

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



***Executive Summary of the  
Mutual Evaluation Report  
Of***

***The Republic of Yemen  
On***

***Anti-Money Laundering and Combating Financing of  
Terrorism***

This Executive Summary is part of the Mutual Evaluation Report on Anti-Money Laundering and the Combating of Terrorist Financing for the Republic of Yemen. The report outlines the level of Yemen's compliance with the 40 Recommendations on Money Laundering and the 9 Special Recommendations on Terrorist Financing based on the FATF 2004 Methodology. The MENAFATF Plenary adopted the report in April 2008.

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## **Executive Summary**

### **1. Background:**

1. The mutual evaluation report presents a summary of the Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) system in the Republic of Yemen (Yemen) at the time of the onsite visit (from July 21, till August 1, 2007) and immediately thereafter. The report includes the description and analysis of these systems and gives recommendations to support them and tackle the points of weaknesses. The report also includes the evaluation of the compliance of Yemen with the FATF AML/CFT recommendations, based on the AML/CFT Methodology 2004. (See the annexed tables about the rating of compliance with FATF recommendations).

2. The AML system in Yemen has achieved substantial progress manifested in the promulgation of the AML Law No. 35 of 2003, which covered different important aspects with regard to the combating of money laundering. In addition, the Executive Regulations (ER) of the said law and the List of AML Regulatory Procedures (LAMLRP) have been issued, drawing a reasonable executive framework for the authorities covered by the law. Moreover, an AML Committee was formed in April 2004 as the main national authority involved with AML. The Committee comprises members representing nine different national entities. The Financial Intelligence Unit (FIU) was also established within the Central Bank of Yemen. On the other hand, Yemen has no law that covers the TF crimes. Realizing the economic and political risks associated with this crime, Yemen is in the process of preparing a draft, unified law that comprises the CFT obligations along with the AML obligations, in order to stand in line with the international requirements. Yemen works in the draft law on developing the AML provisions stipulated in the present law to conform with the international requirements and to correct shortcomings that surfaced in the practical application of the present system.

3. AML remains a new concept in Yemen. Efforts made to enhance the spread of this concept will need to be supported by a comprehensive awareness-raising campaign that targets the majority of the country's sectors, including relevant officials and employees who should be informed of the new rules and systems. The assessment team discovered during its onsite visit that the concerned parties covered by the AML law were not adequately aware of the obligations stipulated therein, let aside ML/FT risks. This resulted in the weak application of the obligations set forth in the said law and ER, particularly in relation to the DNFBPs, which were unaware of the risks associated with the ML/FT crimes. The assessment team also noted the shortage in human and financial resources within the competent supervisory authorities in charge with the implementation of the AML system, in addition to the absence of any effective coordination between those authorities and the entities covered by the law.

### **2. Legal System and Relevant Institutional Measures:**

4. Law No. 35 of 2003 criminalizes the ML act. The definition of ML as set forth in the said law is compatible, in relation to the material elements of the crime, with the Vienna and Palermo Conventions. The AML law stipulates that the element of knowledge can be inferred from objective factual circumstances. There is no impediment to the application of the ML crime on persons who commit the predicate offense. The law does not stipulate any condition that a person involved in an ML crime should be necessarily convicted of a predicate offense. However, the law does not include any specific definition of funds, and does not expressly provide for the responsibility of legal persons. Yemen adopts the list approach with regard to the predicate offenses of the ML crime. However, those offenses do not cover all the twenty designated categories of predicate offenses. Regarding assistance, contribution, abetting and attempt, the law meets the international requirements. As for sanctions, the Yemeni legislator has established a number of sanctions that are apparently deterrent but disproportionate in comparison with the sanctions imposed vis-à-vis other financial crimes. The efficiency of the implementation of the said sanctions cannot be evaluated because of the absence of

any sentences issued in this respect. However, it is worth mentioning that the new draft law remedies many of the deficiencies mentioned above.

5. Yemen has not criminalized the TF act. However, the new draft law criminalizes the TF offense but fails to criminalize it in conformity with the TF convention requirements; in addition, the TF crime is not considered a predicate crime of money laundering.

6. Yemen applies a basic system in relation to confiscation, as the Penal Procedures Law includes general provisions concerning seizure and confiscation procedures. There are also additional special provisions stipulated in some other laws, such as the Anti-Narcotic Drugs Law. On the other hand, the AML Law provides for the confiscation of all funds resulting from ML crimes and their proceeds. Nonetheless, those provisions do not expressly include the instrumentalities used in the ML crime or those intended for use. Concerning freezing and seizure, the Public Prosecutor is empowered to request that provisional procedures and measures be taken by the competent court, including seizure of funds and freezing of account(s) subject of the ML crime only. The efficiency of this system was difficult to assess as the assessment team has not received any statistics related to the confiscation of properties or funds resulting from predicate offenses.

