



## EU AML / CFT GLOBAL FACILITY

EDITION 2 - OCTOBER 2021

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**David Hotte**  
EU GF-AML/CFT Team Leader

On the 21<sup>st</sup> of October, the FATF announced the official delisting of Mauritius and Botswana, two countries that have been receiving technical assistance from the EU Global Facility on AML/CFT over the past two years.

More than ever, this decision demonstrates the need for a facility like ours to exist. It proves that, with commitment and strategic workplans, countries with AML/CFT deficiencies like Mauritius and Botswana, can overcome their challenges. Being listed does not have to be a death sentence anymore.

This also proves that the EU Global Facility truly responds to the initial mission bestowed upon it by the European Commission: to be an operational, demand-driven project delivering country-tailored solutions to AML/CFT listings.

As of today, the EU Global

Facility is operational across four continents –Africa, Asia, Europe and Latin America– with plans to continue expanding our scope of delivery in the coming months. Beyond just theory, this illustrates our ability to deliver activities in highly diverse contexts, whilst still yielding tangible successful results.

But our support does not end with delisting. We genuinely believe in the importance of sustainability, and of providing countries with the tools to uphold their level of commitment to AML/CFT. Today, if you look at the activities we are delivering in a country like Jordan, you will find Mauritian advisers who have been trained by us. Thanks to this type of cross-fertilisation, these advisers will be the best equipped to support their Jordanian peers and walk with them all the way up to the finish line: delisting.

So, once again, on behalf of the entire EU Global Facility team, I want to congratulate our Mauritian and Botswanan partners for their hard work and continuous commitment, and this well-earned achievement!

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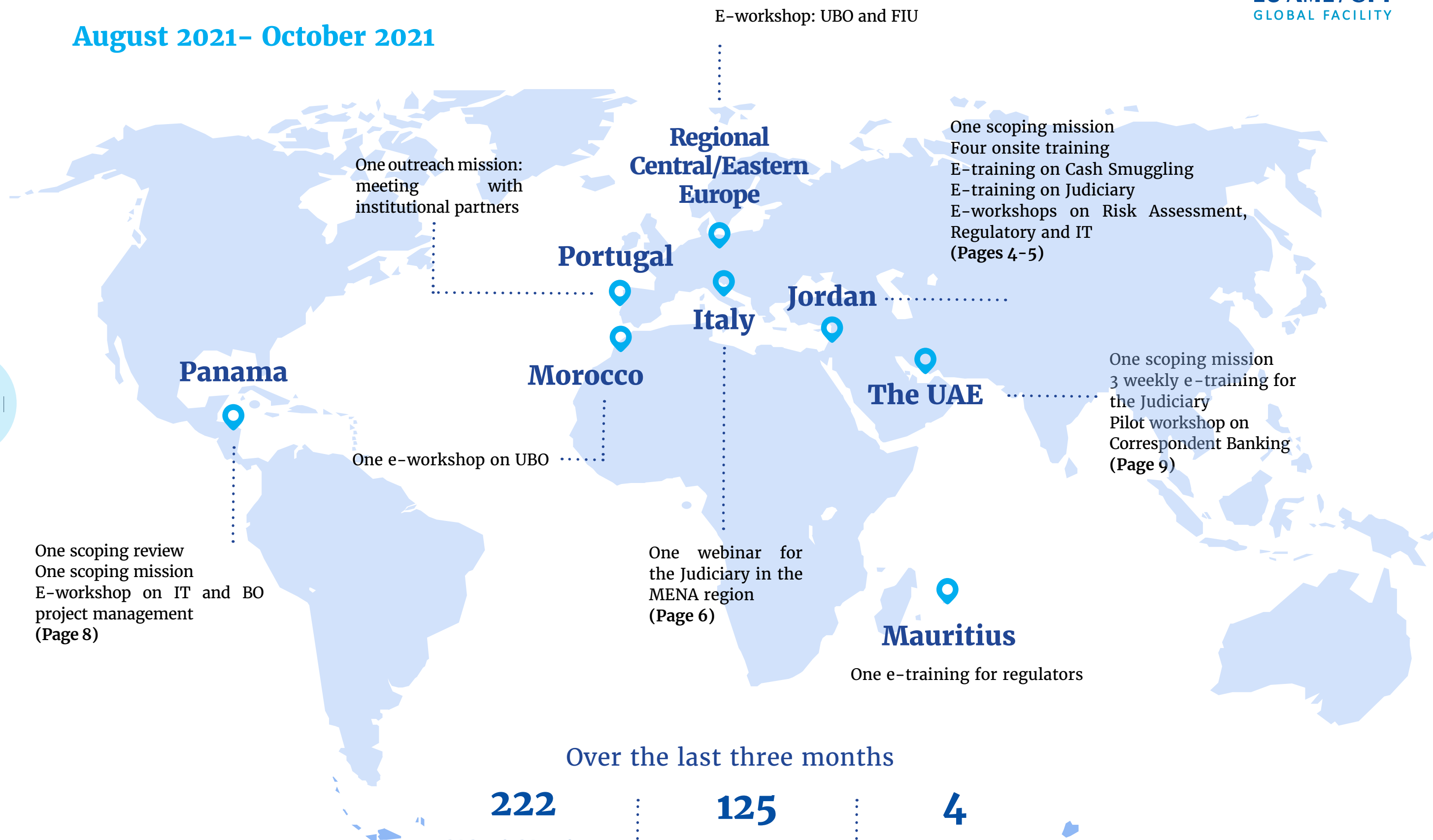




