

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

# **Eighth Annual Report**

**2012**



### Table of Contents

Subject	Page
Foreword by MENAFATF President, Dr. Abdulrahman Abdulmohsen Al Kalaf	A - B
Foreword by MENAFATF Executive Secretary, Mr. Adel Al Qulish	C
<b>Section 1:</b> -About the Middle East and North Africa Financial Action Task Force (MENAFATF)	1 - 10
<b>Section 2:</b> - Coordination and Cooperation on the Regional and International Levels <ul style="list-style-type: none"> <li>• Meetings and forums</li> <li>• Relation with the Financial Action Task Force (FATF) and FATF Style Regional Bodies (FSRBs)</li> <li>• Organising and participating in conferences, seminars and workshops</li> <li>• Public outreach</li> </ul>	11 - 18
<b>Section 3:</b> - Circulating and promoting international AML/CFT policies in the Middle East and North Africa <ul style="list-style-type: none"> <li>• Adopting the new international standards</li> <li>• The translated Arabic version of the International Standards on Combating Money Laundering and the Financing of Terrorism &amp; Proliferation</li> <li>• Mutual Evaluation 1<sup>st</sup> round</li> <li>• Follow Up process for the member countries' compliance with AML/CFT international standards</li> </ul>	19 - 22
<b>Section 4:</b> -Enhancing AML/CFT frameworks in the Middle East and North Africa <ul style="list-style-type: none"> <li>• Technical Assistance</li> <li>• Typologies</li> <li>• Training</li> </ul>	23 - 27
<b>Section 5:</b> -Financial Statements	28 - 31



## President Foreword

I would like first to extend my thanks and appreciation to member countries and observers as well as the Secretariat team for their efforts exerted throughout 2012 to achieve the MENAFATF objectives. Year 2012 was the year of many achievements which we would not have been able to make without God help and the constructive and fruitful cooperation between everyone.

MENAFATF continued its efforts in 2012 to achieve the objectives and held the 15<sup>th</sup> plenary meeting in Jeddah, Kingdom of Saudi Arabia in April and the 16<sup>th</sup> plenary meeting in Marrakech, Kingdom of Morocco in November. Both meetings discussed a series of subjects important on the regional and international level to enhance the fighting process against money laundering and terrorism financing. The achievements made in 2012 include among others:

- Adopting the international standards on fighting money laundering and terrorism financing and proliferation issued in February 2012.
- Ending the 1<sup>st</sup> round of mutual evaluations with the adoption of the reports for the Republic of Iraq and the Republic of Sudan.
- Following up the member countries in order to raise the compliance with the international standards along with 2 countries (State of Qatar and Kingdom of Bahrain) moving from regular follow up to biennial update.
- Adopting the translated Arabic version of the 40 Recommendations on fighting money laundering, terrorism financing and proliferation.
- Launching the typologies report on the proceeds of forgery, counterfeiting of tools, documentary credits and their relation with ML/TF as well as updating the typologies projects on ML/TF trends and indicators.

- Holding many training events to increase awareness and compliance with the international standards.
- Adopting the strategic plan for 2013-2015 and work plan for 2013.

Year 2012 has also witnessed the closure and end of the mutual evaluation processes for MENA member countries; the 1<sup>st</sup> round has revealed the extent of compliance of member countries with AML/CFT international standards and reflected full cooperation with the members and observers to support the regimes to combat money laundering and terrorism financing offences, stay updated on the developments, improve the legislative frameworks and institutional capacities as well as promote constructive cooperation among member countries.

Within the framework of the studies on ML/TF methods and techniques, MENAFATF launched a study on the project related to the proceeds of forgery, counterfeiting of tools, documentary credits and their relation with ML/TF and updated the project on ML/TF trends and indicators which are both expected to end in 2013. Within its ongoing program for TA provision, MENAFATF provided as well technical assistance to member countries by holding training workshops based on the needs of the members and forming sessions for communication and exchange of expertise and capacities. To this effect, a regional training workshop was held in Morocco from 21 to 23 May 2012 to train banking supervisors on monitoring AML/CFT compliance in addition to introducing the attendees to the risk based approach (RBA) in supervision for compliance with AML/CFT measures, increase their expertise in assessing AML/CFT risks at the FIs level. Another workshop was held on “protecting NPOs against misuse in ML/TF operations” on 26 & 27 May 2012 in Manama, Kingdom of Bahrain focusing mainly and highlighting the international requirements to prevent the misuse of NPOs in money laundering and terrorism financing operations.

Considering the importance and responsibility of the prosecution and judiciary with other national bodies concerned with AML/CFT, MENAFATF held a seminar on the role and responsibility of the prosecution and judiciary in fighting money laundering and terrorism financing with the Bureau of Investigation and Public Prosecution in the Kingdom of Saudi Arabia in September 2012. The seminar was attended by 70 experts from judicial, investigation and prosecution entities of different Arab countries.

In view of the importance of FIUs role in the MENA region, MENAFATF held 2 FIUs forum on the margin of the 15<sup>th</sup> and 16<sup>th</sup> plenary meetings.

On the other hand, under its continued role and in light of the objectives sought after, MENAFATF is currently preparing for the 2<sup>nd</sup> round of mutual evaluations relying on the experience acquired from the 1<sup>st</sup> round, particularly in preparing the countries to be assessed and training the assessors in addition the mechanism of assessing the technical compliance with the executive regulations, legislations and procedures on one part and the effectiveness of their implementation on another part. The next round will rely more largely on the measurement of the effectiveness of the local regulations in combating money laundering and terrorism financing offences; reliance will be made on the quality and quantity of statistics and on the means that help prove the effectiveness and efficiency of the performance.

The Kingdom of Saudi Arabia had the honor to preside the MENAFATF in 2012; I do hope that with the assistance of the colleagues in the Secretariat, we have contributed in the achievement of the expected and desired goals.

On this occasion, it is my pleasure to congratulate Mr. Esam Eddin Abdul GadIr Al Zain, Undersecretary of the Ministry of Justice and President of the Administrative Committee for combating ML crimes wishing him and the Republic of Sudan all the best in 2013.

At the end, I cannot but thank and extend my gratitude, once again, to all the member countries for supporting the MENAFATF and positively cooperating towards its success. I would like to thank all the team of the Secretariat for their extensive efforts and wish everyone the best.

**Abdulrahman A. Alkalaf**  
**President,**  
**Middle East & North Africa**  
**Financial Action Task Force**



## Executive Secretary Foreword

It is my pleasure to submit, in my name and on behalf of all my colleagues at the Secretariat, the 8<sup>th</sup> annual report which reviews all our achievements and activities for the calendar year 2012. Annual report 2012 marks our 8 years since the establishment, 8 years I had truly the honor to lead the Secretariat in supporting regional programs and projects that aimed at enhancing MENAFATF role in the region. On this occasion, I would like to express my deepest gratitude to all the member countries for the confidence they showed and expressed in renewing my term as Executive Secretary for a third term starting at of 2013.