7. Yemen does not have any legal basis for the procedures and practices applied regarding the freezing of terrorists' funds or other persons' assets in accordance with UNSCR 1267 (1999) and UNSCR 1373 (2001). Such practices are governed by an administrative mechanism through which Yemen's mission at the United Nations receives the UN Lists and sends them to the Ministry of Foreign Affairs, which, in its turn, transfers them to the Council of Ministers. Following the approval of the Council of Ministers, the lists are sent to the Central Bank in order to be circulated to all the banking institutions and exchange firms, along with a copy to the AML Committee.

8. In 2003, the Financial Intelligence Unit (FIU) was established within the Central Bank of Yemen by a resolution issued by the Governor. The FIU comprises a chief and two members only. The Governor has recently issued a resolution to develop the FIU structure; however, that resolution has not been implemented yet. The FIU is responsible for receiving and analyzing the information and reports related to ML operations, conducting necessary investigations, as well as preparing reports on discovered ML operations and submitting them to the Governor in order to obtain his approval to send them to the Public Prosecutor. The FIU is also empowered to file requests to the Public Prosecutor to take provisional measures in case of any suspicions regarding the commission of any ML crime after obtaining the Governor's approval. Moreover, the FIU is required to design and issue the reporting forms. Nevertheless, the FIU has not issued any instructions or notices regarding the reporting method to be followed. The AML Committee though has designed and issued a reporting form limited to banking operations only. It is worth mentioning that there is a clear overlap between the work of the FIU and the AML Committee, since the FIU is not authorized to exchange any information with counterpart authorities unless through the Committee. This applies also to its access to and requesting of information held by institutions that are not subject to the Central Bank supervision. The FIU does not enjoy full autonomy inasmuch as it is part of the Central Bank and exists within its supervision sector, not to mention the need to obtain the approval of the Governor to take some procedures.

9. The Public Funds Prosecution is responsible for carrying out investigations in relation to ML crimes. The Public Prosecutor may ask the competent court to take provisional measures and procedures, including the seizure of funds and freezing of accounts related to the ML crime. The general prosecutor has the power to investigate the case; he is empowered to conduct the investigation by himself or through any member of the Prosecution Office or any judiciary representative or representative of the Judicial Seizure Commission. The Public Prosecution conducts the investigation and indictment powers and effects the execution of conclusive penal judgments.

10. There is no legal obligation on persons moving currency or bearer negotiable instruments to disclose or declare them, except for a circular issued in 2007 by the Head of the Customs Authority. The circular includes only a request to enhance the role of the Customs Authority through customs

declarations at ports, including disclosing incoming currencies (only), and to report that to the Head of the Authority. According to Yemeni authorities, an authorization should be acquired from the Central Bank to move foreign currencies in cash out of the country.

### **3. Preventative Measures – Financial Institutions (FIs):**

11. In general, the AML system in Yemen does not adopt a risk-based approach. It was found that a limited number of banks adopted a risk-based approach and classified their customers accordingly. Actually, the new draft law tackles risk matters and stipulates that FIs are obliged to classify their customers and products in line with the ML/FT risk level. They also have to apply due diligence measures when dealing with high-risk cases. The assessment team noticed disparity in the application of the AML obligations between some banking institutions that adopt a policy based on the international recommendations and between other FIs. Significant difference in the attention paid to the application of those obligations exists between banking institutions and other FIs.

12. The Yemeni legal system comprises a number of basic procedures related to the identification of customers, their legal status, and the beneficial owners. In practice, the Customer Due Diligence (CDD) measures in most FIs were confined to the identification of customers through official documents. As for the nature of the customer's activities, this was restricted to the profession and type of activities without any attention paid to the size and description of the activity. It was also discovered that most of those institutions have not laid down any written systems concerning the CDD measures, excluding some banks, which have developed systems with more rigorous requirements than those set by a Central Bank Circular, due to their external association (being affiliate companies) or in an attempt to maintain strong external relations.

13. The ER of the AML law oblige FIs to identify occasional customers if they perform transactions exceeding a value to be specified by the Central Bank and other supervisory authorities for each type of FIs, according to their respective activities. The threshold value does not include multiple operations that seem to be related to each other. In addition, the said value was not fixed by any supervisory authority, including the Central Bank. In fact, the assessment team found that banking institutions identify occasional customers if they perform transactions exceeding 10,000 USD. However, this does not apply to exchange firms, a significant number of which perform informal transfers. The assessment team found that those firms, except the largest among them, do not pay any attention to those matters. There is no specific definition given to the beneficial owner or the real beneficiary, whether in the law or in any regulations. The new draft AML/CFT law gives a definition to the beneficial owner that complies with the definition set forth in the Methodology.

14. Law No. 35 of 2003, its ER and the LAMLRP do not include any provisions obliging the FIs to obtain information on the purpose or nature of the business relation. This issue was not tackled in any circular issued by the Central Bank or any other authority. However, the new draft law stipulates that the controls regarding the identification of customers, to be outlined in the Law's ER, should include the expected purpose and nature of the business relation.

