In case financial and non-financial institutions and designated professions violated the obligations stipulated in the law, the sanction shall be raised to the public prosecution to apply the sanctions set out in the law. Thus, it could be said that Yemen has criminal and administrative sanctions applicable to persons subject to the obligations of the AML/CFT Law, where the imposition of administrative sanctions is conducted through regulatory and supervisory bodies in case of violation of the provisions of the regulation, and the imposition of a criminal sanction by the court in case of violation of the provisions of the law. However, it is unclear whether those sanctions could be imposed on directors and senior management in the event of breaching the obligations imposed by law.

R 18: (Rating: PC):

147. Law No. (1) of 2010 prohibits the establishment of shell banks, where as Article (5) stipulates that final license may not be granted for any bank in Yemen unless all procedures of identification and registration are completed in accordance with the laws in force, including the verification of the physical presence and that it is subject to effective control. It also prohibits granting a license to the bank to establish an overseas branch unless the head office has a physical presence in the country where it is registered and is subject to effective supervision. The implementing regulations specify the physical presence (Article 2) by having fixed premises for customers' reception, the existence of actual management, record keeping of transactions, and undergoing inspections by regulatory and supervisory bodies either in the country where it was established or in the country where it operates. Article (6) also prohibited financial institutions from establishing any transaction with financial institutions that do not have physical presence in the registered country therein, and which

are not subject to effective control in the country of registration. They are prohibited from dealing with counterpart financial institutions that provide services to internationally banned financial institutions. The executive regulation prohibit dealing or continuing business with shell financial institutions, and dealing with counterpart financial institutions that provide services to internationally banned financial institutions including shell financial institutions. It should be noted that the shell financial institution is identified by the executive regulation as the financial institution that has no physical presence in the country where it was established and was granted the license and which does not follow any financial services group subject to effective consolidated supervision.

R19: (Rating: NC):

148. Authorities stated that they have examined in February 2010 the feasibility of a reporting system of all cash transactions whose amount exceeds a certain threshold to a national central committee, equipped with an e-database; and concluded that there is no need for setting other reporting systems for the current time; the issue may be revisited in five years.

R 21: (Rating: NC):

149. Article (10) of Law No. (1) and its amendments in Law No. (17) obligates FIs to pay special attention to high risk cases, including transactions and persons associated with countries that do not apply effective AML/CFT measures in accordance with the international principles and standards. Moreover, Article (14) of the implementing regulations requires FIs to pay special attention when dealing with persons and cases that pose high risks, including: customers who are associated with countries that do not apply effective AML/CFT measures and do not comply with international principles and standards; and transactions associated with countries that do not apply effective AML/CFT measures and do not comply with international principles and standards. This is done through: analysis and necessary study to verify the source of funds and any other necessary measure to verify the nature of the transaction. CDD measures specified in Article (15) of the implementing regulations are also applicable. The general obligation set out in the Law (Article 12 of the law/ Article 24 of the implementing regulations) concerning retention of records, data and information that have been obtained in accordance with the provisions of the law is applicable on this obligation; as well, enable the competent authorities to access all records and information relating to customers and transactions. However, it should be noted that the measures do not include the ability to take appropriate counter-measures against countries that continue not to apply or insufficiently apply FATF recommendations.

R 22: (Rating: PC):

150. The provisions of Law No. (1) and its amendments in Law No. (17) apply to the financial institutions in Yemen, and the branches of foreign corporations operating in Yemen. They also apply to branches of Yemeni financial institutions operating abroad, according to the provision of Article (46) of the law, and to the extent permissible by the domestic laws of the country where the branch is located. While, the implementing regulations comprise how FIs overseas branches implement the requirements of AML/CFT imposed by law. Article (53) of the Regulation obliged the branches of FIs to comply with AML/CFT measures and procedures stipulated in the law and the controls stipulated in the Regulation to the extent permissible by the domestic laws of the country in which the branch operates. In case of

conflict, branches are required to implement the higher standard. FIs are required to pay special attention to ensure compliance with this principle for its affiliates that operate in countries that do not apply or insufficiently apply FATF recommendations. Article (54) of the Regulations requires financial institutions that have branches abroad to inform the Unit when a branch is unable to implement appropriate AML/CFT measures as a result of the prohibition of laws, regulations or other measures in force in the host country.

R 24: (Rating: PC):

151. As previously discussed, Yemen subjected non-financial institutions and designated professions to AML/CFT law; Article (2) of Law No. (1), amended by Law No. (17) identified the supervisory and regulatory bodies, which included the Ministry of Justice, supervising and monitoring lawyers and notaries. While the Ministry of Industry and Trade is supervising and controlling jewelry boutiques, precious metals and precious stones stores, as well as auditors; while real estate offices are subject to the supervision and control of the General Authority for Lands, Survey and Urban Planning. Article 21 of the law required supervisory and regulatory bodies to verify the compliance of non-financial institutions that are subject to its supervision and control with obligations stated in the law; to issue instructions, guidelines and recommendations to help non-financial institutions implement the provisions of the law, including suspicion indicators in line with the national and international standards, and to appoint specialists to meet the requirements stated in the law. The authorities reported that the supervisory and regulatory entities established AML/CFT units in the Ministry of Justice, Ministry of Industry and Trade, the General Authority for Lands, Survey and Urban Planning, the Central Organization for Control and Auditing, where they monitor the compliance of non-financial institutions and designated professions with the requirements of the law.

152. The Ministry of Industry and Trade issued instructions for dealers of precious metals and precious stones (Jewelers and gold dealers); they also issued special instructions for auditors. Besides, the General Authority of Lands, Survey and Urban Planning issued special instructions for dealers and real estate brokers, while the Ministry of Justice did not issue any instruction in this regard for lawyers and notaries. The authorities stated that the national committee has finalized the draft instructions related thereto, to be issued soon.

153. Article (55) of the implementing regulations provides for the power of regulatory and supervisory bodies to gradually impose the appropriate penalties, if financial/non-financial institutions and designated professions violate the obligations stipulated in the regulation, including notice, warning and non-renewal of the license. In case financial/non-financial institutions and designated professions violated the obligations stipulated in the law, the violation shall be raised to the public prosecution to apply the sanctions set out in the law.

R 25: (Rating: NC):

154. The Yemeni FIU provided guidance on reporting suspicious transactions which were circulated to all sectors, including the reporting forms. Authorities also reported that the Unit provides feedback to financial and non-financial institutions regarding reported cases and informs about the outcome of STRs analysis. Besides, the Central Bank issued periodic Circular No. (2) of 2012, addressed to the banks operating in the Republic concerning the basic ML/TF suspicion indicators and Circular No. (2) of 2013 addressed to the exchange companies, which includes the basic ML/TF indicators. The instructions issued by the

Ministry of Industry and Trade under the Resolution No. (58) of 2012 include suspicion indicators of insurance sector for the transaction that may involve ML/TF. Moreover, the instructions issued by the Ministry of Industry and Trade included ML/TF suspicion indicators. Likewise, the instructions issued by the General Authority for Lands, Survey and Urban Planning for real estate brokers and agents included ML/TF suspicion indicators as well as the instructions issued to dealers in gold and precious stones. Whereas, the Ministry of Justice did not issue any ML/FT indicators to the entities subject to them.

R 27: (Rating: PC):

155. Authorities reported that they have established a special training program for all security agencies by holding intensive workshops in collaboration with the FBI, the U.S. Justice Department and the UNODC. Also the 2012 training plan comprised special workshops for prosecution and law enforcement authorities, including the security bodies. Furthermore, they have requested technical assistance from the World Bank to organize workshops and programs in this regard. Authorities stated that they have received during 2013 technical assistance from the French Republic that involved special training on AML/CFT procedures and financial investigation for the individuals belonging to the security sector, as well as personnel enrolled in Police Colleges. Yemen has also established a competent AML/CFT department in the GDNC in 2009, as well as a competent AML/CFT department at the National Security Agency.

R29: (Rating: NC):

156. Law No. (1) amended in Law No. (17) by virtue of Article (2) identified the regulatory bodies as follows: Ministry of Justice, Ministry of Social Affairs and Labor, Ministry of Industry and Trade, Ministry of Communications and Information Technology, Central Bank of Yemen, Customs Authority, Central Organization of Control and Auditing, the General Authority for Lands, Survey and Urban Planning, Yemen Standardization Metrology and Quality Control Organization and any other authority empowered to monitor and supervise any of the activities of financial/non-financial institutions and designated professions by resolution of the Prime Minister following the Committee proposition. Such authorities control and supervise the subjected institutions as required by article 21 of the law. Law No. (1) amended by Law No. (17) did not incorporate the power to conduct inspections of financial institutions; however, the central bank inspects banks and exchange companies operating in Yemen in accordance with its law. While The Ministry of Trade and Industry monitors the insurance companies, the Post and Postal Savings General Authority supervise and monitor post offices working in financial activities (Acting on behalf of others in performing financial obligations, and in the field of money transfer). Moreover, the Unit is entitled to conduct on-site inspections of the entities and institutions stated in this Law to verify their compliance with the provisions of this law and its implementing regulations; which may cause a conflict between the roles assigned to the Unit and the expertise of the regulatory entities in inspecting the institutions subject to the law. It is noteworthy that the Unit publishes the statistics of onsite inspection within its annual reports.

157. Article 21 of the law entitled the supervisory and regulatory bodies to issue instructions, guidelines and recommendations to help financial institutions apply provisions of this law. The supervisory authorities, except the Ministry of Justice, issued those instructions.

158. On the other hand, the Central Bank issued the measures of onsite inspection pertaining to banks inspectors to verify the compliance of the financial institutions with AML/CFT requirements, based on the handbook issued by virtue of the Administrative Decree No. (1) of 2008 that includes the verification of compliance with internal policies and measures, CDD measures, obtaining documents, record-keeping, internal measures, regulations and controls, risk assessment and monitoring of compliance with requirements, reporting system, plans and training programs. None of the regulatory bodies has issued any inspection manual to assess the content of inspections carried out by those bodies.

159. The powers of regulatory and supervisory bodies to impose sanctions on the violating financial institutions pursuant to Article 55 of the implementing regulations are previously indicated.