During the last year, AML/CFT areas witnessed the birth of a new generation of FATF international standards issued in February 2012. The new standards included key and important issues with a view to strengthen AML/CFT national mechanisms, such as: re-structuring and merging the recommendations, assessing ML/TF risks, applying Risk Based Approach (RBA) as well as the addition of a new recommendation on proliferation of weapons of mass destruction. It is worth to mention that the issuance of the international standards occurred at the same time with the end of MENAFATF first round of mutual evaluations which have largely helped raising the compliance of member countries' with the related international requirements.

Based on our belief in the importance of being-up-to-date with the developments and to enhance international cooperation as well as coordinate with international organizations to promote compliance and face new threats and challenges emerging in the international financial system, MENAFATF adopted in November 2012 the new international standards to be considered in the 2<sup>nd</sup> round of mutual evaluations for which MENAFATF preparations are underway. In this framework, the Group issued the Arab version (translated) of recommendations on fighting money laundering, terrorism financing and proliferation which was adopted by the 16<sup>th</sup> plenary meeting.

Within the scope of training and technical assistance, MENAFATF held a set of workshops and seminars to raise the awareness of the members' experts on the international

standards and develop their expertise in the area of fighting money laundering and terrorism financing. More than 344 experts participated this year in such events.

MENAFATF continued the follow up process for the countries that were assessed: 14 countries submitted their reports which included a briefing on the achievements made to reinforce and enhance their legislative and regulatory systems to fight money laundering and terrorism financing. The State of Qatar and the Kingdom of Bahrain have succeeded in taking sufficient action and making sufficient progress and were removed from the regular follow up process. MENAFATF sought in 2012 to activate the role of FIUs by increasing the exchange of expertise among its FIUs based on the Best Practices and discussing the most important issues related to dealing with the challenges facing FIUs and how to overcome them. Such activities and events would not have been possible without the blessings of Allah and the tremendous efforts and support of member countries, observers as well as the concerted efforts of the Secretariat staff.

At the end, it is my great pleasure to thank all member countries and observers for the efforts exerted and all the stakeholders who have contributed in supporting MENAFATF achieve its objectives, particularly H.E. Dr. Abdulrahman Bin Abdulmohsen Al Kalaf, KSA representative and MENAFATF President for 2012. I do wish Mr. Esam Eddin Abdul Gadir Al Aain, Undersecretary of Ministry of Justice and President of AML/CFT administrative committee in Sudan, all the best as MENAFATF President for 2013.

**Adel H. Al Qulish**

**Executive Secretary,  
Middle East & North Africa  
Financial Action Task Force**

## Section 1

### About the Middle East and North Africa Financial Action Task force (MENAFATF)

Recognizing the threat posed by Money Laundering and Terrorism Financing to countries in the Middle East and North Africa Region ("MENA Region"), believing that this threat can only be effectively faced by regional and international co-operation between countries, responding to the Financial Action Task Force (FATF) initiative to call for the creation of FATF Style Regional Bodies, 14 countries from the MENA region decided in November 2004 to establish the Middle East and North Africa Financial Action Task Force to combat money laundering and terrorism financing 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".

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). The ministerial meeting decided as well 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.

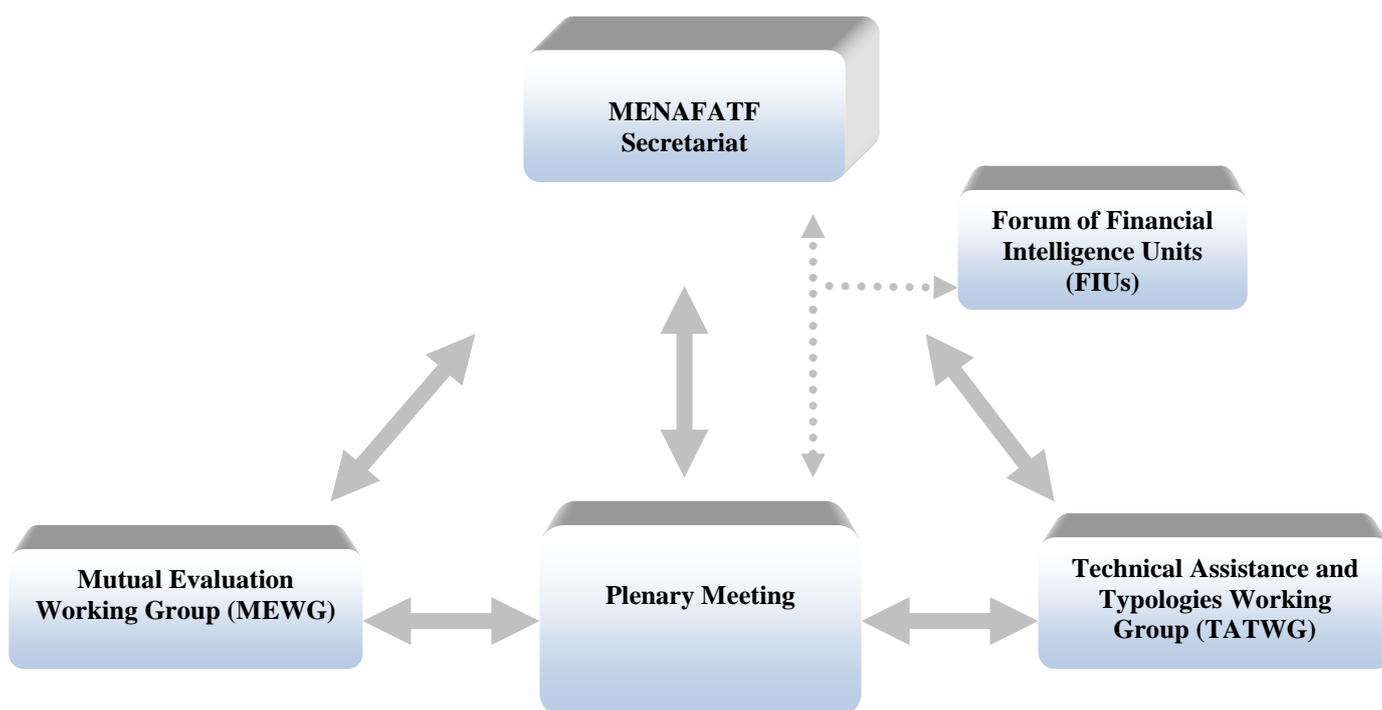
The President and Vice President are elected from amongst the members of the MENAFATF, who have experience in the area of AML/CFT. They should remain in that office for one year, provided that the said President and Vice President are not from the same country. H.E. Dr. Abdulrahman Abdulmohsen Al Kalaf, Deputy Governor for Technical Affairs at the Saudi Arabian Monetary Agency (SAMA) is MENAFATF President for 2012; and the Vice President for the same year is H.E. Mr. Esam Eddin Abdul GadIr Al Zain, Undersecretary of the Ministry of Justice and President of the Administrative Committee for combating ML/FT crimes in Sudan.

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.

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

**Objectives of the Middle East and North Africa Financial Action Task Force**

- ❖ To adopt and implement the 40 Recommendations of the FATF against money laundering;
- ❖ To adopt and implement the Special Recommendations of the FATF against terrorist financing;
- ❖ To implement the relevant UN treaties and agreements and United Nations Security Council Resolutions dealing with countering money laundering and terrorist financing;
- ❖ 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;
- ❖ 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;
- ❖ 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.

