

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



31st Plenary Meeting

17-19 November 2020

3rd update report for the Republic of Yemen

MF.20.P31.21.E.(V0.1)

18 November 2020

This is a document for the 31st MENAFATF Plenary Meeting

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3rd update report for the Republic of Yemen

The Republic of Yemen submitted its 1st Update Report in April 2016, and the 2nd Update Report in April 2018. However, today, we present you the 3rd Update Report reflecting the Yemeni efforts in AML/CFT during the period from April 2018 up to February 2020, knowing that Yemen, represented in the National AML/CFT Committee, FIU, and in cooperation with the Supervisory Authorities concerned with AML/CFT, are exerting relentless efforts, within its available possibilities in order to combat this intercontinental phenomenon, regardless of the very sensitive/complicated situations in the State, for example:

- Vulnerability of security and separation of sovereign institutions within the State;
- The oppression activities practiced by the coup authority in Sana'a and other areas under their control, in particular, oppressive violations and practices that targets the financial and banking sector, where the latest event against them was on January 28, 2020 by issuing instructions criminalizing whomever provide any government-related authority with the information to enable it practice its functions; especially such information related to AML/CFT information. Charging whoever provide this AML/CFT-related information with an offence of "informer with the enemy".
- The general directorates and databases of each institution operating in the State, resides mainly is in Sana'a.
- Incomplete official government institutions in the temporary capital, Aden, due to the rarity of qualified, professional staff, many of which are still Sana'a, while some others are subject to compulsory residence; in the meantime, the government is attempting to fix their situations, gradually.
- The exploitation of all government institutions by the coup authority in Sana'a in order to execute its agendas. Therefore, the government had to take a decision of moving to the temporary capital, Aden.

Despite all the challenges and complications concerning working on AML/CFT , yet, institutions are exerting tremendous efforts, in full capacity, to proceed forward

in all areas, whether in the legislative or the executive aspect in order to combat ML and TF. The following are the most significant procedures taken:

FIRST: Yemen's Legislative and Regulatory Efforts in AML/CFT – in general:

Yemen was one of the countries rushing for promulgating laws and regulations criminalizing ML and TF, believing that the impact of those crimes can worsen all aspects of wellbeing, and further destructive to its political, economic, social and developmental systems. The development of the laws can be seen as follow:

- Law No. 35 of 2003 on Anti-Money Laundering.
- Law No. 89 of 2006 on the Executive By-Law No. 35 of 2003 on Anti-Money Laundering;
- Law No. 01 of 2010 on Anti-Money Laundering and Combating the Financing of Terrorism;
- Republic Resolution No. 226 of 2010 on the Executive By-Law No. 01 of 2010 on Anti-Money Laundering and Combating the Financing of Terrorism;
- Law No. 17 of 2013 on amending some articles of Law 01 of 2010 on Anti-Money Laundering and Combating the Financing of Terrorism, which had met all legislative requirements to Anti-Money Laundering and Combating the Financing of Terrorism and in commensurate with the 40 Recommendations at that time;
- Republic Resolution No. 02 of 2014 amending the Executive By-Law issued to Republic Resolution No. 226 of 2010 on Anti-Money Laundering and Combating the Financing of Terrorism;
- Central Bank's Circular No. 01 of 2012 on the Supervisory Instructions and Controls for Banks with relation to Anti-Money Laundering and Combating the Financing of Terrorism;
- Central Bank's Circular No. 02 of 2012 on the Key Indicators for Suspicion with relation to Anti-Money Laundering and Combating the Financing of Terrorism;

- Central Bank's Circular No. 01 of 2013 on the Supervisory Instructions and Controls for Exchange Houses with relation to Anti-Money Laundering and Combating the Financing of Terrorism;
- Central Bank's Circular No. 02 of 2013 on the Key Indicators for Suspicion with relation to Anti-Money Laundering and Combating the Financing of Terrorism for Exchange Houses;
- Reporting Suspicious Transactions (STRs) Instructions issued by the Financial intelligence Unit (FIU) to reporting entities for any transactions suspected to have relation to ML/TF;
- Ministry of Industry and Commerce Resolution No. 58 of 2012 containing the Instructions on Anti-Money Laundering and Combating the Financing of Terrorism for Insurance Companies;
- Post Office Circular No. 11 of 2013; and Circular No. 07 of 2014 on strengthening the procedures on Anti-Money Laundering and Combating the Financing of Terrorism at Post Offices;
- General Directorate for Lands, Survey and Urban Planning Resolution No. 92 of 2013 on the Instructions of Anti-Money Laundering and Combating the Financing of Terrorism with relation to Real Estates Agents and Brokers;
- Ministry of Industry and Commerce No. 100 of 2012 containing the Instructions on Anti-Money Laundering and Combating the Financing of Terrorism with relation to Auditors; and Resolution No. 73 of 2013 containing the Instructions on Anti-Money Laundering and Combating the Financing of Terrorism with relation to Dealers in Precious Metal and Stones; and
- Ministry of Social Affairs Resolution No. 502 of 2013 on the Instructions on Anti-Money Laundering and Combating the Financing of Terrorism with relation to Social Associations and Organizations.

