Middle East and North Africa
Financial Action Task Force

MENAFATF Biennial

Typologies Report, 2018

April 2019

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Middle East and North Africa Financial Action Task Force

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Introduction

The Plenary Meeting (November 2014) approved the TATWG recommendation regarding to adopt the procedures on issuing "the MENAFATF (Biennial) Typologies Periodic Report", which reflects the case studies and the recently developed trends of ML/TF operations in the region and which are provided and identified by all member countries.

The current draft of the MENAFATF (Biennial) Typologies Periodic Report is considered as the third of this series and covers the period from 2017 to 2018. The report presents the most important cases studies and recently developed trends of ML/TF operations in the region, based on the case studies provided by the member countries. It also provides an overview of the major activities of MENAFATF in the typologies field from May 2016 until May 2018, and various studies, workshops, and discussions in the typologies field so that the report serves as a reference for this information.

This project contributed to the provision of case studies from seven member countries, as the following Tunisia, Iraq, Oman, Qatar, Palestine, Kuwait, and Lebanon. 25 case studies were presented in this report according to the categories defined in the Annex, which cover most of the topics of case studies related to ML/TF at the regional and international levels. All case studies received were analyzed and determined the techniques, methods which were mostly used, as well as the prevailing trends in ML/TF operations which were identified.

In order to execute this project, a questionnaire form was prepared (Annex No.1) to collect case studies from the member countries, as each country provided the Secretariat with a number of case studies ,that fall under one of the defined categories (or other categories, if any) in Annex No.(2), regardless of the status of the case and the judicial verdict rendered in its regard, where it contains cases for which convictions are issued, cases pending before courts or cases under investigation at the Public Prosecution or cases in which the FIU found strong evidence of suspicion and were accordingly referred to law enforcement authorities (LEAs).

First Topic: Overview of MENAFATF typologies work from May 2016 to May 2018

First Theme: Typologies projects:

First: ML Through Electronic Means Typologies Project, May 2016-October 2017:

Regarding the typologies framework and the mechanism adopted in this regard, KSA proposed that the Typologies and Technical Assistance Working Group (TATWG) study, as at its 22nd meeting, a new typologies project on ML through Electronic Means. The 23rd Plenary Meeting which had held in Doha, Qatar, in April 2016 agreed upon this recommendation, provided that the project shall be executed during the period from May 2016 to November 2017. KSA and the Sultanate of Oman were both selected to co-lead the project, as well as a working group formed of experts in the field from the following member countries: Egypt, Qatar, Sudan and Jordan. Twelve countries participated in the provision of information and case studies to this end. They are as follows: KSA, Oman, Egypt, Qatar, Sudan, Jordan, Kuwait, Morocco, Lebanon, Iraq, Palestine and Yemen.

The most important objectives of the project were represented in the following: (a) to help countries better understand the methods of laundering through electronic means, (b) to help countries enhance their detection and prevention capacities, (c) and consequently, to promote the efforts of the MENAFATF member countries in combating ML through electronic means in the MENA region.

The final report of the project was adopted by the 26th Plenary Meeting in December 2017 and published on the MENAFATF website.

Second: ML and Corruption Typologies Project:

The 20th MENAFATF Plenary Meeting held in Manama, Bahrain in November 2014 approved upon the TATWG recommendation to study a new typologies project on ML and corruption. Qatar and Lebanon co-lead the project, together with a working group formed of experts from Morocco, KSA, Sudan, Tunisia, and a representative of United Nations Office on Drugs and Crime (UNODC), with the participation of Twelve countries in this project by answering the

questionnaire and providing case studies. These countries are UAE, Libya, Tunisia, Kuwait, Qatar, KSA, Morocco, Sudan, Bahrain, Egypt, Oman and Lebanon.

The work on this project took two years during which two simultaneous sessions were devoted for it during the typologies and capacity building workshop held in Khartoum, in December 2015. The project partly benefited from the third session on the "challenges of pursuing the proceeds of corruption in foreign countries" during the typologies and capacity building workshop held in Jeddah in December 2016.

The report highlights the extent and scope of the problem of corruption, and the methods and tools used in laundering the proceeds which resulted by corruption at the regional level and provides an array of examples and case studies, as well as a list of suspicion evidence and indicators. This project also aimed at identifying the main challenges and the issues which arise from detecting the laundering of proceeds of corruption and highlighting the role of AML/CFT measures in preventing or detecting the laundering of proceeds of corruption. The report also presented a brief outline of the legal and regulatory anti-corruption frameworks, namely the United Nations Convention against Corruption and its requirements.

The final report of the project was adopted by the 26th Plenary Meeting in December 2017 and will be published on the MENAFATF website.

Third: ML Through the Real Estate Sector Typologies Project, May 2017 - May 2018:

In the context of typologies, Egypt made a request to TATWG to undertake a new typologies project on ML through the real estate sector. The Plenary Meeting adopted the Typologies Report on ML through the Real Estate Sector which highlights the methods and tools used to launder the proceeds generated from the misuse of real estate regionally. It also provides an array of examples, case studies and a list of suspicion evidence and indicators. This project mainly aimed at detecting and understanding the nature of the real estate activities which are at greatest risk of money laundering and at examining how the real estate sector is being misused in laundering the proceeds of crime.

Egypt and KSA co-lead the Typologies Project on ML through the Real Estate Sector, together with a working group formed of experts representing several MENAFATF member countries, including Sudan, Jordan, and Oman. Nine member countries contributed to this project by answering the questionnaire and providing case studies.

The final report of the project was adopted by the 28th Plenary Meeting in December 2018 and published on the MENAFATF website.

Fourth: Middle East and North Africa Financial Action Task Force and the Asia Pacific Group Joint typologies project on terrorist financing and social media:

The 22nd MENAFATF Plenary Meeting approved upon the TATWG recommendation to undertake the MENAFATF/APG joint typologies project on studying a joint typologies project and the topic of terrorist financing and social media was chosen.

In general, the project aimed at identifying the techniques and trends related to the use of social media for financing terrorist acts, terrorists or terrorist organizations finding opportunities of cooperation between LEA, FIUs social media companies and the private sector in general, in order to detect and reduce TF through social media, supporting investigative authorities in this field and consequently, promoting the efforts of the MENAFATF member countries in combating ML through social media in the Middle East and North Africa region.

Egypt and Malaysia co-lead this project with the support of the Secretariats of each of the APG on ML and the MENAFATF.

To support the efforts of members of APG on ML and MENAFATF in combating TF, this report determines the techniques and trends, and the indicators of misusing the social media services to finance terrorist acts, terrorists and terrorist organizations, given that twenty-seven countries responded to the questionnaire which are related to the report and provided some case studies on TF through the misuse of social media services. These cases show how social media services (such as Facebook), web hosting services (such as YouTube), social funding services

(such as GoFundme.com) and Internet messaging services (such as WhatsApp) are being misused for TF in various ways, as follows:

• Social media and content hosting services are primarily used to raise donations, promote terrorism through advertising campaigns and spread extremism. In view of the limited incorporation of the payment methods into these services currently, most of the examples provided in this report prove that donations are being transferred through the conventional payment methods (such as banks).

• Internet messaging services were used in several cases to secretly communicate with activists or terrorist groups to discuss the methods of support and payment. The vulnerabilities of these services (such as encrypted calls, number of active users) contribute to the promotion of their misuse for terrorist financing.

• The social funding services were used in several cases, which caused the activists to claim that the funds are being used for humanitarian causes. These services often comprised the use of new or conventional payment services, and the vulnerabilities of these services are hindering competent authorities from detecting and investigating terrorist financing operations.

The final report of the project was adopted by the 28th Plenary Meeting in December 2018 and published on the MENAFATF website.

Second Theme: Typologies Workshops:

With reference to the fourth goal of the MENAFATF action plan which focused on strengthening its relations with the regional and international organizations involved in combating ML/TF, the MENAFATF is planning to hold joint meetings to review the ways and methods of ML/TF operations and prevailing trends at the regional and international levels. These workshops also allow for the exchange of information and experiences in many topics related to the typology's projects, in which the MENAFATF, FSRBs and other international organizations are involved, and contribute to the promotion of the participants' capacities in combating ML/TF. The following is a statement of the workshops held from May 2016 to May 2018, in addition to the workshops intended to be held soon.

First: Middle East and North Africa Financial Action Task Force and Asia Pacific Group Joint typologies and capacity building workshop, Jeddah, KSA, 28 November - 1 December 2016:

The joint international workshop on typologies and capacity building was held between the MENAFATF and the APG on money laundering, in cooperation with SAMA Anti-Money Laundering Permanent Committee, during the period from 28 November to 1 December 2016. The workshop started in Jeddah, as of Monday, 28 November 2016 throughout four days.

This workshop is organized in the context of achieving one of the MENAFATF strategic objectives which are to promote cooperation with the regional and international organizations, particularly FATF and FSRBs, given that the APG is one of the most important regional bodies, in view of its wide experience, its coverage of a considerable part of the world and its direct contact and mutual interests with the MENAFATF and the region. Such a workshop helps identify and study the modern methods, techniques and trends in ML/TF operations and determine the best solutions to face them, in addition to the exchange of expertise and experiences.

This workshop has a significant importance considering the participation of several experts from various countries and regional and international organizations, where more than 55 countries from various continents and jurisdictions participated, in addition to 15 regional and international organizations. Experts from most Arab countries also participated, in addition to Australia, USA, UK, France, Italy, Spain, Sweden, Russia, China, Japan, South Korea, Pakistan, India, most of the countries of East, Middle and South Asia, and Africa. The workshop was important and attended by the regional organizations and bodies, the most important of which are: Financial Action Task Force (FATF), International Monetary Fund (IMF), the international and regional Action Groups against ML/TF (GIABA), Task Force on Money Laundering in Central Africa (GABAC), Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), European Bank for Reconstruction and Development (EBRD), Interpol, Basel Committee, United Nations, General Secretariat of the Gulf Cooperation Council, and other organizations. The number of participants reached approximately 300.

The workshop held over four days addressed several important topics which included “TF and social media”, “ML through electronic means”, “the challenges of pursuing the proceeds of corruption in foreign countries, and “identifying operational best practices and barriers to

domestic inter-agency information sharing", in addition to the latest relevant developments at the regional and international levels. Case studies related to these topics were also presented to allow participants to share their experiences and to learn about, study and benefit from the best practices and learn about the new and emerging methods, techniques and trends in ML/TF operations, in order to reach the best possible solutions to face them.

During the first breakout session of the workshop, the topic on "TF and social media" was discussed in order to explore TF risks through the means and services of social media, to examine the size of these risks, and to share experiences and opportunities for international cooperation in this regard, in order to assess and face these and, to complete the joint work currently undertaken by the FATF and FSRBs in order to reach a deeper and more comprehensive understanding on how terrorists and terrorist organizations are misusing social media for terrorist financing.

The second breakout session discussed the topic on "ML through electronic means". It aimed at understanding the scope and extent of the problem, identifying the electronic methods used and the challenges related to the detection, investigation, and prosecution of cases of ML through electronic means.

The third breakout session discussed the topic on "pursuing the proceeds of corruption in foreign countries" and the challenges in pursuing the laundering proceeds of corruption in foreign jurisdictions and specifically the difficulties in identifying and tracing the assets obtained from corruption and concealed abroad, through practical case studies and presentations. This session also addressed the support that AML/CFT experts can provide to Anti-corruption experts in their financial investigations and the role that AML/CFT agencies can play in tracing the proceeds of corruption.