R 30: (Rating: PC):

160. In the course of enhancing human and financial resources of the competent authorities in applying the provisions of the law, Yemen reported that it has completed the preparation of a structure for the FIU with the assistance of the World Bank; the structure consists of a head and experts in the fields of finance, legal, law enforcement and information systems. The unit has also supplied a number of administrative staff where the number of current employees reached (11) employees. The FIU has future plans to work on increasing the number of staff. Yemen has provided statistics on the number of employees in AML/CFT units at some regulatory authorities; In general, it can be concluded that Yemen has taken many steps towards improving the human resources of some LEAs; yet, it still has to make more efforts on the same level and provide specialized training for such entities, and on an enhanced basis, to enable them perform more effectively their work.

161. Furthermore, Yemeni authorities stated that a national training plan has been drafted and includes all regulatory and supervisory entities as well as financial/non-financial institutions, law enforcement and judicial authorities. A specialized workshop for judges, public prosecution members and other workshops for law enforcement bodies have been held in collaboration with the United Nations Office on Drugs and Crime (UNODC). The National Committee also organized (25) training sessions and workshops attended by regulatory bodies, the FIU, FIs and non-FIs serving a number of (648) participants. They also took part in (16) training sessions and workshops abroad for (246) trainees.

R: 31 (Rating: PC):

162. Yemen extended the membership in the National Anti-Money Laundering and Combating Terrorist Financing Committee (NAMLC) (Article 26 of the law to consist of 19 representatives from governmental and private sectors. The Committee is chaired by the representative of the Ministry of Finance. The Committee shall coordinate the efforts of the represented bodies, and develop a national AML/CFT strategy, propose AML/CFT policies, raise them to the cabinet of ministers, study and follow-up international developments in AML/CFT field, provide recommendations on the development of directives, regulations and measures issued by the supervisory and regulatory bodies, and propose legislative amendments in line with these developments. It is noteworthy that, as stipulated in Article 26 of the Law, the Committee is deemed as a legal person with independent financial asset.

R: 32 (Rating: NC):

163. According to the authorities, the National Committee is regularly collecting comprehensive statistics relating to ML/TF by the entities overseeing FIs, non-FIs and designated professions, in addition to other stakeholders; and it is reviewing the effectiveness of AML/CFT systems. Yemen provided a set of statistics that indicate the effective implementation of some requirements of the AML/CFT regime; However, Yemen has to take more measures towards improving the effectiveness of its regime and rely on the statistics submitted to the national committee, review them to improve the level of some sectors and enhance their effectiveness.

R: 33 (Rating: PC):

164. Yemen has not taken any steps towards addressing deficiencies with respect to this recommendation; it has to establish a flexible and prompt mechanism in order for the competent authorities to obtain sufficient, accurate, up-to-date information on the beneficial owners from within the legal persons and control information thereon, and to establish appropriate measures to ensure that bearer shares are not misused in money laundering operations.

R: 37 (Rating: PC):

165. Yemen addressed the deficiencies related to the criminalization of terrorism financing, in accordance with SRII; Yemeni law does not prevent providing mutual legal assistance, to the greatest extent possible, in the absence of dual criminality, particularly in relation to the less intrusive and noncompulsory measures, as indicated by the MER. Thus, it shall be deemed that Yemen has addressed the deficiencies of this recommendation.

R: 38 (Rating: NC):

166. According to Law No. (1) and its amendments in Law No. (17), the Public Prosecution receives the requests of mutual legal assistance, either directly or through diplomatic channels. Article (34) includes forms of mutual legal assistance that Yemen can provide, including detecting or tracing the criminal proceeds, funds or property, tools, or others serving for evidentiary or confiscation purposes, besides taking other precautionary measures including freezing or seizure. It is worth to mention that the public prosecution has also the power to issue decrees or interim orders of precautionary seizure or freezing of funds and assets representing laundered properties, or proceeds and tools used or intended for use in money laundering and terrorism financing, predicate offenses, properties resulting from or used in or intended to be used in terrorist acts or terrorism financing, and properties corresponding in value to the funds or assets. Article 35 of law No. (1) and its amendments in law No. (17) requires the confiscation requests to be submitted to the competent judicial authorities through diplomatic channels. According to Yemeni law, confiscation is only applied by a peremptory court judgment. The article does not allow the applicant country to confiscate the funds until signing a bilateral agreement with the country on sharing the confiscated funds. It should be noted that the confiscated funds shall inure to the benefit of the state public treasury.

R: 39 (Rating: PC):

167. Article (37) of Law No (1) of 2010 also provided that the non-Yemenis convicted in any of the crimes stipulated in the AML/CFT Law, and the effective laws and international agreements to which the Republic of Yemen is a party may be extradited on the basis of the principle of reciprocity after the approval of the public prosecutor. In addition, the law includes the mechanism of the international cooperation on MLA requests in relation to procedures and evidences.

SR: VI (Rating NC):

168. Deficiencies related to this recommendation were addressed; the amended law prohibited the provision of MVT services without obtaining first a license from the competent authority (Central Bank). The implementing regulations also provided for the same provision in Article (34) which prohibits any natural or legal person to transfer funds without obtaining a license from the Central Bank, and obliged the central bank to maintain a recent list of the licensed natural or legal persons to be updated regularly, and to control and supervise their compliance, enable the competent authorities to have access to the same. Yemeni authorities also stated that the Central Bank monitors the currency exchange companies, arrests the violators and refers them to the public prosecution.

169. The Central Bank has issued Resolution No. (5) of 2010 on regulating the exchange business; it regulated the foreign remittance systems offered by exchange companies and money transfer. Furthermore, the Central Bank issued Decree No. (1) of 2011 on regulating the power of attorney to engage in foreign remittances activity.

170. Authorities reported that the General Department of Monetary and Exchange Affairs conducted inspection and onsite monitoring on the exchange companies to ensure their compliance to AML/CFT measures. (As such, there is a low number of inspection rounds conducted by the Public Administration despite the large number of sanctions imposed on the breaching companies as stated in table 6. Therefore, Yemen should reinforce supervision and conduct enhanced inspection rounds to verify their compliance with AML/CFT requirements and comply with the requirements issued by the Central Bank in this regard.

Table 10: Statistics on the inspection rounds by the General Department of Monetary and Exchange Affairs

Year	Number of inspection rounds
2011	None
2012	None
2013	7

SR: VII (Rating: NC):

171. Yemen stipulated in Article (11) of Law No. (1) the obligations imposed on the institutions performing wire transfers, where they are compelled to ensure that the transfer includes identification data, as indicated by the regulation. It also obliged the receiving

institutions to reject the wire transfer if it did not include data identification. As per the provisions of the Article, the law does not apply to:

- a) Transfers performed as a result of credit and debit cards transactions, provided that the transfer resulting from the transaction is enclosing the credit or debit cards numbers
- b) Transfers made among financial institutions when the originator and the beneficiary are financial institutions working for their own interests.)

172. The implementing regulations included in articles (20, 21, 22) detailed information on the obligations required from financial institutions that engage in wire transfers, where the amount of (200,000) YER or its equivalent in other currencies, was set a threshold to apply CDD measures. It is required to obtain information about the originator's name, address, account number, ID number or passport number for non-Yemenis, and to keep a copy of the data. In case the originator does not hold an account with the financial institution, he is given a unique reference number. It also mentioned that in case the financial institution issues multiple transfers sent in form of one batch, the issuing FI has to enclose the account number of the originator or his identification number in case he has no account, on the following conditions:

- a) The financial institution has to maintain full information about the originator of the wire transfer.
- b) The issuing financial institution has to provide the receiving FI with information requested within three business days from the date of receiving the request.
- c) The financial institution is to immediately respond to any order given by competent official authorities requiring access to such information.
- d) The financial institution is to verify that non-routine transfers are not sent within the multiple transfers remittances in cases that would increase ML/TF risks.
- e) The financial institution is to attach all the data mentioned in this article (20) with the transfer.

173. It should be noted that Article (7) of the implementing regulations obliged financial institutions to take due diligence procedures to identify customers and beneficial owners when making occasional transactions to walk-in customers in the form of wire transfers that exceed two hundred thousand riyals or its equivalent in other currencies. Also, Article (20) of the same regulation stipulated that financial institutions should take due diligence measures regarding the identification of customers when the amount of the transfer exceeds 200,000 Riyals or its equivalent in other currencies.

174. Article 21 of the Regulations included the obligations imposed on the receiving institutions, including the adoption of effective risk based measures when dealing with transfers that have not fulfilled the required information about the originator, i.e. the request of the unfulfilled information from the issuing financial institution. Failing to meet such requirement, the transfer shall be rejected, returned, and reported to the Unit. Article 22 of the Regulations also includes the obligations of the intermediary institutions to ensure that all the related information is attached to the transfer, and is kept in case it cannot be attached to the transfer.

SR: VIII (Rating: PC):

175. Yemen stipulated in Article (19) of Law No. (1) of 2010 the obligations of the competent authorities to supervise the non-profit organizations and conduct effective monitoring to prevent their misuse for ML/TF purposes. On the other hand, the authorities reported that the Ministry of Social Affairs has established a specialized department on AML/CFT by virtue of Ministerial Resolution No. (41) of 2009, in order to exchange information and to provide competent authorities with necessary information about the associations and non-profit organizations. The Ministry of Social Affairs and Labor also issued directives regarding AML/CFT for civil associations and organizations under Ministerial Resolution No. (502) of 2013.

176. As for the oversight role played by the Ministry on all Civil Associations and Institutions, the Authorities stated that it consists of: 1) Offsite supervision through the review of closing accounts and financial reports, 2) onsite supervision through onsite visits to headquarters of the civil association or institutions. The Ministry also issued Circular No. (1) of 2010 on the controls of receiving foreign assistance. It contains five key points designed to monitor the process of receiving foreign assistance and how it should be spent. It should also be noted that the Ministry has recently written off licenses for some violating associations.

177. With respect to training, the Yemeni authorities reported that the Ministry of Social Affairs and Labor provided training to staff and employees in the field of control and supervision of non-profit organizations through their participation in local and foreign courses and workshops related to AML/CFT procedures, as well as through training sessions sponsored by the U.S Department of Treasury and other donors.