SECOND: Updates on Instructions and Legislations 2018-2020

1. Instructions and Controls related to Financial and Banking Sector:
 - **October 2018:** reestablishment of the supervisory department on banks and exchange houses at the Central Bank from the temporary capital, Aden, in

cooperation with some staff called upon from the Central in Sana'a in addition to employing new staff, where this sector is deemed a major basis for the supervision and control over banking sector, especially in supervising the compliance of financial and banking sector with the instructions on Anti-Money Laundering and Combating the Financing of Terrorism.

- **December 2018:** Central Bank issued a circular obligating banks and exchange houses to hire compliance officers and identified the conditions of hiring whomever will occupy this function in addition to the powers vested in the officer, office arrangements, human resources allocated to it in order to perform its tasks as per the standards, then reporting back to the Central Bank and FIU with the financial information, data and any other necessary information.
- **December 2018:** Central Bank issued instructions regulating the works of exchange houses, which requires a necessary linkage of IT systems with OFAC and UN-related lists in addition to the domestic lists; and check them before executing any transactions.
- **December 2018:** Cabinet issued Resolution No. 78 of 2018 on shutting down all unlicensed exchange houses, connecting all licensed exchange houses with monitoring system at the Central bank, in addition to preventing foreign currency's departure from land borders, sea and airports in the event they exceed the permissible threshold; unless otherwise approved by the Central Bank.
- **April 2019:** Cabinet Resolution No. 04, the designation of National AML/CFT Committee Chairman from the temporary capital, Aden – mandating him with the communication with the relevant authorities in order to nominate their representatives and then, reporting the list to the Prime Minister for approval and issuance of reformation of the Committee.
- **July 2019:** Prime Minister Resolution No. 12 of 2019 on the reformation of the FIU and assign its staff in order to practice its functions from the temporary capital, Aden.
- **October 2019:** the FIU's new website (www.fiu-ye.com) goes online with the attendance of the Minister of Finance, the Chairman of the National AML/CFT Committee and the Governor of the Central Bank.

- **October 2019:** Official emails of the FIU shared with all banks and exchange houses; enquiries email (info@fiu-ye.com) and reporting STRs email (STR@fiu-ye.com).
- **Early December 2019:** Central Bank Instructions issued regarding exchange houses' legal and regulatory requirements on licensing domestic financial transfers, stressing on the necessity of meeting the requirements by the end of 2019, at most. Of these requirements are:
 - A. Establishing and activating Compliance Unit for exchange houses with the function of assessing the extent of compliance to the laws and instructions; especially those related to Anti-Money Laundering and Combating the Financing of Terrorism and its CDD measures towards their customers and correspondents.
 - B. The necessity for having online system supporting cross-checking on designated entities on international and domestic lists.
 - C. Connecting Financial Transfers System at the Central Bank to enable efficient and effective supervision of transactions made through networks.
 - D. Amending regulatory requirements for exchange houses and companies to increase financial efficiency such as increasing capital, premiums, licensing and renewal fees.
- **December 2019:** Central Bank issued a Circular for banks and exchange houses with regards to dealing with all kinds and types of Virtual Assets.
- **December 2019:** Prime Minister Resolution No. 31 of 2019 on reformation of the National AML/CFT Committee and re-assigning its members of (19) AML/CFT -related government authorities.
- In Cooperation with the Banks Supervision Department and the FIU, onsite inspection was carried out for 6 banks and 33 exchange houses during 2019, assessing, then reporting the extent to which they comply with Anti-Money Laundering and Combating the Financing of Terrorism-related instructions in addition to imposing sanctions against violators.
- Central Bank issued a Circular with regards to the requirements of licenses renewal for individual exchange houses and companies during 2020, of those

requirements, reporting to the Central Bank AML/CFT -related policies and procedures and increasing financial efficiency for exchange houses.

