



Middle East & North Africa Financial Action Task Force

Seventh Annual Report

2011



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President Foreword

Algeria had the honor to assume MENAFATF presidency for the year 2011, undertake carrying on its rich heritage of achievements and to proceed with the efforts exerted in order to support its AML/CFT regimes.

Our Presidency period was, since the 13th plenary meeting in the State of Kuwait in May 2011, like the previous years, abounding in achievements and new developments at all levels that were made thanks to the efforts of its members, supervisory entities, particularly the Executive Secretariat. I would like to take this opportunity and thank the Secretariat for all the efforts and support which had mitigated the difficulties of our tasks.

I would like as well to praise MENAFATF leading role, in its capacity of regional organization comprising all MENA member countries in AML/CFT in the previous period. The MENAFATF has been established for 7 years now since November 2004.

Further, Algeria sought after a full cooperation whether with the member countries, observers or MENAFATF Secretariat in order to achieve the objectives for which the MENAFATF was established in the area of AML/CFT.

MENAFATF was able in 2011 to proceed in the ME process and the members contributed in reviewing the international AML/CFT standards to face the emerging international financial challenges as one of the most important reasons and supported its measures against the flow of illicit funds.

New steps have been taken towards materialization of the objectives underlined by the Secretariat and represented in the consistence of the AML/CFT regimes of the member countries with FATF standards to bridge the weaknesses resulting from the continuous development in the new hidden ML techniques.

Algeria had the honor to host the 14th MENAFATF plenary meeting in November 2011, the 2nd plenary meeting during the Algerian presidency year in 2011, on the margin of which, working group meetings and the related committees as well as the 4th FIU forum were held.

The Plenary meeting ratified the follow up reports for Lebanon, Tunisia, UAE, Qatar, Bahrain, the TAWG and MEWG reports, as well as the report of the 4th FIU Forum. The plenary approved as well granting the United Nations the observer status and the work plan for 2012 under the Saudi Presidency.

Focus was made again on the effective implementation of the FATF standards as well as the discussion and adoption of the following topics: MENAFATF latest activities, member countries contributions in 2011 and 2012 budgets, work plan for 2012, approving UN request to obtain observer status, MENAFATF amended training plan for the years 2012-2014, adopting the technical assistance report, adopting MEWG chair report, adopting the paper on evaluating MENAFATF policies vis-à-vis ME, and the timeline of ME and follow up process. MENAFATF has held many training sessions to its members during 2011. On the other hand, the Algerian authorities have made in the same year a high level political commitment and adopted a work plan which was translated into the amendment of the laws and legislative regulations in the Algerian AML/CFT regime by virtue of Order 01-12 dated 20 Rabi'h Awal 1433 H corresponding to 13 February 2012, amending and completing law 01-05 dated 27 Thu Al-Hajja 1425 corresponding to 6 February 2005 on AML/CFT.

At the end, we wish our brothers in the Kingdom of Saudi Arabia the best of luck in presiding the MENAFATF for the year 2012.



Mr. Abdenour Hibouche

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



Executive Secretary Foreword

In my name and on behalf of my colleagues Secretariat team, I have the pleasure to submit the 7th annual report which includes MENAFATF activities and achievements for the year 2011. This report comes at the end of the 7th year of MENAFATF, which has witnessed many accomplishments made by the MENAFATF during a limited time period.

During the last years, MENAFATF has become more prosperous and was able to become an integral part of the moves we are witnessing on part of the member countries towards increasing their compliance level with the international standards within a brief period. MENAFATF is now close to the end of the first ME round which has started in 2006, overcoming all the challenges inherent to the ME process. We believe and are proud that the AML/CFT status of our member countries is heading towards full compliance with the international standards for that protects the MENA countries against the AML/CFT negative effects.

One of the true factors in reinforcing the economic and financial regulations in the region against such 2 crimes lies in the effective and large interaction on part of the member countries with the ME process and its requirements along with the subsequent follow up process. Such type of reaction helps the member countries remain in the right track to ensure completion of the required corrections within a reasonable timeframe.

The more the action plan set by the evaluation experts is respected, the more the countries' chances to leave the follow up process within a reasonable time period are higher. By that time, the country would have implemented, efficiently and accurately, all the recommendations of the mutual evaluation experts towards a higher compliance with the international standards. This is the substance of what the MENAFATF is striving for in general as it has a tangible effect in the countries' contributions in the international AML/CFT efforts.

The activities and programs undertaken by the MENAFATF in cooperation with the member countries, whether in technical assistance, training or typologies, prove that member countries are keen on achieving MENAFATF objectives. At this level, I may mention the participation of the MENAFATF in a number of regional events, the latest was the workshop held in December 2011 in the Hashemite Kingdom of Jordan in cooperation with the AMLU (Jordan) and Charity Commission of the United Kingdom regarding the application of SR VIII. I also have the pleasure to mention the adoption of the typologies report by the plenary meeting in November 2011; such report discussed the connection of ML with the crime of illicit trafficking in narcotic drugs and psychotropic substances, which is expected to assist the concerned entities in identifying techniques of laundering the proceeds thereof.

