



CIRCULAR NO. 1/2013

**TO ALL MONEY CHANGE COMPANIES LICENSED TO OPERATE IN THE
REPUBLIC OF YEMEN**

The Subject:

**GUIDELINES TO MONEY CHANGE COMPANIES RELATED TO
COMBATING MONEY LAUNDERING AND TERRORISM FINANCING**

With reference to the above subject and

Pursuant to the directives of the Governor and

In compliance with the provisions of Law No. 1/2010 related to Combating Money Laundering and Terrorism financing and its Executive Regulations,

The requirements set out in this circular should be fulfilled and complied with.

I- General Framework of the Guidelines

A. Definitions

1. For the purpose of the application of the provisions of these Guidelines, the following words and terms will have the meaning assigned against each of them unless the context indicates otherwise.
 - **The Law:** Law No. 1/2010 on Combating Money Laundering and Terrorism financing.



- **Executive Regulations:** Executive Regulations of Law No. 1/2010 on Combating Money Laundering and Terrorism financing issued in accordance with Republican Decree No. 226/2010.
 - **Exchange Company:** Non bank financial institution incorporated as a company pursuant to the provisions of Law No. 20/1995 as amended by Law No. 15/1996 and licensed by the Central Bank to pursue exchange activities.
 - **Board of Directors:** Board of Directors of the exchange company consisting of the partners owning the company and for which they are collectively responsible.
 - **Telegraphic Transfer:** Any financial transaction in which funds are transferred through an exchange company by using any means on behalf of a natural or legal person who orders the transfer with the aim of making available a sum of money (the transfer amount) to the beneficiary (natural or legal person) or to the sender himself/herself.
 - **Exchange Relationship:** The relationship established between an exchange company and a customer and covers the transactions and financial services provided by the company.
2. For the purposes and goals of these Guidelines, the definitions laid down in the Executive Regulations should be taken into account.

B. Aims of the Guidelines

1. To ensure the compliance of the exchange companies with the provisions of the AML/CFT Law and its Executive Regulations and the international Recommendations issued by FATF.
2. To establish the foundations and best practices in the exchange companies to combat illegal activities and apply the policies, procedures, regulations and controls, which will ascertain the discovery and prevention of money laundering and terrorism financing activities and the reporting thereof.



3. To assist the exchange companies in applying the provisions of the Law and providing them with the methodology and basis followed in preparing and developing the AML/CFT internal systems.
4. To protect the exchange companies and prevent their exploitation as channels in processing illegal transactions.
5. To enhance confidence in the integrity and reputation of the exchange companies.

C. Area of Application and Responsibility

1. These Guidelines shall apply to all exchange companies licensed to operate in the Republic of Yemen.
2. **Board of Directors' Responsibilities**

The Board of Directors should be directly responsible for the existence and effectiveness of AML/CFT programs and the compliance of the policies, procedures, controls and internal systems of the company with the Law and its Executive Regulations and these Guidelines and that they fulfill consistently and adequately all AML/CFT requirements. The Board of Directors shall be responsible for any shortcoming or non compliance of the company staff with the AML/CFT procedures.

II- AML/CFT General Regulations

1. Not to deal or enter into exchange relationship with unknown persons or with illusory or imaginary names (Know Your Customer).
2. Customer Due diligence should be applied regarding the transaction and the customer as appropriate and in accordance with the assessment of the degree of risk (reasonable caution).
3. Recognizing and effectively reporting suspicious transactions (STRs).
4. Maintaining and keeping records and documents (the ability to reconstruct executed transactions).



5. Senior staff and employees adequate and continuous knowledge of the company regarding AML/CFT requirements and procedures (On-going training).
6. Compliance control and the ability to prove compliance.

