



Republic of Yemen

Financial Information Unit



FIU

Annual Report | 2020 - 2021



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FIU Chief's Message

At the outset, we extend our warmest congratulations to the new leadership of the Central Bank of Yemen, and wish them success in their tasks, especially in light of the difficult circumstances that our country is going through in economic, political and security aspects. We are confident in their ability, "in cooperation with all state institutions", to correct the monetary and economic conditions and alleviate the burden of the citizens, who have become the victims who bear the burdens of economic effects such as the high prices of basic commodities and services. It is hoped that the new leadership will continue to support the Financial Information Unit and will provide all the necessary resources to carry out the tasks assigned to the FIU in the field of combating money laundering and financing of terrorism properly keeping pace with Financial Information Units in the counterpart countries and adapting to the surrounding circumstances.

We also extend our thanks and appreciation to the former leadership and members of the Board of Directors of the Central Bank for their support to the Financial Information Unit during their tenure. They contributed to reconstituting the Unit in the interim capital ' Aden, and recruiting new cadres, that represented a lifeline for the continuation of the work of the Unit, as well as providing the Unit with an independent headquarters appropriate to execute its duties efficiently and effectively.

We also extend our thanks and appreciation to the members and employees of the FIU, who have devoted all their efforts to work under the difficult conditions that the country is going through, whether from their work sites during working hours or outside working hours. We thank them for their participation in organization and performing all tasks of the FIU that helped reach this standard today, despite the difficult environment in which they work, especially the national currency price collapse against foreign currencies that led to a decline in staff income level and affected remarkably on their standard of living. We are confident that with the solidarity and cooperation of all, we will be able to overcome all difficulties, no matter how complex they may be, and we will be able to move the wheel of work forward faster.

In the light of the present circumstances in which the FIU operates; it was among our priorities during the previous period to work on improving the anti-money laundering and terrorist financing system in the Republic of Yemen in front of the international community represented by the international organizations and bodies concerned with combating money laundering and terrorist financing. We sought to improve and coordinate local efforts between the authorities concerned with combating money laundering and terrorist financing. During the previous period, many achievements were made. For instance:

Signing several memorandums of understanding between the Yemeni FIU and some counterpart FIUs in the countries that share land borders with Yemen was made.

For the first time FIU participated in making presentations before the thirty-third plenary meeting of the Middle East and North Africa Financial Action Task Force (MENAFATF). Such presentations were well received by the attendees; where it was noted in the summary of the meeting that the Republic of Yemen has actively contributed to improving the performance of the group.

The FIU, in cooperation with the Central Bank of Yemen and the experts of Pragma Corporation, within the framework of the support provided by the United States Agency for International Development (USAID), contributed to absorbing the developments that took place in the international standards of Anti-Money Laundering and Terrorist Financing. Some instructions and publications directed to banks and the exchange sector were issued.

The FIU was also moved to an independent headquarters to enhance its independence. It was provided with employees to strengthen its work in performing the tasks entrusted to it by law. Moreover, the FIU held awareness-raising workshops among those concerned with combating money laundering and terrorism financing. The achievements made by the FIU will be discussed in detail in this report.

Among our priorities in the coming period, "in cooperation with all members of the FIU", we place the upgrading of the work system according to the best international models; by trying to develop some local programs that will facilitate and raise the efficiency and quality of the work of the Unit. We also seek to obtain certain software that will enhance the quality of performance, as well as training the current staff of the Unit, and working to develop their capabilities in line with modern developments and trends, in particular:

- Using modern technologies in the crimes of money laundering and the financing of terrorism,
- Signing memorandum of understanding with many countries as possible that will lead to improving the exchange of experiences and information and raising the efficiency of work in the field of international cooperation, and
- Paying special attention to the file of completing the qualification of the Unit to join The Egmont Group of Financial Intelligence Units, which will provide FIU with many databases and important investigative techniques.

We ask Almighty Allah to help us accomplish the tasks entrusted to us efficiently and competently in a way that contributes to the achievement of the public interest.

The Chief

FIU Deputy Chief's Message

Dear Directors and Employees,

It is no secret to any of you regarding the circumstances and difficulties that we have faced them together in light of the scarcity of capabilities, political and economic conditions as well as turmoil existed and fundamental and sudden changes that the Corona pandemic has brought to our daily lives and ways of working, and the pressures we have undergone. However, no matter how bleak the future may seem, the situation must be straightened out and we must overcome the challenges we face. I am confident that the skills, experience and resilience gained over the years we have worked together, we are able to overcome such a difficult stage.

However, we will not forget that what we need in difficult times is the determination of our leadership, solidarity and teamwork. The Financial Information Unit will be up to the challenges and will put its expertise at the service of the stakeholders. The FIU will continue its work by building a culture of commitment ' which has almost faded ' to promote awareness about the risks of money laundering and terrorist financing, through its ongoing commitments with all financial and non-financial institutions and designated professions obliged to reporting, in order to establish all combating efforts.

It can sometimes be difficult for us to see the light that must appear at the end of the tunnel, and we will certainly face many of the challenges that accompany our work, but we will work as usual as a team to overcome these challenges. We will carry out our local, regional and international duties properly, and will also cooperate with our local and international partners within the framework of coordination and cooperation between various parties to strengthen the AML/CFT system in Yemen.

Just as the darkest hours precede dawn by moments, I am optimistic that we will prevail over this stage and move towards better days.

Thank you for your efforts and dedication to work and hope that you be safe and healthy.

With my best wishes

The Deputy Chief

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Chapter One

Financial Information Unit (FIU)

- i) FIU Establishment**
- ii) FIU Organizational structure**
- iii) Competencies of FIU**

Financial Information Unit Establishment

The Yemeni Financial Information Unit (FIU) was established with Article (11) of Law No. (35) for the year 2003 on Anti-Money Laundering; within the Central Bank of Yemen, and at the beginning of 2010; the AML/CFT Law No. (1) /2010 was issued reconstituting the FIU, as we know it nowadays. The Law laid down that the FIU is independent, and has approved its constitution by a Resolution of the Prime Minister upon the recommendation submitted by the Governor of the Central Bank of Yemen. The FIU

shall consist of a Chief and members who are experts and specialists as follows



The Resolution of the Prime Minister stressed that the FIU shall be provided with what it requires of staff, who are qualified scientifically and technically to perform its work. They must be all full time employees of the FIU. It bestowed upon the Chief and members of the Unit the power of judicial control by the law, and it obligated the regulatory and supervisory authorities to appoint compliance officers in order to assess and control compliance with these bodies, and shall be regarded as liaison officers with the FIU.

In furtherance of this resolution, the Prime Minister's Resolution No. (350) for the year 2010 was issued constituting the Financial Information Unit (FIU) pursuant

to Law No. (1) for the year 2010 and naming its members so as to become composed of seven members in addition to a number of qualified staff.

