

# Republic of Yemen



## Financial Information Unit

# Annual Report

## FOR | 2022



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## FIU Chief's Message

At the outset, I extend my thanks and appreciation to the leadership of the Central Bank and the members of the Board of Directors for the tireless efforts to enhance the full independence of the Financial Information Unit. This is represented in adopting the annual budget of the FIU for the years 2022 and 2023. We wish them success in their tasks in light of the difficult circumstances that our country is going through in all 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 citizens who become the victim bearing the burden of the economic deterioration and the rise in the prices of basic goods and services.

I also congratulate the Republic of Yemen in general and the Chairman of the National Anti-Money Laundering and Combating the Financing of Terrorism Committee on assuming the position of Vice Chairman of the Middle East and North Africa Financial Action Task Force (MENAFATF) for 2023. I would like to thank the National Anti-Money Laundering and Terrorism Financing Committee, which is considered the supreme national authority entrusted with developing strategic policies to combat money laundering and terrorism financing, for the efforts made in coordination among its members to enhance efforts to combat money laundering and terrorism financing at the national level.

We would also like 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 from their places of residence. 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, that is related to the State and its institutions, especially the national currency price collapse against foreign currencies. This 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. During the current period, in addition to the routine work stipulated in the law, the FIU has participated, with great efforts, in preparing the 4th update report of the Republic of Yemen in the field of combating money laundering and terrorism financing. The 4th update report was presented before the Middle East and North Africa Financial Action Task Force (MENAFATF) plenary meeting held in November 2022, as well as the enhanced follow-up report of (FATF-ICRG), which was presented before the plenary

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meeting of the ICRG held in Morocco in January 2023.

Working to enhance international cooperation by demonstrating the efforts of combating money laundering and terrorism financing in the Republic before the international community represented by international organizations and bodies concerned with combating money laundering and terrorist financing Yemen is among our priorities during the coming period. We also place other priorities such improving and coordinating local efforts among the authorities concerned with combating money laundering and terrorism financing, continuing to build a culture of commitment, which has almost faded, and enhancing awareness raising among all parties about combating money laundering and terrorism financing. Strengthening the internal work of the Unit through the development of electronic programs that have been designed by self-efforts, or through obtaining some programs is among our priorities. This will facilitate and raise the efficiency and quality of the Unit's work and will enhance the quality of performance.

Moreover, among our priorities in the coming period are: 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 as many countries as possible will lead to improving the exchange of experiences and information and raising the efficiency of work in the field of international cooperation. Communicating with the sponsoring countries for Yemen's accession to the EGMONT group in order to move forward in completing the rest of the eligibility requirements to join the group membership.

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.

**FIU Chief**

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FIU

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# 1

## 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/ 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. 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 those bodies, and shall be regarded as liaison officers with the FIU.

In furtherance of this resolution, the Prime Minister's Resolution No. 350/ 2010 was issued constituting the Financial Information Unit (FIU) pursuant to Law No. 1/2010 and the nomination of 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 MENAFATF 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.

## A Historical Overview of the Developments Experienced by the FIU and the National Committee after declaring Aden as an Interim Capital of Yemen

**On 7 March 2015**

His Excellency the President of the Republic declared that Aden is the interim capital, and urged all government bodies and public sector institutions to move their headquarters and to begin exercising their activities from the interim capital' Aden

**Accordingly, the following resolutions were issued:**

**2016**  
Presidential  
Decree  
No ( 119 )

2016 was issued 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)

was issued 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)

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

**2020**  
Prime Minister's  
Resolution  
No ( 1 )

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

**2021**  
Prime Minister's  
Resolution  
No ( 17 )

2021 was issued adopting the internal regulation 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.

**2022**  
The Prime  
Minister's Resolution  
No ( 26 )

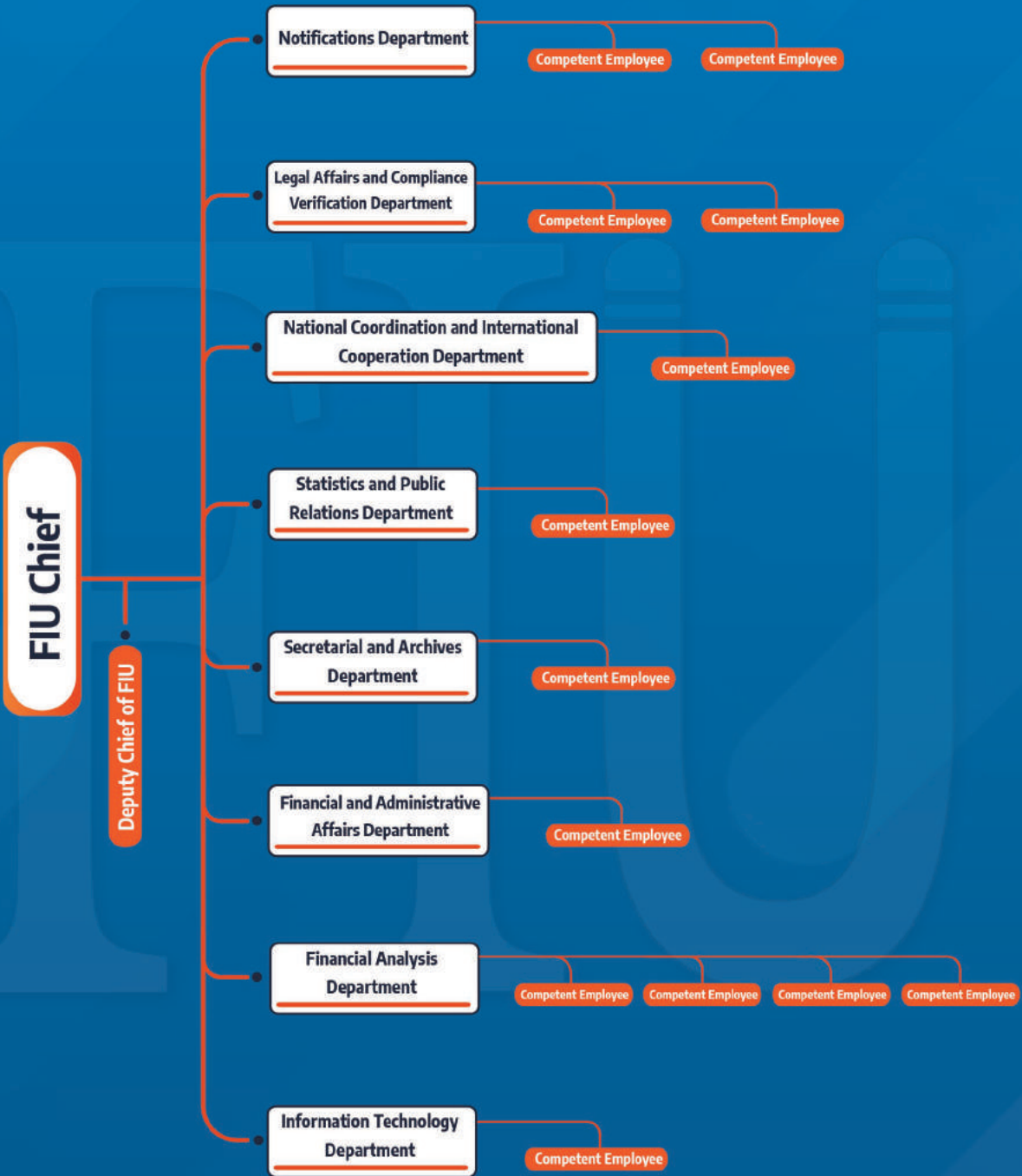
was issued assigning the Chairman of The National Anti-Money Laundering and Counter Terrorism Financing Committee from senior officials in the State and strengthening the operational independence of the Committee and the Financial Information Unit by shifting their headquarters to an independent and secure location. In addition, it enhances the financial independence through the adoption of an independent budget for the Committee and the FIU.