III- Exchange Companies' AML/CFT duties

- A. Registration: Exchange companies should register with the concerned official authorities, ensuring that all registered data are continuously updated. Registration includes the following:
 1. Registration of the exchange company: The company must obtain the annual license to pursue exchange activities from the Central Bank and other concerned authorities while continuously updating its registered data.
 2. Registration of the services offered: The company must register all activities and services it practices in addition to any new services with the Central Bank . The company must also ensure the inclusion of these services in the license issued by the Central Bank.
 3. Registration of branches and affiliates: The company must register all its branches in the license issued by the Central bank.
 4. Registration of agents and correspondents: The company must provide the Central Bank with a list containing data on all its agents and correspondents and continuously updating this list.
- B. Laying and developing AML/CFT Programs (policies, procedures and internal systems).
 1. Putting in place the necessary arrangements for the Compliance Department



1.1. Establishing a Compliance Unit

The exchange company should establish a compliance unit in charge of internal compliance with AML/CFT requirements and procedures in accordance with the following conditions:

- A. The unit should be headed by a compliance officer, a deputy and should have compliance officer at the branch level.
- B. The unit should report directly to the Board of Directors.
- C. The unit should be provided with sufficient resources to perform its duties consistent with the size of the company's business.
- D. The unit should be set up at the head office as well as branch level, with compliance officer representing it in the branches.

1.1.1. Appointing the Compliance Officer:

- A. The following conditions must be taken into account when appointing the Compliance Officer:
 - He/she should be an honest person of good reputation and integrity.
 - He/she should have suitable academic qualifications and adequate practical experience.
 - He/she should be resident in Yemen.
 - He/she must be employed at a high management level.
- B. The compliance officer must be completely independent in exercising his duties and must be provided with the essential means to perform these duties.
- C. He/she should have the authority to report directly to the board of directors.
- D. He/she and his/her staff have the right at the appropriate time to obtain all data to verify the identity of the customer, customer Due Diligence data,



the records of the executed transactions and any other relevant information.

- E. The compliance officer is considered to be a compliance officer with the FIU.
- F. The compliance officer may also be entrusted with performing other duties in the company, provided they do not influence his/her major duty as a compliance officer and no conflict of interests arises as a result of performing the extra duties.
- G. The exchange company must seek the Central Bank's approval when terminating the compliance officer's services or on his/her resignation.
- H. The Central Bank and the FIU must be informed of the names of the compliance officer and his/her deputy and their official designated titles in the company.

1.1.2. Duties of the compliance officer and his/her deputy

The exchange company must specify the duties of the compliance officer consistent with its size, the nature of its business and its internal systems, but in all circumstances he/she should be entrusted as a minimum with the following duties:

- A. Overall onsite and offsite inspection on the compliance of all company branches and units with the legal provisions, controls and internal systems related to AML/CFT.
- B. Receive the internal reports prepared by the company staff on suspicious transactions, investigate and evaluate them.
- C. Prepare the reports on suspicious transactions and send them to the FIU, supported by reasons for suspicion, in accordance with the standard forms and STRs requirements, issued by the FIU and these Guidelines.



- D. Act as a link or central point of contact between the company, FIU, CBY and other supervisory authorities in connection with money laundering and terrorism financing issues.
- E. Ensure prompt response to an inquiry submitted by the FIU and other supervisory authorities.
- F. Follow up the extent of compliance with the Guidelines issued by the Central bank in this connection.
- G. Supervise the extent of consistency and effectiveness of the policies, procedures and internal systems related to AML and submit necessary suggestions for improvement in line with local and international developments in this field.
- H. Submit AML reports to the board of directors.
- I. Take a decision on filing transactions in respect of which he/she finds no grounds for suspicion, with the reasons of the filing.
- J. Carry out any other duties entrusted to the compliance officer pursuant to the Law, the Executive Regulations, these Guidelines and the internal systems of the company.

1.1.3. Compliance Officer's Reports to board of directors

- 1.1.3.1. The board of directors should decide on the general reports, which the compliance officer must prepare on a regular basis or when necessary, specifying when they should be submitted, in order to enable the board of directors to fulfill its responsibilities vis-à-vis AML/CFT.
- 1.1.3.2. The compliance officer should submit a periodic report at least once a year to the board of directors. The report must contain as a minimum the following details and information:



- A. Results of the evaluation of the degree of effectiveness of the policies, procedures, systems and controls pertaining to AML/CFT in the exchange company, as well as the outcome of the periodic audit including the reports of the internal audit department. The report should include the points to be improved and the shortcomings in the internal systems of the company and the necessary suggestions to improve them.
- B. Details on the number and types of reports related to internal suspicious transactions submitted to the compliance officer, the number of these reports sent to the FIU and the number of those on which a decision was taken to file away, in addition to the reasons and justification underlying the decisions taken related to the reports.
- C. Summary of the training in connection with AML/CFT procedures attended by the senior staff and employees of the company, besides the suggestions for necessary improvement.
- D. Number and types of company customers classified in the high risk category.
- E. Amendments made to policies, procedures and internal systems in the area of AML/CFT during the period covered by the report.
- F. The efforts made during the period covered by the report in respect of extraordinary and suspicious transactions and action taken related to them.
- G. Outline of the plan established for onsite and offsite general inspection of the company and all its branches during the next period.

