

# 11<sup>th</sup> ANNUAL REPORT

OF THE MIDDLE EAST AND NORTH AFRICA  
FINANCIAL ACTION TASK FORCE  
FOR THE YEAR 2015



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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## MENAFATF President Foreword

I have the pleasure to present to you MENAFATF 11th annual report on AML/CFT for the year 2015, during which I am honored to have represented my country, the Sultanate of Oman, in my capacity as President of the MENAFATF.



The region of the Middle East and North Africa and the world have witnessed in 2015 an increase of terrorism risks, therefore, the Group and the International Community expended all efforts possible in order to combat and suppress terrorism, by raising awareness about relevant risks and the methods, trends, and ways used in terrorism financing, while studying the same and encouraging the exchange of experiences in this regard so as to limit the possibilities of terrorists. Such matter was actually tackled and discussed in several meetings and gatherings organized by the Group in the previous year.

The year 2015 was full of activities and events that were executed and attended by the Group, particularly with regard to the preparations of the second round of mutual evaluations, knowing that the procedures of the second round of mutual evaluations were adopted and the formulation of relevant follow up procedures was initiated. Furthermore, a workshop was organized in Abu Dhabi in October 2015, to train and habilitate the experts of the evaluation teams. Also a number of workshops on the amended recommendations and the new evaluation methodology were organized to reflect the latest developments in the recent international standards related to AML/CFT, not to forget the participation with World Bank in the evaluation process of the Republic of Tunisia.

In 2015, MENAFATF has held the 21<sup>st</sup> plenary meeting in Muscat – Sultanate of Oman in April, and the 22<sup>nd</sup> plenary meeting in Manama – Kingdom of Bahrain in November, along with a number of meetings for the working groups and the committees, and FIUs Forums. Several important subjects on AML/CFT were discussed at the regional and international levels, particularly the phenomenon of terrorism and its financing, the consolidation of the member states combating efforts, the latest developments in the field of AML/CFT, the national risk assessment, De-risking, Corruption, the physical transportation of cash, the tax compliance programs, the independence of the FIUs and relevant feedback, and others. During the aforementioned meetings and gatherings, MENAFATF has developed and restructured the mutual evaluation and the technical assistance and typologies working groups, and pertinent presidency, and more states have joined the WGs. The Group kept on following up the member states to increase relevant level of compliance with the international standards, whereas it tackled and discussed 16 member states follow up reports. I would like to seize the opportunity to praise and congratulate the State of Kuwait for exiting from the following up process and moving to biennial update process. In addition, one of the main events at MENAFATF level was joining of Palestine as member and Somalia as observer in the Group, and I avail myself of this opportunity to re-welcome them both, and wish that their participation would serve our mutual interests.

With regard to the typologies studies, the Group has accomplished in October 2015, in cooperation with FATF, the study on physical transportation and relevance to money laundering which was initiated in October 2013, and there was adopted the typologies report entitled “Money Laundering Through Physical Transportation Of Cash” at the 22<sup>nd</sup> plenary meeting in November 2015, and it was published on MENAFATF website in December 2015. Furthermore, the Group has organized, in cooperation with the National AML/CFT Committee and the FIU in Sudan, a typologies and capacity building workshop in December 2015, which was attended by representatives from international parties and member states of the Group and non-member states, in addition to the participation of the private sector in the workshop, particularly in the capacity building sessions.

On the other hand, the Group kept on working with observers and donors in order to coordinate and execute a number of technical assistance programs, and it has adopted new procedures for the coordination and explanation of work processes related to technical assistance and the clarification of the role of the interested parties as supporting team of MENAFATF Secretariat and the donors and the supporting entities.

It is worth mentioning as well that the Group endeavored to promote relevant relationships with the regional and international authorities and the FSRBs, especially the observers in the Group, whereas it attended the plenary meetings of FATF throughout the year, and participated in the meetings Egmont Group and in the meetings of the Eurasian Group.

I would like to express my gratitude and thank all member states and observers for their support to the activities and formalities of the Group, and their endeavors to achieve relevant objectives. I would like to thank as well my country, the Sultanate of Oman, for its invaluable trust and for charging me with representing the Sultanate in the presidency of the Group in its 11th year, and I hope I have met the expectations in this role. I would like to thank all my colleagues in the Sultanate for their support and cooperation, and the Group Secretariat team for their special efforts.

Finally, I ask God to support us all to best serve our communities and countries, and I wish you all prosperity and success.

Sincerely,

**Marwan Bin Turki Al Said**  
**MENAFATF President**

## Executive Secretary Forward

On the occasion of issuing the 11<sup>th</sup> annual report of year 2015, it gives me great pleasure to congratulate the President, Members, Observers and Secretariat staff on the achievements recorded over 2015, thanks to everyone support and efforts. This report sets out several crucial topics and issues, which the Secretariat was keen on presenting in a manner that would reflect the achievements and their significance under several sections.



The first Section is a brief overview on the establishment, formation and membership. The second Section discusses the importance of coordination and cooperation of Members among each other's on one part and Observers on the other part such as FATF and FSRBs, via several channels in the plenary meetings, working groups meetings, and taking key decisions that would impact the MENAFATF work; Over this year, 2 plenary meetings were held: one was hosted by the Sultanate of Oman in April 2015 and a second meeting held in the Kingdom of Bahrain (Headquarters Country) during November 2015, with a series of working groups and other committees meetings on the margin, which all have been great opportunities to directly communicate among officials of the competent authorities in Members and Observers and receive updates on the recent news in promoting compliance with the international standards, how financial crimes evolve, and how to fight them, as well as, the exchange of expertise on important topics which were detailed all through the report.

The report also discussed, MENAFATF relations with regional and international organizations and the foreign counterparts; 2015 has been a year of unprecedented developments; promoting the relations has been among our priorities where the experience is mutually shared with the Group or with other entities; the cooperation established over the previous years, namely with the FATF in holding typologies experts meeting in 2013 and with EAG on typologies and capacity building workshop in 2014 have had a positive impact on our capacities and capabilities in holding and organizing similar events. The Typologies and capacity building workshop held in Sudan during 2015 has promoted the relation with counterpart's organizations and entities. The report pointed out also the actions achieved following the deliberations made with the AMF over the past years to identify the opportunities of joint cooperation; in this scope, a direct line of cooperation was made with the Banking Supervision Committee and a critical paper was drafted and submitted to their Excellence's Governors of Arab Central Banks in addition to the steps following the joint workshop on preparing members to the second round of mutual evaluations expected to be held in March 2016.

Section three reveals the significant achievements within the scope of the functions carried out since establishment, namely; following up the members in addressing the deficiencies set out during mutual evaluations within the 1st round that has lasted from 2006 until 2012 and urging them to positively progress in a rapid way; the progress is very clear in the region in 2015; many AML/CFT laws have been updated and issued which all impose new requirements against FIs and DNFBPs; the countries seek to promote the efficiency level and effectiveness of the concerned bodies via visits or training workshops and providing information systems; As well as guidance or instructions made to the reporting entities on the requirements to reinforce the application of legislations and internal regulations with respect to risk management, and verifying the information and data provided by the customers, and follow up and detect such operations as well as reinforce exchange of information by signing bilateral or multilateral agreements. Section three presents a vision on the second round of mutual evaluations to assess countries compliance with the new recommendations issued in 2012 based on the new assessment methodology (2013) and the activities with respect to promoting awareness on ML/TF methods, trends and techniques, such as Money Laundering Through Physical Transportation Of Cash jointly with the FATF; and holding workshops and training sessions in various areas.

I hope we have been successful in drafting this report and reflecting our achievements during 2015, under the presidency of Oman, represented by H.H. Mr. Marwan Bin Turki Al Said; Please allow me to thank all contributors to our success: Members, Observers, and Secretariat Staff.