**Main bodies of the Middle East and North Africa Financial Action Task Force**

**Mandate and Functions of the main bodies of the Middle East and North Africa Financial Action Task Force****Plenary Meeting**

The Plenary is formed of delegates appointed by the member states with expertise in the areas of combating money laundering and terrorist financing; it is the decision making body of the MENAFATF and will carry forward the MENAFATF work program;

The Plenary has the following functions:

- ❖ To determine MENAFATF policy, 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;
- ❖ To decide upon new members and observers;
- ❖ To 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 with countries and international and regional organizations providing such assistance;
- ❖ To establish working groups if needed to undertake special tasks.

**MENAFATF Secretariat**

The Secretariat, located in the Kingdom of Bahrain, fulfills all technical and administrative functions to perform MENAFATF work; the Secretariat carries 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;
- ❖ To carry out any other functions assigned by the Plenary.

### Mutual Evaluation Working Group (MEWG)

The MEWG was created at the first Plenary under the chairmanship of Egypt and membership of Jordan, UAE, Tunisia, Algeria, Sudan, KSA, Syria, Kuwait, Lebanon, Morocco and Yemen, in addition to: 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:

- ❖ To prepare and review ME procedures and process, using the AML/CFT methodology approved by the FATF, IMF, and World Bank, and submit it to the Plenary.
- ❖ To 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.
- ❖ To prepare standards and criteria for the skills and qualifications assessors must have.
- ❖ To 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.
- ❖ To work towards increasing assessor's effectiveness and efficiency in coordination with the style working groups.
- ❖ To 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.
- ❖ To follow up on the regional and international developments in the ME and international cooperation field and suggest the needed.

### Technical Assistance and Typologies Working Group (TATWG)

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

- ❖ To undertake detailed analysis – through the TEG - of particular available typologies information to produce useful and timely material on "typologies" methods and trends of ML/TF in the MENA region.
- ❖ To prepare typologies material that will be published to enhance public and private awareness.
- ❖ To organize typologies workshops on sanitized ML/TF cases occurring within the MENA region and identify typologies and indicators to participants.
- ❖ To provide the needed training according to the member countries needs whether in the framework of the training guide or other in coordination with international and regional organizations to enhance experiences and promote awareness among MENAFATF members to develop their AML/CFT regimes.
- ❖ To organize special seminars within the scope of MENAFATF work.
- ❖ To compile training material and make it available to concerned public agencies as well as the private sector of MENAFATF members to develop their AML/CFT regimes.
- ❖ To 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.
- ❖ To exchange expertise and experience between member countries in relation to any changes that might occur to the legal, supervisory and institutional systems related to AML/CFT.
- ❖ To follow up and benefit from the latest developments in the area of typologies in FATF and FSRBs and present the same to the member countries to develop their AML/CFT regimes.

### Forum of Financial Intelligence Units (FIUs)

The Forum of MENAFATF Financial Intelligence Units (FIUs) was established to act as a mechanism and serve as a channel of communication between member countries' FIUs with a view to increase regional cooperation and exchange of expertise as well as promote their role.

The forum chairmanship is assigned periodically according to the Presidency, i.e. the FIU in the presidency country shall assume the Chairmanship. The FIU Chair shall assist and coordinate with the Secretariat to hold and manage forum meetings and to submit reports on the forum works to MENAFATF plenary meetings.

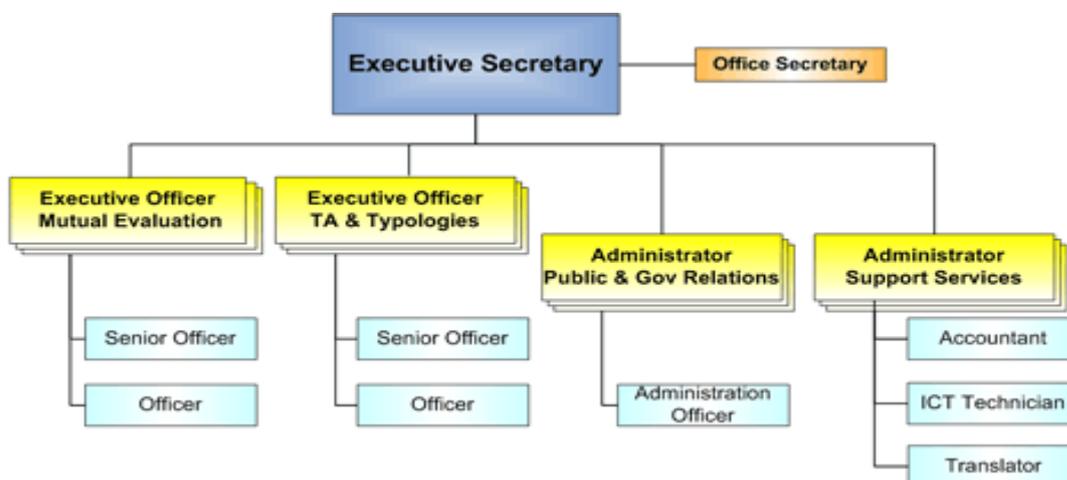
The MENAFATF Secretariat coordinates the forum works in preparation for the related meetings and which might include:

- ❖ Coordination with host country on all logistics to hold forum meetings;
- ❖ Preparation and circulation of the draft agenda and working papers for discussion among members at an appropriate time before the meeting;
- ❖ Assistance to the forum Chair in drafting the report to be submitted to the plenary meeting.

The forum assists the MENAFATF in achieving its objectives within its powers and competencies and helps the Secretariat in the following tasks:

- ❖ Better regional communication and mutual support, facilitate the negotiation on signing memoranda of understanding between FIUs in MENAFATF member countries;
- ❖ Exchange of experience between FIUs on case studies and typologies studies and their results regarding ML/TF methods and trends;
- ❖ Suggest training material for the concerned employees;
- ❖ Prepare a handbook of procedures for the FIU work and the departments to be established.
- ❖ Study all requirements to establish an effective FIU to develop the work at MENAFATF FIUs, particularly the increase of the analytical capacity of its employees;
- ❖ Cooperate with the Typologies Experts Group (TEG) on typologies;
- ❖ Cooperate with the MEWG on the increase of member countries' compliance level with the related recommendation.

### Organization Structure of the Middle East and North Africa Financial Action Task Force



#### 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 3<sup>rd</sup> 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 will submit in the future.

The aforementioned 4<sup>th</sup> MENAFATF Plenary has approved to fund the increase in the budget over the amount allocated 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. The member countries funded the budget in full as of 2010 budget.

**Members and Observers in the Middle East and North Africa Financial Action Task Force**

No.	Member Countries
1	Hashemite Kingdom of Jordan
2	State of the United Arab Emirates
3	Kingdom of Bahrain
4	Republic of Tunisia
5	People's Democratic Republic of Algeria
6	Kingdom of Saudi Arabia
7	Republic of Sudan
8	Arab Republic of Syria
9	Republic of Iraq
10	Sultanate of Oman
11	State of Qatar
12	State of Kuwait
13	Republic of Lebanon
14	Great Socialist People's Libyan Arab Jamahiriya
15	Arab Republic of Egypt
16	Kingdom of Morocco
17	Islamic Republic of Mauritania
18	Republic of Yemen

No.	Observers
1	Republic of France
2	United Kingdom (Britain and Northern Ireland)
3	United States of America (USA)
4	International Monetary Fund (IMF)
5	World Bank (WB)
6	Gulf Cooperation Council (GCC)
7	Financial Action Task Force (FATF)
8	Egmont Group
9	Palestinian National Authority
10	Kingdom of Spain
11	Asia Pacific Group (APG)
12	World Customs Organisation (WCO)
13	Arab Monetary Fund (AMF)
14	Euro Asia Group (EAG)
15	United Nations Organisation (UN)

**Criteria for Accession to MENAFATF Membership.**

No	Criteria for Accession to MENAFATF 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.

