

Sixth Annual Report

# 2010



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

**MENA F A T F**  
مينا فاتف  
GAFIMOAN

# 2010 Sixth Annual Report

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## FOREWORD BY MENAFATF PRESIDENT



The Middle East & North Africa Financial Action Task Force (MENAFATF) is six years old. Despite the short period of its establishment, it is worth mentioning that those years abounded with offering and achievements made through efforts which are aimed at its formation and at building the structures. That was subsequently followed by endeavors to help the FATF in the field of AML/CFT, by conducting the mutual evaluation and follow-up operations and by enriching the international and regional experience, thanks to the serious and continuous work in the field of typologies, training and increase of awareness.

I would like to focus in this regard on the distinguished role played by the executive secretariat which is the mainstay of the MENAFATF not only in terms of facilitating the work of our various structures but also in terms of providing the requisites of sustainability and continuity, which consequently makes it necessary to assist and support it continuously.

The MENAFATF was able to assert its presence in the region during its years of establishment and to prove itself as an efficient regional entity engaged in AML/CFT. This is established by the increase of the number of

and observers, as well as the number of new applications for accession to the MENAFATF; which indicates the importance of such space for the structures and authorities working in this field.

It is worth mentioning the importance we gave to the accession of the Arab Monetary Fund to the MENAFATF, which is regarded as a necessity that matches the objectives of the MENAFATF with the purposes of the Fund, in light of the positive effects the combating of these two crimes has, in order to achieve more stability and safety in the banking financial markets of the region and to continue the economic growth path successfully.

During 2010, the Tunisian presidency sought to lay new grounds in the MENAFATF, including mainly the distinguished results reached at the first joint plenary meeting between the MENAFATF and the FATF, which was hosted by the United Arab Emirates and the strategic plan of the Tunisian presidency which was adopted by the MENAFATF plenary meeting, in addition to the launching of the FIUs forum initiative, the arrangement for the second MENAFATF ministerial meeting, as well as the issuing of a semi-annual newsletter for the MENAFATF through which we hope to achieve a better communication between us and to shed the light on the major developments related to the MENAFATF.

We also sought to include the AML/CFT issue in the agenda of the central banks governors councils and the Arab monetary institutions at the 34th round of the meeting, held in Tripoli, in the Great Socialist People's Libyan Arab Jamahiriya on September 16, 2010 and which decision was complementary to an exhaustive discussion about the subject at the general session of the AMF held in Khartoum in April 2010. This decision is reflected in the invitation of the Arab countries to give the AML/CFT issue the sufficient attention, in the development of

member countries the legal legislations and regulations, consistently with the prevailing international standards and in their invitation to efficiently contribute in the development of the international standards and procedures in this regard.

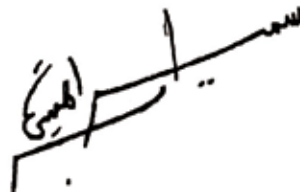
One of the main significances of this decision is that it reveals the indications of interaction which bodes well between the AMF and the MENAFATF, to which we wish continuity and persistence and it paves the way for ensuring the conditions of success for the high level ministerial meeting planned to be held soon.

The completion of the first round of the mutual evaluation operation in the near future prepares for a new phase in the journey of MENAFATF. Thus, we should all be well-prepared for it according to a leading approach which takes into account the paths created in the international environment, including mainly the review of standards and methodology of evaluation and the emphasis on the combating process.

In this context, we sought, through the Tunisian presidency, to demonstrate this leading approach by proposing a material content for it which was ratified by the MENAFATF plenary meeting in order to support its structures and work methods, to increase its credibility and to give it a positive and effective standing in its international and regional surrounding.

Even if this review process is part of a natural course for the development of the international regime on the basis of the experience gained in the field and in preparation of the fourth round of the mutual evaluation process at the FATF, its anticipated content will reflect the new reference upon which the degree of compliance of the local regimes with the international standards is based; which lays new wagers on the MENAFATF states and urges them to keep abreast with these changes in a timely manner.

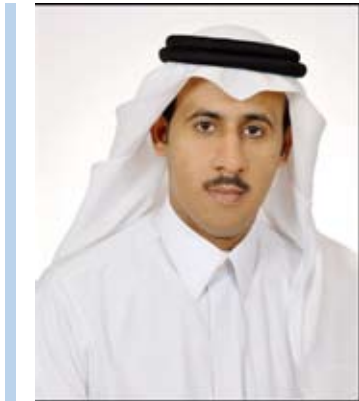
Best Regards,



**Mr. Samir Ibrahim**

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

## **FOREWORD BY THE EXECUTIVE SECRETARY**



It is my honor, that you have been provided with the 6th annual report that sheds the light on the achievements accomplished in 2010.

During the past decades, the International Community gave outstanding attention to fight against money laundering (ML) and terrorism financing (TF), knowing the related negative effects and risks imposed on different levels. The MENAFATF has interacted with this international trend, as it has adopted and applied many regional mechanisms and procedures and provided expertise and information to combat ML/TF and enhance the compliance of member countries with the international standards in this regard.

The year 2010 witnessed an important event for the MENAFATF whereby the first joint meeting with the FATF has been held in Abu Dhabi, the UAE, 17-19 February 2010. This meeting means a lot to the MENAFATF and its member countries; on one part, it highlights the close relation that links the MENAFATF being an FSRB with the FATF; on the other part, the joint meeting is considered a departure towards new horizons on the level of the international efforts aiming at fighting ML/TF. It is as well a special opportunity for more direct communication with the FATF concerned with issuing the international recommendations.

During the said meeting, many important subjects were discussed – within the joint session that was presided by the MENAFATF – such as the initiatives taken by the MENAFATF and the member countries and the challenges related to AML/CFT, such as those are related to the SR. IX: cross border physical transportation of funds, in addition to the view of the MENAFATF on the review process undertaken by the FATF to the international AML/CFT standards which is done within the framework of the preparations for the 4th round of ME process.

In assertion of the importance of the ME process for the AML/CFT regimes applied in the member countries for measuring their compliance with the international standards, the MENAFATF continued to implement the timeline of the first round of the ME in 2010, whereas the MERs for two member countries: Kingdom of Saudi Arabia (Jointly with the FATF) and the People's Democratic Republic of Algeria; both reports were adopted and published on the MENAFATF website, making the total number of countries whose MERs have been adopted rise to 13. Moreover, MENAFATF has made the onsite visit to the Sultanate of Oman (Jointly with the FATF) and the State of Kuwait (by the IMF) for evaluating their AML/CFT regime.

Within the framework of following up on the efforts of the countries whose MERs were adopted to take corrective steps, to identify and address weaknesses and deficiencies in their AML/CFT regimes, the MENAFATF adopted the follow-up reports for 7 countries.

As the MENAFATF desires to continue to play its role in terms of training in order to assist the countries and strengthen their efforts, it held the phase 1 of the regional joint workshop with the WB on training the banks supervisors on monitoring the compliance with AML/CFT measures during the period 6-7 May 2010 (on the margin of the 11th plenary meeting held in Tunisia), which was attended by 57 participants who represented

17 member countries and the Palestinian Authority and who were all mostly from the Central Banks or FIUs.

In addition to the foregoing, the MENAFATF has continued its work on the typologies project on “the Trends and Indicators of AML/CFT in the MENA region”, the main objective of which is gathering and scrutinizing information on the indicators and trends of AML/CFT in the MENA, whereas a number of cases were analyzed and a paper on the results of that analysis was drafted and then discussed by the Typologies Expert Group (TEG) in a workshop held in Qatar in January 2010. The final report of the project was presented to the TATWG meeting, held on the margin of the 12th MENAFATF Plenary meeting (Doha, State of Qatar, November- December 2010) and was adopted by the Plenary meeting and published on the MENAFATF website.

