




Interview with Michael Matossian on the MENA Financial Crime Compliance Group

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in this Interview Michael Matossian, the founder and deputy chair of the MENA Financial Crime Compliance Group (MENA FCCG), sat down with Financial Crime News to discuss, amongst other things, why the MENA FCCG was established, what its been doing and what its priorities are.

FCN: As Founder and Deputy Chair of the MENA Financial Crime Compliance Group (MENA FCCG), how did the Group get started?

MM: The MENA FCCG is an industry-driven, voluntary initiative, currently consisting of 13 leading financial institutions from nine MENA countries. It seeks to bring collective action in the fight against money laundering and terrorist finance in the region. Both the Union of Arab Banks (UAB) and Refinitiv are strategic partners with UAB's Secretary General, Mr. Wissam Fattouh acting as the Chairman.

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|--------------|---|---|
| Bahrain |  | <ul style="list-style-type: none">• Al Baraka Banking Group• Bank ABC |
| Egypt |  | <ul style="list-style-type: none">• National Bank of Egypt |
| Jordan |  | <ul style="list-style-type: none">• Arab Bank |
| Saudi Arabia |  | <ul style="list-style-type: none">• Samba Financial Group |
| Kuwait |  | <ul style="list-style-type: none">• Boubyan Bank• National Bank of Kuwait |
| Lebanon |  | <ul style="list-style-type: none">• Bank Audi |
| Oman |  | <ul style="list-style-type: none">• Bank Muscat |
| UAE |  | <ul style="list-style-type: none">• Abu Dhabi Commercial Bank• Emirates National Bank of Dubai (ENBD)• Mashreq Bank |
| Qatar |  | <ul style="list-style-type: none">• Qatar National Bank |

The idea of forming a dedicated MENA AML/CTF working group was first raised during the Public Private Sector Dialogue (PSD) meeting in New York in 2015.

The suggestion was applauded by UAB and was followed by a series of discussions where we agreed on the initial Financial Institutions that were contacted to form the Founding Members of the MENA FCCG as well as key governing documents and the assignment of

roles and responsibilities to ensure group efficiency. The Group was officially launched in September 2016 with the inaugural meeting taking place in Bahrain.

FCN: What are the main things MENA FCCG aims to deliver to the community?

MM: The Group's overarching mission is to bring collective action in the fight against financial crime. In fulfilling this mission, the Group's endeavors are three-dimensional.

- Enhancing public private sector dialogue. For many years, rhetoric has focused on the need for collective actions, open dialogue, and public private partnership. However, recent events including increased expectations of banks to fulfil global policy agendas and the criminal exploitation of a borderless world have changed the perception and the reality mandating an urgency in driving meaningful change in this area; which MENA FCCG is championing. Looking through the global lens, the past couple of years have witnessed a remarkable surge in public-private partnerships for better disruption of financial crime including in Australia, Singapore, Hong Kong, and Canada. MENA FCCG seeks to create a step-change in this area while targeting the unique features of the MENA region.
- Providing technical assistance to banks in MENA developing countries. Recent developments have increased the risk levels and banks' responsibilities worldwide including in the MENA region rendering law-compliant AML/CTF programs and a tick-box approach absolute. The Group aims to assist smaller banks in navigating the complex regulatory landscape, adapting to the climate, and bolstering their combating financial crime programs including through training and enhanced awareness. The Group has already embarked on various financial crime awareness initiatives including publication of white papers and arranging for free training webinars for MENA compliance professionals in collaboration with Refinitiv.
- Helping alleviate the consequences of de-risking. While de-risking had echoes across the globe, Correspondent Banking has been hit particularly hard with worrying ramifications for global trade and connectivity in impacted regions among which is MENA. The Group efforts would help address the AML/CTF risk perception associated with the jurisdiction and raising global correspondent banks assurance by demonstrating MENA banks are serious about tackling financial crime. Since its inception, MENA FCCG has actively engaged with global correspondent banks, including through the Wolfsberg Group and MENA FCCG's Financial Crime Forum (which took place in Dubai 2018) to increase collaboration and build trusting relationships.

FCN: Clearly, the Group purpose and structure is comparable to that of Wolfsberg. You have also mentioned some type of collaboration; Can you elaborate further in this regard?

MM: Indeed, MENA FCCG aims to achieve similar overarching objective while targeting the uniqueness of the MENA region. Early on, the Wolfsberg Group has gladly welcomed working closely with MENA FCCG and igniting efforts for better financial crime detection.