**EU AML/CFT**  
GLOBAL FACILITY

# Where we worked

August 2021– October 2021



Over the last three months

**222**

PARTICIPANTS IN  
E-TRAINING &  
E-WORKSHOPS

**125**

PARTICIPANTS  
IN ONSITE  
ACTIVITIES

**4**

CONTINENTS  
REACHED



# Jordan

In 2020, the authorities of Jordan requested the Global Facility's technical assistance to uphold its AML/CFT framework and practices. Since then, a variety of activities has been implemented, both online and onsite, witnessing great enthusiasm from local partners.

Over the past year, the Global Facility has delivered 15 one-week e-training courses, reaching over 230 participants from Jordanian authorities and NGOs.

Training covered AML/CFT investigations, terrorist financing, financial intelligence, virtual assets, Financial Intelligence Unit operational analysis work stream, Ultimate Beneficial Ownership and the judiciary, among others.

Beneficiaries include the Anti Money Laundering and Countering the Financing of Terrorism Unit (AMLU), the Central Bank of Jordan (CBJ), the Companies Control Department (CDD), the Integrity and Anti-Corruption Commission (IACC), the Income and sales tax department, Public Security Directorate (PSD), the General Intelligence Department (GID), Customs, Jordan Judicial Council (JJC), Jordan Judicial Institute (JJI), Military Justice.



## First onsite activity: 'Developping Intelligence into Evidence'

**Training on money laundering and financial crimes investigations**

From 31 August to 2 September 2021, the Global Facility team came to Jordan to deliver its very first onsite activity since the start of its technical assistance in November 2020.

Highly successful with some 52 participants from local LEA, the judicial council and AMLU, the training also marked the very first joint activity of the Global Facility's judiciary and law enforcement components. The interactive training sessions were delivered by Hon. Prosecutor General Jean Francois Thony and former detective Liam Ennis, followed by fruitful exchanges with the participants.

The event was held with the support of the EU-funded project on Technical Assistance to the Criminal Justice Chain in Jordan –implemented by the GIZ–.

“

Having colleagues from different services working on AML/CFT collaborating together in one room is a great achievement. We all learned a lot from each other and hope to see this type of training replicated in the future.”

Ala' Bani Fawaz  
Deputy Chief of the Anti-Money Laundering Unit

## NPO training: Compliance with FATF Rec 8

On 7-10 September 2021, the EU GF delivered its 2<sup>nd</sup> onsite training to Jordan. Organised with the support of local partner Edmaaj for Development & Social Responsibility Consulting, the activity targeted Not-for-Profit Organisations from across the Kingdom.

The training was delivered by experts Mai Eleimat from Edmaaj and Ben Evans, short-term expert for the Global Facility, who touched upon the FATF process for AML/CFT assessment and listing, as well as the importance of Recommendation 8, especially for countries like Jordan.

Divided into seven thematic sessions, the event brought forward a number of strategic recommendations and areas for future action:

- Ways to assess the effectiveness of mitigating measures in reducing TF risks amongst NPOs identified as being most at risk.
- Overall residual risk of TF in the NPO sector
- Development, prioritisation and benchmarking of recommendations for a joint, evidence-based strategic action plan
- Need to commit to a mechanism for re-assessment.



