

Information on  
AML/CFT Initiatives of MENAFATF:  
Background – History of MENAFATF and progress made in the region

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## **Introduction:**

1. Crimes of money laundering (ML) and terrorist financing (TF) represent a critical threat to the national economies and threaten the financial stability of the countries, as money laundering operations bring many of the risks at either the national economy or the banking system; they also have many negative effects on both the political and social aspects. The terrorist financing operations lead to serious repercussions such as intimidating the safe population and threatening the public security. Moreover, the risks emerging from these two crimes are not restricted to the national borders but they extend to affect several countries; therefore, they are considered as cross-border crimes.

2. What distinguishes these crimes also that they are complicated crimes; and this complexity is attributed to the high professionalism of the money launderers and terrorist financiers as they rely on organized mechanisms, they use advanced methods and the most sophisticated communication systems in order to make use of the services offered by the financial institutions and Designated Non-Financial Businesses and Professions (DNFBPs) to execute their operations.

3. The special nature of the ML/TF crimes has incited to consolidate the international efforts to combat these two crimes, whereas the world has early felt these risks and realized that the most effective weapons to face them is represented in the international cooperation and exchange of expertise; therefore, the Financial Action Task Force (FATF) was established in the late eighties as an international entity specialized in this area, which has issued the Forty Recommendations of Anti-Money Laundering and Nine Special Recommendations for combating the terrorist financing. In addition, the United Nations and the Security Council have issued conventions and resolutions relevant to this topic.

4. The MENA countries were affected with the international moves that began in recent decades to combat money laundering and terrorist financing, as the response of the governments of these countries was prompt and many actions and measures were taken to comply with international standards in this area. These actions and measures have included - among other things – issuance of legislations that included criminalizing these two acts and establishing the FIUs that serve as a center for receiving, analyzing and disseminating disclosure of STRs.

5. The Financial Action Task Force (FATF) encouraged the establishment of FATF Style Regional Bodies (FSRBs) to work similarly on its goals since the early nineties. This initiative could be an effective way to support the regional efforts in the field of combating such crimes, whereby eight FSRBs<sup>1</sup> have been established in this regard. The establishment of the Middle East and North Africa Financial Action Task Force (MENAFATF) to combat money laundering and terrorist financing has come in the context of the regional response of the region countries for this initiative and a desire to pool their efforts and support

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<sup>1</sup> In addition to the MENAFATF, there are 7 FSRBs: CFATF (established in 1992), MONEYVAL (established in 1997), APG (established in 1997), ESAAMLG (established in 1999), GAFISUD (established in 2000), GIABA (established in 2004), EAG (established in 2004).

the regional cooperation among them to combat these two crimes, as well as a need for disseminating and applying the international AML/CFT standards all over the region. Since the inception of the MENAFATF, the level of development in legislations, procedures and supervisory tools of the Member Countries is increasing year after another, especially if they are compared to the period that preceded the establishment.

### **First: MENAFATF Historical Background**

6. MENA Member Countries have expressed their beliefs in the importance of the regional and international AML/CFT cooperation and have taken practical steps since October 2003 to establish a regional entity in this field. And before the actual start of the Task Force, there were initial stages where several preliminary meetings have been held to discuss the idea of the formation and prepare a Memorandum of Understanding (MOU) therefore. These meetings continued to July 2004 until the start date has been defined.

#### **(a) Foundation and Establishment**

7. As the MENA countries are aware of the risks provoked by the ML/TF operations and the importance to face these risks effectively through regional cooperation, 14 countries<sup>2</sup> from the MENA region decided to establish the MENAFATF for combating money laundering and terrorist financing. Whereas a ministerial meeting was held on November 30, 2004, in Manama in the Kingdom of Bahrain and decided to establish MENAFATF; and the Member Countries signed the Memorandum of Understanding (MoU) for the establishment of the MENAFATF. Item 2 of the MOU provides that "MENAFATF is voluntary and co-operative in nature and is established by agreement between its members. It does not derive from an international treaty. It is independent of any other international body or organization and sets its own work, rules and procedures. Its work, rules and procedures will be determined by consensus between its members and it will co-operate with other international bodies, notably the FATF to achieve its objectives".

#### **(b) Members and Observers**

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

9. The observer status is granted to 13 countries and entities namely, the Palestinian Authority (joined in 2006), the Republic of France, the United Kingdom of Great Britain and North Ireland, the United States of America, the Kingdom of Spain (joined in 2006), the International Monetary Fund (IMF), the World Bank, the Gulf Cooperation Council (GCC), FATF, the UN Office on

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<sup>2</sup> 4 countries joined later on and the current member countries are: 18

Drugs and Crime (UNODC), Egmont Group and Asia-Pacific Group (APG) (joined in 2007), and the World Customs Organization (joined in 2008).

(c) **MENAFATF Objectives.**

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

- 1- To adopt and implement the 40 Recommendations of the FATF against money laundering;
- 2- To adopt and implement the Special Recommendations of the FATF against terrorist financing;
- 3- To implement the relevant UN treaties and agreements and United Nations Security Council Resolutions dealing with countering money laundering and terrorist financing;
- 4- To co-operate together to raise compliance with these standards and measures within the MENA Region and to work with other international organizations to raise compliance worldwide;
- 5- To work together to identify money laundering and terrorist financing issues of a regional nature, to share experiences of these problems and to develop regional solutions for dealing with them; and
- 6- To build effective arrangements throughout the region to combat effectively money laundering and terrorist financing in accordance with the particular cultural values, constitutional framework and legal systems in the member states.

(d) **MENAFATF Structure.**

11. In compliance with Item 7 of the Memorandum of Understanding (MoU), MENAFATF comprises two bodies: the Plenary and the Secretariat.

**1- The Plenary**

12. The Plenary is formed of appointed representatives by the member countries and who have an experience in AML/CFT issues. The Plenary sets the structure of the organization, and will be the decision making body of MENAFATF and executes its work plan. Item 8-4 of the MOU provides that the Plenary will meet at least once a year and have set the main functions.

**2- MENAFATF Secretariat.**

13. MENAFATF Secretariat, based in Manama in the Kingdom of Bahrain, fulfills all technical and administrative functions to perform MENAFATF work; Item 9-4 of the MOU includes the functions to be carried out by the Secretariat. The 4th MENAFATF Plenary Meeting (held in Al Ain, the UAE, November 2006) has adopted the Secretariat Organizational Structure which forms the best way to provide the Secretariat with the appropriate human cadres to fulfill its tasks, being the main coordinator of all activities of the MENAFATF seeking to achieve its desired objectives.

(e) **Relation with the FATF.**

14. The MENAFATF – as one of the FSRBs - enjoys strong relationships with the FATF. The MENAFATF works similar to the FATF and seeks to adopt, publish and promote AML/CFT international standards at the regional level and

particularly the recommendations issued by the FATF. Additionally, the MENAFATF works on implementing the same policies adopted by the FATF to improve the level of Countries' compliance in AML/CFT. MENAFATF used to have the status of observer at FATF and participated as such in its plenary meetings and in the meetings of its Work Groups (WGs) as well as other events and activities organized by the FATF until June 2007. Since then, the relationship has been developed after the MENAFATF was granted the status of "Associate Member" at FATF during the 3rd FATF plenary meeting, at its 18th session (held at the headquarters of the Organization for Economic Co-operation and Development (OECD) in Paris, France on June 2007).

15. With the status of Associate Member, MENAFATF is entitled to expand its participation in the works of the FATF by giving five of its member countries the opportunity to attend the meetings held by the FATF and its Working Groups (WGs), to take part in the deliberations and decisions and to express the regional perspective.

16. MENAFATF seeks to increase its participation in the FATF projects and topics; organizing the 1<sup>st</sup> Joint Plenary Meeting comes as a proof of support and reinforcement of the cooperation between both Groups allowing thus, more exchange of expertise between their Member Countries.