**Best Regards,**  
**Adel Bin Hamad Al Qulish**

## Section One: Overview on MENAFATF

### First: Establishment, and Objectives:

In 2003, the idea of founding a regional AML/CFT task force for the Middle East and North Africa was officially proposed. It was followed by a series of official meetings during the period October 2003 to July 2004. On the 30<sup>th</sup> of November 2004, the governments of 14 Arab states decided at a ministerial meeting held in Manama to establish the aforementioned group, and it was called the Middle East and North of Africa Financial Action Task Force (MENAFATF). Later, 4 more states joined the MENAFATF. And all member states signed a memorandum of understanding which represented a historic achievement for the Arab states, whereas it showed their seriousness in preventing all such risks that result from ML/FT operations.

The MENAFATF Secretariat is located in the Kingdom of Bahrain, and it started its activity since MENAFATF establishment, knowing that the Kingdom of Bahrain provided it with all necessary resources in this regard. To confirm the importance of MENAFATF role, the headquarters agreement was ratified and entered into force and effect between the Kingdom of Bahrain and MENAFATF, and it was approved by the Consultative Council and the Parliament; His Majesty the King of Bahrain promulgated Law no. 5 of 2009 to ratify the agreement in question on 26<sup>th</sup> March 2009; It was published in the official gazette on the 2<sup>nd</sup> of April 2009.

Given that the stability of the financial and economic regime in any state or region around the world is greatly and negatively affected by ML & TF crimes, MENAFATF member states and observers continuously seek to implement and spread pertinent international policies and standards, and to increase the level of effective compliance therewith, particularly FATF recommendations.

### MENAFATF OBJECTIVES

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

## Second: MENAFATF Main Bodies

### MENAFATF MAIN BODIES

#### Plenary Meeting

The Plenary Meeting is the body in charge of taking decisions within MENAFATF. It is comprised of representatives from the member states, who are experienced in the field of AML/CFT

#### MENAFATF Secretariat

The Secretariat is responsible for executing the technical and administrative tasks to fulfill the activities of the MENAFATF, such as coordinating the mutual evaluation processes and cooperating with international parties and counterparts, especially FATF, in addition to other tasks as decided by the Plenary Meeting.

#### Mutual Evaluation WG

The Mutual Evaluation Working Group is formed of the Members and it is charged with developing and organizing the mutual evaluation program for member states, and with several other tasks, mainly to develop the procedures, work on training the assessors and follow-up with the international developments in this regard.

#### Technical Assistance and Typologies WG

The Technical Assistance and Typologies Working Group is charged with assisting the Secretariat, and giving advice thereto with regard to training, identifying the technical needs of the member states, raising awareness and following up on the international developments with a view to improve the regimes in the region.

#### FIUs Forum

The FIUs Forum is the communication channel and mechanism between FIUs in the member states and aims at promoting regional cooperation and exchange of experience among them; the Secretariat acts as the Forum's coordinator with respect to preparing the relevant meetings.

The year 2015 witnessed significant developments in terms of MENAFATF internal work development, whereas, the chairing and formation of the mutual evaluation and the technical assistance and typologies working groups were reconsidered, accordingly, each Working Group has now two co-chairs, who are charged together with a number of tasks related to the management of the working group, among others: presiding Working Groups meetings regularly and jointly, participating in the development of the working groups work plans, participating in the development of annual plans for the working groups that conform to the annual Group plans, participating in the development of the Working Group's working papers to be submitted for discussion, preparing periodical reports for the plenary meeting on behalf of the working groups members regarding the activities that include the matters requiring decision making by the plenary meeting, in addition to tracking all news about the activities of both working groups, and other tasks.



### Third: Member States and Observers of MENAFATF

MENAFATF currently includes 19 Arab states as members – after the approval of the inclusion request of the State of Palestine in April 2015, in addition to 15 states and international organizations as observers; these figures actually reflect the interest in the activities and work of the MENAFATF. MENAFATF is also an Associate Member in FATF since 2007, and holds the position of observer on a reciprocal basis with Egmont Group of Financial Intelligence Units, The Asia/Pacific Group on Money Laundering (APG), and Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG).

Member Countries				
Hashemite Kingdom of Jordan	United Arab Emirates	Kingdom of Bahrain	People’s Democratic Republic of Algeria	Republic of Tunisia
Kingdom of Saudi Arabia	Republic of Sudan	Syrian Arab Republic	Republic of Iraq	Sultanate of Oman
State of Palestine	State of Qatar	State of Kuwait	Lebanese Republic	Libya
Arab Republic of Egypt	Kingdom of Morocco	The Islamic Republic of Mauritania	Republic of Yemen	

MENAFATF OBSERVERS				
France	UK	USA	IMF	World Bank
GCC	FATF	Egmont Group	Somalia	Spain
APG	WCO	AMF	EAG	UN

## Section Two: Regional and International Coordination and Cooperation

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

### First: MENAFATF Plenary and Working Groups Meetings during 2015: 21<sup>st</sup> Plenary Meeting, Muscat, Sultante OF Oman, 28 -30 April 2015

MENAFATF 21<sup>st</sup> Plenary Meeting was held in Manama, Kingdom of Bahrain, during 28<sup>th</sup> to 30<sup>th</sup> of April 2015. On the two days preceding the plenary meeting, the meetings of the mutual evaluation-working group, and the technical assistance and typologies working group were held, along with the 11th Meeting of FIU's forum, the 10<sup>th</sup> meeting of the FIU's sub-committee, and the 2<sup>nd</sup> meeting of the National Risk Assessment Committee.

The plenary meeting tackled the latest developments in the field of AML/CFT, and discussed the activities of FATF, particularly those related to its statement on the ways of enhancement of CFT measures, in addition to other procedures regarding the review of the international cooperation in the coming period, and the FATF De-risking principle statement. On the other hand, the plenary meeting tackled the activities of the regional and international organizations and the FSRBs, along with the cooperation between the



Group and such parties, and it confirmed the cooperation project with the AMF in terms of the preparations for the second round of mutual evaluation and the supervisory developments in the field of AML/CFT, and a joint workshop on the aforementioned subjects was organized.

Within the framework of the subsequent follow-up of the mutual evaluation processes, the plenary meeting adopted 8 follow-up reports that clarified

the latest developments and procedures taken by some member states in order to improve relevant AML/CFT systems. The plenary meeting adopted the amended procedures for the follow up of the voluntary tax compliance program in the member states of the Group. Also in the context of the plenary meeting, a number of meetings were held as follows:

### 26<sup>th</sup> Meeting of the Mutual Evaluation Working Group, 27<sup>th</sup> April 2015



during which the working group discussed the procedures of the second round of mutual evaluation, the time schedule of the follow up process in the first round of mutual evaluation, the situations of the countries accordingly, and the initial proposal to have the countries of the GCC evaluated jointly by MENAFATF and FATF. Finally, the working group confirmed that Mauritania will be subject to mutual evaluation in 2016.

On the other hand, the working group adopted the specimen of the information confidentiality agreement and the evaluation-related documents, and the specimen of requesting information on the international cooperation as per the mutual evaluation process requirements. The working group also discussed the first draft of the Providing Information on Effectiveness paper. During the meeting, the working group agreed on studying the urgent and important matters in the mutual evaluation methodology on an ongoing basis in the coming stage in order to facilitate relevant implementation

### 2<sup>nd</sup> Meeting of the National Risk Assessment Committee, 26<sup>th</sup> April 2015



On the 26<sup>th</sup> of April 2015, The National Risk Assessment Committee held its second meeting on the margin of 21<sup>st</sup> plenary meeting, whereas the committee members discussed – in the light of the results of the questionnaire that was distributed to all members countries – the stages and steps of the NRA process, and the main challenges faced by the countries, including the development of the questionnaires to collect information from all concerned parties, the determination of the relative weights and pertinent factors and the way of application thereof. Furthermore, the meeting tackled the materials and tools that help the countries assess the risks of ML and FT, including an index developed by the Secretariat which consists of the main stages that shall be followed by the state, and the requirements of each stage, and the missions that can be accomplished in order to achieve the desired results, in addition to important guidelines pertaining thereto.