Since  
November  
2020

1<sup>st</sup>

onsite activity  
since COVID-19

21

activities (online  
and onsite)

418

participants





# Strengthening judicial cooperation in the MENA region

Partnership with the Siracusa International Institute for Criminal Justice and Human Rights



In September 2021, the EU Global Facility has called on the expertise of the Siracusa International Institute for Criminal Justice and Human Rights, to implement activities aimed at strengthening international judicial cooperation between judges and prosecutors in the MENA region.

An Italian NGO dedicated to education, training and research in the fields of international and comparative criminal justice and human rights, the Siracusa International Institute brings the Global Facility with more than 50 years of expertise in the protection of human rights through the rule of law and ending impunity for serious crimes affecting

international security.

Collaboration kicked off on September 22nd, 2021 with a webinar titled "Strengthening Judicial Cooperation in the MENA Region: Judges and Prosecutors at the Forefront of the Fight against Money Laundering and Terrorist Financing". A second joint activity is scheduled to take place next year in the United Arab Emirates, in order to reinforce judges and prosecutors' capacities and specialised knowledge on AML/CFT matters.

"International co-operation and co-ordination amongst the prosecution services, court staff and judges are intrinsic to fighting international organised crime, money laundering and terrorist financing in an

efficient manner," said David Hotte, Team Leader of the Global Facility.

"Joining forces with the Siracusa Institute represents another milestone in our global fight against ML/FT. We will greatly benefit from the long-standing expertise of this centre of excellence, most specifically in European and Mediterranean countries.

"I am particularly happy to see us work with the Institute's President, Jean Francois Thony, who is a leading figure in the field of criminal justice, and the defense of human rights."



## Kick-off webinar

170  
participants

7 countries

represented, including Bahrain, Egypt, Jordan, Lebanon, Tunisia, the UAE and Yemen.

# Q&A



## Interview of Jean-Francois Thony, President of the Siracusa International Institute

### **What is the rationale behind these joint activities and what are their most important objectives?**

JFT: The Siracusa International Institute has now 50 years of experience in the area of criminal justice and has worked extensively in difficult countries of the MENA Region (the Mediterranean region and beyond that). One of the objectives of the Institute is to strengthen the cooperation among states to better fight against organised crime, which is one of our main objectives with international criminal justice. Having a partner like the EU Global Facility, which focuses on AML-CFT, is a new development for us. AML-CFT is one of the most efficient angles of attack of the organised crime. It allows to fight at the heart of the criminal organisations from the financial channel and it's one of the most promising developments in the fight against criminal organisations.

### **The first joint activity was held a month ago, as a webinar open to judges, prosecutors and law enforcement officers of the MENA region. Can you tell us about the discussions and outcomes of the event?**

JFT: We have tried to address the most challenging issues in the fight against AML-CFT in the MENA region gathering some of the most prominent experts in the field. In particular, we have gone through the constitutional

obstacles which are too often raised as preventing a forceful and advanced legislation especially in confiscation of criminal assets. Overall, more than 7 different key issues were addressed during the 3 and 1/2 hour webinar. Among them was the compelling need to find legal ways to turn intelligence into evidence. The discussions were extremely lively, with many questions and many interventions by the 170+ participants. I haven't seen in a long time such a rich, dense and interactive webinar. Future and specific on-site events with the concerned professionals are still needed, in order to go into potential solutions.

### **What are, in the long run, the expected results of these planned joint activities?**

JFT: The long-term objective of this unvaluable win-win endeavour is to work on one of the weaknesses of the international AML-CFT mechanism which is the judicial chain. Whilst a lot has been done until now in terms of preventing measures in the financial system, we continue to see a lot of difficulties with judicial systems addressing AML-CFT. This is mainly due to old legal issues which continue to prevent an efficient prosecution, conviction of offenders and confiscation of criminal assets. Achieving these objectives requires a better understanding by judicial actors of the challenges and the stakes that they are facing. It also requires the need to show that there is a solution

to each of the legal obstacles that sometimes prevent effective sanctions and confiscations.

