



Tunisia National Risk Assessment of Money Laundering and Terrorist Financing

Executive Summary

Tunisian Financial Analysis Committee

April - 2017

In the name of Allah, Most Gracious, Most Merciful



On behalf of the Minister of Justice and the Minister of Domestic affairs, I have the pleasure to convey to the Chief of Government the report on the National Money Laundering and Terrorism Financing Risks Self-Assessment in the Republic of Tunisia which was overseen by the Leadership Committee made up of the Tunisian Financial Analysis Committee, the Ministry of Justice and the Ministry of Domestic affairs that the ministerial meeting held on 18 June 2014 at the

Government headquarters entrusted it with, complying with the requirements of recommendation 1 of the Financial Action Task Force.

Opening this report with these important statements, I would like to express my thanks to all State executives, concerned parties and law enforcement authorities from the Security, the Customs, the banking and financial sectors, and designated non-financial businesses and professions and the self-regulatory authorities for their valuable contributions to the carrying out of this important research work and for attending study days devoted to presenting most important threats and vulnerabilities that enabled the identification, understanding and assessment of the risks of money laundering and terrorism financing in our country.

I also would like to express my thanks to the World Bank for providing us with tools and assistance to carry out this assessment.

This work reinforces once again the high level of commitment of the Tunisian State in combating crimes related to money laundering and terrorism financing and presents us with clear-cut challenges that we must face together at the national and sector related levels with the objective of reducing risks, thus contributing to the effectiveness and efficiency of countering money-laundering attempts and terrorism financing.

I am convinced that the Leadership Committee will see to the follow up of the Action Plan with all interlocutors with the support of relevant authorities till implementing the recommendations according to their achievement priorities to protect financial stability and national economy from all threats related to corruption crimes, smuggling, terrorism financing and laundering their revenues.

Tunis, 18 April 2017

Chedly AYARI

Governor of the Central Bank of Tunisia

President of the Tunisian Financial Analysis Committee



1. Introduction

Tunisia is focusing on the integrity of its financial system and the attractiveness of its investment climate laying the foundation of a national commitment to combat all money laundering and terrorism financing crimes which constituted in recent years a strategic option to prevent any criminal use of its financial sector.

This option required the establishment of a combating system that combines preventive and repressive measures producing its first effect with the enactment of Law No. 26 of 2015 dealing with combating terrorism and money-laundering.

The challenge has been pursued with launching the national money laundering and terrorism financing risks assessment in order to concentrate resources on a risk-based approach and reinforcing a participatory based coordination between public and private sector.

Since summer 2014, the National Risk Assessment has been carried out within the framework of an operational commission composed of the Tunisian Financial Analysis Committee and members of the Leadership Committee of the Commission and the Banking Supervisory department of the Central Bank, which worked concurrently with three specialized subcommittees, the first dealing with banking and financial institutions, the second with designated non-financial professions and the third was concerned with law enforcement authorities. All these committees worked under the supervision of the leadership committee composed of the Ministries of Justice and Domestic affairs and the Tunisian Financial Analysis Committee.

The assessment process took more than 30 months during which more than 160 surveys were distributed and thousands of financial, security, judicial and informational data and statistics were collected. The strategic analysis of money laundering and terrorism financing concerned more than 460 files, 2000 bank accounts and thousands of bank transactions from deposits, withdrawals and transfers exceeding what corresponds to ten billion dinars. The national assessment process



also involved more than 150 private and public sector entities. It required more than 500 executives –month of work and more than 16,000 Cash Transactions Reports.

The Leadership Committee praises the efforts made by Executives of banks, financial institutions, Security and Customs officers who worked in the framework of on- site studies or at the level of the surveys approach.

The Committee also appreciates the many research and academic studies that have been adopted within the framework of the national approach to the working out of the national assessment of the risks of money laundering and terrorism financing issued by the World Bank, international organizations and civil society. These include the World Bank's report on the evaluation of parallel trade, the study of the International Organization for Migration on Human Trafficking, the Tunisian Association of Public Observers on Small Corruption, the Elaf Organization Study on Associations in Tunisia, and the Tunisian Forum on Economic and Social Rights on Terrorism in Tunisia from judicial files reality.