### 11<sup>th</sup> FIUs Forum, 26<sup>th</sup> April 2015



The members of FIUs forum held a meeting on Sunday the 26<sup>th</sup> of April 2015. They discussed the progress made by FIUs in joining Egmont Group. Moreover, the meeting tackled the subject of “promoting the independence of the FIU”. With regard to the mechanisms related to FIUs capacity building and strengthening, the forum heard FIU’s sub-committee chair report, who gave a summary on the work progress in the committee and the main subjects discussed at the 10<sup>th</sup> meeting of the committee.

### 21<sup>st</sup> plenary and working group meetings on it's Margin

### 20<sup>th</sup> Meeting of the Technical Assistance and Typologies Working Group, 27<sup>th</sup> April 2015

On the margins of the 21<sup>st</sup> plenary meeting, the technical assistance and typologies working group held its 20<sup>th</sup> meeting on Monday the 27<sup>th</sup> of April 2015, which tackled several matters related to its tasks, and had a look at the latest developments on FATF/ MENAFATF joint typologies project on “Money Laundering through Physical Transportation of Cash”. The working group has agreed on the subject of money laundering and corruption as new typologies

project, and has adopted Draft of the Technical Assistance Procedures in MENAFATF in a way to have such assistance implemented immediately. With regard to the technical assistance, the working group agreed on organizing a workshop on typologies and capacity building in December 2015, to be hosted by the Republic of Sudan, and made some amendments to the training plan of the Group 2012 - 2014, and the plan of FIUs training needs.

## 22<sup>nd</sup> Plenary Meeting, Manama, Kingdom of Bahrain, 24 - 26 November 2015

The MENAFATF 22<sup>nd</sup> plenary meeting tackled the developments and main issues in the field of Terrorism Financing. The meeting was held in Manama, Kingdom of Bahrain, between the 24<sup>th</sup> and 26<sup>th</sup> of November 2015, and was headed by the Sultanate of Oman. The meeting tackled the initiatives and activities of FATF, IMF, UNODC, UN Counter-terrorism Executive Directorate, World Bank, and the committee formed by virtue of UNSCR 1267 on combating the financing of terrorism. Furthermore, the meeting discussed the main matters, challenges, and results of pertinent projects and studies, and confirmed the importance of joining forces in order to combat terrorism and suppress the financing of terrorism. The plenary meeting considered as well the mutual evaluation subsequent follow up process through 7 follow up reports, which clarified the latest developments and procedures taken by some members countries in order to improve relevant AML/CFT system. The plenary meeting adopted the joint typologies project report on Money Laundering Through Physical Transportation

Of Cash, which was executed in partnership with the FATF, and which aims at helping all interested parties combat money laundering by understanding deeply and thoroughly such process and the resulting risks, and determining the trends and techniques used therein. With regard to the preparations to the second round of evaluation of the compliance of MENAFATF member countries with the (amended) international standards on AML/CFT, and in accordance with the new evaluation methodology issued by FATF, the plenary meeting adopted the time schedule of the mutual evaluation process in the scope of the second round of mutual evaluation. In addition, the plenary meeting has adopted a Guidance on the credible and reliable sources of information for the Desk-based Review for technical compliance. On the margins of the plenary meeting, a number of meetings were held, as follows:





## 27<sup>th</sup> Meeting of the Mutual Evaluation Working Group, 23 November 2015

The Mutual Evaluation Working Group discussed during its 27<sup>th</sup> meeting, held on Monday the 23<sup>rd</sup> of November 2015 on the margin of the 22<sup>nd</sup> plenary meeting, the latest developments regarding the preparations for the second round of mutual evaluation; and tackled a report on The Sixth MENAFATF Workshop on Assessors Training organized in Abu Dhabi, UAE, during 4 - 8 October 2015, and a report on the workshop that will be organized to prepare the Member countries for the second round of mutual evaluation, in cooperation with the AMF and the Central Bank of the United Arab Emirates, in Abu Dhabi between 20- 22 March 2016.

While discussing the mutual evaluation reports, the working group tackled the issue of the mechanism for discussion of mutual evaluation reports, whereas the Group will be discussing the report of the Republic of Tunisia during the 23<sup>rd</sup> plenary meeting, same being the first reports that will be discussed by the Group in the second round of mutual evaluation, and it was agreed to discuss the report in an extraordinary session at the level of the Mutual Evaluation Working Group before submitting the same finally to the plenary meeting. The WG has adopted the pilot paper on Providing Information on Effectiveness provision, and a pilot paper on a Guidance on the credible and reliable sources of information for the Desk-based Review for technical compliance, which allows the evaluation teams to rely on the other credible sources.

With regard to organizing the follow up process in the second round, the working group tackled the mechanism of discussing the Mutual Evaluation Reports, the mode, frequency, and times of the regular follow up reports and the enhanced follow up reports, in addition to the quality of information to be provided during the evaluation process according to pertinent form. The working group discussed as well the way to provide the plenary

meeting with clear rules in this concern, along with the preparation of the follow up reports, their discussion at the plenary meeting, and the possibility to have recourse to the previously trained assessors. In addition, the working group discussed the transfer of the countries from the enhanced follow up to the regular follow up, and the expected impacts of the follow up process on MENAFATF resources. On the other hand, it tackled the time schedule of the mutual evaluation process in the second round of mutual evaluation, along with the dates of evaluation of GCC countries in coordination with FATF.

Moreover, the working group has adopted the action plan of 2016, and the main projects that will be assumed in 2016, like the follow up of the developments in the mutual evaluation process preparations and the follow up processes undertaken by the Group; and adopted the time schedule of the follow up process which sets the situations of the countries in the context of the follow up process.

## 21<sup>st</sup> Meeting of the Technical Assistance and Typologies Working Group, 23 November 2015

The Technical Assistance and Typologies Working Group held its 21<sup>st</sup> meeting on Monday 23<sup>rd</sup> of November 2015, during which it discussed the joint typologies project with FATF regarding Money Laundering Through Physical Transportation Of Cash, and the WG recommended to adopt the report and publish it on the website of the Group. With regard to the typologies project on money laundering and corruption, the leaders of the project submitted an update on the latest developments and the work process in the project. Concerning the relationships of MENAFATF with the regional and international organizations and the FSRBs, the working group had a look at the efforts made by the Secretariat to communicate with the Asia / Pacific Group in order to discuss the ways of cooperation in the field of typologies between both groups. The working group tackled as well the report on the FATF/GAFILAT joint typologies experts meeting which was held in Mexico City, during 7 - 9 September 2015, and which the Government of Mexico hosted.

Furthermore, the working group tackled the activities of the donors, including the UNODC, regarding the best practices to stop the financing of the terrorist organizations. On the other hand, the meeting included presentations on the main activities of the donors, and the workshops and projects under execution in the member countries. The Members were urged to participate in the existing projects such as the joint project between Egmont Group and FATF on ISIS.

### 3<sup>rd</sup> Meeting of the National Risk Assessment Committee, 22 November 2015

The National Risk Assessment Committee (NRAC) held its third meeting in the scope of the 22<sup>nd</sup> plenary meeting on Sunday the 22<sup>nd</sup> of November 2015. The members of the committee tackled the subjects of acquired experiences and best practices in the field of national risk assessment to take advantage thereof. In this context, some members shared information with the committee on the steps they have taken and relevant progress made in terms of risk assessment at national level.

