

The banner features the Union of Arab Banks logo at the top center, with its name in Arabic and English. Below it, a blue bar contains the text "with the support of the U.S. DEPARTMENT OF THE TREASURY". Underneath, it says "IN COOPERATION WITH" followed by logos for the American Bankers Association, MENA FATF (Middle East and North Africa Financial Action Task Force), and ABANA. The text "Organizes" is centered below these logos. The main title of the conference is "The Second U.S- Middle East and North Africa Private Sector Dialogue (US-MENA PSD) Conference on Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT)", with the dates "December 11-13, 2006 New York City, USA" and the host "The Federal Reserve Bank of New York".

The photograph below shows three men seated at a long table covered with a blue cloth. From left to right, nameplates identify them as Mr. Joseph L. ... (partially obscured), Mr. Thomas ... (partially obscured), and Mr. Stuart Levy. Each man has a microphone and a glass of water in front of him. The background is a dark wood-paneled wall.

The Union of Arab Banks organized in collaboration with the US Dep. of the Treasury and the Federal Reserve Bank of New York and in cooperation with the MENAFATF, ABANA, and ABA the second US-MENA PSD conference on AML/CFT during the period 11- 13 December 2006.

Many significant Arab leaders concerned about AML/CFT participated in this conference: Dr. Joseph Torbey, Chairman of the Union of Arab banks, H.E. Mr. Hamoud Bin Sanjour Al Zidjali, CEO of the Central Bank of Oman, H.E. Dr. Sinan Al Shabibi, Governor of the Central Bank of Iraq, H.E. Mr. Faris Sharaf, Vice Governor of the Central Bank of Jordan, Mr. Mahmoud Abdel Al- Latif, Chairman of MENAFATF, and Dr. Mohammad Bassiri, the Founder and Chairman of US- MENA PSD Initiative and Head of Special Investigation Committee (AML/CFT), in Lebanon.

From the American side, distinguished public and banking representatives participated in this conference headed by Mr. Thomas Baxter, Vice CEO and General Consultant for the Federal Reserve Bank of New York, Mr. Patric O'Brien, Assistant General Manager of AML/CFT in US Treasury Department, Mr. Franc Swedove, President of FATF, Mr. Stuart Levey Undersecretary for Terrorism and Financial Intelligence of the U.S. Department of Treasury, and Mr. Daniel Glaser, the Deputy Assistant Secretary for Terrorist Financing and Financial Crimes of the U.S. Department of the Treasury.

This conference was attended by more than 300 Arab, American and international financial and banking personalities and was characterized by a wide participation from senior managers of central banks and Arab funds, and AML officers from big financial and banking institutions.

The conference included several open sessions and technical workshops that discussed various topics that are gaining great importance on the Arab and International sides, of which are:

- 1- Private Banking, Politically Exposed Persons and Customer Due Diligence in the MENA Context*
 - 2- Building US- MENA Correspondent Banking Relationship within an Effective AML/CFT Program*
 - 3- Risk- Based Customer Due Diligence on Accounts and Payment Mechanisms relating to Remittances and Charity*
 - 4- Trade Finance Issues and Applications*
 - 5- Role of Banking and Financial Institutions in Fighting the various Financial Crimes including ML/FT.*
- Many distinguished speakers gave out significant presentations tackling different aspects of AML/CFT, among whom are:*

- * Dr. Joseph Torbey - Chairman of the Union of Arab Banks*
- * Mr. Thomas C. Baxter, Jr. - Executive Vice President and General Counsel, Federal Reserve Bank of New York*
- * Mr. Stuart Levey - Undersecretary for Terrorism and Financial Intelligence, U.S. Department of the Treasury*
- * Mr. Patrick O'Brien, Assistant Secretary for Terrorist Financing and Financial Crimes, U.S. Department of the Treasury*
- * Mr. Daniel Lawrence Glaser, Deputy Assistant Secretary for Terrorist Financing and Financial Crimes, U.S. Department of the Treasury*
- * Mr. Robert Basely, Senior Vice President in Global AML - Bank of America*

- * *H.E. Dr. Sinan Al-Shabibi, CEO, Central Bank of Iraq*
- * *H.E. Mr. Hamoud Sangour Al-Zadjali, Governor, Central Bank of Oman*
- * *H.E. Dr. Fares Sharaf, Deputy Governor, Central Bank of Jordan*
- * *H.E. Dr. Marwan Nsouli, Deputy Governor, Central Bank of Lebanon*
- * *Dr. Mohammad Baasiri - Chairman of the US- MENA PSD on AML/CFT*
- * *Mahmoud AbduLatif, President of the Middle East and North Africa Financial Action Task Force (MENAFATF)*
- * *Dr. Fouad Shaker, Secretary General, Union of Arab Banks*
- * *Mr. Samir Brahimi, Secretary General, Tunisian FIU*
- * *Mr. Abdo Huzam El Hakamy, FIU Head, Central Bank of Yemen*
- * *Dr. Samir El Shahed, Executive Director, Egyptian Money Laundering Combating Unit*
- * *Sheikh Ahmed Bin Abed Al Thani, Head of FIU, Qatar Central Bank*
- * *Mr. Jamal El- Hindi, Associate Director, Financial Crimes Enforcement Network (FinCEN), U.S. Department of the Treasury*
- * *Mrs. Samar Baasiri, Advisory Board ACAMS, Head of Compliance, Bank Med*
- * *Mr. Mohamad Mansour, Head of AML Unit, Commercial Bank of Qatar*
- * *Mr. Robert Pasley, Senior Vice President, Global Anti- Money Laundering, Bank of America*
- * *Mr. Fakhruddin Khalil, Founding President, ABANA, Former Chairman, Arab American Bank, Chairman, IDOM Middle East and F. Khalil and Co.*
- * *Mr. Fouad Matraji, General Manager, Arab Finance House - Lebanon*
- * *Mr. Wayne Bennett, Vice President and Compliance Director, Treasury and Securities Services, JP Morgan Chase*
- * *Mr. Frank Swedlove, President of the Financial Action Task Force (FATF)*
- * *Mr. Bashir Al- Nakib, CAMS, Head of Compliance Division, Lebanese Canadian Bank*
- * *Mr. Victor Illonardo, Global Transaction Bank/Bank Regulatory Compliance, Deutsche Bank*
- * *Mrs. Anne Jaedicke, Deputy Comptroller, Compliance Policy, Office of the Comptroller of the Currency (OCC)*
- * *Mrs. Suzanne Williams, Manager, BSA/AML Risk, Federal Reserve Board*
- * *Mr. Thomas Fleming, Financial Crimes Enforcement Network (FinCEN), U.S. Department of the Treasury*
- * *Mr. Dennis Wood, Assistant Director, Compliance Outreach and Implementation, Office of Foreign Assets Control (OFAC), U.S. Department of the Treasury*
- * *Mr. Dan Soto, Chief Compliance Officer, U.S. and Caribbean Banking, Royal Bank of Canada Cintura Bank*
- * *Mr. Hany Abou- El- Fotouh, CAMS, Head of Compliance, Oman International Bank*
- * *Mrs. Aline Aziz, Assistant to Chairman, Credit Libanais*
- * *Mr. Barry Koch, Global Head of Anti- Money Laundering, American Express Company*
- * *Mr. John W. Campbell, AML Practice Leader, Principal Risk and Regulatory Advisory Services, PricewaterhouseCoopers LLP*



