

# Middle East & North Africa Financial Action Task Force Ninth Annual Report 2013



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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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## President Foreword

I would like first to extend my thanks and sincere appreciation to all member countries and observers as well as the Secretariat team for the efforts exerted throughout 2013 and their devotion to achieve MENAFATF objectives. The Group has held many events and activities thanks to God help and the cooperation of everyone.

MENAFATF endeavored towards implementing the 3<sup>rd</sup> strategic plan which includes many tasks, activities and events whether on the level of preparing for the 2<sup>nd</sup> round of evaluations or on the level of reinforcing MENAFATF role in the region and its participation in many international and regional events.

In 2013, MENAFATF continued its efforts to achieve its objectives and held the 17<sup>th</sup> plenary meeting in Khartoum, Republic of Sudan in April and the 18<sup>th</sup> plenary meeting in Manama, Kingdom of Bahrain in November. Both meetings discussed a series of subjects important on the regional and international levels to enhance the fighting process against money laundering and terrorism financing and proliferation.

The achievements made in 2013 include among others:

- Executing the strategic plan for the years 2013-2015 and the work plan for the year 2013.
- Preparing for the 2<sup>nd</sup> round of evaluations by adopting the work program of the follow up reports for 9 countries that underwent evaluation during the previous years.
- Ongoing follow up to member countries in order to improve compliance level with international standards and; two countries (the Hashemite Kingdom of Jordan and the Kingdom of Morocco) moving from regular follow up to biennial update.
- Adopting the amendments to the MOU and to the by-laws signed by all member countries.
- Holding many training sessions and workshops to explain the Revised Recommendations, reflecting thus the most recent developments with respect to the International standards on fighting money laundering, terrorism financing and proliferation.
- Holding many training events to increase awareness and compliance with the international standards.

The Republic of Sudan had the honor to preside the MENAFATF throughout 2013 (the year marking 9<sup>th</sup> year of its establishment); I do hope that with the assistance of the colleagues in the Secretariat, we have contributed in the achievement of the expected and desired goals. On this occasion, I am pleased to congratulate the next President wishing him and the Republic of Iraq all the best in 2014.

At the end, I cannot but thank and extend my gratitude, once again, to all the member countries and observers for supporting the MENAFATF and I would like to thank all the Secretariat personnel for their extensive efforts; I do wish everyone all the best.

**Mr. Esam Eddin Abdul Gadir Al Zain**

**President**



## Executive Secretary Foreword

Year 2013 was particularly full of events with several successful activities thanks to God almighty and to the members and observers, the dedication of the Secretariat team who has synergized and worked hard to achieve the objectives of the work plan for year 2013. I hope we have been successful in highlighting those events throughout this report.

The MENAFATF sought during this year to take a somehow different approach than the previous years; it has dedicated part of its efforts and available resources towards reinforcing the relation and direct outreach with the FATF and FSRBs. The MENAFATF organized, in cooperation with the FATF, the typologies experts meeting in Doha, which is regarded as one of the most important annual meetings held by the FATF, with the participation of a large number of AML/CFT experts from most of the countries around the world and the international organizations. The MENAFATF participated with the FATF in a study on a topic of interest to many countries, particularly, the MENA countries: ML through physical transportation of cash, which is expected to be completed in February 2015. On the other part, the MENAFATF was keen on promoting its relation with FSRBs; to this end, it has participated with the APG in co-leading a project on the Best Practices to provide technical assistance and typologies under the umbrella of FATF/GNCG; and agreed with the EAG on holding a joint typologies workshop during the last quarter of 2014.

Within the scope of promoting and fostering international relations, the MENAFATF participated in many events, namely:

- FATF plenary meetings and Working Group meetings in 2013.
- 3<sup>rd</sup> CAMS annual conference for fighting money laundering and financial crime, 20 & 21 January 2013, Dubai, UAE.
- Conference of Union of Arab Banks on: Civil Capacity Building in Post-Conflict countries: The Role of Banks, 27 & 28 June 2013, Vienna, Austria.
- 21<sup>st</sup> Egmont Plenary meeting, 1-5 July 2013, South Africa.
- Joint APG/EAG workshop for the TATWG, 24-27 September 2013, Ulan Bator, Mongolia.
- Conference on fighting weapons of mass destruction, 15 & 16 December 2013, Doha, Qatar.

Whereas 2013 was the year that followed the publication of FATF revised Recommendations (February 2012) and the end of MENAFATF 1<sup>st</sup> round of mutual evaluations, it was necessary to forward planning for the future drawing from the experience of the previous years; To this end, the plenary meeting adopted the amendment of the MOU signed between governments of

member countries to bring it into line with the developments and introduced many topics that corroborate MENAFATF work in the future. As well, it has adopted a program on the preparations of the 2<sup>nd</sup> round of mutual evaluations, covering all elements that will assist the Group and members to start the next round and complete it in the manner and form requested. On this note, I would like to seize the opportunity to congratulate members which have exited the follow up process and look forward for more countries to leaving the process during 2014.

With the aim to enhance the capacities of the personnel of governmental entities, and according to the training plan for the years 2012-2014, the MENAFATF has succeeded with the stakeholders (FATF, WB, IMF, CTED, the Monitoring Team established by the United Nations and the UNODC) in holding 2 events that had a great positive impact on all participants: 1) Training Non-Banking Financial Institutions Supervisors on AML/CFT compliance supervision which was held in Tunisia (11-13 March 2013) with the participation of the World Bank and hosted by the Tunisian Financial Analysis Committee; and 2) a seminar on the effective implementation of UN Resolutions and UN agreements related to fighting money laundering and terrorism financing and the related international standards in cooperation with the UN Counter Terrorism Committee (CTED) and hosted by the AMLU in Amman, the Hashemite Kingdom of Jordan in December 2013.

At the end, I do hope that my words have covered the most significant issues highlighted in the report which the Secretariat has, hopefully, succeeded in drafting and selecting the topics. On this occasion, I would like to take the opportunity to thank all the contributors to achieving our objectives, specifically, H.E. Esam Eddin Abdul Gadir Al Zain– MENAFATF President for 2013 and Undersecretary of the Ministry of Justice in the Republic of Sudan, for all the efforts he has made and his cooperation and support to the Secretariat throughout the year. I have great pleasure as well to wish H.E. Dr. Abdul Basit Turki Saeed, Governor of the Central Bank of Iraq (Governor Agency) and President of Board of Supreme Audit (BSA) all the best in presiding the Group in 2014.

**Adel H. Al-Qulish**  
**Executive Secretary**



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

1

### BACKGROUND

A Ministerial meeting was held on 30 November 2004 in Manama, Kingdom of Bahrain during which, it was decided to create MENAFATF: The Middle East and North Africa Financial Action Task Force. The member countries signed the Memorandum of Understanding for MENAFATF establishment. Item 2 of the MOU provides for the following: "*MENAFATF is voluntary and co-operative in nature and is established by agreement between its members. It does not derive from an international treaty. It is independent from any other international body or organization and sets its own work, rules and procedures. Its work, rules, and procedures will be determined by consensus between its members and it will co-operate with other international bodies, notably the FATF to achieve its objectives*". (The MOU is available on MENAFATF website).