Perhaps the reader of this report can feel the volume of efforts exerted and the achievements made; yet, we do always aspire for more and look forward that the coming period be better for the MENAFATF activity as a whole and to increase the effectiveness of its important role.

We look forward for MENAFATF collective work to be enhanced more and more, for its contributions to increase on the regional and international level, crowning thus its continuous efforts exerted by each the Presidency, Secretariat and the guidelines and support and follow up of the member countries.

Perhaps the coming period is more challenging for the MENAFATF and its members, particularly in light of the big amendments that were made during the last years to the international AML/CFT standards, introducing new requirements in the Proliferation of Weapons of Mass Destruction and other criteria for which efforts should be united to deal efficiently and positively therewith. I am confident that the MENAFATF and its members will deal successfully and competently with such developments as they have proven in the previous period and expressed their capability and desire to deal with the obligations imposed on them.

At the end, I cannot but express my deepest appreciation and thanks to all those who contributed in assisting

MENAFATF achieve its objectives during 2011, particularly Mr. Abdenour Hibouche, Algeria's representative and MENAFATF President for 2011, as well as all the team of the Secretariat. I do wish Dr. Abdulrahman Abdulmohsen Al Kalaf, Deputy Governor for Technical Affairs at the Saudi Arabian Monetary Agency (SAMA) future MENAFATF president, representing KSA, the best of luck for 2012.

At the end, I have the pleasure to extend my thanks and offer my gratitude to all the member countries as well as the countries and entities that hold the observer status for their constructive and fruitful cooperation.



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".

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

During the said ministerial meeting, member countries agreed that the positions of President and Vice-President shall be assigned in rotation following the first two years, according to the Arabic alphabetical order, starting with the Hashemite Kingdom of Jordan, which will assume the presidency of MENAFATF in 2007. The Republic of Lebanon assumed the presidency in the first year (2005), while Egypt took this position in the 2nd 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.Mr. Abdenour Hibouche, President of Cellule de Traitement du Renseignement Financier (CTRF) is MENAFATF President for 2011; and the Vice President for the same year is H.E. Dr. Abdulrahman Abdulmohsen Al Kalaf, Deputy Governor for Technical Affairs at the Saudi Arabian Monetary Agency (SAMA).

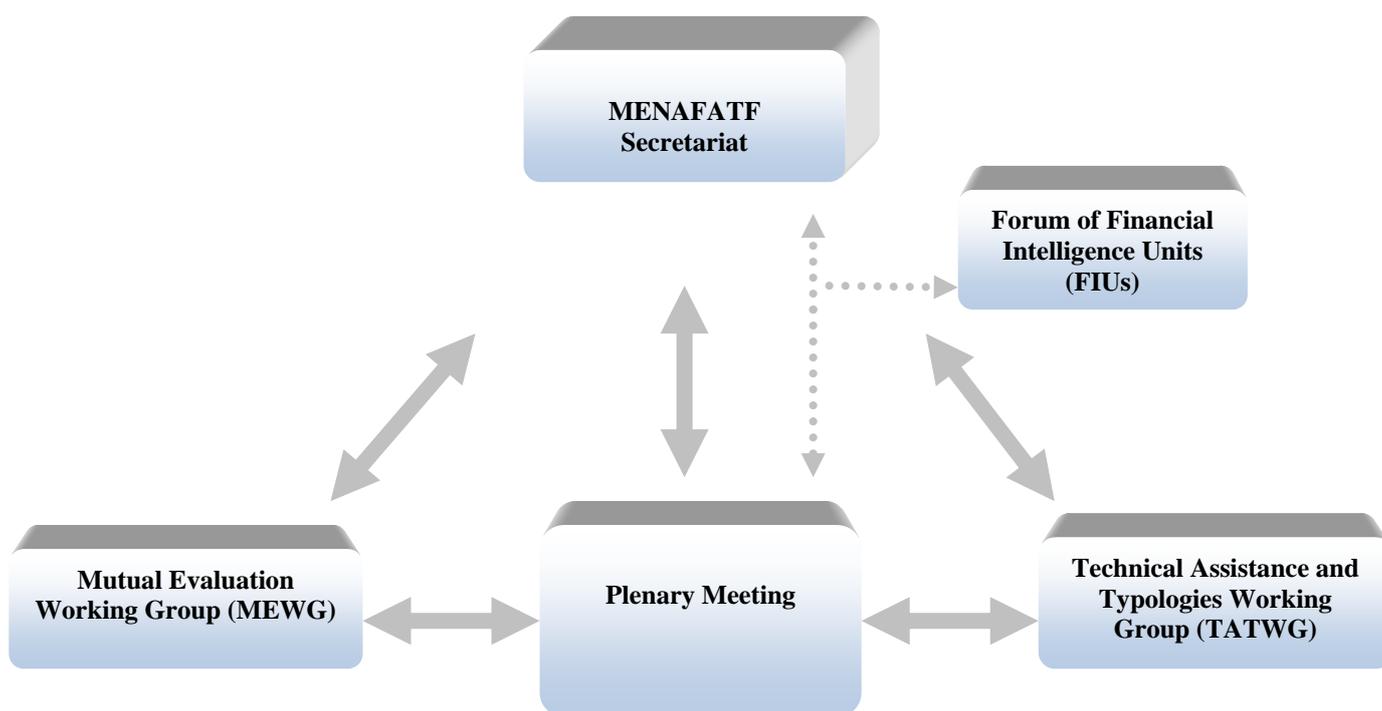
Since its establishment, the Kingdom of Bahrain is the headquarters of the MENAFATF Secretariat and is supporting it. It has hosted the ministerial meeting during which the MoU was signed and by which the MENAFATF was established. The Kingdom of Bahrain is bearing the expenses of the Secretariat for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



