

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



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4th update report for the Republic of Yemen

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4th update report for the Republic of Yemen - November 2022

The Republic of Yemen submitted the 1st update report in April 2016, the 2nd update report in April 2018, and the 3rd update report in November 2020. Today, we present to the plenary the 4th update report of the Republic of Yemen, which reflects the efforts of the Republic in AML/CFT field during the period from June 2020 until June 2022, knowing that the Republic - represented by the National AML/CFT Committee and the FIU, and in cooperation with the supervisory authorities on AML/CFT - are doing their best, within the possibilities available thereto to confront this transnational crime in spite of the very complex data under which it operates, we list some of them as follows:

- The instability of the security situation and the separation of the sovereign institutions of the country.
- The continuous repressive practices carried out by the coup authority in Sanaa and the areas under its control, especially those repressive practices and violations that target the financial and banking sector.
- Most of the public administrations and the database for all country institutions remain in the Yemeni capital - Sana'a.
- The incomplete construction of the newly established official government institutions in the temporary capital, Aden, due to the scarcity of qualified and professional staff, many of whom are still present in Sana'a, and some of them are under house arrest.
- Misuse of all government institutions by the coup authority in Sana'a to implement its agenda.

Despite all these facts that make the work of AML/CFT institutions very difficult and complex, the country's institutions are seeking, with all their energy, to move forward at all levels, whether in the legislative or executive aspect, to combat ML/TF, and we will show you the most important of these achievements:



First: Regulatory and Administrative Procedures - from June 2020 to June 2022: -

1- Instructions and Controls for the Financial and Banking Sectors:

- 1- The Prime Minister's Decision No. (26) of 2022 assigning Mr. Hani Mohamed Wahhab as Chairman of the National AML/CFT Committee. This appointment made great transformation for National AML/CFT Committee and a major boost to its independence.
- 2- Complete independence of the National AML/CFT Committee, as the budget was approved where an independent office was prepared and furnished for the National AML/CFT Committee so that it could hold its periodic meeting and carry out its work independently.
- 3- The first meeting of the chairman and members of the National AML/CFT Committee was held, where it was agreed on a program to develop the work of the Committee by forming working groups, assigning them with the following:
 - 4- A working group to follow up the preparation of the internal regulations (bylaws)
 - 5- A working group to follow up on training for the National AML/CFT Committee's bodies and affiliated institutions
 - 6- A working group to follow up on the 4th update report of the Republic of Yemen
 - 7- A working group to follow up international relationships and update the website
 - 8- A working group for the development of internal works
 - 9- A working group for foreign affairs
- 10- The National AML/CFT Committee has worked on updating the AML/CFT Report and discussing it with the ICRG in the State of Senegal and the State of Zambia virtually.
- 11- In March 2022, the National AML/CFT Committee, in coordination and legal assistance from the IMF, launched a project to strengthen legislation, laws and necessary technical assistance based on the FATF methodology's recommendations and to determine the legitimate scope. During the IMF meetings, discussions took place to agree on completing and putting in place recommendations.
- 12- The National AML/CFT Committee worked on developing effective cooperation and coordinate the efforts of the international community to develop the AML/CFT system in Yemen. There is coordination to launch a project to join Egmont group and other related projects with the sponsoring countries in addition to coordination to complete the conditions for accession therein.
- 13- Formation of a technical team from the FIU and the Central Bank with PRAGMA and USAID to begin studying the local legislation related to AML/CFT in the Republic of Yemen as well as to identify and mitigate the gaps according to instructions from the concerned authorities in addition to proposing amendments to the bylaws. Those amendments were discussed with the National AML/CFT Committee and the Banking



Supervision Department at the Central Bank of Yemen, where the following was done:

- A. The Central Bank issued Circular No. (2) of 2021 regarding AML/CFT instructions and controls, "Supplement to Circular No. (1) of 2012; Circular No. (1) of 2013 and Circular No. (8) of 2014."
- B. Issuance of Circular No. (3) of 2021 regarding the basic suspicion's indicators directed to banks and exchange companies, "Supplement to Circular No. (2) of 2012 and Circular No. (2) of 2013 "; to address the gaps in the legislation in line with international standards and best practices, as follows:
 - Develop detailed instructions regarding the risk-based approach, classification of clients and the time needed for reclassification.
 - Establish proactive risk management procedures.
 - Develop detailed instructions that assist banks and exchange companies to identify the BOs or the (holder of the economic right) when dealing with new or pre-existing customers.
 - Develop detailed instructions that assist banks and exchange companies to mitigate BNIs.
 - Amend "shell companies" definition and preventing dealing therewith.
 - Basic suspicion indicators of cybercrime.
 - Basic suspicion indicators of human trafficking and smuggling of migrants.
 - Basic suspicion indicators of slavery and sexual exploitation crimes.
- 14- Providing the FIU with (8) employees, who were recruited according to the highest standards of employment and transparency. The employees underwent a test in "CAMS" whereby personal (face-to-face) interviews were conducted to compare their computer skills, English language and review their practical experience.
- 15- Intensively train the new employees to carry out their tasks efficiently and effectively in the following areas:
 - Online training course provided by the Basel Institute for AML/CFT and passing the exams is a condition.
 - Preliminary training course in AML/CFT provided by PARAGMA within the framework of technical support provided by USAID.
- 16- Preparing and approving the internal regulations and protocols for organizing the internal work of the FIU, which are represented in the visitors' protocol to the FIU, the international cooperation and information exchange protocol, and the STRs analysis protocol.
- 17- May 2021 Approving the internal regulations (bylaws) of the FIU pursuant to Cabinet Decision No. (17) of 2021 held on 8 May 2021, which is considered as an internal work constitution as it works on arranging the internal work of the FIU and it clarifies, in detail, the tasks and responsibilities of all the different departments and sections within the FIU.



- 18- Preparing the onsite inspection manual for the FIU concerning inspecting banks and exchange companies, which explains, in detail, the procedures that must be carried out before, during and after the on-site inspection phase in AML/CFT, risk-based inspection (RBA) and governance of supervised entities.
- 19- A circular was issued by the Central Bank regarding the requirements for renewing licenses for individual exchange companies during 2020, including providing the Central Bank with AML/CFT policies and procedures, as well as raising the financial efficiency of exchange companies.
- 20- Automated link of exchange companies' systems with the Central Bank's to view all daily transactions such as purchases and sales, incoming and outgoing remittances, and take the necessary legal measures against violators.
- 21- A circular was issued by the FIU regarding updating the data of compliance officers and liaison officers in banks and exchange companies of 2020, as well as collecting compliance officers' data and store them in the FIU's database.
- 22- September 2021 The decision of the Governor of the Central Bank directed to exchange companies No. (14) of 2021 regarding the regulation of exchange business, in which the supervisory (regulatory) controls were established to grant new licenses to money exchangers and renew previous licenses, procedures for granting initial approval to money exchangers, procedures for granting final approval to money exchangers, regulatory requirements after granting the final license, start-up capital and financial guarantee, control and internal audit, reports and audits, penalties, and other regulatory matters.
- 23- January 2022 Issuance of the Central Bank circular for all exchange companies, in which the following was addressed:
 - The need to comply and deal with regular accounting systems in which all transactions related to the company's business are recorded.
 - The minimum number of reports that must be extracted from the system on a daily, weekly and monthly basis.
 - The need to carry out due diligence, especially to identify the identity of the customer, the BOs, the purpose, the sources of funds, and others.
 - Requiring exchange companies to provide a mechanism for electronic protection and security.
 - Maintain daily backups of automated system data and record keeping.
- 24- April 2022 Issuance of the Central Bank Board of Directors Decision No. 07/2/2022 dated 21/3/2022 regarding the establishment of a special committee for the issuance



and renewal of licenses for banks and exchange companies. The Committee shall consist of the Governor of the Central Bank as the president, the deputy governor, and the representative of the government as members of the board of directors as well as the Banking Supervision Department 's deputy and general director of the legal department at the central bank as members. The Decision contained the controls and procedures for granting and renewing licenses and identifying the BOs of those entities to be licensed.

- 25- In July 2022, the FIU issued its annual report of 2021 in Arabic and English, which explains in detail the functions and responsibilities of the FIU and the achievements it has undertaken in all areas: supervision and onsite inspection of banks and exchange entities, received STRs and final procedures taken in this regard, financial analysis, training and capacity building, local and international cooperation, and coordination.” To view the report in detail, please visit the FIU’s website (<http://fiu-ye.com>).

