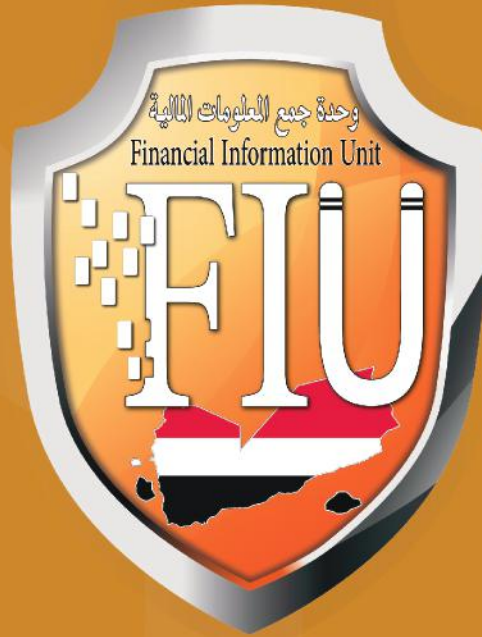


Financial Information Unit

FIU

Annual Report

FOR | 2023



Republic of Yemen

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Chapter One

Financial Information Unit (FIU)

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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 2023 and 2024. 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 Chairmanship of the Middle East and North Africa Financial Action Task Force (MENAFATF) for 2024. 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.

I would also like to extend my 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 after the official working hours from their places of residence. We thank them for their participation in organization and performing all tasks of the FIU that helped reach this level today, despite the difficult environment, in which they work, that is related to the context 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 accelerate the progress of work more efficiently and effectively. During the current period "in addition to the routine work stipulated in the law" the FIU has participated,

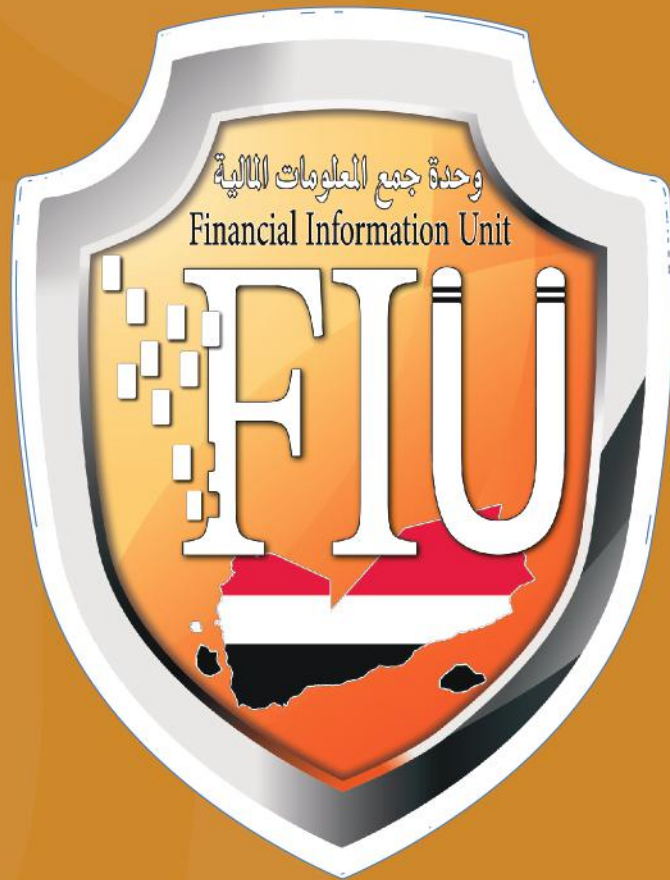
with great efforts, in preparing the 4th Update Report of the Republic of Yemen in the Field of Combating Money Laundering and Terrorism Financing. The 4th update report was presented to the Middle East and North Africa Financial Action Task Force (MENAFATF) plenary meeting held in November 2022, as well as the Enhanced Follow-up Report of (FATF-ICRG), which was presented before the plenary meeting of the ICRG held in Amman - Jordan in September 2023.

During the upcoming period, we prioritize enhancing international cooperation by showcasing our endeavors in combating money laundering and terrorism financing in the Republic of Yemen to the global community, including international organizations and bodies dedicated to addressing these issues. Additionally, we aim to enhance and coordinate local efforts among authorities involved in combating money laundering and terrorism financing. We will continue to build a culture of compliance and enhance raising awareness among all authorities concerned with combating money laundering and terrorism financing. This will strengthen the internal work of the FIU through the development of electronic programs that have been designed by self-efforts and will facilitate and raise the efficiency and quality of the FIU's work and obtain some electronic programs that will enhance the quality of performance.

Moreover, among our priorities in the upcoming period are training the current staff of the FIU and constantly 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 terrorism financing. 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 and communicating with the sponsoring countries for Yemen's accession to the EGMONT group in order to move forward in finalizing the rest of the eligibility requirements to join Yemen to the EGMONT Group for Financial Intelligence Units. Finally, 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





Chapter One

Financial Information Unit (FIU)

- I // **FIU Establishment**
- II // **FIU Organizational Structure**
- III // **Competencies of the FIU**

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 FIU 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

2015 March 7 On

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

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,

Prime Minister's Resolution No. (31) 2019

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

Prime Minister's Resolution No. (19) 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

2023

The Republic of Yemen, represented by the Chairman of the National Anti-Money Laundering and Counter Terrorism Financing Committee, holds the position of the Chairmanship of the Middle East and North Africa Financial Action

2024

The Republic of Yemen, represented by the Chairman of the National Anti-Money Laundering and Counter Terrorism Financing Committee, holds the position of the Chairmanship of the Middle East and North Africa Financial Action