15. The ER of the AML law oblige the FIs to update changes to the customer's data on a regular basis. On the practical level, most FIs do not comply with this obligation. It was noted that many banks update their customers' data in relation to debit accounts in order to avoid credit risks. It is worth mentioning that the new draft law obliges FIs to update all data, information and documents related to CDD in terms of identifying customers and beneficial owners, natural or legal. It also expressly obliges the FIs to accurately and attentively track all operations performed by customers, including the sources of their funds when necessary, in order to make sure that they match the information provided about their identity, the nature of their activities and risk level.

16. The currently applied system does not set any provisions on dealing with Politically Exposed Persons (PEPs); however, the new draft law does cover this matter.

17. Regarding correspondent banking, Yemen does not have any law or regulations that regulate this issue at present in terms of AML/CFT obligations. Operations performed using new technologies that could be abused and non-face-to-face operations are not covered by any type of regulation and are not required to be subject to specific policies or any action. The only exception is related to requests for opening accounts from outside Yemen, which require authenticating the applicant's signature by the correspondent bank in the country where the he/she lives.

18. With regard to accounts or information confidentiality, Law No. 35 expressly stipulates that it is not permitted, during investigations or litigation conducted by judicial authorities, to invoke the accounts secrecy principle applied under any other law in ML crimes. When informed of any ML operation, the FIU may obtain necessary information and documents from state authorities and FIs after the approval of the Governor. The AML Committee is also authorized, after the approval of the judiciary, to provide the judicial authorities in other countries with any information that they request.

19. The law and its ER oblige all FIs to maintain records related to customers and their financial transactions or commercial dealings carried out domestically or internationally, for a period of five years at least as of the date of completing the operations or closing the accounts. They should provide such documents to the FIU whenever it requests so. However, the definition of 'FIs' as outlined in the law does not cover all FIs, such as the Central Bank which holds bank accounts for its staff.

20. Regarding fund transfers, CDD measures applied to permanent customers are sufficient vis-à-vis transfer transactions. However, with regard to occasional customers, the FIs are not obliged to obtain or keep the full originator information (as defined in the Methodology under SR VII) or verify the accuracy and sufficiency of this information. However, FIs are obliged to verify the originator's identity if he wishes to transfer cash amounts that exceed 10,000 USD. The legal framework does not include any obligation to include any information about the originator in the message or the payment form accompanying the wire transfer. The assessment team noticed that those obligations were not applied in practice, particularly by exchange offices, which exercise transfer activities without authorization, as transfers are carried out without obtaining any document or information related to the originator of the transfer.

21. FIs are not obliged to give particular attention to all complicated or unusually large-scale transactions, or to all kinds of unusual transactions that do not have an apparent economic purpose or legitimate objective. FIs are equally not obliged to examine those transactions or verify their purpose. Moreover, FIs are not obliged to pay particular attention to business relations and transactions with persons from countries that do not, or insufficiently, apply FATF Recommendations. The new draft law has tackled all those points.

22. Regarding the obligation to report ML/TF-suspected transactions, the law obliges the FIs to report transactions intended for ML only, provided that they have evidence to establish that, a requirement too difficult for FIs who should report on the basis of mere suspicion. The ER stipulate that the FIU is responsible, *inter alia*, to receive reports on ML-suspected transactions. The reporting obligation is undermined by the fact that the list of predicate crimes in the Yemeni law does not cover all the twenty designated categories of offenses specified in the Methodology. In addition, the definition of predicate crimes does not cover criminal acts committed in another country that constitute a predicate offense if committed locally. The legislations do not oblige FIs to report attempts of suspicious transactions. On the practical side, the FIU has not yet prepared any reporting forms, rules or procedures, including feedback procedures. FIs have not also received from FIU any feedback regarding the reported cases.

23. There are no legal provisions that protect FIs, their directors, officers and employees (permanent and temporary) from criminal and civil liability if they breach disclosure restrictions imposed either contractually or by any legislative, regulatory or administrative provisions when reporting their suspicions to the FIU in good faith.

24. It can be implicitly understood that the FIU established within the Central Bank of Yemen is the only authority empowered with a supervisory role in the AML field. However, it can also be noted that the responsibilities of the FIU do not expressly include its capacity to carry out onsite inspections for this purpose. The AML law and its ER and the LAMLRP do not stipulate any sanctions that may be imposed by the FIU or any other supervisory authority in the event that FIs breach the obligations mentioned in the law. However, in the case of banks, the Central Bank is able to impose some sanctions, since the Banking Law considers any violation against it or any other law in force a Level A violation, warranting the CB the power to impose sanctions upon the violation of the AML law.

25. In practice, to perform its functions, the FIU depend on inspectors from the CB's Banking Supervision Department (BSD) within regular inspection operations carried out only at banks and exchange firms to verify their compliance with their obligations. It was noted through the visits paid to a number of banks and exchange firms that the BSD inspectors did not pay sufficient attention to AML/CFT aspects when conducting inspections. Regarding the other FIs, to date, the FIU has not exercised any supervision or oversight on their activities.

26. The sanctions imposed by the law on FIs and their employees is limited to imprisonment for a period not exceeding three years or a fine not exceeding five hundred thousand Yemeni Rials. Such sanctions apply when FIs fail to report ML operations to the FIU, tip-off customers on reporting, cease to submit any data or documents to the FIU or judicial authorities, or challenge the execution of any judgment issued by a judicial authority regarding any ML crime.