Law No. (1) /2010 on Anti-Money Laundering and Counter-Terrorism Financing, its executive regulation and their amendments addressed the shortcomings identified by the mutual evaluation report, where our country undergone such an evaluation in 2008. It was conducted by MENA-FATF in order to assist the FIU to meet all requirements and obligations in accordance with the recommendations and international standards in the field of combating money laundering and the financing of terrorism, as well as the recommendations of the Mutual Evaluation Team.

On 7 March 2015

His Excellency the President of the Republic declared Aden as the interim capital, and urged all government bodies and public sector institutions to move their headquarters and start practicing their activities from the interim capital' Aden. Accordingly, the following Resolutions were issued:



2016

Presidential Decree
No. (119)

On reconstituting the Board of Directors of the Central Bank and moving its headquarters to the interim capital' Aden

2019

Prime Minister's Resolution
No. (12)

On reconstituting the Financial Information Unit and the nomination of its members to begin exercising its functions from the interim capital' Aden.

2019

Prime Minister's Resolution
No. (31)

On reconstituting the National Committee for Combating Money Laundering and Financing of Terrorism and naming its members from (19) government agencies concerned with combating money laundering and financing of terrorism.

2020

Prime Minister's Resolution
No. (1)

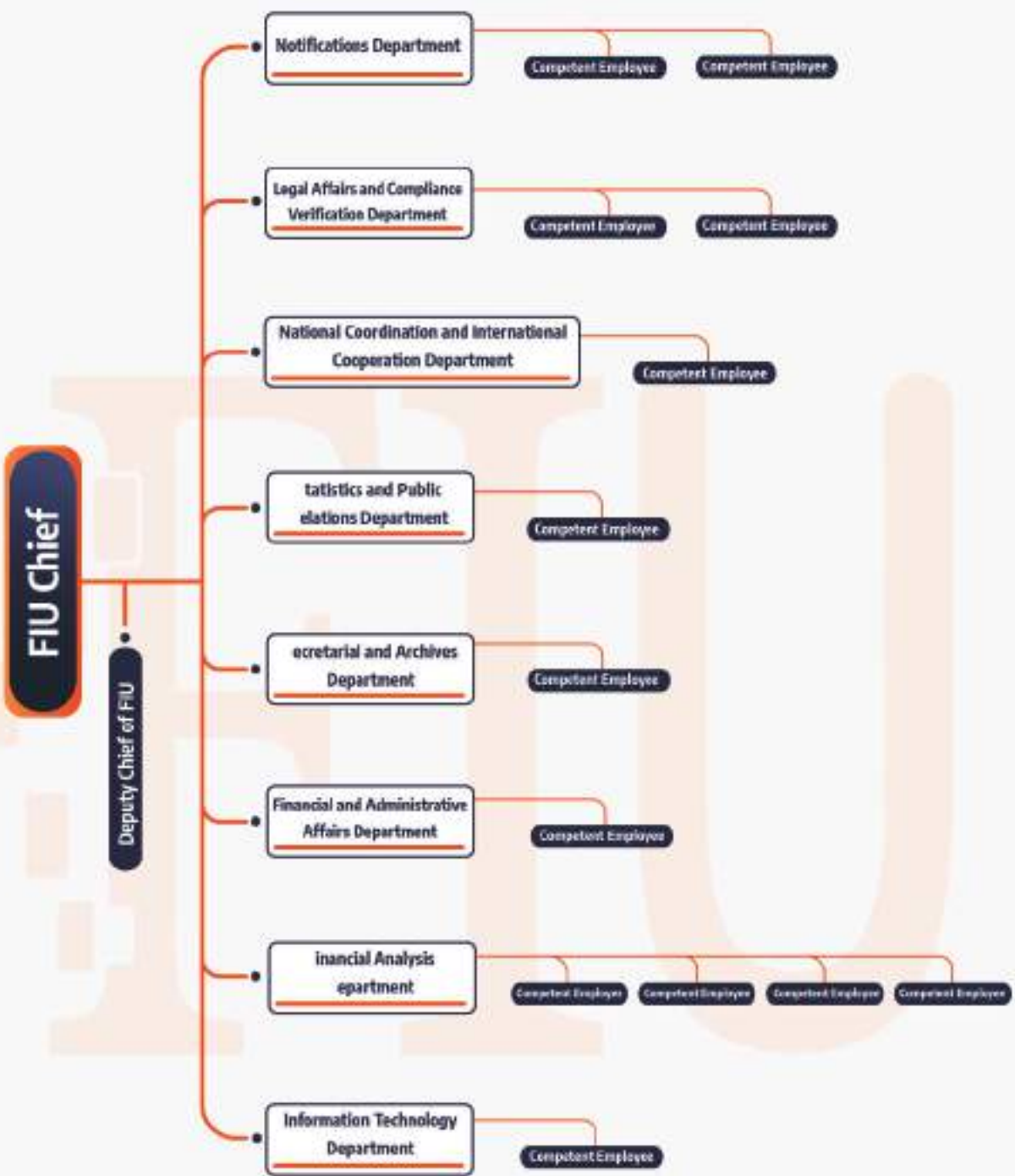
On reconstituting the Financial Information Unit and naming of its members to begin exercising its functions from the interim capital' Aden.

2021

Prime Minister's Resolution
No. (17)

On the adoption of the internal regulations of the Financial Information Unit in the meeting held on May 8, 2021. It explains in detail the organizational and administrative structure, functions and responsibilities of all the different departments and sections within the FIU.

FIU Organizational Structure



FIU Responsibilities

Law No. (1) for the year 2010, as amended, some of its articles by Law No. (17) for the year 2013 and their Executive regulations, defines the terms of reference of the Financial Information Unit as follows:



Request any additional information that the Unit deems it useful for the performance of its functions when it is related to any information it has previously received in the course of the exercise of its competences or upon a request received from counterpart units in other countries.



Publish periodic reports as its activities, including in particular containing statistical data and analytical studies in the field of AM/FTT.



Participate in the preparation of awareness-raising programs on combating money laundering and financing of terrorism in coordination with the National Committee for Combating Money Laundering and Financing of Terrorism.



Notify the National Committee for Combating Money Laundering and Financing of Terrorism, and the concerned regulatory and supervisory authorities of any breach of the provisions of the Anti-Money Laundering and Combating the Financing of Terrorism Law by financial and non-financial institutions and designated professions.



Prepare forms of notification guidance for financial and non-financial institutions and designated professions that are used to report to the FIU regarding suspicious transactions of involving money laundering or terrorism financing and update them when needed.



Conduct on-site inspections of the entities and institutions covered by the law to verify the extent of their compliance with the provisions of the law and its executive regulations.



Conclude memorandums of understanding with foreign counterpart units performing similar functions and subject to similar obligations in respect of secrecy.



