

ANNUAL REPORT

10th MENAFATF Annual Report - 2014

MENAFATF
مينا فاتف
GAFIMOAN



سنوات
ANNIVERSARY

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Presidents of MENAFATF 2005-2014



DR. MUHAMMAD BAASIRI
2005



MR. MAHMOUD ABDELLATIF
2006



DR. UMAYYA TOUKAN
2007



MR. ABDULRAHIM ALAWADI
2008



MR. ABDULRAHMAN ALBAKER
2009



MR. SAMIR BRAHIMI
2010



MR. ABDELMADJID AMGHAR
2011



MR. ABDENOUR HIBOUCHE
2011



DR. ABDULRAHMAN ALKHALAF
2012



MR. ISAMELDIN ABDELGADIR ELZIEN
2013



DR. ABDULBASIT TURKI SAID
2014



DR. ALI MUHSIN ISMAIEL
2014

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President Foreword



Dear Members,

Dear Observers, Executive Secretary and Staff,

As my term as President of MENAFATF for the year 2014 is coming to an end, I would like to seize the opportunity to express my deepest gratitude and heartfelt thanks to the efforts you have all expanded during the last year in order to achieve MENAFATF objectives, through cooperation and coordination between the member states regarding AML/CFT matters.

We have already celebrated in November 2014 MENAFATF 10th anniversary, and that period was actually full of achievements, whereas we have started building frameworks to have the international requirements in terms of AML/CFT fulfilled by the member states, and at the same time, we have supported the FATF throughout the thorough follow-up process of the states that are subject to mutual evaluation, not to forget training and increasing the awareness in the aforementioned industry. Since its establishment, the Group has expanded lots of efforts in order to achieve its objectives, through many aspects, the most important of which are assessing the compliance of member states with AML/CFT standards and recommendations, ensuring they are consistent with the international standards and recommendations in this regard. Furthermore, the Group sought to promote relevant relationships with the AML/CFT organizations, whether regional or international. Based on our belief that the AML/CFT issue requires a regular and updated development of skills and ideas, to go in line with the huge progress of the banking and financial business in the world, which goes in hand with the advance of technology in both sectors, and given the resulting breaches and new crimes, we have endeavored to organize AML/CFT workshops and seminars to all concerned parties in the member states, and we have offered necessary technical assistance to some states.

Since its establishment, the Group has achieved a great success at the regional and international levels, which increased the number of members states and observers; also the Group has established a business partnership with counterparts in order to strengthen the capacities of all states and help them face the ML/FT crime, which became a cross-continent crime affecting the political, social and economic interests of the countries.

Throughout my term as President of the Group, I stressed on shedding light on the role of the member states and the efforts they are expanding in order to implement the international standards and recommendations; which have all been reflected in the achievements that meet the Group objectives. I would like to thank as well the Secretariat for its great efforts, work and continuous coordination in writing success stories.

It have the pleasure to submit the 10th annual report of MENAFATF, which includes the Group's achievements during the period of Iraq presidency. During that period, the Republic of Iraq sought full cooperation, whether with other state members, observers or the Secretariat, with a view to achieve the objectives of the Group in terms of AML/CFT.

The Group has been continuously throughout 2014 exerting its efforts for the achievement of its objectives in the plenary meetings; in this scope, the 19th plenary meeting was held in the Kingdom of Bahrain in June 2014, and the 20th plenary meeting was also held in Bahrain in November 2014; Further, MENAFATF has adopted Manama's Declaration on fighting money laundering and combating the financing of terrorism. Moreover, the Group organized the 5th assessors training workshop in December 2014 in the UAE, and MENAFATF/EAG joint typologies and capacity building workshop was held in the State of Qatar in December 2014, in addition to a workshop organized in September 2014 on national risk assessment in the Lebanese Republic, which was attended by expert speakers from IMF and the World Bank, and from several states that have initiated or undertaken the national risk assessment process.

MENAFATF has continued through 2014 the mutual evaluation process; the members reviewed the AML/CFT international standards in order to face the emerging international financial challenges being one of the main reasons and have enhanced their measures to prevent illegal cash flows.

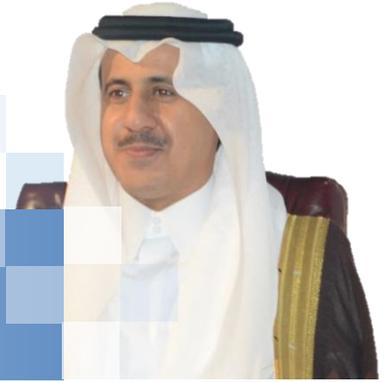
With my term for the year 2014 coming to an end, I have much pleasure to hand over the presidency to H.H. Marwan Bin Turki Al Said, the representative of the Sultanate of Oman, and I am sure that he will continue to write and engrave more success stories. I seize the opportunity to wish him and the Sultanate of Oman success and prosperity.

Sincerely,

Dr. Ali Mohsen Ismail Al Allaq

MENAFATF President

Executive Secretary Foreword



I have the pleasure to address you in the scope of this special annual report, which actually coincides with the 10th anniversary of the MENAFATF. On behalf of my colleagues and in my name, I would like to congratulate the member states and the observers, and all those who contributed to our story of success and achievements throughout the last ten years of the Group. In fact, those achievements would not have been possible without God's will first, then the efforts and contributions of the member states and observers, who endeavored to support our activities and events and realize relevant objectives.

MENAFATF was founded in November 2004, in the scope of the efforts expanded by the region's states to combat money laundering and terrorism financing crimes and recognizing that the protection of the economies and societies from the risks of such crimes requires joint efforts. MENAFATF celebrated with its partners the path of success where it has been leading the regional movement and fight, and which has improved the AML/CFT compliance of member states; contributing therefore in spreading messages to the international community in general, and the economic and financial sectors and other concerned fields; confirming the ability of MENAFATF in protecting the region from the risks of ML/FT crimes, and that it is fulfilling its duties fully, thanks to the stability of the economic and financial regimes in the member states in such an important, active and strategic region. Nevertheless and although the MENA region is in a transitional period, it is still determined to move forward towards achieving its objectives.

The MENAFATF has completed now a decade with a special year full of events, where the Group played an important role in the Middle East and North Africa in the field of AML/CFT.

Based on its belief in the importance of going hand in hand with all developments, promoting the international cooperation channels, and working with international organizations to strengthen the compliance and face the new threats against the world financial regime, the Group has approved during the year the new procedures that will be adopted in the second round of the evaluation processes, which is under preparations. On the other hand, the MENAFATF followed up the states that were subject to the evaluation process in the first round, and supervised their efforts and achievements to promote and strengthen relevant AML/CFT legislative and regulatory regimes.

With regard to the technical assistance and training, MENAFATF has offered many benefits to the member states; it has organized and held several workshops and training programs at the regional level,

which raised the awareness of the experts in the member states about the relevant international standards, and developed their AML/CFT experience; such workshops and events tackled important themes, such as: the Revised 40 Recommendations and the new assessment methodology, National Risk Assessment, the role of the Institutions operating in Securities and Insurance, Assessors training, Freezing Terrorist Assets as per UNSCR 1373, and the dialogue with the private sector regarding Correspondent Banking. As well, the MENAFATF has launched important initiatives, to name the formation of the National Risk Assessment Committee, organizing the joint workshop with the Eurasian Group on typologies and capacity building held in Doha – Qatar, as well as the publication of the biennial typologies report at the end of the year which came to crown all these efforts.