27. Money or value transfer services are only exercised with an authorization by the Central Bank. Exchange firms in Yemen are also registered with an authorization by the Central Bank, which monitors their activities. Exchange firms are allowed to purchase and sell foreign currencies and travelers cheques and accept transfers and bank cheques issued by local and foreign banks. Any other operations cannot be conducted before obtaining a special approval from the Central Bank specifying the conditions for carrying out such activities. On the practical side, however, it was noted that there were widespread transfer activities carried out by exchange offices, authorized only to conduct exchange operations rather than transfers, in addition to other individuals who exercised transfer activities without any authorization.

#### **4. Preventative Measures – Designated Non-Financial Businesses and Professions (DNFBPs):**

28. Aside from the reference to real estate companies in the law, and the unclear reference in the ER to real estate companies and offices that exercise lease financing, the legal and supervisory AML framework in Yemen does not bind the designated non-financial businesses and professions (DNFBPs) to any AML/CFT obligations. Therefore, DNFBPs are not subject to any controls or supervision in this regard. Such categories in Yemen are limited to real estate brokers, dealers of precious metals and precious stones, lawyers and notaries, and accountants. As to trust and companies services providers, they do not exist independently in Yemen, and casinos are prohibited altogether.

#### **5. Legal Persons, Legal Arrangements and Non-Profit Organizations:**

29. Commercial companies are established by virtue of the Commercial Companies Law, which specifies the required procedures in accordance with specific controls and conditions, including the signing of the company's incorporation deed and statute before the General Director of Companies at the Ministry of Industry and Commerce, his authorized-in-writing representative or a court. The Commercial Companies Law authorizes the issuance of bearer shares although they are not traded in practice. The Ministry of Industry and Commerce is competent to register local commercial businesses in the commercial registry, register agencies, branches, and foreign companies and houses, and renew such registration every five years. The law has set a number of penalties in case of any violation. In the framework of CDD measures applied by the Ministry of Industry and Commerce, the Ministry requests the applicants to submit different documents and certified copies to be maintained by the Ministry. The Ministry also keeps the original copy of the incorporation deed and statute after

being signed by the shareholders and authenticated by competent authorities. No trust funds or other forms of legal arrangements exist in Yemen.

30. The Ministry of Social Affairs and Labor assumes legal and supervisory oversight over the standings and activities of charitable societies and institutions and their associations. It was found that there were major deficiencies in the supervision and oversight role of the Ministry of Social Affairs due to the shortage in human, financial and technical resources within the Ministry. It was also noted that there was a large gap in communication between the Ministry and the national non-profit societies and institutions sector in terms of awareness raising with regard to terrorist exploitation risks and taking necessary measures to protect this sector.

## **6. National and International Cooperation:**

31. The AML mechanism in Yemen depends on the AML Committee, which comprises members from different authorities, with the absence of other representatives from some authorities concerned with AML matters, such as the Customs Authority, the General Investment Authority, and the Ministry of Social Affairs. Moreover, there is no sufficient coordination between the different members of the Committee and the authorities they represent.

32. Yemen signed and ratified the 1998 Vienna Convention; it also signed the 2000 Palermo Convention, which were ratified on 24 July 2007, by virtue of Law No. 17 of 2007. The Council of Ministers approved the joining of the 1999 UN Convention for the Suppression of the Financing of Terrorism in 2005; the issue is still pending in the People's Assembly.

33. Yemen has a legal framework that allows to a great extent for judicial cooperation in the field of mutual legal assistance (MLA) and extradition. Cooperation with foreign counterparts is performed through diplomatic channels, the Interpol, or the AML Committee. The rules and procedures defined by the international, regional or bilateral conventions which Yemen is party to include many forms of cooperation, including MLA, in order to carry out procedures relevant to investigations, search, and seizure. The Penal Procedures Law comprises special provisions related to judicial representation applied in the absence of any conventions with foreign countries.

34. In the AML field, the law requires the presence of a bilateral convention to enable the AML Committee, upon an official request from a judicial authority, to provide information about a specific operation defined in the request. In the absence of any clear constraints on the execution of the MLA requests, the assessment team was not able to determine the availability of such assistance on appropriate time and without delay, due to the absence of any statistics showing the number of requested and executed representations and the time of their execution. The Yemeni authorities have also confirmed that they had not received any MLA requests.

35. The legal system in Yemen provides for objective conditions for extradition. The law does not set dual criminality as a condition with respect to the AML crime, as it allows the extradition of any non-Yemeni convicted with the AML crime, in accordance with the applied laws and the international conventions ratified by the Republic and the principle of reciprocity, after obtaining the approval of the Public Prosecutor.



## Ratings of compliance with FATF Recommendations

Compliance ratings are given based on the 4 ratings indicated in the 2004 Methodology (C = Compliant, LC = Largely Compliant, PC = Partially Compliant, NC = Non-Compliant). In some exceptional cases, Not Applicable (NA) may be given.