### **Second: MENAFATF's Roles and Evolution of its Work**

17. MENAFATF is working on several axes represented in assessing the extent of the commitment of Member countries with international standards and compliance with AML/CFT recommendations, and ensuring the effectiveness of its applicable systems and its compliance with these standards and recommendations. MENAFATF is working also on increasing the awareness among the Member Countries on modern methods, trends and techniques in ML/TF operations, and access to the best regional solutions to combat these crimes. It also works on assisting the Member Countries obtain the technical assistance and training at a high level supporting its efforts in combating money laundering and terrorist financing, and making the necessary arrangements and procedures for developing AML/CFT systems applicable therein.

#### **A) Mutual Evaluation**

##### **1- Mutual Evaluation Working Group (MEWG)**

18. The (MEWG) was created at the first Plenary (Manama, the Kingdom of Bahrain, April 2005) under the chairmanship of Egypt and membership of: Tunisia, the People's Democratic Republic of Algeria, the Kingdom of Saudi Arabia, the Arab Republic of Syria, Kuwait and Arab Republic of Egypt, in addition to the following observers: the International Monetary Fund (IMF), the World Bank and the FATF. This MEWG aims at working with MENAFATF Secretariat to prepare and organize the Mutual Evaluation program of MENAFATF member countries. The MEWG fulfills the following tasks:

- 1- Be responsible for the preparation and review of the Mutual Evaluation procedures and process, using the AML/CFT methodology approved by the FATF, IMF, and World Bank, and the submission thereof to the Plenary.

- 2- Cooperatively work to ensure that there is a mutual understanding on the methodology used in accordance with the concepts agreed upon by FATF, IMF and the World Bank.
- 3- Prepare standards and criteria to identify the skills and qualifications assessors must have.
- 4- Prepare and update the timetable of the member states' mutual evaluation, in cooperation with other financial institutions to avoid duplication or conflict among members' mandates.
- 5- Work towards increasing assessor's effectiveness and efficiency in coordination with the style working groups.
- 6- Study the whole results of the member countries' mutual evaluation to identify weaknesses or root problems in the arena of combating money laundry and terrorist financing which require special attention and present proposals needed to overcome these problems. It shall then submit the resultant material to the Plenary.

19. Since its formation, The (MEWG) held 12 meetings; during which he discussed many technical issues and submitted its recommendations thereof to the Plenary. Such issues are mainly:

- Mutual Evaluation timetable.
- Revised ME procedures.
- Process of follow-up of the assessed countries.
- Study of the whole results of the member states' mutual evaluation which have been assessed.
- Difficulties in the application of some recommendations.
- Assessor's effectiveness and efficiency.
- Issue of the unavailability of assessors.
- Executive mechanism for the technical study of issues within the mandate of MEWG.

## **2- The Most Important Features of the Revised Mutual Evaluation Procedures.**

20. Since more than one year, MENAFATF, through MEWG, is reviewing the ME procedures that were previously adopted in their current form at the 5th Plenary held in Jordan on April 2007. In general, the paper of the current ME procedures includes a number of topics that cover the core principles of the evaluation process and how to qualify, train and choose the assessors. It also includes the detailed evaluation process ' timetable, including the time required to prepare the onsite visits to Member Countries and even approving and publishing the mutual evaluation reports. As well as, the paper on mutual evaluation procedures includes a special item regarding the follow-up process that follows the mutual evaluation process and the report approval.

21. During the period extended from the 8th MENAFATF Plenary Meeting (Al Fujairah, United Arab Emirates, November 2008) until now, the WG is still inserting accurate and important amendments to the procedures' paper that would facilitate implementing the mutual evaluation procedures in the next stage in view of the results of the assessment processes completed so far in the first round of the evaluations conducted by the MENAFATF as well as in the framework of fulfilling their obligations and compliance of its procedures with



those of the Financial Action Task Force (FATF) and the counterpart regional groups. During this period, and given the importance of some aspects of the assessment process and the need to be modified on an urgent basis, some modifications have been immediately made to the mutual evaluation procedures, including the adoption of the automatic publication of the mutual evaluation reports immediately after their adoption (the 9th Plenary - May 2009), and revising the follow up process.

22. One of the most important features of the amendments that are made currently on the paper of the ME procedures - in addition to the above two topics – is to develop working mechanism of the Expert Review Group to ensure increasing the quality of the MERs before they are discussed by the Plenary, as well as to increase the efficiency of the qualification and training processes of the assessors to find a sufficient number of experts who can be relied upon by MENAFATF in carrying out the assessment at the required level. The amendments also include reorganization of the timeline required for completion of the assessment process and the preparation of the Mutual Evaluation report, including re-arranging face-to-face meetings between the evaluation teams and countries to be assessed and the time periods required for each party of the evaluation process to complete its work in an optimal way, as well as to regulate the process of discussing the MERs at the Plenary sessions in order to achieve maximum benefit from the allocated time, while maintaining the right of countries assessed to raise any points in the open debate of the reports.

23. The revised version of the paper of the ME procedures will be presented to the MEWG to be discussed during an intersessional meeting before the 11th MENAFATF Plenary Meeting which will be held in Tunisia during the month of May 2010; during such meeting, the revised procedures will be discussed upon a recommendation by the Working Group to consider adoption and implementation thereof.

### **3- Assessors Training.**

24. The achievement of the mutual evaluation process requires training the experts of the member countries in the AML/CFT field on implementing the AML/CFT methodology issued in 2004 by the FATF in measuring to which extent the member counties comply with the FATF recommendations. For this reason, the MENAFATF always ensures to train and qualify a number of assessors by holding specialized workshops to train and qualify them in order to enable them to participate in the mutual evaluation processes efficiently and effectively. MENAFATF has organized until date three workshops to train the assessors:

- The 1st workshop was held in the State of Kuwait from 17-21 December 2005 in collaboration with the Central Bank of Kuwait, the IMF, the World Bank and the FATF. Forty five experts were trained in this workshop.
- The 2nd workshop was held in the State of Qatar from 11-15 November, 2007 in collaboration with the National Committee for AML/CFT in the State of Qatar, the IMF, the World Bank and the FATF. Forty experts were trained in this workshop.

- The 3rd workshop was held in the Kingdom of Bahrain from 28 June to 02 July, 2009 in collaboration with the Central Bank of Bahrain, the IMF and the World Bank. Twenty seven experts were trained in this workshop.

25. In continuation of the great efforts for training and qualifying a sufficient number of evaluators, the MENAFATF is planning to organize the forth workshop for training and qualifying the evaluators in collaboration with the IMF, the World Bank and the FATF in the United Arab Emirates in September 2010.

#### **4- First Round of the Mutual Evaluation Process.**

- Countries whose Mutual Evaluation Reports (MERs) were approved.

26. In order to verify the compliance of AML/CFT systems in MENAFATF member states with FATF Recommendations, the MENAFATF adopted a timeline for completing the first round of the mutual evaluation process of the combating systems in the member countries. The MENAFATF started implementing the timeline schedule for the first round in 2006 and kept doing so until end of 2009. MENAFATF adopted mutual evaluation reports for 11 countries according to the following statement:

No.	Country	Entity that conducted the Assessment	Date of Discussion and Adoption
1	The Kingdom of Bahrain	IMF	The 4th Plenary Meeting (November 2006)
2	The Islamic Republic of Mauritania	World Bank	
3	The Arab Republic of Syria	MENAFATF	
4	The Republic of Tunisia	World Bank	The 5th Plenary Meeting (April 2007)
5	The Kingdom of Morocco	MENAFATF	The 6th Plenary Meeting (November 2007)
6	The State of Qatar	IMF	The 7th Plenary Meeting (April 2008)
7	The United Arab Emirates		
8	The Republic of Yemen	MENAFATF	
9	The Arab Republic of Egypt	World Bank	The 9th Plenary Meeting (May 2009)
10	Hashemite Kingdom of Jordan	MENAFATF	
11	Republic of Lebanon	MENAFATF	The 10th Plenary Meeting (November 2009)

- The Mutual Evaluation of AML/CFT system in the Kingdom of Saudi Arabia.