During the said ministerial meeting, member countries agreed that the positions of President and Vice-President shall be assigned in rotation following the first two years, according to the Arabic alphabetical order, starting with the Hashemite Kingdom of Jordan, which assumed the presidency in 2007. The President and Vice President are elected from amongst the members of the MENAFATF, who have experience in the area of AML/CFT. They should remain in that office for one year, provided that the said President and Vice President are not from the same country. The Kingdom of Bahrain hosts the headquarters of MENAFATF Secretariat. The Kingdom of Bahrain has borne the expenses of the Secretariat for the first 5 years since its establishment. In its assertion for MENAFATF support, the headquarters agreement was approved and became applicable in 2009 whereby it has been approved by both the Shura Council and the Parliament, and ratified by the King of Bahrain; The King has issued on 26 March 2009 law No. (5)/2009 to ratify the agreement; such law was published in the Official Gazette on 2 April 2009.

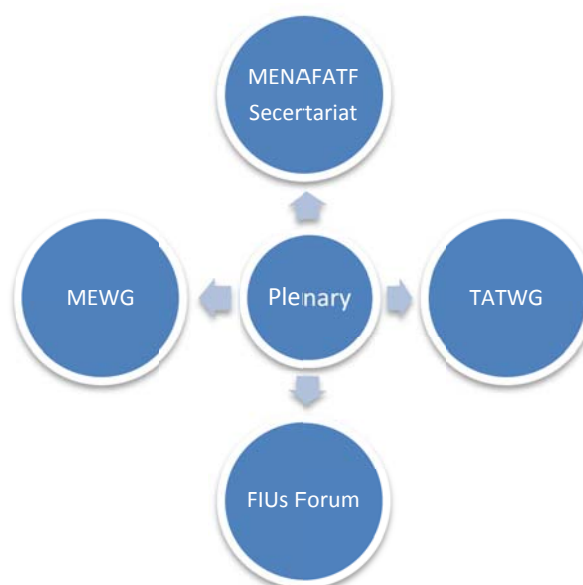
| <b>Objectives of the Middle East and North Africa Financial Action Task Force</b> |  |
|---|--|
| 1   | To adopt and implement the FATF 40 Recommendations on combating money laundering and financing of terrorism and proliferation;   |
| 2   | To implement the relevant UN treaties and agreements and United Nations Security Council Resolutions;  |
| 3   | To co-operate among each other to raise compliance with these standards within the MENA Region and to cooperate with other international and regional organizations, institutions and agencies to improve compliance worldwide;      |
| 4   | To work jointly to identify issues of regional nature related to money laundering and terrorist financing, and to share relevant experiences and to develop solutions for dealing with them; and                                     |
| 5   | To take measures throughout the region to effectively combat money laundering and terrorist financing in a way that does not conflict with the cultural values, constitutional frameworks and legal systems in the member countries. |

|   |                |
|---|----------------|
| 2 | <b>Funding</b> |
|---|----------------|

MENAFATF activities are funded by contributions from its members on the basis agreed by the Plenary; Member jurisdictions and observers bear the expenses of their participation in MENAFATF plenary meetings and events. The Secretariat, shall prepare, on an annual basis and in consultation with the President and Vice President, a work plan and funding proposal for the plenary discussion.

The 4<sup>th</sup> MENAFATF Plenary has approved to fund the increase in the budget over the amount allocated by the Kingdom of Bahrain on an annual basis from contributions of member countries. Between 2007 and 2009, member countries started funding the increase in the budget over the allocated amount by the Kingdom of Bahrain. The member countries funded the budget in full as of 2010 budget.

**The PLENARY** is the decision making body of the MENAFATF. It is formed of delegates appointed by the member states with expertise in the areas of combating money laundering and terrorist financing. **The Secretariat** fulfils all technical and administrative functions to perform the work, such as coordinating mutual evaluations and cooperating with counterparts' international entities, particularly the FATF and undertakes any other functions, as may be assigned by the Plenary. **The MEWG** was formed from MENAFATF member countries with the aim to prepare and organize the Mutual Evaluation program of MENAFATF member countries and carries out many tasks, most importantly: prepare the procedures and work on qualifying the assessors as well as follow up on the international developments in this regard.



The **TATWG** was formed from member countries to assist the Secretariat and provide advise with respect to the training and member's needs on the level of technical assistance, as well as follow up on the latest international developments and share them with the members for their benefit and to enhance their AML/CFT regimes. **The Forum of MENAFATF Financial Intelligence Units (FIUs)** was established to act as a mechanism and serve as a channel of communication between member countries' FIUs with a view to increase regional cooperation and exchange of expertise. The MENAFATF Secretariat coordinates the forum works and arrangements to hold its meetings.

FATF issued the revised recommendations on combating money laundering and the financing of terrorism and proliferation in February 2012. The need for such change revealed itself to understand some new issues through applying the recommendations in their old form and the evaluations in the previous rounds; the recommendations were re-structured and more consideration was given to risk assessment and implementing the recommendations on basis of high or low level (implementation of risk-based measures), with the addition of a new recommendation on the proliferation of weapons of mass destruction. Most of the previous recommendations remained without any substantial change in the content; however, some were merged with each other as per the new classification of criteria.

As it is well known, the MOU is MENAFATF official document which determines its nature, objectives, functions, work procedures and the main bodies. Considering the amendments that were introduced to the international standards, it was necessary to amend the MOU to be in line with those changes. The 16<sup>th</sup> plenary meeting (Marrakech - Kingdom of Morocco, November 2012) approved such changes and approved the establishment of a team for this purpose; provided that it submits the revised MOU to the plenary meeting. The amendments may be categorized as such: **amendments following the new international standards on fighting money laundering, terrorist financing and proliferation (February 2012) and amendments drawn from MENAFATF experience throughout the previous years.** The 18<sup>th</sup> plenary meeting held in Manama, Kingdom of Bahrain (November 2013) adopted the amendments made to the MOU.

|  |   |
|--|---|
|  | <b>SECTION 1</b>  |
|  | <b>Circulating, promoting and implementing international AML/CFT policies in the Middle East and North Africa</b> |

|          |  |
|----------|--|
| <b>1</b> | <b>Following up on member countries' compliance with AML/CFT international standards</b> |
|----------|--|

MENAFATF continuously follows up the progress made by member jurisdictions in improving and enhancing their AML/CFT regimes. The follow up process is one of the tasks under the mutual evaluation process undertaken by the MENAFATF; following the mutual evaluation process and the adoption of the mutual evaluation reports by the plenary meeting, the countries submit follow up reports within specific time frames as provided for in the paper on the mutual evaluation procedures adopted by MENAFATF plenary meeting. The latest publication for such procedures was issued in September 2013. Member countries started submitting and discussing follow up reports as of May 2009.

|          |  |
|----------|--|
|          | <b>General principles and Objectives governing the follow up process</b>   |
| <b>1</b> | The follow up process aims at encouraging the members to address the deficiencies set out in the mutual evaluation report within reasonable timeframe. |
| <b>2</b> | The follow up process is based mainly on the actions taken by the country to address the deficiencies related to Key and Core recommendations.         |
| <b>3</b> | It is expected to address the deficiencies and exit the follow up process within a reasonable timeframe of 4 years and a half.                         |
| <b>4</b> | Plenary decisions are binding for all countries that are subject to the follow up process.   |

### **1. Regular follow up process**

The Plenary meeting follows up, on a regular basis, the procedures taken by the members who their MERs revealed deficiencies related to the recommendations and the progress in addressing these deficiencies. The discussions of the plenary meetings evolved around the issues to be addressed by the concerned country, taking into account the previous period since the adoption of the MER as a factor to be considered when discussing the follow up reports. As well, when recommending the application of one of the enhanced follow up actions/steps, the plenary discussed the seriousness of the issues that should be addressed and how useful it is to apply such a measure.