2.1. **Establishing a position of Internal Audit to supervise compliance**

The exchange company must establish an independent post to perform internal audit for checking the degree of compliance with the AML/CFT systems, with emphasis on the following:



- Examination of the systems established to ascertain their efficiency and effectiveness in AML/CFT, suggesting what is necessary to remedy shortcomings or modernization and improvements required and ensuring that the post is independent and provided with sufficient resources to test compliance, including random checks and submitting reports on results and findings.
- Perform periodic assessment of the policies, procedures and systems related to AML/CFT.
- Ensure the ability of internal systems to discover extraordinary transactions or those which are carried out by suspicious customers and bringing them to the attention of the compliance officer.
- Carry out examinations and investigations to ensure the application of the highest standards in recruiting employees, checking their integrity and honesty, including the compliance officer and his/her deputy.

3.1. **Availability of an automated system in the company**

The exchange company must run and apply on an automated and instantaneous basis of its AML/CFT procedures, policies and internal systems. These procedures should as far as possible be automated and run by means of straight through process (STP). The following requirements must be available in the automated system:

- A. The system must be capable of recording all the transactions performed by the company whether the current activities with its customers or the internal company transactions.
- B. Ability to record the data and information related to customer due diligence.
- C. The system must be able to define the minimum limit of data necessary to be recorded for the various types of transactions by type, degree of risk and



according to the company's internal policies for performing transactions and risk management.

- D. The automated system must provide risk classification, with the staff in charge classifying the risks pertaining to the business relationship for every transaction recorded in accordance with the classification designed by the company for money laundering and terrorism financing risk management.
- E. Ability to apply the prudential supervision procedures to prevent money laundering and terrorism financing transactions, in so far as those amenable to automation are concerned.
- F. Not to carry out any transaction not recorded in the automated system.
- G. The automated system enables the linking of transactions performed, tracing probable connections between various transactions and giving suspicion signals regarding executed transactions, in accordance with criteria put in place by the company.
- H. The system allows the activation of prudential procedures in respect of extraordinary, complex and high risk transactions, including the ability to recognize and identify such transactions and submitting them to the compliance officer and top management.
- I. Applying the authorization system for approving transactions through the automated system according to the degree of risk, by way of defining limits available for users by employees consistent with the level of responsibility and money laundering risks.
- J. The system should provide a mechanism for automatic storing of data and documents of executed transactions according to the requirements of these Guidelines.
- K. The automated system should be capable of preparing internal notifications/STRs and sending them automatically to the compliance officer.



- L. The system keeps in store the circulars issued by the Central Bank related to suspicious parties and individuals, including the Security Council Lists. No business relationship with them should be approved and any attempt to do so should activate the issue of an internal notification.

2- Setting up Procedures Manual

- 2.1. The exchange company should put in place policies and procedures suitable for the sound application of the Law, the Executive Regulations and AML/CFT Guidelines issued by the Central Bank.
- 2.2. In designing the AML/CFT policies and procedures, the following matters should be taken into account:
- 2.2.1. The procedures should be written in detail and in which duties and responsibilities must be accurately specified.
- 2.2.2. The type of procedures adopted by the exchange company must be commensurate with the degree of money laundering and terrorism financing risks.
- 2.2.3. The policies and procedures should contain a description of the segment of high risk customers.
- 2.2.4. They should be consistent with the size, nature and complexity of the company's business.
- 2.2.5. They should be up dated continuously.
- 2.2.6. They should be sanctioned by the board of directors, which must also approve any amendments made to them.
- 2.3. The policies and procedures must as a minimum cover the following:
- 2.3.1. Policies and procedures for accepting customers and dealing with them.
- 2.3.2. Customer Due Diligence procedures and arrangements and continuous monitoring of customers.
- 2.3.3. Special Customer Due Diligence related to high risk customers.