**2023**  
The Republic of Yemen, represented by the Chairman of the National Anti-Money Laundering and Counter Terrorism Financing Committee, assumes the position of Vice Chairman of the Middle East and North Africa Financial Action Task Force

**MENAFATF**



# FIU Organizational Structure



## Competencies of the Financial Information Unit

Law No. 1/2010, as amended, some of its articles by Law No. 17/2013 and their executive regulations, define 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 competencies or upon a request received from counterpart units in other Countries.



Publish periodic reports on its activities, including in particular containing statistical data and analytical studies in the field of AML/CFT.



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 STRs' 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 memorandum 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 offences associated with them, together with the necessary inferences to the Public Prosecution.



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



Receive and analyze Suspicious Transaction Reports (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 offences associated with them, and referring the result of the analysis of the STRs to the concerned authorities for appropriate action needed.



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 competencies or upon a request received from counterpart units in other Countries.

**1**

## **Chapter Two**

### **FIU Achievements**

**I. Administrative and Organizational Area**

**II. Area of Local Coordination and International  
Cooperation**

**III. Area of Supervision and Compliance Verification**

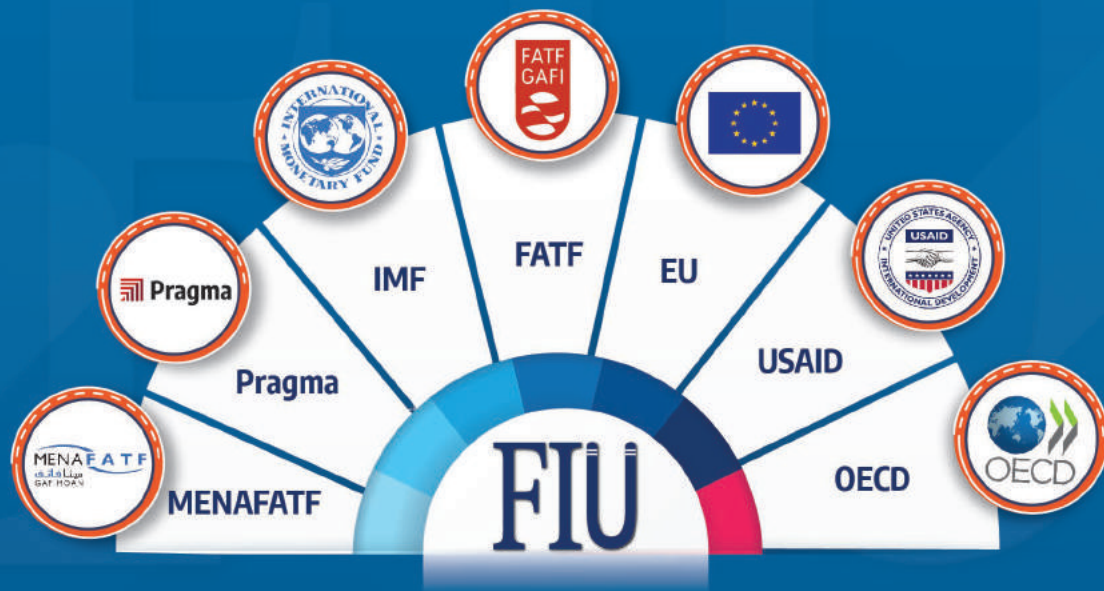
**IV. Area of Suspicious Transaction Reports and  
Financial Analysis**

## I. 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 internal regulations, or even any previous work guides, the following are some of what FIU has been achieved:

### 1 Training and Capacity-Building

- 1 In order to build the capacity of the Financial Information Unit Staff, the staff participated in training courses, .1 workshops and meetings held concerning raising awareness of AML/CFT and proliferation of arms. Such training course were conducted by



It should be noted that these agencies, headed by the European Union, have greatly sought to build the capacity of the FIU staff, and provided the Unit with sufficient training materials to increase the capacity and carry out the tasks of the Unit fully. Despite the restrictions imposed by the Corona pandemic and the complications related to obtaining travel visas due to the lack of embassies or offices of countries in the capital, Aden, these agencies sought to target the FIU staff through virtual events.