### **Is AML-CFT a challenge specific to the MENA region?**

JFT: When it comes to terrorism financing, yes, because we know that some of the main terrorist networks are in that region, and of course they have specific mechanisms or channels to get funds. Yet, unfortunately, AML-CFT is not an issue only for MENA countries. A lot of other regions in the world are also in need, in particular with regards to judicial response to AML-CFT. In such a context, there is a need to continue to sensitise, train and work together to alleviate the legal challenges that judges and prosecutors are facing. We are ready to continue elsewhere with the EU AML-CFT Global Facility the work that we have engaged in the MENA region.

### **From 2002 to 2007, you served as Head of the Financial Integrity Group at the IMF, responsible of overseeing and coordinating all IMF's AML/CFT activities. In your opinion, how have the phenomena of ML and the inherent FT changed in these 20 years?**

JFT: Money laundering and terrorism financing change every day because criminal and terrorist organisations adapt their financial behaviours to the measures that are put in place,

both at preventive but also at law enforcement levels. Therefore, there is a continuous need to adapt legislation and judicial responses to tackle this phenomenon and keep the pace with the constant evolution of criminal strategies. Moreover,

for certain issues – such as that of confiscation of criminal assets – little progresses have been recorded. In most cases, national legislations and judicial systems do not take enough advantages of existing legal possibilities to effectively deprive

criminal organisations of their illicit assets. We will continue to help countries in identifying the best responses and the best ways to implement confiscation of criminal assets, which is the very final aim of AML–CFT measures.

**Judge Jean-François THONY**, Honorary Prosecutor General, is the President of the Siracusa International Institute for Criminal Justice and Human Rights (Italy). A judge and prosecutor in France, he served as Manager of the UN Global Program against Money laundering and later, as Head of the Financial Integrity Group of the IMF. He was appointed in 2007 as Director of the French National Judicial Institute (ENM) and in 2012, as Prosecutor General. He is the Chairman of the Financial Review Committee of the International Association of Prosecutors and the Executive Vice-President of the International Association of Penal Law.

# Panama

## E-training, scoping mission and start of onsite technical assistance

**I**n March 2021, the EU Global Facility received a request for technical assistance on Ultimate Beneficial Ownership (UBO) and Law Enforcement Agencies (LEAs) from Panama.

A month later, a work programme was shared with the country, followed by the kick-off of activities in May.

A set of e-training sessions and mentoring activities was delivered over the next six months, focusing on:

- UBO: Work focused on building a national BO disclosure framework, scoping review, and IT Procurement methodology.
- LEA: three e-training courses on parallel investigations, proactive investigations and cash smuggling.
- Mentorship “ICRG” to reinforce the capacity of the national authorities to cooperate and coordinate their tasks with foreign technical assistance providers, and according to the FATF action plan.

The partnership culminated with the one-week scoping mission conducted by the GF's team on 8–13 October. This provided the opportunity to discuss with the national competent authorities and other partners, including the EU Delegation, French, German, US and UK embassies, as well as Transparency International.

### What are the perspectives?

- To consolidate the partnership with the national competent authorities and foreign technical assistance providers
- Following the discussions held to consolidate the technical assistance programme on IO5, IO7 and IO1 through training/mentoring sessions, workshops, conferences

The EU GF is already planning its next visit to Panama on 8 – 9 November 2021.

**4**  
weekly e-training  
**75**  
participants





# The United Arab Emirates

## Correspondent Banking: pilot workshop for the Central Bank

**O**n 29-30 September 2021, the Global Facility held a pilot workshop on Correspondent Banking (CoBa), following a request from the Central Bank of the UAE.

Held under a pilot format, the event witnessed the attendance of 25 participants from prestigious public and private sectors entities, including SWIFT, the European Commission and the European Bank Authority, among others.

The webinar, titled 'Best practices in correspondent banking relationships – From operational to supervisory and enforcement approach', aimed at facilitating best practices and use of available tools between the Central Bank of the UAE and different stakeholders involved in the financial investigation and penal chain.

Participants included a broad range of actors from the banking industry, supervisory authorities, enforcement authorities and international organisations. Speakers included representatives from the Deutsche Bundesbank, the European Banking Authority, the European Commission, the UAE Central Bank and Egypt's Financial Intelligence Unit, among others.

The e-workshop was composed of two half days on:

- Chapter 1 – **Operational aspects of correspondent banking** where speakers described the payment process commonly used in correspondent banking. They presented some of the features and characteristics of the different messaging methods.