2- Instructions and Controls concerning Supervisory Authorities:

A. Customs Department

Customs department Decision No. (22) of 2022 regarding the disclosure of funds in customs departments and the necessary measures to be taken by customs officers, as every person, upon arriving to or departing from Yemen, must disclose cash or any currency or financial documents (BNIs), whether in national currency or foreign or precious metals and stones.

B. Ministry of Industry and Trade

Ministry of Industry and Trade Decision No. (49) of 2022 issued by the temporary capital of Aden regarding the formation of a compliance department in the Ministry and the identification of compliance officers for AML/CFT and to provide the required data.

C. The Ministry of Social Affairs and Labor

Ministry of Social Affairs and Labor Decision No. (58) of 2021 issued by the temporary capital of Aden regarding the formation of a compliance department in the Ministry and the identification of compliance officers for AML/CFT as well as working as liaison officers with the FIU in the Ministry.

Republic of Yemen
The Cabinet



The National Committee on AML/CFT

الجمهورية اليمنية
مجلس الوزراء

اللجنة الوطنية لمكافحة غسل الأموال ومفونل الإرهاب

D. Investigation, Prosecution and Law Enforcement Authorities:

Public Prosecutor of the Republic of Yemen Decision to the Central Bank to circulate to banks and exchange companies regarding the listing of individuals and entities on the list of terrorism in accordance with the decisions issued by the Sanctions Committee and whose priorities are sent through the Ministry of Foreign Affairs.

E. General Investment Authority:

General Investment Authority Decision No. (25) of 2022 issued by the temporary capital of Aden, regarding assigning a compliance officer on AML/CFT.



Second:

Capacity Building and Awareness Workshops:

The following table shows the efforts of the Republic of Yemen in building capacities with regards to AML/CFT/CPF that were implemented during June 2020 to June 2022:

Capacity building activities during 2020		
Name of Course	Participants	Date
10 Th training course for DPMS	120 participants	30 August - 1 September
Awareness meeting for supervisors' leaders	50 participants	5 October 2020
12 Th training course for post office's employees	50 participants	17 -20 October 2020
13 Th training course for post the media employees	30 participants	1-3 August 2020
14 Th training course for financial and anti-corruption employees	30 participants	21-23 November, 2020
15 Th training course for LEAs	40 participants	26-30 December 2020
Total training courses and the number of participants for 2020		<u>6 training activities</u> <u>320 participants</u>
Capacity building activities during 2021		
1 st training course on NPOs	40 participants	8-10 August
2 nd training course for legal accountants (auditors)	30 participants	22-25 August
3 rd training course for notaries and custodians	120 participants	11 -13 September
4 th training course for the students of the High Judicial Institute	120 participants	27 -30 September
5 th awareness training course	50 participants	21 -24 November
6 th training course for insurance companies' employees	30 participants	18-21 December



Capacity building activities during 2020		
Name of Course	Participants	Date
7 th training course for security services	30 participants	28-30 December
Total training courses and the number of participants for 2021	<u>7 training activities</u> <u>420 participants</u>	
Capacity building activities until 2022		
workshop on the supervisory AML/CFT controls for money transfer networks (MVTs). The course targeted owners and compliance officers with exchange companies, and in the presence of members of the National AML/CFT Committee and the Foreign Exchange Dealers Association.	56 participants	25 -26 January 2022
Training course for NPOs	30 participants	11-13 June 2022
Workshop on supervisory controls and instructions on AML/CFT and the legal consequences resulting from non-compliance in banks. The course targeted bank compliance officers in the presence of members of the National AML/CFT Committee and the Administrative Body for Banks Association.	49 participants	29-30 June 2022
Total training courses and the number of participants for 2022	<u>3 training activities</u> 135 participants	

Third: Local and international cooperation:

- 1- Participation of the FIU in the 6th issue of the bimonthly newsletter by the European Union Office for the Horn of Africa and Yemen, which is concerned with writing articles and exchanging experiences between member countries in AML/CFT.
- 2- Communication with the FIUs in the countries sponsoring the Republic of Yemen in both the Arab Republic of Egypt and the Kingdom of Saudi Arabia, to coordinate efforts and work to assist the Yemeni FIU to meet the conditions for joining the



Egmont Group. We have met the first of those conditions which is represented in translation of Yemeni laws, instructions and publications related to AML/CFT into English, and continuous communication with the concerned authorities in the sponsoring countries to move forward in completing the accession procedures.