Prime Minister's Resolution No. (12) 2019

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

Prime Minister's Resolution No. (1) 2020

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

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

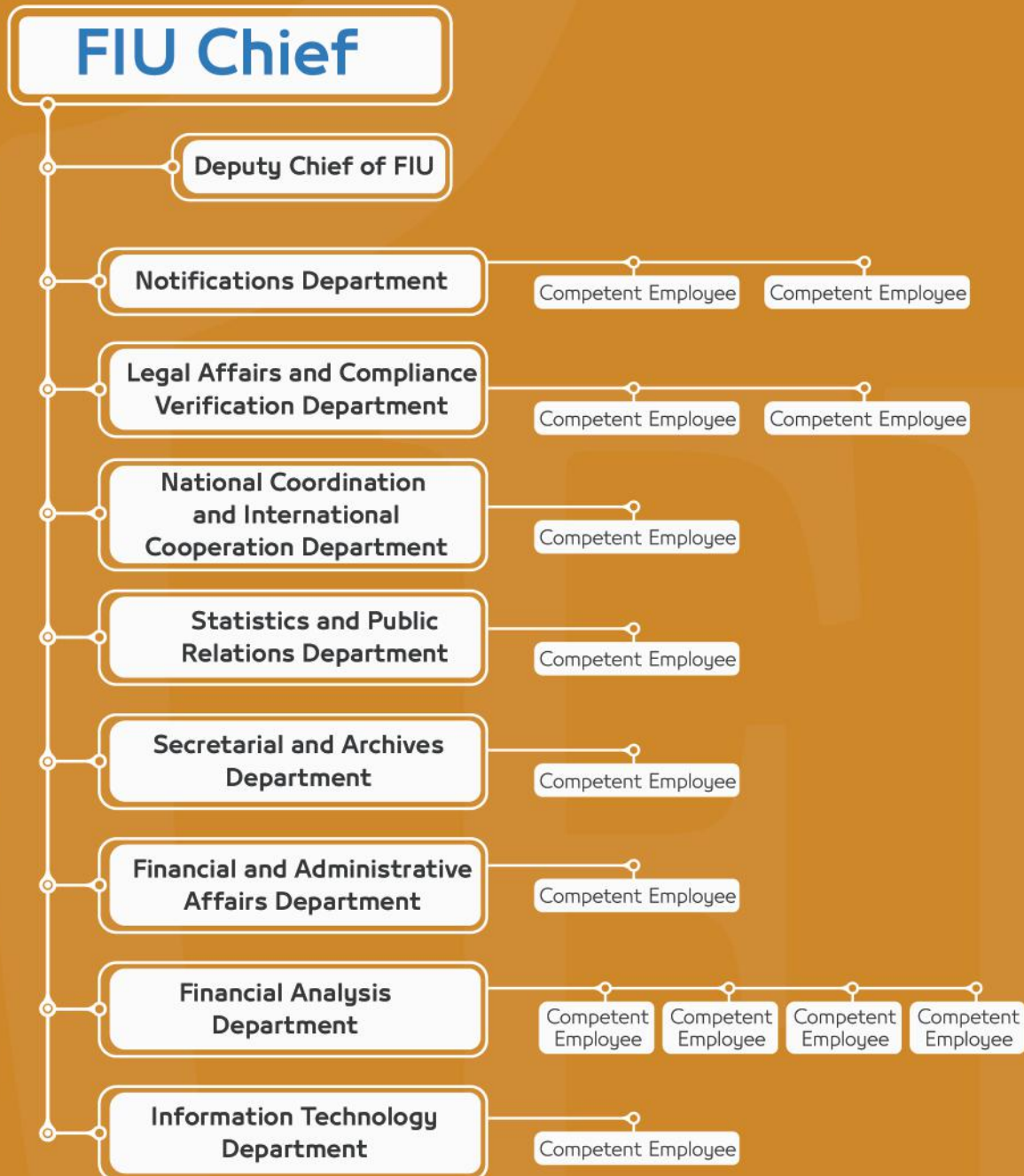
2022 was issued assigning the Chairman of the National Anti-Money Laundering and Counter Terrorism Financing Committee.

-Strengthening the operational independence of the Financial Information Unit by shifting its headquarters to an independent and secure location, and enhancing its financial independence through the adoption of an independent budget.

-Strengthening the operational independence of the National Anti-Money Laundering and Counter Terrorism Financing Committee by shifting its headquarters to an independent and secure location, and enhancing its financial independence through the adoption of an independent budget.

- The Republic of Yemen, represented by the Chairman of the National Anti-Money Laundering and Counter Terrorism Financing Committee, holds the position of the Vice Chairmanship of the Middle East and North Africa Financial

FIU Organizational Structure



Competencies of the FIU

Law No. 2010 /1, as amended, some of its articles by Law No. 2013/17 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.



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.



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



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



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



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.



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.



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.



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.



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.



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

Chapter Two

FIU Achievements

- I // **Training and Information Technology**
- II // **Local Coordination and International Cooperation**
- III // **Legal Affairs and Compliance Verification**
- IV // **Legal Affairs and Compliance Verification**

Training and Information Technology

A Training and Capacity-Building

In order to build the capacity of the Financial Information Unit Staff, all its staff and entities concerned with AML/CFT participated in training courses, workshops and meetings held concerning raising awareness on AML/CFT that were conducted by



have made significant efforts to enhance the capacity of FIU staff to effectively carry out their duties

The following table shows the training courses, workshops and conferences in which the concerned authorities participated during 2023

| | Course Title | Organizing Entity | Location | Participating Entity | Participants | Date |
|----|---|---|---------------------------|---|--------------|--------------------|
| 1 | Workshop on Non-Profit Sector Protection | International Institute of Justice and the Rule of Law | Malta | FIU + Public Prosecution | 1 | 2023 / 01 / 25-24 |
| 2 | Effective AML/CFT supervision | French Ministry of the Interior Office | ONLINE | FIU | 2 | 2023 /02/ 10-6 |
| 3 | Operational and Strategic Financial Analysis | European Union | Johannesburg South Africa | FIU + Public Prosecution | 5 | 2023 / 02 / 24-20 |
| 4 | International Standards of the Financial Action Task Force (FATF) | FATF | ONLINE | FIU + NCAML | 3 | 2023 /03/16-13/9-5 |
| 5 | Training Course on Combating Professional Facilitators in Tax and Financial Offenses | Organization for Economic Co-operation and Development | Japan | FIU | 1 | 2023 / 05 / 26-22 |
| 6 | Meeting on Technical Assistance | The World Bank | ONLINE | FIU + NCAML | 3 | 2023/05/18 |
| 7 | Lecture entitled "The Risks of Non-Profit Associations" | Pragma | ONLINE | FIU + Central Bank | 12 | 2023/05/21 |
| 8 | The regional Conference on Strengthening Judicial Cooperation in the MENA Region | -European Union -MENAFTA -Siracusa Institute -Moroccan Ministry of Justice | Morocco | FIU + Public Prosecution + Ministry of Justice | 4 | 2023 / 06 / 7-5 |
| 9 | Workshop on Rapid Response for Suspicious Transaction Reports and How to Analyze them | US Department of the Treasury | ONLINE | FIU + Ministry of Interior + Public Prosecution | 9 | 2023/06/06 |
| 10 | Workshop on Asset and Property Recovery | European Union | Zambia | FIU + Ministry of Justice | 3 | 2023 / 06 /9-5 |
| 11 | Rapid Response and Public-Private Partnership Program | US Department of the Treasury | ONLINE | FIU + Ministry of Interior + Central Bank | 9 | 2023/06/13 |
| 12 | Virtual Assets Controls | US Department of the Treasury | ONLINE | FIU + Central Bank | 9 | 2023/06/14 |