SR: IX (Rating: NC):

178. Article (23) of Law No. (1) of 2010 required each person upon arriving or leaving Yemen to declare upon request to Customs authorities any cash or any bearer negotiable instruments, whether in national or foreign currency, as well as precious metals and precious stones, if their amount or value exceed the threshold designated in the regulations and which was set at (three million YER) or the equivalent in other currencies. However, it should be noted that the law did not include the power of customs authorities to conduct target based investigations on the basis of information or suspicion or on a random basis.

179. Article (23) of the law requires the disclosure to be consistent with the truth and according to the form set for that purpose. Article 35 of the Regulation comprised the data required in the disclosure forms, like the name of the traveler, passport data, place of residence, and the reason of travel unless he is a resident, statement, value, description and type of currency in his possession; the forms are submitted to Customs authorities, for record keeping, then to the unit to be kept in the database. The Law empowers customs authorities to seize funds and financial instruments if they are not declared or were declared in contravention of the law, or when there is ML/TF suspicion. Customs authorities must immediately report to the Unit. Paragraph (a) of Article (43) of the law stipulated to punish the person in violation of article 23 of the law, by imprisonment for a period not exceeding three years, or with a fine not exceeding 10 million Yemeni Riyals.

180. Authorities stated that they held AML/CFT workshops for onsite customs officers of land and sea ports in coordination with international organizations. Authorities provided the

following statistics, which indicate the implementation of the declaration system in Yemen. But we note from the low number of statistics provided, the low number of declaration submitted to the authorities; as well, they do not include all customs ports in Yemen. In general, Yemen should exert more efforts towards reinforcing the customs declaration system, take many steps to improve competency of the staff with regard to declaration requirements, grant the customs authorities power to conduct investigation on targeted basis based on information, suspicion or randomly, train customs employees to enable the authorities detect cross border transportation of funds, which would help increase the effectiveness of the applied regime in a satisfactory way.

Table 11: Disclosure statistics on Cross-border Transportation of Funds in 2012

Customs Center	No. of disclosures	Total amount in YER	No. of cases referred to Public Prosecution
Customs of Sana'a airport	44	277.729.250	None
Customs of Hodeida (Al Hudaydah) airport	9	95.755.000	None
Customs of Mukalla (Al Mukalla) airport	10	10.203.000	None

Table 12: Disclosure statistics on Cross-border Transportation of Funds in 2013

Customs Center	No. of disclosures	Total amount in YER	No. of cases referred to Public Prosecution
Customs of Sana'a airport	44	526.325.650	None
Customs of Hodeida (Al Hudaydah) airport	2	61.275.000	None
Customs of Mukalla (Al Mukalla) airport	20	384.644.500	None

Annexes

Annex No. 1: Law No. (1) of 2010 on AML/CFT

Annex No. 2: Law No. (17) of 2013 amending some articles of Law No. (1) of 2010 on AML/CFT.

Annex No. 1: Law No. (1) of 2010 on AML/CFT

Law no. 1/2010 On Anti-Money Laundering and Counter- Terrorism Financing

**In the Name of
The People;
The President;
Upon;
Reviewing the Constitution of the Republic of Yemen;
and;
Being passed by the House of Representatives;**

We shall enact the following law:

Chapter One
Names and Definitions

Articles 1 This law is called “The Law on combating Money Laundering and Financing of Terrorism”.

Article 2 The words and expressions used hereunder are defined as follows, unless explicitly specified otherwise:

“**REPUBLIC**” shall mean The Republic of Yemen.

“**The Central Bank**” shall mean The Central Bank of Yemen.

“**The Governor**” shall mean Governor of the Central Bank of Yemen.

“**The Committee**” shall mean the National Committee on Anti-money Laundering and Counter Financing of Terrorism.

“**Unit**” shall mean the Financial Information Unit (FIU).

“**Regulations**” shall mean the executive regulations of the said law.

“**Funds**” shall mean assets of every kind, whether corporeal or incorporeal, movable or immovable, currencies of all kinds, either foreign or local, and legal documents or instruments in any form, securities, *Sukuk*, evidencing title to or interest in such assets, values in addition to any other income on or value accruing from or generated by such assets.

“**Proceeds**” shall mean the funds derived from or obtained, directly or indirectly from any offence defined in the law hereto.

“**Money Laundering**” shall mean the act defined in article (3) hereby.

“**Terrorism Financing**” shall mean the act defined in article (4) hereby.

“**Financial Institutions**” shall mean the institutions that practice any kind of the activities or operations for customers or on behalf of them, of any legal form and whether it is in the form of a company or an individual facility, undertaking the following tasks:

- a- Accept deposits of all kinds.
- b- Provide credit of all kinds.
- c- Financial Leasing.
- d- Money transfer.
- e- Currency Exchange and conversion.
- f- Issuance of payment instruments in any form, such as credit and debit cards, bank cheques, legal documents and any other banking operations within the scope of the commercial law in force.
- g- The financial guarantees and pledges including the mortgage financing and factoring.
- h- Dealing in the money market instruments, the capital market sales and purchase in foreign currency and in the forward and simultaneous foreign exchange markets.
- i- Dealing in securities including treasury bills.
- j- Providing administrative and consultancy services to the investment portfolios and trustee investment services.
- k- Management and keeping of securities and precious items.
- l- Life insurance and any other insurance products that have investment elements.
- m- The other financial activities identified by virtue of a decision from the Prime Minister and according to the Committee’s proposal.
- n- Non-financial institutions and designated professions are those who perform any of the following activities or operations for their customers or on behalf of them, of any legal form, whether in the form of a company or an individual entity. It shall mean the following:
 - 1. Real estate brokerage.
 - 2. Dealers in precious metals and stones, clerks and notaries.
 - 3. Private firms of lawyers and accountants.
 - 4. Services of founding new companies and their affiliated activities.
 - 5. Other activities identified in a Prime Minister’s decree by virtue of the Committee’s proposal.

The supervisory and control agencies are as follows according to their specializations:

- a- Central Organization for Control and Auditing.
- b- The Central Bank of Yemen.
- c- The Ministry of industry and Trade.
- d- The Ministry of Telecommunication and Information Technology.
- e- The General Authority for Land, Surveying and Urban Planning.
- f- The Yemeni Standardization and Measurement Authority.
- g- The Yemeni Ministry of Justice.
- h- The Ministry of Social Affairs and Labor.
- i- The Custom Duties Authority.
- j- Any other body established by virtue of a Prime Minister’s decision, with the competences of control or supervision body over any of the abovementioned activities of the financial or non-financial institutions, according to a proposal by the Committee.

“**Beneficial owner**” shall mean the natural person who ultimately owns or controls a customer or an account, the person on whose behalf a transaction is being conducted, or according to his own will.

“**Politically exposed persons**” any person who is or has been entrusted with prominent public functions in a foreign country, such as a head of state, or government or a high profile politician or judge or a military officer, or in a high profile government post or public figures in a political party as well as of such person’s third degree family members.

“**Seizing**” shall mean prohibiting the transfer, conversion, disposition or movement of funds or other property on the basis of, and for the duration of the validity of a decision of a judicial authority. The seized funds or other property shall remain the property of the persons or entities that held an interest in the specified funds or other property at the time of the seizure, but shall be administered by the judicial authority.

“**Freezing**” shall mean temporarily prohibiting the transfer, conversion, disposition of funds or other property on the basis of, and for the duration of the validity of, a decision of a judicial or other competent authority. The frozen funds or other property shall remain the property of the persons that held an interest in the specified funds or other property at the time of the freezing, and may continue to be administered by the financial institution.

“**Walk-in customer**” shall mean the customer who does not have a continuous relation with the financial or non financial institution.

“**The extended relation**” shall mean the financial or commercial relation that was expected to last for a certain period of time when it was first established and it has multiple operations. The extended relation includes any commercial or professional relation related to any of the activities mentioned in the financial or non-financial institutions as long as the institution expected it to last for a certain period of time.

“**Confiscation**” shall mean the permanent deprivation of property based on a conclusive verdict of a court.

Chapter 2

Money Laundering and Financing of Terrorism Offences

Article (3) criminalizing money laundering:

- A. The person who commits a offence of money laundering is any person who commits or refrains from an act that includes gaining money or possessing; disposing of; or moving; managing; keeping; exchanging; depositing; investing; manipulating their value; or moving; transferring them with the purpose of hiding them; layering their source or real nature or place or the means of disposing of them or their ownership or rights, if these funds are proceeds of one of the following offences- whether they were committed inside or outside the Republic, they should fulfill the conditions of knowledge and will, which will be driven from the acts undertaken by the person who committed them:
1. Theft and embezzlement or extortion of public funds by fraud or bribery, or breach of trust as stated in the Criminal and Punishment law.
 2. Forging official or customary documents; counterfeiting money, banknotes and coins; promoting counterfeited or inconvertible currency; counterfeiting

seals, official documents and their equivalents and offences related to the national economy.

3. Extorting private funds within the scope of the Criminal and Punishment law.
4. Offences stated in the anti-corruption law.
5. Offences of tax evasions custom duties trafficking.
6. Offences of import and trade of weapons.
7. Offences of cultivating, manufacturing and trading narcotic plants and substances inside the country or exporting them. Also bringing alcohols into the country or making them or trading in them or any other activities prohibited by *Sharia* like prostitution or gambling.
8. Membership in an organized criminal group.
9. Sexual exploitation of children and human trafficking.
10. Trading in proceeds of thefts.
11. Trafficking in human beings and migrant smuggling.
12. Smuggling antiquities and historical manuscripts.
13. Counterfeiting trademarks and goods and trading in them.
14. Environment offences.
15. Manipulating financial markets and trading in market instruments on the basis of unpublished information.
16. Offences stated in the Anti-Kidnapping and Highway Robbery Law.

B. Any person who attempted or incited or assisted in committing any of the acts mentioned in paragraph (a) of this article.

