

# **Middle East & North Africa Financial Action Task Force**

**Fifth Annual Report (2009)**

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## Foreword by MENAFATF President



### **Dear Members, Observers, Executive Secretary and Staff**

First, I would like to express my deepest gratitude for the efforts you deployed to achieve the objectives of the Middle East & North Africa Financial Action Task Force (MENAFATF) through cooperation of member countries in the MENA region and through the exchange of expertise in the field of AML/CFT.

Since its establishment, the MENAFATF has worked to achieve many objectives on different levels in its endeavors to assess the compliance extent of member countries with AML/CFT international standards and recommendations, ensure the effectiveness of applicable AML/CFT regimes, strengthen the relationships with the regional and international organizations operating in the AML/CFT field, increase the awareness of the member countries by updating them on the latest AML/CFT techniques, organize workshops and seminars on AML/CFT, and provide technical assistance and training programs to some member countries.

MENAFATF made each and every effort in 2009 to achieve its objectives through the MENAFATF meetings, whereas the 9<sup>th</sup> MENAFATF Plenary was held in the Kingdom of Bahrain in May 2009 and the 10<sup>th</sup> Plenary was held in Beirut in November 2009. Other achievements were noted as follows:

- Adopting the 2<sup>nd</sup> MENAFATF Strategic Plan for the period from 2010 to 2012.
- Adopting the MERs for Egypt, Jordan and Lebanon.
- FATF approval to hold a joint meeting with MENAFATF in February 2010.
- Approving the proposal of creating a forum for the FIUs in the MENAFATF member countries.

A specialized workshop was organized in March-April 2009 on the financial analysis techniques on AML/CFT in Lebanon in collaboration with the Special Investigation Commission and the Office of Technical Assistance of the US Treasury Department in the presence of a number of the FIUs employees from the MENAFATF member countries. Furthermore, a seminar on the role of the law enforcement agencies was organized on the margin of the 9<sup>th</sup> Plenary (Bahrain, May 2009).

MENAFATF held the 3<sup>rd</sup> Workshop on “Training Assessors” in Bahrain at the end of June 2009 to train experts from the region on mutual evaluations processes.

I would like to take this opportunity to express my deepest gratitude and appreciation to the Government of the Kingdom of Bahrain for its tremendous support to MENAFATF, and for hosting the MENAFATF Secretariat’s headquarter and bearing all the relevant expenses for the first 5 years starting

2005 up to 2009. This support culminated in the Headquarters Agreement concluded between the Bahraini Government and MENAFATF on 26 March 2009 according to which the Government of Bahrain undertook to provide MENAFATF with all the facilities necessary for the completion of its mission and allowing it to freely deal with different parties as it is deemed a regional organization.

Finally I cannot but thank the MENAFATF Executive Secretary, Mr. Adel Al-Qulish and all the Secretariat staff and salute their efforts and dedication to make MENAFATF a success. At the end of my presidency term, I am honored to hand over the MENAFATF presidency to Mr. Samir Ibrahim, the representative of the Republic of Tunisia, to build on the past successes in order to continue the journey of MENAFATF. I wish him and the Republic of Tunisia plenty of success and prosperity.

Best Regards,

**Mr. Abdul Rahman M. Al Baker**  
President,  
Middle East & North Africa  
Financial Action Task Force



## Foreword by the Executive Secretary

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

It is my pleasure, to provide you with the 5<sup>th</sup> annual report that sheds the light on the achievements accomplished in 2009.

During the past decades, the International Community gave outstanding attention to fight against money laundering (ML) and terrorism financing (TF), knowing the related negative effects and risks imposed on different levels. The MENAFATF has interacted with this international trend, as it has adopted and applied many regional mechanisms and procedures and provided expertise and information to combat ML/TF and enhance the compliance of member countries with the international standards in this regard.

In assertion of the importance of the ME process for the AML/CFT regimes applied in the member countries for measuring their compliance with the international standards, the MENAFATF continued to implement the timeline of the first round of the ME in 2009, whereas the MERs for three member countries (Egypt, Jordan and Lebanon) were adopted making the total number of countries whose MERs have been adopted rise to 11. Moreover, MENAFATF has made the onsite visit to KSA (in collaboration with the FATF) and the People's Democratic Republic of Algeria for evaluating their AML/CFT regime.

Within the framework of following up on the efforts of the countries whose MERs were adopted to take corrective steps, to identify and address weaknesses and deficiencies in their AML/CFT regimes, the MENAFATF adopted the follow-up reports for 5 countries.

As the MENAFATF desires to continue to play its role in terms of training in order to assist the countries and strengthen their efforts, it held a training session on the financial analysis techniques for AML/CFT (during the 1<sup>st</sup> quarter of 2009 in Beirut, Lebanon) in collaboration with the Special Investigation Commission in Lebanon and the Office of Technical Assistance at the US Treasury Department, which was attended by 38 experts, most of them are experts in receiving and analyzing Suspicious Transaction Reports, and represent the majority of the MENAFATF member countries. Further, a seminar on the role of the law enforcement agencies was held on the margin of the 9<sup>th</sup> MENAFATF Plenary meeting (Manama, Bahrain, May 2009) in collaboration with the World Bank and the USA, which was hosted by the Central Bank of Bahrain and was attended by 35 participants.

In addition to the foregoing, the MENAFATF has continued its work on the typologies project on "AML/CFT trends and indicators in the MENA region", the main objective of which is gathering and scrutinizing information on the indicators and trends of AML/CFT in the MENA, whereas a number of cases were analyzed and a paper on the results of that analysis was drafted and then discussed by the typologies experts Group in a workshop held in Qatar in January 2010. The final report of the project will be presented to the TATWG meeting, to be held on the margin of the 11<sup>th</sup> MENAFATF Plenary meeting

(expected to be held in May 2010 in Tunisia) in order to be presented to the Plenary meeting to consider adopting it and then publishing it on the MENAFATF website.

The year 2009 witnessed the beginning of activating the mechanisms adopted by the MENAFATF in the dialogue held with the private sector, whereas the 1<sup>st</sup> meeting for the dialogue with the private sector was held on the margin of the 10<sup>th</sup> MENAFATF Plenary meeting (Beirut, Lebanon, November 2009), which was an introductory meeting related to the banking sector only, during which the representatives of this important sector were informed of the adopted mechanism and the objectives of the dialogue with the private sector, in addition to knowing the representatives' views on the methods of supporting communication; strengthening the mutual work, especially with regard to the priorities and areas of the future work in light of the objectives of the dialogue with the private sector; and the proposed communication ways for benefiting from the adopted mechanism.