In 2013, the plenary discussed 19 follow up reports which clearly revealed the progress made by each country since the adoption of its last follow up report. In general, it can be concluded that many developments were witnessed throughout the year, such as: issuing many AML/CFT laws

and regulations, whether to improve the criminalisation of ML/TF operations or to impose new requirements on FIs and DNFBPs such as those related to Customer Due Diligence. In addition to increasing the ability and efficiency of supervisors through training their personnel, whether via the programs or sessions provided by the MENAFATF or other specialized programs. The same year witnessed as well issuing many guidelines and instructions for the reporting entities and a series of requirements to enhance their internal risk management systems and their internal systems related to revealing and verifying the information and data submitted by customers as well as tracing and monitoring the operations; as well, promoting regional and international cooperation by entering bilateral or multilateral agreements to foster exchange of information.

Within this scope, the 17<sup>th</sup> plenary meeting adopted 11 follow up reports for the following countries: State of Kuwait, Sultanate of Oman, Kingdom of Saudi Arabia, Lebanese Republic, Hashemite kingdom of Jordan, Arab Republic of Egypt, Tunisian Republic, Republic of Yemen, Islamic Republic of Mauritania, Kingdom of Morocco and Syrian Arab Republic; While the 18<sup>th</sup> plenary meeting adopted 9 follow up reports for the following countries: Syrian Arab Republic, Kingdom of Morocco, Republic of Iraq, People’s Democratic Republic of Algeria, Kingdom of Saudi Arabia, Tunisian Republic, United Arab Emirates, Republic of Yemen and Islamic Republic of Mauritania. Those reports revealed the progress made by such countries in improving their AML/CFT regimes in light of the comments made in their respective MERs, adopted between 2006 and 2012.

The plenary meeting reviewed the large progress made by the Hashemite Kingdom of Jordan and the Kingdom of Morocco and praised their achievements in improving their AML/CFT regimes in the light of the recommended action plans set out in their MERs. The plenary meeting agreed their request to move from the regular follow up to the biennial update.

## 2. Enhanced follow up:

It is part of the follow up process in general. It aims at enhancing the plenary meeting capacity towards motivating and encouraging the concerned countries to correct, at the earliest possible, the deficiencies in their AML/CFT regimes. The plenary meeting has placed 2 countries under the enhanced follow up process and has concerned entities to take measures to enhance the compliance level and submit other reports on the corrective actions taken in this regard.

### Moving from the regular follow up to the biennial update

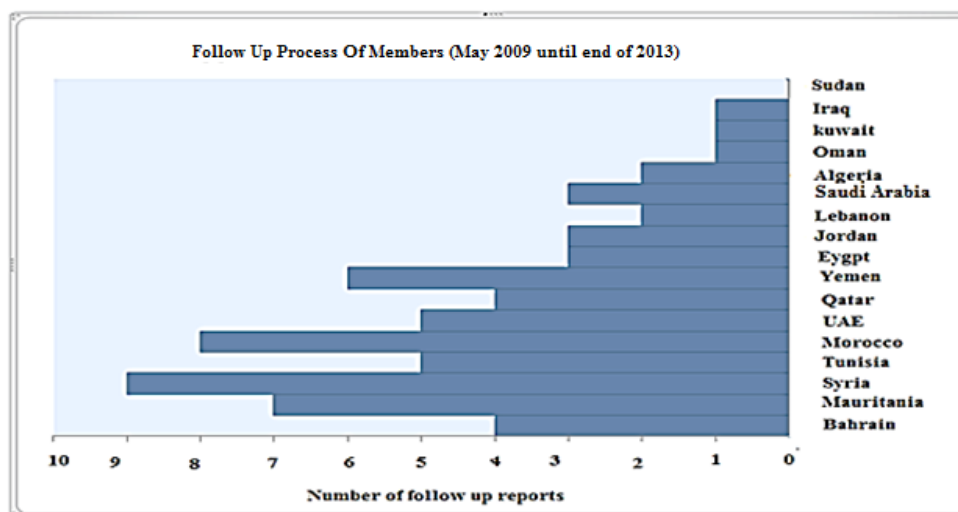
The country needs to submit a request to be moved from regular follow up to biennial update. The request should indicate that it has met the criteria required for removal from regular follow up. In this case, the country would provide a full report including all necessary laws, regulations and additional information to assess effectiveness. The analysis report that will be submitted by the Secretariat to the plenary meeting provides an overview of the measures that (the country) has taken to address the major deficiencies relating to Recommendations rated “PC” or “NC” and the progress made. The Plenary meeting considers removing the country from the regular follow up process if it has – in the opinion of the Plenary – an effective AML/CFT system in force.

## Publication of the follow up results

If the Plenary decides the removal of the country from the follow-up process, the latest follow-up report submitted by the country along with the results of the Secretariat analysis, based on which the Plenary has made its decision, will be published.

### 3. The follow up process in numbers (May 2009 until end of 2013):

- 64 follow up reports for 17 countries were discussed.
- 4 countries moved from regular follow up to biennial update until end of 2013.
- Enhanced follow up was applied to 2 member countries in November 2010.
- Enhanced follow up was applied to 2 member countries during 2013 and which are still under the enhanced follow up process.
- 13 countries are still under the regular follow up process.



2

## Preparing for the 2<sup>nd</sup> round of evaluations

The MENAFATF started implementing the program of preparations of the 2<sup>nd</sup> round of evaluations which was adopted at the 18<sup>th</sup> plenary meeting (November 2013). The program includes the most important issues related to evaluation based on certain timelines, including establishing mechanisms and procedures for the 2<sup>nd</sup> round of evaluations, training sessions for members and experts participating in the upcoming evaluations. MENAFATF is expected to finish these preparations in 2014. It is worth to indicate that MENAFATF has evaluated the mechanisms and procedures adopted during the 1<sup>st</sup> round in order to prepare additional elements on which it should rely in the preparations for the 2<sup>nd</sup> round of evaluations.