Refer the results of the analysis of STRs when it has serious indications of the presence of suspicion of money laundering, financing of terrorism or any of the predicate offenses associated with them, together with the necessary references to the Public Prosecution.



Participate in international and regional seminars, workshops, conferences and meetings related to the functions of the FIU.



Receive and analyze STRs reported by financial institutions, non-financial institutions, specified professions, regulatory and supervisory bodies about suspicious transaction reports relevant for money laundering, terrorism financing or any of the predicate offenses associated with them, and referring the result of the analysis of the STRs to the concerned authorities for appropriate action needed.



Request the Public Prosecution to seize and freeze funds and property derived from the money laundering and financing of terrorism offenses.

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Chapter Two

FIU Achievements

(i) Administrative and Organizational Area

(ii) Area of Local Coordination and International Cooperation

(iii) Area of Supervision and Compliance Verification

(iv) Area of Notification and Financial Analysis

Administrative and Organizational Area

The Financial Information Unit, with the cooperation of all its members, who spared no effort in upgrading its work in line with modern patterns of work in this field, and in accordance with the laws and regulations in force, has accomplished many achievements. Moreover, in spite of the availability of various challenges such as the lockdown accompanied the outbreak of Corona pandemic, the FIU reconstitution in the interim capital- Aden at the beginning of 2020, where it lacked organized

Administrative Aspect

1. Drafting the organizational structure and internal regulations of the Financial Information Unit, which arranges the internal work as well as detailing the tasks and responsibilities of all the different directorates and sections within the Unit.
2. Submitting the internal regulations and organizational structure to the Governor of the Central Bank, who in turn submits them to the Prime Minister for approval.
3. Adopting the internal regulations of the Financial Information Unit under Cabinet Resolution No. (17) for the year 2021, which is deemed an internal labor constitution that works to arrange the internal work of the FIU, and also explains in detail the functions and responsibilities of different directorates and sections within the Unit.
4. Recruiting (8) new employees to the Financial Information Unit according the a senior perspective of recruitment and transparency, where the three top graduates from the Departments of Accounting, Banking and Financial Sciences, and Law who were recruited after they set for an exam in the subject of " Certified Anti-Money Laundering Specialist (CAMS)". In addition, personal interviews were conducted to differentiate between them in the fields of skills in the use of computer, English language and experience in the practical field.
5. Training the new employees of the FIU intensively to carry out their tasks efficiently and effectively in the following areas:
 - Online training courses provided by the Basel Institute on Anti -money laundering and financing of terrorism and passing tests.
 - Initial training course on the field of anti-money laundering and financing of terrorism provided by experts of the Pragma Corporation within the framework of technical support provided by the United States Agency for Development (USAID).

Technical Aspect

1. Preparation and adoption of some internal regulations and protocols to organize the internal work of the Unit, which are represented in the protocol of visitors to the Unit, the protocol of international cooperation and exchange of information, and the protocol of analysis of notifications.
2. Completing the preparation of the Field Inspection Guide on Banks and Money Exchange Companies, which details the procedures to be carried out pre, while and post the field inspection phase in the field of AML/CFT regulations, risk-based inspection (RBA) and governance of regulated entities.
3. Preparation of matrices and work models according to best practices, which help to conduct tasks according to specific frameworks that enhance the speed of achievement and quality of results.
4. Sharing the study of local legislation on combating money laundering and financing of terrorism in the Republic of Yemen with the Pragama Corporation Team, that is, the implementing team of the technical support provided by the United States Agency for Development (USAID). A committee chaired by the FIU and members of the Unit and the Central Bank of Yemen has been formed to study national laws and legislations on anti-money laundering and financing of terrorism in accordance with international and regional updates in this area. A matrix has been formulated to identify shortcomings and work to overcome those gaps under the regulatory instructions (publications) issued by the Central Bank of Yemen.
 - Issuing the Central Bank Circular No. 2 for the year 2021, which is directed, to banks and exchange entities on instructions and controls to combat money laundering and financing of terrorism. "Annex to periodic Circular No. (1) for the year 2012; Circular No. (1) for the year 2013 and Circular No. (8) for the year 2014".

-Issuing the Central Bank Circular No. (3) for the year 2021 on the basic indicators of suspicion which is addressed to banks and exchange entities. "Annex to periodic Circular No. (2) for the year 2012 and Circular No. (2) for the year 2013", in accordance with international standards and best practices, including:

- ⦿ Developing detailed instructions regarding the risk-based approach, customer classification and reclassification time
- ⦿ Developing proactive risk management procedures.
- ⦿ Setting detailed guidelines that help banks and exchange companies/ facilities to identify the real beneficiary or holder of the economic right when dealing with existing or new customers
- ⦿ Developing detailed guidelines that help banks and exchange companies/facilities to mitigate the risks of bearer shares.
- ⦿ Modifying the definition of shell companies and prevent dealing with them.
- ⦿ Setting basic indicators of suspicion for cybercrime.
- ⦿ Setting indicators of suspicion for crimes of trafficking in human beings and smuggling of
- ⦿ Setting basic indicators of suspicion for crimes of slavery and sexual exploitation.

5- Issuing two issues of the FIU's awareness magazine (Compliance Harvest) for the year 2021 in coordination with the various departments, and distributing them to all financial institutions, money changers and other concerned

Technological aspect



Connecting the server via switches to the users' devices in the FIU



Designing a concise database so that it can be searched through easily



Preparation and installing a main server to save the databases of the FIU

Information technology is the main nerve to organize all the work of the FIU through the design, updating and linking databases with the main server of the Unit to organize the work and carry out the necessary tasks. The most important efforts exerted during the past year through the Information Technology Department in the FIU



Submitting legislations, regulations and instructions related to combating money laundering and financing of terrorism to the website of the Financial Information Collection Unit (<https://fiu-ye.com>).



Circulating the official emails of the Financial and Information Unit for inquiries and sending forms of STRs of suspicious transactions to banks and exchange entities (info@fiu-ye.com).



Launching the new website of the Financial Information Unit is the presence of the Minister of Finance, the Chairman of the National Committee to Combat Money Laundering and Financing of Terrorism and members of the Board of Directors of the

In accordance with the resources and capabilities available to it, the FIU is trying to develop and raise the efficiency of the work, and there is a ready conception of the remaining requirements of financial analysis, electronic archiving and encrypted databases, which have been delayed by the lack of appropriate resources.