| | | | | | | |
|----|---|--|-------------------|---|---|---------------|
| 13 | Meeting on Lebanon Mutual Evaluation Report Prior to Plenary Meeting | FATF | Bahrain | FIU | 1 | 2023/3/14-11 |
| 14 | Session on Addressing the Links Between Destruction of and Illicit Trafficking in Cultural Property and Terrorism: Scope of the Threat and Responses to the Phenomenon | UNESCO | ONLINE | FIU + NCAML + Ministry of Interior | 6 | 2023/06/22 |
| 15 | Training on Risk-Based Supervision | International Monetary Fund (IMF) | Dubai | FIU + Central Bank | 3 | 2023/07/13-9 |
| 16 | Meeting of the International Review Team to Discuss the Update Report of the Republic of Yemen | FATF | Jordan | FIU + NCAML | 4 | 2023/9/13-8 |
| 17 | Training Course on the Implementation of Anti-Money Laundering and Combating the Financing of Terrorism Standards - Improving Frameworks for Achieving Transparency of Real Beneficiaries | FATF | Kuwait | FIU | 2 | 2023/9/14-10 |
| 18 | Training Workshop on the Use of Input-Output Tables in Sectoral Policy Analysis and Forecasting | International Monetary Fund (IMF) | Abu Dhabi | FIU + Central Bank | 2 | 2023/9/15-11 |
| 19 | Regional Conference on New Technologies - Virtual Assets, Threats and Opportunities Related to New Payment Technologies and Social Media Fundraising Methods | FATF + Tunisia Information Unit | Tunisia | FIU + NCAML Central Bank + | 4 | 2023/9/29-25 |
| 20 | Training for Residents in Combating Money Laundering and Organized Terrorism Financing by the Financial Action Task Force (FATF) | FATF | Egypt | FIU | 1 | 2023/9/28-24 |
| 21 | Meeting of Heads of Financial Intelligence Units | European Union | Zimbabwe - Africa | FIU | 1 | 2023/10/10-9 |
| 22 | Training Course on Stock Exchange Development | Organization for Economic Cooperation and Development (OECD) | Japan | FIU | 1 | 2023/11/1-22 |
| 23 | Regional Workshop on Financial Intelligence in Money Laundering and Terrorism Financing Investigations | International Monetary Fund (IMF) | Oman | FIU + Public Prosecution + Political Security | 4 | 2023/10/20-16 |
| 24 | Training Course on Parallel Financial Investigation | FATF + Morocco Unit | Morocco | FIU | 1 | 2023/10/19-17 |

| | | | | | | |
|----|--|-----------------------------------|------------|--|---|---------------|
| 25 | Workshop entitled Cash Carriers | FATF | Qatar | FIU + Customs Authority + Ministry of Telecommunications | 3 | 2023/11/8-6 |
| 26 | Thirty-seventh Plenary Meeting of the Financial Action Task Force (FATF) | MENAFATF | Mauritania | FIU + NCAML | 4 | 2023/12/5-4 |
| 27 | Meeting held by IMF on Legal Technical Assistance to Yemen | International Monetary Fund (IMF) | Dubai | FIU + NCAML + Central Bank + Ministry of Commerce and Industry | 5 | 2023/12/27-21 |

-The Financial Intelligence Unit organized a Training of Trainers (TOT) workshop in collaboration with the American agency, targeting the FIU staff.

-In collaboration with USAID, the FIU sponsored a two-day workshop at the Coral Hotel in Aden on November 2023 ,27-26. The workshop focused on building the capacities of compliance employees at banks to enhance a due diligence measures and assess money laundering risks. The workshop targeted compliance officers at banks and some members of the National Anti-Money Laundering and Counter-Terrorism Financing Committee.

-In collaboration with the National Anti-Money Laundering and Counter-Terrorism Financing Committee, the Financial Intelligence Unit sponsored a two-day workshop at the Crowne Resort in Aden on November 2023 ,29-28. The workshop focused on building capacities of compliance employees of regulatory and supervisory bodies in non-financial professions and businesses. The workshop targeted compliance officers at regulatory and supervisory bodies, as well as some members of the National Anti-Money Laundering and Counter-Terrorism Financing Committee.

-The FIU along with the National Anti-Money Laundering and Counter-Terrorism Financing Committee, in coordination with Pragma Corporation, participated in a one-day discussion session held at the National Committee headquarters on November 2023 ,06 in Aden, regarding the roles and responsibilities of control and supervisory authorities in combating money laundering and terrorism financing. Members of the National Anti-Money Laundering and Counter-Terrorism Financing Committee and the FIU were targeted.

B 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 FIU to organize the work and carry out the necessary tasks. The most important efforts exerted by Information Technology Department in 2023 in the FIU are as follows:

1

The total number of incoming and outgoing money transfers executed through exchange entities/establishments and their affiliated transfer networks and some local and international transfer establishments that have been included in the FIU's database



2023 transfers
50,236,196

cumulative total
for the years
from

2020 to 2023
124,422,624 transfers

transfers. This extensive dataset enables the FIU to perform its operational duties swiftly and stands out as having the highest number of transfers recorded in 2023 effectively. The year the FIU's database, attributed to the growing number of exchange companies and establishments undergoing transaction processing

2



The unified central database designed based on Oracle Database facilitates search processes, inquiring, extraction of reports and investigation of the names to 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 Information
Technology
Management received



in 2023
135 information
requests /queries

some of which are related
to STRs received by the
FIU from reporting
entities

others are related to
queries received from
relevant foreign entities

These queries
included more than



512 suspected
individuals
(natural / legal)

4 The queries are responded to by providing the inquiring entity with all incoming or outgoing money transfers for the person in question, including transfer number, date, currency, sender and receiver phone numbers, and transfer export and import entities.

5 **During 2023** an electronic statistical system was developed specifically for additional requests related to STRs. The designated employee inputs data about additional requests concerning SRTs into the system, such as (request number, requesting entity, dispatch date, entry date, summary of required data, STR number associated with the request, responsible employee, notes, attachments). This system aids in generating real-time reports and provides statistics that assist in making timely and informed decisions.

During 2023 an electronic statistical system was designed for feedback sent to the concerned reporting authorities, in application of Recommendation (34) of the Financial Action Task Force (FATF) recommendations on guidelines and feedback, which required the necessity to send feedback that would assist financial institutions and designated non-financial businesses and professions in applying national measures to combat money laundering and terrorism financing, especially in detecting and reporting suspicious transactions, as the electronic feedback system contains the following statistical data: (feedback number - issuing authority- feedback dispatch date - entry date - subject - STR related to feedback - notes - additional attachments).

7 **During 2023** an electronic statistical system has been designed for local and foreign training events (training courses, workshops, meetings, in-person and virtual panel discussions) related to anti-money laundering and financing terrorism topics. The training events system contains the following statistical data: (name of training course - organizer - place of convening - participating entity - names of participants from the FIU - number of participants - start and end date of the training course or workshop). This statistical system helps to plan the training required by the FIU's employees, as well as providing statistics that help in making the right decision at the right time.