27. As the Kingdom of Saudi Arabia is one of the Arab Gulf Cooperation Council (AGCC), the mutual evaluation of the applied combating system has been jointly done by the MENAFATF and FATF. A team composed of members of the Secretariat of the two groups and experts of some of their member countries paid an onsite visit to the Kingdom of Saudi Arabia during the period of 1-11 March 2009. The Mutual Evaluation Report will be presented before the 11th MENAFATF Plenary Meeting to be held in Tunisia in May

2010 for discussion and adoption; provided that it is discussed and adopted as well in the FATF Plenary Meeting which will be held in June 2010.

– Onsite Visit to the People’s Democratic Republic of Algeria.

28. The MENAFATF completed the onsite visit to the People's Democratic Republic of Algeria from 6-17 December, 2009 for evaluating the AML/CFT system, and the Mutual Evaluation Report will be presented before the 12th MENAFATF Plenary Meeting to be held during October/November 2010 for discussion and adoption.

– The Remaining Countries in the First Round.

29. There are five countries remaining in the first round of the mutual evaluation process (the Republic of Sudan, the Sultanate of Oman, the State of Kuwait, the Great Socialist People's Libyan Arab Jamahiriya), which evaluation should be completed in 2010 and 2011 according to the revised timeline adopted by the 10th MENAFATF Plenary Meeting. As for the fifth country, i.e. the Republic of Iraq, the date of the onsite visit has not been yet determined for objective reasons.

**5- The Revised Follow-up Procedures.**

30. As mentioned above, significant amendments were made to the follow-up procedures following the adoption of the MERs by the Plenary. There was a need to do and apply such amendments immediately (as of the date of its adoption before the 10th MENAFATF Plenary Meeting - November 2009) for many considerations, most important of which was to remove the confusion that encircled the previous follow-up procedures regarding the period during which the countries are obliged to provide the follow-up reports on their progress in order to address the deficiencies shown in the MERs and clarify the names of the follow-up process types for the member countries.

31. The scope of the follow-up process has been expanded, as it was divided into three types rather than two, through adding information update process for all countries along with the regular follow-up process and the enhanced follow-up one. In addition, the revised follow-up procedures gave the countries that are subjected to it the opportunity to leave the follow-up process according to obvious and specific actions. One the most important aspects of the revised follow-up procedures is to accelerate the discussion of the first follow-up reports for the countries that have been evaluated after almost two years from the date of the adoption of the MER, rather than discussing the reports of the first follow-up after two and half years from the date of discussion of the MERs.

(a) **Technical Assistance, Training and Typologies**

**1- Technical Assistance and Typologies Working Group (TATWG).**

32. TATWG was formed in the 1st MENAFATF Plenary Meeting (Manama, the Kingdom of Bahrain, April 2005) under the chairmanship of the UAE, and membership of the Kingdom of Bahrain, the Republic of Lebanon, the Kingdom of Morocco and the Republic of Yemen, in addition to the following observers: IMF, World Bank, UNODC, FATF, and USA. The TATWG fulfills the following tasks:

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

33. Since its formation, the Technical Assistance and Implementations Working Group (TATWG) held nine meetings, in which it discussed a number of important technical issues in the technical assistance and typologies, followed up on the related developments, and submitted its recommendations to the Plenary. Among the issues the team has discussed:

- A framework and mechanism of the typologies workshops and projects.
- Donors efforts in providing technical assistance for the MENAFATF member countries
- Assessors training.
- Developing a MENAFATF training mechanism by proposing and implementing the "Guide for training various agencies in the field of Anti-Money Laundering and Combating the Financing of Terrorism."
- Developing typologies mechanism by forming Typologies Experts Group.
- Follow up on all the arrangements of holding the different training sessions, seminars and conferences that are organized by MENAFATF.

## **2- Typologies Topics**

### **– "Existing / Emerging Cross-Border Payment Methods and their vulnerabilities to ML/TF" Project.**

34. Recognizing the importance of cross-border payment methods and the volume of the risks associated with them being exploited by money launderers or terrorism financiers, MENAFATF typologies project concerning "Existing / emerging cross border payment methods and their vulnerabilities to ML/TF" was suggested. The 2nd MENAFATF Plenary Meeting, which was held in Lebanon in September 2005, unanimously approved the suggested project.

35. The project aimed at reviewing ML/TF risks associated to the cross-border payment methods, determining their vulnerabilities to ML/TF operations, examining the regulatory measures taken (if any), developing a comprehensive study in this regard, and publishing the same in the report on typologies. The project managers in cooperation with MENAFATF Secretariat drafted the report on typologies, that was approved by the MENAFATF 5th Plenary Meeting (Dead Sea, Hashemite Kingdom of Jordan, April 2007) and published on the MENAFATF website.

### **– "ML/TF Indicators and Trends in the MENA Region" Project.**

36. In the framework of the MENAFATF typologies, the topic entitled "ML/TF indicators and trends in the MENA region" was suggested. The main objective of this project is to gather and examine the information available on ML/TF indicators and trends in the Middle East and North Africa, whereby they will then discuss and analyze the information collected by the project team during the workshop before drafting a report on the results.

37. In the framework of implementing the action plan of this project, a number of cases were analyzed and the paper on the results of this analysis was drafted; such paper was discussed by the Typologies Expert Group at a workshop held in Qatar in January 2010. The final report of the "ML/TF indicators and trends in MENA region" project will be submitted to the meeting of The Technical Assistance and Implementations Working Group (TATWG), which will be held on the sidelines of the 11th Plenary Meeting, to be held during May 2010 in Tunisia to discuss the adoption of this report then publish the same on the MENAFATF website.

## **3- Typologies Workshops**

38. Organizing the Typologies workshops aims to obtain materials and information necessary to assist legislators in the MENAFATF countries in developing and improving AML/CFT laws and regulations and to help the competent authorities such as supervisory authorities, Law Enforcement Agencies (LEAs) and Financial Intelligence Units (FIUs) activate their role in AML/CFT arena.

39. On 16 November 2006, the MENAFATF held (on the sidelines of the 4th MENAFATF Plenary Meeting) the first Typologies workshop to clarify and define the Financial Intelligence Units with the extract indicators of Typologies

cases. This workshop was attended by a large number of representatives of member countries and observers.

40. The second Typologies workshop was held in the framework of the Typologies experts group on the "ML/TF indicators and trends in the MENA region". Qatar hosted this workshop during 10-11 January 2010. It reviewed a number of sanitized cases by some member countries and discussed the paper prepared on the analysis results of sanitized cases received by the Typologies experts group from the member countries to participate in this project. This workshop was attended by 29 experts (most of them, members of the Typologies Expert Group) representing 14 of the member countries.

#### **4- Technical Assistance.**

41. Technical assistance is an important part of the MENAFATF program to assist the member countries in applying the international standards. Coordination with the donors for providing the member countries' needs in the field of technical assistance is one of the most important tasks undertaken by the MENAFATF Secretariat in collaboration with the Technical Assistance and Typologies Working Group (TTWG).

42. Based on this, MENAFATF has set a clear strategy of action, ranging from the stage of identifying the needs of member countries to studying and discussing such needs to find a suitable mechanism and to develop practical frameworks for providing the technical assistance in adequate and timely manner to support and develop the combating systems of member countries. A questionnaire was prepared to identify the required technical assistances - distributed to all member countries and published on the MENAFATF website. Some of these countries returned, after completing it, to the Secretariat to coordinate with donors with the aim to identify the most important needs of such countries in terms of technical assistance and work to provide the same. Some member countries have benefited from this mechanism and obtained some of the needed technical assistance.