The most important technical objectives that will be addressed

- 1 Converting all databases to Oracle system
- 2 Automatic linking of STRs to the central server.
- 3 Making the FIU's website more interactive and easy to browse

Training and Capacity-Building Aspect

In order to build the capacity of the Financial Information Unit Staff, the staff participated in training courses, workshops and meetings held concerning raising awareness of AML/CFT and proliferation of arms. Such training course were conducted by:



Financial Action
Task Force



European Union



United States Agency
International Development



International
Monetary Fund



MENAFATF



Organization for
Economic Cooperation and Development

The following detailed table shows courses, workshops and conferences held in 2021

Sl. No.	Course Title	Organizing Entity	Location	Participating Entity	Number of Participants	Date
1	Training of the Financial Investigation Unit	WORLD BANK	ONLINE	FIU	6	25 January 2021
2	Implementation of UN Resolutions 1267 and 1973 on Financing of Terrorism	FATF	ONLINE	FIU	3	14 March 2021
3	Introductory Session on Combating Money Laundering	MENAFATF	ONLINE	FIU	3	16 March 2021
4	Financing Terrorism Through Virtual Assets	MENAFATF	ONLINE	FIU	3	06 April 2021
5	Workshop on Applications for the Crimes of Human Trafficking and Smuggling of Migrants	MENAFATF	ONLINE	FIU + Central Bank	5	5 April 2021
6	Asset Recovery (System, Standards, Tools)	EU	ONLINE	FIU + Ministry of Justice + Anti Corruption	2	17 May 2021
7	Fundamentals of Anti-Money Laundering and Combating Financing of Terrorism	Pragma	ONLINE	FIU	15	13 June 2021
8	Skills of Control of Money Laundering and Terrorism Financing Transactions and Role of the Financial Information Unit	Pragma	ONLINE	FIU	15	17 June 2021
9	The Main Elements of the Success of the ANL/CFT System	Pragma	ONLINE	FIU	15	21 June 2021
10	International Standards of Financial Action Task Force Summit	FATF - MENAFATF	ONLINE	FIU	5	27 June 2021
11	Functional Analysis	EU	ONLINE	FIU + Public Prosecution	4	5 JUL 2021
12	Financial Verification	OECD	ONLINE	FIU	2	18 JUL 2021
13	Remittances (Remittance Technology)	EU	ONLINE	FIU	5	27 July, 2021

14	Asset Recovery Channels	MENAFATF	ONLINE	FIU	2	16 August 2021
15	Series of Introductory Sessions on (Risk-Based Approach)	MENAFATF	ONLINE	FIU	15	30 August 2021
16	Evaluation Course on Participated	FATF	ONLINE	FIU	1	06 SEP 2021
17	Fundamentals of Financial Verification for Law Enforcement and Intelligence Unit	EU	ONLINE	FIU + Central Bank	4	06 SEP 2021
18	Indicators of Suspicion of Money Laundering and Terrorism Financing	Pragma	Yemen	FIU + Central Bank	15	15 SEP 2021
19	Basics of On-site Inspection to Verify the Extent of Compliance of Banks and Financial Institutions	Pragma	Yemen	FIU + Central Bank	15	17 SEP 2021
20	Anti-Money Laundering Using Cryptocurrencies	EU	ONLINE	FIU + Central Bank	2	20 SEP 2021
21	Parallel Financial Investigations	United Nations in coordination with the Egyptian Information Unit	Egypt	FIU + NCAML + Ministry of Justice	3	03 October 2021
22	Risk Assessment in Finance Institutions	EU	ONLINE	FIU + Social Affairs + Customs Authority	15	25 October 2021
23	Improve the Quality of STRs	MENAFATF	ONLINE	FIU + Central Bank + Commercial Banks	3	2 October 2021
24	Financial Investigation Techniques	MENAFATF	ONLINE	FIU + Central Bank	6	02 Nov 2021
25	Cryptocurrency, Criminal Financing and Anti-Money Laundering Procedures	EU	ONLINE	FIU + Central Bank	2	06 DEC 2021
26	Training of the Financial Investigation Unit	United Nations in coordination with the Egyptian Information Unit	ONLINE	FIU + Central Bank + Commercial	33	07 DEC 2021

It is also worth mentioning that three members of the FIU have obtained the Certified Anti-Money Laundering and Combating Financing of Terrorism (ACAMS) certificate, which is one of the highest international professional certificates issued by the American Association of Anti-Money Laundering and Combating Financing of Terrorism Specialists. This will raise the staff capacity of the FIU, and the rest of the Unit's staff are encouraged to prepare for this certificate, which aims to develop and upgrade the work

Local Coordination

1-Communicating with all regulatory and supervisory authorities concerned with combating money laundering and financing of terrorism to obtain information and statistics on the evaluation of their AML/CFT systems, which were used in the preparation of the third update report of the Republic of Yemen on anti-money laundering and financing of terrorism. It was presented and discussed during the thirty-first plenary meeting of the Financial Action Task Force for the Middle East and North Africa (MENAFATF) held in November 2020.

2- Concluding local memorandums of understanding with some local regulatory and supervisory bodies to facilitate and coordinate the exchange of financial and non-financial information related to combating money laundering, terrorism financing and related crimes. A memorandum of understanding has been signed between the Financial Information Unit and the Central Bank of Yemen (Banking Supervision Sector), as it is the supervisory and regulatory authority over banks and the exchange sector. A memorandum was also signed with the Customs Authority as it is the government authority responsible for monitoring and controlling border crossings, collecting customs duties and combating smuggling. Moreo-

3- Holding some meetings and conducting correspondence with some regulatory and supervisory authorities in order to enhance and emphasize their role in developing instructions and controls in combating money laundering and financing of terrorism. These authorities are as follows: the Customs Authority, the Ministry of Social Affairs and Labor, the Ministry of Industry and Trade, the Ministry of Foreign Affairs, the Civil Status Department and the central organization for control and auditing (COCA).

4- Cooperating with the Banking Control Sector by issuing instructions on the requirements for the renewal of licenses for exchange companies and establishments, which stressed the need to provide the Central Bank with policies and procedures to combat money laundering and the financing of terrorism when granting licenses, or when renewing them.

Conducting field visits and communicating with a number of ministries and local government bodies concerned with combating money laundering and financing of terrorism and urging them to play their role in combating the crimes of money laundering and financing of terrorism by starting to establish compliance departments or sections and starting to apply compliance procedures. Such efforts were successful. The authorities contacted were as follows:

- ① The Ministry of Social Affairs and Labor has issued Resolution No. (58) of 2021 on the establishment of a Compliance Department in the Ministry.
- ② The Ministry of Trade and Industry has issued Resolution No. (21) of 2021 on the establishment of a Compliance Department in the Ministry.



International Cooperation



1

Coordinating and following-up payment of the contributions of the Republic of Yemen to the budget of the Financial Action Task Force for the Middle East and North Africa (MENAFATF) for 2019, 2020, 2021, which were pending, as well as following-up payment of additional amounts for the budget in 2020, which was approved at the 30th plenary meeting of (MENAFATF).