No	Criteria for Holding an Observer Status at MENAFATF
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 applicant organization should have a prominent role in the field of its work.
6	Holding the post of an observer at MENAFATF by a country/organization should not affect the MENAFATF continuous competent and efficient work.
7	It should be one of the counterparts FATF Style Regional Bodies that has been granted the status of "Associate Member" in FATF, and it should approve the reciprocity principle through offering MENAFATF the observer status.

## Section 2

### Coordination and Cooperation on the Regional and International Levels

This section highlights MENAFATF activities and achievements on the regional and international levels; the MENAFATF has performed many activities on the regional level, which include holding the 15<sup>th</sup> and 16<sup>th</sup> Plenary Meetings as well as the working group meetings and FIU Forum. On the international level, MENAFATF maintained a continuous communication channel with the FATF, supported its relation with the FSRBs and related international bodies and participated in many international meetings, conferences and seminars.

#### Meetings and forums

##### 15<sup>th</sup> MENAFATF Plenary Meeting:

MENAFATF held its 15<sup>th</sup> Plenary from 28 – 30 April 2012 in Jeddah, Kingdom of Saudi Arabia, in the presence of AML/CFT experts from the member countries and observers; the plenary discussed the items listed on the agenda and the most important decisions taken are the following:

- ❖ Adopting the 7<sup>th</sup> annual report for 2011, Closing Account 2011 and External Auditor Report;
- ❖ Reviewing and discussing FATF revised recommendations.
- ❖ Renewing the term of the Executive Secretary from 2013 -2016
- ❖ Adopting the follow up reports for the State of Qatar, Kingdom of Saudi Arabia, Arab Republic of Egypt, Republic of Yemen, Islamic Republic of Mauritania, Kingdom of Morocco and Arab Republic of Syria.
- ❖ Adopting the public outreach policies.
- ❖ Adopting the FIUs forum chair report and the MEWG and the TATWG Chairs reports.



**14<sup>th</sup> TATWG meeting:**

The 14<sup>th</sup> TATWG meeting held on the margin of the 15<sup>th</sup> Plenary Meeting in Jeddah on 26 April 2012 discussed the items listed on the agenda. The Group which consists of 8 member countries (Jordan, UAE, Bahrain, Sudan, Iraq, Lebanon, Morocco and Yemen as well as the following observers: Palestine, IMF, World Bank, FATF, USA, UN and Egmont Group) discussed its role and responsibilities such as promoting MENAFATF role in training and raising the awareness on the MENA level by identifying the subjects related to ML/TF operations and developing regional solutions to address them.

TATWG discussed some typologies projects for which working groups were dedicated to gather information related to case studies, discuss them and share them at the workshops in order to identify ML/TF methods and techniques. Further, the Plenary adopted the Technical Assistance and Typologies Working Group (TATWG) Chair report, which included the most important recommendations agreed on during the TATWG meeting; the following are the most important recommendations:

- Adopting a work plan on the typologies projects: “the proceeds of forgery, counterfeiting of tools, documentary credits and their relation with ML/TF”.
- Adopting a work plan on “ML/TF trends and indicators”.
- Adopting the draft revised TATWG mandate.
- Carry on with the implementation of MENAFATF training plans for 2012-2014.
- Hold the Joint Financial Intelligence Unit (FIU) of Morocco / World Bank workshop on “Training the banks supervisors on monitoring the compliance with AML/CFT measures”, Phase 2, Kingdom of Morocco.
- Follow up on the organization of the regional conference on “cross border transportation of funds: challenges, detection and combating” in the Republic of Sudan and a “seminar for Prosecution Authorities and the Judiciary” in the Kingdom of Saudi Arabia.

**18<sup>th</sup> MEWG Meeting:**

The 18<sup>th</sup> MEWG meeting composed of AML/CFT experts from 12 countries (Jordan, UAE, Tunisia, Algeria, Saudi Arabia, Sudan, Syria, Kuwait, Lebanon, Egypt, Morocco and Yemen) and 3 observers (FATF, World Bank and International Monetary Fund) was held on the margin of the 15<sup>th</sup> plenary meeting in the Kingdom of Saudi Arabia on 26 April 2012.

The group discussed many important topics, foremost are: the timeline of the follow up process which shows the progress made by the member countries in combating money laundering and terrorism financing in light of the recommended action plan set out in their mutual evaluation reports.

The 15<sup>th</sup> Plenary adopted the Mutual Evaluation Working Group (MEWG) Chair report, which included recommendations the working group has reached in its meeting in relation to:

- Prospect on the form of the 2<sup>nd</sup> round of Mutual Evaluation.
- Study on the applicability of R.25 to Wakf (Update).
- Implementation of the timeline of ME process (Contd).
- Implementation of the timeline of follow-up process for the countries that have been assessed (Contd).
- Follow up on the latest developments in the review of the international standards and the International Cooperation Review process.
- Follow up on the formation of a committee for assessing MENAFATF’s policies vis-à-vis ME.

**5<sup>th</sup> FIU's Forum:**

The 5<sup>th</sup> MENAFATF FIUs forum was held in Jeddah on 27 April 2012 on the margin of the 15<sup>th</sup> plenary meeting. The Forum aimed at establishing mechanisms to build and promote the capacities of the FIUs and unify communication channels to support and exchange expertise between the FIUs with a view to achieve an ongoing permanent regional cooperation in combating money laundering and terrorism financing.

The Forum addressed several topics of mutual interest on its agenda, such as following-up the process of joining the Egmont Group, the mechanisms proposed by the Sub-Committee to build and enhance the capacities of FIUs and establishing mechanisms for cooperation with other authorities inside the MENAFATF.

As part of exchanging the expertise based on the Best Practices, FIUs of Tunisia (CTAF), Egypt (EMLCU), Iraq, and KSA (SAFIU) delivered presentations on their experience with regard to “Enhancing international cooperation”.

**4<sup>th</sup> meeting of FIU Committee**

The committee of FIU forum consists of 10 member countries (Jordan, UAE, Bahrain, KSA, Sudan, Iraq, Oman, Qatar, Lebanon and Libya) which held its 4<sup>th</sup> meeting in Jeddah on 27 April 2012; it has discussed a series of subjects that aim at activating and developing the activities of the FIUs such as promoting the appropriate mechanisms to exchange expertise and capacities with regard to information systems in the area of combating money laundering and terrorism financing.