Forty Recommendations	Rating	Summary of Factors underlying ratings
<b>Legal Systems</b>		
1. ML offense	<b>PC</b>	<ul style="list-style-type: none"> <li>▪ Absence of a definition for ‘funds’ including any type of properties.</li> <li>▪ Failure to cover all the designated categories of predicate offenses stated in Annex 1 of the Methodology.</li> <li>▪ The definition of predicate offense does not cover the acts that occur in other countries, and which would have constituted an offense in such countries.</li> </ul>
2. ML offense—mental element and corporate liability	<b>PC</b>	<ul style="list-style-type: none"> <li>▪ Absence of any express provision covering the criminal liability of legal persons.</li> <li>▪ ML sanctions are not considered proportionate.</li> <li>▪ Inability to measure the extent of effectiveness of the AML legal system due to the absence of statistics.</li> </ul>
3. Confiscation and provisional measures	<b>PC</b>	<ul style="list-style-type: none"> <li>▪ Failure to criminalize TF (implicating confiscation).</li> <li>▪ Incapacity to confiscate properties that constitute proceeds or instrumentalities used or intended for use in commission of ML offenses.</li> <li>▪ Limitation of confiscation or seizure to accounts only.</li> </ul>
<b>Preventive Measures</b>		
4. Secrecy laws consistent with the Recommendations	<b>PC</b>	<ul style="list-style-type: none"> <li>▪ The approval of the judicial authorities constitutes a condition to provide information to foreign parties, in addition to the submission of a legal request.</li> </ul>
5. Customer due diligence	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ The due diligence process is limited in most FIs, particularly the non-banking ones, to the identification of the customers without paying attention to the details of their activities and their size.</li> <li>▪ The threshold of the accidental operations does not comprise the numerous transactions, which seem to be connected.</li> <li>▪ The above-mentioned threshold has not been determined.</li> <li>▪ There is no obligation to verify that the person who acts on behalf of the customer is actually authorized to do so and identify him.</li> <li>▪ The concept of beneficial owner or economic right holder has not been defined by the law or any other regulation.</li> <li>▪ Most FIs do not verify the identify of the beneficial owners as they solely identify the customer without verifying if he works for his own benefit or behalf of another person and without identifying the person who actually controls the legal person.</li> <li>▪ FIs are not obliged to obtain information relating to the purpose and nature of the business relationship.</li> <li>▪ CDD measures not no explicitly request to inspect the transactions carried out with the institution’s knowledge of the customers, along with their activities and the risks they are exposed to.</li> <li>▪ Absence of practical application related to the update of the customers’ data and documents.</li> <li>▪ FIs are not obliged apply enhanced CDD measures on high-risk categories of customers, business relationships or transactions.</li> </ul>

		<ul style="list-style-type: none"> <li>▪ The threshold relating to the use of the reduced due diligence applied on transfers exceeds the threshold stated in the interpretative note to SR VII, which provides that it should not exceed USD 1000.</li> <li>▪ There is no obligation to observe the criteria relating to the identification of the current customers.</li> <li>▪ The Central Bank is not comprised in the CDD measures relating to the accounts opened for the employees and the Public Debt Department with regard to the treasury bonds.</li> </ul>
6. Politically Exposed Persons	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ The Law does not refer to PEPs in any way.</li> <li>▪ FIs are not obliged to put in place appropriate risk-management systems to determine whether the future client, the customer or the beneficial owner is a Politically Exposed Person.</li> <li>▪ FIs are not obliged to acquire the senior management approval to establish business relationships with such customers, take reasonable procedures to determine the source of their wealth and funds and conduct enhanced ongoing monitoring of the business relationship.</li> </ul>
7. Correspondent Banking	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ FIs are not obliged to gather sufficient information about the correspondent institutions to reach a complete understanding of their business nature and determine the type of reputation they enjoy, along with the quality of surveillance including whether they were subject to ML//FT investigations or other regulatory procedures.</li> <li>▪ There is no obligation to evaluate the controls used by the correspondent institutions to combat money laundering and terrorist financing to ensure their sufficiency and efficiency.</li> <li>▪ There is no obligation to obtain the senior management approval before establishing new relationships with correspondent banks.</li> <li>▪ There is no obligation to verify that the correspondent banks, which keep correspondent payment accounts at the Yemeni FIs, apply due diligence measures on the customers who have access to these accounts and that they are capable of providing relevant customer identification data upon request.</li> </ul>
8. New technologies and non face-to-face business	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ There is no obligation to take special measures and pay special attention to the transactions carried out by using advanced technologies allowing the non-disclosure of the customer's real identity.</li> </ul>
9. Third parties and introducers	<b>NA</b>	
10. Record-keeping	<b>LC</b>	<ul style="list-style-type: none"> <li>▪ The definition of the FIs in the Law does not comprise all the FIs such as the Central Bank.</li> </ul>
11. Unusual transactions	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ FIs are not obliged to give a particular attention to all complicated and large-scale transactions, and to all kinds of unusual transactions which do not have an apparent economic purpose or a clear legitimate purpose.</li> <li>▪ FIs are not obliged to examine these transactions to identify the purpose thereof, register the results of the examination in writing and make these results available to competent authorities.</li> </ul>
12. DNFBP–R.5, 6, 8–11	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ DNFBPs are not subject to any obligations regarding Recommendations 5, 6, 8, 10 and 11. Besides, Recommendation 9 is not applied.</li> </ul>
13. Suspicious transaction reporting	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ FIs are obliged to report transactions meant for ML when they have evidence to establish that, not on the basis of mere suspicion.</li> <li>▪ The predicate offenses suspected to be associated to the transactions do not cover the twenty categories of offenses specified in the Recommendations.</li> </ul>