Money Laundering: A Growing Financial Crime

Money laundering is a big problem today, not just for the government, but also for the banking industry and for the society as a whole. And today's concerns with the war on terrorism mean that the stakes are higher still.

Certainly the amount of money laundered globally is huge, perhaps as high as 5% of the world's output. The scale of it is one of the reasons to be concerned about it.

But there are other reasons too. Money laundering is not just about financial crime, it is about all crime, and about the most threats to the well being of every society- drug abuse, prostitution, people trafficking, terrorism and others. Anti- money laundering is directed at improving the lives of ordinary people.

So it is "all crimes" nature of money laundering, and its enormous size, that makes it so important for the Government to work effectively and in cooperation with the wide range of professionals and regulators.

Establishment of MENAFATF

1- Foundation:

Four informal discussions led to the creation of the MENAFATF (2003-2004). It was launched on Nov 30, 2004



From left: Dr. Sinan AlShabibi, Dr. Joseph Torbey, Mr. Hammoud Sangour AlZadjali and Thomas Baxter

in Bahrain. The founding members of MENAFATF were: Jordan, UAE, Bahrain, Tunisia, Algeria, Saudi Arabia, Syria, Oman, Qatar, Kuwait, Lebanon, Egypt, Morocco, and Yemen; New members joined MENAFATF and they are Iraq, Mauritania and Sudan.

Observers in MENAFATF are: Palestine, France, UK, USA, IMF, WB, GCC, UNODC, Egmont Group, and Spain.

2- Vision:

The aim behind establishing the MENAFATF was that such an organization "is important in the promotion and implementation of AML / CFT standards within the MENA region".

- It is modeled like FATF.
- It has AML and CFT efforts as its sole objectives,
- It encourages implementation and enforcement of FATF's 40+9 Recs.
- It also administers a mutual evaluation of its members.
- It provides information to its members about trends, techniques and other

developments for money laundering and terrorist financing.

3- Objectives:

The main objectives of MENA-FATF are:

- To adopt and implement FATF Recs 40+9,
- To implement UN treaties and agreements,
- To encourage members to cooperate together to raise compliance with FATF and international standards,
- To encourage members to identify ML/TF issues specific to the region,
- To encourage members to build effective arrangement through out the region to combat ML/TF in accordance with their cultural values, constitutional framework and legal systems.



Dr. Torbey and Mr. Thomas Baxter

4- Role:

The main roles of MENAFATF are:

- To help member countries by issuing best practices recommended for application in specific issues and

gathering information on ML trends and techniques.

- To assess the commitment of member countries to the application of the international standards and obligations

within their national systems.

5- MENAFATF Mechanisms:

The mechanisms of MENAFATF are:

- Plenary and Secretariat.
- Working Groups and Ad Hoc committees.
- Mutual Evaluation WG.
- Technical Assistance and Typologies WG.
- Hawala.
- Cash courier.
- Charities.
- Future projects: PEPs and DNFBPs.

6- Out-reaching the private sector:

MENA FATF addresses the private sector through:

- Raising awareness of all financial and non- financial sectors of money laundering and terrorist financing risks.
- Private Sector Dialogue.
- Consultation meetings.
- Agreement (with UAB).



From right: Mr. Patric O'Brien, Mr. Frank Swedlove, Dr. Joseph Torbey and Dr. Fouad Shaker



From left: Mr. Patric O'Brien, Dr. Joseph Torbey, Dr. Mohammad Baasiri, and Mr. Thomas Baxter

7- Rule of MENAFATF:

MENAFATF itself was the culmination of an evolving process that dates back several years and took on greater importance in the shadow of the 9/11 terrorist attacks on the US. Countries across the MENA region became more aware of the need to reach out to the international community and join forces in the combating of money laundering and terrorist financing. Consequently, regulators and the private financial sector became more committed to the process of fighting ML/TF in accordance with the best international practices and FATF recommendations while taking into account the cultural values and constitutional and legal frameworks of the respective states.

During its young life, MENAFATF has delivered remarkable output. Starting the process of mutual evaluation of member countries, organizing regional seminars and events, providing technical assistance to many members jointly

with world institutions and issuing best practice papers on charitable organizations, cash couriers and alternative remittance systems are just a few examples. Simultaneously, MENA-

FATF is keen on playing active role in the work of international bodies and organizations, most notably FATF and Egmont Group of FIUs. The international community -- through its observer status at MENAFATF -- has provided significant support to the efforts and work of MENAFATF and is helping it realize the objectives embedded in the founding memorandum of understanding. All said, MENAFATF presents an excellent vehicle to its members to proactively join the world community for the purpose of setting best practices and recommending standards, and assessing and promoting compliance with these best practices and international standards, to combat money laundering and terrorist financing.