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, Yemen and Morocco, 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, UNODC, 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.

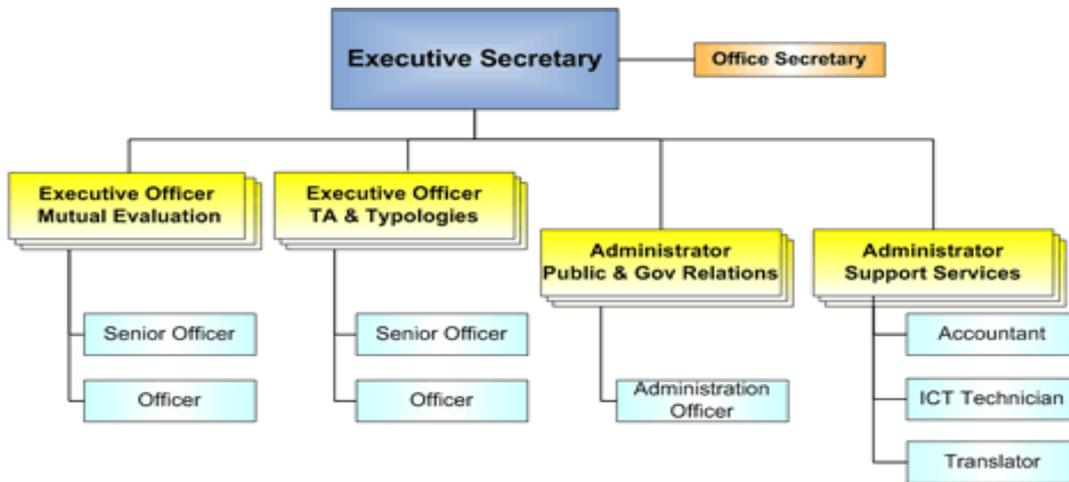
The MENAFATF Secretariat coordinates the forum works in preparation for the related meetings and which might include:

- ❖ 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 3rd MENAFATF Plenary, which was held in Cairo, Egypt, in March 2006, emphasized that the contributions of member countries in funding MENAFATF would be on an equal basis, according to the estimated budget the Secretariat will submit in the future.

The aforementioned 4th 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 presents MENAFATF activities and achievements on the regional and international levels, where the MENAFATF has performed many activities on the regional level, among which was holding its 13th and 14th Plenary Meetings as well as the WGs meetings and FIU Forum. On the international level, the MENAFATF kept on communicating with the FATF, supported its relation with the FSRBs and participated in many international meetings, conferences and seminars.

13th MENAFATF Plenary Meeting:

MENAFATF held its 13th Plenary from 3-5 May 2011 in the State of Kuwait, 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:

- ❖ Adoption of the 6th annual report for 2010, Closing Account 2010 and External Auditor Report;
- ❖ Adoption of the mutual evaluation report of the Sultanate of Oman made jointly with the FATF;
- ❖ Adoption of the mutual evaluation report of the State of Kuwait made jointly with the FATF;
- ❖ Adoption of the follow up reports for the Arab Republic of Egypt, Hashemite Kingdom of Jordan, Republic of Yemen, Islamic Republic of Mauritania, Kingdom of Morocco and Arab Republic of Syria.
- ❖ Adoption of the MEWG Chair report which included the recommendations made by the working group in its meeting held in Kuwait on May 1st, 2011 on the margin of the 13th Plenary meeting and related to the following:
 - Adopting the amended MEWG mandate
 - Following up on the FATF's ICRG work mechanism
 - Adopting the ME timeline
 - Adopting the timeline of the follow up process
 - Following up on the latest developments in the review process of the international standards and the review of the international cooperation;

The TATWG Chair report was also adopted; it included the recommendations made by the working group in its meeting held in the State of Kuwait on 1st May 2011 on the margin of the 13th plenary meeting, and related to the following:

- Following up on the developments regarding the implementation of the typologies project on: "illicit trafficking in narcotic drugs and psychotropic substances and Money Laundering";
- MENAFATF training plan for the years 2012-2014;
- Following up on the status of organizing "Seminar of Prosecution and Judiciary and the Regional Conference entitled "Cross-Border Cash Courier: Challenges, Detection, and Combating";
- To continue coordination with the TA donors to provide the TA needs of member countries in order to develop AML/CFT regimes.