The efforts made by the member states, the observers, MENAFATF Presidents and the Secretariat in the past years had a great impact on its success and the achievement of its objectives, as well as the improvement of its international position in the field of AML/CFT; thanks to all such efforts, the MENAFATF member states can now deal with ML/FT cases in an enhanced and more effective way, as the AML/CFT regulations, laws and legislations in the states of the region are continuously improving. The MENAFATF will always seek to promote effective cooperation between member states and observers, in order to strengthen the AML/CFT systems and improve relevant efficiency and effectiveness.

Last but not least, I avail myself of this opportunity to congratulate and thank the member states and observers for all efforts expanded over the past period, and for supporting the activities of the Group; I would like to thank as well the Presidents who have greatly contributed to the constitution of the Group and relevant stages of its development. And I look forward to continuing its constructive role in the future, hoping for more progress, success and prosperity...

Adel H AlQulish
Executive Secretary

Section One: 10 years since the Establishment

Establishment and Objectives

In 2003, the idea of founding a regional AML/CFT task force for the Middle East and North Africa was officially proposed. It was followed by a series of official meetings in the period between October 2003 and July 2004. On the 30th of November 2004, the governments of 14 Arab states decided at a ministerial meeting held in Manama to establish the aforementioned group, and it was called the Middle East and North of Africa Financial Action Task Force (MENAFATF). Later, four more states joined the Group. And all member states signed a memorandum of understanding which represented a historic achievement for the Arab states, whereas it showed their seriousness in preventing all such risks that result from ML/FT operations. The aforesaid MoU was amended in November 2013. Article 2 of the MOU reads: *“The 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”*.

Given that the stability of the financial and economic regime in any state or region around the world is greatly and negatively affected by these two crimes, MENAFATF member states and observers continuously seek to implement and spread pertinent international policies and standards, and to increase the level of effective compliance therewith, particularly FATF recommendations. The Secretariat of the Group is located in the Kingdom of Bahrain, and it started its activity since MENAFATF establishment, knowing that the Kingdom of Bahrain provided it with all necessary resources in this regard. To confirm the importance of MENAFATF role, the headquarters agreement was ratified and entered into force and effect in 2009, whereas it was approved by the Consultative Council and the deputies; His Majesty the King of Bahrain promulgated Law no. 5 of 2009 to ratify the agreement in question on 26 March 2009; It was published in the official gazette on the 2nd of April 2009.

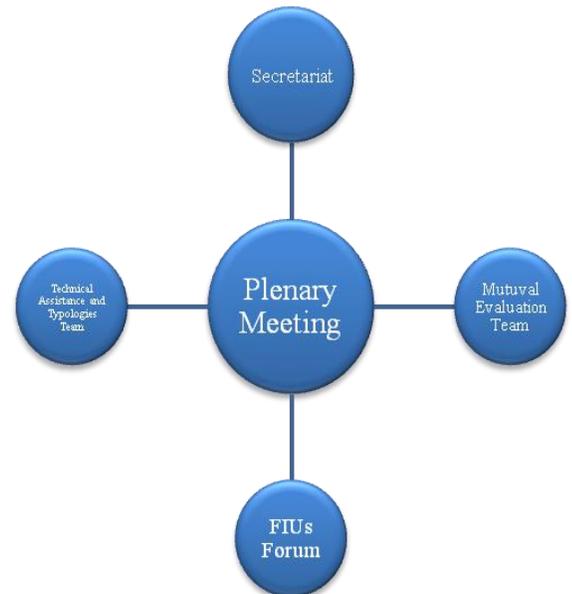
During the ministerial meeting, it was agreed on nominating the president and vice-president after the first and second years (the Lebanese Republic and the Arab Republic of Egypt) in alphabetical order (the Arabic alphabet) starting with the Hashemite Kingdom of Jordan in 2007. The president and vice-president shall be elected from the Group’s members, and they shall be experienced in the field of AML/CFT; they shall occupy the position for a term of 1 year provided that they are not from the same state.

MENAFATF Objectives

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

MENAFATF Main Bodies

The **Plenary Meeting** is the body in charge of taking decisions within MENAFATF. It is comprised of representatives from the member states, who are experienced in the field of AML/CFT. The Secretariat is responsible for executing the technical and administrative tasks to fulfill the activities of the Group, such as coordinating the mutual evaluation processes and cooperating with international parties and counterparts, especially FATF, in addition to other tasks as decided by the Plenary Meeting. **The Mutual Evaluation Team** is formed of the Group's member states, and it is charged with developing and organizing the mutual evaluation program for member states, and with several other tasks, mainly to develop the procedures, work on training the assessors and follow-up with the international developments in this regard.



The Technical Assistance and Typologies Team is charged with assisting the Secretariat, and giving advice thereto with regard to training, identifying the technical needs of the member states, raising awareness and following up on the international developments with a view to improve the regimes in the region. **The FIUs Forum** is the communication channel and mechanism between FIUs in the member states and aims at promoting regional cooperation and exchange of experience among member states; the Secretariat acts as the Forum's coordinator with respect to preparing the relevant meetings.

Member States and Observers

MENAFATF currently includes 18 Arab states as members, in addition to 16 international states and organizations as observers; these figures actually reflect the interest in the activities and work of the Group. MENAFATF is also an Associate Member in FATF since 2007, and holds the position of observer on a reciprocal basis with: Egmont Group of Financial Intelligence Units, Asia/Pacific Group on Money Laundering and Eurasian Group on combating money laundering and financing of terrorism.

| Member Countries | | | | |
|-----------------------------|----------------------|------------------------------------|---|------------------------|
| Hashemite Kingdom of Jordan | United Arab Emirates | Kingdom of Bahrain | People's Democratic Republic of Algeria | Republic of Tunisia |
| Kingdom of Saudi Arabia | Republic of Sudan | Syrian Arab Republic | Republic of Iraq | Sultanate of Oman |
| State of Qatar | State of Kuwait | Lebanese Republic | Libya | Arab Republic of Egypt |
| | Kingdom of Morocco | The Islamic Republic of Mauritania | Republic of Yemen | |
| Observers | | | | |
| France | UK | USA | IMF | World Bank |
| GCC | FATF | Egmont Group | Palestine | Spain |
| APG | WCO | AMF | EAG | UN |
| | | Somalia | | |

MENAFATF during the First Ten Years

The Group underscored that it is working hard on achieving the objectives for which it was established and on preserving close cooperation among its Member States and between Member States and the external world with a view to support their efforts to establish effective AML/CFT systems through the promotion of initiatives launched by such countries to combat money laundering and financing of terrorism. Moreover, the Member States were determined to optimize their AML/CFT systems, as they believed in the importance and necessity of working and co-operating together as an important basis for the success of the group. The Group also worked on achieving this objective through its bodies, working groups and committees according to working papers and guidelines issued by them to assist members in applying international standards and achieving greater commitment in order to support, strengthen and maintain financial and economic systems which is considered as a requirement and a very desirable purpose for the countries that wish to improve their position in light of the globalization in the current era and the economic openness.

Evaluation of the Member States' commitment to AML/CFT international standards

The Group initiated the assessment program of member states in order to verify the effectiveness of the applicable regulations and policies as well as their compatibility with the international standards issued by the Financial Action Task Force (FATF) to combat money laundering and terrorist financing in year 2006, completing the first round thereof in 2012. During the first round, 17 Member States were evaluated and the applicable AML/CFT laws and regulations were examined and reviewed. Approximately 66 experts in the legal, financial and law enforcement fields from the Member States and the observers participated in this round. The Group continuously tracked the progress made in improving and strengthening AML/CFT systems in Member States, whereas states began submitting follow-up reports starting year 2009. The follow-up process is a task that falls under the Group's evaluation process that follows the mutual evaluation; the States provide follow-up reports within certain periods of time as stipulated in the evaluation procedures approved by the group's plenary meeting.

