

MENAFATF NEWSLETTER

A semi-annual newsletter issued by the Secretariat of MENAFATF-Issue No. (2), December 2010

Dear Brothers and Sisters,

I am pleased to communicate with you again through the second issue of the electronic newsletter issued by the MENAFATF Secretariat, which coincides with MENAFATF sixth anniversary, the year which earned Tunisia the honor of MENAFATF presidency following five Arab countries during which the group achieved various accomplishments and demonstrated itself as a regional body that has a leading role in combating AML/CFT.

MENAFATF has made lots of achievements through the cooperation of all its member countries and observers and due to the countries' sincere efforts and dedication to support the members' AML/CFT efforts.

The group has made many achievements, these include the mutual evaluations "ME" processes of AML/CFT systems in member countries, start preparing for the second round of "ME" following up for the action taken by



countries to address deficiencies in their AML/CFT systems, providing technical assistance and typologies.

The adoption of the 12th MENAFATF Plenary to the presidency's proposals and the approval of the appropriate operational mechanisms in addition to the accession of the Arab Monetary Fund "AMF" as an observer, thanks to the endeavor of Mr. Tawfiq Bakkar, the Governor of the Central Bank of Tunisia and the President of the Tunisian Committee for Financial Analysis, not

to mention the activation of the role of the Financial Intelligence Units forum, are some of the most important and positive steps taken by MENAFATF during the Tunisian presidency. Such steps will enhance cooperation between member countries with relevant regional bodies, which will lead to publicizing the group, its role, and activities and will contribute to the follow-up process of the global developments, interact with it and influence it.

I would like to take this opportunity to extend my sincere thanks and appreciation to representatives of all member countries, observers and the whole team members of MENAFATF Secretariat, led by Mr. Adel Ben Hamad AlQulish for their full and sincere support to the group in 2010, during which I was honored to represent my beloved Tunisia as a President to the group.

Thank you all and wish you the best.

Samir Brahimi
MENAFATF President

Upcoming Events (January-June 2011)

15-17 March
Seminar for "Prosecution Authorities and the Judiciary", Republic of Sudan.

30 April
2nd Ministerial meeting (high level), the State of Kuwait.

2 May
3rd Meeting of MENAFATF FIUs forum.

3-5 May
13th MENAFATF Plenary meeting, the State of Kuwait.

3-5 June
A regional conference entitled "Cross borders cash movements: challenges, dictation and combating", Republic of Sudan.

2nd FIUs forum meeting in Doha

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

The Forum aimed to unify channels of communication between the FIUs to achieve an ongoing and effective regional communication and cooperation that supports the exchange of experiences and information among FIUs and help them play their role effectively in combating ML/TF. The Forum addressed several topics on its agenda; most importantly, the promotion and follow-up of joining the Egmont Group, the exchange of experience in best practices and mechanisms to build and strengthen the capacity of FIUs.

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

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



12th MENAFATF Plenary in Qatar

MENAFATF held its 12th plenary in the State of Qatar from November 30 until December 2, 2010. The Plenary was chaired by Mr. Samir Brahimi, MENAFATF President, General Manager of the Legal Regulation & Audit Affairs and Secretary General of the Tunisian Committee for Financial Analysis. A large number of AML/CFT experts participated in the Plenary meeting, representing MENAFATF member countries in addition to observer countries and organizations.

H.E. Sheikh Abdullah Saud Al-Thani, Governor of Qatar Central Bank inaugurated the Plenary which was hosted by the National Committee for Anti Money Laundering and Terrorism Financing (NAMLC). Sheikh Al Thani stressed on the importance of MENAFATF in the field of AML/CFT and highlighted the efforts made by the State of Qatar in supporting MENAFATF activities and work.

The 12th Plenary adopted the Mutual Evaluation Report "MER" for the People's Democratic Republic of Algeria as well as 6 follow-up reports for the United Arab Emirates, the State of Qatar, the Republic of Yemen, the Kingdom of Bahrain, the Kingdom of Morocco and the Arab Republic of Syria.

The Plenary agreed on holding 2nd MENAFATF ministerial (high level) meeting in May 2011 in the State of Kuwait on the margin of the 13th Plenary meeting.