12th TATWG Meeting:

The 12th TATWG meeting was held on the margin of the 13th plenary meeting in Kuwait City, State of Kuwait on 1st May 2011. The TATWG is chaired since its establishment in 2005 by H.E. Abdulrahim Mohamed Al Awadi, Executive Director and Head of Anti-MoneyLaundering & Suspicious Cases Unit of UAE. The TATWG is composed of 7 member countries: (Jordan, UAE, Bahrain, Sudan, Lebanon, Morocco and Yemen) in addition to the observers: Palestine, IMF, WB, FATF, USA, United Nations and Egmont Group.

The 13th Plenary adopted the report of the TATWG Chair, which included decisions and recommendations the TATWG has reached in its meeting.

16th MEWG Meeting:

The 16th MEWG meeting was held on the margin of the 13th plenary meeting in Kuwait City, State of Kuwait on the 1st of May 2011. The MEWG is chaired since its establishment in 2005, by Dr. Samir Elshahed, Assistant Sub-Governor – Central Bank of Egypt, Executive Director of the Egyptian Money Laundering Combating Unit. The MEWG is composed of 12 member countries: (Jordan, UAE, Tunisia, Algeria, Saudi Arabia, Sudan, Syria, Kuwait, Lebanon, Egypt, Morocco and Yemen) in addition to the observers: IMF, WB and FATF.

The meeting discussed all the subjects listed on its agenda, the most important of which is the timeline of the follow-up process following the mutual evaluation processes, which show the progress made by the member counties in developing their AML/CFT regulations in light of the plan set up for that purpose in their MERs adopted between 2006 and 2009.

The 13th Plenary meeting also adopted the report submitted by the Chair of the MEWG, which included decisions and recommendations the MEWG has reached in its meeting.

3rd FIU's Forum:



Representatives of MENAFATF FIUs participated in the third meeting of the Financial Intelligence Units "FIU"s forum organized by MENAFATF and held in the State of Kuwait on Monday 2 May 2011.

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 ML/TF.

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

As part of exchanging expertise based on the best practices, the FIUs of Saudi Arabia, Morocco and Egypt delivered presentations on their experiences with regard to "The role of the FIU in analyzing STRs", whereas the FIU of Qatar delivered a presentation on its experience with regard to "Assessing ML/TF risks".

Technical Meeting on the latest amendments of the international standards:

The MENAFATF held on 11 and 12 September 2011 a technical meeting hosted by the Central Bank of Bahrain in Manama, Kingdom of Bahrain to discuss the latest amendments made by the FATF to the AML/CFT international standards.

The meeting was attended by 20 representatives from the member countries and one representative from the Secretariat General of the Cooperation Council for the Arab States of the Gulf, in order to discuss the latest amendments made recently by the FATF on the AML/CFT international standards.

During the meeting, a number of the FATF AML/CFT 40 Recommendations and 9 Special Recommendations were discussed. The meeting's objective was to inform the member countries of a more comprehensive view on the latest amendments introduced lately and identify any new issues that could represent in the future a challenge for full compliance.

14th Plenary meeting:

The MENAFATF held its 14th Plenary Meeting from 28 – 30 November 2011 in Algiers, People’s Democratic Republic of Algeria in the presence of AML/CFT experts from member countries and observers; the plenary meeting discussed the topics listed on the agenda and took the appropriate decisions, the most important were as follows:

- ❖ To approve that UN joins the MENAFATF.
- ❖ To adopt the work plan for 2012.
- ❖ To adopt the follow up reports of the Lebanese Republic, the Tunisian Republic, the United Arab Emirates, State of Qatar and Kingdom of Bahrain;
- ❖ To adopt the typologies report on “Illicit Traffic in Narcotic Drugs and Psychotropic Substances and Money Laundering”;
- ❖ To adopt the MEWG Chair which included the most important decisions and recommendations the working group has reached in its meeting held on Sunday 27 November 2011 on the margin of the 14th plenary meeting, related to the following:
 - ❖ Adoption of the paper on enhancing the follow up process;
 - ❖ Study on the FATF ICRG work mechanism;
 - ❖ Study on the applicability of R.34 on *Wakf*;
 - ❖ Adoption of the ME timeline;
 - ❖ Adoption of the timeline of follow up process;
 - ❖ Following up on the latest developments in the review process of the international standards and the review of the international cooperation;
 - ❖ Adoption of the proposal on evaluating MENAFATF policies vis-à-vis ME.