The MENAFATF launched in 2009 its initiative for establishing the forum of "the FIUs of the MENAFATF Countries", approved by the 10<sup>th</sup> MENAFATF Plenary meeting for facilitating the cooperation between the said FIUs and exchanging necessary expertise to deal with similar challenges they may face and adopt suitable methods to overcome them. Currently, efforts are joined to activate the role of the said forum, whereas its 1<sup>st</sup> meeting will be held on the margin of the 11<sup>th</sup> MENAFATF Plenary meeting (Tunisia, May 2010).

It is necessary not to overlook the extent to which the MENAFATF is interested in supporting the cooperation at regional and international levels, which is reflected through the commendable cooperation with the Councils of Arab Justice and Interior Ministers, by cooperating on the Indicative Arab AML/CFT draft law in order to be more consistent with the requirements of the international standards applied in this area.

I cannot but express my thanks and appreciation for everyone who contributed in helping the MENAFATF achieve its pursued objectives, especially Mr. AbdulRahman Mohammed AlBaker, as the MENAFATF President representing the Kingdom of Bahrain during 2009. Moreover, I would like to thank all the MENAFATF Secretariat employees. I also wish all the success for Mr. Samir Ibrahim, Secretary-General of the Financial Analysis Committee at the Tunisian Republic, as the President representing the Republic of Tunisia during 2010.

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

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

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

## Table of Contents

<b>FIRST: OVERVIEW OF MENAFATF.</b> .....	<b>1</b>
1- <i>FOUNDATION AND ESTABLISHMENT.</i> .....	1
2- <i>SECRETARIAT HEADQUARTERS</i> .....	1
3- <i>MENAFATF OBJECTIVES.</i> .....	2
4- <i>MENAFATF STRUCTURE AND FUNDING.</i> .....	3
4/1 <i>MENAFATF Structure.</i> .....	3
4/2 <i>Funding.</i> .....	4
5- <i>MEMBERS AND OBSERVERS.</i> .....	4
6- <i>CRITERIA FOR ACCESSION TO MENAFATF MEMBERSHIP.</i> .....	5
7- <i>CRITERIA FOR HOLDING AN OBSERVER STATUS AT MENAFATF.</i> .....	5
<b>SECOND: MUTUAL EVALUATION.</b> .....	<b>6</b>
1- <i>THE MUTUAL EVALUATION WORK GROUP (MEWG)</i> .....	6
2- <i>FIRST ROUND OF THE MUTUAL EVALUATION PROCESS</i> .....	7
2/1 <i>The MER of the Arab Republic of Egypt.</i> .....	7
2/2 <i>The MER of the Hashemite Kingdom of Jordan.</i> .....	7
2/3 <i>The MER of the Lebanese Republic.</i> .....	8
2/4 <i>The Onsite Visit to the KSA.</i> .....	9
2/5 <i>The Onsite Visit to the People's Democratic Republic of Algeria.</i> .....	9
3- <i>ASSESSORS TRAINING</i> .....	9
<b>THIRD: TECHNICAL ASSISTANCE, TRAINING AND TYPOLOGIES</b> .....	<b>9</b>
1- <i>TECHNICAL ASSISTANCE AND TYPOLOGIES WORK GROUP</i> .....	9
2- <i>TYPLOGIES TOPICS.</i> .....	10
2/1 <i>Project of "Indicators &amp; Trends of ML and TF in the MENA."</i> .....	11
3- <i>IDENTIFYING THE MEMBER COUNTRIES TECHNICAL ASSISTANCE' NEEDS AND COORDINATING TO PROVIDE THE SAME</i> .....	11
4- <i>EFFORTS OF THE GROUP IN PROVIDING TRAINING</i> .....	13
4/1 <i>Training Guidance for the Different Authorities in the AML/CFT Field</i> .....	13
4/2 <i>Training Account</i> .....	14
<b>FOURTH: COORDINATION AND COOPERATION ON THE REGIONAL AND INTERNATIONAL LEVELS.</b> .....	<b>15</b>
1- <i>MENAFATF PLENARY MEETINGS</i> .....	15
1/1 <i>9th Plenary:</i> .....	15
1/2 <i>10<sup>th</sup> Plenary.</i> .....	16
2- <i>RELATION WITH THE FATF</i> .....	17
3- <i>RELATION WITH THE FSRBs</i> .....	18
4- <i>RELATION WITH THE ARAB LEAGUE AUTHORITIES</i> .....	18
5- <i>RELATION WITH THE OTHER INTERNATIONAL AND REGIONAL AUTHORITIES AND ORGANIZATIONS</i> .....	19
6- <i>PARTICIPATION IN CONFERENCES AND SEMINARS.</i> .....	19
7- <i>DIALOGUE WITH THE PRIVATE SECTOR</i> .....	20
7/1 <i>First Meeting with the Private Sector Representatives</i> .....	20
<b>FIFTH: THE EXTERNAL AUDITOR REPORT AND THE FINANCIAL STATEMENTS.</b> .....	<b>22</b>
1- <i>AUDITOR'S REPORT.</i> .....	22
2- <i>FINANCIAL STATEMENTS.</i> .....	23

## **First: Overview of MENAFATF.**

### ***1- Foundation and Establishment.***

As the countries of the Middle East and North Africa are aware of the risks provoked by the ML/TF operations and that it is possible to confront these risks effectively through regional cooperation, keeping up with an international convoy and responding to the FATF initiative to call for the creation of FATF Style Regional Bodies, 14 countries from the MENA region decided to establish the MENAFATF<sup>1</sup> in November 2004 for AML/CFT and promote and implement international AML/CFT standards in the region.

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

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

During the said ministerial meeting, member countries agreed that the positions of President and Vice-President shall be assigned in rotation following the first two years, according to the Arabic alphabetical order, starting with the Hashemite Kingdom of Jordan, which will assume the presidency of MENAFATF in 2007. The Republic of Lebanon assumed the presidency in the first year (2005), while Egypt took this position in the 2<sup>nd</sup> year (2006).

During the same meeting, member countries also decided to appoint Mr. Adel Hamad Al-Qulish from the Kingdom of Saudi Arabia, as Executive Secretary of MENAFATF for a period of four years that may be renewable once. He was re-elected for another term of 4 years as of 2009.