8 **During 2023** Updating the system of STRs and queries in line with work developments and the inclusion of new fields that meet the needs and help in control and future planning. The interface of the STRs system has been updated by adding the following columns (date of entry of STR - date of delivery to designated employee - date of delivery to analysis department - date of completion of analysis - type of suspicion after the analysis - action taken by the legal department - feedback from the investigation and prosecution authorities). The interface of the information system has also been updated.

9

Direct supervision of updating the website of the FIU, that is, (fiu-ye.com) by adding the following updates

- Animated slideshow images on the homepage of the website highlighting the most important historical landmarks in Yemen, with the FIU logo placed in all animated scenes.
- Adding animated effects to texts to infuse the website with motion and vitality.
- Arranging the main menu items according to importance and priority.
- Moving some of the main menu items to the footer of the website, such as related sites and frequently asked questions.
- The website interfaces underwent a thorough development to match the FIU identity, incorporating appropriate colors and fonts. The page containing various forms (models) that visitors might need has been enhanced and consolidated, bringing together all necessary models onto a single page. This consolidation improves the efficiency, speed, and user-friendliness of content retrieval on the website.
- Developing 'a contact us page' containing a contact form that allows visitors to send any suggestions or complaints automatically. Additionally, updating all plugins and upgrading the PHP version to the latest release, as well as updating the WordPress version to the latest release.
- Translating the website into English.

10

The Information Technology Management, in coordination with the Local Coordination and International Cooperation Management, organized media coverage and uploaded content to the FIU's website for several international and local events and meetings, including the signing of agreements and local and international memorandum of understanding. One of the significant coverages was the event of the Republic of Yemen's participation in the meetings of the Middle East and North Africa Financial Action Task Force (MENAFATF) and the coverage of the signing of the memorandum of understanding between the Republic of Yemen and the Sultanate of Oman in the field of combating money laundering and terrorism financing, along with some local and international workshops. The Information Technology Management strives to enhance and improve work efficiency within the available resources and capabilities. There is a perception of the remaining needs for modern financial analysis programs and encrypted security programs.

The most important
technical objectives
that will be
addressed in **20**
24



Providing and purchasing
advanced financial
analysis software and
systems

go
AML

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

The task of cooperation and coordination is one of the most important tasks aimed at developing mechanisms to enhance cooperation and exchange of information between the FIU and the rest of the concerned authorities specializing in combating money laundering and financing of terrorism. In this context, the Department has sought to implement the tasks entrusted to it, and the most important of these achievements during 2023 were as follows:

A Local Coordination

Urging some regulatory and supervisory entities to enhance their role in combating money laundering and financing of terrorism, by assisting in setting up regulatory and control instructions to combat money laundering and financing of terrorism targeting the entities under their control and supervision. These efforts have proven to be fruitful. The most notable outcomes are as follows:

01 The Ministry of Social Affairs and Labor issued a Ministerial Decision, of the year 2023, concerning the instructions for combating money laundering and financing of terrorism for associations and civil institutions. The decision has provided explicit details outlining the instructions and supervisory controls that civil associations and institutions must adhere to during the course of their activities. For example



Prohibiting dealing with ghost or unidentified entities or individuals,



Procedures for verification of the real beneficiaries of the services provided by associations or non-governmental organizations,



Procedures for classification of services, areas, and donor entities based on risks, and the necessary actions to be taken for each risk category



Keeping records



Training plans for employees in associations or non-governmental organizations



Controls on collecting donations, grants, and aid, and how they are used.

02 The Minister of Industry and Commerce issued Ministerial Decision No. (48) of 2023 regarding the instructions of anti-money laundering, combating terrorism financing, and indicators of suspicious activities in the insurance sector. These instructions are mandatory for all insurance companies and brokers and to be an integral part of their systems and procedures aimed at controlling, detecting, and preventing money laundering and terrorism financing activities. Insurance companies are obliged to create and enforce suitable auditing and review to ensure compliance with the law, regulations, and these instructions, as well as adherence to high standards of competence and integrity when hiring employees, which insurance companies and brokers are required to comply with. They are as follows:



Record-keeping procedures for records, data, and documents



Internal system for combating money laundering and terrorism financing



Training and capacity building for insurance sector employees



Reporting requirements for suspicious transactions



Suspicious activity indicators to be relied upon when reporting to the FIU



Instructions and regulatory controls that insurance companies and brokers must follow before starting to deal with clients, due diligence procedures when starting to deal with a client, as well as procedures that must be followed when failing to complete due diligence measures,

03 Holding some meetings and focus group discussions with some control and supervisory authorities to enhance their role in combating money laundering and terrorism financing, and emphasizing the role of these entities in establishing guidelines and regulatory controls for combating money laundering and terrorism financing in their institutions.

04 Cooperating with the Banking Supervision Sector in the Central Bank by responding to their inquiries regarding entities and individuals applying to establish financial or banking institutions, providing them with the information available to the FIU in this regard, as well as informing the Central Bank about the efficiency of the compliance departments and system of banks that wish to participate in foreign currency auctions at the Central Bank

B International Cooperation

01 The FIU participated in the 36th Plenary Meeting of the Middle East and North Africa Financial Action Task Force (MENAFATF) held in the Kingdom of Bahrain, in which the Republic of Yemen holds the vice- chairmanship of the group. Furthermore, the FIU participated in the 37th Plenary Meeting held in the Islamic Republic of Mauritania, in which the Republic of Yemen has assumed the Chairmanship of the Group for the year 2024.

02 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.

03 Responding to inquiries received from counterpart units and sending automatic notifications to some counterpart units whenever necessary

04 Responding to questionnaires, queries and inquiries received from international organizations concerned with combating money laundering and terrorism financing 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.



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.



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.



Communicating with the Financial Intelligence Units in both the Arab Republic of Egypt and the Kingdom of Saudi Arabia, as 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 requirements for joining the Egmont Group of Financial Intelligence Units. The translation of Yemeni laws, regulations, and publications related to combating money laundering and terrorism financing into English has been fulfilled and sent to the Group. Communication with sponsors is ongoing to proceed with the accession process

05 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. This year a memorandum was signed with the National Center for Financial Information in the Sultanate of Oman and also with the Fiscal Query Processing Cell in the Democratic Republic of Algeria, in order to achieve and ensure the greatest benefit and advantages. Coordination and communication are ongoing with some other units to reach a final version for the memorandum and sign them.