The TATWG’s recommendation on the current typologies project on “Illicit trafficking in narcotic drugs and psychotropic substances” was approved as well. The project aims at increasing the understanding of the nature of such crime, its scope and the related risks, identifying the most modern means used in cultivating, smuggling and illicit trafficking in narcotic drugs and psychotropic substances, and identifying as well the most used ML techniques to launder the proceeds of illicit trafficking in narcotic drugs and psychotropic substances, and develop better means to support the efforts of the concerned parties to combat both the crime of illicit trafficking in narcotic drugs and psychotropic substances and laundering the proceeds there from and assist them in performing their role efficiently to trace the criminals.

The year 2010 witnessed the activation of the MENAFATF initiative for establishing the forum of “the FIUs of the MENAFATF Countries”, approved by the 10th MENAFATF Plenary meeting for facilitating the cooperation among the said FIUs and exchanging necessary expertise to deal with similar challenges they may face and adopt suitable methods to overcome them. Its 1st meeting was held on the margin of the 11th MENAFATF Plenary meeting and the 2nd meeting of the forum was held on the margin of the 12th Plenary meeting (State of Qatar, November-December 2010).

Before closing my speech, I would like to welcome once again the Arab Monetary Fund (AMF) which has obtained the observer status at the MENAFATF in 2010; This joining has a great importance as both the MENAFATF and the AMF meet in their objectives in the area of AML/CFT in achieving stability and safety in the financial and banking markets in the region.

At the end, I express my thanks and appreciation for everyone who contributed in helping the MENAFATF achieve its pursued objectives, especially Mr. Samir Ibrahim, as the MENAFATF President representing the Republic of Tunisia during 2010. Moreover, I would like to thank all the MENAFATF Secretariat employees. I also wish all the success for Mr. Abdul Magid Amghar, as the President, representing the People’s Democratic Republic of Algeria during 2011 and to Dr. Abdul Rahman Bin Abdul Mohsen Al Kalaf, as the Vice President for the MENAFATF, representing the Kingdom of Saudi Arabia.

At the end, I am honored to express my thanks and gratitude for all MENAFATF member countries and observers for their fruitful and constructive cooperation.

I ask God to extend the progress and advancement of this group and to always crown all our work and efforts with success.



**Adel H. Al Qulish**

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

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First: Overview of MENAFATF.

## 1- Foundation and Establishment.

As the countries of the Middle East and North Africa are aware of the risks provoked by the ML/TF operations and that it is possible to confront these risks effectively through regional cooperation, keeping up with an international convoy and responding to the FATF initiative to call for the creation of FATF Style Regional Bodies, 14 countries from the MENA region decided to establish the MENAFATF<sup>(1)</sup> in November 2004 for AML/CFT and promote and implement international AML/CFT standards in the region.

Whereas, on November 30, 2004, a ministerial meeting was held in Manama in the Kingdom of Bahrain and decided to create MENAFATF, and the member countries signed the Memorandum of Understanding for the establishment of the MENAFATF. Item 2 of the MOU provides that «MENAFATF is voluntary and co-operative in nature and is established by agreement between its members. It does not derive from an international treaty. It is independent of any other international body or organization and sets its own work, rules and procedures. Its work, rules, and procedures will be determined by consensus between its members and it will co-operate with other international bodies, notably the FATF to achieve its objectives».

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

During the said ministerial meeting, member countries agreed that the positions of President and Vice-President shall be assigned in rotation following the first two years, according to the Arabic alphabetical order, starting with the Hashemite Kingdom of Jordan, which will assume the presidency of MENAFATF in 2007. The Republic of Lebanon assumed the presidency in the first year (2005), while Egypt took this position in the 2nd year (2006).

During the same meeting, member countries also decided to appoint Mr. Adel Hamad Al-Qulish from the Kingdom of Saudi Arabia, as Executive Secretary of MENAFATF for a period of four years that may be renewable once. He was re-elected for another term of 4 years as of 2009.

## 2- MENAFATF Secretariat Headquarter

The Kingdom of Bahrain is the headquarter of the MENAFATF Secretariat and is supporting it. It has hosted the ministerial meeting during which the MoU was signed and by which the MENAFATF was established. The Kingdom of Bahrain bore the expenses of the Secretariat for the first 5 years since its establishment.

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<sup>1</sup>The MENAFATF in this report stands for the Middle East and North Africa Financial Action Task Force.

In its assertion for the MENAFATF support, the headquarter agreement was approved and became applicable in 2009 and came whereby it has been approved by both the Shura Council and the Parliament, and ratified by the King of Bahrain; he has issued as well law No. (5)/2009 to ratify the agreement on March 26, 2009 and was published in the official gazette on April 2, 2009.

It is worth mentioning that the headquarter agreement providing MENAFATF with all the facilities necessary for the completion of its mission and allowing it to freely deal with different parties as it is deemed a regional organization and its staff enjoy the diplomatic status.

### **3- MENAFATF Objectives.**

The MOU - pursuant to which MENAFATF was created – provides for six objectives which MENAFATF will work towards achieving:

- 1- To adopt and implement the 40 Recommendations of the FATF against money laundering;
- 2- To adopt and implement the Special Recommendations of the FATF against terrorist financing;
- 3- To implement the relevant UN treaties and agreements and United Nations Security Council Resolutions dealing with countering money laundering and terrorist financing;
- 4- To co-operate together to raise compliance with these standards and measures within the MENA Region and to work with other international organizations to raise compliance worldwide;
- 5- To work together to identify money laundering and terrorist financing issues of a regional nature, to share experiences of these problems and to develop regional solutions for dealing with them; and
- 6- To build effective arrangements throughout the region to combat effectively money laundering and terrorist financing in accordance with the particular cultural values, constitutional framework and legal systems in the member countries.

### **4- MENAFATF Structure and Funding.**

#### **4/1 MENAFATF Structure.**

MENAFATF comprises two bodies: the Plenary and the Secretariat.

The Plenary. The Plenary is composed of appointed representatives by member countries and who have an experience in AML/CFT issues. The Plenary sets the structure of the organization, and will be the decision making body of MENAFATF and executes its work plan.

Item 8-4 of the MOU provides that the Plenary will meet at least once a year and will have the following functions:

- To determine MENAFATF policy;
- To determine MENAFATF rules and procedures;
- To approve the annual report, work plan, and budget for the organization;
- To appoint the Executive Secretary and approve the Secretariat's structure and other functions;
- To appoint an independent auditor;
- Decide upon new members and observers;
- Consider mutual evaluation reports of members' compliance with FATF standards;

- To identify technical assistance needs of member States and co-ordinate delivery of such assistance needs of member States and co-ordinate delivery of such assistance with countries and international and regional organizations providing such assistance; and
- To establish working groups if needed to undertake special tasks.

The Secretariat: MENAFATF Secretariat, located in Manama in the Kingdom of Bahrain, fulfills all technical and administrative functions to perform MENAFATF work, as follows – according to item 9-4 of the MOU. The Secretariat will carry out the following functions:

- To prepare drafts of the annual report, financial reports, work plan and budget for the Plenary;
- To implement the work programme as approved by the Plenary;
- To submit to the Presidency, members and observers a regular progress report;
- To administer the approved budget;
- To co-ordinate mutual evaluation exercises;
- To identify the training and technical assistance needs of member states and facilitate the provision of appropriate technical assistance;
- To liaise with other organizations and countries involved in combating money laundering and terrorist financing;
- To monitor worldwide AML/CFT developments and provide appropriate information to the Plenary; and
- To carry out any other functions assigned by the Plenary.

The 4th MENAFATF Plenary Meeting that was held in the UAE in November 2006 has adopted the Secretariat Organizational Structure which forms the best way to provide the Secretariat with the suitable human cadres to fulfill its tasks. Since, the secretariat will be the core coordinator of all activities and shall utilize the countries assigned resources to achieve its objectives.