- 3- In December 2021, Technical support for capacity building was obtained from the European Union (EU AML/THB) project to train the FIU's staff and the Central Bank's responsible for supervision on AML/CFT. An advanced workshop was implemented with the actual attendance of 10 employees from the FIU and 6 from the Banking Supervision Department of the Central Bank of the Arab Republic of Egypt during the period from 9 to 14 January 2022.
- 4- Informing all concerned authorities in accordance with the US State Department's resolution to list the Houthis as a terrorist organization on 10 January 2021, which entered into force on 19 January 2021, and how to deal with them, adding them to our country's watch lists and following up on banks and exchange companies with regards to implementation of such.
- 5- Concluding some MoUs between the Yemeni FIU with some local supervision authorities to facilitate the exchange of financial information related to ML/TF and the associated predicate offences.
- 6- Follow-up of the supervisory authorities such as the Customs Department, 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 Accountability in the necessity of activating the compliance department and emphasizing the role of these authorities in setting instructions and controls with regards to AML/CFT in their institutions.
- 7- The participation of the concerned authorities in training courses, workshops and meetings that are concerned with raising awareness of AML/CFT/CPF, which were conducted by: USAID, EU, FATF, OECD, MENAFATF and IMF; The total of these activities amounted to more than 40.
- 8- Preparing and reviewing the update report of the Republic of Yemen in AML/CFT during 2021 and 2022, which was submitted and reviewed before the ICRG.
- 9- The FIU has signed MoU regarding exchanging information related to AML/CFT with counterpart FIUs in Ethiopia, Libya, the United Arab Emirates, Djibouti and Somalia. As well as concluding MoUs with Egypt in addition to communicating with some other counterpart FIUs on an ongoing basis to come up with a final version of the MoUs to be signed therewith.
- 10- In January 2022; the chairman of the FIU participated as a member of the expert team for the ME process for Lebanon to measure the AML/CFT system in the country from a technical point of view and in terms of effectiveness during the second phase of the ME process carried out by the MENAFATF.



11- In March 2022, the IT Department Director of the FIU participated as an expert in the work group of the e-learning platform project of the MENAFATF.

12- The Republic of Yemen has also participated in many training events, workshops and seminars related to AML/CFT, which included financial and banking institutions, LEAs and other stakeholders concerned with AML/CFT. The following table shows, in detail, the capacity building activities in which the Republic of Yemen participated:

No.	Name of Course	Organizer	Premises	Participants	Date
1	Regional Training on Trade-Based Money Laundering (TBML)	EU AML-THB	ONLINE	3	16 November 2020
2	Improving Parallel Financial Investigation - Collaboration between FIUs and LEAs	EGMONT	ONLINE	7	25 November 2020
3	Online Symposium on CPF for members of the MENAFATF	RUSI	ONLINE	7	08 December 2020
4	Cryptocurrency and Countering Proliferation Finance	RUSI	ONLINE	7	10 December 2020
5	Regional Webinar on FATF Assessment Methodology on Effectiveness	EU AML-THB	ONLINE	2	14 December 2020
6	FIU Training	World Bank	ONLINE	6	26 January 2021
7	Webinar on CFT	MENAFATF	ONLINE	1	16 March 2021
8	Trade-Based Money Laundering	FATF	ONLINE	3	18 March 2021
9	Webinar on TF through VAs	MENAFATF	ONLINE	7	6 April 2021
10	Implementation of UNSCRs 1267 and 1973 - TF	FAFT	ONLINE	3	14 March 2021
11	Workshop on typologies of Trafficking in Human Beings and Smuggling of Migrants	MENAFATF	ONLINE	5	5 May 2021
12	Assets Recovery (Methods, Standards and Tools)	EU	ONLINE	3	17-22 May 2021
13	Financial Investigations	OECD	ONLINE	1	7-18 June 2021
14	AML/CFT Basics	PRAGMA	ONLINE	15	13-15 June 2021