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

No	Course Title	Organizing Entity	Location	Participating Entity	Participants	Date:
1	Financial Analysis	EU + FIU	Cairo	FIU + Central Bank	15	10 January 2022
2	Human Trafficking and Migrant Smuggling	European Union	ONLINE	FIU + Central Bank + Ministry of Interior	3	24 January 2022
3	Exchange of Information between Financial Information Units and Regulatory Authorities	MENAFATF	ONLINE	FIU + Central Bank	13	03 February 2022
4	Regional Conference on Strengthening Judicial Cooperation	EU and Siracusa International Institute for Criminal Justice and Human Rights	Bahrain	Ministry of Justice + Public Prosecution + FIU	4	22-24 October 2022
5	AML-CFT Regulation and Supervision of Virtual Asset Service Providers	International Monetary Fund	ONLINE	FIU + Central Bank	Unlimited	28-31 October 2022
6	European Union Meeting	European Union	Nairobi	FIU + Central Bank + Immigration, Passport and Nationality Authority	3	25 - 27 April 2022
7	AML/CFT Compliance	Arab Monetary Fund	ONLINE	FIU + Central Bank	4	6 - 8 June 2022
8	Regional Conference on (Use of Anti-Money Laundering Legislation)	European Union	Egypt	FIU + Public Prosecution + Ministry of Interior + Ministry of Culture	4	04 - 16 June 2022
9	Virtual Assets (Cryptocurrencies)	FATF + EGMONT	ONLINE	FIU	5	6 - 7 September 2022
10	Financial Action Task Force (FATF) International standards directed to the countries of the Middle East	MENAFATF + FATF	ONLINE	FIU + Ministry of Justice + NCAML	3	26 - 29 September 2022
11	Restoring Bank Confidence	EU	Jordan	FIU + Central Bank + Ministry of Planning + Ministry of Finance	27	26 - 28 October 2022
12	Enhancing Transparency on Beneficial Ownership	MENAFATF + FATF	ONLINE	FIU + Commercial Banks	8	30- 31 October 2022
13	Combating Trade-based money laundering	Pragma	ONLINE	FIU + Central Bank	25	8 November 2022
14	Workshop on the Sidelines of the Thirty-fifth General Meeting	MENAFATF	Morocco	FIU + NCAML	3	23 - 25 November 2022

16	Workshop on International Cooperation and Letters Rogatory Letters	ZIG	Bahrain	NCAML	2	4 - 6 December 2022
17	Workshop on Virtual Assets	EU	Jordan	NCAML + FIU + Ministry of Justice	3	13 - 15 December 2022
18	Workshop on Risk-Based Approach	ZIG	Egypt	Ministry of Trade and Industry	2	13 - 15 December 2022

**2** Under the auspices of the FIU, a two-day workshop was held during the period from 25-26 January 2022 at the Coral Hotel - Aden on the Regulatory Controls to Combat Money Laundering and Terrorism Financing Offenses in Money Transfer Networks. The course targeted owners and compliance officers at exchange entities and facilities, as well as members of the National Anti-Money Laundering and Terrorism Financing Committee and the Administrative Board of the Money Changers Association.

**3** Under the auspices of the FIU, a two-day workshop was held during the period from 29-30 August 2022 at the Coral Hotel - Aden, on the Regulatory Controls and Instructions to Combat Money Laundering and Terrorism Financing Offenses and the Legal Consequences resulting from Non-Compliance in Banks. The course targeted compliance officers in banks, as well as members of the National Anti-Money Laundering and Terrorism Financing Committee and the Administrative Board of the Banks Association.

## 2 Information Technology

Information technology is the main nerve to organize all the work of the FIU through designing, updating and linking databases with the main server of the Unit to organize the work and carry out the necessary tasks. The most important effort exerted by Information Technology Department in 2022 in the FIU crystallized as follows:

- 1 ▶ The Information Technology Department has designed and created a unified central database for exchange entities and banks by converting all remittances received by all exchange entities and international transfer networks from Excel format to the Oracle database. It includes all financial transfers executed through Western Union and MoneyGram for (6) banks, as well as all outgoing and incoming remittances executed from the beginning of 2020 for more than (30) exchange entities.
- 2 ▶ The unified central database facilitates search processes, queries, extraction of reports and investigation of the names that should be searched to assist in the analysis of STRs received from the reporting authorities. The database saves the time and effort during the search processes.
- 3 ▶ The total number of remittances entered into the unified central database in 2022 reached (21,000,000), and a cumulative total of remittances for 2020, 2021 and 2022 reached 77,000,000. They are considered available to law enforcement authorities and concerned authorities when requesting inquiries and they assist the FIU in performing its operational tasks and saving time and effort.
- 4 ▶ The Information Technology Department has also designed and set up the Electronic STRs System, through which all STRs that reach the FIU are recorded, numbered and sorted, whether manually or via e-mail. The Electronic STRs System scans, saves, numbers and classifies the STRs according to fields and predetermined options to facilitate the search and review process. It also helps to prepare detailed reports on everything related to STRs, their numbers, type of suspicion and other details, when required.
- 5 ▶ Creating and designing an electronic archiving system containing (general outgoing archive - general incoming archive - internal outgoing archive - internal incoming archive - outgoing report design - incoming report design).

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Managing the website of the FIU, that is, (fiu-ye.com) and raising a number of international and local reports. The most important of such reports is the 4th update report of the Republic of Yemen in both Arabic and English. The website covered a number of international and local events and meetings; the most important of them is covering the inaugural event of the European Union Project of Anti-Money Laundering and Combating the Financing of Terrorism in East, South, Center of Africa and Yemen (AML-CFT ESCAY). The inauguration of Aden Airport Customs conducted by the Minister of Finance; the event of launching financial disclosure; and the FIU participation at the thirty-fifth general meeting of the Middle East and North Africa Financial Action Task Force (MENAFATF) were covered. The website also covered a number of international and local workshops and courses, the most important of them are the workshop on restoring confidence and capabilities in the banking sector in the Jordanian capital, Amman and a training course on money laundering and trade-based terrorism financing held at the headquarters of the Financial Information Unit ' Aden. The online training workshop entitled "Enhancing Transparency on Beneficial Ownership ", and several other workshops were covered by the website.

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 database, which have been delayed by the lack of appropriate resources.