Timeline Schedule for the first Round

| | | | |
|---------------|---------------|------------------|---------------|
| 1. Bahrain | November 2006 | 10. Jordan | May 2009 |
| 2. Mauritania | November 2006 | 11. Lebanon | November 2009 |
| 3. Syria | November 2006 | 12. Saudi Arabia | May 2010 |
| 4. Tunisia | April 2007 | 13. Algeria | November 2010 |
| 5. Morocco | November 2007 | 14. Oman | May 2011 |
| 6. UAE | April 2008 | 15. Kuwait | May 2011 |
| 7. Qatar | April 2008 | 16. Sudan | November 2012 |
| 8. Yemen | April 2008 | 17. Iraq | November 2012 |
| 9. Egypt | May 2009 | | |

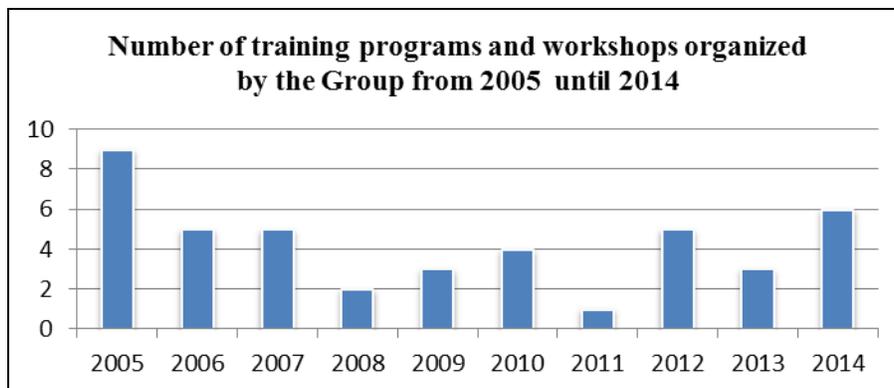
The results achieved during this round highlighted the efforts made by the States towards honoring their commitment and ensuring the compliance of their systems with international standards, thus strengthening their AML/CFT tools, as well as training more than 150 experts from the Member States to conduct evaluations.

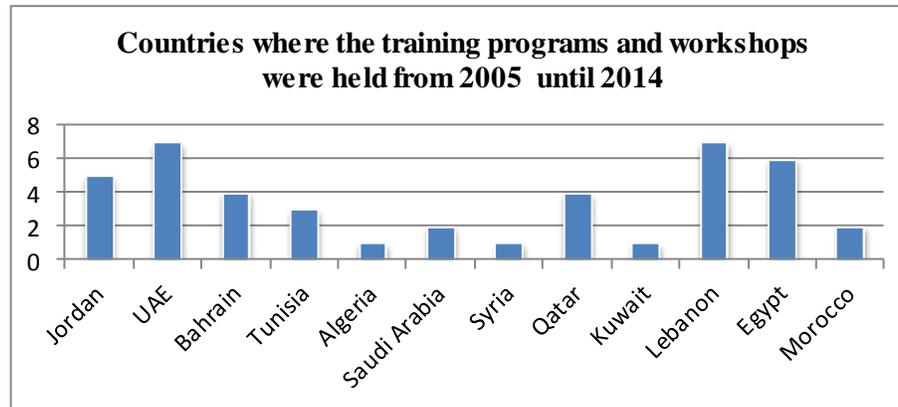
Assisting Member States to obtain technical assistance and training

Striving towards developing its work, assisting and encouraging all members to take advantage of the technical assistance programs provided by donors, especially observers, based on the needs of each state, MENAFATF developed a clear work strategy, ranging from the identification to the discussion of the needs, and the coordination with donors to provide such needs with the best available methods.

For this purpose, a mechanism that helps to accurately identify the needs of each state for technical assistance was adopted and coordination was made with the donors to provide the needs and identify priorities as well as determine the donor of such assistance, follow up the provision thereof by defining the period of time during which this assistance is expected to be completed or implemented, and submit periodic reports to the Technical Assistance and Typologies Working Group and plenary meeting on the results of this follow-up. The Secretariat has an instrumental role in coordinating and arranging the implementation of this assistance through a series of steps and a methodological approach.

Given the importance of training as an essential means to raise the awareness and increase the knowledge of the staff in different bodies as well as improve their performance and assist such bodies in efficiently carrying out their roles and functions in the fight against money laundering and financing of terrorism, MENAFATF have assisted members to obtain high level training supporting their AML/CFT efforts through training programs and workshops based on the Training Guide established by the Group according to the needs of the Member States.





Raising awareness about ML/FT methods, trends and techniques

Given the importance of technical researches and studies that could be established by the group's experts with regard to addressing, combating and preventing money laundering and terrorist financing operations, many typologies topics that represent prevailing patterns of common transactions in the MENA region have been determined through the suggestions received from the states in this regard and have been discussed in the Technical Assistance and Typologies Working Group which found a mechanism to deal therewith such as the formation of working teams to gather information, discuss and study practical cases as well as present them in special workshops. The group also issued during the first 10 years a number of reports about the typologies projects that have been executed:

- Typologies report about cross-border payment methods.
- ML/FT indicators and trends in the MENA Region.
- Illicit Trafficking in Narcotic Drugs and Psychotropic Substances and money laundering.
- ML/FT indicators and trends in the MENA Region – Update.
- Proceeds from fraud and forgery of financial instruments and documentary credits and their relation to money laundering and terrorist financing.
- Biennial typologies report (First Issue).

Determining the topics related to money laundering and terrorist financing operations of regional nature, exchanging experiences on such issues and developing regional solutions to address them are among the main objectives of the group. For this purpose, the group established specialized technical committees consisting of some member states in order to study important topics related to the region and circulate the best practices that can be implemented by Member States to strengthen their regulations and legislations in the field of AML/CFT. Six committees specialized in a number of topics of interest to the region have been established, namely:

- Ad-hoc committee on Hawala consisting of the following countries: Jordan, UAE, Algeria, Egypt.
- Ad-hoc committee on cash couriers consisting of the following countries: UAE, Qatar, Kuwait.
- Ad-hoc Committee on charities consisting of the following countries: UAE, Saudi Arabia, Kuwait, Egypt.

- Ad-hoc Committee on Politically Exposed persons (PEPs) consisting of the following countries: Lebanon, Saudi Arabia, Syria, Jordan, Egypt.
- Ad-hoc Committee on Designated Non-Financial Businesses and Professions (DNFBPs) and consisting of the following countries: Lebanon, Egypt, Saudi Arabia, Bahrain, Algeria, Syria, Morocco, Jordan.
- Ad-hoc Committee on National Risk Assessments and consisting of all Member States and observers.

Strengthening the Group's relations with regional and international bodies, namely the Financial Action Task Force and FSRBs

The Group's first ten years witnessed a growth in the business relations at the regional and international levels with many international organizations such as the Arabian Monetary Fund, the International Monetary Fund, the World Bank, the Financial Action Task Force, the United Nations agencies, the Cooperation Council for the Arab States of the Gulf, the Egmont Group, Asia / Pacific Group and the Eurasian Working Group. All those actors hold the observer status interchangeably with the group. A new observer member (the Republic of Somalia) joined the group in November 2014. The Group ensures to follow-up the latest updates and developments in the AML/CFT field through the participation in meetings and workshops as well as conferences and seminars related thereto, in addition to the assistance and expertise provided by these bodies to the group's member states in the AML/CFT field.

The Group did not neglect the dialogue with the private sector, as the 9th Plenary Meeting (Manama, Bahrain, May 2009) adopted the dialogue mechanism consisting in holding meetings with the representatives of stakeholders in the sector and propose topics for discussion and identify the challenges they face in the application of anti-money laundering and terrorist financing standards as well as develop appropriate solutions to overcome them, and participate in workshops and training programs of interest to the sector. The Group's interest in this sector stems from its importance and its influential economic role.