On the same note, the MEWG has drafted a prospect on the form of the mutual evaluation in the second round which covers the objectives and working mechanisms; whereby the MENAFATF seeks to measure the effectiveness of AML/CFT regimes in the member countries, as well as prepare intensive programs to prepare them for the 2<sup>nd</sup> round of evaluations, provide qualified experts to participate in the mutual evaluations intended to be undertaken in the coming period. MENAFATF is

currently reviewing the Arabic translation of the updated methodology to be used when assessing member countries in the second round.

| Most important elements of the program on the preparations for the 2 <sup>nd</sup> round of evaluations | Implementation dates          |
|---|-------------------------------|
| Establish a timeline for the 2 <sup>nd</sup> round of mutual evaluation process                         | November 2013                 |
| Draw the form, principles and key elements of the mutual evaluations procedures                         | April/May 2014                |
| Prepare the procedures of the 2 <sup>nd</sup> round of mutual evaluation process                        | November 2014                 |
| Translate the methodology of mutual evaluations   | November 2014                 |
| Prepare member countries to mutual evaluations  | First and Second half of 2014 |
| Train and qualify the assessors   | Second Half of 2014           |

3

### Organizing and participating in conferences, seminars and workshops

Year 2013 was a particular year for the MENAFATF, both in the region and worldwide, on the level of organizing and participating in important events within the scope of AML/CFT; MENAFATF attended and participated in many events and held many training sessions and workshops whether on its own or with the participation of other international and regional bodies; The following table lists such events for 2013:

| Event |   | Period               | Location                    |
|-------|---|----------------------|-----------------------------|
| 1.    | Regional workshop on preventing the misuse of NPOs for terrorism purposes   | 15 – 17 January 2013 | Doha, Qatar                 |
| 2.    | 3 <sup>rd</sup> CAMS annual conference for fighting money laundering and financial crime  | 20 – 21 January 2013 | Dubai, United Arab Emirates |
| 3.    | Workshop on fighting money laundering in the Chamber of Commerce and Industry in the Eastern Province   | 30 January 2013      | Kingdom of Saudi Arabia     |
| 4.    | Regional workshop on training Non Banking Financial Institutions Supervisors on AML/CFT Compliance Supervision in collaboration with the World Bank and Tunisian Financial Analysis Committee | 11–13 March 2013     | Tunis, Tunisian Republic    |



|     |           |   |                        |                                    |
|-----|-----------|---|------------------------|------------------------------------|
| 5.  | April     | Forum on developing the supervisory role on the movement of funds relating to public associations in GCC.   | 3 – 4 April 2013       | Manama, Kingdom of Bahrain         |
| 6.  | May       | 2 AML Workshops in the Chamber of Commerce and Industry in the KSA.   | 12 – 13 May 2013       | Kingdom of Saudi Arabia            |
| 7.  | June      | Conference on: Civil Capacity Building in Post-Conflict countries: The Role of Banks  | 27 – 28 June 2013      | Vienna, Austria                    |
| 8.  | September | Joint APG/EAG workshop for typologies and building capacities   | 24 – 27 September 2013 | Ulan Bator, Ulaanbaatar, Mongolia  |
| 9.  | October   | Workshop on the “Effective implementation of UN Resolutions and the international standards on fighting money laundering, terrorism financing and proliferation”. | 2 – 3 October 2013     | Amman, Hashemite Kingdom of Jordan |
| 10. |           | Workshop on “FATF Revised AML/CFT International standards”  | 7 – 11 October 2013    | Kuwait, State of Kuwait            |
| 11. | December  | Joint FATF/MENAFATF Typologies experts meeting  | 2 – 4 December 2013    | Doha, Qatar                        |
| 12. |           | Arab Policy Forum on Financial Inclusion  | 10 – 11 December 2013  | Abu Dhabi, United Arab Emirates    |
| 13. |           | Conference on fighting weapons of mass destruction  | 15 – 16 December 2013  | Doha, Qatar                        |



## SECTION 2

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

This section highlights MENAFATF activities and achievements on the regional and international levels; MENAFATF has performed many activities on the regional level, which include holding the 17<sup>th</sup> plenary in Khartoum, the Republic of Sudan and the 18<sup>th</sup> Plenary Meeting in Manama, Kingdom of Bahrain as well as the Working Group meetings and FIU Forums held on the margin. On the international level, MENAFATF maintained a continuous communication channel with the FATF, supported its relation with the FSRBs and related international bodies and participated in many international meetings, conferences and seminars.

1

#### 17<sup>th</sup> Plenary Meeting, Khartoum, Sudan, 30 April - 2 May 2013



MENAFATF held its 17<sup>th</sup> Plenary Meeting from 30 April to 2 May 2013 in Khartoum, Republic of Sudan. On the margin of the same plenary, the 20<sup>th</sup> MEWG and 16<sup>th</sup> TATWG meetings were held on 29 April 2013. The Plenary was attended by AML/CFT experts from member countries and observers; the plenary discussed the topics listed on the agenda. Below are the most important decisions that were taken in the meeting as follows:

- ✓ To adopt the 8<sup>th</sup> annual report for the year 2012, covering the activities and achievements of MENAFATF during the year 2012.
- ✓ To approve the auditor report and the final statements for the year 2012.
- ✓ To adopt the estimated budget of MENAFATF for the year 2014
- ✓ To add the surplus of year 2012 to the account surplus and request the Secretariat to draft a paper for the next meeting on the surplus carried forward from the previous years.
- ✓ To provide the Secretariat with any suggestions from the member countries on the controls and the mechanism on how to benefit from the carried forward surplus.

- ✓ To confirm the decision of the 16<sup>th</sup> plenary meeting on approving the principle of amending MENAFATF MOU.
- ✓ The team to proceed with his work on reviewing and amending the MOU taking into consideration all remarks received from the member countries and observers during the plenary meeting.
- ✓ To accept the request of the Hashemite Kingdom of Jordan, to be moved from the regular follow-up process to the biennial update. Accordingly, Jordan should therefore submit its first update report to the 21<sup>st</sup> Plenary Meeting.
- ✓ To adopt the FIUs Forum Chair report on the most important issues discussed during the 7<sup>th</sup> meeting of the Forum held on Sunday 28 April 2013.
- ✓ To amend the working paper on TATWG mandate by adding the Republic of Iraq as a new member; thus, the TATWG comprises now 16 members.
- ✓ To adopt the typologies project on “ML/TF trends and indicators – Update” and publish it on MENAFATF website.
- ✓ To urge the observers (countries and organizations) to promote their role in the training.
- ✓ To adopt the timeline of the follow up process.

2

## 21<sup>st</sup> MEWG meeting (Intercessional meeting), Manama, Kingdom of Bahrain, 5-6 June 2013

The MEWG held its 21<sup>st</sup> meeting (intercessional meeting) in the Kingdom of Bahrain on 5 and 6 June 2013 to discuss the amendments of the mutual evaluation procedures and the paper on “streamlining the follow up process within the first round”. The intercessional meeting was held based on the recommendation of the 17<sup>th</sup> plenary meeting and was attended by 9 MEWG members and 3 countries from the non members. In general, the participants stressed on the importance of the follow up process, and particularly, the efficiency of the follow up to assist members and encourage them improve their AML/CFT regimes within a short period of time. The MEWG agreed during the meeting on a series of amendments to the papers related to the follow up process in order to remove any ambiguity or confusion and make them more motivating to the countries.