The last fourth session addressed the topic on "identifying the best practices and barriers to domestic inter-agency information sharing" to help identify the best practices and the efficient mechanisms used in information sharing, in addition to the challenges in providing, accessing, exchanging, and using information for the purposes of combating terrorism and its financing. It aimed in general at promoting information sharing at a broader scale and exploring various mechanisms and models for information sharing and practices as regards the prevention and investigation of TF operations.

Second: First edition of the joint typologies and capacity building workshop between MENAFATF, ESAAMLG, GIABA and GABAC - Rabat, Kingdom of Morocco, 22-25 January 2018:

The 1st joint typologies and capacity building workshop in the Middle East and Africa region on combating ML/TF was held. It was co-organized by four FATF-style regional bodies (FSRBs), being as the following Middle East and North Africa Financial Action Task Force (MENAFATF), Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), Task Force on Money Laundering in Central Africa (GABAC) and Inter-Governmental Action Group against Money Laundering in West Africa (GIABA), in Rabat, the Kingdom of Morocco, from 22 to 25 January 2018, under the high patronage of HH King Mohammad VI, the King of Morocco, in cooperation with the Financial Information Processing Unit. The workshop was attended by more than 260 participants from 50 countries.

The purpose of this workshop was to share knowledge and experiences on emerging ML/TF risks, trends, and methods. The first day included different presentations from the participating FSRBs as well as FATF, FATF TREIN, UNCTED and Egmont Group on their current typologies work and latest activities.

During the second and the third day, the workshop comprised five concurrent breakout sessions that covered the following topics:

1. ML – TF and the Smuggling of Goods.
2. ML through the Real Estate Sector.
3. TF Risks.
4. Financial Flows from Human Trafficking.
5. Professional ML Networks.

The key areas discussed during the first session **ML – TF and the Smuggling of Goods** were the sub-regional perspectives on the problems of smuggling, in addition to the mapping of the smuggling of goods, the actors, cross border movements, triggers/historical, social, and cultural factors, integrity and corruption, political and economic arrangements. It also addressed the

impact and role of the private sector by identifying and understanding the risks and methods, mitigating measures, and organization of the issues relevant to the AML/CFT requirements.

The major recommendations resulted during the session addressed the following: consider combating the illicit financial flows as an essential part of combating the smuggling of goods, emphasize the importance of fighting trans-national organized crime, the importance of establishing training programs on combating ML offense and smuggling by focusing on cooperation between the FIU and Customs, monitor the proper implementation of the AML/CFT regulations and provide relevant guidance, and be aware of the methods and techniques used in this regard.

The second session was about **ML through the Real Estate Sector**. It mainly aimed at informing the MENAFATF typologies project on ML through the Real Estate sector with rich information and sources through deliberations, discussions and presentations which will be delivered by the participated countries.

The deliberations comprised an overview of the legislative and regulatory framework regulating the real estate sector, presentation of the companies, entities, professions, and other actors involved in the real estate sector, the extent to which the entities engaged in the sector are subjected to the AML/CFT requirements, and examination of the most important challenges facing the sector with a view to complying with the requirements. Furthermore, the most important ML/TF methods and indicators were presented and reflected in the final project report.

The third session addressed the topic on **the Risks of TF** and the points discussed in this session comprised as the following:

- Terrorism threat;
- Discussing the methodological issues of assessing TF risks;
- Case studies and most important lessons learned from TF risk assessments;
- Misuse of NPO for TF Purposes and understanding the associated risks;
- Misuse of new technologies for TF purposes;
- Cross border cash, challenges and associated risks;
- Bank screening program;

- Interaction with the private sector on TF and understanding its risks.

The most important outcomes reached were knowledge sharing / training on approaches used in engaging the private sector in TF topics, including the understanding of risks – suspicion indicator) red flags – Egmont Group is working on indicators related to FTF, mobile banking and FinTech issues facing these regional organizations; cross-border cash couriers – understanding risks and domestic coordination and challenges associated with conflict zones and turmoil at the permeable frontiers/conflict zones.

The fourth session addressed the topic on **Financial Flows from Human Trafficking**, by tackling several important aspects of the topic that comprised the difficulty in identifying the human trafficking offense, the economic, political, and social factors (fear of persecution – looking for a better future – low level of education of victims – peer pressure), the need to enhance sharing of information, the issue of pursuing the human trafficking proceeds.

It also tackled the most important indicators and methods used as regards the workshop topic and recommended broader methodological solutions for the issues related to human trafficking: Corruption/illicit migration flows/weak border control.

The fifth session was about **Professional ML Networks** and comprised discussions on the experiences of the FSRBs in risks and threats, Case Studies, investigative techniques, and best practices. It also addressed the use of accomplices (bank employees, registered agents, real estate brokers, lawyers, investment portfolios managers, civil servants. etc.) and the use of money mules; in addition to the most important characteristics of the professional ML networks which are represented in the frequent change of the Modus Operandi, which makes it difficult to combat them.

At the end of the workshop, participants issued important recommendations which were called the Rabat Recommendations. They undertook to act accordingly and to achieve them. The following is Communiqué and Rabat Recommendations:

Rabat Recommendations on AML/CFT in Middle East and Africa

We, the participants,

Upon the conclusion of the first Joint Middle East and Africa Typologies and Capacity Building Workshop on AML/CFT , organized, under the High Patronage of His Majesty The King Mohamed VI, the King of Morocco, in Rabat, the Kingdom of Morocco, from 22 to 25 January 2018, by four Financial Action Task Force-Style Regional Bodies (FSRBs): MENAFATF, ESAAMLG, GABAC and GIABA, in collaboration with the Moroccan Financial Information Processing Unit (UTRF),

Noting the common challenges faced by the Middle East and African countries in combating ML/TF; hereby adopt The Rabat Recommendations on AML/CFT in Middle East and Africa which call upon the four FSRBs, their member States and partners to:

1. *Intensify efforts to combat TF in a collaborative manner and coordinate the actions of all stakeholders;*
2. *Promote and sustain cooperation between the four FSRBs, especially through participating in each other's activities, including Plenary Meetings where issues of considerable importance to AML/CFT are discussed;*
3. *Set up a framework to conduct typologies and other research studies on ML/TF that are of mutual interest and benefits,*
4. *Organize, on a regular basis, capacity building and experience sharing events in order to ensure sustainability of this first joint initiative;*
5. *Promote exchanges and visits among AML/CFT officials of member countries of the four FSRBs to share knowledge and experiences.*

Participants

Rabat - The Kingdom of Morocco

Dated 25 January 2018

Third: Current ongoing typologies workshops:

Second edition of the joint typologies and capacity building workshop between MENAFATF and its counterparts in Africa, Cairo, Egypt, 30 July - 2 August 2019:

In view of the success of the first edition, the MENAFATF, ESAAMLG, GABAC, and GIABA are planning to hold a second edition of the joint typologies and capacity building workshop in Cairo, Egypt from 30 July to 2 August 2019, in cooperation with the Egyptian Money Laundering and Terrorist Financing Combating Unit. The agendas and topics intended for research and discussed are being currently developed, in addition to other logistic arrangements required to this end.

Second Topic: Case studies on combating ML/TF operations

First Theme: Case studies:

1. Laundering the Proceeds of Corruption.

1. Case study 1:

The FIU received two suspicious transaction reports (STRs) regarding the two so-called "S.M" and "F.N.". After reviewing the statements of accounts of these two women subjected of the STRs, it was found that the following:

- "S.M." and "F.N." deposited two cashier's cheques with a total value exceeding one million Dinars, withdrawn from the bank account of the country institution cooperative.
- After depositing the two afore-mentioned cheques, the two women withdrew a considerable part of the amount in cash (155 thousand Dinars) and then issued two cashier's cheques: one in favor of a telecommunications company for 390 thousand Dinars, and another in favor of the so-called "H.L." for 440 thousand Dinars.

As reported by LEAs, judicial research was initiated against the so called "H.L." and "F.N.", by virtue of a rogatory letter for "embezzlement or participation in the embezzlement of public funds by a public officer to whom the possession has been entrusted into, by virtue of his position". Search and inquiries revealed that "H.L." took advantage of his position as an employee of the aforementioned country institution and used a number of cashier's cheques withdrawn from the bank account of the institution's cooperative, in favor of the telecommunications company in exchange for the services it is providing to its subscribers and deposited the cheques in the accounts of his wife "S.M." and her mother "F.N.". Then, he transferred a part of the amounts to the telecommunication company's bank account and kept the remaining amount to himself.

Suspicion indicators related to the case:

- Deposits and withdrawals of considerable amounts of money within short periods of time (sometimes on the same day) from both bank accounts opened in the name of "S.M" and "F.N.".
- Both bank accounts opened in the name of "S.M." and "F.N." were used as a front by "H.L." to conceal the embezzled funds of the country institution's cooperative, which is the

predicate offense in this case. “H.L.” then withdrew a part of these funds in cash to integrate them in different areas. The case therefore meets the traditional ML criteria.

The findings of the FIU financial analysis and investigations referring the case of the persons reported in the STR to the Republic attorney general, for embezzlement of public funds by a public officer to whom the possession has been entrusted into, by virtue of his position. A sanction of imprisonment for 20 years and a fine equaling the value of the amount embezzled were imposed.

Case status: Opening an investigative inquiry.

2. Case Study 2:

The FIU received a request from the Public Prosecutor for assistance in his investigation into a case of corruption and embezzlement of public funds against several public sector employees. Some suspects had conspired to embezzle employees’ benefits, while others executed suspicious purchase deals with suppliers. Therefore, it was necessary to obtain information about this case, including bank accounts information, to complete the current judicial investigations.

Accordingly, the FIU initiated its investigations by disseminating the suspects’ names to all banks and FIs operating in Lebanon and several bank accounts belonging to them were identified.

The analysis of account statements and transactions revealed cheques, transfers, cash deposits and credit card transactions.

Suspicion indicators related to the case:

- Transactions which are inconsistent with the customer’s business nature and incompatible with the pattern of his transactions or his account activity
- Cheques, transfers, cash deposits and credit card transactions.

The FIU decided to temporarily freeze the account balances identified, for six renewable months. At a later stage, the “FIU” lifted the bank secrecy on those accounts and referred the results of the investigations to the Public Prosecutor and extended the freezing period.

The said Prosecutor issued a decision to refer the suspects to the Military Court for prosecution in accordance with AML/CFT Law No. 44 dated 24/11/2015, for corruption/function exploitation.

The case is still being considered by the concerned court.

2. Use of offshore banks, international commercial companies, and offshore trusts.

3. Case Study 3:

The FIU received 19 STRs, all of which concerning foreign natural and legal persons established by foreigners, mainly engaged in international trade, providing technical studies for enterprises, the food industry, and disposal of commercial vessels. The reasons behind submitting these STRs were as follows:

- Depositing very large amounts of cash in currency, which are then used to pay many foreign suppliers, according to shipping invoices and documents.
- Vagueness of the source of the funds deposited in the accounts of natural and legal persons reported in the STRs.

According to press articles, the CEOs of some companies included in the STRs are suspected of being associated with trafficking in stolen oil smuggled from another country.

Outputs of the research conducted by the FIU:

After examining the activities of the accounts of natural persons indicated in the STRs, it was found that they were opened for the purpose of depositing the money supplied in cash through the country borders and transferring them to the accounts of an international trade company mentioned in the STR, called, “B for International Trade”. After consulting the database of the Office of Trade to check the authorization to supply foreign currency in the form of banknotes, it was found that the natural persons mentioned in the STRs provided a total amount of 8,420 million Euros and 1,500 million Dollars.