- 2.3.4. Procedures of identification, caution and scrutinizing extraordinary and highly complex transactions.
 - 2.3.5. Procedures suitable for investigating risks related to Politically Exposed Persons (PEPs) because of their public office.
 - 2.3.6. Procedures for discovering suspicious transactions and internal as well as external notification/STRs.
 - 2.3.7. Procedures for examination and scrutiny, necessary for transactions with no economic purpose or which are not related to a clear project.
 - 2.3.8. Procedures to ensure that the company's senior staff and employees are aware of AML/CFT policies, procedures and controls.
 - 2.3.9. Procedures related to recording, saving and proper filing of transactions and documents.
 - 2.3.10. Procedures necessary to ensure the compliance of all company employees with the requirements of the Law, the Executive Regulations and these Guidelines.
- 2.4. The company should keep the following manuals:
- Operational procedures manual, AML/CFT procedures manual, risk management procedures manual and audit procedures manual.

IV- Customer Due Diligence Arrangements

A. Basic Requirements

1. Customer Due Diligence procedures means:
 - Identifying the customer and the real beneficiary and verification thereof.
 - Identifying the legal status of the parties to an exchange relationship and the nature and size of their activities.
 - Obtaining information related to the purpose and nature of the transaction.
 - Identifying the sources of the funds.



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- Additional Customer Due Diligence procedures should be applied where necessary.
 - 2. Exchange companies should decide the extent to which they should apply the Customer Due Diligence procedures mentioned in item (1), in accordance with the degree and size of risks posed by the transaction and the customer.
 - 3. Exchange companies are prohibited from establishing a business relationship (or continuing it) with persons of unknown identity or having fictitious or unreal names or with shell banks or companies.
 - 4. Exchange companies are obliged to apply Customer Due Diligence procedures to identify customers and real beneficiaries, particularly in the following circumstances:
 - On establishing a continuous business relationship.
 - On performing a transaction for a transient customer amounting to more than one million Yemeni rials or the equivalent in other currencies, including cases where the transaction is subdivided into a number of transactions which appear to be connected to each other, the minimum limit applies to the sum of the connected transactions.
 - On performing casual transactions for a transient customer in the form of telegraphic transfers amounting to two hundred thousand Yemeni rials or the equivalent in other currencies.
 - Where suspicion exists of the commitment of the crime of money laundering or terrorism financing regardless of the amount.
 - Where doubt exists related to the accuracy, adequacy or genuineness of the data previously obtained in respect of ascertaining the identities of customers.



B- Customer Due Diligence Procedures to identify the customer and real beneficiary and verify their identity

- 1- The exchange company should at least follow the following procedures to verify the identity of the customer and the real beneficiary:
 - 1.1. Ensure that the customer completes the exchange company's application form for a service, including all types of the services offered, provided the forms contain as a minimum all the data set out in Article (8) of the Executive Regulations.
 - 1.2. **The following documents should be made available:**
 - A copy of the personal or family identification card or passport, while in the case of non Yemenis a copy of the passport containing valid residence for the Republic of Yemen.
 - A document proving place of residence such as public utility bills or any other instrument.
 - Any other documents to verify the genuineness of the data recorded in the application form for having access to a service, or any other data related to Customer Due Diligence procedures, which the company deems necessary.
 - 1.3. The employee in charge must sign the identity documents as proof of being true copies of the original.
 - 1.4. Necessary measures should be taken to verify the genuineness of data and information obtained from the customers from neutral and reliable sources.



2. Procedures for identifying individuals:

- 2.1. The data for verifying the identity must include the full name (four names) and surname or family name, sex, nationality, information related to the identity card, passport number for non Yemenis, place of residence and place of birth.
- 2.2. The documents of minors and those unable to act on their own should be obtained as well as the names, addresses and information of their legal representatives (guardians) and the documents authorizing them to act accordingly.
- 2.3. In the case where the exchange company deals with a representative of the customer, it is essential to ascertain the presence of a power of attorney or valid authority. It is also essential for the company to keep the power of attorney and authority or original copies thereof, in addition to verifying the identity of the agent and the principal, in accordance with the procedures laid down in these Guidelines.
- 2.4. Reasonable measures must be taken to identify Politically Exposed Persons (PEPs) and once identified the relevant procedures laid down in these Guidelines should be applied.