### Most important amendments made to the follow up procedures

Clarify some principles that govern the procedures of the follow up process (objective of the follow up process, focus of the process, the expected date to exit the follow up process).

Introduce some definitions to the follow up process (biennial update, follow up process, enhanced follow up).

State in details the role of MENAFATF Secretariat and its responsibilities in analyzing the follow up reports and their recommendations.

Explain the mechanisms of discussing the follow up reports by the Plenary Meeting

Edit and draft some texts of the paper on “Streamlining the follow up process within the first round” to take the form of procedures paper.

3

### 6<sup>th</sup> FIU Forum Sub-Committee meeting, Khartoum, Sudan, 28 April 2013

Within the scope of the work of FIU forum sub-committee, the members agreed in their 4<sup>th</sup> meeting in Marrakech, Kingdom of Morocco (November 2012) to study the topic of Information Systems at FIUs in the MENAFATF countries, and issue a guiding manual on the appropriate Information Systems rules on FIUs work. This project comes under the strategy to achieve one of the sub-committee tasks, being: follow up and suggest the tools that contribute to improving FIUs work. The study aims at:

1. Identifying the information systems used at FIUs.
2. Identifying the weak areas of the information systems used currently at FIUs.
3. Drawing on the experience of international countries and organizations in the area of developing information systems and databases with regard to AML/CFT.
4. Stating any proposals to support the development of information systems and databases at FIUs and issuing a guiding manual in this respect.

A special mechanism was adopted to follow up on the study and implement the related steps as of drawing a questionnaire and disseminating it among the members in June 2013 until drafting the final version of the guiding manual and submitting it to the Sub-Committee.

4

### 7<sup>th</sup> FIU Forum, Khartoum, Sudan, 28 April 2013

The MENAFATF FIUs Forum held its 7<sup>th</sup> meeting in Khartoum, the Republic of Sudan on 28 April 2013 and addressed the items listed on the agenda throughout 3 sessions as follows:

**The first session** was held to encourage and follow up the Egmont Group membership. An update was made by the FIUs non members in the Egmont Group and which have shared their

current status regarding the membership and the obstacles they are facing with a view to discuss how to assist them in this regard.

**The second session** focused on the exchange of expertise from the Best Practices. FIUs of Saudi Arabia and the Republic of Iraq made presentations on the Information Systems based on their practices.

**The third session** addressed the mechanisms of building and promoting the capacities of FIUs. The Forum adopted the subcommittee Chair report and was updated on the work progress as well as the list of the new topics suggested by the committee members to submit related presentations within the scope of exchange of expertise from the Best Practices, specifically, FIU role in the recovery of stolen assets and its importance, as well as detecting and tracing the proceeds related to corruption and assets recovery.

The Forum exposed the results of the study on FIUs training needs that helped identify the training topics, their importance and the priority of each based on the responses of the countries in addition to some important information on the topic of FIUs training in the MENA region. The Forum agreed on submitting the study to the TATWG in order to assess the appropriateness of the training plan with the actual training needs and how to meet such needs.

The Secretariat informed the Forum about the latest developments to the “manual of procedures on FIUs work” which was adopted by the Forum. A guiding manual for the MOUs on the exchange of information between FIUs was reviewed and some member countries made their remarks related thereto; The Forum decided that the Secretariat shall re-draft it; the manual will be available for all FIUs as a guiding reference.

5

## 18<sup>th</sup> Plenary Meeting, Manama, Kingdom of Bahrain, 26 -28 November 2013



MENAFATF held its 18<sup>th</sup> Plenary Meeting from 26 to 28 November 2013 in Manama, Kingdom of Bahrain. The Plenary was attended by a large number of AML/CFT experts from member countries and observers. On the margin of the same plenary, the 22<sup>nd</sup> MEWG and 17<sup>th</sup> TATWG

meetings were held on 25 November 2013; the plenary discussed the topics listed on the agenda. Below are the most important decisions that were taken in this meeting as follows:

- ✓ To adopt the paper on the mechanism of participation in FATF Working Groups.
- ✓ To adopt the proposal on forming a committee from member countries and observers regarding national risk assessment that operates within the scope of the TATWG.
- ✓ To adopt the work plan for year 2014.
- ✓ To approve the amendment of the MOU.
- ✓ To adopt the amendments of the by-laws which were agreed on by the team reviewing the amendment of the MOU and by – laws.
- ✓ To accept the request of the Kingdom of Morocco, to be moved from the regular follow-up process to the biennial update. Morocco should therefore submit its first update report to the MENAFATF 22<sup>nd</sup> Plenary Meeting.
- ✓ To adopt the preparation program for the 2<sup>nd</sup> round of mutual evaluations.
- ✓ To request the Secretariat to prepare a paper on the “impact of the follow up process within the 1<sup>st</sup> round of the mutual evaluation process during the 2<sup>nd</sup> round” taking into account the revised 40 Recommendations and the assessment methodology as well as avoiding any overlapping between them.
- ✓ To adopt the timeline of the follow up process.
- ✓ To adopt the amendment to the paper on TATWG mandate by adding the “Sultanate of Oman as a new member.
- ✓ To adopt and publish the report of typologies project: “Proceeds of forgery & counterfeiting of instruments and documentary letters of credit and their relation with ML/TF” on MENAFATF website.
- ✓ To approve holding a joint EAG/MENAFATF workshop Experts’ Meeting on typologies – last quarter of 2014.
- ✓ To adopt procedures on issuing MENAFATF typologies report on a biennial basis as of 2014.
- ✓ To adopt the revised training plan for the years 2012 – 2014.
- ✓ To adopt the proposed training plan on FIUs needs.
- ✓ To ratify the FIU Forum Chair Report on the most important issues discussed during the 8<sup>th</sup> Forum meeting held on Sunday 24 November 2013.

FIU’s Sub-committee held a meeting in Manama, Kingdom of Bahrain on 24 November 2013 and discussed a set of current topics, the most important covered the following: The list of new topics proposed by the members to provide related presentations within the scope of exchange of experience from best practices and a presentation on the mechanism of selecting and discussing the presentations with a view to assist FIUs evaluate their experience in a specific project and prepare well. Moreover, the committee members were informed of the FIU readiness and its role in National Risk Assessment (NRA), a topic that was discussed in the FIU Forum meeting.

The committee discussed the results of the study on evaluating regional cooperation among FIUs and the statistics that were made to examine the current status on the exchange of information among FIUs. The committee stressed on the importance of the study and expressed its intention to finalize it to the best optimum. As well, the proposal of drafting

specialized training material for FIUs personnel was discussed; the Secretariat should prepare and disseminate such material to their FIUs via small booklets or electronically via MENAFATF Secure Web (MSW). The Secretariat shared with the committee the interim report on the project of Information systems on FIUs work, issuing a guiding manual as well as amending the work plan of the project.