The most important technical objectives that will be addressed during 2023 are as follows

1

Designing or purchasing advanced financial analysis software and systems

2

Studying the possibility of acquiring the GO-AML program to link it with all concerned entities



## II. Area of Local Coordination and International Cooperation

### 1 Area of 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 4th update report of the Republic of Yemen on anti-money laundering and financing of terrorism. The report was presented and discussed in the MENAFATF 35th Plenary meeting held in November 2022.**
- ② **Concluding local memorandum of understanding with some local regulatory and supervisory authorities to facilitate and coordinate the exchange of financial and non-financial information related to combating money laundering, terrorism financing and related offenses. A memorandum of understanding have been signed between the Financial Information Unit and the Customs Authority as it is the government authority responsible for monitoring and controlling border crossings, collecting customs duties and combating smuggling. A disclosure form and guidance boards were made at Aden International Airport. The success of this partnership resulted in the issuance of the Head of the Customs Authority decision No. 176/2022 on August 14. The decision is addressed to all customs ports regarding the disclosure of resources at customs ports, and activating the disclosure forms for departing and arriving passengers.**
- ③ **In December 2022, the National Anti-Money Laundering and Terrorism Financing Committee and the FIU held a meeting with the Attorney General of the Republic of Yemen at the headquarters of the Public Prosecution. The meeting aimed to enhance the aspects of cooperation between the National Anti-Money Laundering and Terrorism Financing Committee and the FIU on the one hand, and the Public Prosecution and the Investigative and Prosecutorial Authorities on the other hand. The meeting discussed the following issues:**
  - Developing an effective mechanism for circulars issued by the Public Prosecution to the regulatory and supervisory authorities regarding individuals and entities listed on local and international sanctions lists.

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- ▶ Submitting the final draft of the memorandum of understanding between the FIU and the Public Prosecution, aiming at strengthening and coordinating cooperation between the two authorities, to the Attorney General of the Republic of Yemen.
  - ▶ Submitting seven files of cases referred by the FIU, to initiate the prosecution process and dispose of them in accordance with the law, to the Attorney General.
  - ▶ Following up on files or cases referred by the FIU to the Public Prosecution during the previous period.

**The meeting was with great success and positive results that will enhance cooperation and coordination between the Public Prosecution and the rest of the concerned authorities during the coming period.**

- ④ 4. 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.**
- ⑤ 5. Cooperating with the Banking Supervision Sector at the Central Bank on the necessity for activating the forms related to the requirements for license renewal for exchange entities and facilities, which clarify the need to apply all procedures related to combating money laundering and terrorism financing when issuing licenses or renewing them.**
- ⑥ 6. 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.**

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## 2 Area of International Cooperation

- ① The FIU participated in the 34th plenary meeting of the Middle East and North Africa Financial Action Task Force (MENAFATF) held in the Kingdom of Bahrain, and in the 35th plenary meeting held in the Kingdom of Morocco, where the meeting approved that Yemen assumes the vice-presidency of the MENAFATF group in 2023.
- ② Preparing and discussing the 4th update report of the Republic of Yemen, with all statistical annexes to the report related to the efforts of all national institutions concerned with combating money laundering and terrorism financing in the Republic of Yemen. The report was presented and discussed in the 35th plenary meeting of MENAFATF held in the Kingdom of Morocco in November 2022.
- ③ 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 providing clarifications regarding the areas of support that can be offered by them.
- ④ Responding to questionnaires and queries received from international bodies and organizations concerned with combating money laundering and financing of terrorism (important and impactful) as follows:
  - 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
  - Query received from the International Cooperation and Coordination Group (ICRG) on the progress made in the system of combating money laundering and terrorism financing in Yemen in light of the political and economic conditions it is going through; what alternative and innovative methods have been followed to reduce the impact of risks and increase the effectiveness of combating such offenses.
  - 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

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► 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 the accession process.

5) **Contributing to preparation and review of the update report of the Republic of Yemen in the field of efforts exerted in combating money laundering and financing of terrorism during 2022, before the International Cooperation Group (ICRG) affiliated to the Financial Action Task Force (FATF).**

6) **Signing memorandum 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 memorandum and sign them.**

## Oman

Coordination to sign a memorandum of understanding



## Jordan

Renewal of Signing a Memorandum of Understanding



## Egypt

Coordination to sign a memorandum of understanding



## Somalia

Signing a Memorandum of Understanding



## Djibouti

Coordination to sign a memorandum of understanding



## Bahrain

Coordination to sign a memorandum of understanding



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

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- 7) Participating 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).
  - 8) Participating the Director of the Information Technology Department of the Financial Information Unit in the membership of the (MENAFATF) e-Learning Platform Team.
  - 9) In the field of international cooperation and exchange of information that would reduce cross-border money-laundering crimes, the FIU responded to six external queries received from counterpart units in the Arab Republic of Egypt, the Federal Republic of Somalia, the Slovak Republic and the Kingdom of Bahrain.
  - 10) In the field of international cooperation and exchange of information that would reduce cross-border money-laundering crimes, the FIU sent four automatic STRs to the counterpart units.

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## III. Area of Supervision and Compliance Verification

### 1 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, the significance of the supervision lies on building systems to combat money laundering and terrorism financing in the various affiliated institutions and even the supervisory and control bodies themselves. This helps to enhance their compliance with the normative rules specified in the law, regulations and instructions and for considerations of public interest. Supervision is considered the most important pillar of achieving international compliance as it has an impact on the system of international relations and its impact on the national economy of the country.

#### 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 entities operating in Yemen were done as a first step. The aims were to raising the level of compliance with the Law and its executive regulation, supervisory instructions, recommendations and international standards, in addition to the guidelines of the Financial Information Unit regarding Suspicious Transaction Reports forms, 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.

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





## Risk-Based On-site Inspection Methodology

expert



- 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 from Prajma 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. It also contains basic information on combating money laundering and terrorism financing to serve as a practical reference that inspires inspectors to carry out their work professionally.



- 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 regulation, 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 entities 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.



## 2 Area of Compliance Verification

Compliance verification (Office and on-site Inspection) is one of the tasks of the FIU and represents an absolute necessity, especially at the present time, in order to support efforts to build and strengthen the system of combating money laundering and terrorism financing and resulting quality feedback that positively affects the analysis and the information collection in the FIU

### Banks

The Department conducted On-site inspections to (7) banks to verify the extent of their technical and applied compliance to combat money laundering and terrorism financing, and the minimum standards for combating money laundering and terrorism financing were selected to evaluate those banks that were inspected. A set of requirements were focused on, the most important of them are as follows:



In addition to applied compliance requirements, which include



General level of bank compliance



Due Diligence Procedures



Continuous Control of Operations

Reports on the technical and applied compliance of banks were submitted according to minutes of onsite inspections and analytical data to the Central Bank of Yemen. Such reports will help Central Bank of Yemen evaluate those banks. Some of them were classified as (partially compliant) due to the presence of remarks in their policies and procedures. Later, Follow up on these banks was made to submit a reform action plan and it was agreed that a re-evaluation will be conducted when the correction is made. Some documents were submitted to the FIU by the banks that reflect the intention of these banks to start the process of reform and compliance with promises to provide the necessary upon request, and the proceedings are still in progress.