15	FATF international standards	FATF and MENAFA TF	ONLINE	2	27 June - 8 July 2021
16	Financial Analysis	EU	ONLINE	5	5-9 July 2021
17	Money transfer (transfers' methods)	EU	ONLINE	5	26-30 July 2021
18	Assets Recovery Channels	MENAFA TF	ONLINE	2	16 August 2021
19	Series of webinars (on RBA)	MENAFA TF	ONLINE	15	
20	Assessors Training Workshop	FAFT	ONLINE	1	6-10 September 2021
21	Financial Investigations for LEAs and the FIU	EU	ONLINE	4	6-10 September 2021
22	AML/CFT using cryptocurrency	EU	ONLINE	2	20 -24 September 2021
23	Evaluating risks of non-FIs	EU	ONLINE	5	25-29 October 2021
24	Parallel Financial Investigations	EU and the Egyptian FIU	Egypt	6	3 -5 October 2021
25	Improving STRs quality	MENAFA TF and ECOFEL	ONLINE	13	26-27 October 2021
26	Financial Investigations Techniques	MENAFA TF and ECOFEL	ONLINE	6	2 -3 November 2021
27	Cryptocurrency, criminal financing, and the procedures of ML	EU	ONLINE	2	6-10 December 2021
28	FIU Training	EU	ONLINE	33	7-9 December 2021
29	ML Basics	IMF	ONLINE	3	23-25 November 2021
30	EU meeting	EU	Kenya, Nairobi	4	29-30 December 2021
31	Financial Analysis	EU + in coordinatio	Cairo, Egypt	15	10 -12 January



		n with the Egyptian FIU			2022
32	Trafficking in Human Beings and Smuggling of Migrants	EU	ONLINE	3	24-28 January 2022
33	Exchange of information between FIUs and the supervisors	MENAFATF	ONLINE	13	3 February 2022
34	Regional Conference on enhancing judicial cooperation	EU and Siracusa International Institute	Bahrain	4	22-24 March 2022
35	Regulatory and supervisory regulations for AML/CFT in the VASPs sector	IMFCEF in the Middle East	ONLINE	9	28-31 March 2022
36	EU meeting	EU	Nairobi	3	25-27 April 2022
37	Regional Conference on enhancing judicial cooperation	EU	Bahrain	4	22 -24 May 2022
38	AML/CFT Compliance	Arab Monetary Fund	ONLINE	4	6-8 June 2022
39	Regional Conference on (Using AML Legislations in Investigating Antiquities Smuggling)	EU	Egypt	4	14-16 June 2022

FOURTH: Effectiveness (STRs, Supervision, Information Exchange, Suspicion Cases, Freezing, Seizure and Penalties)

a. STRs

1. The FIU received during the period from June 2020 until the end of June 2022 many STRs submitted by the concerned authorities, and the following table illustrates such:

STRs comparison during the years		
2020	2021	Until June 2022
35	64	36

The FIU has analyzed a large part of these STRs and taken the necessary actions regarding them, and it is noted from the table that there is an escalation in the number of STRs received by the FIU, which is an indication of the high level of commitment of financial and non-



financial institutions to AML/CFT measures, and also confirms that there is a growing awareness among the AML/CFT bodies.

b. Supervision and verifying the implementation of AML/CFT measures and the penalties imposed:

- 1- The FIU and the Central Bank carried out on-site inspections of a number of financial institutions and supervisory bodies to assess their AML/CFT systems as well as measuring their compliance with relevant laws and instructions, and the following table illustrates such:

#	Inspected Body	Year		
		June 2020	2021	June 2021
1	Banks	1	4	9
2	Exchange Companies	18	11	30
3	Supervisory and Monitoring Authorities	0	2	2

- 2- The FIU, in coordination with the Banking Supervision Department of the Central Bank of Yemen, has prepared reports to evaluate the performance of banks and exchange companies to identify shortcomings and impose penalties and fines on violators.
- 3- 4 banks were referred during 2021 to the Public Prosecution for not complying with the AML/CFT instructions, as well as the instructions issued by the Central Bank of Yemen.
- 4- The total fines imposed on exchange entities for violating the AML/CFT policies and procedures and the instructions of the Central Bank amounted to (YER 87,200,000 and YER 27,080,000) during the years 2020 and 2021, respectively.
- 5- The total fines imposed on banks for violating the AML/CFT policies and procedures and the instructions of the Central Bank amounted to (YER 844,330,483 and YER 205,822,414) during the years 2020 and 2021, respectively.