The 8<sup>th</sup> MENAFATF FIUs forum was held in Manama, Kingdom of Bahrain on Sunday 24 November 2013 and discussed the items listed on the agenda over 3 sessions, as follows:

**The first session** discussed how to encourage and follow-up the applications of FIUs to join the Egmont Group. The attendees listened to an update made by Non member FIUs. It is worth to indicate that Algerian FIU has joined the Egmont Group after its meeting held in July 2013.

| Egmont Member FIUs     |                 |   |                 |
|------------------------|-----------------|---|-----------------|
| Country                | Date of Joining | Country                                 | Date of Joining |
| United Arab Emirates   | 2002            | Kingdom of Saudi Arabia                 | 2009            |
| Lebanese Republic      | 2003            | Kingdom of Morocco                      | 2011            |
| Arab Republic of Egypt | 2004            | Hashemite Kingdom of Jordan             | 2012            |
| Kingdom of Bahrain     | 2005            | Tunisian Republic                       | 2012            |
| State of Qatar         | 2005            | People's Democratic Republic of Algeria | 2013            |
| Syrian Arab Republic   | 2007            | -                                       |                 |

**The second session** addressed the exchange of expertise through presentations on Best Practices: the Forum discussed the readiness of FIUs and their role in conducting national risk assessment as well as the need to coordinate between private and public sectors. The FIUs expressed in the forum the efforts deployed in the preparations for such assessment and the forum noticed how the FIUs are well aware of the NRA topic. FIUs of the following countries (UAE, Bahrain, Morocco, Sudan, Egypt and Lebanon) made presentations on their experience and strategies related to NRA at the level of drawing studies and statistics and receiving guidelines from organizations such as IMF and WB to initiate work on NRA.

Other topics were also discussed such as FIUs role in the Recovery of Stolen Assets and the importance of FIUs role in detecting and tracing such assets. The discussions tackled as well the challenges FIUs face with regard to cooperation with foreign FIUs, translated in: the slow responses to the requests submitted, some technical issues and legal obstacles and the differences in powers among FIUs.



The Tunisian Financial Analysis Committee (CTAF) made a presentation about its experience in the recovery of stolen assets under the title: “Cooperation between the Tunisian Financial Analysis Committee (CTAF) and the Special Investigation Commission (SIC - Lebanon) within the scope of stolen assets recovery”. The presentation reflected the successful cooperation between both FIUs in the recovery of some stolen assets. On the margin of the presentation, other issues were raised and discussed, to name, among others: the proposal of a regional network for information exchange among FIUs.

Then, the forum discussed the proposal of holding presentations on cases studies from FIUs; it was agreed to implement this proposal and the FIUs, willing to take part, on their own initiative, should send 2 cases to the MENAFATF Secretariat well in advance to holding the forum. The case should not be successful as much as it should be important and complicated for optimum benefit.

**The third Session:** Mechanisms of building and promoting the capacities of FIUs. The Forum tackled the forms of cooperation with the Egmont Group and the new strategies in promoting the relationship and outreaching FSRBs. Some FIUs members in the Egmont Group intervened and shared the recent developments that took place in the last meeting of Egmont Group; particularly with respect to the Revised Egmont Charter (2013), Egmont principles for Information Exchange, which is binding for Egmont members and briefed them on Egmont recent activities.

MENAFATF has witnessed significant progress in the nature of the relations maintained with international and regional organizations, particularly after obtaining the status of FATF Associate Member, and the status of Observer with APG in 2007 and with EAG in 2011, which enabled it to better outreach, and on ongoing basis, such entities; look for opportunities to hold common projects or activities and invite each other. The MENAFATF promoted the standing of their member countries on the international level, being FATF associate member, which grants their members the possibility to attend FATF plenary meeting and Working Groups meetings, express their views in the discussions, gain additional expertise and monitor the latest developments on the international level.



The below tables illustrates the participation of MENAFATF member countries - other than the GCC countries – in FATF Plenary meetings held throughout 2013:

| Plenary Meeting | Attending Member Countries  |                        |                    |                                |
|-----------------|-----------------------------|------------------------|--------------------|--------------------------------|
| February        | Lebanese Republic           | Arab Republic of Egypt | Kingdom of Morocco | Islamic Republic of Mauritania |
| June            | Hashemite Kingdom of Jordan | Republic of Sudan      | Lebanese Republic  | Kingdom of Morocco             |
| October         | Republic of Iraq            | Lebanese Republic      | Kingdom of Morocco |                                |

On another part, MENAFATF has sought to improve the level of technical performance of the experts in the region in fighting money laundering, terrorism financing and proliferation by outreaching donors and international organizations such as the World Bank, International Monetary Fund the United Nations related organs and Egmont Group which was translated in holding many workshops and training programs that will be discussed later.

|   | Event   | Date               |
|---|---|--------------------|
| 1 | CTED onsite visit to Doha, State of Qatar             | 20-22 January 2013 |
| 2 | Egmont Group meeting with FSRBs and FATF, Doha, Qatar | 16-17 April 2013   |
| 3 | 21 <sup>st</sup> Egmont Group meeting, South Africa   | 1-5 July 2013      |

### **FATF/MENAFATF Joint Experts’ Meeting, Doha, Qatar, 2-4 December 2013**

With reference to the 4<sup>th</sup> Goal under MENAFATF work plan “*Enhance MENAFATF relations with regional and international organizations working in the field of AML/CFT, particularly FATF and FSRBs.*”; and to the 4<sup>th</sup> Strategy on “*MENAFATF participation in organizing any events held by the FATF*”, the joint FATF/MENAFATF Experts’ Meeting on Typologies was held in Doha, State of Qatar from 2 to 4 December 2013.



This meeting, the first-of-its-kind to take place in the region, was attended by a large number of experts and representatives of countries around the world as well as the regional and international organizations, which exceeded 180 participants from 40 countries and 14 regional organizations to discuss and study the patterns of ML/TF operations, the prevailing trends and how to address them. This event was a great opportunity for FATF, MENAFATF and the regional and international organizations alike to exchange information and expertise in many topics through the meetings and workshops related to the following typologies projects: Non-Profit Organizations, Financial flows linked to the illicit production and trafficking of Afghan drugs, ML through physical transportation of cash (joint FATF/MENAFATF project), Gold ML/TF Risks and Vulnerabilities (joint FATF/APG project).

### **Joint FATF/MENAFATF typologies project: Money laundering through physical transportation of cash**

In the light of MENAFATF work plan for 2013, the MENAFATF Secretariat - following the plenary approval – proposed to the FATF Secretariat a joint typologies project during the FATF/TATWG meeting held in Paris, October 2013. The FATF Plenary meeting approved and launched immediately the project and called it” ML through physical transportation of cash”. The project is expected to be completed in February 2015.

The project is highly important in the absence of any comprehensive studies on the subject except few limited studies on detecting and preventing the illicit cross border transportation of cash and bearer negotiable instruments. Therefore, many countries have supported the proposal during the meeting by providing and gathering information and statistics, submitting cases studies and effectively participating and joining the Working Group.