Article (4) criminalizing financing of terrorism:

The person who commits the following acts is considered an offender of the of financing of terrorism offence:

- a- The person who directly or indirectly collects or provides money by any means, while knowing that it will be used either partially or fully in financing the following acts:
 - 1- Any act or threat of violence under any motive or purpose in implementation of an individual or group criminal project, and aims to terrorize or intimidate a population by harming them, or endangering their lives, or freedom, or security; or harming the environment or any of the public or private utilities or properties, or occupying or seizing them; or endangering any of the national resources; or forcing the government or an international organization to assume or refrain from any act.
 - 2- Any act that constitutes an offence under any related conventions or treaties the Republic had ratified or acceded to.
 - 3- Any act that constitutes an offence under the Anti-kidnapping and Highway Robbery law.

b-Any person attempted to commit, participated or incited or assisted in committing any of the acts mentioned in paragraph (a) of this article.

Offences mentioned in this article do not include cases of struggle by any means against foreign occupation and aggression for the purpose of liberation and self determination, according to the rules of international laws. However, any act against the territorial integrity of any Arab country is not part of these cases of struggle.

Chapter 3

Duties of the Supervisory Bodies and the Financial And Non-Financial Institutions

Article (5) A license may not be issued for establishing a bank in Yemen unless it has completed its registration and declaration according to the effective laws, and it is verified that it physically exists, under effective supervisory systems. A license may not be issued for the establishment of an offshore bank branch, unless its headquarters physically exists in the state where it is registered and it falls under effective supervision.

Article (6) The Yemeni financial institutions are not allowed to deal with any other financial institution that does not physically exist in the state where it is registered and does not fall under effective supervision in the state where it is registered. The Yemeni financial institutions are not allowed to deal with counterpart financial institutions that provide services to the globally banned financial institutions under this article.

Article (7) The financial and non-financial institutions are committed to the principle of due diligence in identifying customers and real beneficiaries, both natural or legal persons and to verify their identities, particularly in the following cases:

- a. At the startup of an extended relation with the client.
- b. Completing an operation for a walk-in customer that exceeds the value ceiling stated in the regulations or doing a local or international wire transfer for more than the limit stated in the regulations.
- c. Having doubts in the accuracy or correctness of the previously registered identification data.
- d. Having suspicions about a money laundering or financing of terrorism offence.
- e. Confirming that the corresponding financial institutions have the required effective systems for combating money laundering and financing of terrorism.
- f. Giving due diligence to electronic operations.

The regulations established the controls that should be applied in the customers' identification process, to verify it and examine the purpose expected from this relation and its nature, according to the special nature of each activity and each client and the margin of risk involved in the operation. This includes the measures and regulations that should apply to the cases that require due diligence in identifying the customers and the cases that allow for the postponement of the verification measures and their related controls.

Article (8) Financial and non-financial institutions shall update the data, information and documents related to the cases stated in article (7) herein, according to the controls specified in the regulations.

Article (9) Financial and non-financial institutions shall undertake scrupulous and continuous follow up of the customers operations, and the sources of their funds if necessary. The purpose of that is to make sure that they are compatible with the information available about their identity, the nature of their activities and the degree of risk involved.

Article (10) Financial and non-financial institutions shall classify their customers and services according to the degree of risk of money laundering and financing of terrorism. It

shall exert its utmost efforts in dealing with cases of high degree of risk, including the following:

- a. Unusual transactions that do not have an economic justification.
- b. The transactions and persons associated with states that do not apply effective measures of anti-money laundering and financing of terrorism and the international principles and standards.
- c. Transactions with exposed politically persons.
- d. Examining the transaction and verifying their purpose, registering them and making them available for the concerned authorities, if necessary.

The regulations set out the controls that should be adopted in classifying customers and applying due diligence.

Article (11) financial institutions that operate wire transfers shall enclose the identity data as stated in the regulations. As for the receiving financial institutions, they should refuse receiving them if the identification data were missing. However, this shall not apply to the following cases:

- a. Transfers through credit and debit cards, provided that the number of the credit or debit card is attached to the transfer.
- b. Transfers among the financial institutions themselves, when the source and the beneficiary are financial institutions working for self-interest purposes.

Article (12) Financial and non-financial institutions shall keep the following:

- a. The records, data and documents related to the client and the real beneficiary's identity and activities for at least 5 years after the end of the institution's relation with them.
- b. The records, data and written reports acquired according to the provisions of this chapter on the financial operations for at least 5 years, effective from the date of executing or attempting on the operation.
- c. Any other records or data to be kept according to the law herein. The regulations stated down all the records and data that should be kept and the measures of storing them to facilitate their retrieval upon request in a reasonable manner accepted by the control and supervisory authorities and courts according to the applicable legislation.

Article (13) Financial and non-financial institutions shall immediately notify the FIU with any suspicious operations related to money laundering or financing of terrorism, either the operation were completed or not. The regulations established the controls and measures governing this obligation.

Article (14) The notification obligation under article (13) herein shall not apply in the following cases:

- Lawyers and accountants: If they gathered the information related to their customers through evaluating their legal status; or representing them in court; or providing a legal opinion in any issue related to any judicial procedures, including providing initial advice or evasion of such procedures. This applies whether the said information had been acquired before or during or after the completion of the judicial procedures.
- Merchants of valuable metals and precious stones: for cash operations less than the limit stated in the executive regulations.

- Real estate brokers in serving their customers in matters related to sales and purchase.

Article (15) Any person working in the financial or non-financial institutions shall not disclose, either directly or indirectly, or by any means to the customers or beneficiaries or anybody else except the competent authorities under this law, any notification, enquiries or examination measures taken in relation to the suspicious operations of money laundering and financing of terrorism.

Article (16) The notification does not result into any criminal or civil or administrative or disciplinary liability for any natural or legal person who notifies upon duty –bone fide- about any suspicious operations, or provides any information or data about them under the law herein.

Article (17) Each of the control and supervisory bodies, respectively and in its own capacity, circulates the consolidated list issued by the Security Council to freeze the funds of individuals and entities identified, among the financial and non-financial institutions. Accordingly, the financial and non-financial institutions shall freeze these funds and promptly report to the concerned authorities any information available in this regard. The afflicted party has the right to follow all the available diplomatic, legal and judicial means to defreeze and delist his name. The regulations stated the mechanism of receiving and distributing the lists issued by the Security Council, the delisting measures, the correction of names and dealing with humanitarian cases.

Article (18) Financial and non-financial institutions shall put in place all the systems required to apply this law, provided that these systems include internal policies, measures, supervision systems, training and recruiting compliance officers in these institutions are according to the rules, standards and regulations set out by the concerned supervisory bodies.

Article (19) The body overseeing the non-profit organizations, according to the related laws in force, should apply an effective system of supervision to prevent misusing them for the purpose of money laundering and financing of terrorism, and to issue the regulations and instructions required to organize it.

Article (20) No person shall hold an activity for transferring cash or values without getting a license from the concerned authority.

Article (21) The concerned control and supervisory bodies shall be committed to the following:

- a- Verifying that all the financial and non-financial institutions that fall under their supervision and control had satisfied their obligations hereto.
- b- Adopting the measures required for setting out discipline standards to organize the ownership, management and operation of financial institutions.
- c- Notifying the Unit with any information on suspicious transactions in relation to money laundering or financing of terrorism.
- d- Issuing any instructions, guidelines and recommendations to assist the financial and non financial institutions in applying the provisions of this law, including the suspicious indications, according to the international and national standards.

- e- Effective cooperation and coordination with the rest of the concerned local and counterpart authorities in providing assistance and inquiries, and in all phases of investigations and trial related to AML/CFT.
- f- Assigning specialists to fulfill the requirements hereto.

Article (22) The Prime Minister may decide, according to the Committee's proposal, to exclude any category of the financial or non-financial institutions or any specific institution from the obligations under this chapter, upon his discretion, putting into consideration the size or nature of their activities or for any other considerations relevant to the meagerness of the risks of AML/CFT.

Article (23) Each person shall disclose upon his arrival or departure from Yemen, and upon the custom duties request, the cash amounts or any negotiable instruments, either in the local or foreign currencies, the precious metals and stones, if their value exceeded the limit set out in the regulations. The disclosure should be true and according to the disclosure form.

Article (24) The custom duties have the right to seize the funds and financial instruments under the aforementioned article (23), in accordance with the provisions of the custom duties law in force, if they were not disclosed, or if they were disclosed in a way against the provisions of the said article or if there is a suspicion of money laundering or financing of terrorism. In this case, the Unit shall be immediately notified.

Article (25) The financial and non-financial institutions shall not undertake the activities under article (2) herein without a prior license from the concerned authorities, according to the laws in force.

Chapter 4

The National Committee on Anti-Money Laundering And Financing of Terrorism

Article (26)

a- Under the provisions hereto, a committee called ' the National Committee on AML/CFT' shall be established by virtue of a Prime Minister's decree, upon a proposal by the Minister of Finance. The said Committee comprises the following bodies, according to the nominations provided:

1- Ministry of Finance	head of Committee
2- The Central Bank	deputy head
3- The Central Organization for Control And Accounting	member
4- The National Security	member
5- Ministry of Justice	member
6- Ministry of Interior	member
7- Ministry of Foreign Affairs	member
8- Ministry of Industry and Trade	member
9- Ministry of Labor and Social Affairs	member
10- The Banks Association	member
11- The General Federation of the Chambers of Commerce and Industry	member

12- The General Authority of Investment member

- b- The Committee selects a rapporteur from its members.
- c- The Committee shall hire, upon its discretion, the experts, specialists and technical specialists required to assume its job.

Article (27) The Committee shall have the following competences:

- a- Propose the policies related to AML/CFT to the Ministerial Cabinet for adoption.
- b- Set out the systems and measures required for AML/CFT and submit to the Ministerial Cabinet for adoption, in accordance with the provisions hereto and the regulations.
- c- Establish and adopt the Committee by-laws according to the provisions herein.
- d- Coordinate and facilitate the exchange of information on AML/CFT among the bodies represented in the Committee and the Unit.
- e- Provide the unit with the information it possesses on operations related to money laundering and financing of terrorism.
- f- Receive performance reports from the Unit on its completion of duties stipulated herein and undertake any necessary action.
- g- Hold seminars and workshops on AML/CFT.
- h- Represent the Republic of Yemen in international events on AML/CFT.
- i- Discuss the budget proposed by the Committee and submit it to the concerned authorities for adoption.