### 12<sup>th</sup> FIUs Forum Meeting, 22<sup>nd</sup> of November 2015



The 12<sup>th</sup> FIUs Forum was held on Sunday the 22<sup>nd</sup> of November 2015, and tackled the progress made by FIUs in terms of the enrolment in Egmont Group, according to procedures. At the level of exchange of experience based on the best practices, the forum discussed the subject “The FIU and the Feedback”, and adopted the paper of FIUs information systems and guidance included therein.

## Second: Coordination and Cooperation with FATF, FSRBs, and the other International Parties:

MENAFATF is exerting strenuous efforts at the regional and international levels to improve its work relations to better serve the interests of its member states. It is seeking to achieve this through its participation and contribution to a number of activities and events, as well as its coordination and communication with the Financial Action Task Force and FSRBs. MENAFATF relationships witnessed a noticeable development in terms of growth of relationships at both the regional and international levels, and also with several organizations like the AMF, the IMF, the World Bank, FATF, UN bodies, the GCC, Egmont, Asia/Pacific Group, and the Eurasian Group, knowing that such parties have the capacity of observer and therefore they can attend the meetings of the group. MENAFATF gives great attention to stay up-to-date with the latest developments in the field of AML/CFT, by taking part in the meetings, formalities, and workshops organized by such parties and benefiting from their experiences in different ways, in addition to participating in pertinent conferences and seminars – unlike the technical assistance, training, and support provided by such parties to the Member States.

### FATF Plenaries and Working Group Meetings

MENAFATF – as FSRB - has a close relationship with Financial Action Task Force, seeking to adopt, publish and promote, on the regional scale, AML/CFT international standards issued by the FATF. This relationship allows greater participation in the work of the FATF by granting the Presidency, Secretariat, and member countries of the Group the opportunity to attend FATF plenary and working group meetings, as well as regularly participate in discussions and decision-making and express the regional point of view. The MENAFATF and its Members participate in these meetings regularly. In 2015, the Group attended the meetings held by FATF as follows:

Meeting	Participation of the Group	Participation of the Group
Second Plenary Meeting of the FATF XXVI (February 2015)	MENAFATF Presidency and Secretariat, in addition to Lebanon, Morocco, Algeria, Iraq, Sudan, Egypt, Tunisia, and Mauritania	25 - 27 February 2015, Paris-France
Third Plenary Meeting of FATF XXVI (June 2015).	MENAFATF Secretariat, in addition to Lebanon, Morocco, Algeria, Iraq, Sudan, Egypt, and Tunisia	24 - 26 June 2015, Brisbane-Australia
First Plenary Meeting of FATF XXVII (October 2015)	MENAFATF Presidency and Secretariat, in addition to Sudan, Morocco, Algeria, Palestine, Lebanon, Libya, Egypt, and Mauritania	21 - 23 October 2015, Paris-France
Special FATF Plenary Meeting On Terrorist Financing (December 2015)	MENAFATF Secretariat with a number of the member states	13 - 14 December 2015, Paris-France

Participation of the Group and the Member Countries in FATF Meetings 2015

Event	Date	Place
Africa/Middle East Regional Review Group Meeting and On-Site Visit to Kuwait	12 - 13 January 2015	Kuwait
Africa/Middle East Regional Review Group Meeting	22 - 23 January 2015	Zimbabwe
Africa/Middle East Regional Review Group Meeting	5 - 6 May 2015	Rome, Italy
Africa/Middle East Regional Review Group Meeting and On-Site Visit to Sudan	13 - 18 September 2015	Khartoum, Sudan

#### Participation of the Group in the Meetings of the International Cooperation Review Group During The Year 2015

The results of the MENAFATF's follow up and assistance were reflected on the results achieved by the member states subject to FATF international cooperation review process; there were positive results which entailed the exclusion of Kuwait and Sudan from the review process after the on-site visits made to both countries, and which revealed high level of technical and political compliance. On the other hand, Algeria has fulfilled the requirements of the regional review Group's action plan, which led to approving the on-site visit to the country in January 2016.

### Cooperation with Arab Monetary Fund

On the frame of strengthening relationships with the regional organizations, the MENAFATF Secretariat participated in the 25<sup>th</sup> meeting of the Arab Committee on Banking Supervision – affiliated to the Council of Governors of Arab Central Banks and Monetary Agencies – which was held on Wednesday and Thursday the 13<sup>th</sup> and 14<sup>th</sup> of May 2015, and which was organized by Arab Monetary Fund in its headquarters in Abu Dhabi – UAE. The meeting was attended by the members of the committee, the banking supervision officers at central banks and Arab monetary agencies, and the representatives of the AMF.

During the meeting, the committee discussed a number of topics, mainly the development of the comprehensive precautionary supervision policies in the Arab Countries, dealing with supervision developments in the field of AML, and the supervision impacts resulting from the implementation of the new international financial reports standards. Furthermore, the committee discussed a number of reports on the activities of the regional working group to enhance financial Inclusion in Arab States, and those of the regional working group to promote financial stability in Arab States. MENAFATF delivered a presentation regarding the working paper on supervisory developments in the AML field, and the importance of getting prepared for the second round of mutual evaluation, whereas such paper stressed on the developments contained in FATF standards about the process of banks supervision particularly, while shedding light on the importance of getting prepared for the second round of mutual evaluation, and the main challenges that may be faced by member states during such process, and some solutions that can help them overcome these challenges. The paper was approved and was submitted to the Council of Governors of Arab Central Banks and Monetary Agencies in September 2015.



## **EAG Plenary and Working Groups Meetings, Tashkent,**

### **Uzbekistan, 18 - 22 May 2015**

In the scope of cooperation with the FSRBs, the MENAFATF Secretariat participated in the 22<sup>nd</sup> plenary meeting of the Eurasian Group on Combating Money Laundering and Financing of Terrorism, in Tashkent, Uzbekistan, during 18 - 22 May 2015. The plenary meeting discussed important topics related to AML/CFT, and tackled the latest developments in this field at the level of FATF work and the international framework, particularly with regard to financing terrorism simultaneously with the world events. In the scope of the plenary meeting activities, the Typologies Working Group in the Eurasian Group held a meeting to discuss topics related to technical assistance and typologies, and listened to several reports in this regard, the most important of which the report on the results of the joint workshop on typologies and capacity building that was organized jointly by MENAFATF and EAG in December 2014 in Doha, State of Qatar, whereas the meeting praised the outcome of this important workshop, which outcomes and recommendations will be given great attention and applied by both groups on ground, given the various international participation and the case studies and experiences that enriched the recommendations and benefitted both groups and their member states.

## **Egmont Group 23<sup>rd</sup> Plenary Meetings, Bridge Town,**

### **Barbados, 7 - 12 June 2015**

The Egmont Group held its 23<sup>rd</sup> plenary meeting in Bridge Town, Barbados, during 7- 12 June 2015. The meeting was attended by a large number of states and FSRBs representatives and the regional representatives of Egmont Group, in addition to MENAFATF.

Extensive discussions took place at the meeting regarding the relationship between Egmont and FATF, and the ways of consolidation thereof, and the role expected from Egmont regional representatives in the FSRBs. In addition, the meeting tackled the results of FIUs forums in the regional groups and the future of such units and the exchange of experiences among them.