#### 4/2 Funding.

Item 5 of the MOU provides that MENAFATF activities will be funded by contributions from its members on the basis agreed by the Plenary, and that the Kingdom of Bahrain, as host country for the Secretariat, has offered to meet reasonable start-up costs for creating the MENAFATF Secretariat and reasonable operating costs for a period of 5 years from the date of the MENAFATF Secretariat commencing its operations. The 3rd MENAFATF Plenary, which was held in Cairo, Egypt, in March 2006, emphasized that the contributions of member countries in funding MENAFATF would be on an equal basis, according to the estimated budget the Secretariat would have submitted.

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

#### 5- Members and Observers.

The number of MENAFATF member countries is 18 namely, the Hashemite Kingdom of Jordan, the United Arab Emirates, the Kingdom of Bahrain, the Republic of Tunisia, the People's Democratic Republic of Algeria, the Kingdom of Saudi Arabia, the Republic of Sudan (joined in 2006), the Arab Republic of Syria, the Republic of Iraq (joined in 2005), the Sultanate of Oman, the State of Qatar, the State of Kuwait, the Republic of Lebanon, the Great Socialist People's Libyan Arab Jamahiriya (joined in 2008), the Arab Republic of Egypt, the Kingdom of Morocco, the Islamic Republic of Mauritania (joined in 2005) and the Republic of Yemen.

The observer status is granted to 14 countries, organizations, and entities namely, the Palestinian Authority (joined in 2006), the Republic of France, the United Kingdom of Great Britain and North Ireland, the USA, the Kingdom of Spain (joined in 2006), the International Monetary Fund (IMF), the World Bank, the Gulf Cooperation Council (GCC), FATF, the UN Office on Drugs and Crime (UNODC), Egmont Group and Asia-Pacific Group (APG) (joined in 2007), and the World Customs Organization (joined in 2008) and Arab Monetary Fund (joined in 2010).

## **6- Criteria for Accession to MENAFATF Membership.**

The 4th MENAFATF Plenary meeting adopted the following accession criteria to its membership:

- 1) The applicant country should belong to the MENA region.
- 2) The applicant country should have laws promulgated to combat money laundering and financing of terrorism, or at least laws are underway to take efficient steps and arrangement to promulgate them.
- 3) The applicant country should apply or be taking steps and measures to commit to the implementation of UN conventions and Security Council Resolutions relevant to AML/CFT.
- 4) The applicant country should adopt the FATF 40 Recommendations relevant to AML, as well as the 9 Special Recommendations relevant to CFT, or any upcoming amendments.
- 5) The accession of this country should not affect the MENAFATF competent and efficient work.

## **7- Criteria for Holding an Observer Status at MENAFATF.**

The 4th MENAFATF Plenary meeting adopted the following accession criteria to of holding observer status:

- 1) The country should be outside the region, and be compliant with AML/CFT international criteria.
- 2) The applicant country should enjoy rich experience in AML/CFT, and it should define the objectives sought behind holding an observer status at the MENAFATF, the results that would benefit it, the fields in which it could ensure support and assistance to the MENAFATF in its work, as well as the expected benefits for the MENAFATF if it held an observer status.
- 3) The country should be from the region, where it applied for the MENAFATF membership which has not been decided yet.
- 4) The organization should be international or regional, and it should not work according to private sector mechanisms.
- 5) The organization should be experienced in AML/CFT and should determine the objectives sought behind holding an observer status at the MENAFATF, the results that would benefit it, the fields in which it could ensure support and assistance to the MENAFATF in its work, as well as the expected benefits for the MENAFATF if it held the observer status.
- 6) The applicant organization should have a prominent role in the field of its work.
- 7) Holding the post of an observer at MENAFATF by a country/organization should not affect the MENAFATF continuous competent and efficient work.
- 8) It should be one of the counterparts FATF Style Regional Bodies that has granted the status of "Associate Member" in FATF, and it should approve of the reciprocity principle through offering MENAFATF the observer status.

## Second: Mutual Evaluation.

Item 11-1 of the MOU provides that the Plenary will establish an ongoing program of mutual evaluation coordinated by the Secretariat in which all members agree to participate. MENAFATF implements the first round of evaluation of its member countries to assess their compliance with the FATF 40 Recommendations on AML and the 9 Special Recommendations on CFT, by using the AML/CFT Methodology of 2004 and any amendments thereof.

The ME aims to assess the current AML/CFT systems of each country, by a group of experts specialized in AML/CFT. The ME process requires assessors to examine and review all AML/CFT laws and regulations currently applied in the country subject to evaluation, in order to evaluate their efficiency and compliance with the international standards

### 1- The Mutual Evaluation Working Group (MEWG)

The MEWG was created at the first Plenary under the chairmanship of Egypt and its membership now includes Jordan, UAE, Tunisia, Algeria, Sudan, KSA, Syria, Kuwait, Lebanon, Yemen and Morocco. In addition to the IMF, the World Bank and the FATF as observers. This WG aims at working with MENAFATF Secretariat to prepare and organize the Mutual Evaluation program of MENAFATF member countries. The MEWG fulfills the following tasks:

- 1- Be responsible for the preparation and review of the ME procedures and process, using the AML/CFT methodology approved by the FATF, IMF, and World Bank, and the submission thereof to the Plenary.
- 2- Cooperatively work to ensure that there is a mutual understanding on the methodology used in accordance with the concepts agreed upon by FATF, IMF and the World Bank.
- 3- Prepare standards and criteria for the skills and qualifications assessors must have.
- 4- Prepare and update the timeline of the member countries' mutual evaluation, in cooperation with other financial institutions to avoid duplication or contradiction among members' mandates.

5- Work toward increasing assessor's effectiveness and efficiency in coordination with the style working groups.

6- Study the whole results of the member countries' mutual evaluation to identify weaknesses or root problems in the arena of combating money laundry and terrorist financing which require special attention and present proposals needed to overcome these problems. It shall then submit the resultant material to the Plenary.

7- Follow up on the regional and international developments in the ME and international cooperation field and suggest the needed.

The MEWG held in 2010, 3 meetings: the 13th meeting (Damascus, Arab Republic of Syria, 11-13 April 2010), the 14th meeting (Tunisia, Republic of Tunisia, 2 May 2010) and the 15th meeting (Doha, State of Qatar, 29 November 2010).

During the meetings, the team discussed a number of important, technical issues about the ME, followed the developments that occurred in this regard and submitted its recommendations regarding them to the Plenary. Among the issues the team discussed:

- The developments of the study made by the FATF to the follow up process with FSRBs.
- Revised ME procedures.
- Extending the scope of MEWG work to include the follow up of regional and international developments in the ME and international cooperation field and suggest the needed.
- Adopting the ME key principles issued by the FATF.
- Invigorating the MENAFATF role in relation to the participation in the review of FATF recommendations and criteria within the preparation for the 4th ME round by establishing a permanent technical committee.
- Remarks and suggestions on the current mechanism of the ICRG in the FATF.
- Timeline of ME and follow up processes.
- MEWG mandate with the expansion of the membership.
- MEWG procedures for the 2nd round including the objectives of the ME 2nd round and the graduated actions that can be applied within the enhanced follow up process.

## 2- First Round of the Mutual Evaluation Process

The MENAFATF kept on implementing the timeline of the ME, whereas 2 MERs were adopted in 2010. Moreover, two onsite visits were completed according to the following:

### 2/1 The MER of the Kingdom of Saudi Arabia.

A team of assessors composed of staff of the FATF secretariat and some member countries and MENAFATF secretariat and some member countries assessed the AML/CFT system in the Kingdom of Saudi Arabia by using the AML/CFT methodology for 2004 and as updated in 2008. The on site visit was made during the period from 1-11 March 2009. During the mission, the assessment team met with officials and representatives of all relevant government agencies and the private sector. The assessment team considered all the materials supplied by the authorities, the information obtained on site and other verifiable information subsequently provided by the authorities.