The TATWG Chair report was also adopted; it included the recommendations made by the working group in its meeting held on Sunday 27 November 2011 on the margin of the 14th plenary meeting, and related to the following:

- ❖ Typologies report on “Illicit Traffic in Narcotic Drugs and Psychotropic Substances and Money Laundering”;
- ❖ TATWG mandate
- ❖ MENAFATF training plan for the years 2012-2014;
- ❖ Holding the “Seminar of Prosecution and Judiciary and the Regional Conference entitled “Cross-Border Cash Courier: Challenges, Detection, and Combating” and a workshop on “Towards a good governance of the NPOs sector and compliance with FATF SR VIII”;
- ❖ Training plan on the methodological analysis in cooperation with the World Bank and the Special Investigation Commission in the first quarter of 2012;
- ❖ Joint Workshop on “Training the banks supervisors on monitoring the compliance with AML/CFT measures” in the first quarter of 2012;
- ❖ To continue coordinating with the TA donors to provide member countries with their technical assistance needs in order to develop their AML/CFT regimes.

17th MEWG Meeting:

The 17th MEWG meeting was organized on the margin of the 14th plenary meeting held in Algeria on Sunday 27 November 2011. The 14th plenary meeting adopted the MEWG Chair's report which included the decisions and recommendations of the MEWG.

The 14th plenary meeting adopted the MEWG Chair's report which included the decisions and recommendations of the MEWG such as adopting the paper on reinforcing the follow up process, the study on the applicability of R.34 on *Waqf* and the timeline of mutual evaluation in addition to adopting the proposal on forming a committee of member countries to correct MENAFATF policies vis-à-vis mutual evaluation, which would reinforce MENAFATF role in the second round of mutual evaluations.

13th TATWG Meeting:

The 13th TATWG meeting was held on the margin of the 14th plenary meeting in Algeria on Sunday 27 November 2011.

The 14th plenary meeting adopted the TATWG recommendations, the most important of which were: the typologies project on "Illicit trafficking in narcotic drugs and psychotropic substances and money laundering", the training plan for the years 2012-2014, following up the status of organizing the following events: a seminar on prosecution and judiciaries, the regional conference on "Cross border cash courier: challenges, detection and combating" and a workshop on "Towards a good governance of the NPOs sector and compliance with FATF SR VIII"; As well as continuously coordinating with TA donors to provide the needs of some member countries in technical assistance in order to improve their AML/CFT regimes.

4th FIUs Forum:

The 4th MENAFATF FIUs forum was held on Saturday 26 November 2011 on the margin of the 14th plenary meeting.

The Forum's purpose was to unify channels of communication between FIUs to achieve an ongoing constructive regional cooperation, to support exchange of expertise and help them perform their role effectively.

The Forum addressed the items listed on the agenda in many sessions, which included: the promotion and follow-up of joining the Egmont Group, exchange of expertise based on the Best Practices; in such context, FIUs of Jordan, Saudi Arabia, Lebanon and Morocco made presentations on their experience related to "FIUs Cooperation with Local Counterparts" and building cooperation mechanisms with other authorities inside the MENAFATF.

Relation with the Financial Action Task Force (FATF) and 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 3rd FATF Plenary meeting at the 18th 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 this status of Associate Member, MENAFATF is entitled to expand its participation in FATF works by giving 5 of its member countries the opportunity to attend meetings held by the FATF and its working groups; to take part in the deliberations and decisions; and to express the regional perspective.

The following 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 the participation of MENAFATF during 2011:

N	Event	Date	Place
1	Regional Review Group of the FATF International Cooperation Review Group	11-13 January 2011	Manama, Kingdom of Bahrain
2	FATF Plenary Meeting	23-25 February 2011	Paris, France
3	Meetings of Expert Group (A) and Expert Group (B) (EGA/EGB) of FATF Working Group on Evaluations and Implementations (WGEI)	9-13 May 2011	Paris, France
4	Regional Review Group of the FATF International Cooperation Review Group	9-10 May 2011	Paris, France
5	FATF Plenary Meeting	22-24 June 2011	Mexico, Mexico
6	Intercessional meeting of the Working Group on Terrorist Financing and Money Laundering (WGTM)	7-9 September 2011	Paris, France
7	Regional Review Group, of the FATF International Cooperation Review Group	14-15 September 2011	Paris, France
8	Meeting of Expert Group (A) of the FATF Working Group on Evaluations and Implementations (WGEI)	26-30 September 2011	Rome, Italy
9	FATF Plenary Meeting	22-24 June 2011	Mexico, Mexico
10	FATF Plenary Meeting	24-28 October 2011	Paris, France

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 to assert the importance of coordination in the future to hold assessors' training workshops and typologies projects, which are likely to promote cooperation among them. The meeting held with the Eastern and South Africa Anti Money Laundering Group (ESAAMLG) and the Inter Governmental Action Group against Money Laundering in Africa (GIABA) are the best proof of enhancing cooperation.