43. In the view of the practical applicability, there was a need to develop this mechanism in order to assist countries and facilitate its access to the technical assistance. Completing the technical assistance questionnaire represents a burden to some extent due to its large size. The existing mechanism did not allow monitoring the implementation of technical assistance provision programs for the member countries accurately, and it also did not help developing priorities for the implementation of these programs, which would help rationalize time and effort and do better allocation of the available resources.

44. In the context of seeking to develop work and provide assistance to all member countries and encourage them to benefit from the technical assistance programs provided by the donors according to the countries' needs, the Technical Assistance and Typologies Working Group (TATWG), in its 9th meeting held on the sidelines of the 10th MENAFATF Plenary Meeting (Beirut, Lebanon, November 2009), agreed on a new mechanism to identify the countries' needs in terms of technical assistance. This new mechanism is a matrix that helps identifying the exact technical assistance needs of each



country, determine the implementation priorities and identify the donor of such assistance and the time expected to accomplish or implement such assistance. The Plenary meeting has adopted the above-mentioned matrix.

45. Work is under way to start putting the new mechanism in place through the dissemination of the matrix to all member countries; as well, the countries shall provide the MENAFATF Secretariat with this matrix after the completion of its needs in terms of technical assistance. The Secretariat will coordinate bilateral meetings between each country requesting a technical assistance and donors of such assistances on the sidelines of each Plenary Meeting to develop plans for providing such assistance, agreeing on the remaining items of the matrix, and beginning with the implementation. To follow up on the implementation, the Secretariat will receive semi-annual reports from the donors on implementing what has been identified in the matrix for each country. In addition, the Secretariat will prepare periodic reports on the results of implementation follow-up to be presented to the TATWG, then to the MENAFATF Plenary Meeting.

## **5- MENAFATF Efforts in Training.**

### **– "Training manual for different authorities in the ML/TF"**

46. Recognizing the importance of the training as an essential method to raise awareness level and increase knowledge among staff in different authorities and improve their performance, and to assist such authorities carry out their roles in combating money laundering and terrorist financing and execute efficiently their tasks, the 8th MENAFATF Plenary Meeting (Al Fujairah, UAE, November 2008) – according to a proposal from the secretariat - has adopted "AML/CFT Training manual for different authorities " in order to develop a training mechanism in the MENAFATF. This manual is a reference for MENAFATF, upon selecting topics for training courses or seminars that could be organized by member countries according to their needs.

47. This manual covers most of the competent authorities involved in AML/CFT, reviews training fields that may be required by these authorities to help them perform their roles in combating field to the fullest and commit to its requirements in accordance with the international standards and recommendations.

48. This manual is as appropriate to the needs of member countries, where it had been submitted to these countries to explore their views about the contents of its chapters and it was modified according to the feedback made by them. It is also a comprehensive and specialized manual reviewing the areas of specialized training for the majority of the authorities concerned in AML/CFT. It also features flexibility in implementation as the training areas existing in one chapter could be divided to more than one training course, or selecting some of them as to be appropriate and suitable to the needs of member countries and consistent with their conditions, strategies and priorities. The manual has independent chapters, i.e. it does not require to be applied in a sequential manner, where you can apply some or all of them in parallel or by choosing, regardless of the order listed in the manual.

– Training and Participating in the Events:

49. Participation in the various important events in the field of combating money laundering and terrorism financing is one of the most important means MENAFATF adopted to continue raising the awareness level, and following-up the recent developments in the field of ALM/CFT and supporting the efforts of countries in this area by participating in various meetings, conferences and symposia, including:

- Participation of the Central Bank of the United Arab Emirates in organizing a number of international conferences on Hawala.
- Participation of the Union of Arab Banks in organizing many seminars and conferences on combating money laundering and terrorist financing, and the annual conferences of the Compliance Officers.
- Participation of various central banks and competent authorities in organizing seminars and conferences on the banking sector, etc.

50. The activities organized by MENAFATF or in which they participated whether in the framework of the training manual or others (other than the typologies workshops and assessors training) are as follows:

- ◀ On 13 - 14 April 2005, the International Monetary Fund (IMF) and the World Bank cooperated with MENAFATF in organizing a symposium on "Increasing Awareness" on the sidelines of the 1st MENAFATF Plenary Meeting held in Bahrain to brief the representatives of MENAFATF about the developments of AML/CFT issues.
- ◀ On 28 September 2005, MENAFATF in cooperation with the International Monetary Fund / World Bank / UN Office on Drugs and Crime (UNODC) organized "Technical Assistance Forum", in which the donors presented the technical assistance programs followed by bilateral meetings.
- ◀ On 29 September 2005, MENAFATF organized a seminar on "Mutual Legal Assistance", which highlighted the major challenges regarding the Mutual Legal Assistance (MLA).
- ◀ In the period 2-6 April 2006, MENAFATF participated in collaboration with the World Bank in organizing the workshop entitled "Training the Trainers" in Cairo. This workshop aimed to help building and strengthening the institutional capacity to develop AML/CFT system through a comprehensive training, where the program has provided the participating countries with the tools, skills and knowledge needed to build and strengthen the legal and supervisory frameworks necessary to implement the action plan in the country.
- ◀ In April 4, 2007, MENAFATF organized a seminar for its member countries on preparation for the mutual evaluation process at the Dead Sea, Jordan. The seminar aimed at preparing and qualifying the countries for the mutual evaluation process, where the objectives, mutual evaluation procedures, FATF recommendations and AML/CFT, 2004 methodology and Handbook for Countries and Assessors have been defined. Also, the evaluation procedures of the member countries set by the International Monetary Fund (IMF) and World Bank have been indicated.



- ◀ MENAFATF held a workshop on the Designated Non-Financial Businesses and Professions (DNFBPs) and Politically Exposed Persons (PEPs) in Algeria during 18-20 February 2008.
- ◀ MENAFATF also held a workshop of Financial Intelligence Units (FIUs), in Al Fujairah, United Arab Emirates during 12-13 November 2008.
- ◀ MENAFATF held a training course on financial analysis techniques in AML/CFT in cooperation with the Special Investigation Commission in the Republic of Lebanon and the Technical Assistance Office in the U.S. Treasury Department from 31 March to 02 April 2009 in Beirut, Lebanon.
- ◀ MENAFATF in collaboration with the World Bank and USA and the Central Bank of Bahrain, as host of this event, organized a seminar on the role of law enforcement officials on May 21, 2009 on the sidelines of the 9th MENAFATF Plenary Meeting (Manama, the Kingdom of Bahrain, May 2009). About 35 participants have attended this seminar.

51. The training fields planned for the next period (short term) include the following:

- ◀ A joint workshop with the International Monetary Fund, in coordination with the Middle East Technical Assistance Center (METAC) and financial support from the Multi-Donor Trust Fund (MDTF) according to the issues of AML/CFT at the IMF. This workshop will be held in Lebanon during the period 22 to 26 February 2010. It will be designated to the countries which will be subject to the mutual evaluation process in 2010 and 2011, namely Kuwait, Libya, Oman and Sudan. The workshop will cover the content of the Mutual Evaluation Questionnaire (MEQ) as well as the on-site visit, and the successful mutual evaluation in general.
- ◀ A joint workshop with the World Bank to train employees in the banking supervision authorities in AML/CFT, which will be held on the sidelines of the 11th MENAFATF Plenary Meeting in Tunisia, May 2010. The primary objective of the workshop relies in how to create an effective supervision framework on the banking sector in the field of AML/CFT. This workshop is addressed to those who undertake the role of banking supervision regarding the AML/CFT, whether professionally or as part of their work in the banking supervision in general, and whether they are involved in the office supervision or field supervision.