2

Contributing to modify the annual contribution account procedures for calculating the annual contribution of member states to the budget of the Financial Action Task Force for the Middle East and North Africa (MENAFATF), which was based on the equal contribution of member states to the budget of the group. The procedures for calculating the contribution of each member state to the budget of the group have been modified in proportion to the gross domestic product of the state; which would have



3

Preparing the third update report of the Republic of Yemen, with the statistical annexes of the report related to the efforts of all national institutions concerned with combating money laundering and financing of terrorism in the Republic of Yemen. It was presented and discussed at the thirty-first plenary meeting that was held in November 2020.



4

Communicating with the European Union regarding requesting technical support in the field of capacity building for the staff of the Financial Information Unit and the rest of the authorities concerned with anti-money laundering and financing of terrorism, and asking for clarifications regarding the areas of support that can be provided by them. Technical support has been obtained to build the capacity of the Financial Information Unit staff and the Central Bank staff concerned on the supervision of combating money laundering and financing of terrorism. In addition, an advanced face-to-face workshop for five

**5**

Responding to questionnaires and queries received from international bodies and organizations concerned with combating money laundering and financing of terrorism (important and impactful) as

- ⦿ Query received from the Sanctions Panel affiliated to United Nations on Yemen regarding the request for information on some accounts and entities in a number of Yemeni banks.
- ⦿ Questionnaire received from the Middle East and North Africa Financial Action Task Force (MENAFATF) on the country's progress in the national risk assessment process.
- ⦿ Financial Action Task Force (FATF) questionnaire on the laundering of proceeds from the illegal wildlife trade with practical cases collected from the Public Prosecution and the Customs Authority.
- ⦿ Comments of the Republic of Yemen on the first enhanced follow-up report of the Kingdom of Morocco as requested by the Financial Action Task Force for the Middle East and North Africa.
- ⦿ Comments of the Republic of Yemen on the second enhanced follow-up report of the Republic of Mauritania as requested by the Financial Action Task Force for the Middle East and North Africa.
- ⦿ Query received from the Financial Action Task Force for the Middle East and North Africa on the assessment of the State of Palestine in the field of international cooperation.
- ⦿ Query received from the International Cooperation and Coordination Group (ICRG) on the impact of the Corona pandemic on the functioning of institutions concerned with anti-money laundering and financing of terrorism and on the alternative methods in international cooperation and
- ⦿ Responding to the letter received from the Delegation of the European Union to Yemen regarding the continued classification of European Union countries for Yemen among the countries with strategic deficiencies in the field of anti-money laundering and financing of terrorism.

**6**

Participating in the sixth and eighth issues of the bimonthly newsletter issued by the European Union Office in the Horn of Africa and Yemen, which is interested in writing articles and exchanging experiences between member states in the field of combating money laundering and terrorist financing.



Communicating with the financial intelligence units in both the Arab Republic of Egypt and the Kingdom of Saudi Arabia, they are the sponsoring countries of the Republic of Yemen, to coordinate efforts and work to assist the Yemeni Financial Information Unit to meet the conditions for joining the EGMONT Group for Financial Verifications. The first of these conditions has been implemented, which is the translation of Yemeni laws, instructions and publications related to combating money laundering and financing of terrorism into English, and communication is being made with sponsors to proceed with



Contributing to preparation and review of the report of the modernization of the Republic of Yemen in the field of efforts exerted in combating money laundering and financing of terrorism during 2020, 2021 and 2022, before the International Cooperation Group (ICRG) affiliated to the Financial Action



Participating in the diagnostic meeting of the Financial Information Unit held with the World Bank during the period from 26 to 28 January 2021 to measure the extent of its eligibility to join the membership of the EGMONT Group and its compliance with international standards. The World Bank then affirmed that it is fully prepared to provide assistance and technical support to FIU in the field of capacity-building and assistance in the national risk assessment process if the situation is appropriate



Signing memorandums of understanding in the field of exchanging information on combating money laundering and financing of terrorism with a number of neighboring counterpart units in order to achieve and ensure the greatest benefit and interest. Coordination and communication with some other units is carried out on an ongoing basis to reach a final version of the memoranda and sign them.



Libya

Signing a Memorandum of Understanding



Ethiopia

Signing a Memorandum of Understanding



Oman

Coordination to sign a memorandum of



UAE

Signing a Memorandum of Understanding



Egypt

Coordination to sign a memorandum of understanding (at its final stages) / Receiving requests for international assistance



Somalia

Coordination to sign a memorandum of understanding / Receiving a request for international



Horn of Africa States

Signing an agreement of understanding through the EU program



Djibouti

Coordination to sign a memorandum of

- Signing a Memorandum of Understanding
- Coordination to sign a memorandum of understanding

**11**

Participation of the Chief of the FIU in the Regional Expert Group of the Mutual Evaluation Process of the State of Lebanon to measure the AML/CFT system in the State technically and effectively during the second phase of the mutual evaluation process carried out by (MENAFATF).

**12**

The Director of the Information Technology Department of the Financial Information Unit obtained the membership of the (MENAFATF) e-Learning Platform Team.

**13**

Interacting with a number of requests for international assistance with counterpart units in the field of information exchange.

**14**

Responding to the request of the General Directorate of Legal Affairs of the General Secretariat of the League of Arab States on the compatibility of national legislation with the provisions of the Arab conventions concerning anti- money-laundering and financing of terrorism and the efforts of the Republic of Yemen in this field.

A detailed report has been prepared and sent showing the legislative and regulatory efforts of the Republic of Yemen in this field as well as the efforts of the Republic in the field of international cooper-

“ Area of Supervision and Compliance Verification ”

Area of Supervision

Effective supervision occupies a pivotal position for the success of any system and the enhancement of its impact. In the field of anti- money laundering and financing of terrorism, field inspection is the cornerstone of the assessment of compliance. International standards and domestic laws have confirmed its importance, and international standards have even obliged States to adopt field control over financial and non-financial institutions and risk-designated professions by regulators and supervisors to ensure their compliance with AML/CFT procedures. Field inspection is one of the pillars of States' assessment concerning their compliance application regarding anti-money laundering and terrorist financing.

On-site Inspection

The Financial Information Unit has begun to develop on-site inspection plan on banks and the risk-based exchange sector and to activate on-site control as a secondary task of the Financial Information Unit based on Article (31) paragraph (h) of the Anti-Money Laundering and Combating Financing of Terrorism Law. Conducting on-site inspections of banks and exchange companies operating in Yemen was done as a first step. The aims were to raising the level of compliance with the Law and its executive regulations, supervisory instructions, recommendations and international standards, in addition to the guidelines of the Financial Information Unit regarding STRs and forms of suspicion, as well as identifying weaknesses in compliance systems and programs. On- site inspections aimed to evaluate the policies, procedures and programs adopted by and followed by authorities on combating money laundering and financing of terrorism and to determine whether they are being implemented according to the purpose for which they are designed to achieve their desired objectives effectively.