		<ul style="list-style-type: none"> <li>▪ No obligation to report suspicious transactions associated with terrorist financing.</li> <li>▪ No practical application of the reporting of the operations, which are suspected to be associated with money laundering transactions.</li> <li>▪ No obligation on FIs to report the attempts of carrying out suspicious transactions.</li> </ul>
14. Protection and no tipping-off	<b>PC</b>	<ul style="list-style-type: none"> <li>▪ No legislative text protects the FIs, along with their directors, officers and employees from both criminal and civil liability for breach of any restriction on disclosure of information imposed by contract or by any legislative, regulatory or administrative provision, if they report their suspicions in good faith to the Financial Collection Unit.</li> </ul>
15. Internal controls, compliance and audit	<b>PC</b>	<ul style="list-style-type: none"> <li>▪ The imposed obligations did not mention the creation of an independent audit function provided with sufficient resources to test the compliance with the AML/CFT internal procedures, policies and controls.</li> <li>▪ The assessment team did not note any obligation for the FIs to set inspection procedures to increase the standards of competence upon the appointment of employees.</li> <li>▪ The establishment of the systems that guarantee the application of the Law and the ER and resolutions is solely limited to the banking institutions and not all the FIs with discrepancies in the level of these systems and the application thereof.</li> <li>▪ The appointment of AML officers is limited to the banking institutions.</li> <li>▪ Weakness of the training programs, which aim to qualify the employees of these institutions in the AML field and even the total absence thereof, particularly in non-banking institutions.</li> </ul>
16. DNFBP–R.13–15 & 21	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ DNFBPs are not obliged to notify the transactions that are suspected to conceal illegitimate money laundering or financing of terrorism.</li> <li>▪ No legislative text protects the institutions, along with their directors, officers and employees from both criminal and civil liability for breach of any restriction on disclosure of information.</li> <li>▪ No legal binding or monitoring instructions or a practical application obliges non-financial institutions to set internal policies and controls to combat ML/FT. Besides, the employees of these institutions do not undergo any special training in this field.</li> <li>▪ DNFBPs are not obliged to pay special attention to business relationships and transactions with persons from or in the countries that do not apply or insufficiently apply the FATF recommendations.</li> </ul>
17. Sanctions	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ The sanction imposed by virtue of Law No. 35/2003 does not cover all cases of violation of the AML obligations such as Customer Due Diligence and record keeping.</li> <li>▪ No definition of the penal, civil or administrative sanctions in order to deal with legal persons who fail to comply with AML conditions.</li> <li>▪ The AML Law does not comprise the application of sanctions on the managers of legal persons forming FIs and business companies and their senior management.</li> <li>▪ The Law does not expand the scope of the sanction in a way that suits the gravity of the situation.</li> </ul>
18. Shell banks	<b>PC</b>	<ul style="list-style-type: none"> <li>▪ FIs are not prevented from establishing correspondence relationships or persevering in such relationship with shell banks.</li> <li>▪ FIs are not obliged to make sure that the correspondent FIs in a foreign country do not allow shell banks to use their accounts.</li> </ul>
19. Other forms of reporting	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ The Yemeni Authorities did not consider the feasibility of</li> </ul>