### ***2- Secretariat Headquarters***

Since its establishment, the Kingdom of Bahrain is the headquarters of the MENAFATF Secretariat and is supporting it. It has hosted the ministerial meeting during which the MoU was signed and by which the MENAFATF was established. The Kingdom of Bahrain is bearing the expenses of the Secretariat for the first 5 years since its establishment.

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

In its assertion for the MENAFATF support, the headquarters agreement was ratified and became applicable in 2009 whereby it has been approved by both the Shura Council and the Parliament, and ratified by the King of Bahrain; he has issued as well law No. (5)/2009 to ratify the agreement on March 26, 2009 and was published in the official gazette on April 2, 2009.



(A Picture of the press conference held in this regard)

It is worth mentioning that the headquarters agreement provide MENAFATF with all the facilities necessary for the completion of its mission and allow it to freely deal with different parties as it is considered a regional organization and its staff enjoy the diplomatic status.

### ***3- MENAFATF Objectives.***

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

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

## ***4- MENAFATF Structure and Funding.***

### ***4/1 MENAFATF Structure.***

MENAFATF comprises two bodies: the Plenary and the Secretariat.

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

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

- To determine MENAFATF policy;
- To determine MENAFATF rules and procedures;
- To approve the annual report, work plan, and budget for the organization;
- To appoint the Executive Secretary and approve the Secretariat's structure and other functions;
- To appoint an independent auditor;
- Decide upon new members and observers;
- Consider mutual evaluation reports of members' compliance with FATF standards;
- To identify technical assistance needs of member States and co-ordinate delivery of such assistance needs of member States and co-ordinate delivery of such assistance with countries and international and regional organizations providing such assistance; and
- To establish working groups if needed to undertake special tasks.

The Secretariat: MENAFATF Secretariat, located in Manama in the Kingdom of Bahrain, fulfills all technical and administrative functions to perform MENAFATF work, as follows – according to item 9-4 of the MOU. The Secretariat will carry out the following functions:

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

- To carry out any other functions assigned by the Plenary.

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

#### *4/2 Funding.*

Item 5 of the MOU provides that MENAFATF activities will be funded by contributions from its members on the basis agreed by the Plenary, and that the Kingdom of Bahrain, as host country for the Secretariat, has offered to meet reasonable start-up costs for creating the MENAFATF Secretariat and reasonable operating costs for a period of 5 years from the date of the MENAFATF Secretariat commencing its operations. The 3rd MENAFATF Plenary, which was held in Cairo, Egypt, in March 2006, emphasized that the contributions of member countries in funding MENAFATF would be on an equal basis, according to the estimated budget the Secretariat would have submitted.

The aforementioned 4<sup>th</sup> MENAFATF Plenary has approved to fund the increase in the budget over the allocated amount by the Kingdom of Bahrain on an annual basis from contributions of member countries. Between 2007 and 2009, the member countries started funding the increase in the budget over the allocated amount by the Kingdom of Bahrain.

#### *5- Members and Observers.*

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

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

## ***6- Criteria for Accession to MENAFATF Membership.***

The 4<sup>th</sup> MENAFATF Plenary meeting adopted the following accession criteria to its membership:

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

## ***7- Criteria for Holding an Observer Status at MENAFATF.***

The 4<sup>th</sup> MENAFATF Plenary meeting adopted the following accession criteria for holding observer status:

- 1) The country should be outside the region, and be compliant with AML/CFT international criteria.
- 2) The applicant country should enjoy rich experience in AML/CFT, and it should define the objectives sought behind holding an observer status at the MENAFATF, the results that would benefit it, the fields in which it could ensure support and assistance to the MENAFATF in its work, as well as the expected benefits for the MENAFATF if it held an observer status.
- 3) The country should be from the region, where it applied for the MENAFATF membership which has not been decided yet.
- 4) The organization should be international or regional, and it should not work according to private sector mechanisms.
- 5) The organization should be experienced in AML/CFT and should determine the objectives sought behind holding an observer status at the MENAFATF, the results that would benefit it, the fields in which it could ensure support and assistance to the MENAFATF in its work, as well as the expected benefits for the MENAFATF if it held the observer status.
- 6) The applicant organization should have a prominent role in the field of its work.
- 7) Holding the post of an observer at MENAFATF by a country/organization should not affect the MENAFATF continuous competent and efficient work.
- 8) It should be one of the counterparts FATF Style Regional Bodies that has granted the status of "Associate Member" in FATF, and it should approve of the reciprocity principle through offering MENAFATF the observer status.

## Second: Mutual Evaluation.

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

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

### *1- The Mutual Evaluation Work Group (MEWG)*

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

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

The MEWG held in 2009, 3 meetings, the 10<sup>th</sup> meeting (Manama, Kingdom of Bahrain, 17 May 2009), the 11<sup>th</sup> meeting (Tunisia, Republic of Tunisia, 6 & 7 July 2009) and the 12<sup>th</sup> meeting (Beirut, Lebanese Republic, 8 November 2009).

During the meetings, the team discussed a number of important, technical issues about the mutual evaluation, followed the developments that occurred about in

this regard and submitted its recommendations regarding them to the Plenary. Among the issues the team discussed:

- Timeline of mutual evaluation process.
- Revised mutual evaluation procedures.
- Follow-up process of the assessed countries.
- Lack of qualified assessors participating in the ME processes.
- Implementing the mechanism for the technical study of issues falling within team's missions.
- Implementing the procedures of the revised follow-up process.

## *2- First Round of the Mutual Evaluation Process*

The MENAFATF kept on implementing the timeline of the ME, whereas 3 MERs were adopted in 2009. Moreover, two onsite visits were completed according to the following:

### *2/1 The MER of the Arab Republic of Egypt.*

A team of assessors composed of staff of the World Bank and two experts acting under the supervision of the World Bank assessed the AML/CFT system in the Arab Republic of Egypt by using the AML/CFT methodology for 2004 and as updated in 2008. The on site visit was made during the period from 12 to 26 October 2008. During the mission, the assessment team met with officials and representatives of all relevant government agencies and the private sector. The assessment team considered all the materials supplied by the authorities, the information obtained on site and other verifiable information subsequently provided by the authorities.

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

This report provides a summary of the AML/CFT measures in place in Egypt at the time of the mission or shortly thereafter. It describes and analyzes those measures, sets out Egypt's levels of compliance with the FATF 40+9 Recommendations and provides recommendations on how certain aspects of the system could be strengthened. This report was presented to the MENAFATF 9<sup>th</sup> Plenary meeting held in the Kingdom of Bahrain, May 2009 and was adopted by it.