The General Secretary of
The Tunisian Financial Analysis Committee
Lotfi HECHICHA



2. Executive Summary

This report highlights the national assessment of money laundering and terrorism financing risks in financial and other related sectors. Being the first of its kind in Tunisia, as it has been developed by all national intervening parties as well as the private sector in order to identify, understand and evaluate the risks of money laundering and the financing of terrorism that our country is facing in order to provide a systematic basis for corrective measures to achieve and enhance the effectiveness of the national control system in the field.

In 2012, FATF¹ undertook the review of international standards by developing a new commitment for countries to identify, assess and understand the risks of money laundering and terrorism financing.

Our country is committed to implementing the FATF recommendations, which have been ratified by more than 180 countries as international standards to combat money laundering, terrorism financing and prevent the proliferation of weapons of mass destruction.

The aim of this review is to strengthen the States' commitments to high-risk situations and to allow them to adopt a more focused approach to areas that remain high-risk or those where standards can still be improved.

In this context, the FATF first recommendation states that "Countries should identify, assess, and understand the money laundering and terrorist financing risks for the country, and should take action, including designating an authority or mechanism to coordinate actions to assess risks, and apply resources, aimed at ensuring the risks are mitigated effectively. "

The risk-based approach, within the framework of the FATF requirements, allows for a set of flexible measures to guide resources more effectively and to apply preventive measures that are commensurate with the nature of risks, with a view to focusing their efforts in the most effective way.

In compliance with FATF Recommendation 1 and the time-bound calendar for the AML / CFT assessment, the Tunisian Financial Analysis Committee conveyed to State decision makers Tunisia's international commitments. Thus, the Government

¹ The FATF is an intergovernmental body in charge of considering techniques and trends in money laundering and financing of terrorism, and working out and developing anti-money laundering and terrorist financing policies locally and internationally. Since its establishment in Paris in 1989, the Group has focused its efforts on the adoption and implementation of measures to counter the exploitation of the financial system by criminals. It monitors the progress made by Member States in implementing the necessary measures and works very closely with eight regional organizations in the same format as the Financial Action Task Force, examines the methods of money-laundering and terrorism financing and the required measures to combat these phenomena, encourages the adoption and implementation of appropriate measures at the global level, and cooperates with International organizations in combating money-laundering and terrorism financing.



decided in its ministerial meeting², on 18 June 2014, to form a leadership committee made up of the Ministries of Justice, Domestic affairs and the Tunisian Financial Analysis Committee to oversee the working out of the national assessment risk.

Our vision is that the risk assessment process is an urgent national requirement before it is a condition or a rating granted to Tunisia in terms of its compliance with relevant international standards related to what enables policy makers in the country to develop a clear and comprehensive national risk plan by adopting corrective measures in the short and medium term that may require the implementation of urgent measures to address confirmed threats.

A panel of experts from the Tunisian Financial Analysis Committee worked out this report in accordance with a systematic plan formulated since 2014 by the Leadership Committee, which will continue to monitor the implementation of the procedures and recommendations based on the list of identified risks.

In this context, the Steering Committee is particularly responsible for the ongoing assessment of the risks of money laundering and terrorism financing in Tunisia and, where appropriate, to propose the necessary measures to combat money-laundering and the financing of terrorism.

Pursuant to the provisions of Article 68 of the Basic Law No. 26 of 2015, the National Counter-Terrorism Committee, headed by the Government, will subsequently join the leadership team after it has been entrusted with the task of "preparing a national study identifying the phenomenon of terrorism and its financing and the criminal phenomena associated with it, to identify its characteristics and causes. The study identifies national priorities in addressing this phenomenon, with the aim of updating it whenever necessary"

This report presents the general context and geopolitical variables that have an impact on the national assessment risk process as a structure and weight of the economic and financial sector as well as the importance of the Tunisian financial center.

It also highlights the policy, legal and institutional framework of the Tunisian Anti-Money Laundering and Terrorism Financing System and the role of authorities and regulatory and law enforcement bodies in the fight against money laundering and terrorism financing.

The overall context of the evaluation process has shown that Tunisia has a coherent legal and institutional arsenal to combat money-laundering and terrorism financing which has been strengthened in particular with the promulgation of the new Basic Law No. 26 of 2015 on combating terrorism and preventing money-laundering.

² A ministerial session was set up to prepare for the assessment process of the National Anti-Money Laundering and Terrorism Financing System launched by the World Bank during the fourth quarter of 2014 as a preliminary stage of the field visit that took place during February 2015.