2021



Libya

Signing a Memorandum
of Understanding

Ethiopia

Signing a Memorandum
of Understanding

2022



Somalia

Signing a Memorandum
of Understanding

Jordan

Renewing the signing
of the memorandum of
understandingHorn of Africa
countriesSigning an agreement of understanding
through the European Union program

UAE

Signing a Memorandum
of Understanding

2023



Algeria

Signing a Memorandum
of Understanding



Sultanate of Oman

Signing a Memorandum
of Understanding

In progress



Morocco

Coordination to sign a memorandum
of understanding



Egypt

Coordination to sign a memorandum
of understanding



Djibouti

Coordination to sign a memorandum
of understanding

Legal Affairs and Compliance Verification

Based on the tasks assigned to the Legal Affairs and Compliance Verification Department in order to strengthen the efforts of the FIU to perform its functions within proper frameworks, the Department has carried out numerous activities in 2023, which can be summarized as follows:

A Legal Affairs

- 01 The Department continuously provides legal consultations to the head of the FIU and the employees of the Analysis Department, and assists in preparing many legalistic drafts
- 02 Follow-up on legal cases referred to the Public Funds Prosecution and relevant judicial authorities.
- 03 Legal processing of the financial analysis results that require legal recommendations

the
Department
received



48
STRs

where the Financial Analysis Department has completely analyzed them from a financial and operational perspectives. The matter required studying them from a legal aspect and submitting recommendations regarding them, as the Department recommended the following

Referring
40 STRs

29 cases to the competent authorities due to serious indicators of suspicion.

Issuing circulars or warnings, when necessary, to the reporting entity in case the violation is due to negligence or failure to exercise due diligence on the part of the reporting party, directing them to take due diligence measures before carrying out any financial transaction for the benefit of their clients.

Temporarily keeping for (4) four other STRs, while only (2) two STRs are still under legal review

B Control and Compliance Verification

Effective control 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 control 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 enhance their compliance with the normative rules specified in the law, regulations and local

On-site Inspection

- 01 The Financial Information Unit has developed on-site inspection plan on banks and exchange sector in accordance with the risk-based inspection methodology and has activated 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 for banks and exchange entities operating in Yemen were done as a first step aiming 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 and suspicion forms, as well as identifying weaknesses in compliance systems and programs. On- site inspection control aimed to evaluate the policies, procedures and programs adopted 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.
- 02 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.

03 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



The guide of procedures for on-site inspection of banks and financial institutions on combating money laundering and financing of terrorism has been prepared) that has been in effect since 2022(with the appreciated assistance of an expert affiliated to the Pragma Corporation, the implementing corporation for technical support provided by the United States Agency for International Development. It is a specialized guide on combating money laundering and financing of terrorism in accordance with the best international standards and practices, guided by the scientific guide 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 submitting of the final report. It also contains basic information on combating money laundering and financing of terrorism to serve as a practical reference that inspires inspectors to carry out their work professionally.



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 circulator and instructions of the Central Bank and the guidelines of the Financial Information Unit.



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, it goes beyond that. For instance, inspection teams spread awareness of the risks of non-compliance during visits period, correct many concepts among compliance officers, discuss, correct and address remarks, imbalances and shortcomings. They also provide advice before writing the final report, which helps improve the quality of AML/CFT systems in banks and financial institutions as well as activating the role of Risk and Internal Audit Departments.

Off-site and On-site Inspection on Banks

The Department conducted On-site inspections to

6 
banks

to verify the extent of their technical and applied compliance to combat money laundering and terrorism financing, where the 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 technical compliance requirements, which include



Preliminary reports have been prepared regarding the technical compliance of those banks, and the Department is still monitoring the banks to complete the reports on applied compliance to finalize their evaluation. This is to initiate the preparation of a corrective action plan and provide the FIU with the documents and records that reflect the intention of these banks to commence the correction and compliance process. The procedures are still in progress.

Off-site and On-site Inspection on Exchange Entities and Facilities

On-site inspections were conducted to

24 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 these exchange entities and facilities that were inspected. A set of requirements were focused on, the most important of them are as follows:

requirements



All exchange entities and facilities were distributed as follows

Sana'a

2

Exchange entities

and facilities, on-site inspection was made to their branches in the capital city of Aden, as their head offices are in Sana'a Governorate

Taiz

8

Exchange entities

and facilities, on-site inspection was made to their head offices in Taiz Governorate

Hadramawt

14

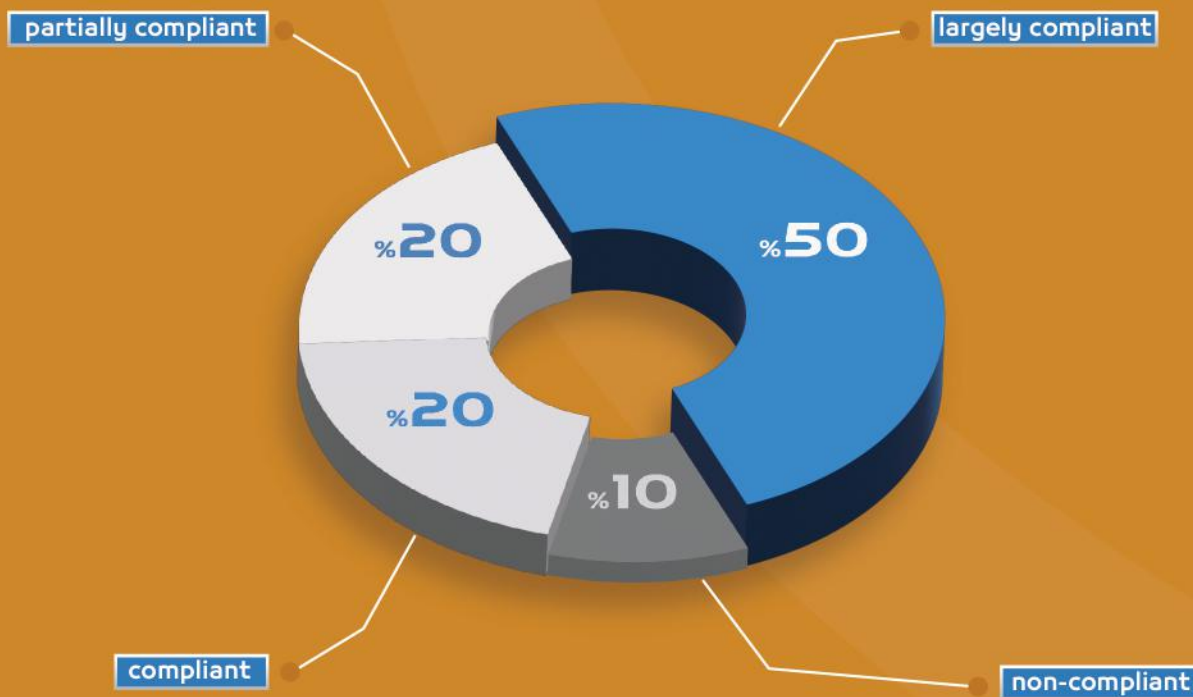
Exchange entities

and facilities, on-site inspection was made to their head offices in Hadramawt. They are still under evaluation (under study and analysis), that is, at the end of 2023.