**As for the level of bank compliance, the results were as follows**



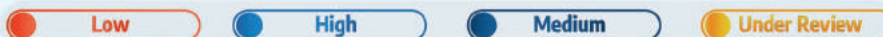
**General level of Bank Compliance**



**Due Diligence Procedures**



**Continuous Control of Operations**



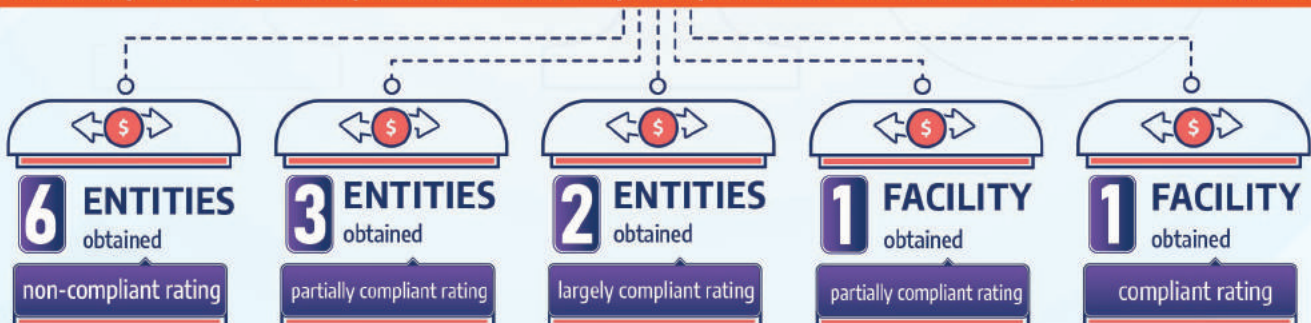
## Exchange Entities and Facilities

On-site inspections were conducted to (13) exchange entities and facilities to verify the extent of their technical and applied compliance to combat money laundering and terrorism financing, and the minimum standards for combating money laundering and terrorism financing were selected to evaluate those exchange entities and facilities that were inspected. A set of requirements were focused on, the most important of them are as follows:



The focus was also on the due diligence procedures of exchange entities and facilities, and the extent to which the entities' guide of policies and procedures complies with Law No. 1/2010 on Anti-Money Laundering and Combating the Financing of Terrorism and its amendments and executive regulation and Central Bank Circular No. 1/2013.

Each entity and facility was inspected and evaluated separately. The results of the technical compliance were as follows

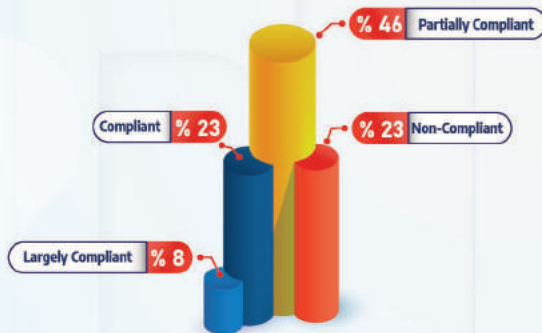


In terms of the extent of applied compliance, the results were as

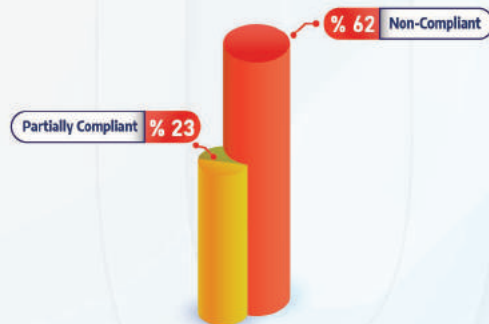
follows



### Technical Compliance



### Applied Compliance



At the end of 2022, a preliminary list of (17) exchange entities that will be targeted in 2023 was prepared. The office inspection process was accomplished to verify the extent of their technical compliance in preparation for the on-site inspection in early 2023.

The 2023 plan aims to cover all exchange entities operating in the liberated areas.

## IV. Area of Suspicious Transaction Reports and Financial Analysis

# FIU

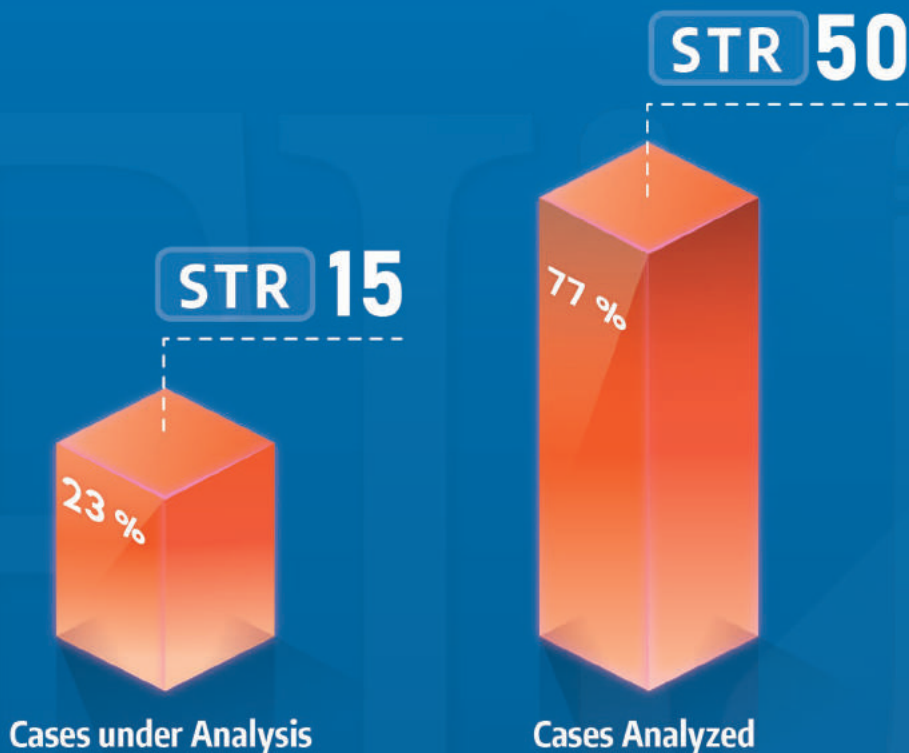
The FIU receives the STRs of suspicious transactions, collects financial data about them, analyzes them, adapts them and takes appropriate action as found after the completion of the financial analysis phase. For this purpose, the FIU has the right to request information from any of the local authorities or external counterpart FIUs. The number of such STRs is related in proportion to the level of community and institutional culture concerning the crimes of money laundering and the financing of terrorism. Such culture that 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 STRs 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-STRs 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) in 2022