## **On-site Visit of the UN Counter-terrorism Executive Directorate,**

### **12 - 13 May 2015, Sultanate of Oman**

MENAFATF took part in a delegation comprising the UN Counter-terrorism Executive Directorate, the UNODC, and the Interpol, participated in an on-site visit to the Sultanate of Oman during the period 12 -13 May 2015, in order to tackle the different practical aspects of implementation of UNSCRS

1373 /2001, 1624 /2005, 2178 /2014, the legal issues pertaining thereto, the international cooperation, the border management, and other topics, so as to strengthen the capacity of UN member states to prevent terrorist acts within their borders and the regions located therein. This visit followed the first visit made by the Directorate to the Sultanate in 2009, and aimed to tackle the implementation of the first visit recommendations while rating the progress made in terms of application of the aforementioned UNSCRs. The Omani Authorities confirmed that they will endeavor to combat terrorism, and that they will keep on expending efforts and carry on the constructive dialogue in this regard with the UN, especially the Counter-terrorism Executive Directorate and the Counter-terrorism Committee, given its important role in international cooperation and coordination and the discussion of technical assistance needed by the states to combat terrorism risks.

## **MENAFATF Participation in the Joint FATF/GAFILAT Typologies Experts' Meeting on Terrorism Financing, 7- 9 September 2015, Mexico**

MENAFATF participated in the joint meeting of FATF/GAFILAT Typologies Experts' Meeting on Terrorism Financing, in Mexico City, during 7- 9 September 2015, and hosted by Mexico.

The topics tackled by the meeting urged the Group to attend this important event, whereas the meeting focused on the subject of financing of terrorism in conformity with FATF decision about taking further procedures in this field, including the better understanding and perusal of the financial management strategies within the terrorist organizations, determining the real scope of using the internet and social media in financing terrorism, understanding the means followed by foreign fighters to collect and transfer funds, the role that can be played by FIUs to detect foreign fighters and stop their activities, in addition to revealing the reasons and the way the natural resources is being exploited in FT activities, while exchanging experiences to reduce the same. The meeting was attended by the MENAFATF Secretariat along with 4 member states, namely: Morocco, Egypt, KSA, and the State of Qatar. Each of Egypt and the KSA delivered presentations on terrorist's strategies and practices in financial management.

One of the main outcomes of the meeting: that understanding the financial management within terrorist organizations is considered an effective and core element to Detect and Prevent the financing thereof. And it was revealed that there is double impact when using modern social media in FT, whereas there are too many subscribers therein and too many encouragement choices are available, including the Crowdfunding which is considered a new method to collect funds through social media, and this is currently one of the gaps used in financing terrorism. Also one of the results reached: that the sector of natural resources is considered an important source of financing, since it is profitable in some cases Such as any other illegitimate products with little probability of being detected and being subject to Sanctions.

The meeting recommended promoting cooperation between the competent authorities in the public sector, both at local and international levels, in order to facilitate the process of tracking foreign fighters, while enabling FIUs to obtain personal information like the social security records and the tax records (by virtue of the local laws on data and privacy), and improve the mechanisms of information exchange between FIUs, the competent authorities in the public sector, and other competent authorities, in addition to building partnership and effective communication between the public and private sectors so as to take advantage of the numerous information kept by the private sector, and which can help identify the foreign fighters. Moreover, it was proved that the effective cooperation between the competent authorities and the reporting authorities achieves very positive results, whether by giving specific guidelines on foreign fighters, or through official mechanisms that encourage the ongoing dialogue and the mutual provision of feedback.

## Cooperation with APG

In a view to promote the relationships of MENAFATF with FSRBs, the Secretariat communicated with Asia / Pacific Group to study the possibility of organizing a joint workshop for typologies experts, like the two workshops that were organized by the Group in cooperation with FATF in 2013 and with the Eurasian Group in 2014. They also discussed the ways of cooperation to achieve a joint typologies project in 2016 with the participation of experts from both groups. The plenary meeting approved the cooperation with APG in this regard, and accepted to organize a joint workshop for typologies experts to be hosted by KSA in December 2016, and to execute the joint typologies project starting July 2016 ending June 2017, provided that the subject of the project shall be decided by mutual agreement of the parties.



## Section Three: Enhancing and Building AML/CFT Frameworks in the Middle East and North Africa Region

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

### First: Follow up of MENAFATF Member Countries

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

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

During the year 2015, the Group adopted 13 follow up reports, other than an exit report from the follow up process to biennial update, these reports are for: Algeria, Sudan, Syria, Iraq, Oman, Lebanon, and

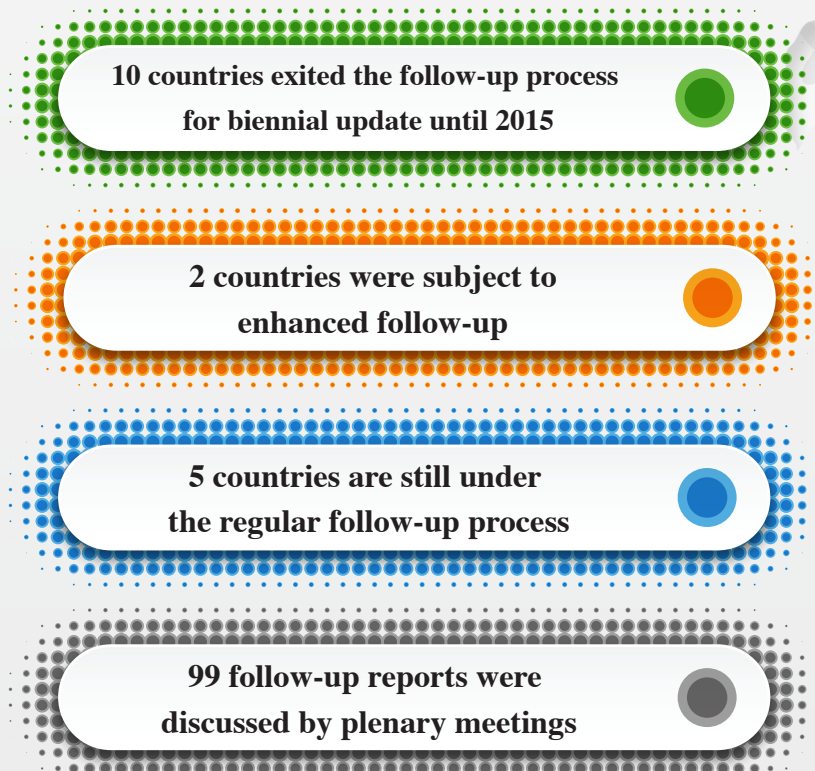
#### GENERAL PRINCIPLES AND OBJECTIVES CONTROLLING

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

Mauritania. The aforementioned reports revealed the progress achieved by these states in terms of improving AML/CFT systems in light of the remarks included in the evaluation report related to each of them. Furthermore, the meeting followed up, through the update operations, each of Jordan and Morocco to check the latest developments and procedures they have taken in the last two years in order to improve their AML/CFT systems. In the same context, the meeting discussed the progress made by Kuwait in terms of compliance with AML/CFT international standards, and the meeting praised Kuwait achievements in terms of improving relevant AML/CFT systems in light of the thematic plan in its mutual evaluation report. The meeting adopted Kuwait follow up report, and accepted to move it from the regular follow up process and to the biennial update process.

In general, we can say that important developments took place at the level of the member states during the year 2015, whereas such period witnessed the promulgation of several laws and regulations on AML/CFT, whether to improve the criminalization of ML and FT or to impose new requirements on FIs and DNFBPs like the CDD measures; not to forget that the effectiveness and competence level was improved among supervisory authorities thanks to the training sessions organized to relevant human resources, whether through the programs provided by the Group or other specialized programs. This year has also witnessed the issue of many guidelines and instructions to the authorities that are bound to report suspicious cases, and a number of requirements to promote the internal systems of the states related to risk management, disclosure and verification of the information and data provided by the customer, and transactions follow up and tracking, along with the consolidation of the regional and international cooperation through the conclusion of bilateral or multilateral agreements to promote the exchange of information.