10 key dates in the life of MENAFATF

1. November 2004, signing the Memorandum of Understanding and the Group Establishment

The most prominent event in the history of the Group is the signing of a memorandum of understanding for the establishment in November 30, 2004 in Manama, Kingdom of Bahrain, where governments of 14 Arab states decided in the ministerial meeting held on this occasion to create a group called "Middle East and North Africa Financial Action Task Force" (MENAFATF) that was later on joined by four other countries.

2. April 2005, Plenary meeting and formation of the Working Group

The Group's first plenary meeting was held in the Kingdom of Bahrain on April 11 and 12, 2005 in the presence of 90 experts in the field of combating money laundering and terrorist financing from the Member States and the observers. Among the most important decisions taken in the meeting was the formation of Mutual Evaluation Working Group (MEWG) consisting of six member states - Tunisia, Algeria, Saudi Arabia, Syria, Kuwait and Egypt - as well as the International Monetary Fund, the World Bank and the Financial Action Task Force in addition to the formation of the Training and Typologies Working Group (TATWG) comprising five member states - the United Arab Emirates, Bahrain, Lebanon, Morocco and Yemen, the International Monetary Fund, the World Bank and the United Nations Office on Drugs and Crime.

3. April 2005, Launching of the Group's website WWW.MENAFATF.ORG

On April 11, 2005, the Group launched its website which includes the latest news concerning its activities as well as all information that a web browser can benefit from upon visiting the website. The Group's Secretariat is also keen to constantly update the website in order to keep pace with the Group's events and activities.

4. April 2006, first onsite visit within the scope of the mutual evaluation process

The first round of the mutual evaluation process started in 2006; MENAFATF conducted its first onsite visit to one member state (Syrian Arab Republic) in April / May 2006.

5. June 2007, Obtaining FATF Associate Member status

Third FATF plenary meeting, of FATF-XVIII held at the headquarters of the Organization for Economic Cooperation and Development (OECD) in Paris, France from 27 till 29 of June 2007 unanimously approved the request made by MENAFATF to acquire the status of "Associate Member".

FATF has granted such status to the MENAFATF in appreciation of the great efforts made by its member states to develop AML/CFT systems and in recognition of the efficiency and seriousness of the procedures adopted in this regard.

6. April 2009, Ratifying the headquarters agreement between the Kingdom of Bahrain and MENAFATF

An agreement was signed between the Kingdom of Bahrain and MENAFATF on the 26th of March 2009 asserting Bahrain's support to the Group. The agreement was also approved by the Consultative Council and the Parliament, ratified by H.H the King of Bahrain by virtue of Law no 5 of year 2009 and published in the Official Gazette in April 02, 2009.

7. November 2012, Adopting the updated international standards

MENAFATF 16th plenary meeting held in November 2012 adopted the updated (revised) international standards to combat money laundering, terrorist financing and the proliferation of weapons issued by FATF in February 2012.

8. December 2012, Completing the First Round of the Evaluation Process

The Group completed the first round of the evaluation process in year 2012 during which 17 member states were evaluated and the applicable AML/CFT laws and regulations were examined and reviewed.

9. November 2013, amending the Memorandum of Understanding

The 18th plenary meeting held in Manama, Kingdom of Bahrain (November 2013) adopted the amendments made to the Memorandum of Understanding as a result of the amendments made to the recommendations issued by the Financial Action Task Force.

10. November 2014, 10th anniversary

During the 20th plenary meeting held in Manama, Kingdom of Bahrain (November 2014), the group celebrated its 10th anniversary by honoring former presidents and chairmen of working groups.



Section Two: Regional and International Coordination and Cooperation

In the context of strengthening regional and international coordination and cooperation, the Group held several meetings with the participation of Member States and observers, thus providing real communication opportunities at the regional and international levels between the Group, Member States and observers from countries, and relevant international institutions and organizations. These meetings helped reviewing the latest developments in the field of combating money laundering and financing of terrorism, enhancing legislative, procedural tools and available mechanisms, as well as refining the expertise and experiences of countries. They also represent an important link for the Group seeking to strengthen its activity through its coordination role. The most important meetings held during the year 2014 are as follows:

19th Plenary meeting, Manama, Kingdom of Bahrain, 16-18 June 2014



MENAFATF held its 10th plenary meeting from the 16th till the 18th of June, 2014 in Manama, Kingdom of Bahrain, in the presence of experts and representatives of Member States and observer countries and organizations. Two reports were presented during the meeting concerning the MEWG

and TATWG work, where the Chair of each Working Group briefed the plenary meeting on the recommendations reached in the two meetings held by the two working groups on the sidelines of the plenary meeting and the most important decisions made in this regard. The Plenary Meeting was also briefed on the most important topics discussed during the 9th FIUs forum meeting namely encouraging and following-up on joining the Egmont Group of Financial Intelligence Units and exchanging expertise through presentations about best practices such as "FIUs Readiness for the second round of evaluations in light of the revised recommendations and the new assessment methodology." Furthermore, with regard to the Member states follow-up process, the plenary meeting emphasized on the importance of the follow-up process that urges them to correct the identified deficiencies within a reasonable timeframe. In this context, the plenary meeting discussed 9 follow-up reports for several following Member States: Mauritania, Sudan, Kuwait, Oman, Lebanon, Algeria, UAE, Egypt and Syria, as well as the update report of Qatar, and exit reports of Saudi Arabia, Yemen and Tunisia. The reports revealed the extent of the progress achieved by those countries in the development of AML/CFT systems in light of the comments set out in their respective evaluation reports.

20th Plenary Meeting, Manama, Kingdom of Bahrain, 18-20 November 2014

MENAFATF 20th Plenary Meeting was held in Manama, Kingdom of Bahrain, from the 18th till the 20th of November, 2014. The meeting discussed throughout the sessions a series of important topics and a number of issues related to the work and various activities of the group concerning which several decisions were made namely the presidency of the Group for the year 2015. The plenary meeting decided that the Sultanate of Oman should assume the presidency in 2015 with the State of Qatar assuming vice-presidency. The plenary meeting also approved Somalia's application to obtain observer status. Furthermore, the plenary meeting adopted the procedures and timeline of the second round of mutual evaluations in addition to the Arabic translated version of the methodology on assessing Member States' compliance with AML/CF international standards issued by the Financial Action Task Force (FATF).



Within the framework of the follow-up for the first round of the mutual evaluation processes, the plenary meeting adopted 6 follow-up reports for the following countries: Algeria, Syria, Iraq, Oman, Lebanon, Mauritania, the update report of Bahrain and the exit reports of Egypt and the UAE. It also reviewed the procedures proposed to follow-up the voluntary tax compliance program in the Member States and approved the principles contained therein. The plenary meeting adopted the first biennial typologies report on the most important practical cases provided by the Member States and published it on the website. The Plenary meeting also approved the recommendations of the Mutual Evaluation Working Group and the Technical Assistance and Typologies Working Group whose meetings were held on the sidelines of the plenary meeting in November 17, 2014.

FIUs Forum

Considering the importance of FIUs role, the FIUs forum constitutes a mechanism and a channel of communication between FIUs in the Group's Member States for the purpose of increasing regional cooperation and exchange of expertise among units and activating their role through the various tasks its carries out. The Forum also encourages non-member FIUs to join Egmont Group, develops mechanisms of information exchange, strengthens regional cooperation between units, builds and strengthens FIUs capacities and establishes cooperation mechanisms between units. Held on the sidelines of the 19th and 20th plenary meetings, the forum discussed several important topics and issues, namely FIUs readiness for the second round of evaluations in light of the revised recommendations and

the new assessment methodology as well as the strategic analysis as one of the FIUs main functions. The forum also discussed the results of a study conducted concerning regional cooperation between financial intelligence units with MENAFATF member states and recommended the implementation of the related recommendations.