As for the accounts of legal persons mentioned in the STRs, they were basically supplied through cash deposits in currency and through transfers originated by oil trading and maritime transport companies. On the debit side, the transactions recorded in the account were limited to

transfers made to companies engaged in various fields that comprised: foodstuff, clothing, cars, construction material, and electronics.

Information was exchanged with a European FIU regarding a series of transfers made by a foreign company to "A company for International Trade" (a company that is also mentioned in the STR). This exchange of information was part of an investigation conducted by the European FIU in a case on laundering the proceeds of oil smuggling which involved many persons, including legal persons mentioned in the STRs and a man called "Qais" who controls an armed militia.

A report submitted by a panel of experts established pursuant to UNSCR 1973 (2011) to the President of the Security Council contained a chapter on the sources of funding armed groups. The Panel mentioned the exploitation and smuggling of oil as one of the funding sources, as it provides "an important source of revenue for armed groups and criminal networks". The same report indicated that the so-called "Qais" (the subject of the exchange of information at the international level) is one of the most important smugglers and runs an oil smuggling network and controls an armed militia.

Four natural and legal persons mentioned in the STRs were listed on a country's national list established pursuant to UNSCR 1373 on CFT measures.

Suspicion indicators related to the case:

- Using accounts opened in banks as transit accounts.
- Broadening the sphere of actors and the number of money transfers until it becomes difficult to identify the source and destination of funds.
- Exploiting the banking system by an international organized network that includes several natural and legal persons to launder the proceeds generated from trafficking in stolen and smuggled oil.
- Part of these financial flows has been potentially used to ensure the necessary provisioning for some armed groups in a neighboring country.

The findings of the FIU financial analysis and the results of the research and/or investigations resulted in referring the case of the persons reported in the STR to the Republic attorney general.

Case status: Opening an investigative research.

3. Trade based ML.

4. Case Study 4:

The FIU received an STR from a governmental agency about the bank accounts of "K.A.K.". The response revealed large financial deposits from an unknown source into his personal account held with a bank. The funds were then directly withdrawn and transferred to an African country. An investigation team was established with Ministry of Interior and General Authority of Customs. It was found that the afore-mentioned person figured in a Customs Report issued on 4^{th} of June 2017 when he was the representative of a company. On that day, the General Authority of Customs seized, through Hamad International Port, containers shipped from the port of a neighboring country and declared as containing one-liter olive oil bottles, while it appeared that the shipment contained several alcohol bottles.

Suspicion indicators related to the case:

1- Customs evasion.

2- Large cash deposits from an unknown source that are made and directly withdrawn.

The findings of the FIU financial analysis and investigation indicated that the said person owns 25% of the company shares and it appeared that the company's bank account during 2018 was not active, knowing that the said account does not have enough balance compared to the funds deposited and sent at that time, and the current balance is only 600 Riyals. Moreover, the suspect does not receive a monthly salary. His last salary amounting to 10000 Riyals was deposited on 6^{th} of March 2017 by a traveling and tourism agency. It was also found that the total number of transfers to the African country reached 40 transfers, and their amount totaled $(3,190,580)$ Riyals. The predicate offense is customs evasion. The company was fined not less than twice the customs duties imposed, plus confiscation of the seized of all goods. With regards to the case status, it is still being examined by the Public Prosecution.

5. Case Study 5:

The Exchange Monitoring Directorate (which is one of the departments of the Central Bank which is responsible for monitoring banks for their compliance with the AML/CFT law and relevant laws) for the purposes of conducting an analysis about the sources of funds and the

real beneficiary of the banking transactions in the offshore transfers of the bank (C/main branch), which were executed through the foreign currency sale and purchase counter, in addition to (issued) transfers made by the said bank to countries subjected to international financial sanctions.

Bank (C) was approached by the FIU to provide statements of the offshore transfers, sources of funds and the real beneficiary of these transfers. The branch of the correspondent bank (S was also approached, and it enclosed the documents provided by bank (C) which indicate that it has provided the concerned statements to Bank (S) which is bound to total bank secrecy to provide them to us. The analysis of these statements revealed that the name of the was not mentioned but only symbols were added to conceal the real beneficiaries of these transfers.

The case was referred to the Public Prosecution, according to article 9 first/a/b/d of the AML/CFT law for 2015 and a court judgment was rendered to seize the movable and immovable funds that belong to (S) and to place the bank under custody for the purpose of protecting the funds of depositors and citizens who are dealing with Bank (S) and who have nothing to do with the ML suspicion.

4. Use of shell companies.

6. Case Study 6:

The STR sent was about "ABC", a foreign company created in 2010. The reporting entity indicated that it identified suspicious financial transactions which appear to be related to arms trafficking and are inconsistent with the nature of the declared activity of the company.

The FIU's investigations revealed the following:

- The so-called "Christiano" is the Head and legal representative of the reported company. He appointed the so-called "Rodrigo" as an agent and granted him many powers, including opening, and disposing of bank accounts.
- The so-called "Rodrigo" is also employed by "SA" company which was created during the same period in which "ABC" company was established, and Christiano assumed the position of Manager and Financial Officer in the said company.

- The company subjected the STR that has two foreign currency accounts. The financial analysis of these accounts revealed money transfers made to many companies, including "SA" which, in turn, transfers the amounts to foreign companies including "GUN", which is engaged in the manufacture and sale of various types of military weapons and ammunition. The said company is one of the most renowned companies in this field and exports these products to several countries.
- In a bid to privatize the military industry in a foreign country, "GUN" company was awarded the project, together with another foreign company, through one of the most prominent diamond, arms and luxury yacht merchants in the world, who is accused by the judiciary authorities in his country of drug trafficking and liaising with the world's largest criminal gangs.
- The reported company "ABC" has financial transactions with one of the branches of "GUN" company in a foreign country. The investigations conducted by the committee revealed that this branch is subjected the inquiry by the UN bodies for suspicious of supplying arms to fighting groups in a country.

Suspicion indicators related to the case:

I. Using the company's accounts as transit accounts, given that their activity was limited to the acceptance of money transfers which were immediately followed by transfers made in favor of foreign companies.
II. The company subjected the STR and its agent have financial transactions with foreign parties and companies which are unlikely to be real commercial transactions related to the activity declared by the said company.
III. Financial transactions with companies and parties involved in arms and drug trafficking

The findings of The FIU financial analysis and investigations resulted in freezing the funds subject of the STR and referring the case to the Republic attorney general.

The case is under investigation.

7. Case Study 7:

The FIU received an STR from a local bank about company (C) which is engaged in general trading and contracting. The financial analysis revealed that cheques issued by a governmental agency were collected and deposited in company (C)'s bank account. The company (C)'s

account did not show any operational activity or any other activity on the account, except for the deposit of these cheques during the suspicious period, which may indicate that the activity is fictitious.

By pursuing the funds received from the governmental agency, it was found that the funds were entirely transferred from company (C)'s account to the personal account of the so-called (S) who appeared to have a general power of attorney to manage company (C)'s accounts. This indicates that the company's accounts were used as a temporary deposit account. The financial analysis of the accounts of the so-called (S) shows that he transferred the funds to the account of the so-called (A) after deducting a percentage of the amount, which could infer that he received a FIU. According to data and information received about the so-called (A), it appeared that he is a Project Manager at the same governmental agency that issued the cheques, which could infer that the so-called (A) facilitated the issuance of the cheques in favor of the company.

The FIU took the necessary measures and informed the Public Prosecution about the said persons. The case is still under investigation.

Suspicion indicators related to the case:

1- Absence of operational activity for the company or business relationship that justifies the dealing between the governmental agency and the company.
2- The sources of income of both so-called (S) and (A) are inconsistent with the financial dealings on their bank accounts.
3- After depositing the cheques into the company's accounts, the money is immediately transferred to the so-called (S)'s personal account and then to the so-called (A)'s account, which indicates that the account of the company (C) and the so-called (S) were used as a temporary deposit station.
4- Before transferring the funds to the so-called (A)'s account, the so-called (S) deducted a certain percentage, which indicates that he received a FIU.
5- The beneficiary owner of the funds is the so-called (A) who is a Project Manager at the governmental agency that issued the cheques, which indicates that he facilitated the issuance of these cheques.

The FIU concluded that the suspect may have exploited his position to issue cheques from the governmental agency where he works to a shell company for the purpose of embezzling public funds.

The case is under investigation at the Public Prosecution.

8. Case Study 8:

A STR was submitted regarding the so-called "Hamza" for issuing 740 postal remittances (using the "Hawala in a minute" system) estimated at 1.007.668 Dinars for several persons from different parts of the country, including foreigners, without clarifying the true reason behind them. The Committee's investigations revealed the following:

- According to the Commercial Register, Hamza is an agent in a foodstuff distribution company located in a border area. Information from the Judicial Police revealed that there is no actual presence of the company in the declared headquarters.
- The Committee's correspondent at the reporting entity informed us that the concerned person is actively engaged in currency trading.
- The concerned person was subject of investigations into a case of a terrorist nature.

Based on the foregoing, we can conclude that Hamza directly or indirectly took advantage of the postal system "Hawala in a minute" as part of his illegal currency trading, to facilitate the transfer of funds between the network's parties and to avoid going through banking institutions because they apply stricter procedures regarding information on the identities of the sender and beneficiary and the economic background of the transactions.

Suspicion indicators related to the case:

- Issuing a significant number of postal remittances which include remittances of close or recurring amounts.
- Inability to link the financial transactions recorded in the account to any real and legitimate economic background.
- The declared operations were all carried out at the post branch in a border area, which could be considered as an indicator that these operations are associated with an activity taking place in that area and which could be related to smuggling or parallel trade.
- The concerned person was subject of investigations into a case of a terrorist nature.

The findings of The FIU's financial analysis and investigations resulted in referring the case of the concerned person to the Republic attorney general for trading in currency.

5. Use of credit cards, cheques, and drafts... etc.

9. Case Study 9:

The FIU received a STR from a competent authority stating that it received a complaint from the Department of Foreign Affairs in a neighborhood country which received, in turn, a STR about a person who accessed the website of an electronics company and an airlines website to purchase an airplane ticket. As the persons who were purchasing electronics and airplane tickets were using stolen credit cards. It also indicated that the persons whom received the tickets and electronics were transferring money to persons inside the country. Based on the statement of transfers enclosed with the case, the Department indicated that persons whom received the tickets and electronics in that country have transferred money through Western Union and MoneyGram to beneficiaries from one of the countries (Omar and Ali) as follows:

Sender	*Beneficiary in one of the countries*
Farid	Omar
Hussein	Ali

Suspicion indicators:

1. The two afore – mentioned persons do not have any accounts with banks operating in one of the countries.
2. The suspect Omar received Western Union and MoneyGram remittances from this country and other countries without knowing the relationship between the beneficiary and the senders. The remittances are as follows:

Year	Beneficiary from one of the countries	Sender	Transferring country	Transferred amount	Number of remittances
2015	Omar	Farid	One of the sister countries	USD 5,238.46	8
2016	Omar	Farid	One of the sister countries	USD 2,469.8	1

2016	Omar	Ismail	One of the sister countries	USD 745	2

3. The second suspect, Ali, also received two MoneyGram and Western Union remittances from the neighborhood country and from the sender (Farid), both amounting to USD (4,565.67). Muhammad, another sender from another country, also sent (3) remittances through MoneyGram, all amounting to USD (1,864.78). There was also a total of (72) other remittances made through Western Union from many other countries, which denotes an unclear relationship between the senders and the beneficiary.
4. The two afore-mentioned persons (Omar and Ali) are suspected of committing a criminal activity through the Internet (hacking and piracy) by meeting a group of persons abroad engaged in the same criminal activity and by purchasing electronics and airplane tickets with stolen credit cards, then converting these tools into cash that was divided among the fraudsters.
5. Several transfers from different countries and by many persons were received within short periods of time. The relationship between the senders and the beneficiaries is unclear, and so are the source and purpose of the funds transferred by many parties and countries. The amount of money transferred is also inconsistent with the young age of the two beneficiaries.
6. The two afore - mentioned persons received money outside the scope of banking financial system to avoid reporting their financial transactions, through which the unusual activity is detected, in addition to the possibility of obtaining all the documents that prove the transfer and the relationship between the senders.