Participation in Conferences and Seminars:

The MENAFATF continuously follows up on recent developments in the AML/CFT, by participating in many meetings, conferences and seminars; it has participated in 2011 in some of these events, namely:

No	Event	Date	Place
1	3 rd Annual Compliance and AML Seminar	22-23 March 2011	Riyadh, Kingdom of Saudi Arabia
2	19 th Egmont Group Plenary Meeting	11-15 July 2011	Yerevan, Armenia
3	AML/CFT workshop for Prosecutors and Judges	9 -13 October 2011	Kuwait, State of Kuwait

Section 3

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

The MENAFATF proceeded in implementing the mutual evaluation timeline; 2 MERs were adopted in 2011 and 1 on site visit was conducted as follows:

Mutual Evaluation Report of the Sultanate of Oman:

The evaluation was conducted by an evaluation team which consisted of experts from the MENAFATF and FATF. The evaluation of the anti-money laundering (AML) and combating the financing of terrorism (CFT) regime of the Sultanate of Oman (Oman) was prepared using the AML/CFT Methodology 2004, as amended in 2009. The evaluation team conducted the onsite visit from 17 to 29 July 2010, and met with officials and representatives of all relevant Omani 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 Oman as at the date of the on-site visit or immediately thereafter. It describes and analyses those measures, sets out Oman's levels of compliance with the FATF 40+9 Recommendations. The report was presented and adopted by the 13th MENAFATF plenary meeting held in May 2011 in the State of Kuwait. It was adopted as well by the FATF plenary meeting held in Mexico in June 2011.

Mutual Evaluation Report of the State of Kuwait:

The assessment was conducted by a team of assessors composed of staff of the International Monetary Fund (IMF). This assessment of the anti-money laundering (AML) and combating the financing of terrorism (CFT) regime of Kuwait was prepared using the AML/CFT assessment Methodology of 2004 and updated in 2009. The team conducted the onsite visit to Kuwait from October 17 through November 1, 2010 and met with officials and representatives of all relevant government agencies and the private sector.

The assessors reviewed the institutional framework, the relevant AML/CFT laws, regulations, guidelines and other requirements, and the regulatory and other systems in place to deter and punish money laundering (ML) and the financing of terrorism (TF).

The mutual evaluation report provides a summary of the AML/CFT measures in place in Kuwait at the time of the mission or shortly thereafter. It describes and analyzes those measures, sets out Kuwait's levels of compliance with the FATF 40+9 Recommendations. The report was presented and adopted by the 13th MENAFATF plenary meeting held in Kuwait City, State of Kuwait, in May 2011. It was adopted as well by the FATF plenary meeting held in Mexico in June 2011.

Onsite visit to the Republic of Sudan:

A team of legal, law enforcement and financial experts from MENAFATF Secretariat and some member countries conducted an onsite visit to the Republic of Sudan from 18 to 29 December 2011 to assess its AML/CFT regime. The Mutual Evaluation Report will be submitted to the 16th plenary meeting for discussion.

Section 4

Following up on the member countries' compliance with AML/CFT international standards

Follow Up process:

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 considered 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.

Follow up Procedures:

There will be two types of process that could occur: the biennial update and the follow up process, which takes 2 forms: regular or enhanced.

First – Biennial Update: Biennial update will apply when the assessed country is not assigned regular or enhanced follow up process as it will be set out later. In such a case, the concerned country must provide, every two years as of the adoption of its MER, an updated and succinct report to the Secretariat. The said report should describe any new measures that have been adopted and implemented to deal with the identified deficiencies in relation to any of the 40+9 Recommendations that are rated Partially Compliant (PC) or Non-Compliant (NC). This should include all the updated data or statistics as required. The country should submit the said report at least one month before the plenary meeting in order for the Secretariat to send it to all member countries and observers in a timely manner.

Second: Regular Follow Up: It is represented in 2 forms of procedures as detailed below:

Regular follow-up will apply where the mutual evaluation report shows that there are deficiencies in the country's AML/CFT system; this is applied when any of Recommendations 1, 5, 10, 13 or Special Recommendation II or IV are rated either PC or NC. No later than two years as of the adoption of the MER, the assessed country would report back to the Plenary and provide information on the actions it has taken or is taking to address the factors/deficiencies underlying any of the 40+9 Recommendations that are rated partially compliant (PC) or non-compliant (NC). The country in no later than 22 months should send the report to the Secretariat, which will analyze it and submit the results of such analysis to the Plenary, enclosing therewith the country's report.