		applying a system that obliges FIs to report all cash transactions whose amount exceeds the applicable designated threshold to a national central authority, which has an electronic database.
20. Other NFBP and secure transaction techniques	<b>LC</b>	<ul style="list-style-type: none"> <li>▪ Measures taken to reduce the reliance on cash as a primary payment method are insufficient.</li> </ul>
21. Special attention for higher risk countries	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ FIs are not obliged to pay any particular attention to business relations and to transactions with persons (including legal persons and other FIs) belonging to the countries that do not apply or insufficiently apply FATF recommendations.</li> <li>▪ There is no obligation to study the background and purpose of these transactions and make the results of this study available in writing to competent authorities.</li> </ul>
22. Foreign branches and subsidiaries	<b>PC</b>	<ul style="list-style-type: none"> <li>▪ No obligation for the FIs to pay special attention when pursuing the activity in countries that do not apply or insufficiently apply AML/CFT standards issued by the FATF.</li> <li>▪ No obligation for the branches and subsidiaries to apply the highest possible standards in the event of a difference in AML/CFT prerequisites in the hosting country.</li> <li>▪ No obligation for the FIs to notify supervisory authorities in the mother country when a branch or a subsidiary could not implement the adequate AML/CFT measures, as a result of the ban of laws, regulations or other measures enforced in the hosting country.</li> </ul>
23. Regulation, supervision and monitoring	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ Inefficient supervision on FIs.</li> <li>▪ No condition was set concerning the availability of the validity and integrity elements in all main shareholders and members of board of directors for all banking and FIs.</li> <li>▪ Absence of the periodicity and the continuity of field monitoring to verify the banking and FIs' compliance with their statutes and the shrewd management of risks, as well as monitoring laws and directives regulating their work on one hand, and their compliance with AML/CFT standards on the other hand.</li> <li>▪ Failure of the supervisory authorities on the insurance sector to play this role.</li> </ul>
24. DNFBP—regulation, supervision and monitoring	<b>PC</b>	<ul style="list-style-type: none"> <li>▪ Inefficient supervisory and monitoring role played by the supervisory authorities on DNFBPs, which will have a negative impact upon the application of the AML/CFT obligations, when being endorsed, on the rest of these businesses and professions.</li> </ul>
25. Guidelines and Feedback	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ The Unit did not prepare the forms, rules and procedures mentioned in Article 13 of the ER of Law No. 35/2003 including the feedback procedures</li> <li>▪ No issuance of any guiding principles with regard to the issues covered by the FATF relevant recommendations, particularly in respect of the description of the ML/FT methods and techniques or any other measures that FIs and DNFBPs may take to ensure the efficiency of the AML/CFT procedures.</li> <li>▪ No guiding principles have been issued to help DNFBPs apply AML/CFT conditions.</li> </ul>
<b>Institutional and other Measures</b>		
26. The FIU	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ Scope of functions of the FIU is restricted to ML issues, without TF issues</li> <li>▪ Failure to issue reporting forms to FIs, banks and other reporting entities.</li> <li>▪ The FIU not effective and not autonomous</li> <li>▪ Absence of sufficient financial and human resources</li> <li>▪ FIU is not granted the authority to receive information from other competent authorities without referring to AML Committee</li> </ul>

		<p>or CB Governor</p> <ul style="list-style-type: none"> <li>▪ Failure to issue any annual report</li> <li>▪ Absence of any complete and safe database</li> </ul>
27. Law enforcement authorities	<b>PC</b>	<ul style="list-style-type: none"> <li>▪ Non-criminalization of the financing of terrorism</li> <li>▪ Shortage in evidence of effectiveness of law enforcement authorities and lack of statistics.</li> </ul>
28. Powers of competent authorities	<b>LC</b>	<ul style="list-style-type: none"> <li>▪ Lack of statistics</li> </ul>
29. Supervisors	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ The powers of the Unit do not explicitly comprise the possibility to carry out field inspection operations for this purpose.</li> <li>▪ The FIU does not help the FIs set audit and internal monitoring systems and controls, which prevent the occurrence of ML transactions and verify their compliance therewith, in accordance with Article 24 of the ER of the Law.</li> <li>▪ The banking supervision inspectors (the FIU resort to in this field) do not pay special attention to the AML issues and do not rely on a special guide for inspection on the relevant procedures.</li> <li>▪ The Unit did not actually practice any field inspection on the other FIs.</li> <li>▪ The AML Law, its ER and the list of AML regulatory procedures do not provide any sanctions that the Unit or the other supervisory authorities may impose in the event where the FIs breach their obligations stated in the Law.</li> </ul>
30. Resources, integrity, and training	<b>PC</b>	<ul style="list-style-type: none"> <li>▪ Insufficiency of the human, financial, and technical resources provided to the FIU, the law enforcement authorities and the other authorities involved in AML/CFT in order for them to perform their tasks efficiently.</li> <li>▪ Absence of an appropriate structure for the FIU to guarantee its professional autonomy and ensure that it will not be affected by any inappropriate interference in its work.</li> <li>▪ Unavailability of appropriate training for the employees of the competent authorities in the AML/CFT field as the training should not be restricted to the officers but it should extend to comprise large sectors of field workers.</li> </ul>
31. National co-operation	<b>PC</b>	<ul style="list-style-type: none"> <li>▪ There is no efficient mechanism to coordinate and cooperate on the local level among the relevant authorities liable for the implementation of the AML/CFT policies and strategies (No representation from all competent authorities in the AML Committee).</li> </ul>
32. Statistics	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ No regular review of the efficiency of the AML/CFT systems.</li> <li>▪ No statistics available regarding official assistance requests both locally and internationally submitted or received in relation with AML/CFT.</li> <li>▪ No statistics available on the transfer of currency or transferable tools for the bearer across the borders.</li> <li>▪ No accurate statistics on STRs received by the FIU.</li> <li>▪ No statistics on the exchange of information with relevant local or international authorities.</li> </ul>
33. Legal persons–beneficial owners	<b>PC</b>	<ul style="list-style-type: none"> <li>▪ Unavailability of appropriate measures to prevent the misuse of bearer shares in ML operations.</li> <li>▪ Impossibility to obtain sufficient, accurate and updated information on beneficial owners and control shares in legal persons in a timely manner.</li> </ul>
34. Legal arrangements – beneficial owners	<b>NA</b>	
<b>International Cooperation</b>		
35. Conventions	<b>LC</b>	<ul style="list-style-type: none"> <li>▪ Yemen have not join the Convention for the Suppression of the Financing of Terrorism.</li> </ul>