52. The training fields planned for the next period (medium and long terms) also include the following:

- ◀ In the context of implementing the training manual, the MENAFATF seeks to hold training courses, seminars and workshops for various concerned authorities in AML/CTF. Some authorities will be given a priority during the coming period, where arrangements will be made to hold a series of courses, seminars and workshops for training judges and officials of public prosecution and customs.

**(b) Ad-hoc Committees.**

53. In the context of MENAFATF framework, and in the view of seeking to achieve its objectives, Ad-hoc Committees were formed to carry out the researches and technical studies, study important topics linked to the region with a view to spread best practices that can be applied by member countries to strengthen its legislations and regulations in the area of combating. Five committees were formed on Hawala (2005), Cash Couriers (2005), Charities (2005), Designated Non-Financial Businesses and Professions (DNFBPs) (2007), and Politically Exposed Persons (PEPs) (2007).

54. These committees held several meetings in addition to a workshop on Designated Non-Financial Businesses and Professions (DNFBPs), and Politically Exposed Persons (PEPs)<sup>3</sup>, which aimed at identifying the best practices in the work field of each ad-hoc committee through the experiences of the MENAFATF member countries, some countries and the supervisory authorities and benefit from the discussions made between the experts who participated in the workshop.

55. Hawala, Cash Couriers and Charities ad-hoc committees issued papers of best practices, which were adopted by the Plenary Meeting and published on the website of the MENAFATF. On another hand, both Designated Non-Financial Businesses and Professions and Politically Exposed Persons (PEPs) committees issued two comprehensive reports that were submitted to the 8th MENAFATF Plenary Meeting (Al Fujairah, United Arab Emirates, November 2008), which in its turn approved the publication of two papers on these topics containing the guidance suggested by each committee, on the MENAFATF website and circulated it to all MENAFATF member countries.

**1- Hawala ad-hoc Committee**

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

**2- Cross-borders Cash Couriers ad-hoc Committee**

57. The paper issued by Cross-borders Cash Couriers ad-hoc Committee included the importance of carrying cash, and the risks that the countries may face in case the money transfer through the borders was used as a means for laundering money or for financing terrorism. The paper also included the SR.

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<sup>3</sup> Organized in the People’s Democratic Republic of Algeria in February 2008.

IX which was issued by the FATF; it also included the systems that could be implemented by the member countries on the basis and measure of the international best practices.

### **3- Charities ad-hoc Committee**

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

### **4- Designated Non-Financial Businesses and Professions ad-hoc Committee. (DNFBPs)**

59. The report, prepared by the Designated Non-Financial Businesses and Professions, included an overview on designated non-financial businesses and professions, measures of combating money laundering and terrorism financing, to what extent the different categories of designated non-financial businesses and professions specified in the MENAFATF Countries are widespread, and to what extent these categories are subjected to control and supervision by Self-Regulatory Organizations (SROs) or government agencies. The report included also the legislative and regulatory framework of this committee in the field of combating money laundering and terrorism financing.

60. The Committee issued guidelines for MENAFATF member countries on the Designated Non-financial Businesses and Professions (DNFBPs) in the paper<sup>4</sup> prepared on "Designated Non-Financial Businesses and Professions in the field of combating money laundering and terrorist financing". It also included the risks associated with the Designated Non-Financial Businesses and Professions (DNFBPs), AML/CFT international requirements related thereto, the applicability of risk-based approach by it and other competent authorities, and examples to help some of these businesses and professions identify the unusual operations.

### **5- Politically Exposed Persons (PEPs).**

61. The report, prepared by the Politically Exposed Persons (PEPs) Committee, included experiences of MENAFATF member countries in the field of the obligations imposed on dealing with the Politically Exposed Persons (PEPs), and the findings made by the committee regarding the analysis of the definition adopted for this category by the FATF.

62. The Committee issued guidelines for the countries on how to deal with the Politically Exposed Persons (PEPs) in a paper prepared about "Politically Exposed Persons (PEPs) in the field of combating money laundering and

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<sup>4</sup>Published on the MENAFATF website.

terrorist financing". This paper also included the definition of the Politically Exposed Persons (PEPs), international requirements on dealing with them, the risks associated therewith, and some variables that may affect determining the degree of risk associated with the Politically Exposed Persons (PEPs) (such as the nationality of Politically Exposed Person (PEP), his position, power and competence, volume and complexity of business relationships, quality of products or services rendered to him, the external parties he deals with, the challenges associated with implementing enhanced due diligence measures), managing and reducing such risks.

**(c) Dialogue with the Private Sector.**

63. The dialogue with the private sector is important to ensure spreading and applying the international standards and effectively abiding by AML/CFT requirements, as well as overcoming the challenges that may be related thereto. MENAFATF is keen to communicate and make dialogue with the private sector as it is a key partner in the field of combating money laundering and terrorism financing. The 9th MENAFATF Plenary Meeting (Manama, Bahrain, May 2009) adopted a mechanism of dialogue with the private sector, through holding dialogue meetings with this sector from time to time. The representatives of the concerned authorities from the private sector are invited to such meetings according to the topics of dialogue.

64. The dialogue mechanism with the private sector aims at contributing to achieve a better understanding by the private sector in the MENA region to the international standards for combating money laundering and terrorist financing, identifying AML/CFT risks associated with the works undertaken by the private sector, proposing the appropriate measures to address it, identifying the challenges facing the private sector in applying standards to combat money laundering and terrorist financing, finding the appropriate solutions to overcome such challenges, reviewing the modern and sophisticated institutional AML/CFT policies and procedures, studying the topics of dialogue and proposing recommendations or the appropriate instructions to be submitted to the MENAFATF Plenary Meeting to discuss the same and take the appropriate decision in this regard.

65. This mechanism allows the participation of all the parties concerned in the meetings:

- Representatives of the private sector (financial institutions, Designated Non-Financial Businesses and Professions - DNFBPs) of the concerned authorities in the member Countries such as unions, associations or syndicates. In addition to some large private sector institutions, especially those that operate according to the mechanisms of the Financial Group, unions, syndicates, and regional and international associations concerned with the private sector issues.
- MENAFATF representatives (MENAFATF Presidency and the Secretariat and MENAFATF two working Chairs).
- Representatives of other bodies (other regional and international organizations and bodies that may be important to attend when discussing specific topics, as needed).

66. In order to activate this mechanism, the first meeting of the dialogue with the private sector was held. This meeting was an introductory one at the level of the banking sector only, in which the representatives of this important sector was acquainted with details regarding the adopted mechanism and the objectives of dialogue with the private sector, and having knowledge of their points of view on methods to support the communication and strengthen the mutual action and in particular with regard to the priorities and future work areas in light of the objectives of the dialogue with the private sector, and means of proposed communication to take advantage of the adopted mechanism.

### **Third: Most important features of the development of AML/CFT in MENAFATF countries**

67. In any country, AML/CFT system is based on a number of basic elements that are indispensable in order to find a real and effective system that enables the country essentially adhere to its duties in combating these two crimes at the local level, help to prevent these crimes and reduce it also at the international level. One of the main pillars represented is the issue of criminalization, as there is no way to take any preventive measures and punitive actions in this context except in presence of a legal text that unequivocally determines the moral and material elements of the acts constituting these two crimes. In addition to criminalization, FIUs are the cornerstone of any AML/CFT system. The role of these units is to help detecting the operations that contain money laundering or terrorist financing by linking the efforts of all concerned authorities (whether supervisory authorities, financial institutions, law enforcement agencies or judicial authorities) and to monitor the effectiveness and efficiency of the combating system in general in order to develop it and continually improve its effectiveness. The cooperation at the international level is very important in the field of combating money laundering and terrorist financing, given its extraterritorial nature and extends through the financial systems of countries in many cases.