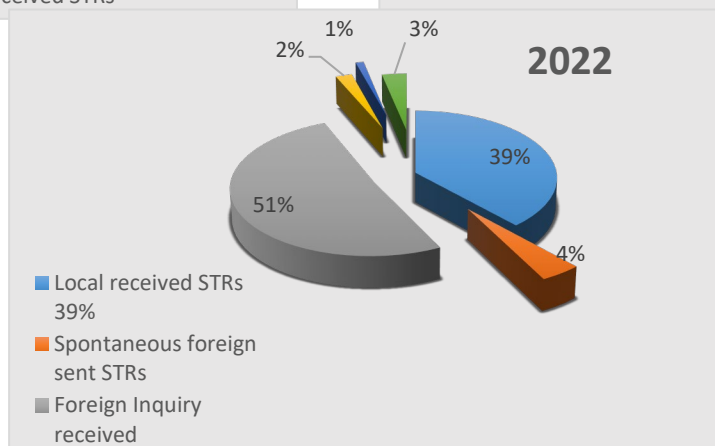
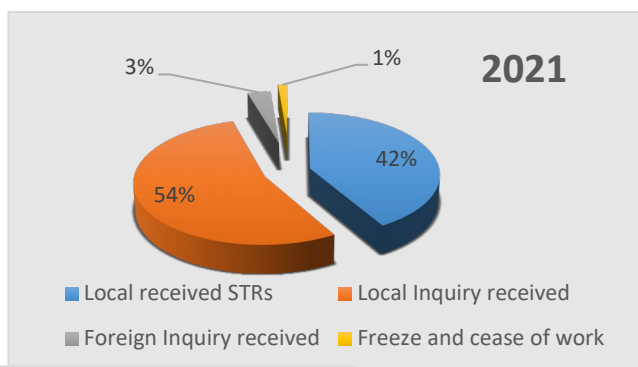
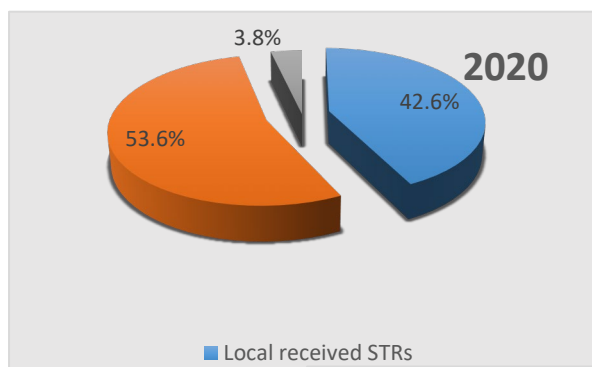
Sincerely yours...



Annex - Statistics

Statistics of received and sent cases to/from the FIU since June 2020 - June 2022.

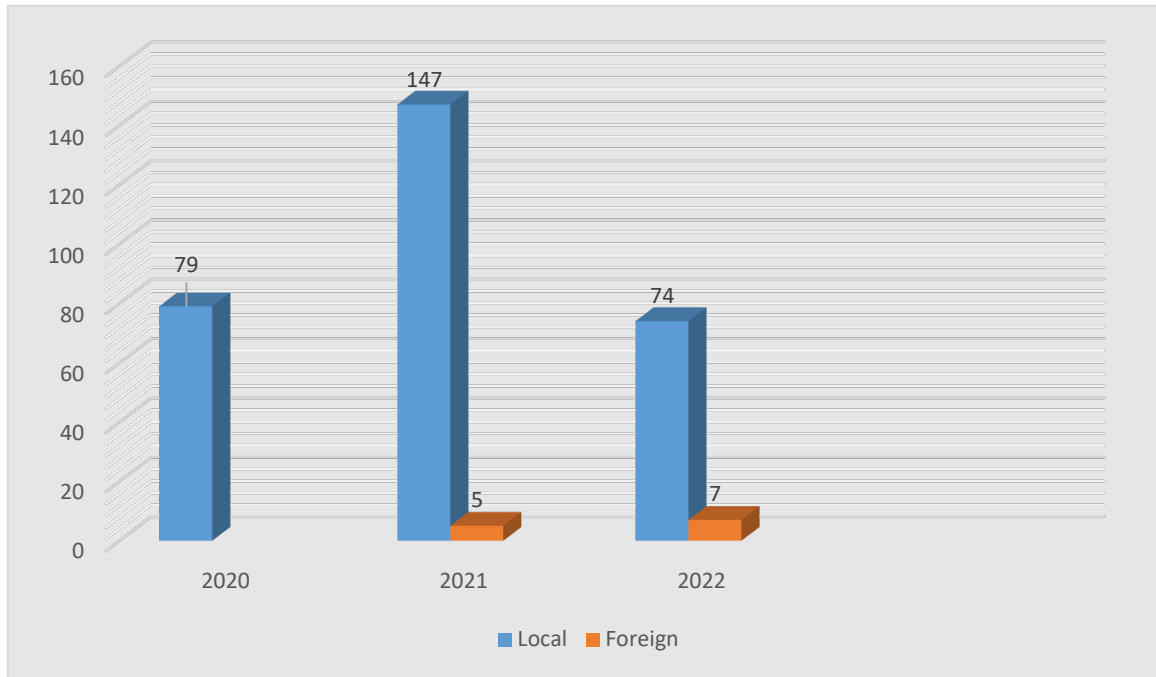
Type	Number of cases		
	June 2020	2021	Until June 2022
Local received STRs	35	64	36
Spontaneous foreign sent STRs	-	-	4
Local Inquiry received	44	83	48
Foreign Inquiry received	-	5	2
Foreign Inquiry sent	-	-	1
Freeze and cease of work	3	2	3
Total	82	154	94