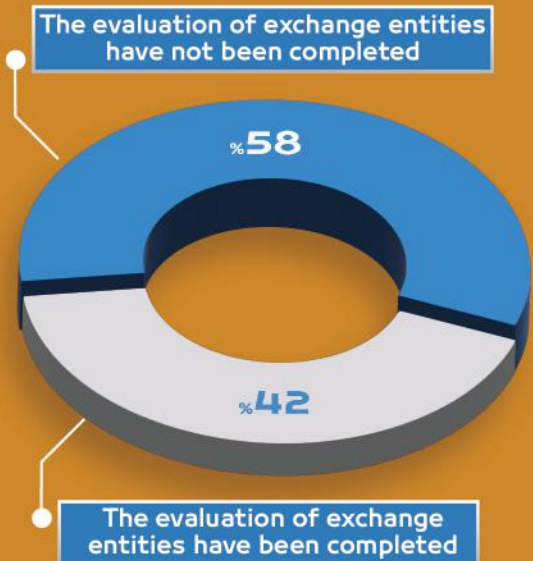
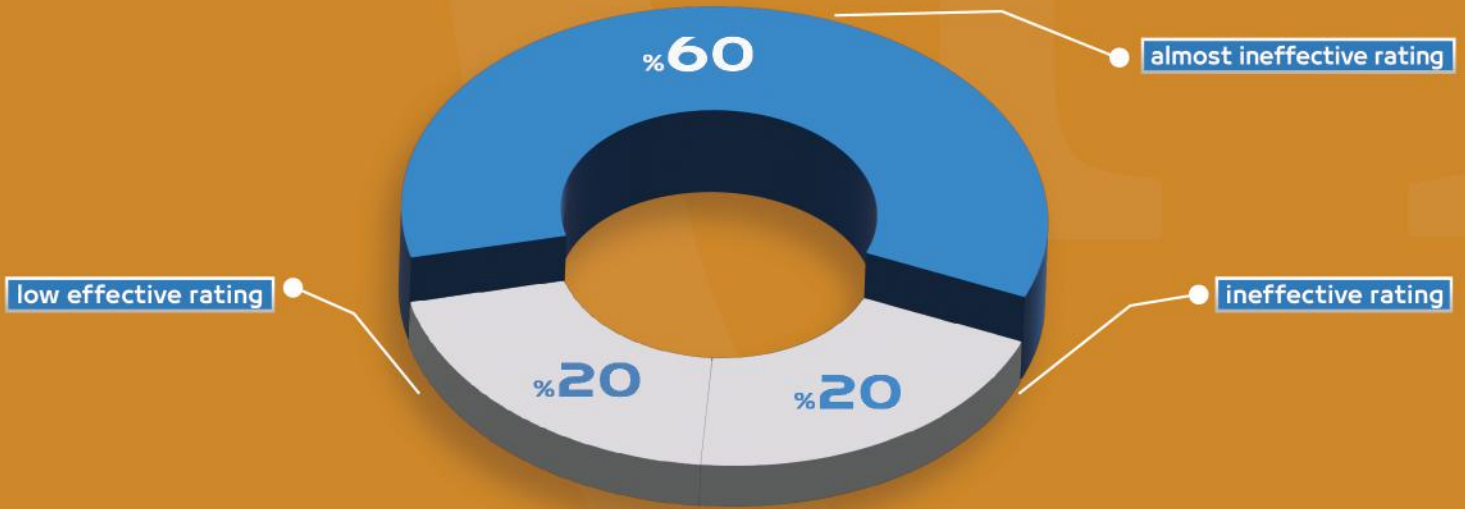
The has been completed of



the results of technical compliance were as follows



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



IV. Suspicious Transaction Reports and Financial Analysis

The FIU is the national authority concerned with receiving STRs of suspicious transactions in the field of money laundering or terrorism financing, and receives and responds to queries received from the relevant authorities and counterpart units. The FIU performs the following tasks:

- 01 Check the STRs received from the reporting authorities as well as requests for queries from counterpart units or competent foreign authorities and notify the reporting authority of receipt of the STRs or requests for queries
- 02 Registering the STRs in the database of the FIU, indicating the type and name of the reporting authority, the name and type of suspicion, beneficiaries, nationality, reason for suspicion, the instrument used (cash, checks, shares, ...) as well as the method used (transfer, deposit, withdrawal, transfer of funds, ...) and the time of receipt of the STRs and any other data that may appear in the reporting form.
- 03 Verify that the reporting authority fulfilled the data of the reporting form and the extent to which it conforms to the STRs guidelines and forms specified by the FIU, and submits the result of this to the director of the Department
- 04 Placing the form for the analysis process on the STRs file, recording it in the register designated for the same, sending it to the Financial Analysis Department, and taking a receipt for same, indicating the date of submission
- 05 Receiving the final analysis file after the direction of the Chief of the FIU, specifying the period of time that STRs took in the analysis from the date of its arrival until the issuance of the final decision therein, and referring it to the competent authorities or saving.
- 10 Preparing periodic reports on its work and achievements.

We list the most prominent efforts that have been made by the FIU under this commitment, noting the doubling of the number of STRs during 2023. 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.

FIU



Statistical Data

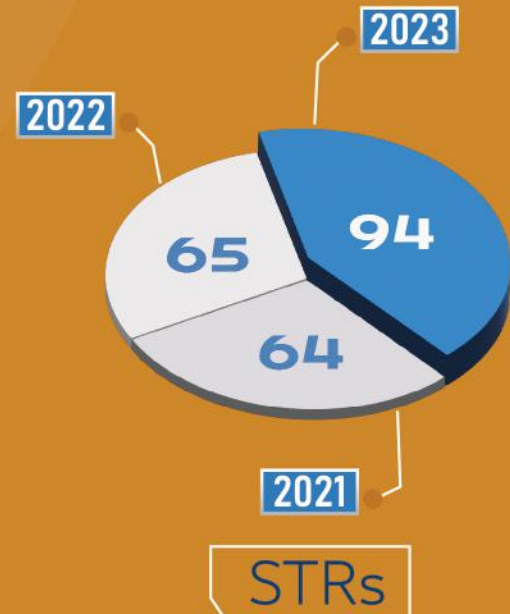
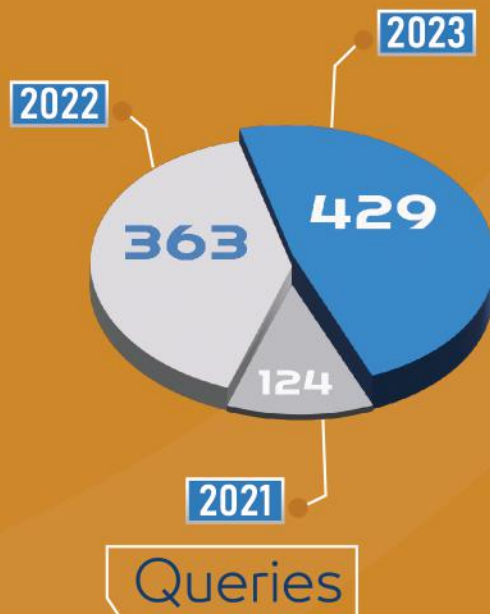
The table below shows the total number of STRs and Queries received by the FIU during the 2023 - 2021