National Risk Assessment Committee

MENAFATF 19th plenary meeting held in June 2014 approved the establishment of a regional committee concerned with national risk assessment in order to assist Member States in establishing and developing systems that help them assess ML/FT risks at the national level within the context of their readiness for the second round of the evaluation process. This committee is responsible for gathering appropriate information at the regional and international levels, reporting the same to the Member States, developing new materials and tools to help conducting the national risk assessment as well as promoting and coordinating the exchange of expertise between Member States in this regard. On 16 November 2014, the National Risk Assessment Committee held its first meeting when it listened to the interventions of Member States on the progress they made in the national risk assessment and the challenges they faced, which are restricted namely to the internal coordination between stakeholders, methods of gathering information and lack of skills and expertise.

Coordination and Cooperation with FATF and FSRBs

The Group is exerting strenuous efforts at the regional and international levels so as to improve its work relations to better serve the interests of its member states. It is seeking to achieve this through its participation and contribution to a number of activities and events, as well as its coordination and communication with the Financial Action Task Force and FSRBs. Furthermore, the group is working on informing its Member states about the latest practices and developments in the global and regional levels through reports and the participation of the Member States in the meetings of the FATF and its working groups, in its capacity as FATF member. In the context of its relationship with the other parties and business partners, MENAFATF holds the observer status with Asia Pacific Group and Eurasian Group on Combating Money Laundering and Financing of Terrorism.

Attendance of plenary meetings and FATF Working Group Meetings

MENAFATF – as FSRB - has a close relationship with Financial Action Task Force, seeking to adopt, publish and promote, on the regional scale, AML/CFT international standards issued by the FATF. This relationship allows greater participation in the work of the FATF by granting Member States the opportunity to attend FATF plenary and working group meetings, as well as regularly participate in discussions and decision-making and express the regional point of view.

Participation of the Member States in FATF plenary meetings for the year 2014



Joint Workshops and projects with FATF and FSRBs

MENAFATF /FATF Joint Typologies Project on “Money Laundering through Physical Cross-border Transportation of Currency”

One of the methods to launder money resulting from illegal activities consists in the physical cross-border transportation of currency. Given the importance of this topic for many countries in the world, the Group is currently conducting a joint study with the Financial Action Task Force. initiated in October 2013 with the formation of a working group comprising representatives of MENAFATF/FATF Members States, the study is expected to shed the light on a number of practical cases that will clarify the most important methods and techniques used in money laundering through physical cross-border transportation of currency and thus identify indicators and trends related to the subject. The main objectives of the project are the following:

- ✓ Understanding the scope and extent of cross-border transportation of currency at the international and regional levels through the collection of data, review of the available researches and studies and identification of the challenges that prevent detecting and reducing such operations.
- ✓ Identifying the methods, trends and techniques used in money laundering through physical cross-border transportation of currency and providing a set of practical examples and cases.

At the joint FATF/MENAFATF typologies experts meeting held in the State of Qatar from the 2nd till the 4th of December 2013, a special workshop concerning this project was held to discuss preliminary issues related to the extent, methods and trends of this pattern as well as to showcase and discuss relevant studies and practical cases. More feedback and points of view were also communicated during this workshop from the 70 experts who represented the Members States in the two groups as well as the participating international organizations.

Within MENAFATF/EAG joint workshop on typologies and capacity building, which was held in Doha in cooperation with the National Anti Money laundering and Terrorism Financing Committee from 14 until 17 December 2014, a session was dedicated to discuss the initial outcomes of the project and obtain feedback and addition information on the study. The Co-chairs have convened to discuss the progress achieved during Doha meeting and agreed that important information is still being collected for a more comprehensive analysis of the answers to the questionnaire and examples to the current case. The working group requested an extension of the project duration at FATF plenary meeting (February 2015) which was approved; the completion date should not exceed the next plenary meeting (June 2015).

**Joint Project with Asia-Pacific Group
In the framework of the Global Network Coordination Group’s Activities
“Best Practices for technical assistance and training”**

Providing technical assistance is one of the main tasks assigned to many FSRBs. It is useful for such groups to identify the specific technical assistance needs, provide them in a timely and effective manner, and share with each other relevant best practices. In this context, the Asia Pacific group and the MENAFATF co-led in October 2012 a project entitled “Best practices for technical assistance and training” under the umbrella of FATF Global Network Coordination Group. Many regional groups and international organizations participated in this project, and the final version was submitted to the Global Network Coordination Group for approval. The report was then submitted to the FATF Plenary meeting which adopted it in its last meeting held in October 2014.

**Joint MENAFATF / EAG Typologies and Capacity Building Workshop in
collaboration with the National Anti-Money Laundering and Terrorism Financing
Committee in the State of Qatar
Doha, State of Qatar, 14-17 December 2014**

The Middle East and North Africa Financial Action Task Force and the Eurasian Group (EAG) co-organized a Joint Typologies and Capacity Building Workshop for four days, from the 14th till the 17th of December 2014 in Doha, State of Qatar. The workshop was hosted by the National Anti-Money Laundering and Terrorism Financing Committee. The most important topics and key recommendations discussed during the typologies sessions are as follows:

First Session: Money laundering through the physical transportation of currency

The aim of this session was to inform participants about the latest achievements made to date with regard to the joint typologies project with the Financial Action Task Force on money laundering through the physical transportation of currency, which was launched in October 2013 and to benefit from the participants' comments on the initial findings of the working group, as well as to share experiences and expertise of the Member States in terms of the methods of transporting currency, money laundering and financing of terrorism. During the session, presentations were made by the United Kingdom, the Republic of Tunisia (two presentations), the Russian Federation (three presentations), Saudi Arabia, the Republic of Belarus and the Republic of Turkmenistan.



The session issued key recommendations emphasizing on the fact that money laundering and the financing of terrorism through the physical transportation of currency is a very important issue at the global level, despite the emergence of new payment methods and acknowledging that banking systems are more efficient, which exacerbates the problem of money laundering and terrorist financing through the physical transportation of currency. It also stressed on the importance of national and international cooperation to effectively combat money laundering and terrorism financing through the physical transportation of currency.

Second Session: Illicit Financial Flows and the Use of AML/CFT tools to combat corruption

The aim of this session was to identify the legislations and the most important ways which combat corruption, as well as identify the methods of laundering the proceeds resulting from corruption crimes. The session also included presentations and discussions concerning practical cases and international standards relevant to the fight against corruption. During the meeting, presentations were made by the Republic of Tunisia, the MENAFATF Secretariat (two presentations), the Russian Federation (four presentations), the People's Republic of China, the Lebanese Republic and the Kyrgyzstan Republic. The participants also emphasized that FATF recommendations and the United Nations Convention against Corruption should be considered as important international instruments that complement each other, in particular, FATF recommendations that support the fight against corruption and include measures to identify the risks of corruption.

Third Session: Risks and threats of Money Laundering from Cybercrime

This session was held at the request of the participants to analyze the relationship between cybercrimes and money laundering, identify the most common methods to launder the proceeds of these crimes and determine the risks that may arise there from, taking into account the latest developments in the payment methods and the possibility of using them anytime, anywhere, making it the most attractive method for criminals. Participants in the session stressed on the fact that the absence of borders and the international nature of these crimes impose further requirements on experts in terms of qualification and speed of interaction between the various bodies concerned with the fight against these crimes. The recommendations that were issued during the session also tackled the importance of the relationship between the competent authorities and the private sector.