The assessors reviewed the institutional framework, the relevant AML/CFT laws, regulations, guidelines and other requirements, and the regulatory and other systems in place to deter and punish money laundering (ML) and the financing of terrorism (FT) through financial institutions and Designated Non-Financial Businesses and Professions (DNFBP). The assessors also examined the capacity, implementation, and effectiveness of all these systems.

The MER provides a summary of the AML/CFT measures in place in Saudi Arabia at the time of the mission or shortly thereafter. It describes and analyzes those measures, sets out KSA's levels of compliance with the FATF 40+9 Recommendations and provides recommendations on how certain aspects of the system could be strengthened. This report was presented to the MENAFATF 11th Plenary meeting held in Yasmine Hammamet, Republic of Tunisia, May 2010 and was adopted by it. The report was also adopted by the FATF plenary meeting which was held in Amsterdam, Netherlands in June 2010.

### 2/2 The MER of the People's Democratic Republic of Algeria.

A team composed of members of the MENAFATF Secretariat and some member countries experts in criminal law, law enforcement and financial issues assessed the AML/CFT system in Algeria. The evaluation of the AML/CFT regime of the People's Democratic Republic of Algeria (Algeria) was prepared using the AML/CFT Methodology 2004, as amended in February 2009. The evaluation team conducted the on-site visit during the period 6–17 December 2009 and met with officials and representatives of all relevant government agencies and the private sector. The assessment team reviewed the laws, regulations and other materials supplied by the People's Democratic Republic of Algeria and information obtained by the assessment team during its on-site and subsequently thereafter.

The assessment team reviewed the institutional framework, the relevant AML/CFT regulations, guidelines and other requirements, and the regulatory and other systems in place to deter money laundering (ML) and the financing of terrorism (FT) through financial institutions and Designated Non-Financial Businesses and Professions (DNFBP), as well as examining the capacity, the implementation and the effectiveness of all these systems.

The MER provides a summary of the AML/CFT measures in place in Algeria as at the date of the on-site visit or immediately thereafter. It describes and analyses those measures, sets out Algeria's level of compliance with the FATF 40+9 Recommendations and provides recommendations on how certain aspects of the system could be strengthened. This report was presented to the MENAFATF 12th Plenary meeting held in Doha, the State of Qatar, November 2010 and was adopted by it.

### 2/3 The onsite visit to the Sultanate of Oman.

A team of assessors composed from the FATF Secretariat and member countries in addition to other experts from some MENAFATF member countries and Secretariat specialized in criminal law, law enforcement and

regulatory issues paid an on-site visit to the Sultanate of Oman during the period 17-29 July 2010 to assess the country's AML/CFT regime. The MER will be submitted to the 13th plenary meeting that will be held in Kuwait, 3-5 May 2011 for discussion and adoption. It will be submitted as well to the FATF plenary meeting in June 2011.

## 2/4 The Onsite Visit to Kuwait.

A team consisting of members from IMF experts performed the onsite visit to Kuwait from 17 October to 1 November 2010. The MER will be presented to the 13th MENAFATF Plenary Meeting (expected to be held in Kuwait, 3-5 May 2011) for discussion and adoption; it will also be submitted to the FATF Plenary meeting which will be held in June 2011.

## 3- Assessors Training

The achievement of the mutual evaluation process requires training the experts of the member countries in the AML/CFT field on implementing the AML/CFT 2004 methodology issued by the FATF in measuring the extent to which the member countries comply with the FATF recommendations. For this reason, the MENAFATF always ensures to train and qualify a number of assessors through holding specialized workshops.

The MENAFATF held the 4th workshop in the Lebanese Republic from 3 to 7 October 2010 in collaboration with the Special Investigation Commission (SIC), the International Monetary Fund and the World Bank, whereas most of the member countries participated with their AML/CFT experts for training and qualifying them in order to enable them perform the evaluation process efficiently and effectively. Forty Five experts were trained in this workshop.



(Photo from the workshop)

## 4- Workshop to prepare Countries for ME

Aiming to prepare countries for the Mutual Evaluation during 2010 – 2011, a Joint MENAFATF/IMF Workshop was held on 22- 26 February 2010 for the Countries Undergoing a Mutual Evaluation/Assessment; namely (Oman, Kuwait, Sudan and Libya).

Participants of the workshop got a better understanding of the mutual Evaluation process, including timelines, processes and practical logistical issues, in addition to understanding the essential role of the coordinator in ensuring an effective and efficient evaluation process.

The participants were also introduced to the requirements of a high quality MEQ that reflects an appreciation of the international AML/CFT standards.

A draft plan for countries' mutual evaluation, including identification of key public and private sector stakeholders, and a draft schedule for the on-site mutual evaluation visit, were also presented during the workshop.

## Third: Technical Assistance, Training and Typologies.

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

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

- 1- Undertake detailed analysis – through the TEG - of particular available typologies information to produce useful and timely material on "typologies" methods and trends of ML/TF in the MENA region.
- 2- Prepare typologies material that will be published to enhance public and private awareness.
- 3- Organize typologies workshops on sanitized ML/TF cases occurring within the MENA region and identify typologies and indicators to participants.
- 4- Provide the needed training on ML/TF according to the member countries needs through the MENAFATF solely or in coordination with international and regional organizations or with other countries to enhance expertise experiences and promote awareness among MENAFATF's members.
- 5- Organize special seminars within the scope of MENAFATF work.
- 6- Compile training material and make it available to concerned public agencies as well as the private sector mainly banks and financial institutions of MENAFATF members.
- 7- Identify the needs of member countries with regard to technical assistance; determine the means and tools necessary to satisfy such needs; and facilitate the provision of technical assistance, either solely by MENAFATF or in coordination with countries and international and regional institutions that provide such technical assistance.
- 8- Exchange expertise and experience between member countries in relation to any changes that might occur to the legal, supervisory and institutional systems related to AML/CFT.

The TATWG held in 2010 its 10th meeting (Yasmine Hammamet, Republic of Tunisia, 2 May 2010) and 11th meeting (Doha, State of Qatar, 29 November 2010).

During both meetings, the TATWG has discussed a number of important technical issues in the technical assistance and typologies, followed up on related developments, and submitted its recommendations to the Plenary.

Among the issues the team has discussed:

- Issuing certificate of attendance of the events organized by the MENAFATF within the scope of Training Guide.
- Joint workshop with the WB on “Training the banks supervisors with regard to monitoring compliance with AML/CFT measures, Tunisia, 6-7 May 2010.
- Efforts and activities of the donors.
- The 4th assessors’ training workshop for 2010 in Lebanon (3-7 October 2010).
- Typologies report on “ML/TF trends and indicators”
- Proposed typologies report on “forgery and ML”.
- Proposed typologies report on “Illicit trafficking in narcotic drugs and psychotropic substances with ML”.
- Seminar on prosecution and jurisdiction in the Arab Republic of Syria, 29-31 March 2011.
- Regional conference on “cross border transportation of funds: Challenges, detection and combating, in the Arab Republic of Syria, 5 -7 June 2011.
- Draft revised copy of TATWG mandate and the joining of new members.
- Adding a new chapter on Charities to the “Training guide for different authorities in AML/CFT”.
- Phase 2 of the joint workshop with WB on “training banks employees and supervisors with regard to monitoring compliance with AML/CFT measures”.
- Holding bilateral meetings with some member countries that are seeking TA and with the donors.



## 2- Typologies Topics.

One of the main objectives of MENAFATF is to work together to identify ML/TF issues of a regional nature, to share expertise of such issues and to develop regional solutions for dealing with them. The identification of ML/TF methods and techniques are conducted through studying the proposals of member countries on Typologies topics. This is followed by the formation of working groups to gather information related to case studies and discuss them in special workshops.