8- MENAFATF Recommendations on AML/CFT:

Realizing that MENAFATF recommendations would directly impact the financial sector and banks at large, and recognizing the value derived from en-



From left: Mr. Thomas Baxter, Mr. Othman Benjalloun, Dr. Fouad Shaker and Dr. Marwan Nsouli

gaging the private sector in the process of building the necessary culture throughout the region that is necessary to build adequate financial controls at the national and private levels alike. MENAFATF found it imperative to create a platform which would bring the private financial sector to the table. Typical of any similar transnational initiative, MENAFATF has also determined that desired objectives would be best served if such a platform would cut across regional boundaries and involve world parts that would find it mutually beneficial to work together in a professional partnership fashion in the course of combating ML/TF.

Judging a simple arithmetic equation where MENA banks maintain significant dollar accounts at US banks, which in turn, provide lines of credits and foreign exchange services on one hand, and the presence of reciprocal investments and trade related issues on the other hand, MENA FATF concluded the creation of the PSD initiative.



From left: Dr. Joseph Torbey, Mr. Patric O'Brien, Mr. Wissam Fattouh

The PSD Initiative

The PSD initiative aims at building a professional partnership between US and MENA private financial sectors to

combat ML/TF through enhanced communication channels, raising awareness, bridging cultural differences, and promoting the development and implementation of effective AML/CFT controls. The thought of creating this initiative came in the margins of the MENAFATF first Plenary in Bahrain in April 2005 where a group of individuals from the US and MENA understood the importance of having such a vehicle in place. This thought was then followed by two meetings that took place at the US Treasury in Washington in July and December 05. Founding and supporting bodies are each of: MENAFATF, Union of Arab Banks, American Bankers Association, Bankers Association for Trade and Finance, Arab Bankers Association of North America, US Treasury, Federal Reserve and some private banks. A small group of individuals from the US and MENA act as the steering committee.

The steering committee drafted a first-year action plan primarily focus-



US, Arab and International Banking Leaders



A crowd of US Arab bankers and finance professionals

ing on promoting the initiative. Following echoes received from the financial sectors in both the MENA region and the U.S., the committee has set to discharge the PSD objectives through helping strike a meaningful dialogue between the two sides. In March06, the PSD was officially launched in Cairo during an eventful regional conference on AML/CFT, which was championed by the Union of Arab Banks and hosted by the Egyptian authorities. MENA-FATF, BAFT, US Treasury, Federal Reserve, OCC and others joined. This conference which included several breakout sessions presented an excellent opportunity to US and MENA representatives to talk to one another and discuss respective AML/CFT measures and related financial controls. Representatives of major US money center banks and MENA counterparts were speakers and panelists at the said conference. A survey of attendees was conducted by the steering committee, which concluded that the initiative was very well received and the outcome of

the conference resonated positively, suggesting to hold a similar event on the other side of the ocean.

The second leg of the steering committee first-year action plan is to hold a similar Cairo- styled event covering different workshop subjects. This event which took place at the NY Fed in-

cluded panel discussions covering among other things comparative AML/CFT programs of US and MENA banks. A major objective of this conference was to give each partner; MENA and US a better understanding of respective AML/CFT practices and thus help give one another (banks and regulators) a sounder basis to assess and mitigate money laundering and terrorist financing risks. Addressing these concerns that may be present on either side will help facilitate the considerable business and economic development interests that the US and MENA region share.

1- Desired Actions:

It is essential to improve the US and MENA private sector understanding of:

- * ML and TF risks for US and MENA financial institutions (FIs);
- * corresponding AML/CFT controls and measures in US and MENA jurisdictions and FIs;
- * challenges that US and MENA FIs are facing in implementing effective AML/CFT controls;
- * Improve the US and MENA capability in combating TF and ML by:



A Banking crowd in the conference

- improving implementation of established AML/CFT international standards;
- improving development and implementation of jurisdictional AML/CFT controls;
- improving development and implementation of institutional AML/CFT controls within US and MENA FIs;
- identifying, sharing and developing core components and best practices that FIs can adopt to combat ML/TF risks;

2- Long- term Strategies:

Stemming from the rapid globalization process, and the ever- growing impact on the reputation of banks and their health at large from failing to have in place proper financial controls features, and building on the existing momentum, and bearing in mind the expectations of the US - MENA financial sectors and avoiding a fall in a bureaucracy trap, the future course for the PSD falls along the following guidelines:

* The PSD could constitute an international platform (FATF style or Wolfs-



A crowd of US, Arab and International Bankers

berg Group, etc) to produce best practices standards and controls to be adopted and implemented by the private financial sector. Other regions and countries would be invited to join. Financial resources to finance certain re-

search and projects may be thought out.

* The PSD may constitute a vehicle for technology transfer through seminars in the MENA region, training of regional compliance officers, exchange programs and the like.

* The PSD, although would be primarily driven by the private sector, it would need to coordinate effectively with other standard- setting bodies; FATF, Egmont and FSRBs.

* The PSD may find it very useful to bolster compliance functions at banks and other financial institutions through a certification process and the creation of an international body of compliance officers styled after professional institutions like the AICPA, GARP, other.

* The above body could have regional chapters that would lend to its principles and code of ethics.

It would be of utmost importance to be able to take advantage of a mutual desire on the part of concerned private financial sector, albeit on a world scale, to foster business and trade and the



Distribution of honors



Mr. Thomas Baxter speaking in front of the gathering

global security of the financial system by mitigating ensuing ML/TF risks in a fashion that could very well be served through a vehicle such as the PSD.