FATF Assessors Training workshop, Moscow, Russian Federation 10-14 March 2014

A FATF Assessors Training workshop was held from the 10th till the 14th of March 2014 under the patronage of the Financial Action Task Force, Russian financial intelligence Unit, the International Monetary Fund and the Eurasian Group. The aim of the workshop was to prepare and train the assessors of the assessment teams and members of the FSRBs Secretariat to carry out evaluations according to the revised assessment methodology. The workshop addressed issues related to the evaluation process and the preparation of assessors, such as a summary of the evaluation process, method of conducting the evaluation (analyzing data and statistics, writing the evaluation report), how to use the methodology in the application of the evaluation procedures, how to assess the technical level, effectiveness and results thereof, a practical experience on a mock evaluation and writing the evaluation report. The workshop was attended by 40 participants from the Secretariat of FATF and FSRBs such as the Eurasian Group, European Union Expert Group on Money Laundering Task and 3 members of MENAFATF Secretariat as well as the following countries: Austria, Netherlands, Ireland, England, Australia, France, China, Russia and other.

Relationship with Egmont Group for Financial Intelligence Units Second Plenary Meeting of Egmont Group, Lima, Republic of Peru, 1-6 June 2014

MENAFATF holds the observer status with the Egmont Group, and participates in its plenary and working group meetings. In 2014, the group attended Egmont 22nd plenary meeting which was held in the city of Lima, Republic of Peru, from the 1st till the 6th of June 2014. During the session held between the regional representatives of Egmont Group, FATF and FATF-Style regional bodies, the outcomes of FATF and FSRBs forums were discussed as well as the Egmont amended charter, revised FATF recommendations, Egmont Strategic Plan, Typologies projects and other projects. The most important results achieved during the meeting included a confirmation from the head of the training group of their readiness to cooperate with regional groups to jointly organize training programs through training packages addressed to these groups and encouraged them to inform the team about the technical assistance they need.

Section Three: Enhancing and building AML/CFT frameworks in the Middle East and North Africa

The Group works on building strong and effective frameworks to combat money laundering and terrorist financing in the region, by performing the tasks set forth in the Memorandum of Understanding, which have been translated into strategies and plans implemented through clear action programs that achieve the desired goals, whether on the short or long term. For this purpose, the Group adopts several ways, such as following-up the states' compliance with international standards, working to avoid the deficiencies therein by various means, among others, holding workshops and training programs in this regard.

Evaluation and follow-up of MENAFATF Member States throughout 2014

The Group follows-up the progress made by member states in order to improve and strengthen their AML/CFT regimes. The follow up process is one of the tasks under the mutual evaluation process undertaken by the MENAFATF; following the mutual evaluation process, the countries submit follow-up reports within specific time frames as provided for in the paper in the mutual evaluation procedures adopted by MENAFATF plenary meeting. The latest issue of such procedures was made in September 2013 noting that MENAFATF member states started submitting and discussing follow-up reports as of May 2009.

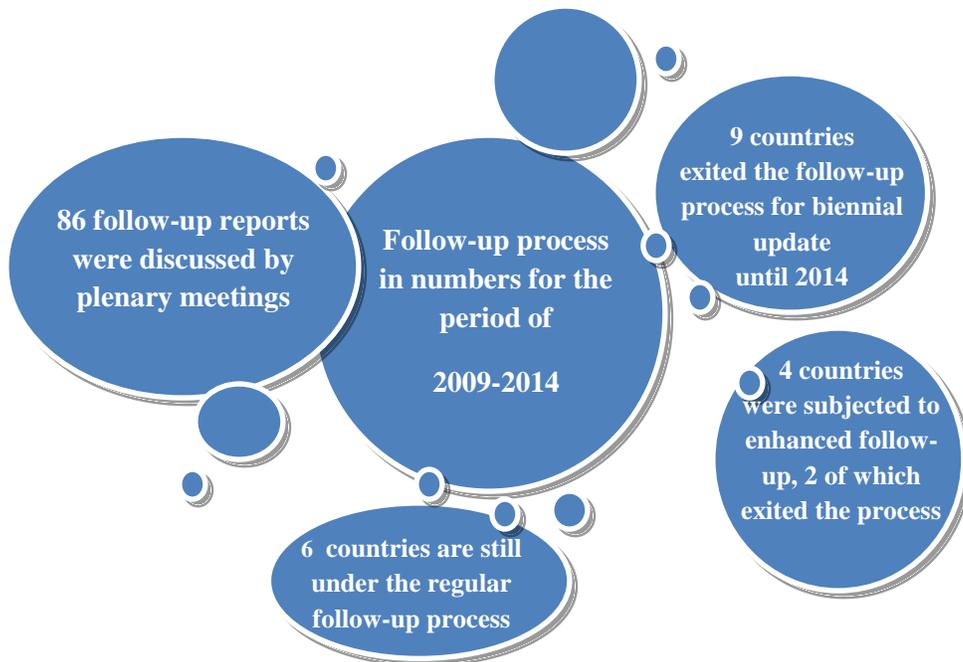
The objective of the follow-up process is to verify that the AML/CFT systems in the member states are under continuous development in such a way to reach full compliance with the international standards in this area; it has as well a great importance in MENAFATF work being one of the means to supervise the members' compliance with the international standards, which is the main objective of MENAFATF establishment, as well as enhance the principle of cooperation and work together to achieve compliance. The follow-up process relies mainly on addressing the deficiencies identified in the mutual evaluation report for each country.

GENERAL PRINCIPLES AND OBJECTIVES CONTROLLING THE FOLLOW-UP PROCESS

- | | |
|---|---|
| 1 | The follow-up process aims at encouraging states to address the deficiencies identified in the mutual evaluation report within a reasonable time frame. |
| 2 | The follow-up process mainly focuses on the work conducted by the states to address deficiencies related to the key and core recommendations. |
| 3 | Addressing deficiencies and exiting the follow-up process is expected to take a reasonable period of time equal to four and a half years. |
| 4 | The decisions of the plenary meeting are binding to all the states subject to the follow-up process |

During year 2014, the plenary meeting discussed 20 follow-up reports, each explaining in detail the progress of each country since their last follow-up reports. In general, significant developments took place at the level of Member States over the past year, since that period witnessed the promulgation of numerous laws and regulations on combating money laundering and fighting terrorist financing, whether to improve the criminalization of money laundering and financing of terrorism or to impose new requirements on financial institutions, designated non-financial businesses and professions, such as customer due diligence requirements. Furthermore, the efficiency and effectiveness of regulatory bodies was increased through the training of human staff, whether through programs provided by the Group or other specialized programs. This year also saw the publication of numerous instructions and guidelines to the parties subjected to its supervision in terms of reporting suspicious transactions as well as requirements to strengthen the states' internal systems related to risk management, disclosure, verification of information and data provided by customers, follow-up and monitoring of operations along with the enhancement of regional and international cooperation by entering into bilateral or multilateral agreements to promote the exchange of information.

General status concerning the member states follow-up process during the period between: 2009-2014



Adoption of the procedures of the second round of mutual evaluations

As a preparation for the second round of mutual evaluation process, MENAFATF adopted in its 20th plenary meeting held in November 2014 the procedures of the second round of mutual evaluations; the MEWG held a series of meetings during 2014 to draft and discuss those procedures, which include the general principles, which are the basis of the mutual evaluation process, and the rules that govern and control the process stages, in terms of preparing for the onsite visit and providing information about the technical compliance with international standards, and the effectiveness of AML/CFT systems in Member states, and the rules regarding the onsite visit, as well as the preparation, discussion and adoption of the draft final report by the plenary meeting. The procedures include special rules regarding cooperation with other international organizations such as the Financial Action Task Force, the International Monetary Fund and the World Bank in the assessment of some Member countries and the mechanism of following up Member countries that will be subject to the evaluation process during the second round. MENAFATF is currently preparing for the mutual evaluation program by training and qualifying experts in the region on how to use the new methodology in order to identify highly qualified assessors capable of fully implementing the program, in addition to preparing Member states for the evaluation process by organizing special workshops.