### *2/2 The MER of the Hashemite Kingdom of Jordan.*

A team composed of members of the MENAFATF Secretariat and MENAFATF experts in criminal law, law enforcement and financial issues assessed the AML/CFT system in Jordan. The evaluation of the anti-money laundering (AML) and combating the financing of terrorism (CFT) regime of the Hashemite Kingdom of Jordan (Jordan) was prepared using the AML/CFT Methodology 2004, as amended in February 2008. The evaluation team

conducted the on-site visit during the period 6 – 17 July and met with officials and representatives of all relevant government agencies and the private sector. The team reviewed the laws, regulations and other materials supplied by the Hashemite Kingdom of Jordan and information obtained by the evaluation team during its on-site and subsequently thereafter.

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

This report provides a summary of the AML/CFT measures in place in Jordan as at the date of the on-site visit or immediately thereafter. It describes and analyses those measures, sets out Jordan's level of compliance with the FATF 40+9 Recommendations and provides recommendations on how certain aspects of the system could be strengthened. This report was presented to the MENAFATF 9<sup>th</sup> Plenary meeting held in the Kingdom of Bahrain, May 2009 and was adopted by it.

### *2/3 The MER of the Lebanese Republic.*

The evaluation was conducted by an evaluation team which consisted of MENAFATF secretariat staff in addition to other experts from some MENAFATF member countries specialized in criminal law, law enforcement and regulatory issues. The evaluation of the anti-money laundering (AML) and combating the financing of terrorism (CFT) regime of the Republic of Lebanon was prepared using the AML/CFT Methodology 2004 and as amended in February 2008. During the on-site mission (9-20 February 2009), the evaluation team met with officials and representatives of all relevant Lebanese government agencies and the private sector. The team reviewed the laws, regulations and other materials supplied by the Lebanese Republic and information obtained by the evaluation team during its on-site and subsequently thereafter.

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

This report provides a summary of the AML/CFT measures in place in Lebanon as at the date of the on-site visit or immediately thereafter. It describes and analyses those measures, sets out Lebanon's levels of compliance with the FATF 40+9 Recommendation, and provides recommendations on how certain aspects of the system could be strengthened. This report was presented to the MENAFATF 10<sup>th</sup> Plenary meeting held in Beirut, November 2009 and was adopted by it.

### *2/4 The Onsite Visit to the KSA.*

Since KSA is one of the GCC countries, that enjoy the membership of the FATF; The ME for its AML/CFT system was jointly carried out by the MENAFATF and the FATF, whereas a team consisting of members from the Secretariat of both task forces and experts from some of their member countries performed the onsite visit to the KSA from 1 to 11 March 2009. The MER will be presented to the 11<sup>th</sup> MENAFATF Plenary Meeting (Yasmine Hamamet, Republic of Tunisia, May 2010) for discussion and adoption, provided that it will also be discussed and adopted by the FATF Plenary (June 2010).

### *2/5 The Onsite Visit to the People's Democratic Republic of Algeria*

A team consisting of members from MENAFATF Secretariat as well as legal, law enforcement and financial experts from some of the MENAFATF countries performed the onsite visit to the People's Democratic Republic of Algeria from 6 to 17 December 2009 for evaluating its AML/CFT law. The MER will be discussed and adopted in the 12<sup>th</sup> MENAFATF Plenary (expected to be held in October/November 2010).

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

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 2004 methodology issued by the FATF in measuring the extent to which the member countries comply with the FATF recommendations. For this reason, the MENAFATF always ensures to train and qualify a number of assessors through holding specialized workshops.

The MENAFATF held the 3<sup>rd</sup> workshop in the Kingdom of Bahrain from June 28 to July 2, 2009 in collaboration with the Central Bank of Bahrain, the International Monetary Fund and the World Bank, whereas most of the member countries participated with their AML/CFT experts for training and qualifying them in order to enable them perform the evaluation process efficiently and effectively. Twenty seven experts were trained in this workshop.



(Photo from the workshop)

## **Third: Technical Assistance, Training and Typologies**

### ***1- Technical Assistance and Typologies Work Group***

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

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

The TATWG held in 2009 its 8<sup>th</sup> (Manama, Kingdom of Bahrain, 17 May 2009) and 9<sup>th</sup> meeting (Beirut, Republic of Lebanon, 8 November 2009).

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

- Efforts of the donors in providing technical assistance for the MENAFATF member countries.
- The Yemeni Republic's plan for improving its AML/CFT law.
- Holding the financial analysis techniques session on AML/CFT and the law enforcement authorities' seminar.
- Results of the evaluation of the FIUs workshop (12-13 November 2008) and a report on the law enforcement authorities' seminar (Manama, Bahrain, 21 May 2009).
- The revised copy of the typologies framework providing for the creation of typologies experts group.
- Developing the MENAFATF technical assistance mechanism.

## *2- Typologies Topics.*

One of the main objectives of MENAFATF is to work together to identify ML/TF issues of a regional nature, to share expertise of such issues and to develop regional solutions for dealing with them. The identification of ML/TF methods and techniques are conducted through studying the proposals of member countries on Typologies topics. This is followed by the formation of

working groups to gather information related to case studies and discuss them in special workshops.

### *2/1 Project of “Indicators & Trends of ML and TF in the MENA.”*

Within the MENAFATF typologies framework, a topic titled “ML/TF Trends and Indicators in the Middle East & North Africa” was proposed. This topic aims mainly at gathering and detecting information on the ML/TF indicators and trends in the Middle East and North Africa, whereas this information will be subsequently discussed during a workshop before drafting a report on the results.

With regard to this project’s work plan, a number of cases were analyzed; a paper was drafted on that analysis; and the suspicion indicators were derived from these cases. Furthermore, the Typologies Experts Group discussed that paper in a workshop held in Qatar in January 2010. Such paper represented after being developed through the discussions held in the workshop the core of the final report of the “ML/TF Trends and Indicators in the Middle East & North Africa” project which will be presented to the technical assistance and typologies work group’s meeting which will be held on the margin of the 11<sup>th</sup> MENAFATF Plenary expected to be held in May 2010 in Tunisia and then to the mentioned Plenary in order to adopt it and publish it on the MENAFATF website.