International AML/CFT Concerns

I- International Requirements for AML- CFT:

The following are the major prerequisites for international AML- CFT measures:

*** UN Conventions:**

- 1988 UN Convention against the Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna Convention).
- 1999 UN Convention for the Suppression of the Financing of Terrorism (Terrorist Financing Convention).
- 2000 UN Convention against Transnational Organized Crime (Palermo Convention).
- 2003 UN Convention against Corruption (Merida Convention).

*** United Nations Security Council Resolutions;**

*** FATF Forty Recommendations on ML and Nine SR on TF;**

*** MENA Countries Efforts in AML/CFT:**

The MENA Countries have undertaken several measures for fighting ML and TF in the past years. The following are the basic ones:

*** Signed and ratified UN conventions:**

- Vienna Convention.
- Terrorist Financing Convention.
- Palermo Convention.
- Signed and ratified regional conventions.
- Arab Anti- Terrorism Convention.
- Arab Convention for Mutual Legal Assistance.

*** Building an effective AML/CFT framework:**

- Legal System.
- Criminalization, Seizure, Confiscation, and Forfeiture.
- Laws consistent with FATF Rec.
- National and International Cooperation among competent authorities.
- Preventive Measures.
- Implementing customer identification and CDD measures.



Mr. Thomas Baxter

- Implementing record keeping, STRs requirements, Internal control, supervision.
- Legal entities and arrangements.
- Building FIUs
- Establishing a financial intelligence unit to receive, analyse and disseminate suspicious transaction reports.
- Emphasizing International Cooperation.
- Efficient domestic capacity.
- Ratifying and Implementing Inter-conventions.
- Cooperate internationally in investigating and prosecuting.
- Cooperation between FIUs / Supervisory Authorities.

*** Joining Egmont Group:**

- Current Membership: 101 countries (5 from the MENA - Bahrain, Egypt, Lebanon, Qatar and UAE).
- Main objectives:
 - i. Expand and systemize intelligence exchange.
 - ii. Foster communication among FIUs.
 - iii. Enhance operational co-operation between FIUs.



Mr. Stuart Levey

- iv. Share experience and ideas.
- v. Promote establishment of FIUs worldwide.

2- International AML- CFT Measures:

The risks of not complying with international AML- CFT standards and

measures are numerous as follows:

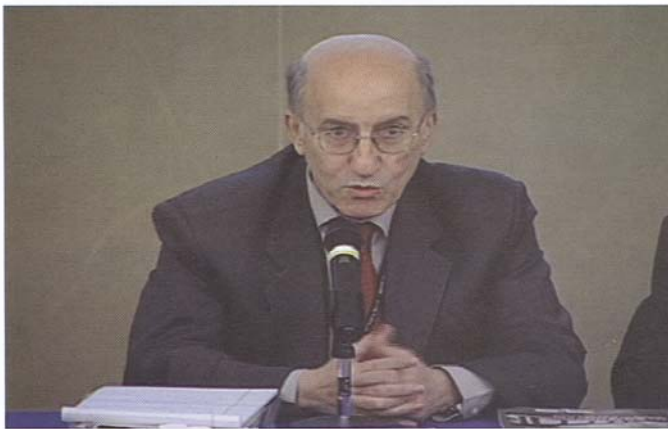
- * Increased corruption and criminal activity
- * Instability of the banking system
- * Reputational damage
- * Negative economic effects
- * Ostracism from the international financial system / threat of international action
- * Loss of correspondent accounts and restrictions on remittance flows
- * National security issues

3- Key challenges in Implementing AML/CFT Reforms

- * Achieving sufficient political commitment
- * Relatively low institutional capacity
- * Lower- income countries in MENA region face resource constraints in implementing AML/CFT regimes
- * High start- up and ongoing cost to implement the AML/CFT standards
- * High use of alternative remittance systems



H.E. Mr. Hammoud Bin Sanjour Al Zidjali.



H.E. Dr. Sinan Al-Shibibi

* Extensive use of cash and high value items

What works during implementation?

- * Financial sector consultation
- * Information sharing and feedback
- * Identifying compliance needs
- * Identifying mutual training needs
- * Law enforcement and regulatory consultation
- * Facilitated by FIU
- * Improve regulatory compliance
- * Encourage law enforcement's use of FIU information

Priorities:

- * Deepen political commitment
- * Raise public awareness through outreach and awareness programs
- * Enhancing Corporate Governance
- * Capacity building including development of skills of financial sector regulators
- * Strengthening FIUs,
- * Training of criminal justice officials

Charities Funds:

Charities raise funds through many

ways. The following are the basic ones:

- * Public support
- * Government funding
- * Private foundations grants
- * Fees collected for services they provide as part of charitable programs

Solicitation Methods:

The major solicitation methods are the following:

- * Fundraising events, i.e., raffles,

and marathons/races

- * Direct in-person requests
- * Direct mail or telephone solicitation requests
- * Newspaper and magazine advertisement
- * Sales of tickets to special events or sales of products

Knowing Your Charity:

It's important to know your charity, and this could be accomplished through:

- * Check legal type, license, source of capital (if applicable), number of employees, years established, years at present location, nature of activity, geographical location of activity etc
- * Verify details of owners/directors and their powers
- * Does a PEP / connected individual own the charitable organization partly or fully
- * Is the charitable organization authorized to accept donations locally or overseas

You should be aware of:

- * Corporate layering: transfers between bank accounts of charities and directors or staff of the charitable



H.E. Dr. Marwan Nsouli

organization for no apparent reason

- * Wire transfer to beneficiaries located in high risk countries
- * Lack of apparent fund-raising activity
- * Transactions with no logical economic purpose

Tips to be followed before donating money:

- * Do not give cash to strangers
- * Learn about the organization you support
- * Don't be deceived by a convincing name
- * Don't let pressure win
- * Don't pay cash. Use other payment methods

Control on Charities- Middle East Initiatives:

- * Ban on collection boxes in mosques
- * Accounts must be approved by competent authorities
- * Only 2 individuals authorized by the board to operate the primary account
- * Accounts opened in local currency.



