

MENA FCCG celebrates five years of fighting financial crime in the Middle East

In recent years, criminals have increasingly exploited the globalisation of financial markets to further their illicit activities. Five years ago, the MENA Financial Crime Compliance Group (MENA FCCG) was created to drive collective action in the fight against money laundering and terrorist finance in the Middle East. The group currently consists of 13 leading financial institutions from nine MENA countries.

The idea of forming the group was first raised during the US-MENA Private-Sector Dialogue (PSD) meeting in New York in 2014. The suggestion was welcomed by Union of Arab Banks (UAB) and was followed by a series of discussions with financial institutions that were contacted to form the Founding Members. The group was officially launched in September 2016, with the inaugural meeting taking place in Bahrain.

To mark the 5th anniversary of that inaugural meeting, *Arab Banker* spoke to Michael Matossian, the Chief Compliance Officer at Arab Bank, who first planted the seeds for the Group's creation and is the current Deputy Chair.

ARAB BANKER: What was the purpose behind the creation of the MENA FCCG?

MICHAEL MATOSSIAN: Banks in the MENA region have made significant progress over the past decade in strengthening their processes, controls and expertise around anti-money laundering and combatting the financing of terrorism (AML/CFT), but recent geopolitical risks and regulatory developments have been raising the compliance standards for banks globally, including in the MENA region.

This highlights the importance of collective action and cross-border cooperation, and led us to set up a regional body that enables members to share best practices. Simply put, MENA FCCG aims to make MENA a safer place to do business by building increased capacity within banks, creating closer alignment with international leading practices and leveraging the benefits of public-private-sector collaboration.

The aim was also to ensure the global financial community can have greater confidence that financial institutions in the MENA region are addressing AML/CFT issues effectively. This in turn will reduce the likelihood of international banks downgrading their correspondent banking relationships in the region – something that was a major area of concern around the time we were preparing to launch the MENA FCCG.

“MENA FCCG is now extending its outreach to Arab financial institutions across Europe to engage and empower a wider range of compliance professionals working in Arab banks. The objective is to create a support network and to share best-practice tools to strengthen compliance governance, leading to enhanced relationships with international banking communities, including regulators.”

Wissam Fattouh

Chair MENA FCCG and Secretary General of the Union of Arab Banks

How is MENA FCCG structured?

Membership in the MENA FCCG is by invitation, based on a bank's ability to influence positive change in their country, the size of the institution, and other factors, and is limited to the member institutions' Chief Compliance Officer and/or Head of AML/Financial Crime or the Money Laundering Reporting Officer (MLRO). Potential new members initially join the group with an observer status for a period of six months, after which existing members vote on full membership. The group has an Advisory Committee that steers its strategy and deliverables, subject to consultation with members. The Secretary General of the Union of Arab Banks (UAB), Wissam Fattouh, is our Chairman. Both Refinitiv (previously Thompson Reuters) and UAB are Strategic Partners in the group, supplementing its strength. By way of example, in 2019, we released a Financial Crime Survey in collaboration with UAB to gain a better understanding of how MENA banks measure against global AML/CFT standards and to identify pain points in order to adjust our priorities accordingly. Likewise, we have utilised Refinitiv's platform to deliver complimentary webinars on critical AML/CFT topics.

A fundamental pillar of our work is outreach to banks across the region and offering a helping hand in the fight against financial crime. We believe that 'open source' collaboration is vital to build expertise across the MENA banking community. Adding material on our website, including compliance toolkits, is a vital part of our work, and we are particularly pleased to have so much material in Arabic.

L-R: Michael Matossian, Wissam Fattouh, Secretary General, Union of Arab Banks, Adel al-Quleish, Previous Executive Secretary, MENA-FATF.



What partner organisations does the MENA FCCG work with, both globally and within MENA?

We work with a wide variety of global bodies, spanning both the public sector and the private sector. We work with the Wolfsberg Group, the Global Coalition to Fight Financial Crime, the Institute of International Finance, the Arab Monetary Fund and others. We also work closely with MENA FATF, the regional associate of the Paris-based Financial Action Task Force. For example, in 2017 we provided a memo to MENA FATF on actions that could result in a more effective CFT regime across the MENA region.

I'm pleased that over the past five years we've established the MENA FCCG as an interlocutor on AML/CFT matters relating to MENA banks. For example, we participate in the US-MENA Private-Sector Dialogue meetings. We have also taken part in OECD's 'Public and Private Sectors' Alliances in the fight against corruption in MENA and GCC countries, and the European Union-MENA Private-Sector Dialogue on Correspondent Banking, AML, and CFT.

We've also provided our opinion on the regional cross-border payment system led by the Arab Monetary Fund. This system, known as BUNA, is aiming to create inter-country clearing for regional currencies, including the US dollar and the Euro, and we're providing guidance to MENA-based banks on risk and regulatory matters to ensure compliance with international leading practices, including as they relate to sanctions.

We also have alliances with some private-sector entities such as K2 Integrity and the Association of Certified Money Laundering Specialists.

What relationship do you have with financial regulators in the MENA?

We always try to involve financial regulators in our events and our discussions. For example, when we held our plenary

"MENA FCCG not only plays a crucial role in enhancing financial crime literacy in the region, it's also a key partner for the Global Coalition to Fight Financial Crime, with its MENA chapter bringing together senior policy makers with unprecedented expertise and innovative solutions."