STRs and inquiries as per the source of receipt (local-foreign)

Source of received cases	Number of cases		
	From June 2020.	2021	June 2022
Local	79	147	84
Foreign	-	5	7
Total	79	152	91

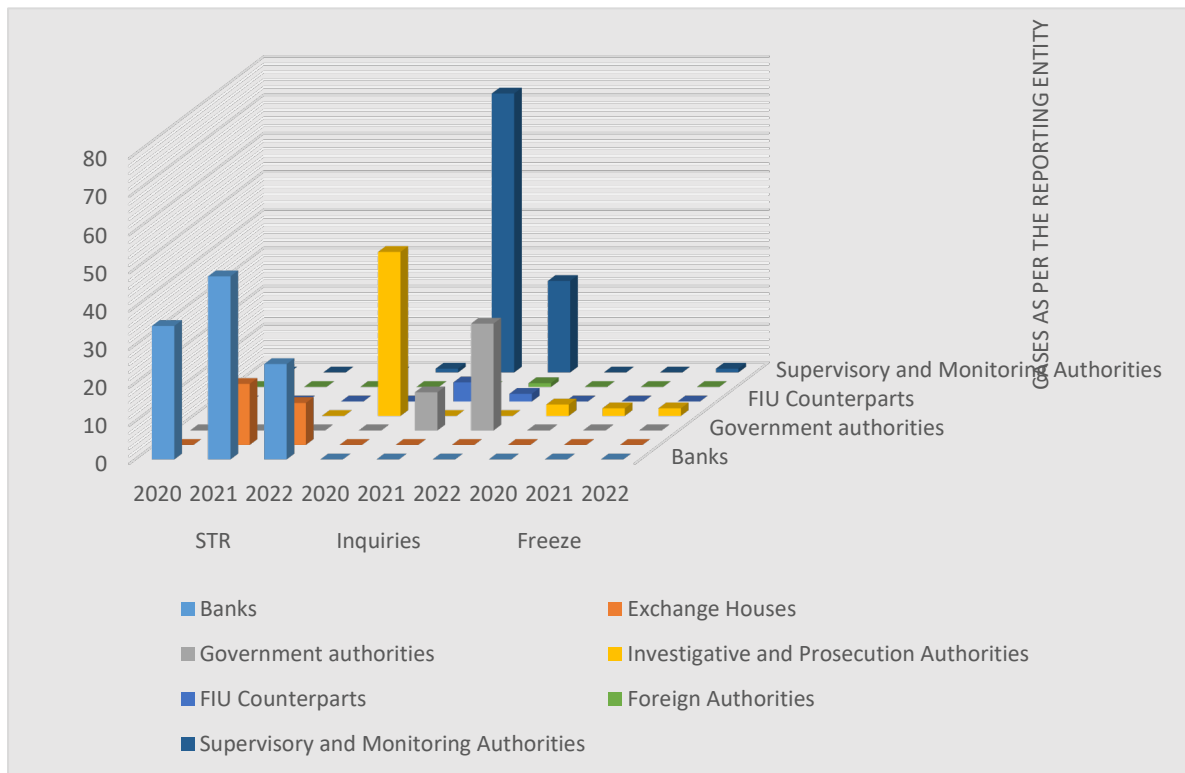




Reporting entity	Number of cases								
	STR			Inquiry			Freeze		
	2020	2021	June 2022	2020	2021	June 2022	2020	2021	June 2022
Banks	35	48	25	-	-	-	-	-	-
Exchange Houses	0	16	11	-	-	-	-	-	-
Customs	-	-	-	-	-	-	-	-	-
Government authorities	-	-	-	-	10	28	-	-	-
Judicial and LEAs	-	-	-	-	-	-	-	-	-
Investigative and Prosecution Authorities	-	-	-	43	-	-	3	2	2
FIU Counterparts	-	-	-	-	5	2	-	-	-
Foreign Authorities	-	-	-	-	-	-	-	-	1
Non-Financial Institutions	-	-	-	-	-	-	-	-	-



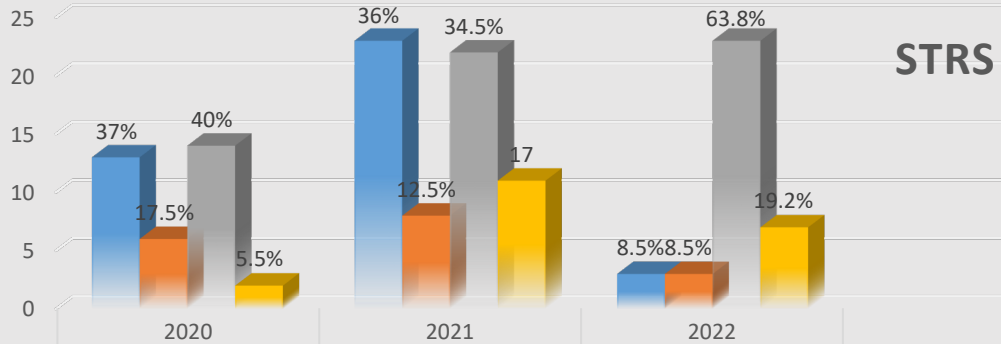
DNFBPs	-	-	-	-	-	-	-	-	-	-	-	-	-
Supervisory and Monitoring Authorities	-	-	-	1	73	24	-	-	1				