Cases (STRs) Received in 2022	No	%
Cases Analyzed	50	% 77
Cases under Analysis	15	% 23
<b>Total</b>	<b>65</b>	<b>% 100</b>



## Detailed Data on the STRs Analyzed by FIU in 2022



### By type of 1

Type	Number	%
Query	112	% 63
STR	65	% 37
Seizure and Freeze	0	% 0
<b>Total</b>	<b>177</b>	<b>% 100</b>



## STRs by Source of the Cases Received

2

Source	Number	%
Local Sources	65	% 100
Foreign Sources	0	% 0
<b>Total</b>	<b>65</b>	<b>% 100</b>



## STRs by Reporting Source

3

Reporting Source	Number	%
Banks	45	% 69
Exchange Entities	20	% 31
Counterpart Units	0	% 0
Regulatory and Supervisory Authorities	0	% 0
Others	0	% 0
<b>Total</b>	<b>65</b>	<b>% 100</b>



## STRs by Original Offense **4**

Crime Nature	Number	%
Fraud and Embezzlement	16	% 25
Money Laundering	5	% 8
Sending remittances without supporting documents	3	% 5
Depositing without supporting documents	1	% 1
Counterfeit	1	% 1
Others	39	% 60
<b>Total</b>	<b>65</b>	<b>% 100</b>



## STRs by Final Procedure **5**

Final Procedure	Number	%
Cases under Analysis	15	% 14
Cases Saved (Temporary)	54	% 52
Cases Passed on to Competent Authorities	19	% 18
Cases Saved (Final)	17	% 16
Cases Awaiting Analysis	0	% 0
<b>Total</b>	<b>105</b>	<b>% 100</b>

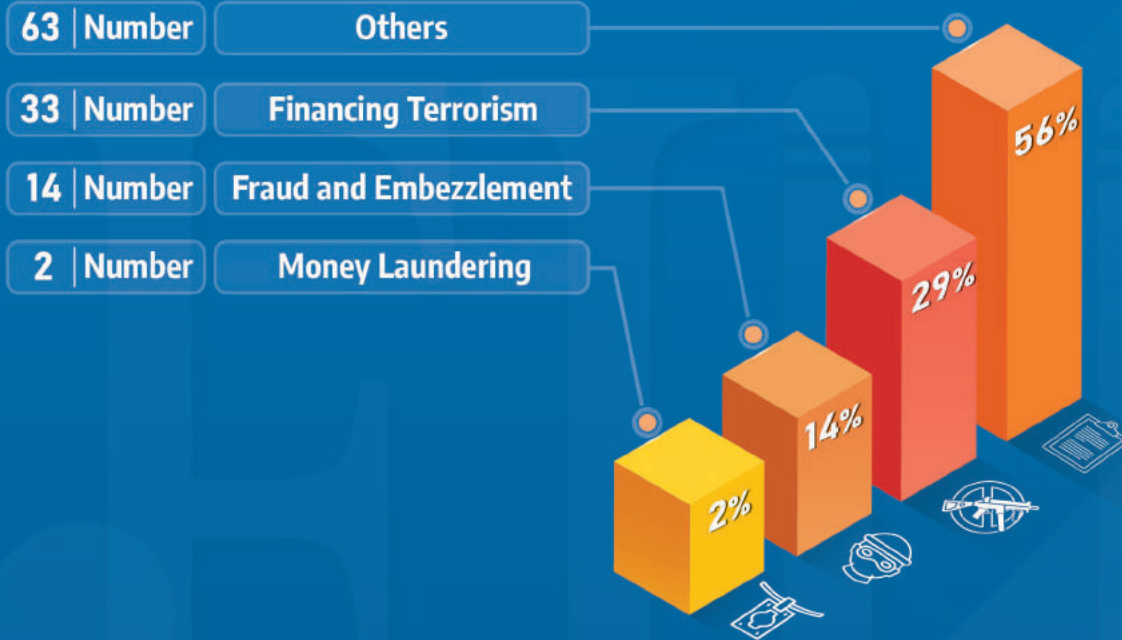


Noting that there are 40 STRs that were awaiting analysis since 2021, included in the table above

## Detailed data on Queries received by the FIU in 2022

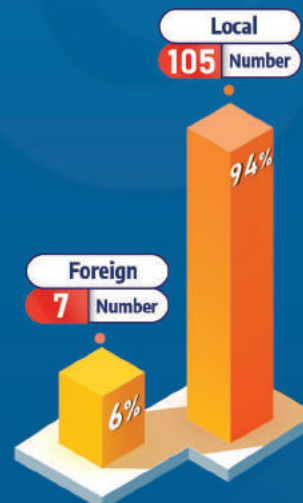
### Queries by Crime Nature

1



### Query by Query Source

2



## Comparative Statistics of Suspicious Transaction Reports for the period 2021 -2022

### Analysis by the Type of STRs

1

The STRs received by the Financial Information Unit in 2022 .reached 65, compared to 64 STRs received in 2021

There are several reasons behind the slight 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 inspections of financial institutions to ensure their compliance with AML/CFT procedures, which was reflected on the increase in the number of STRs, as well as providing feedback to the reporting authorities, which positively affected the increase in the percentage, quantity and quality of STRs .received