Che Sidanius

Global Head of Financial Crime & Industry Affairs, Refinitiv

meeting in Amman in the spring of 2019 (the last face-to-face plenary before the Covid pandemic), we invited the former Head of the Jordanian Anti-Money Laundering and Counter-Terrorist Financing Unit to brief us on their latest initiatives.

We position ourselves as a leading advisor in the MENA region on how best to comply with regulations that combat financial crime, while also providing commentary and feedback on global regulations affecting the region. Looking forward, establishing minimum operating standards for MENA banks is among the group's objectives.

Do you think the AML/CFT agenda is different in MENA from other regions, such as Asia or Western Europe?

Although there are some areas where the MENA agenda is different, such as increased use of cash in financial transactions, the more important point is that financial crime is cross-border and therefore we have to combine our experiences and work together, focussing on the common challenges that we face.

Sanctions compliance is a key area of risk for MENA banks and for others who're doing business in the region. There has also been an increase in anti-bribery and corruption (ABC) regulations in the region. In addition, the Wolfsberg Group's Correspondent Bank Due Diligence Questionnaire (CBDDQ) added a new section on ABC. It's

“It was obvious that MENA FCCG was going to be a crucial partner for the MENA Chapter of the GCFCC. By creating our special alliance, we’ve paired our abilities and integrated our resources to maximum effect in the fight against financial crime in the MENA region.”

Ibtissem Lassoued

Chair, MENA Chapter, Global Coalition to Fight Financial Crime

evident that combatting bribery and corruption has become a far more significant element in MENA banks’ compliance programmes than they were a few years ago.

Another significant risk for MENA countries is that of not passing the FATF mutual evaluations under its enhanced methodology that focusses on technical compliance and effectiveness. Concerns about being designated as a jurisdiction with AML/CFT deficiencies are leading to increased pressure on banks to ensure that financial crime programmes are effective in tackling illicit actors.

I’d also note that some regulators in the region are now mandating enterprise-wide financial crime risk self-assessments that effectively require banks to identify risk factors across different dimensions such as the jurisdiction, the financial product/service/delivery channel and the customer.

Putting all that together, I think the AML/CFT agenda in MENA has become much more stringent in recent years and that expectations of MENA banks and the requirements placed upon them are stricter.

What areas of AML/CFT do MENA banks find most difficult to fulfil and comply with?

A key challenge is optimising the use of new technology related to AML/CFT to drive increased efficiency and effectiveness. Although many have implemented advanced systems to generate alerts and identify suspicious financial flows and sanctioned individuals, such tools require constant tuning and further application of artificial intelligence and machine learning to advance financial crime detection. This requires technology-savvy staff with strong financial intelligence experience who can manage and analyse big data. People with such backgrounds are in high demand.

Banks also need to ensure that they have appropriate governance and control structures around the AML/CFT technology that they use. An additional challenge arises if regulatory guidance is inconsistent.

In early 2021, you were appointed Vice Chair of the MENA chapter of the Global Coalition to Fight Financial Crime (GCFCC). What is the purpose of this initiative?

By way of background, Europol, the World Economic Forum and Refinitiv formed the Coalition back in 2018. A number of leading worldwide organisations are now members, including the MENA FCCG. The GCFCC is a group that aims to promote more effective public and private-sector collaboration and engage policy makers in addressing the financial crime challenges worldwide.

In early 2021, we established the GCFCC MENA Chapter with Ibtissem Lassoued as Chair. I was appointed Vice Chair. GCFCC MENA Chapter and MENA FCCG then

formed a strategic alliance. Both organisations bring complementary strengths to joint initiatives, with the GCFCC drawing on its international infrastructure to provide world-leading technical support, and the MENA FCCG contributing the expertise and outreach of its network of leading private banks.

A key collaboration area between MENA FCCG and GCFCC MENA Chapter is undertaking actions to establish the first-ever Public Private Partnership (PPP) in the MENA region. We’re calling it the MENA Financial Information Sharing Alliance (MENA FISA). We had an initial meeting with MENA FATF and we’re envisioning a regional PPP drawing from the example of the Europol Financial Intelligence Public-Private Partnership (EFIPPP). Key benefits MENA FISA is expected to reap include more timely and relevant reporting in response to active investigations or live incidents, improved quality and usability suspicious reporting, as well as improved law enforcement outcomes supporting investigations, prosecutions, asset recovery or other disruption of criminal networks.

You have material on the MENA FCCG website in English and Arabic but not French. How do you engage with banks in Francophone North Africa?

We are engaging with Francophone Africa through the large amount of Arabic language material on our website. For example, when we released a detailed assessment questionnaire and a guide on ABC, we made sure the material was also available in Arabic. We have also provided a guidance and an assessment questionnaire in Arabic and English on privacy and data protection. MENA FCCG has also posted on its website the Wolfsberg’s CBDDQ 13 Capacity Building videos with Arabic voiceover, as well as an Arabic version of Wolfsberg’s CBDDQ Guidance.

Deepening the involvement with North African banks is a priority for us and we’re currently reaching out to regulators in Tunisia, Algeria, Morocco and Sudan. We also hope that we’ll soon be able to start producing some material in French, which is the language of business in most North African countries. ■

Michael Matossian

Michael Matossian is the key founder of MENA FCCG and its current Deputy Chair. Based in Amman, he is the Chief Compliance Officer at Arab Bank and the Chair of the bank’s Ethics Committee. Mr Matossian has more than 35 years of experience in regulatory risk management, anti-money laundering and corporate governance. He participates in a number of national and international task forces addressing financial crime and compliance matters. MENA FCCG’s website is www.menafccg.com