The case is still under investigation.

10. Case Study 10:

Feeding the suspect's personal accounts with electronic money transfers (sent through the Internet by several persons) and with amounts through the point-of-sale system as means for the collection of funds, and then using these funds through the ATMs, purchase points and credit cards (inside and outside the country) and electronic money transfers (made through the Internet in favor of several persons), as means to pay and settle various financial transactions.

Suspicion indicators related to the case:

The suspect used large amounts of money from his personal accounts held with the banks he is dealing with, in transactions conducted outside the country with various entities, in addition to the amounts he used by deducting them from credit cards obtained from the banks he deals with, within a short period of time, while he was outside the country. It was impossible to verify how the amounts were spent because they were withdrawn in cash and there is no justification for their repeated withdrawal in close amounts sometimes, from the same ATMs and on the same day.

The case is being considered by the court.

11. Case Study 11:

The FIU received a STR about a suspect who made two transfers to two other persons in another country through a money exchange company. The transfers amounted to (3.297) Riyals by using two different debit cards and another person's information to make the transfer.

Suspicion indicators related to the case:

- Information about the source of income and the nature of the activity is insufficient.
- The value of the transfers is inconsistent with the nature of the suspect's work (bricklayer).
- The sender used another person's data to transfer large amounts of money compared to his profession.
- The suspect used two bank accounts (two debit cards) to make the two suspicious transfers.
- The suspect was previously arrested and referred to the Public Prosecution for committing fraud through mobile phone.

The findings of the FIU's financial analysis revealed that the suspect is a bricklayer at a company. He carried out two transfers that amount to (3,297 three thousand and two hundred seventy-nine Riyals) to a foreign country by using the personal information of a person who had left the country permanently.

The court rendered a judgment in absentia by convicting the accused persons of the crime provided for in Article (6/a/b) of the AML/CFT Law and sentenced the two men to seven years

in prison, a fine of 10 thousand Riyals, and a permanent banishment from the country. It also compelled them to assume the costs.

6. Financial transfers/Use of offshore accounts.

12. Case Study 12:

A letter was received from one of the embassy's in the country about one of its citizens who fell victim to fraud. The so-called (A) who lives in the country has requested from the victim to transfer USD (1,640) as a fee for the Recruitment Committee at the Ministry of Interior. However, the victim did not send the said amount. After research about the so-called (A), it was found that he resides in the country, under the sponsorship of local company which is a shell company that sells visas.

Based on the statements of the so-called (A), he said that he received many remittances that amount to 19.400 Riyals and it was his roommate, the so-called (B), who had asked him to receive and transfer the money at the direction of the so-called (Hassan), the man who manages the fraud operations from abroad.

Based on the statements of the so-called (B), they matched with the statements of the so-called (A) and he added that he would receive the money and take 10% of every transfer. He was prohibited afterward from using the exchange services and resorted to the so-called (A). He also stated that he delivered the funds to the so-called (C).

Based on the statements of the so-called (C), he denied all the accusations made against him. By searching his house, several electronic devices were seized and checked. As a result, several fake emails, and accounts in the names of men and women that he would use to defraud people through Internet were discovered. He also created several fake accounts, one of them was a Facebook account in the name of a female soldier, and a Tango account in the name of a man working in a charitable organization. He would create friendships and love affairs, to blackmail the victims afterwards; and many copies of receipts for money transfers that he would send to the so-called (A-B) and other persons were also found.

Suspicion indicator related to the case is receiving many remittances from abroad, from numerous countries, without any relationship between the sender and the beneficiary.

The afore-mentioned persons (A-B-C) were sentenced to three years in prison and a fine of 30.000 Riyals each.

13. Case Study 13:

The FIU received a STR from a financial institution about a suspect who made money transfers to another country between August 31 and September 18, 2016 amounting to (17.448) Riyals.

Suspicion indicators related to the case:

- Incoming transfers directly followed by outgoing transfers, cash withdrawals or cheques issued from the account.
- Depositing large sums of money.
- The account activity is inconsistent with the nature and expected activity of the account.
- The activity of the remittances is inconsistent with the nature of the suspect's profession.
- There is no clear relationship between the suspect and the beneficiaries of the remittances.

The findings of the FIU financial analysis showed that the suspect has a low-income job (blacksmith), and cash deposits were being made into his bank account, where he later withdraws most of the amounts deposited within a short period of time. 97% of the amounts deposited in his account which amount to (117.228) Riyals are deposited by other persons. In addition, he transferred 8% of the total amounts deposited in his personal account to other persons. It was also found that he used debit cards at offices to carry out transactions which totaled (90), to bring laborers from his country.

The court rendered a judgment to convict the first accused of ML felony and sentenced him to two years in prison and a fine of (50.000) Riyals and to convict both accused of the misdemeanor of violating the Labor Law and sentenced them to one month in prison, with suspended execution, and a fine of 100 Riyals, while prohibiting the second accused, who is the sponsor of the first, from recruiting laborers for a period of one year.

7. Use of falsified identity.

14. Case Study 14:

The FIU received from the Public Prosecutor a request for assistance in his investigation into two suspects who conspired to embezzle a sum of money. In preparing for the fraudulent act, they used falsified documents and concluded a contract with the victim which contained the terms and conditions for the sale of a real estate and asked the victim to pay USD 6 million in exchange for the property. After the victim made several payments and requested to proceed with the property transfer procedures, he discovered the forgery and realized that the two persons have no capacity or authority to sell him the real estate. It was, therefore, necessary to review the bank transactions and accounts to conduct the necessary investigation.

The FIU initiated its investigations and it was found that the name of one of the two suspects is included in its database and that he is the subject of a previous STR regarding a bank account with unusual activity which is not consistent with the customer's trading activity. The FIU decided to expand its investigation by disseminating the suspects' names to all banks and financial institutions operating in the country. As a result, several bank accounts belonging to these two suspects were identified. The FIU analyzed the records and statements of the bank accounts it obtained and found that several cheques were withdrawn from the victim's account and deposited into the suspects' accounts, followed by cash withdrawals, cheques, and transfers.

Suspicion indicators related to the case:

- Unusual account activity which is inconsistent with the customer's trading activity.
- Cheques withdrawn from the victim's account and deposited into the suspects' accounts, followed by cash withdrawals, cheques, and transfers.

The FIU decided to freeze the assets of the identified accounts, lift bank secrecy, and refer the findings of the investigations to the Public Prosecutor in the country to complete the investigation.

The case is still under investigation before the competent authorities.

15. Case Study 15:

The AML/CFT Compliance Officer at a local bank in the country noted there were an increase in cash deposits, while implementing enhanced due diligence measures toward the accounts of high-risk customers. The activity of one of the accounts showed that frequent cash deposits were made, followed by cheques made in favor of different parties, leaving a very small balance in the account. The Compliance Officer was not satisfied with the explanation provided about the source of the cash deposits, the reason behind returning several cheques, and the relationship between the account holder and beneficiaries of the cheques. The supporting documents he requested and obtained were contradictory and misleading, even some seemed forged. Therefore, he sent a STR to the FIU.

The FIU, in turn, initiated its investigations by analyzing the bank operations and the statements of accounts it obtained from the reporting bank. In addition to an increase in cash deposits which are inconsistent with the customer's profession, the analysis of the account activity revealed cheques frequently endorsed, as well as transactions conducted with parties that do not have any business relationship with the account holder. To conduct a search for other bank accounts related to the suspect, the FIU expanded its investigation and disseminated the suspect's name to all banks and financial institutions. Many other accounts with similar activities were identified. During its investigation, the FIU received additional information from the Public Prosecutor in the country about the possible involvement of the suspect in the forgery of signatures, resulting in an illegal use of a bank account and a checkbook belonging to his relative and an accomplice.

Suspicion indicators related to the case:

- An increase in cash deposits inconsistent with the customer's profession
- Providing supported documents which appeared to be contradictory and misleading and some of which seemed forged
- Recurrent cash deposits, followed by cheques issued to different parties, while leaving a very small balance in the account
- Several bounced cheques

- Conducting operations with parties that have no business relationship with the account holder.

The FIU decided to lift the bank secrecy, freeze all the bank accounts which were identified and refer its investigation results to the Public Prosecutor in the country that issued a decision to refer the suspect before the concerned court in the country for the ML offense.

The case is still under investigation before the courts.

8. Terrorist financing.

16. Case Study 16:

A local bank in the country sent a STR about one of its customers and his bank accounts after his name appeared in a newspaper article about persons arrested outside the country by a foreign law enforcement authority for suspecting them to be involved in a money laundering and terrorist financing network and for being affiliated to Daesh.

The FIU initiated its investigations by requesting from the reporting bank all the records available, including the Know your Customer (KYC) forms, statements of accounts, and copies of identification documents. The FIU also disseminated the name of the suspect to all banks and financial institutions operating in the country. The analysis of his statements of accounts revealed several deposits below the USD 10.000 threshold, as well as payment orders not related to the suspect's work, followed by several cash withdrawals. It was also found that transactions like those conducted on the main account were also conducted on the associated accounts. A money transfer company also reported that some persons associated with the suspect have used it to conduct/receive some transfers.

In addition, the FIU analysis revealed that the name of the suspect also figured as in a Spontaneous Disclosure sent by a counterpart FIU which analyzed several STRs it had received from an international money transfer company.

Suspicion indicators related to the case:

- The name of the customer figured in the written media for being associated with terrorism or supporting a terrorist organization,

- Small cash deposits below the USD 10.000 threshold, followed by cash withdrawals,
- Transactions inconsistent with the nature of the customer's work or economic activity.

The FIU decided to lift the bank secrecy, freeze all the bank accounts of the suspect which are held with all the banks and financial institutions, freeze any transaction conducted by the suspect at all the money transfer companies and refer the investigation results to the Public Prosecutor in the country to complete the investigation.

The Public Prosecutor in the country issued a decision to refer the suspect to the Military Court in the country to prosecute him according to clause 2, article 3 (terrorist financing) of the AML/CFT law No.44, dated 24/11/2015.

The case is still being considered before the concerned court.

17. Case Study 17:

The FIU received a STR from a local bank about three associated customers. Their accounts' activity reflected a similar unusual pattern of cash deposits followed by cash withdrawals through an ATM located in a country near the area at war with Daesh. Following the research made by the bank about this matter, it was found that the suspects have made cash withdrawals abroad to avoid traveling with cash. The bank has requested to terminate this activity and to provide supporting documents to prove the source of the cash deposits. However, the customers failed to provide any additional documents and stopped using their accounts which were subsequently closed. Accordingly, the FIU started its investigation by disseminating the suspects' names to all banks and financial institutions operating in the country, in search of any bank accounts they have and any transaction they carried out. Two local banks reported having accounts for the suspects and a money transfer company indicated that the suspects have used its services to make some transfers. The analysis of the statements of account showed cash deposits and withdrawals through an ATM located abroad, in addition to other transactions.