Where the failings identified in a MER are particularly serious, the Plenary could request the country to report back sooner than two years. In other circumstances, if the country wishes to report back sooner, this would be acceptable, provided that it submits its report 2 months before the following Plenary. The MENAFATF urges its members to seek removal from the follow up process within 4 years from the adoption of the MER or shortly afterwards. However, the Plenary may grant longer periods of time when necessary.

Where the country has taken satisfactory measures and made sufficient progress in addressing the deficiencies identified, the process of removal from the follow up process shall be applied. The country needs to submit a request to be moved from regular follow up to biennial update. The request should indicate that it has met the criteria required for removal from regular follow up. In this case, the country would provide a full report including all necessary laws, regulations and other information to assess effectiveness at least 4 months before the Plenary which will discuss its removal from regular follow-up. The Secretariat would then prepare a more detailed analysis of the progress made by the country for the following Plenary. This report would analyze the actions taken by the country to resolve the deficiencies/factors underlying each of the above Recommendations that was rated PC or NC, and would indicate the extent to which the deficiencies had been resolved.

The Plenary meeting considers removing the country from the regular follow up process if it has an effective AML/CFT system in force, under which the country has implemented the following Recommendations at a level equivalent to a C or LC, taking into recommendation that there would be no re-rating for the following:

- Money laundering and terrorist financing offences (R.1 & SR.II)
- Freezing and confiscation (R.3 & SR III)
- Financial institution secrecy (R.4) and Customer Due Diligence (R.5)
- Record Keeping (R.10)
- Suspicious transaction reporting and the FIU (R.13, 26 & SR.IV)
- Financial sector supervision (R.23)
- International cooperation (R.35, 36 and 40; SR. I & V)
- If the Plenary decides the removal of the country from the follow-up process, the latest follow-up report submitted by the country along with the results of the Secretariat analysis, based on which the Plenary has made its decision, will be published.

Enhanced follow up: The enhanced follow-up process includes the following graduated steps that the Plenary can take:

- An official letter could be sent from the MENAFATF President to the competent authority in the member country drawing attention to the seriousness of non-compliance with the FATF Recommendations and to urge it to take the measures needed to enhance the level of its compliance with the relevant Recommendations within a specific timeframe.
- An official mission would be arranged to the member country, during which ministers and senior officials would be met, to urge it to correct the deficiencies.
- A public statement would be issued to the effect that the member country is not sufficiently compliant with the FATF Recommendations. In addition, appropriate action and preventative measures will be considered in the context of Recommendation 21.

The President will coordinate with the Plenary to determine the time framework required for each of the processes listed above, on a case-by-case basis taking into consideration the circumstances of the country.

Statistics: As of May 2009, date at which the member countries started submitting follow up reports and until end of 2011, 30 follow up reports related to 11 countries were submitted. The enhanced follow up process was applied on 2 countries in November 2011, and they presented 2 follow up reports in 2011 and were removed from the enhanced follow up process in May 2011.

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

Section 5

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 the MENAFATF work program to assist the 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 the MENAFATF Secretariat undertakes in collaboration with the TATWG, which is done in coordination with the donors of such assistance.

On such basis, MENAFATF has put in place a clear work strategy which covers the identification of member countries' needs as well as the study and discussion of these needs to reach an appropriate mechanism and set practical frameworks to provide technical assistance.

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

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

Typologies:

One of the main objectives of MENAFATF is to identify ML/TF issues of a regional nature, to share expertise of such issues and to develop regional solutions for dealing with them. The identification of ML/TF methods and techniques are conducted through studying the proposals of member countries on Typologies topics 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 context, MENAFATF adopted the typology report on "Illicit trafficking in narcotic drugs and psychotropic substances and money laundering", the study of which was approved by the 12th plenary meeting held in Doha, Qatar from 30 November to 2 December 2011.

Within the same scope, MENAFATF Secretariat hosted in its headquarters in Manama, Kingdom of Bahrain, a number of experts specialized in combating money laundering and illicit trafficking in narcotic drugs and psychotropic substances from the member countries, within the framework of the study conducted by MENAFATF on the illicit trafficking in narcotic drugs and its relation with ML offense, being one of the most widespread predicate offense in the world.

During the 2 days meeting held on 12 and 13 October 2011, the experts reviewed the risks of the illicit trafficking in narcotic drugs and psychotropic substances and money laundering and the negative effects related thereto. The experts discussed as well a number of case studies which reveal the modern methods and techniques adopted and followed by the drugs traffickers in laundering the proceeds of their operations as a means to "legitimize" such proceeds.

In light of such meeting, MENAFATF submitted and discussed the draft report in the 14th plenary which was held in November 2011 in the People's Democratic Republic of Algeria.



The report helps understand more the nature of the illicit trafficking in narcotic drugs, its scope and the risks emanating therefrom. It helps as well identify the most modern techniques used in cultivating, smuggling and illicit trafficking in narcotic drugs, which would call for developing better means in order to support the efforts exerted by the concerned entities in combating the crimes of illicit trafficking and laundering the crime proceeds and help them perform more efficiently their role in tracing the criminals.