### 2/1 “ML/TF Trends & Indicators in the MENA Region”

This topic aims mainly at gathering and detecting information on the ML/TF trends and indicators in the MENA region, and discussion of this information during a workshop before drafting a report on the results.

With regard to this project’s work plan, a number of cases were analyzed; a paper was drafted on that analysis; and the suspicion indicators were derived from these cases. Furthermore, the Typologies Experts Group discussed that paper in a workshop held in Qatar in January 2010. Such paper represented after being developed through the discussions held in the workshop the core of the final report of the “ML/TF Trends and Indicators in the Middle East & North Africa” project.

The report was submitted to the TATWG meeting which was held on the margin of the 11th MENAFATF Plenary, (Tunisia, May 2010). The TATWG submitted a recommendation to the plenary to postpone the adoption of the report; provided that the secretariat circulate the report to all member countries to state their opinions thereon then return it back to the Secretariat with 6 weeks at most to introduce the amendments required and submit it to the next plenary.

In case no remarks are made, the report will be automatically published. The mentioned plenary has approved such recommendation.

Following the replies received by the Secretariat from some member countries, a revised version was prepared

and submitted to the TATWG meeting that was held on the margin of the 12th plenary meeting (Qatar, November- December 2010); the TATWG recommended to adopt the report and publish it on the MENAFATF website. It has recommended as well to contact member countries and asking them to circulate the report to the concerned authorities for information and benefit; it has as well recommended that such report can be re-studied on a regular basis in light of the developments that may occur on the ML/TF techniques and methods. The plenary approved such recommendation and the report was published on the MENAFATF website and circulated to all member countries.

### 2/2 Project of “Illicit trafficking in narcotic drugs and psychotropic substances with ML.”

Within the scope of the MENAFATF work in the study of ML/TF means and techniques (typologies), 2 typologies projects were proposed to the TATWG meeting which was held on the margin of the 12th plenary meeting, being “forgery and money laundering”, and “Illicit trafficking in narcotic drugs and psychotropic substances and money laundering” based on the TEG recommendations in light of the results of the study that was made on ML/TF trends and indicators in the MENA region.

The TATWG discussed the 2 projects proposed and agreed to give priority to the project on “Illicit trafficking in narcotic drugs and psychotropic substances and money laundering” in view of the importance and seriousness of this offense that is considered one of the most serious crimes; and since it yields large amounts of money, it is one of the most predicate offense widespread. Some statistics indicate that 50% of the ML operations find their source in the illicit trafficking in narcotic drugs and psychotropic substances.

The list of definitions annexed to the FATF recommendations include the designated categories of the predicate offenses (20 crimes) that should be included as a minimum of the predicate offenses, regardless of the approach of the country in identifying such crimes. Illicit trafficking in narcotic drugs and psychotropic substances is among such crimes.

The results achieved by the typologies report adopted by the plenary meeting on ML/TF trends and indicators show that the illicit trafficking in narcotic drugs and psychotropic substances is one of the most recurring predicate offenses in the cases that were studied; which indicate the effect of such crime on all member countries in the MENAFATF.

Therefore, the TATWG approved to start the study of the project within the scope of the typologies work done by the MENAFATF through the TEG and to submit a recommendation to the 12th plenary in this regard that was approved by the plenary meeting.

The TEG has set an action plan to implement the project; it starts with the circulation of a brief questionnaire to all member countries and gathering some case studies; then, a report should be drafted on the results of the analysis of the countries' replies to this questionnaire and the case studies that will be provided; the report will be submitted to the typologies workshop and amended based on the feedback of the participants in this workshop. The final report should be submitted to the TATWG that will be held on the margin of the 14th plenary in November 2011 and the plenary meeting for adoption.

### **3- Identifying the Member Countries Technical Assistance' Needs and coordinating to provide the same**

The technical assistance and training are regarded as an important part of the MENAFATF work program to assist the member countries in implementing the international standards. The identification of the needs of the member countries in terms of technical assistance and training and the provision of this assistance are considered one of the most remarkable tasks the MENAFATF Secretariat undertakes in collaboration with the TATWG, which is done in coordination with the donors of such assistance

On such basis, MENAFATF has put in place a clear work strategy which covers the identification of member countries' needs as well as the study and discussion of these needs to reach an appropriate mechanism and set practical frameworks to provide technical assistance, whereas a questionnaire was prepared to determine the requested technical assistance, and was disseminated to all member countries and published on the MENAFATF website. Some countries did benefit from this mechanism as they returned the questionnaire to the Secretariat after filling it; and the MENAFATF coordinated with the donors to examine the most important technical assistance needs of those countries and work on providing such needs.

According to the practical application, there was a crucial need to develop this mechanism in order to assist the countries and help them get the technical assistance, as it was difficult to those countries to fill out the questionnaire due to its large size. Moreover, this mechanism disabled any further accurate implementation of the programs related to providing TA for the member countries, and prevented setting priorities to execute these programs, which could have assisted in saving time and effort as well as allocating the best available resources.

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

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

#### **4- Efforts of the MENAFATF in Providing Training**

##### **4/1 Training Guide for the Different Authorities in the AML/CFT Field.**

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

The guide covers most of the relevant entities in the said area and presents the training aspects which might be needed by these entities to assist in fulfilling their roles in the area of AML/CFT, and the commitment of its requirements according to the international criteria and recommendations.

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

Within the scope of the guide, the MENAFATF held in cooperation with the WB phase 1 of the regional joint workshop on training banks supervisors on monitoring the compliance with AML/CFT measures from 6-7 May 2010 in the Tunisian Republic on the margin of the 11th plenary meeting. The workshop was attended by 57 participants representing 17 member countries and the Palestine authority; mostly all of them were from the Central Banks or FIUs.

The agenda of the workshop included 9 sessions that covered important subjects such as the main results on the monitoring of AML/CFT in the MERs – strength areas and deficiencies, designing an efficient supervisory framework, application of the risk based approach, onsite and offsite supervision and imposing sanctions on the violating banks.

Experts from the World Bank (WB) and the MENAFATF Secretariat have participated as speakers in the sessions. Lebanon shared its experience in this area and the developments that occurred since the MER. The WB handed to the participants a valuable book: "Preventing Money Laundering and Terrorist Financing - A Practical Guide for Bank Supervisors".

## 4/2 Training Account

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

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

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

According to the foregoing, and in order to achieve the objectives of this account, the availability of appropriate financial resources should be identified. The following sources might represent the core of this account: a) optional contributions from the member countries, b) Contributions from the countries and authorities that hold an observer status at the MENAFATF in consistence with the provisions of the Memorandum of Understanding, c) Any other sources agreed on by the Plenary, such as the fees incurred due to the participation of the private sector in some training sessions or sponsoring the different events organized by MENAFATF. The MENAFATF has established the conditions and the mechanism on how to benefit from this account, which was agreed on by the 9th MENAFATF Plenary, held in Bahrain in May 2009.

## Fourth: Coordination and Cooperation on the Regional and International Levels.

This section presents the MENAFATF activities and achievements regionally and internationally, where the MENAFATF has performed many activities on the regional level, of which was holding its 11th and 12th Plenary Meetings as well as the WGs meetings. On the international level, the MENAFATF kept on communicating with the FATF, supported its relation with the FSRBs and participated in many international meetings, conferences and seminars.

## 1- MENAFATF Plenary Meetings

### 1/1 11th MENAFATF Plenary:

MENAFATF held its 11th Plenary from 3-5 May 2010 in Yasmine Hammamet, Tunisia, in the presence of AML/CFT experts from the member countries and observers, which discussed the topics listed in its work program and took some decisions; the most important of which are:

- Adopting the 5th annual report for 2009, Closing Account 2009 and External Auditor Report.