- Chapter 2 – **Compliance and enforcement of CoBa risks** focused on the elements to set out in order to provide clear guidance for supervisors to proceed with the work of designing or improving national supervisory practice on correspondent banking, and on enforcement investigation by the FIU.



Following the event, a consolidated Key Needs Assessment document was produced, gathering relevant input from all participants. It provided key suggestions and specific areas for improvement with regards to the work of the Central Bank of the UAE on CoBa.

Thank you to our speakers: Abigail Marshman – Acting Head AML/CFT Supervision Department at the UAE CB, Robert Schneider – Head of FCC experts for EMEA at SWIFT & Alaa Al Rousan – Senior Account Director at SWIFT; Patrick Kauk – Deputy Head of Group – Management of Foreign Accounts at Deutsche Bundesbank; Carolin Gardner – (Acting) Head of Unit (AML/CFT) at the European Banking Authority;

## Facts and Figures



# Long Read

## Tackling dirty money while supporting financial inclusion – an innovation in microfinance regulation



Since the early 2000s, the microfinance sector has grown dramatically from relative obscurity to being at the forefront of poverty alleviation and a part of developing world finance. During the same period, however, mounting concern about the threat of money laundering and terrorist financing (ML/TF) led to a general tightening of rules and compliance.

To date, for fear of undermining its social purpose, regulation of microfinance has been light touch and sometimes non-existent. To support the evolving nature and potential of this important sector, the Global Facility on Anti-Money Laundering and Counter-Terrorist Financing has been piloting a novel regulatory solution to close gaps and build compliance while supporting financial inclusion.

### Microfinance: a 'real business'

Microfinancing as a system of small-time lending to support low-income people and informal businesses – especially useful for those without collateral or access to bank loans – has grown to become a market of 2.5 to 3 billion customers in at least 168 countries, and growing. Even early on in that growth, back in 2005, the then UN Secretary General emphasised that microfinance is “not charity. In some cases, it might have started out as philanthropy. But today it is a real business.”

Yet, it is business with a singular, social purpose. Back then, analysts writing in an International

Monetary Fund publication, already noted that it brought gains in “income stability and growth, school attendance, nutrition, and health”, and the empowerment of women, who make-up 80% of borrowers around the world nowadays.

For a long-time, microfinancing has been off the regulatory radar because of the relatively small scale of the sector in comparison to global banking or even international money transfers. One recent estimate has put global microfinance to be worth \$124 billion, almost double in size compared to ten years previously, yet still dwarfed by the \$500 billion transferred in remittances globally. Though the amount of individual loans can vary and in some jurisdictions are rising, generally they fall well below the threshold set in the 1990s of \$/€ 10,000 for reporting to regulators and are therefore seen to be lower risk.

In a study of microfinance in Vietnam, one of the world's top three microfinance markets, the average

“ Microfinance is not charity. [...] Today it is a real business.”

loan was found to be just \$200. The study, which assessed the national sector for AML/CFT risk compliance, noted that familiarity between group members meant opportunities for criminal infiltration was low, a finding reflected in the absence of reported cases of laundering over the two-year study period. The assessment documented how capital for Vietnamese microfinance came from three sources: contributions by members, donors including the Asian Development Bank and World Bank, and government budgets – leaving little room for criminal investors.

The results of such a comprehensive assessment enabled the sector to be treated with a lighter touch in terms of FATF recommendations. The use of “simplified measures” is allowed within the Task Force's recommendations “provided that lower risk has been identified, and this is consistent with the country's assessment of its money laundering and terrorist financing risks.”

### Victim of its success

On the capital side of the balance sheet, however, the risks of money laundering in some contexts may be changing. When investment in microfinance from communities becomes large-scale – and it turns into big business – there is the potential for risks to mount.

In India, home to the world's largest microfinance sector valued at \$1.785 billion and growing, regulation was tightened after the predatory tactics of profit-driven microfinanciers were exposed. Nevertheless, instances of fraud in the sector remain and the State Bank of India has recently urged the country's financial system as whole to raise the bar against anti-money laundering in anticipation of a FATF evaluation to be carried out this year.

Large scale fraud inevitably leads to money laundering and so regulation must catch-up. Around the world, most microfinance institutions are funded by international donors, multilateral banks or from amongst their local communities, possibly as a cooperative. However, since this limits the

ability of institutions to grow there is increasing interest in capital financing and equity investment. Major non-profit microfinance institutions in South and Central America have become profit-making enterprises, with one notable example floating on the stock exchange.