### *3- Identifying the Member Countries Technical Assistance’ Needs and coordinating to provide the same*

The technical assistance and training are regarded as an important part of the MENAFATF work program to assist the member countries in implementing the international standards. The identification of the needs of the member countries in terms of technical assistance and training and the provision of this assistance are considered one of the most remarkable tasks the MENAFATF Secretariat undertakes in collaboration with the TATWG, which is done in coordination with the donors of such assistance.

On such basis, MENAFATF has put in place a clear work strategy which covers the identification of member countries’ needs as well as the study and discussion of these needs to reach an appropriate mechanism and set practical frameworks to provide technical assistance, whereas a questionnaire was prepared to determine the requested technical assistance, and was disseminated to all member countries and published on the MENAFATF website. Some countries did benefit from this mechanism as they returned the questionnaire to the Secretariat after filling it; and the MENAFATF coordinated with the donors to examine the most important technical assistance needs of those countries and work on providing such needs.

According to the practical application, there was a crucial need to develop this mechanism in order to assist the countries and help them get the technical assistance, as it was difficult to those countries to fill out the questionnaire due to its large size. Moreover, this mechanism disabled any further accurate

implementation of the programs related to providing TA for the member countries, and prevented setting priorities to execute these programs, which could have assisted in saving time and effort as well as allocating the best available resources.

In this spirit, and in order to develop and assist all the member countries and encourage them to benefit from the TA programs provided by the donors according to the countries' needs, the Plenary agreed on the recommendation of the TATWG in its 9<sup>th</sup> meeting held on the margin of the 10<sup>th</sup> MENAFATF Plenary (Beirut, Lebanon, November 2009) regarding the adoption of a new mechanism to accurately reflect the countries' technical assistance needs, which is a matrix that helps accurately identify the needs of each country in technical assistance, determine a priority for implementation, and identify the donor of this assistance and the expected period for the completion or execution of this assistance.

The matrix was circulated to all member countries; these countries will provide the MENAFATF Secretariat with this matrix after filling their technical assistance needs, whereas the Secretariat will work on coordinating bilateral meetings between each country requesting TA and the donors of this assistance on the margin of each Plenary meeting in order to set plans for providing this assistance, agreeing on the remaining clauses of the matrix and starting the related implementation process. In order to follow up the implementation process, the Secretariat will receive semi-annual reports from the donors on the implementation of the specified items in this matrix for each country, provided that the Secretariat prepares periodical reports on the results of the implementation follow-up process in order to present them to the TATWG and subsequently to the MENAFATF Plenary.

In 2009, the donors made appreciated efforts in providing the necessary assistance for the MENAFATF member countries in different areas, the most important of which:

- UN resolutions pertaining to the sanctions law, for the targeted persons and organizations involved in terrorist and terrorism financing.
- Training the law enforcement authorities on ML investigations.
- Financial analysis skills in the FIU and the law enforcement authorities.
- Cross-border money smuggling.
- Fighting corruption and implementing the provisions of the UN Anti-Corruption Convention.
- Training the FIU, the judicial officials and the law enforcement authorities.
- The assessor consultant programs.
- Training the compliance officers in banks.
- New International legal instruments for counter-terrorism.
- National legislative formation for approving and executing the international counter-terrorism legal framework.

#### *4- Efforts of the Group in Providing Training*

##### *4/1 Training Guidance for the Different Authorities in the AML/CFT Field*

Given the importance of training as a key tool for raising awareness, increasing knowledge and improving performance of employees at different entities; It also assists these entities to fulfill their assigned roles and execute their tasks efficiently, particularly in the AML/CFT areas. The 8<sup>th</sup> Plenary (Al Fujaira, UAE, November 2008) has already adopted the “Training Guide for the Different Authorities in the AML/CFT Field”. This guide is deemed as a reference to the MENAFATF when choosing the topics of the training sessions or the seminars that it might organize to the member countries according to their needs.

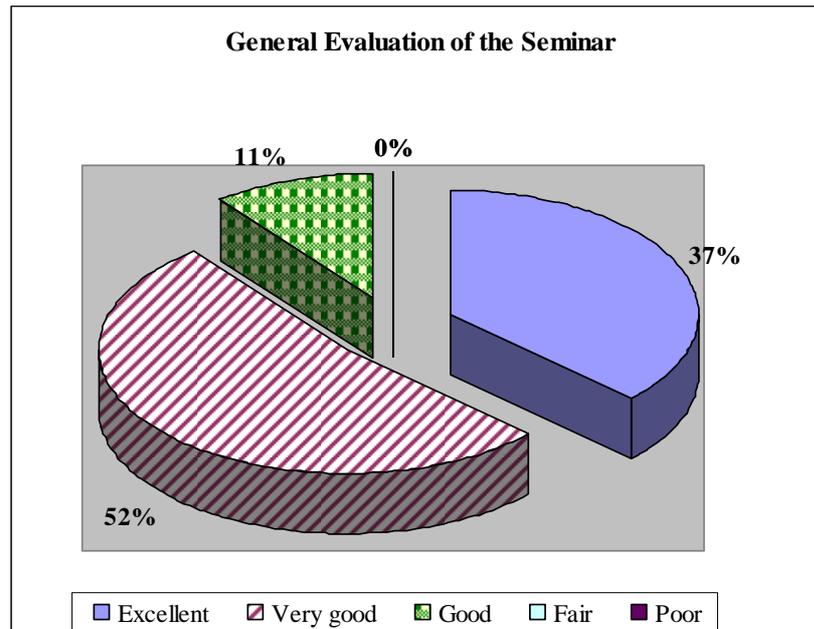
The guide covers most of the relevant entities in the said area and presents the training aspects which might be needed by these entities to assist in fulfilling their roles in the area of AML/CFT, and the commitment of its requirements according to the international criteria and recommendations.

This guide is appropriate for the needs of the member countries, and was amended based on the feedback with regard to contents of the guide sections. It is also extensive and specialized as it shows the specialized training areas for the majority of the competent authorities in terms of combating, in addition to its flexibility in implementation, whereas the training areas could be divided within one chapter to more than one training session or select some of those areas as appropriate and suitable for the member countries’ needs and in consistence with their circumstances, strategies and priorities. Furthermore, the guide’s chapters are independent and do not require successive implementation, but rather some or all of these chapters can be applied in parallel or by choice with no commitment to its order in the suggested guide.