- Adopting the MENAFATF 2011 budget. Holding the ministerial meeting (high level); the invitation will be sent to the Ministers concerned with AML/CFT in the MENAFATF member countries, Governors of the Central Banks and President of National Committees.

- Adopting the MEWG Chair report that included the recommendations made by the working group in its 2 meeting held in Syria, 11-13 April 2010 and in Tunisia on 2 May 2010 respectively, and related to the following:

- Timeline of ME process.
- Timeline of ME follow-up process.
- Draft MEWG mandate.
- Revised ME procedures.
- Objectives of the 2nd round of ME.

- Adopting the MER for KSA that was made Jointly with the FATF.

- Adopting the follow up reports for Qatar, Mauritania, UAE, Yemen Syria and Morocco.



(Photo of the participants in the 11th Plenary)

- Adopting the TATWG Chair report that included the recommendations made by the working group in its meeting held on 2 May 2010 on the margin of the 11th plenary meeting, and related to the following:

- Continuing to coordinate with the donors to provide the TA that some MENAFATF member countries need to develop their AML/CFT systems.
- Holding the seminar for prosecution authorities and judiciaries.
- Holding a Regional Conference Entitled “Cross-Border Cash Movement: Challenges, Detection, and Combating”.
- Holding the 4th workshop on training assessors.

- Ratifying the report of the FIU’s forum regarding what happened in the 1st FIU forum held on Saturday 1 May 2010 and includes:

- Structure, mandate and periodicity of the forum.
- Encouraging and following up on the process of joining the Egmont Group.
- Encourage and follow-up on the mechanisms of exchange of information and regional cooperation.
- Build and promote the capacities of the FIUs.
- Put in place mechanisms of cooperation with other entities working within the MENAFATF.

- Approving the request of Arab Monetary Fund to join MENAFATF as an observer.

## 1/2 12th MENAFATF Plenary

The MENAFATF held its 12th Plenary from 30 November to 2 December 2010 in Doha, Qatar, in the presence of AML/CFT experts from the member countries and observers. The Plenary discussed the topics listed in the agenda and took some decisions, the most important of which are:

- Adopting MENAFATF work plan for 2011.

- Adopting the MER for the People's Democratic Republic of Algeria.

- Adopting the follow up reports for the UAE, Qatar, Yemen, Bahrain, Morocco and Syria.

- Holding the 2nd ministerial (high level) meeting on May 2011 in the State of Kuwait on the margin of the 13th Plenary meeting; the invitation will be addressed to the Ministers, Governors of the Central Banks and Presidents of National Committees concerned with AML/CFT in the MENAFATF member countries.

- Adoption the proposals submitted by the Tunisian Presidency; the

Plenary approved as well its implementation mechanisms as such :

- To form a committee of experts from the member countries – in addition to the Secretariat – that evaluates the extent to which the factors required to ensure the quality and consistency of MERs, particularly the aspects of independency, objectivity, accuracy and compliance with the procedures adopted and observance of the FATF standards, methodology and the MERs made by other entities and on which the mutual evaluation process is based.



(Photo of the participants in the 12th Plenary)

- To consider introducing some amendments on the MoU and the by-laws.
- To form a permanent technical committee of experts to contribute efficiently to the process review of the FATF 40 + 9 recommendations through the follow-up undertaken by the MEWG to the regional and international developments in relation to the mutual evaluation and international cooperation and proposing the necessary in this regard. It is to mention that the Board of Governors of the Arab Monetary Fund (AMF) issued resolution number 9/2010 on calling all Arab states to give appropriate attention and care to the AML and CFT issue, and to develop their legislations and regulations in accordance to the prevailing International Standards.

- To outreach the regional financial institutions which have the ability to support the MENAFATF activities through practicing their funding activities to introduce the MENAFATF and its objectives, and support the relation between MENAFATF and FSRBs and not to limit the participation of the MENAFATF to the regular meetings of such groups.

- Adopting the MEWG Chair report which included the recommendations reached by the WG in its meeting held in Doha on 29 November 2010 on the margin of the 12th plenary meeting, and which are related to the following:

- Adopting the timeline of ME process.
- Adopting Timeline of ME follow-up process for countries that have been already evaluated.
- Expanding the MEWG membership to all member countries that wish to join the MEWG.
- Finalizing on a tentative basis the preparation of the Draft ME Procedures “of the 2nd round of the ME” and amending the follow up procedures applicable in the first round.
- Forming a permanent technical team related to the MEWG to enhance the participation in the review process of the FATF criteria and recommendations as well as the tasks entrusted to the Working Group.
- Urging member countries to encourage the private sector institutions towards expressing their opinions directly to the FATF Secretariat with regard to the amendments agreed upon within the review process of the recommendations and criteria through a paper posted by the FATF on its website within the framework of public discussions.
- Adopting the ME key principles which were issued by the FATF in June 2010 as principles applicable in the ME conducted by the MENAFATF.
- Establishing a mechanism to follow up the regional and international developments in the field of international cooperation.

- Adopting the TATWG Chair report which included the recommendations reached by the WG in its meeting held in Doha on 29 November 2010 on the margin of the 12th plenary meeting, and which are related to the following:

- Adopting the TATWG mandate following the amendments made thereto.
- Adopting the Typologies Report on “ML/TF Trends and Indicators” and publishing the same on the MENAFATF website.
- Approving to start working on the new project proposal on “Illicit Traffic in Narcotic Drugs and Psychotropic Substances and Money Laundering”
- Adopting the addition of a new chapter (on the Regulatory bodies over the NPOs) to the training mechanism adopted by the MENAFATF, for the most important entities concerned with AML/CFT.
- Approving to hold a seminar on prosecution authorities and judiciaries and a Regional Conference entitled “Cross-Border Cash Transportation: Challenges, Detection, and Combating” during the 1st half of the next year.
- Proceeding with the coordination of TA donors to provide some member countries with their needs’ in terms of TA to improve their AML/CFT regimes.

- Adopting the FIU chair’s report on the topics discussed in the 2nd FIU forum held on Sunday 28 November 2010, and which included:

- Encouraging and following-up the applications of joining the Egmont Group for FIUs.
- Exchanging the expertise through a presentation of Best Practices made by an FIU on its electronic and physical security measures.
- The mechanisms proposed by the sub-committee to build and promote the capacities of FIUs.
- Putting in place mechanisms of cooperation with other entities within the MENAFATF.

## 2- MENAFATF FIUs Forum

### 2/1 First FIUs Forum Meeting, 1 May 2010, Tunisia.

Alongside its 11th plenary meeting held in Tunisia, MENAFATF organized the first Financial Intelligence Units “FIUs” forum for its member countries on 1st May 2010. The forum aims to activate communication channels between FIUs in MENAFATF member countries, to establish a long lasting regional cooperation that supports the exchange of expertise and knowledge between MENAFATF member countries and help them in fulfilling their role in combating ML/TF.

### 2/2 Second FIUs Forum Meeting, 28 November 2010, Qatar.

Representatives of MENAFATF member countries participated in the second meeting of the Financial Intelligence Units “FIU”s forum organized by MENAFATF and held in the State of Qatar on 28 November 2010.

The Forum aimed to unify channels of communication between the FIUs to achieve an ongoing and effective regional communication and cooperation that supports the exchange of experiences and information among FIUs and help them play their role effectively in combating ML/TF. The Forum addressed several topics on its agenda; most importantly, the promotion and

follow-up of joining the Egmont Group, the exchange of experience in best practices and mechanisms to build and strengthen the capacity of FIUs.

During the Forum, the FIUs of Qatar and Egypt delivered two distinct presentations on “The promoting and follow-up of joining the Egmont Group”, providing comprehensive information on the Egmont Group, its functions, the benefits and procedures of joining it, in addition to its membership requirements.