Article (28) For the purpose of facilitating its tasks and duties as identified by law and regulations, the Committee may establish any relations and communications with its counterparts in different countries as well as in international and regional organizations. It may specifically do the following:

- a- Exchange information, experts and expertise.
- b- Receive technical assistance in the field of AML/CFT.
- c- Hold effective coordination in the field of AML/CFT.

Article (29) The Committee shall submit a quarterly report on its activities to the Ministerial Cabinet or upon request.

Chapter 5

Financial Intelligence Unit

Article (30)

a- An independent unit shall be established under the Central Bank, in accordance with the provisions herein. The said unit is called the Financial Intelligence Unit. It shall be established by a Prime Ministerial decree, by virtue of a proposal submitted by the Governor of the Central Bank. It shall be composed of a head of committee and a number of specialized and expert members as follows:

- Financial experts in organization and supervision.
- Law enforcement experts.
- An information systems expert.
- A legal expert.

The Committee shall be provided with a sufficiently qualified staff, technically and scientifically to undertake its tasks. It is also provided that all members and staff should work on full-time basis. The compliance and assessment officers overseeing the level of commitment in the supervision and control authorities shall function as liaison officers with the Unit.

The Committee shall prepare the by-laws required for its functions, including the organization chart and the administrative and operational systems to be submitted to the ministerial cabinet for adoption.

Article (31) the Unit shall undertake the following tasks:

- a- Receiving and analyzing the notifications sent by the financial and non-financial institutions and the control and supervisory bodies on the money laundering or financing of terrorism suspicious operations and then submit these notifications to the concerned bodies to take action, if necessary. The Unit shall establish a database of the information in possession and shall make it available for the Public Prosecution, according to the criminal procedures law.
- b- Requesting any additional information that are considered useful for its function, if this information is related to any previous feed of information received during its course of action, or upon a request received from its counterpart units in other countries. The parties obliged to notify, shall provide the Unit with the said information in a maximum period of one week, from the date of request, unless the Unit decides on a different deadline, and this shall be in the form applied by the Unit. In case of emergencies, the Unit may decide on a shorter deadline, according to the rules drawn in the regulations.
- c- Submitting the notifications, if the Unit have serious indications on suspicious money laundering or financing of terrorism operations to the Public Prosecution, with all the required and relevant attachments of evidence.
- d- The Unit may request the following agencies to send any additional information in relation to the notifications received, if they are considered useful to assume its job, or according to a request received from a foreign AML unit:
 1. The agencies obliged to notify.
 2. The supervision and control bodies.
 3. Any other government authorities.

The aforementioned bodies shall provide the Unit with the information required in a maximum period of 2 weeks from the date of request.

- e- Notifying the Committee and the concerned supervision and control bodies with any violation committed by the financial or non-financial institutions under this law to the provisions herewith.
- f- Publishing regular activity reports, in particular the statistics and analytical studies on AML/CFT.

- g- The Unit may carry out field visits to the agencies and institutions incorporated herein to verify its commitment to the provisions hereto and the related executive regulations.
- h- Participating in the regional and international seminars, workshops, conferences and meetings related to the Unit's competences.

Article (32)

a- The Unit may, upon its own initiative or by virtue of a request from its counterpart units in other countries exchange information with them, if it is committed to the rules of confidentiality and the principle of reciprocity, provided that the Committee shall be furnished with copies of these information.

This information shall not be used for any other purpose apart from AML/CFT purposes, unless a relevant approval is ensured from the providers.

b- For the purpose of paragraph (a), the Unit may conclude Memoranda of Understanding with foreign counterpart units with similar functions and committed to the same obligations of confidentiality.

Chapter 6
International Cooperation, Exchange of Information
and Extradition

Article (33) The Committee shall submit the reported information received from any state indicating that a person, either a resident or existing in the Yemeni Republic had committed any of the offences stated in the law to the Unit, which consequently, analyzes the information and submits them to the competent authorities, according to the provisions hereto.

Article (34)

- a- The Committee may, under the provisions herein, and upon an official request from any state, provide her with information on a specific operation as per the request, if it is related to any of the money laundering and financing of terrorism offences stipulated herewith.
- b- Without detriment to the bilateral or multilateral conventions on mutual legal assistance, which the Republic is party to and the principle of reciprocity, the concerned judicial authorities may present any of the following legal mutual assistance:
 1. Provide a letter rogatory for counterpart authorities in hearing the witnesses and experts' testimony.
 2. Disclose the judicial documents received from the counterpart authorities.
 3. Provide original copies or authenticated or signed copies of the documents and records, including the banking or financial papers or companies records or commercial operations.
 4. Detect or trace the criminal proceeds or funds or properties or instruments or other things for the purpose of proof or confiscation or taking any provisional measures against them, including freezing or seizure.
 5. Undertake measures of searching or seizure.

6. Undertake any form of legal assistance, in congruence with the laws in force.
- c. If the mutual assistance request is related, either in full or in part to money laundering or financing of terrorism, it should be directly submitted to the Committee or through the usual diplomatic channels, provided that the requests include the following information:
 1. The identity of the authority requesting assistance.
 2. A brief of the subject issue or a summary of case related to the request.
 3. Explanation of the kind of assistance requested and the purpose of requesting it.
 4. The identity of the subject person, his residential address and nationality.
- d. Additional information may be requested from the country requesting assistance for the purpose of executing the request.
- e. The request may be rejected in the following cases:
 1. If the request is issued by a competent authority, in accordance with the domestic law of the requesting country, or if it were not furnished according to the laws in force, or if the content breached paragraph (c) of this article.
 2. If executing it holds the probability of infringing the Republic's security, regime, sovereignty, public order or fundamental interests.
 3. If the offence forwarded in the request, were subject to a criminal action or a final verdict in the Republic.
 4. If there were fundamental reasons to believe that the request targets the concerned person because of his race, religion, nationality, ethnic origin, political views, gender or position.
 5. If the subject offence in the request is not mentioned, or does not have any common features with the offence stated in the enforced laws.
 6. If the enforced laws do not allow undertaking the requested measures, or any other measures with similar effect, or do not allow using them in relation to the requested subject offence.
 7. If the request cannot be enforced under the executed laws.
 8. If the rights of the person subject to the request are not guaranteed.
- f. If the request were rejected, the concerned authority in the Republic shall immediately inform the competent foreign authorities about the reasons of rejection.

Article (35)

- a- Without detriment to the bilateral or multilateral conventions on mutual legal assistance which the Republic is party to, the confiscation requests related, either in part or full to money laundering or financing of terrorism offences, shall be directly submitted to the Committee or through the diplomatic channels.
- b- The confiscation shall not be carried out unless a final verdict is in place.
- c- The mutual assistance request shall include, in addition to the information stated in paragraph (c), article (34) hereof, an official copy of the final verdict on confiscation. The additional information may be requested from the state requesting mutual assistance for the purpose of enforcing this verdict.
- d- The Committee shall submit the confiscation requests to the competent judicial authorities for examination according to the law.

- e- In all cases, the state requesting confiscation cannot get hold of these funds or their returns, except upon signing a bilateral agreement with it on the sharing of these funds.

Article (36) The requesting state shall not have the right to submit the information or evidence sent to her to a third party, in accordance to the two previous articles, or to use them in any investigations or any kind of prosecution or judicial procedures, except for the purpose identified in the request.

Article (37) It is allowed to extradite foreigners sentenced under the offences stated hereof and in the other enforced laws and international conventions ratified by the Republic, and according to the principle of reciprocity, upon an approval from the General Prosecutor.

Chapter 7

Investigation and Prosecution Procedures

Article (38) The Public Prosecution assumes the direct authority of running investigations and filing criminal actions to court for money laundering and financing of terrorism offences and the related offences defined hereof.

Article (39) Law enforcement officers and prosecutors have the right to use the competencies and authorities under the criminal procedures law for the purpose of detecting, seizing and tracing the offence proceeds.

Article (40) The Public Prosecution may request the competent court to take provisional measures and procedures, including seizure and freezing of the funds and properties earned as proceeds of money laundering or financing of terrorism offences, under the criminal procedures law.

Chapter 8

Penalties

Article (41) Without detriment to any more severe penalty stipulated in any other law, any person commits any money laundering or financing of terrorism offences shall fall under the following penalties:

- a. A maximum imprisonment of seven years.
- b. Confiscation by virtue of a final verdict in favor of the State Treasury's benefit of all the funds and returns earned from money laundering and financing of terrorism offences and their related offences without detriment to the right of bone fide parties.
- c. The court may pass any complementary penalty, according to the laws in force.
- d. The abatement of a criminal action does not obstruct, for any reason whatsoever, the judgment of confiscating the funds earned as proceeds of money laundering or financing of terrorism operations, including confiscating the instruments used in money laundering and financing of terrorism and any properties possessed by the accused person or by a third party.

Article (42)

- a. The criminal action of any of the offences hereof shall not lapse by time.
- b. The penalties sentenced hereof shall not abate by time.

Article (43)

- a. A penalty of a maximum one year imprisonment and/or a fine ranging from a minimum of 100,000 and a maximum of a million Riyals, shall be imposed on any person violating any of the provisions of articles (6,7,8,10,11,12,13,15,17,18,20,25) hereof.
- b. Any person violates article (23) hereof shall pay a maximum fine of 100,000 Riyals, and the subject funds shall be seized until they are released by a decision from the Public Prosecution, if it were not proven that it were linked to another offence.

Article (44) If the offence were committed by a legal person, the natural person responsible for the virtual management of the violating legal person, shall be punished with the same penalties imposed on violating the law hereto, if it were proven that he knew about it, and the offence took place because of his failure or negligence in assuming his professional duties.

The legal person shall have a joint and several liability to pay the compensation incorporated in the verdict, if the offence were in breach to the law herein and were committed by one of his staff, under his name and for his interest.

Article (45) Any of the perpetrators initiated and reported the offence to the Unit or any of the concerned authorities before having knowledge of it, shall be exempted from the original penalties defined hereof.