The MENAFATF continued in 2009 to implement this guide and hold events, and the following were organized:

- Training course on the ML/TF financial analysis techniques in collaboration with the Special Investigation Commission in Lebanon and the Office of Technical Assistance at the US Treasury Department from 31 March to 2 April 2009. This course aimed at enhancing the MENAFATF member countries’ abilities through promoting and developing the analytical skills and techniques requested for the financial analysts who undertake the analysis of the STRs and the other AML/CFT financial information whether in the FIUs or the other competent authorities. Thirty Eight experts, most of whom are specialists in receiving and analyzing the STRs participated in this session representing the majority of the MENAFATF member countries.
- Seminar hosted by Bahrain Central Bank on 21 May 2009 on the role of LEAs in collaboration with the World Bank and the USA on the margin of the 9<sup>th</sup> MENAFATF Plenary. This seminar aimed at training the law enforcement authorities’ officials and strengthening their ability to:

(a) perform their duties during the investigation and gathering information in confidentiality, (b) providing feedback to the FIU, (c) performing their AML/CFT roles and complying with their requirements in light of the international recommendations and standards and the local legislations. Thirty five participants attended the seminar. The graph below shows the seminar's general evaluation according to the evaluation forms provided by the participants.



#### 4/2 Training Account

Due to the importance of human cadres, which are considered one of the primary AML/CFT resources, continuous training sessions and workshops, among others, are held to improve their skills and capacities, and perform their roles effectively.

The participation of the member countries in the training programs is necessary and crucial, but the financial resources remain one of the main elements that assist the countries in ensuring their participation in the programs effectively, whereas some countries might face difficulties in this regard due to the weak or insufficient financial resources allocated for training.

Accordingly, MENAFATF decided to open a special account for training to support member countries having short financial resources to participate in the training programs and other events, by providing them with sufficient financial resources. This objective is consistent with the previous proposal of some countries regarding the importance of strengthening MENAFATF abilities in terms of training and technical assistance, by adopting a budget for training, since the financial factor might be an obstacle for countries to frequently participate in the training programs and sessions aiming at increasing awareness and promoting work capacities and efficiencies, while coordinating with the donors in this regard.

According to the foregoing, and in order to achieve the objectives of this account, the availability of appropriate financial resources should be identified. The following sources might represent the core of this account: a) optional contributions from the member countries, b) Contributions from the countries and authorities that hold an observer status at the MENAFATF in consistency with the provisions of the Memorandum of Understanding, c) Any other sources agreed on by the Plenary, such as the fees incurred due to the participation of the private sector in some training sessions or sponsoring the different events organized by MENAFATF. The MENAFATF has established the conditions and the mechanism on how to benefit from this account, which was agreed on by the 9<sup>th</sup> MENAFATF Plenary, held in Bahrain in May 2009.

#### **Fourth: Coordination and Cooperation on the Regional and International Levels.**

This section presents the MENAFATF activities and achievements regionally and internationally, where the MENAFATF has performed many activities on the regional level, of which was holding its 9<sup>th</sup> and 10<sup>th</sup> Plenary Meetings as well as the WGs meetings. On the international level, the MENAFATF kept on communicating with the FATF, supported its relation with the FSRBs and participated in many international meetings, conferences and seminars.

##### ***1- MENAFATF Plenary Meetings***

###### ***1/1 9th Plenary:***

MENAFATF held its 9<sup>th</sup> Plenary from 18-20 May 2009 in Manama, Bahrain, in the presence of AML/CFT experts from the member countries and observers, which discussed the topics listed in its work program and took some decisions; the most important of which are:



Photos of the participants in the 9<sup>th</sup> Plenary

- Adopting the 4<sup>th</sup> annual report for 2008, the final account and the auditor's report for the same year, and agreeing on reappointing him as the MENAFATF auditor for 2009, provided that a new auditor is appointed for 2010.
- Agreeing on keeping the cumulative surplus from the beginning of MENAFATF work until 2008 in a special account as a strategic reserve for the MENAFATF, and consolidating it from the surpluses which might be achieved from the coming years.
- Adopting the MENAFATF budget for 2010.
- Agreeing on establishing an account to support and assist the member countries having short financial resources to participate in the training

programs and other events according to the utilization conditions and the expenditure mechanism mentioned in the approved paper.

- Adopting the follow-up reports for Bahrain, Mauritania and Syria.
- Adopting the two MERs for Egypt and Jordan.
- Adopting the timeline for the ME process after amending it.
- Adopting the paper prepared by the Secretariat regarding the lack of assessors qualified to participate in the MER, provided that it begins with the related implementation steps.
- Adopting the policy of automatic publication of the MERs and applying them from their date of approval.
- Agreeing on establishing a group of typologies experts and identifying their assigned duties.
- Adopting the paper presented regarding the dialogue mechanism with the private sector in MENAFATF, and agreeing on holding meetings with the private sector representatives on the margin of the Plenary meetings or other meetings, provided that the invitation is made to the private sector representatives at the local level so the meeting will have a regional scope.

### 1/2 10<sup>th</sup> Plenary

The MENAFATF held its 10<sup>th</sup> Plenary from 9-11 November 2009 in Beirut, Lebanon, in the presence of AML/CFT experts from the member countries and observers. The Plenary discussed the topics listed in the agenda and took some decisions, the most important of which are:



Photos of the participants in the 10<sup>th</sup> Plenary

- Adopting MENAFATF second strategic plan for 2010-2012, and the action plan for 2010 after being amended according to the member countries comments.
- Confirming holding a meeting of high level to which the concerned ministers, the central bank governors and the presidents of the national AML/CFT committees are invited.
- Sending the comments given by the MENAFATF Secretariat on the Indicative Arab Law for AML/CFT to the Council of Arab Justice Ministers.
- Adopting the procedures of the revised follow-up process and implementing them immediately.
- Discussing Oman's request for postponing the onsite visit's date.
- Entrusting the International Monetary Fund with the mutual evaluation process for the AML/CFT regime in Kuwait whereas the draft evaluation report shall be discussed in May 2011.
- Discussing the MER for the KSA in May 2010.

- Adopting the MER for the Lebanese Republic.
- Adopting the follow-up report for the Republic of Tunisia, the Islamic Republic of Mauritania, the Syrian Arab Republic and the Kingdom of Morocco.
- Adopting the technical assistance matrix for circulating it to all the member countries and encouraging them to fill it, and submit it to the Secretariat to reflect the country's needs of technical assistance for 3 years (2010-2012). This matrix can be amended in case any issues arise, provided that the Secretariat coordinates with the donors to hold bilateral meetings to set plans for providing this assistance and starting the implementation of those plans in order to develop and support AML/CFT efforts of the countries.
- Agreeing on the continuation of the arrangements for holding the mutual workshop with the World Bank to train the employees of the banking supervisory authorities on the margin of the 11th MENAFATF Plenary expected to be held in May 2010.
- Adopting the formation of the FIUs forum.