Key supporters include Hans-Peter Bauer, Wolfsberg's first Chairman and current Senior Advisor, John Cusack, Co-Chair of the Wolfsberg Group and Tracy Paradise, the Executive Secretary. We continue to be very pleased with the support we get from the Wolfsberg Group. We conducted our first meeting with the Wolfsberg Group in December 2017 while in April 2019, we conducted a workshop with Wolfsberg Group on the revised Wolfsberg Correspondent Banking Due Diligence Questionnaire (CBDDQ). The workshop aimed to equip MENA FCCG members with enhanced knowledge of the revised CBDDQ to be conveyed to MENA banks via targeted awareness initiatives. Indeed, the Group is planning for workshops at the member country level in collaboration with the local association of banks to deliver the enhanced knowledge we have attained to the wider banking community.



FCN: It has been almost three years since MENA FCCG was first inception. What key actions has MENA FCCG undertaken to date to deliver on its mission?

MENA FCCG is committed to making a difference in the region. Key accomplishments to date include:

- Undertaking efforts for enhancing awareness across the MENA region (three complimentary webinars and six white papers).
- Conducted the MENA FCCG Regional Compliance Forum in Dubai in 2018 gathering industry experts from 12 countries and 55 institutions. The forum was attended by global banks including Deutsche Bank, Standard Chartered, Wells Fargo, JP Morgan, and HSBC.
- Collaborated with key governing and regulatory bodies (including MENA regulators, MENA FATF, UN, and IIF).
- Joined the WEF/Europol/Refinitiv Coalition on Fighting Financial Crime.
- Weaved strong relations with the Wolfsberg Group and global financial institutions.
- Participated in key events including EU-MENA Private Sector Dialogue (PSD) on Corresponding Banking, AML and CTF in Brussels (2018), U.S. Department of Justice conference “Investigating and Prosecuting Counter Terrorist Financing in Morocco (2018), DFSA Annual Outreach Forum in Dubai (2018), and OECD Seminar “Public and Private Sectors’ Alliances in the Fight against Corruption in MENA and GCC Countries” in Kuwait (2019).

FCN: What are the key areas dominating the Group’s agenda for 2019/20?

MM: The Group is embarking on enhanced training and awareness initiatives tackling thorny issues for MENA banks including trade-based money laundering and cyber threats. The Group is also planning to enhance collaboration with key regional and international bodies including the UN, AMF, and MENA FATF and is contemplating holding an FIUs workshop for better alignment of expectations and interests.

FCN: What are the focus risk areas in the MENA region?

MM: Sanctions compliance continues to be a key risk area for MENA banks. Banks worldwide need to ensure they do not unwittingly process a transaction involving a sanctionable element.

Another key risk area is anti-corruption and bribery. There has been significant growth in Anti-Bribery and Corruption (ABC) regulations across the region during the past few years. Further, Wolfsberg's enhanced CBDDQ has incorporated a whole new section aiming to assess respondent banks' ABC programs. This has raised the bar for MENA banks to implement an enterprise wide program that sets minimum ABC standards to avoid being perceived as high risk.

Last but not least, a risk area for Countries, is successfully passing the FATF Country evaluation under the enhanced methodology focusing on technical compliance and effectiveness. Concerns around being potentially designated as a jurisdiction with AML/CTF deficiencies is cascading into increased pressure on banks to ensure their combating financial crime programs are effectively tackling illicit actors. Regulators are mandating enterprise wide financial crime risk assessments that effectively identify risk factors across various dimensions (i.e. jurisdiction, product, and customer) and assessing the effectiveness of applicable controls providing clarity on whether residual risks are within the acceptable range. On the other hand, there is an increased expectation even on smaller banks to upgrade their AML/CTF systems.

Recent technological advancements present opportunities and risks that need to be effectively mitigated. Unfortunately, at times, regulatory guidance continues to be lacking.

FCN: What in your opinion is the recipe for an effective and agile combating financial crime program?

MM: In my opinion, the key ingredient is a culture of compliance and accountability including line of business effective ownership of risks allowing compliance to focus on bread and butter issues.

While everyone would agree Line of Business ownership of compliance is critical for effectiveness; it is easier said than done particularly at a time of business transformation giving rise to seemingly numerous priorities.

Addressing this challenge requires increased education, commitment, and cooperation to ensure risks are appropriately and effectively identified and mitigated.

FCN: Any closing thoughts?

MM: As we share the objective of preventing, detecting, and deterring illicit activity in an inter-connected and borderless world, working together is the best solution for better protecting the communities in which we operate. MENA FCCG will continue its efforts to make MENA a safer place to do business including through enhanced support to MENA developing countries for better alignment with international best practice across the region collectively.



Michael Matossian joined Arab Bank plc in November 2005 as EVP and Global Head of Group Regulatory Compliance. Mr. Matossian has more than 30 years of experience in regulatory risk management, anti-money laundering, and compliance. Mr. Matossian participates on several national and international task forces addressing governance, anti-money laundering, and compliance matters and is the Founding Member of the MENA Financial Crime Compliance Group (MENA FCCG), he is also currently MENA FCCG's Deputy Chair for a second two-year term.