The FIU adopts a risk-based approach in the on-site inspection process in order to maximize the use of limited time and resources. It focuses on high-risk areas and works according to specific procedures based on best practices and international standards of evaluation, in accordance with the on-site inspection guide prepared in coordination with foreign authorities.

The on-site inspections of banks and financial institutions in accordance with the on-site inspection guide approved by the FIU goes through the following stages:

1

Planning for on-site inspections

2

Conducting inspections and testing

3

Writing a draft report

4

Discussing the draft report and receive responses

5

Submitting the report definitively

6

Office and on-site follow-up



• Risk-Based On-site Inspection Methodology

1. The guide of procedures for on-site inspection of banks and financial institutions on combating money laundering and financing of terrorism has been prepared with the appreciated assistance of an expert Pragma corporation, who is specialized in combating money laundering and financing of terrorism. It was also prepared in accordance with the best international standards and practices and with the scientific guidance issued by the World Bank. The inspection guide contains a variety of steps to be taken to ensure the implementation of a comprehensive on-site inspection process, starting with preparation and planning of the

inspection and ending with the delivery of the final report.

2. A model report on AML/CFT procedures has been prepared in accordance with international standards, the Anti-Money Laundering and Combating Financing of Terrorism Law and its executive regulations, the publications and instructions of the Central Bank and the guidelines of the Financial Information Unit.

3. An annual plan has been prepared to inspect banks and exchange companies according to the risk-based methodology.



• Spreading Awareness, Training, Education and Moral Support

Conducting on-site inspections is not limited to the process of evaluation and ensuring the compliance of financial institutions to apply AML/CFT procedures and prepare reports and minutes; however, they go beyond that. For instance, inspection teams spread awareness of the risks of non-compliance during the visit period, correcting many concepts among compliance officers, discussing, correcting and addressing remarks, imbalances and shortcomings.

They also provide advice before writing the final report, which helps to improve the quality of AML/CFT systems in banks and financial institutions as well as activating the role of risk and internal audit departments.

• On-site Inspection of Banks and Exchange Entities

1- On-site inspections on combating money laundering and financing of terrorism were conducted of (2) banks based on the Procedures Guide and the on-site inspection plan and the developing plan. The inspection of banking sector will complete during 2022.

2- On-site inspections were conducted on combating money laundering and financing of terrorism of (10) exchange companies in accordance with the procedures guide and on-site inspection plan. The inspection of exchange companies sector in Aden Governorate will complete during 2022. Preparations are in progress to complete the sector of exchange companies and facilities in Aden Governorate

3 - In cooperation between the team of the Financial Information Unit, the team of the Banking Supervision Sector and the team assigned by the Attorney General, on-site inspections were carried out on sixty-seven (67) exchange entities to verify the following:

- The existence of an efficient and effective system to combat money-laundering and the financing of terrorism.
- The extent of compliance with the regulatory controls circulated to them by the Central Bank.
- The existence of an efficient and effective system to combat money laundering and financing of terrorism.
- The extent of compliance with the regulatory controls circulat-

ed to them by the Central Bank of Yemen.

- Adhering to the regulatory controls and instructions to preserve the price of the national currency from deterioration and reduce speculation in foreign currencies and the rise in their prices.

As a result, the following actions were taken:

- Submitting detailed reports of violators of the instructions on combating money laundering and financing of terrorism to the Banking Supervision Sector to take the necessary punitive measures against violators.
- Closing more than (30) thirty exchange entities.
- Imposing proportional financial penalties on violating companies and facilities.



4- Conducting on-sites inspections of (22) twenty-two exchange entities by the team of the Financial Information Unit to ensure the existence of systems to combat money laundering and financing of terrorism. The minutes of the breaches discovered were signed and exchange facilities were handed reports of the same to address them.

5- Conducting inspection campaigns for (20) twenty exchange companies in Aden in September 2020 were done. Withdrawing the detailed remittance statements issued and received during the first, second and third quarters of 2020 was made; and following up the withdrawal of subsequent statements and compiling them in the FIU's database and analyzing them was made to reach outputs that have been relied upon in formulating controls for money changers and remittances that they perform. (Work is in progress to complete the rest of the companies in the last years)

6- Circulating the request to update the compliance data of banks in 2021, in which all basic data and information were requested to ensure the presence of a sound and effective anti-money laundering and combating financing of terrorism system, in order to maintain the safety of financial institutions from the risks of money laundering and terrorism financing transactions.

7- Issuing a circular updating the data of compliance officers in banks and exchange companies; and following up the collection of data of compliance officers and save them in the database of the FIU, and raising violators to take legal actions against them.

8- Holding meetings with the senior management of a number of banks to discuss the shortcomings and imbalances they have in the field of supervisory and regulatory procedures in combating money laundering and financing of terrorism, take quick measures to fill the gaps in the system, and start corrective measures to avoid shortcomings.

9. Holding several meetings with the Customs Authority to ascertain the extent to which the instructions of the Anti-Money Laundering and Combating Financing of Terrorism Law are implemented at Customs ports, and to work on the formation of a joint team from the FIU and the Customs Authority to prepare and follow up the implementation of the following:-

- Preparing and activating cash disclosure forms for passengers arrived and departed.
- Preparing instructions and mechanism for the exit and entry of cash through the ports in accordance with the instructions of the Central Bank and the Law on Combating Money Laundering and Financing of
- Preparing and designing models of statistics to be submitted quarterly to the Financial Information Unit for saving them in its database.
- Coordination of instructions and directions to be placed in the shape of boards at arrival and departure halls.

“ Area of STRs and Financial Analysis ”

FIU

The FIU receives STRs, collects financial data about them, analyzes them, adapts them and takes appropriate action as found after the completion of the financial analysis phase. For this purpose, the FIU has the right to request information from any of the local authorities or external counterpart FIUs. The number of such STRs is related in proportion to the level of community and institutional culture with the crimes of money laundering and the financing of terrorism, which almost disappeared under the current situation in the country, which has become a stumbling block to the success of the efforts to combat money laundering and the financing of terrorism. However, the FIU has taken upon itself throughout the previous period to adopt the policy of education through holding workshops, inspection and awareness campaigns, follow-up of correction procedures, as well as meetings and correspondence with institutions and regulatory and supervisory authorities.