## *2- Relation with the FATF*

MENAFATF, as one of the FSRB, enjoys strong relationships with the FATF. The MENAFATF works similar to the FATF and seeks to adopt, make known and promote AML/CFT international standards at the regional level, particularly the recommendations issued by the FATF. Additionally, MENAFATF works on implementing the same policies adopted by the FATF to improve the level of Countries' compliance with AML/CFT. However, after the MENAFATF was granted the status of "Associate Member" at FATF during the 3<sup>rd</sup> FATF Plenary meeting at the 18<sup>th</sup> session (held at the headquarters of the Organization for Economic Cooperation and Development (OECD) in Paris, France, June 2007).

With this status of Associate Member, MENAFATF is entitled to expand its participation in FATF works by giving 5 of its member countries the opportunity to attend meetings held by the FATF and its working groups ; to take part in the deliberations and decisions; and to express the regional perspective. The following table shows the MENAFAT participations in 2009:

<b>No.</b>	<b>Meeting</b>	<b>Date</b>	<b>Place</b>
1	FATF Plenary Meeting	23-27 February 2009	Paris, France
2	FATF Plenary Meeting	24-26 June 2009	Lyon, France
3	FATF Plenary Meeting	14-16 October 2009	Paris, France
4	Mutual Typologies Workshops between the FATF and the Caribbean Financial Action Task force (CFATF)	18-20 November 2009	Cayman Islands
5	The meeting of the FATF Working Group on Evaluation and Implementation (WGEI)	7-10 December 2009	Washington D.C., USA

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 the FATF and the MENAFATF to allowing thus more exchange of expertise between their Member Countries.

### *3- Relation with the FSRBs*

The MENAFATF ensures on enhancing its relations with the FSRBs, communicating, cooperating and exchanging expertise with them on a continuous basis.

Within this framework, the Executive Secretary of the MENAFATF welcomed at the Secretariat headquarters on 17 May 2009 the Vice Executive Secretary of the Asia/Pacific Group on Money laundering (APG). Both parties discussed a number of common issues related to both APG and MENAFATF. This meeting is the first of its kind between the MENAFATF and one of the FSRBs that works like the FATF.



(Photo from the meeting)

APG holds the observer status at the MENAFATF since 2007; Both parties confirmed promoting the cooperation and common work within the available activities and programs.

The Secretariat, represented by the Executive Secretary, has as well participated in the APG meeting held in Australia, 6-10 July 2009.

### *4- Relation with the Arab League Authorities*

With regard to enhancing the regional cooperation and communication between the MENAFATF and the regional authorities and organizations, the Plenary decided to support the projects carried out by the Arab League in terms of AML/CFT; welcome the opening of the communication and cooperation channels; and send a letter to the Council of Arab Interior Ministers and Justice Ministers indicating MENAFATF wish to fully cooperate with them regarding their work related to the Arab strategy and the Indicative Arab AML/CFT draft law. The Secretariat of both Councils was addressed in this regard.

In June 2009, MENAFATF Secretariat received a letter from the Arabic Center for Legal and Judicial Research (ACLJR) at the Council of Arab Justice Ministers, requesting the Secretariat to examine the copy (attached with the letter) of the Indicative Arab AML/CFT draft law prepared by the ACLJR through a committee of experts established by the Council of Arab Justice Ministers, and provide our opinions and comments in this regard to be presented to the committee in its next meeting.

The draft law was reviewed and some related comments were reported to the 11<sup>th</sup> MENAFATF Plenary (Beirut, Lebanon, November 2009). The Plenary decided to notify the ACLJR at the Council of Arab Justice Ministers of these comments in November 2009.

### ***5- Relation with the Other International and Regional Authorities and Organizations***

MENAFATF is keen to continuously strengthen its relationships with the other regional and international bodies and organizations such as the IMF, the WB, the UNODC, the Arab States of the Gulf, Egmont Group and the World Customs Organization. All those bodies and organizations are observers in the MENAFATF. In addition, some of them can provide the MENAFATF member countries with the technical assistance and benefit from their experiences in the AML/CFT field.

The participation in the events organized by these bodies and organizations is one of the most important means on which the MENAFATF depends to reinforce its relationships with such bodies and organizations. The MENAFATF participated in the following events in 2009:

<b>No.</b>	<b>Date</b>	<b>Place</b>	<b>Event</b>
1	4 – 5 May 2009	Riyadh, KSA	Participation of the Executive Secretary as a speaker in the Sixth European Seminar to fight against Terrorism Financing.
2	24 – 28 May 2009	Doha, Qatar	Egmont Group Meeting
3	19 – 21 December 2009	Riyadh, KSA	Participation of the Executive Secretary as a speaker in the national workshop on the international legal framework for anti-terrorism for the law enforcement officials.

### ***6- Participation in Conferences and Seminars.***

The MENAFATF continuously follows up on recent developments in the AML/CFT, by participating in many meetings, conferences and seminars; it has contributed in 2009 in organizing many of these events in collaboration with some bodies, namely:

<b>No.</b>	<b>Date</b>	<b>Event</b>
1	4 March 2009	Participation of the Executive Secretary as a speaker in the “AML” Session at the Royal Police Academy in Bahrain.
2	8 – 11 March 2009	Participation of the Executive Secretary as a speaker in a regional workshop held in Qatar on the implementation of the Security Council Resolution No. 1540 (2004).
3	24 – 25 March 2009	Participation of the Executive Secretary as a speaker in a seminar on the compliance and AML, held in Riyadh, KSA.
4	29 October 2009	Participation of the Executive Secretary as a speaker in the conference on “ <i>the new approach for Banking risk management in light of the current financial crisis</i> ”, held in Beirut, Lebanon.

## *7- Dialogue with the Private Sector*

The dialogue with the private sector is vital for spreading and implementing the international standards, complying effectively with the AML/CFT requirements and overcoming the pertaining challenges. The MENAFATF ensures to communicate and hold a dialogue with the private sector being a primary partner in AML/CFT, whereas the 9<sup>th</sup> MENAFATF Plenary (Manama, Bahrain, May 2009) adopted a dialogue mechanism with the private sector through holding meetings to which the representatives of the concerned parties from the private sector are invited depending on the topics of discussion.