Dr. Fouad Shaker

- rency. Foreign currency allowed under strict control
- * Identification required for all depositors
- * All activities in one principal account
- * No cash payments from accounts

- * Checks payable to the first beneficiary
 - * No overseas fund transfers
 - * No ATM or credit cards by charities
- Strict Control over donation abroad:**

National Commission for Relief and Charitable Work Abroad - KSA:

- * Requests charities to undergo audits and institute control mechanism
- * Suspension of charities' activities abroad
- * Financial institutions not allowed transferring or receiving financial aid/donations outside Saudi except through the Commission
- * Frozen 40 accounts linked to terrorism (in addition to Al- Haramain Foundation's assets in Saudi and 5 countries)

The MENA Region Status

The international financial community, through effective cooperation, has succeeded in building a strong foundation for fighting money laundering and terrorist financing. The FATF's in-



Side of the audience

international standards, and the domestic AML regulations, among others constitute the legal backbone for fighting illegal financial activities. It is recognized that the financial industry continues to put a great deal of effort into implementing money laundering controls.

As far as the MENA region is concerned, almost all countries of the region have been devoting a great deal of resources on all fronts to strengthen their financial markets' defense against illegal financial activities, especially money laundering. Today, most countries of the region have in place a robust, coherent framework of international standards and domestic controls and suitable enforcement mechanisms.

Arab countries are seeking to work with other nations to ensure effective and proportionate international standards, and an enhanced focus on informal and non-traditional methods of money laundering. They are determined to reduce the pool of criminal funds, and so they will continue to promote international cooperation and information sharing in money laundering investiga-



A Panel Discussion

tions and prosecutions.

It is not surprisingly that no Arab country is placed today on the FATF's "black list" of non-cooperative countries in AML-CFT. Arab domestic monetary authorities and the financial sectors themselves are very serious

about keeping their markets "clean" and highly defensive against illicit cash.

The monetary and financial authorities and the banking sectors in most Arab countries are determined to ensure effective domestic controls are in place, to make it harder for criminals to profit from criminality, and, hence to increase the risks of criminals being caught and persecuted.

Such controlling actions are important for protecting the reputation of the Arab economies and financial systems, because the competitive position of their financial systems depend upon their reputation for integrity and honest dealing, especially now several countries of the region have established key regional financial centers just like Dubai, Qatar and Bahrain; and yet some other countries are on the same way just like Saudi Arabia, Lebanon and Kuwait.

1- MENA Regional Progress:

Most MENA countries have progressed in their actions against ML and



A Panel Discussion



A Panel Discussion

TF in the past years. Here are the major ones:

- * Most MENA countries have established AML/CFT mechanisms / infrastructure.
- * Significant variations in their scope and degree of implementation.
- * Some countries still have very rudimentary systems
- * AML Laws

2- Arab AML- CFT Compliance Officers Working Group:

The concluded recommendations by the first US- MENA PSD Conference in Cairo in March 2006, established a major landmark in the history of recent global cooperation, and major pillars for a healthy and effective combating framework in regional financial markets.

For the coming period, the AML-CFT efforts in the MENA region should be boosted further in the following three directions:

- Firstly: A converged Arab banks vi-

...ion toward AML- CFT. This is essential and necessary to enhance the compliance process through having a generic AML- CFT compliance culture in the region, not only among banks and



A Panel Discussion

bankers but also among all banks stakeholders especially depositors and transacting in cash oriented people.

Secondly: Exerting the utmost effort with all concerned parties especially the media to professionalize the issues which may be recognized by people in the region as political ones.

Thirdly: and most importantly, setting in place "Arabized" bilingual best practices manuals that transmit on a regular basis the international standards and regulations to the region while considering its specificities. This will achieve eventually a self- compliance banking system in the region.

3- UAB Contribution:

The Union of Arab Banks, is deeply supportive to the US- MENA PSD Initiative, because of the belief that the private sector in general, and the banking and financial sector in specific, should be a key player in the fight against money laundering and terrorist financing, simply because banks are the entities

which deal with its multi- facet customers. This means that the Government must have an effective working partnership with the private sector. Working in partnership and shared ownership are key themes of the needed vision for the AML/CFT regime around the globe.

The Union of Arab Banks has been a true supporting arm for the Arab financial industry in raising awareness about effective AML and CFT among Arab bankers, in training these bankers on effective control and defensive tools and mechanisms, in promoting the exchange of knowledge and experiences among them, and in assisting some Arab financial authorities in drafting their AML/CFT legal and regulatory frameworks.

4- US Support:

The international and U.S. support is greatly needed, because the Arab combating frameworks are still nascent and need further embracement to rise up to the challenges of a growing ML- FT



A Panel Discussion

industry, which is becoming more and more complicated, especially with the accelerated growth of globalization of the financial industry through the ICT revolution, and the increased professionalism of financial crime networks.

To this edge, carrying out AML/ CFT activities with the international

and U.S support requires, first of all, well designed action plans where every party can visualize its role. Partnering with the Union of Arab Banks will fulfill the achievement of the best deliverables in a cost effective manner. This attributes to the numerous sides of strength that the Union possesses, most important of which are the following:

- 1- The unique monthly magazine (Ithad El- Masreref El Arabia) which is well known and widely distributed to bankers, banks, universities, institutes, financial institutions etc...).
- 2- The quarterly bulletin that comprises five research papers prepared by prominent bankers and economists.
- 3- The well- connected relationships with all influential media persons.
- 4- The highly professional capability to organize conferences, seminars and training programs.
- 5- The widest banking networking in the region as 98% of Arab banks are members in the Union, be it commercial banks or central ones or banks associations. This is together with cultural distinguished ties between UAB staff and Arab bankers.
- 6- The newly established center for



A Panel Discussion



A Panel Discussion

Sound Arab Banking practices in the Union in order to have bilingual "Arabized" banking manuals that aim at transmitting international standards and regulations to Arab banks while taking into consideration the specificities of the region.