On the other hand, the Special Investigation Commission “SIC” of Lebanon, delivered a presentation on “The Physical and Electronic Security Measures”, introducing the best mechanisms to protect information security, physical and electronic security procedures and challenges faced by the FIUs in this framework as experienced by SIC.



(Photo from the second FIUs Forum)



### 3- Relation with the FATF

MENAFATF, as one of the FSRB, enjoys strong relationships with the FATF. The MENAFATF works similar to the FATF and seeks to adopt, make known and promote AML/CFT international standards at the regional level, particularly the recommendations issued by the FATF. Additionally, MENAFATF works on implementing the same policies adopted by the FATF to improve the level of Countries' compliance with AML/CFT. However, after the MENAFATF was granted the status of "Associate Member" at FATF during the 3rd FATF Plenary meeting at the 18th session (held at the headquarters of the Organization for Economic Cooperation and Development in Paris, France, from 27 - 29 June, 2007), this relation was stronger and more developed.

With the status of Associate Member, MENAFATF is entitled to expand its participation in FATF works by giving 5 of its member countries the opportunity to attend meetings held by the FATF and its working groups; to take part in the deliberations and decisions; and to express the regional perspective. The following table shows the MENAFATF participations in 2010:

No.	Meeting	Date	Place
1	Regional Review Group affiliated to the ICRG	5-7 January 2010	Manama, Kingdom of Bahrain
2	International Cooperation Review Group	21-22 January 2010	Paris, France
3	Joint FATF /MENAFATF Plenary Meeting	15-19 February 2010	Abu Dhabi, United Arab Emirates
4	The meeting of the FATF Working Group on Evaluation and Implementation (WG EI)	29-31 March 2010	Paris, France
5	Regional Review Group affiliated to the ICRG	12-13 May 2010	Manama, Kingdom of Bahrain
6	FATF plenary meeting	23-25 June 2010	Amsterdam, Netherlands
7	Experts Groups (A) & (B) meeting related to Working Group on Evaluation and Implementation (WG EI)	20-24 September 2010	Washington, USA
8	Regional Review Group affiliated to the ICRG	29-30 September 2010	Doha, Qatar
9	Participation in the on site visit to Qatar within the scope of the ICRG process	27-28 September 2010	Doha, Qatar
10	FATF plenary meeting	18-22 October 2010	Paris, France
11	Joint FATF/Egmont Group Typologies Meeting	16 - 18 November 2010	Cape Town, South Africa

## 3/1 First joint meeting with the FATF, 14-19 February 2010, Abu Dhabi, United Arab Emirates

The first joint FATF/MENAFATF meeting was held in Abu Dhabi, UAE from 14 to 19 February 2010.

This meeting is the first of its kind on the MENA level and represents a highly important event; whereby it is considered a new channel of communication and cooperation between the MENAFATF and the FATF whether on the Secretariat or presidency or member countries levels. It is as well a good opportunity to achieve a closer look on the topics that represent the core of interest and focus of the FATF, the development of work in this regard and identifying the new developments and future plans.

The opening session was inaugurated by an address made by each his Excellency Governor of the Central bank of the UAE, his Excellency, President of the FATF and his Excellency, President of the MENAFATF. Then, the plenary started reviewing the agenda that included a joint session on “MENAFATF activities and events”. This session was presided by the MENAFATF, during which a number of topics were discussed, such as: the initiatives taken by the MENAFATF and the member countries, the ML/TF challenges (SR IX: cross border physical transportation of funds) with a regional example, the perspective of the MENAFATF on the review process undertaken by the FATF on the AML/CFT international standards and which is made within the preparations for the 4th round of ME process.

Thereafter, the FATF sessions followed over 2.5 days where the FATF discussed many topics and took many important decisions:

- Producing two documents; FATF Public Statement and Improving Global AML/CFT Compliance: On-going Process.
- Adopting 2 MERs for Germany and Luxembourg.
- Publishing a detailed examination of the money laundering vulnerabilities of free trade zones.
- Publishing New Best Practice Papers on Confiscation and the Detecting and preventing the illicit cross-border transportation of cash and bearer negotiable instruments.
- Welcoming Uzbekistan’s significant progress in improving its AML/CFT regime.
- Completing the Typologies Report: Money laundering vulnerabilities of free trade zones.
- Adopting best practices paper on confiscation (R.3 and 38) and Detecting and Preventing the Illicit Cross-Border Transportation of Cash and Bearer Negotiable Instruments.

## 4- Relation with the FSRBs:

The MENAFATF ensures on enhancing its relations with the FSRBs, communicating, cooperating and exchanging expertise with them on a continuous basis; whereby, the MENAFATF Secretariat communicates with the Secretariat of other FSRBs to discuss common issues and the ways to support and promote cooperation whether through the meeting held on the margin of FATF plenary meetings or any other meetings and visits as attending plenary meetings of each other for the task forces where the MENAFATF holds an observer status such as the APG.

Within this framework, the 12th plenary meeting held in Doha, Qatar, 30 November- 2 December 2010 approved the request made by the EAG to obtain an observer status with the MENAFATF; however, this request was suspended until the EAG approves the principle of reciprocity, i.e. grants the MENAFATF the observer status therewith.

## 5- Relation with the Other International and Regional Authorities and Organizations

MENAFATF is keen to continuously strengthen its relationships with the other regional and international bodies and organizations such as the IMF, the WB, the UNODC, the GCC, Egmont Group and the World Customs Organization. All those bodies and organizations are observers in the MENAFATF. In addition, some of them can provide the MENAFATF member countries with the technical assistance and benefit from their experiences in the AML/CFT field.

The participation in the events organized by these bodies and organizations is one of the most important means on which the MENAFATF depends to reinforce its relationships with such bodies and organizations. The MENAFATF participated in 2010 in the 18th plenary meeting of the Egmont Group held in Cartagena – Columbia from 27 June to 1st July 2010.

The 11th plenary meeting held in Tunisia, 3-5 May 2010 granted the AMF the observer status with the MENAFATF.

The AMF started attending the plenary meetings as of the 12th plenary held in Doha, 30 November – 2 December 2010.

The AMF is of great importance since the MENAFATF objectives in terms of AML/CFT meet those of the AMF; as well, the ML/TF operations have negative effects that threaten the safety and stability of the banking and financial markets. In addition to the remarkable role of the AMF in training and in increasing awareness on ML risks; the AMF has held in this area many events in the previous years on training supervisors and the AMF will contribute as observer in promoting the MENAFATF's role in TA and training.

## 6- Participation in Conferences and Seminars.

The MENAFATF continuously follows up on recent developments in the AML/CFT, by participating in many meetings, conferences and seminars; it has participated in 2010 in some of these events, namely:

No.	Event	Date	Place
1	Roundtable (ML/TF) at Nayef Arab University for Security Sciences.	27-29 May 2010	Riyadh, Kingdom of Saudi Arabia.
2	Seminar organized by the AML/CFT national committee in collaboration with the Commercial Bank (efficient application of new AML/CFT laws and regulations).	13 June 2010	Doha, State of Qatar.
3	Seminar on the protection of financial systems "financial governance and judicial cooperation in light of the international financial crisis".	5-6 October 2010	Doha, State of Qatar.

## 7- Dialogue with the Private Sector

The dialogue with the private sector is vital for spreading and implementing the international standards, complying effectively with the AML/CFT requirements and overcoming the pertaining challenges. The MENAFATF ensures to communicate and hold a dialogue with the private sector being a primary partner in AML/CFT, whereas the 9th MENAFATF Plenary (Manama, Bahrain, May 2009) adopted a dialogue mechanism with the private sector through holding meetings to which the representatives of the concerned parties from the private sector are invited depending on the topics of discussion.