36. Mutual legal assistance (MLA)	<b>PC</b>	<ul style="list-style-type: none"> <li>▪ Impossibility to offer MLA in the TF field.</li> <li>▪ Unavailability of a clear efficient mechanism to implement the requests seeking mutual legal assistance in a timely manner.</li> </ul>
37. Dual criminality	<b>PC</b>	<ul style="list-style-type: none"> <li>▪ Non-application of the Recommendation in the TF field.</li> </ul>
38. MLA on confiscation and freezing	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ Unavailability of a suitable mechanism for speedy and efficient response to MLA requests by foreign countries in relation to property freezing and confiscation.</li> <li>▪ Establishing an asset forfeiture fund into which all or a portion of confiscated property will be deposited has not been considered.</li> <li>▪ Authorizing the sharing of confiscated assets with other countries when confiscation is directly or indirectly a result of coordinated law enforcement actions has not been considered.</li> </ul>
39. Extradition	<b>PC</b>	<ul style="list-style-type: none"> <li>▪ Non-criminalization of FT.</li> </ul>
40. Other forms of co-operation	<b>PC</b>	<ul style="list-style-type: none"> <li>▪ Absence of a mechanism that facilitates the procedures relating to the exchange of information locally and internationally.</li> <li>▪ The competent authorities do not have the power to exchange information relating to AML/CFT with counterpart and non-counterpart authorities.</li> <li>▪ Unavailability of statistics on international cooperation in the field of exchange of information.</li> </ul>
<b>Nine Special Recommendations</b>	<b>Rating</b>	<b>Summary of Factors underlying rating</b>
SR.I Implement UN instruments	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ Not being party to the Terrorist Financing Convention.</li> <li>▪ Lack of implementation of the Recommendation with regard to Security Council Resolutions.</li> </ul>
SR.II Criminalize terrorist financing	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ Failure to criminalize TF offense</li> </ul>
SR.III Freeze and confiscate terrorist assets	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ Absence of any legal system governing the procedures for freezing funds and properties of persons designated in the UNSC resolutions.</li> <li>▪ Absence of evidence on the effectiveness of procedures related to freezing pursuant to the UNCS resolutions</li> </ul>
SR.IV Suspicious transaction reporting	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ The legislations do not oblige FIs to report suspicious transactions when reasonable grounds are available to suspect that funds are related or linked to terrorism or terrorist acts or used for terrorist purposes or terrorist acts by terrorist organizations or financiers.</li> </ul>
SR.V International cooperation	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ Non-criminalization of the financing of terrorism in the first place.</li> </ul>
SR.VI AML/CFT requirements for money/value transfer services	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ Propagation of transfer activities pursued by the exchange offices without a license to transfer money, in addition to the other persons who pursue these activities without any license.</li> <li>▪ Weak control applied on the institutions, which pursue transfer activities, particularly in the field of AML obligations.</li> </ul>
SR.VII Wire transfer rules	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ No obligation to give a unique identifier for the transfers made by occasional customers.</li> <li>▪ Determination of a threshold for the amounts transferred by the occasional customers exceeding the threshold stated in SR VII.</li> <li>▪ No obligation to insert any information about the originator of the transfer in the letter or the payment form attached to the wire transfer.</li> <li>▪ No obligation for the financial brokerage institutions to enclose with the transfer the data relating to the originator thereof.</li> <li>▪ No definition of the procedures and data obtained when compiled transfers are made.</li> <li>▪ No obligation that prevents the compilation of non-routine transactions that may increase the ML/FT risk.</li> </ul>

		<ul style="list-style-type: none"> <li>▪ No provision for the measures that should be taken by the benefiting banking institutions in the case of wire transfers that are not enclosed with complete information about the originator of the transaction.</li> <li>▪ The legally imposed obligations are not practically applied, particularly in the exchange offices.</li> <li>▪ The supervisory authorities do not take any measures that enable them to monitor the FIs compliance with the legally imposed obligations efficiently.</li> </ul>
SR.VIII Non-profit organizations	<b>PC</b>	<ul style="list-style-type: none"> <li>▪ No flexible mechanism to exchange information between the Ministry and the relevant authorities on one hand and the associations concerned on the other hand.</li> <li>▪ No sufficient role at the Ministry of Social Affairs on associations and private corporations.</li> <li>▪ No specific mechanism, communication points or appropriate procedures to respond to the international demands to acquire information on non-profit associations and private corporations.</li> </ul>
SR.IX Cash couriers	<b>NC</b>	<ul style="list-style-type: none"> <li>▪ Non-existence of a binding currency declaration system, according to the criteria of the Recommendation.</li> </ul>