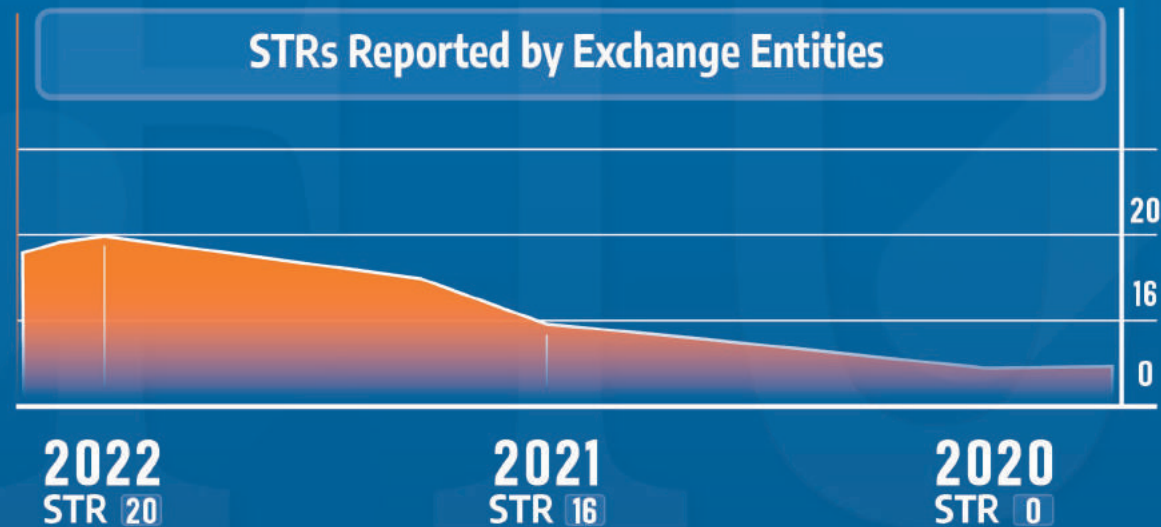
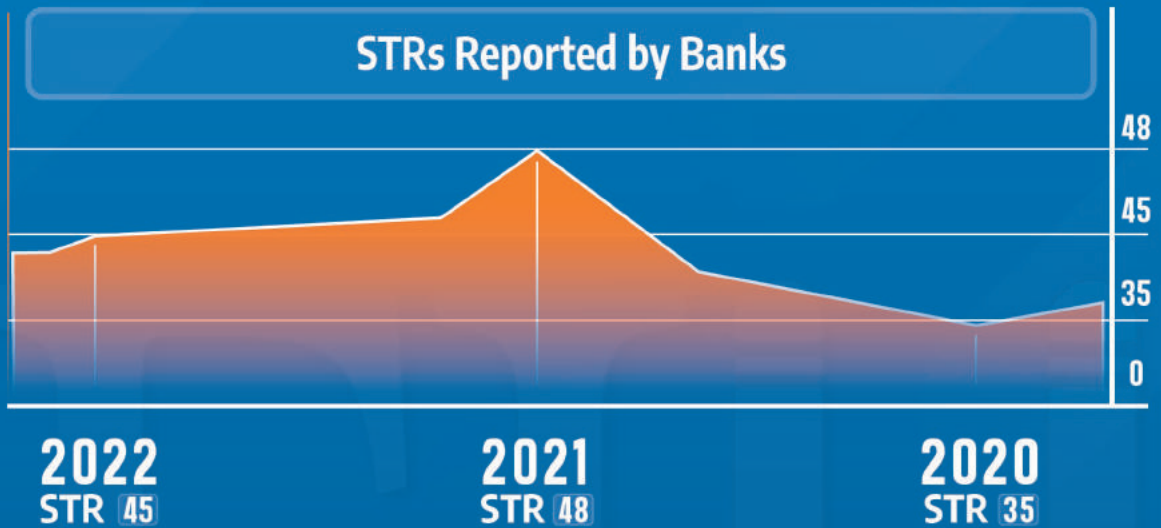
### Analysis by the Reporting Authority

2

Banks ranked first in the number of STRs received by the FIU, where the number of STRs received from banks in 2022 reached 45 out of the total STRs received, or 69% of the total STRs, compared to 2021, where the number of STRs reported by banks reached 48 (84%) out of the total STRs.

Exchange entities ranked second in terms of the number of STRs received by the FIU, where the number of STRs reported to the FIU by exchange entities in 2022 reached 20, or 31% out of the total STRs, compared to 2021, where the number of STRs reported by exchange companies reached 16 (16%) out of the total STRs.