#### **(a) Criminalization of money laundering and terrorist financing.**

68. The act of money laundering has existed for many years, but the name and legal description is found in recent decades. The need for categorizing the crime of money laundering as a separate crime in the light of the need to deny criminals from using illicit funds, which they are trying to legitimize it by hiding their illicit origin; such need has appeared. Thus, the cornerstone of combating the criminal organizations is to dry up its financial resources, to close any loopholes or ports that can be exploited by money launderers in the international system. The international community is adopting such principle by issuing conventions and international standards (Vienna and Palermo Conventions and FATF Recommendations) that define the scope of this crime and its elements as all Countries can establish a combating system accordingly.

69. On the other hand, terrorist financing has linked to the crime of terrorism, which the human society has suffered from ancient times. With the same approach taken to combat the predicate crimes through drying up the financial resources of the perpetrators by criminalizing money laundering, the need to suppress the financing of terrorism with the same concept has appeared. The importance of this trend has increased following the events of September 11,

which has attracted the attention of all countries to the similarities between the mechanisms that bring money laundering and terrorist financing together and through using the clean money in many cases (blackening money). Therefore, all Countries also paid a special attention for combating TF act through criminalizing it, according to international standards that are represented in the United Nations Convention for the Suppression of the Financing of Terrorism.

70. Keeping pace with the international efforts in the field of combating money laundering and the financing of terrorism, the countries have paid a great importance to combat these two phenomena. The criminalization of money laundering and terrorist financing has become an urgent legislative need to ensure real protection for the national economic activities, provide the appropriate conditions to achieve the goals of development, and to make the economic climate more fair and appropriate for the requirements of commercial life. Considering the negative impacts of these two crimes, most of MENAFATF member countries exerted tangible efforts to confront it through legislations that provide criminalizing ML/TF acts and prosecuting the perpetrators of these crimes, and take all what it finds appropriate to prevent the entry of suspected funds into the national economies and prevent its exploitation to execute the terrorist crimes.

71. MENAFATF Member Countries have faced, and are still facing, a number of challenges in AML/CFT field, on the legislative level, as well as on the applicability level, due to the insufficient expertise and resources.

### **Challenges on the Legislative Level:**

In the field of combating money laundry:

72. The criminalization of the act of money laundering was linked to some of the challenges on the level of legislative culture on one part, and on the level of the legislative text on the other part. From one part, there were initially some opinions that argued that there is no need for a specific legal provision criminalizing the act of money laundering, on the basis that such an act can be subjected to the provisions of the concealment crime or illicit enrichment. The international efforts have combined in the field of criminalization, as well as increasing the awareness of the legislative bodies in the MENAFATF countries and increasing its commitment to the internationally agreed on treaties and principles to change this culture gradually and reaching the conviction that the criminalizing acts and forms of money laundering need a new legal provision as these forms cannot be included in the traditional criminal descriptions.

73. As for the legislative text, it was not easy to give full legal description for the acts constituting the crime of money laundering (definition of money laundering crime). Therefore, the MENAFATF countries have resorted to adopt the definitions stipulated in the international conventions. However, the challenge of the legislative text was not restricted to the definition, but it extended to find new and integrated systems regarding the means of combating, as it was found that the traditional systems based on the idea of subsequent combating are ineffective in combating money laundering based on the



preventive concept. Thus the countries have established what is known as the Financial Intelligence Units (FIUs).

74. Despite the challenges referred to, all MENAFATF countries have put legislative frameworks to criminalizing the act of money laundering and codifying the preventive actions and procedures for combating money laundering starting from 2001 in some countries. Many countries have recently amended their legislations to conform more with the international standards (see table below). Also, a number of countries that have undergone evaluations are reviewing their legislations and are about to enact new laws to develop the combating systems therein. It is worth mentioning that prior to 2001, there were some criminalization forms in the region for ML acts, but in narrow manner. Tunisia, Mauritania and Lebanon criminalized the ML act resulting from the drug trade only in 1992, 1993 and 1998 respectively. In addition, Jordan has created the crime of money laundering in insurance activities in 2002 before expanding the scope of this act in 2007.

75. The following table illustrates that the criminalization percentage of act of money laundering in MENAFATF countries is 100%, even if the dates of criminalization vary.

<b>State</b>	<b>Law criminalizing the act of money laundering</b>
1.Jordan	Law 46/2007
2.UAE	Law 4/2002
3.Bahrain	Law decree 4/2001, amended by law 54/2006
4.Tunisia	Law no. 75/2003, amended by law 95 of 2009
5.Algeria	Law 05/01 of 2005
6.KSA	Law 39 of 2003
7.The Arab Republic of Syria	Legislative decree no. 33 of 2005
8.The Sudan	Law amended on 7 January 2010
9.Oman	Decree dated 23/7/2003
10. Qatar	Law 28/2002, amended in 2003
11. Iraq	Law 93/2004
12. Kuwait	Law 35/2002
13. Lebanon	Law 318/2001, amended as per law 547/2003
14. Libya	2/2005
15. Egypt	Law 80/2002, amended in 2003 and 2008
16. Morocco	Law 05-34 of 2007
17. Mauritania	Law no. 47/2005
18. Yemen	Law no. 1 for combating money laundering and terrorist financing of 2010 issued on 17/1/2010

76. With regard to the predicate offences, it is worth mentioning that a number of countries in the region chose the list approach to define the predicate offences for money laundering act (United Arab Emirates, Syria, Sudan, Qatar, Lebanon, Egypt, Morocco, Yemen). While some other countries chose the broad approach (Bahrain, Tunisia, Algeria, KSA, Iraq, Kuwait, Libya). Some other countries chose the threshold approach (Jordan, Mauritania).

Regardless of the approach followed by the countries, all MENAFATAFT countries strive to expand the scope of predicate offenses so as to include at least a number of the crimes contained in each of the 20 designated categories of crimes<sup>5</sup>.

*In the field of terrorist financing:*

77. As for the field of criminalizing terrorist financing, the MENAFATF countries are facing at the legislative level a challenge due to the absence of a definition agreed on internationally for the terrorism phenomenon until date. This matter is one of the greatest challenges that can confront the legislator. How the legislator can be punished for financing an act that does not have a clear legal definition as required by the basics and principles of the penal law.

78. It is worth mentioning that the Convention for the suppression of terrorist financing included the definition of terrorist acts only; such definition forms the basis for the financing crimes concept provided for therein. The FATF has adopted such definition; but with the addition of another requirement by expanding the scope of terrorism financing crimes to include the financing of terrorist person and terrorist organization. Therefore, defining the crime of terrorist financing in the legislations of some of the member countries include financing terrorist acts without any indication to the financing of terrorist organizations and terrorist individuals, which matches the agreement except for the FATF recommendations, which represents in itself the 2nd challenge for the countries.

79. Notwithstanding the foregoing, the Arab Convention for the Suppression of Terrorism issued by decision of the Arab Justice and Interior Ministers Councils on 22/4/1998 – includes a definition of terrorism Paragraph II (Article 1) of the mentioned Convention includes a definition of the terrorism stating that "every act of aggression or threatening for any reasons or purposes, which occur as an execution for an individual or collective criminal project, which seeks to frighten people or threaten to hurt them or expose their life or liberty to any danger or to cause damage to the environment or any public utility or property or to occupy or seize the same or expose the national resources to any risk."

80. The below table shows the ranking of criminalizing the terrorist financing act in some MENAFATF member countries:

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<sup>5</sup> The evaluation of AML/CFT methodology included a list of definitions used, which clarified the scope of crimes that fall under the predicate crimes and counted to twenty categories.