- Online-connecting exchange houses with the Central Bank to keep it informed about all daily transactions such as sale, purchase, inward and outward transfers, in addition to taking the appropriate legal procedures against violators.
- FIU issued a circular with regards to updating the data of compliance officers and liaison officers at banks and exchange houses during 2020, as well as collecting compliance officers and maintain them in the FIU's database.

2. Instructions and controls related to Supervisory Authorities

I. Customs Authority:

- To mitigate smuggling of currency across customs checkpoints; which deemed to be one of the most significant offences for ML, also, to maintain steady domestic currency exchange rate, and to explain the Central Bank's procedures in supervising currency, the Governor of the Central Bank issued, to Customs Authority, in December 2019, a circular explaining the permissible amounts allowed to enter and exit the borders (land, sea and air).
- Circular No. 165/8 of 2019 to all General Directors of Customs Offices on ML/TF Activities Suspicion Indicators.
- Treating AML/CFT instructions as main course be taught to Customs Officers at the Customs Institute.

II. Yemen Standardization and Metrology Organization

- Introductory workshop on 05/03/2019 on the Organization's role in AML/CFT attended by more than 200 participants from DPMS sector.
- Circular No. 66 of 2019 on identification of Beneficial Ownership.
- Circular No. 32 of 2018 on reporting to the Organization of the compliance officers at the DPMS sector.

III. Supreme National Authority for Combating Corruption

- July 2019, the Supreme National Authority for Combating Corruption issued Resolution No. 24 assigning a national task force from different government authorities to review and assess to the extent of which Chapter II – Preventive Measures and Chapter V – Recovery of Assets, of the UN Convention for Combating Corruption are proportionate with Yemeni legislations and Laws as well as the applied practices. Given Corruption is one of the most significant offences for ML. the draft of the final report was finalized and delivered to the UN for in preparation for discussion.

IV. General Authority for Land

- Intensifying supervision and monitoring operations conducted over real estate agents and brokers and ensuring their compliance to the AML/CFT procedures as well as referring violators to judiciaries for further legal procedures.
- Detect and shut down unlicensed real estate agents/brokers
- Rejecting any real estate registration unless the authorized person is lawfully authorized to conduct registration
- Circular No. 231 of 2018 on implementing AML/CFT Law No. 01 of 2010 as amended.

V. Post Office

Post Office authority took numerous procedures to restrict postal services being exploited in ML/TF as follows:

- Determining a threshold for maximum direct withdrawals from post offices of (YER 50,000)
- For withdrawing more than YER 50,000 a request must be sent from the post office's branches to the post office headquarter, mentioning the justifications for the withdrawal along with personal ID copy of the person wanting to withdraw, provided that the amount of withdrawal does not exceed YER 1,000,000.

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VI. Law Enforcement Agencies

- Shutting down 119 exchange offices practicing their activities without license and referring 108 to the Public Prosecution which the latter referred most of the cases to the Public Funds Court.

THIRD: Training Courses and Outreach Workshops

- Training workshop at the Central Bank headquarter to the banks supervision department staff from 11/12/2018 – 16/12/2018 aiming to enhance the job performance and increase staff's efficiency in supervising banks sector.
- Training workshop for compliance officers at the banking sector; both banks and exchange houses, which was held at the Central Bank from 28/01/2019 – 06/02/2019, to increase compliance officers' efficiency by complying to the law and instructions issued from the Central Bank as well as the instructions on AML/CFT .
- Specialized workshop related to exchange houses about the compliance to the regulatory requirements of exchange houses and the requirements on AML/CFT which was held from 30/06/2019 – 01/07/2019.
- A workshop about ML crimes and its repercussions/impact on the national economy in addition to activating international cooperation which was held from 01/12/2019 – 03/12/2019. the workshop targeted magistrates, prosecutors, lawyers and court personnel and it was held in cooperation with the Democratic Civil Guidance and in coordination with the Tajdeed Organization for Democratic Development.
- A workshop from 07/01/2020 – 09/01/2020 concerning increasing awareness on AML/CFT and it targeted banks and exchange houses' compliance officers as well as members of the National AMCLFT members and Administrative Board for Exchange Offices Association.
- A workshop from 01/09/2020 – 03/09/2020 concerning AML/CFT basic principles, targeting compliance officers and CEOs of exchange houses as well as the administrative members of the Yemen exchange Association.