Chapter 9

Concluding Provisions

Article (46)

- a. Provisions hereof apply to the financial and non-financial institutions and the designated professions under this law and the branches of foreign financial institutions within the territories of the Yemeni Republic which have their headquarters overseas.
- b. Financial and non-financial institutions, which have their headquarters within the Republic and offshore branches, shall oblige the said branches to abide by the AML/CFT measures and procedures related to combating money laundering and financing of terrorism outlined herewith, within the scope of the domestic laws of the countries where these branches are located.

Article (47) The committee shall have an independent budget under the State Budget.

Article (48) The Unit shall have an independent budget covered by the Central Bank.

Article (49) Members of the FIU shall enjoy the capacity of law enforcement officers while assuming their duties.

Article (50) No one can use financial or banking confidentiality as a reason for not cooperating with the FIU or the investigation or prosecution authorities in assuming their duties in implementing the law hereto.

Article (51) The executive regulation of this law shall be issued by virtue of a Presidential decree, after its submission by the Committee and approval of the Council of Ministers.

Article (52) Law 35/2003 on AML and any provision or text that is contrary to the law hereby shall be repealed.

Article (53) the law shall come into effect upon being passed and shall be published in the official gazette.

Issued at the presidency – Sana’a

Ali Abdullah Saleh,

President of the Republic

Annex No. 2: Law No. (17) of 2013 amending some articles of Law No. (1) of 2010 on AML/CFT.

Law No. (17) of 2013
Amending Certain Articles of the Anti-Money Laundering and
Counter-Terrorism Financing Law No. (1) of 2010

In the name of the people,

The President of the Republic,

Upon;

Reviewing the Constitution of the Republic of Yemen;

The Anti-Money Laundering and Counter-Terrorism Financing Law No. (1) of 2010;

And;

Being passed by the House of Representatives,

Has issued the following law:

Article I: Articles 2, 3, 4, 10, 13, 17, 26, 27, 31, 32, 33, 35, 40, 41 and 43 of Law No. (1) of 2010 concerning Anti-Money Laundering and Counter-Terrorism Financing shall be amended to read as follows:

Article (2): For purposes of applying the provisions of this Law, words and expressions listed below shall have the meanings ascribed against each of them, unless the context otherwise requires a different meaning or the context indicates otherwise:

Republic:	Republic of Yemen.
Central bank:	Central Bank of Yemen.
Governor:	Governor of the Central Bank of Yemen.
Committee:	National Committee for Anti-Money Laundering and Counter-Terrorism Financing formed under the provisions of this Law.
The Unit:	The Financial Information Unit (FIU).
Regulations:	The implementing regulations of this Law.
Funds:	Assets of any kind, tangible or intangible, movable or immovable, which are obtained by any means, and legal documents or instruments in any form including electronic or digital form, which indicate the ownership of such funds or interest therein. Such assets include, for example, all types of local and foreign currency, securities, trade instruments

and bank credits, travelers' checks, money orders, stocks, bonds, drafts and letters of credit, any interest or dividends or returns of such funds or the amount due or arising there from.

- Proceeds:** Shall mean the funds derived from or obtained, directly or indirectly from any offense defined in the law hereto.
- Money Laundering:** The act defined in Article (3) of this Law.
- Financing of Terrorism:** The act defined in Article (4) of this Law.
- Financial Institutions:** Any financial institution practicing any kind of activities or operations for customers on behalf of them, - of any legal form ~~is~~ and whether it is in the form of a company or an individual enterprise - which is engaged in any of the following businesses:
- a. Acceptance of deposits of all kinds.
 - b. Granting credit of all kinds.
 - c. Financial leasing.
 - d. Money transfer services.
 - e. Currency exchange.
 - f. Issuing means of payment of all kinds including credit and debit cards, cheques, instruments and any other banking business as stipulated in the commercial law in force.
 - g. Financial guarantees and commitments, including mortgage financing and factoring.
 - h. Trading in money and capital market instruments through buy/sell transactions including trading in foreign currency, spot and forward exchange markets.
 - i. Dealing in securities, including treasury bills.
 - j. Providing administrative and consultancy services to the investment portfolios and trustee investment services.
 - k. Management and keeping of securities and precious items.
 - l. Life insurance and any other insurance products that have investment elements.
 - m. The other financial activities, identified by virtue of a decision from the Prime Minister and according to the Committee's proposal.
- Non-financial Institutions and Designated Professions:** Any institution practicing any kind of activities or operations for customers or on behalf of them- of any legal form, whether in the form of a company

or individual entity – including the following:

- a. Real estate brokerage
- b. Dealers in precious metals or stones, clerks and notaries.
- c. Private firms of lawyers and accountants.
- d. Services of establishing new companies and their associated activities.
- e. Any other activity or activities identified by a decree issued by the Prime Minister based on a proposal from the Committee.

The Supervisory and Control Entities:

The following entities are mandated, each within its scope of competence, with supervision and control powers over any of the activities of the financial institutions, non-financial institutions and designated professions:

- a. The Ministry of Justice.
- b. The Ministry of Labor and Social Affairs.
- c. The Ministry of Industry and Trade.
- d. The Ministry of Communications and Information Technology.
- e. Central Bank of Yemen.
- f. The Customs Authority.
- g. The Central Organization for Control and Auditing.
- h. General Authority for Land, Survey and Urban Planning.
- i. General Authority for Standardization, Metrology and Quality Control.
- j. Any other body vested with the authority to control and supervise any of the activities of financial or non-financial institutions and designated professions specified under a decree issued by the Prime Minister based on a proposal from the Committee.

Beneficial Owner:

The natural person who owns or controls a customer or accounts, the person on whose behalf a transaction is being conducted, or according to his own will.

Politically Exposed Persons (PEPs):

Any natural person who is or has been entrusted with prominent public functions or holds/has held senior public office positions in the Republic or a foreign country such as the heads of state or government; other high-ranking politicians; senior government, judicial or military officials; senior executives of state-owned corporations; important political party officials; or persons assigned by a

regional or international organization in senior positions, including family members or close associates of the PEPs. This definition shall not apply to middle ranking or more junior individuals.

seizing

Shall mean prohibiting the transfer, conversion, disposition or movement of funds or other property on the basis of, and for the duration of the validity of, a decision of a judicial or other competent authority. The seized funds or other property shall remain the property of the persons or entities that held an interest in the specified funds or other property at the time of the seizure, but shall be administered by the judicial authority.

Freezing:

Shall mean prohibiting the transfer, conversion, disposition or movement of funds or other property on the basis of, and for the duration of the validity of, a decision of a judicial or other competent judicial authority under a freezing mechanism for the duration of the procedure or until a confiscation order is taken. The frozen funds, property, equipment, tools or other assets shall remain the property of the natural or legal person(s) or entities that held an interest in the specified funds, property, equipment or tools at the time of freezing, and may continue to be administered by the financial institution assigned by the natural or legal person(s), or by a third party pursuant to a decision from the competent authority or the competent judicial authority which issued the freezing order before taking a decision under the freezing mechanism.

Walk-in Customer:

A customer who does not have an ongoing relation with the financial or non-financial institution.

Ongoing Relation:

Every financial or commercial relationship expected at its inception to last for a period of time and to include multiple operations. The ongoing relationship includes any relevant commercial or professional relationship related to one of the activities or operations carried out by the specific financial and non-financial institutions and professions when such institution expects the relationship to last for a period of time.

- Confiscation:** The permanent deprivation of funds, assets or other property under a final court ruling in favor of the state, whereby the natural or legal person, or other natural or legal persons, shall lose all ownership rights of such funds, assets or other property.
- Terrorist Act:**
- a. Any act which constitutes an offense under any of the following treaties:
 1. Convention for the Suppression of Unlawful Seizure of Aircraft (1970)
 2. Convention for the Suppression of Unlawful Acts Against the Safety of Civil Aviation (1971).
 3. Convention on the Prevention and Punishment of Crimes Against Protected Persons, Including Diplomatic Representatives (1973).
 4. The International Convention against the Taking of Hostages (1979).
 5. Convention on the Physical Protection of Nuclear Material (1980).
 6. Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, supplementary to the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation (1988).
 7. Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation (1988).
 8. Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platforms Located on the Continental Shelf (1988).
 9. International Convention for the Suppression of Terrorist Bombings (1997).
 10. International Convention for the Suppression of the Financing of Terrorism (1999).
 - b. Any other act intended to cause death or serious bodily injuries to a civilian, to any other person not part in the hostilities or in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate the population, or to compel a government or an international organization to take a particular action or to abstain from doing any act.
- Terrorist:** Any natural person doing any of the following

acts:

- a. Commits or attempts to commit terrorist acts, by any means, directly or indirectly, and willfully.
- b. Participates as an accomplice in terrorist acts.
- c. Organizes or directs others to commit terrorist acts.
- d. Contributes to the commission of terrorist acts by a group of persons acting with a common purpose where the contribution is made intentionally and with the aim of furthering the terrorist act or with the knowledge of the intention of the group to commit a terrorist act.

Terrorist organization: Any group of terrorists that: Commits or attempts to commit terrorist acts, by any means, directly or indirectly unlawfully and willfully.

- a. Participates as an accomplice in terrorist acts.
- b. Organize or direct others to commit terrorist acts.
- c. Contributes to the commission of terrorist acts by a group of persons acting with a common purpose where the contribution is made intentionally and with the aim of furthering the terrorist act or with the knowledge of the intention of the group to commit a terrorist act.

Article (3):

- a. Any person, who commits one of the following acts inside or outside of the Republic, shall be guilty of a money laundering offense:
 4. Converting or transferring funds by any person who knows or should have known that such property is the proceeds of crime for the purpose of concealing or disguising the illicit origin of such property, or for the purpose of assisting any person who is involved in the commission of the predicate offense to evade legal consequences for his actions.
 5. Conceal or disguise the true nature, source, location, disposition, movement or ownership of or rights with respect to property by a person who knows or should know that such property is the proceeds of crime.
 6. Acquisition, possession or use of property by any person who knows or should know at the time of receipt that such property is the proceeds of crime.