3. Procedures to identify legal persons

- 3.1. The data verifying the identity should include the name of the company, its address, telephone and fax numbers and the names and addresses of the shareholders, each of whom holds more than 10% of the company's capital. Information must also be obtained of the board of directors and directors in affiliate companies and the names of managers authorized to sign on behalf of the company.



- 3.2. Documents should be obtained related to the articles of association, memorandum of association, articles of agreement, internal regulations and trade registration certificate.
- 3.3. A copy of the license to conduct business from the concerned authority should be obtained.
- 3.4. Obtain documents related to the authorization of the natural person representing the company.
- 3.5. Measures should be taken to understand the ownership and control structure of the company.
- 3.6. Additional procedures should be applied in the case of nonprofit making organizations to ascertain the aim of the relationship and the sources and uses of the organization's funds, as well as obtaining a letter from the Ministry of Labor and Social Affairs verifying its identity and authority to receive and send remittances.
- 3.7. Obtain written confirmation from the customer stating the identity of the real beneficiary and his/her financial status.

4. In the Customer Due Diligence Procedures for identifying Agents and Correspondents, the following measures should be taken:

- 4.1. A questionnaire should be prepared to test the extent of compliance of the agent and correspondent with AML/CFT procedures, so much so that the exchange company is able to evaluate the controls used by the agent in AML/CFT and ascertain their adequacy and effectiveness. The questionnaire should contain queries indicating the level of compliance on the part of the agent or correspondent with local statutes dealing with AML/CFT and the standards and procedures of identity verification applied to its customers and its efforts in AML/CFT and the extent of availability of internal effective policies and procedures in this respect.



- 4.2. Obtaining the approval of the Board of Directors before establishing a relationship with the agent or correspondent.
- 4.3. Collecting sufficient information on the agent or correspondent in order to fully understand the nature of its business and through available data, determine its reputation and the type of supervision to which it should be subjected to.
- 4.4. It is prohibited to deal with an agent or correspondent, which was subject to an investigation related to money laundering and terrorism financing.
- 4.5. It is prohibited to deal or continue to deal with any shell entities or shell financial institutions, or parties who deal with shell financial institutions.
- 4.6. An agency contract should be signed between the exchange company and the agent, regulating all rights and obligations and accurately determining the agent's AML/CFT responsibilities.
- 4.7. Obtaining Central Bank's approval to contract with the agent or correspondent.
- 4.8. Obtaining the agent or correspondent's license to practice its business from the concerned authorities.
- 4.9. Ascertaining the physical existence of the agent and if it is being subjected to an effective supervision and control by the concerned authorities.

C- Failure to complete the Customer Due Diligence procedures

Whenever the exchange company is unable to fulfill its obligations related to the procedures of the customer identification and Customer Due Diligence, it should take the following measures:

1. It should not conduct any business relationship with the customer.
2. Consider the possibility of notifying the FIU.



V- Special Customer Due Diligence Arrangements

A. Special Customer Due Diligence arrangements mean applying the following procedures:

1. Applying the Customer Due Diligence procedures laid down in item (4).
2. Performing the necessary analysis and studies to verify the sources of funds and the nature and aim of the transaction.
3. Obtaining additional information from the customer.
4. Obtaining additional information on the customer from independent sources and referring to any data available to the public or in databases on international internet websites.
5. Obtaining the approval of the executive director at the beginning of the relationship with the customer, or continuing the relationship, in case that it is discovered the customer or transaction poses a high risk.
6. Determining the source of wealth of the customers and real beneficiaries.
7. Monitoring the business relationship intensively and continuously.
8. Adopting of measures to alleviate the high risks posed by such segments of customers.

B- The exchange company should apply special Customer Due Diligence vis-à-vis the customer and its activities in the following cases:

1. High risk transactions and cases, particularly extraordinary and extremely complex transactions.
2. Transactions with Politically Exposed Persons (PEPs).
3. Transactions with non residents customers.
4. Transactions with no economic or explicitly legal objective or connected with countries, which do not apply effective AML/CFT procedures and do not comply with international principles and standards, or customers who have connections with these countries.