### Follow-up process in figures for the period 2009 - 2015



## Second: Time schedule of the second round of mutual evaluations

In preparation for the second round of evaluations of compliance of member states with the (amended) AML/CFT international standards, as per the new evaluation methodology issued by FATF, the 22<sup>nd</sup> plenary meeting adopted the time schedule of the mutual evaluation process in the second round of evaluations, and two states will be subject to evaluation each year as follows:

**Time schedule of the second round of mutual evaluations table**

State	Date of on site visit	MER plenary Discussion date
Tunisia	First half of 2015	April 2016
Mauritania	Second half of 2016	November 2017
Libya	First half of 2017	November 2017
Bahrain	Second half of 2017	June / November 2018
KSA	Second half of 2017	June / November 2018
Syria	First half of 2018	November 2018
Morocco	First half of 2018	November 2018
Yemen	Second half of 2018	May 2019
Jordan	Second half of 2018	May 2019
UAE	Second half of 2019	February / April 2020
Qatar	Second half of 2019	June / November 2020
Egypt	First half of 2020	November 2020
Oman	Second half of 2020	June / November 2021
Lebanon	First half of 2021	November 2021
Kuwait	Second half of 2021	February / May 2022
Algeria	First half of 2022	November 2022
Sudan	Second half of 2022	May 2023
Iraq	First half of 2023	November 2023

### Third: Voluntary Tax Compliance Follow-Up Programme:

VTC programs refer to that programs designed to facilitate legalization of taxpayer's situation vis-à-vis funds or other assets that were previously unreported (or incorrectly reported) requiring asset repatriation. Accompanying programs shall be considered, totally or partially, tax exempted, with immunity against legal proceedings. In this context, the 21<sup>st</sup> plenary meeting held in April 2015 adopted the amended procedures of VTC programs in the member states, and the Group discussed two contribution-acquitting programs, for Morocco and Algeria, whereas the group concluded that the aforementioned two programs conform to the 4 core principles of FATF on voluntary tax compliance.

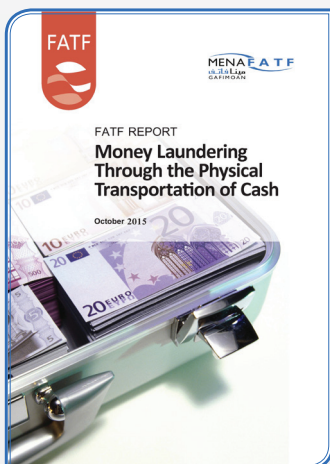
### Fourth: Raising awareness about ML/FT Methods, Trends and Techniques in the year 2015:

#### Joint Typologies Project with FATF on “Money Laundering through Physical Transportation of Cash”

Since cash is still an important settlement means all over the world, despite the increased and large propagation of non-cash payment methods in the developed economic regimes, this project aimed at increasing knowledge about the exploitation of the physical cross-border transportation of money in money laundering, and relevant impacts and the policies that may help prevent and detect such operations. This project was proposed by MENAFATF Secretariat and the Netherlands, and initiation thereof was approved by FATF starting from October 2013.

The UK volunteered to represent FATF in the tasks of the co-president with Tunisia being the representative of MENAFATF. The project was given great attention on several occasions, mainly the joint meeting of typologies and capacity building experts held between MENAFATF and FATF in Doha-Qatar in December 2013, and the joint typologies workshop held by MENAFATF he Eurasian Group in Doha in December 2014.

More than 60 states took part in the information and in examples on practical cases, and in replying to the project-related questionnaire.



This study revealed important results, including among others, that using the physical cross-border transportation of currency interrupts the financial review, and that the criminals exploit the mechanisms of currency acknowledgment systems especially as means to give a legitimate image to crimes-generated cash submitted to the legal system, and that big amounts of cash are transported daily in all parts of the world through natural persons (whether by holding the cash personally or in their personal belongings or vehicles) and in shipments and the post. This project tackles to a large extent the topic of physical cross-border transportation of currency as means to launder the returns of the crimes, and reveals the big risks of money laundering through the physical cross-border transportation of currency.

These issues apply to the states where the economy is based on cash and in the most developed financial regimes which are targeted for low risk assumptions. Moreover, the project reveals the reasons for which criminals have recourse to cash in money laundering; this includes avoiding detection in the official financial sector where strict AML standards are applied. Also the project discusses the methods used to detect the operations of physical cross-border transportation of currency and pertinent challenges. And the report contains a number of practical cases and statistical data that support well the results of the study on the scope and methods used in physical cross-border transportation of currency.

The report was adopted by FATF in October 2015 and by MENAFATF in November 2015, and it was published on the website of each group.

## MENAFATF Typologies and Capacity Building Workshop, Khartoum, Republic of Sudan, 14 - 16 December 2015

MENAFATF organized a Typologies and Capacity Building Workshop, Khartoum, Republic of Sudan, 14 - 16 December 2015, in cooperation with the AML/CFT National Committee and the FIU in Sudan.

The workshop comprised two concurrent sessions on typologies, on 14 and 15 December 2015, regarding the following topics: “money laundering and corruption” and “financing of terrorism”. More than 70 experts in the field of AML and CFT attended the workshop from a number of the member states and observers. In addition, three consecutive sessions were held on capacity building on 16 December 2016, tackling the following subjects: “national risk assessment and the role of Financial Institutions”; “role of Financial Institutions in combating the financing of terrorism”; “role of Financial Institutions in combating corruption”.



### Terrorism Financing Session

This session aimed at sharing regional expertise and experiences through presentations introducing the prevailing methods of FT, whether the conventional methods and techniques used to collect and transfer funds, or the modern means and new payment methods and relevant services. A number of practical cases were presented in the session, followed by fruitful discussions, which revealed the main financing sources, the funds transportation means, and the exploiting parties. Important matters were raised in the session including the prevailing and emerging FT trends in different states of the region, the risks of FT, and the efforts of the member states to combat the same, in addition to the experiences of the member states in the field of national cooperation among different parties for exchanging information and combating the financing of terrorism. Furthermore, the session included presentations and practical cases from several states, including Jordan, Sudan, Tunisia, Lebanon, and France.

The main results reached by the sessions: defining the main financing sources divided into legitimate sources like self-financing or sale of properties or getting loans; and illegitimate sources like the returns of the corruption, smuggling, counterfeiting, forgery, and illicit drug trafficking crimes. On the other hand, cross-border cash smuggling, remittances, e-transfers, and use of credit cards are considered common methods to transport the funds that will be used in FT, while the FIs (banking sector), the transfer companies, the travel agencies (travel tickets), and charity organizations (raising funds and transporting the same in addition to promotion and mobilization) are the main parties exploited.

A number of challenges facing the states emerged during the discussions, mainly the use of persons who have no criminal records in funds transportation or mobilization, the difficulty of monitoring the borders or some regions in a number of states that represent threats and weakness points, and that contributed to increasing terrorism and the transportation of funds and movements of persons (foreign fighters...), the difficulty of distinguishing between the suspicious funds and the legitimate funds, particularly in matters related to financing foreign fighters (small amounts), the return of foreign fighters and way of dealing with them, and terrorists' tendency to find innovated and complicated methods to collect and transport funds in case of strict supervisory measures.



## Money Laundering and Corruption Session

This session aimed at sharing expertise and experiences to introduce the prevailing methods in laundering the returns of corruption and determine the methods and techniques used in this regard, in addition to setting pertinent suspicion indicators. The session also aimed at presenting practical cases and introducing the types of main crimes in this field, while giving an overview of the international standards on combating corruption. Among the important objectives of the session: collecting remarks and ideas from experts and participants in light of the initial results of the typologies project on money laundering and corruption on which the Group is working currently, and considering the practical cases presented to be a reference for the project team at a later stage.