Suspicion indicators related to the case:

- A similar unusual pattern in 3 accounts belonging to customers related to each other,

- Cash deposits followed by cash withdrawals through the ATM in a country near the area at war with Daesh,
- The customers failed to provide justifications or supporting documents to prove the source of the cash deposits,
- Discontinuing the use of accounts which were subsequently closed,

The FIU decided to contact a counterpart FIU to provide it with the available information, to explain about the suspected persons, and to refer the case to the Public Prosecutor in the country to complete the investigation because according to reports and studies made by international organizations, such operations are indicators of terrorist financing.

The case is still under investigation by the competent authorities.

18. Case Study 18:

FIU received a request of information from the State Security about two persons suspected to be involved in TF. The FIU identified the case as high risk and high priority. A financial analysis of their bank accounts was initiated. It revealed that they received money from the Zakat Fund. After consulting the joint database of the FIU and money exchange companies, it was noted that one of the suspects had sent multiple transfers inconsistent with his income and the nature of the job he had declared to the bank to different countries which are all high-risk.

The FIU sent an information request letter to the Criminal Investigation Department to provide it with the information they have. In their response, they pointed out another suspicion indicator represented in the fact that one of the partners in the company where the suspect used to work is the daughter of a man designated on the UN List on the Fight against Daesh, Al-Qaeda, and their affiliated groups. A spontaneous dissemination was made to a counterpart FIU, where FIU has subsequently sent its analysis results to the State Security and received a positive feedback. Coordination was undertaken to refer the case to the Public Prosecution.

The FIU received a request of information from the Public Prosecution about 5 persons of high-risk nationalities accused of collecting money through donations and sending them through money exchange companies in small cash amounts to foreign individuals and parties associated

with terrorist groups. The case was identified as high-priority and high-risk for being potentially associated with terrorist financing. The FIU started its work by searching all the programs available and open sources, then sent a request of information about the accused to banks and money exchange companies to investigate the nature of the financial activity of the new suspects. It was found that they were all actively engaged with money exchange companies by sending money to various countries which are all high-risk. The responses received from banks also showed that the suspects have bank transactions involving significant amounts that are not consistent with the nature of their work and that they are using their bank accounts almost exclusively to receive sums of money.

An information request letter was sent to the Criminal Investigation Department to provide us with all the information they have. It appeared that one of the suspects has been practicing the money exchange profession without a license for a year. He collects these amounts of money until they reach a certain sum to send them afterward in one batch. The FIU analyzed the findings it reached based on the responses of the Criminal Investigation Department, State Security, banks, and exchange companies and sent a letter to the Public Prosecutor.

Suspicion indicators related to the case:

- Requesting information from the State Security and the Public Prosecution and linking the case to terrorist financing.
- High-risk nationalities.
- Bank transactions involving large amounts that are inconsistent with the nature of the suspects' work and the use of their bank accounts almost exclusively to receive sums of money.
- Sending money through cash transfers to foreign individuals or parties associated with terrorist organizations.

The findings of the FIU's financial analysis and investigations revealed that the suspects are directly or indirectly involved in the financing of terrorism by using different methods and techniques to collect, send and receive remittances and funds.

The court issued its judgment in the presence of the first, second and third accused and in the absence of the fourth:

- first, to sentence the first accused to three years in prison and a fine of five million Riyals for providing financial services without a license and to banish him from the country after serving out or withdrawing the sentence in his acquittal of both crimes of supplying and financing a terrorist organization.
- Second: To sentence the "second, third and fourth" accused to life imprisonment based on the indictments brought against them and to banish them from the country after serving out or withdrawing the sentence.
- Third: Confiscating the seized amounts of funds.

19. Case Study 19:

Based on the role assumed by a law enforcement authority to search, investigate, and monitor terrorist gangs and collect information on them, it sent a STR containing information on the so-called (C) who used to work at a governmental financial institution which was controlled by Daesh and who was affiliated to this group. The so-called (C) opened the safe boxes and stole the funds estimated at approximately USD 84 million which were kept inside. This theft resulted in financing the group he is affiliated to and in purchasing several real estate properties (apartments, plots of land) for himself.

Through the collection of information, it appeared that the so-called (C) is the brother of the terrorist (Z) who is a leader in Daesh and purchased the lands and real estate properties with funds that Daesh has embezzled from the safe boxes of the governmental financial department. The funds were frozen and a STR was sent to the Public Prosecution.

The case is being considered by the court.

9. Use of social media for ML/TF.

20. Case Study 20:

One of the banks operating in the country sent a STR about a suspect who received 1,649,442 Riyals. The case was identified as a high priority, given that the suspect is already the subject of previous STRs for depositing amounts inconsistent with his income and data recorded at the

bank and for being from a high-risk country. A financial analysis of his only bank account in the country was initiated and by searching the joint database of The FIU and money exchange companies, it appeared that the suspect bought and sold foreign currencies from exchange companies. This basically indicated that he might be trying to hide the source of these funds and prove its legitimacy. This is considered as a pattern or a technique that is being used lately in ML. In addition, the suspect received (109) remittances within a short period of time.

As part of its national cooperation efforts, the FIU sent an information request to the Criminal Investigation Department to providing it with the available information. In their response, they indicated that the suspect had committed electronic fraud through social media in the past and transferred some of the proceeds abroad. Therefore, the FIU sent requests for information to counterpart the FIU in the countries to which the money was transferred from the suspect's bank account.

Counterpart FIU sent their response. The FIU then analyzed the findings it reached, based on the responses of the Criminal Investigation Department and counterpart FIUs and a letter was sent to the Public Prosecutor.

Suspicion indicators related to the case:

- The suspect is the subject of previous STRs,
- The suspect deposited amounts inconsistent with his income and data recorded at the reporting bank,
- The suspect is from a high-risk country,
- The suspect sold and bought currencies in a high-frequently.

The findings of the FIU financial analysis and investigations revealed that the suspect is the subject of previous STRs, and by examining the indicators originated by the Strategic Analysis Division, some were identified in the STR, which resulted in giving the case a higher priority.

The court rendered a judgment to sentence the accused to seven years of effective imprisonment and a financial penalty of one million Riyals for committing the ML offense, based

on the indictment brought against him and to banish him from the country after serving out or withdrawing the sentence.

21. Case Study 21:

The suspect is an Imam and an orator at the Ministry of Awqaf. He announces campaigns through social media to raise charity donations for many entities and projects inside and outside the country. His bank accounts are fed by transfers from different persons and standing orders of relatively small recurring amounts. He also uses his son's account to raise donations without a license. It appeared that the said account was used for temporary deposits by feeding it with incoming transfers and standing orders from different persons. It also appeared that these amounts were used for cash withdrawals and transfers made to other persons. The suspect also took advantage of the funds he collected as donations from different persons to lock deposits. On this note, the accounts of the said person showed that he locked 6 deposits with a total of 350 thousand Dinars in 3 banks, during the period from 6/7/2017 to 11/16/2017; this is in addition to the inflation noticed in the bank account balances and the several transfers he made to different persons in different countries. Furthermore, it was noticed that he frequently entered and exited the country through the land borders of a neighbored country and for short periods of time. This country sent an international cooperation request given that cash deposits were found in the suspect's accounts held with one of the banks in this country, which would indicate a non-disclosure of cross-border funds.

Suspicion indicators related to the case:

1- Inconsistency of the size of funds dealt with on the suspect's accounts with his source of income.
2- Using the son's account to collect donations without a license to conceal the source of the funds.
3- Opening multiple accounts with different banks to conceal the source of the funds and the difficulty of tracing them.
4- Frequent travel across the land borders for short periods.
5- Using the funds collected by the suspect as donations from different persons to lock deposits.

The FIU found that the suspect might be conducting money laundering operations, given that he raised donations without a license and used them to lock deposits and increase his account balances.

The case is under investigation at the Public Prosecution.

22. Case Study 22:

The suspected company advertises in newspapers, social media, and mobile phone messages to attract a large customer base, raise funds from them to invest in real estate in exchange for great returns on the invested amounts. The nominee directors and signatories of the company use the funds collected to feed the accounts of a group of persons, through cheques and transfers. These persons, in turn, make transfers to several other persons, repeatedly, which could be on monthly basis; this indicates that these persons are assuming the company's role in distributing profits to themselves or recovering the capital they have already paid. It did not appear that the suspected company was engaged in the real estate investments to invest the amounts collected from its customers, given that most of the amounts which were deposited in its account were used to make transfers to the suspects to re-distribute them to several persons. It also appeared that transfers involving limited amounts were also made for the purpose of real estate investments in two countries, from the personal account of one of the company's nominee directors; however, there is no evidence that he used the funds to purchase real estate properties.

Suspicion indicators related to the case:

1- The suspected company is engaged in an activity which it is not licensed to conduct.
2- The suspected company used most of the funds collected from its customers to feed the accounts of a group of persons who, in turn, transfer money to several other persons repeatedly and periodically, as distribution of profits from amounts previously collected or as recovery of the invested amounts.
3- It did not appear that the suspected company has made any real estate investments to invest the funds it collected from its customers.

4- The suspected company took advantage of the personal accounts of other persons and used them for a temporary deposit by feeding these accounts. This is followed by transfers of these funds to the accounts of many other persons periodically and repeatedly, which confirms that the suspected company is distributing profits to the persons from whom money was obtained with a view to investing it and is also trying to conceal the source of funds by depositing and withdrawing the funds from several accounts

5- Using the suspected company's accounts as a front to carry out this activity and concealing the identity of the beneficial owners of these accounts.

6- It did not appear that the suspected company has financial statements that show the size of its revenue-generating operations and assets, and its returns or the expenses it incurred to achieve profitable revenues for its customers – as it claims in its advertisements, and nothing confirms the size of funds dealt with on the company's accounts.

The findings of the FIU financial analysis revealed that the funds collected from customers were not invested in real estate, given that most of them were distributed as profits, which may indicate a fictitious activity.

The case is being considered in front of the court.

10. Cross-border cash smuggling.

23. Case Study 23:

The FIU received a STR from a financial institution about a suspect who deposited USD (75.000) in cash into his account. When he was questioned, he said he brought the money with him in cash from another country.

Suspicion indicators related to the case:

- Large cash deposits followed by foreign transfers.
- The type of the transactions is inconsistent with the suspect's activities and information.
- Moving a large amount of cash across the borders.
- Failure to submit a cash declaration form.

The findings of the FIU financial analysis and investigations showed that according to the Civil Registry data, the suspect is a freelancer. After reviewing the databases of Ministry of Commerce and Industry, it appeared that he does not have any commercial records and that he has the reported bank account and another inactive account in another bank. In addition, he only carried out one transaction through an exchange company where he converted the local currency into US dollars.

The court rendered a judgment to convict the accused of the misdemeanor of bringing cash amounts above the permitted threshold without declaring them before the customs authorities. He was sentenced to two months in prison and a fine of (5000) Riyals and the confiscation of the funds subject of the crime in favor of the State Treasury.