## STRs by Banks and Exchange Companies and Facilities



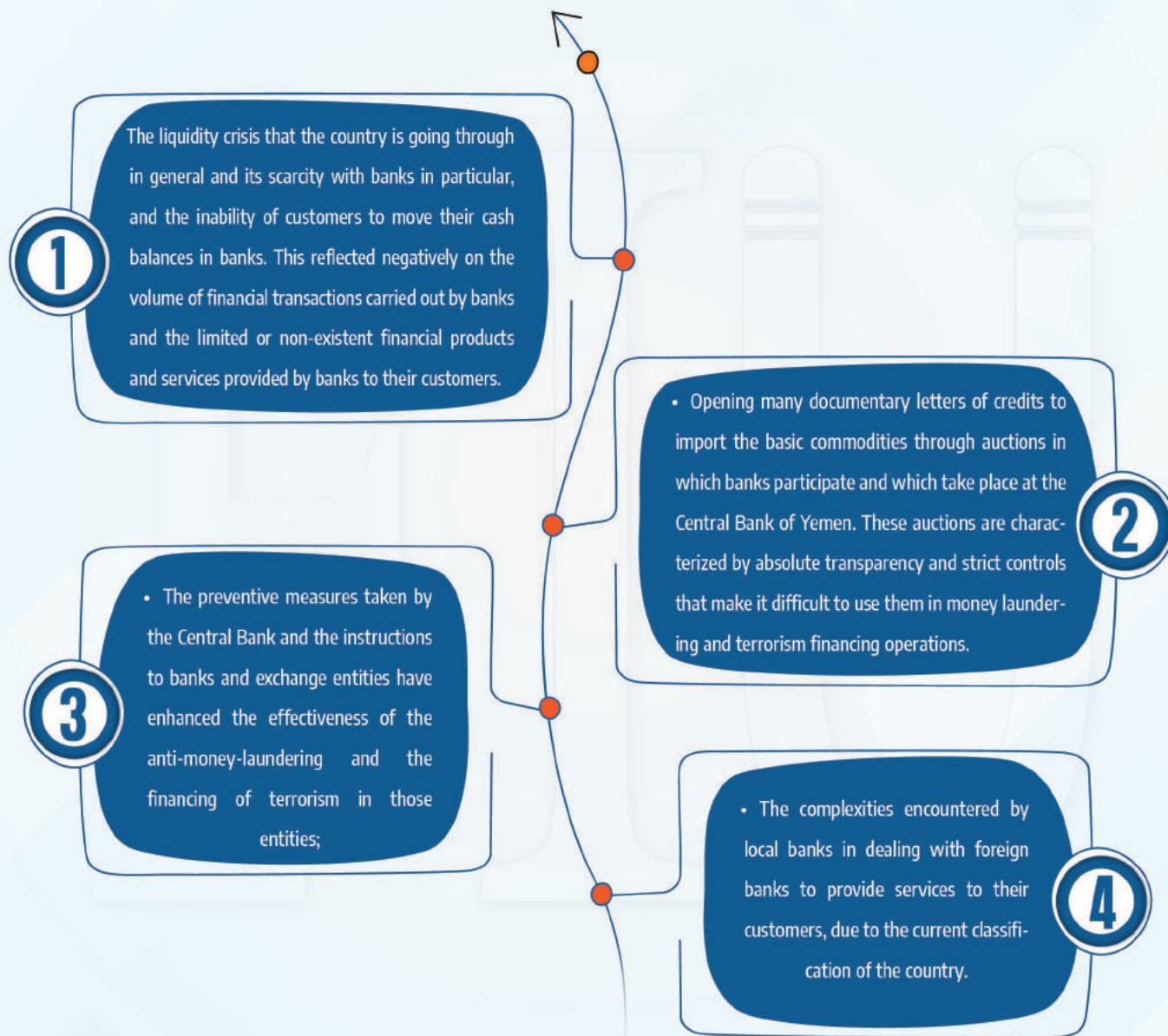
**2022**  
STR 65

**2021**  
STR 64

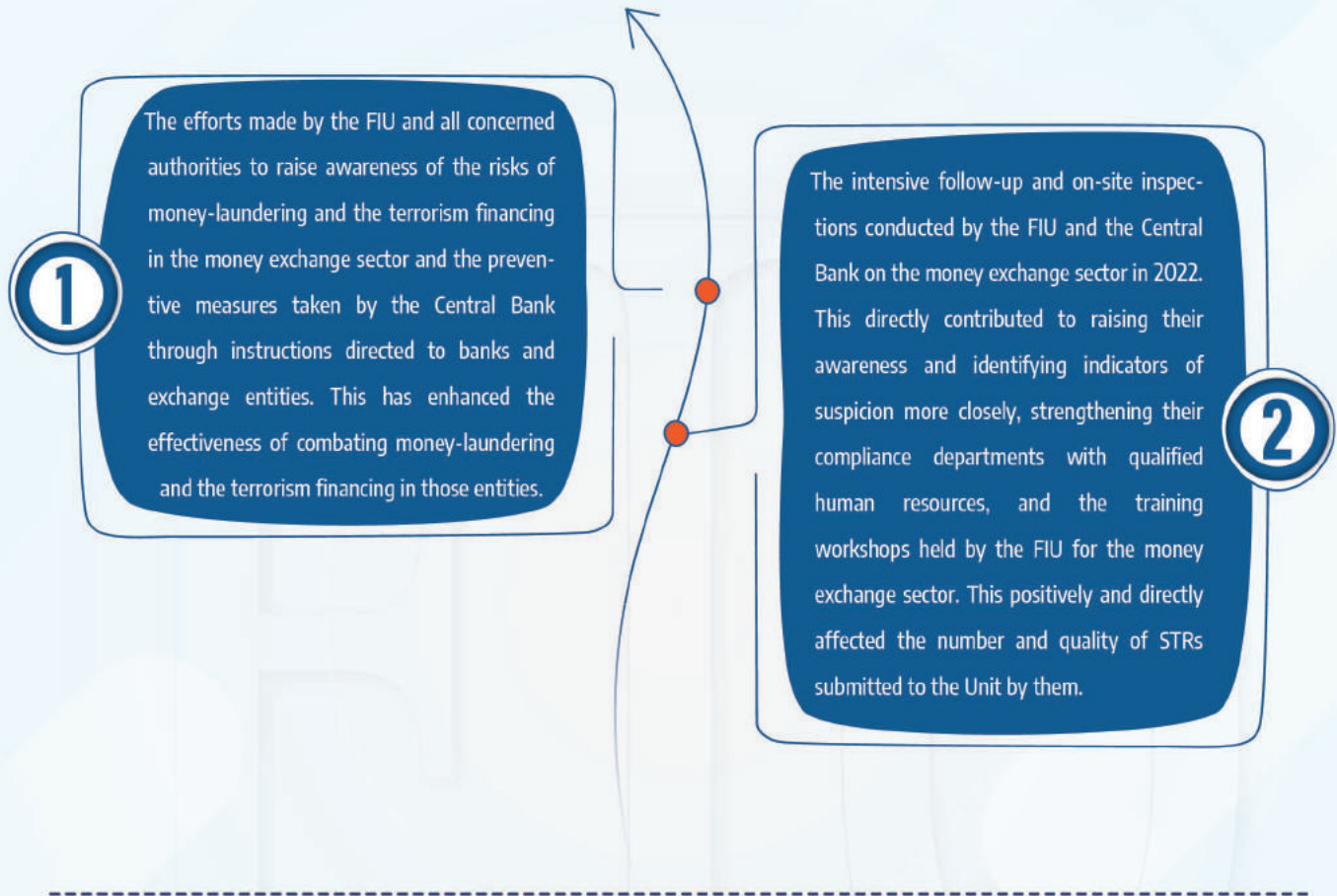
**2020**  
STR 35

**Total**

As shown in the table, we note that there is a convergence in the number of STRs received by the FIU reported by banks in 2021 and 2022. The reasons for this convergence are as follows



It is also noted in the table above that the number of STRs received from exchange entities increased in 2022 compared to 2021, due to the following reasons:



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#### Feedback provided by the FIU to the Reporting Authorities

The term 'feedback' has become common in all different areas of work, and it means the set of information that belongs to its source and sender, which helps to better understand, or explanatory instructions about what has been sent. It is considered as one of the most important means of education and directed correction.

The FIU sent (40) feedback messages in 2022 addressed to banks and exchange entities containing clarifications and instructions on the quality of the STRs reported by them, as well as the status of the STRs, whether by preservation or referral to the concerned authorities.



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## Conclusion

Despite the recent establishment of the FIU in the interim capital, Aden, it has sought by its specialized staff to encounter the challenges, with regard to both its operational budget and delaying the establishment of its headquarters, providing it with specialists, the adoption of its internal regulation, and 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 the impact of the .current circumstances has posed challenges to the FIU's work

The FIU has decided to issue this report to display its efforts during 2022, 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 abundant results and quality in outputs

.We ask Allah the Almighty to help us all for the good of our country

# FIU



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