This project will contribute in the MENA region to:

- Assist the countries better understand the issue.
- Assist the countries improve the capacities of detecting and preventing.
- , Enhance MENAFATF efforts in fighting money laundering through smuggling cash money.

### **Joint Work paper on Best Practices on the technical assistance and training – APG/MENAFATF, 20 November 2013**

In October 2012, APG and MENAFATF agreed to cooperate in co-leading a project on the paper of Best Practices with regard to technical assistance and training in order to identify how FSRBs and other regional and international bodies invest their available resources in coordinating technical assistance and the efforts of capacities building. Based on GNCG statement during the plenary meeting held in October 2012, the technical assistance is among the key tasks of many FSRBs. It is useful to obtain a set of Best Practices on the role of FSRBs in providing technical assistance and identifying the needs of each and providing them within the appropriate time and in an effective manner. Such paper will help the donors coordinate their activities for optimum benefit of the resources available and provide opportunities for cooperation and assistance. The paper is expected to be ready by June 2014.

## **Joint EAG/MENAFATF Experts Meeting on Typologies, Last quarter of 2014**

The 18<sup>th</sup> Plenary held in Manama, Kingdom of Bahrain (November 2013) approved to hold a joint EAG/MENAFATF workshop Experts' Meeting on typologies during the last quarter of 2014. The State of Qatar will host the meeting in the second half of December 2014.

## SECTION 3

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

1

#### Technical Assistance and Training

The technical assistance and training are regarded as core elements of MENAFATF work program to assist member countries implement the international AML/CFT standards. Identifying the needs of member countries in technical assistance and training and providing such assistance are considered one of the most remarkable tasks the Secretariat undertakes in collaboration with the TATWG and in coordination with the donors. Based on the needs of the members, the Secretariat coordinates and holds bilateral meetings with the country requesting the assistance and the donors in order to establish plans for the provision of such assistance and agree on the implementation timetable. Year 2013 was full of activities related to technical assistance and training: MENAFATF provided various programs and participated in organizing different events in this respect. Within the scope of the training plan for 2012-2014 adopted by the 14<sup>th</sup> plenary meeting (Algeria, November 2011), many specialized programs were implemented and included the following:

#### **Workshop for Training Supervisors of Non-Banking Financial Institutions on AML/CFT Compliance Supervision**



The Workshop targeted various professional levels (as well as supervisory professionals and employees of onsite/offsite inspection of non-banking financial institutions, specifically insurance and securities institutions), from 11 to 13 March 2013 in Tunis, Tunisian Republic. The workshop was jointly organized between the Middle East and North Africa Financial Action Task Force

(MENAFATF) and the World Bank (WB) in collaboration with the Tunisian Financial Analysis Committee (CTAF) and with the support of the USA. 34 participants attended the workshop representing the following countries: Jordan, UAE, Tunisia, KSA, Iraq, Oman, Qatar, Kuwait, Libya, Morocco and Yemen.

### **Workshop on the Effective Implementation of United Nations Security Council Resolutions and the relevant United Nations Conventions and International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation**

A workshop was held in Amman, Hashemite Kingdom of Jordan on 2 & 3 October 2013 on the requirements of Effective Implementation of United Nations Security Council Resolutions and the relevant United Nations Conventions and International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation. The workshop targeted various functional levels from the concerned entities such as: legislative and supervision authorities, Law enforcement authorities, Public Prosecution, Ministry of Foreign Affairs and FIUs. The workshop was held in cooperation with AMLU Jordan and the United Nations CTED and was attended by 48 experts from the following member countries: Jordan, United Arab Emirates, Bahrain, Tunisia, Saudi Arabia, Iraq, Oman, Palestine, Qatar, Kuwait, Lebanon, Libya, Egypt, Morocco and Yemen.

Security Council resolutions related to combating money laundering, terrorism financing and proliferation and the mechanisms of implementation have gained great audience attention, particularly the mechanism of freezing and confiscating funds of terrorists and terrorist groups. The workshop revealed that MENA countries are aware how important it is and required to effectively implement Security Council resolutions in combating terrorism and freeze terrorist assets; the countries are currently endeavoring towards improving their regulations and laws to better respond to the requirements of such resolutions despite the many challenges that arise.



## Training programs and workshops expected for 2014

| Topic  | Targeted Category  | Host Country                |
|--|--|-----------------------------|
| Training workshop on the role of supervisors – DNFBPs supervisors          | Various functional levels to include supervisors and employees of onsite and offsite inspection departments  | TBD                         |
| Workshop on assessors training   | Various functions levels of employees working in the regulatory area over the financial and banking sector and other professions or in the implementation of law rules or in financial investigation | United Arab Emirates        |
| Workshop on the revised recommendations and the new assessment methodology | Various functional levels: LEAs, FIUs, legal, financial/regulatory decision makers and those who take part in the changes of AML/CFT regulations   | Hashemite Kingdom of Jordan |
| Training workshop on the role of private sector-Banks                      | Various functional levels and may include: Senior officials and compliance officers  | Hashemite Kingdom of Jordan |
| Training workshop on the role of private sector – Insurance and Securities | Various functional levels (Senior officials and compliance officers)   | Kingdom of Morocco          |
| Training workshop on the role of private sector – DNFBPs                   | Various functional levels (Senior officials and compliance officers)   | TBD                         |
| Workshop on the revised recommendations and the new assessment methodology | Various functional levels: LEAs, FIUs, legal, financial/regulatory decision makers and those who take part in the changes of AML/CFT regulations.  | United Arab Emirates        |

### Training Plan on FIUs needs

The 18<sup>th</sup> plenary meeting held in Manama, Kingdom of Bahrain, November 2013 adopted the proposed training plan on FIUs training needs. The Sub-committee has drafted a work plan and strategy to develop specialized training material for FIUs employees. Such plans include a set of implementation mechanisms, which cover among others: to identify the topics for which the Committee will seek to draft training material, highlighting in parallel the importance of each and the priority assigned to each in cooperation with the TATWG, each within the area of his

expertise. The training plan include FIUs needs during 2014-2015 based on the findings of the training needs study adopted by the TATWG at its 17<sup>th</sup> meeting held on 25 November 2013.