The ‘knowledge’ referred to in the provisions of paragraph (a) of this Article may be inferred from the objective factual circumstances.

- b. Any person, who initiates, participates in, instigates, orders, colludes, conspires, provides advice to or helps in committing any of the acts listed in items (1, 2 & 3) of Paragraph (a) of this Article, shall be guilty of a money laundering offense.
- c. The acts specified in items (1, 2 & 3) of Paragraph (a) of this Article shall be deemed money laundering crimes in the event such funds have been obtained from the following predicate crimes:
 - 1. Participation in an organized criminal group.
 - 2. Terrorism, including terrorist financing.
 - 3. Slavery, trafficking in human beings and smuggling of migrants.
 - 4. Sexual exploitation, including sexual exploitation of children.
 - 5. Cultivation, manufacture and illicit trafficking in narcotic drugs and psychotropic substances.
 - 6. Illicit trafficking in arms and ammunition.
 - 7. Illicit trafficking in stolen and other goods.
 - 8. Corruption and bribery.
 - 9. Fraud and cheating.
 - 10. Forgery and counterfeiting, including the falsification of official and legal documents; counterfeiting of currency; promotion of counterfeit or non-current currency; counterfeiting and piracy of goods; faking official seals, tags, public bonds and the like, and trademark counterfeiting.
 - 11. Environmental Crimes.
 - 12. Murder and grievous bodily injuries.
 - 13. Kidnapping, illegal restraint and hostage-taking.
 - 14. Burglary, theft and seizure of public or private funds.
 - 15. Smuggling, including customs smuggling, tax evasion and smuggling of antiquities and historical manuscripts.
 - 16. Tax offenses.
 - 17. Extortion.
 - 18. Piracy.
 - 19. Commercial fraud and concealment and manipulation of markets, including financial markets and trading in market instruments by insiders based on undisclosed information.
 - 20. Offenses against national economy as stipulated in the Kidnapping and Hijacking law.
 - 21. All the crimes that are not listed above, which are punishable under the provisions of laws in force.
- d. The predicate offenses set forth in paragraph (a) of this Article shall include predicate offenses committed outside the Republic if they constitute a crime under

the law of the country where they were committed and shall, at the same time, constitute a crime under the laws in force in the Republic.

- e. A money laundering offense shall be considered independent of the predicate crime that yielded the funds. However, conviction of committing the predicate crime is not a condition to prove the illicit source of the proceeds of the crime.

Article (4):

Every person shall be guilty of an offense of financing of terrorism if he:

- a. directly or indirectly, collects or provides funds, intentionally and willfully, by any means, and whether such funds are from licit or illicit sources, with the intention that they should be used or in the knowledge that they will be presented to a terrorist organization or body or a terrorist association, or to a terrorist or a terrorist act. The ‘knowledge’ can be inferred from objective factual circumstances. The criminal responsibility shall remain valid whether such funds have been used in full or in part, or not used, and whether such acts have occurred inside or outside the Republic.
- b. Initiates, participates in, incites, orders, colludes, conspires, provides advice to or assists to commit any of the acts mentioned in paragraph (a) of this Article.
- c. Organizes the committing of an offense set forth in paragraph (a) or Paragraph (d) of this Article.
- d. Involves in a group of people with a common purpose of committing one or more crimes of the offenses referred to in paragraph (a) of this Article, and such involvement is intentional and implemented in order to:
 - 1. Expand the criminal activity or purpose of the group when such activity or purpose involves the committing of an offense referred to in Paragraph (a) of this Article.
 - 2. Commit an offense referred to in Paragraph (a) of this Article.

Article (10):

The financial, non-financial institutions and designated professions shall be obliged to take the following actions:

- a. Classify their customers and services according to the level of money laundering and financing of terrorism risks and take adequate measures to address such risks. They should exert their utmost efforts in dealing with cases which represent a high level of risk, including:
 - 1. Unusual transactions which have no economic justification.
 - 2. Transactions and persons associated with states that do not apply effective measures of anti-money laundering and terrorism financing in accordance with the international principles and standards.

The Regulations shall set forth the controls that need to be followed in the classification of customers and due diligence.

- b. Examine and discuss the background of large and complex transactions, verify their purpose and record them and made them available to the competent authorities, where appropriate, and the auditors for a minimum period of five years.
- c. Take the necessary measures to prevent the misuse of technological developments in the field of money laundering and financing of terrorism.
- d. Develop appropriate systems for risk management to determine whether a potential customer, or the customer or the beneficial owner is a politically exposed person. If he proves so, the following actions must be taken:
 1. Obtain the approval of the senior management before the establishment or continuation of a business relationship with the customer.
 2. Take the necessary measures to know and identify the source of his wealth and identify the actual beneficiary of his money.
 3. Monitor the business relationship on an ongoing and intensive basis.
- e. Develop internal policies, procedures and controls to combat money laundering and financing of terrorism and apply them to existing customers and new customers; and inform and train their employees on them and ensure their application.

Article (13):

The financial institutions, non-financial institutions and designated professions that suspect or have reasonable grounds to suspect that the money or property are related to or associated with money laundering or they constitute proceeds of the predicate offences mentioned in Article (3) herein or have a link to or association with terrorism, acts of terrorism or terrorist financing, or they will be used in carrying out terrorist acts or by terrorist organizations or those who finance terrorism, must immediately report such transactions to the FIU, whether they occurred or not. The Regulations shall set forth the controls and procedures relating to this obligation.

Article (17):

- a. As soon as they are issued, the Ministry of Foreign Affairs shall provide the Public Prosecutor with the lists issued by the Committee on al Qaeda and Taliban Sanctions formed under the Security Council Resolution No. (1267) of 1999 and the subsequent resolutions thereto concerning the identification of persons and entities.
- b. Immediately upon receiving the lists from the Ministry of Foreign Affairs, the Public Prosecutor shall issue the necessary decisions to freeze the funds, assets and property of the persons and entities identified by the Committee formed under the Security Council Resolution No. (1267) of 1999 and the subsequent resolutions thereto, including the funds derived from other funds or assets or generated thereby and are owned or controlled directly or indirectly by such persons or persons acting on their behalf or at their instructions, whether such funds are with financial institutions, non-financial institutions or designated professions, or with other natural or legal persons, taking into account the rights of bona fide third parties. The control and supervision authorities must communicate such decisions to the

financial and non-financial institutions, designated professions and natural and legal persons.

- c. The financial and non-financial institutions, designated professions and natural and legal persons must freeze such funds, assets or other property immediately without prior notice to the persons or entities subject of the Freezing Orders, and inform the Unit of the funds, assets and property frozen in accordance with the provisions of this Article. The Regulations shall set forth the freezing mechanism and the governing procedures thereof.
- d. The Control and Supervision Authorities shall ensure compliance by the financial and non-financial institutions with the implementation of the decisions of the Public Prosecutor issued in accordance with the provisions of Paragraph (b) of this Article.
- e. Those who incur damage by the Freezing Orders or seizure decisions referred to herein may use all available diplomatic, legal or judicial means to revoke the freezing or seizure or to remove their names from the list in line with the international obligations of the Republic. Persons who have been inadvertently affected by the freezing or seizure procedures without being the persons or entities designated in those lists may use those available means.

The Regulations shall set forth the appropriate procedures for licensing the use of funds, assets or other property that have been frozen under the provisions of this Article for essential uses to cover basic expenses or to pay certain types of fees or expenses, service charges or extraordinary expenses.

Article (26):

- a. A Committee called the (National Committee on Anti-Money Laundering and Counter-Terrorism Financing) shall be established under the provisions of this Law. The Committee shall report to the Prime Minister and shall be based in the capital, Sana'a.
- b. The Committee shall have a legal personality and financial independence.
- c. The Committee shall be formed by virtue of a Prime Minister's based on a proposal from the Minister of Finance; and shall be made up of one representative from the following bodies based on their nominations:

1. Ministry of Finance	Chairman of the Committee
2. Central Bank of Yemen	Vice-chairman
3. Ministry of Justice	Member
4. Ministry of Interior	Member
5. Ministry of Foreign Affairs	Member
6. Ministry of Industry and Trade	Member
7. Ministry of Social Affairs and Labor	Member
8. Ministry of Communications and Information Technology	Member

9. Political Security Agency	Member
10. National Security Agency	Member
11. The Central Organization for Control and Auditing.	Member
12. Public Prosecution	Member
13. Supreme National Authority for Combating Corruption.	Member
14. General Authority for Investment	Member
15. General Authority for Land, Survey and Urban Planning	Member
16. Customs Authority	Member
17. The Financial Information Unit	Member
18. Yemen Banks Association	Member
19. The Federation of Yemen Chambers of Commerce and Industry	Member

- c. The Committee shall select one of its members to be its rapporteur.
- d. The Committee may seek the assistance of experts and technical specialists, at its discretion.

Article (27):

The Committee shall practice the following functions and tasks:

- a. Develop a national anti-money laundering and counter-terrorism financing strategy.
- b. Propose policies on anti-money laundering and counter-terrorism financing and submitting them to the Cabinet for approval.
- c. Study and follow up international developments in the field of anti-money laundering and the financing of terrorism and make recommendations on the development of guidelines, regulations and procedures issued by the Control and Supervision bodies in the Republic and propose legislative amendments in line with such developments.
- d. Raise awareness of the risks of money laundering and financing of terrorism.
- e. Coordinate the efforts of the bodies represented on the Committee.
- f. Organize and hold seminars and workshops related to anti-money laundering and terrorism financing
- g. Represent the Republic in international events and participate in meetings and conferences on anti-money laundering and terrorism financing.
- h. Develop and adopt the by-laws of the Committee's work.

- i. Discuss the Committee's budget and submit it to the competent authorities for incorporation in the public budget of the state.