It is noteworthy that this law which is important in improving Tunisia's compliance with international standards has not been taken into account in the evaluation process of the AML/CFT national system because it was not issued during the World Bank onsite visit conducted on February 2015, which negatively affected the system³ rating, which was subject to the enhanced follow-up process after discussing the Mutual Evaluation Report in April 2016, in Doha, at the MENA FATF⁴ Plenary meeting. The following figures are given below:

2.1. At the level of technical compliance⁵ with international standards (FATF 40 recommendations)

Number of recommendations	Degree
(7-16-25-26-34)	Non-compliant in five recommendations
(1-2-6-10-12-15-17-18-19-22-23-24-28-31-33-36-38)	Partially compliant in seventeen recommendations
(4- 8- 13- 14-27-29-32- 35 – 40)	Largely compliant in nine recommendations
(3-5-9-11-20-21-30-37-39)	Compliant in nine recommendations

³ See the report on the assessment of the Tunisian Anti-Money Laundering and Terrorism Financing System published in English on the official website of the FATF: www.fatf-gafi.org and in French on the official website of the MENAFATF: www.menafatf.org and the official website of the Tunisian Financial Analysis Committee: www.ctaf.gov.tn.

⁴ On 30 November 2004, following a ministerial meeting in Manama, Kingdom of Bahrain, that gathered the governments of 14 Arab countries and decided the establishment of the financial action group in the Middle East and North Africa MENAFATF Working Group on Money Laundering and the Financing of Terrorism which operates like the FATF , And it was agreed that the country of residence shall be the Kingdom of Bahrain. The Group shall be voluntary and cooperative in nature independent of any other body or international organization, established by agreement between the Governments of its members and not established by an international treaty. It shall define its work, regulations, rules and procedures. It cooperates with other international bodies, especially Financial Action Task Force to achieve its objectives. The MENAFATF joined as an associate member to the "FATF", similar to other regional organizations.

⁵ The assessment of the technical compliance addresses the specific requirements of the FATF recommendations, particularly as they relate to the respective legal and institutional framework of each State, as well as the powers and procedures of the competent authorities. These requirements are the cornerstones of any AML / CFT system.



2.2. At the level of effectiveness⁶

Immediate outcome	Effectiveness ratings
six immediate outcomes	low level of effectiveness
five immediate outcomes	medium level of effectiveness

In the context of comprehensive national assessment risk of money laundering and terrorism financing, this report makes a diagnosis referring to the approach of combining quantity and quality methods in compliance with World Bank tool, of the threats and vulnerabilities of Tunisia financial sector as banks and stock market intermediaries and insurance companies and micro financing sector as well as the main threats and weaknesses of specific non-financial professions such as lawyers, accountants, goldsmiths and precious metals except for casinos, which are not particularly important in terms of financial activity and number (just two casinos with very poor turnover).

Regarding the main threats to the financial and non-financial professions identified in Tunisia, the report identified a specific category:

- Of the predicate offenses of money laundering and the financing of terrorism, such as corruption, rip off, smuggling and tax evasion with growing cyber- crimes such as piracy of financial accounts and bank cards abroad.
- Traditional and innovative tools and incubators for money laundering and terrorism financing, such as cash, non-profit organizations, international trade companies, the real estate sector, besides electronic payment transactions, modern technologies and intermediaries.
- Countries with highly risks threatening (countries have been mentioned in the classified copy).

On the other hand, despite the existence of a coherent arsenal of legal and regulatory texts, a list of weaknesses has been identified, including substantive issues related to effectiveness. These are:

- Operators in several sectors understanding of risks of money laundering and terrorist financing.
- Effectiveness of control procedures and practices.
- Implementation of administrative sanctions by regulatory bodies and readjustment structures.

⁶ The effectiveness evaluation is fundamentally different from the assessment of the technical compliance. It seeks to assess the adequacy of the implementation of FATF recommendations and to determine to what extent a country achieves a specific set of outcomes that are essential to any robust AML / CFT regime. Therefore, effectiveness evaluation focuses on the extent to which the legal and institutional framework achieves its expected results.



- The level of STR activity from DNFBPs (lawyers, accountants ...).
- National coordination level between some parties of the system.
- Analytical capabilities of law enforcement agencies in aspects related to financial crimes.
- Absence of a specific regulatory body for some sectors and financial institutions such as the Tunisian Post office, real estate property developers and jewelers. The inability of some supervisory and security structures to develop effective combating programs and, in turn, to rely on easy options that would be best disposed of in the pursuit of prohibiting and preventing.
- Absence of a control strategy for risk analysis for the weakness of analytical function of statistical data.
- Statistical data for law enforcement agencies and for regulatory or adjustment structures
- Human resources in various structures concerned with combating.