7- UAB has already set in place an action plan for this center to promote AML- CFT practices to the Arab banking industry. The action plan consists of the following stages;

- **Acquiring International Best Practices** from many international organizations such as Basel, OECD, CIPE, Egmont Group, MENAFATF, World Bank, etc... as well as regional and local institutions that had several publications and recommendations in the AML- CFT area. The aim is to organize the best practices published by these esteemed organizations and gather them in a "Guide to Best Banking practices in AML- CFT", which will play as a "Referral Guide" for all Arab Banks aiming to enhance their anti-money laundering practices.

- **Translating the Best Practices Code:** the code will be translated by UAB's staff in the aim of "Arabizing" the code in a friendly- read format to be easily understood by all countries in the

region. After translation the code will be sent to key professional technical translators for feedback.

- **Sending the code for prominent experts,** to have their feedback on the suitability of the code to the region, then collecting these comments to formulate a consultative paper to be on our website.

- **Dissemination of the Code:** UAB will contact Central banks and other regulatory authorities in each country to assist in disseminating the code for banks. Moreover, contacts with individual banks (mainly private and state-owned commercial banks) through their risk managers and compliance officers will also take place.

- **Workshops:** Awareness workshops will be held whereby both banks and regulatory authorities in the region will be addressed. The workshops will include presentations on: UAB's Best Practices mission and objectives; the Guide to Best Practices anti- money laundering contents and benefits and recommendations on the importance of



A Panel Discussion

adopting and implementing such guide.

5- Prerequisites for Boosting AML/CFT:

To boost further the fight against money laundering and terrorist financing, strengthening the commitment to ensuring a proportionate system of AML- CFT controls is highly needed. This means that Arab countries should focus their efforts according to the level of risk involved, and that controls need to be imposed in a cost effective way. They also need to ensure that AML/ CFT controls are subjected to rigorous regulatory impact assessments, and we further need to improve the quality of our cost- benefit analysis on the money laundering regime.

They certainly want a regime that combines a high- level legal framework with strong self- regulatory components. In making this aim a reality, domestic financial authorities must continue to work closely with the regulated sector, including in particular new



A Panel Discussion

members of the regulated sector. This is more than a request for cooperation from the financial industry. It is an acknowledgement that the government needs to improve communication with the regulated sector, in order to strength-

en the fight against money laundering and terrorist financing on the levels of policy, detection and enforcement.

Although the Arab AML/CFT regimes are still nascent, yet big strides have been undergoing in the Arab countries to continuously upgrade domestic regimes in line with the internationally- acknowledged standards and practices.

Money Laundering and Islamic Banks

1- The Source of Islamic Banking Practices:

* God Almighty's aspirations in all his descended practices and activities (or Sharia'a) are to create a sense of justice and equality amongst mankind.

* The teaching of Islam encompasses the essence of economic well-being and the development of Muslims at the individual, family, state and Ummah (or Islamic universal community) levels.

* Islamic Banking reshapes itself



A Panel Discussion



A Panel Discussion

around the developing societies, and has the ability to concur with the demands of life and the well-being of people anywhere, anyhow, and in a way that complies with the general principles of Islam.

* Subsequent to the unfortunate 9/11 incidents, Islamic banking has earned an illusory label portraying it as a means of "Terrorist Financing". This is the case merely because it contains the word "Islamic" since the accused offenders were Muslims.

* Proclaiming that Islamic Banks fund terrorists and launder money is a false pretense in context and application.

* Islamic banks are banks - as the conventional banks- offer banking, financing, commercial and investment services and products to their customers in compliance with Sharia'a (Islamic practices and activities). This gives Islamic banks many advantages and strengths- over the conventional banks- in the struggle against ML/TF.

* Islamic banks do not offer any price- interest rates for seeking funds.

* High attention and scrutiny of customers' source of funds.

* The joint enterprises and long term relationship with customers will lead to strong KYC, KYCB etc...

* In addition to the prevailing audit

committees, internal and external, Islamic Banks have an additional supervisory tool which is the Sharia'a Board and the Sharia'a internal auditor which makes sure that all practices are ethical and in compliance with Sharia'a.

2- Financial tools:

* **Murabaha (cost plus financing)**
A financing technique, it involves the purchase of goods by the bank as requested by the client. The goods are then sold to the client in an agreed mark-up.

* **Mudaraba (trust financing)**
An agreement made between two parties one of whom provides 100% of the capital with no control over the management and another party (mudarib) manages the project using managerial skills.

* **Musharaka**
An Islamic financing technique which involves two parties, both providing capital toward the financing of a project or business, and both sharing profit or loss on a pre-



A Panel Discussion

agreed ratio.

* **Salam** A contract for the purchase of a commodity for differed delivery in exchange for immediate payment according to specified conditions.

* **Istisna'a** A contractual agreement for manufacturing goods and commodities allowing cash payment in advance and future delivery or a future payment and future delivery. This can be used for financing the manufacture or construction of houses plants, buildings, bridges, roads and highways.

o It can be induced that:

* Islamic banks don't ever lend cash or surrender funds in any form to the borrowers.

* No speculation, futures trading or interest.

* Deals only with commercial and manufacturing industries that do not conflict with Islamic standards or are considered of high ML risks such as gambling, casinos, drugs, alcohol, fire arms etc...

* Many Islamic Banks have begun establishing a compliance function which will be responsible for:

- Establishing standards, guidelines



A Panel Discussion

and procedures to ensure that the conduct of business conforms to relevant requirements.

- Providing information and training to ensure those business areas and their staff comply with laws, regulations and guidelines.

- Ongoing monitoring of business activities to ensure laws, policies and procedures are followed.