The dialogue mechanism with the private sector aims at contributing to a better understanding from the private sector in the Middle East & North Africa of the AML/CFT international standards; knowing the ML/TF risks pertaining to the works performed by the private sector and proposing appropriate counter measures; knowing the challenges facing the private sector in implementing the AML/CFT standards and proposing suitable solutions to overcome them; presenting the advanced and modern, institutional policies and procedures for AML/CFT; studying the dialogue's topics and proposing suitable recommendations or guidance for presenting them to the MENAFATF Plenary for discussion and taking the suitable decision in this regard.

In activation of the PSD, the 1st meeting was held with the private sector representatives on the margin of the 10th MENAFATF Plenary (Beirut, Lebanon, November 2009), which included the banking sector representatives.

During the meeting, the dialogue mechanism with the private sector and its objectives were introduced, and the private sector presented its views on the said mechanism and its objectives. Additionally, the meeting highlighted the importance of using this mechanism, to support, train and increase the awareness of the private sector in terms of AML/CFT, and circulating relevant publications, in addition to identifying the challenges facing it in terms of implementing the AML/CFT standards, especially the FATF recommendations, and the best ways to overcome these challenges.

The private sector representatives asserted the importance of their participation in the best practices papers to be issued by MENAFATF; the possibility of working on supporting the methods of exchanging information with regard to the private sector by providing a reliable database; the possibility of mutual work on some topics, such as the Politically Exposed Persons; knowing the outcomes of the ME processes; coordinating with the international financial institutions, in order to include in their reports on financial stability an ad-hoc section on AML/CFT.

It has been agreed that the most important issues to be discussed, studied and applied, is knowing the challenges facing the banking sector in terms of AML/CFT, thus a proposal for drafting a questionnaire for limiting these challenges was presented, provided that this questionnaire is disseminated to the private sector. The meeting recommended the preparation of a questionnaire by

the MENAFATF in collaboration with the private sector, to be circulated to all the banks through the Union of Arab banks in order to identify those challenges.

Accordingly, the Secretariat prepared the questionnaire referred to and discussed it with the representatives of the private sector, who attended the meeting; after amending it based on their feedback, the final version was made (in both Arabic and English) and sent by the Secretariat to the UAB on 18 August 2010 to be disseminated to all members of UAB in the MENA region. It was as well published on the MENAFATF website. The Secretariat received some replies; as soon as the remaining replies are received, they will be analyzed and a 2nd meeting will be held to analyze the results and agree on the subsequent steps.

## 8- Outreach with the Public

Based on the MENAFATF belief in the importance of public outreach and increasing their awareness, the MENAFATF was seeking to achieve such communication through a channel that allows the public to be aware of the latest MENAFATF news and events and the most important decisions and achievements made; whereby the MENAFATF issues a semi-annual newsletter on a periodical basis which is published on the website and available to everyone.

This newsletter comes as an implementation to one of the strategies of the goal no.6 of the 2nd strategic plan for 2010-2012, which was adopted by the 10th plenary meeting held in Beirut, Lebanese Republic in November 2009. This objective provides for “Develop AML/CFT systems applied in the member countries and increase awareness on ML/TF risks and the need to fight them.”

In this framework, the MENAFATF started issuing the newsletter in 2010: the 1st issue was issued in June 2010 covering the period from January to June 2010; the 2nd issue was issued in December 2010 covering the period from July to December 2010.



(The first issue, December 2010)



(The second issue, December 2010)

## Fifth: The External Auditor Report and the Financial Statements.

### 1- Auditor's Report.



Tel : +973 1753 0077  
Fax : +973 1753 0088  
www.bdo.bh

10<sup>th</sup> & 11<sup>th</sup> Floors  
GBCORP Tower  
Bahrain Financial Harbour  
PO Box 787 Manama  
Kingdom of Bahrain

#### Independent auditor's report to the Plenary of Middle East And North Africa Financial Action Task Force (MENAFATF)

##### Report on the financial statements

We have audited the accompanying financial statements of Middle East And North Africa Financial Action Task Force ("MENAFATF"), which comprise the statement of financial position as at 31 December 2010, the statement of comprehensive income and the statement of cash flows for the year then ended, and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

##### Responsibility of the management for the financial statements

The management of MENAFATF are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

##### Auditor's 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

##### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Middle East And North Africa Financial Action Task Force as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Manama, Kingdom of Bahrain  
27 April 2011

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## 2- Financial Statements

Middle East And North Africa Financial Action Task Force (MENAFATF)  
Statement of financial position as at 31 December 2010  
(Expressed in United States Dollars)

	31 December 2010	31 December 2009
<b>ASSETS</b>		
<b>Non-current assets</b>		
Plant and equipment	<u>18,109</u>	<u>15,022</u>
<b>Current assets</b>		
Other receivables	9,218	51,123
Cash and bank balance	<u>1,218,306</u>	<u>750,988</u>
	<u>1,227,524</u>	<u>802,111</u>
<b>Total assets</b>	<u>1,245,633</u>	<u>817,133</u>
<b>FUNDS EMPLOYED AND LIABILITIES</b>		
<b>Funds employed</b>		
Accumulated funds	<u>225,716</u>	<u>139,011</u>
<b>Non-current liabilities</b>		
Employees' terminal benefits	<u>40,247</u>	<u>21,566</u>
<b>Current liabilities</b>		
Other payables	<u>979,670</u>	<u>656,556</u>
<b>Total funds employed and liabilities</b>	<u>1,245,633</u>	<u>817,133</u>

These financial statements set out on pages 1 to 3 were approved for issue by the Secretariat on 27 April 2011 and signed on its behalf by:



Adel Al Qulish  
Executive Secretary

These financial statements represent the US Dollar equivalent of the audited Bahraini Dinar financial statements for 2010.

# 2010 Sixth Annual Report

**Middle East And North Africa Financial Action Task Force (MENAFATF)**  
**Statement of comprehensive income for the year ended 31 December 2010**  
**(Expressed in United States Dollars)**

	Year ended 31 December 2010	Year ended 31 December 2009
<b>Income</b>		
Kingdom of Bahrain funding Members contribution	-	500,000
	<u>990,000</u>	<u>492,540</u>
	990,000	992,540
Other income	<u>48,495</u>	-
	<u>1,038,495</u>	<u>992,540</u>
<b>Expenditure</b>		
Staff costs	(596,974)	(634,513)
General and administrative expenses	(346,029)	(310,910)
Depreciation	<u>(8,787)</u>	<u>(10,864)</u>
	<u>(951,790)</u>	<u>(956,287)</u>
<b>Net surplus for the year transferred to accumulated funds</b>	<u>86,705</u>	<u>36,253</u>

These financial statements represent the US Dollar equivalent of the audited Bahraini Dinar financial statements for 2010.



# 2010 Sixth Annual Report

**Middle East And North Africa Financial Action Task Force (MENAFATF)  
Statement of cash flows for the year ended 31 December 2010  
(Expressed in United States Dollars)**

	Year ended 31 December 2010	Year ended 31 December 2009
<b>Operating activities</b>		
Net surplus	86,705	36,253
Adjustment for:		
Depreciation	8,787	10,864
Changes in operating assets and liabilities:		
Other receivables	41,905	9,047
Other payables	323,114	505,045
Employees' terminal benefits, net	18,681	8,752
Net cash provided by operating activities	<u>479,192</u>	<u>569,961</u>
<b>Investing activities</b>		
Purchase of plant and equipment	<u>(11,874)</u>	<u>(5,162)</u>
Net cash used in investing activities	<u>(11,874)</u>	<u>(5,162)</u>
<b>Net increase in cash and cash equivalents</b>	467,318	564,799
Cash and cash equivalents, beginning of the year	<u>750,988</u>	<u>186,189</u>
Cash and cash equivalents, end of the year	<u>1,218,306</u>	<u>750,988</u>

These financial statements represent the US Dollar equivalent of the audited Bahraini Dinar financial statements for 2010.