Adoption of the evaluation process timeline

MENAFATF 19th plenary meeting held in June 2014 adopted the timeline schedule for the second round of the mutual evaluation process within the framework of its readiness for this second round of mutual evaluations. The schedule includes onsite visits to Member States dates during the evaluation process, the first of which is expected to begin in Tunisia during the first quarter of year 2015; the process is expected to end with the evaluation of 18 Member States within almost 8 years.

Voluntary Tax Compliance evaluation program

The 19th plenary meeting, held in June 2014 in the city of Manama, Kingdom of Bahrain, approved monitoring the voluntary tax compliance (VTC) programs, if any, in Member States and entrust the secretariat with the collection of information concerning those programs and the preparation of special procedures to evaluate VTC programs within the Member States. The secretariat prepared a draft report which was submitted to the 20th plenary meeting in November 2014 for its feedback and to re-submit it to the following plenary meeting. VTC programs refer to any programs designed to facilitate legalization of taxpayer's situation vis-à-vis funds or other assets that were previously unreported (or incorrectly reported) requiring asset repatriation or amnesty. ML/FT risks tend to be highest where tax amnesty (with criminal immunity) is offered and/or asset repatriation is encouraged/ required.

Raising awareness about ML/FT methods, trends and techniques

The main goals behind the establishment of the group was to identify issues of regional nature related to money laundering and terrorist financing, exchange expertise on such issues and develop regional solutions to address them. There is no doubt that the objective of typologies is not to list practical cases with convictions of ML/FT crimes, rather to educate about the importance of exchanging expertise and preventing the future use of typologies topics by money launderers and terrorist financiers. The fourth goal of the third strategic plan for the years 2013 - 2015 is to "identify and study the methods, techniques and modern trends of money laundering and terrorist financing and determine the best regional solutions to address them". During 2014, the group kept striving to achieve its objectives in terms of raising awareness about the methods, trends and techniques of money laundering and terrorist financing and the associated typologies. In this context, and in order to activate its joint cooperation with counterpart groups, MENAFATF continued working with the Financial Action Task Force on the physical cross-border transportation of currency project; the final steps are about to be completed.

Biennial typologies report - 2014

The 20th Meeting (November 2014) approved the recommendation of the Technical Assistance and Typologies Working Group regarding the adoption of "MENAFATF biennial typologies report" which reflects the recent practical cases and ML/FT patterns regionally adopted as provided and identified by all Member States. In order to implement this project, an information request application has been established to collect practical cases from member states where 14 member states provided the secretariat with 36 practical cases that has been shared in the report with an analysis which identifies the techniques, methods and tools most used as well as ML/TF trends. Also, the biennial typologies report present the main events and efforts with respect to typologies for the years 2013 and 2014 and the various studies, workshops and discussions held in relation thereto; the report represents a reference for such information.

Workshops and Training Programs conducted by MENAFATF during 2014

The 40 Recommendations and the new assessment methodology, Amman, Jordan, 26-30 January 2014



Within the framework of readiness for the second round of the evaluation process, MENAFATF held in collaboration with the Anti Money Laundering and Counter Terrorist Financing Unit of the Hashemite Kingdom of Jordan a regional Workshop on the Forty Recommendations and the Assessment methodology, with the participation of experts from the Financial Action Task Force, the International Monetary Fund and the World Bank from the 26th till the 30th of January, 2014 in Amman, Jordan. 66 participants attended this workshop from the Group's member states namely Saudi Arabia, UAE, Jordan, Bahrain, Kuwait, Qatar, Oman, Iraq, Morocco, Yemen, Tunisia, Palestine, Lebanon and Libya. This workshop discussed the revised recommendations of the Financial Action Task force against money laundering, financing of terrorism and the proliferation of weapons for the year 2012, the new assessment methodology issued in 2013, and the requirements to assess risks of money laundering and financing of terrorism at the national level of Member States.

Role of Institutions Operating in Securities and Insurance in Combating Money Laundering and Terrorist Financing Casablanca, Morocco, 3-5 February 2014

The Middle East and North Africa Financial Action Task Force and in collaboration with the Moroccan Financial Information Unit held a regional workshop on “the Role of Non-Banking Financial Institutions (Institutions Operating in Securities and Insurance) in combating Money Laundering and Terrorist Financing” between 3 and 5 February 2014, in Casablanca, Kingdom of Morocco. The Workshop discussed the important role that the non-banking financial institutions play in combatting money laundering and terrorist financing activities, the mechanisms in dealing with the risks of ML/TF activities through strengthening the supervision system and enhancing the technical ability of both institutions and public supervisory authorities operating in securities and insurance namely with regard to risk assessment, customer due diligence procedures and the risk based approach.



The workshop targeted compliance officers from various professional levels in private sector institutions operating in the field of securities and insurance as well as from supervisory authorities on both sectors in the Group’s member states. 57 representatives participated in this workshop from the following members: UAE, Bahrain, Saudi Arabia, Iraq, Morocco, Yemen, Tunisia, Palestine, Lebanon and Egypt.

**Workshop on freezing terrorist assets
by virtue of the Security Council Resolution 1371,
Tunisia, 28-30 May 2014**

MENAFATF held, in collaboration with the UN Counter-Terrorism Committee Executive Directorate, a regional workshop on freezing terrorist assets by virtue of the Security Council Resolution 1371 (2001) in Tunisia from 28 until 30 May 2014. This workshop was the 7th and last workshop organized as part of the initiative launched during the expert's meeting held in Amsterdam (October 2012) for the purpose of assisting the countries to develop and enhance the mechanisms of freezing assets. The workshop was particularly held for the French Speaking African countries and aimed at covering several relevant important topics such as identifying terrorist risks and threats, identifying the competent authority to confiscate, detect and trace terrorist assets, and how to coordinate and cooperate as well as exchange relevant information.

**Regional workshop on National Risk Assessment,
Beirut, Lebanon, 22-23 September 2014**

MENAFATF, in collaboration with the Special Investigation Commission (Lebanon), held a workshop on "National Risk Assessment" with the participation of expert speakers from the International Monetary Fund, the World Bank and some of the countries which have conducted or are in the process of conducting their National Risk Assessment, namely the Arab Republic of Egypt, the Republic of Lebanon, the Kingdom of Spain and the United States of America. This event was held on 22 and 23 September 2014 in Beirut, Republic of Lebanon.

The workshop targeted officials at various professional levels from regulatory and supervisory authorities, law enforcement officials, FIUs and AML/CFT policy makers with the participation of representatives from members such as Jordan, Tunisia, Saudi Arabia, Iraq, Sudan, Qatar, Kuwait, Lebanon, Egypt, Morocco and Palestine.



The aim of this workshop was to strengthen and build the capacities of Financial Investigation Units and Regulatory authorities that play a role in the National Risk Assessment Process in member states. The workshop also highlighted member states' interest in building a sound national risk assessment process, implementing international standards in an optimum manner and preparing for the upcoming phase of the evaluation under the new assessment methodology. This workshop was a great opportunity for the participating countries to learn more on the NRA process, to share NRA practical experiences and to benefit from the expertise of the countries that initiated or underwent this assessment.

**The 5th US-MENA Private Sector Dialogue
14-15 October 2014
New York, USA**

The 5th US-MENA Dialogue entitled “US-MENA Private Sector Dialogue on Correspondent Banking” was held on 14 and 15 October 2014 in New York, United States of America. This dialogue highlighted the correspondent banking considering its importance for Arab Banks in the Middle East and North Africa; since the US competent authorities issued several relevant laws and made huge amendments in terms of transactions with correspondent banks with a particular focus on ongoing due diligence, monitoring correspondent banking accounts to ensure they are compliant with the issued laws.