Case Studies on countries' efforts in AML/CFT

A) Jordan's Efforts to Combat AML/CFT:

In 1997:

- CBJ issued guidelines to banks on recognizing money- laundering behavior

In 2001:

- AML Unit established in banking supervision department
- AML regulations issued to banks and money exchangers
- KYC guidelines issued
- Draft AML law presented to government

In 2004:

- AML Unit became independent



Mr. Chip Poney



Mr. Seetheraman

"Suspicious Transactions Section" at the CBJ

In 2006:

- New AML/CFT regulations issued
- Electronic SARs system installed between banks and CBJ
- Ratification of UN Treaty on Corruption and Terrorist Financing
- Compliance function regulations issued by CBJ
- New Draft AML/CFT Law presented to parliament

Common Shortcomings in Domestic Regimes:

- There are:
- * Gaps in legal framework, particularly with respect to terrorist financing
 - * Barriers to international cooperation
 - * Little awareness of AML/CFT risks by public and private sectors
 - * Poor coordination among government agencies
 - * Ineffective law enforcement
 - * Weak supervision

* Inadequate systems and controls among financial firms

B) Lebanon's Efforts in Fighting Money Laundering and Terrorism

Financing:

Before the promulgation of Law 318, Lebanon ratified the 1988 United Nations Convention against Illicit Traffic in Narcotic and Psychotropic Substances.

In 1997, a Due Diligence Convention was concluded between the Association of Banks in Lebanon (ABL) and its members.

* Lebanon's NCCT experience FATF reports issued in April 1990 and February 2000.

* During the year 2000, the FATF notified fifteen countries, including Lebanon, was considered as non-cooperative in fighting money laundering.

* Lebanon was requested by FATF to correct deficiencies by adopting measures to improve rules and procedure

* On October 24, 2002, the Council of Ministers established the National Committee on Fighting Money Laundering.

* On June 21, 2002, following a pe-



From left: Mrs. Suzan Williams, Mr. Dennis Wood

riod of testing the implementation by Lebanon of Law 318, the FATF removed Lebanon from the NCCT list. In June 2003, Lebanon's monitoring period came to an end.

Main features of Law 318:

1- Law 318, as amended on October 20, 2003 to include terrorism financing, defines illicit funds as any asset resulting from committing any of the offences specified in Article 1.

2- Law 318 defines money laundering in its Article 2.

3- The Special Investigation Commission (SIC):

- * The SIC is an independent legal entity with judicial status.

- * The SIC is composed of four members.

- * The SIC has a full-time Secretary, helped by a body of auditors.

- * The SIC includes a Financial Central Unit

- Immunity from prosecution
- Money Laundering operations are punishable by:
 - Imprisonment and fines



From right: Dr. Fouad Shaker, Mr. Michael Matossian, Mr. Wissam Fattouh

- Movable and immovable assets are confiscated and forfeited to the State.

Lebanon's continuous efforts on the local, regional and international fronts:

1. SIC role on the local front:
2. SIC role on the regional front:

3. SIC role on the international front:

Going forward:

- * Complying with AML/CFT international standards and best practices
- * Developing regional AML/CFT efforts



From left: Mr. Wayne Bennet and Mr. Fakhruddin Khalil

C) Tunisian Experience in fighting ML/FT:

- * Rigorous obligations of financial transparency, accountancy and good governance.
- * Anonymous accounts prohibited.
- * Anonymous securities prohibited.
- * Comprehensive regulation of economic activities.
- * Tight exchange controls
- * Level of criminality globally limited, notably of organized crime
 - * an overall low level of income inequalities within the population
- * Particular attention to the pedagogical approach when dealing with the private sector
 - * Creation of financial investiga-



Mr. Fouad Matraji

tions unit at the Central bank of Tunisia, the latter being a technical power and to appreciate the traditions of negotiations between the Central Bank and the banking sector due to its authority of supervising banks

- * The wording "financial Analysis" has been preferred to other wording such as "enquiries" and "intelligence" so that the unit won't be considered as an intelligence system.

- * Appreciation of banks and other loan institutions concern to comply with FATF standard

- * Assisting FIU in working out programs of combating ML and FT

- * Unit's participation in training activities

- * Encouraging consultations

- * The Tunisian approach could be considered, in some fields, as a model (rules regulating businesses and preventing illegal financial channels).

Legal system:

- * Tunisia is a signatory to the international and regional conventions for the suppression of the financing of terror-

ism and organized crime, notably Vienna convention 1999 and Palermo convention 2000.

- * National Legislation

- * Wide investigative powers carried out by police units.

- * Professional secrecy cannot be invoked to judicial authorities

- * Ministry of Domestic Affairs : units specializing in economic and financial matters

- * sophisticated and important investigative tools

- * training structures and programs

- * Definition of the offenses of ML and FT in overall conformity with international standards

- * The penalties imposed on natural and legal persons are proportionate and dissuasive.

- * Comprehensive mechanisms for freezing, seizing and confiscating assets

- * Tunisia has the power to confiscate property in the context of international regulatory commissions

- * Tunisia has forwarded the lists provided by the U.N.S.C. under Resolution 1267.

Customs:

- * Significant attention to control of the Tunisia's borders

- * Units directly in charge of AML/



Mr. Jamal El-Hindi

CFT

- * Significant attention to international cooperation.
- * Comprehensive arrangements pertaining to cash couriers
- * Shell banks are not permitted
- * Professional secrecy cannot be invoked to the supervisory authorities.
- * Money and value transfer services can be provided only by authorized intermediaries : banks and national post office.*

Judicial Authorities

- * The initiation of public proceedings is the responsibility of district attorney
- * Possibility of self seizing, order the freezing and inform the CTAF
- * Opening of the proceedings: maintaining of the freezing
- * Classifying the matter as closed: immediate lifting of the freezing
- * Exclusive jurisdiction of the Tunisian Court

Preventive Measures - Financial Institutions:

Obligations :

- * K.Y.C.