<b>Country</b>	<b>Criminalizing Terrorist Financing</b>
Jordan	The Prevention of Terrorism Act 11/2006
UAE	Federal Law No. 1 of 2004 (Law on combating terrorist financing)
Bahrain	Law No. 54 of 2006 on 12 August 2006, which amended certain provisions of Decree Law No. 4 of 2001 on the Prohibition and Anti-Money Laundering
Tunisia	Law 10 December 2003, amended by Law No. 65 of 2009 dated 12/8/2009
Algeria	Law 11-95 dated 24/2/1994
KSA	Islamic Sharia and AML system issued in 2003
Syria	Law no. 33/2005
Sudan	Law No. 1 of 2010
Qatar	Anti-Terrorism Act, Law No.3 /2004 issued on 16/02/2004
Iraq	Law 93/2004
Oman	Anti-Terrorism Act issued by virtue of the Royal decree No. 7/2008
Lebanon	Article 316 bis of the Lebanese Penal Code, added by Law No. 553/2003
Egypt	Penal Code and Anti-Money Laundering and Combating terrorism Financing
Morocco	Chapter 218-4 of the Penal Code added by Law No. 03-03 dated 28/5/2003
Mauritania	Law no. 48/2005
Yemen	Anti-Money Laundering and Combating Financing of Terrorism Act prepared in 2010

81. It is worth pointing out the joint work and high level coordination between the MENAFATF and the Arab Interior Ministers Council and Arab Justice Ministers Council, particularly within the framework of the ongoing preparations for the indicative Arab AML/CFT law; whereby the MENAFATF has participated in developing a draft law in a manner so as to go in line as much as possible with the requirements of the international standards in force in AML/CFT.

**Challenges at the Implementation Level:**

82. Based on the above, it is clear that most of the MENAFATF Countries has criminalized money laundering and terrorist financing, and they also prosecute the perpetrators of these crimes. What has been achieved so far, however, entails the need to accumulate experience on the institutional and legislative level, as it is important for countries to effectively implement the laws enacted thereby in the field of combating money laundering and terrorist financing, especially in the field of judicial prosecution. In addition to increase awareness of the law enforcement officials, since some prosecutors may not see the need to activate the judicial proceedings in the area of money laundering which only trigger cases on the basis of the predicate crime that was traditionally prosecuted, such as financial fraud and concealment of stolen things and etc. Additionally, insufficient training and accumulative experience of law

enforcement officials and judicial bodies, the absence of sufficient material and human resources in these concerned agencies.

83. The effective applicability of Anti-Money Laundering and combating terrorism Financing Act requires reliance on different experiences and competencies that are available to all sectors involved, which requires qualifying the human experiences to have the sufficient knowledge in money-laundering and terrorist financing and erudition on the mechanisms and methods. This calls to prepare and implement training courses and qualifying programs of persons who have been assigned by law the task of combating or controlling financial activities and movement of funds, and the task of reporting suspicious activities. The training extends to the staff of financial institutions, law enforcement agencies, judicial and legal authorities.

**(b) Establishing Financial Intelligence Units. (FIUs)**

84. Financial Intelligence Units are very important in any system created to combat money laundering and terrorist financing as they are considered essence and core of this system. FIUs in systems of combating money laundering and terrorist financing of MENAFATF member countries are important as the combating systems in a number of such countries are new. Such units play a pivotal role, in many cases representing a major challenge before these units, in executing and following up results of all AML/CFT procedures, and then they can measure the effectiveness of such results followed by measures for development and improvement according to results of practical application including positive aspects or challenges.

85. Taking into consideration the importance of its pivotal role, FIUs have been established in all MENAFATF member countries although they are different in their establishment. This unit was established in United Arab Emirates in (1998), in Bahrain and Lebanon (2001), in Egypt and Libya (2002), in Tunisia, Saudi Arabia, Kuwait and Yemen (2003), Algeria, Iraq and Qatar (2004), in Syria, Oman and Mauritania (2005), in Jordan (2007), in Morocco (2009) and in Sudan (2010).

86. Nature of FIUs in MENAFATF member countries varies. Majority of such units are of administrative nature with their usual offices in Central Banks (as is the case in Jordan, Kuwait, Tunisia, Egypt and Qatar) or in Financial Ministries (Algeria), and some of mixed nature (administrative – police having their places in Ministries of Interior as the case in Bahrain, Oman and KSA, or administrative – judicial as in Lebanon). Limited number of units in member Countries is specially established to organize and monitor commitments of financial institutions and Designated Non-Financial Businesses and Professions (DNFBPs) with commitment to combating money laundering and terrorist financing (Lebanon and Syria). It is worth mentioning that some of FIUs are designated only for combating money laundering without having the legal jurisdiction in the area of combating terrorist financing. Some of such units have been authorized to have such powers later.

87. Efforts have been exerted by Financial Intelligence Units (FIUs) in member countries in the last years for the purposes of deepening commitments to

international standards and upgrading the effectiveness of their systems. Such efforts include completing electronic analysis and archiving systems which facilitate performing works in a proper manner. Guides have been provided by most of these units to reporting parties to help meeting the requirement related to reporting suspicious transactions, in addition to issuing relative instructions and regulations which complete main organizational aspects as required by international requirements. Some of these units have sought benefiting from some other countries experience and international organizations in programs and benefiting from training to develop their systems including the cooperation between member countries, European Union countries and the World Bank and International Monetary Fund (IMF).

88. Commitment degrees of MENAFATF Member countries - which was assessed on the basis of the 2004 evaluation methodology – show varying levels of compliance in relation to the requirements of Recommendation 26 concerning the Financial Intelligence Unit, which is due to a degree of variation in the level of development of such units in the artistic and historical aspects as well as a distinction of challenges they face. There are important challenges facing the Financial Intelligence Units (FIUs) in MENAFATF Member countries based on the results of the assessments completed so far as some of these units require more powers in terms of CFT, more effectiveness and operational independence, the need for more human and financial resources in addition to the need to develop electronic databases and make more communications with the databases of other national bodies involved in AML/CFT.

89. Some FIUs also are facing common challenges beyond the scope of its direct work, including the need to have sufficient awareness for the reporting parties - financial institutions and designated non-financial businesses and professions (DNFBPs) – with their commitments in the field of combating money laundering and terrorist financing, provide an appropriate degree of development and training that qualified them to deal more effectively with the ML/TF risks on one hand and cooperate with the FIUs on the other hand. In this regard, the level of the experience of law enforcement agencies and judicial systems in dealing with ML/TF cases plays a key role in the evolution of the FIUs as key central authorities that link the parties of combating systems with each of the MENAFATF Member countries. It is envisaged that the progress being done at the level of AML/CFT systems in general within the region's countries would also positively affect the role, activity and performance effectiveness of the FIUs.

90. The follow-up reports of some countries that have been evaluated already during the first round of the mutual evaluation as well as the information provided by other countries regarding the development of AML/CFT systems refer to achieving some progress in establishing and developing structures and working methods of some of the modern financial intelligence units, including twinning agreement between the Kingdom of Morocco and the European Union, through which France and Spain undertake to provide assistance and technical expertise for the recently established Moroccan Financial Intelligence Unit. On the other hand, some FIUs in the MENA region (such as the Tunisian Unit and

Mauritanian Unit) received direct technical support from the French Republic, which have the status of observer in MENAFATF, by providing it with the electronic systems for analyzing and archiving STRs.

91. While the Financial Intelligence Units in the Member countries seek to complete the necessary criteria to carry out its works at the local and international levels in proper manner, 7 units obtained the membership in the Egmont Group, namely: UAE (2002) - Lebanon (2003) - Bahrain (2003) - Egypt (2004) - Qatar (2005) - Syria (2007) – KSA (2009). Other Member countries are currently seeking to obtain the membership of the Egmont Group.