Moreover, Republic of Yemen conducted 67 training courses, workshops and seminars related to AML/CFT covering financial institutions, banking institutions,

law enforcement agencies and other AML/CFT -related relevant authorities. See the table below:

#	Authority benefiting from the program	No. of Courses 2018	No. of Courses 2019
1.	Banks	11	10
2.	Insurance Companies	-	1
3.	Exchange houses and companies	9	10
4.	Designated Professions (Accountants – Dealers in Gold)	-	3
5.	FIU	3	5
6.	Ministry of Social Affairs and Labor		3
7.	Ministry of Industry and Commerce	-	2
8.	General Directorate for Lands Survey and Urban Planning	1	2
9.	General Directorate for Investment	-	2
10.	Post Office	-	1
11.	LEAs	-	2
12.	Ministry of Labor (Notaries and Custodians)	-	1
13.	Compliance Officers at Supervision Authorities	-	1
TOTAL		24	44

FOURTH: Domestic and International Cooperation

A. Domestic Cooperation

- Informing the penal prosecution and the public prosecution of the financial intelligence upon investigating an ongoing case therewith.
- Signing a coordination protocol with the Ministry of Foreign Affairs and the Public Prosecution with regards to the procedures that must be taken upon enquiries received from foreign authorities or upon receipt of lists of designated persons and entities on the international sanctions lists.

B. International Cooperation

- Respond to inquiries received from the UN-relevant sanctions task force about some entities, persons and financial transactions from domestic banks.
- Pay Republic of Yemen's contribution to MENAFATF's budget for the years 2019-2020 in addition to the additional amounts to the 2020 budget which was adopted in the MENAFATF's 30th meeting.
- Circulate the name of some Iranian entities and persons in addition to a Chinese firm whom are designated in the US Sanction List for banks and exchange houses, also listing them on the domestic observation lists and having them monitored.
- The Republic of Yemen participated in many workshops, training courses, meetings, and international forums concerned with AML/CFT , the following table points out the events that were held during 2019 and 2020:

Event	Organizer	Days	Premises	Date	Participants
Training Course	FATF Train	5	South Korea	September 2018	2
Workshop	European Council Office	3	Kenya – Nairobi	February 2019	11

Human Trafficking Workshop	European Council Office	3	Uganda – Entebbe	April 2019	8
Training Course	Saudi Monetary Fund	3	Al Riyadh	July 2019	9
AML/CFT Course	Arab Monetary Fund	3	Abu Dhabi	October 2019	2
Human Trafficking Workshop	European Union	2	Tunisia	December 2019	2
Human Trafficking Workshop	European Union	3	Kenya	January 2020	8
FIU's role in financial, operational and strategic analysis workshop	European Union	5	Aden – Online	August 2020	6
International system on Combating Proliferation workshop	Royal United Services Institute (RUSI)	2	Aden – Online	September 2020	8

FIFTH: Effectiveness (Notifications, Supervision, Exchange of Information, Suspensions, Seizure, Freezing and Sanctions)

A. Notifications

1. FIU received many notifications during January 2018 – February 2020 from banks and exchange houses as follow:

Notifications Comparison		
2018	2019	March 2020
521	653	354

The FIU analyzed and took the required procedures against big portion of those STRs, and as can be seen from the table above, there is an incline in the number of incoming STRs sent to the FIU, which indicates an increase in the level of compliance by financial and non-financial institutions about AML/CFT , as it also indicates a growth in awareness among those concerned with AML/CFT .

B. Supervision and verification of implementing the AML/CFT procedures and imposed sanctions:

1. The FIU conducted onsite inspections to a number of FIs and supervisory authorities in order to verify the extent of which they comply to their obligations on AML/CFT Law and its Executive by-law. (See table below):

No.	Authority Inspected	Year		
		2018	2019	Until June 2020
1.	Banks	14	06	0
2.	Exchange Houses	30	33	28
3.	Supervisory Authorities	05	03	01

2. The FIU has coordinated with the Banks Supervisory department at the Central Bank of Yemen in preparing performance evaluations reports for banks and exchange houses in order to determine the shortcomings and impose sanctions and fines against violators.
3. One bank was referred to the Public Prosecution for not complying with the instructions on AML/CFT as well as the instructions issued by the Central Bank of Yemen.