Among the Presidency Proposals adopted by the Ple-

nary, were the approval of forming a committee of experts from the member countries and the Secretariat that evaluates the extent of availability of the factors required to ensure the quality and consistency of MERs. The Plenary also approved considering introducing amendments on the group MoU and by-laws as well as the formation of a permanent technical committee of experts to contribute efficiently to the review process of the FATF 40 + 9 recommendations implemented by the FATF.

The Plenary also approved the Tunisian Presidency proposal regarding the outreach to the regional financial institutions which have the ability to support MENAFATF activities through funding activities that introduce MENAFATF, its objectives, support the relation between MENAFATF and FATF-Style Regional Bodies "FSRB"s, not limiting it to MENAFATF participation in the regular meetings of such groups.

The Plenary adopted the report of the Chair of the Mutual Evaluation Working Group, which included recommendations the MEWG has reached in its meeting held in Qatar on 29 November 2010 alongside the 12th Plenary meeting, and adopted the report of the Chair of the Technical Assistance and Typologies Working Group, which included recommendations the TATWG reached in its meeting held on 29 November, 2010 alongside the 12th MENAFATF Plenary.

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Adel Hamad Al Qulish
MENAFATF Executive Secretary

I am pleased to meet with you again in the second issue of MENAFATF newsletter, a semi-annual newsletter which was first released in June 2010 as a new channel of communication and outreach to the group, to shed light on all MENAFATF updates and news and to have an access to the group's most important achievements.

This issue covers the period from July until December 2010, it highlights the events organized and the achievements made by the group, most notably the completion of the AML/CFT MER for the People's Democratic Republic

of Algeria, prepared by a team of experts from the group, the preparation for the Ministerial meeting "high level", the adoption of the typologies report on "Trends and Indicators of ML/FT" and publish it on MENAFATF website and finally holding the second meeting for the Financial Intelligence Units "FIUs" forum, among other topics and achievements.

The newsletter demonstrates the extent of MENAFATF keenness to actively contribute and effectively participate in major regional and international meetings to express the point of view of the MENA re-

gion and to introduce member countries to the topics discussed in these events and meetings.

Out of the group's commitment to a regional sustainable cooperation approach, MENAFATF has succeeded in establishing a Financial Intelligence Units solidarity forum; a unique initiative in the region that enhances regional cooperation in terms of exchanging experiences and information between FIUs in order to perform their role effectively to combat ML/FT.

I hope this newsletter would give you all the expected benefit.

MENAFATF at FATF Plenary in Paris

MENAFATF participated in the FATF Plenary held in Paris on 20-22 October 2010.

MENAFATF President Mr. Samir Brahimi and the group Executive Secretary Mr. Adel Ben Hamad Al Qulish represented the group in the Plenary meeting. Representatives of a number of member countries of the group also attended the Plenary; these were from Jordan, Algeria, Mauritania and Morocco.

The Plenary produced two public documents as part of its ongoing work to identify jurisdictions that may pose a risk to the international financial system. An update on AML/CFT improvements in Qatar and Azerbaijan was also provided.

The Plenary adopted the MER of Argentina and issued a detailed study

of ML operations carried out through the new payment methods and Trusts and Company Service Providers. The Plenary produced a reference guide and information about using the FATF recommendations to support combating corruption, and provided an update on the preparations for the ME fourth round of FATF.

The FATF welcomed the significant progress in AML/CFT combating system in the State of Qatar, noting that Qatar has made all its obligations through a plan of action submitted regarding the strategic shortcomings in combating ML/FT, which were defined by FATF on February 2010 and led to Qatar's exclusion from the ongoing follow-up process.

15th MEWG Meeting

Alongside 12th MENAFATF Plenary, the MEWG, consisting of Tunisia, Algeria, The Kingdom of Saudi Arabia, Syria, Kuwait, Egypt, the International Monetary Fund "IMF", the World Bank "WB" and the FATF, held its 15th meeting in Doha on 29 November 2010.

The meeting discussed a series of subjects related to the draft of the second round of the ME procedures, and ME key principles issued by the FATF. The latest development in the field of international cooperation to combat ML/FT was also discussed. The 12th Plenary meeting adopted the report submitted by the Chair of the MEWG Dr. Samir

El Shahed, which included recommendations the MEWG has reached in its meeting to enhance the interactive vision of the Working Group. The key points concluded related to the adoption of the timeline of ME process, the adoption of Timeline of ME follow-up process for countries that have been already evaluated, the expansion of the MEWG membership to all member countries that wish to join the MEWG.