92. This image reflects the interest of MENAFATF Member Countries regarding the commitment to international cooperation through this gathering of Financial Intelligence Units, which allows exchange of information at the international level in an easy way. In the same context, the 10th MENAFATF Plenary Meeting (Beirut, Lebanon, November 2009) has adopted initiative to establish a forum of "Financial Intelligence Units in the MENA countries ", in order to facilitate cooperation and exchange of knowledge and experience necessary in dealing with similar challenges they face and how to overcome them. Work is under way at present to activate the role of the mentioned forum. The first meetings will be held on the sidelines of the 11th MENAFATF Plenary Meeting which will be held in Tunisia in May 2010. This forum aims at the following:

- 1- Continue to make the best of the regional communication and mutual support and facilitate the negotiations on the signing of memoranda of understanding between the FIUs in the MENAFATF Member Countries.
- 2- Exchange of experiences between the units, especially with regard to the practical cases and application studies and their results on ML/TF methods and trends, etc.
- 3- Propose specialized training materials for the unit's staff.
- 4- Prepare a manual of typical procedures for the work of the Unit and departments to be created therein.
- 5- Study all the requirements to establish an effective unit for developing the work in the units of the MENAFATF member countries, particularly in the area of increasing the analytical capacity of its staff.
- 6- Cooperate with MENAFATF Typologies Experts Group on the topics of typologies.
- 7- Cooperate with the Mutual Evaluation Working Group (MEWG) on increasing the level of commitment of Member countries to Recommendation 26.

**(c) International Cooperation.**

93. In light of the international nature of ML/TF crimes and expansion of their operations across the various financial and economic systems, combating such crimes is indispensable and requires a great cooperation and vast coordination for the combating efforts exerted by all countries, particularly the region's countries. The practical reality refers to the complexity of criminal acts that constitute the criminal activities of money launderers and terrorist financiers and

its spread across more than one country, which requires concerted international efforts and organizing the same on the legal and practical levels in order to provide appropriate mechanisms to thwart and prosecute such crimes. Signing, endorsing and implementing effectively and in full international AML/CFT conventions are the main guarantees for the countries to undertake their basic duties in this field. It is worth mentioning that all region countries joined the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances - Vienna (1988).

94. The table below refers to the level of joining and ratification by MENAFATF countries to the relevant international conventions. 6

State	United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 1988 (Vienna Convention)	United Nations Convention against Transnational Organized Crime, 2000 (Palermo Convention)	United Nations Convention for the Suppression of the Financing of Terrorism, 1999 (New York Convention)	United Nations Convention against Corruption, 2003 (Merida Convention)
Jordan	16/4/1990	22/5/2009	28/8/2003	24/2/2005
UAE	12/4/1990	7/5/2007	23/9/2005	22/2/2006
Bahrain	7/2/1990	7/6/2004	21/9/2004	Signed on 8/2/2005
Tunisia	20/9/1990	19/6/2003	10/7/2003	23/9/2008
Algeria	9/5/1995	7/10/2002	8/11/2001	25/8/2004
KSA	9/1/1992	18/1/2005	23/8/2007	Signed on 9/1/2004
Syria	3/9/1991	8/4/2009	25/4/2005	Signed on 9/12/2003
Sudan	19/11/1993	10/12/2004	5/5/2003	Signed on 14/1/2005
Oman	15/31/1991	13/5/2005		
Qatar	4/5/1990	10/3/2008	27/7/2008	30/1/2007
Iraq	22/7/1998	17/3/2008		17/3/2008
Kuwait	3/11/2000	12/5/2005		16/2/2007
Lebanon	11/3/1996	5/10/2005		22/4/2009
Libya	22/7/1996	18/6/2004		7/6/2005
Egypt	15/3/1991	5/3/2004	1/3/2005	25/2/2005
Morocco	28/10/1992	19/9/2002	19/9/2002	9/5/2007
Mauritania	1/7/1993	22/7/2005	30/4/2003	25/10/2006
Yemen	25/3/1996	Signed on 15/12/2000	29/12/2009	7/11/2005

95. In light of the above mentioned, it can be said that all the MENAFATF Member Countries (18 states) have ratified the Vienna Convention and all states (except one) have ratified Palermo Convention. More than 70% have ratified the Convention for combating the Financing of Terrorism. It is remarkable that all countries of the region have made good progress in implementing this Convention through criminalizing money laundering, while the progress related

<sup>6</sup> Source: www.unodc.org, this information is updated until 25/1/2010.

to setting the necessary legislative framework for the financing of terrorism is remarkable particularly during the recent years after such states have joined the MENAFATF and provided assistance for it.

96. In addition, most countries of the Task Force abide, by virtue of bilateral and multilateral cooperation conventions, by the international cooperation on the security and judicial levels; enforcing the law and combating crime. This includes mutual legal assistance, extradition of criminals and other necessary aspects of international cooperation for combating crime in general and combating money laundering and financing of terrorism in particular. It is noteworthy that the international community recognizes the great cooperation provided by the states of the region in the field of combating crimes, particularly terrorist ones in light of the sufferings of such countries from criminal acts and activities that aim to shake their security and threaten their interests. The mutual evaluations results for most MENAFATF countries demonstrated a good level of commitment to international standards in the field of international cooperation. Moreover, it indicates several effective mechanisms and systems that would enable them to respond to assistance requests by other countries and request assistance there from.

97. On the regional level, Arab states' governments based on their belief in the standardization of legislations amongst Arab states is a national goal that must be achieved on the basis of overall Arab unity and based on their conviction that judicial cooperation amongst Arab states must include all judicial fields; they have signed on 6/4/1983 a judicial cooperation agreement amongst them (Riyadh agreement) which addressed a number of issues including: Determining the fields of legal assistance, extradition of criminals and convicted persons and execution of final penal judgments in the regions of other parties to which they belong.

### **Conclusion**

98. Strength of economy is an important component in the progress of countries and accordingly the support, enhancement and maintenance of financial and economic systems is a desired request and goal for those states wishing to hold an advanced status particularly in light of the phenomena of globalization characterizing the current age. In particular, the economies of the MENA Countries are characterized by quick development as well as the existence of promising emerging market making them an object of attraction for more investments. Such characteristics, undoubtedly, adds a special kind of attention and keenness to lower the risks related to the possible opportunities of money launderers and financers of terrorism to utilize the services provided by various kinds of financial institutions and designated non financial businesses and professions (DNFBPs) in the countries of the region from executing their operations which bring several risks in a manner threatening the development and progress such states are hoping.

99. Here lies the importance of AML/CFT with every possible means on the regional level; adopting and applying international standards for such combat; taking effective arrangements throughout the region for implementing them; and supporting all means of regional and international cooperation for the protection



against the risks and negative effects of money laundering and financing of terrorism.

100. MENAFATF is playing a central role in this context through its apparatus, task forces, committees emancipating there from and working papers and guidelines it issues to help countries implement international standards and increase the level of commitment to the same. In addition, MENAFATF is playing a unique and distinguished role at the level of the region whether in the field of mutual evaluation or technical assistance and typologies.

101. Furthermore, MENAFATF member countries are continuously developing their combating systems and enhancing the aspects thereof through the enactment of the necessary legislations for criminalizing money laundering and financing of terrorism; imposing penalties on their perpetrators; setting the measures and procedures to be taken by various relevant authorities including financial institutions, Designated Non Financial Businesses and Professions, LEAs (Law Enforcement Agencies) etc. in addition to the establishment of Financial Intelligence Units which represent the focus of combating system.

102. The role and activities of the MENAFATF is connected with several challenges it is striving to overcome. Such challenges include the spread of cash dealing in most MENAFATF countries and increasing awareness of various concerned entities, as well as the need for more training.

103. Moreover, the efforts of member countries are connected with a number of challenges, the most important of which is the modernity of combating systems in some states and the need to support such systems in order to guarantee their effective implementation with the aim to increase the level of compliance with international standards.

104. MENAFATF insists on continuing its efforts to attain the goals for which it was established, working towards continuous close cooperation whether between member countries themselves or between them and the external world in order to support their efforts and establish effective systems therein by way of enhancing the efforts and AML/CFT initiatives launched by such countries. The MENAFATF countries' determination to develop and enhance their combating systems and their belief in the importance and necessity of cooperation represent the cornerstone of MENAFATF success.