The session tackled different aspects of the subject, whereas important discussions took place about the link between the crime of corruption and the crime of money laundering. The session also discussed the conformity of FATF recommendations with UN Convention against Corruption 2003, and the union of objectives between combating money laundering and combating corruption in support of honesty and transparency, and relevant impact on national economies. In this context, a general overview was presented about UN Convention against Corruption 2003, which included pertinent core subjects contained in the convention, like the preventive measures to prevent corruption, the national and international cooperation, the matters related to assets redemption and criminal extradition, and the crimes stipulated in the convention – same being money laundering predicate crimes. Several examples were mentioned about laundering corruption returns, like the bribery offence, the crime of appropriation of public funds, and the crime of exploitation of powers especially by politicians, and the close link between corruption and money laundering in this context. The session also discussed the corruption main reasons, such as the lack of transparency, the absence of corporate governance, the weakness of integrity standards, and the failure to comply with professional charters (if existing), adding that the imposed sanctions are not proportional to the size of the crime, and the lack of accountability, which means the incorrect application of laws and institutional standards. Moreover, a number of state experiences, and national laws and legislations were tackled. In this context, the session tackled a number of core subjects that constitute the institutional framework for combating corruption: the existence of high level political will to combat corruption is a principal condition to succeed in suppressing corruption, knowing that the same mainly supports core subject number 2, which is the existence of a national strategy against corruption, to represent a comprehensive paper which includes the responsibilities and levels, and sets the vision and the objectives, and which shall be co-executed by the supervisory authorities, the investigations authorities, and the specialized national committees on combating crimes; while stressing on the role of the FIU in terms of developing such strategy given its key role in combating corruption returns laundering. The third core subject was the national and local cooperation and coordination between competent authorities, on the one hand, and the international cooperation, on the other hand, whereas the subjects of national and international cooperation contribute largely to exchanging information, experiences, and practices among the parties that are concerned with implementing the strategy against corruption.

Many challenges facing the efforts of combating corruption emerged, like the existence of communities that greatly deal in cash, which represents an obstacle to detecting such crimes; the long period needed to track, verify and finally detect the crimes; the weakness of financial, supervisory, and administrative control; the weakness of coordination among national authorities. Many proposals were made during the session as preventive measures to combat corruption returns laundering, like establishing for example an agency or authority specialized in combating corruption, establishing an agency to keep and dispose of seized and attached funds, and working on disseminating and clarifying the concept of PEPs.

## Capacity Building Sessions

The session included three consecutive sessions on capacity building held on December 16, 2015, and which tackled the topic of “national risk assessment and the role of FIs”, the topic of “the role of FIs in facing the financing of terrorism”, and the topic of “the role of FIs in combating corruption”. These sessions were attended by a number of private sector institutions, in addition to experts from the public sector, and more than 50 participants (specialists working in the field of AML/CFT in FIs). The aforementioned sessions highlighted the important role of FIs in combating corruption returns laundering crimes, the application of the international standards on combating corruption returns laundering, the challenges faced in this regard, and the possible solutions. With regard to FT, the sessions discussed the ways of supporting cooperation between the FIs in the private sector and the national authorities (FIU, law enforcement agencies ...) for the exchange of financial information, especially regarding the prevailing and emerging FT risks particularly those related to terrorist groups and foreign fighters FTFS.

One of the important points raised during the sessions was the matter of sharing the experiences of the national authorities and the financial institutions through presentations on the stages of the evaluation process and the available opportunities and the cooperation mechanisms in the evaluation process, while determining the main information that can be provided by FIs, given that the financial sectors is the most exploited sector in these crimes. Furthermore, the sessions stressed on the importance of comply with international requirements and standards respected by FIs.

### **Fifth: Technical Assistance, Workshops and Training Programs organized and attended by MENAFATF during 2015:**

In the field of technical assistance, the Group adopted in its 21<sup>st</sup> plenary meeting a number of technical assistance procedures, in a view to coordinate the provision of such assistance and clarify the joint work procedures and steps between the member states, represented by a specialized working group and technical assistance supporting teams, the Group Secretariat, the donors, and the supporting parties.

In the year 2015, the Group participated and organized a number of training programs as follows:

#### **6<sup>th</sup> Assessors Training Workshop, United Arab Emirates, 4 - 8 October 2015**

Given the importance of preparing well-trained and qualified assessors from the Member countries for the coming period of mutual evaluation, MENAFATF organized, in cooperation with the Anti-Money Laundering and Suspicious Cases Unit in the UAE, 6<sup>th</sup> Assessors Training Workshop, United Arab Emirates, 4 - 8 October 2015, Abu Dhabi. The workshop attended by Experts from MENAFATF, APG, and the World Bank. This type of training is highly important

for the Member countries in preparations for the second round of mutual evaluations, whereas it aims to training and rehabilitating a number of experts from different institution's (financial, legal, law enforcement) in the member states. Those experts meet specific requirements on the evaluation of AML/CFT systems and the effectiveness of such systems based on the evaluation methodology issued in 2013, to have recourse to the future mutual evaluation processes that will be conducted by the Group within the second round of evaluations. in addition the group securing a way to ensure the development of skills and the improvement of the capacities of the participants to enable them to be highly competent while taking part



in the mutual evaluations, whereas the participants were practically trained on conducting a virtual mutual evaluation. Main outcomes of the workshop: that the participants could benefit largely from the valuable information provided by the participating experts, especially regarding the FATF amended recommendations and the new evaluation methodology. The workshop also highlighted special aspects and skills of some participants, showing their understanding and knowledge of FATF recommendations and new evaluation methodology, and how they are aware of such recommendations and of the analysis mechanisms along with their interpersonal skills.

31 specialists in the field of AML/CFT attended the workshop from a number of member states, namely: Jordan, UAE, Bahrain, Oman, KSA, Iraq, Kuwait, Sudan, Qatar, Libya, Lebanon, Egypt, Morocco, and Palestine; it was also attended by specialists from the Secretariat of APG and from India.

### **Seminar on “Recent Developments in the Field of Combating Money Laundering and Terrorist Financing – the Forty Recommendations and New Evaluation Methodology”, Riyadh, Kingdom of Saudi Arabia 12 – 14 May 2015**

In cooperation with the Bureau of Investigation and Public prosecution in the KSA, the Group participated in a seminar organized by the BIP for its members on “the latest developments in the field of AML/CFT – the 40 recommendations and the new evaluation methodology”, in the city of Riyadh, KSA, during 12 -14 May 2015. The event was attended by a number of experts in the field of AML/CFT from regional and international organizations. The three-day workshop tackled the latest developments regarding the forty recommendation and the new evaluation methodology, and the efforts expended by the Group to combat ML and FT, and relevant preparations for the second round of evaluations. Main issues discussed at the seminar: the requirements of evaluating the technical compliance and the effectiveness of AML/CFT systems, and the identification of ML/FT risks assessment requirements at the national level of the member states. Main outcomes of the seminar: informing the governmental authorities attending the workshop from KSA of AML/CFT requirements and the latest developments in this regard, the exchange of experiences between participants about the mechanisms for implementation of FATF recommendations.



### **7<sup>th</sup> Compliance and AML Seminar, Financial Institute, Riyadh, KSA, 24 - 25 May 2015**

MENAFATF participated in the 7<sup>th</sup> annual compliance and AML Seminar, which was organized by the Financial Institute in its headquarters located in Riyadh, in cooperation with Thomson Reuters on 24 - 25 May 2015. The seminar discussed important topics including AML, the international sanctions, the cybercrimes, the compliance culture, and others. This annual seminar is greatly supported by banks and financial institutions, knowing that it attracted more than 300 specialists in the governance field, risk management, and compliance from KSA and other countries. In addition, this seminar helped in raising awareness and providing the banks with international experiences and knowledge solutions through the exchange of opinions among the expert speakers, the supervisory authorities, and the financial institutions.