5. Cash transactions amounting to more than ten million Yemeni Rials or its equivalent in other currencies.
6. Transactions conducted through electronic means and transactions which are not carried out face to face, or by using modern technology means such as the internet and electronic payment cards.
7. Transactions related to nonprofit making organizations.

VI- Telegraphic Transfers

- A- The provisions of this Article apply to telegraphic transfers (outgoing and incoming) which exceed two hundred thousand Yemeni Rials or the equivalent in other currencies.
- B- Without prejudice to the procedures of customer Due Diligence, special due diligence and risk assessment and management laid down in these Guidelines, the exchange company should take into account the following:
 1. Obtain complete information and data on the originator of the transfer and beneficiary, including the name, address and the objective of the transfer and identity ID card number or passport in the case of non Yemenis and keeping copies thereof.
 2. A special identification number should be given to the originator of the transfer.
 3. Verify all information before completing any transfer transaction, relying on examining the original documents and not copies thereof.
 4. All the available data related to the transfer should be attached on the dispatch of the transfer.
 5. In the case of a collected transfers which are sent as one transfer, the identification number of the originator should be attached, provided that:
 - a. The exchange company should keep complete information on the transfer originator.



- b. Providing the party receiving the transfer and the concerned official authorities with the complete information on the outgoing transfer within three working days, as a maximum, from the date of receiving an order to do so.
- c. Quick and immediate response to any order issued by the concerned official authorities related to the examination of the required data.
- d. The exchange company should make sure that abnormal transfers must not be batched with collective transfers, in cases where such an action would increase the risks of money laundering and terrorism financing.
6. The exchange company should ask the originator of the transfer to submit all information, including any missing data. In the case of failure to do so, the company must take suitable action, depending on its assessment of the degree of risk, including refusal to carry out the transfer.
7. Failure to disclose the required data on the part of the originator of the transfer is considered an indicator of suspicion in that transaction, leading the exchange company to consider the requirement of reporting the matter to the FIU.
8. When acting as an intermediary for a transfer transaction, the exchange company must ensure that all data are attached to the transfer on implementing the transaction. In the case of failure to attach the data with the transfer for technical reasons, the company should keep all the data attached as received for a period of five years, enabling it to be presented to the party at the receiving end of the transfer within three days of its demand.

VII- The Notification/STRs

A- Duty to report suspicious transactions

1. The exchange company should notify (report to) the FIU on any exchange transaction, immediately when suspicion arises that it involves the crime of money laundering and terrorism financing or it is connected to the crime or



the proceeds thereof, as defined in the Executive Regulations, including the attempts to carry out those transactions, irrespective whether or not the transaction was completed and regardless of the amount of the transaction.

2. The exchange company is obliged to take steps to obtain sufficient data on the customers and their activities, pursuant to the Law, the Executive Regulations and these Guidelines, which matter helps in discovering suspicious transactions, when they occur and connecting the data taken from the procedures of the Customer Due Diligence towards the customers and their activities.

B- Internal Notification/reporting (Compliance Officer's notification)

1. All senior staff and employees are obliged to make an internal notification on having reasonable doubts to suspect that the funds being processed through the exchange companies are the proceeds of criminal or illegal activities, or connected with terrorism financing, or will be used to commit terrorist acts or by a terrorist organization.
2. On fulfilling his/her duties by examining all data and documents related to a financial transaction, the concerned employee will be able to discover indicators of the presence of a suspicious transaction, resulting in his/her carrying out the prescribed procedures in this respect. On the contrary, if the employee does not fulfill his/her duties in discovering indicators of the presence of a suspicious transaction, thus failing to carry out the prescribed procedures, assuming the existence of the indicators, he will incur legal liabilities.
3. The exchange company should ensure that all senior staff and employees have direct access to the Compliance Officer and facilitate their making



internal notifications on suspicious transactions quickly to the Compliance Officer.

4. Senior staff and employees in the exchange company should as quickly as possible make an internal notification on a suspicious transaction to the Compliance Officer.
5. The senior staff and employees should receive a written acknowledgement of the receipt of the internal notification on the suspicious transaction by the Compliance Officer. The senior staff and employees must report all details of subsequent transactions related to the customer in question.
6. The Compliance Officer must warn the senior staff or employee who made the notification regarding the provisions of secrecy and the prohibition of tipping off the customer. The Compliance Officer should examine this report in the light of all data available to the exchange company and decide whether or not the transaction is suspicious and give the employee a written notice in this respect.