4. Fines imposed on the institutions and exchange houses for violating the policies and procedures on AML/CFT during 2019 are YER 28,000,000 (twenty-eight million Yemeni Riyal).
5. Fines imposed on the banks for violating the policies and procedures on AML/CFT during 2019 are YER 45,835,000 (forty-five million eight hundred and thirty-five Yemeni Riyal).
6. The Central Bank of Yemen – Banks Supervision Department – in cooperation with the FIU, in 2019, conducted onsite survey for exchange houses and discovered number of violations:
 - Practicing unlicensed exchange activity.
 - Non-compliance with the AML/CFT Procedures

The violators' files were referred to the public prosecution to take legal actions thereupon until they correct their positions (the table below shows the number of exchange houses that were shut down):

2018	2019	2020
88 Exchange Houses	27 Exchange Houses	54 Exchange Houses

Many conditions/requirements were put in place for licenses renewal (Individual/sole proprietorship exchange houses) in 2020; some are as follow:

- Assign compliance officer and liaison officer in commensurate with the conditions prescribed by the Central Bank of Yemen.
 - Submit a written policy for AML/CFT .
 - Submit actual and practicable procedures for AML/CFT .
 - Submit audit report from independent auditor to prove the compliance to AML/CFT -related procedures.
7. In February 2020, Ministry of Commerce and Industry issued a decision of suspending the license of one auditor for a period of three years for authorizing/approving tax statements for number of customers without

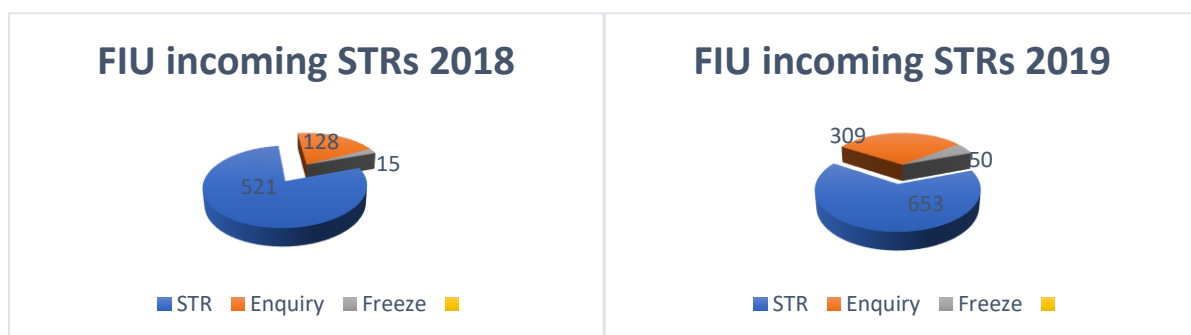
adhering the principles and standards of auditing and inspection stipulated for by the law; the case was referred to public prosecution.

...End

Statistical Appendices

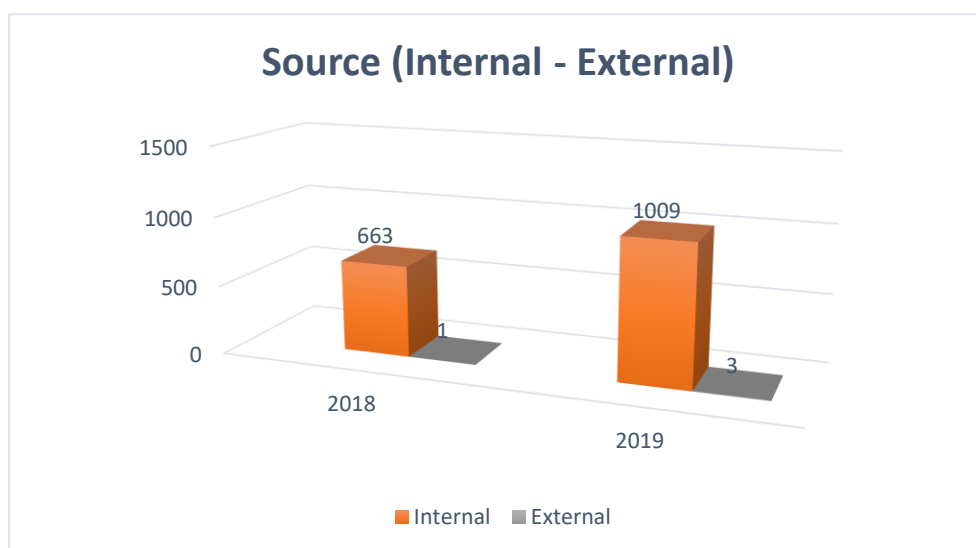
FIU Incoming STRs statistics for 2018-2019 per type (STR – Enquiry – Freeze)