**16<sup>th</sup> Plenary meeting:**

The Kingdom of Morocco hosted the 16<sup>th</sup> plenary meeting in Marrakech from 27 to 29 November 2012; a large number of AML/CFT experts from the member countries and observers attended the meeting which discussed a series of issues related to MENAFATF work and activities; the plenary meeting issued many decisions, the most important of which are the following:

- ❖ Adopting the international standards on combating money laundering and terrorism financing and proliferation.
- ❖ Adopting the strategic plan for 2013-2015 and work plan for 2013.
- ❖ Adopting 2 Mutual Evaluation Reports for the Republic of Iraq and the Republic of Sudan.
- ❖ Ending the 1<sup>st</sup> round of mutual evaluations.
- ❖ Adopting the translated Arabic version of the International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation.
- ❖ Adopting new criteria for Observers participation in MENAFATF activities.
- ❖ Adopting follow-up reports for the following countries: Kingdom of Bahrain, People's Democratic Republic of Algeria, Hashemite Kingdom of Jordan, Republic of Tunisia, United Arab Emirates, Kingdom of Morocco and Arab Republic of Syria.



**19<sup>th</sup> MEWG Meeting:**

The 19<sup>th</sup> MEWG meeting was organized on the margin of the 16<sup>th</sup> plenary meeting held in Morocco on Monday 26 November 2012. The 16<sup>th</sup> plenary meeting adopted the MEWG Chair's report which included the decisions and recommendations of the MEWG which we list below the most important:

- Mutual Evaluation Process in the 2<sup>nd</sup> round.
- Study on the applicability of R.25 to Wakf (Update).
- Impact of the new recommendations on the follow up process.
- Assessment of the Gulf Cooperation Council in the 2<sup>nd</sup> round.
- Implementation of the timeline of ME Process (Contd)
- Implementation of the timeline of follow process for the countries assessed (Contd)
- Latest Developments of International Standard Review Process and International Cooperation Review Process.

**15<sup>th</sup> TATWG Meeting:**

During the 15<sup>th</sup> TATWG meeting held in the Kingdom of Morocco on Monday 26 November 2012 on the margin of the 16<sup>th</sup> plenary meeting, the working group discussed a series of topics related to technical assistance and typologies, among which: typologies projects and how to enhance the technical needs and provide assistance to member countries. The plenary meeting adopted the TATWG Chair Report which included the recommendations agreed upon. The most important of which are the following:

- Progress report on typologies project: "Proceeds of forgery & counterfeiting of instruments and documentary credits and their relation with ML/TF".
- Progress report on typologies project on ML/TF trends and indicators (Update).
- Topics of 2013 future Typologies Projects.
- Implementation of MENAFATF 2012-2014 Training Plan (contd)

**5<sup>th</sup> meeting of FIU Committee**

The committee of FIU forum held its meeting in Marrakech on Sunday 25 November 2012 and discussed a series of subjects of common interest listed on the agenda, such as the Best Practices in the region, how to promote mutual cooperation between FIUs in the MENA region. The main role of the committee consists in drafting training manual for FIUs employees and a procedural manual on FIU work and department/units to be established as well as find tools that contribute in activating and developing the activities of the FIUs.

**6<sup>th</sup> FIU Forum**

MENAFATF held on the margin of the 16<sup>th</sup> plenary meeting the 6<sup>th</sup> FIUs forum on Sunday 25 November 2012. The meeting reviewed the subjects listed on the agenda under many sessions which included the following: encouraging and following up the process of joining the Egmont Group, mechanisms to build and promote the capacities of the FIUs and exchange expertise based on the Best Practices. In this framework, the FIUs of Bahrain (AMLU), Morocco (UTRF) and Qatar (QFIU) delivered presentations on their experience with regard to the role of FIUs and their relation with monitoring compliance of FIs and DNFBPs (lawyers, notaries, accountants and others) with the regulations issued by the supervisors whether related to customer identification or reporting suspicious transactions.

### Relation with the Financial Action Task Force (FATF) and FATF Style Regional Bodies (FSRBs)

MENAFATF, as one of the FSRBs, enjoys a strong relationship 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 in Paris, France, June 2007), this relation became stronger and more developed.

With the 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 FSRBs hold the observer status within MENAFATF: Asia Pacific Group (APG) and Euro Asia Group (EAG) became observers respectively in 2007 and 2011.

The below statement highlights MENAFATF participation in regional and international meetings during 2012:

No.	Event	Date	Place
1	FATF Special Plenary Meeting	9-13 January 2012	Paris, France
2	Regional Review Group of the FATF International Cooperation Review Group	17-19 January 2012	Cape Town, Africa
3	FATF Plenary Meeting	13-17 February 2012	Paris, France
4	Regional Review Group of the FATF International Cooperation Review Group	14-16 May 2012	Doha, Qatar
5	16 <sup>th</sup> EAG Plenary Meeting	24-25 May 2012	Moscow, Russia
6	FATF Plenary Meeting	17-21 June 2012	Rome, Italy
7	20 <sup>th</sup> Egmont Plenary Meeting	9-13 July 2012	St Petersburg, Russia
8	Meeting of FATF Working Group on Evaluations and Implementations (WGEI)	4-7 September 2012	Paris, France
9	Regional Review Group of the FATF International Cooperation Review Group	11-13 September 2012	Beirut, Lebanon
10	FATF Plenary Meeting	15-19 October 2012	Paris, France
11	International Experts Meeting on UNSCR 1373 (2001)	22-24 October 2012	Amsterdam, Netherlands

Based on the importance of communication with FSRBs, MENAFATF is keen on meeting with the concerned officials to discuss means and mechanisms of developing relations and joint cooperation and asserting the importance of coordination in the future to hold assessors' training workshops and typologies projects, which are likely to promote cooperation among them.

**Organising and participating in conferences, seminars and workshops**

The MENAFATF continuously follows up on recent developments in the area of combating money laundering and terrorism financing, by participating in many meetings, conferences and seminars; throughout 2012, it organized and participated in some of these events, namely:

No.	Event	Date	Place
1	Participated in a workshop on preparing the Republic of Iraq to the mutual evaluation process	6-8 February 2012	Amman, Jordan
2	Participated in a seminar on “cross border financial investigations”	11-15 March 2012	Cairo, Egypt
3	Participated in the “4 <sup>th</sup> annual meeting on compliance and AML”	19-20 March 2012	Riyadh, KSA
4	Holding a regional workshop to train banking supervisors on monitoring AML/CFT compliance (Phase II)	21-23 May 2012	Casablanca, Morocco
5	Holding a workshop on ‘Protecting NPOs against misuse in ML/TF operations’	26-27 May 2012	Manama, Bahrain
6	Holding a seminar on “role and responsibilities of prosecution and judiciary in AML/CFT”	8-10 September 2012	Riyadh, KSA
7	Participated in organizing a workshop on “reviewed FATF Recommendations on combating money laundering, terrorism financing and proliferation”	29-30 September 2012	Riyadh, KSA
8	Participated in a workshop on “Amended international AML/CFT standards”	7-11 October 2012	Kuwait, Kuwait
9	Participated in a workshop on “role of judiciary in the investigation and prosecution of financial crimes and assets recovery”	9-12 November 2012	Amman, Jordan

### Public outreach

MENAFATF achieved significant steps in promoting AML/CFT regime by increasing public awareness of the member countries; it sought after achieving such communication through many channels that enable the public to keep abreast of the most recent news, activities and events of the Group and the most important decisions issued and achievements made through the following channels:

#### ❖ Website:

The website includes a number of sections that address many subjects such as the recent news, upcoming events, mutual evaluation reports, typologies projects, international standards and others. As MENAFATF is seeking to develop the website and include awareness information and material to serve as a reference to everyone, MENAFATF has established in 2012 an open channel that encompass information from member countries highlighting their AML/CFT efforts and facilitating the exchange of expertise among them through the section on the Regulations of member countries available on the website.