Others:				-	-	-	-	-	-	-	-	-	-
Total				35	64	36	44	88	55	33	22	33	



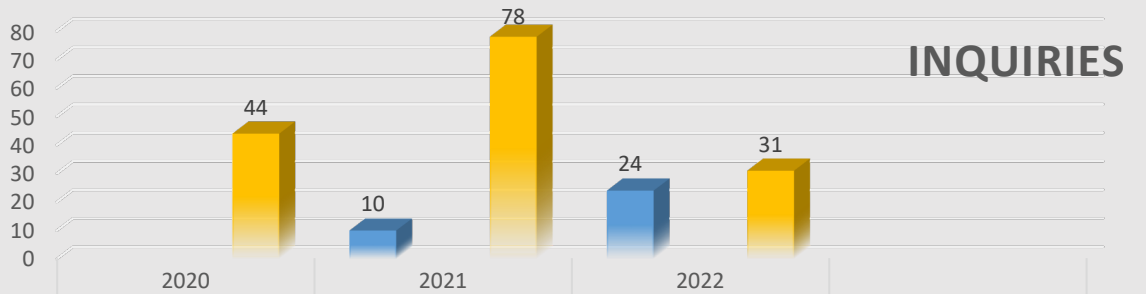


As per the latest action

Statement	Number of cases					
	STRs			Inquiries		
	June 2020	2021	Until June 2022	June 2020	2021	Until June 2022
Archived/stored	13	23	3	-	10	24
Temporary storing	6	8	3	-	-	-
Under analysis	14	22	23	-	-	-
Competent authorities	2	11	7	44	78	31
Total	35	64	36	44	88	55



Statement	2020	2021	2022
Store	13	23	3
Temporary storing	6	8	3
Under analysis	14	22	23
Competent authorities	2	11	7



Statement	2020	2021	2022
Store	-	10	24
Temporary storing	-	-	-
Under analysis	-	-	-
Competent authorities	44	78	31



Statistics during the past three years (STRs, Inquiries, Ceassures and Freezing)

Year	Number of cases
2020	82
2021	154
June 2022	94
Total	330