| | 2021 | 2022 | 2023 |
|---------|------|------|------|
| STRs | 64 | 65 | 94 |
| Queries | 124 | 363 | 429 |
| Total | 188 | 428 | 523 |

Total STRs → 223

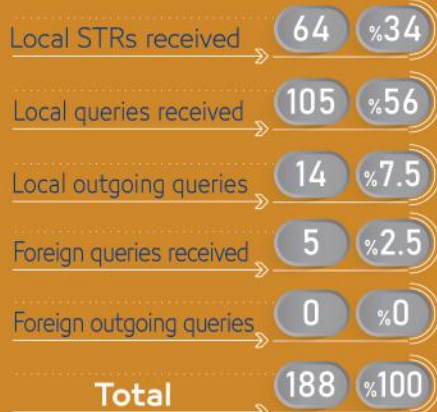
Total Queries → 916

Total → 1139

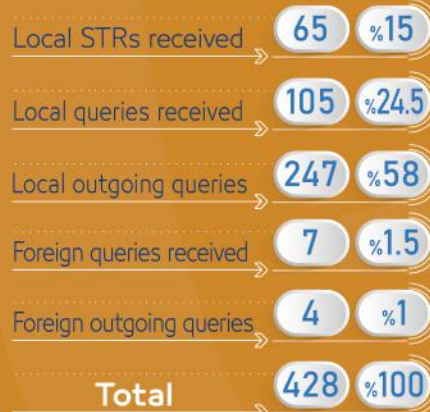


The table below shows the total number of incoming and outgoing cases by the **FIU** by case type from 2021 to the end of 2023

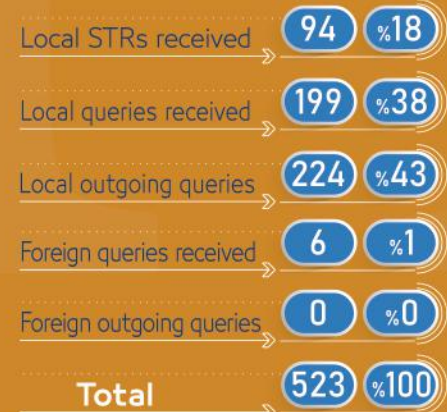
.2021



.2022



.2023

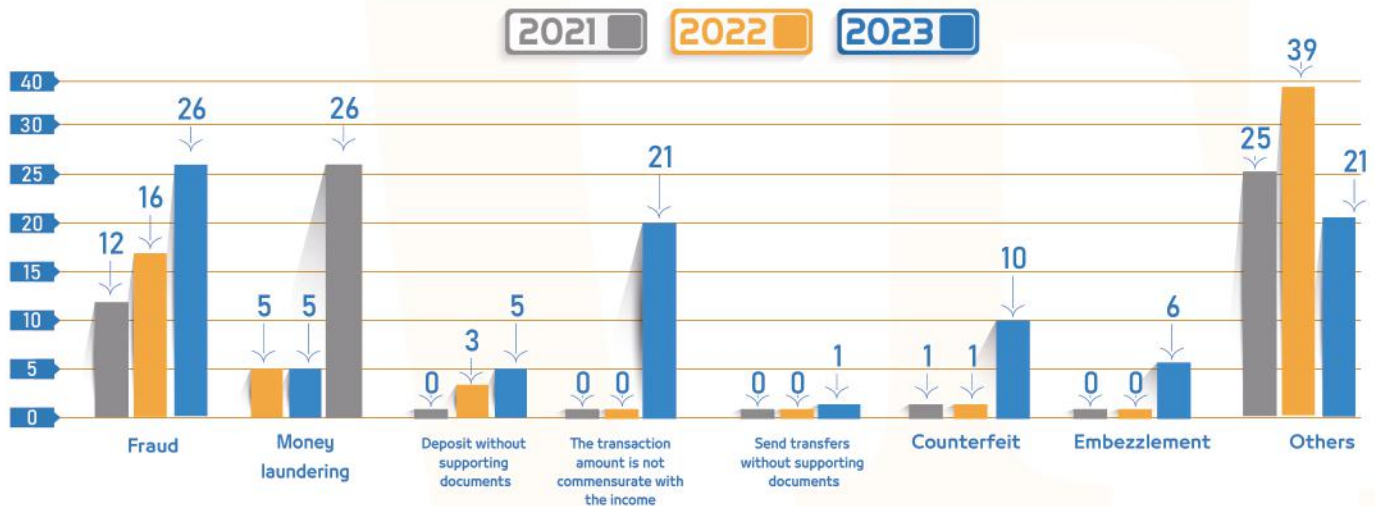


The table below shows the distribution of local STRs received by the FIU by the reporting entity during 2023-2021



The table below displays the distribution of STRs received by the FIU by the suspicion type during 2023-2021