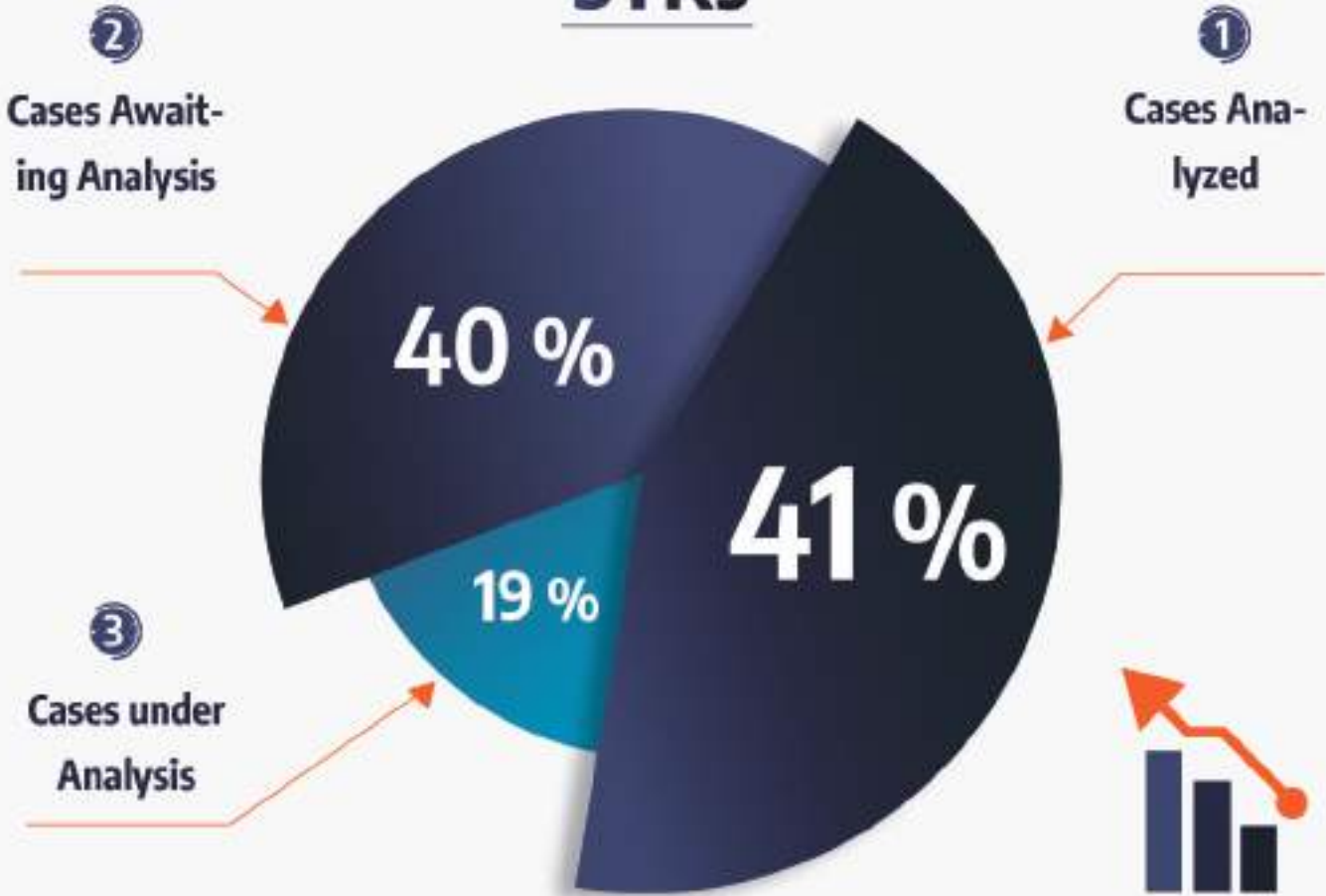
We list the most prominent efforts that have been made under this commitment, noting the doubling of the number of reports of suspicious transactions during 2022. This is due to the success of the FIU's efforts in control, inspection and raising awareness among the concerned authorities through holding awareness-raising workshops in this field. The FIU still seeks to double such efforts and to enhance the quality of such notifications, which will be reflected positively on the analysis processes.

The most important challenges arise in the post-notification phase, especially in the electronic search, which is missing from most State agencies that still use the traditional paper form in recording, saving, archiving and completing their transactions. This makes the search difficult to obtain a lot of information of the utmost importance to the FIU's work.

Statistical Data

Total cases received by the Financial Information Unit **FIU** until the end of 2021

STRs



Cases Analyzed.....	40 cases
Cases Awaiting Analysis	40 cases
Cases under Analysis	19 cases

Total	Percentage	Number
Local authorities (Sources)	100 %	99
Foreign Authorities (Sources)	0 %	0