The meeting also finalized on a tentative basis the Draft ME Procedures "of the 2nd round of the ME" and also on amendments of the follow up procedures applicable in the first round.

In addition to that, the meeting formed a permanent technical committee related to the MEWG to enhance the participation in the review process of the FATF criteria and recommendations as well as the tasks entrusted to the Working Group. The meeting also urged member countries to encourage the private sector institutions towards expressing their opinions directly to the FATF Secretariat with regard to the amendments agreed upon within the review process of the recommendations and criteria through a paper posted by the FATF on its website within the framework of public discussions.

MENAFATF in "Egmont" 18th Plenary

MENAFATF participated in the Egmont Group 18th Plenary, held in Colombia from 27th June to 1st July, 2010 to enhance international cooperation and sharing of information.

The Plenary was attended by over 230 participants representing FIUs from 90 jurisdictions and 11 regional and international bodies who work to combat money laundering and terrorism financing.

The IMF participated in the Plenary through a presentation about the impact of the financial crisis. The IMF encouraged FIUs to contribute to ML/TF risk assessments and urged them to cooperate with other national authorities in targeting resources to areas of greatest vulnerability.

The importance of financial inclusion as a way of strengthening AML/CFT regimes was emphasized through the World Bank presentation, which also stressed on the need to work on anti-corruption initiatives, as many FIUs indicate that corruption is a significant factor that influences

FIUs ability to work effectively at both the national and international level.

On the other hand, a meeting was held between Egmont Regional Representatives and representatives of FSRBs, to coordinate efforts at a local and regional level to build the capacity of existing FIUs and to support the development of emerging FIUs.

The Plenary welcomed the initiative of MENAFATF to establish a special forum for FIUs, and a commitment was made to assist this forum where possible.

During the Plenary, His Excellency Sheikh Ahmed Ben Eid Al Thani, Head of the Qatar Financial Information Unit, concluded the report issued by the 17th Egmont Plenary, held in Doha, Qatar in June 2009.

His Excellency Sheikh Ahmed Ben Eid Al Thani, was recently elected a member of the Egmont Committee and a representative of the continent of Asia.

11th TATWG Meeting

On the margin of the 12th MENAFATF Plenary, the TATWG consisting of Jordan, UAE, Bahrain, Sudan, Lebanon, Morocco, Yemen, Palestine, USA, the IMF, WB, UNODC and FATF, held its 11th meeting on 29 No-

vember 2010 in Doha, Qatar. MENAFATF Plenary adopted the report of the Chair of the TATWG Mr. Abdul Raheem Al Awadh, which included recommendations the TATWG has reached in its meeting. The main points concluded

ed by the meeting are related to adopting the TATWG mandate following the amendments made thereto, adopting the Typologies Report on "ML/TF Trends and Indicators" and publishing the same on the MENAFATF website.

MENAFATF Participation

- Symposium on the Effective Enforcement of the new AML/CFT Law, 13 June 2010, Doha, Qatar.
- Meetings of Expert Group (A) and Expert Group (B) of the working group on Evaluations and Implementations of the (FATF), 20-24 September 2010,

- IMF, Washington, USA.
- Qatar onsite visit for the ICRG remove process, Qatar, 27-28 September 2010, Doha, Qatar.
- Meeting of the Africa/Middle East Regional Review Group, of the FATF International Cooperation Review

- Group, 29-30 September 2010, Doha, Qatar.
- Seminar on "Protecting the Integrity of Financial Systems", 5-6 October 2010, Doha, Qatar.



Assessors' Training Workshop

MENAFATF, in collaboration with the Special Investigation Commission "SIC" in Lebanon, the IMF and the WB, held the 4th workshop to train assessors from 3rd till 7th October 2010 in Beirut, Lebanon.

The workshop was inaugurated by SIC Secretary Mr. Abdul Hafiz Mansour, MENAFATF Executive Secretary Mr. Adel Ben Hamad AlQulish and representatives of the Internal Security Forces "ISF" and the Public Prosecutor of Lebanon.

The workshop which was attended by financial and legal experts from the member countries, aims at training participants and developing their expertise and skills to enable them to participate efficiently in future assessments conducted by MENAFATF within the 1st round of mutual evaluation.