24. Case Study 24:

We have received many STRs from the FIU in 2010 and 2014 about company (S) which conducted suspicious financial transactions. The company's commercial activity is related to precious metals (gold). We also received many STRs from the General Authority of Customs in 2015, which revealed a recent increase in gold smuggling operations. An increase in the number of unlicensed money exchange operations was also recorded. In 2017, we received information that the so-called (A), (B), (C) and (D) – all holding a nationality of an Asian country – are managing gold smuggling operations outside the country in coordination with company (S). In fact, gold is purchased from the said company, then melted and casted into cylindrical molds. In addition, many gold purchasing invoices were found, at a total amount of Riyals (28,097,392) in six months.

Suspicion indicators related to the case:

- Several STRs sent by the FIU indicated that the company (S) is conducting suspicious financial transactions,
- Using the names of shell companies in remittances,
- An increase in the number of unlicensed money exchangers,
- An increase in gold smuggling operations through the airport.

The findings of the FIU financial analysis and investigations revealed many transfers deposited into the account of Company (S), proving that there is a discrepancy in its accounts, which raises suspicion. The counterpart FIU was approached to request the names of the owners of the shell companies.

The case is still being considered by the competent court.

25. Case Study 25:

The FIU received a STR from a local bank (L) about the so-called (C/founder of company (K) for tourism and travel) who moved the amount of 71.280.000 (Seventy-one million and two hundred-eighty thousand Dinars) through a border and deposited it with a border branch where the amount was seized. The so-called (C) explained that the amount was recovered after the end of the touristic season and that these funds were deposits on the accounts of hotels in country (S).

The FIU requested bank (L) to ask the so-called (C) to provide the documents which prove the transfer of the amount of his company to country (S) through the banking system or any other entity through which the transfer was made. The bank explained, by enclosing the request made by the so-called (C), that the amount was deducted from tourists by companies operating in country (S) and recovered at the end of the touristic season and that he could not transfer it through money transfer companies. Coordination was undertaken with law enforcement authorities to provide us with any information or suspicion indicators on the so-called (C). This information revealed that the so-called (C) is an authorized manager of the tourism company (K) and he conducts his work in coordination with company (M) which is managed by (A) who is associated with terrorist groups according to security information about him.

The counterpart FIU in the country where (C) came from was approached to verify the accuracy of the information provided by company (H) which is operating in country (S), as some of the documents that (C) submitted contained a document issued by company (H), regarding a potential dealing and use of the currency to settle the accounts among the travel agencies.

The counterpart FIU reported in its reply that it has no information in its database about the persons mentioned in the request.

The case was referred to the Public Prosecution according to article 9/a/b/d of the AML/CFT law of 2015.

The case is being considered by the court.

Second Theme: Analysis of case studies:

Cases were treated based on categorization, by distributing the case into the category that directly represents it, knowing that many cases may be placed into more than one category. To have a comprehensive and diverse report, the weighing method was used with a view to prevent the cases from being directed toward specific categories, which would reflect a clear bias in the report, where each case is assigned to its direct category or to another nearest category that suits it and lacks case studies, or to the one next, and so on.

The analysis of the case studies was conducted by following a methodology to identify as:

1- The category in which the case belongs, according to the categories which were defined in the annex.

2- The type of authority through which the case was executed: (Banks/securities company/insurance company/exchange company/non-financial institution, etc.).

3- The instruments used in the case: (Cash/cheques/documentary credits/life insurance policies/shares, etc.....).

4- The technical methods: (Deposits, withdrawals, opening of multiple accounts/provision of inflated or undercharged invoices/cross-border transportation of funds/replacement of small denomination banknotes with large ones/transfers/use of forged documentary evidence/shell companies/settlement of loans, etc.....).

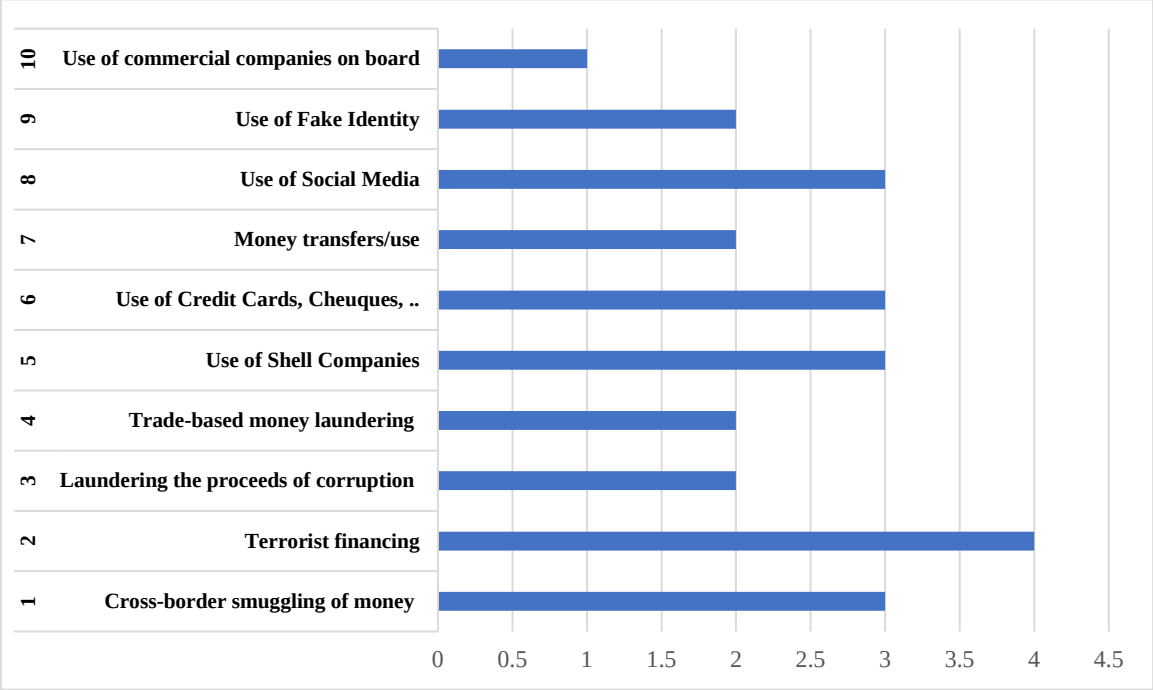
5- The suspicion indicators related to the case (use of nominees, inconsistency of the activity with the nature of the account, lack of apparent economic purpose, persons/countries designated or designated on the international lists, customs evasion, etc.).

6- The predicate offense which is established and the sentence regarding which the judgment was rendered for ML/TF offense.

7- The legal status of the case (case under investigation, in front of the court, or the court judgment is rendered).

The following are the findings of the analysis:

1. Cases Categories, according to the categories defined in the annex.

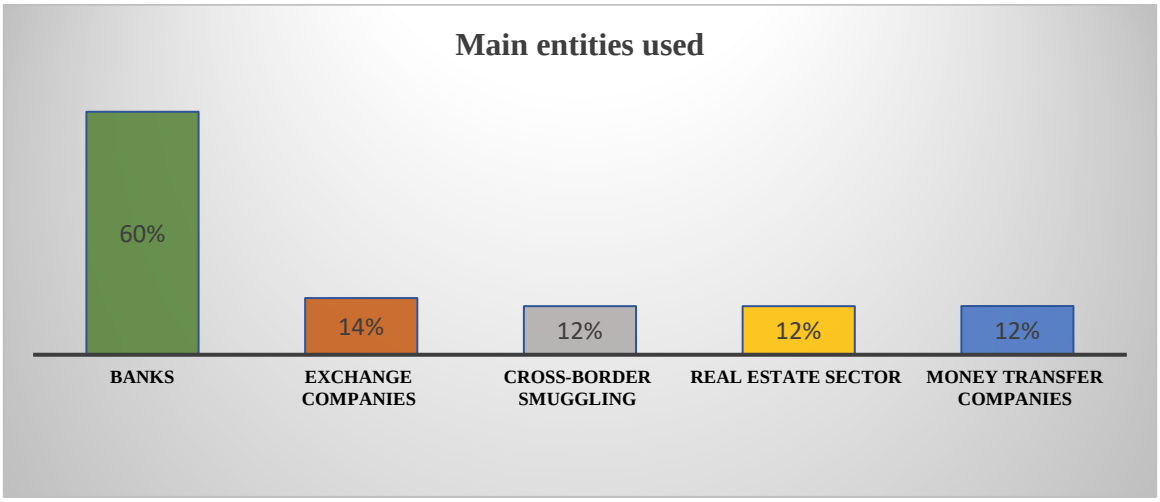


When analyzing cases, the frequency of the category was considered in each case, not the number of times that the category came into the collection, so that one case can have more than one category that can represent it. The figure above illustrates the most prominent categories in Case Studies, including:

- Financing of terrorism, which includes cases and activities related to terrorism and its financing.
- Smuggling of funds across borders, which includes all types of money and valuable assets, precious metals, etc., in addition to all types of borders, airports and ports,
- Using social media,
- using credit cards, checks and bills of exchange,
- Using shell companies,
- Laundering proceeds of corruption,
- Use of a false identity,
- Trade-based money laundering-TBML,
- Use of non-resident international trading companies (Offshore).

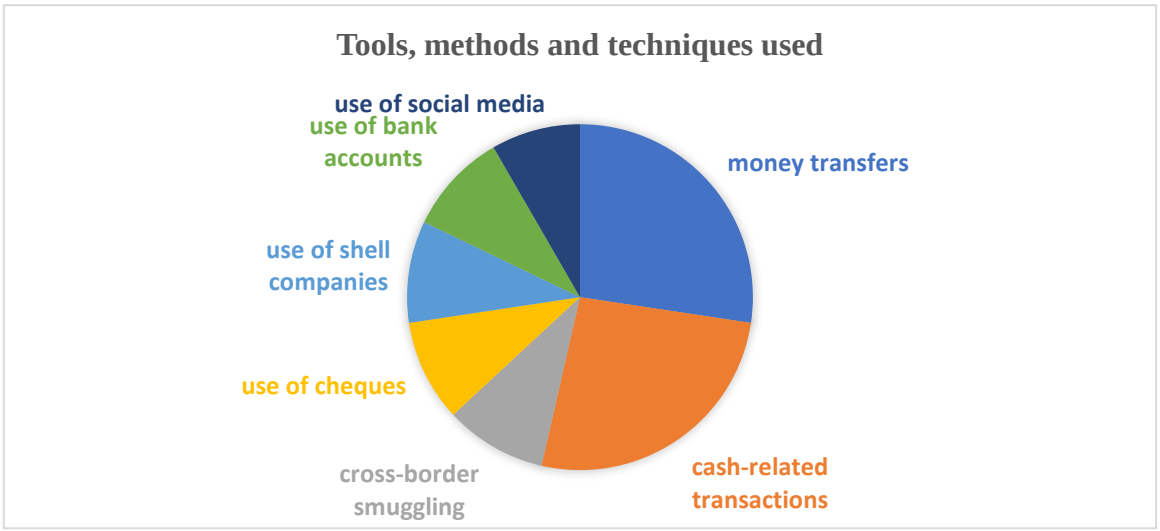
2. Main Entities Misused:

The report covered several entities which were misused for ML or TF, which included: all types of borders, financial institutions (banks, exchange companies, etc.…), non-financial institutions and other entities.



The illustration above shows that banks rank first among the most targeted entities misused by the offenders at a rate of 60%, followed by the exchange companies at the rate of 14%, and cross-border smuggling at a rate of 12%. The real estate sector and money transfer companies accounted for 12%, altogether. Considering that the financial sector is being targeted, we find that over 80% of the cases are directed toward various components of this sector through various ways and methods, as indicated below in the methods and techniques used.