Detailed data on the cases analyzed by the FIU until the end of 2021



1

According to type

STRs- Query - Freeze

Total

Number **177**
Percentage **100%**

Number
99



STRs

Number
78



Query

Number
0



Seizure and
Freezing

2

STRs according to the Source of the Cases Received

Total

Number 99

Percentage 100%

Number

99

99%



Local Sources

Number

0

0%



Foreign Sources

3

STRs according to the Reporting Source

Total

Number 99

Percentage 100%

Number

83

84%



Banks

Number

16

16%



Exchange
Companies

Number

0

0%



Counterpart
Units

Number

0

0%



Regulatory and
Supervisory
Authorities

4

STRs according to the Original Offense

Total

Number **99**
 Percentage **100%**



5

STRs according to the Final Procedure

Total

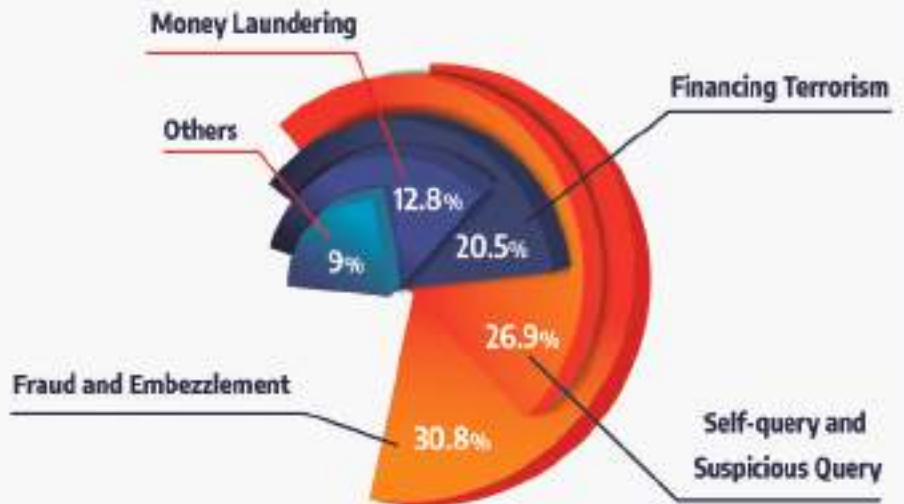
Number **99**
 Percentage **100%**



1 Query by Crime Nature

Total

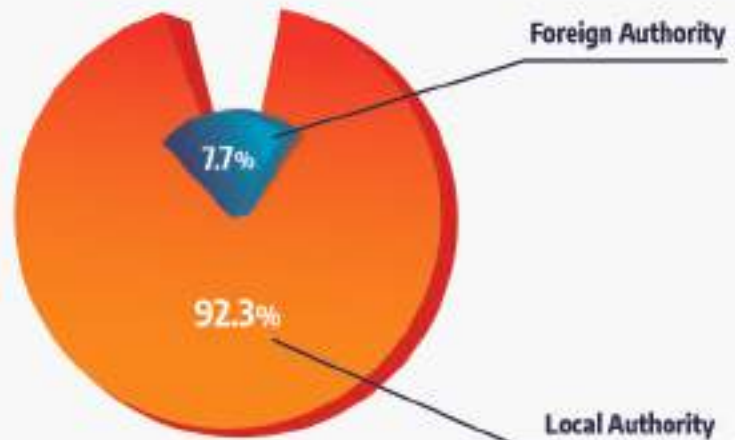
Number 78
Percentage 100%



2 Query by Query Source

Total

Number 78
Percentage 100%



Comparative Statistics of Suspicious Transaction Reports **STRs** for the period 2020-2021

1 Analysis according to the Type of STRs

The STRs received by the Financial Information Unit in 2021 reached 64, compared to 35 notifications in 2020.

There are several reasons behind the marked

increase in the number of STRs received by the Financial Information Unit; the most important ones are as follows: The FIU has played an effective role in spreading awareness and education through holding workshops and training courses for the concerned authorities. The FIU conducted on-site inspection of financial institutions to ensure their compliance with AML/CFT procedures, which was reflected on the increase in the number of notifications, as well as providing feedback to the reporting authorities, which positively affected the increase in the quantity and quality of notifications received



2 Analysis according to the Reporting Authority

Banks ranked first in the number of STRs received by the FIU, where the number of notifications received from banks in 2021 reached 48 out of the total notifications received, or 75% of the total STRs, compared to 2020, where the number reported by banks reached 35, 100% of the total STRs.

Exchange entities also ranked second in terms of the number of

STRs received by the FIU, where the number of STRs reported to the FIU from exchange companies in 2021 reached 16, or 25% out of the total notifications, compared to 2020, where the number of notifications reported by exchange companies reached (0) zero notifications.

STRs by Banks and Exchange Companies and Facilities

2020-2021

1 STRs by Banks



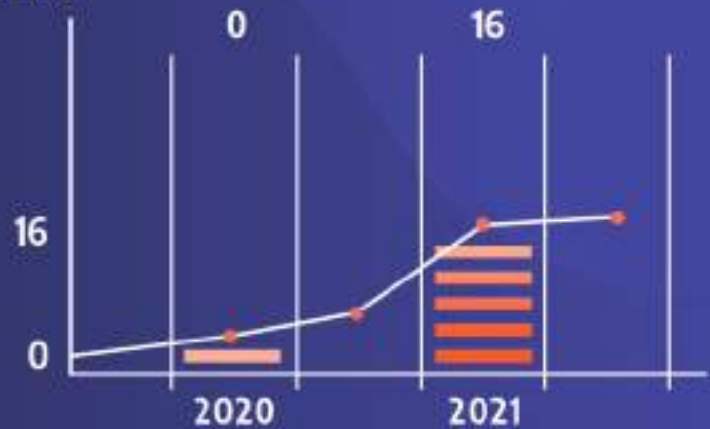
STRs



2 STRs by Exchange Companies and Facilities



STRs



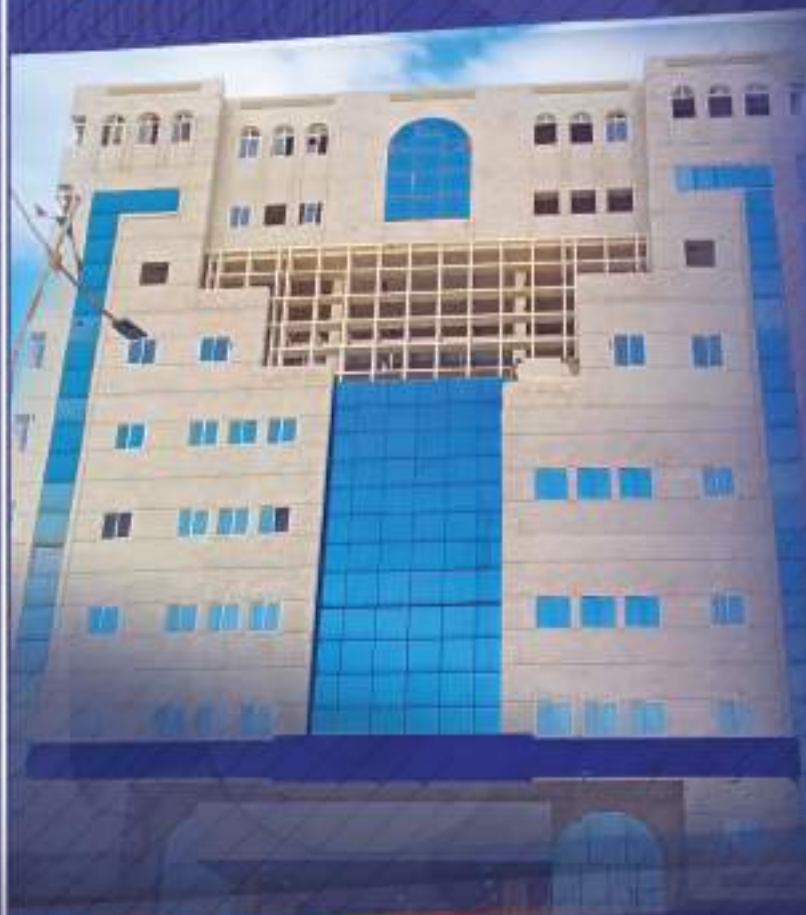
Conclusion

Despite the recent establishment of the FIU, it has sought by its specialized staff to encounter the challenges, with regard to both its operational budget, and delaying the fulfilment of various issues. For instance, all the following issues were delayed: the establishment of FIU's headquarters, the provision of specialists for it, the adoption of its internal regulations, the absence of any business models or previous staff, the emergence of the Corona pandemic, which caused the public and private sectors lockdown, as well as the modernity and non-automation of the State sectors, which leads to the information leakage and losing many documents out of the government system irrevocably, and hinders the search for what is left of them.. Without a doubt the weakness of government and private staff in working according to the requirements of compliance, the culture of society against compliance, and all the impact of the current circumstances posed challenges to the FIU's work.

The FIU has decided to issue this report to display its efforts during the period, 2020 - 2021, provided that the following report will be issued within well-defined timeframe that will undoubtedly reflect more developments and achievements in many respects, the features of which began to emerge. It will show the extent to which FIU's staff understands all changes, and they employ them in their field of work leading to an abundance of results and quality in outputs.

Republic of Yemen

Financial Information Unit



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