During the workshop, assessors were trained on the application of the FATF 2004 evaluation methodology. The workshop was divided in two

parts, a theoretical part where a number of specialized lectures in law, law enforcement and financial were delivered, while the second part was a practical part that included a simulation for the mutual evaluation process, conducted by the participating experts. The workshop provided the appropriate feedback of expertise and knowledge for the participants, which has an impact on the experts' understanding of ML/FT combating standards.



Algeria Mutual Evaluation Report

By virtue of the People's Democratic Republic of Algeria membership in MENAFATF, a mutual evaluation was conducted to assess the ML/TF combating system in Algeria.

The evaluation was conducted by a team from the MENAFATF Secretariat as well as experts from the member countries in law enforcement, financial and legal issues, using the 2004 AML/CFT methodology.

The mutual evaluation was based on laws and regulations and other materials provided by the People's Democratic Republic of Algeria as well as information obtained by the evaluation team during and following its on-site

visit that took place on 6-17 December 2009.

During its on-site visit, the evaluation team met with officials and representatives from all relevant governmental bodies and the private sector in the People's Democratic Republic of Algeria. The team reviewed the institutional framework, laws and regulations, guidelines and other requirements on combating ML/TF, as well as other AML/CFT systems applied through financial institutions and the Designated non-Financial Businesses and Professions as well as checking the capacity, applicability and effectiveness of these systems.

The ME report provides a summary of the AML/CFT efforts and measures applied either during the field visit or immediately following it. The report also includes a description and an analysis of these efforts and measures and determines the level of compliance of the People's Democratic Republic of Algeria to the forty recommendations and the nine special recommendations of the FATF. The report also makes recommendations on how to enhance certain aspects of the system. The report was adopted at 12th MENAFATF plenary held in November 2010.

Illicit Traffic in Narcotic Drugs and Psychotropic Substances & Money Laundering

MENAFATF approved the proposal of "Illicit Traffic in Narcotic Drugs and Psychotropic Substances and Money Laundering" submitted by the Typologies Experts Group in the MENAFATF. The proposed project relies on the study of the illicit Traffic in Narcotic Drugs and Psychotropic Substances considered as one of the most serious crimes; where a serious risk emanates from the drugs whether on health or security (according to the World Drug Report issued by the UNODC). In addition to the relation of this crime with the ML crime, being considered one of the most widespread predicate offense in the world.

The suggestion to study this subject is within the typologies framework in the MENAFATF with the aim to assist member countries in combating this crime and combating the laundering of its proceeds. The crime of illicit drug trafficking is considered one of the most serious crimes; it yields huge amounts of money. Some economic reports indicate that the volume of drug trafficking reaches annually around USD 500 billion. Other estimations indicate that it can reach USD 1 Trillion. In all cases, the illicit drug trafficking remains the most widespread predicate offenses where the statistics published on the internet point out that the illicit drug trafficking is the source of 50% of the ML operations. Therefore, countries are exerting great efforts to combat such a serious crime.

The predicate offense is considered one of the most essential components of the ML crime which rely on 3 pillars represented in the ML behavior on money proceeding from an illicit source (the predicate offense); the list of definition annexed to the FATF recommendations in-

cludes the designated categories of the predicate offences (20 crimes) to be included as a minimum of the predicate offenses regardless of the difference in the approach of the country in defining such crimes. The crime of illicit drug trafficking is among those crimes.

This project helps highlighting more the substance of the Illicit Traffic in Narcotic Drugs and Psychotropic Substances, its elements, the related risks and its negative effects and any other related issues such as when the trafficking is considered licit and when it is considered as illicit, what is related to the drugs cultivation, other types such as manufactured narcotic drug, smuggling methods, what are the most used drug kinds, the efficient fighting methods and the measures that follow such as the transformative or alternative cultivation and the treatment of drug dependence. The project will also work on increasing the understanding of the relation between the crime of illicit drug trafficking and the ML and the most widespread techniques for laundering money proceeding from the illicit drug trafficking and developing the capacities of the entities concerned with combating those 2 crimes.

This project aims at increasing the understanding of the illicit drug trafficking, its scope and the related risks, identifying the most used techniques in the illicit drug cultivation, smuggling and trafficking, identifying the most followed techniques in laundering the proceeds of the illicit drug trafficking and finally developing better methods to support the efforts of entities concerned with combating illicit drug trafficking and laundering its proceeds and to assist them in performing their role efficiently to trace the criminals.