In addition to what has been mentioned, it has been noticed a slowdown in the issue of some statutory texts to activate the provisions of the relevant legislative texts in the field of AML / CFT. The tables below provide a brief overview of the overall national risk matrix in money laundering which has reflected on the whole relatively high level of risk.

Overall national risk matrix in money laundering

					High	Threats
		National risks			Relatively high	
					Fair	
					Relatively low	
					Low	
High	Relatively high	Fair	Relatively low	Low		

Vulnerabilities

Vulnerabilities are detailed below according to the following breakdown pursuant to national assessment adopted approach in this report:



Sector risks related to reporting entities

Sectors	Threats	Vulnerabilities	Risks level
Banks	Relatively high	Medium	Relatively high
Insurance sector	Relatively low	Medium	Medium
Micro financing sector	Relatively low	Medium	Medium
Stock market sector	Relatively high	Medium	Relatively high
Jewelry profession	High	High	High
Lawyers sector	Medium	Relatively high	Relatively high
Chartered accountants profession	Medium	Medium	Medium
Real Estate sector	High	High	High

Matrix Of Sector Risks Related to Reporting Entities

Gold Sector					High Relatively high Fair Relatively low Low
Real Estate sector					
	Banking sector	Stock Market Sector			
	Lawyers Profession	Chartered accountant			
Electronic payment transactions, technologies and intermediaries	Micro Finance	Insurance Sector			
High	Relatively high	Fair	Relatively low	Low	



Money laundering and Terrorism financing Risks related to traditional and modern tools and Incubators

Tools & Incubators	Threats	Vulnerabilities	Risks Level
Cash	High	Relatively High	High
Association	Relatively High	High	High
International trade companies	Medium	High	Relatively High
Electronic payments transaction	High	Relatively High	Medium

Matrix of risks related to traditional and model incubators and tools to money laundering and terrorism financing

	Cash				High	Threats
Associations					Relatively high	
Internationnal trade companies					Fair	
Electronic payment transactions, technologies and intermediaries					Relatively low	
					Low	
	High	Relatively high	Fair	Relatively low	Low	Vulnerabilities



Risks Related To Terrorism Financing

	Identifying risks	Risk level
Threats	<p>They concerned mainly the scrutiny of the suspicious financial flows according to its origin, destination besides its source and size without considering the scope of its legitimacy as mentioned in some methods and tools used in transporting these amounts of money.</p> <p>The Subcommittee arising from the leadership committee agreed that Tunisia faced high level risks with respect to the matter of terrorism and its financing in light of geostrategic changes of the area characterized by growing armed conflict and the division of the State in Libya besides threats tied to the return of Tunisian terrorist fighters from conflict territories. These threats pace is in regress.</p>	High
Vulnerabilities	<p>Six important points have been considered, among them some vulnerabilities in legislative aspects regarding the setting up of associations in light of exploiting several of them in terrorism besides growing number of structures in charge of terrorism and its financing which reduces the efficiency of national coordination between them. It has been pointed out the lack of STR on TF besides limited human and material resources of most structures in charge of combating terrorism in light of growing threat of geostrategic changes in the region.</p> <p>The subcommittee arising from the leadership committee agreed that Tunisia suffers from relatively high vulnerabilities with respect to terrorism financing.</p>	Relatively High



Matrix Of Terrorism Financing Risks

	Terrorism Financing				Threats	
						High
						Relatively high
						Fair
						Relatively low
					Low	
High	Relatively high	Fair	Relatively low	Low		
Vulnerabilities						

All threats and weaknesses that had been identified and grasped were presented to all concerned parties in the framework of two study days with the presence of a representative of the World Bank and under the supervision of the Governor of the Central Bank of Tunisia, the Chairman of the Tunisian Financial Analysis Committee, and a Counselor representing the Minister of Justice confirming the high level of political commitment to the implementation of international standards and the relevant UN resolutions tied to money laundering and terrorism financing.

These two days events were attended by more than 40 high-level executives namely judges and senior officers from the Ministries of Justice, Domestic affairs and Finance, the General Directorate of Customs the Security Pole for Combating Terrorism and Organized Crime, the Intelligence and Security Agency for Defense and higher executives from the Ministry of Communication and Digital Economy, The monitoring and regulatory structures represented by the Central Bank of Tunisia, the Capital Market Authority, the General Authority for Insurance, the Microfinance Supervision Authority, the Commission of Accountants of the Republic of Tunisia, the General Directorate of Political Parties and the Associations reporting to the Head of Government and the Tunisian Professional Association of Banks and Financial Institutions.