Workshop on the New Assessment Methodology Kuwait, 12-16 October 2014

From 12 until 16 October 2014, the International Monetary Fund held a workshop in the State of Kuwait on the New Assessment Methodology for AML/CFT standards issued by FATF during year 2013. The aim of the workshop was to prepare member states for the second round of the mutual evaluations. It also provided information on the methodology used to assess AML/CTF standards, a summary of the assessment process, method of conducting the evaluation, use of the methodology in the application of the evaluation procedures, evaluation of the technical level, effectiveness and results thereof. Participants have been divided into groups for the purpose of conducting a practical experience on a mock evaluation and drafting its evaluation report on the final day of the workshop.

The workshop was attended by a number of financial analysts from Financial Investigation Units, central banks, financial markets, financial regulation sector as well as several judges specialized in the field of combating money laundering and terrorist financing, legal analysts from the Ministry of Finance, public prosecution, supervisory authorities on banks and financial institutions in member states such as Jordan, Bahrain, UAE, Tunisia, Algeria, Saudi Arabia, Syria, Iraq, Oman, Sudan, Qatar, Kuwait, Lebanon, Egypt, Morocco, Mauritania, Yemen and Palestine.

Assessors Training, Abu Dhabi, UAE, 7-11 December 2014

In collaboration with the Anti- Money Laundering and Suspicious Cases Unit in the United Arab Emirates, the 5th workshop on training assessors was held in Abu Dhabi from 7 till 11 December 2014 with the participation of expert speakers from the Financial Action Task Force, International Monetary Fund, the World Bank and MENAFATF Secretariat. The aim of this workshop was to train a certain number of experts with specific qualifications to assess AML/CFT systems and efficiency thereof (using the assessment methodology issued in 2013) as well as the member states compliance with the revised recommendations issued by FATF in 2012 on combating money laundering, terrorist financing and proliferation of weapons of mass destruction.



This workshop was attended by 23 experts from various fields (financial, legal, law enforcement) from several member states (Jordan, UAE, Bahrain, Oman, Saudi Arabia, Kuwait, Lebanon, Egypt and Morocco). The experts were divided into working groups for the purpose of conducting practical exercises related to technical compliance and effectiveness as well exercises related to mock mutual evaluation.

Section Four: Financial Statements and Balance Sheet for the year as at December 31, 2014



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INDEPENDENT AUDITORS' REPORT TO THE PLENARY OF MIDDLE EAST AND NORTH AFRICA FINANCIAL ACTION TASK FORCE

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 2014, and the statements of comprehensive income, changes in funds and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

MENAFATF's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 ethical requirements and plan and perform the audit to obtain reasonable assurance about 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' judgement, 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 policies used and the reasonableness of accounting estimates made by MENAFATF's 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 MENAFATF as of 31 December 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



**INDEPENDENT AUDITORS' REPORT TO THE PLENARY OF
MIDDLE EAST AND NORTH AFRICA FINANCIAL ACTION TASK FORCE (continued)**

Other matter

The financial statements of MENAFATF as of 31 December 2013, were audited by another auditor whose report dated 5 June 2014, expressed an unmodified opinion on those financial statements.

Other matter - restriction on use

The financial statements of MENAFATF have been prepared to reflect the activities of the MENAFATF for submission to the members. As a result, the financial statements and the related auditor's report may not be suitable for any other purpose. Our report is intended solely for the members of the MENAFATF and should not be distributed or used by parties other than members of the MENAFATF.

A stylized, handwritten signature of 'Ernst & Young' in black ink.

Auditor's Registration No 186
13 April 2015
Manama, Kingdom of Bahrain

Middle East and North Africa Financial Action Task Force

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

| | <i>2014</i> <i>USD</i> | <i>2013</i> <i>USD</i> |
|--|---------------------------|---------------------------|
| ASSETS | | |
| Non-current assets | | |
| Equipment and vehicles | <u>21,154</u> | <u>39,548</u> |
| Current assets | | |
| Members contribution receivables | 191,745 | 2,247 |
| Prepayments and other receivables | 51,747 | 2,367 |
| Bank balance and cash | <u>883,668</u> | <u>1,471,582</u> |
| | <u>1,127,160</u> | <u>1,476,196</u> |
| TOTAL ASSETS | <u><u>1,148,314</u></u> | <u><u>1,515,744</u></u> |
| ACCUMULATED FUNDS AND LIABILITIES | | |
| Accumulated funds | | |
| Accumulated funds | <u>438,163</u> | <u>382,156</u> |
| Total accumulated funds | <u><u>438,163</u></u> | <u><u>382,156</u></u> |
| Non-current liabilities | | |
| Employees' end of service benefits | 313,516 | 258,431 |
| Grant | <u>118,444</u> | <u>128,620</u> |
| | <u>431,960</u> | <u>387,051</u> |
| Current liabilities | | |
| Trade and other payables | <u>278,191</u> | <u>746,537</u> |
| Total liabilities | <u><u>710,151</u></u> | <u><u>1,133,588</u></u> |
| TOTAL ACCUMULATED FUNDS AND LIABILITIES | <u><u>1,148,314</u></u> | <u><u>1,515,744</u></u> |

The attached explanatory notes 1 to 15 form part of these financial statements.

Middle East and North Africa Financial Action Task Force

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

| | 2014 USD | 2013 USD |
|---|---------------------------|---------------------------|
| INCOME | | |
| Contributions from members | 1,160,011 | 1,159,415 |
| Write back of liabilities | 35,247 | - |
| Grant | 10,176 | 21,566 |
| Other income | - | 1,827 |
| TOTAL INCOME | 1,205,434 | 1,182,808 |
| EXPENSES | | |
| Direct costs | 895,380 | 1,132,098 |
| General and administration expenses | 233,851 | 213,386 |
| Depreciation | 20,197 | 20,952 |
| TOTAL EXPENSES | 1,149,428 | 1,366,436 |
| PROFIT (LOSS) FOR THE YEAR | 56,006 | (183,628) |
| Other comprehensive income for the year | - | - |
| TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR | 56,006 | (183,628) |

The attached explanatory notes 1 to 15 form part of these financial statements.

Middle East and North Africa Financial Action Task Force

STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

| | 2014 USD | 2013 USD |
|---|---------------------------|---------------------------|
| OPERATING ACTIVITIES | | |
| Profit (loss) for the year | 56,006 | (183,628) |
| Adjustments for: | | |
| Depreciation | 20,197 | 20,952 |
| Provision for employees' end of service benefits | 55,085 | 259,146 |
| Write back of liabilities | (35,247) | - |
| Grant | (10,176) | (21,566) |
| | 85,865 | 74,904 |
| Members contribution receivables | (189,497) | 1,354 |
| Prepayments and other receivables | (49,380) | (809) |
| Trade and other payables | (433,098) | 31,024 |
| Cash flows (used in) from operations | (586,110) | 106,473 |
| Employees' end of service benefits paid | - | (58,021) |
| Net cash (used in) from operating activities | (586,110) | 48,452 |
| INVESTING ACTIVITY | | |
| Purchase of equipment and vehicles | (1,803) | (2,840) |
| (DECREASE) INCREASE IN BANK BALANCE | (587,913) | 45,612 |
| Bank balance and cash at the beginning of the year | 1,471,582 | 1,425,970 |
| BANK BALANCE AND CASH AT THE END OF THE YEAR | 883,669 | 1,471,582 |

The attached explanatory notes 1 to 15 form part of these financial statements.