#### ❖ Documentary:

On the occasion of the end of the 1<sup>st</sup> round of mutual evaluations, MENAFATF produced a documentary which reviews the program of the 1<sup>st</sup> round, being one of the most important unique activities on the MENA level. The documentary sheds the light on MENAFATF establishment, role, objectives and some achievements made by the Group. The movie is available on the website.



#### ❖ Newsletter:

MENAFATF issued in 2012 two e-newsletters which list all the news and activities as well as the decisions issued and achievements made. The 5<sup>th</sup> issue was issued in 2012 covering the period from January to June 2012 and the 6<sup>th</sup> issue followed in December 2012 covering the period from July to December 2012. MENAFATF issues on a periodic basis the newsletters to be published on the website and available to the public. This newsletter represents an implementation to one of the strategies set out under Goal No. 6 of the 2<sup>nd</sup> strategic plan for 2010-2012.



## Section 3

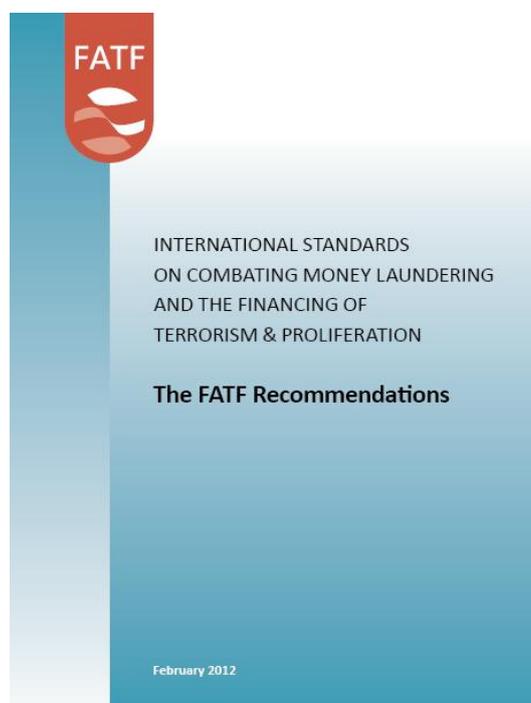
### Circulating and promoting international AML/CFT policies in the Middle East and North Africa

#### Adopting the new international standards

During the 16<sup>th</sup> plenary meeting held in Morocco in November 2012, MENAFATF adopted the revised international standards on combating money laundering, terrorism financing and proliferation issued by the FATF in February 2012. Such standards represent a general framework to combat money laundering and terrorism financing operations and proliferation to restrict the movement of illicit funds on national and international levels; FATF has made various amendments translated in the addition of new issues to strengthen the national regime against money laundering, terrorism financing and proliferation.

#### The translated Arabic version of the International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation

MENAFATF issued the translated Arabic version of FATF recommendations on fighting money laundering, terrorism financing and proliferation which were adopted by the 16<sup>th</sup> plenary meeting. The Arabic version of FATF Recommendations is available on the website.



The international standards revised in 2012 are divided into 7 main sections:

No.	Subject
1	AML/CFT policies and coordination
2	Money laundering and confiscation
3	Terrorism financing and proliferation
4	Preventative measures
5	Transparency and beneficial owners from legal persons and legal arrangements
6	Powers and Responsibilities of competent authorities and other institutional measures
7	International Co-operation

### **Mutual Evaluation 1<sup>st</sup> round**

The MENAFATF proceeded in implementing the mutual evaluation timeline; 2 MERs were adopted in 2012 as follows:

#### **Mutual Evaluation Report of the Republic of Iraq:**

The evaluation of the anti-money laundering (AML) and combating the financing of terrorism (CFT) regime of the Republic of Iraq (Iraq) was conducted by World Bank experts. It was prepared using the AML/CFT Methodology 2004, as amended in 2009. The evaluation team conducted the onsite visit from 13 May until 2 June 2012 and met with officials and representatives of all relevant Iraqi government agencies and the private sector.

The experts 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 and the financing of terrorism.

The mutual evaluation report provides a summary of the AML/CFT measures in place in Iraq as at the date of the on-site visit or immediately thereafter. It describes and analyses those measures, sets out Iraq's levels of compliance with the FATF 40+9 Recommendations. The report was presented and adopted by the 16<sup>th</sup> MENAFATF plenary meeting held in November 2012 in Marrakech, Kingdom of Morocco.

#### **Mutual Evaluation Report of the Republic of Sudan:**

The assessment was conducted by an evaluation team which consisted of experts from MENAFATF secretariat and member countries. The evaluation of the anti-money laundering (AML) and combating the financing of terrorism (CFT) regime of the Republic of Sudan (Sudan) was prepared using the AML/CFT Methodology 2004, as amended in February 2009. The evaluation team conducted the onsite visit from 18 till 29 December 2011 and met with officials and representatives of all relevant Sudan government agencies and the private sector.

The experts reviewed the institutional framework, the relevant laws, regulations, guidelines and other requirements, and the regulatory and other systems in place to deter money laundering and the financing of terrorism.

The mutual evaluation report provides a summary of the AML/CFT measures in place in Sudan as at the date of the on-site visit or immediately thereafter. It describes and analyses those measures, sets out Sudan's levels of compliance with the FATF 40+ 9 Recommendations. The report was presented and adopted by the 16<sup>th</sup> MENAFATF plenary meeting held in November 2012 in Marrakech, Kingdom of Morocco.

**End of the 1<sup>st</sup> round of mutual evaluations:**

MENAFATF finished the first round of mutual evaluations to measure the compliance of member countries with AML/CFT international standards. The first round of mutual evaluations lasted around 8 years; first steps in this process were the formation of a working group of member countries and observers in April 2005 to draft and establish mutual evaluation policies and procedures. The last steps were the adoption of the last 2 MERs in November 2012. Around 66 assessors of legal, financial and law enforcement areas participated in this process and MENAFATF adopted 17 mutual evaluation reports.

It is worth to mention that the MENAFATF overcame all the challenges that have emerged at the outset of the round such as the new establishment, absence of previous experience in mutual evaluations, absence of experts from the member countries who are qualified and trained to implement assessment methodology with regard to all elements of mutual evaluation. The assessment of a country involves more than one party: Country assessed, Assessment Team (Experts), Secretariat, Review Group and Plenary Meeting. Each has a role that is performed within a specified timeframe; all such roles complement each other accurately which require coordination and organization in order to have full respect to implementation dates by all parties and ensure that the mutual evaluation timeline is fully met: A delay in assessing one country may affect the full timeline of all member countries. The great efforts exerted throughout 12 months in evaluating one country whether by the state subject to evaluation or by the assessment team and Secretariat in drafting the reports and reviewing all laws and regulations and other regulatory tools and which require setting priorities on level of the state or other concerned parties; additionally some evaluations were made in cooperation with the FATF, or through the International Monetary Fund or World Bank Group in English or in French which has created some challenge for such countries whether in providing the legislations and rules and their responses in such languages.