In this changing environment, countries are keen to close any potential loopholes in their financial sectors in order to maintain compliance with global standards. Non-compliance with Task Force recommendations and a resulting blacklisting potentially hits the whole national economy, not just the pockets of low-income borrowers.

Yet, there is considerable reluctance to regulate microfinance for fear of interfering in the sector's purpose. Regulation, it is thought, would add to costs borne by the borrower in the form of interest rates and thereby reduce inclusion.

Though documented cases of money laundering or terrorist financing through microfinance are rare, the shape of the sector is changing, opening it up to new risks. Some advocating for growing microfinancing further suggest that access can be increased through greater use of digital platforms, developing new products and working with new providers to reach more people.<sup>10</sup> In this context, overzealous regulation could lead to a worst case scenario of de-risking in the microfinance sector where individual customers, whole populations or financial institutions in the developing world are cut-off from access to finance altogether.

The threat is real; the executive director of the Muslim Charities Forum has noted it is near impossible to open a bank account for a charity in Somalia, Yemen or Syria. De-



## Continued ...

risking – which is about sidestepping the problem rather than managing the risk – undermines financial integrity as it potentially pushes money flows, including dirty cash, underground and even further from the watchful gaze of regulators.

### Is self regulation the solution?

The sector presents a uniquely fraught set of challenges to regulators. At first sight the paltry sums offered to borrowers would appear to offer little to scheming terrorists. However, a European Parliament report indicates that even the small funds provided through microfinance can be useful to terrorists associated with the Islamic State.

Yet, financial innovations, such as microfinance, are often most prevalent, and most sought after, in those geographic areas of the world that are classified as higher risk. And it is often the case that in those contexts Know Your Customer checks are informal as official identification is weak or absent. Community verification offers a pragmatic alternative but hardly matches up to formal legal standards of compliance. And the sort of record-keeping of transactions usually required by supervisors presents a burden that would likely drown a small microfinance association.

The difficulty of legal regulation in this sector is acute and is reflected in the small number of countries to have enacted primary legislation – or even secondary rules and resolutions – for microfinance. Even where there are laws they are often rarely enforced as countries prioritise attention on higher risk financial sectors. Even where there are laws, they are often rarely enforced as countries prioritise attention on higher risk financial sectors.

Such a legal grey area does little to put the sector

on a firm footing for future growth. So, what can be done to strengthen inclusion, while reducing vulnerability to dirty money?

Self regulation has been used to mitigate money laundering and terrorist financing risks in many sectors and professions, and staved off the costly burden of mandatory supervision. Industry associations and national authorities can help by providing the expertise and training needed to strength compliance. Technical certification of anti-money laundering and countering terrorist financing within the private sector has been a central plank of establishing norms across sectors and building compliance.

The Global Facility has been exploring how microfinance institutions

can take advantage of a certification process as a way of complementing government supervision. Earlier this year, Enda Tamweel, a major Tunisian micro-finance institution with 400,000 borrowers, was the first microfinance institution in Africa and the Arab world to voluntarily undertake an assessment and be certified for AML/CFT compliance. Certification was carried out by industry experts and awarded against the international Anti-Money Laundering 30000 standard. It allowed risks within the Enda Tamweel's operations to be properly assessed – and mitigated if required – and ultimately reduced.

Crucially, it does not replace or override legal supervision by national government. Rather, it allows community-led processes of customer due diligence to be put onto paper, assessed, and officially endorsed. Such a pragmatic approach means that measures can be proportionate, and mitigate actual rather than perceived risks. The promising results of this pilot mean that over the coming year the Global Facility will be extending this innovation to jurisdictions around Africa and the Middle East.