On the second day and in the framework of workshops, participants set up a work program that sets out immediate and medium-term action to be conveyed to decision-makers to illustrate them in policies and reports to reduce the risks of money laundering and terrorism financing. Section 8 of this report summarizes all the corrective actions agreed upon at the national level and sets out the schedule for their proper implementation consistent with the level of risk.



In the same context, the Leadership Committee considers that the essence of the effectiveness criterion pursuant to the first recommendation of the FATF relies on the reaction, the positive reflection of the risk identification process on the timely formulation of the decision either during the carrying out of the risk national assessment or after its completion. We present hereafter a set of Laws, procedures and measures taken nationally and which include the following levels:

2.3. At the legislative level

- The new law dealing with combating terrorism and preventing money-laundering, Law No. 26 of 7 August 2015, was enacted.
- Basic Law No. 77 of 6/12/2016 has been enacted dealing with the economic and financial judicial court which was established at the Court of Appeal of Tunis and is in charge of investigation, pursuit and ruling on complex economic and financial crimes.
- The Basic Law No. 26 of 7/8/2015 on combating terrorism and preventing money laundering has introduced a new system to activate Security Council resolutions concerning targeted financial sanctions and the follow up of their implementation by entrusting the National Committee combating terrorism created pursuant to provision 66 “with the follow up, assessment of implementing decisions of UN specialized structures concerned with combating terrorism in the framework of Tunisia meeting its international commitments.
- Law no. 10 of 7 March 2017 concerning the reporting on corruption and the protection of whistleblowers.
- Under the Finance Act No. 54 of 2014 of 19 August 2014, penal measures have been enacted to regulate the ceiling of liquid cash circulation at the national level in the amount of 5000 dinars (equivalent to 2000 US dollars) to counter parallel trade and smuggling.
- Under the Finance Law No. 59 of 2014 of 26 December 2014, measures have been enacted to rationalize cash payments to public accountants by charging a 1% interest rate for the State Treasury for each amount paid in cash to public accountants exceeding 5000 dinars (equivalent to USD 2000).

2.4. At the strategic level

- Adopting the National Strategy for Combating Terrorism and Extremism by the National Security Council in October 2016.
- The National Strategy for Good Governance and Anti-Corruption by the National Anti-Corruption Commission has been issued in December 2016.



2.5. At the level of preventive measures

Most important regulatory bodies issued new regulatory texts pursuant to the Basic Law No. 26 of 7/8/2015 outlining the necessity to adopt the risk-based approach and clarified the due diligence measures carried out by those who are subject to it.

Among these important texts, there are:

- Regulating the Capital Market Authority approved by the Minister of Finance on 19/01/2017 and published in the Official gazette of the Republic of Tunisia No. 9 of 31/01/2017.
- Decision No. 1 of 13 July 2016 dealing with defining rules of good governance in insurance institutions and reinsurance institutions issued by the General Authority for Insurance.
- The General Insurance Regulatory Authority No. 2 of 29/12/2016 (substituting decision No. 1 issued in 2012) regarding the duties of insurance companies in the field of AML / CFT.
- Memorandum of the Microfinance Supervision Authority No. 13 of 15 March 2017 dealing with the regulation of due diligence programs and measures to prevent money laundering and combating the financing of terrorism.

2.6. At the level of clarification of legislation and dissemination of guidelines

The Tunisian Financial Analysis Committee issued the following decisions:

- Decision No. 01 of 2017 of 2 March, 2017 concerning the guidelines for the reporting on transactions and suspicious transactions.
- Resolution No. 02 of 2017 of 2 March, 2017 concerning the guidelines for the monitoring of suspicious transactions and reporting on transactions regarding financial professions.
- Decision No. 03 of 2017 of 02 March 2017 concerning actual beneficiaries.

These guidelines are addressed to all individuals subject to the provisions of Chapter 107 of Basic Law No. 26 of 7/8/2015. These principles include a definition of the true beneficiary and the obligations to verify and identify the real beneficiary. The guidelines also addressed legal arrangements and real beneficiaries, in particular foreign legal arrangements that may tie working relations with Tunisian financial institutions or specific non-financial professions.