Type	Number	
	2018	2019
STR	521	653
Enquiry	128	309
Freeze	15	50
Total	664	1012



Incoming as per source (Internal – External):

Source	Number	
	2018	2019
Internal	663	1009
External	1	3
Total	664	1012



As per Reporting Entity

Reporting Entity	Number					
	STR		Enquiry		Freeze	
	2018	2019	2018	2019	2018	2019
Banks	308	434	0	0	0	0
Exchange Houses	212	218	0	0	0	0
Customs	0	0	0	0	0	0
Government Authorities	0	0	9	1	3	1
Judiciaries	1	0	11	16	8	38
LEAs	0	0	104	288	4	11
FIU Counterparts	0	0	1	0	0	0
External (Foreign) Authorities	0	0	0	3	0	0
Non-Financial Authorities	0	0	0	0	0	0
Designated Professions	0	0	0	0	0	0
Supervisory Authorities	0	1	2	0	0	0
Post Office	0	0	0	0	0	0
Others	0	0	1	1	0	0
TOTAL	521	653	128	309	15	50
	1673					

As per Offence

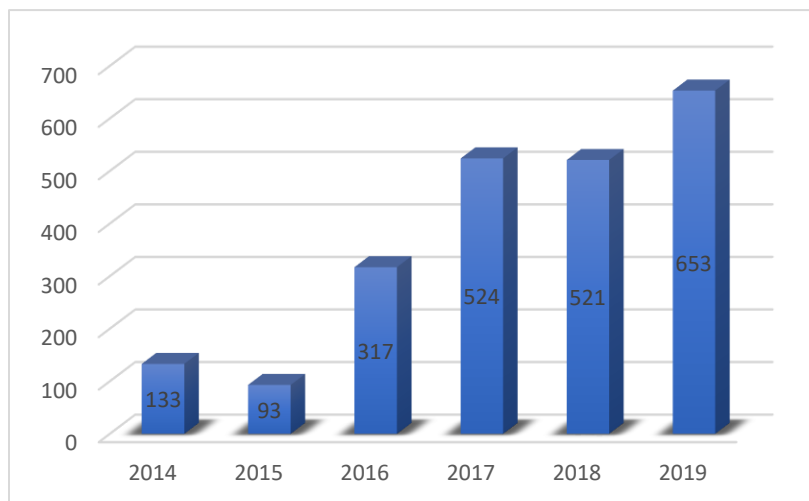
Offence	Number					
	STR		Enquiry		Freeze	
	2018	2019	2018	2019	2018	2019
Money Laundering	0	1	0	3	0	0
Terrorist Financing	0	0	0	0	0	0
Terrorism	0	0	0	0	0	0
Corruption	1	0	1		0	0
Cross-Border Movement	0	1	0	0	0	0
Tax Evasion	0	0	0	0	0	0
Swindle and Fraud	2	2	0	1	0	0
Counterfeit	0	0	0	0	0	0
Forgery	0	0	1	0	0	0
UN Lists	0	0	0	0	0	0
Drugs	0	0	0	0	0	0
Others	518	650	126	305	15	50
TOTAL	521	653	128	309	15	50

As per the last procedure taken

Last Procedure	Number					
	STR		Enquiry		Freeze	
	2018	2019	2018	2019	2018	2019
Stored (archived)	36	21	0	3	0	0
Temporary Stored (archived)	0	0	0	2	0	0
Under Analysis	362	548	0	28	0	0
Judiciaries	2	1	12	12	8	38
Government Authorities	3	3	15	261	3	1
LEAs	118	80	100	0	4	11
FIU Counterparts	0	0	1	0	0	0
External (Foreign) Authorities		0		3		0
TOTAL	521	653	128	309	15	50
	Grand Total 1676					

Total for all years (STRs Only)

Year	Cases
2014	133
2015	93
2016	317
2017	524
2018	521
2019	653
TOTAL 2241	



Total for all Years (STRs + Enquiries + Freeze)

Year	Cases
2003	1
2004	2
2005	1
2006	6
2007	4
2008	5
2009	4
2010	30
2011	29
2012	114
2013	166
2014	192
2015	141
2016	396
2017	662
2018	664
2019	1012
TOTAL	3429