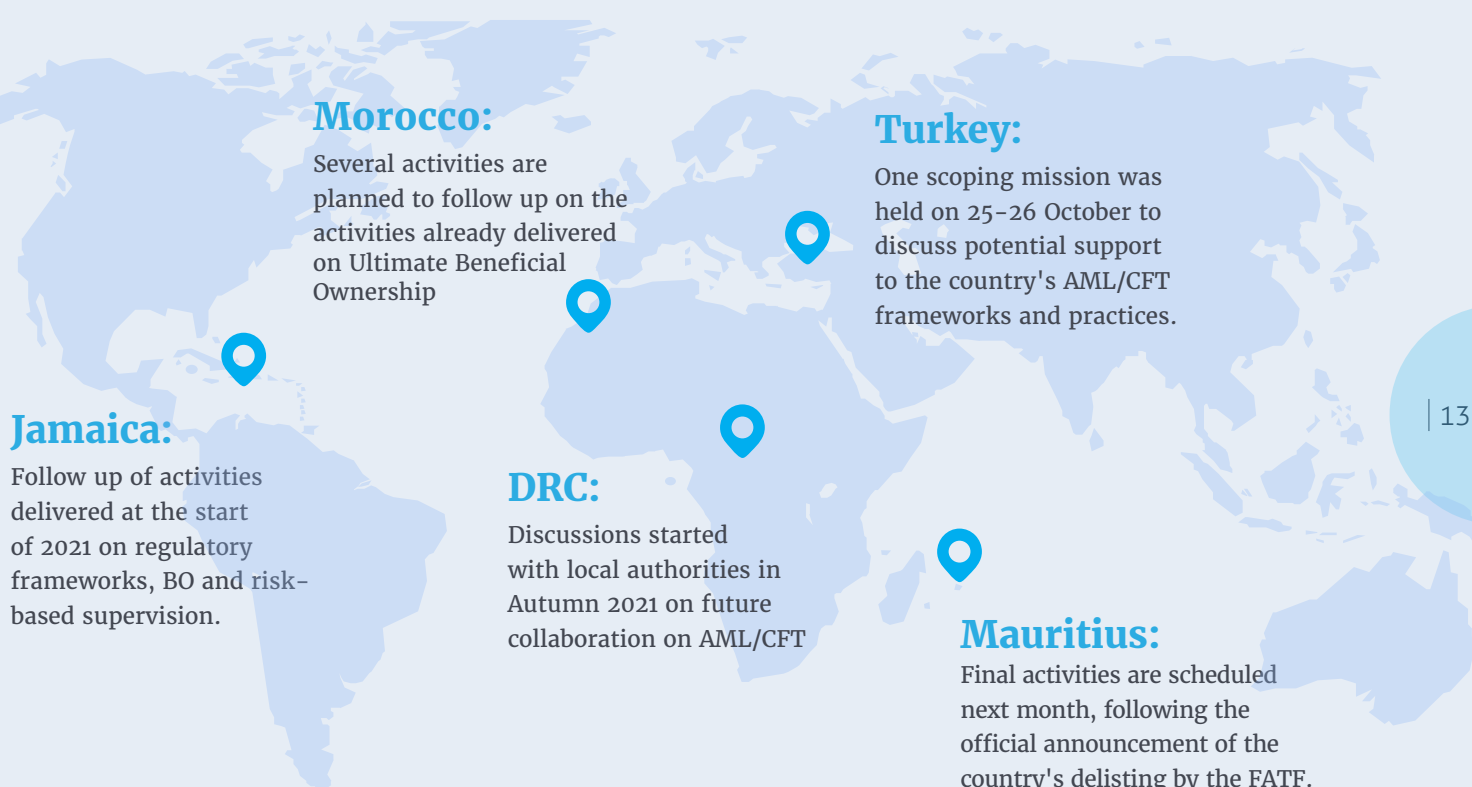




EU AML / CFT  
GLOBAL FACILITY

# At a Glance

Between August and October 2021, the EU GF-AML/CFT continued delivering technical assistance activities, expanding its geographical and thematic outreach. Here is a snippet of what is coming in the next few months:



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## Media

The EU GF signed a contract with the OIET - Observatorio Internacional de Estudios Sobre Terrorismo, to launch a series of activities aimed at investigating journalistic coverage of AML/CFT-related incidents in the MENA region.

## Custodial Intelligence

A series of four interlinked webinars on Multi-Agency Custodial Finance Investigations is slated for the coming period. This activity will focus on the exploitation of financial intelligence available during custodial detention processes.

## Illegal Mining

Also in the pipelines of the EU Global Facility is a pilot project on the links between of illegal mining and ML/FT. Preparatory work has begun in this fast developing area of AML/CFT.





THE EUROPEAN UNION'S GLOBAL FACILITY ON  
ANTI-MONEY LAUNDERING AND  
COUNTERING THE FINANCING OF TERRORISM

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