Mr. Hany Abou El Fotouh

- * Establishment of an AML/CFT related detection and audit system
- * Reporting of unusual and suspicious transactions
- * Role of the financial sector supervisors
- * Disciplinary and criminal penalties

Preventive Measures - Financial institutions, Legal persons and juridical constructions:

- * Publication of the articles of incorporation in the Official Gazette
- * Obligation of listing the company in the trade register maintained by the competent Court of First Instance. Penalties are applicable in case of infringement of this obligation.
- * Foreign investment in Tunisia is subject to prior approval when the share of assets held by foreigners exceeds 50 percent of the capital or when it takes place in certain activities explicitly listed.
- * Possibility for the authorities to have access to all the useful information on national beneficial ownership, and under certain conditions to foreign beneficial ownership.
- * Detailed and comprehensive regulation of the Nonprofit organizations.
- * The forming of a Nonprofit organization requires a statement indicating :
 - The name and purpose of the organization.



From left: Mr. Abdo Huzam El-Hakamy, Dr. Samir El-Shahed



Mr. Dan Soto

- The names and addresses and the official identity details of the founders and those responsible for the association's administration or management.
- Any changes in the management or the administration of the association
- * Foreign association should be approved by the Domestic Affairs: Approval may be granted on a temporary basis made or made subject to periodic renewal.

Prudential Management Rules:

- * Refrain from receiving any grants or subsidy the origin of which is unknown or arising from illegal operations.
- * Refrain from receiving any grant the amount of which is higher than the threshold fixed by the law.
- * Refrain from receiving any funds coming from abroad without the assistance of a resident authorised intermediary in Tunisia.
- * Refrain from receiving any funds in cash the value of which is higher or equal to five thousand dinars even through several payments liable to produce links.

International and National Cooperation:

- * FIU
- * Ability of the FIU to obtain access to all the necessary information
- * Ability to engage in international

- cooperation in the context of MOUs.
- * Submission of an application to the Egmont Group
 - * Central Bank
 - * Ability to cooperate nationally and internationally
 - * International Cooperation on Criminal Activities
 - * Significant network of conventions on criminal mutual assistance.

Tunisian Committee of Financial Analysis:

- * Established within the Central Bank.
- * Appointment of all its members
- * Financial and operational autonomy
- * Multidisciplinary
- * Targeted training

Competence in regulation and strategy of AML CFT:

- * Setting general guidelines liable to help banking and non banking financial institutions to detect and declare suspect or unusual operations and transactions.



Mr. John W. Campbell

- * Contributing to the study of programs that will be implemented to combat illegal financial channels and face up to terrorist financing and money laundering.

- * Taking part to research, training and study activities and in general to any activity having a link with its intervention field

Competence in Financial Intelligence:

- * Collecting the suspicious transaction reports (STR)

- * the STR leads systematically to the immediate and temporary suspension of the completion of the transaction.

- * Analyse the STR and notify the results of the analysis.

- * The CTAF can order the freezing of the funds subject of the reporting and depositing them in a suspense account.

- * The CTAF must, when the analysis do not confirm the suspicions, lift the freezing.

- * Competence in representing

- * Providing representation of different departments and bodies concerned by AML/CFT at the national and inter-



Dr. Samir El-Shahed

national level

- * Facilitating communication between them.

Supervisory Authorities

Working out of programs and practices adapted to money laundering and terrorist financing infringement, mainly:

- * Establishing a detection system

- * Appointing a CTAF correspondent

- * Elaborating internal audit rules

- * Elaborating a continuous training programs

- * Supervising the implementation of these programs and practices

- * Taking disciplinary measures

Yemen's Experience in fighting ML/FT:

Yemen is among the leading countries in fighting money laundering and combating financing terrorism. Yemen took several regulatory and preventive actions, draw policies, built institutions and implemented laws, procedures related to compliance, supervision, evaluation and developing programs related to AML/CFT. This is in addition to taking into consideration all related recommendations from different regional and international organizations.

Still, Yemen is in a great need for the technical support from all specialized entities and organizations to develop all the requirements needed for facing the ML/FT challenges.



Mrs. Rachel Loeffler



Mr. Ahmed Saeed

Efforts to maintain basic requirements:

Yemen has focused while forming its laws, building its institutions and issuing the procedures and systems for fighting money laundering and financing terrorism, on the national and international requirements according to its own local potentials and capabilities.

The international assistance started late in June 2006, through training specialists on how to build FIUs, and supported Yemen in preparing a draft for the project of AML/CFT under the supervision and direction of UN, World Bank and IMF.

In general Yemen issued Law 24/1998 which considered Terrorism and all related activities as crimes where executors should be punished upon.

- Also, Yemen considered money laundering as a crime by law 35/2006.

- Yemen established several institutional infrastructures for organizing, supervising, evaluating and complying with AML/CFT standards.

- The institutional infrastructure consisted of the council of ministers, combating terrorism committee, anti-money laundering committee, and coord-

ination committee for AML/CFT, FIU in the central bank, and compliance units in the financial institutions, specialized frameworks in organizing, coordinating, supervising and implementing in the concerned public entities.

- Moreover, Yemen took several preventive, supervisory and organizational actions, of which are:

- Occasional procedures for immobilizing money

- Implementing KYC
- Saving documents and files
- Conveying for concerned authorities the doubtful cases without informing the client
- Issuing the list of organizational procedures for anti-money laundering
- Issuing the list of implementation of law 35/2006
- Urging the financial institutions to publish a manual of procedures for compliance, supervision and internal control

- All entities - the components of the institutional infrastructure - organizational, supervisory and coordinator of implementing the roles assigned for it, and possessing all necessary authorities for implementing the law and the regulations.

Yemen believes that it is an effective partner in the international community against terrorism and its financing and money laundering, thus it signed all international agreements, and issued laws that call for international cooperation, and contributed in establishing the MENAFATF, and signed regional and bilateral agreements.



From Left: Mr. Barry Koch, Dr. Mohammed Baasiri