Despite all such challenges, MENAFATF defeated all obstacles by strictly complying with the annual plans established and with the international technical standards for training and qualifying the assessors and preparing them for the mutual evaluations.

At last, it should be mentioned that the Secretariat will prepare for the 2<sup>nd</sup> round of evaluations taking into consideration FATF revised international standards issued in February 2012 and the assessment methodology issued in February 2013.

**Follow Up process for the member countries' compliance with AML/CFT international standards**

The follow up process is one of the tasks under the mutual evaluation process undertaken by the MENAFATF; following the mutual evaluation process and the adoption of the mutual evaluation report by the plenary meeting, the countries submit follow up reports within specific time frames as provided for in the paper on the mutual evaluation procedures adopted by MENAFATF plenary meeting. The member countries 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 regimes 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. The Group performs 3 types of follow up process: regular follow up which focuses on addressing the deficiencies set out in the mutual evaluation report on the level of the core recommendations (Recommendations 1, 5, 10, 13 or Special Recommendation II or IV). If the country fails to take satisfactory measures to address the deficiencies identified, the Plenary may decide to take any of the measures set out in the enhanced follow up process: which is the 2<sup>nd</sup> form of follow up process. Where the country has taken satisfactory measures and made sufficient progress, the process of removal from the follow up process to the biennial update shall be applied: This is the 3<sup>rd</sup> form of the follow up process.

Statistics: As of May 2009 and until end of 2012, 44 follow up reports related to 14 member countries were submitted. The enhanced follow up process was applied on 2 countries in November 2010, and they presented 2 follow up reports in 2011 and were removed from the enhanced follow up process in May 2011.

The below table shows the number of follow up reports that were discussed in the previous years:

Sr. No.	Year	Number of follow up reports
1	2009	7
2	2010	12
3	2011	11
4	2012	14

**Moving from the regular follow up to the biennial update:**

Within the follow up process undertaken by the MENAFATF to the member countries, the State of Qatar and the Kingdom of Bahrain succeeded in moving from the regular follow up to the biennial update following the reports they have submitted to the plenary meeting and which included the measures and efforts exerted during the previous years in enhancing their AML/CFT regimes and addressing the deficiencies identified in their mutual evaluation reports. Such reports include the measures taken by the countries in conjunction particularly with the detailed analysis of the key and core recommendations with a general analysis on the other remaining recommendations. It is worth to indicate that the process of removal from the follow up process requires the country to take sufficient measures to address the deficiencies identified in the mutual evaluation report at a rate equivalent to 'LC'; the State of Qatar was evaluated in 2007 and the Kingdom of Bahrain was assessed in 2005.

## Section 4

### Enhancing AML/CFT frameworks in the Middle East and North Africa

#### Technical Assistance

The technical assistance and training are regarded as an important part of MENAFATF work program to assist member countries in implementing the international standards. The identification of the needs of the member countries in technical assistance and training and the provision of this assistance are considered one of the most remarkable tasks MENAFATF Secretariat undertakes in collaboration with the TATWG and in coordination with the donors. Based on the needs of the members, the Secretariat coordinates and holds bilateral meetings with the country requesting the assistance and the donors on the margin of every plenary meeting in order to establish plans for the provision of such assistance and agree on the implementation timetable.

In order to develop and assist all the member countries and encourage them to benefit from technical assistance programs provided by the donors, the Secretariat published the technical assistance reports following the approval of the donors whereby each country can access all TA reports through the electronic link to download TATWG working papers and benefit from the significant technical information related to technical assistance provided to the MENA countries.

#### Typologies

The main MENAFATF objectives include among others: identify ML/TF issues of a regional nature, share expertise related to such issues and develop regional solutions to address them. The identification of ML/TF methods and techniques are conducted through studying the proposals of member countries on typologies topics and discussing them with the TATWG. This is followed by the formation of working groups to gather information related to case studies and discuss them in special workshops.

In this framework, during the TATWG meeting held on the margin of the 14<sup>th</sup> plenary meeting (Algeria, November 2011), the Group discussed the study of typologies report on “ML/TF trends and indicators – Update” in order to identify the latest developments in this regard and update the previous typologies report adopted earlier. The 15<sup>th</sup> plenary meeting (Jeddah, KSA, April 2012) approved the TATWG recommendation on the work plan and questionnaire to collect information. The draft of the updated report is expected to be submitted for discussion at the TATWG meeting in April 2013 before referral to the plenary meeting for adoption.

Within the scope of MENAFATF work in studying ML/TF means and techniques (typologies), the 14<sup>th</sup> plenary meeting (Algeria, November 2011) approved TATWG recommendation on typologies projects: "proceeds of forgery and counterfeiting financial instruments and documentary credits and their relation with money laundering and terrorism financing"; This project was selected for its importance and the seriousness of the predicate offense and for the availability of the information in this regard; this offense was ranked in the 2<sup>nd</sup> place in the typologies report on "ML/TF indicators and trends" adopted by the 12<sup>th</sup> plenary meeting in November 2010. The 15<sup>th</sup> plenary meeting (Jeddah, KSA, April 2012) approved the TATWG recommendation on the work plan and questionnaire to collect information; a leader for the project was appointed as well. All cases studies were gathered through the responses of the countries to the questionnaire. Such responses are currently under the analysis phase. The first draft of the project is expected to be ready for discussion during a special workshop where samples of some case studies will be reviewed. The preliminary results will be discussed in order to develop and reach the draft typologies report for submittal to the TATWG and Plenary meeting in November 2013.

The TATWG meeting held on the margin of the 16<sup>th</sup> plenary meeting (Marrakech - Morocco, November 2012) discussed on a preliminary basis many issues or areas of new typologies projects in light of the changes experienced on many levels particularly the new requirements of FATF recommendations; such new issues may represent future projects once the current are completed. In this regard, the TATWG raised many subjects and areas such as the insurance sector, corruption, PEPs, investigations, assets recovery and proliferation. The observers contributed in enriching the discussions by stating their diverse views and expertise.

### Training

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" in order to develop the training mechanism. This guide is deemed as a reference to the MENAFATF when choosing the topics of the training sessions or the seminars to be organized to the member countries based on 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 committing to the requirements according to the international standards and recommendations.

At the 11<sup>th</sup> TATWG meeting held on the margin of the 12<sup>th</sup> plenary meeting (Doha - Qatar, November 2010), the Group recommended that the Secretariat drafts a plan which reveals the events suggested to be held for 3 years. The Plenary approved such recommendation and the Secretariat drafted a training plan for the years 2012-2014 which was discussed, amended and adopted by the 14<sup>th</sup> plenary (Algeria, November 2011); the implementation was launched as of 2012.