### **Training Plan on FIUs needs**

| <b>Years</b> | <b>Subject of the Event</b>  | <b>Targeted Audience</b>   | <b>Hosting Country</b> |
|--------------|--|--|------------------------|
| 2014         | FIU role in ML/TF national risk assessment and Risk Based approach (RBA)   | Various functional levels in the concerned entities, to include FIU staff, representatives of Central Banks and Public Prosecution | Lebanese Republic      |
|              | Information Technology and database privacy in the FIU   | Various functional levels to include: FIUs personnel and the related IT departments or their delegates                             | Republic of Sudan      |
|              | FIU cooperation with national counterparts and effectiveness of exchange of information on the international level                                       | Various functional levels in the concerned entities, to include FIU staff, Central Banks and Public Prosecution                    | TBD                    |
| 2015         | Analytical software and Operational analysis of suspicious transactions  | FIU Various functional levels, to include staff of financial analysis departments.   | United Arab Emirates   |
|              | Assessing the effectiveness of the Reporting System and the information and data required in the FIU report issued to the Public Prosecution authorities | Various functional levels in the FIUs (senior management officials and compliance officers)  | Republic of Iraq       |

#### **Project on: “Proceeds of forgery & counterfeiting of financial instruments and documentary Letters of Credit (LCs) and their relation with ML/TF”.**

The 18<sup>th</sup> plenary meeting held in the Kingdom of Bahrain in November 2013 adopted the typologies report on “Proceeds of forgery & counterfeiting of instruments and documentary credits and their relation with ML/TF” in which most of the member countries have participated in providing information and case studies. The report revealed that forgery and counterfeiting crimes occur by forging and counterfeiting currencies and documents such as personal and bank

checks, credit cards, swift messages and others. Criminals exploit the legal loopholes and technical deficiencies to achieve their illicit targets. The study indicated the presence of many techniques on which money launderers rely in laundering proceeds of forging and counterfeiting financial tools, mainly buying banking tools then submit them as mortgage guarantee, opening accounts with forged powers of attorney, withdrawing funds generated from forgery by transfers, checks, cash withdrawals or forging personal and bank checks. On the other side, the report highlighted the area of misusing documentary credits and their relation to ML crimes, considering that the criminal misuse of documentary credits occurs via forging LC documents and that proceeds of forgery are outputs of ML operations; knowing that forging facts occurs when altering the information related to the quantity or price or quality of imports or exports. The report concluded a set of recommendations about the best techniques on how to counter the laundering of the proceeds of forgery & counterfeiting of financial tools and documentary credits.

### **Update of typologies project on ML/TF trends and indicators**

The TATWG discussed in its 16<sup>th</sup> meeting held on the margin of the 17<sup>th</sup> plenary in Khartoum, Sudan (April 2013) a set of items, the most important being: “ML/TF trends and indicators - Update”. The 17<sup>th</sup> plenary meeting adopted the typologies project based on the Group recommendation. The project focused on analyzing the recent information on ML/TF indicators in the MENA region and comparing them with those identified in the project in 2010. The report concluded many findings to name most importantly, on ML cases compared to 2010, ongoing ML trends through the techniques of deceit, fraud, illicit trafficking in drugs, misuse of banks and exchange companies, recurrence of funds transfer and funds deposit in banking accounts as the most available ML techniques in the region. The recent trends which were mentioned in some cases include: the use of internet to conduct suspected banking transfers and the use of ATMs for withdrawal and deposits.

### **Procedures on issuing “MENAFATF biennial typologies report” as of 2014**

The 18<sup>th</sup> plenary meeting (Manama, Kingdom of Bahrain, November 2013) adopted the procedures related to issuing a biennial typologies report as of 2014. The biennial typologies report represents one of the most important outputs of the 3<sup>rd</sup> strategic plan for years 2013-2015 and one of the mechanisms to achieve the 3<sup>rd</sup> objective: “*Identify and study the most recent ML/TF trends and techniques and determine the best regional solutions to face them*”.



## Financial Statements



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

5 June 2014

**Report on the financial statements**

We have audited the accompanying financial statements of Middle East And North Africa Financial Action Task Force (the "Organization"), which comprise the statement of financial position as at 31 December 2013, the statements of income and expenditure, changes in funds and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Responsibility of the management for the financial statements*

The management of the Organization is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies set out in note 3 to the financial statements, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements of the Organization for the year ended 31 December 2013 are prepared, in all material respects, in accordance with the basis of preparation described in note 2 to the financial statements.

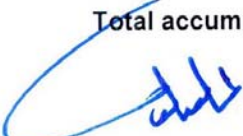
*Other matter – restriction on use*

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

STATEMENT OF FINANCIAL POSITION  
As at 31 December 2013

Bahraini Dinars

|  | Note | 2013           | 2012    |
|--|------|----------------|---------|
| <b>ASSETS</b>                                    |      |                |         |
| <b>Non-current assets</b>                        |      |                |         |
| Furniture, equipment and vehicles                | 5    | 14,870         | 21,680  |
| <b>Total non-current assets</b>                  |      | <b>14,870</b>  | 21,680  |
| <b>Current assets</b>                            |      |                |         |
| Members contribution receivables                 |      | 845            | 1,354   |
| Prepayments and other receivables                |      | 890            | 586     |
| Cash and cash equivalents                        | 6    | 553,315        | 536,165 |
| <b>Total current assets</b>                      |      | <b>555,050</b> | 538,105 |
| <b>Total assets</b>                              |      | <b>569,920</b> | 559,785 |
| <b>ACCUMULATED FUNDS AND LIABILITIES</b>         |      |                |         |
| Accumulated funds                                |      | 143,691        | 212,735 |
| <b>Total accumulated funds (page 4)</b>          |      | <b>143,691</b> | 212,735 |
| <b>Liabilities</b>                               |      |                |         |
| <b>Non-current liabilities</b>                   |      |                |         |
| Provision for employees' leaving indemnities     | 7    | 46,685         | 21,547  |
| Provision for employees' end of service benefits | 8    | 50,485         | -       |
| <b>Total non-current liabilities</b>             |      | <b>97,170</b>  | 21,547  |
| <b>Current liabilities</b>                       |      |                |         |
| Trade payables                                   |      | 9,164          | 19,941  |
| Accruals and other payables                      | 9    | 319,895        | 305,562 |
| <b>Total current liabilities</b>                 |      | <b>329,059</b> | 325,503 |
| <b>Total liabilities</b>                         |      | <b>426,229</b> | 347,050 |
| <b>Total accumulated funds and liabilities</b>   |      | <b>569,920</b> | 559,785 |



Adel Al Qulish  
Executive Secretary

The management approved the financial statements consisting of pages 2 to 11 on 5 June 2014.

**STATEMENT OF INCOME AND EXPENDITURE**  
**For the year ended 31 December 2013**

Bahraini Dinars

|  | Note | 2013             | 2012      |
|--|------|------------------|-----------|
| <b>INCOME</b>  |      |                  |           |
| Contribution from members                              |      | 435,940          | 427,738   |
| Other income   |      | 1,070            | 454       |
| <b>Total income</b>                                    |      | <b>437,010</b>   | 428,192   |
| <b>EXPENDITURE</b>                                     |      |                  |           |
| Direct costs   | 10   | (417,447)        | (297,933) |
| General and administrative expenses                    | 11   | (80,729)         | (60,479)  |
| Depreciation   | 5    | (7,878)          | (7,419)   |
| <b>Total expenditure</b>                               |      | <b>(506,054)</b> | (365,831) |
| <b>(Deficit) / surplus of revenue over expenditure</b> |      | <b>(69,044)</b>  | 62,361    |

Adel Al Qulish  
 Executive Secretary

The management approved the financial statements consisting of pages 2 to 11 on 5 June 2014.