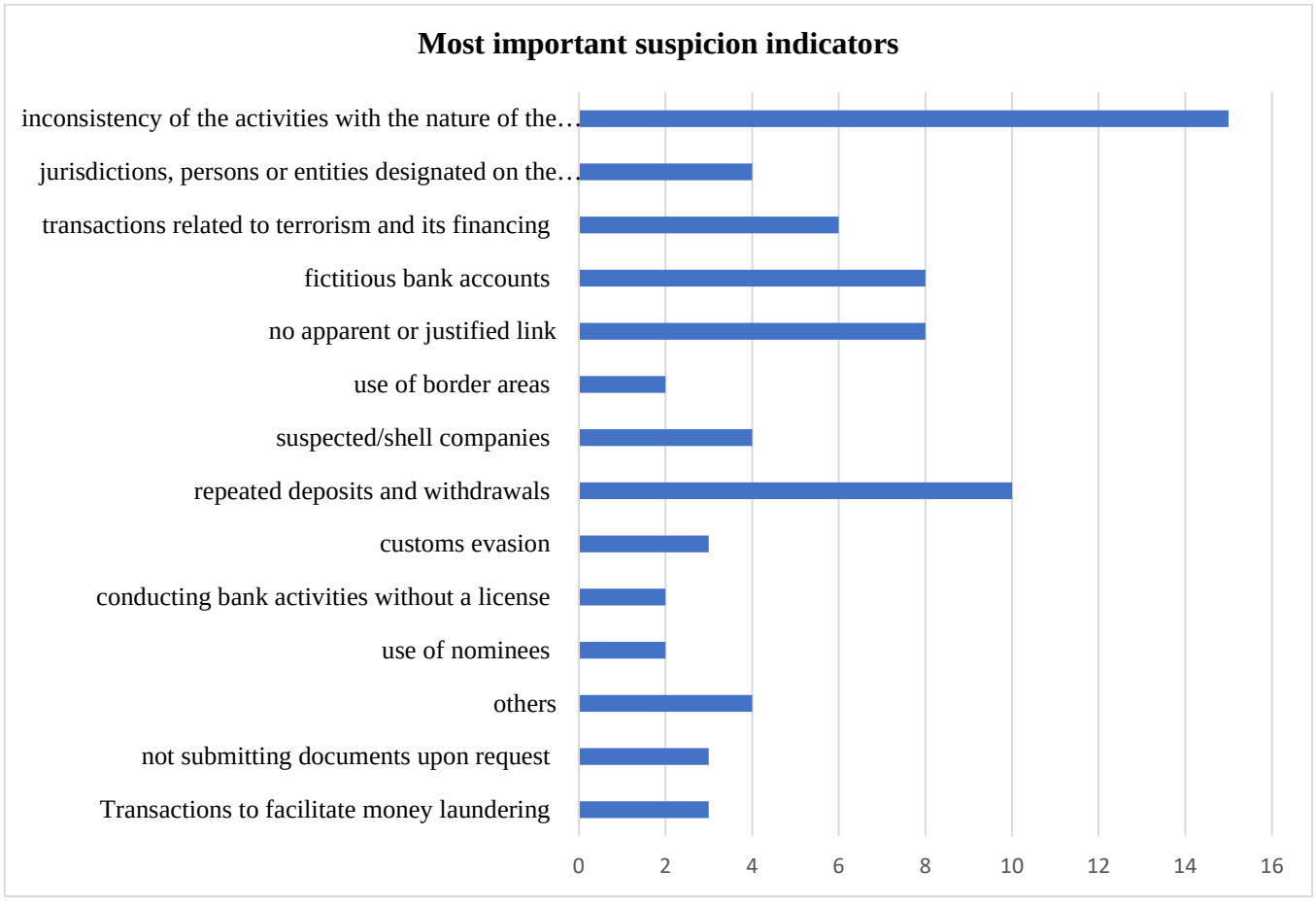
3. Tools, methods and techniques used:



Based on the chart above, we conclude that there are desperate attempts to mislead investigative, judiciary and law enforcement authorities by diversifying the methods and techniques used by the perpetrators, which proves the effectiveness of the entities dealing with these cases and the quality of the case studies provided for analysis, despite their low number. We notice the following from the illustration:

1. The transactions relevant to money transfers of all types and various channels rank first, at a rate of approximately 23%.
2. The second category of cash-related transactions is close to the rate of 22%, thereby holding the second place.
3. The following categories tied for third place: cross-border smuggling, use of cheques, use of shell companies, use of bank accounts, at a rate of approximately 8% for each category.
4. It is worth noting the remarkable emerging use of social media in many cases, which places it in the fourth place in the order of the cases, at a rate of approximately 7%.
5. The other categories constituted a number of categories that comprised "forged invoices and documents, "dealing in foreign currency", and "raising donations without a license".

4. The most important suspicion indicators concluded from the cases:



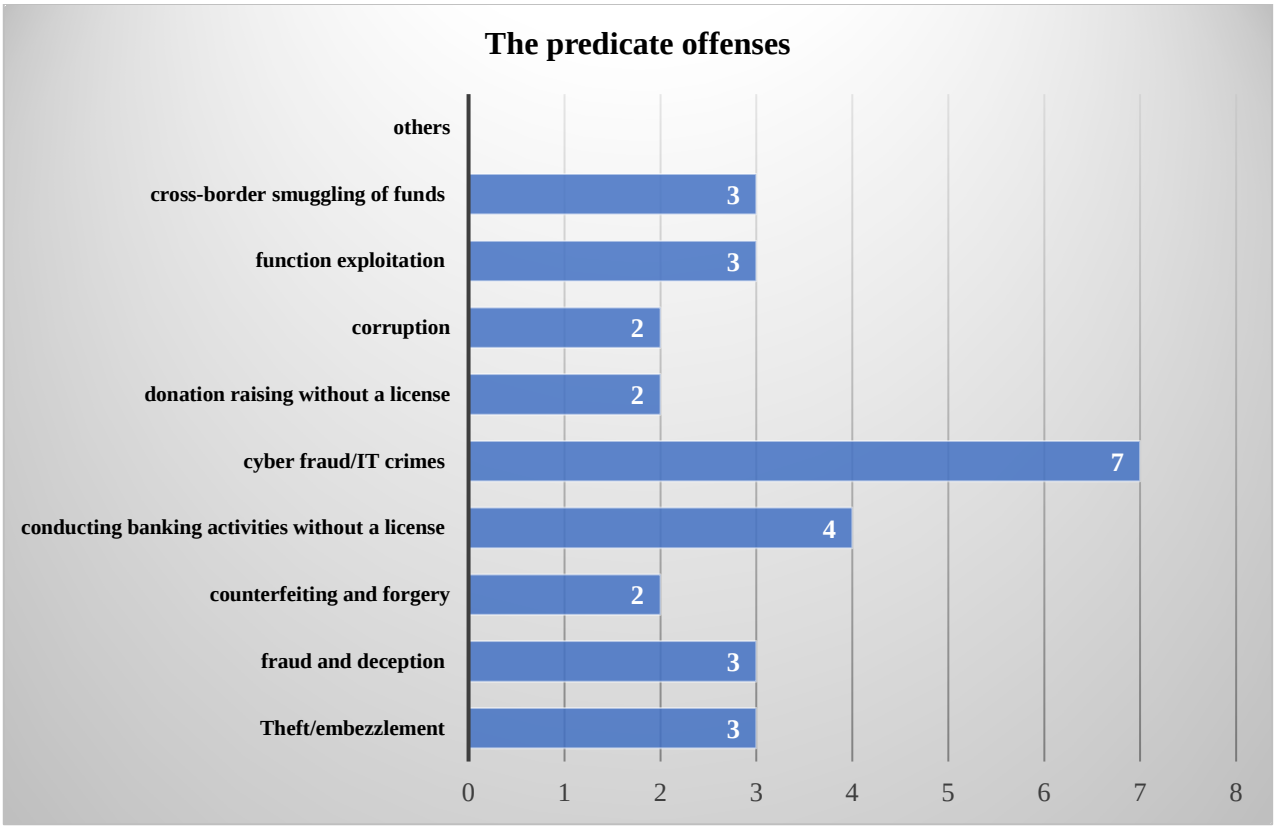
As a result of the evolving methods and techniques used as mentioned in the cases, the technical analysis revealed the emergence of several important indicators of suspicion about activities which could represent potential risks of money laundering or terrorist financing and associated predicate offenses. The following are the most important indicators which were reached by analyzing the cases:

- The first place was held by the indicator of "inconsistency of the activity with the nature of the account", which figured in most of the cases which were analyzed, at a rate of approximately 21%.
- The second indicator in respect of cash withdrawal and deposit operations, where some bank accounts are used as stations to send the amounts to other destinations, and this criterion represents approximately 14%.
- The following categories tied for third place: "lack of apparent purpose", and "shell bank accounts", at a rate of approximately 11%.
- In general, several important indicators were reached by analyzing the case studies and comprised the following:

  1. Inconsistency of the activity with the nature of the account.
  2. Jurisdictions, persons, or entities designated on the international lists.
  3. Transactions related to terrorism and its financing.
  4. Fictitious bank accounts.
  5. Lack of apparent and justified link.
  6. Use of border areas.
  7. Suspected/shell companies.
  8. Frequent deposits and withdrawals.
  9. Customs evasion.
  10. Use of nominees.
  11. Carrying out banking activities without a license.
  12. Failure to submit documents upon request.
  13. Transactions to facilitate money laundering.
  14. Others (persons acting in their own names who do not have bank accounts, bounced cheques, previous criminal record, frequent travel across the borders within a short period).

5. Predicate offenses according to the case studies:

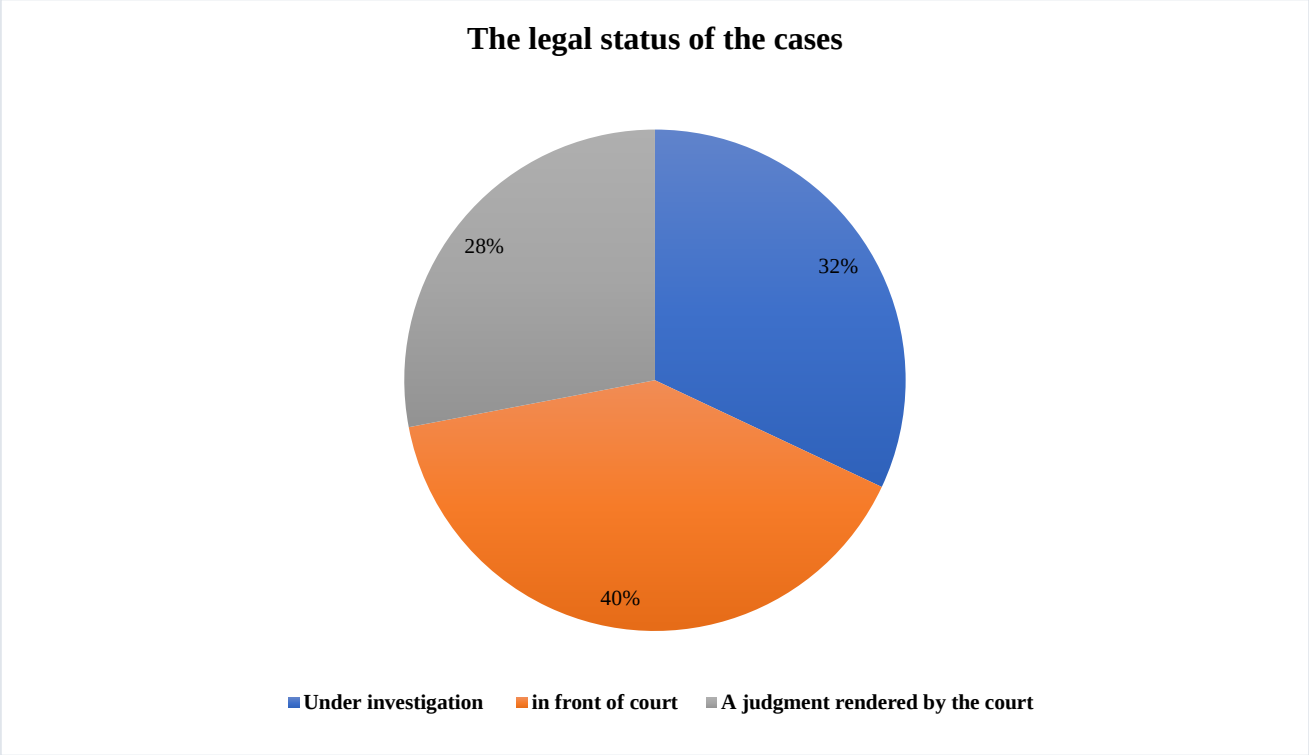
The list of predicate offenses which figured in the processed cases comprised several important crimes, such as cross-border smuggling of funds, job exploitation, corruption, raising donations without a license, cyber fraud/IT crimes, banking practice activities without a license, counterfeiting and forgery, fraud and deception, theft/embezzlement, others (arms trafficking, currency trafficking).