C- External Notification (STRs) (FIU's Notification)

1. The notification (STRs) should be made on the form designated by the FIU for this purpose and circulated to exchange companies by the FIU together with Guidelines on how to complete it. All data should be attached as well as copies of the documents related to the suspicious transaction. Care should be taken to comply with the Guidelines in completing the above mentioned forms. Specimen forms and Guidelines related to the notification may be obtained from the FIU's website.
2. The exchange company should refer to the suspicion indicators laid down in Circular No. 4/2012, which is considered part and parcel of these Guidelines for assistance in recognizing cases suspected of involving money laundering.



D- Confidentiality of the Notification (STRs)

Tipping off the customer, beneficiary or anyone else except the pertinent authorities and parties, is prohibited pursuant to the provisions of the Law and the Executive Regulations, on any procedure of the notification (STR) made in respect of suspicious financial transactions that they involve money laundering or terrorism financing or data related to them.

VIII- Continuous Updating

A- Data Updating

1- The basic requirements for data updating

1.1. Information and data should be updated in the following cases:

- After five years in the case of data and information related to Customer Due Diligence.
- After three years in the case of data and information related to agents and correspondents.
- Doubt on the part of the exchange company as to the genuineness and accuracy of information and data on record.
- Suspicion arises regarding the customer.
- Expiry of validity of identity documents (personal identity card, family identity card, passport).
- Expiry of validity of license to practice a profession or of commercial registration certificate for legal persons.
- Expiry of the legal period of official letters and memos approving the carrying out of financial transactions for nonprofit making organizations, such as welfare societies and institutions.

1.2. The exchange company should update the following data and information:



- Data and information related to Customer Due Diligence laid down in Paragraph 4(B).
- Data and information related to agents and correspondents.
- 2- The exchange company must reduce the period fixed in these Guidelines on updating the data related to transactions involving high risk customers.

B- Internal System Updating

The exchange company should update its AML/CFT internal systems and procedures on a continuous basis, in such a way as to keep abreast of local and international changes and developments, in order to enhance their effectiveness and efficiency in discovering and recognizing money laundering and terrorism financing transactions. The risk based customer classifications should be updated every two years. Likewise, the procedures for identifying Politically Exposed Persons (PEPs), the procedures for alleviating the degree of risk involved in dealing with them and the risk management procedures and policies related to them should all be updated.

C- Updating Ban Lists

The exchange company should ensure the updating of all the Lists circulated by the Central Bank regarding suspicious persons and issued by the Security Council and the other lists specified by the Central Bank.

IX- Training

1. The exchange company should put in place appropriate ongoing AML/CFT training plans and programs for its senior staff and employees on an annual basis as a minimum.
2. The exchange company training program should be an ongoing one to ensure that senior staff and employees maintain their knowledge, skills and



capabilities with the aim of enhancing their efficiency in complying accurately with the regulations and systems prescribed for AML/CFT and their understanding and keeping abreast of new developments pertaining to general methods and trends of money laundering and terrorism financing and systems for combating them and local and international new events in this field.

3. The exchange company should carry out a review of training needs at regular intervals, examining the issues of existing experience, skills and capabilities as well as required posts and roles. The company should also look into its size and its risk rating classification, the results of previous training and future needs, while the executive director should seriously take into account the results of every review.
4. These programs should be planned and carried out in coordination with the Money Changers' Association, the FIU and AML/CFT National Committee, taking into consideration the following:
 - 4.1. Training should cover all the units of the exchange company and all its senior staff and employees.
 - 4.2. In carrying out training programs assistance should be sought from the Banking Studies Institute and specialized institutes to be established for this purpose or where AML/CFT training is part of their curriculum, whether inside the country or abroad, while benefiting from local and international experience in this respect.
 - 4.3. Coordination should be made with the Compliance Officer regarding the selection of staff to attend training programs in this area.
 - 4.4. The Bank Supervision Sector and FIU in CBY should be informed of all the details of the programs mentioned above.