On the other hand, during the last TATWG meeting held on the margin of the 14th plenary meeting (Algeria, November 2011), the study on the typology report on: “ML/TF indicators and trends” was discussed with a view to identify the latest developments in this regard, update the typology report adopted previously. The TATWG suggested that the Typologies Experts Group (TEG) prepares a questionnaire on the project in coordination with the Secretariat to serve the objective from the re-study made.

Within the scope of MENAFATF work in studying ML/TF means and techniques (typologies), the TATWG discussed the proposal made previously by the TEG on the typology report regarding: “proceeds of forgery and counterfeiting financial instruments and documentary credits and their relation with money laundering and terrorism financing”;

This project was selected due to 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 2nd place in the typologies report on “ML/TF indicators and trends” adopted by the 12th plenary meeting in November 2010.

The TATWG agreed on implementing the typologies project on “proceeds of forgery and counterfeiting financial instruments and documentary credits and their relation with money laundering and terrorism financing”; the TATWG urged all member countries to fully cooperate with the TEG and MENAFATF Secretariat to implement the project and provide case studies that will be required and respond to the questionnaire to be prepared as well as to effectively participate in the workshop and other phases of the project

Training:

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

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

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

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

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



In the framework of the training guide, MENAFATF held in cooperation with the Anti Money Laundering & Counter Terrorist Financing Unit in Jordan and the Charity Commission of the United Kingdom a workshop on “Towards a good governance of the NPOs sector and compliance with FATF SR VIII” on 14 and 15 December 2011 in Amman, the Hashemite Kingdom of Jordan.

The workshop was attended by 40 experts from member countries; this workshop aimed at increasing the awareness and identifying the risks of misusing NPOs in ML/TF operations as well as understanding the current basis for the review of such sector and the supervisory functions and using a better supervision to combat the misuse of the sector in general.

The workshop takes place at an important phase following the spread of the NPOs in the region, which inevitably forces the competent authorities to improve such sector and reinforce the awareness and the supervision techniques of the concerned entities in this field.

Section 6

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

25 April 2012

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 2011, 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 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 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 the Organization as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with the accounting policies set out in note 3 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. The financial statements of the Organization as at and for the year ended 31 December 2010 were audited by another auditor who expressed an unqualified opinion on those statements on 27 April 2011.

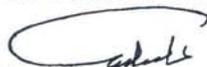
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BALANCE SHEET

As at 31 December 2011

US Dollars

	2011	2010
ASSETS		
Non-current assets		
Furniture, equipment and vehicles	70,888	18,109
Total non-current assets	70,888	18,109
Current assets		
Members contribution receivables	128,508	3,790
Prepayments and other receivables	1,521	5,428
Cash and cash equivalents	1,201,407	1,218,306
Total current assets	1,331,436	1,227,524
Total assets	1,402,324	1,245,633
EQUITY AND LIABILITIES		
Equity		
Accumulated funds	399,930	225,716
Total equity	399,930	225,716
Liabilities		
Non-current liabilities		
Provision for employees' leaving indemnities	41,769	40,247
Total non-current liabilities	41,769	40,247
Current liabilities		
Trade payables	52,356	59,981
Accruals and other payables	908,269	919,689
Total current liabilities	960,625	979,670
Total liabilities	1,002,394	1,019,917
Total equity and liabilities	1,402,324	1,245,633



Adel Al Qulish

Executive Secretary

The management approved the financial statements consisting of pages 2 to 9 on 25 April 2012.

INCOME STATEMENT

For the year ended 31 December 2011

US Dollars

	2011	2010
Contribution from members	1,119,601	990,000
Other income	1,694	48,495
Direct costs	(777,971)	(773,577)
General and administrative expenses	(161,989)	(169,426)
Depreciation	(7,120)	(8,787)
Profit for the year	174,215	86,705
Other comprehensive income for the year	-	-
Total comprehensive income for the year	174,215	86,705



Adel Al Qulish
Executive Secretary

The management approved the financial statements consisting of pages 2 to 9 on 25 April 2012.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

US Dollars

	2011	2010
OPERATING ACTIVITIES		
Receipts from member countries	994,883	1,029,814
Payments to suppliers	(797,016)	(450,463)
Payment for operating expenses	(156,561)	(148,654)
Other receipts	1,694	48,495
Cash flows from operating activities	43,000	479,192
INVESTING & FINANCING ACTIVITIES		
Purchase of furniture, equipment and vehicles	(59,899)	(11,875)
Cash flows from investing & financing activities	(59,899)	(11,875)
Net (decrease) / increase in cash and cash equivalents during the year	(16,899)	467,317
Cash and cash equivalents at 1 January	1,218,306	750,989
Cash and cash equivalents at 31 December	1,201,407	1,218,306