Cyber and IT crimes ranked the first as a rate slightly exceeding 20%, followed by cross-border smuggling of funds which ranked second, at a rate of approximately 15%. The remaining crimes were ranked at close rates of 12% or slightly less.

This statistic shows a new trend in the region toward the misuse of electronic media and relevant applications. It is worth noting that the Financial Action Task Force issued a typologies report in this regard in April 2018, a copy of which is available on the following link: http://www.menafatf.org/ar/information-center/menafatf-publications/تقرير-التطبيقات-حول-غسل-الأموال-عبر-الوسائل-الإلكترونية.

6. Legal status of the cases:



The authorities that are responsible of handling the cases received from the judiciary, law enforcement and investigative authorities were highly efficient in dealing with ML/TF cases, which reflect the legal status of the cases analyzed. Considering the total number of cases, we found that 68% are considered by the courts or regarding which a judgment was rendered. Relevant details are as follows:

1. 40% of the cases are considered by the competent courts.
2. 28% of the cases regarding which court judgments are rendered.
3. 32% of the cases are under investigation.

Annexes

Annex No. (1): **Request of Information Questionnaire form.**

MENAFATF (Biennial) typologies periodic report - 2018

Introduction:

The Plenary Meeting (November 2014), approved upon the TATWG recommendation regarding the adoption of the procedures on issuing "MENAFATF (Biennial) Typologies Periodic Report", which reflected the major case studies and the trends of ML/TF operations in the region and which were provided and identified by all member countries.

The typologies report relies on 3 to 5 case studies collected from each member country and related to the categories listed in Annex No.(2) and supported with illustrative examples in Annex No.(3); these categories represent the most common case studies in the ML/TF field at the regional and international levels.

The information request form (Annex No.(1)) was therefore prepared with a view to collecting case studies from member countries according to the instructions set out below:

First: Cases required and its selection categories

Each member country is required to provide the Secretariat with case studies (3 to 5 cases) that fall under any of the identified categories (or others, if any) in Annex No. (2) and which were either convicted or still heard before courts or which are still under investigation at the Public Prosecution or cases where the FIU found strong evidence of suspicion or were referred to law enforcement authorities.

Reference can be made to the database of the country's FIU and the databases of LEAs to access such cases.

Second: Aspects to be considered when filling out the questionnaire

8- Each case should have a reference number made of the first 3 letters of the name of the jurisdiction in English and a serial number, for ease of reference regarding some cases (Example for the Kingdom of Saudi Arabia: KSA 01).

9- Define the category of which the case belongs ,that should be identified according to the categories defined in Annex No (2).

10- Each case should be described (summary of the case and its sequence of events since the beginning) using fictitious names and numbers or symbols for the real names of natural and legal persons, names of cities, jurisdictions, FIs and non FIs, accounts numbers; only the amounts and currencies may remain unchanged.

11- The type of authority through in which the case was executed: (banks/securities company/insurance company/exchange company/non-financial institution (to be mentioned), etc.…).

12- The instruments used in the case: (Cash/cheques/documentary credits/life insurance policies/shares, etc.….).

13-The technical methods: (structuring whether in deposits, withdrawals, opening of multiple accounts/provision of inflated or undercharged invoices/cross-border transportation of funds/replacement of small denomination banknotes with large ones/transfers/use of forged documentary evidence/shell companies/settlement of loans, etc.….).

14- Suspicion indicators related to the case.

15- Findings of the FIU financial analysis and results of LEAs investigations and/or researches.

16- The predicate offense which is established and the sentence regarding which the judgment was rendered for ML/TF offense.

Accordingly, member countries are kindly invited to fill out this questionnaire and provide the case studies based on the previous presentation through the form attached no later than Thursday 27 December 2018.

Annex No. (1): Information request form regarding the MENAFATF (Biennial) Typologies Periodic Report – 2018

Kindly provide 3 to 5 case studies as explained above. ***(Please state the following information for each case)***

Reference No: .....
Case description:
.....
.....
Category (according to Annex No.2):
.....
.....
The type of authority through which the case was executed:
.....
.....
The tools and techniques used in the case:
.....
.....
Suspicion indicators related to the case:
.....
.....
Findings of the FIU analysis and results of research and/or investigations:
.....
.....
Predicate offense and sanction/status of the case (deliberated before the courts/under investigation/under research):
.....
.....

Annex No. (2): Categories of the case studies

1. Laundering the proceeds of corruption. 2. Misuse the NPOs for terrorist financing.
3. Use offshore banks, international commercial companies and offshore trusts.
4. Use virtual currencies
5. Use professional services (lawyers, notaries and accountants).
6. Trade based ML.
7. Underground banking/alternative remittance services/money transfer.
8. Use of Internet (encryption, access to personal data, international banking transactions, etc.).
9. Use of new payments systems. 10. Laundering proceeds of tax evasion crimes.
11. Real Estate, including role of real estate agents. 12. Dealing in precious stones and precious metals.
13. Human trafficking and smuggling.
14. Use of nominees, trusts, family members or other parties…
15. Gambling activities (casinos, horse racing, online gambling, and others).
16. Purchase of high-value goods (art, antiques, racehorses and cars, etc.).
17. Investment in capital markets and use of brokers.
18. Mingling: Mingling illicit proceeds with legitimate funds and investing them in commercial activities.
19. Use of shell companies. 20. Use of falsified identity.
21. Financing the proliferation of Weapons of Mass Destruction.
22. Illicit felling of trees. 23. Currency exchange. 24. Currency smuggling.
25. Use credit cards, cheques and drafts… etc. 26. Structuring / smurfing.
27. Money transfers/use offshore accounts.
28. Commodities exchange (swapping – for example: reinvesting in illicit drugs).
29. Terrorist financing. 30. Financing foreign terrorist fighters.
31 Use social media for ML/TF. 32. Crowdfunding.
33 Use of the insurance sector. 34. Fictitious judicial disputes. 35. Gold smuggling.
37. Distortion of competition and impairment of the investment climate.

Kindly review Annex 3 for further examples

Annex No. (3): Interpretative examples of case studies categories

Laundering the proceeds of corruption (proceeds of corruption and lax AML/CFT procedures): Laundering the proceeds of bribery and other corrupted payments. Corruption cases to facilitate money laundering through lax AML/CFT procedures, including potential influence and power of PEPs: such as investigators, compliance officers in the private sector who are bribed or influenced to allow money laundering.

Alternative Remittance Services (transfer and others): Informal or semi-formal remittance systems based on trusted networks - which may be banned in some jurisdictions. Settlement systems that may be through the formal financial sector, trade or cash couriers and others. They may be misused to carry funds without disclosing them and to hide the identity of the person controlling such funds.

Trade Based Money Laundering and Terrorist Financing: Use of trade, commercial financing, structures/shares of companies to facilitate, hide or transfer illicit funds locally and internationally.

Real Estate - Purchasing Valuable Assets: Investing the crime proceeds in high value and negotiable assets to make use of the limited reporting requirements and hide the source of the proceeds of crimes.

Misuse of NPOs: They can be used to raise terrorist funds and hide their source and nature and distribute them for terrorist financing.

Use of professional services (lawyers, notaries, and accountants): Use of other parties to hide the identity of the person in control of the funds and to conceal the source of funds. They may include corrupted individuals, who provide, as undercover consultants, services to the criminals to launder their funds.

Structuring/Smurfing: It covers many transactions (deposits, withdrawals, and transfers) and mostly, a group of individuals, many small transactions and in some cases, several accounts to avoid being detected through reporting procedures.

Transfers: They are used to move funds quickly from one place to another such as wiring the criminal proceeds through postal services.

Investing in Capital Markets: Technique to hide the source of criminal proceeds to buy negotiable instruments where, in most cases, the relatively limited reporting requirements are misused.

Use of Shell Companies: Used as a technique to hide the identity of the individuals who control the funds and where the relatively limited reporting requirements are misused.

The use of non-resident banks and companies (offshore): used to conceal the identity of the people who control the money and to move the money away from the supervision of the local authorities.

The use of credit cards, checks, bills of exchange, etc.: They are used to access funds deposited in financial institutions in other regions and countries.

Commodity Exchanges (Swaps): Avoid using money or financial instruments in high value transactions to avoid anti-money laundering and terrorist financing measures in the financial sector - for example, the direct exchange of heroin for gold bars.

Currency exchanges/cash transfer: assisting in smuggling cash to other regions and exploiting the limited reporting requirements of exchange firms to reduce the risk of being exposed - for example purchasing travelers' checks to transfer money to other countries.

The use of authorized persons (Nominees), trusts, family members or other parties, etc.: to conceal the identity of the persons who control illegal funds, especially in cases where third parties are forced to cooperate in money laundering schemes.

The use of bank accounts abroad: used to move money away from local authorities and to conceal the identity of the people who control illegal funds.

The use of social Media (Facebook, twitter...): Social media is widely and commonly used in communication and speaking from person to person directly and the distribution

of ideas and beliefs. It may also be used for fundraising terrorist acts and terrorist recruitment.

Crowdfunding: The Internet can be exploited and misused by terrorists and terrorist organizations to collect funds and use them to finance terrorist acts, and to carry out money transfers away from familiar financial channels.

Legal disputes: For example, a specific case between two companies is resolved through a legal settlement, so that a deal is reached whereby the previous company (the defendant) pays an agreed amount to the successor company (the claimant), or the judgment is made in favor of the successor company and the previous company pays in favor of First. Another example is a company established in country A and borrows a loan or goods from a second company in country B, and when the time for repayment comes, the first announces its inability to fulfill its obligations, then the court is resorted to in the country in which the money is to be laundered and a settlement is made and funds transferred from the first company in country A To the second company in country B, the money is legally transferred between the two countries.

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MIDDLE EAST AND NORTH AFRICA FINANCIAL ACTION TASK FORCE

April 2019