X- saving of Records and Documents

The exchange company should keep the records , data, documents and information necessary to fulfill AML/CFT requirements, in accordance with the following conditions and criteria:

A- Basic Requirements

1. Establish an automated saving and documenting system side by side with the manual system.
2. Keep the Customer Due Diligence records and documents for a period of five years as of the termination of the relationship or for a longer period if so demanded by the concerned authorities.

B- Saving and documentation Conditions

1. Keep additional copies of the documents and records in another place, while maintaining a backup system for the electronic data.
2. The system of saving and retaining records and documents should enable their retrieval easily and promptly, in such a way that any data or information required can be retrieved and made available in adequate form and without delay.

C- Types of records and documents to be kept and retained

The exchange company should keep and retain the following:

1- **The Customer Due Diligence records and documents including:**

- Customer identification records and the documents verifying them.
- Records of correspondences exchanged with the customer.
- Records of local and international transactions.
- The records, documents and reports related to extraordinary transactions and confirmation that these reports have been examined and reviewed.
- Records of missing data in telegraphic transfers and the originator of the transfer.



- The records and testimonials supporting the exchange relationship cited in item 4(B).
- The records, documents and reports, which the Compliance Officer has decided to be kept and retained.
- The reports, records and documents related to suspicious transactions including the internal notification reports and the reports of their verification results.
- Records of the notification (STR) reports sent to FIU and related documents.
- Documenting, saving and retaining of data and documents related to agents and correspondents identification procedures as laid down in these Guidelines, including agency contracts and the questionnaire on AML/CFT systems of correspondents.

2- Documentation, saving and filing of internal policies and procedures and related systems including:

- a. Manuals of internal procedures and policies applied by the company.
- b. Risk management policies, procedures and programs.
- c. Decisions and reports related to improving the internal policies and procedures of the company.
- d. Unified Lists on persons and entities suspected of money laundering and terrorism financing and any related correspondence or circulars.
- e. Reports and documents necessary to prove compliance and reports and data related to the performance of the Compliance Unit of the duties entrusted to it.
- f. Documents and reports related to training programs, including detailed data on all AML/CFT programs offered to the company employees.
- g. Correspondence with the Central Bank and circulars issued by it.



- h. Money Laundering Law, its Executive Regulations and Guidelines issued by the Central Bank.

XI- The Ability to prove Compliance

1. The exchange company must submit data and documents demanded by the Central Bank inspectors, in order to conduct the examination and audit necessary for assessing the company's systems.
2. The exchange company must be able at any time to prove to the Central Bank that it applies effective AML/CFT procedures and to submit the reports and documents essential for confirming its compliance with the Law, the Executive Regulations and these Guidelines.

XII- General Provisions

- 1- These Guidelines are part and parcel of exchange company's regulations and procedures aiming at controlling, discovering and preventing AML/CFT activities.
- 2- Compliance with these Guidelines is one of the conditions necessary for granting a license to practice exchange business.
- 3- Every exchange company should provide and make available an electronic database containing the names of all persons reported by CBY or those reported to the company by FIU or those who are the subject of suspicion by the company itself, in order to enable the employees in charge of dealing directly with the customer, at the very beginning of establishing the business relationship to discover the persons whose names are included in the database, when they attempt to conduct any occasional transaction with the company. The FIU should be informed immediately when any of those names is detected.



- 4- In case of violation of these Guidelines, the exchange company shall be liable to the penalties imposed by the Anti Money Laundering Law as well as the Exchange Law No. 20/1995 as amended by Law No. 15/1996.
- 5- The exchange companies should put in place a charter of honor or code of conduct for their employees containing exchange business ethics. The staff of the internal auditor's department should be trained to test these ethics or norms of behavior and report noncompliance with them, the high living standards of the exchange companies' employees, which are inconsistent with the salaries they obtain and the employees who use their staff privileges for purposes that do not concern them or at the service of exchange companies' customers or other persons.
- 6- The contract concluded between the exchange company and its external auditor should provide for obliging the latter to assess the company's AML/CFT internal systems and express an opinion on the adequacy of the company's policies and procedures in this respect in the report he/she submits to the exchange company management. It is essential that he/she informs CBY immediately he/she discovers any violation of these Guidelines.

These Guidelines shall come into force on the date of their issue.

Nabeel Mansur Al Muntasir

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Bank Supervision Sector

Central Bank of Yemen