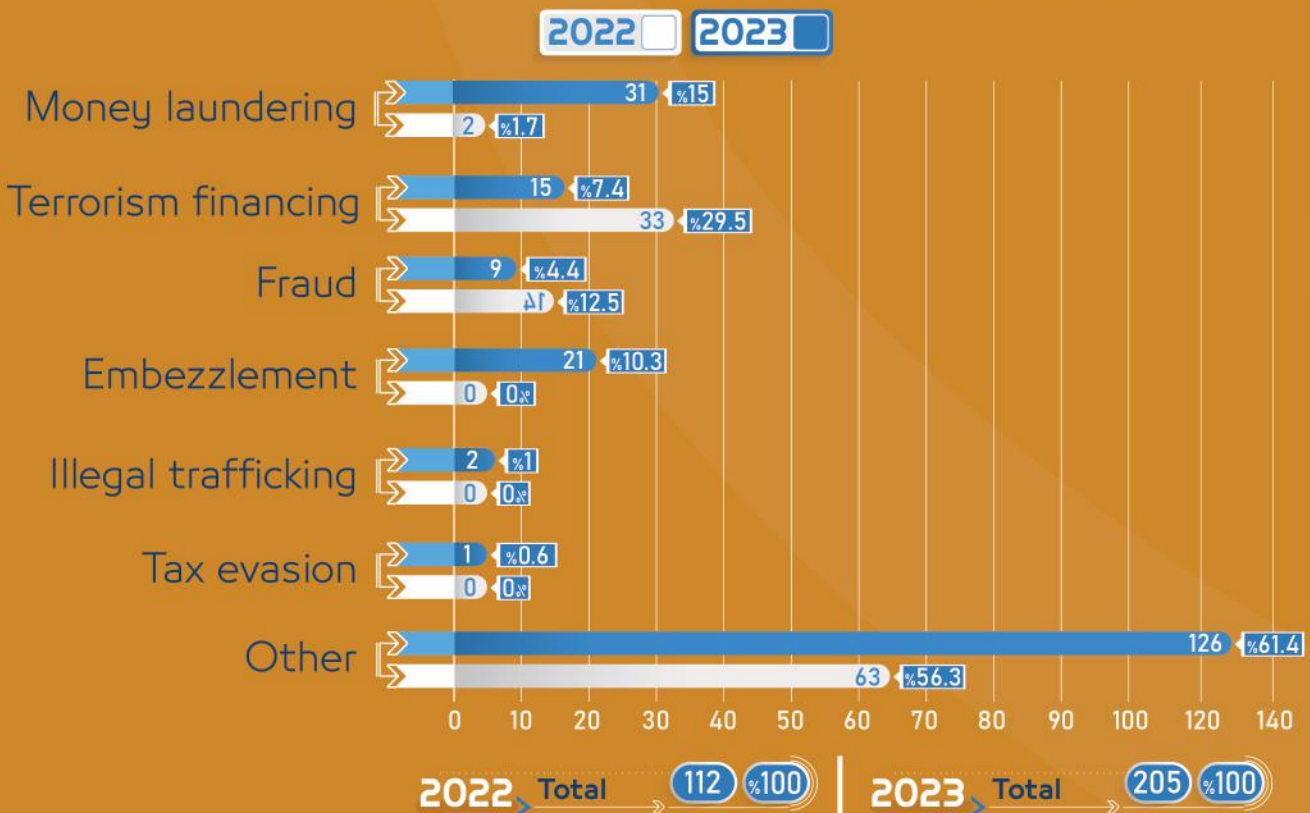
| Type of predicate offences | 2021 | 2022 | 2023 |
|--|----------------|----------------|----------------|
| Money laundering | 26 %40.5 | 5 %7.6 | 5 %5.4 |
| Fraud | 12 %19 | 16 %24.6 | 26 %27.5 |
| Deposit without supporting documents | 0 %0 | 3 %4.6 | 5 %5.4 |
| The transaction amount is not commensurate with the income | 0 %0 | 0 %0 | 21 %22.4 |
| Counterfeit | 1 %1.5 | 1 %1.6 | 10 %10.6 |
| Embezzlement | 0 %0 | 0 %0 | 6 %6.4 |
| Send transfers without supporting documents | 0 %0 | 1 %1.6 | 0 %0 |
| Others | 25 %39 | 39 %60 | 21 %15.9 |
| Total | 64 100% | 65 100% | 94 100% |



The Figure shows the distribution of STRs received by the FIU by the action taken in this regard until the end of 2023



The Figure displays queries received by the FIU by suspicion type during 2023-2022



The table below displays the distribution of queries by type and source of query from 2021-2023

| | 2021 | 2022 | 2023 |
|------------------------|------|------|------|
| Local query-received | 105 | 105 | 199 |
| Local query-outgoing | 14 | 247 | 224 |
| Foreign query-received | 5 | 7 | 6 |
| Foreign query-outgoing | 0 | 4 | 0 |
| Total | 124 | 363 | 429 |

The number of received and outgoing queries by the FIU reached in **2023** **429** There is an increase over the previous year by **%19.5**

Queries progress for the period 2021 - 2023



Comparative Statistics of Suspicious Transaction Reports for the period from 2022- 2023

Analysis by the Type of STRs

The STRs received by the Financial Information Unit reached in

20
23



94 compared to 65 in 2022 STRs

The reason behind the noticeable increase in the number of STRs received by the FIU is due to several reasons, the most important ones are as follows

- The efforts undertaken by the FIU in collaboration with the National Committee and supporting entities in the field of technical support aim to raise awareness of the risks of money laundering and terrorism financing in banks and the exchange sector. This is achieved through training events and workshops provided to these sectors, which have had a positive and direct impact on the increase in the number and quality of STRs submitted to the FIU.
- The preventive measures taken by the Central Bank through regulatory and supervisory instructions for banks and exchange entities have enhanced the effectiveness of anti-money laundering and counter-terrorism financing systems in those entities.
- Intensive follow-up and on-site inspection carried out by the FIU and the Central Bank on banks and the exchange sector during 2023, which directly contributed to enhancing their compliance and raising awareness to identify suspicious indicators and notify the FIU.
- Fostering compliance Departments in banks and the exchange sector with qualified human resources

Analysis by the Reporting Entity

Banks accounted for the highest percentage of the number of the STRs received by the FIU, where the number of STRs reported by banks in **2023**



compared to **45** STRs in **2022** that is **%69** 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 reached in **2023**



compared to **20** STRs in **2022** that is **%31** out of the total STRs

The reason for this decrease is attributed to the increase in STRs reported to the FIU in general

The total number of STRs received by the FIU in **2023**

 **94** STRs compared to **65** STRs in **2022**

with an increase of **%44,6**.

The number of outgoing queries by the FIU to the competent authorities for the period from **from 2021** to **2023**

 **14** Queries **247** Queries **224** Queries } respectively

These queries included requests for information regarding queries primarily received from investigative, prosecutorial, control, and supervisory authorities, as well as other competent authorities. In addition, there are queries related to STRs that are under analysis, which require obtaining further information to finalize them.

Feedback provided by the FIU to the Reporting Entities

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 evaluate the quality of information in achieving the goal of sending it against pre-prepared standards or best practices. This information aims to improve the quality of performance and is considered as one of the most important means of education and directed correction.

the FIU issued  **40** feedback messages in **2022**

to banks and exchange entities providing clarifications and instructions regarding the quality of Suspicious Transaction Reports (STRs) submitted by these institutions. Additionally, the FIU addressed the status of these STRs, whether they retained or referred to competent authorities compared to

 **98** feedback messages in **2023** with a rise of **%145** than the previous year

This increase can be attributed to the higher number of STRs received in 2023. Furthermore, some of the feedback messages pertained to completed STRs from the previous year, 2022

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 lack 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 and affect the FIU's work.

The FIU has decided to issue this report to display its efforts, 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.