Article (31):

The Unit shall be in charge of the following functions:

- a. Receive and analyze notifications received from financial and non-financial institutions, the designated professions, and the Supervisory and Control bodies on the suspicious transactions that include money laundering or financing of terrorism or any predicate offense associated therewith. Where appropriate, the Unit will forward the result of analysis of such notifications to the concerned authorities to take action.
- b. Establish a database for the information in possession and make it available to the public prosecution in accordance with the provisions of the Criminal Procedure Law.
- c. Request any additional information it deems useful to perform its functions if such information is linked to any information previously received during the performance of its functions or at the request received from counterpart units in other countries. Those having the duty of notification must provide the Unit with such information on the form approved by the Unit within a period not exceeding one week from the date of request unless the Unit specifies another period. The Unit may specify a shorter period of time according to the controls set forth in the Regulations.
- d. Inform the public prosecutor of the analysis outcome of the notifications, when it has serious indications of the existence of suspicion of money laundering, financing of terrorism or any predicate offenses associated therewith, together with the necessary conclusions.
- e. Request information from the following entities regarding the notifications received when the Unit deems it useful to perform its functions, or at the request of a counterpart unit:
 1. Supervisory and Control Entities.
 2. Any other government bodies.

The entities referred to above shall provide information to the Unit within a period not exceeding two weeks from the date of request.
- f. Notify the Committee and the Supervisory and Control Entities on any breach of the provisions of this Law by financial and non-financial institutions and designated professions that are subject to the provisions of this Law.
- g. Publish regular reports on its activities containing in particular statistical data and analytical studies in the field of anti-money laundering and financing terrorism.
- h. Make field visits to the entities and institutions covered by this Law to ensure compliance with the provisions of this Law and its Regulations.

- i. Participate in international and regional seminars, workshops, conferences and meetings related to its competences.

Article (32):

- a. The Unit may, upon its own initiative or at the request of counterpart units in other countries, exchange information with such units if they are committed to the rules of confidentiality and subject to the condition of reciprocity. This information shall not be used for any other purpose apart from anti-money laundering and counter-terrorism financing, subject to the prior approval of the providers.
- b. For the purpose of Paragraph (a), the Unit may enter into memoranda of understanding with foreign counterpart units performing similar functions and are subject to similar obligations of confidentiality.

Article (33):

The Public Prosecution shall receive, directly or through diplomatic channels, reports from any country that a person resident or existing in the Republic has committed any offense stipulated in this Law; and shall investigate such reports in accordance with the laws in force and the provisions of this Law.

Article (35):

- a. Subject to the provisions of bilateral or multilateral agreements on mutual legal assistance in which the Republic is a party, confiscation requests, relating in full or in part to a crime of money laundering or terrorism financing, shall be submitted to the competent judicial authority through diplomatic channels.
- b. Confiscation may not take place without the issuance of a final court ruling.
- c. A request for mutual assistance must include, in addition to the information set forth in Paragraph (c) of Article (34) of this Law, an official copy of the final judgment for the confiscation. Additional information may be requested from the states requesting the legal assistance for the purpose of enforcing the judgment.

In all cases, the state requesting the confiscation may be given access to such funds or their proceeds only after the signing of a bilateral agreement with the requesting state about the sharing of such funds.

Article (40): The Public Prosecution may, during an investigation or at the request of the Unit or the competent authority, issue decisions or orders of temporary seizure or freezing of the following funds or assets:

- a. Laundered property.

- b. The proceeds and the tools that have been used or intended for use in the money laundering and the predicate offenses.
- c. Property earned, used, intended to be used or allocated for use in terrorist acts, terrorism financing or terrorist organizations.
- d. Property equivalent in value of the funds or assets contained in Paragraph s (a, b & c) of this Article in order to prevent the trading in, the transfer or disposition thereof, subject to the rights of bona fide third parties.

Article (41):

- a. A perpetrator of a money laundering crime stipulated in Article (3) of this Law shall be punishable by imprisonment for a period not exceeding seven years.
- b. A perpetrator of a terrorism financing crime stipulated in Article (4) of this Law shall be punishable by imprisonment for a period not exceeding ten years
- c. In the event of conviction for any offense set forth in Articles (3 & 4) herein or any predicate offense, and without prejudice to the rights of bona fide third parties, the competent court shall rule to confiscate:
 - 1. Funds that constitute the proceeds of the crime, including the proceeds that are mixed with other property, or property in equal value of those proceeds.
 - 2. Funds forming the subject of the crime.
 - 3. Funds that make up the proceeds and other benefits derived from such funds or property or from the proceeds of the crime.
 - 4. Media and tools used to commit the crime.
 - 5. The funds referred to in the preceding Paragraph s of this Article, which has been disposed of to any third party, unless the court is satisfied that such property was acquired against the payment of an appropriate price or obtained against the provision of services commensurate with its value or based on other legitimate reasons, and that such third party was unaware of its illicit origin.

The confiscation must be made under a final court ruling in favor of the public treasury of the State.

- d. The court may rule with any supplementary punishment according to the laws in force. The punishments prescribed in Paragraph s (a) and (b) of this Article shall be doubled if the crime was committed by an organized criminal group or a terrorist organization or if the crime was committed as part of other criminal acts or in abuse of authority or power.

Article (43):

- a. Anyone who violates the provisions of Articles (6, 13, 15, 17/c., 17 bis/c., 18, 20, 23, 25) of this Law shall be punishable by imprisonment for a term not exceeding three years or a fine not exceeding ten million riyals.
- b. Anyone who violates the provisions of Articles (12, 31/c) shall punishable by imprisonment for a term not exceeding two years or by a fine not exceeding five million riyals
- c. Anyone who violates the provisions of Articles (7, 8, 9, 10, 11) of this Law shall be punishable by imprisonment for a term not exceeding one year or by a fine not exceeding one million riyals.
- d. In addition to the penalties provided for in Paragraph s (a, b, c) of this Article, the court may rule for one of the following supplementary penalties:
 1. Cancellation of the license.
 2. Prohibition from practicing the profession or activity.
 3. Changing managers or restricting their powers.
 4. Publishing the judgment against the violator.
 5. Any other supplementary penalties.

Article II

The following articles shall be added to Law No. (1) of 2010 concerning anti-money laundering and counter-terrorism financing:

Article (17) bis:

- a. The competent authorities in charge of combating terrorism shall prepare lists of the names of persons and entities that commit or attempt to commit terrorist acts, or participate in or facilitate the commission of such acts under the laws in force and the UN Security Council Resolution No. 1373 of 2001 and the resolutions subsequent thereto.
- b. The Public Prosecutor shall issue decisions to freeze the funds, property and assets of persons and entities whose names are on the lists in accordance with Paragraph (a) of this Article, including the funds derived from other funds or assets or generated thereby and owned or controlled, directly or indirectly, by such persons and entities or by persons acting on their behalf or at their instructions, and whether such funds are with financial or non-financial institutions, designated professions or other natural or legal persons, subject to the rights of bona fide third parties. The Control and Supervision Authorities shall communicate all such decisions to the financial or non-financial institutions, designated professions and other natural and legal persons.

- c. The financial and non-financial institutions, designated professions and natural and legal persons must freeze such funds, assets or other property immediately without prior notice to the persons or entities subject of the Freezing Orders, and inform the Unit of the funds, assets and property frozen in accordance with the provisions of this Article.
- d. The Control and Supervision Authorities shall ensure compliance by the financial and non-financial institutions with the implementation of the decisions of the Public Prosecutor issued in accordance with the provisions of Paragraph (b) of this Article.
- e. Those who incur damage by the Freezing Orders or seizure decisions referred to herein may appeal the decision of the Public Prosecutor before the competent court within 30 days from the date they become aware of such decision.
- f. The Regulations shall determine the freezing mechanism and the governing procedures thereof.

Article 17 bis (1):

- a. The Public Prosecutor shall receive requests for freezing submitted by any country relating to the freezing of funds, property or other assets of persons residing on the territory of the Republic. The Public Prosecutor shall examine such requests and decide thereon. In case of approval, he shall issue an order to freeze the funds, property or assets.
- b. The provisions of Paragraph s (c, d, e) of Article (17) bis concerning the obligations of financial and non-financial professions, designated professions, and Supervisory and Control Bodies in the enforcement of the Freezing Order issued under Paragraph (a) of this article and in the grievance against it.
- c. The Regulations shall set forth the necessary bases for handling requests submitted by any country for the freezing of funds and property.

Article (26) bis:

A criminal, civil or administrative action may not be lodged against the Chair of the Committee, or any of its members or employees, or against the Head of the Unit or any of its members or employees, or take any legal action against them due to their performance of the tasks assigned to them under this Law.

Article 41 bis:

In the event of a crime punishable under the provisions of this Law, and the perpetrator could not be convicted due to his death or because he was anonymous, the Public Prosecution shall have the right to refer the case to the competent court to rule for the confiscation of funds obtained therefrom, if the Public Prosecution provided sufficient evidence that they were proceeds of the crime. In all cases, the confiscation judgment must determine the funds involved, and must include the details needed to identify and locate such funds.

Article (44) bis:

- a. A punishment by a fine of not less than five million riyals shall apply to every legal person in the name or favor of which a crime of money laundering or terrorism financing was committed by a natural person who occupies a leading position therein, or who has authority to take decisions on its behalf or authorized to exercise power therein, regardless of whether the natural person was or was not convicted for committing the crime.
- b. The punishment prescribed for the legal person in accordance with Paragraph (a) of this Article shall not prevent punishing the natural person responsible for the actual management of the violating legal person using the same penalties prescribed for acts committed in violation of the provisions of this Law, if it is proved that he was aware of the crime or it has occurred due to his breach of the duties of his job or if it was the result of his negligence of his job duties.
- c. The Court may rule to subject the legal person to one of the following supplementary penalties:
 1. Suspend the practice of the profession or activity.
 2. Revoke the license to practice the profession or activity.
 3. Permanently or temporarily shut down the shop where the profession or activity is practiced or the associated facilities used in the commission of the crime.
 4. Liquidate its business.
 5. Place it under receivership in accordance with the provisions of the laws in force.
 6. Publish the verdict issued against it.

Article III

Paragraph (a) of Article (34) of Law No. (1) of 2010 concerning anti-money laundering and counter-terrorism financing shall be deleted.

Article IV

This Law shall take effect from the date of its issuance and shall be published in the Official Gazette.

Issued at the Presidency of the Republic in Sana'a

On September 12, 2013

Abed Rabbo Mansour Hadi
President of the Republic