## **Cross-border Cooperation to Prevent and Suppress the Financing of Terrorist Acts, Charm el-Sheikh, Egypt, 27 - 29 May 2015**

MENAFATF participated in a workshop organized by UNODC in cooperation with the Japanese Government and Egypt, on “Cross-border Cooperation to Prevent and Suppress the Financing of Terrorist Acts”, during 27- 29 May 2015 in Charm Al-Sheikh, Egypt. The event was attended by experts from the Tracking Team related to the Security Council Committee – established by virtue of resolution 1267 (1999), the UNODC, the Interpol, the UNESCO, and representatives from the USA and Spain. Representatives from a number of the MENAFATF member countries also attended the event, namely: KSA, Bahrain, Jordan, Tunisia, Iraq, Egypt, and Lebanon.

This workshop aimed at introducing the requirements included in the resolutions of the International Security Council, the international agreements on the suppression and prevention of terrorist acts financing, and at consolidating the mechanisms of regional and international cooperation and coordination at national level to guarantee the improvement of effective compliance level by all parties concerned with implementing the requirements and tools of the UN and pertinent UNSCRs, namely UNSCR 1267/1999, UNSCR 1373/2001, UNSCR 1540/2004, UNSCR 1718/2006, and UNSCR 1737/2006. Furthermore, the workshop tackled the amended FATF international standards on AML/CFT, and the new evaluation methodology, along with the role of FIUs in terms of combating terrorism.

The workshop revealed the high awareness and interest of the member states in implementing the Security Council Resolutions, knowing that these states are currently expending all efforts possible to develop relevant systems and laws so that they conform to the requirements of such resolutions. This workshop was a great opportunity for the participating states to exchange experiences on the mechanism they use in order to implement the UNSCRs, and the challenges that may hinder their implementation, including the best practices in this regard.

## **Regional Workshop on the Implementation of UN Security Council Resolution 1540 (2004), Amman, Jordan, 1 - 4 June 2015**

MENAFATF participated along with representatives from a number of member countries in the Regional Workshop on the Implementation of UN Security Council Resolution 1540 (2004), Amman, Jordan, 1 - 4 June 2015, which was held in Amman, Jordan, during 1-4 June 2015, under the auspices of the Jordanian Government, the EU, the Republic of Korea, and the USA. The main objectives of this workshop: helping the states to establish legislations and regulations about obtaining nuclear, biological, and chemical weapons, in addition to establishing appropriate procedures to secure, keep, use, store, and protect such weapons. The workshop aimed as well at continuing the regional efforts for the implementation of UNSCR 1540, and determining the technical assistance deemed necessary for its implementation, while exchanging experiences and best practices, and discussing the challenges that hinder the implementation of the resolution.

## **AMF/IMF High-Level Workshop on De-risking – Correspondent Bank Relationships and Beyond In Collaboration with the FSB and the World Bank October 27, 2015**

MENAFATF participated in a workshop organized by AMF in cooperation with IMF, the World Bank, and the Financial Stability Council on “AMF/IMF High-Level Workshop on De-risking – Correspondent Bank Relationships and beyond”, on the 27<sup>th</sup> of October 2015, in Abu Dhabi, UAE. The workshop aimed at raising the awareness about all such aspects related to the procedures of the correspondent banks, and discussing the needs and solutions to deal with them at the level of the supervisory authorities or the banking and financial institutions, while reducing pertinent impact on the banking sector and the financing of economic activities, and at the same time, ensuring the integrity and accuracy of the financial and banking transactions and the transfers.



## Section 4: Financial Statements and Balance Sheet for the year ending on December 31, 2015



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

#### Report on the financial statements

We have audited the accompanying financial statements of Middle East and North Africa Financial Action Task Force ('MENAFATF'), which comprise the statement of financial position as at 31 December 2015, and the statements of comprehensive income, changes in funds and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's responsibility for the financial statements

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

#### Auditors' responsibility

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

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

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

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of MENAFATF as of 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Auditor's Registration No. 190  
26 April 2016  
Manama, Kingdom of Bahrain

## Middle East and North Africa Financial Action Task Force

### STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	<b>2015</b>	<b>2014</b>
	<b>USD</b>	<b>USD</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Equipment and vehicles	<b>8,149</b>	21,154
<b>Current assets</b>		
Members contribution receivables	<b>267,170</b>	191,745
Prepayments and other receivables	<b>7,481</b>	51,747
Bank balance and cash	<b>1,543,293</b>	883,668
	<b>1,817,944</b>	1,127,160
<b>TOTAL ASSETS</b>	<b>1,826,093</b>	1,148,314
<b>ACCUMULATED FUNDS AND LIABILITIES</b>		
<b>Accumulated funds</b>		
Strategic reserve	<b>300,000</b>	-
Accumulated funds	<b>268,899</b>	438,162
<b>Total accumulated funds</b>	<b>568,899</b>	438,162
<b>Non-current liabilities</b>		
Employees' end of service benefits	<b>388,636</b>	313,516
Grants	<b>135,266</b>	118,444
	<b>523,902</b>	431,960
<b>Current liabilities</b>		
Trade and other payables	<b>733,292</b>	278,192
<b>Total liabilities</b>	<b>1,257,194</b>	710,152
<b>TOTAL ACCUMULATED FUNDS AND LIABILITIES</b>	<b>1,826,093</b>	1,148,314

## Middle East and North Africa Financial Action Task Force

### STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	<b>2015</b>	<b>2014</b>
	<b>USD</b>	<b>USD</b>
<b>INCOME</b>		
Contributions from members	<b>1,276,003</b>	1,160,011
Write back of liabilities	<b>16,755</b>	35,247
Grants	<b>9,774</b>	10,176
<b>TOTAL INCOME</b>	<b>1,302,532</b>	1,205,434
<b>EXPENSES</b>		
Direct costs	<b>949,572</b>	895,380
General and administration expenses	<b>204,537</b>	233,851
Depreciation	<b>17,686</b>	20,197
<b>TOTAL EXPENSES</b>	<b>1,171,795</b>	1,149,428
<b>PROFIT FOR THE YEAR</b>	<b>130,737</b>	56,006
Other comprehensive income for the year	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>130,737</b>	56,006



## Middle East and North Africa Financial Action Task Force

### STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	<b>2015</b>	<b>2014</b>
	<b>USD</b>	<b>USD</b>
<b>OPERATING ACTIVITIES</b>		
Profit for the year	<b>130,737</b>	56,006
Adjustments for:		
Depreciation	<b>17,686</b>	20,197
Provision for employees' end of service benefits	<b>75,120</b>	55,085
Write back of liabilities	<b>(16,755)</b>	(35,247)
Grants	<b>(9,774)</b>	(10,176)
	<b>197,014</b>	85,865
Members contribution receivables	<b>(75,426)</b>	(189,497)
Prepayments and other receivables	<b>44,266</b>	(49,380)
Trade and other payables	<b>471,856</b>	(433,099)
Net cash flows from (used in) operating activities	<b>637,710</b>	(586,111)
<b>INVESTING ACTIVITY</b>		
Purchase of equipment and vehicles and cash flows used in investing activity	<b>(4,681)</b>	(1,803)
<b>FINANCING ACTIVITY</b>		
Grants received during the year and cash flows from financing activity	<b>26,596</b>	-
<b>INCREASE (DECREASE) IN BANK BALANCE</b>	<b>659,625</b>	(587,914)
Bank balance and cash at the beginning of the year	<b>883,668</b>	1,471,582
<b>BANK BALANCE AND CASH AT THE END OF THE YEAR</b>	<b>1,543,293</b>	883,668