The dialogue mechanism with the private sector aims at contributing to a better understanding from the private sector in the Middle East & North Africa of the AML/CFT international standards; knowing the ML/TF risks pertaining to the works performed by the private sector and proposing appropriate counter measures; knowing the challenges facing the private sector in implementing the AML/CFT standards and proposing suitable solutions to overcome them; presenting the sophisticated and modern, institutional policies and procedures for AML/CFT; studying the dialogue's topics and proposing suitable recommendations or guidance for presenting them to the MENAFATF Plenary for discussion and taking the suitable decision in this regard.

### *7/1 First Meeting with the Private Sector Representatives*

In activation of the PSD, the 1<sup>st</sup> meeting was held with the private sector representatives on the margin of the 10<sup>th</sup> MENAFATF Plenary (Beirut, Lebanon, November 2009), which included the banking sector representatives. The MENAFATF was represented by its President and Vice-President, chairmen of its 2 WGs, its Executive Secretary and a representative of the Secretariat, whereas the PS was represented by representatives of the Union of Arab Banks, some local unions and a number of banks.



(Photo from the meeting)

During the meeting, the dialogue mechanism with the private sector and its objectives were introduced; and the private sector presented its views on the said mechanism and its objectives. Additionally, the meeting highlighted the importance of using this mechanism, to support, train and increase the awareness of the private sector in terms of AML/CFT, and circulating relevant publications, in addition to identifying the challenges facing it in terms of implementing the AML/CFT standards, especially the FATF recommendations, and the best ways to overcome these challenges.

The private sector representatives asserted the importance of their participation in the papers on the Best Practices issued by MENAFATF; the possibility of

working on supporting the methods of exchanging information with regard to the private sector by providing a reliable database; the possibility of mutual work on some topics, such as the Politically Exposed Persons; knowing the outcomes of the ME processes; coordinating with the international financial institutions, in order to include in their reports on financial stability an ad-hoc section on AML/CFT.

Furthermore, the discussion addressed the current world economic crisis and the related changes and its importance and impact on the banking sector, especially with regard to performing its AML/CFT role.

It has been agreed that the most important issues to be discussed, studied and applied, is knowing the challenges facing the banking sector in terms of AML/CFT, thus a proposal for drafting a questionnaire for limiting these challenges was presented, provided that this questionnaire is disseminated to the members of the Union.

The meeting recommended the preparation of a questionnaire by the MENAFATF in collaboration with the private sector, to be circulated to all the banks through the Union of Arab banks in order to identify those challenges, as well as holding an introductory meeting, in the form of a forum or conference, including the supervisory authorities and the private sector. The UAE offered hosting this conference, which might be held at the end of 2010 or in the beginning of 2011.

# Fifth: The External Auditor Report and the Financial Statements.

## *1- Auditor's Report.*



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### **Independent auditors' report to the Plenary of Middle East And North Africa Financial Action Task Force (MENAFATF)**

#### **Report on the financial statements**

We have audited the accompanying financial statements of Middle East And North Africa Financial Action Task Force ("MENAFATF"), which comprise the statement of financial position as at 31 December 2009, the statement of comprehensive income and the statement of cash flows for the year then ended, and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

#### **Responsibility of the management for the financial statements**

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

#### **Auditor's responsibility**

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

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

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

#### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Middle East And North Africa Financial Action Task Force as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BDO

Manama, Kingdom of Bahrain  
18 April 2010

95896

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## 2- Financial Statements.

Middle East And North Africa Financial Action Task Force (MENAFATF)  
Statement of financial position as at 31 December 2009  
(Expressed in United States Dollars)

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Plant and equipment	15,022	20,724
<b>Current assets</b>		
Other receivables	51,123	60,170
Cash and bank balance	750,988	186,189
	<u>802,111</u>	<u>246,359</u>
<b>Total assets</b>	<u>817,133</u>	<u>267,083</u>
<b>FUNDS EMPLOYED AND LIABILITIES</b>		
<b>Funds employed</b>		
Accumulated funds	139,011	102,758
<b>Non-current liabilities</b>		
Employees' terminal benefits	21,566	12,814
<b>Current liabilities</b>		
Other payables	656,556	151,511
<b>Total funds employed and liabilities</b>	<u>817,133</u>	<u>267,083</u>

These financial statements set out on pages 1 to 3 were approved for issue by the Members on 18 April 2010 and signed on its behalf by:

  
Adel Al Qulish  
Executive Secretary



These financial statements represent the US Dollar equivalent of the audited Bahraini Dinar financial statements for 2009.

Middle East And North Africa Financial Action Task Force (MENAFATF)  
 Statement of comprehensive income for the year ended 31 December 2009  
 (Expressed in United States Dollars)

	<u>2009</u>	<u>2008</u>
<b>Income</b>		
Kingdom of Bahrain funding	500,000	500,000
Members contribution	<u>492,540</u>	<u>234,112</u>
	<u>992,540</u>	<u>734,112</u>
<b>Expenditure</b>		
Staff costs	(634,513)	(356,790)
General and administrative expenses	(310,910)	(272,519)
Depreciation	<u>(10,864)</u>	<u>(11,691)</u>
	<u>(956,287)</u>	<u>(641,000)</u>
<b>Net surplus for the year transferred to accumulated funds</b>	<u>36,253</u>	<u>93,112</u>



These financial statements represent the US Dollar equivalent of the audited Bahraini Dinar financial statements for 2009.

Middle East And North Africa Financial Action Task Force (MENAFATF)  
 Statement of cash flows for the year ended 31 December 2009  
 (Expressed in United States Dollars)

	<u>2009</u>	<u>2008</u>
<b>Operating activities</b>		
Net surplus	36,253	93,112
Adjustment for:		
Depreciation	10,864	11,691
Changes in operating assets and liabilities:		
Other receivables	9,047	(52,721)
Other payables	505,045	71,199
Employees' terminal benefits, net	<u>8,752</u>	<u>6,370</u>
Net cash provided by operating activities	<u>569,961</u>	<u>129,651</u>
<b>Investing activities</b>		
Purchase of plant and equipment	<u>(5,162)</u>	<u>(2,763)</u>
Net cash used in investing activities	<u>(5,162)</u>	<u>(2,763)</u>
<b>Net increase in cash and cash equivalents</b>	564,799	126,888
Cash and cash equivalents, beginning of the year	<u>186,189</u>	<u>59,301</u>
Cash and cash equivalents, end of the year	<u><u>750,988</u></u>	<u><u>186,189</u></u>



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