With the scope of the training plan, MENAFATF held in cooperation with the World Bank and hosted by Morocco FIU (UTRF) a regional workshop on training banking supervisors on compliance with AML/CFT measures from 21 to 23 May 2012 in Casablanca, Morocco. 50 experts from the member countries participated in the event which aimed at training banking supervisors and enhance their capacities to apply RBA in banking supervision with AML/CFT compliance, in order to take required measures for successful

offsite supervision and onsite inspection and design follow up strategy and impose sanctions. As well, the subjects raised were theoretically reviewed. The workshop focused on the practical aspect of the effective supervision criteria whereby the exercises enabled the participants to identify how to apply the instructions and criteria through discussions and exchange of expertise among the participants and benefit from the practical experience of the speakers.

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In cooperation with the Bureau of Investigation and Public Prosecution in Saudi Arabia, MENAFATF held a regional seminar on the role and responsibilities of prosecution and judiciary in AML/CFT from 8 till 10 September 2012 in Riyadh, KSA in order to train all prosecution and judiciary employees and the judges of all court degrees.

The seminar was attended by 70 participants from 15 member countries, representatives of GCC and USA. The main objectives of the seminar include among others: Introduce the public prosecution and judiciary to the AML/CFT international standards, enhance the mechanisms of international cooperation and activate the exchange of information with counterparts, activate the role and relation of public prosecution and judiciary with other national authorities concerned with AML/CFT, increase the capacities of public prosecution and judiciary representatives in relation to investigation means and proof of ML/TF offenses and filing criminal actions, review the legal aspects raised by the relation between predicate offense and ML offense and identify the related appropriate solutions, as well as exchange of expertise

among MENA countries on seminar related topics. At the end of the seminar, the following recommendations were issued among others: encourage countries to establish the adequate mechanisms to deal with seizures suspected of being connected to ML/TF offenses, urge public prosecution, judiciary to assign investigators and public prosecutors to deal with ML/TF cases and train them accordingly, stress the importance of effective cooperation among national local authorities concerned with



AML/CFT and other financial and non financial institutions and coordinate combined efforts, urge member countries to seek effective application of the international standards in combating the offences of money laundering and terrorism financing and give more importance to the related statistics on both crimes for benefit purposes.

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Following the success of the workshop on “towards good governance of NPOs and compliance with FATF SR. VIII” held in Amman, Hashemite Kingdom of Jordan in December 2011 in cooperation with UK Charity Commission and on the initiative of the Ministry of Human Rights and Social development of the Kingdom of Bahrain, the Ministry held in cooperation with the MENAFATF and Central Bank of Bahrain a 2 day seminar (26 & 27 April 2012) on the protection of NPOs against misuse in ML/TF operations. The workshop targeted the review of AML/CFT international standards in general and particularly those related to protecting NPOs against the misuse in ML/TF operations, increasing the NPOs awareness and improving the work procedures and raising their awareness on the abuse of organizations in ML/TF operations.

The workshop was attended by representatives of more than 120 organizations and associations as well as the private sector; A series of discussions and inquiries were held and the participants were guided to understand the related risks and the nature of the requirements on the international level and how they are reflected on the national procedures that aim at regulating and securing such sector.



The UK Charity Commission presented to the MENAFATF a training program to promote the capacities in the MENA region; it seeks to acquire the ability in identifying cases where NPOs are being misused and to be aware of the same which helped the participants effectively respond to FATF SR.VIII. The Commission nominated a group of the participants to conduct a 3 days preliminary visit to its premises in London and Taunton which took place in September 2012.

## Section 5

Financial Statements

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**INDEPENDENT AUDITORS' REPORT TO THE PLENARY**  
**Middle East And North Africa Financial Action Task Force (MENAFATF)**  
 Manama, Kingdom of Bahrain

30 April 2013

**Report on the financial statements**

We have audited the accompanying financial statements of Middle East And North Africa Financial Action Task Force ("the Organization"), which comprise the balance sheet as at 31 December 2012, and the income statement and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Responsibility of the management for the financial statements*

The management of the Organization is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies set out in note 3 to the financial statements, and for such internal control as the management determines is necessary to enable the preparation of 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 our 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, we consider internal control relevant to the entity's preparation 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 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 of the Organization for the year ended 31 December 2012 are prepared, in all material respects, in accordance with, the basis of preparation described in note 2 to the financial statements.

*Other matter*

Without modifying our opinion, we draw attention to note 2 to the financial statements, which describes the basis of preparation. The financial statements of the Organization have been prepared to reflect the activities of the Organization for submission to the members of the Organization. As a result, the financial statements and the related auditors' report may not be suitable for any other purpose.

KPMG Fakhro, a registered partnership under Bahrain law,  
is a member of KPMG International, a Swiss cooperative.

**BALANCE SHEET**  
**As at 31 December 2012**

US Dollars

	<b>2012</b>	2011
<b>ASSETS</b>		
<b>Non-current assets</b>		
Furniture, equipment and vehicles	57,660	70,888
	<b>57,660</b>	70,888
Members contribution receivables	3,601	128,508
Prepayments and other receivables	1,559	1,521
Cash and cash equivalents	1,425,971	1,201,407
<b>Total current assets</b>	<b>1,431,131</b>	1,331,436
<b>Total assets</b>	<b>1,488,791</b>	1,402,324
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Accumulated funds	565,785	399,930
<b>Total equity</b>	<b>565,785</b>	399,930
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Provision for employees' leaving indemnities	57,306	41,769
<b>Total non-current liabilities</b>	<b>57,306</b>	41,769
<b>Current liabilities</b>		
Trade payables	53,035	52,356
Accruals and other payables	812,665	908,269
<b>Total current liabilities</b>	<b>865,700</b>	960,625
<b>Total liabilities</b>	<b>923,006</b>	1,002,394
<b>Total equity and liabilities</b>	<b>1,488,791</b>	1,402,324



Adel Al Qulish  
 Executive Secretary

The management approved the financial statements consisting of pages 2 to 9 on 30 April 2013.

**INCOME STATEMENT**  
For the year ended 31 December 2012

US Dollars

	<b>2012</b>	2011
<b>Contribution from members</b>	1,137,601	1,119,601
Other income	1,207	1,694
Direct costs	(792,375)	(777,971)
General and administrative expenses	(160,848)	(161,989)
Depreciation	(19,731)	(7,120)
<b>Profit for the year</b>	<b>165,854</b>	174,215
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>165,854</b>	174,215

Adel Al Qulish  
Executive Secretary

The management approved the financial statements consisting of pages 2 to 9 on 30 April 2013.

**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2012

US Dollars

	<b>2012</b>	2011
<b>OPERATING ACTIVITIES</b>		
Receipts from member countries	1,262,508	994,883
Payments to suppliers	(887,301)	(797,016)
Payment for operating expenses	(145,347)	(156,561)
Other receipts	1,207	1,694
<b>Cash flows from operating activities</b>	<b>231,067</b>	43,000
<b>INVESTING &amp; FINANCING ACTIVITIES</b>		
Purchase of furniture, equipment and vehicles	(6,503)	(59,899)
<b>Cash flows from investing &amp; financing activities</b>	<b>(6,503)</b>	(59,899)
<b>Net (decrease) / increase in cash and cash equivalents during the year</b>	<b>224,564</b>	(16,899)
Cash and cash equivalents at 1 January	1,201,407	1,218,306
<b>Cash and cash equivalents at 31 December</b>	<b>1,425,971</b>	1,201,407